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**National Intelligence
Bulletin**

State Dept. review completed

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ISRAEL

According to the US embassy in Tel Aviv, Prime Minister Rabin has narrowly restricted Foreign Minister Allon's mandate for his talks in Washington that begin today to a discussion of tactics for next week's debate in the UN Security Council on the Middle East problem. Despite Allon's desire to broach other topics, Rabin has made it clear that he is reserving the broader foreign policy issues for his own visit to the US later this month.

Israel's prime concern is to forestall any action by the Council that would enhance the status of the Palestinians as potential participants in future peace talks. The Israelis take it for granted that the US would veto any effort to change the essentials of Council Resolutions 242 and 338, which Israel maintains are the sole basis for Arab-Israeli peace negotiations.

The Israelis are much less confident that Washington would block an attempt by the Arabs—considered likely by Israel's leaders—to pass a moderately worded Council resolution calling for consideration of the rights of the Palestinians. The Israelis contend that such a statement would significantly modify Resolutions 242 and 338, which explicitly treat the Palestinian issue as a refugee problem. They fear that it might open a door allowing the Palestine Liberation Organization to be brought into Arab-Israeli negotiating at some later date. The Israelis insist the Palestinian issue can be only dealt with in peace negotiations with Jordan.

Allon, in his Washington talks can be expected to press hard for assurances that the US will also oppose any such Arab maneuver. The Israeli minister will suggest that the US support Israel's recent call for a resumption of the Geneva conference to consider the Palestinian and other issues. The Palestine Liberation Organization, with which Tel Aviv refuses to negotiate, is not a party to the conference.

Rabin probably has some misgivings about sending Allon to Washington to argue Israel's hard-line position, particularly on the Palestinian question. Allon considers it to be the central issue in peace negotiations with the Arabs and makes no secret of his advocacy of a more flexible approach. In recent weeks this has openly put him at odds with Rabin, who insists that this is not the time to alter Israel's long-held position. Along with most Israeli leaders, Rabin considers the Arabs' refusal to recognize the existence of Israel as the root cause of the Middle East conflict.

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Allon, however, is not able to initiate major foreign policy shifts. In the cabinet he ranks well below Rabin and Defense Minister Peres in influence. In the key areas of US-Israeli relations and Arab-Israeli negotiations Prime Minister Rabin is in reality his own foreign minister.

Moreover, Allon represents the less hard-line elements in a cabinet and a parliament in which the conservatives have the decisive voice. Allon and his supporters lack the political clout of conservatives such as Peres. Allon's limited influence in part is dictated by the relatively small size of the faction he heads within the ruling Labor Party. The faction controls only 8 of the party's 46 Knesset seats and 2 of the 21 cabinet posts.

Allon is clearly frustrated by his limited influence and by the Prime Minister's penchant for personally handling the most important aspects of Israeli foreign relations. A major but not dominant national leader, he remains a team player who is not prepared to carry his differences with Rabin to the point of precipitating a governmental crisis.



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CHINA-ANGOLA

Peking has registered disappointment with some Third World supporters of the Soviet-backed Popular Movement, but has apparently not attempted to bring any major diplomatic pressure to bear on the Angolan situation. Within the past month Chinese officials have:

- differed publicly over Angola with visiting President da Costa of Sao Tome and Principe, whose government officially recognizes the Popular Movement;
- walked out on a reception for Popular Movement representatives hosted by Guyana's Prime Minister Burnham;

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The Chinese, however, appear to have stopped short of any real arm-twisting. Vice Premier Li Hsien-nien and Da Costa, for example, signed economic agreements several days after the two clashed verbally at Da Costa's welcoming banquet.

 Guyana is the only Latin American country with an active Chinese assistance program. There is no evidence that the Chinese have made any significant efforts to use this leverage either to persuade Burnham's government to stop refueling Cuban aircraft involved in the airlift to Angola

Despite China's continued public stance of neutrality toward Angola, most Third World countries are aware of past Chinese assistance to the Popular Movement's opponents, the National Front and the National Union. Peking realizes that any heavy-handed efforts on its part to affect developments in Angola not only would antagonize individual governments but would facilitate Moscow's efforts to depict Peking as colluding with the US and South Africa in Angola.

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JAPAN-USSR

Tokyo and Moscow probably view Foreign Minister Gromyko's five-day trip to Japan on Friday as a holding action, with no real improvement in relations likely.

As part of a series of periodic consultations, Gromyko's visit has been in the works for some time. It was apparently delayed by Soviet concern that Japan would accept Peking's terms for signing a peace and friendship treaty. The Soviets now seem satisfied that agreement on the treaty is not imminent, and both Moscow and Tokyo consider it in their interest to maintain the semblance of a dialogue.

