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National Intelligence Bulletin

Top Secret
22 October 1974

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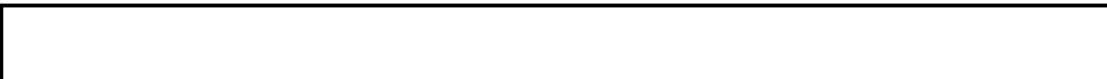
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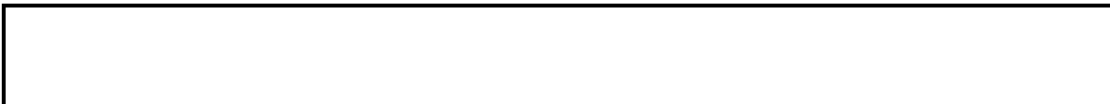
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ARAB STATES

Arab foreign ministers meet today in Rabat to prepare an agenda for the conference of Arab League heads of state beginning October 26.

Although few Arab leaders still dispute the value of efforts to solve the Arab-Israeli conflict by negotiation, they have fallen again into discord over how best to proceed toward that objective. Inter-Arab differences have emerged over where to go next in peace talks and, more particularly, over how to handle the Palestinian question.

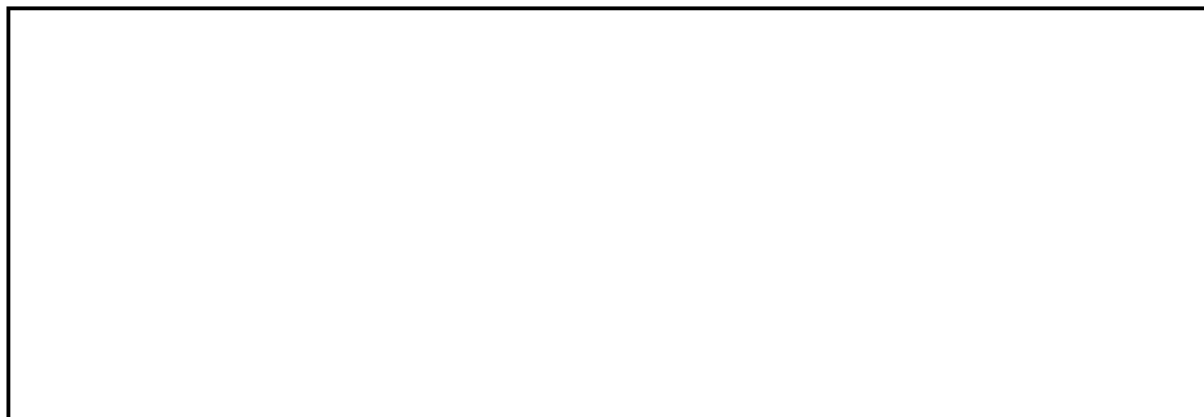
This issue and its several ramifications--the roles in negotiations of the Palestine Liberation Organization and of Jordan, the related but broader question of the future of the Israeli-occupied West Bank, and the precedence to be given the various stages of the peace talks as they involve individual Arab parties--will constitute the chief topic for debate at the summit.

Other issues arising out of last year's war will also be considered at Rabat. These center primarily on the Arabs' international economic role and include political aspects of the oil price issue, the use of oil and money as political weapons, and Arab economic cooperation with Africa and the European Economic Community.

Two additional inter-Arab problems, of secondary importance, may also surface. The role of Iran in Oman may be raised outside plenary sessions, particularly by radical states such as South Yemen and Iraq. Oman probably would like to avoid discussion of Iranian involvement, but if pressed might point to the possibility of a pan-Arab force being sent to Oman, as has been proposed by Egypt and Saudi Arabia.

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The dispute over Spanish Sahara, the principal concern of the host Moroccan government, may come up in bilateral corridor discussions. If the Sahara question is raised before the full summit and a resolution passed, it will probably be vaguely worded to avoid taking sides between the rival claims of Morocco and Mauritania.



