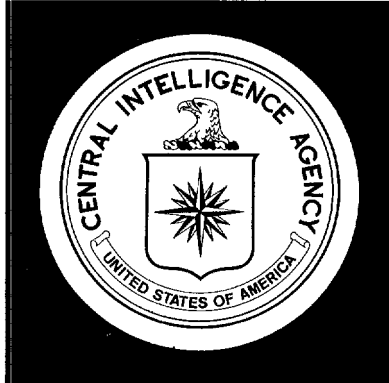




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# Weekly Summary

State Dept. review completed.

DOE review completed.

DIA review completed.

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April 29, 1977

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# CONTENTS

April 29, 1977

- 1 Africa**  
Ethiopia-US; France-FTAI;  
Zaire; France-Africa;  
Mozambique - South Africa
- 4 Middle East**  
USSR-Syria; USSR-Israel;  
Lebanon; Arab States
- 6 Asia**  
Pakistan; Bangladesh
- 7 Western Hemisphere**  
 Colombia
- 8 Eastern Europe: *The Dissident Movement***
- 10 France: *Fast-Breeder Reactor Program***
- 12 Spain: *Moving Toward Democracy***
- 15 The Concorde: *New York Landing Issue***

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Next 1 Page(s) In Document Denied

**Africa**

**ETHIOPIA-US** 6-8

Ethiopia's leftist military government turned decisively away from the country's longstanding close relationship with the US on April 23 by abruptly ending the American military presence and expelling some US civilian officials as well. The move capped several months of increasing denunciations of the US and indications that the Ethiopians were shifting to communist countries as their principal foreign patrons.

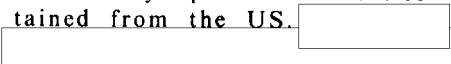
The affected US personnel were serving with the military assistance program, the Kagnew communications station at Asmara in Eritrea Province, the United States Information Service, and a naval medical research unit—all of which were ordered closed. Early this week, the Ethiopians ordered the closure of the US and other Western consulates in Asmara. The four-day deadline initially given the affected Americans to leave the country was later extended to April 30.

In the public statement announcing its action, the Ethiopian regime made clear its annoyance with the recent US decision to halt all grant military assistance to Ethiopia, along with some other countries, because of alleged human rights violations.

The Ethiopians have had some success in recent months in gaining military-assistance commitments from communist countries, and Mengistu is surely hoping that his military break with the US will lead to more. The Ethiopian leader plans to visit Moscow next month and can be expected to press the Soviets to provide military support beyond the package of small arms and defensive weapons they sold to Ethiopia in December and the armored personnel carriers and old tanks they shipped there last month. Moscow will probably try to oblige Mengistu with something more but

may be limited by the certainty of further adverse reaction from Somalia, where the USSR's major regional interests continue to be centered.

So far, however, none of the communist countries has agreed to provide Ethiopia with adequate alternatives to the large and relatively sophisticated items it obtained from the US.



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*Ethiopian leader Mengistu*

**FRANCE-FTAI** 9

Most of France's military forces based in the French Territory of the Afars and Issas may remain there after the colony in East Africa receives its independence this summer. A senior French military officer recently told the US defense attache in Paris that the French Defense Ministry expects to keep as many as 4,500 men of the 6,000-man force in the country at least until the fall, and possibly for an indefinite period thereafter.

French planning calls for most ground forces to stay on, including a light armored unit, a foreign legion battalion, and an artillery detachment. The air force will keep its squadron of F-100 jet fighters

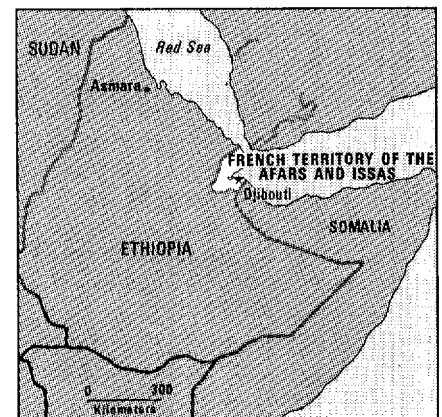
as well as helicopters and several military transport aircraft at Djibouti airfield.

The French believe their continued presence in the territory will provide stability to the area during the transition period and in the critical months immediately after independence. There are unconfirmed reports that the French may have temporarily reinforced their security forces in Djibouti as a precaution against violence during next month's election.

A formal agreement must be worked out with the leaders of the territory to determine how long French forces will stay. These forces are already training the new state's security forces and, if asked, will be available to help defend against foreign attack.

Some 500 native troops now serving in French units will be released from service and encouraged to join the new national defense force. Officer candidates are already being trained in France. Present planning calls for a security force, primarily composed of police and paramilitary units, that will number about 3,000 men.

The senior French officer provided no details on French plans for the naval facility at Djibouti, the only remaining French naval base on the Indian Ocean. In the past, France has maintained a sizable naval contingent there, including major warships, but a number of recent reports indicate the navy plans to reduce significantly its use of these facilities.



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## ZAIRE

President Mobutu's prospects for riding out the trouble in Shaba brightened further during the past week as Zairian troops and their Moroccan allies made progress in reestablishing the government's authority in areas that had been occupied by the Katangan invaders.

On April 25, government forces that had begun to advance westward from the Kolwezi area last week recaptured the town of Mutshatsha; they have since moved farther west. The Katangans are offering little resistance, and government forces are being slowed primarily by muddy roads, damaged bridges, and mines placed by the invaders. If the Katangans continue to abandon their positions, Zairian and Moroccan troops could in a matter of days be in Dilolo, the town near the Angolan border through which many of the Katangans moved into Shaba.

It is still too early to determine whether the invaders are scattering into the countryside to maintain a low-level insurgency—they are essentially guerrilla forces—or pulling back toward Angola. They may be prepared to avoid contact until after the Moroccans depart.

Mobutu this week also received some

good news concerning help for his country's serious financial problems. On April 26, the International Monetary Fund approved a standby agreement with Zaire, making the country eligible for \$84 million in loans over the next year provided the government can meet strict ceilings on expenditures, credit expansion, and foreign borrowing.

Even with the IMF and other loans, Zaire will have to seek additional foreign assistance and debt relief. The crisis in Shaba has set back the government's economic recovery program by forcing the diversion of equipment and resources, especially transport equipment and fuel, from the civilian sector to the army.

Whatever the outcome of the current situation in Shaba, it is clear that Mobutu faces widespread disaffection in that region—and probably in other parts of the country as well. According to a recent report from the US consulate in Lubumbashi, many members of the nongovernment elite in Shaba believe the real crisis in the country is not the recent invasion but Zaire's economic and political deterioration under Mobutu. Members of this elite, in private comments, have expressed varying degrees of support for the Katangans as an anti-Mobutu force and see little hope for improvement in Zaire as long as Mobutu remains in charge.

## FRANCE-AFRICA

French President Giscard and heads of state or other representatives of 19 African countries, most of which are ruled by moderate regimes, met for two days last week in Dakar, Senegal. Those African leaders in attendance who have become fearful of growing Soviet influence on the continent appear to have been reassured that France and other West European states will help protect them.

It was the fourth such French-African summit; the meetings were begun by President Pompidou in 1973 as a means of

preserving and, where possible, expanding French influence in black Africa. The Dakar meeting—the second summit to be held in Africa—was attended by spokesmen for 10 former French territories and the soon-to-be-independent French Territory of the Afars and Issas and 8 former dependencies of Belgium, Portugal, and the UK.

