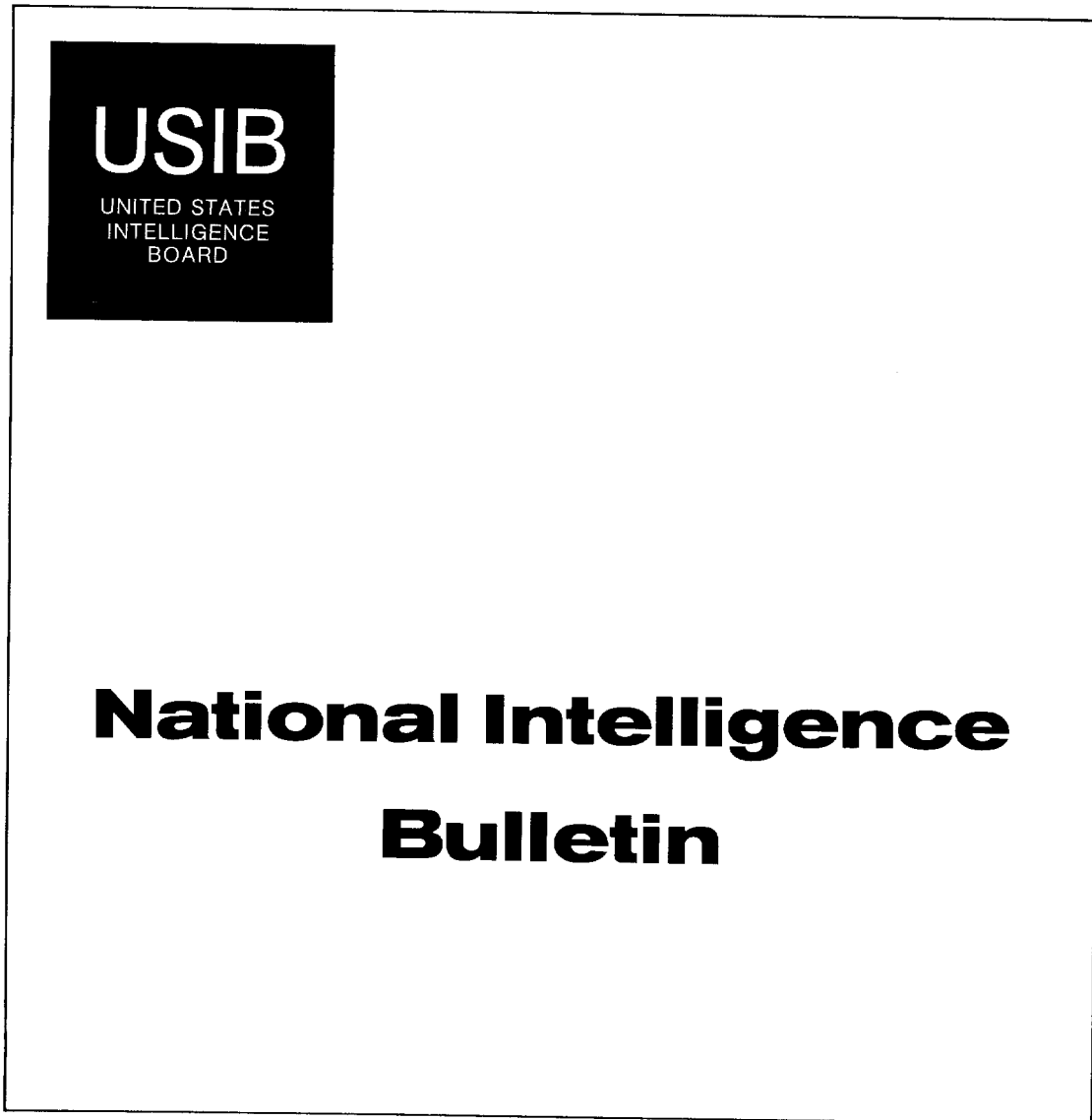


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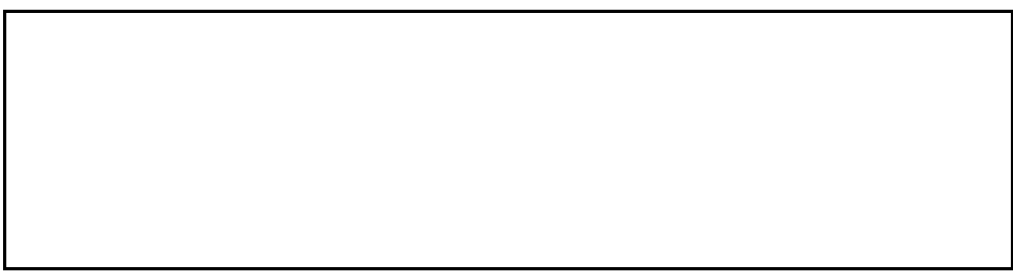
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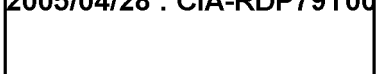
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PORTUGAL

Portugal's democratic leaders have been seriously shaken by the government's inability to control the mob that surrounded Sao Bento palace earlier this week.



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The minister of internal administration, who is in charge of security, told Ambassador Carlucci that Portugal is in a "virtual state of civil war; all that is missing is the shooting." Foreign Minister Antunes has canceled plans for a trip to Czechoslovakia and will help Prime Minister Azevedo plot his next move.

