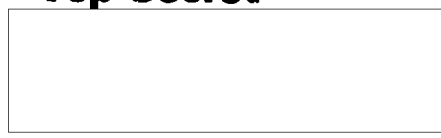


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Top Secret



Weekly Review



Top Secret

December 26, 1975

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

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

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ANGOLA: SEESAW CONTINUES

Forces of the National Union for the Total Independence of Angola and the National Front for the Liberation of Angola continued to press the Soviet- and Cuban-backed Popular Movement for the Liberation of Angola in the eastern and central sectors of the country during the past week. The Popular Movement, however, reportedly gained some ground in the north. The Organization of African Unity will convene in emergency session next month, but the meeting is not likely to bring an early end to Angola's civil war.

Military Situation

In central Angola, a Popular Movement counterattack, reportedly led by three Soviet T-34 tanks, was beaten back when it attempted to halt a National Union force that had advanced from the east to within 14 miles of Quibala. The National Union claims to have destroyed one of the tanks. At the same time, a separate, combined National Union - National Front force has been headed toward Quibala from the south.

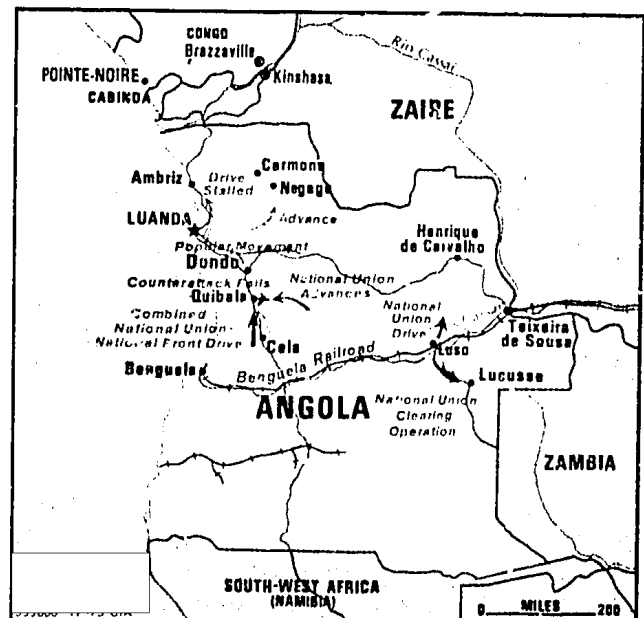
The capture of Quibala would put the allied forces in a position to move along a major highway toward Dondo, the Popular Movement's only major base before Luanda in this sector. The hydroelectric plant that provides power to Luanda is located near Dondo.

In the east, a National Union force targeted against the Popular Movement's important base at Henrique de Carvalho advanced during the week to the Cassai River, but its further progress

may be delayed. Retreating Popular Movement forces have destroyed a number of bridges behind them. Teixeira de Sousa, another National Union objective, apparently remains in the hands of the rival group, which thus continues to interdict the Benguela Railroad.

Another National Union force has initiated a drive south and east from Luso to clear out Popular Movement forces that had moved into that area earlier this month. The National Union hopes to be able to reopen the road from Luso through Lucusse to the Zambian border.

In northern Angola, a 300-man Popular Movement force reportedly advanced to within



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60 miles of the National Front's base at Negage. So far, the force apparently has not succeeded in breaking through the Front's outer defenses southeast of Negage. The goal of the Movement's force is Carmona, the most important National Front base after Ambriz. The Movement's drive along the coast toward Ambriz remains stalled.

Political Developments

The Organization of African Unity, after several weeks of squabbling among its 46 member-states, announced on December 19 that a majority had agreed to hold an emergency summit on Angola on January 10-12 in Addis Ababa. The summit will be immediately preceded by a two-day meeting of foreign ministers, who will set the agenda for the heads of state or government.

OAU members are deeply divided on Angola, and the summit may well degenerate into acrimonious debate. Supporters of the Luanda-based Popular Movement regime—14 African governments have recognized it—will hammer away at South African support for the National Union in an attempt to win new recognitions for Luanda and, if possible, official OAU endorsement of the Popular Movement as the only legitimate Angolan nationalist group. At present, a majority of African states are still abiding by OAU Chairman Idi Amin's call last October for neutrality in the Angolan conflict, a cease-fire, and formation of a government of national unity.

Luanda's cause is likely to gain additional momentum from the public announcement last weekend that Nigeria has decided to give some \$20 million in nonmilitary aid to the Popular Movement regime. The announcement capped a visit to Lagos by the prime minister of the Movement's "government."

