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Note: As a result of a reorganization, effective 11 October 1977, intelligence publications formerly issued by the Directorate of Intelligence and by the National Intelligence Officers are now being issued by the National Foreign Assessment Center. Publication covers and titles have been adjusted to reflect this change. This publication was formerly titled *International Issues*.

This publication is prepared by the International Issues Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the best judgments of individual analysts who are aware that many of the issues they discuss are subject to alternative interpretation. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Political Factors Affecting the Security of International
Oil Supply

A great deal of attention has recently been focused on the oil supply problems created by resource and economic factors, and considerable analytic effort has been devoted to the question of how the United States and other developed countries will be affected by shortages in the early to mid-1980s. Also, continuing attention is paid to the short-term possibility of an Arab oil embargo arising from some aspect of the Arab-Israeli conflict. This article addresses other political factors that could, in the future, lead to less drastic but still potentially disruptive reductions in production or steep price increases.

The purpose of the article is not so much to estimate the chance for such disruptions as to make the point that the odds are likely to grow as the supply situation tightens during the early 1980s and to examine the considerable range of complex political issues to which adequate oil supplies now seem mortgaged. This article is necessarily speculative and does not represent the official view of either ORPA or NFAC.

* * *

Leaving aside the Middle East question (from the potential for actual conflict to Arab elite perceptions of the US role in peace negotiations), the two political factors that seem most likely to threaten the security of oil supplies are regional disputes involving oil producing states and changes of regime in one or more of them. Both of these problems have received considerable attention from regional political analysts and have recently become part of international energy policy deliberations and are therefore only briefly discussed here.

The prospect of an exporter threatening to disrupt supplies to affect the outcome of a regional dispute is potentially most serious among Middle East OPEC members. As the overall oil supply situation tightens, the chances that a participant in a regional dispute will

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threaten to disrupt exports to gain leverage over the US or some other third party will probably increase. The potential for tension between Saudi Arabia and Iran regarding military and political influence in the Persian Gulf provides the most widely discussed example, although a Syrian-Iraqi or Iranian-Iraqi dispute seems just as likely. The conflicts between "radical" regimes (Iraq, Syria, Algeria, Libya) and "conservative" regimes (Saudi Arabia, Kuwait, UAE, Iran), based on economic and political disagreements of both a practical and ideological nature, seem to provide an even greater danger because of the number of participants and the interests of outside states, particularly the United States and the Soviet Union.

With respect to a change of regime in the oil producing states, the most disruptive potential change would involve the replacement of conservative regimes that have been closely linked to the United States (Iran or Saudi Arabia) by more radical governments or factions that might be less willing to expand production and more likely to exert pressure for concessions in other areas because of their ideological preferences or a new definition of national interest.

Less severe but still important reductions in the amount of oil produced and available for export could occur as the result of an electoral change in government, individual executive changes, or even attitudinal changes in Venezuela or Mexico. In Venezuela for example, because of severe domestic revenue pressures and a wide recognition that economic development is dependent on good US-Venezuelan relations, there is good reason to accept the validity of pledges made by both political parties to honor supply commitments to the US (as they did during the 1973-74 OAPEC embargo). Assuming, however, future governmental political and technical control of both production and marketing, it is possible that during a tight market period Venezuelan decisions on production and pricing will be linked to pressures for concessions in other policy areas. While any such production or pricing decisions would be fairly incremental, they would serve as a constant source of pressure that would be exerted in a complex bargaining process.

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A third set of factors that could disrupt the international oil market stems from problems in North-South relations.* Although this set of factors does not constitute as serious and immediate a danger as the Middle East question or as potentially volatile a situation as regional conflicts or changes in regime, it will probably grow in importance. As current OPEC excess productive capacity is absorbed by increased world demand and individual producer states realize the potential impact of their unilateral actions to restrict supply, we can expect them to levy subtle pressure, based on the implicit threat of a supply curtailment, or severe price increases, against major consumers for various political/economic concessions.

One such problem area that could cause supply difficulties (either selective production limits or steep price increases) would be dissatisfaction on the part of "excess revenue" states with their position in the international financial system. The apparent belief of leaders in Saudi Arabia, Kuwait, and other surplus states that healthy developed country economies are necessary for stable investments will work to moderate supply actions, but they could nonetheless be tempted to use supply-price pressure to set the terms for their greater participation in the developed country financial organizations and "clubs." While they are aware of the general connection between the value of their holdings and the health of developed country economies, they also seek participation in the decisionmaking processes that control both developed country economic performance and the value of their liquid assets and portfolio investments.

For example, it seems reasonable to assume that the Saudis (who have already sought increased IMF standing and who expressed an interest in participation in the last economic summit) want a greater role in economic deliberations in recognition of their growing investments and financial interests. The Saudis do not appear to have narrowly defined objectives or a well-developed strategy

**Although there is a wide range of national policies among oil producing states on North-South issues and several (for example, the Persian Gulf states) certainly do not regard themselves aligned with the "South" in this area, there are issues of key importance to each state that are now usually considered North-South issues (for example, trade, development, financial questions).*

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but only a general desire for greater participation in those forums that make, or coordinate, decisions on monetary, fiscal, and investment policy. There is likely to be a period in which they seek both informal and formal participation in a wide range of economic institutions and develop a more comprehensive and detailed notion of self-interest in this area. To the degree that they feel frustrated or meet opposition from the industrialized countries, they are likely to apply subtle, but potentially important pressure based on threatened, or actual, oil production limitations.

Another North-South problem area that is important for the security of oil supply is trade and development. Although claims in this area have been most forcefully advanced by Iran, similar objectives appear important to Venezuela, Mexico, and even Saudi Arabia. In varying degrees, and following different specific national patterns, they want developed country assistance in establishing an industrial base, as well as new trade patterns that will supplement, and then replace, their crude oil exports. Whether their specific objectives are in the refining, petrochemical production, or semifinished and finished manufacturing sectors, and whether the specific measures they favor are market access agreements or developed country government-sponsored technology transfer and development assistance, they seem likely to consider the use of oil leverage to induce cooperation from the developed countries. Although it is unlikely that a severe supply rupture would occur because of these desires, it is likely that a repeated pattern of producer pressure - consumer response will become the normal state of affairs by the early 1980s.

For example, if Iranian leaders genuinely believe that it is in Iran's interest, and within her capabilities, to develop an industrial base and see negotiated market access agreements with the EC (and perhaps the US) as a necessary part of the development process, it is conceivable that they will link production and price policy to development and trade concessions from the developed countries. While it is unlikely, given Iran's economic, political, and military ties to the developed nations, that the Iranians would make immoderate threats or take precipitate actions, even relatively mild pressure would have considerable impact on major importers during a very tight market period.

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The potential for supply disruptions stemming from North-South tensions is further increased by bilateral political and ideological differences and their domestic importance. For example, because of the imbedded resentment of perceived economic exploitation and paternalistic domination, the Mexican Government, in response to a disagreement on migrants or some other highly charged bilateral issue, could find it politically expedient to threaten to reduce oil exports.* It is also possible that suspicion and criticism of US multinational firms (in general, whether oil companies are present or not) could lead to the same type of political pressure and supply interruption after particularly unfavorable publicity.

A fourth set of factors that could cause international supply difficulties is to be found in the general framework of East-West relations. Under the tight market conditions predicted for the 1980s, the attitudes of oil producing states toward a sharp US-Soviet dispute could directly affect oil supply. For example, Iraq, perhaps with active Soviet encouragement and subsidy, might limit production or redirect exports to the Soviet bloc to increase pressure on the Western states during a crisis. While the current Iraqi policy of expanding production and earnings is unlikely to undergo fundamental change for a substantial period, it is possible that this policy would be reassessed during a period of high political/military tension.

* * *

In sum, the only political factor that seems capable of causing a general large scale oil supply disruption is the Middle East peace question, and only that question, along with regional conflict or changes in regime, could bring any significant supply difficulty during the next couple of years. As the international supply situation tightens, however, there will be an increased likelihood of threats of small but economically important supply actions stemming from various North-South or East-West tensions as well. Dealing with these threats could become a major new dimension of foreign policy concern for the industrial democracies by the early 1980s.

