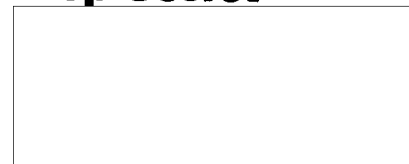


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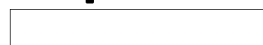
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# Weekly Review



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25 October 1974

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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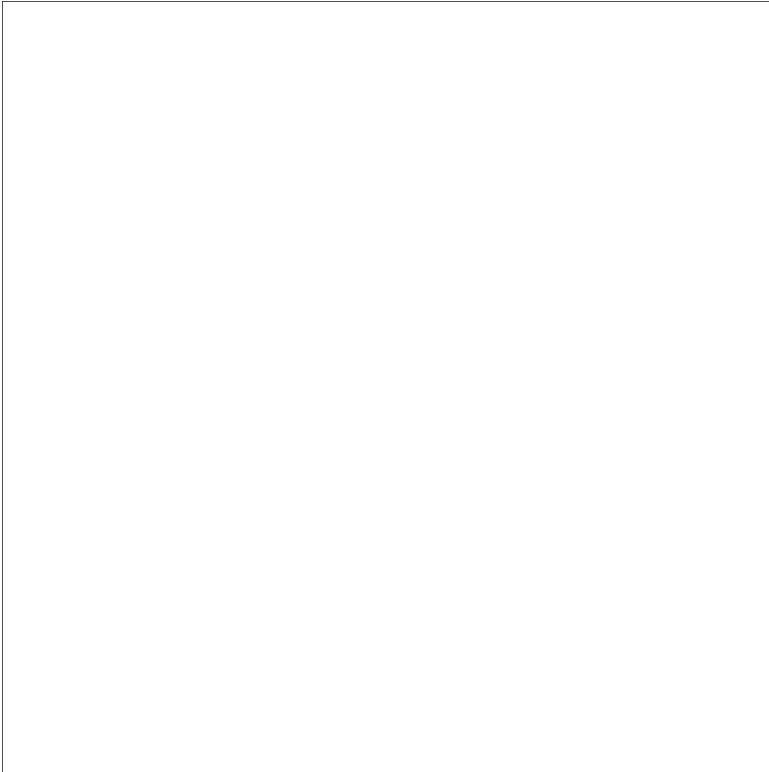
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## Egypt-USSR: Mending Fences

Foreign Minister Fahmi's visit to Moscow last week succeeded in taking the chill out of Soviet-Egyptian relations. but further progress toward resolving the serious differences between the two sides is unlikely before President Sadat and General Secretary Brezhnev meet in January. Brezhnev's pledge to go to Cairo is being touted as a political victory by the Egyptians, and it is clearly a major signal that the Soviets are now in a more accommodating mood. Nevertheless, the pledge does not appear to have been accompanied by any Soviet agreement to respond quickly to the substantial economic and military shopping list Fahmi reportedly took with him to Moscow.

The reluctance of both Moscow and Cairo to make fundamental concessions at this time was reflected in the omission of the customary final communique and in the differing interpretations of the visit appearing in Soviet and Egyptian public statements. The two sides did issue a statement on the Palestinian question that affirmed the Palestinians' right to a "national entity" and endorsed the attendance of the Palestine Liberation Organization at the Geneva conference "in an independent capacity and on an equal footing" with other participants. The separate versions of this statement issued by Moscow and Cairo, however, differed in that the Soviets attached more urgency to reconvening the Geneva talks.

### Euphoria in Cairo...

The visit and the announcement of the Brezhnev-Sadat summit have brought forth effusive praise for Moscow from the Cairo press. It has heaped gratitude on the Soviets for helping

Egypt "in some of the gravest moments of its history." At the same time, however, the Egyptians have lost no opportunity to affirm their continued intention to maintain foreign and domestic policies independent of the Soviets. Whatever unresolved problems remain from the Fahmi visit, the Egyptians see Soviet acquiescence in a Cairo summit as a vindication of Sadat's refusal to bow to Soviet pressures.

The editor of the leading Cairo daily, *Al-Ahram*, wrote that Moscow now understands Egypt has "the right" to deal with the US, agrees that Cairo must coordinate Arab strategy before rushing to reconvene the Geneva conference, and accepts the fact that the Egyptian economic liberalization program, to which the Soviets have objected during the past year, is a purely domestic affair. Although the editor may be overstating Soviet "understanding," he claimed that Moscow's acceptance of the Egyptian viewpoint came after a "simple calculation": Egypt is indisputably the key to the Middle East, and "it is impossible to go over Egypt's head if any solution to any problem in the area is desired."

The message that all super power dealings in the Middle East must go through Egypt undoubtedly is intended for US as well as Soviet ears. Cairo has little fear of US interference in Egyptian affairs but it probably sees the rapprochement with Moscow as helpful in pressing the US toward further movement both in peace negotiations and in economic assistance for Egypt.

In addition to playing up Soviet agreement on the summit as a triumph of Egyptian

diplomacy, Cairo media have waxed euphoric over the alleged economic results of the Fahmi visit. The press is claiming that the Soviets agreed in principle to supply a nuclear reactor, to negotiate a new trade protocol, and to reduce and reschedule payment of the enormous Egyptian military debt to the USSR. Prior to the visit, the Soviets did offer to study some of Egypt's economic proposals, and the Egyptian foreign trade minister announced this week that implementation of a five-year trade agreement will begin in 1976. He did not say when the agreement will be signed, and the editor of *Al-Ahram* has told US embassy officials in Cairo privately that he knows of no concrete results on economic or military subjects emerging from the ministerial discussions that took place in Moscow.

Earlier this month, the Soviet chargé in Cairo said Moscow would eventually fulfill its outstanding arms commitments to Egypt, but that new agreements would have to await an Egyptian-Soviet summit. Now that such a meeting is scheduled, it is possible that the Soviets may pave the way for Brezhnev's visit by accelerating the pace of the arms deliveries under contracts concluded prior to the October war.

#### ...and Caution in Moscow

Like the Egyptians, the Soviets have been putting the best face on the Fahmi visit and, although Soviet propaganda continues indirect

criticism of Sadat's policies, Brezhnev's agreement to go to Cairo affirms Soviet unwillingness to risk an open break with the Egyptian leader. Until now, Brezhnev has resisted going because such a visit might appear to endorse the improved relations between Egypt and the US. Brezhnev, who has not visited the Middle East since becoming party chief, has also been chary of directly engaging his prestige with Moscow's sometimes troubled dealings with the Arabs. In a recent speech, however, he said contacts with Arab leaders "are especially necessary and useful at this time," and he has apparently come to believe that a personal meeting can ease some of the disagreement between Moscow and Cairo.

By setting a date for a Brezhnev visit, the Soviets may feel they have succeeded in throwing responsibility for further improvement of the relationship back on Sadat. Moscow certainly will be watching carefully for signs that he is willing to take Soviet interests into account as he moves through both the Arab summit that starts in Rabat this weekend and the next round of Middle East talks with Secretary Kissinger. In his farewell remarks to Fahmi, Gromyko said pointedly that Cairo must do its part to make Brezhnev's visit a success and—in an apparent reference to Secretary Kissinger—warned that Moscow and Cairo must not let "any person" create obstacles to an improvement in their relations.

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## Arab League: Crucial Summit

The Arab summit meeting that convenes on October 26 in Rabat will play a critical part in determining where the Arabs go next in peace negotiations with Israel. The question of how to accommodate both Jordan and the Palestine Liberation Organization in peace talks will occupy the major portion of the Arab leaders' attention. The principal participants may also discuss the relative merits of a step-by-step approach to a peace settlement versus moving immediately to a resumption of plenary sessions

of the Geneva conference. On either question, a hard-line stance by the more radical Arab regimes could tie the hands of the moderates and seriously hamper further progress toward a settlement.

Egyptian President Sadat, who has been in the forefront of the attempt to reconcile Jordanian-PLO differences, will take the lead on this issue at Rabat. What Sadat wants from the summit is, in essence, Arab recognition of Jordan's

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role as negotiator for the West Bank, as well as a symbolic elevation of the PLO's status that will give the organization something approaching equal status with the front-line states and provide the Palestinians at least a long-range hope of obtaining satisfaction from the negotiating process. The task of winning Arab acceptance of Jordan's role will be delicate and will probably involve some maneuvering with words. For example, although the PLO was satisfied to obtain a UN resolution designating the organization as "representative" of the Palestinian people, it is doubtful that it would accept a similarly limited designation from an Arab forum.