Meanwhile, a member of the Popular Movement's delegation to the Cuban first party congress publicly thanked Cuba along with the Soviet Union for "concrete acts" of assistance in the war for control of Angola. The Cubans for their part formally reiterated their pledge to "shed blood" for Angola's liberation.

Soviets Continue Anti-US Campaign

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Moscow's propaganda campaign against the US over Angola continues in high gear.

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The Soviet central press has been giving heavy play to US congressional deliberations on Angola, focusing particular attention on the fears of legislators that the US might be drawn into another Vietnam-like situation. Soviet media have predictably applauded the Senate's decision to block new US aid for the Angolan factions opposing the Soviet-backed Popular Movement.

ed to imply that Moscow may now place more value than before on African participation in a negotiated solution of the Angolan conflict.

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Reaction in the Soviet media to President Ford's public statements last weekend on Angola has thus far been sparse. Radio Moscow termed the President's remarks on Soviet policy toward Angola "unfriendly"; it made no comment on his references to Cuban activity.

Kremlin propagandists late last week did stoop to a new low in their diatribe against US involvement in Angola. A *Pravda* correspondent, in recounting a recent trip to Angola, directly linked a battlefield atrocity he allegedly witnessed in the hinterlands east of Luanda to his claims that US Vietnam war veterans were being recruited in California "to commit new My Lai's" on Angolan soil.

Moscow is also continuing its war of words with Peking over Angola. Recent Soviet commentaries have blasted the Chinese for "teaming up with the most rabid forces of international reaction" in Angola and for allegedly providing "massive" military and financial assistance to "pro-imperialist, pro-racist forces" operating there. For its part, Peking, in a *People's Daily* article last Friday, denounced the Soviets as "outrageous meddlers" in Angola who were bent upon undermining African unity and plundering the continent's vast strategic resources.

Despite Moscow's harsh rhetoric and the absence of any visible sign of flagging in its support for the Popular Movement, there may be some flexibility in the Soviet position. On December 19, for example, an article in *Pravda* signed by "Observer"—indicating top-level Kremlin endorsement—spoke in positive terms of UN and OAU deliberations on Angola and seem-

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LEBANON: NEGOTIATIONS CONTINUE

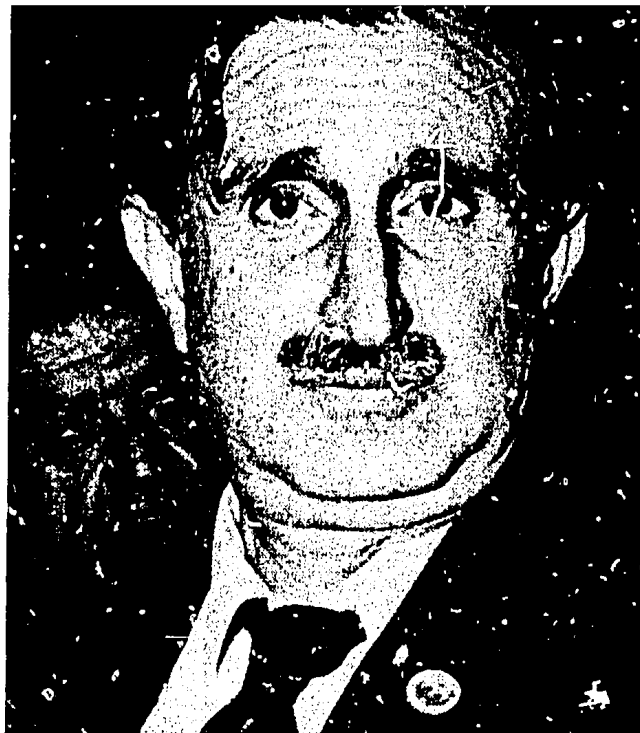
Syria appeared to be making a little progress this week in its ongoing effort to mediate the Lebanese dispute. Tenuous signs of movement on the political front have so far prevented a resumption of heavy fighting in Beirut. Snipers are attempting to spark new violence in the capital, however, and heavy clashes continue in northern and eastern Lebanese towns.

