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# Weekly Review

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20 December 1974

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**CONTENTS** (December 20, 1974)

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.

- 1 Egypt-Israel: Tough Talk
- 3 UN Ends Controversial Session.

**EAST ASIA  
PACIFIC**

- 4 Japan: Reactions to Miki
- 5 South Korea: UN Victory
- 6 North Korea: Infiltration Foiled
- 6 Cambodia: UN Finale; Realignment
- 7 South Vietnam: Communists' Campaign
- 8 Philippines: Home for the Holidays

**EUROPE**

- 9 Soviet Union: Plenum; Missiles
- 12 United Kingdom: Sterling Decline; EC
- 14 NATO: Inconclusive Ministerial
- 15 Turkey: No Break in the Impasse
- 16 France: Chirac's Power Play

**WESTERN  
HEMISPHERE**

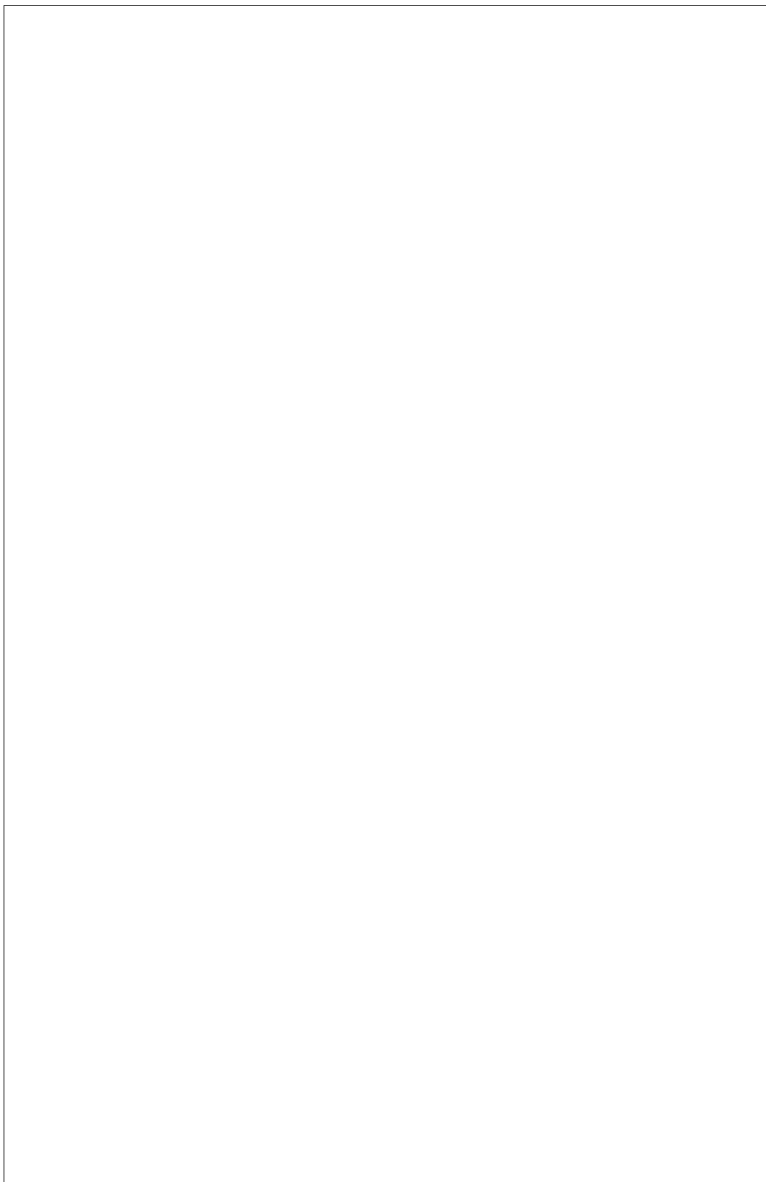
**25X1**

- 17 Venezuela: An Emerging Power
- 18 Bolivia: Access to the Sea
- 19 Latin America: Ties With EC
- 20 Chile: Courting the Christian Democrats

**MIDDLE  
EAST**

- 21 OPEC: Higher Revenues
- 22 Rhodesia: Hard Bargaining Ahead
- 23 Libya Seeks Nuclear Capability

25X1



# Egypt-Israel

## TOUGH TALK

The language of diplomatic stalemate became more shrill last week as Egyptian Foreign Minister Fahmi laid down harsh terms for a final peace settlement. Fahmi was responding to Israeli proposals for a long-term interim agreement that would effectively limit Egypt's military options and political clout.

On December 13, Fahmi announced a list of what he termed "conditions" for a final settlement. These included demands that Israel compensate Palestinians for lost property and the Arab states for damage inflicted in all past wars, pledge formally to renounce "expansionism," and promise not to accept any Jewish immigrants for the next 50 years.

A Cairo news service reported that Fahmi had also demanded that Israel either agree to the formation of a "democratic secular state" in Palestine—a euphemism for the dismantling of the state of Israel—or return to the Palestine partition plan of 1947. A summary of the Fahmi statement by Cairo radio, however, did not include this stipulation with the rest of Fahmi's so-called conditions.

Israeli leaders have termed the demand for an end to immigration "absurd." It has become clear that the Egyptians themselves recognized this and intended the demand primarily as an answer to conditions recently floated by Israel that they regard as equally intolerable. An aide to Fahmi has said that the demand has now been shelved and should be forgotten. Cairo media, apparently on the basis of official guidance, expounded on the immigration issue only briefly last weekend and have since ignored it.

Fahmi's statement was prompted by recent public interviews given by Israeli Prime Minister Rabin and probably also by a proposal for a second-stage Sinai withdrawal that an Israeli newspaper claims Foreign Minister Allon pre-

sented in Washington last week. During a British television interview on December 13, Rabin reiterated the theory, which he had aired in an interview published by the Israeli newspaper *Haaretz* on December 3, that Egypt's leadership position in the Arab world is waning. He again seemed to imply that Israel could accelerate this process and take Egypt out of the fray by appeasing it with a separate agreement. He offered the Mitla and Gidi passes in the Sinai and the Abu Rudays oil fields in return for Egypt's signed agreement to a full peace.

Earlier last week, according to an Israeli newspaper, Allon presented in Washington a proposal for an interim Sinai withdrawal that did not include the return of the strategic passes or the oil fields. The proposal reportedly demanded from Egypt:

- A signed agreement terminating belligerent activities that would be in force for at least 5 years, and possibly as many as 12.
- Further commitments to refrain from joining other Arab states in warfare and to withhold support for guerrilla activities against Israel.
- Passage rights through the Suez Canal for Israeli cargoes and crews in non-Israeli ships.
- A pledge to cease economic and propaganda warfare on Israel.
- A commitment to reopen the Suez Canal and rehabilitate canal cities before the new agreement takes effect. The Israelis believe that reconstruction along the canal will be a sign of Egypt's intention to refrain from further warfare.

In return for this Egyptian agreement, according to the newspaper, Israel would withdraw 30 to 50 kilometers farther in the Sinai but would

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retain control of both the passes and the oil fields.

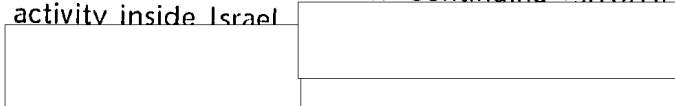
This Israeli proposal, if accurate, is clearly a maximum bargaining position that is negotiable. As outlined, however, it is undoubtedly as intolerable to Egypt as Egypt's no-immigration demand is for Israel. It asks, in effect, for Egypt's agreement to a semi-permanent peace while giving other Arabs and, in fact, Egypt itself almost nothing in return.

The harsher demands being advanced by both sides can be scaled down, but the fact that they were made at all brings the situation closer to stalemate. The demand for an end to immigration could strengthen Israeli suspicions that Egypt is not, after all, ready to co-exist with Israel. More significantly, Egypt and the other Arab states will be convinced, even if Israel drops explicit references to a time element in the Sinai withdrawal agreement, that the Israelis actually mean to make no additional moves in negotiations beyond the next partial Sinai withdrawal.

The issue is made more urgent by Egypt's growing edginess. Sadat is impatient for a further Sinai withdrawal before Soviet party chief Brezhnev arrives in Cairo next month. Sadat told an interviewer on December 14 that he still has hope for the step-by-step approach to negotiations favored by the US, but he criticized the lack of progress thus far. He asserted that if the step-by-step procedure does not produce progress in the "very near future," "we shall be going to Geneva according to the Soviet theory." Sadat has never before so openly raised the Soviet alternative to the US method of negotiating.

**ISRAELIS BOMB BEIRUT**

Israeli aircraft bombed at least three, and possibly four, Palestinian refugee camps in Beirut last week in retaliation for continuing terrorist activity inside Israel.