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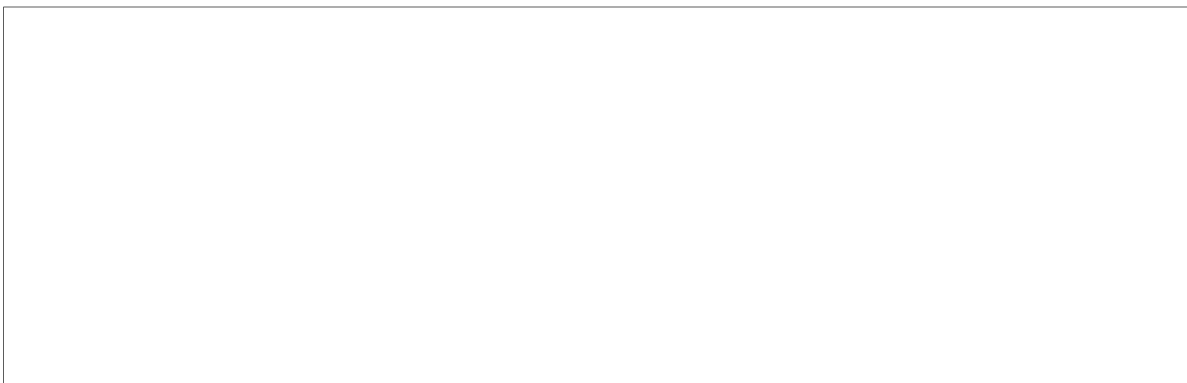
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International Terrorism: The Problem of Patron State Support



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The Focus and Boundaries of Inquiry

The direct or indirect support that a substantial number of states have rendered to violence-prone political groups over the past decade has contributed in an important way to a marked upsurge in international terrorism and has enhanced the reach, disruptive potential, and capacity for survival of several ultramilitant terrorist organizations. For the most part, this support has been passive or even inadvertent. But the involvement of a few countries--those that to varying degrees merit classification as *patron states*--has been both active and voluntary.

**International terrorism is here defined as the threat or use of violence for political purposes when (1) such action is intended to influence the attitudes and behavior of a target group wider than its immediate victims, and (2) its ramifications transcend national boundaries as the result, for example, of the nationality or foreign ties of its perpetrators, its locale, the identity of its institutional or human victims, its declared objectives, or the mechanics of its resolution.*

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For the purposes of the present discussion, *patron state support* is defined as *any direct or indirect governmental assistance to a foreign terrorist or terrorism-prone group that entails positive and premeditated action.* The definition is relatively straightforward. Even so, numerous problems were encountered in attempting to apply it to the complex world of international terrorism.

In part, these difficulties were attributable to the fragmentary--and sometimes contradictory--nature of much of the available evidence. But there are a number of substantive gray areas as well. One of the most perplexing of these arises from the fact that practicing or potential international terrorists often are indirect beneficiaries of support extended to broader dissident political groups which enjoy some degree of international recognition and legitimacy.*

These ambiguities and information gaps underscore the fact that while the concept of *patron state support* is useful in focusing attention on the most troublesome aspect of a much broader problem, *it is not translatable into a sweeping and relatively undifferentiated policy response.* Not only is consensus unlikely with respect to which countries should be classified as patron states, but there are no shortcuts to careful analysis of all the factors--a number of them sure to be unique--that could bear on a given government's behavior toward terrorism-prone groups.

Because of the need to (1) cope with the gray areas that were alluded to above, (2) dispel possible misconceptions about the activities of certain states, and (3) cast the contemporary dimensions of the problem of governmental support to terrorists into broader political and historical perspective, the present discussion is not

**Although the operation of this diversionary process is generally extremely difficult to document, the risk is always there. Hence, even though this article is not concerned with governmental assistance to national liberation movements or other paramilitary insurgent groups per se, it takes due note of such activity and, whenever possible, draws attention to the "terrorist spillover" that has occurred.*

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limited to an examination of "worst offenders." Deservedly or not, however, almost all of the countries that receive individual attention in the regional survey that follows are likely to be viewed by at least some observers as patron states. The patterns, trends, and implications that emerge from this survey are analyzed in the concluding section of the article.

Regional Survey

International terrorist incidents are a common occurrence in *the Middle East and North Africa*. Moreover, regional tensions (both Arab-Israeli and inter-Arab), ethnic and religious affinities, a tradition of mutual interference by Arab countries, political radicalism, and personal idiosyncrasies have combined to produce a climate in which governmental assistance to terrorist groups is a widespread phenomenon.

- *Libya* is perhaps the worst offender in this regard. It has engaged both in extensive support to terrorist groups and in covert operations against neighboring states. Qadhafi's patronage of violence-prone groups is motivated by his personal ambitions for regional leadership, his deep antipathy for Israel, his desire to establish a united "Muslim nation" that rivals other international powers, and a strong underlying sense of identification with the "oppressed" that leads him to support rebel causes.
- Like *Libya*, *Iraq* provides a wide range of financial, logistic, and operational assistance to Palestinian fedayeen and Arab national liberation groups. Motivated by anti-Zionism, dedication to the defense of Palestinian rights, and its longstanding rivalry with Damascus, Baghdad has generally limited its support to what it deems to be "legitimate" operations--attacks against Israel, against moderate Arab regimes favoring peace talks, and against Syria.
- Although *South Yemen* is an outspoken proponent of radical causes in the Middle East,

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it lacks the financial wherewithal to provide much tangible assistance to Palestinian terrorists. Aden does, however, permit the Popular Front for the Liberation of Palestine (PFLP) to maintain at least one training facility in South Yemen, and it has furnished PFLP and other Palestinian terrorists with safe haven and other limited forms of support.

- *Algeria* furnishes some direct support, such as regular and diplomatic passports, monetary aid, and possibly some operational training to Palestinian terrorist groups; but its activities in this regard appear to be less extensive than those of Libya, Iraq, and South Yemen. Algerian patronage of such groups is motivated by a commitment to the Palestinian cause and a desire to support leftist groups opposing rightwing "imperialist" regimes.

Sub-Saharan Africa has not been an active arena for international terrorism. Only a few states in the region have lent active support to violence-prone groups, and most of this has gone to African insurgents. However, in some African states--notably Uganda and Somalia--Arab diplomatic pressure, financial encouragement, and religious affinity have been translated into support for Palestinian terrorism.

- *Uganda* has recently provided a wide range of support to Palestinian terrorists, most notably during the Entebbe hijacking incident in 1976. For the most part this support has been a product of President Idi Amin's now virulent anti-Israeli attitude and his identification, as a fellow Muslim, with the Palestinians. The situation has been complicated by Amin's unpredictability and his close ties to the more radical Arab states (Libya and Iraq, in particular).
- *Somalia*--predominantly Muslim and a member of the Arab League--has, under its current

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military regime, also provided direct support to Palestinian terrorists. In part attributable to religious affinity and revolutionary zeal, this assistance--which has gone primarily to the PFLP--has also reportedly been motivated by a desire to win Arab financial and political backing. But Somali patronage of terrorists has not extended to condoning terrorist operations on Somali soil. In fact, on at least two occasions (the most recent of which involved the October 1977 Lufthansa hijacking), Mogadiscio has cooperated with Western officials in attempting to prevent or frustrate such operations.

- Unlike Uganda and Somalia, *Tanzania* has generally limited its support of violence-prone groups to local insurgents--both those pitted against minority-ruled regimes in southern Africa and those seeking the overthrow of neighboring governments that Dar es Salaam considers either ideologically incompatible or a threat to its security.* In some cases, these groups have been responsible for terrorist acts, but generally this type of violence has been incidental to their guerrilla warfare activity.

During the past decade, *Latin America* has been a very active arena for international terrorism. Recent actions by local security forces have severely weakened most of the leading groups that currently engage in such activity. Nonetheless, the local terrorism scene continues to be complicated by the interplay of a regional terrorist umbrella organization (the Revolutionary Coordinating Junta), an opposing "consortium" of national security services (Operation Condor), the activities of a number of state-supported vigilante groups, the forays of Cuban exile groups, and the role (now much reduced) of Cuba itself as a patron state.

