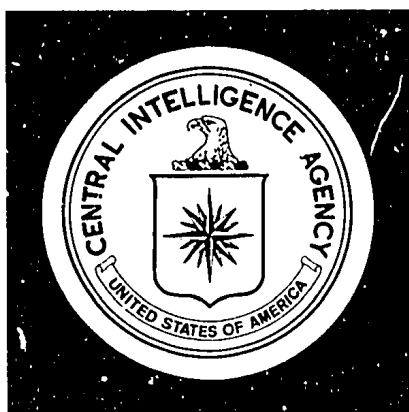


Declassified in Part - 25X1
Sanitized Copy Approved for
Release 2012/02/23 :
CIA-RDP85T00875R001000080

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Top Secret



Weekly Review



Top Secret

October 3, 1975

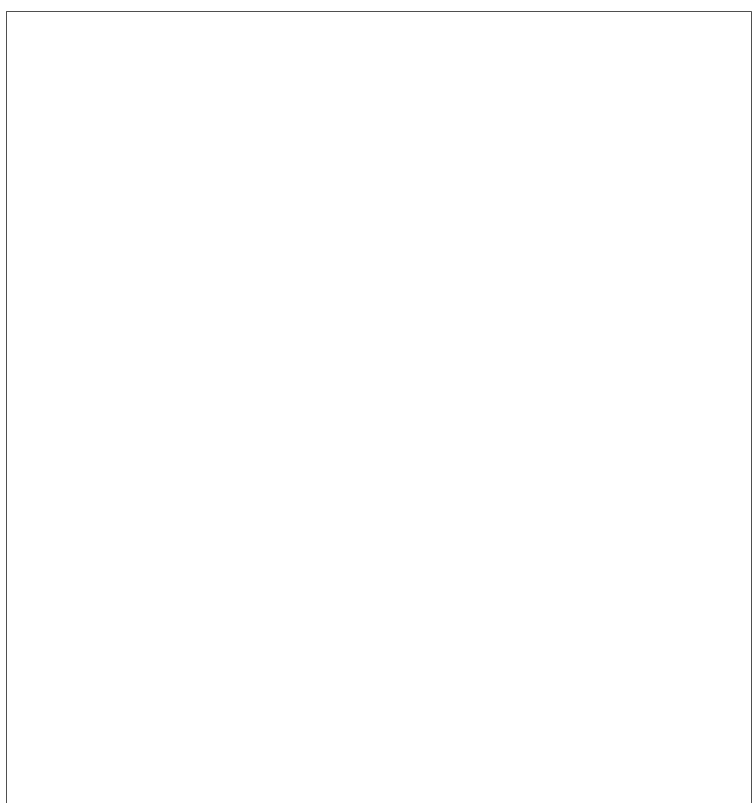
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CONTENTS (October 3, 1975)

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, the Office of Geographic and Cartographic 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.



EUROPE	
25X1	1 Spain: Execution Aftermath
	2 France: Defense Spending
25X6	4 Romania-Yugoslavia: China Ties
	5 Austria: To the Polls
25X1	9 Poland: Taking the Pulse
	25X1
MIDDLE EAST	
AFRICA	
	10 Lebanon: A Shaky Truce
	11 India: External Matters
	12 Rhodesia: Nationalists Split
	13 Ethiopia: Unrest Growing
EAST ASIA	
PACIFIC	
	14 China-Vietnam: Signs of Coolness
	14 Thailand: Musical Chairs
	15 Japan-China: Treaty Deadlock
	16 Cambodia: Diplomatic Activity
	17 Timor: No Solution in Sight
	17 China: A Restrained National Day
WESTERN	
HEMISPHERE	
	18 Brazil's Trade Initiative at the UN
	18 Peru: Seventh Anniversary
	21 Argentina: Campora Returns
	22 Chile: No Relaxation
	22 Canada: East Coast Fishing
	24 Cuba: Promoting Puerto Rico
	25X1

Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review,

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SPAIN: EXECUTION AFTERMATH

The enthusiastic pro-Franco rallies staged in Madrid and the provincial capitals this week will reinforce the government's decision to stand firm in its campaign against terrorism in spite of vehement criticism from abroad. The storm of foreign protest over the execution on September 27 of five terrorists for killing policemen constitutes a major setback, however, to Spain's effort to achieve closer political, economic, and military relations with its European neighbors.

Franco's short speech at a rally in Madrid on Wednesday was drowned out by cheering crowds. The impressive attendance—estimated by the US embassy at over 200,000—reflects a patriotic backlash to foreign criticism. This outburst of pro-Franco sentiment and the government's anti-terrorism campaign are likely to make more difficult the transition to a more open system in the post-Franco period.

In a televised speech to the nation on Tuesday night, Prime Minister Arias labeled Western criticism hypocritical and intolerable interference in Spanish affairs. In a further show of disdain for foreign sentiment, the government reportedly intends to bring to trial soon 15 more Basques, including the guerrilla leader accused of the assassination in 1973 of Premier Carrero Blanco.

Despite this show of unity, rumors persist that several government ministers strongly opposed the executions and that major cabinet changes are in the wind.

The few significant breaks in public order within Spain since the executions have been a fairly effective two-day general strike in the Basque provinces and the killing of four more policemen in terrorist attacks. Three of these apparently were well-coordinated attacks in Madrid. This brings to 16 the number of Spanish police killed by terrorists this year.

The government's hope of reducing foreign reaction by sparing the lives of 6 of the 11 condemned terrorists was dashed by the widespread and vehement protests. The executions of the other five loosed deeply felt emotions among

those West Europeans who see the Franco regime as the last remnant of fascism on the continent. East and West Europeans alike have voiced outrage through official statements, withdrawal of ambassadors, mass demonstrations, and some violence.

The governments of Western Europe are trying to limit the damage to their long-term relations with Spain, but moves to establish closer relations with the Franco regime are precluded for now. One of the first casualties will be the negotiations, scheduled to begin this month, to establish closer economic ties between Spain and the EC.



Roman demonstration against Spanish executions

French President Giscard has come under sharp criticism for his government's allegedly weak efforts on behalf of the Spanish terrorists. The French Communist Party, seizing the opportunity to pose as a defender of liberty after a long embarrassment over Portugal, has been extremely viriolic and will do what it can to keep the issue alive. The Socialists have also protested vociferously, and even the center and right have been critical, although less inclined to blame Giscard personally.

In the UK, leading government spokesmen have defended London's effort to obtain clemency for the five terrorists. Union leader Jack Jones has called for a labor boycott of Spanish ships, aircraft, and trucks.

Anti-Spanish sentiment has also surfaced at the UN. Delegates from Mexico and a number of East and West European countries boycotted a policy speech by the Spanish representative. The Security Council, however, rejected Mexican President Echeverria's request for an urgent Council session to consider suspending Spanish membership. [REDACTED]

FRANCE

DEFENSE SPENDING

The US defense attache in Paris reports that proposed defense spending for next year will amount to 50 billion francs—the equivalent of about \$11 billion dollars at current exchange rates. This is a 14-percent increase over this year's outlay for defense. The increase in real spending, however, will come to no more than 5 percent after inflation is taken into account. The National Assembly will debate the proposal this month.