The PLO might, however, be satisfied with a summit resolution that avoided spelling out explicitly its "representivity." This could be accomplished by simply referring to last year's Algiers summit resolution on the PLO, without specifying that this was the resolution that initially designated the group as the "sole legitimate" representative of the Palestinian people. The PLO and its supporters among the Arab states could interpret this as reaffirming the uniqueness of its representative role. At the same time, Jordan and Egypt would not be encumbered by a commitment to the limiting adjectives, and Jordan could proceed with an implicit Arab commitment not to oppose its right to negotiate.

The danger to Sadat's strategy is less that the PLO itself will remain rigid in opposing a role for Jordan than that its supporters—Algeria, Kuwait, Iraq, and even Syria—will outdo themselves in seeking to accommodate the Palestinians. If the PLO is led to believe that the Arabs will not acquiesce in Amman's negotiating role, it is likely to push for explicit recognition as "sole representative," with all this would imply for Jordan's exclusion from the peace talks.

On the questions of whether to proceed with negotiations by stages and of what those stages should be, Egypt will probably try for a vaguely

worded formulation in the summit's resolution or skirt the issue entirely. Some of the other Arabs, particularly Syria, may nevertheless be unwilling to let the issue ride in this manner. President Sadat will probably be able to handle the question of when to reconvene the Geneva conference by agreeing to a noncommittal pledge to return to the plenary conference "as soon as possible," but if Syrian President Asad wants to tie Sadat's hands on the next stage of phased negotiations, he could win Arab support for a summit resolution denying Egypt the right to discuss a second-stage Sinai withdrawal unless this were tied to similar discussions on the Golan or West Bank fronts.

The Arabs' key position in international economic affairs and the various political ramifications of this role will undoubtedly be a chief topic of discussion at the summit. Resolutions issued will probably:

- Affirm the Arabs' right to use oil and money as political weapons when they deem it necessary.
- Denounce "Zionist propagandists" for instigating an exaggerated and one-sided attack on Arab oil producers.
- Attempt to justify present oil policies.
- Emphasize Arab "reasonableness" and readiness to cooperate in the effort to avoid international economic chaos.

No decisions are likely, however, on the substance of oil policies. Oil producers make up no more than a quarter of the total membership of the Arab League, and they will not readily submit the essentials of their policies—pricing, the specific political uses of oil, or the use of capital—to discussion by their numerous, less affluent colleagues.

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## Japan: Anti-US Demonstrations

A major opposition rally in Tokyo on October 21, protesting the alleged presence of US nuclear weapons in Japan and President Ford's visit next month, fell short of the sponsors' goals. The organizers claimed an attendance of 70,000 after forecasting a total of 100,000, but police estimated that only 26,000 participated. The rally, sponsored by the Communist, Socialist, and Komeito parties, adopted various resolutions and issued a statement to President Ford demanding that he call off his trip. The gathering in Tokyo and similar meetings elsewhere in the country were generally peaceful.

The public controversy in Japan stemming from allegations of a US nuclear presence has provided the political left with a more favorable atmosphere in which to revive its sputtering campaign against the US-Japan Security Treaty and also to oppose the President's visit. The results on October 21, however, indicate that no major groundswell of public indignation, against either the weapons issue or the presidential visit, has yet developed. The left, moreover, seems unable to unite in an all-out effort. While the Communists are strongly opposed to the visit, the Socialist and Komeito parties have only recently joined them, drawn more by the opportunity to focus attention on the nuclear question than by outright opposition to the presidential visit.

Opposition forces have set November 18, the day President Ford is scheduled to arrive in Tokyo, as the next major date in their campaign, but they will encounter difficulty in maintaining even their current momentum. The Diet is not in session, which deprives the opposition of an important propaganda forum. The Japanese media, while giving heavy play to the nuclear weapons question, generally supported the President's trip when it was first announced and have since avoided critical editorial comment. Rank-and-file union members, who must supply bodies for any massive street campaign, are preoccupied with the issues of inflation and wage increases and have evinced little interest in an anti-US movement. The opposition parties, moreover, have so



Radical students demonstrate

far shied away from calling for confrontation with the authorities when the President arrives.

The US embassy, at least at this point, believes that opposition activities during the President's stay in Japan will remain within politically tolerable limits.

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## Italy: Fanfani's Last Try

Christian Democratic party chief Amintore Fanfani may be on the verge of abandoning his effort to revive the center-left coalition. His party persuaded him this week to make a last attempt to break the deadlock that has developed between the Socialists and the other three parties, ostensibly over the issue of government policy toward organized labor.

During more than a week of hard bargaining, Fanfani has succeeded in narrowing inter-party differences largely to the labor question. Although the Socialists did not renounce their policy of cooperating with the Communists in certain local governments, they backed away from their earlier call for formal collaboration between the national government and the Communists; the Socialists, for example, did not mention the Communists in a list of ten demands presented to Fanfani over the weekend.

Fanfani, in turn, has shown flexibility toward the Socialists' demands for selective loosening of credit and measures to avoid substantial unemployment. The Christian Democrats, moreover, were reportedly ready to yield another important cabinet post to the Socialists.

Neither side has budged, however, on the question of how to respond to labor's current drive for a costly benefits package coupled with steep increases in wage adjustments that are automatically linked to the cost-of-living index. Labor-management talks on these issues are bogged down, and the Socialists—in their proposals for a new government program—are backing the unions to the hilt and calling for an agreement in principle with them on general economic policy.

The other parties are convinced that too many concessions to labor would scuttle Italy's two-month-old austerity program—the linchpin of efforts to reduce the country's mounting budget deficit. The Socialists have often said that they could not remain in government if it meant getting out-of-step with their constituents in organized labor. Although the Socialists yesterday

declared themselves open to further talks, they may yet conclude that a temporary opposition role would be more advantageous politically.

If Fanfani gives up, President Leone could tap another Christian Democrat as "formateur." Leone would be more likely, however, to accept Fanfani's failure as evidence that party positions are for the moment irreconcilable. In that event, the immediate prospect is for some kind of weak caretaker government to prepare the way for either a later attempt to re-form the center-left coalition or—as a last resort—parliamentary elections.

There is practically no enthusiasm for new elections. So far, only two groups are publicly advocating this course—the majority faction of the small Social Democratic Party and one left-wing faction of the Socialist Party. Those Social Democrats who support new elections apparently believe that such a contest would provide a chance to strengthen centrist elements at the expense of the left. There is little evidence to support this belief, however. An attempt to weaken the left through early elections in 1972 failed, and recent developments suggest that if elections were held now, the Communists and Socialists would gain seats.

Everyone else, including the Communists and the majority of Socialists, has so far argued that a long campaign would make it even more difficult to come to grips with Italy's mounting economic problems. The Communists and most Socialists are content to await regional elections this spring in which both parties expect to do well.

Meanwhile, the political stalemate continues to have an adverse impact on the economy. Prime Minister Rumor's resignation on October 3 intensified pressure on the lira. Although this has eased somewhat, the Bank of Italy was required to pay out about \$30 million a day last week to support the lira. Should present levels of intervention prevail through the remainder of the year, Italy's 1974 balance-of-payments deficit will approach \$9 billion.

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**WESTERN EUROPE: F-104 REPLACEMENT**

The competition between France and the US to provide Belgium, Norway, the Netherlands, and Denmark with replacement aircraft for their aging fleet of Lockheed F-104 Starfighters is entering the final phase. Defense ministers of the informal consortium formed by the four NATO countries last April met in Brussels on October 7 to consider their steering committee's initial evaluation. The preliminary report gave the two US contenders—the Northrup YF-17 and the General Dynamics YF-16—a significant lead over the French Dassault-Breguet Mirage F1/M53.