*In keeping with its "progressive" posture, however, *Tanzania* has permitted both the PLO and Argentina's terrorism-prone Montoneros to establish offices in Dar es Salaam.

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-- Ten years ago, *Cuba* was extending considerable support to revolutionary movements throughout Latin America. Since the early 1970s, however, the assistance that Havana has provided to such groups has apparently been quite limited and selective. It seems designed principally to maintain contacts and, in some cases, to keep the organization concerned alive. Similarly, in the Middle East the Cubans are basically providing only token assistance to Palestinian nationalist groups. But Cuban support for national liberation movements in Africa is of a different genre. A large-scale effort that has in recent years been directed primarily against the white minority governments in Rhodesia and Namibia, it risks generating a "spillover" into sporadic terrorist attacks on Western property or personnel in the area.

Like Sub-Saharan Africa, *Asia* has been relatively free of international terrorist incidents. Moreover, in recent years at least, no regional states have been active in encouraging such tactics. Nonetheless, the principal terrorism-prone groups that have surfaced in the area--the Japanese Red Army (JRA) and Iran's two leading entries, the People's Strugglers and the Marxist People's Sacrifice Guerrillas--have all received governmental assistance. Most of this aid has come from extraregional powers, but in the case of the JRA, some support has been furnished by at least one Asian country (North Korea) as well. In addition, various Asian governments have lent support to Philippine Muslim insurgent groups--principally the Moro National Liberation Front (MNLF)--that have been engaged in a relatively bloody struggle against the Marcos regime since 1972. And while the arena of conflict has been confined to Philippine territory, insurgents allegedly associated with the MNLF (but quite possibly acting on their own initiative) have been responsible for a few cases of international terrorism.

-- *North Korea's* contacts with terrorist groups--which began sometime in the late 1960s--have been relatively extensive. Even so, the main thrust of North Korean covert support has been directed toward aiding more or less conventional

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revolutionary organizations, and for the past five years, at least, it would appear that the promotion of terrorist violence has been no more than an unintended byproduct of this campaign.

- For both pragmatic and ideological reasons, *China* provides support to various "progressive" forces throughout the world. Some organizations (particularly certain Palestinian groups) that receive Chinese support have used terrorist tactics. *China* has stated publicly and privately, however, that it does not subscribe to such acts.

For fairly obvious reasons, the area comprised by the *USSR and Eastern Europe* has not been an active arena for international terrorism. No government in the region publicly condones such activity *per se*. But all have lent diplomatic and propaganda support to selected (and sometimes terrorism-prone) revolutionary movements. And in varying degrees, most have aided practicing or potential terrorists in more tangible ways as well.

- The *USSR* has long publicly opposed political terrorism as an instrument of international revolutionary activity. For both political and ideological reasons, however, the Soviets support what they regard as legitimate national liberation movements even though they realize that some of the aid--including arms--given to such organizations may be diverted to terrorist groups. As a practical matter, they have also found it difficult to oppose any group whose cause is favored by the "progressive" or "revolutionary" forces they seek to court. The available evidence thus suggests an ambiguous pattern of contact and involvement with some political organizations that practice international terrorism and, more clearly, with some states that condone or encourage such activity. The Soviets clearly find these relationships to be politically expedient, but there is no evidence that they themselves have instigated, encouraged, or carried out acts of international terrorism in recent years.

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- Similarly, there is no evidence that *East Germany* has directed or encouraged any international terrorist operations. But like the USSR, it has provided broad support to left-leaning national liberation organizations with terrorist affiliates. The Palestine Liberation Organization (PLO) has for some time been the principal beneficiary of this policy. The radical and terrorism-prone PFLP, nominally a member of the PLO, has received separate and more modest assistance from East Germany. And fragmentary evidence suggests that East Germany may have provided limited support to other terrorist groups as well.

- *Yugoslavia's* record with respect to international terrorism is inconsistent. Belgrade has signed and ratified two international antiterrorism conventions, and it frequently condemns terrorism in its public media. Behind the scenes, however, the Tito regime has occasionally permitted practicing international terrorists to transit or visit Yugoslavia without interference. It also continues to provide limited material support to Arab groups that it has reason to believe are likely to filter some of this aid to terrorists.

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Conclusions and Implications

It is evident that for various reasons there is little positive correlation outside of the Middle East - North

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African arena between the overall level of international terrorist activity in a given area and the number of local governments that furnish tangible assistance to practicing or potential terrorists in that region. Briefly put, industrialized or semi-industrialized countries ruled by democratic or relatively lax (or ineffective) authoritarian regimes are likely arenas for international terrorism. Tautly run authoritarian societies and economically backward areas are not. In contrast, the record suggests that patron state activity is a form of behavior that is far more congenial to authoritarian regimes, however ineffective, than to democratic governments. Moreover, it is not so clearly linked to levels of economic development, even though its least inhibited practitioners have tended to be countries that are somewhat isolated from the mainstream of economic and political affairs at both the regional and global level.

The factors that may combine to foster or inhibit patron state activity at any given time or place are numerous and complex. Some of those that have most commonly acted to encourage such activity are basically instinctive in nature, e.g., the natural inclinations of individual leaders; widely shared revolutionary or nationalistic zeal; or ideological, religious, or ethnic affinity. But in most cases, the force of these factors has been either bolstered or tempered to a significant degree by such thoroughly pragmatic considerations as:

- The need to establish or strengthen "revolutionary" or religious credentials in order to gain greater regional or global influence.
- The possibility that aid to selected insurgent groups could serve as a needed "quid" for obtaining foreign financial, diplomatic, or military support for specific national programs or objectives.
- Conversely, the possibility that the denial of such aid could result in even more valuable support from a different set of nations.
- In broader terms, the seeming availability or unavailability of satisfactory alternative courses of action to advance given regime objectives.

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It would appear, in fact, that with few exceptions the behavior of those countries that could be classified as patron states has tended to be subject to relatively continuous--if sometimes unsophisticated--cost-benefit calculations. Furthermore, throughout most of the past decade, a generally permissive international environment has reduced the element of risk that must be allowed for in these calculations. The factors which have shaped this environment are both numerous and likely to persist for some time to come. They include:

- The continuing controversy over "illegal" versus "justifiable" political violence.
- The challenge raised to the postwar political and economic order by developing nations, "maverick" Communist regimes, various dissatisfied second-rank powers, and a broad array of social forces fired, with differing degrees of responsibility, by a new sense of "social conscience."
- Pragmatic calculations of self-interest (including fear of retribution) that not only reduce the likelihood of punitive unilateral response, but also impede the development of broadly based international countermeasures and restraints.

Although the force of these factors has been blunted to some degree by recent developments--most notably the shifts in the behavior of PLO and non-Palestinian Arab moderates that have grown out of peacemaking efforts in the Middle East, and the international reaction to the latest series of ultraradical terrorist spectaculars--the resultant change in the global climate remains fragile at best. Barring a complete collapse of efforts to achieve a negotiated Arab-Israeli settlement, this tenuous state of affairs does not necessarily imply that the problem of state support to practicing or potential terrorists is likely to become much more acute in the decade ahead. But it does suggest that unless cautiously and selectively applied, forceful pressures to speed up the current trend toward curbing such support could prompt some tentative converts to back away and revert to their earlier practices. Moreover, the ability of the US to exert direct influence on the behavior of most countries

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that currently engage in patron state activity is likely to remain limited. In some cases, there are relatively few existing bilateral ties and dependencies that could be effectively exploited for leverage. In others, energetic action to curb patronage of violence-prone groups would risk serious damage to broader US foreign policy interests. And in almost all cases, any efforts to embarrass the state concerned into moderating its behavior through public disclosure of its activities would, if the charges were to be credible, involve hard decisions concerning the risk of compromise of sensitive sources and methods.