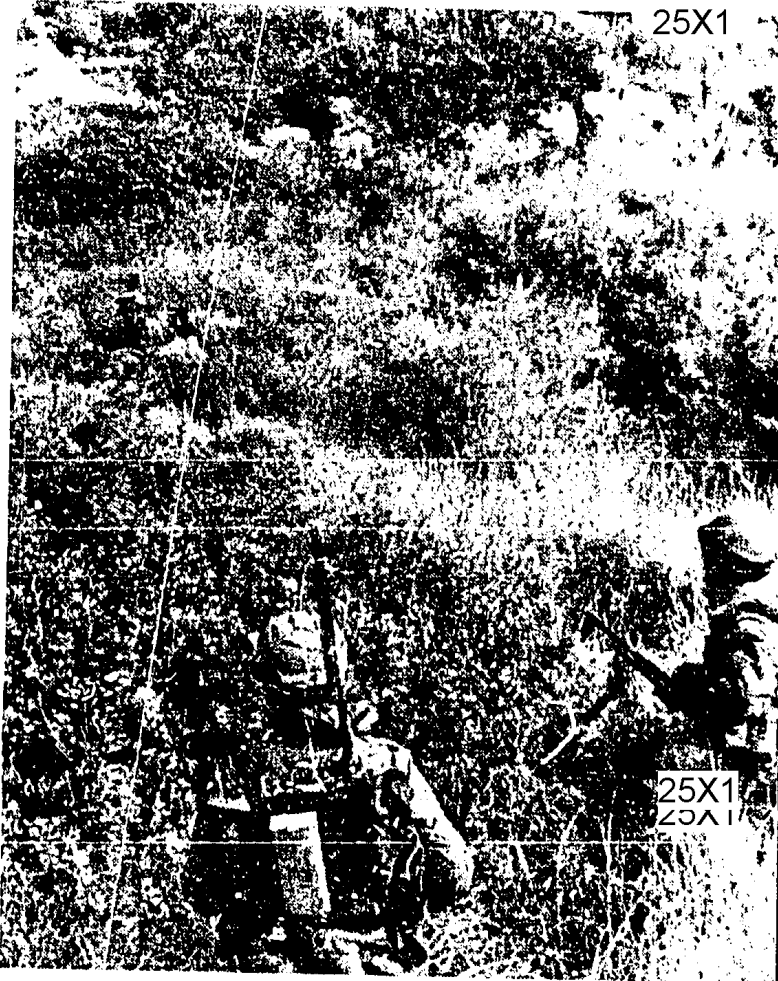
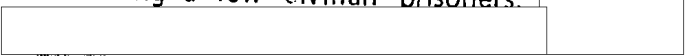
UN observers reported that surface-to-air missiles—presumably SA-7s—and conventional

antiaircraft weapons were fired at the attacking aircraft. The fedayeen claimed to have downed one plane, [redacted]

[redacted] Last summer, Syria sent some SA-7s to the fedayeen in Lebanon to protect the refugee camps against Israeli air attacks.



Throughout the week, Israeli troops and fedayeen guerrillas exchanged fire across the Lebanese border. On December 18, Israeli troops crossed the border in western Lebanon, blowing up the homes of several alleged fedayeen sympathizers and taking a few civilian prisoners.



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## UN Ends Controversial Session

The recent 29th UN General Assembly session was one of the most controversial in the UN's history. The actions of the assembly provoked sharp reactions and have raised serious questions about the organization's future course.

The depth of concern was reflected in the assembly debate on "Strengthening the Role of the UN." Responding to what they interpreted as an attack on their behavior during the session, Third World spokesmen expressed dissatisfaction with the current UN structure, which they maintain is intended to assure its domination by the industrial countries. They argue that the principles of equality of states and majority rule should not be invalidated because the composition of the majority has changed since the founding of the UN.

The Palestinian and South African debates provided the drama of this session. The recognition accorded Yasir Arafat, chairman of the Palestine Liberation Organization in his address before the full assembly equaled that usually reserved for heads of state and was among the major precedent-setting events of the session. The granting of observer status at the UN to the PLO—which was voted by the assembly at the conclusion of the debate—has more serious implications, however, since by according this recognition to a group lacking any attributes of a state, the UN has opened the door to demands for similar treatment by representatives of other "liberation" movements.

On this and numerous other occasions during the session, Algerian Foreign Minister Abdelaziz Bouteflika exercised his prerogatives as assembly president to push Third World positions and influence the outcome of the debate. His action on South Africa was a usurpation of Security Council powers. Following a veto in the council by the US, UK and France of a resolution to expel South Africa, Bouteflika on his own authority—but with the full backing of the Third World—suspended South Africa's rights as a UN member and ruled that it was ineligible to participate in the rest of the session.

The major work of the session was, as usual, conducted in the seven subsidiary committees of the assembly and here, too, the shift in the political focus of the UN's membership was evident. The Charter on Economic Rights and Duties of States was passed in the Second Committee after months of negotiations in Geneva failed to resolve important differences between the developed and developing countries. The usual resolutions on decolonization and apartheid were passed with overwhelming support—a barometer of the sensitivities of the smaller and newer members of the UN to discussions of the sovereignty and equality of states. The disarmament discussion produced more than the usual desultory debate on the subject, as the developing countries sought to maintain pressure on the major powers to disarm while seeking to assure themselves some of the benefits of nuclear technology, particularly in the field of peaceful nuclear explosions. In one of the potentially more significant votes of the session, the Legal Committee moved to set up a committee to consider possible revision of the UN's basic charter.

There have been a few signs of worry on the part of some of the developing countries that the use of the "automatic majority" that characterized much of the work of this session—ending in resolutions that are unenforceable—may have gone too far and could damage programs benefiting them. Nevertheless, the Third World countries are unlikely to abandon the steamroller tactics that have produced a few notable political "successes." Not all of them, however, are eager to see the UN deadlocked by sterile debate; if many are unwilling to counter the extreme demands of the more radical Third World states, they also would welcome signs that the developed countries are not only interested in meaningful discussion of the issues of greatest interest to the Third World but that they do not intend to wash their hands of the international organization. The 29th assembly session has, at least, made clear the choices confronting both the developed and developing countries.

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## JAPAN: ASIAN REACTIONS TO MIKI

Japan's Asian neighbors—the USSR, the People's Republic of China, Nationalist China, and South Korea—have reacted cautiously to the new Miki government in Tokyo. Miki's general views on foreign policy are well known to all, and more definite reactions might have been expected, but the weakness of his political position and the potentially strong role that might be played by Deputy Prime Minister Takeo Fukuda—leader of the Liberal Democratic Party's conservative wing—are complicating factors that have created uncertainty about the likely directions of Japanese policy.

**USSR**—The Soviet press has treated Miki's selection in a low-keyed, mildly favorable way, and Premier Kosygin has forwarded a congratulatory message. In a conversation with a US official on December 9, a Soviet Foreign Ministry officer noted Miki's pro-Peking reputation in passing, but concluded that it was difficult to determine what Japanese policies would be. He affirmed the Soviets' standing invitation to the Japanese foreign minister to visit Moscow for a discussion of a formal peace treaty.

A Japanese embassy officer in Moscow, meanwhile, has said that he does not expect the new Japanese foreign minister, Kiichi Miyazawa, to visit the USSR next month because of scheduling problems. He was also uncertain that such a visit would accomplish anything because of the deadlock over the northern territories issue—and, by extension, the peace treaty.

In any event, Premier Kosygin accorded VIP treatment to former prime minister Sato, a recent recipient of the Nobel Peace Prize, during his stopover in Moscow this week. Aware of Sato's pro-Taipei orientation and his close association with Deputy Prime Minister Fukuda, the Soviets apparently are intent upon honoring those Japanese least amenable to Peking.

**China**—Premier Chou En-lai has officially congratulated Miki upon assuming office, and the Chinese press has replayed some of Miki's pro-Peking remarks. Privately, however, the Chinese are expressing reservations. According to a Japa-



Miki 25X1 25X1

nese diplomat, the Chinese are concerned about Miki's current political alliance with Fukuda, who has long been reluctant to override Taipei's interests.

These sentiments have given rise to speculation in Tokyo that Miki's election will lead to a slowdown in improving Sino-Japanese ties. The first test will come soon when formal negotiations begin on a peace and friendship treaty. Preliminary discussions have already been held, and both sides have publicly called for agreement on a pact.

**Nationalist China**—The Chinese Nationalists do not regard Miki as any particular friend of their government, but they feel he is a far better choice than Tanaka or Ohira, the team that established relations with Peking. And they are mollified by Miki's alliance with Fukuda—whom they do consider a friend. Taipei still believes, however, that it is up to Tokyo to take the first step in

re-establishing the civil air routes that were broken earlier this year, and it is waiting to see if a newly appointed semi-official representative from Tokyo brings a fresh proposal with him.

South Korea—Seoul is hopeful that the change will help improve its badly strained relationship with Tokyo. South Korean officials are well aware of Foreign Minister Miyazawa's notably more conciliatory line on relations. But they also believe that the general weakness of the Miki government will make it difficult for the new foreign minister—however well-intentioned—to make a significant, favorable impact on Japanese-Korean relations.

#### Foreign Policy Directions

These initial uncertainties should not last long, in view of the likely developments under the Miki government.

There will be little change in the pace or tone of Tokyo's political relations with Moscow. The Soviet position on the northern territories issue has hardened since Brezhnev agreed to discuss it last year. In Japan, meanwhile, there is a strong consensus that the USSR must relent on the territorial question before a peace treaty can be signed. Economic cooperation, on the other hand, will continue to develop in view of the real mutual benefits involved.