In order to forestall a possible split with the Belgians—who tend to favor the Mirage and are under a great deal of pressure from the French—the defense ministers agreed to meet again after a final report is ready in December. The report's conclusions probably will not be acted upon until January. The delay is significant because January is when the US air force is scheduled to choose one of the two American prototypes for its own inventory. A key factor in the consortium's decision is the number of aircraft to be purchased by the nations competing for the order. This will affect the cost of the airplane and will determine to a great extent the future availability of spare parts, as well as the pressing question of whether there will be, in fact, a standard NATO fighter.

The US Defense Department proposes to order over 600 of either the YF-16 or the YF-17 and to station some 250 of them in Europe regardless of the consortium's choice. The intention to locate a significant number of aircraft in Europe weighs heavily in favor of a decision for one of the American fighters. The opportunity for the air forces of the consortium countries to become tied into the US logistics and maintenance system in Europe is an important additional incentive to buy US planes. By comparison, Paris' decision to equip the French air force with only 30-40 of the F1/M53 appears inadequate.

Another aspect of the sales competition is France's implied willingness to consider association with Eurogroup—the informal caucus of NATO's European defense ministers—if the Mirage were chosen. The four NATO countries are anxious to get France into Eurogroup and

such a concession by Paris would have considerable impact on the consortium's decision. The signals from Paris are contradictory, however. Although Defense Minister Soufflet reportedly broached the subject to the consortium's defense ministers in September, he later publicly denied that France was considering membership. Paris may be working behind the scenes to arrange an informal "association" with Euronad—the armaments subcommittee of Eurogroup—arguing that such a course would not constitute membership in Eurogroup and thus would not compromise French "independence."

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**CYPRUS**

The Cyprus problem moved no closer to resolution this week, and there is little prospect that it will until new governments are installed in Athens and Ankara. Makarios' ultimate role must be decided before any significant progress can be made toward reaching a political settlement on the island. In the meantime, conflicting Greek and Turkish claims to oil rights in the Aegean are again threatening to become a live issue as the Turks have authorized further exploration in the area.

**Greece: Election Campaign Moves Ahead**

The campaign for the first Greek elections in ten years is shifting into high gear. With the balloting on November 17 slightly more than three weeks away, re-organized and newly created parties are beginning to announce slates of candidates and stake out positions on the issues. Leftist Andreas Papandreou appears to be better organized than the rest, but he is still expected to finish no better than a distant third.

Prime Minister Karamanlis has been somewhat slower getting started, but he has finally put together a slate of candidates. Karamanlis' New Democracy slate includes 288 candidates, 194 of whom are making their political debuts. The New Democracy candidates are drawn from a broad spectrum of society, but the large number of political newcomers and unknowns could be a

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drawback. Much will be riding on the prestige and popularity of Karamanlis.

The arrest and exile on October 23 of ex-president Papadopoulos and four of his close associates in the junta that overthrew the civilian government in 1967 were designed to satisfy public sentiment that justice be done and leading personalities of the military regimes punished. Prime Minister Karamanlis had been vulnerable to criticism from the left that he had not broken decisively with the past, and it was becoming a major campaign issue.

Karamanlis may also have been reacting to earlier indications that Papadopoulos and other ex-junta leaders were planning to form a political party or to support the newly formed National Democratic Union led by Petros Garoufalias. The right-wing National Democratic Union will draw votes from Karamanlis' conservative constituency. An emissary of Karamanlis has reportedly been trying to persuade disgruntled conservative labor leaders—ousted under a recent government decree—not to support Garoufalias, claiming that even if his party got only three percent of the popular vote, it could be very damaging to Karamanlis' electoral prospects. Papadopoulos does not retain significant support in the army and his arrest is not expected to draw a strong reaction from the armed forces. Potential coup-plotters in the army still seem to be taking a wait-and-see attitude toward the Karamanlis government.

#### Turkey: Moves In The Aegean

The Greek-Turkish dispute over oil rights in the Aegean could be rekindled as a result of Ankara's decision to move ahead with oil exploration in the area.

The Turks have signed contracts with Norwegian and Danish companies to conduct seismic surveys. The exploration is expected to begin by late November. An official in the Ministry of Power has informed the US embassy in Ankara that the Turkish Petroleum Office has also concluded an agreement with an American consortium for seismic research and exploratory drilling. The Turks reportedly want to keep this new agreement quiet for now.

The official said that Ankara has rejected Greek protests over Turkish activity in the Aegean Sea, but that it is willing to negotiate the problem. The timing of the Turkish announcement of the contracts with the Scandinavian companies, however, comes at an awkward time for Greek Prime Minister Karamanlis since problems with Turkey over Cyprus are already a hot campaign issue.

The Turkish actions seem likely to spark additional Greek protests, but both sides can be expected to avoid any direct confrontation over the oil rights issue. The Greeks, in fact, have expressed some interest in resolving the problem as part of a package that would include Cyprus, but there has been no progress in this direction.

#### Cyprus: Marking Time

Efforts to create an atmosphere conducive to Archbishop Makarios' early return to the island continued in Nicosia this week. Vassos Lyssarides, a leftist political leader and Makarios supporter, was reportedly among the organizers of a series of demonstrations that carried an underlying theme of support for the return of the Archbishop.

On the surface, however, the demonstrations focused on such issues as US policies, the refugee problem, and Turkish military forces on Cyprus. The strongest outcry was against Turkish overflights of Greek Cypriot areas. Labeling the flights a breach of the cease-fire agreement, Acting President Clerides told the US embassy that if they continued, the national guard might have to fire on the planes to maintain its credibility in the Greek Cypriot community. Turkish officials on the island described the overflights as reconnaissance missions in response to reports that Greek Cypriots were receiving reinforcements and equipment.

Despite these problems, the exchange of Greek and Turkish Cypriot prisoners was resumed on October 18 after a three-week hiatus. Clerides says that he expects the prisoner transfers to be completed by early November.

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## FRANCE: TROUBLED WATERS

The election last May of Independent Republican Valery Giscard d'Estaing—the first president from a minority party since the founding of the Fifth Republic—has created considerable political turmoil in France. The Gaullists, who ruled the roost for 16 years, are in disarray, and Giscard's intention to form a "new majority" has led to a spate of attempts to restructure party alignments in the fractured center of the French political spectrum. The Left Alliance—Socialists, Communists, and Left Radicals—is also regrouping.

The Communists have initiated a massive campaign to broaden the party's base by opening it to leftists of all political hues. They are also hoping to make the party politically "respectable" by emphasizing its Frenchness, playing down its ties to Moscow, and diluting its traditional ideology. Moreover, Secretary General Marchais is trying hard to convince rank-and-file party members that cooperation with Socialists and other forces of the left is no longer a matter of rhetoric, but a political necessity.

Marchais' efforts have been set back by recent wrangling with the Socialists. The friction is caused largely by an unvoiced fear on the part of the Communists that their dominance of the left is threatened by the success of their Socialist allies. This fear stems most immediately from the results of the legislative by-elections held at the end of September, in which Socialists made strong gains and the Communists lost ground in five of the six contested districts. Investigation of the voting patterns confirmed Marchais' suspicions that while the Communists had loyally backed all candidates of the Left Alliance, some Socialists and Left Radicals had balked at supporting Communist candidates. A bitter exchange of name-calling followed, and the Socialists canceled an important Alliance "summit" meeting scheduled for October 15.

The Communists' distrust of their allies has also been fueled by the recent Socialist emphasis on nationalization of key industries, worker management, and pressure tactics against the gov-

ernment. This new Socialist "Plan for Society" has moved the party to the left of the moderate position taken by Marchais. The Communists are apprehensive that the shift will weaken their party's hold on its traditional labor constituency.

The Socialists have, in fact, strengthened their labor and radical credentials and are a step closer to becoming a multi-constituency party capable of dominating the left. Their resurgence has strained the Left Alliance, but is unlikely to break it—at least in the near term. The Communists' complaints and accusations may be in large part a tactical move by Marchais to appease hardliners in preparation for the party's extraordinary congress on October 24-25. This Socialist Party leader Mitterrand's interpretation,

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Parties of the center, meanwhile, have been reconsidering their political alliances in the light of Giscard's efforts to diminish his dependence on the Gaullists. Spurred by Socialist gains in the by-elections, centrist political leaders have formed two new political groupings. Both of these alliances are cultivating a "reformist" image that seems designed to protect Giscard's left flank against inroads by the Socialists while pushing most of the Gaullists toward an increasingly unpopular position to the right of the government.