Defense Minister Bourges said earlier this year that France could not keep its forces at present levels and also put his reform program into effect unless the 1976 defense budget grew by at least 20 percent. President Giscard reportedly settled on 14 percent after he had heard from the

minister of finance. Most of the budget increase probably will be used to cover the cost of pay raises and other personnel benefits ordered earlier this year to alleviate morale problems in the armed forces.

Operating costs will absorb about 58 percent of the military budget, up 2 percent from 1975. This growing imbalance is causing problems on the capital expenditures side of the budget, and the government will have to re-evaluate its priorities for new military hardware. All branches of service will feel the effects. Even so, France has one of the most ambitious defense spending programs in Europe, and the percentage of spending devoted to hardware purchases probably will still top that of many of France's neighbors.

The nuclear programs will retain a most-favored status. Nearly one third of all equipment funds will go for these programs with more going to the strategic programs than the tactical ones. An increase in funds has also been authorized for France's Pacific nuclear test center, probably because of the higher cost of underground testing.

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The air force will order 33 of the new Franco-German Alpha Jet trainers for delivery beginning in 1978, and the tactical air forces will get 10 more Anglo-French Jaguar fighter-bombers. Budgeting for future aircraft programs will be kept to a minimum, and the fate of the next generation ACF fighter and a proposed long-range transport will remain in doubt.

The navy will receive two new conventionally powered attack submarines, and construction on several new frigates and corvettes will continue. Money reportedly has been authorized to begin construction of France's first nuclear-powered attack submarine, and design work on a nuclear-powered helicopter carrier will continue. The navy will slow its purchases of Super Etendard attack aircraft and additional Exocet anti-ship missiles.

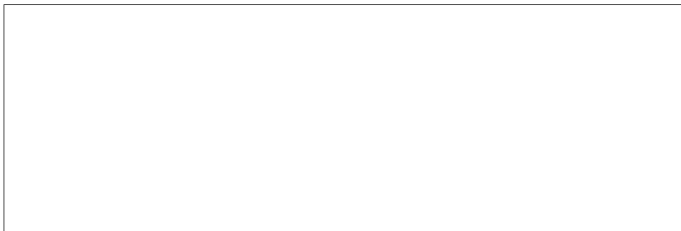
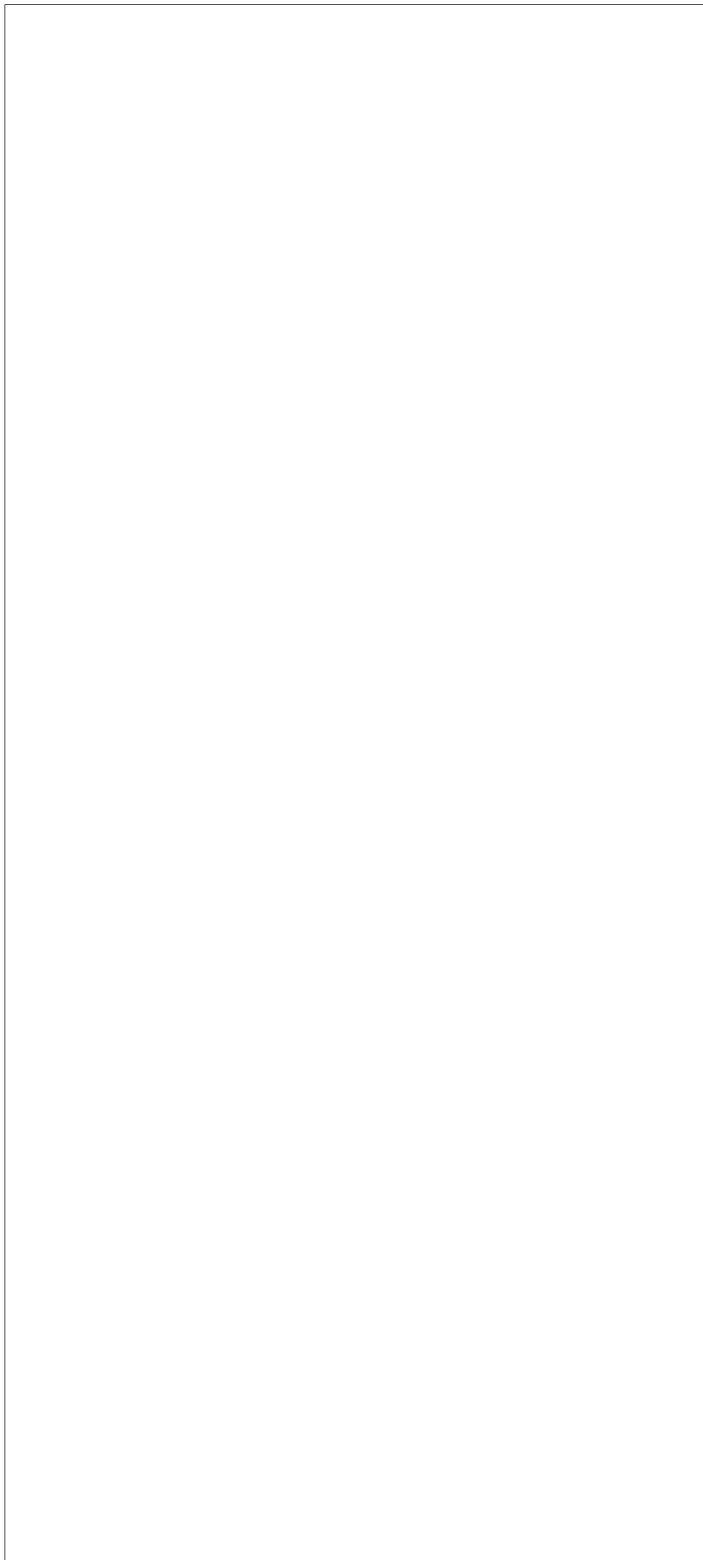
Little information has been released on procurement plans for the ground forces. The army apparently will get some money for improved Hawk surface-to-air missiles.

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ROMANIA AND YUGOSLAVIA: CHINA TIES

Ceausescu and Tito seem to be working together to expand their contacts with China and thus to counter what they regard as Moscow's "hegemonist" aspirations.

An unprecedented number of high-level Romanian delegations—five at last count—went to China last month. They were led by such ranking officials as the party secretary for cadre affairs, the secretary for economics, the head of military intelligence, and a deputy defense minister.

These visits—coming in the wake of fresh assaults on Peking by the Kremlin—underscore Romanian determination to resist any Soviet pressure to read the Chinese out of the international communist movement. They also suggest a high degree of confidence that Ceausescu will be able to cope with the irritation that the visits are certain to cause in Moscow.

While the Romanians were in Peking, Belgrade was making the final arrangements for a long-delayed upgrading of its contacts with China. Premier Bijedic—the highest ranking Yugoslav ever to make an official trip to Peking—is scheduled to arrive on Monday for a six-day visit.