Tokyo will be forthright in pursuing a peace treaty with Peking. Miki has long advocated relations with Peking and would undoubtedly be pleased to preside over the final step to full normalization. It is highly doubtful that Miki would allow Fukuda to meddle with this process; indeed, it is questionable whether Fukuda would attempt to delay what must now be considered an inevitable development.

Relations with Taipei remain more problematical. There is economic pressure to resume the mutually lucrative air links between the two countries, and the demise of the Tanaka government might eventually allow Taipei an excuse to soften its position. But it remains for Taipei to do

so in the absence of any notable change in official Japanese policy on the China issue.

Seoul's hopes for better relations may be fulfilled, at least to some extent. The change in Japanese foreign ministers has removed one immediate obstacle, and the conservative wing of the ruling party—now politically stronger than before—also is favorably disposed toward Seoul.

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#### SOUTH KOREA: UN VICTORY

The US and other backers of South Korea have blocked North Korea's attempt to win UN support for its campaign to get US troops out of the peninsula.

On December 17, by a comfortable margin, the General Assembly accepted the resolution of its Political Committee calling on the Security Council "in due course" to consider the question of the UN—and, by implication, the US—military presence in South Korea. The opposing, pro-North Korean resolution, which called outright for US troop withdrawal, had been defeated in a tie vote in the Political Committee, and Pyongyang's backers made no move to re-introduce it at the plenary session on the 17th. Nor were Pyongyang's backers receptive to a last-minute Nordic effort to work out an assembly compromise incorporating elements of both resolutions.

The outcome in New York is a setback to North Korean hopes of marshaling Third World support against the US military presence in South Korea. Pyongyang, however, made effective use of the months of backstage diplomatic preparation and the week or so of committee debate on the issue to call attention to the dual legal status of US forces in Korea. One recent result has been a private Japanese request for details of the structural relationship between the UN Command and US forces stationed in South Korea—US bases in Japan serve UN as well as US military needs.

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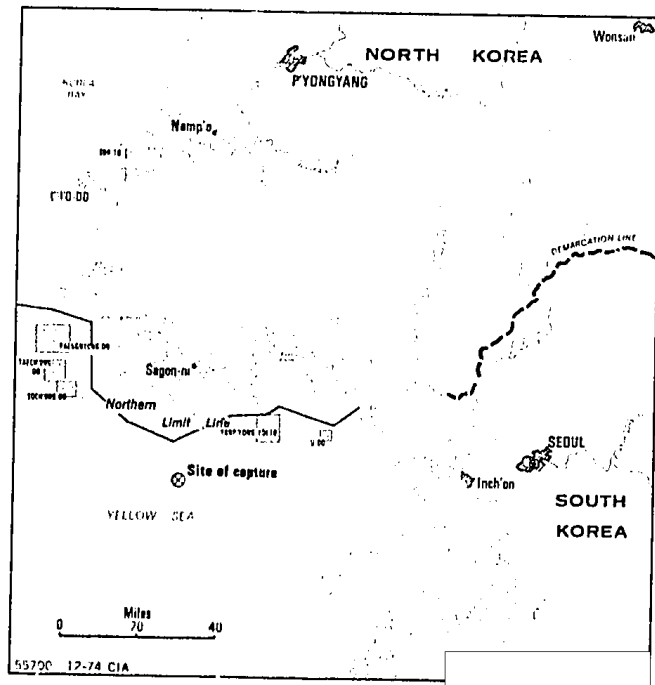


### KOREA: INCIDENT AT SEA

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South Korean naval units fired on and captured what was initially believed to be a North Korean agent boat on December 15 in the Yellow Sea west of Seoul. The boat—described as a 50-ton fishing vessel—has been towed to the port of Incheon. It suffered extensive damage, apparently caused by self-destruct mechanisms on board rather than by South Korean fire. At least one body reportedly was found on board.

Upon arrival at Incheon, the ship was examined and determined to be a fishing boat and not an infiltration craft. The South Korean government has announced that it will return the ship to North Korea.



### CAMBODIA

#### Finale at the UN...

Phnom Penh's international backers easily turned aside a last-ditch effort by Prince Sihanouk's side to discredit the Lon Nol government during the closing days of the UN General Assembly. The prince's allies tried late last week to have the UN credentials committee reject Phnom Penh's credentials, but lost by a vote of five to four. A Syrian attempt this week to amend the committee's final report was defeated on the assembly floor by a comfortable eight-vote margin. This final vote sealed Phnom Penh's earlier assembly victory and will provide the government with ammunition to counter any future challenges to its right to a seat in UN-affiliated agencies and conferences.

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#### ...May Prompt Try at Political Realignment

Prime Minister Long Boret has apparently been waiting for final resolution of the UN issue before attempting any potentially unsettling governmental shake-ups at home. Although Boret had earlier stated his intention to purge and reorganize his cabinet, he now appears to be preparing to push for fundamental and far-reaching changes in the relationship between the military establishment and the civilian government.

Boret has grown increasingly frustrated with the military's continued independence and immunity from civilian policy decisions. He probably views increased civilian control over the military as essential to his plans for tackling the related problems of economic deterioration and corruption. Boret is as yet undecided about the best means of increasing civilian powers, and his caution probably reflects his awareness of the risk of a confrontation with President Lon Nol and senior army officers.

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### SOUTH VIETNAM: COMMUNISTS' CAMPAIGN

The Communists' dry-season campaign, now beginning its third week, is producing scattered but intense fighting in the southern half of South Vietnam. Losses on both sides have been heavy, but thus far the South Vietnamese have been successful in limiting Communist gains to areas on the less-secure periphery of government control.

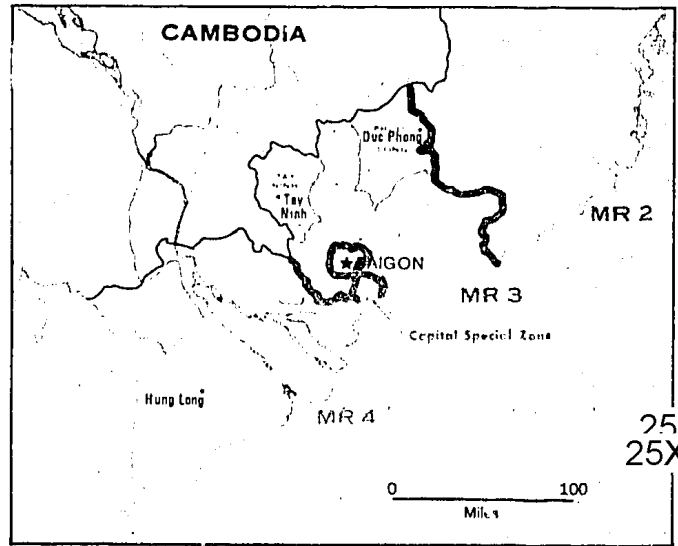
The northern delta has been the scene of the heaviest sustained fighting, as South Vietnamese forces continue to interrupt the movement of the Communist 5th Division into Military Region 4 from Cambodia.

parts of two Communist regiments have suffered large numbers of casualties. Although they are now attempting to hold on to some fair-sized chunks of land, some of these units may eventually be forced to give up and return to their Cambodian sanctuary. These units could regroup, however, and return to fighting west of Saigon or in Tay Ninh Province as they did last year, when they were unable to get past the South Vietnamese and move deep into the delta provinces.

The Communists picked off two district towns during the week, but both were in sparsely



VC prisoners in Tay Ninh



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populated areas where the Communists already had strong control. Although the loss of a district town is a serious psychological blow to the government, the towns seized this week do not provide the Communists with any significant new gains in territory or control of population, two avowed goals of their current campaign. The most significant impact of the loss of Duc Phong district town is the effective isolation of the provincial capital by cutting the only road access. The other lost town, Hung Long in the central delta, is in a district formed earlier this year in an attempt to create administrative and military control in an area with a strong Communist presence. Communist efforts to increase their population control have been equally unsuccessful so far because many refugees have fled to government-controlled areas.

Communist attacks in Tay Ninh Province have shifted from the northern government outposts to the main roads connecting Tay Ninh city with Saigon. New attacks against isolated government positions and highways east of Saigon also developed during the week, but most have been contained by defending territorial forces with some assistance from Saigon's regulars.

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## PHILIPPINES: HOME FOR THE HOLIDAYS

President Marcos has recently come under heavy fire from his critics for the continued detention of political opponents without trial. In an effort to counter foreign and domestic allegations that his regime is repressive, last week he announced the release of several hundred "political" detainees and promised trials for some others. He also promised to relax the government's "rigid exercise of authority."

Two of the most famous prisoners—former newspaper editor Eugenio Lopez, and Sergio Osmena, son of a prominent Philippine politician—conducted a well-publicized hunger strike in November to protest Marcos' treatment of prisoners. The archbishop of Manila publicly accused the government of torturing some prisoners. Both events attracted widespread attention from foreign officials and journalists, and Marcos feared

that this could adversely affect foreign investment and economic assistance programs.