Although the formal sessions at Dakar followed a noncontroversial agenda of economic and developmental topics, African leaders' concerns over events in Zaire—and to a lesser extent in the Horn and in southern Africa—permeated corridor discussions. Pro-Western leaders such as Ivory Coast President Houphouet-Boigny and Senegalese President Senghor see the Katangan thrust into Zaire as the latest example of Soviet expansionism in Africa. Their worry about their inability to resist has been mounting since the Angolan war, which they saw as a Soviet victory over the West.

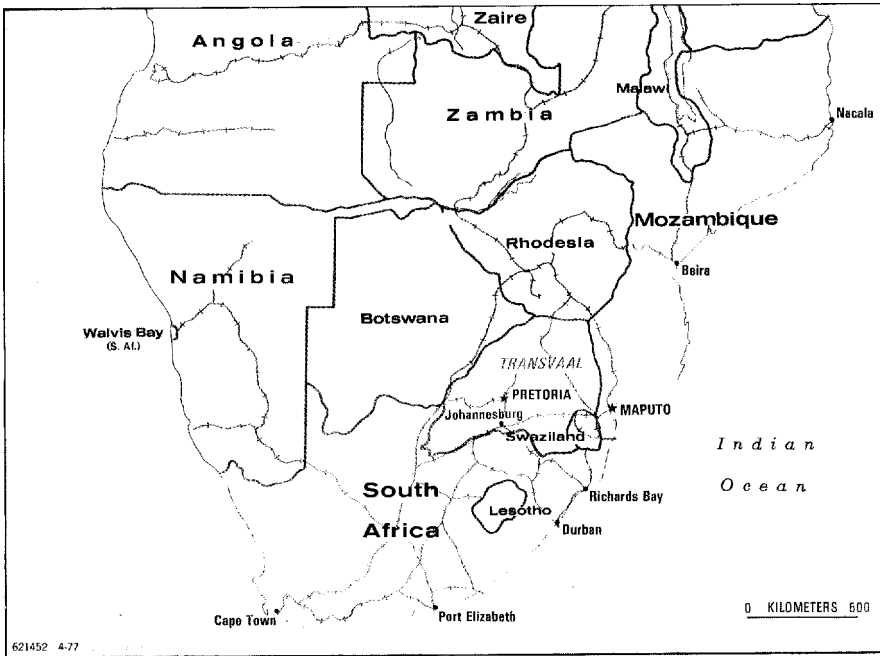
The pro-Western states were heartened by the French decision to provide direct assistance to Zaire, seeing the decision as welcome evidence that they, too, could count on France if directly threatened. The moderate Africans were probably further encouraged by Giscard's statements in Dakar that:

- Every African country has a right to security within its frontiers, no matter what its political choice.
- Defense agreements between France and certain moderate African countries would apply fully if the security of the African states should be threatened.
- France would back any African initiative aimed at continental arms limitation, an apparent reference to French concern over an arms race between moderate and radical French-speaking states.

Giscard also indicated that he would raise the question of African security and development at international meetings, beginning with the economic summit of seven industrial powers to be held in London early next month.

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chrome ore from the nearby mines of the eastern Transvaal. South African ports, now the main gateways for Rhodesian traffic and important outlets for Zaire's copper exports, would be hard pressed to handle the additional volume that would result from closing Maputo.

South African Railways, in attempting to keep the port operating, has supplied technicians and engineers for maintaining traffic between Maputo and the South African border. South Africa has agreed to make repairs on 19 damaged locomotives—almost the entire number in Mozambique's system—and provide 4 additional locomotives.

The rapid improvement and growth of South Africa's own facilities ensure a gradual lessening of dependence on Maputo. Ore-loading equipment comparable to that in Maputo has been installed in Durban, and some 400,000 tons of chrome ore reportedly are being diverted to the South African port.

New container facilities will begin operation after July at Durban, Port Elizabeth, and Cape Town. Richards Bay, the area's biggest port-development project, will provide another alternative.

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22-23  
**MOZAMBIQUE-  
SOUTH AFRICA**

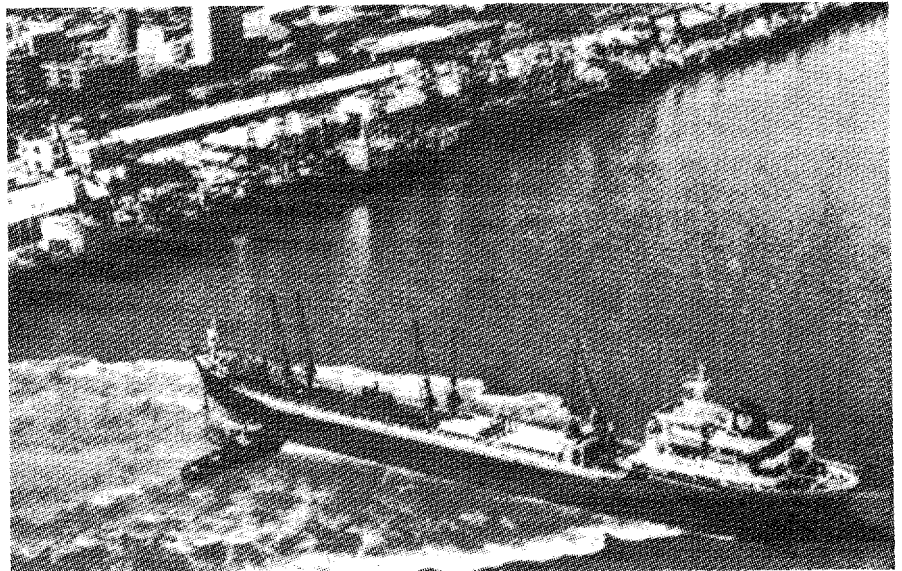
Conditions in the Mozambican port of Maputo are deteriorating rapidly despite vigorous efforts by South Africa to keep cargo moving. The South Africans still depend on Maputo for handling a portion of their foreign trade.

Shipping agents are now predicting that none of their companies will use Maputo, one of Africa's largest ports, by the end of 1977. The port still earns an estimated \$40 million annually in foreign exchange for Mozambique; loss of this revenue would be a severe setback for the country's already deteriorating economy.

Equipment in the port works only sporadically, particularly in the important ore-handling area. Rail facilities are broken down and, as a result, ore-loading operations are haphazard. Ships scheduled to carry chrome ore are leaving the port empty; others are loading at general cargo docks. Harassment has made foreigners reluctant to work in Maputo, and some freight forwarders have closed their offices there.

The South Africans are disturbed.

Although the volume of South African goods transiting Maputo is now less than half the amount that passed through the port in 1975, Maputo at present remains the closest and best-equipped port to serve South Africa's industrial heartland. It is particularly important for the export of



The port area of Maputo

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GAMMA



President Asad of Syria

Middle East

## USSR-SYRIA

Syria and the USSR apparently resolved some of their differences during Syrian President Asad's five-day visit to the Soviet Union last week. Relations between the two countries became strained last year because of disagreement over Syria's intervention in Lebanon.

On the eve of Asad's visit, the Soviets apparently delivered several MIG-21 jet fighters to Syria under existing arms agreements. This was the first delivery of a major armament in 1977 and the first delivery of aircraft in 10 months. After the 1973 Middle East war, Syria became the USSR's primary arms customer among Arab countries. Deliveries in 1976 totaled \$290 million and consisted mostly of sophisticated weapons ordered under an October 1975 accord.

The visit communique issued on April 22 stated that the two sides had considered "steps for further raising the level" of Syrian defenses and called for "further deepening" bilateral economic and technical cooperation. These phrases

suggest that the Soviets agreed to supply Syria with additional arms and economic assistance. Soviet participants in the talks, in addition to the top leaders, included Marshal Ogarkov, chief of the General Staff, and foreign aid specialist Skachkov.