Under these circumstances, it bears emphasis that some of the general trends that militate against active governmental involvement with terrorism-prone groups offer the possibility of bringing about a further decline in such activity through more subtle tactics. One of the most telling of these trends is concern for the improvement of ties with OECD countries or moderate LDC regimes. Such concern was apparently the determining factor behind Malaysia's recent action in reducing its support to the Moro National Liberation Front in the Philippines, and it also clearly played an important role in President Siad's decision to permit West German commandos to stage their dramatic rescue operation in Mogadiscio.* Similarly, there is some evidence--most notably in the cases of Cuba and North Korea--that increasing diplomatic and economic integration into the world community of LDCs that champion the revolutionary causes tends to create constraints on their support to terrorists. In short, such trends can be nourished by low key, even indirect, actions on the part of the US and other countries interested in curbing terrorism. And this can be done with minimum risk of rousing the contentious political issue of support for revolutionary groups.

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**The Somalis' discomfort over a terrorist operation on their soil and their eagerness to see it brought to an end as quickly as possible also inclined them to sanction the rescue operation. Nonetheless, President Siad's decision was reportedly heavily influenced by Saudi Arabian advice. South Yemen's efforts to prevent the hijacked West German airliner from landing or remaining on its territory may also have been motivated in part by an appreciation of Riyadh's sensitivities. Aden has been a recipient of Saudi aid since 1976.*

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Political Implications of the West German Response to Terrorism

In the past two months the governments of Japan and West Germany have been beset by incidents in which hostages have been seized by terrorists to force the release of incarcerated comrades and to secure the payment of a substantial ransom.

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This article discusses the Schleyer kidnaping and Lufthansa hijacking and assesses the consequences that the shrinking of terrorist safe havens as well as the improvement in security precautions and reaction teams will have upon terrorist perceptions and operational environments.

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The Bargaining Strategy

West Germany's strategy for dealing with hostage incidents has developed from a long series of experiences with domestic and international terrorism, of which the most traumatic was the 1972 Olympic Games attack. When confronted with a hostage situation in the early 1970s, the West Germans tended to give in to terrorist demands with little delay. But increasing public dissatisfaction with a policy viewed as "soft on terrorism," as well as examples by other Western nations of the benefits of not capitulating, have gradually led the West Germans to a policy of rejecting terrorist demands.**

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***In recent years, West Germany has consistently employed a no-concessions policy, save for a brief interruption due to the unique circumstances of the 1975 kidnaping of Peter Lorenz, chairman of the West Berlin Christian Democratic Union, and at that time its candidate for mayor of Berlin. A few days before the mayoral elections, the Second of June Movement demanded the release of imprisoned comrades, a plane for their use, and a former mayor of West Berlin as hostage. The government, faced with the embarrassing situation of bargaining for the release of the opposition party's candidate for mayor, gave in to the demands and flew the prisoners to South Yemen.*

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This policy was most recently tested with the 5 September 1977 kidnaping of prominent industrialist Hans-Martin Schleyer by members of the Red Army faction, who demanded the release of 11 jailed extremists, the payment of a \$650,000 ransom, and a plane to fly the freed prisoners to a country of their choice.

A crisis committee composed of government officials and opposition party members decided to do all in its power to drag out the negotiations with the abductors to buy time for police to locate and rescue Schleyer. The authorities were aware of the psychological theory that stringing out the incident allows bonds to form between the captors and hostages, which increases the chances for the latter's survival.

In their attempt to delay the abductors' timetable and to frustrate their ultimate purpose, the West Germans initiated bilateral negotiations with various countries likely to be chosen by the imprisoned terrorists as a final destination. These contacts were reinforced by Parliamentary State Secretary Hans-Juergen Wischnewski's whirlwind tour of several capitals immediately thereafter. The intent of such diplomatic maneuvering was to appear to be seeking an appropriate safe haven while actually ensuring that no safe haven would be publicly offered unless and until the West Germans felt it absolutely necessary.*

The pressure on the West German Government to capitulate increased tremendously, however, with the 13 October hijacking of a Lufthansa B-737 flying out of Mallorca, Spain, with 82 passengers and five crewmen, many of whom were non-Germans. The terrorists claimed membership in the previously unknown Organization of Struggle Against World Imperialism and stated that they were acting in concert with Schleyer's kidnapers. In addition to the release of the 11 Baader-Meinhof prisoners, the four hijackers called for the release from Turkish jails of two PFLP terrorists responsible for a machine-gun attack on Istanbul Airport in August 1976, as well as a \$15 million ransom.

**The objectives of this maneuver were largely achieved. Libya, Iraq, South Yemen, Vietnam, and Syria all expressed their unwillingness to accept the prisoners if released. Algeria refused but privately offered to reconsider its decision if West Germany decided to accede to the kidnapers' demands to prevent a loss of life.*

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In what may have been an attempt to avoid a second Entebbe, the hijackers kept the plane moving, making stops in Italy, Cyprus, Bahrain, Dubai, South Yemen, and finally Somalia.* While in South Yemen, the hijackers became the first terrorist group to shoot a pilot. This action strengthened the pressures in West Germany and other countries for an immediate, forceful response. Appeals were sent to Somali President Siad Barre from a number of countries, including the US and Saudi Arabia, to aid the West Germans in whatever way was necessary. After the hijackers rejected three Somali offers for safe passage in return for the release of the hostages, Siad's discomfort with a terrorist operation on Somali soil and bewilderment over what to do next increased. Eager to end the operation quickly and encouraged by the Saudis, Siad agreed to the West German rescue operation. During the morning of 18 October, West German commandos successfully freed the remaining hostages, killing three of the terrorists and seriously wounding the fourth.

Aftermath

While Chancellor Schmidt was the beneficiary of the national outpouring of elation and pride, the cooperation shown by West German political parties during the Schleyer-Lufthansa crisis has already begun to break down. Although all parties in the West German parliament agreed to measures to fight terrorism,** Christian Social Union leader Franz Josef Strauss has publicly criticized what

**The reluctance of countries to aid terrorists that had been manifested in the JAL hijacking and Schleyer kidnapping continued. During its odyssey, the Lufthansa plane was refused permission to land in Lebanon, Syria, Kuwait, Oman, and Iraq. Bahrain and Dubai tried to prevent the plane's landing. Vietnam, Somalia, and South Yemen, named by the hijackers as candidates to receive the released prisoners, rejected such suggestions.*

***These include increasing penalties for conspiratorial crimes, speeding court procedures, and redefinition of the rights of defendants and their lawyers. Antiterrorist legislation has been extended to West Berlin as well, despite Soviet protests. The Federal Constitutional Court rejected an action brought by Schleyer's son, ruling that the government's obligation to an individual was outweighed by its larger responsibility to the collective protection of all citizens. Despite these legislative and juridical measures, the West Germans remain sensitive to charges by the French press of a shift toward authoritarian repression of civil liberties.*

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he views as the government's weak-willed handling of the overall terrorist problem.

The West German political debate has been intensified by revelations of grossly inadequate security precautions at Stammheim prison, where three of the Baader-Meinhof prisoners whose release was demanded were found dead in their cells hours after the rescue operation. Despite claims of European leftists that their deaths were engineered by the prison authorities, internationally monitored autopsies confirmed the government statement that they were suicides. In revenge for the deaths of the Baader-Meinhof terrorists and their Lufthansa colleagues, Schleyer was murdered by his kidnapers.

The ensuing furor prompted the resignation of Baden-Wuerttemberg Justice Minister Traugott Bender, as well as the director and top security official of the facility. The resignations of these three Christian Democratic Union members, whose party has criticized the ruling Social Democrats for not pursuing a hard enough line against terrorists, has further benefited the Schmidt government, whose firmness in not giving in to terrorists compared favorably with the security lapses. Nevertheless, the public remains divided on the extent to which the crack-down on terrorists should affect civil rights, and a debate is looming over the imposition of press curbs during incidents, as well as the monitoring of lawyer-client conversations.