In an effort to keep the onus for stalemated political relations on the Soviets, the Japanese will continue to press for the return of the Northern Territories—four islands off eastern Hokkaido seized by the USSR in 1945—thereby clearing the way for a peace treaty formally ending World War II. They will emphasize the Brezhnev-Tanaka understanding in 1973 that the territories are subject to negotiation, and will probably question Gromyko about authoritative Soviet statements implying that the territorial issue has been settled. The Japanese will also want to discuss the sharp increase in Soviet trawlers plying Japanese coastal waters, a development that has generated some domestic pressure for adopting a 12-mile territorial limit.

Moscow's reversion to a tougher stance on the territorial issue almost certainly is aimed at impressing upon the Japanese the negative consequences of moving ahead on a peace treaty with Peking. The Soviets probably are not prepared to go beyond their earlier offer to return only the two southernmost islands; this is still unacceptable to the Japanese.

Gromyko doubtless will be probing for evidence of Japanese intentions regarding the Sino-Japanese treaty. The Soviets are not at all optimistic about their prospects of preventing a treaty eventually. In order to dilute its impact, he probably will again press for Japanese agreement to some sort of interim friendship pact with the USSR. The Japanese rejected the proposal when the Soviets first made it last January, and doubtless will do so again.

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ITALY

The Italian Socialist Party directorate is meeting today and tomorrow to decide whether to bring down the Moro government by withdrawing the party's crucial parliamentary support. While a compromise to avoid a government collapse is still possible, most evidence suggests that the Socialists will follow through on their threat to topple Moro.

The Socialist line has become more rigid in the week since party leader De Martino made his threat. De Martino's initial statement was phrased conditionally and in a way that left ample room for compromise. An editorial in the Socialist press over the weekend, however, portrayed Moro's fall as a virtual certainty and advised the other parties to start thinking of ways to replace his government.

Meanwhile, pleas from the other parties—including the Communists—for the Socialists to reconsider appear to have had little effect.

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The other parties had based their appeals to the Socialists mainly on the argument that an effort to replace Moro in the present unsettled circumstances would halt efforts to deal with the country's economic problems and might lead to early and divisive parliamentary elections.

If the Socialists' resolve holds, they will have to reconcile internal differences over how best to profit from the ensuing search for a new government. Some Socialists—they appear to be a minority at this stage—want to push for early elections, on the theory that only the Christian Democrats and Communists will benefit if the legislature completes its full term that expires in 1977. Other Socialist leaders seem inclined to press for a new caretaker government—an all - Christian Democratic cabinet, for example—that would be pledged to give more weight to Socialist views. Socialists who favor that line of approach argue that it would pave the way for an expanded Socialist role in the event the party resumes full participation in the government after the next elections.

The Socialists are likely to insist also that any new government consult more openly with the Communist Party in order to limit the latter's ability to profit electorally from its opposition status.

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SPAIN

The new Spanish government's carefully nurtured image of restraint in dealing with leftist strikes and demonstrations is being tested by a series of illegal strikes. The continuing work stoppage by subway workers, which has tied up Madrid since Monday, threatens to be the most disruptive so far.

Yesterday evening, following an extraordinary cabinet meeting, the government issued a communique warning that it could be forced to intervene if the situation deteriorated. No deadline was set, however, and it seems unlikely that the government would commit itself to strong action as long as there was a possibility that the ongoing negotiations between subway workers and management could break the deadlock.

On Monday police used tear gas to evict some 1,800 striking subway workers from a terminal building occupied earlier in the day, although no arrests or violence were reported. About 300 of the dispersed strikers barricaded themselves in a church; their ranks had increased to about 2,000 yesterday. Late yesterday, police cleared the church.

The subway workers are demanding higher pay and an immediate bonus of \$250. They were probably encouraged by the recent strike of taxi drivers in Madrid and Barcelona, where the government conceded fare increases.

Most strikes carried out in Spain are still illegal, although a decree law of last May did grant workers a carefully limited right to strike. A "legal" strike can be called only after various prescribed mediation and conciliation steps have been exhausted and five days' notice given.

Following the metalworkers' strikes of December 10-12, there has been a series of scattered illegal strikes throughout Spain. Police intervention, though frequent, has been significantly more restrained than in the past.

Labor agitation and strike activity are expected to gather momentum during the next few months as workers in many industries strive for pay increases in new collective bargaining contracts currently under negotiation. Prime Minister Arias' government is pledged to oppose large pay hikes as part of its program to curb the country's high inflation rate. Nevertheless, in order to avoid a serious confrontation with labor, the government may take steps to ensure that compulsory arbitration settlements favor the workers' economic demands. The government might also consider modifying the current ceiling on wage increases and initiating reforms in the government-controlled Syndical Organization—Spain's only legal labor organization.

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Spanish authorities, meanwhile, continue to tolerate leftist demonstrations. Police did not intervene on Monday when about 5,000 people demonstrated in Pamplona demanding amnesty for political prisoners. In other recent rallies in Barcelona and in the Basque provinces demonstrators have gone so far as to applaud the police for their restraint.