The prisoner release brought immediate praise from the Manila archbishop and will undoubtedly be enthusiastically received by the general public. Once the initial euphoria dies down, however, other questions may be raised. It is still not clear how many political detainees the Marcos regime holds; many of those released were apparently ordinary criminals. Moreover, many of the most important student activist leaders and opposition politicians have not been released. Lopez and Osmena have been promised trials in civilian courts, but nothing was said of former senator Aquino, perhaps the most famous and popular of the detainees. Nor has the regime ceased arresting people for political subversion; one important church critic of Marcos was picked up after the December 11 announcement, as were several more students.

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### Political detainees released



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## THE SOVIET UNION

### SOVIET LEADERS GATHER IN MOSCOW

The Soviet party's Central Committee and the Supreme Soviet met this week to approve the economic plan and budget for the coming year. All members of the Politburo and party secretariat were in attendance except KGB chairman Andropov, who is apparently ill.

The traditional reports, delivered by planning chief Baybakov and Finance Minister Garbuzov at the first day of the Supreme Soviet session on December 18, revealed that the economy grew at a brisk rate for the second year in a row. Industrial production rose by 8 percent compared with the 6.8 percent planned, and grain output was the second highest on record, although below the plan. Major five-year plan goals (1971-1975) will not be met, however, largely because the economy was thrown off pace in 1972 by the poor agricultural year. Moreover, by the end of next year the consumer will not have achieved the standard of living promised in 1971. Planning chief Baybakov admitted that the original 1975 consumer targets have "proved unreachable."

In presenting the annual budget for 1975, Garbuzov announced that, for the second year in a row, planned defense spending will decline. The USSR claims that defense spending for 1975 will amount to 17.4 billion rubles; the 1974 budget figure was 17.65 billion rubles.

In sharp contrast to the announced budget figure, we project Soviet defense spending in 1975, including military research and development and space, to be 28.7 billion rubles, some 4-5 percent higher than 1974. The published defense figure serves primarily as a political and propaganda device at home and abroad. Brezhnev reportedly has expressed concern lest the Soviet people learn the true magnitude of Soviet military expenditures.

The Central Committee met earlier in the week to give preliminary approval to the plan and budget before its presentation to the legislature.

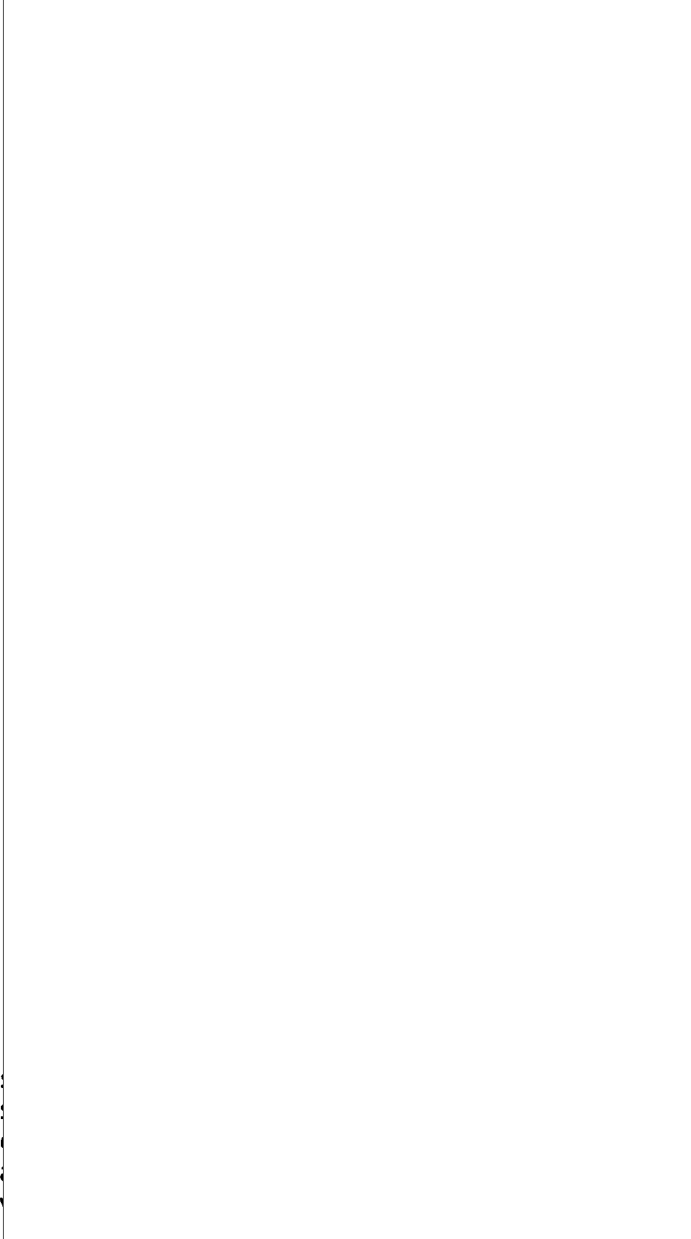
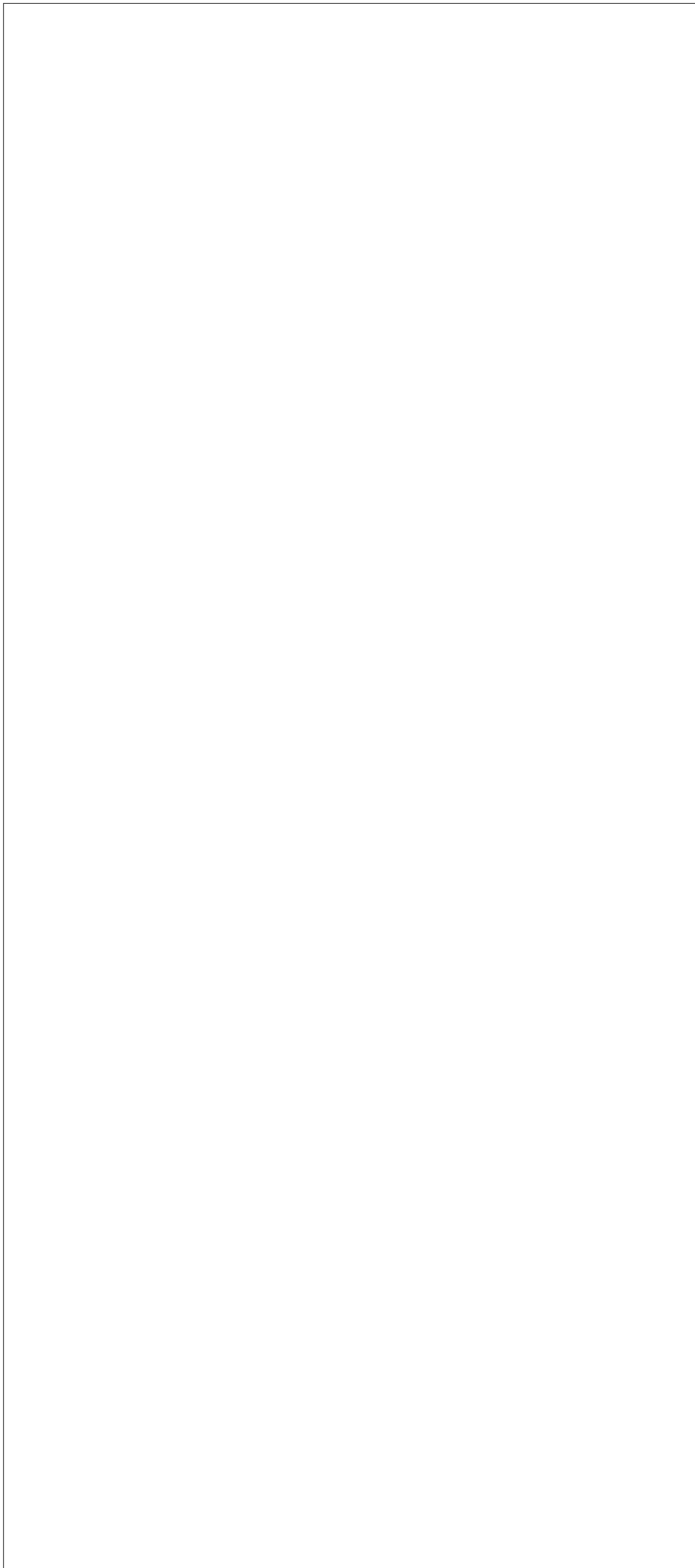
General Secretary Brezhnev delivered a major speech that was not published, but a lengthy *Pravda* editorial on the plenum the following day suggests that his speech was a fairly routine treatment of domestic economic problems and foreign policy matters.

The *Pravda* editorial, probably reflecting Brezhnev's speech to the plenum, recounts the usual economic problems—low productivity, slow completion of construction projects, poor economic management, and a failure to introduce quickly the latest scientific and technical achievements. The editorial indicates that dramatic reforms are not imminent. It spoke only of "a search for new approaches and new solutions" while trying to "wrest oneself from the grip of inertia."

Brezhnev's remarks on foreign policy were apparently equally pro forma. The *Pravda* editorial on the plenum simply says that successful completion of CSCE has important significance for Soviet efforts to make detente "irreversible." It praises the recent summits with the heads of government of the US, France, and the FRG for their "fruitful results" and the "positive influence" they exerted on the development of "the whole international situation."