The communique also included a statement that the Palestine Liberation Organization must be at any reconvened Middle East peace conference in Geneva "from the very beginning and on an equal footing." This language contrasts with what had appeared to be a recent Soviet shift away from insistence on Palestinian representation at the outset; it reflects the Syrian position.

Asad, in going to Moscow at this time, clearly wanted to ensure that Syria's relations with the USSR were patched up before his talks with President Carter in Geneva in May. Soviet leaders, for their part, were anxious to reverse the recent trend toward cooler bilateral relations in order to assure Syrian support for greater Soviet involvement in the peace talks. Both sides seem satisfied with the outcome.

Syrian media gave the trip heavy coverage, stressing the "strategic" nature of Syrian-Soviet relations and, by extension, Soviet recognition of the "key" role Syria plays in Middle East peace negotiations. The Syrians replayed portions of General Secretary Brezhnev's banquet remarks, including his statement that Israel, as well as the Palestinian people, has a right to an "independent state and secure existence."

## USSR-ISRAEL 2836

The Soviets have taken two unusual steps to stimulate Israeli hopes that the USSR will take a more balanced approach to sensitive Arab-Israeli issues. The moves appear to be aimed at improving the Soviets' chances of being accepted as intermediaries in the Middle East.

Late last week, Soviet military officers with the UN peacekeeping force in Egypt

entered Israel to visit UN offices in Jerusalem for the first time since the 1967 Middle East war. The Soviet officers refused to meet with their Israeli counterparts, but the visit could lead to such contacts.

The Soviets have long been interested in low-level, unofficial contacts with Israel that would not impact on their relations with the Arabs. The Israelis, however, have been leery of any steps short of restoring full diplomatic relations.

These initiatives follow General Secretary Brezhnev's apparent bow to Israeli sensitivities in remarks on the Middle East to the Soviet trade union congress last month. Brezhnev did not mention the Palestine Liberation Organization and did not attack Israel. Some Israeli officials were pleased that Brezhnev had spoken only of "preliminary" Soviet ideas that Moscow was "not imposing on anyone." His remarks were calculated to suggest that the Soviets could play a constructive role in future Middle East settlement talks.

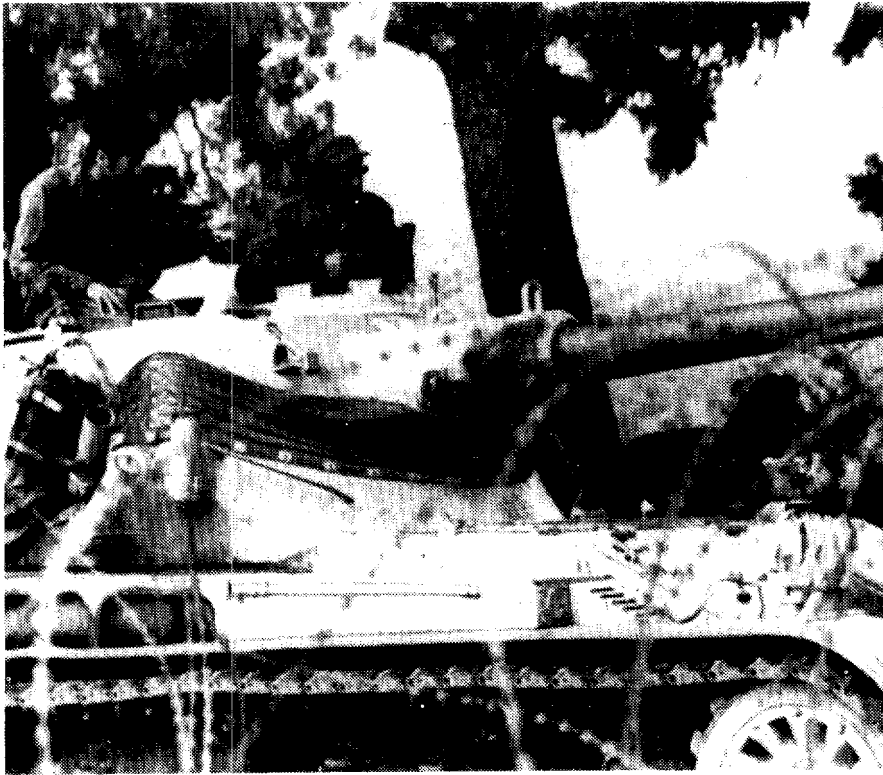
The Soviets do not appear to be ready to agree to an early restoration of diplomatic relations with Israel. Victor Louis, the unofficial Soviet spokesman, has privately observed that an Israeli presence in Moscow would become a focal point for dissidence and demonstrations and would assume a special role with regard to Soviet and world Jewry. Louis added that the present level of contacts offers advantages to both sides.

Thus far, the Israelis have shown no sign of being persuaded that the Soviets have changed their pro-Arab policy. The Israelis will probably not discourage such Soviet approaches, however. They presumably believe that any contacts on their part with Moscow could complicate Soviet-Arab relations by spreading distrust among the Arabs concerning the degree and duration of Soviet support.

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*Christian rightist soldiers sit on their French-built AMX-13 tank*

## LEBANON 31-33

Cooperation between Syria and the mainstream Fatah Palestinian group—evident recently in southern Lebanon, where the two parties combined to check an Israeli-backed military drive by Christian rightists—was demonstrated in Beirut this week. Syrian and Fatah forces worked in close partnership to secure an area of the city where heavy fighting had occurred over the weekend between Syrian troops and Palestinian extremists.

The fighting had been sparked by the killing of two Syrian soldiers, which prompted Syrian peacekeeping forces to move to clear Palestinian extremists and Lebanese leftists from the area around two refugee camps on the outskirts of Beirut. Firing was heavy at times—the Syrians using tanks and artillery fire against Palestinian antitank rocket launchers and heavy machine guns—and

casualties were heavy, particularly among civilians caught in the crossfire. After a cease-fire took effect on April 25, Fatah forces assisted in patrolling the streets of the area while the Syrians concentrated on a house-to-house search for weapons.

The Syrian-Fatah cooperation may include an agreement to move against radical Palestinian groups in Lebanon in order to tighten control over rejectionist fedayeen commandos operating in both Beirut and southern Lebanon.

## ARAB STATES 42-44

Finance ministers and central bankers from 20 Arab countries and the Palestine Liberation Organization formally established the Arab Monetary Fund last week. The new fund is the first regional

version of the International Monetary Fund and is intended to complement the facilities of the IMF.

The agreement on the creation of the Arab fund, which will operate from Abu Dhabi, was reached a year ago, but only recently have a sufficient number of states ratified it. It will help member states overcome balance-of-payments deficits, stabilize Arab exchange rates, facilitate development of Arab financial markets, and work toward the eventual unification of Arab currencies. The fund is initially capitalized at \$900 million, mostly in convertible currencies and, like the IMF, will offer short- and medium-term facilities at nominal interest or service charges.

The heaviest claimants on the fund's resources are likely to be its 13 non-OPEC members, all of which have balance-of-payments problems. By adding the facilities of the Arab fund to those of the IMF, short- and medium-term funds available for these 13 countries will nearly double in the aggregate. This excludes IMF compensatory financing for export shortfalls of basic raw materials.

Credit offered to Arab countries by the Arab Monetary Fund is likely to be made available with much less stringent domestic policy conditions than those demanded by the IMF. Many Arab and other debtor countries have found IMF terms objectionable.

The seven OPEC countries that are members of the Arab fund will, as a bloc, have voting control. Conservative states such as Saudi Arabia and radical states such as Libya, however, probably will be unable to reach agreement on conditions for borrowing.

