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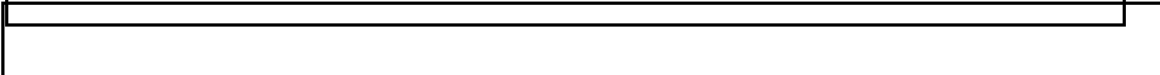
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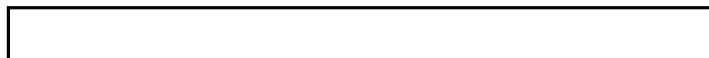
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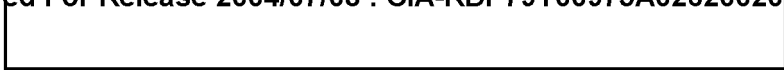
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**PORTUGAL:** The Portuguese Government yesterday dismissed armed forces Chief of Staff Costa Gomes and General Spínola, his deputy. The action is a victory for right-wing forces who oppose Spínola's advocacy of greater autonomy for Portugal's overseas territories.

The dismissals are certain to send further shock waves through the Portuguese hierarchy, which includes many Spínola supporters. Probably in anticipation of this, the government announced that it would partially reimpose the state of alert that confined troops to barracks for four days this week.

The discharges may also cause rumblings in the overseas territories. Most civilian and military leaders will be relieved that Spínola's ideas about self-determination have been rejected.

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Early indications are that Costa Gomes will be replaced by General Joaquim Luz Cunha, a rightist who has commanded Portuguese forces in Angola since 1972.

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No replacement for Spínola has been announced so far.

Over the last week the government quietly posted Spínola sympathizers in the military as far away from Lisbon as possible. This dispersal of Spínola supporters is probably continuing. The US Consulate in the Azores yesterday reported a rumor that 48 more officers would soon arrive in the islands. Some junior officers, who presumably supported a change in overseas policy, were transferred to the Azores earlier in the week.

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IRAN: Iran apparently is planning to slow the rate of increase of its petroleum production in order to stretch out its oil reserves. Tehran plans to build several refineries and petrochemical plants and probably wants to ensure that sufficient domestic oil will be available for the projects.

The National Iranian Oil Company has instructed the consortium of Western oil companies to prepare a new production plan. Iranian Oil Company officials have asked company representatives to calculate the new program conservatively, on the basis of known reserves only, and to plan peak production at a level that can be sustained for at least eight years.

According to a plan published last June, the consortium had expected to raise production from the current rate of 5.7 million barrels per day to a peak of 7.6 million b/d by the end of 1976 and to sustain that level until 1985, when it would begin dropping. Recent company estimates of reserves have been more pessimistic, however, and Iranian production is now expected to begin declining more quickly. Although the new plan probably will not affect production this year, an oil company official believes the program could lead to a new consortium peak production goal as low as 6.5 million b/d.

The timing of the Shah's decision presumably is related to the rapid price increases in recent months that will yield the government more revenues in the next three to five years than can be absorbed effectively by the economy. The decision probably also reflects the Shah's belief that oil prices are not likely to decline substantially over the next five or ten years.

Such a slowdown in the growth of Iranian production would further enhance the key role to be played by Saudi Arabia over the next several years. The Saudis are capable of increasing production to offset the Iranian shortfall, if King Faysal so desires.

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[REDACTED]

The Shah is currently revamping his economic development plan, which runs from 1973 to 1978, and he is apparently concerned that rapidly expanding oil revenues could have a hyperinflationary impact on the economy. He may be trying to hold down the expansion of spending because of the strain on existing capacity and the consequent upward pressure on prices. [REDACTED]

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SOUTH AMERICA: Chilean junta President Pinochet will seek a stronger Brazilian commitment for assistance in countering the alleged aggressive designs of Peru when he meets with President Geisel tomorrow. Pinochet, in Brasilia for Geisel's inauguration, reportedly will ask for Brazilian aid in acquiring weapons from third countries hesitant about selling to the junta, as well as for more materiel from Brazil itself.

Peru's purchase of Soviet tanks and acceptance of Soviet training personnel have heightened Chilean concern over traditional Peruvian revanchism. Pinochet reportedly will try to convince Geisel that Cuba and the USSR plan to use Peru as the new "bridge for Marxism" in the hemisphere, with the ultimate goal of isolating Brazil.