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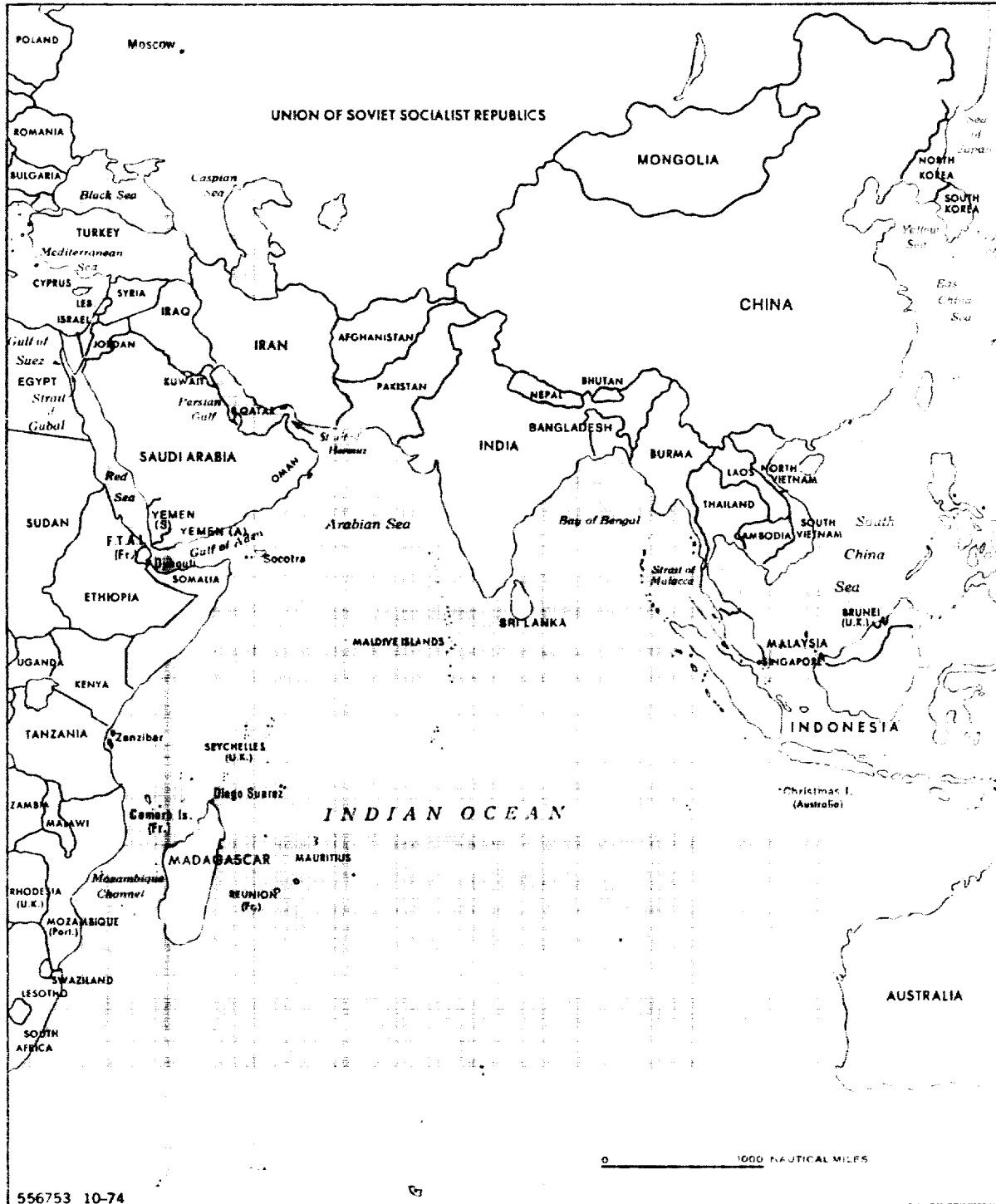
JAPAN

A major rally in Tokyo yesterday protesting the alleged presence of US nuclear weapons in Japan and President Ford's visit next month fell short of opposition goals. Organizers claimed an attendance of 70,000, after forecasting a turnout of 100,000, but police estimated that only 25,000 participated. The rally, sponsored in part by the Communist and Socialist parties, adopted resolutions and a statement to President Ford demanding that he call off his trip. Street demonstrations after the rally were generally peaceful.