Although the Gaullists still occupy the largest bloc of seats in the assembly, they are leaderless and dispirited. If the Communists are worried about losing their dominance of the opposition, the Gaullists live in fear of being unable to regain control of the majority. Small businessmen and farmers—traditionally staunch Gaullists—have been hardest hit by inflation and in their bitterness, they are withdrawing crucial support. Gaullist candidates suffered heavy vote losses in the by-elections, and Prime Minister Chirac has warned fellow Gaullists that they will be lucky to retain 150 of their 184 seats after the next legislative election. For the moment, Chirac appears to have succeeded in marshaling Gaullist

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deputies behind the government, but the right wing is smarting under a prime minister who is obviously Giscard's man, while the left fringe speaks openly of deserting a sinking ship.

to those emigrants who have left the country in the last five years. 25X1 25X1

Public officials and those who had actively supported the Caetano and Salazar regimes were also declared ineligible to vote in the constituent assembly elections. The cabinet, however, has been unable to agree on just who fits into this category. To expedite the passage of the new law, this problem will be tackled in a separate law at a later date.

## PORTUGAL: ELECTORAL WHEELS TURN

The cabinet's approval last week of a new electoral law indicates that the Portuguese government is still determined to hold elections for a constituent assembly next March. The assembly's task will be to draw up a new constitution for a democratic government to replace the authoritarian regime overthrown in April. Recent statements by leading military officers, however, cast some doubt on the commitment of the Armed Forces Movement to moving expeditiously toward restoring civilian rule.

The draft law also sets out provisions for the selection of deputies whose task it will be to draft the new constitution. Candidates must run as members of political parties or coalitions, whose membership will be restricted to avoid chaotic factionalism. Voters will select party lists and will be unable to vote a split ticket.

The elaborate draft electoral law, which is expected to be confirmed without modification by the Council of State and then promulgated by President Costa Gomes before November 15, establishes general requirements for voting for the constituent assembly and sets qualifications for candidates in the March elections.

A national electoral commission will be created to supervise the elections. Parties will be granted access to broadcasting time on radio and television on both state and commercial stations. Campaign expenditures will be limited and carefully regulated.

Suffrage is universal, with some exceptions that tend to favor "progressive" groups, reflecting the predominantly leftist orientation of the drafting committee. Socialists and Communists succeeded in obtaining the right to vote for 18-year-olds, overriding the smaller, more conservative parties, which preferred a minimum age of 21.

The constituent assembly will be given ninety days in which to formulate a new constitution. Once its task is completed, the assembly will be disbanded and the constitution presumably will provide for general elections to be called.

Another controversial issue involved the voting qualifications for emigrants. The Socialists, as well as the centrist parties, expected to benefit from a non-restrictive policy toward citizens outside metropolitan Portugal. 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

The Lisbon regime has been imprecise about how quickly general elections will follow. Minister without Portfolio Vitor Alves—a leader in the Armed Forces Movement—said it would be a long time before a civilian government could assume responsibility for leading the nation. Another important figure in the Armed Forces Movement—Otelo de Carvalho, a leader of the April coup who is deputy commander of the Continental Operations Command and military governor of Lisbon—is also doubtful about a return to civilian rule, particularly since inflation and unemployment in the coming months could aggravate the climate of social unrest.

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## WEST GERMANY

## SCHMIDT AND BREZHNEV TO MEET

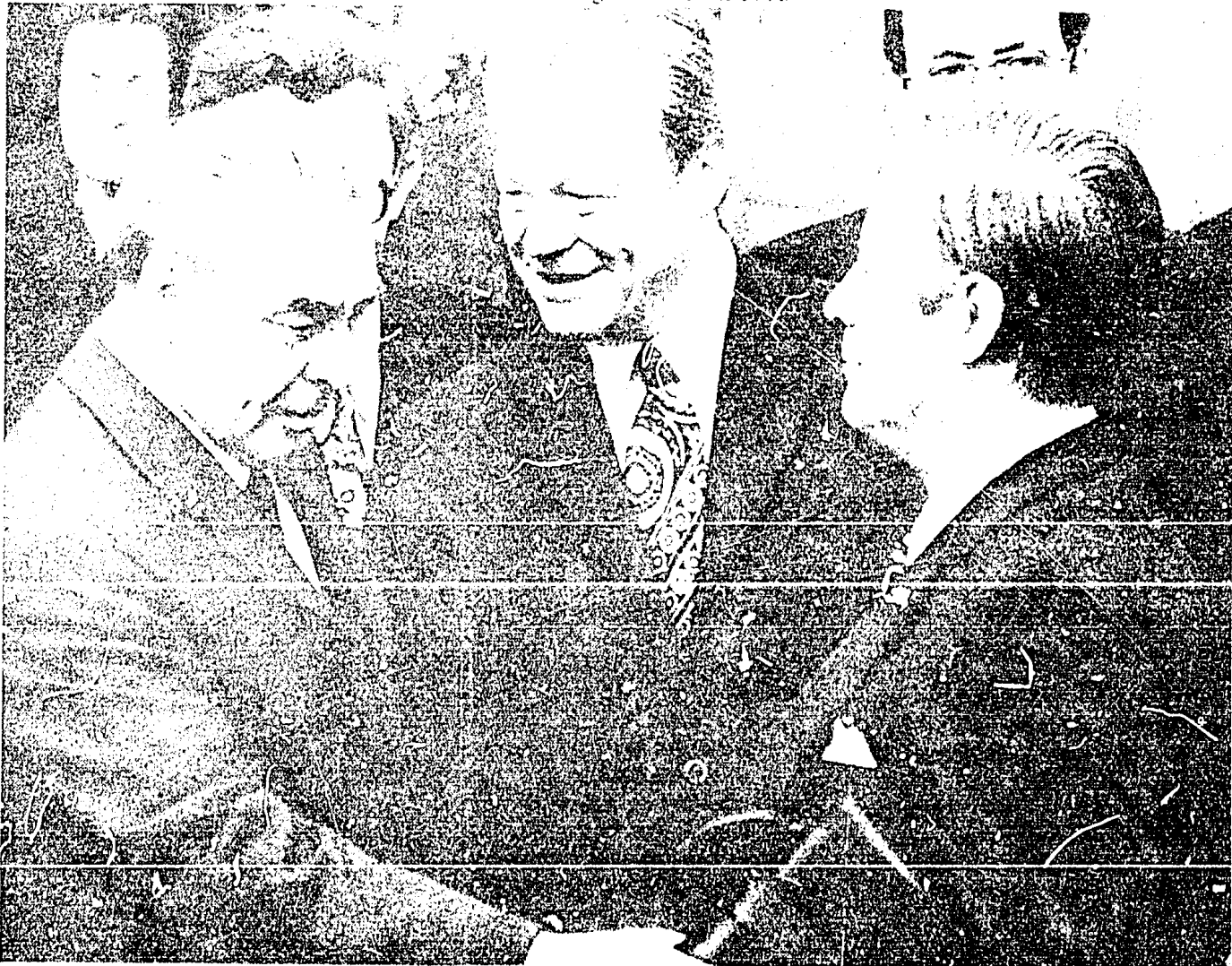
Economic cooperation will be the paramount theme during Chancellor Schmidt's three-day summit meeting with Soviet leaders that begins on October 28 in Moscow. Both sides hope to wrap up long-stalled negotiations on several large-scale industrial projects. Lingering disagreements on Berlin issues, however, may dampen the atmosphere and reinforce Schmidt's reluctance to grant government-backed credits or loans to the USSR.

Interest in expanding economic relations is a prime factor motivating the Soviets, who want

subsidized credits and greater access to West German technology. Soviet leaders also want to size up Schmidt first hand, as they regard his visit as a picking up of the threads of bilateral summity that Brandt and Brezhnev were weaving in their three meetings.

Schmidt's interest in the visit is less transparent. There are no urgent bilateral problems, and he is under little public pressure to pursue Ostpolitik. On the contrary, opposition Christian Democrats and West Berlin Mayor Schuetz, a Social Democrat, have criticized Schmidt for not

Schmidt meeting Brezhnev in 1973



taking more care in defending West Berlin's interests in the dispute with the Soviets over the Federal Environmental Office and, more recently, in negotiations with Pankow.