Lebanon's Muslim Prime Minister Karami and a personal representative of Christian President Franjyah visited Damascus early this week, and last weekend Syrian army Chief of Staff Shihabi concluded two days of talks in Beirut with all principal Lebanese and Palestinian political leaders. While in Beirut, Shihabi publicly credited right-wing Phalanges Party leader Jumayyil with being "prepared to find a solution to all aspects of the Lebanese crisis." This statement drew attention to the relative obstinacy of leftist leader Kamal Jumblatt and suggests that Shihabi's visit may have been aimed mainly at pressing Jumblatt to temper his political demands and cooperate with Karami in forming a new cabinet.

Jumblatt is now showing some signs that he may settle for limited political concessions rather than force a choice between fundamental political changes or renewed hostilities. On December 19 he announced that Lebanon was "at the beginning" of a political settlement that could take two or three months to implement. In addition, he has refrained from blaming Lebanese Christians for the assassination on December 20 of the governor of Tripoli, in northern Lebanon. The governor, a civil servant, generally shared Jumblatt's leftist views and, like Jumblatt, was a Druze.

The Syrians may be attempting to persuade Jumblatt to endorse the terms of an agreement that was reached during Jumayyil's visit to Damascus early this month. That plan reportedly provides for:

- Implementation of an effective cease-fire;



Kamal Jumblatt

- Expansion of the cabinet to include representatives of Jumayyil and Jumblatt;
- Agreement to minor, largely cosmetic political changes while Franjyah is in office;
- Negotiations on more fundamental reforms after a new president is elected next August.

Lebanese Christians would probably accept these proposals on the theory that they would bring immediate peace and allow time to modify or back away from the pledge to negotiate fundamental changes in the country's system of government. The leftists are reluctant to give up anything in return for mere promises of reform. They have suffered heavy casualties in the fighting this year, however, and may now be convinced that Franjyah is not likely to resign or make significant concessions before his term expires.

According to some reports, even radical leftist Ibrahim Qulaylat has mellowed after receiving a large amount of cash from Saudi Arabia. On December 20 Qulaylat's headquarters issued a statement saying that the Lebanese crisis can be solved only "by the political process."

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EGYPT: GETTING WESTERN ARMS

Egypt is making progress in its efforts to obtain Western arms and reduce its dependence on the USSR. Most notably, Cairo reportedly has acquired assembly rights from Paris for the Mirage F-1 interceptor. There also are indications Egypt will be acquiring increased quantities of British naval equipment and tactical missiles as well.

The French reportedly agreed during President Giscard's recent visit to Egypt to build a Mirage assembly plant at Helwan. The French will use some existing facilities in setting up the plant. No date was given for the start of production.

[Redacted]

The deal also calls for continued delivery of Mirage III and Mirage 5 aircraft to Egypt. The Egyptians have 28 Mirages already and are believed to have some 24 more on order.

Cairo also recently signed an agreement with the British for two hovercraft,

[Redacted]

Cairo would also like the British to re-equip six of Egypt's indigenously produced patrol boats if sufficient funds can be found.

[Redacted]

this year the Egyptians contracted for 2,000 of BAC's Swingfire wire-guided, antitank missiles to supplement their Soviet-manufactured Sagers. Cairo would also like to produce both missiles in Egypt under license. Paris, for its part, would like to sell more tactical missiles to Cairo and is believed to be pushing the HOT antitank missile as well as the Crotale short-range surface-to-air missile system.

Thus far, Egypt has made little progress in obtaining tanks from the West. The Egyptians reportedly want the British Chieftain, but London is reluctant to sell Cairo a weapon that could

affect the military balance in the Middle East. The British have offered instead to re-engine Egypt's Soviet-built tanks.

Egyptian plans for production and assembly of arms under license are likely to be implemented under the aegis of the Arab Industrial Organization, established last May by Egypt, Saudi Arabia, Qatar, and the United Arab Emirates. The authority reportedly has over \$1 billion in pledged assets from the contributing oil-producing states; Egypt is contributing its production facilities.

The immediate outlook for Egypt's military is one of reduced effectiveness because of the changeover from Soviet arms to a mix of Communist and Western equipment. The cutback in Soviet arms deliveries to Cairo already has impaired Egypt's military readiness, and substantial deliveries of many types of West European arms are still a long way off because of Europe's more limited production capabilities. In the longer run, if Cairo can acquire more rights for local assembly and production, especially for those weapon systems it cannot purchase rapidly and in quantity, Egypt can significantly reduce its dependence on foreign sources of supply.



Giscard welcomed by Sadat in Cairo

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The Kfir fighter

ISRAEL: AIR FORCE PROBLEMS

The Israeli air force is beset with a growing number of personnel and equipment problems that could eventually lower its combat proficiency.