Lisbon was relatively calm yesterday after the government agreed to grant construction workers a temporary wage increase while a permanent wage scale is being negotiated. The deadline for a permanent increase is November 27. A demonstration scheduled by leftist groups for tomorrow will keep the pressure on the government to grant the workers' demands.

Both the Socialists and the Popular Democrats were unable to organize an effective counter-demonstration in Lisbon and were limited to pressuring President Costa Gomes—with little success—to take strong action against the leftists. Party activists in safer locations in the north, however, turned out in large numbers to protest the Lisbon disturbances.

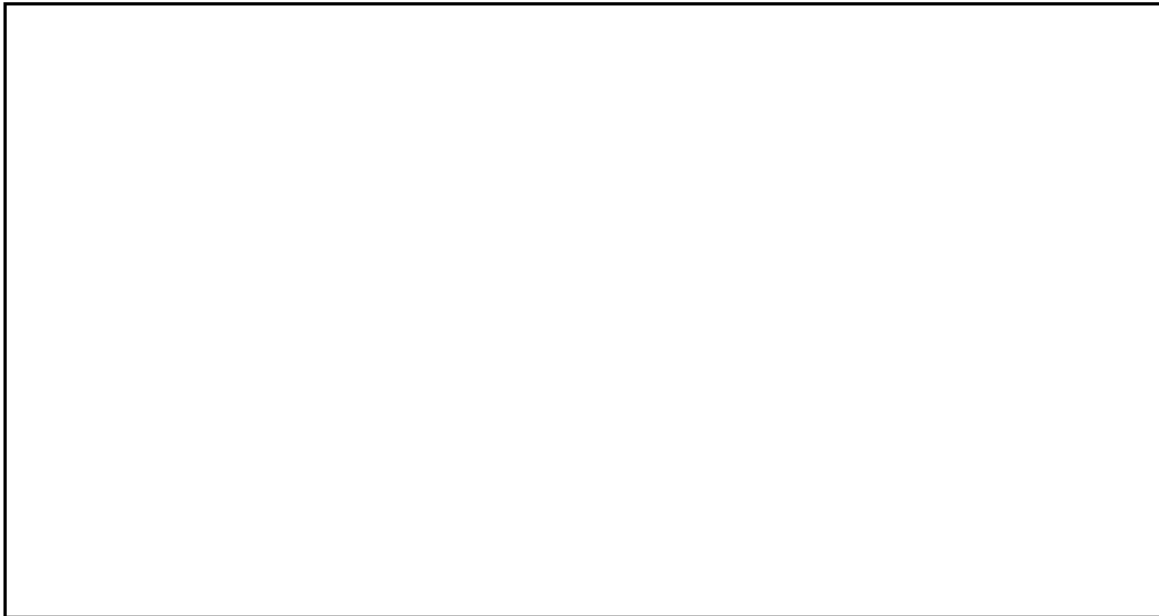
--In Porto, several thousand protesters attacked and looted the local headquarters of the Communist-dominated labor confederation and threw Molotov cocktails at the Communist youth organization building. Demonstrators in Porto also marched on a pro-Communist radio station, demanding that it cut ties with the main station in Lisbon and revise its programming.