Just prior to Bijedic's departure, his Romanian counterpart went to Belgrade to set up a mid-October meeting between Tito and Ceausescu. Their talks will probably center on still further cooperation that could be read as a message of defiance in Moscow.



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AUSTRIA: TO THE POLLS

Austrians go to the polls on October 5 to determine whether Socialist Chancellor Bruno Kreisky will retain his mandate for another four years. The Socialists probably will obtain a plurality, but Kreisky's hope to retain the majority he won in 1971 is in some doubt. If he narrowly misses a majority, he may form a minority government, as he did in 1970, or co-opt selected members of other parties into a "government of experts."

Although generally opposed to a coalition government, Kreisky may have to consider the possibility if the gap is more than a few seats short of a majority. The tiny Liberal Party would be his most likely partner and Kreisky probably would



Chancellor Kreisky

only consider a "grand coalition" with the People's Party as a last resort.

The scarcity of issues has made for a dull campaign. With the possible exception of the economy and one or two regional questions, most talk has centered on personalities.

The problem with the economy is that after nearly six years of boom, moderate inflation and marginal unemployment have begun to stir up discontent. The fuel crisis in 1973 marked the beginning of a gradual decline in economic growth rates. Although inflation is well below that of most industrialized countries—Austria's rate was 8.3 percent in June—dissatisfaction among consumers is widespread. Unemployment is about 2 percent, also below the West European average, but one of the most debated issues in the campaign.

Kreisky began an anti-inflationary stabilization program in 1972. He has emphasized that he will not create more unemployment in order to curtail inflation. The main thrust of the opposition's campaign, nevertheless, is the specter of greater joblessness.

A few regional issues have played a small part in the campaign. Delay in completion of the country's south autobahn has annoyed Austrians and tourists alike, but the government probably will plead austerity on this issue. Kreisky's failure to provide bilingual road signs in Carinthia has alienated the Slavic minority in that state, but may win some support from the German-speaking majority there. No significant foreign policy election issues have surfaced.

Kreisky's challenger is the chairman of the People's Party, 42-year-old Josef Taus, who was elected after the accidental death of Karl Schleizer in July. Taus—a self-made man from a working class family—has general appeal and, unlike his predecessor, is on an intellectual par with Kreisky.

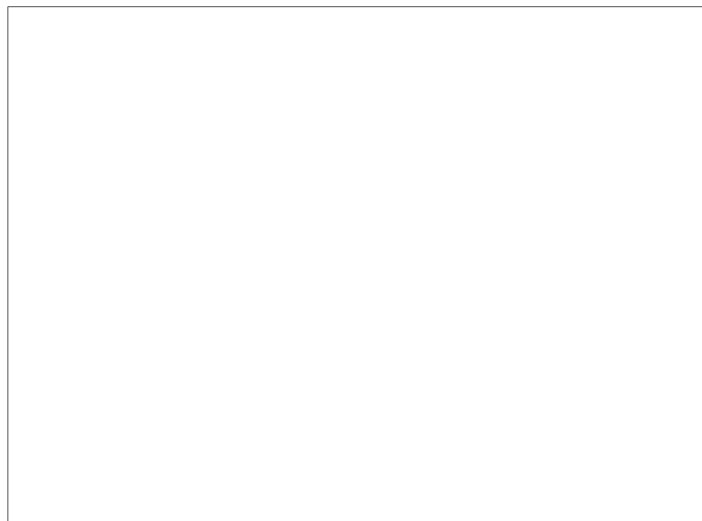
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Popular reaction will be negative no matter when the freeze is lifted, and public disturbances like those provoked by the meat shortages last spring could result. In an effort to head off trouble, the leadership might decide on compensatory actions such as wage or pension increases.

Although the regime points to an increase of 40 percent in average real wages over the past five years, these figures do not necessarily impress Polish workers. Gierek is nonetheless holding out the promise of significant increases in average real wages during the next five-year plan.

Poland has also suffered chronic shortages of meat (mostly pork), and this spring popular dissatisfaction reached its highest pitch since 1970. Since then, Warsaw has decreased exports, increased imports, and raised prices paid to farmers in an effort to generate more production. Shortages nonetheless persist, and Gierek is keenly aware that statistics showing significant increases in meat consumption often fail to persuade consumers that progress is being made when there is no meat on the table. He has even admitted that an appreciable increase in consumption might not satisfy demand and indicated "there might be some more troubles here."

POLAND: TAKING THE PULSE

Since the Central Committee plenum a month ago, party chief Gierek has spent several days touring the provinces, making speeches, and conferring with local officials. Some of this activity has been related to preparations for the party congress next December, but Gierek has also been testing the mood of the people and seeking to justify the regime's economic policies.

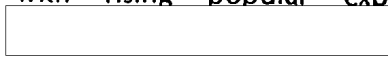
Leadership and popular interests most clearly converge on the crucial question of when and if—but mainly when—Warsaw will raise food prices that are still being held at the 1970 level. The regime may now believe it can no longer keep the price lid on.

For several months, Polish leaders have made no secret that subsidies to food industries are increasingly straining the state budget, and the US embassy reports that Polish media have been told to prepare the people "drop by drop" to accept the fact that Poland is "not an island in the sea of inflation."

Warsaw will probably have to act very soon on the price freeze or wait until after Christmas. Polish leaders vividly remember December 1970, when food price hikes helped to topple the Gomulka regime.

There are troubles elsewhere, too. The regime has built more than a million apartments in the past five years, and promises even greater performance in the next five-year plan. Gierek recently admitted, however, that the progress is "small" when measured against the needs of the people, and that the regime cannot afford a greater effort. Increasing absenteeism and excessive labor mobility have led to production losses and have become common themes in the Polish media.

On balance, the Polish leadership must feel that it is on a treadmill. The more it accomplishes—and there has been significant progress—the more the population demands. The crucial question is whether Warsaw can keep up with rising popular expectations.



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LEBANON: SHAKY TRUCE

Fighting in Beirut between Christian and leftist militias flared up again in midweek after several days of relative calm during which the cease-fire announced last week appeared to be finally taking hold. A collapse of the fragile truce would probably bring to a quick end the current reconciliation talks among the leaders of Lebanon's numerous competing factions.

The latest fighting followed the shooting deaths on September 30 of eight people, at least three of whom were members of the Druze sect, in a Christian suburb of the capital. Progressive Socialist Party leader Kamal Jumblatt, a Druze, blamed the shooting on the Phalangists and demanded that the killers be turned over to the authorities. The Druze have in the past tended to side with the Shia Muslims.

The 20-man national reconciliation committee under the leadership of Prime Minister Karami has thus far focused largely on security issues. Agreements were reached early in the week to remove barricades and end sniping and kidnaping. After the incidents on October 1, however, barricades went back up in many areas and a number of people were kidnaped.