The air force this year has had almost twice as many accidents as it had last year. So far, about a dozen planes, mostly combat aircraft, have been lost in accidents, and another six or so have been damaged.

The key factor in the accident rate is a drop in pilot proficiency as a result of the introduction of many new pilots. Since the war in October 1973, the Israelis have had to increase the number of flight cadets; this has meant that the air force has had to lower its qualifications for pilot trainees.

The air force also has been losing many skilled maintenance personnel to civilian industries. These losses, and the air force's apparent inability

to find an adequate number of suitable replacements, have added to deficiencies in maintenance.

Maintenance problems have been compounded by the tendency of Israeli pilots to fly their aircraft beyond normal stress limits, resulting in many cases of metal fatigue.

Problems also continue to plague the Israeli-made fighter, the Kfir, and further delays are likely before it is introduced fully into operational fighter squadrons. At least three of the new Kfirs have been in accidents this year; two were lost and the third was severely damaged.

There are still major problems with the aircraft's cockpit pressurization system, as well as a number of minor difficulties with its weapons and navigation systems, and, perhaps, the engine's cooling system.

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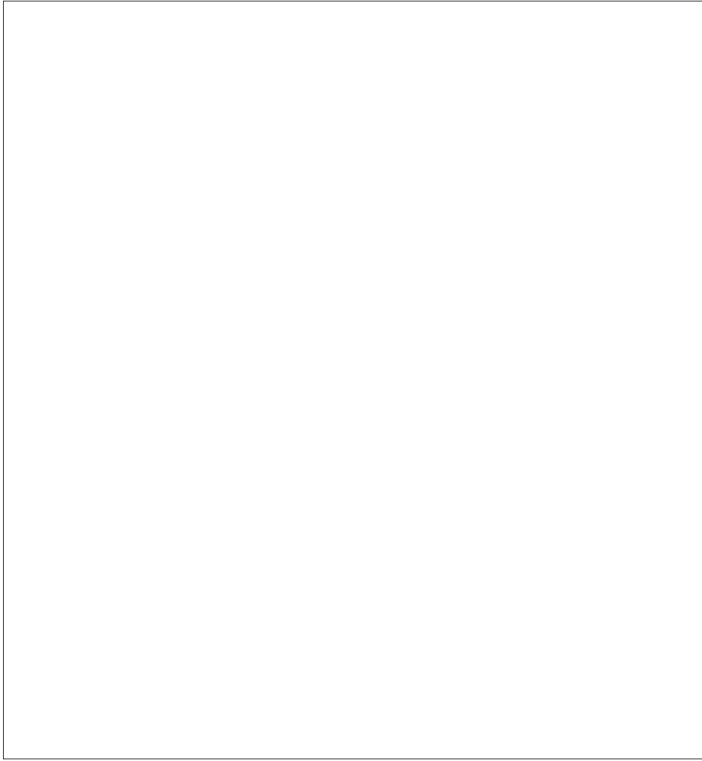
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USSR - MIDDLE EAST: FOCUS ON GENEVA

The USSR is continuing to focus attention on reconvening the Geneva peace conference, even though the idea has not attracted much support. Moscow, which has had substantial reservations about discussing the Middle East at the UN, may now see some chance that the Security Council debate opening January 12 will give a new push to the Geneva conclave.

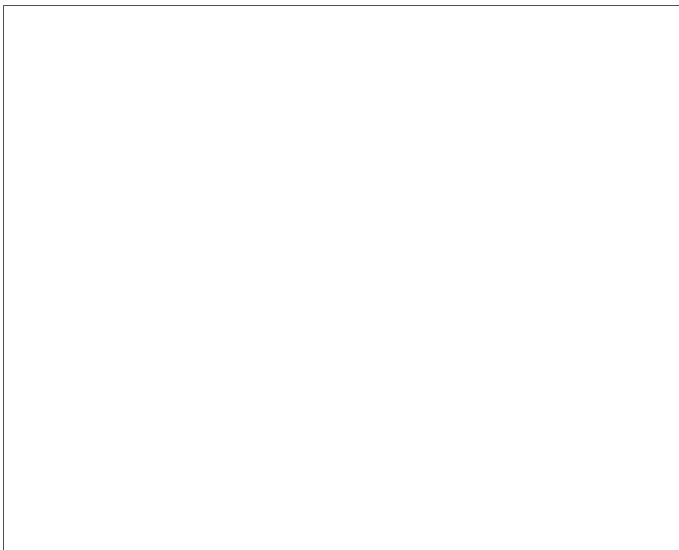
The Soviets demonstrated their determination to keep the Geneva conference option alive in a note given the US on December 18. They formally rejected the US proposal for a preparatory peace conference, finding it unacceptable because it did not call for Palestinian participation. The Soviets reiterated that a peace conference in Geneva is the most effective way to achieve a settlement and endorsed US-Soviet consultations on reconvening the conference.