Geisel, who probably has a more objective perspective on the issue of "Marxist penetration," is unlikely to buy all of Pinochet's thesis. Brazil does, however, want the Chilean junta to succeed and will continue to provide economic aid

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Bolivian President Banzer is also attending the Geisel inauguration, and Brazilian officials have helped arrange an informal meeting between the Chilean and Bolivian leaders. This is in line with Brazil's interest in helping the junta patch up Chile's quarrel with Bolivia. Such a rapprochement would be important to Chile in the event of a confrontation with Peru.

Both Pinochet and Banzer have said publicly that they are willing to discuss issues of common concern. Bolivian claims to territory conquered by Chile in the War of the Pacific in the last century have been a source of friction ever since. Diplomatic ties have been suspended for over a decade because of a dispute over Chile's diversion of a river that flows through both countries.

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The Geisel administration would find an improvement in Bolivian-Chilean relations attractive on several counts. Brazil basically wants to see both military regimes strengthened. Even partial reconciliation would earn Brazil prestige as an international arbiter, and the fact that the two presidents are meeting on Brazilian soil will help. Finally, a possible Chilean concession to Bolivia on access to the sea might involve internationalization of a port in northern Chile, a development that Brazil might view as an opportunity for economic gain and increased influence in general. Chile is anxious to attract foreign investment to its northern border region, and the junta probably believes that a Brazilian economic stake in the area would help discourage Peruvian incursions.

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UGANDA-CZECHOSLOVAKIA: Prague is following Moscow's lead in reinstating military deliveries to Uganda.

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After a hiatus of several years, Soviet military shipments began again last November when armored personnel carriers, artillery, tanks, and fighter aircraft were delivered.

Between 1965 and 1970, Prague and Moscow provided Uganda with a total of \$13 million worth of military equipment. Following the coup that brought President Amin to power three years ago, however, relations became strained, the military aid program was discontinued, and all Soviet and most Czech military technicians were withdrawn. Relations began to improve in late 1972 when Amin announced his hope that Soviet military aid would resume.

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Resumption of military deliveries by Moscow and Prague reflects a bid for influence with the Amin regime, whose relations with London, Washington, and Tel Aviv are deteriorating. Amin has had to turn to Communist countries for military aid, because Western countries are reluctant to provide it.

Kenya and Tanzania do not trust the mercurial Ugandan leader. Their uneasiness will increase as Uganda acquires more arms, although Amin apparently is not planning any military action.

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JAPAN: Overseas borrowing by Japanese firms will expand rapidly over the next several months. The Ministry of Finance has announced that the government will permit domestic firms to bring in about \$390 million in foreign loans in the second quarter of this year to help them finance higher fuel costs. This is in addition to the \$260 million in such loans permitted during the first quarter. Only power companies, steel producers, and shipbuilders have thus far been allowed to raise foreign loans and bring the funds into Japan.

The dollar inflows resulting from this borrowing will help reduce Japan's expected balance-of-payments deficit during the period and ease the downward pressure on the yen. [REDACTED]

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Romania-Argentina: President Ceausescu signed several agreements during his recent visit to Argentina, including a \$100-million economic credit, Romania's largest commitment to a South American nation. The credit will be used in the mining, agricultural, and petroleum sectors. A \$37-million contract for petroleum equipment already has been signed under the credits. 

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Portuguese Guinea: The self-proclaimed rebel government of Guinea-Bissau, which is challenging Lisbon's control of Portuguese Guinea, has been accorded observer status in the United Nations. This will allow it to send a delegation to the General Assembly on a nonvoting basis. The rebel government apparently hopes to obtain full membership in the UN next fall. Since proclaiming its "independence" last September, the rebel government has been recognized by about 70 African, Communist, and third world countries, and has been admitted to the Organization of African Unity and the UN Food and Agricultural Organization. 

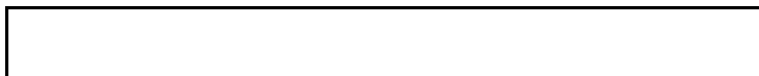
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