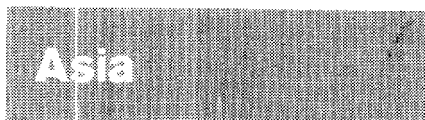
The poorer Arab states have already received large amounts of long-term support or project assistance from the oil-rich Arab states. In 1976, Arab OPEC members transferred more than \$2.5 billion in bilateral economic aid to non-OPEC Arab countries. Small additional amounts were administered by the Arab Fund for Economic and Social Development, an Arab League multilateral aid agency.

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## PAKISTAN

Pakistan's beleaguered Prime Minister Bhutto this week appeared to be moving closer to an agreement with the opposition after nearly seven weeks of demonstrations against him.

Early in the week, Bhutto brought to Islamabad many of the jailed senior leaders of the nine-party opposition alliance and apparently offered to give in to most of their demands. Other opposition leaders have now joined them and are studying Bhutto's proposals carefully. One opposition leader told the press that the Prime Minister's latest offer deserves consideration. In the past, the opposition has rejected Bhutto's proposals quickly.

The opposition may be more willing to compromise because of new indications of military support for the Prime Minister. The opposition has based its campaign on the assumption that eventually the army will intervene to remove Bhutto.

Bhutto bought time for the latest negotiations by imposing martial law on

April 22 in Pakistan's three largest cities—Karachi, Lahore, and Hyderabad.

There were clear indications by midweek that Bhutto's efforts to firm up military support for his government had met with some success. On April 27, the chairman of the joint chiefs and the three service commanders issued a statement in support of the present government, and former army commander Tikka Khan accepted the post of minister of state for defense. Tikka has wide influence in the officer corps.

With the opposition considering Bhutto's latest offer and with martial law and

curfews still in effect, Pakistan has been relatively calm this week, following clashes on April 22 that were the most violent so far in the opposition's campaign. The recently imposed censorship of news dealing with the opposition may also have contributed to the absence of large-scale demonstrations.

Failure of Bhutto's present effort could well bring the reluctant military closer to intervention. Bhutto probably has now offered all the concessions he intends to, and should his opponents continue to hold out for his immediate resignation, further negotiations might be seen by all as pointless.

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## BANGLADESH

General Zia ur-Rahman, military leader of Bangladesh, took several steps last week to give his authority more of a civilian cast and to start the process of returning the country to some measure of parliamentary rule. Zia has been ruling the country under a martial law administration since he took power in November 1975 after a military coup.

On April 21, Zia took for himself the title of president, apparently dismissing President Sayem, whose resignation was publicly attributed to "ill health." The next day, Zia announced that a referendum will be held on May 30 to determine his acceptability as head of state. He also scheduled local and municipal elections for August and a national election for December 1978.

Zia is likely to carry the referendum; he has been a moderately successful leader and appears to be popular with both the military and civilians. His crackdown on corruption, smuggling, and inefficiency in government has been well received.

Under Zia, Bangladesh has enjoyed a degree of stability and prosperity unknown since the nation's independence in 1971. He has brought the restive army un-

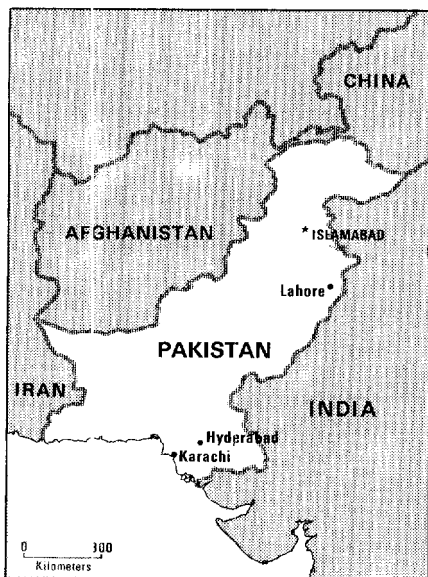
der control, placing trusted colleagues in key command positions and personally defusing several incipient crises. He has appealed to Bangladeshi nationalism by standing up to India in various bilateral disputes.

If Zia is approved, he could claim that the vote legitimizes his rule and proceed to abolish the martial law administration. If he plans to seek elected national office in the 1978 election, he will need to form his own political party or win the support of one of the established parties. The release of over 700 political prisoners on April 22, including some influential politicians, may be intended to improve Zia's chances of winning support within existing parties.

Zia must retain the support of the armed forces to remain in power. For this reason, he will probably keep, for the present, his position as army chief of staff. Zia's assumption of the presidency may have irked some within the military. Should he now disband the martial law administration, leaders of the air force and navy—who hold some power as deputy martial law administrators—could become disaffected with Zia's rule. Both services are small, however; the real power remains with the army.

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Western Hemisphere

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President Lopez

COLOMBIA *60-62*

Colombia is facing a number of political and economic problems that are likely to cause difficulties for President Lopez during the remaining 16 months of his term. The problems have eroded some of the broad support Lopez enjoyed upon taking office and have even spawned rumors of a military coup, but there is no evidence of a serious threat to the government.

Since he came to power in 1974, Lopez has been determined to redistribute wealth and reduce the country's high inflation. By employing politically risky measures, such as increasing taxes and curtailing government borrowing, he reduced inflation in 1975, but at the same time he slowed the economic growth rate to its lowest point in 10 years.

Last year, the influx of large foreign-exchange earnings from windfall coffee prices and illegal narcotics exports helped to boost the growth rate, but the expansion of aggregate demand rekindled inflation. Real wages continue to diminish, and unemployment remains high as a result of the anti-inflation program. The announcement last month of only a 14.1-percent cost-of-living increase in wages brought forth renewed threats of union protests.

Colombia's leftist-influenced labor unions, reacting to the failure of the President's anti-inflation program, have encouraged strikes in both the public and private sectors over the past two years. Lopez, despite his libertarian concepts, called out the army to quell the disturbances, curtailed some civil liberties, and, on two occasions, imposed a nationwide state of siege.

Scandals concerning alleged improprieties on the part of Lopez' sons have further clouded the political scene and have focused some of the criticism on the President himself. Many former Lopez supporters believe he has failed to accomplish the goals to which he has assigned high priority, and some military leaders have been disillusioned by his inability to maintain public order and to achieve economic stability. Most Colombians, however, retain a strong attachment to their country's democratic institutions.

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*Open manifestations of unrest and dissidence in Eastern Europe have waned somewhat in recent weeks, but the basic problems remain.*

## Eastern Europe: The Dissident Movement

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The dissident movement throughout Eastern Europe varies in intensity from country to country, but it arises from similar causes. In Poland it is rooted in economic problems and is by far the most volatile; in East Germany and Czechoslovakia, it is essentially still an intellectual movement and nonviolent; in Romania and Yugoslavia it is small and disorganized.

The underlying causes of unrest and dissidence have remained essentially unchanged for almost 30 years:

- To varying degrees, all regimes in Eastern Europe are repressive and do not command the loyalty of the people.
- Ties to the USSR contradict strong nationalist sentiment and the emotional and cultural pull of the West.
- The economic performance of the regimes is deficient.

There are new elements contributing to the current problem in Eastern Europe. Foremost among them is the Soviet policy of detente, which has:

- Promoted and legitimized increased interchanges with the West.
- Resulted in a series of agreements reducing the isolation of the East European people and raising expectations of more to come.
- Fostered a political atmosphere making it more difficult for the regimes to deal with internal problems in authoritarian ways.
- Increased the Soviet stake in order and stability in Eastern Europe even as it has brought increased

destabilizing pressures from the West.

The flowering of Eurocommunism in Western Europe is another new and troublesome problem for the East European regimes and the USSR—not only because its leading proponents give verbal aid and comfort to East European and Soviet dissidents but, more importantly, because it appeals to the ranks of ruling parties in Eastern Europe. The Soviets and East Europeans are also concerned that President Carter's statements on human rights will cause trouble for the USSR in its own backyard.