The plenum accomplished the minimum in terms of personnel actions when it removed Petr Demichev from the secretariat, but failed to choose a successor. Demichev's removal was forecast by his recent appointment as minister of culture. He remains a candidate member of the Politburo.

The failure to announce a new party secretary to fill the vacancy created by Demichev's departure suggests either that an incumbent secretary has picked up Demichev's cultural portfolio or that the leadership is undecided on whom to choose. Whoever gets the job will have a direct impact on the implementation of cultural policy, and thus on the USSR's image abroad during a time of detente.



**AGING SCIENTISTS**

A large number of the leading figures in the Soviet scientific and technical community are getting old and may well be gradually replaced over the next several years. An estimated 60 percent of the full members and nearly 55 percent of the corresponding members of the Soviet Academy of Sciences, for example, are over 65 years of age. Statistical information is limited, but the academy is probably fairly representative of the



leadership of the USSR's scientific and technical community as a whole.

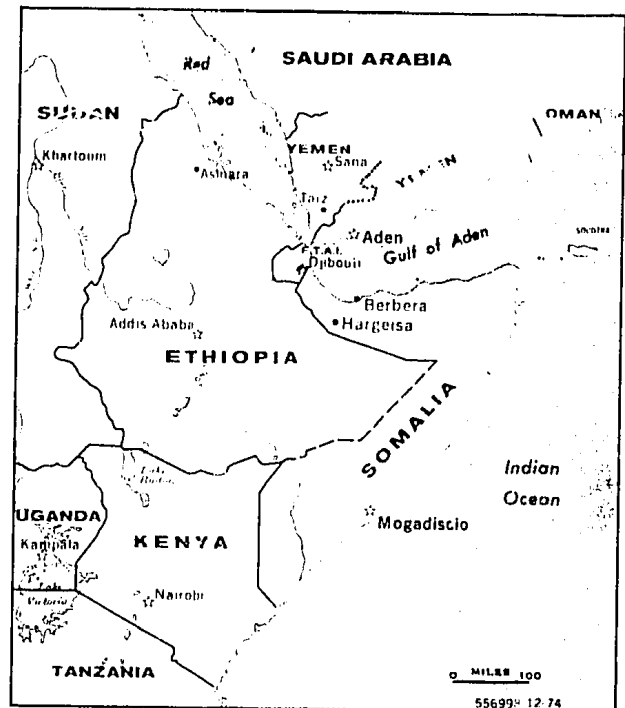
Many of the candidates available to replace these leaders have had broad exposure to Western scientific, technical, and managerial ideas during their apprentice years. Their assumption of leadership positions will therefore likely result in a new stimulus in some fields of Soviet research and development, as well as a lessening of opposition in the Soviet scientific and technical community to the adoption of Western methods.

An example of an able new leader in the Soviet technical industries is P. S. Pleshakov, who was named minister of the radio industry after the death of D. P. Kalmykov. Pleshakov, a very energetic person, tends to be liberal in his technical thinking and would relate well with executives of large Western electronic firms. A second recent example of a very capable individual assuming new responsibilities is V. S. Burtsev, who took over as director of the Institute of Precision Mechanics and Computer Techniques upon the death of the previous director, S. A. Lebedev. This institute is the leading Soviet facility for the development of large high-speed digital computers. Burtsev, an extremely able computer designer, is much more progressive in his technical thinking than was Lebedev.

#### GORSHKOV IN YEMEN AND SOMALIA

Admiral Gorshkov, deputy minister of defense and commander in chief of the Soviet navy, is scheduled to return to Moscow on December 21 following a nine-day visit to South Yemen and Somalia. Gorshkov's tour includes stops in Aden, Mogadiscio, and Hargeisa.

This part of the world is of special interest to the Soviet navy. Ships of the Soviet Indian Ocean contingent receive much of their logistic support and on-station maintenance in the Gulf of Aden area. Aden's port is visited frequently by Soviet auxiliaries for water, food, and occasionally for fuel. In addition, Aden's nearby international airfield may provide naval units and personnel with transport service to the USSR. Soviet warships also visit Aden, but are supported mostly by auxiliaries in a nearby anchorage.



Across the Gulf of Aden at Berbera, Somalia, Soviet naval personnel have direct control over some facilities. Most Soviet warships operating in the Indian Ocean routinely put in to Berbera for resupply, minor repairs, and short-term crew rest. Repairs are performed alongside a Soviet barge that has been docked there since October 1972. The Soviets reportedly control a storage area on the pier and operate a naval communications station outside the town.

The stopover in Hargeisa may have been merely to facilitate a Gorshkov inspection visit to Berbera. Unlike Hargeisa, Berbera does not have facilities for larger aircraft, and the Soviets may have had to fly in a helicopter to take the Admiral there.

Moscow's increased diplomatic attention to this area is in part related to the anticipated reopening of the Suez Canal. The Soviets probably want to ensure their access to port facilities in the Gulf of Aden in the face of the increased competition for these services after the canal reopens.

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## UNITED KINGDOM

### THE DECLINE OF STERLING

The pound declined sharply against most major European currencies last week in the wake of Saudi Arabia's announcement that it would no longer accept sterling payments for oil.

British and Saudi officials maintain that the change in payments does not imply an end to Saudi investment in sterling.

Riyadh has decided to put a firm limit on future increases in such holdings. Until recently, sterling has accounted for 13 percent of Saudi foreign assets. Other oil producers such as Kuwait, a major holder of pounds, may also decide to limit future sterling investment. Kuwaiti Minister of Finance Abu Said has privately indicated that "sterling is finished."

The skittishness of the oil producers no doubt reflects their bleak assessment of British economic prospects. Inflation in the UK is expected to remain at about 20 percent next year, one of the highest levels of any developed country. Trade and current-account balances continue to worsen, with little prospect for a turnaround. Output, employment, and investment in new facilities are all waning.

These conditions could induce the Labor government to allow sterling to depreciate. London announced in early November that guarantees on the value of official sterling holdings would end on December 31. Some sterling holders probably view the announcement as a signal of imminent depreciation.

The impact of the Saudi action, which affects about \$450 million in payments monthly, was reinforced by the report of a record \$1.2-billion UK trade deficit for November. If the growing uncertainty about the pound induces other OPEC members to reduce their sterling investment, it would be much more difficult for the British to finance their massive current-account deficit without raising interest rates to unacceptable levels. OPEC countries invested more than \$4 billion—12 percent of their total investment—in sterling-denominated assets during the first nine months of 1974. This was adequate to finance more than 60 percent of the UK's huge current-account deficit and enabled London to avoid substantial dollar borrowing.

A drop in the sterling share in OPEC investment would force the UK to use existing dollar loan commitments more rapidly and, by mid-1975, to seek additional external funds. Many banks were hesitant to extend Eurodollar loans to Britain earlier this year, and additional borrowing on private markets will prove difficult. Should the British require further credits in 1975, they, like the Italians, would probably have to rely on official sources to satisfy most of their needs.

As the sterling share of OPEC investments declines, the share of assets denominated in marks, Swiss francs, and dollars will rise. The additional upward pressure on the mark and franc might induce Bonn and Bern—both worried about domestic economic conditions, particularly the competitive position of their exports—to impose additional exchange controls. To the extent the West Germans and Swiss succeed in discouraging OPEC investment, even more oil money will flow into dollar-denominated assets, both in the US and in the Eurodollar market.

## WILSON MANEUVERS ON EC ISSUE

Prime Minister Wilson's performance at the EC summit last week complemented his recent efforts to edge the Labor Party toward a more positive stand on Britain's continued membership in the community. Domestic reaction has been largely favorable, particularly on the agreement to establish a "correcting mechanism" that would determine each member's share of the community budget.

The left wing of the Labor Party, the chief repository of anti-market sentiment in Britain, has been slow to react to the conference outcome and seems uncertain of the line it should pursue. Anti-marketeters are unlikely to be dissuaded, however, and relent in their campaign against continued British membership.

Wilson has charted a strategy of trying to reassure Britain's partners in Europe and the supporters of the EC at home without arousing left-wing Laborists. A week before the summit, he endorsed continued membership if renegotiations are successful. He forced the leftists into a defensive position by claiming that his conditional endorsement was consistent with official party doctrine. To support his case, Wilson cited the renegotiation statement in Labor's election manifesto—listing the terms necessary to ensure Britain's continued membership—even though it was originally drafted as an anti-market measure.

Wilson has nevertheless struggled to avoid alienating EC opponents within the Labor Party. At the EC summit meeting last week, he made a well-publicized show of toughness—especially toward the French—which was probably designed to contradict claims that he has been too compliant toward the other EC governments. In an apparent effort to keep anti-market skeptics in line, government leaders have played down the concessions gained at the summit. In their public statements, both Wilson and Foreign Secretary Callaghan are taking the line that some progress has been made, but that renegotiation has a long way to go.



Privately, however, British officials are pleased with the summit. The press has also reacted optimistically and has suggested that, although minor obstacles still exist, renegotiation is no longer a major problem.