In choosing to disregard these considerations, the Chancellor has shown that he is firmly committed to detente. Pressure from Schmidt's party colleagues plays a role, but his motives are much broader:

- Foremost the summit keeps Bonn in step with Washington in pursuing detente with the Soviets.

- Also, the visit will improve the atmosphere between Bonn and Moscow. This could strengthen business confidence in dealing with the East.

- Lastly, an active Ostpolitik accords with Schmidt's view of fulfilling West German interests, such as securing energy supplies from the Soviets, even if it requires Bonn to operate beyond the scope of a collective Western approach to the energy problem.

Disagreements over Berlin, however, still cloud relations. Negotiations on three bilateral accords on humanitarian and scientific matters are deadlocked on the ever-controversial question of West Berlin's inclusion. An inhibiting factor is the Soviet distrust of Foreign Minister Genscher, who will speak for the West German side in discussions of Berlin issues. Soviet Foreign Minister Gromyko regards him as a "crude" lightweight. The Soviets prefer to deal with Schmidt, whose intellectual acumen and grasp of foreign affairs they reportedly respect. Given the Chancellor's interest in expanding economic cooperation, they hope to persuade him not to insist on a settlement of Berlin issues as a precondition for economic cooperation.

It is not clear what price Schmidt is willing to pay to gain greater access to Soviet raw materials. In the past, he has argued against satisfying Soviet demands for subsidized credits on the grounds that this would only contribute to West German inflation. Schmidt, however, is very

### USSR: TEST SERIES ENDS

The Soviets this week completed another series of extended-range missile tests with the launching of two SS-X-17 ICBMs. An impact area in the Pacific, some 500 miles north of Midway, was to have been closed to shipping from October 20 to 30. Following the second test on October 22, however, Moscow announced that the planned tests had been completed and ended the closure. This was the fourth closure for extended-range missile tests this year. Earlier this month, two SS-N-8 naval ballistic missiles were fired to a nearby impact area. In January and February, seven ICBMs were tested to an extended range in the Pacific.

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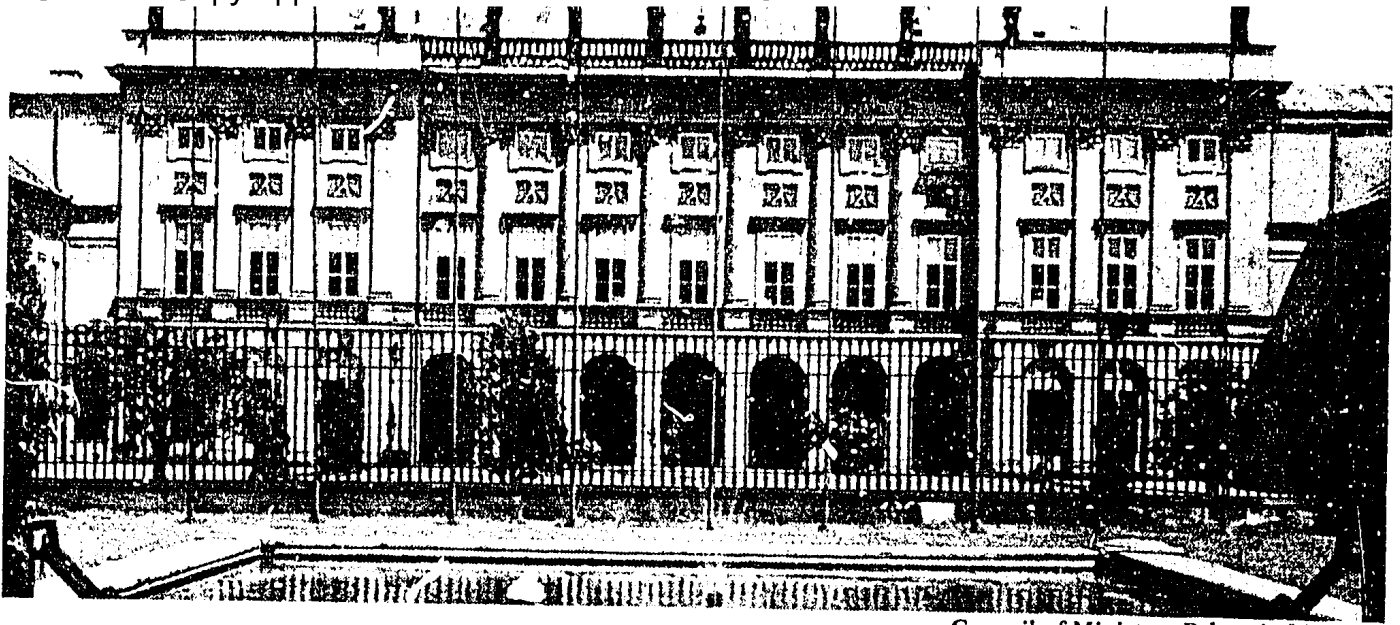
eager to gain final approval for a project involving West German construction in the USSR of a nuclear power plant that will, in turn, deliver electrical energy to West Berlin and West Germany.

Bonn's interest in this project is very strong, and the West Germans have pressed the US and the UK to support its request to provide the requisite technology without insisting on Soviet acceptance of IAEA safeguards.

Schmidt, in sum, is in a delicate position. Withholding subsidized credits could sour the atmosphere of the summit, but he would be vulnerable domestically if he agreed to the credits while the Soviets remained inflexible on Berlin. Bonn's EC partners, who have listened to Schmidt's admonitions about the need to control inflation and to pursue common policies on energy and credits to the East, may also look askance at West German financing of these large projects. Whatever his decision on credits, Schmidt will adhere to the EC's guidelines and refuse to negotiate a new bilateral trade treaty. This European approach will also be evident in discussions with Brezhnev on the European security conference and the negotiations on troop reductions in which the Chancellor can be expected to defend Western negotiating positions forcefully.

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Council of Ministers Palace in Warsaw

### EUROPEAN COMMUNISM: PABLUM IN WARSAW

Moscow's willingness to yield on some of its objectives and to tolerate expressions of independence highlighted the preliminary meeting of European Communist parties in Warsaw last week. The bland communique summarizing the three-day gathering cited the participants' "desire" to hold an all-European conference in Berlin by mid-1975. It said that the agenda would be confined to Europe and referred neither to China nor to a world conference—topics of long-standing importance to the Soviet party.

The Soviets seem willing to put off any direct attacks on the Maoist leadership and to allow others to defend the concept of separate roads to socialism in order to clear the way for the formal conference next year. Another preparatory session will be held, probably in December or January, but Moscow regards the formal conference as especially important with the Conference on Security and Cooperation in Europe approaching its conclusion.

Although the Warsaw participants went no further than to endorse standard positions in Soviet foreign policy and to issue a banal call to fight "against fascism and for freedom, democracy, and independence," Moscow nevertheless probably rates the meeting a success. The Soviets did manage to get 28 European parties to attend, including—for the first time—a Yugoslav delegation. Only the Communist parties of Albania, Iceland, and the Netherlands did not attend.

Several participants, particularly delegates from Italy, Romania, and Yugoslavia, used the forum to emphasize again their independence of Moscow. In a veiled reference both to Moscow's hegemony and to the recent cominformist plot, Aleksandar Grlickov, the chief Yugoslav delegate, asserted that it is "necessary to deal with disputes and all parties on the basis of equality and non-interference."

The Yugoslav also said that "any all-embracing documents" adopted at this or any other meeting "cannot comprise a compulsory code for settling the main questions." Grlickov made clear that Yugoslav participation in any future conference will be contingent on Moscow's continued good behavior. He also undercut Moscow's complex efforts to arrange a world Communist conference when he said that conditions for it "are absent."

Moscow's indulgence of such views suggests that it will be satisfied merely to have the formal all-European conference take place next year, even if it does no more than endorse the general outline of Soviet policy. Progress toward a representative world conference, however, will clearly require the Soviets to accept continued criticism from a number of independent-minded parties and to soft-pedal the China issue.