The conference was clearly uppermost in the Soviets' mind when they received Yasir Arafat last month. In order to overcome Israeli resistance to sitting down at Geneva with the fedayeen, Moscow tried unsuccessfully to persuade the Palestine Liberation Organization to offer explicit recognition of Israel.



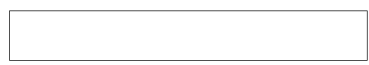
Now, there are some signs that Moscow thinks it must get on the UN bandwagon. The Soviets have grudgingly acknowledged that the Syrian UN initiative has been paying political dividends. On December 16, Moscow and its Warsaw Pact allies formally announced that the UN should play a more active role in the peace-seeking process.

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Officials in Moscow have suggested that the Security Council discussion might formulate a "program of action" that would open the way to reconvening the conference and push the PLO toward more realistic policies. The Soviets, nevertheless, clearly continue to view the UN as a secondary forum. The Soviet note sent to the US last week may, in part, have been meant to underscore that Washington and Moscow are the principal custodians of the Middle East negotiations.

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USSR: DROUGHT SLOWS ECONOMIC PACE

The disastrous grain harvest, coupled with chronic shortcomings in industrial management and construction, has created the most serious problems for the Soviet economy in more than a decade. After slowing markedly in 1974, growth in gross national product slumped to less than 2 percent this year.

The outlook for 1976 is bearish. At the heart of the 1975-76 slowdown is the severe drought that prevailed during most of this year in the key grain regions.

Although lacking in detail, announcements from this month's meeting of the Supreme Soviet reflected some of the major developments in the troubled economy:

- Farm output is down more than 10 percent in 1975, the drop highlighted by the depressed grain harvest of about 137 million tons—80 million tons short of target; other crops generally were mediocre.

- The failure of meat output to rise in the fourth quarter despite a sharp increase in the number of animals slaughtered is a harbinger of difficulties to come.

- Industry turned in a respectable performance—up 6.5 percent—with machinery output leading the way. Military spending continued to rise in 1975, buoyed by procurement of hardware for strategic weapons systems.

Looking ahead to next year, the Soviets have projected an increase in gross national product of 5.5 percent. If this goal is to be met in agriculture, above-average weather conditions will have to prevail. The rebound of 11 percent slated for farm output next year will require an exceptionally sharp rise in crop production to more than offset depressed livestock output. The shortfall in feedstuffs from the 1975 crop will mean that distress slaughtering of livestock will have to continue into the first half of 1976 and that lower herd inventories, coupled with decreased

slaughter weights, will bring about a 15- to 20-percent reduction in the output of livestock products.

The Soviets are planning a 4.5-percent rise in industrial output for 1976, the lowest planned since World War II. This moderate goal reflects the following unfavorable factors:

- Shortages of agricultural raw materials for the food processing and soft goods industries.
- Persistent lags in completion of new plants and the delivery of new equipment, a

USSR: Selected Indicators of Economic Performance 1971-76

	Annual Rates of Growth			
	1971-75 ¹	1975		1976
		Plan	Actual	Plan
	Percent			
Major aggregates				
Gross national product (Western concept)	4	7	2	2½
Industrial production	6	8½	6½ ²	4½
Machinery production	9	10	11½	8½
Agricultural production	-1	11	-10	11
Total investments	6½	7	6½	4
Consumer welfare per capita				
Real income	4½	5	4	3½
Retail trade	5	6	6	2½
Housing space	2	1½	1½	1½
Resources allocated to agriculture				
Deliveries of machinery ³	10	7	6	6½
Deliveries of mineral fertilizer	10½	10	14½	4
Million Acres				
Gross additions to irrigated and drained land	4.3 ⁴	4.9	4.9	4.9

¹ Average annual rate of growth.

² Estimate based on civilian production.