The public controversy in Japan stemming from allegations of a US nuclear presence has provided the political left with an improved atmosphere in which to revive its sputtering campaign against the US-Japan Security Treaty and against the President's visit. Yesterday's rally--on "International Anti-War Day"--was a major test of the opposition's ability to generate public support for its cause. In view of the relatively modest turnout, opposition leaders now face the hard choice of pressing an all-out campaign against the visit with uncertain backing, or limiting their efforts to token protests.

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FRANCE

Paris has reaffirmed its determination to maintain a strong French presence in the Indian Ocean.

According to press reports, the French government informed parliament on Friday of plans to build a military base on the Comoro Islands, despite an independence referendum on the French-ruled islands scheduled within a year. The construction of a naval base in the Comoros will place the French astride the strategic shipping routes from the Persian Gulf to Western Europe and will keep Paris in the forefront of the increasing great-power competition in the Indian Ocean.

The French flotilla usually stationed in the Indian Ocean has been augmented in the past few months. The most recent arrivals included the aircraft carrier Clemenceau and its complement of support and escort ships.

The Indian Ocean force has had to use floating command and support facilities since last year, when Paris relinquished its base and communications facility at Diego Suarez, Madagascar. The only important French base in the Indian Ocean area is at Djibouti, in the Territory of the Afars and the Issas, where the French have only a small naval contingent.

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ITALY

Amintore Fanfani, who is trying to put together a new center-left government in Italy, has reacted negatively to some of the demands made by the Socialist Party.

Fanfani reportedly told the Socialists and other parties with which he has been bargaining that Socialist plans to create a "social contract" with the labor unions are dangerous. He also said the Socialists and Social Democrats had misinterpreted his proposals for forming another coalition government.

The Socialist Party's terms for participating in a new government were made public over the weekend. Among other things, the Socialists called for:

--full wages for one year to unemployed workers and those on reduced workweeks;

--a commitment to act on Socialist-inspired social and economic legislation not enacted during the previous administration;

--increased Socialist representation in any new cabinet.

For the moment, the Socialists do not seem so intent on establishing closer relations between the government and the Communist opposition. They may have concluded that a lower profile on this question will enhance prospects for gains on bread-and-butter issues.

The stiffening of the Socialist stand on economic issues--the party leadership had earlier taken a "positive" view of Fanfani's proposals--probably results from the party's need to keep its strong left-wing minority in line. Elements of this minority oppose re-entering the government and apparently favor a breakoff of discussions followed by new parliamentary elections.

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Although the Socialist demands could scuttle Fanfani's negotiations, there is still room for compromise. According to one Christian Democratic source, his party may be willing to give the Socialists another major economic ministry (they already hold the Budget portfolio), such as the Treasury post. The program presented by Fanfani, moreover, shows considerable flexibility on the economic programs desired by the Socialists.

The other parties, however, cannot bend much on the Socialist call for increased unemployment compensation, as such benefits are already high. Those on a reduced workweek--one third of Fiat's employees are now in this category--can draw 80 percent of their full wages for up to nine months. The agency that administers these benefits is already hard pressed for resources and has had to dip into funds allocated for other purposes.

Meanwhile, the political stalemate continues to aggravate Italy's serious economic problems. Prime Minister Rumor's resignation on October 3, for example, intensified pressure on the lira. Although this pressure has eased somewhat, the Bank of Italy was required to pay out about \$30 million a day last week to support the lira. Should these levels of intervention prevail through the remainder of the year, Italy's 1974 balance-of-payments deficit would approach \$9 billion.

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PORTUGAL

The Portuguese left was generally successful in having its views incorporated into the draft of the new electoral law approved by the cabinet last week. It is expected that the law will be confirmed without modification by the Council of State and then promulgated by President Costa Gomes.

The draft law establishes the general requirements for voting for the constituent assembly and sets qualifications for candidates in the elections the regime has promised to hold next March. Suffrage is universal, with certain exceptions that tend to favor "progressive," rather than conservative, groups and reflect the predominantly socialist views of the drafting committee. The Socialists and Communists were successful in pushing for the right of 18-year-olds to vote, thus overriding the smaller, more conservative parties, which preferred a minimum age of 21.