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## PAKISTAN-AFGHANISTAN: STILL HOSTILE

Recent Pakistani army operations have sharply reduced a 20-month-old tribal insurgency in Baluchistan Province, lessening the possibility of an early full-scale confrontation between Pakistan and Afghanistan over this issue. Relations between these two Islamic neighbors remain poor, however. Their leaders deeply distrust each other and continue to differ strongly over the status of Baluchistan and of Pakistan's other border province, the North-West Frontier.

The insurgency in Baluchistan appears to have reached a watershed this month. Prime Minister Bhutto announced on October 15 that, as a result of recent army sweeps through the troubled portions of the province, most of the rebels had either been captured or had accepted his offer of amnesty. Bhutto did acknowledge that some remnants of the insurgent movement were still at large, and he gave these remaining rebels until December 15 to accept the amnesty.

Bhutto will now probably refrain from major new offensive operations in Baluchistan for at least a couple of months. He will want to see if

the rebels' diminished numbers, the onset of winter weather, and political maneuvering on his part can eliminate what remains of the threat to central government control over the province.

Neighboring Afghanistan has long sympathized with the efforts of tribal dissidents in both of the Pakistani frontier provinces to block Islamabad from establishing fuller control over their affairs. The Afghans argue that the two provinces should be transformed into a new entity, called "Pushtunistan," which would be either autonomous within Pakistan, independent, or affiliated with Afghanistan.

Afghan advocacy of the Pushtunistan concept is based on both ethnic and strategic considerations. The Pushtun community, which is only a small minority in Pakistan as a whole, is the dominant ethnic group both in Afghanistan and in Pakistan's North-West Frontier Province. Baluchistan's ethnic ties to Afghanistan are much thinner, but the Afghans have been opportunistically stressing the Baluchistan issue because it is there that the Bhutto government has been faced with an armed—albeit low-level—tribal insurgency. Additionally, a "Pushtunistan" that included Baluchistan would enjoy access to the Indian Ocean. Afghan backing for the Baluchi rebels has consisted of propaganda support and possibly some training and material aid.

Afghan President Daoud, a long-time strong advocate of the Pushtunistan concept, sharply stepped up agitation on the issue after he returned to power in a military coup in July 1973. Afghan military intervention in the Baluchi rebels' behalf was never too live a possibility, given Pakistan's military superiority, and it seems even less likely now that the rebellion has quieted. But each country will continue to suspect the other of unfriendly intentions.

The Bhutto government has frequently alleged in private that Afghanistan, with Indian and Soviet support, is working to undermine Pakistan's stability and territorial integrity by aiding Pakistani tribal dissidents and other "subversives." The Daoud regime, for its part, has shrilly



accused Pakistan of a multitude of sins, ranging from "suppression" of Pushtun and Baluchi rights to abetting anti Daoud coup attempts. These allegations are likely to continue. Baluchistan, moreover, may eventually become the main focus of tension once again. Bhutto is apparently determined to destroy the "feudal" tribal system there, and some tribesmen may resume insurgent activities, which Afghanistan is likely to support.

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A recent diplomatic incident may also have persuaded the Shah that Iraq was not serious about the talks. The Iraqis returned an Iranian diplomatic note on October 9 because it referred to the "Persian Gulf" rather than the "Arab Gulf." Only last month the Shah strongly protested to several Arab governments their use of the term "Arab Gulf," and he probably regarded the Iraqi action as a calculated affront.

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### IRAN-IRAQ: IMPASSE CONTINUES

The foreign ministers of Iran and Iraq met twice this month in a further gesture by their governments to the UN Security Council resolution adopted last May that called for a negotiated settlement of their long-standing border dispute. The ministers, who met while attending the UN, made no progress toward resolving outstanding issues.

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Last August, both sides agreed to talks on the foreign minister level following preliminary discussions in Istanbul. At their first meeting on October 11, Iranian Foreign Minister Khalatbari and Iraq's Taqa indicated they were prepared to discuss several problems, but neither showed flexibility on the major issue—Tehran's demand that the border formed by the Shatt al Arab be redrawn. Tehran takes the position that the 1937 treaty locating the boundary on the Iranian side of the river was unfairly imposed by the British. The Shah proposes a mid-channel boundary.

Tehran has never been enthusiastic about the talks and is not likely to be too disturbed by the impasse. Unlike Baghdad, which wants to avoid confrontations with Iran while so heavily engaged against the Kurds, Tehran is under no great pressure to reduce the strain between the two governments. Iran is probably content to maintain diplomatic pressure by pressing for maximum political concessions, while fueling Iraq's internal problems by aiding the Kurdish rebellion.

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At the same time, Iran does not want to be publicly identified as the obstacle to improved relations and will not wish to rule out the possibility of resuming the talks. On his return from the UN, Khalatbari said the talks would resume "in the near future." The death of Taqa on October 21—he was in Rabat to prepare for the Arab summit—and the continuation of border incidents, however, make an early resumption unlikely.

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### CANADA: PLANNING DEFENSE CUTS

Ottawa's plans to reduce its already minimal defense program surfaced last week in parliament and the press. A cabinet decision is expected on October 31 that could lead to substantial reductions in Canada's military forces, although the Canadian role in NATO and cooperation with the US on continental defense will not be affected, at least for the short term.

Canada's "stagflation" has pushed defense costs well beyond the annual 7-percent increase provided for in the five-year defense plan adopted last October. At the same time, declining economic growth has reduced the anticipated increase in tax revenues.

Defense officials have sought to maintain the planned updating of military equipment and improved housing and pay of troops by reductions in manpower. Armed forces personnel already have been trimmed this year from an authorized strength of 84,000 to under 80,000. A joint Defense and External Affairs departmental committee has determined that further manpower cuts are inevitable, and that as a result, some of Ottawa's present defense commitments must be eliminated or reduced.

The committee has identified four basic defense commitments—protection of sovereignty, participation in NATO, cooperation with the US in defense of North America, and support of UN peacekeeping operations. It has outlined several

troop reduction options ranging from maintaining the status quo to a cutback to 75,000.

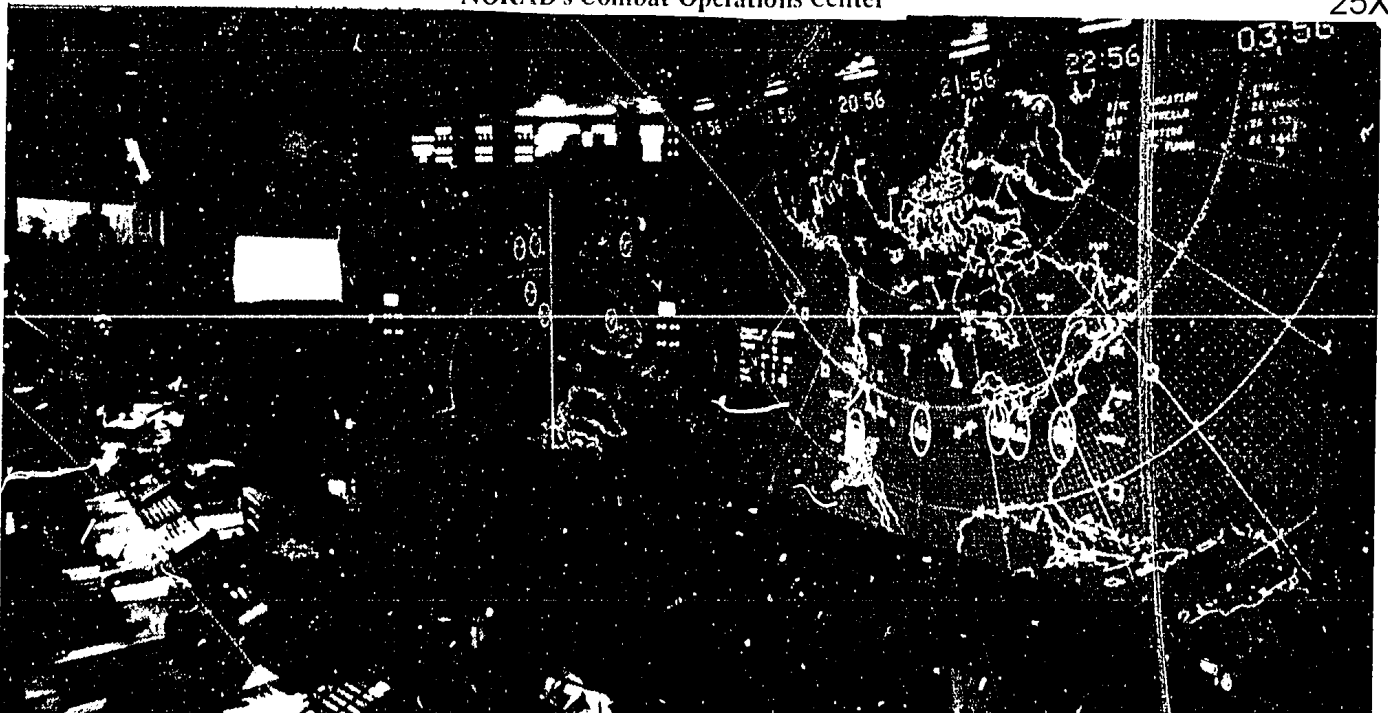
Defense officials hope to convince the cabinet to hold personnel strength at about 77,000. Present sentiment in the cabinet favors maintaining the NATO and North American defense commitments, closing and consolidating military facilities in Canada, and substantially reducing peacekeeping commitments.