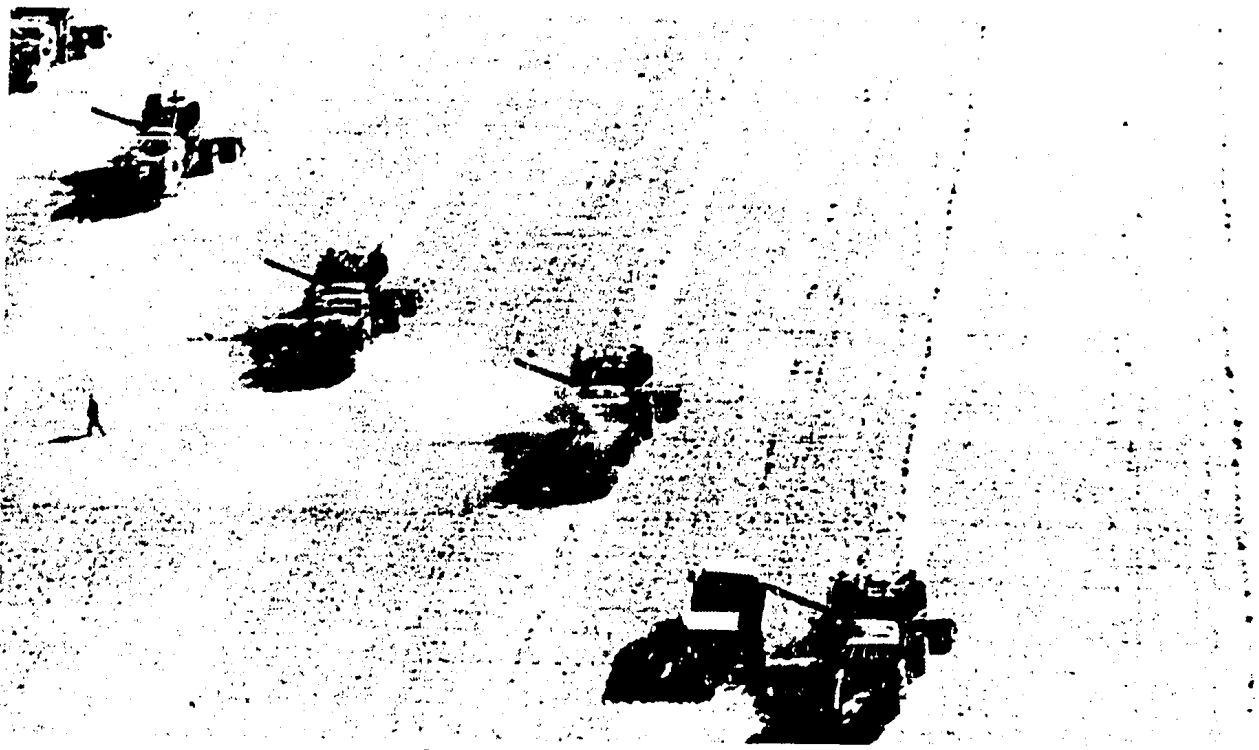
³ Deliveries of tractors, trucks, and other agricultural machinery.

⁴ Average annual addition.

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Soviet harvesting operation in Kazakhstan

coalition that will hold back production of both light and heavy industries.

- A slowing of the growth of the industrial labor force; planners are reluctant to draw further from the large pool of agricultural labor for fear of aggravating chronic difficulties in the farm sector.

The investment data indicate a continued concern about old problems rather than a basic restructuring of priorities. Growth in total investment in 1976 is to be reduced to 4 percent, with emphasis on (a) the reduction of the vast amount of capital tied up in uncompleted investment projects, (b) an increase in the share of producer durables going for replacement of obsolete equipment, and (c) the maintenance of the high priority of investment in agriculture and its supporting industries (40 billion rubles, or more than one third of all investment).

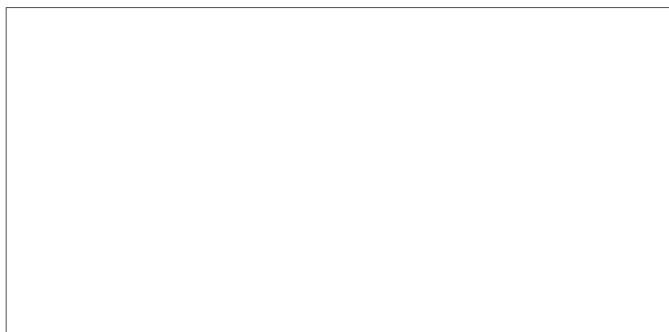
The serious shortfall in farm output and the scheduled slowdown in industrial growth will put consumer welfare programs under increasing strain.