The man directly responsible for reining in the police is Minister of the Interior Fraga Iribarne. Soon after taking office last month, Fraga made a clear distinction between "peaceful" opposition, which would be tolerated, and violent opposition, which would not. He warned that he would not hesitate to crack down on "freelance vigilantes"—violence-prone extremists like the far-right Guerrillas of Christ the King. On Monday Fraga issued an unprecedented public condemnation of a right-wing terrorist act, and on the same day two men implicated in recent right-wing activity were arrested in Barcelona.

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PORTUGAL

Agreement by Portugal's three major parties on the implementation of land reform policies appears to have cleared the way for Prime Minister Azevedo to complete the reorganization of his government.

Following a meeting of President Costa Gomes, Prime Minister Azevedo, and party leaders on Monday it was announced that the parties had agreed to the following principles which would now govern the agrarian reform program:

- Acceptance of most farm seizures in the fertile agricultural south as valid, with the proviso that the most blatant examples of illegal expropriation will be corrected.
- A guarantee that agrarian reform will not be carried out in the north.
- A promise that all illegal land seizures in the south will cease and that small farms will be protected.
- Strict observance of existing decree laws governing expropriation and nationalization of privately owned farmland.

Land reform has been a serious bone of contention for the present government, with conservative farmer groups attempting to take advantage of the weakened position of the left since the abortive November 25 uprising to reverse the process and the Communists seeking to protect their gains. The Communist Party is especially anxious to maintain its influence in the south, where Communist-led farm workers have seized vast areas of private farmland since last summer.

Many of the land seizures have been in violation of existing statutes—which specify that only large landholdings may be seized—and have created fears among small farmers, particularly in the north, that their plots would also be confiscated.

In exchange for the Communists' endorsement of the new approach to land reform, the Socialists agreed to allow the Communists to retain the important post of secretary of state for agrarian reform under the Socialist agriculture minister. The incumbent secretary of state, Antonio Bica, will probably be replaced by another Communist more to the Socialists' liking, and an additional Socialist will be appointed under secretary at the ministry, presumably to help keep a tight rein on the new Communist appointee.

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The Communists have also agreed to drop their demand for a subcabinet post that would oversee tourism—an appointment which has been strongly opposed by the hard-hit tourism industry.

Party leaders have stressed that final details of the government reorganization are yet to be worked out, but filling the subcabinet posts in agriculture and tourism were the main impediments to completing the reorganization that was initiated following the shift in the political balance on November 25.

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GREECE

The cabinet changes announced by the Greek government on Monday were limited to the public order and education portfolios, but a Greek official has indicated that a more extensive reshuffle may occur by mid-year, following a realignment of ministerial jurisdictions.

The appointment of the deputy speaker of the Parliament, George Stamatis, to replace the ailing Solon Gikas as minister of public order severed the Caramanlis government's only remaining tie with the former junta. Gikas had served under the junta in the same capacity and was probably retained initially by Caramanlis to reassure the military, a move which provoked considerable criticism from the political opposition.

The dismissal of Education Minister Panagiotis Zepos and the transfer of the portfolio to Minister to the Prime Minister George Rallis seem to reflect growing concern over the poor state of Greek education and leftist gains among high school and university students. Leftists and communists swept the recent university-level student elections. Rallis is one of Caramanlis' most able colleagues and often mentioned as a potential successor to the prime minister. He is directing the present effort to reorganize the cabinet, and will retain his portfolio as Minister to the Prime Minister, at least for the time being.

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CHILE

President Pinochet has tightened his grip on power by eliminating an important rival within the army.

After months of friction with Pinochet, General Arellano, chief of the national defense staff and the probable successor to Pinochet as army commander, resigned on January 2. Pinochet had attempted to get rid of Arellano in October by packing him off to an ambassadorial post in Spain. Arellano was a leading planner in the move against Allende, and Pinochet may have feared that Arellano was now plotting against him. Despite growing criticism of Pinochet among senior military officials, there is no evidence that such was the case.

The move has nevertheless stirred widespread speculation in Santiago that Pinochet is in trouble. A British paper has alleged the existence of a letter by ten Chilean generals demanding that Pinochet step down. This story appears improbable, and may have been planted by political elements—perhaps the Christian Democrats—in hopes of weakening and embarrassing the government.

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Strains have grown within the junta recently, but they do not appear to have reached the point where Pinochet is immediately threatened. Grumbling is likely to continue among navy, air force, and carabineros leaders about Pinochet's overbearing manner and tendency to arrogate authority to himself, but it will have little impact as long as the army supports the President.

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The longer range threat to Pinochet will hinge on his performance in dealing with Chile's serious economic problems and its deteriorating international image. Chile's isolation, in turn, appears to be damaging efforts to brighten the economic picture and relieve the hardships caused by current austerity measures. If Pinochet is unable to turn things around on the economic front or misjudges the extent to which he can impose a personal dictatorship, he may then face greater defiance from within the armed forces.

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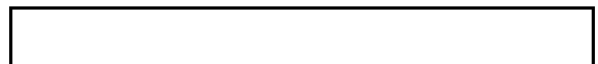
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