Reaction from the left wing of the Labor Party, temporarily outmaneuvered by Wilson's tactics, has been subdued. The parliamentary debate on the summit was low key, highlighted by Wilson's statement implying that the government would not be bound by any decision from a special Labor Party conference on the EC issue. If for no other reason than to keep the issue alive until the referendum is held, the anti-marketeters are likely to insist that Wilson's conditional endorsement of membership misrepresents party policy. Even if the EC partners meet most of Britain's terms for renegotiation, anti-marketeters are still likely to try to exploit the fears of many Britons that the government will surrender much of its sovereignty to the European Communities, despite specific government reservations about the political role of the EC. Opponents of the EC may be counting on this issue to swing the referendum vote against continued membership.



## NATO'S INCONCLUSIVE MINISTERIAL

Few blueprints for action emerged last week from NATO's ministerial discussions in Brussels, but many of the defense and foreign ministers were pleased by the depth and frankness of the exchanges and the wide range of subjects covered.

The deteriorating economic situation in many NATO countries was very much on the mind of the ministers. Although they took note of a number of scheduled improvements in military equipment as well as a 4 percent real increase in West European defense budgets in 1974, they recognized that inflation and escalating costs could seriously weaken Western defense programs in the future. The ministers heard reports from several countries in which this has already begun to occur, notably Britain, Italy, and the Netherlands. Britain's defense cutbacks came in for very little specific criticism, however, since most of the other allies seem relieved that the cuts leave London's NATO commitment largely intact. The allies are nevertheless uneasy that some of the announced British moves may adversely affect the security of NATO's northern and southern flanks.

In searching for ways to deal with the problem of rising defense costs, virtually all of the ministers supported increased standardization of weapons and specialization of military tasks in NATO. Few, however, were inclined to go much beyond the studies NATO is already conducting of areas in which this "rationalization" might be beneficial.

The defense ministers endorsed the US proposal that NATO force planning be oriented to a "long-range defense concept." Several of the ministers insisted, however, that all three elements of the NATO strategy of flexible response—strategic, tactical nuclear, and conventional—be given equal emphasis in the long-range concept. They had felt that an earlier US draft put too much emphasis on conventional forces.

The ministers spent much of their time on East-West issues. The discussion of the Vienna force reduction negotiations revealed the frustrations of many West European governments caught between domestic pressures for reducing defense spending and the lack of progress at the talks. The

Belgian, Dutch, and Canadian foreign ministers favored re-examining the Western negotiating position. The Belgian foreign minister said that his government was finding it difficult to reject out of hand the recent Soviet proposal to freeze forces in central Europe for the duration of the negotiations. Brussels does not think such a freeze would have an adverse impact on agreements to be reached later in Vienna.

Most of the force reductions discussion focused on a possible offer by the West to reduce tactical nuclear weapons in the context of the Vienna talks. Several foreign ministers agreed with Secretary Kissinger that perhaps it would not be a good idea to introduce such a nuclear element so soon after the Vladivostok agreement on SALT principles, but some thought that NATO should begin studying the matter so as to be ready when the time seemed right.

When the ministers discussed the European security conference, the French came in for some thinly veiled criticism. Although Paris has been claiming that the Brezhnev-Giscard communique only gave conditional approval to concluding the conference at summit level, many other NATO members feel that Paris has gone further toward putting its stamp of approval on a summit than most of them are prepared to go. Several ministers made the case that allied unity was largely responsible for whatever progress had been made so far and that the French should not jeopardize chances of obtaining future Soviet concessions.

Greece's future relationship with NATO was not addressed directly, although this question will have to be dealt with now that the Greeks have formally requested discussions regarding the withdrawal of the Greek armed forces from the alliance's integrated military structure. There was a good deal of talk about the need for a settlement in Cyprus, however, and for stabilization in the Middle East generally. Several ministers pointed with concern to the growing Soviet naval strength in the Mediterranean.

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**TURKEY: NO BREAK IN THE IMPASSE**

Turkey is now entering its fourth month with only a caretaker government at the helm, and there are no immediate prospects for a break in the political stalemate. Amid signs of growing dissatisfaction within the military over the bickering among civilian political leaders, Justice Party leader Demirel has renewed his efforts to form a center-right coalition. Armed forces leaders are reluctant to become embroiled in strictly political matters, but if the Demirel effort falls short and no other alternative is immediately available, prospects for some type of military involvement will rapidly increase.

The caretaker Irmak government has coordinated its Cyprus policy with the major political parties. Despite the general consensus, there is widespread doubt that a caretaker government can take any new initiatives to help move the Cyprus problem toward a settlement. Now that Turkey has been given a reprieve until February 5 on the cut-off of US military assistance, there is likely to be increased pressure on civilian politicians to form a government that can make substantial progress on Cyprus and avoid the halt in aid.

There is a growing sentiment in the armed forces, particularly among junior officers, that the military will have to force a solution on the politicians. This sentiment does not favor a direct military take-over, but rather the installation of former prime minister Ecevit at the head of a minority or coalition government to lead the nation into new elections. Ecevit's performance through the Cyprus conflict reportedly has convinced the military that he is the politician most capable of dealing with Turkey's pressing problems.

The armed forces could, however, accept Justice Party leader Demirel if his current efforts to form a center-right coalition are successful. So far, Demirel has been pledged 218 votes in the national assembly, only six short of an absolute



Demirel

majority. He will have difficulty picking up the remainder, however, as the Democratic Party has already rejected his offer to join in an "anti-left coalition" that would exclude Ecevit's Republican People's Party. Democratic leader Bozbeyli has charged that Demirel is now trying to split the Democrats in order to obtain a majority.

If Demirel's effort has not succeeded by the time the Turkish holiday period begins on December 23, he may well give it up, claiming that at least he has made a serious effort. Ecevit has come out of the Republican People's Party congress with a strengthened hand and might make yet another effort to form a government after the holiday period ends in early January.

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## FRANCE: CHIRAC'S POWER PLAY

French Prime Minister Jacques Chirac's abrupt take-over of the Gaullist Party last weekend was a power play that has brought simmering divisions within the party to a boil. In the long run, however, it could strengthen the ailing movement.

The party bosses or "barons," who dominated the movement under De Gaulle and Pompidou, were caught off balance by the speed of Chirac's move. Most of them vehemently opposed his election and, unless he can win their support, the party may split at the national congress scheduled for late February.

Chirac has been considered an opportunist and a traitor by orthodox Gaullists since he deserted the party candidate, Chaban-Delmas, for Giscard prior to the first round of the presidential election last May. Chirac has gradually consolidated his position in the party and evidently feels he is now strong enough to make his move.

During the next two months, the barons will have to decide if they should swallow their pride and work with Chirac to restore the party's lost prestige and influence. Their alternative is to try to bring about his removal from the government—if they could undermine his support within the party, his usefulness to President Giscard would be limited—but they would risk splintering the Gaullist movement in the process.

Acceptance by the barons of Chirac's leadership would put the party firmly under the prime minister's thumb. Even if the barons oppose him, however, Chirac will probably emerge in control of a leaner, more unified party. Chirac has the support of an enthusiastic majority of the Gaullist National Council—they gave him a standing ovation last Sunday—and as prime minister he controls important financial resources. Gaullist funds have been drying up since Giscard's election cut off the flow of government money into party coffers. Chirac reportedly used the prospect of partial restoration of financial support to ensure his election as secretary general last weekend. Moreover, by assuming the leadership, Chirac has apparently isolated the barons from the party apparatus. His chances of consolidating his con-

trol over the Gaullists appear good, and the day of the barons may be over.

Giscard's attitude to the coup is unknown, but he was consulted by Chirac and presumably gave him the green light. Giscard, who has recently been leaning over backward to placate the Gaullists, may feel that he will be in a stronger position to implement his policies with the Gaullists firmly under Chirac's control. There is some speculation that Chirac's take-over represents an interim step toward "Giscardization" of the Gaullist Party, but the move also serves Chirac's own personal ambitions.

Stronger representation in the cabinet could increase Gaullist influence on Giscard's policy, at the same time it could give the President more latitude to cooperate with the US. Although the Gaullists do not trust Giscard—the barons call him "Giscariot" because he turned against De Gaulle in the crucial 1969 referendum—and are especially wary of his reputed "Atlanticism," they might be more flexible if they felt they had some control over his policies.

Chirac's action last weekend may have been triggered by efforts to undermine his position in the party. Recently, disaffected Gaullists have been wooed by former foreign minister Michel Jobert. Jobert has never been a member of the movement, but his appeal to nationalism closely mirrors that of De Gaulle. He has organized a movement of his own which is gaining support from many Gaullists.

Prior to Chirac's power play, there were persistent rumors of a comeback by the Gaullist barons—Chaban-Delmas, Maurice Couve de Murville, Michel Debre, and Olivier Guichard. Guichard in particular was touted as the man who could lead the Gaullists out of the wilderness. Unless the barons can unseat Chirac in the next two or three months, which is unlikely, Guichard is probably the only one with a political future. If he can reach an accommodation with Chirac, he will probably appear in the cabinet.

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Leaders of Venezuela and Central America

## VENEZUELA: AN EMERGING POWER

Benefiting from massive oil revenues and under the ambitious leadership of President Carlos Andres Perez, Venezuela is extending its economic and political influence in regional affairs and has arrogated to itself a role as leader of the less-developed countries.