Another controversial issue involved the voting qualifications for emigrants. Centrist parties, including the Socialists, expected to benefit from a nonrestrictive policy toward Portuguese citizens outside the metropole. The Communists, on the other hand, reportedly considered the emigrant population to be generally conservative and wanted to bar them completely from the election. A compromise solution limits the vote to those emigrants who have left the country in the past five years.

Under the terms of the new electoral law, active supporters of the Caetano and Salazar regimes are declared ineligible to vote in the constituent assembly elections. The cabinet, however, has been unable to agree on the individuals to be included in this category. To expedite the passage of the rest of the legislation, this problem will be tackled in a separate law at a later date. [REDACTED]

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LEBANON

Saib Salam, who had been named prime minister - designate on October 3, announced yesterday that he had abandoned efforts to form a new government. Salam told newsmen that he was unable to put together a government acceptable both to President Franjiah and parliament.

Salam's inability to satisfy Franjiah stems primarily from his determination to head a government more competent and effective than the "do-nothing" cabinet of former prime minister Sulh, his predecessor who resigned late last month. Salam wanted to strengthen the cabinet and the position of prime minister by awarding ministerial posts to young technical experts outside parliament and to politicians acceptable to some liberal Muslim leaders who ordinarily have little voice in the government.

Franjiah, however, was unwilling to see his own prerogatives limited by an assertive cabinet. He probably also preferred to avoid the conflict with the fedayeen which would likely result from the formation of a more aggressive government. Franjiah additionally was reluctant to commit his prestige to the task of shielding Salam from criticism of veteran members of parliament who would have been excluded from the government.

Salam also faced opposition from parliamentary factions supported by Syria and the fedayeen. Despite Salam's efforts to placate Damascus by lavishly praising President Asad, the Syrians remain suspicious of his ties to Lebanon's conservative commercial establishment and his inclination to enforce stricter controls over the Palestinians. The chief supporter of the fedayeen among Lebanese politicians, Kamal Jumblatt, vigorously campaigned against Salam. The Palestinians are critical of Salam because of his generally conservative, pro-Western views, and because he headed the government in early 1973 when Israeli commandos entered Beirut without significant opposition and killed three Palestinian leaders.

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Franjiyah must now attempt to find another Sunni Muslim willing to try to form a new government. Salam's difficulties make it unlikely that anyone will be able to form a government more forceful or effective than Sulh's.

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ETHIOPIA

Several air force and navy officers have been expressing anxiety over their services' capabilities as well as their own military careers.

Some of these officers have voiced serious concern over arrests or demotions for alleged military or political crimes in the past and have cited lack of discipline in the ranks as a major factor in the uneasy situation.

The same problems are apparently endemic within the army leadership. Much of the blame for this can be traced to lack of direction from Addis Ababa as well as a mood of pessimism that has accompanied the sometimes arbitrary arrest of senior officers, frequently on orders of their subordinates. As a result of the virtual paralysis within senior officer ranks, most of the responsibility for operational decisions rests with middle-grade officers.

The navy, probably because it is smaller and farther removed from Addis Ababa's political turmoil, is likely to regain its combat readiness within 18 months.

The air force remains seriously divided. Its senior officers frequently ignore their duties to curry favor with junior and noncommissioned officers, to the detriment of the service. The acting chief of staff is disliked, but no other senior officer is considered to have the leadership qualities--or to be politically clean enough--to unify the service. Furthermore, air force rank and file allegedly want General Assefa Ayene appointed chief of staff, but he remains in detention.

There is no evidence that the erosion within the military services will soon end, and continuing instability within the ruling military group will only aggravate the situation. [REDACTED]

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Argentina: President Peron's appointment of Gomez Morales as minister of economy signals a return to tighter monetary policies. Outgoing minister Jose Gelbard had come under increasing criticism from labor and the opposition parties because of economic distortions resulting from his ill-conceived stabilization measures. Morales had resigned as head of the Central Bank last month after denouncing Gelbard's policy of granting major credit concessions to businessmen. Morales' opposition to easy credit is based on his concern over rapid monetary expansion, which has nearly doubled Argentina's money supply during the past year and has been a major factor in creating excessive consumer demands and the resulting shortages of goods.

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