Implications

Perhaps the most heartening aspect of these incidents is the evidence they provide of the continued, if fragile, trend away from state aid to esoteric terrorist formations.* Somalia's cooperation with the West Germans was particularly noteworthy as an example of the potentially constructive effect of interests (e.g., arms acquisition) deemed more important than the maintenance of revolutionary credentials.** This growing reluctance to support

**For an explanation of these behavioral and attitudinal changes, see "International Terrorism: The Problem of Patron State Support," in this issue.*

***Although Libya, Uganda, and Algeria have criticized his decision,*

Siad has attempted to fend off criticism by emphasizing that Somalia's acquiescence in the West German operation was motivated by humanitarian concerns.

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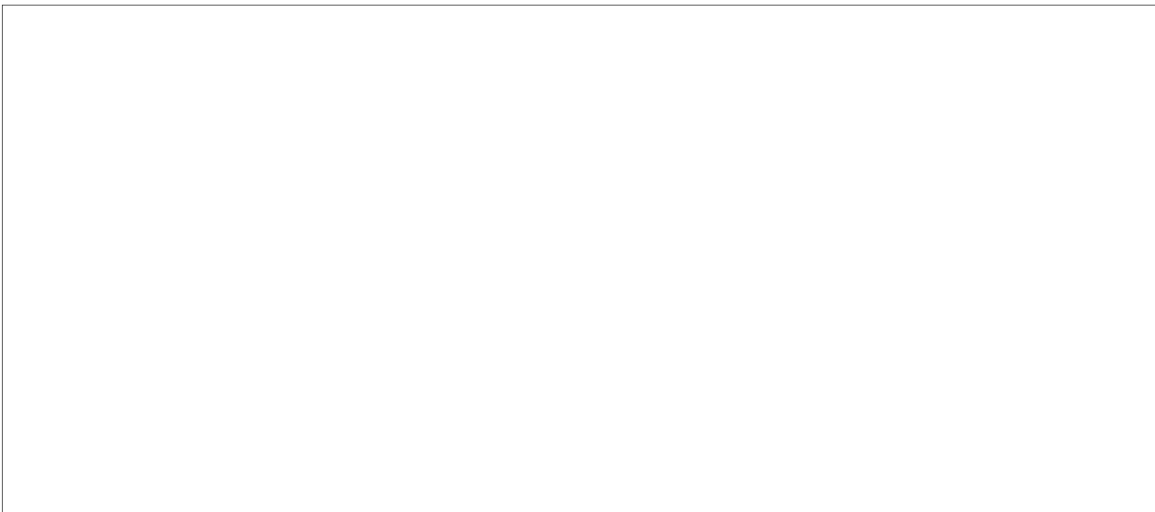
terrorist operations has resulted in a diminution of possible safe havens, a development which in itself should tend to deter potential hijackers.

The obstacles to the successful consummation of a hijacking are being further increased by the establishment of government rescue squads--a trend that was accelerated by the galvanizing effect of Bonn's forceful action in contrast to the Japanese capitulation. Press reports indicate that such teams have been formed in Israel, the UK, the US, France, Canada, Switzerland, Belgium, Denmark, Italy, the Netherlands, Norway, Austria, Indonesia, Hong Kong, and Egypt--while the Japanese, for their part, are forming a unit to combat the Japanese Red Army.

The hijackings have also heightened concern for airport security. Faced with a threatened strike by the International Federation of Airline Pilots Associations, the UN General Assembly passed a resolution that condemned hijacking and called upon nations to improve airport security and to ratify three existing conventions on airline safety. Fundamental obstacles hampering more extensive international cooperation against terrorism remain, however, especially differences over "justifiable" versus "illegal" use of violence.

While the less permissive environment will give pause to potential hijackers, its long-lasting deterrent effect on terrorist attacks involving hostages cannot be taken for granted. Terrorists have in the past demonstrated considerable ability to adapt by shifting to less well protected targets and devising ways of minimizing risks entailed in new security measures.*

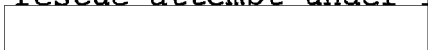
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Moreover, certain groups may be under heavy pressure to attempt risky "spectacular" attacks in order to bolster their morale and reputations. Avenging the latest terrorist martyrs will be an added incentive. There already has been an extensive series of "revenge" bombings in West German facilities throughout Western Europe. Additionally, threats of assassination against Chancellor Schmidt and of destruction of Lufthansa aircraft in flight have been made. The carrying out of such threats could serve to erode the trend toward a less permissive environment, if humanitarian considerations move governments to reassess their reluctance to grant safe haven to hijackers.

Perhaps the most troublesome aspect of recent developments is that government successes and terrorist failures may jointly set the stage for a major tragedy. The development of special strike teams, coupled with the popular expectations that have been fanned by uncritical acclaim of the Entebbe and Mogadiscio operations, could put extreme pressure on a government to launch a rescue attempt under inappropriate circumstances.



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Growing "East-South" Tensions

The various talks associated with the UN Conference on Trade and Development (UNCTAD) are usually dominated by LDC demands on the OECD countries. A recent UNCTAD-sponsored meeting on LDC - East European trade opportunities highlighted a trend that runs counter to this pattern. The LDCs levied demands on the Communist countries for changes in the international economic order. This trend is likely to increase as a growing number of UNCTAD meetings concentrate on "East-South" issues and as "radical" LDCs become increasingly willing to attack the East Europeans directly for their inadequate attention to the problems of the developing countries.

* * * * *

The LDCs have for some time been making explicit demands of the countries who are members of the Soviet-dominated Council for Mutual Economic Assistance (CEMA) for concessions leading toward the implementation of a new international economic order (NIEO). The LDCs have become increasingly vocal in citing their dissatisfaction with receiving only rhetorical support from the East European countries. The meeting held last month in Geneva to review a CEMA program for increasing imports from the LDCs was one of the first where LDC demands were clearly focused on the Soviet Union and its East European allies. As a result, the latter could not follow their normal practice of giving rhetorical support to LDC demands while placing the responsibility for LDC problems on the OECD countries.

The meeting was characterized by a confrontation between the LDCs and the Communist countries of the sort once reserved only for the industrial democracies. The LDCs sought to get commitments on increased bilateral and multilateral trade flows, but the CEMA countries responded only in vague generalities. In private comments the Communist countries said--just as the OECD countries have often said about other LDC demands--that the UNCTAD meeting was not the appropriate forum for the discussion of LDC demands.

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The Soviet Union has long officially asserted that the lack of development in the Third World is a product of colonialism and exploitation by multinational corporations and that consequently the Soviet Union is not responsible for correcting past injustices. This view, by and large, has been rejected by almost every developing country.*

Resorting to tactical schemes to avoid discussion of the issues raised by the LDCs, the Soviet Union and its East European allies sought to rewrite each of the paragraphs of the final conference paper and to delete portions of the resolution that would have given future guidance on this issue to the UNCTAD secretariat. The LDCs rejected this course, putting their own unilateral declaration on the record and harshly criticizing the Polish rapporteur for inadequately reflecting LDC points of view in his record of the meeting.

The key to LDC success in frustrating the Communist countries' tactics was--as it has been in confrontations with the Western countries--a strong sense of group solidarity and the able leadership of one or two key participants. In this case the representatives from Jamaica and Guyana led the attack on the Soviet Union and its East European partners. Both of these countries are radicals on North-South issues with generally good relations with the Communist countries. Their leadership in criticizing the Communists at the recent UNCTAD meeting suggests that in the future the Group of 77 may be increasingly demanding of these countries.

Thus, at a time when the OECD states are actively engaged in serious negotiations with the LDCs, the latter may be increasing their criticism in UN meetings of the Soviet Union and its allies for failing to go even as far as the Western countries in negotiating their demands. The next "East-South" confrontation may come as soon as the end of November when an UNCTAD meeting on a multi-lateral system of payments between the Communist countries of Eastern Europe and the developing countries is scheduled.

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LDC Views on the Common Fund*

The developed and developing countries entered the second round of UNCTAD common fund negotiations in Geneva (7 November - 2 December) with very different proposals. The position of the Group of 77 (the LDC caucus) continues to be a mosaic designed to meet diverse national needs (see the following article). It reflects the extensive logrolling required to achieve consensus among some 115 LDCs. In contrast, the developed countries' common fund proposal is more sharply defined and technically specific. This proposal tackles commodity price instability but does not address other major issues in the LDC proposals.