Western broadcasts, notably those of Radio Free Europe, have played a key role in acquainting East European dissidents, as well as the general population, with the variety of dissident activities in Eastern Europe and in the USSR itself. Accordingly, Western media have been under strong attack by all the communist regimes.

### Poland

The situation in Poland is by far the most volatile in Eastern Europe. The popular mood has remained tense and sullen since the outbreak of worker unrest last summer, despite the regime's measures to dissipate the discontent.

Dissatisfaction is rooted in economic problems that the regime can neither solve nor significantly ameliorate any time soon. Popular discontent extends beyond economic issues to fundamental questions about the competence and legitimacy of the entire system and its leaders.

Poland's intellectuals have established the Workers Defense League, raised funds for the families of workers jailed after the

June riots, and are calling for an amnesty and an investigation of police abuses. The dissident intellectuals have given some verbal support to the Czechoslovak dissidents but are largely preoccupied with their own problems and opportunities in Poland.

The authorities, who beat a hasty retreat before the workers' wrath last summer, have handled the intellectuals cautiously since autumn. The leadership is acutely aware that it faces a volatile situation and that a confrontation must be avoided.

The regime is trying to prevent the growth of cooperation between the workers and the dissident intellectuals, and party chief Gierek has released some imprisoned workers and declared a conditional amnesty for others, even as he has refused to undertake the investigation that the Workers Defense League hoped would provide a focus for more fundamental criticism.

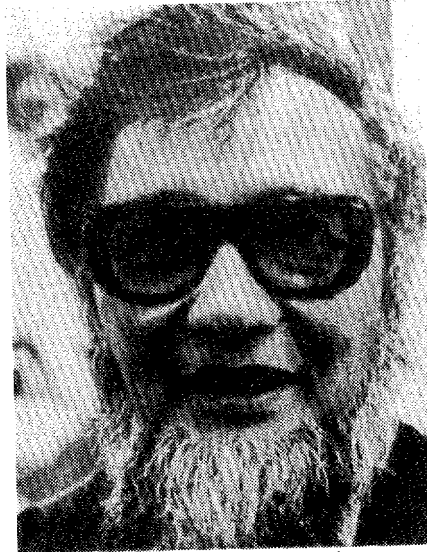
### East Germany

The disquiet in East Germany has not manifested itself in violence or overt hostile acts against the regime. The temper in East Germany seems to be less churlish than in Poland and far less volatile. There is no evidence that the East German dissidents are united.

The Honecker regime is greatly concerned about the attraction of the West, particularly West Germany, for the East German population. Three out of every four East German homes receive, and presumably watch, West German television. Millions of travelers from the West enter East Germany every year. Against

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*Zdenek Mlynar of Czechoslovakia**Paul Goma of Romania**Milovan Djilas of Yugoslavia*

this kind of "subversion," Honecker's attempts to create a separate and distinctly East German nationalism have faltered.

The Helsinki accords have made life more difficult for the regime. Acting under its provisions, large numbers of East Germans have applied for visas to emigrate to the West. The government is taking steps to discourage such applications, and it is very doubtful that many East Germans will be allowed to leave, no matter what the pressures from the West. Prominent dissident writer Reiner Kunze was allowed to leave for West Germany this month, but this was a special case, and the regime will use it to demonstrate that the government has a positive attitude toward humanitarian issues.

Some signs of increased worker restiveness have appeared in complaints about working conditions, wages, and hours. Thus far, however, there is little evidence that the regime feels itself under great pressure from the workers. A worsening of the economic situation, as in other East European countries, could lead to greater coordination on the part of the various groups dissatisfied with government policies.

Last fall, the regime had some trouble

with clergy in the Lutheran Church and with a few outspoken dissident intellectuals. In general, the regime's carrot-and-stick tactics have been relatively successful in keeping things quiet within the intellectual community.

#### **Czechoslovakia**

The Czechoslovak dissidents have taken center stage among East European dissident intellectuals by their direct challenge to regime practices regarding civil rights, as outlined in a manifesto prepared early last fall but not publicized until January. The Charter 77 movement, a mix of well-known oppositionists who were politically active during the short-lived "Prague Spring" in 1968 and a surprisingly large number—more than 600—of other intellectuals and technocrats, clearly has the authorities worried.

One Czechoslovak diplomat abroad has reported that his colleagues have been nervous about what the Chartists say, particularly on ideological questions. One reason the regime is concerned is that the Chartists represent, in a figurative sense, the large number of people—perhaps as many as 500,000—who were purged or resigned from the Communist Party after the Soviet invasion in 1968 and whose political and other rights remain severely

circumscribed.

As apostles of the effort to give socialism a "human face," many of the Chartists consider themselves forerunners of the Eurocommunism of the 1970s. The government has harassed the Chartists, arresting several and placing others under virtual house arrest, but has not initiated a thoroughgoing crackdown.

The Charter 77 cause appears to have lost much of its momentum during the past month. One of the most prominent dissidents—former party secretary Zdenek Mlynar—reportedly has become disheartened and is considering emigration. Just this week, a Czechoslovak court upheld the "legality" of Mlynar's dismissal from his job in mid-January for Chartist activity. Despite Mlynar's disillusionment, however, there are indications that some other dissidents may try to dramatize their cause on the eve of the Review Conference on Security and Cooperation in Europe to be held in Belgrade in June.

#### **Romania, Hungary, Bulgaria**

The small number of Romanian dissidents have been deeply divided by personal feuds and different goals, but some common ground has been found in Charter 77. The dissidents consist mainly of artists and intellectuals without

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national prestige. Novelist Paul Goma's "open letter" in support of the Chartists, his Romanian version of the Czechoslovak manifesto, and protests by Romania's small dissident Baptist community are the only recent signs of vitality.

Goma's letter strongly criticized President Ceausescu's personal role and his authoritarianism. In Romania, Goma made clear, the problem is not the Soviets but Ceausescu himself. This personal attack may account for Ceausescu's vitriolic speech blasting the dissidents.

Since late March, the Ceausescu regime has taken a tougher line. A number of dissidents are now openly harassed, several have been assigned to work in factories, and Goma himself reportedly is under arrest and may be tried. The regime has also begun a campaign against emigration.

Dissidence in Hungary has been muted

and has produced no signs of serious concern from the regime. A small number of intellectuals have publicly supported the Czechoslovak Chartists, but thus far they have not criticized conditions in Hungary. There is little active dissent in Bulgaria, still Moscow's most dependable and ideologically conformist ally.

#### Yugoslavia

Opposition to the political establishment in Yugoslavia is unorganized and factionalized but is worrisome to the Tito regime. Employment of harsh measures to suppress the opposition would make it more difficult for the leadership to argue that Yugoslavia is qualitatively "different" from other communist states. The regime's attitude toward dissent is colored by its abiding concern about the nationalities problem; all dissent is seen as potentially destabilizing.

Although such well-known per-

sonalities as Milovan Djilas and Mihajlo Mihajlov have long spoken out against government policies and communist practices, the intellectuals and students now criticizing passport policies and supporting the Czechoslovak Chartists are not widely known to the general public.

The government has firmly warned dissidents against further public accusations that it is ignoring the human rights provisions of the Helsinki accords. Belgrade's immediate concern is to limit adverse international publicity, as this would seriously embarrass the regime as it prepares to host the Review Conference. It has circulated the word that there may be an amnesty for such well-known dissenters as Mihajlov before the meeting as a gesture of Yugoslavia's good intentions on the human rights front and to blunt criticism of its performance.