--A crowd in Viseu, 50 miles southeast of Porto, took over the local transmitter of the government radio station to broadcast a communique in support of the government.

In the south, farm workers in Beja cheered security chief Otelo de Carvalho at a rally which had as its themes the overthrow of the Azevedo government and the restoration of former pro-Communist prime minister Goncalves.

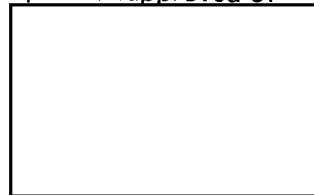
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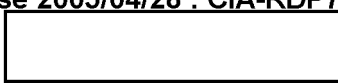


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A Communist Party statement issued yesterday took the more moderate line and supported the right of the workers to demand higher wages, but disapproved of restricting the freedom of movement of government officials.



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SPANISH SAHARA

Spain, Morocco, and Mauritania agreed yesterday to set up a joint provisional administration to govern Spanish Sahara until Spain withdraws completely early next year.

The Spanish information minister predicted yesterday that Spain would be out of the Sahara by the end of February. He said that details of the new agreement would not be made public by Spain until the Spanish parliament completed the process—scheduled to start next Tuesday—of formally decolonizing the territory.

Preliminary comments from Spanish officials indicate they are unhappy with the pact. One Spanish official who has been involved in the negotiations told the US embassy in Madrid that it was a "bad agreement," but was made necessary by the UN's demonstrated inability to prevent the situation from degenerating into war.

With the agreement, Madrid has abandoned its insistence on a referendum for the area. The Spanish official said that "consultations" will be held with local tribal leaders on the future of Spanish Sahara. Madrid is uneasy about the arrangement because it expects Algeria to be displeased. Algeria is Spain's main supplier of natural gas, but Madrid apparently preferred to risk its energy supplies rather than become engaged in hostilities in the Sahara.

The UN may not have a role now that it has been presented with an accomplished fact. At best there may be an attempt to obtain UN approval.

The agreement is a victory for Morocco's King Hassan, who has long sought to annex at least part of Spanish Sahara. Hassan will be able to present the new joint authority as fulfilling a promise he made in August to liberate Spanish Sahara by the end of the year.

As co-administrators, Rabat and Nouakchott will be able to hand-pick Saharan tribal leaders—including the head of the territory's general assembly, who defected to Morocco—for any "consultations." The outcome of such "consultations" would almost certainly be a decision to partition the territory, giving to Morocco the northern region, with its rich phosphate deposits, and to Mauritania the southern portion, with its iron ore.

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Algeria looks like the big loser. The Algerian Foreign Ministry yesterday issued a statement indicating that Algiers would not approve any agreement to which it had not been a party. The statement strongly reiterated Algeria's unequivocal support for the principle of self-determination, suggesting it intends to push for a referendum for Spanish Sahara. An official Algerian news agency warned Madrid that any attempt to divide the territory would be a grave mistake. The agency said such an action would jeopardize Spain's interests, apparently a reference to Algeria's natural gas. Although the agency did suggest that the Saharan people would fight to liberate their homeland, it did not imply that Algeria would participate directly in the struggle.

Algeria will, as a first step, try to enlist support in the UN to reverse the agreement. Algiers will note that the proposed "consultations" are not in accord with an advisory opinion of the International Court of Justice, which upheld the Saharans' right to self-determination. Although a UN report last month stopped short of backing a referendum explicitly, earlier assembly resolutions endorsed self-determination.

The Algerians will also move to create as many problems for Morocco as possible. They will, for example, continue to provide arms, training, and possibly some "volunteers" to the Polisario Front, a pro-independence Saharan group. With sanctuary in Algeria and sufficient arms, a relatively small number of Front guerrillas could carry out sabotage and terrorist attacks directed against the new joint administration. Algiers could also renew its support of dissidents inside Morocco.

Algeria would probably hope that a Polisario insurgency against Moroccan occupation would tie down a large number of troops for some time to come. The Front already claims it controls part of the territory. Front leaders want complete independence for Spanish Sahara and have vowed to fight to achieve that aim. Press reports from Algeria say that as many as 2,500 armed Polisario members are in the territory.