Agreement on a specific package at the meetings is highly unlikely; the two sides may simply talk past each other. We cannot rule out the possibility of confrontation and a breakdown of negotiations even though the current LDC leadership is under considerable pressure to show progress.

LDC Perspective

LDC proposals on international support for commodity prices date back at least to the 1955 Bandung Conference. This meeting, which spawned the Nonaligned Movement, drew together Asian and African leaders in a call for international action to stabilize both prices and demand for primary commodities through bilateral and multilateral arrangements. This issue has been pursued over the years with varying interest and embellished from time to time with specious arguments about secularly declining terms of trade for LDCs and the need for commodity price indexation.

For the last several years, the common fund has been the keystone of LDC demands for change in the "rules" of international commodity trade. The G-77 believes such a

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fund could bolster LDC commodity export prices and enhance prospects for additional international commodity agreements. Moreover, it would meet its demands for greater political control of the international economy. Widespread support for the common fund among the LDCs makes this issue a touchstone of industrial country response to Third World concerns. Accordingly, the London summit statement in May 1977 that there should be a common fund and the subsequent agreement on this proposition with the developing countries at the CIEC ministerial meeting in June were viewed by the LDCs as steps in the right direction. They were not, however, considered very big steps.

LDC Proposals

A G-77 draft position paper on a common fund was assembled by a working group and sent to the 115 individual countries for review over the summer. This cumbersome process resulted in a document that, for all its vagueness on key technical aspects, is quite clear on certain long-held G-77 views. The paper calls for the creation of a common fund that:

- Stands as an independent financial institution.
- Finances buffer stocks under existing international commodity agreements and encourages new agreements (the so-called first window).
- Finances resource-development projects and other measures for the LDCs that are related to commodities (the second window).
- Is controlled through voting formulas that guarantee an LDC share of at least 51 percent.

Despite attempts to create an image of LDC unity behind the G-77 proposals, the 115 LDCs have differing views about which facets of the draft proposals are important. In any event, five elements seem to be central to LDC behavior in the negotiations--political power, LDC unity, independent financing of the fund, price stabilization, and the second window. LDC reaction to the developed country proposals will largely depend on how individual countries line up on these elements and how they choose to act within G-77 caucuses in responding to developed country proposals.

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Political Power. From its inception, the common fund has been viewed by many LDCs as a political issue--part of the struggle for control of international institutions. For those LDCs that exercise leadership in the Third World--Venezuela, Indonesia, Algeria, Yugoslavia, and Nigeria, for example--establishment of the common fund is an important symbol of an increased global role for the Third World, irrespective of whether the fund makes economic sense or specifically aids them.

LDC Unity. A strong predisposition exists within the G-77 not to jeopardize group unity, which is viewed as having political value transcending the negotiation of issues. Indeed, some LDCs--Brazil is a good example--have been known to tacitly support G-77 arguments inimical to their own interests so long as they felt they could rely on the US and other developed countries to reject the group position. Key G-77 members such as India, Brazil, Venezuela, Mexico, and Yugoslavia are adept at pushing their own interests in meetings; once a compromise is reached, however, even they consider it prudent either to support agreed positions or to be quiet. The wide adherence to group unity poses a major problem for developed country negotiators in Geneva. It compounds the difficulty of dealing with the single representative who speaks for the LDCs at plenary sessions and means that getting G-77 agreement to changes is difficult and time-consuming. The requirement for group unity also inhibits LDCs sympathetic to the industrial countries' proposals from speaking out in their various closed caucuses.

Independent Financing. The LDC position paper calls for prior independent financing of the common fund through government contributions as opposed to funding from the resources of individual international commodity agreements. The LDCs take this position because:

- Resources in an independent common fund could be used to spur the establishment of new international commodity agreements; producers and consumers of a commodity would not have to agree on respective shares of buffer stock financing.

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- Independent funding could allow the common fund to finance projects such as commodity export diversification in individual countries through a second window (see below).
- An independently financed common fund could be controlled by LDCs (assuming developed country acquiescence on voting rights), thereby fulfilling the LDC desire for at least one international institution of their own.
- Many Third World countries probably hope that an independent common fund run by the LDCs will somehow be able to jack up their export prices.

Because the independent financing concept is a means to several objectives, most LDCs support it. Notable exceptions are certain Latin American and Middle Eastern countries--Brazil, Argentina, Saudi Arabia, and Iran--that feel they stand to lose more than they would gain from a common fund.

Price Stabilization. Commodity price stabilization--at the heart of any common fund design--draws support from the great majority of LDCs. Some advocates from developing and developed countries have argued that price stabilization yields net benefits to both producers and consumers. This argument is particularly attractive to the many LDCs that rely heavily on commodity exports to support national development projects and maintain domestic incomes; this is especially so with countries that have experienced roller-coaster changes in their commodity export prices in the recent past. These LDCs view price stabilization as an effort to reduce the uncertainty of future earnings, even when they realize that it might reduce total earnings over the long term. Thus, such comparative moderates in the North-South dialogue as Thailand, Malaysia, Indonesia, the Philippines, and Zaire support the stabilization feature of the common fund argument. Most other activists on this point are only interested in "stabilization" insofar as it opens the door to steadily higher prices.

Second Window. From the beginning, LDC proposals for a common fund have included provisos that the fund

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should be able to take measures in addition to price stabilization to help alleviate commodity problems. This objective is embodied in the second window proposals. Several African and South Asian countries believe it unlikely that the commodities they export will be involved in agreements with international buffer stocks. Accordingly, these countries want to ensure that, if a common fund is created with independent financing, they will get their slice of the pie. They want the second window to be able to finance--among other things--export diversification, infrastructure improvements, market promotion, research and development, and compensatory finance. In short, they want a second window that one UNCTAD official privately labeled "a bottomless pit."

Developed Country Views

The developed countries--despite differences of opinion over how far they should go to meet LDC demands--agree that a common fund should be built around the pooling of financial resources of individual international commodity agreements. This pooling proposal meets some LDC desires for commodity price stabilization by:

- Encouraging the establishment of buffer stocks under existing commodity agreements.
- Drawing on the expertise in the commodity groups to estimate financial requirements from the fund.
- Taking advantage of savings that could occur when the peak needs of each commodity do not coincide.

At the same time, the pooling proposal meets developed country concerns by:

- Strictly limiting the amount of financial support that an individual commodity agreement could receive.
- Allowing each commodity agreement to operate independently.

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Prospects

There is no developed country proposal that would be acceptable to all members of the G-77. Indeed, even complete acceptance of the G-77 position would not be viewed by many LDCs as a wholly favorable turn of events because of individual differences on what is important in their collective position.

In any event, the proposals of the developed countries at the November negotiations will elicit a varied LDC response:

- Serious inquiry and perhaps even encouragement by LDCs such as Malaysia, Indonesia, the Philippines, and Zaire that place a high priority on price stabilization.
- Expressions of disapproval from African and South Asian LDCs, particularly India and Pakistan, that want the second window.
- Relief from those Latin American and Middle Eastern countries that are wary about the effect of LDC proposals on the international economy and their own financial positions.
- An ambivalent reaction from countries that seek an increased global role for the Third World: moderates may play up the responsiveness of the developed countries' proposal; radicals probably will lambaste the developed countries for a lack of political will, an insensitivity to LDC needs, and a refusal to live up to earlier pledges.

Future Developments

The G-77 is unlikely to be enthusiastic about developed countries' proposals on the common fund because they are likely to remain far short of LDC demands for independent financing, the second window, and assured LDC control of the new institution. The real question is whether the moderates in the G-77, particularly those who favor price stabilization measures, can wield enough influence in the G-77 over the next several

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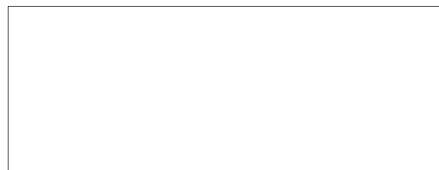
months to gain acceptance of the developed country proposals in future negotiations. They will be hobbled in this by the complications of dealing in three regional LDC caucuses and through the single designated LDC spokesman. In any event, common fund discussions are likely to be a continuing source of tension both within the G-77 and between North and South.