Problems raised by the make-up of the committee, which includes 10 Muslims and 10 Christians, could complicate the talks. Conservative Shia Muslims and some Christians claim they are underrepresented. The leftists, however, are opposed to any attempt to increase the committee's membership. The committee has put aside, at least temporarily, the troublesome question of Lebanese-Palestinian relations, which had been raised by Phalangist leader Pierre Jumayyil.



Destruction in downtown Beirut



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The US embassy in Beirut reports that substantial damage has been done to the capital during the latest round of fighting. The damage to the commercial and industrial areas alone is estimated in the hundreds of millions of dollars. The middle class, made up of shopkeepers and other self-employed businessmen, has been particularly hard hit. About one quarter of this group is said to be on the verge of destitution. The embassy now estimates that since the fighting broke out in late August at least 500 persons have died.



The desire of Bangladesh's new leaders for a more balanced foreign policy is clearly viewed with suspicion by New Delhi. The Indians see early recognition of the new regime by Pakistan and China as part of a scheme aimed at introducing an element of uncertainty for India on its eastern flank. Dacca is aware of New Delhi's distrust and has tried to reassure the Indians that the Indo-Bangladesh friendship treaty, signed in 1972, is still a cornerstone of Bangladesh's foreign relations.

Developments in Bangladesh probably have also contributed to a downward trend in Indo-Pakistani relations. Two sets of bilateral negotiations—one related to the design of an Indian dam that will affect Pakistan's water supply and another on the restoration of civil air flights—are now deadlocked. Additionally, the intermittent propaganda war between New Delhi and Islamabad has heated up, and the two countries are engaged in a bitter contest for a two-year term on the UN Security Council.

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INDIA: EXTERNAL MATTERS

The military-led coup in Bangladesh in August was a distinct setback for India, costing New Delhi the strong influence it had exerted in Dacca since Bangladesh became independent in 1971. It now appears Prime Minister Indira Gandhi's government may be unwilling to stand idly by while the new regime in Dacca seeks to balance its foreign relations and establish ties with India's adversaries, China and Pakistan.



In contrast, Indo-US relations could be on the upswing. On October 6-7, Foreign Minister Chavan will be in Washington to inaugurate a bilateral commission aimed at expanding relations in the fields of economic, commercial, educational, cultural, scientific, and technological affairs. Gandhi's bid for closer relations presumably is motivated largely by the economic incentive for increased US aid and trade, but also by a desire to demonstrate that India remains a nonaligned state despite its strong ties with the USSR. Nonetheless, Gandhi's basic suspicion of US intentions and activities abroad and her sensitivity to Western criticism of her authoritarian rule stand in the way of a truly harmonious relationship.

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RHODESIA: NATIONALISTS SPLIT

Rivalry among factional leaders of the Rhodesian African National Council, the umbrella organization formed by four black nationalist groups last year, has pulled the council apart. A national congress in Salisbury last weekend elected Joshua Nkomo, a moderate who favors negotiating a settlement with Prime Minister Ian Smith's white regime, to the council presidency. Other council leaders condemned the national congress as illegal and scheduled a rival congress for October 19.

Nkomo's election by several thousand delegates who convened in the Rhodesian capital lends some support to his claim that his faction controls a majority of the council's local branches inside Rhodesia. Nkomo faces bitter opposition, however, from Ndabaningi Sithole, the militant leader of an important rival faction that has long wanted to scrap settlement talks and resume all-out guerrilla warfare in Rhodesia. Bishop Muzorewa, who was installed as a compromise figurehead president of the council when it was formed in December 1974, also vehemently opposes Nkomo's bid for leadership. Although Muzorewa has advocated a negotiated settlement, his breach with Nkomo has sealed his dependence on Sithole and the other militant exiles.



Bishop Muzorewa



Ndabaningi Sithole

Last month Muzorewa expelled Nkomo from the council for setting up the recent congress over Muzorewa's objections. The presidents of Zambia, Tanzania, Mozambique, and Botswana, who have been trying to unify the council for talks with Smith, subsequently met with the Rhodesian nationalists in Lusaka, but were unable to heal the rift.

The reaction of the four presidents to Nkomo's election is not yet known, but it will be a critical test of their cohesion. There have been indications that Zambia's Kaunda, who does not want new fighting in Rhodesia because it would intensify his country's economic problems, and perhaps President Khama of Botswana, might accept Nkomo. It is doubtful, however, that Kaunda and Khama could persuade Tanzanian President Nyerere and Mozambique's Machel, who have had closer ties with Sithole's faction, to go along.

At this point, the four presidents probably have no firm ideas about how to proceed. They

may await the results of the rival congress before committing themselves to new courses of action. [redacted]

ETHIOPIA: UNREST GROWING

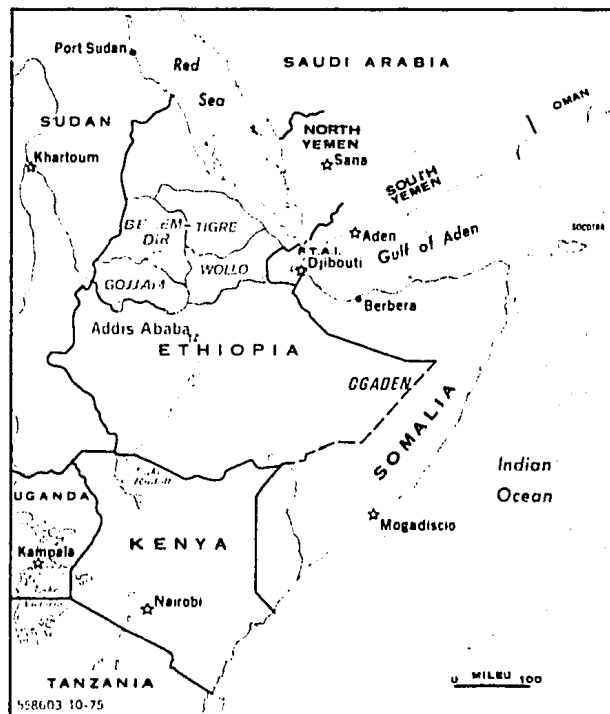
Faced with strikes by disgruntled workers, the ruling military council this week issued a tough state of emergency declaration in Addis Ababa. The coercive tactics forced most of the strikers to resume work, but the council has apparently widened the breach between it and influential leftist union elements. Meanwhile, insurrections led by conservative landlords are posing an increasingly serious threat to the council's control of the northern provinces.

Labor leaders for some time have been dissatisfied with military rule and the council's failure to satisfy specific labor grievances. On September 22, the Confederation of Ethiopian Labor Unions, the country's central labor organization, adopted a resolution threatening a general strike unless power was returned to civilian hands within a month. The resolution also said workers would strike if any confederation leaders were arrested or if the council attempted to interfere with distribution of the resolution, which is highly critical of the military leadership.

Late last week at least seven workers were killed and 19 wounded in a clash with security forces who were attempting to arrest airline employees for distributing copies of the labor resolution. In a separate incident, the council also arrested about 30 teachers for distributing anti-regime leaflets. In response, workers in Addis Ababa began leaving their jobs, but the council's crackdown prevented a general strike. The sweeping emergency proclamation, issued on September 30, permits the arrest of all strikers who do not return to work, the search of homes without warrants, and the detention of individuals for an unlimited period without charges.