Prime Minister Trudeau has consistently given national defense a low priority and there are no influential defense advocates in the government. Canada currently ranks next to last among NATO members in the percent of its GNP devoted to defense and has less men per capita in its armed forces than most other NATO states. Most members of parliament and the public see no military threat to Canada and believe that in a showdown with the Soviets the US would have to defend Canada.

Trudeau, however, is seeking closer ties with Western Europe and would be reluctant to irritate his European NATO partners or lose an effective voice in the North Atlantic Council through substantial reductions of Canada's NATO contingent. Continued pressure on Canada's budget, on the other hand, could eventually lead to erosion in all of Ottawa's defense commitments, including NATO and the defense of North America.

NORAD's Combat Operations Center

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## COLOMBIA: CORRECTIVE ACTION

President Lopez may shift political gears next week in an effort to moderate the unpopular economic measures he has decreed since mid-September. The 45-day state of economic emergency that has enabled him to sidestep congress expires on November 1. Under the constitution, congress will then review the President's decree laws, which it can endorse, change, or nullify. Given the current angry mood of the legislators, they seem likely to challenge at least some aspects of Lopez' economic program despite its basic soundness.

The President has already launched a lobbying campaign to recoup his dramatic loss of public support. This weekend he will retreat to a small town with his entire cabinet to take stock of the situation in preparation for a national address explaining his economic moves. It is possible that the weekend meeting will also produce a scapegoat or two within the cabinet; a likely sacrificial lamb would be Minister of Finance Rodrigo Botero.

Not the least of Lopez' problems is the rapid withering of the Liberal Party unity that won him the presidency by almost a two-to-one vote last April and gained Liberal control of both houses of congress. Prominent Liberals have attacked Lopez' economic program, and several party leaders have resigned. Hardships imposed by the program itself have alienated a large part of the public, and Lopez' method of imposing the program has outraged the majority of congress, which doubtless would have passed the measures had they been legislative bills.

If, as is probable, no amount of hard sell proves able to recapture Lopez' lost support, the President will face a difficult choice. He can accept the realities of politics by bargaining with congress to keep as much as possible of his economic program while perhaps saving face and restoring some party unity. On the other hand, he can stand by his decrees and hope that early signs



Lopez

of an economic turnaround will vindicate him. In the latter option, he would be aided by several apparent loopholes in the law by which he assumed emergency authority, making possible his indefinite postponement of the congressional review of his decrees.

Lopez has been in office only since August and may well consider that the three or more years remaining before his party resumes presidential electioneering can heal any wound. He is already a lame-duck president, however, as he is prohibited from succeeding himself, and he may not rank the fortunes of the Liberal Party first among his priorities. In any event, this is likely to be an active week in Colombian politics as president and congress maneuver for primacy.

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**CHILE: ANOTHER CLOSE CALL**

The fragile relationship between the military government and the Christian Democratic Party again neared the breaking point last week, and was saved once more by the fact that neither side wants an open split.

The incident began on October 7, when the government announced that Bernardo Leighton, a self-exiled leader of the party's left wing, would not be allowed to return to Chile. Leighton's anti-government statements had been highlighted by Radio Moscow. A statement approved by the party leadership and issued by party president Patricio Aylwin labeled the government move an "abusive action" and "unjustifiable outrage."

Unfortunately for the party, its statement coincided with the government's discovery of documents that reportedly identified several left-wing Christian Democrats as having been in contact with anti-government extremists of the Movement of the Revolutionary Left.

On October 11, junta President Pinochet declared that "anti-patriots" and "mistaken politicians" who seemed to be asking for the "hard hand" would get their wish. An ensuing series of party-government meetings involved conservative party leaders Osvaldo Olguin and Juan de Dios Carmona, Interior Minister Benavides, Pinochet, and two army generals who had previously served as links between the military and the Christian Democrats.

On October 15, the Santiago press reported that Carmona had disassociated the party from Aylwin's statement. This was a distortion—perhaps arranged by the government—of the party's position, since Carmona had disowned Leighton's, not Aylwin's, views, and the party was sticking to its guns in opposing the ban on Leighton's return. The party subsequently offered to issue a clarifying statement disassociating itself from Leighton and disavowing cooperation with the outlawed

Marxist parties, but the government said this was unnecessary, and Carmona then told the press that the entire issue had been clarified and resolved.

Just how close to the brink the party and the government came in this latest in the series of similar incidents since the military take-over is uncertain, but party leaders Carmona and Olguin reportedly were fearful that the government was ready to declare the party illegal and confiscate its property. Ironically, the order prohibiting Leighton's return remains ineffective because it has not yet been published officially. The episode may strain the party's ability to hold together under its current policy of neutrality toward the government, but there could be a silver lining in a report that the two generals persuaded Pinochet to set up a regular channel of party-government communication.

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**PARAGUAY: DEMOCRATIC DICTATORSHIP**

Last week, President Stroessner broke precedent by discussing political issues with Gustavo Riart, leader of the Radical Liberals, the major opposition party. Although Riart's subsequent press conference did not refer to any major concessions by Stroessner, he said the President told him that requests for more democratic electoral procedures and radio time were "worth noting."

Such meetings may become frequent now. In the recent anniversary speech commemorating his 20 years in office, Stroessner proposed a "democratic national dialogue." Leaders of the three legal opposition parties have reacted positively, but the "unrecognized" Christian Democratic Party has rejected the vague invitation as

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impossible to accept under present conditions. Party chief Luis Resck augmented his group's leftist reputation by issuing a formal denunciation of government abuses including: detention of political prisoners, repression of agrarian reform leagues, frequent invocation of state of siege powers, and the denial of passports to opposition figures (including Resck himself).

Stroessner has always taken a slow approach to major decisions and his failure to give any clues thus far to the importance of dialogue is a typical exercise of caution. The phrase may be little more than a rhetorical flourish to mark a historic occasion. On the other hand, official observers have commented previously that Stroessner is concerned about developing a more positive historical image, and he may intend to return to an earlier policy of allowing limited political liberalization. In any case, it is unlikely that any concessions would have much immediate impact. [redacted]

### CUBA: MIXING OIL AND POLITICS

Capitalism, imperialism, and the US bore the brunt of Fidel Castro's verbal abuse during his speech to the 25th meeting of the General Council of the World Federation of Trade Unions in Havana last week. Much of the bombast, however, was used to mask Havana's irritation with the trend developing in the policies of the oil-producing countries.

Although Castro expects to impress Latin America and the Third World in general with the aggressive stand he is taking—ostensibly on their behalf—regarding world inflation and other international economic problems, his motives fall far short of genuine altruism. He is apparently incensed, for example, that the oil producers, instead of channeling their new-found wealth in

his direction to be used for developmental purposes, are investing in the US in search of additional financial returns. As a government leader experienced in expropriating foreign holdings, he knows well the vulnerability of foreign investors and, in his address, cautioned the oil producers that "their investments will become like a hostage for imperialism."

His criticism was couched in diplomatic terms, but it obviously reflects a strongly held conviction that could precipitate considerable friction with such countries as Mexico and Venezuela. He has reportedly already rejected a Mexican offer of oil because Cuba was not granted a preferential rate below the current market price, but his insistence on special treatment is likely to get a deaf ear from prospective suppliers.