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SPAIN

Prince Juan Carlos is extracting maximum advantage out of his status as "temporary" head of state.

Capitalizing on the emergency nature of the Sahara problem, he has acted decisively and is given much of the credit for reversing the Moroccan march. His leadership image has been strengthened by his chairing of two National Defense Council meetings—something Franco rarely did. Juan Carlos' handling of the Sahara issue to date has also improved his rapport with top military leaders whose support he will need in the months to come.

Although Juan Carlos has not been as assertive on domestic issues, Franco's continued presence has given the prince an excuse not to be. Even so, the media have applauded Juan Carlos for the recent indications that the government is taking steps to resolve the sensitive issue of regionalism. On November 11 the cabinet adopted a decree—initiated several months ago—setting up a commission to prepare a special administrative statute for two of the Basque provinces. [REDACTED]

[REDACTED] The press has also reported that a decree approved last May authorizing the teaching of regional languages in schools and their use in local government activities will also be issued soon.

In general, however, there is a paralysis in domestic policy-making which will probably continue as long as Franco lives. During the interregnum, the activities of the ultra right—if left unchecked—will complicate Juan Carlos' efforts to open up Spanish society after he is sworn in as king. Blas Pinar, leader of the ultra right New Force, has been holding rallies around the country warning of the dangers posed by political parties. Pointing out that the monarchy will derive its legitimacy solely from Franco, he has called on Juan Carlos to purge the government of all who have not supported Francoism.

Right-wing extremists, such as the Guerrillas of Christ the King, who have been linked to the New Force, have recently beaten up student demonstrators and opposition lawyers, and sent threatening letters to oppositionists and even to some of the more open-minded establishment figures.

Security forces, meanwhile, have taken full advantage of the wide powers granted by last summer's anti-terrorist decrees to step up arrests and repress all forms of dissent. In the past few days, according to press estimates, more than 100 people have been arrested, including the editor of the prestigious independent newspaper *Ya* who was indicted for publishing an article on the succession. Six priests have been fined because of their sermons, and the government has banned several conferences by important professors, including former minister Ruiz Gimenez.

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Juan Carlos will not be able to postpone domestic policy decisions much longer even if Franco lives. A decision is due on a successor for Rodriguez de Valcarcel, the conservative president of parliament whose six-year term expires later this month. The position is important because the incumbent automatically becomes president of the Council of the Realm, which is instrumental in the choice of new prime ministers, and the three-man Council of the Regency, which will govern from the time of Franco's death until Juan Carlos is sworn in.

Should Juan Carlos decide to retain Rodriguez de Valcarcel, the decision will be interpreted by the Spanish left as Francoism without Franco. If someone else is chosen, his political credentials will be carefully examined for clues as to the direction in which Juan Carlos plans to take Spain.

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LEBANON

Lebanese Prime Minister Karami and three principal officers of the Lebanese army yesterday discussed the army's role in enforcing the latest cease-fire and its refusal to prevent the continued shipment into Lebanon of arms for the Christian militias.

Karami probably also wanted to reassure the officers that their views are being weighed in political negotiations. Many right-wing Christians in the army and the Phalanges Party are exasperated both with Karami and with President Franjyah for their inability or unwillingness to deal forcefully with security problems; Karami may feel that by meeting with the officers he can head off any wider discontent or anti-government actions.

Phalangist officials are continuing their unpublicized negotiations with representatives of Fatah, the largest and least radical fedayeen group. A party leader claimed this week that the talks are going well, and that the Phalangists are "ready for some reforms."

The Phalanges-fedayeen talks are angering Lebanese leftist leader Kamal Jumblatt, thus serving the Christian purpose of weakening further the always tenuous alliance between the Lebanese left and the Palestinians. Jumblatt this week repeated that he will not join an expanded Lebanese cabinet that includes a Phalangist representative until some understanding on political reform has been reached.



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ARGENTINA

President Peron, released from the hospital after almost two weeks of isolation, is facing a renewed drive from within her party and government to step aside, at least temporarily.