During the past several weeks insurgent activity in Wollo, Tigre, Begemdir, and Gojjam provinces has grown markedly. Conservative peasants appear to be cooperating with traditional leaders in carrying out increasingly better organized operations against government security forces. The insurgents recently killed the chief administrator and three other officials of Begemdir Province and also forced the evacuation of Chinese road builders. Last month the council airlifted troop reinforcements to the area from the Ogaden, the region adjoining Somalia.

Begemdir and Tigre are the home provinces, respectively, of former general Nega Tegegne and Ras Mengesha Seyoum, two important tribal leaders. They fled Ethiopia last year and have contacted other former officials about planning a resistance movement. Some of the recent dissident activity was almost certainly carried out by their followers. The US embassy, in fact, recently received information that Ras Mengesha has returned to Tigre. [redacted]





Le Duan and Chairman Mao during recent meeting

that Peking no longer feels an obligation to provide Hanoi with non-refundable aid. This contrasts sharply with Peking's attitude toward the new communist regime in Cambodia, to which the Chinese only two months ago agreed to provide grant aid.

The question of sovereignty over the Paracel and Spratly islands in the South China Sea may also have upset the discussions in Peking. Just prior to the delegation's departure for Peking, two Chinese broadcasts to Vietnam underscored Peking's claims to both island groups.

Moreover, there are some indications that the Chinese may be prepared to use the issue in open polemics. Party cadre in Hong Kong were recently briefed on a new slogan—"Liberate Taiwan and the Spratly Islands"—whose target is Hanoi. The briefing officer said that Peking had adopted "a much harder line" with Hanoi and suggested that the slogan might be made public soon.

Le Duan returned to Hanoi after the China trip, and a few days later departed for Eastern Europe.

CHINA-VIETNAM: SIGNS OF COOLNESS

A North Vietnamese delegation, led by party chief Le Duan, apparently ran into heavy sledding in talks with its Chinese hosts during a visit to Peking last week.

Although agreements were signed on trade and the provision of an interest-free loan to Hanoi, signs of coolness between the two sides were evident throughout the visit. Chinese press coverage was less enthusiastic than it was during Le Duan's last visit in 1973, and the speeches on both sides reflected differences of view—notably regarding Moscow's role in Vietnam and Southeast Asia. Most significantly, no joint communique was issued at the end of the visit, and the North Vietnamese failed to host a reciprocal banquet for the Chinese.

The reference to an interest-free loan in the economic agreement is itself new and suggests

The Soviets will surely try to take advantage of current Hanoi-Peking differences to improve their own influence in Hanoi and will offer at least matching economic assistance.

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THAILAND: MUSICAL CHAIRS

The desire of newly retired army commander Krit Siwara to remain a power in Bangkok by assuming a high-level cabinet post has created serious strains in the Khukrit coalition government. It seems likely that General Krit's political ambitions will force Prime Minister Khukrit to shuffle his cabinet and possibly realign the ruling coalition as well.

Krit is lobbying for the defense portfolio. He sees the position as a means of retaining his in-

fluence in the army, protecting his considerable financial interests, and furthering his political ambitions. Krit's plans, however, have run into a serious snag. The current defense minister, Praman Adireksan, has made it clear that he is not prepared to step aside to make room for Krit.

Prime Minister Khukrit is in a difficult situation, because he cannot afford to alienate either Krit or Praman. Krit was instrumental in bringing together the various conservative factions in support of Khukrit last April. Praman, on the other hand, heads the Thai Nation Party, the third largest in the National Assembly and a key member of the coalition. He is threatening to pull his party out of the government if Krit is given the defense portfolio.

Khukrit has announced that he will not shuffle his cabinet until the budget bill is passed by the National Assembly; this should take place within the next two weeks. By postponing choosing between Praman and Krit, Khukrit probably hopes each will use his considerable influence in the National Assembly to ensure passage of the budget.

If Praman does thwart Krit's desire to become defense minister, Khukrit's most likely option would be to offer Krit another cabinet post. While it is possible that the Krit-Praman clash could bring down the governing coalition, Khukrit would almost certainly come out on top of any new coalition to emerge from the National Assembly.

JAPAN-CHINA: TREATY DEADLOCK

Talks in New York last week between Japanese Foreign Minister Miyazawa and his Chinese counterpart, Chiao Kuan-hua, failed to break the impasse on a peace and friendship treaty. Tokyo is reluctant to subscribe fully to the anti-hegemony clause both sides agreed to in the 1972 communique establishing diplomatic relations; the Chinese remain uncompromising.

At the outset of the treaty talks last January, Tokyo tried to exclude a clause opposing "third party" hegemony in Asia because of its anti-Soviet overtones. Since then, the Japanese have been seeking a compromise that would reposition, rephrase, or redefine the clause. In May, for example, Tokyo offered to place the clause in the preamble rather than in the text of the treaty; Peking refused. Last week, Miyazawa proposed that both sides issue separate protocols to the treaty spelling out their respective interpretations of anti-hegemony. Chiao again refused, insisting that a unified definition was essential.

Chiao, however, did agree to consider Miyazawa's overall presentation and respond at a later date, thereby maintaining the semblance of a dialogue. Both sides still want to conclude a treaty, but the prospects for an early resolution of the hegemony issue are poor. China's unwillingness to blunt the thrust of the anti-hegemony clause is directly linked to its anti-Soviet strategy—a key element of Peking's foreign policy that has become especially sensitive since the fall of South Vietnam. In view of the publicity the hegemony clause has attracted, Tokyo would find it exceedingly difficult to yield completely. The Soviets and, more importantly, an appreciable number of Japanese would accuse the government of capitulating to the Chinese.

The Chinese maintain that relations with Tokyo will not be set back by failure to conclude a treaty and that progress in cementing ties is being made in other areas. Indeed, consular and fishing agreements were recently announced.

Peking seems to prefer to shelve the treaty rather than compromise on the anti-hegemony issue. In Peking's view, further intensive discussions at this point would probably highlight—rather than resolve—the differences. The Chinese may also believe that more can be extracted from Tokyo over the longer term. Japanese Prime Minister Miki remains under some self-generated pressure to conclude a treaty, but he too may decide to mark time—if the alternative is capitulation to Peking.

CAMBODIA: DIPLOMATIC ACTIVITY

The communist regime in Phnom Penh has stepped up its diplomatic activity recently in an apparent effort to broaden its international contacts.

France

Deputy Prime Minister for Foreign Affairs Ieng Sary told newsmen in Paris in mid-September that he wanted to normalize Cambodian-French relations "in the near future" and that Paris could play an important role in Cambodia. Although the French are still miffed over the treatment their people received when the communists took over Phnom Penh, they are nevertheless eager to re-establish their presence in Cambodia. The French intend to treat Prince Sihanouk cordially when he stops in Paris early this month on his way to New York to address the UN, and talks on re-establishing relations could well be in the offing. The Cambodians probably regard France as a potential aid donor.