- Increases in consumer goods and services will be the lowest in the Brezhnev

era. Similarly, the annual boost in wages and salaries will be held to 3 percent to reflect poorer prospects for supplies of consumer goods.

- Even with consumer incomes rising more slowly, demand for meat will continue to grow. Although supplemented by imports, domestic meat supplies will fall considerably short of the 1975 level. Restricted food supplies, taken together with the regime's refusal to raise retail prices, could result in severe shortages.

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In Central Asia, cows are reportedly being slaughtered in great numbers, milk products are unavailable, and the local shoe factory is inundated with hides.

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NATO: ARMS STANDARDIZATION

The need for greater allied efforts in the area of arms standardization was a major topic at the meetings of foreign and defense ministers of the NATO countries in Brussels in mid-December.

Allied concern over steadily increasing Soviet military might and growing economic pressures in the NATO states have sparked new initiatives in an area where proposals for cooperation are as old as the Alliance itself. A compromise approach has been worked out that satisfies both France, which wants to emphasize the European component of a standardization effort, and the other allies, who do not want to lose sight of cooperation within the Alliance as a whole.

France will participate in an informal ad hoc committee, which will study initially how best to make the member states' equipment compatible and usable by all—in effect, an early stage of standardization. The committee will prepare an action program for presentation to the NATO foreign ministers when the North Atlantic Council meets again in Oslo next May. The committee will try to determine the areas where action is most urgently needed—perhaps communications and ammunition, as the French have suggested.

The allies also agreed to undertake discussions on the broader questions of transatlantic standardization, procurement, and research and development. The French are reluctant to embrace this part of the NATO program, insisting that policy guidelines on these issues must first be developed among the Europeans. This is critical, Paris argues, if European industrial and technical capabilities are to be protected in transatlantic competition.

The French Mood

Just recently the French agreed to participate in a purely European effort to promote the joint production of equipment based on common requirements. An informal group of European officials will meet next month to begin studying how much cooperation may be possible. A proposal to create a European arms procurement



President Giscard

secretariat, meanwhile, was rejected by the French on the grounds that it would be too closely identified with NATO's Eurogroup.

The allies are willing to accept for now the French-imposed limitations on NATO efforts as a price for getting France involved in the standardization effort. The Belgians and the West Germans are especially sensitive to the domestic political problems participation poses for the French government. Both have argued that a relaxed allied approach offers the best prospect for bringing the French along.

Political opposition in France to participation in any standardization scheme is intense both on the left and on the right. The decision to involve France, even in such a modest fashion, reportedly was made by President Giscard only after much internal wrangling.

Giscard continues to maintain that an independent defense policy remains a fundamental tenet of French foreign policy. He recognizes, however, that greater European collaboration in arms efforts could lead to more orders for French arms makers, bolstering employment and the economy in general.

France will presumably seek to establish specific projects for inter-European cooperation



within the new informal European group. The aim will be to ensure an important role for French industry and to achieve a measure of European unity before engaging in NATO-wide negotiations. At the same time, of course, Paris will continue to seek bilateral deals with the US that would strengthen French production capabilities in defense and advanced technology areas.

The Europeans are willing to play along with the French so long as some momentum toward standardization is maintained. They realize that without French participation there can be no meaningful allied standardization program.

Without France

If the French prove too troublesome in the European group, however, the allies will again be tempted to proceed without them. The UK and Italy, in particular, have warned that there is a limit to how far the Europeans should go in trying to secure French involvement.

The UK is especially anxious to see progress toward a "two-way street" in transatlantic arms procurement as a means of easing its balance-of-payments problems. London is suggesting that some decision should be reached soon to ensure that discussions concerning European collaboration and the two-way street will proceed in parallel.

The problem of a site for next month's session with senior West European defense, armaments, and foreign office officials, and for subsequent meetings if they materialize, is illustrative of the sensitivities aroused by the "NATO-vs-Europe" aspect of the standardization debate. The French will probably protest London as a choice, arguing that it is too closely identified with the Eurogroup. Brussels, the seat of NATO, is even more objectionable to Paris, and the other Europeans will not countenance holding meetings in Paris. A "neutral" city therefore is a more likely choice. Bonn may be suggested, but the Dutch for one are likely to want eventually to stress links with NATO by holding sessions in Brussels.