Interior Minister Robledo almost certainly urged this course of action during a meeting with her on Thursday, when she finally responded to cabinet requests for consultations. According to press reporting, Senate leaders had earlier told Robledo—generally viewed as the government's chief coordinator—that they would ease their attacks on the administration briefly to give him time to prevail upon Peron.

The senators apparently would be satisfied if she would agree to take another leave of absence or a long trip abroad. This would allow one of their own, Senate President Luder, to assume the duties of the presidency, as he did during her last leave. This would be only an interim solution, but the military would probably back it, as they did previously.

Presidential loyalists have other worries as well. They are trying to play down the importance of the rally this week by supporters of Buenos Aires Province Governor Calabro, a leader of Peronists opposed to the President. The US embassy reports an enthusiastic crowd of about 30,000 turned out in La Plata, the provincial capital, to hear Calabro excoriate the administration and belittle the decision to expel him from Peronist party ranks. The official Peronist newspaper, on the other hand, claims only 12,000 showed up, and an orthodox Peronist congressional leader termed Calabro's remarks "subversive." Calabro's following seems to be growing; the longer the discredited President remains in office, the more adherents the governor is likely to acquire.

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JAPAN

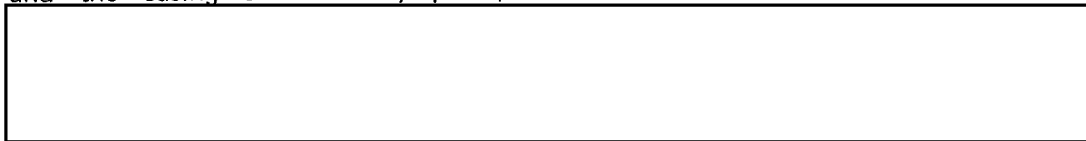
Unemployment in Japan has reached a 20-year high, reflecting the sluggishness of economic recovery.

While the official unemployment rate in September was only 2 percent, this figure masks the true degree of slack in the labor market. In addition to the more than one million jobless, large numbers of workers remain on furlough. These people would be counted as unemployed in most other countries. Were it not for the Japanese lifetime employment system, the number of jobless and part-timers would be substantially larger.

Prospects for quick improvement are dim. Job offers to new college graduates have been sharply curtailed and the ratio of job offers to applicants, a key indicator of labor market conditions, remains at its lowest level in years.

The impact of unemployment has not been particularly severe because of generous compensation schemes. In the past, firms alone paid up to 90 percent of salary for laid off workers. The government has now assumed one half to two thirds of the financial burden through subsidies.

Although both business and labor are pressing for stronger action to stimulate economic recovery, Tokyo is holding to its present policy. No change is expected before the government assesses the impact of the increase in government spending and the easing of monetary policy that were put into effect in October.



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ANNEX

Vietnam: Reunification Now

The decision to convene the North-South conference on reunification now meeting in Saigon indicates that Hanoi is ready to proceed swiftly on formally joining the two countries. The process could be completed as early as next spring.

The conference will be a cosmetic exercise, giving the appearance of mutual agreement between "northerners" and "southerners" to what has been a political reality since the collapse of the former government last spring. Vietnam has already experienced de facto reunification under a single party and military structure, with Hanoi making all the important administrative, economic, and political decisions.

Heading each of the delegations are senior party officials who are ranking members of the North Vietnamese Politburo. Truong Chinh, the Politburo's second-ranking member and head of North Vietnam's National Assembly, is representing the North, while Pham Hung, the fourth-ranking member on the Politburo and the party's chief in the South leads South Vietnam's 25-member delegation.

According to the official announcement, the conference will formulate plans for a new national assembly and new "common" state organs. The formulation suggests that Hanoi intends to use the North Vietnamese government structure as a model and expand established legislative and executive organizations to include southerners. Southerners will undoubtedly also be appointed to positions in executive ministries and commissions. The elections proposed are for a new countrywide national assembly. These elections are intended to serve as a nationwide plebiscite, reflecting the so-called "national will" of the people for a reunified state. In reality, the assembly in the North has no power and merely rubber stamps the bidding of the Politburo and the central committee. The impression left by the announcement is that the elections will be held soon.