Thailand

There has also been progress in the development of Cambodian-Thai relations. Officials of the two countries have held meetings in New York, and the Thai foreign minister announced recently that a high-level Cambodian official—either Foreign Minister Sarin Chhak or possibly Ieng Sary—had agreed to visit Bangkok, probably in late October. Topics on the agenda will include the establishment of diplomatic relations, trade, and probably border security problems, and the status of Cambodian refugees in Thailand as well.

Special Friends

The North Vietnamese ambassador to Cambodia arrived in Phnom Penh on September 19. The Chinese ambassador arrived earlier in the month. There are also signs that Phnom Penh may receive other envoys from friendly communist and nonaligned countries. Diplomatic sources in

Peking have claimed that Cambodia will allow the opening of ten embassies in the capital by the end of the year. The others: Yugoslavia, Egypt, North Korea, Algeria, Albania, Romania, Mauritania, and Laos. The North Koreans have already established a presence in Cambodia.

USSR

The Cambodians will proceed carefully in working out new relationships with Moscow. Ties between the USSR and the Khmer communists have been strained and tenuous, as indicated by Moscow's refusal to break relations with the Lon Nol government until the last days of the war. Deputy Prime Minister Khieu Samphan and Sihanouk met with Soviet representatives in Hanoi in early September, but there has been no indication that the dialogue will be continued soon.

Other Moves

The Cambodian embassy in Peking has also begun to acknowledge earlier recognition of the Khmer communist regime by several non-communist countries. Letters have been sent thanking the governments of Australia, Japan, and other non-communist Asians. Although the Japanese consider that relations have been re-established, they are proceeding cautiously and have no near-term plans to follow up on Phnom Penh's response on recognition. The establishment of Cambodian-Mexican relations at the ambassadorial level was also recently announced, following a brief visit by Ieng Sary to Mexico City in mid-September. Despite the appearance of a more forthcoming Cambodian attitude, it will probably be some time before ambassadors from non-communist countries are permitted to reside in Phnom Penh. The Khmer communists are highly suspicious of "foreign" influence and do not want non-communist diplomats in Phnom Penh at this early stage reporting on conditions in the country.

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TIMOR: NO SOLUTION IN SIGHT

The impasse over Portuguese Timor continues. The new Portuguese government says it is ready for talks that would lead to an incorporation of Timor into Indonesia, and President Suharto has again agreed to sound out the Portuguese. The Indonesians remain skeptical of Portugal's motives, however, and have little hope that any settlement will emerge.

The radical Fretilin party, whose forces now control most of Portuguese Timor, is adamantly opposed to even participating in any talks that include its local rivals. Fretilin asserts that its de facto control of the territory entitles it to represent

all Timorese in any discussions about the territory's future.

The pro-Indonesia forces, even with the aid of Indonesian special forces units, apparently have been no match for Fretilin's troops. For the short term, Fretilin has the upper hand and may soon decide to announce Portuguese Timor's independence.

Suharto, for his part, is still standing firm against the desires of the Indonesian military to send large numbers of Jakarta's troops into Portuguese Timor. [redacted]

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CHINA: A RESTRAINED NATIONAL DAY

National Day ceremonies this year were more subdued than usual. For the first time in four years, there was no authoritative editorial in Peking's major publications, and the festivities were marred by the absence of ailing Premier Chou En-lai.

Most national leaders were on hand for a reception given in Chou's name on September 30 and for parties in Peking's parks the following day. Young party Vice Chairman Wang Hung-wen appeared in his home town of Shanghai. He reportedly has been in neighboring Chekiang Province to oversee efforts to restore order there.

Senior Vice Premier Teng Hsiao-ping, who served as host at the reception, emphasized unity, stability, and economic progress in his toast. He made no reference to the current discussion of the ancient Chinese novel *Water Margin*, suggesting that study of the novel is not intended to become a major political campaign.

The large turnout at the reception revealed some new appointees to the national military hierarchy. Former chief of staff Lo Jui-ching, who was rehabilitated without an official post two months ago, has apparently joined the national military apparatus. Another rehabilitated official with close ties to Teng has also gained a central military post, reflecting Teng's continuing efforts to consolidate his power in the military. In addition, several military men who until recently were serving in the provinces have apparently been named to positions in the national military structure.

Several former cultural and propaganda officials made their first public appearance since the Cultural Revolution of the mid-1960s. These were second-echelon bureaucrats, but their rehabilitation adds weight to reports that leading cultural figures of the past, who were among the earliest victims of the Cultural Revolution, have been reinstated to party positions in good standing. [redacted]

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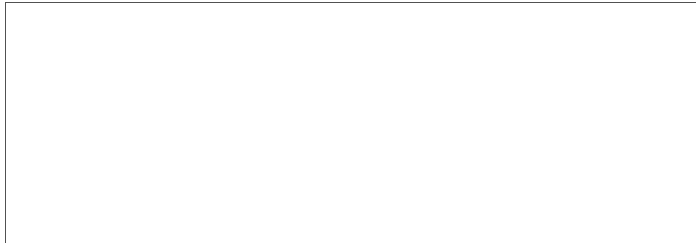
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Foreign Minister Silveira

There is reason to believe that Silveira is largely representing his own views and not necessarily those of the Brazilian government. During his assignment as head of Brazil's delegation to the UN office in Geneva from 1966 to 1969, Silveira reportedly favored the use of large deliberative bodies to resolve trade issues. Also, he is not known to have obtained wide support within the government prior to his appearances at the UN, nor has he followed up with specific plans for implementing his proposals.



The fact that Silveira has come back to the subject twice within a three-week period suggests that he at least has the backing of President Geisel. Brazil, as an emerging world power, can appreciate the major concerns of industrialized nations and can understand common problems of economic growth among the less-developed countries. Brasilia may now see its international role as a mediator between competing interests.



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BRAZIL'S TRADE INITIATIVE AT UN

Brazilian Foreign Minister Antonio Azeredo da Silveira is continuing efforts to focus world attention on his proposal to reform trade relations between the developed and less-developed nations.

During the past month, Silveira has made two speeches to the UN General Assembly recommending that a new framework be established for conducting bilateral negotiations. Silveira argues that there is a growing need to give less-developed countries effective access to industrial markets and at the same time guarantee developed nations adequate supplies of raw materials. Although his initiative has been moderate in tone—apparently designed to portray Brazil as a constructive spokesman for the less-developed countries—it constitutes a marked departure from the low profile Brazil usually maintains in international forums.

PERU: SEVENTH ANNIVERSARY

The military government today celebrates its seventh anniversary—under new leadership and amid signs of important administrative changes affecting the pace and style of the revolution. At the same time, President Morales Bermudez faces many of the same political and economic problems, including intra-military rivalries and labor unrest, that stymied his predecessor.