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*The French have a long-term commitment to a fast-breeder reactor program, which they hope will reduce their dependence on imported energy and technology.*

## France: Fast-Breeder Reactor Program

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France is the world leader in fast-breeder reactor development and is determined to increase that lead. The French hope their breeder program will reduce dependence on foreign energy sources and provide the country with a major new export. Neither domestic nor international pressures are likely to convince France that the risks associated with the use of fast-breeder reactors will outweigh those benefits.

Believing that the growing use of light-water reactors will overtax uranium production and enrichment capacity by the turn of the century, the French have devoted 20 percent of their total energy research and development expenditures and 40 percent of their nuclear effort to the fast-breeder program.

Paris expects breeder reactors to play the key role during the second phase of a long-term, three-stage energy program. During the first phase, lasting until the late 1980s, increased energy needs will be met chiefly by a massive expansion of

conventional nuclear power. Fast breeders are to become the main power producers at that point and remain the workhorse of the energy program for perhaps several decades, until controlled fusion or some other source is available.

The targets are extremely ambitious; by 1990 the French hope to install as much as 10,000-megawatts of fast-breeder generating capacity. The cost of building fast-breeder reactors through the mid-1980s is estimated to be 40 percent greater than for pressurized-water reactors. Paris is prepared to subsidize the

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construction of several fast-breeder power stations, believing that low operating costs will make them competitive with pressurized-water reactors by the early 1990s.

Unlike light-water reactors, both fuel fabrication and reprocessing operations greatly influence the economics of a fast-breeder system. The French are increasing their capacity for producing fast-breeder fuel and are planning an associated reprocessing facility to be ready in the early 1980s. Plutonium that is retrieved from the breeder will be used to make new breeder fuel. France probably will not recycle plutonium in conventional reactors to any significant extent before 1985.

#### Development Program

While the US has funded a broad breeder research program exploring several possible solutions to a single problem, the French have taken a narrower approach. The minimum number of steps necessary to reach the goal of building an economical breeder reactor have been outlined and strictly followed.

The showpiece of the program is the Phenix power station, a 250-megawatt demonstration plant that operated for more than two years with few major interruptions, until late last year, when problems developed in its heat exchangers. The equipment is being modified, and the plant is likely to be in operation again by this summer.

The French believe that the Phenix has fulfilled its role in demonstrating that a sodium-cooled fast-breeder power station can function smoothly and safely and compete with other types of power plants. In fact, the Phenix has been the most successful demonstration breeder reactor to date.

The French are also moving ahead with Super Phenix, a 1,200-megawatt power station—funded in part by Italy and West Germany—to be operational by 1982. Super Phenix will have a number of features significantly improved or different from those of Phenix. The steam generator, for example, is to be a new large unit as opposed to the many small

modules used in Phenix.

Because of its unproven features and because the French program has only a small research base to draw on for solutions to unexpected problems, complications and delays in the Super Phenix schedule are quite possible. French scientists are nevertheless already beginning to look ahead to the next step—an 1,800-megawatt fast breeder to be completed in the late 1980s—to be called the Super Super Phenix.

#### French Goals

Paris plans to capitalize on its leadership in the field and become a major exporter of fast breeders, a logical extension of the current policy of actively pushing exports of conventional reactors.

The strongest motivation behind the fast-breeder program is France's pervasive desire to reduce its dependence on other countries, particularly in the energy field. France now imports more than three quarters of its total energy needs. By

producing more fuel than they consume, breeder reactors would make a welcome contribution toward reducing this level of dependence.

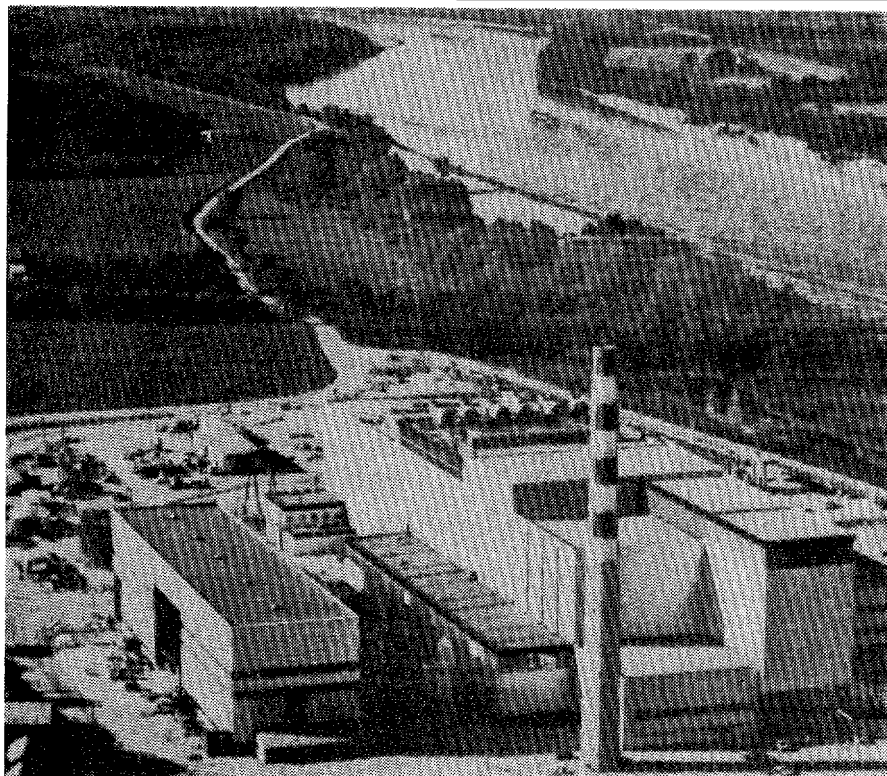
Almost as important to French policy makers is the contribution that the fast breeder can make to French technological independence. Paris has always been unhappy about the fact that its current nuclear program relies heavily on US technology.

#### Future of the Program

The fast-breeder program has not yet evoked much domestic opposition. Antinuclear feeling has been slow to develop in France; attention thus far has focused on the conventional nuclear program. Domestic opposition to the fast breeder probably will intensify as the associated risks become more widely assessed by the press, but such opposition is not expected to be sufficient to force a major cutback in the program.

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*France's Phenix fast-breeder nuclear power plant*

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*Although the post-Franco government continues to face serious, potentially destabilizing problems, the political liberalization program of King Juan Carlos and Prime Minister Adolfo Suarez now has considerable momentum behind it, enhancing the government's chances of getting through the difficult transition to a democratic system.*

## Spain: Moving Toward Democracy

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The scheduled election this June of a parliament with constituent powers will be an important milestone in King Juan Carlos' effort to put Spain on the road to political democracy. The new government will have to surmount a host of political and economic obstacles, however.

Juan Carlos and his Prime Minister, Adolfo Suarez, who visits Washington on April 29, have proved to be a highly effective political team. The King, aiming to be a constitutional monarch, remains above the political fray in public, but intervenes quietly when necessary to get support for the political reform program, particularly from the military. He seems to have given Suarez wide latitude to act on his own, but the two consult frequently, and the Prime Minister probably clears major decisions with the King.

Suarez, for his part, has provided much of the toughness, dynamism, and political skill behind the King's program. Suarez recently passed a critical test when he legalized the Spanish Communist Party, a key demand of centrist and leftist leaders whose cooperation is essential to the success of the reform program. Many in the military hierarchy disapproved of the action, and although they have acquiesced to avoid a political crisis, relations between the government and the military have been strained. The military is likely to be wary of Suarez in the future.

### The Coming Election

The chances are good that the election—the first free vote in over 40 years in Spain—will take place as scheduled on June 15, and the government will try to keep the contest fair and open. More than 100 parties are planning election coalitions of the right, center, or left.