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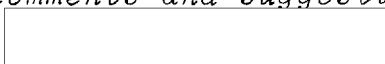
LDC Positions on Key Common Fund Issues

The accompanying matrix of LDC positions on the creation of a common fund is intended as an up-to-date reference on this issue and on factors in Group of 77 decisionmaking generally. The matrix was prepared to serve as background for the current negotiations, but the identified positions draw on a longer history and will bear on related discussions during the rest of 1977 and 1978.*

The 26 countries covered are prime actors in the G-77. They play major roles in G-77 caucuses and in informal discussions between the G-77 and the developed (or "Group B") countries. In addition to identifying LDC differences on the common fund, the matrix describes important factors affecting how individual countries will respond to the use of G-77 or Group B proposals as the basis for future discussions.

In the hope of maintaining the best current statement of country positions in the continuing debate, we invite comments and suggestions from readers of this monthly.

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**The matrix was jointly prepared by the Office of Economic Research and the Office of Regional and Political Analysis.*

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See the preceding article for explanations of terminology.

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LDC Positions on Key Common Fund Issues

Country	Price Stabilization	Independent Funding	Second Window	Comments
<u>Latin America</u>				
Argentina	Has not expressed a great deal of interest.	Does not actively support LDC position and agrees with the US that fund creation should proceed in parallel with individual commodity agreements.	No interest.	Argentina is not an ardent supporter of the common fund concept. Reportedly has taken an unyielding stance against portions of the G-77 draft position paper.
Brazil	Has accepted buffer stocks in the new International Sugar Agreement. Approves of a recent Mexican proposal to establish a coffee stabilization fund based on buffer stocks under the International Coffee Agreement.	Publicly supports the G-77 position, privately shows little enthusiasm.	No interest.	Works hard in LDC forums to maintain its image as a Third World country. Uses its role to mold issues to meet its own needs. Supports LDC initiatives on a common fund but has not taken actions that might spur its creation. Has expressed reservations about the G-77 draft position paper.
Chile	Probably would favor stabilization of copper prices through a producer-consumer buffer stock arrangement; almost certainly would not want the common fund to interfere with the operation of a copper agreement.	Not an active supporter.	No interest.	In the past, spoke against the common fund during internal Latin American group meetings, but recent efforts indicate Chile is moving toward greater receptivity to the LDC position.
Colombia	Wants to reword the G-77 draft position paper to make buffer stocks and price stabilization the fund's primary objective. Would go along with other coffee producers in establishing buffer stocks under the International Coffee Agreement. Would not want the common fund to interfere with the working of this agreement.	Not likely to make a financial commitment to common fund. Has expressed opposition to the common fund.	No interest.	Proposed alternative language for key parts of the G-77 draft position paper. Like several <i>developed countries</i> , it stated reservations on the commodity resolution accepted in UNCTAD IV (Nairobi, 1976).
Cuba	Has accepted, although not enthusiastically, buffer stocks under the new International Sugar Agreement.	Has spoken against the common fund in internal Latin American debates. May be trying to curry favor with other Latin American opponents of the common fund.	Position unknown.	Will need to stay in the forefront of North-South issues as the 1979 Non-Aligned Summit in Havana approaches.

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Country	Price Stabilization	Independent Funding	Second Window	Comments
<u>Latin America (Continued)</u>				
Jamaica	Overriding concern is bauxite and sugar exports. Has favored minimum pricing agreements rather than buffer stocks in discussions among members of the International Bauxite Association, a producers' group. Probably would agree with sugar price stabilization efforts contained in the new International Sugar Agreement.	Active supporter of LDC position on the common fund.	Likely to support the African stance that insists on a second window.	Jamaican Chief of Delegation (Amb. Walker) is President of negotiating conference. North-South politics are central to Jamaica's foreign policy.
Mexico	Has proposed buffer stocks for coffee under a price stabilization fund now being considered for inclusion in the International Coffee Agreement.	In the past, has actively supported the common fund within the G-77. Differences of opinion within the government may result in a reassessment.	Probably not interested but unlikely to withhold support because poorer LDCs like the idea.	Expressed reservations about the G-77 draft position paper.
Peru	Would like stabilization at higher prices for its exports; particularly copper and sugar. Favors a copper agreement based on buffer stocks; willing to accept supply controls if necessary.	Active supporter of the common fund.	Believes the common fund should have a second window to finance measures outside international commodity agreements.	Strives to maintain its Third World credentials. Currently working to shift from "left" to "center" position.
Venezuela	Supports concept as part of building "new international economic order". Oil provides 94% of export earnings. Little intrinsic economic interest in other commodities.	Active supporter of common fund. Has advocated a significant OPEC contribution.	Likely to support it to the extent that it can be seen in a favorable light by poorer LDCs.	An LDC leader in demands for "new international economic order". Support for LDC demands combined with close US relations could cause Venezuela to try to play moderating role.
<u>Africa</u>				
Algeria	Not involved in individual commodity negotiations; oil accounts for about 90% of exports.	Supports concept as part of building a "new international economic order" and strengthening LDC commodity producers.	Apparently joined in consensus at African regional meeting (Oct 6-8) to support second window and expand its functions.	Pioneer in stressing need for changes in international economic order. Zeal has declined over time; will probably remain a leading advocate of increased LDC role in commodity markets.
Egypt	Position unknown.	Follows G-77 consensus without actively supporting.	Probably will join Africans and South Asians in pushing this concept.	Not especially interested in common fund.
Ghana	Supports this feature. Cocoa is two-thirds of total exports. The current International Cocoa Agreement has provisions and cash for establishing buffer stocks. Ghana reportedly is examining ways to relate the existing cocoa agreement to resources that could be available to the common fund.	Unlikely to differ from G-77 position due to concern for group unity.	Probably supports African position in favor of second window.	Has shown more interest in the November negotiations than the March 1977 sessions.

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Country	Price Stabilization	Independent Funding	Second Window	Comments
<u>Africa (Continued)</u>				
Ivory Coast	Would want to insure that agreements do not adversely affect its export prospects. Agreements for its four major exports—cocoa, coffee, tropical timber, and vegetable oil—are all being considered under UNCTAD auspices. Iron ore, which is slated for future development, is also under discussion.	Has not been an active supporter.	Likely to acquiesce to African demands.	Not an active participant in North-South affairs. Key interest is sustaining phenomenal 6 1/2% economic growth rate of past 15 years.
Kenya	Major export—coffee—is already covered by international agreement (without buffer stocks). Probably supports the Mexican proposal for coffee buffer stocks.	Pledged "at least" \$1 million to the common fund in 1976.	Probably supports African demands.	Has been interested in increased LDC control over commodity markets. Not an LDC leader on North-South issues.
Nigeria	Has little interest, since oil accounts for 95% of exports.	Committed to G-77 goals.	Likely to push African demands.	OPEC member; wants to build regional role by supporting Third World positions. Has recently tended to more moderate positions.
Zaire	Key concern is copper earnings—about two-thirds of total exports. Favors an agreement to stabilize prices through buffer stocks.	Little concern.	Probably backs African position.	Domestic politics and copper far exceed other issues in importance.
Zambia	Copper exports account for over 90% of total exports; probably favors an agreement to stabilize prices.	Supports common fund concept.	Probably backs African position.	Supports "moderate" tactics in North-South dialogue.
<u>Near East</u>				
Iran	Oil accounts for 97% of export earnings. Perhaps because of years in OPEC, it has expressed view that producers and consumers will have great difficulty reaching agreements for buffer stocks and price stabilization.	Iran has indicated that its contribution would be through OPEC Special Fund, a polite way of indicating that it is not enthusiastic.	No interest.	Iran enjoys pressing the developed countries to do more to help the LDCs. While the LDC version of the common fund would probably cost Iran money, the political price of opposing the LDC initiative is probably considered higher.
Saudi Arabia	Oil provides for over 95% of export earnings; little interest in other commodities. Would be concerned about higher prices for imports.	Passively endorses G-77 consensus.	No interest.	Wary of G-77 schemes that ultimately may require Saudi financial support.
<u>South Asia</u>				
India	Does not believe stabilization agreements are likely for tea or jute. Has argued that proposed sugar agreement, with provisions for buffer stocks, be designed to mesh with common fund.	Pledged \$25 million to common fund in 1976.	A major proponent of second window. Takes credit for inclusion in G-77 position. Is willing to accept limitations as part of price of second window.	India is a key proponent of second window.