Since taking office August 29, Morales Bermudez has indicated his administration will tackle Peru's many problems with more flexibility and



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less personalism than did President Velasco. Over the longer term, this approach is likely to yield some success in building greater popular support for the armed forces and in providing the government with a more efficient and responsive bureaucracy. For the time being, however, Morales Bermudez will be pressed to convince more radical officers that his new economic policies, including a 12.8-percent devaluation, will reverse recent setbacks and that this and other measures will not increase civilian antipathy for the military.

The devaluation, announced last week by the new civilian economy minister, is a sharp departure from Velasco's policy. The former president was particularly sensitive since the previous devaluation by civilian president Belaunde had figured prominently in his ouster by the armed forces in 1968. Morales Bermudez' own economic expertise—he served as economy minister from 1969 through 1973—and his currently strong military support should afford him sufficient time to undo some of the economic excesses of the Velasco administration.

The President's plan for streamlining the cumbersome military bureaucracy in order to create a more efficient policy mechanism and allow top officials more time to concentrate on long-range policies includes measures to weaken some of the prerogatives of the presidency. A likely offshoot of this program will be a greater role for civilians in setting government policy. Morales Bermudez' concern for maintaining support of the radical officers at least for the time being may cause this process to move slower than he would like, but some further loosening of restraints on political and journalistic freedom is likely.

Reported maneuvering by less extremist officers to get the President to move against more radical officers is indicative of the mistrust and ideological disagreement present beneath the facade of military unity. Like his predecessor, Morales Bermudez is certain to have difficulty in balancing these various factions and personalities. For the time being, the President's desire and

need for solid military backing for his domestic programs will probably cause him to seek some compromise. He may be counting on the success of economic and political liberalization measures to enable him to resist pressure from the radicals.

A more immediate problem for the President is the threat to the viability of his economic programs posed by recalcitrant labor groups. Many of the unions are led by leftists who demand frequent and sizable wage increases and other unrealistic concessions by the government. At this time, Morales Bermudez can probably count on solid military support in resisting labor opposition, but other military leaders—particularly those who strongly supported Velasco—might go into opposition if prolonged or serious resistance to the new policies develops.

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Morales Bermudez

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ARGENTINA: CAMPORA RETURNS

Former president Hector Campora has returned to Argentina, undoubtedly hoping to cash in on the growing confusion and fragmentation within the Peronist movement.

Campora, at one time the darling of the Peronist left, reportedly promised the government that he would stay out of politics if allowed to return from exile in Mexico. He specifically ruled out any dealings with the dissident Authentic Peronist Party, from which he dissociated himself last July.

It will be difficult for Campora to remain out of the political limelight for very long. Although his spokesmen announced that he had no political plans, Campora could not resist telling reporters on September 27 that he had come back to be "a factor of unity" and characterizing himself as a "man of involvement." Two days later he issued a platitudinous statement invoking the name of Juan Peron and offering his services "to the cause of the people."

Campora's presence undoubtedly is viewed with disquiet in conservative Peronist and military circles. They recall the extreme leftist influence in the government and the indignities the armed forces suffered during Campora's six-week presidency in May-July, 1973.

Loyal Peronists will also remember that from his deathbed Peron ordered Campora fired from his ambassadorship in Mexico and expelled from the Justicialist Party. Peron's move came after Campora hurriedly returned to Buenos Aires to sniff the political wind upon learning that the aging dictator was seriously ill.

Campora will have to exercise extreme political and personal circumspection. He will need to eschew leftist connections and keep off the target lists of the right-wing death squads who earlier threatened to assassinate him. Campora probably will try to appeal first to the middle road of Peronism. Because he is unlikely to find support there, he will be susceptible to blan-



Hector Campora

dishments from the left wing, which badly needs a figure of national prominence as a rallying point.

The 66-year-old Campora has survived the rough and tumble of Peronist politics for over 30 years, and he may gradually be able to rebuild his political fortunes. He is a pompous, loquacious man, however, and easily manipulated. He may be drawn too soon into the political arena, and his try for a political comeback will be short-lived.

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CHILE: NO RELAXATION

Actions of the past week leave little prospect that the government will soon relax its tough stance on security or its ban on politics.

When a dozen former Allende officials were released on September 12, it was announced that some charges remained pending against them. Now the navy has begun proceedings against at least six of these persons, including Luis Corvalan, secretary general of the Communist Party, on charges of "subversion."

The Ministry of Interior also announced that the Christian Democratic Party—Chile's largest—will not be permitted a voice in running the government. The statement came after public airing of correspondence between two party leaders, which in effect reaffirmed the party's desire to reach an understanding with the military government so that the country eventually could return to traditional democratic processes. The government's reaction was a categorical rejection of any possible constructive dialogue with the party on this basis. The government's statement raised the threat of punishment for activity contrary to terms of the political recess.

One effect of the statement will be to complicate President Pinochet's proposal on September 11 to form a "council of state," composed of former presidents and prominent Chileans, to advise the government. Former president Frei, the most prominent Christian Democrat, will find it even more difficult to participate now that his party has been so strongly rebuffed.

Internally, these issues will have little lasting effect. On the international scene, however, they come at a bad time for Chile. Efforts to improve its standing will be severely damaged. Belgium, West Germany, and the UK hope to sponsor a resolution in the UN condemning Chile's human rights stance. Denmark, France, Luxembourg, and several other countries apparently approve the Belgian draft.

[Redacted]

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In yet another effort to improve its image abroad. Chile has begun a campaign to have the 1976 OAS General Assembly held in Santiago. The regime believes that if Chile succeeds in these efforts, representatives of the American nations can see for themselves that Chile's enemies have exaggerated the human rights issue.

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CANADA: EAST COAST FISHING

Ottawa won approval last week from the International Commission for Northwest Atlantic Fisheries for its attempt to protect declining fishery stocks off Canada's east coast and to prop up the faltering Canadian fishing industry.

The 17-nation body, which includes the US and the USSR, unanimously accepted Canadian proposals to:

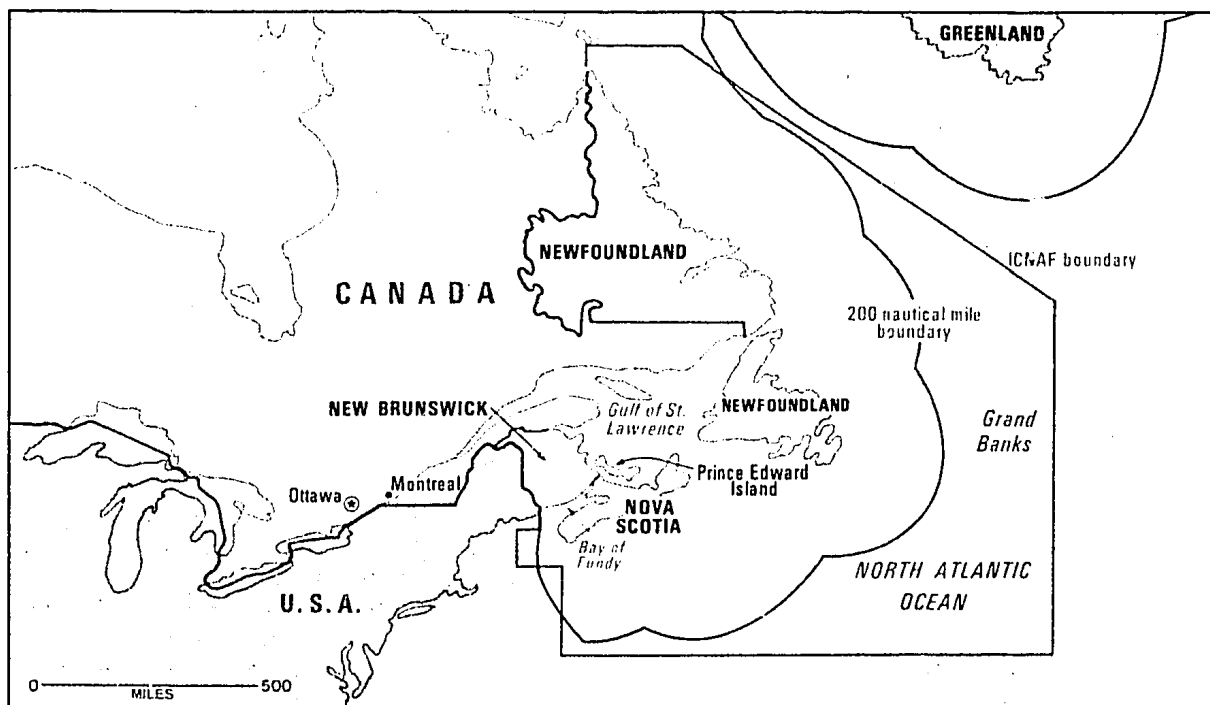
- Reduce the number of fishing days.
- Impose stricter quotas on declining species.
- Allocate a higher percentage of the overall catch in the area to Canadians.

Canada's Fishing Shelf 25X1

The agreement covers the Atlantic continental shelf off Canada, one of the world's largest

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fishing areas. The region consists of a series of shallow plateaus, the largest of which is the Grand Banks, and extends up to 400 miles off the Newfoundland coast.

The total catch in this area has dwindled steadily in recent years. Last year, 2.1 million metric tons were taken, down 20 percent from the 1968 peak. The decline is mainly the result of overfishing by foreign fleets. Cod catches have slumped over 50 percent since 1968.

Foreign fleets currently land 65 percent of the fish caught on the Canadian banks, compared with 35 percent in the mid-1960s. Some 900 foreign vessels currently fish in these waters, compared with about 200 Canadian ships. The USSR has increased its activity dramatically in recent years and now operates a fleet of 400 ships in Canadian waters. It takes the largest single catch, amounting to 40 percent of the total. Spain, Portugal, and France, which have fished the banks for over 500 years, land 15 percent of the total catch, with minor shares going to Poland, West Germany, and Norway. US vessels seldom fish in the area.

Bearing the Brunt

The declining catch is a particular hardship for Canadian fishermen. Their total landings have fallen 40 percent since 1968, a period in which the foreign catch dropped only 5 percent. Last year, the Canadian catch was below the 1963 level, and so far this year the catch has not been much better. Last year, the fishing industry suffered the greatest reverse registered by any Canadian industry. In February 1975, Canadian trawlers were losing an average of \$5,000 per voyage; processing plants were operating at only 60 percent of capacity.

Newfoundland and New Brunswick have been hit very hard. Landings in the two provinces have fallen by half since 1968; landings in Nova Scotia and Prince Edward Island have fallen 20-40 percent.

Over the last five years, Ottawa has unilaterally restricted foreign fishing in its territorial seas, in the Gulf of St. Lawrence, and in the Bay of Fundy. These restrictions—aimed primarily at France, Portugal, and Spain—are still in effect.

Only US fishermen are now permitted to operate freely in these areas.

Ottawa is trying to extend its controls to cover waters beyond the 12-mile limit. To limit Soviet activity, Ottawa in July banned the USSR's fishing fleet from Canadian ports. The Soviet shut-out was ended a week ago when the Soviets agreed to support the Canadian position before the international commission and to set up a bilateral commission to deal with fishing problems.

Ottawa is unlikely to declare a 200-mile fishing zone before the session of the Law of the Sea Conference next year. The new measures should ease growing domestic pressure to make such a declaration. Furthermore, the Trudeau government fears that a unilateral move now would undermine its attempt to win concessions at the Law of the Sea Conference. At that meeting Ottawa will ask for special rights in the Arctic and special regulation of the salmon catch.

CUBA: PROMOTING PUERTO RICO

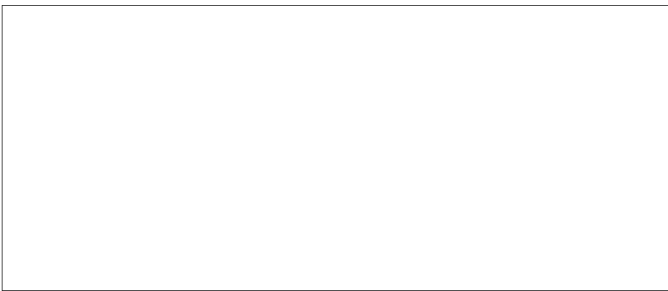
Prime Minister Fidel Castro gave further evidence in a speech this week that his government intends to uphold the Cuban position of promoting Puerto Rican independence even at the risk of slowing the accommodation with the US.

In endorsing this position, he lent his personal prestige to an issue that has become a major stumbling block in the path of normalizing relations with the US. His remarks apparently were intended as a response to what he labeled "strong statements" by US officials.

In a speech devoted largely to internal affairs, Castro spoke briefly about Puerto Rico and the

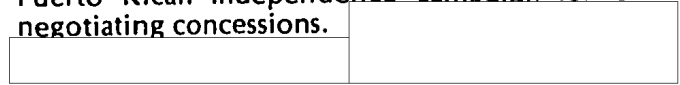
US. He implied that Cuban solidarity with the cause of Puerto Rican independence is a matter of principle that will not be renounced in order to improve relations with the US. He added, "If that is not understood, we will know how to be as patient as necessary." 25X1

Contrary to some press accounts of the speech, Castro did not depart from the now-standard Cuban position regarding Puerto Rico. Nothing that he said indicated a retreat from his stated willingness to begin negotiations with the US to settle bilateral differences. 25X1



The Soviets are trying to persuade Castro to play down his Puerto Rican campaign. Moscow, along with other communist governments, fears that Cuba's actions could jeopardize its prospects for detente with the US. At the Puerto Rican Solidarity Conference in Havana last month, the head of the Soviet delegation tried repeatedly to dissociate the Soviet-controlled World Peace Council, the ostensible host, from responsibility for sponsoring the conference. He also reportedly tried to tone down the more excessive draft resolutions and persuaded the other delegates not to specify a date for a future conference.

There may be more flexibility in the Cuban position than appearances suggest. In the final analysis, rather than risk torpedoing the chances for a normalization of relations with the US, the Castro regime would probably accept some formula that would trade a temporary softening of its Puerto Rican independence campaign for US negotiating concessions.



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