Many polls show an undecided vote of around 20 percent, and the recent furor over legalization of the Communist Party may alarm some Spaniards and cause them to vote for rightists. Suarez and party leaders of the center and the left believe Communist participation in the election will disclose the party's weakness. Most polls, in fact, give the Communists only between 7 and 10 percent of the vote.

The election seems likely to produce a centrist majority in the lower house, which will be more important and probably less conservative than the senate.

Suarez is almost certain to continue as Prime Minister, whether or not he runs for parliament. However, he does not have to run to stay on the job. He is responsible only to the King and the advisory Council of the Realm; the King almost certainly will retain him.

Suarez could remain above the fray, but he is concerned that the center parties may need his name to boost their election appeal. Suarez has apparently changed his mind several times about running but is now planning to do so. He reportedly

will announce his candidacy on his return from the US.

The Prime Minister may soon reshuffle his cabinet as a tactical move to bring in some respected nonpolitical figures to give his government a nonpartisan appearance during the election period.

In the new parliament, Suarez' working majority will be an alliance of Liberals, Social Democrats, Christian Democrats, and other centrists, who will probably control 40 to 50 percent of the seats. He may have to rely on support from moderates in the rightist alliance, which may get 15 to 30 percent of the seats, or on leftists—who may win a similar share of seats—depending on the issue at stake.

### After the Balloting

Widespread popular support for peaceful change and a nearly universal desire to avoid excesses that could lead to another civil war will aid Spain in its efforts to become a democracy. Suarez and the new parliament will still face formidable tasks. They must:

- Decide on constitutional changes necessary to continue dismantling Franco's authoritarian system and establish democratic institutions.
- Deal with insistent regional demands for autonomy.
- Undertake a comprehensive program to tackle pressing economic problems.
- Dismantle the state-run syndical organization and work with free labor

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unions.

- Handle possible demonstrations and terrorist acts by disgruntled extremists on the right and the left who may try to slow or reverse reform.

Although any one of these problems has destabilizing aspects that could derail the process of political reform, the momentum for peaceful change already built up suggests that the government will be able to get through the transition to a democratic society.

#### **Terrorism, Regional Unrest**

Both the far right and the far left have used terrorism this year to try to provoke a government crackdown that would disrupt the reform program. The government has not overreacted; instead, in March it issued a decree broadening the King's earlier amnesty to apply to most of the remaining 200 or so political prisoners. It also cracked down on rightist violence.

One problem for the government is the sympathy among some members of the security forces for right-wing terrorists. The government has replaced some reactionary officers and hopes that the efforts of ultraconservatives will now be channeled into the election campaign. The ultra-right may still resort to violent protest, but tensions have eased and protest is unlikely to disrupt the election.

A major threat to orderly political progress is the demand for regional autonomy. Demonstrations, strikes, and terrorist acts in the Basque and Catalan regions are manifestations of discontent over Madrid's slowness in addressing regional demands.

The government has made a few concessions since Franco died in 1975, but Suarez maintains that in the face of strong opposition from the military, only a democratically elected parliament can go further.

Terrorist acts by separatist groups could spark a reaction from the right that would threaten the government's political liberalization program in the country as a whole. At least for the present, however, most of the regional opposition groups appear willing to wait until after the new

parliament is elected to see what will be done about their demands for autonomy.

#### **A Challenge From Labor**

The cooperation of labor is crucial to overcoming Spain's political and economic problems, and the Suarez government has been slow in responding to labor's pressing demand for free and legal unions. Labor unions were legalized last month, but the right to strike is still limited. The hated government-run Spanish Syndical Organization—the only legal union under Franco—has not yet been abolished.

The strongest and best organized of the newly legal unions are the Communist-dominated Workers Commissions. The Communists have had considerable success in using economic grievances to start strikes that have then taken on political overtones of opposition to the government. In recent months, however, the Workers Commissions have avoided actions challenging the government in order to facilitate legalization of the Communist Party.

The chief rival labor organization is the Socialist General Union of Workers, which is struggling to regain the dominant position it had in the labor movement before Franco. It too has exercised restraint in recent months. Labor cooperation in political reform, however, could dissolve if the government tries to impose rigid austerity without sufficient consultation with the legalized and feisty unions.

#### **Economic Problems**

Suarez has been gambling that the economy will not take a major turn for the worse before the June election so that he can postpone unpopular corrective measures until he has an elected parliament to share responsibility for them.

Spain is plagued by rampant inflation, high unemployment, a large balance-of-payments deficit, and slow economic growth. The new parliament will be preoccupied with framing a constitution and will probably be slow to agree on a comprehensive program that addresses these economic problems. Hence, remedial measures are not apt to be adopted in



*Prime Minister Suarez*

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*Demonstration for regional autonomy in Barcelona*

time to have an impact this year, and real growth in gross national product is unlikely to surpass the meager 1.7-percent rise of last year.

Inflation continues at one of the highest rates in the West. Following three years of double-digit increases, prices rose 20 percent in 1976 and could rise even more this year if the increase during the first quarter of this year continues.

Sharp increases in unit labor costs underlie Spain's high inflation rate. Wage increases have averaged about 30 percent annually since 1973; neither the Suarez government nor its predecessors have

been willing to contain wage growth for fear of sparking serious labor unrest.

Investment by domestic and foreign companies in Spain remains acutely depressed. With business profits down, considerable excess capacity available, and political uncertainties clouding the horizon, investment in 1977 probably will decline again, for the third year in a row. Thus, unemployment, already near 6 percent, threatens to worsen.

Spain's balance of payments has deteriorated drastically since 1973, mainly because of the international recession and the greatly increased cost of imported

oil. Even if recent oil conservation measures prove effective, this year's trade deficit will approach the \$8.8 billion recorded in 1976, the largest among members of the Organization for Economic Cooperation and Development.

So far, Spain has covered its current-account deficit largely by public borrowing abroad. The external debt consequently rose over \$4 billion last year, to a total of \$12 billion. Debt service during 1976 amounted to 16 percent of export earnings. While the debt is still considered manageable, the trend this year will again be to rely upon foreign borrowing in addition to drawing down reserves.

The payments problem underlies some trouble spots in Spanish-US relations. Spain has embarked on a large nuclear energy program to lower dependence upon costly imported fuel and is heavily committed to using US-made reactors.

At present, the program is being held up because US firms have not received export licenses for eight reactors, associated equipment, and enriched uranium fuel for Spain. Madrid has temporarily halted the signing of any contracts with US nuclear equipment suppliers, hoping to persuade the US not to place new restrictions on nuclear materials.

Spain could find other suppliers, but the ensuing delay and modifications necessary to adapt to non-US reactor designs would be a serious setback to the Spanish nuclear power program.

The recent US decision to formulate an orderly market agreement on shoes also concerns Spain. If the US Congress rejects the forthcoming presidential plan, then the US International Trade Commission's recommendation for quotas will become effective this summer. Suarez considers the recommendation protectionist and damaging to Spanish exports.

Spain's interest in this issue is keen because the country's trade deficit with the US has averaged \$1.6 billion since 1974. About 20 percent of all Spanish shoe production goes to the US—more than one fourth of total Spanish exports to the US.

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*A refusal of New York landing rights for the supersonic Concorde would almost certainly result in French retaliation. French unions would refuse to service US airlines serving France, and the French government might tighten controls on some US businesses operating in France.*

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## The Concorde: New York Landing Issue

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The French view the Concorde—the product of 15 years of effort and an expenditure of almost \$3 billion by France and the UK—as an unquestioned technological success. Support for the program comes from governmental, industrial, and social power groups that rarely come together with such unanimity on one issue.