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Country	Price Stabilization	Independent Funding	Second Window	Comments
<u>South Asia (Continued)</u>				
Pakistan	Probably little interest because cotton and its products are only major Pakistani export involved in commodities discussions. Cotton is not likely to be involved in international buffer stock arrangement.	Supports G-77 position.	Endorses second window; particularly believes LDC importers should be compensated for any higher prices due to buffer stock purchases.	Supports idea of a common fund but does not believe it is most important North-South issue. Domestic political problems are likely to dictate low profile.
Sri Lanka	Views a tea agreement that includes buffer stocking as unlikely; believes a rubber agreement will be established with or without common fund.	Supports concept as central to LDC proposals.	Probably supports concept to stay in step with South Asian neighbors.	While not expecting great benefits, views common fund as necessary first step in establishing "new international economic order". Argues that LDC losers from LDC version of common fund will ultimately gain from momentum generated toward achieving a new order. New government may react more from reflex than conviction.
<u>South East Asia</u>				
Indonesia	Desires price stabilization agreements. Is working in concert with neighbors to reach producer-consumer rubber agreement.	Pledged \$25 million to common fund in 1976. Views fund as key North-South issue with progress necessary to avoid polemic confrontations. Strongly supports prior financing.	Interested only to the extent that other LDCs are interested.	Actively supports this Third World Initiative. Indonesia's Ambassador to Geneva (Amb. Alatas) chaired the Group of 33 effort to formulate G-77 draft agreement and is a key LDC representative.
Malaysia	Great deal of interest in price stabilization. Four major exports—rubber, tin, vegetable oil, and tropical timber—account for about two-thirds of total exports and are the subject of specific commodity discussions.	Supports it to extent it will lead to price stabilization agreement.	Not interested.	A leading moderate on North-South issues and a leading proponent of producer-consumer agreements for rubber and tin.
Philippines	Four commodities under consideration for commodity agreements—sugar, copper, vegetable oils, and tropical timber—amount to about two-thirds of total exports. The Philippines would like stabilization agreements for these commodities. Has already supported the new International Sugar Agreement with its provisions for buffer stocks.	Pledged \$20 million to the common fund in 1976.	Not interested, but follows G-77 consensus.	As part of foreign policy to associate itself with Third World, the Philippines is likely to stick closely to LDC position. Hosting of UNCTAD V in 1979 could force Philippines to follow issues more closely.
<u>Europe</u>				
Yugoslavia	Supports in principle. Commodities in UNCTAD program are not major exports.	Pledged \$30 million to common fund in 1976 and continues to actively support LDC version of same.	No direct interest; but probably will press developed countries on this issue.	Yugoslavia actively supports LDC (and particularly OPEC) demands as part of campaign to maintain Third World leadership role and to secure, if possible, concessionary oil purchases from OPEC members.

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African Attitudes Toward Nigeria

The emergence of regional "second order" powers among the developing countries has been an increasingly prominent theme in world politics. As a part of its research program, the International Issues Division has proposed an analytical framework for studying this trend and has explored its implications for US foreign policy interests in various regional and issue contexts. Adopting a somewhat different perspective, the following article by ORPA's African Division examines the role and influence of an important second order power, Nigeria, as perceived by its regional neighbors.*

* * *

During the last several months, Nigeria has made a concerted effort to play the predominant leadership role in African affairs and to let its voice be heard as the voice of Africa. African attitudes are ambivalent toward Nigeria, but most states concede that the country's comparative economic and military might allow it to claim an important role in African and world affairs. There is, however, no clear mandate among the African states to allow Nigeria to act as Africa's leader.

While no other state can really compete with Nigeria, the various groupings and alignments of African states will affect the ultimate role that Nigeria will play and will determine to what extent Nigeria will be allowed to speak for Africa. African states are jealous guardians of their individual sovereignty and will not allow Nigeria to be their spokesman on issues of direct concern to them. Many prefer that the Organization of African Unity (OAU) should play the leading role in presenting Africa's view. The rise of Nigeria as an African "super-power" would not be welcomed by the African states. They

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are suspicious of Nigeria's aspirations on the continent and will also be concerned with the amount of attention that Nigeria receives from the US.

Nigeria's Head of State, General Obasanjo, is generally well regarded by the Africans. He made a favorable impression at the antiapartheid conference which Nigeria hosted earlier this year and gave the impression of being a responsible leader at the OAU Summit in July. Obasanjo is currently serving as one of the OAU Vice Presidents, and Nigeria holds the chairmanship of that organization's Mediation Committee. Unlike Presidents Nyerere of Tanzania and Kaunda of Zambia, however, Obasanjo is not one of Africa's respected elder statesmen. Nor does he possess, like Nyerere, solid credentials in Africa's moderate and progressive camps. Nigeria's internal political and social problems also tarnish the country's image, as does the fact that it is ruled by a military government. Recent moves toward the restoration of civilian rule, however, are viewed as encouraging signs.

Nigeria's West African English-speaking and French-speaking neighbors have a genuine respect and even fear of that country's potential. Nigeria has played a leading role in the creation of the Economic Community of West African States. Many of that organization's 15 members are poverty-stricken ministates and, as such, look to Nigeria for aid. They have been disappointed, however, at the modest response from Lagos. African states in general are also disappointed that Nigeria has refused to sell oil to them at concessionary rates and intercede with the Organization of Petroleum Exporting Countries (OPEC) on their behalf. The strains that accompany relations between large and small and have and have-not states are apparent in Nigeria's relations with most of its West African neighbors. Their desire for close relations with Nigeria is also tempered by their fear of being dominated by their giant neighbor. Jealousy is also a factor in the equation. For example, although relations between Nigeria and Ghana are good, Ghanaians resent the fact that Nigeria has replaced their country as West Africa's leader. President Tolbert of Liberia probably sees Nigeria as a threat to his country's close historical relationship with the US.

The French-speaking African states are particularly suspicious of Nigeria. Their traditional distrust of their English-speaking neighbor is exacerbated by the

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belief that the Nigerians are unsophisticated and arrogant. The fears of the French-speaking states have been recently substantiated by Nigeria's success in contesting the OAU decision to back Niger for one of the African seats on the UN Security Council. There was concern in some African quarters that the US may have been encouraging Nigeria's aggressive behavior on this issue. Zaire, the major French-speaking state in Central Africa, views Nigeria as a rival for African leadership and fears that it will be displaced by Nigeria as the special friend of the US in Africa.

Africa's frontline states are pleased that Nigeria has decided to take an active concern in problems relating to the liberation of southern Africa. They are primarily interested in having Nigeria carry more of the economic and military burden of the Rhodesian struggle. The frontline leaders do not, however, wish to see Lagos encroach on their leadership roles in southern Africa. Nigeria's influence in this region will depend more than anything else on its willingness to increase its military and economic commitment--one which, in any event, the frontline Presidents will seek to control.

The North African states have received Nigerian diplomatic support on the Middle East since 1973. Nigeria is sensitive to any hints of the condescension that the Arabs have historically shown toward black Africans. The Arabs believe that Nigeria should, because of its large Muslim population, more actively champion Arab causes. The North African states also resent Nigerian criticism that the Arabs have not extended as much moral support to the southern Africa liberation struggle as the black Africans have to the Arab cause in the Middle East. North Africans are aware of Nigeria's attempts to play a leading role in African affairs. As a group, however, they will not look to Nigeria for leadership on African issues, but will probably continue to follow their diverse traditional alignments.

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