Since the communist victory last April, leaders in both zones have made it clear that the ultimate goal is to establish a reunified Vietnam. There have been mixed signs, however, on how rapidly this process would occur and what form it would take. One reason for the confusion was the rapidity of the communist military victory, which caught the leadership politically off guard. At the time of Saigon's collapse, Hanoi almost certainly had no timetable for reunification.

Most of the early indications following Saigon's fall pointed to a gradual process of reunification, [redacted] the communists themselves added to

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such speculation by pressing foreign governments for diplomatic recognition of the southern Provisional Revolutionary Government, by maintaining that economic aid would have to be provided separately for each state, and by an effort last summer to gain separate membership in the UN for both Vietnams.

Statements by communist officials, in particular southern communist leaders, also seemed to suggest that reunification would proceed gradually to permit time to overcome the severe economic and administrative problems brought on by the sudden collapse of the former government. Finally, the communists originally indicated that the military management committees set up to administer the South were only temporary and would give way to the type of civilian coalition government long called for by the Provisional Revolutionary Government and the National Liberation Front.

By late summer, however, signs of a "gradualist" approach to reunification began to disappear. Public statements by Vietnamese leaders carefully avoided suggestions of an independent southern regime of indefinite duration. The once-promised civilian administration never materialized and, perhaps most importantly, no foreign states, including North Vietnam's closest allies, were permitted to establish diplomatic representation in Saigon. Moreover, Hanoi's control over the economy was made more explicit by linking the new South Vietnamese currency to that of the North and by specific and public references to the inclusion of the South in a revised five-year production plan.

Starting in June and possibly lasting into September, senior southern and northern officials, including at times party chief Le Duan, held a series of meetings in South Vietnam. It seems entirely plausible that Hanoi's decision to move ahead with reunification was revealed and procedural matters worked out during the course of these sessions.

The most significant question, however, is not when but why Hanoi decided to move away from a scenario that seemed to provide for a separate southern administration for some time, perhaps for several years. The question was probably a matter of considerable debate if not contention within the North Vietnamese leadership. A separate southern regime presented both advantages and problems for Hanoi. Many diplomatic observers in Hanoi, for instance, thought that the "gradualist" approach would prevail, in part because North Vietnam believed a facade of southern independence would help attract aid, trade, and foreign investment. Hanoi apparently decided, however, that any diplomatic or economic benefits to be derived from two Vietnams would be outweighed by the problems flowing from such a strategy.

The North Vietnamese doubtlessly have been suspicious of Peking's apparent preference for a gradual approach to reunification, although there is no evidence of a direct Chinese attempt to influence Hanoi's decision. Moreover there are some

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indications that Moscow has been attempting to exploit North Vietnam's sensitivities on this score by warning of Chinese "meddling" in the South and the prospect of a Chinese diplomatic mission's gaining direct access to the Saigon area's large Chinese population. Given the present uneasy state of Sino-Vietnamese relations, the North Vietnamese may have reached the same conclusion without such self-serving help from Moscow.

Hanoi's suspicions regarding foreign interference are related to a far more fundamental domestic concern—maintaining total control of the political process in the South. With the end of the war, the question of the political roles to be played by southern elements, previously confined to front groups or the management of local problems, became a pressing issue for Hanoi—one that impacted directly on the reunification question.

Although Hanoi firmly controls the southern segment of the Lao Dong Party, a separate southern regime could, over time, only encourage independent southern tendencies. Statements by southern leaders shortly after the fall of Saigon suggest that they expected to play leading roles in a separate southern administration. There have also been reports of southern communist resentment over the heavy-handedness of northern cadre sent south in recent months to administer the country.

Aside from such unrealized expectations and bruised southern sensitivities, we lack evidence of serious high-level North-South differences on the reunification issue. Hanoi's desire to limit the potential growth of vested southern interest in political autonomy is probably a major factor behind the North's decision to move ahead.

There are tentative indications that the North Vietnamese will convene their first party congress in over 15 years sometime early next year to put the capstone on the reunification process. The congress, which probably would be held shortly after the election of a joint national assembly and the announcement of formal reunification, may have to deal with the question of southern political equities.

One move the congress seems likely to make is the expansion of the Politburo and the central committee by adding members identified with the southern party apparatus. Such a step would not do away with the problem of southern resentment. The absorption of southern cadre into the northern party and government structure is bound to remain a sensitive political issue for years to come.

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