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Much of his speech was a reiteration of earlier pro forma criticism of the US. The verbal blasts, however, were in marked contrast to the reasonable and restrained attitude he displayed in the interview shown on CBS television on October 22. This dichotomy stems from his belief that he must present a vehement hard line when exposed to the international media so that his cautious steps toward a rapprochement with the US will not undermine his prestige among Third World leaders and the rank and file of the revolutionary movements that have been looking to Cuba for leadership over the past decade.

His adamant defense of the USSR at the Nonaligned Conference in Algeria in September 1973 seriously compromised his revolutionary credentials in the eyes of many of the conference delegates, and he wants no repetition that might be based on the charge of being "soft on imperialism." His criticism of the US, therefore, often reflects his efforts to thread his way toward a rapprochement without falling victim to the more outspoken members of his own political genre who have less to gain through detente than he does. [redacted]

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### CAMBODIA: SEEKING A UN SEAT

Both Khmer sides are continuing to lobby for support in the battle for Cambodia's UN seat, and it now appears reasonably certain that a vote on this question will occur no sooner than the second week in November.

Phnom Penh thus far has successfully avoided a preliminary challenge by supporters of Sihanouk's government at the 18th General Conference of UNESCO that opened in Paris last week. The Lon Nol delegation simply finessed the issue by not formally submitting its credentials to the conference. A confrontation could still develop in Paris if the delegation from Sihanouk's government attempts to present its credentials. It now appears, however, that Sihanouk's forces still cannot count on a firm majority vote either in UNESCO or the General Assembly and, as a result, are unwilling to force an early showdown in either body.



Norodom Sihanouk

Sihanouk's backers hope that the lopsided vote granting observer status to the Palestinian Liberation Organization at the General Assembly this year, as well as a coming challenge to the credentials of the South African government, will better establish the precedent of voting governments "in" or "out" of the UN and overcome the reservations of some undecided states.

The backers of the pro-Sihanouk resolution are by now well aware of Phnom Penh's strategy. The Asian Working Group that is supporting the Lon Nol government hopes to gain priority for a counter-resolution calling for negotiations between the two Khmer sides, which would defer the Khmer credentials issue another year. In a statement issued in Peking on October 16, Sihanouk bitterly condemned the governments of Japan, Indonesia, Thailand, and the Philippines for their leading role in support of Phnom Penh. He denounced the counter-resolution as a ploy to impose an "American peace" in Cambodia. His supporters in New York, however, have thus far not had great success in attempting to portray the resolution as an "American document." The US delegation is carefully avoiding any visible "arm-twisting," leaving the front line lobbying effort to Phnom Penh's Asian allies.

Although the Khmer Communists may hope to precede the General Assembly vote with some attention-grabbing actions in Cambodia, such as a new round of rocket and artillery attacks against Phnom Penh, the present military situation appears to hold out little hope of solid or lasting Communist gains in the near future. Insurgent forces have been probing the outer defenses of several provincial capitals in recent weeks with little success. Aside from this, insurgent initiatives are focused on lines of communication and, in particular, the highway connecting Phnom Penh with the rice-growing northwestern provinces. Last week, this road was once again interdicted by the Communists between the provincial capitals of Pursat and Kompong Chhnang. Government operations to clear the road are now under way.



Rowling

## NEW ZEALAND: ELECTION RUMORS

Some elements in the Labor government are advocating early elections. National elections are not scheduled until November 1975, but there is speculation that Prime Minister Rowling may seek a new three-year mandate from the voters soon to take advantage of sympathetic public reaction to the recent death of popular Prime Minister Kirk. Rowling may also be concerned that over the next year, the implementation of the stringent economic measures the government announced this week could alienate the electorate.

The government, stung by a series of setbacks in local contests, may want to move before its standing slips further. Two weeks ago the Labor mayor of the capital city of Wellington was apparently ousted after 18 years in office. Even if the count of absentee ballots changes the out-

come, the close vote was in sharp contrast with the mayor's strong majority in the last elections.

Other party defeats—the mayoralty of Christchurch and bids to capture the top posts in Dunedin and Auckland—had been predicted. The wide margin of the opposition's win over a promising Labor candidate in Auckland nevertheless came as a shock.

Despite some disposition to move now, there is considerable sentiment within the Labor Party against early elections. A sizable number of the Labor members of parliament was elected by slim margins, and they are reluctant to be put to the test again in view of Labor's recent local election reverses. In light of its poor showing in these elections, the Labor Party will probably treat with reserve a just-released opinion poll conducted last month that shows a sharp rise in the government's standing.

Many party members argue that the government, with its huge parliamentary majority, should feel no compulsion to go to the polls. The US embassy believes that the odds are against early elections and that Rowling's failure to scotch rumors is a tactical ploy to keep his options open and the opposition off balance.

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## LAOS

### AID FALLING SHORT

The government's first aid-seeking mission abroad, headed by Communist Economics Minister Soth Phetrasy, recently spent nearly a month visiting North Vietnam, Algeria, China, and North Korea. Except for Hanoi, however, the aid commitments fell far short of the coalition government's expectations. A number of additional aid-seeking missions, to be led by Soth and by non-Communist Defense Minister Sisouk na Champassak (to socialist and Western countries, respectively), are still on the coalition's drawing board, although original Lao expectations for massive hand-outs have doubtless been dampened.

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Chinese roadbuilding

The idea of dispatching economic missions, composed of Communist and non-Communist officials, to seek aid from socialist and Western countries emerged shortly after the new government's formation in early April. An economic crisis in midsummer gave new impetus to the idea. The crisis, rooted in a perennial budget deficit and a shortage of foreign exchange, came to a head in mid-July when the coalition—for political reasons—refused to accept recommendations by the International Monetary Fund to devalue and curb its own internal expenditures. Government leaders decided instead to institute a highly restrictive foreign-exchange control system and to cast about for massive doses of foreign aid.

The first aid-seeking delegation left for North Vietnam in mid-September and concluded a fairly impressive economic assistance pact. If successfully implemented, it will help reduce Laos' long-standing commercial dependence on Thailand. In an effort to give Vientiane an outlet to the sea other than Bangkok, Hanoi agreed to reconstruct the Route 7 roadnet from northern Laos to the port of Vinh in southern North Vietnam. Hanoi also agreed to permit Laos to ship up to 50,000 tons of commodities annually through Vinh duty-free and to facilitate transportation of these goods through North Vietnam. In addition, the North Vietnamese agreed to provide a re-

ported \$3 to \$4 million in non-reimbursable commodity assistance to the coalition government.

The fortunes of Vientiane's aid seekers declined rapidly following the promising start made in Hanoi. Algeria, the next stop, was a total fiasco. Instead of offering aid, President Boumediene and other Algerian officials lectured the Lao on the political wisdom of genuine nonalignment. They intimated that any aid depended on Lao support in the UN General Assembly for resolutions demanding the removal of US troops from South Korea and the seating of the Khmer Communists in place of the currently recognized Cambodian regime. The delegation fared little better in Pyongyang.

The windfall in economic and financial assistance that the delegation had hoped to reap in Peking also fell considerably short of the mark. Much to the delegation's consternation, the Chinese turned aside Lao requests for sizable grants-in-aid and agreed only to a long-term interest-free loan of approximately \$25 million.

The agreement, if ratified as expected by the coalition cabinet, will assure continued Chinese presence and influence in northern Laos at a token cost to Peking. The lion's share of the loan—\$17.5 million—is to be used to cover the cost of constructing a road from the Muong Sai area to the royal capital of Luang Prabang. The road will be built by Chinese engineers, and, when completed, will link the existing Chinese roadnet in northern Laos to the Lao road system in the south.

Most of the remainder of the loan, some \$7 million, is earmarked for the purchase of commodities—rice, cement, trucks, textiles, petroleum products, medical supplies—based on prevailing world market prices. The Lao are particularly chagrined that only about one third of their commodity aid requests were honored by the Chinese. They are also unhappy over Peking's unwillingness to pick up the tab for transporting these commodities to Laos and, in general, they believe the Chinese loan will only add to Lao foreign indebtedness.

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