One of the major goals of the Perez administration is a summit meeting in Caracas of all Latin American chiefs of state—including Fidel Castro—in mid-1975. Within the past two weeks, Perez has garnered significant backing, including support from the seven nations officially represented at the Ayacucho anniversary celebrations in Lima and from the Central American chiefs of state who met with him last weekend. A meeting of Caribbean leaders tentatively scheduled for January in Caracas is expected to lend additional support for Perez' proposal.

An agenda has not yet been circulated, but official Venezuelan statements indicate that Perez intends to focus on at least three main areas of interest to Latin Americans:

- restructuring the OAS;
- establishing a permanent forum where Latin leaders meet and discuss Latin American problems;
- arranging for Latin raw material producers to be guaranteed a fair price for their exports and access to foreign technology.

Perez disclaims any personal intention to assume a role of leadership in Latin America, but

Venezuelan leaders privately are pleased with the new-found source of power and influence that their massive oil revenues are bringing. To further strengthen Perez' position, Venezuela is expanding its political and economic influence in the Caribbean littoral with investments, loans, and a multimillion-dollar aid fund for Central America. Further, Caracas has indicated that similar oil-aid programs could be extended to larger Latin countries.

Perez has also pledged Venezuelan financial assistance for the less-developed Caribbean islands that are vital to Venezuela's security and attractive in terms of economic potential. Last May, Venezuela announced its intention to set up a \$25-million trust fund within the Caribbean Development Bank to be used specifically for "regional integration." In August, Perez gave an interest-free loan of \$15.7 million to Guyana for budget stabilization.

He recently offered the Associated States and Grenada \$10-million to buy and operate the bankrupt Leeward Islands Air Transport System, the vital, short-haul inter-island carrier. Perez probably knows that neither this nor the loan to Guyana is likely to be repaid. Other pending deals are a possible loan to the Dominican Republic so that it could purchase the country's one oil refinery, and a joint merchant-fleet venture with Trinidad.

Cuba has not been overlooked in all this activity. Perez believes his country is no longer bound by OAS economic and political sanctions directed against the island, and he has indicated

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he will resume diplomatic relations "when it is convenient." In a startling reversal of position, the governing Democratic Action Party and its elder statesman, former president Romulo Betancourt, have given their approval to Perez' efforts to re-establish relations with Cuba. In Lima, Perez personally invited Fidel Castro to his summit meeting next year; press reports claim Raul Roa, on Castro's behalf, invited Perez to visit Cuba in January to coincide with his proposed trips to Mexico and Central America.

The local press has covered Perez' activities to the virtual exclusion of the opposition political parties, which are still in considerable disarray more than a year after the elections. Support for Perez cuts across party lines and reflects the general public enthusiasm for his flamboyant style and his policies. For 1975, Perez is carefully preparing a full round of activities that will keep him in the limelight. These include several projected trips outside the country.

The emergence of the Venezuelan President as a major leader in Latin America will not be viewed indifferently by other Latin powers. They already see Venezuela's new-found wealth and ambitious leadership as a challenge to their traditional spheres of influence. Nevertheless, more is likely to follow, as Perez will probably use the traditional New Year's Day address to the nation to provide further details of the foreign policy objectives of his government during the coming year.

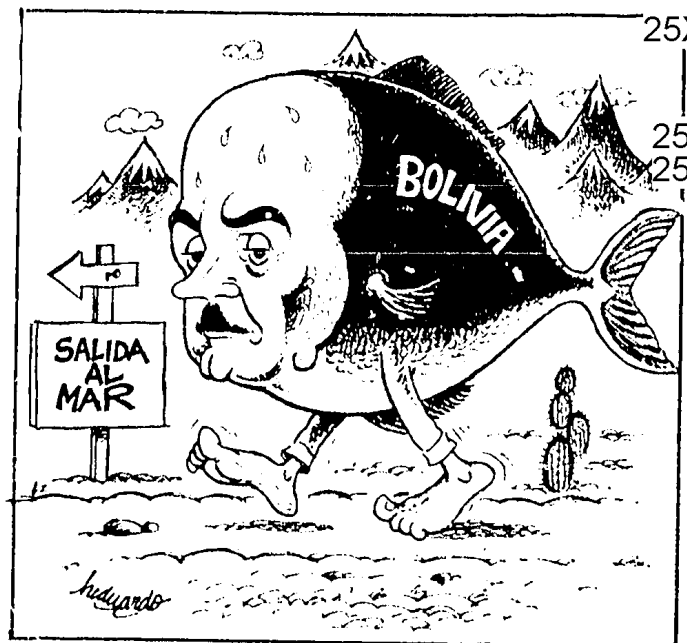
Ayacucho" on Bolivia's lack of an outlet to the sea a major foreign policy achievement.

The "Declaration" only recognizes Bolivia's right to pursue the issue, however, and does not commit either Chile or Peru to support Banzer's goal of regaining the outlet to the sea his country lost during the War of the Pacific in 1881. Bolivia is allowed to use the ports of Arica in Chile and Matarani in Peru, but Banzer finds this arrangement unsatisfactory because of Chilean and Peruvian tariff charges on Bolivian imports. Traffic congestion in the Peruvian port is also a problem.

Banzer's chances of obtaining a major concession on an outlet to the sea at this time are slight because, in spite of the "Declaration," tensions between Chile and Peru prevent either country from making a special deal with Bolivia. The issue is an emotional one in Bolivia, however, and may temporarily bolster his sagging popularity. Although Banzer has recently strengthened his dictatorial control over the country, and still retains military backing for his policies, his support among the people has eroded seriously during the past year.

### BOLIVIA: ACCESS TO THE SEA

President Banzer is claiming that he scored a major diplomatic triumph at the meeting of Latin American leaders in Lima last week when he got Chile and Peru to focus on Bolivia's land-locked status. Government propaganda has taken up his line, calling a paragraph in the "Declaration of



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## LATIN AMERICA: TIES WITH EC

The EC is seeking to expand its formal ties with Latin America, now limited to trade pacts with Argentina, Uruguay, and Brazil. The Latin Americans themselves have been pressing for years for more attention from the EC, which only recently has begun to look beyond its African associates to other underdeveloped areas.

The EC Commission has begun negotiations with Mexico on a new type of non-preferential agreement intended to serve as model for other Latin American countries. Mexico had requested an agreement with the EC covering commercial, financial, investment, industrial, and technical cooperation. Lacking the legal standing and competence to negotiate such a broad agreement, the commission has proposed a commercial agreement that establishes a mixed committee whose jurisdiction over trade matters would gradually be extended as the EC achieves unified policies in other areas. The community has meanwhile extended its existing bilateral trade agreement with Argentina for one year in order to allow time to negotiate a broader arrangement along the lines of the Mexican model.

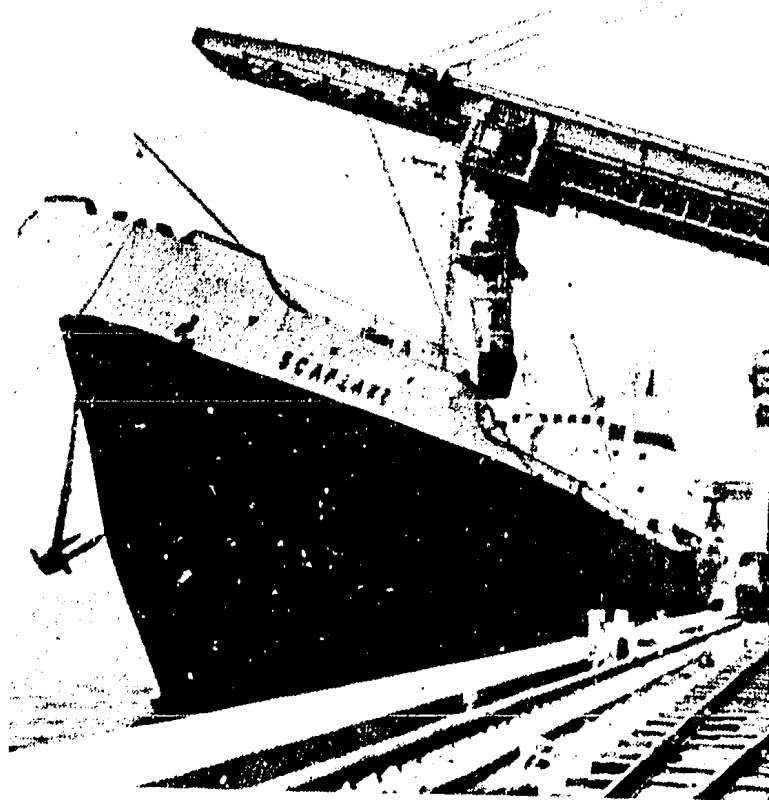
Relations with Latin America have been hurt by serious community restrictions on Latin American exports. Last June, the EC unilaterally imposed a ban on meat imports that has resulted in a loss of more than \$100 million for Latin America. Community barriers to imports of wheat, coffee, and bananas have also led to Latin American demands for a more stable trade relationship as well as guaranteed access for some exports.

The Latin Americans have always been worried by the trading preferences granted by the EC to its associates in Africa. Expansion of such preferences to other African, Mediterranean, and Commonwealth countries has reinforced Latin American fears of exclusion from EC markets. If the Latin Americans do not gain equal access to community markets, their export opportunities will be restricted to the Western Hemisphere, resulting in continued trade dependence on the US.