As the French see it, opposition in the US to New York landing rights is an attempt to thwart West European hopes for additional access to the leading gateway to North America. When the US pulled out of the competition to produce a supersonic transport, France and the UK persevered and completed an aircraft that meets the requirements specified when the program got under way in the early 1960s.

### Response to Denial

In the event of an adverse decision on Concorde landing rights, French labor unions have already announced plans to refuse service to US airliners operating in France and would take the lead in organizing demonstrations against the US decision. They probably would also attempt to lead a boycott of US-made products. Aside from the possible disruption of US air carrier service, the actual

economic effects would probably not be great.

The French government would strongly criticize an adverse decision but would rely primarily on a strong court case to win landing rights. The French case contends that the New York - to - Paris run allows for reduced takeoff weight. Lower weight and adjusted takeoff procedures, the French maintain, will reduce noise level sufficiently to meet New York requirements. The French government would not begin retaliatory measures unless the legal battle were lost.

If the court battle is lost, the French could apply pressure in several other areas. The French might, for example, pull back from the closer ties that have been developing between their aircraft industry and US manufacturers, even though the French aircraft industry would suffer more than its US counterparts. Other French actions could include foot-dragging in multilateral trade negotiations and moves to tighten French controls on some US businesses.

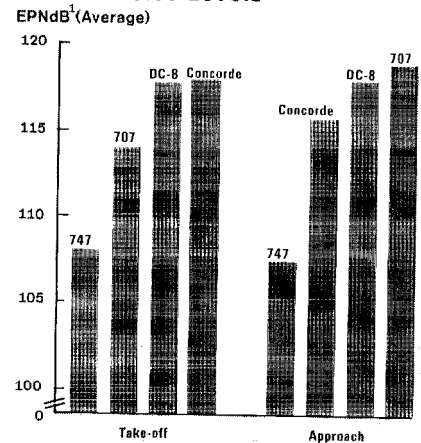
### The New York Question

Although the Giscard government is not naive about the constitutional powers of local authorities in the US, French officials have difficulty comprehending the latitude of independent decision making that such local governments exercise. Many in France would attribute some of the pressure against landing rights for the

Concorde to US aircraft manufacturers and airlines that fear competition. Many are convinced that a US-built supersonic transport would not have encountered such obstacles as those the Concorde faces. Arguments against noise and other environmental hazards are seen as little more than a facade.

Staking out and maintaining a strong position on landing rights is a political imperative for the current French leadership. President Giscard is already under fire from both Gaullists and politicians on the left, who believe his willingness to

### Typical Four-Engine Long-Range Aircraft Noise Levels



1. EPNdB is effective perceived noise decibel weighted for acoustic frequency and duration. Data compiled by the Federal Aviation Administration at Dulles Airport.

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cooperate with the US will lead him to press less forcefully than he might otherwise for landing rights.

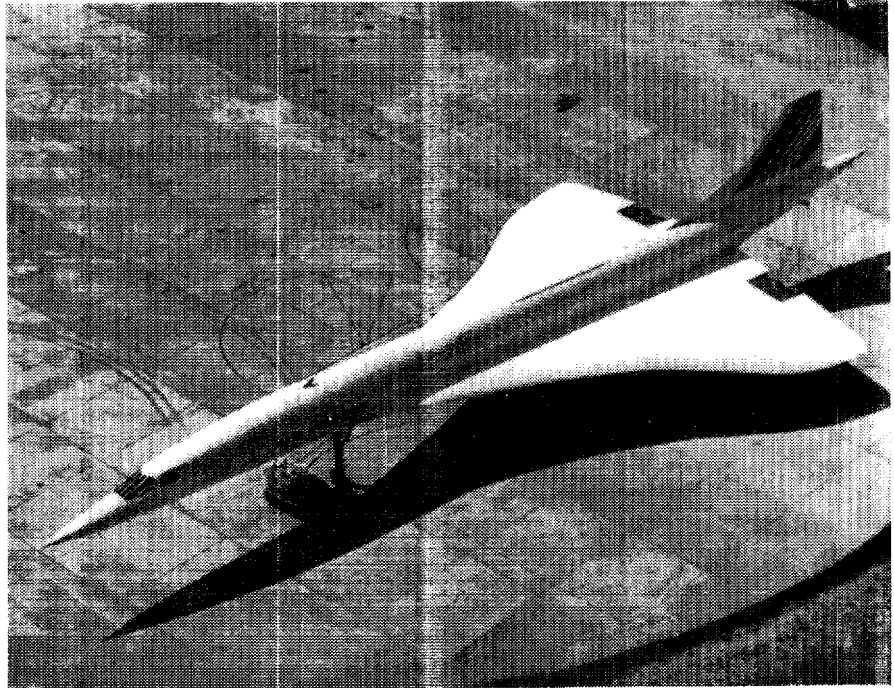
New York landing rights are essential if France and the UK are to get a limited return on their Concorde investment. Each year, more than 9 million persons cross the North Atlantic—the world's most heavily traveled international air route. Most of the passengers transit New York; perhaps as many as 500,000 are businessmen and wealthy tourists, who can pay the higher Concorde fares, which are now about 20 percent above regular first-class fares.

Because of the limited number of Concorde aircraft and the vast potential of the North Atlantic market, a competitive Concorde service from Paris and London to New York would probably have only a slight impact on US and foreign carriers on the same route. The precarious financial condition of many international airlines, however, has led them to view any possible loss of revenue—no matter how small—with alarm. Under the most optimistic assumption, the Concorde would probably carry 30,000 passengers annually to and from New York in the first year or two of operations. Much of this business would come from persons likely to have used Air France and British Airways.

#### Implications of New York Decision

A decision by New York to allow the Concorde to land there would shore up the limited existing Concorde service, add to the acceptance of the aircraft by travelers, and accelerate the selective expansion of supersonic routes. It might also lay the groundwork for a second production run. A denial of landing rights would hamper sales of the remaining Concorde aircraft and make a second production run less likely.

Because of the built-in delays of litigation and the unquestioned importance of North Atlantic routes for the Concorde, no early change is likely in the British-French decision to cease assembly when the current production run of 16 aircraft is completed. Of these, five have been sold to the captive market of Air



*The supersonic aircraft Concorde*

France and four to British Airways. Currently, Iran Air holds purchase options on two Concordes, and China's national airline has options on three.

In its limited commercial service to date, the Concorde's technical performance has been excellent, and passenger sales have been quite good. Routes now include Air France service three times a week between Charles de Gaulle Airport near Paris and Dulles Airport near Washington. The French airline also operates weekly Concorde flights between Paris and Caracas via Santa Maria in the Azores and twice-weekly service between Paris and Rio de Janeiro.

British Airways provides thrice-weekly Concorde service between London's Heathrow Airport and Dulles. British Airways also offers a weekly flight between London and Bahrain.

The Concorde has attracted more passengers than originally projected. Air France has reported that in recent months the average load factor on the Paris-to-Rio run has been slightly above 70 percent. On service to Washington, an even

higher average load factor has been reported—about 80 percent. If these high load factors were combined with greater utilization, the present Concorde fleet would meet direct operating costs and make a contribution to fixed costs, including some return on development allocations.

No matter what New York decides, Air France and British Airways will continue existing Concorde service. The vast sums needed to develop the aircraft have been spent, and only relatively small subsidies will maintain service.

The British Airways service to Bahrain was established as the first leg of a route to Australia via Singapore. Despite some domestic resistance, Australia seems to favor a Concorde landing, probably in Melbourne. Other possible Air France service includes Buenos Aires as an extension of the Rio de Janeiro service. Both airlines are considering a new route to Johannesburg. Such a service would require an intermediate stop somewhere in central Africa.

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