The EC now acknowledges that there is little it can do to ease the beef problem for the Latin Americans or to give them equality in community markets with other developing countries that now enjoy associate status. As a result, the EC has been concentrating on trade promotion measures to increase Latin American sales in Europe. Several new promotional activities were discussed in Brussels at the latest semi-annual meeting of Latin American ambassadors and the permanent EC representatives of the Nine. The EC also pledged at the ambassadorial meeting to continue its development cooperation activities, to provide improved trade opportunities through the community's system of generalized trade preferences, and to support Latin American regional integration.

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## CHILE: COURTING THE CHRISTIAN DEMOCRATS

A decree was issued on December 17 elevating General Pinochet from the presidency of the military junta to the constitutional presidency of the nation. The move is not only the culmination of his growing personal power, but may also be an effort to de-emphasize military rule in an appeal to the Christian Democratic Party.

Since taking power in September 1973, the military government has tried repeatedly to coax Christian Democrats to join the administration, because this would do more than anything else to enhance the government's legitimacy. Much of the Christian Democrats' distaste for the regime and some of its policies have been lost on Pinochet, who apparently views the problem as one of form more than substance. By assuming a more constitutional posture, Pinochet may hope to give the Christian Democrats a face-saving entry into the government if his effort to win their acceptance proves successful.

The timing of Pinochet's nod to constitutionality is interesting, as the Christian Democrats appear to have emerged unscathed from their most recent clash with the government. Last week, just days after left-wing party leader Renan Fuentealba was expelled from the country for engaging in political activity, Interior Minister Benavides met with party president Patricio Aylwin and vice president Osvaldo Olguin. Benavides reportedly expressed the government's concern over its poor relations with the party and asked how the situation could be improved. Aylwin and Olguin suggested that an improvement in relations could begin only after Fuentealba is allowed to return and Claudio Huepe, another left-wing party leader, is released from detention. They also pointed to an anti-Christian Democratic campaign within the government's right wing as a major source of friction. Unruffled, Benavides asked the Christian Democrats to prepare a memorandum outlining their differences, and went on to request once again the party's help in improving the government's image abroad.



There can be no question that Pinochet would prize the effect, both domestically and internationally, of Christian Democratic participation in the government. It also appears evident that he is prepared to make some concessions to win them over—as well as to accomplish as much image polishing as possible without them. It remains doubtful, however, that Pinochet appreciates the full extent of the Christian Democrats' estrangement. The human rights issue, which is probably the party's underlying basic concern, is obviously viewed with much less urgency by the government. On economic policy, a considerable liberalization of government programs would be required to meet the Christian Democrats even half-way.

Pinochet would probably find that the easiest concession to make would be to mute anti-party polemics within the government and military hierarchies. Having become president, he could also quite easily suggest the possibility of elections, perhaps at the local level. Whether such a modified approach would suffice to draw the Christian Democrats closer is an open question, but their decision at such a juncture could only be made after intra-party soul-searching, possibly resulting in the alienation of the party's left wing.

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OPEC oil ministers

### OPEC: HIGHER REVENUES

OPEC oil ministers concluded their meeting on December 13 with a communique that was deliberately vague. The meeting's only apparent substantive result was the adoption of a new pricing system. Under this system, the government take will be \$10.12 per barrel for the light Saudi crude that serves as a benchmark for all OPEC oil prices. This take represents an increase of 38 cents or 3.9 percent above the level established by OPEC for the fourth quarter of 1974. The revenue levels are effective for nine months beginning January 1. If all members apply this measure uniformly, the consumers' oil import bill for that period will increase by about \$3 billion.

Some non - Persian Gulf OPEC members may not hike their revenues by the full 38 cents. The African members, who already receive over \$11 per barrel, are encountering heavy consumer resistance. Faced with declining production, the African producers may use the elimination of the posted-price system to establish more competitive prices. Venezuela, on the other hand, is likely to demand an increase of more than 38 cents per barrel.

Iranian Minister of Interior Amouzegar says that the benchmark price for sales of government-owned oil to third parties will be \$10.46 per barrel. Competition presumably would force the

producing companies to adopt the same price. According to Amouzegar's figures, company profits would amount to 22 cents a barrel after subtracting government revenues (\$10.12) and production costs (12 cents). The companies maintain that production costs will be close to 23 cents a barrel in 1975, reducing profits to a meager 11 cents a barrel. Amouzegar's arithmetic—which apparently applies to Iran plus other countries that obtain 100 percent ownership of their industries next year—has not been confirmed by OPEC officials or by other oil ministers.

The important issues of production cuts and the linking of oil prices to inflation in the industrial countries have been put aside for future discussion. These issues, as well as consumer reaction to the new prices, are likely to be discussed at a meeting of oil and foreign ministers to be held in Algiers on January 24.

In administrative matters, the OPEC ministers appointed Chief M. O. Feyide of Nigeria as secretary general effective January 1. Chief Feyide will replace Dr. Abderrahman Khene of Algeria, who held the office for two years. The next ordinary meeting of OPEC is scheduled for June 9, 1975 in Libreville, Gabon.

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## RHODESIA: HARD BARGAINING AHEAD

Prime Minister Smith has taken the first step toward implementing his truce agreement with Rhodesian insurgents by allowing long-imprisoned rebel leaders to resume political activity in Rhodesia. The first round of public statements by both sides, however, shows that Smith and the insurgents are not yet ready to compromise on the critical issue of how a transition to majority rule can be accomplished. In fact, no agreement has even been reached on when settlement talks can begin or where they will be held.

Late last week, Joshua Nkomo, head of the Zimbabwe African Peoples Union, and Ndabani Sithole, head of the Zimbabwe African National Union, appeared together in Salisbury after returning from Lusaka, Zambia. They had made the trip to meet with exiled Rhodesian insurgents and try to formulate a common bargaining position for dealing with Smith. The public appearance of the two leaders, their first in a decade, followed Smith's announcement that he was releasing all black nationalists under detention in Rhodesia in return for a cease-fire agreement.

Nkomo and Sithole were accompanied by Bishop Muzorewa, head of the non-insurgent African National Council, the only nationalist group Smith has allowed to function openly in Rhodesia. In a joint statement, the three leaders confirmed that Nkomo and Sithole had agreed to merge their organizations with the African National Council under Muzorewa's chairmanship, and that they would implement a cease-fire as soon as Smith agreed to a date for a constitutional conference. Muzorewa subsequently implied that guerrilla operations were already being suspended in anticipation of an early release of all political detainees, numbering about 400. Early this week, Rhodesian government officials said that some 200 detainees were being released immediately.

It is not yet clear, however, whether the cease-fire will be honored by the exiled nationalists who have been directing guerrilla operations

inside Rhodesia since late 1972 from bases in Zambia. During the Lusaka talks, Herbert Chitepo, head of the Zimbabwe African National Union's guerrilla base in Zambia, opposed accepting a cease-fire until Smith had guaranteed an early transition to majority rule. Chitepo argued against giving up the tactical advantages gained by his group—which has fielded most of the guerrillas—and stated that the insurgency was the key factor in forcing Smith to make concessions.

Although Sithole, Nkomo, and Muzorewa appear more open to compromise than Chitepo, their joint statement last week asserted that a constitutional settlement must provide for an early transition to majority rule. Smith said in a subsequent radio interview, however, that he was opposed to any franchise that might result in majority rule within five years.

Smith is probably asserting a hard-line position in order to convince white Rhodesians that any concessions he makes in the course of a constitutional conference will be unavoidable. Smith is fearful that allowing the long-imprisoned nationalist leaders to resume public appeals for early majority rule may arouse such expectations among black Rhodesians that a prolonged impasse in settlement negotiations could bring about popular demonstrations and possibly provoke civil disorders.

Smith's security forces depend on a limited pool of white reservists. Without substantial external support, they could have difficulty coping with extensive rioting or a resumption of guerrilla activity. South African Prime Minister Vorster announced last week that the 1,400 South African police who have been serving in Rhodesia will be withdrawn as soon as terrorism actually ceases. Vorster apparently is warning the white Rhodesians that South Africa will not back them in any die-hard resistance to majority rule.

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## LIBYA SEEKS NUCLEAR CAPABILITY

Libya is receiving help from a number of countries in the development of a nuclear program. Although the facilities Tripoli is seeking can be used for peaceful purposes, their acquisition would be a small first step toward President Qadhafi's ultimate goal of achieving a nuclear warfare capability.

Tripoli has turned to France and Sweden for assistance in setting up a nuclear research center. A French firm reportedly has accepted a \$30-million contract for work on the center that may include construction of a research reactor with enriched uranium fuel and associated research facilities. Two government-controlled Swedish companies have also expressed willingness to help with the center and to provide training to Libyan nationals.

Tripoli has awarded a West German firm a contract for a heavy water production plant that is presumably intended to supply heavy water for use in a natural uranium reactor. US officials have attempted to learn the details of the contract from the West German ambassador, but he claims to know nothing about the transaction.

These arrangements do not take Libya much beyond the planning and research stages, and Libya's bureaucratic confusion and lack of indigenous talent will retard its efforts to develop a nuclear capability. Nevertheless, Qadhafi is determined and has the financial means to buy further advances.

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