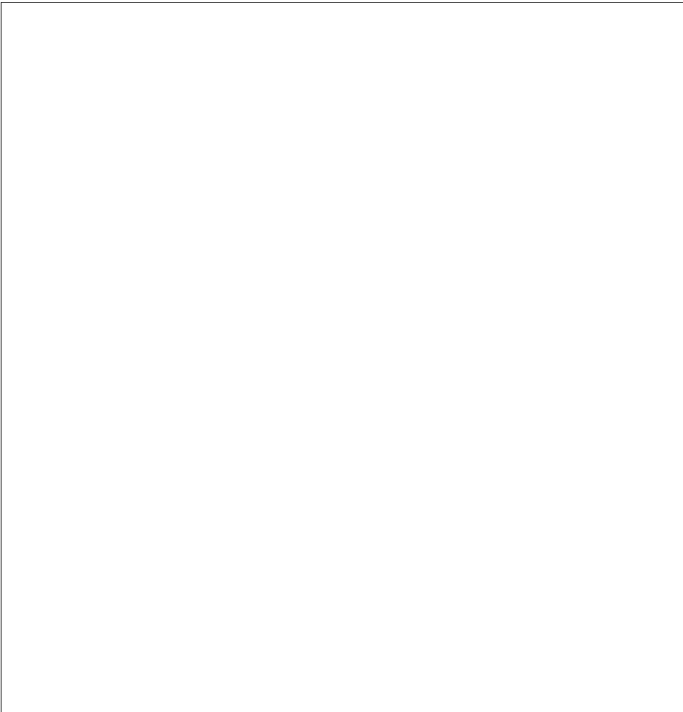
The French have said that their purpose at the coming session will be merely to determine what other Europeans have in mind. Even if initially limited, the participation of France is seen by many Europeans as providing a political impetus to European integration. The French deny any such intention and remain skeptical of arms cooperation arrangements that have been proposed by the EC Commission in the context of a common industrial policy.

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Nevertheless, the new arms standardization initiatives—especially if France's European partners can sustain the threat that Paris might otherwise be isolated from arms cooperation—contain the seeds for a more rational division of labor among the Europeans. At a minimum, they appear to have established a forum for discussion of enhanced European cooperation in defense matters—a burden too "political" just now for the EC to bear.

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CUBA: FIRST PARTY CONGRESS ENDS

The first congress of the Cuban Communist Party was held from December 17 to 22 under the tightest security Cuba has ever experienced. The proceedings went much as expected. Fidel and Raul Castro were "re-elected" party first and second secretary, respectively, and the other six members of the Political Bureau, the party's highest policy-making body, also were reconfirmed. Five new members were added. The appointees reflect the trend of the past five years toward ever-closer ties with the USSR and imply that whatever frictions existed between pre-revolution and post-revolution communists in the regime's leadership have been officially resolved.

The reorganization is the culmination in the party of the institutionalization process that has been under way in all facets of Cuban society since 1970. The results of the congress indicate that Fidel is still in complete control and that Cuban policies are now more closely aligned with those of Moscow than ever before.

The "re-election" of Fidel and Raul was announced on December 22 by Fabio Grobart, believed to be the only surviving member of the group of 13 men who met near Havana in August 1925 to form the first Cuban Communist Party. The selection of the Polish-born, 70-year-old Grobart—long suspected of being a Soviet agent—to make the announcement, and the lengthy praise he gave Fidel, were probably intended to signify the total unity of views of the Cuban Communist leadership.

The same message can be read into the elevation of Arnaldo Milian and Jose Ramon Machado Ventura, two provincial party chiefs, to the Political Bureau. Milian is a pre-revolutionary communist, while Machado is a veteran of Castro's 26th of July guerrilla movement. Also added to the Political Bureau were Carlos Rafael Rodriguez and Blas Roca, both high officials of the pre-revolutionary Communist Party, and Pedro Miret Prieto, an associate of Fidel's since their days at Havana University. Thus, the "old" communists, who heretofore had no representation on the Political Bureau, now have 3 of the 13 seats.

The same trend toward greater representation of the "old" communists is expected to appear in appointments to the new party Central Committee, which will probably also be expanded. The secretariat will remain the same for the time being, but will be reorganized at a later date.

In addition, delegates unanimously approved new party statutes, the reorganization of Cuba's administrative divisions, a five-year economic plan, and a new constitution that is to be submitted to a referendum on February 15.

According to press reports, Castro in his speech to the closing session of the congress on December 22 responded to President Ford by acknowledging that Cuba has supported and will continue to give military backing to the Popular Movement for the Liberation of Angola, and by announcing that his government will never "renounce its solidarity" with Puerto Rico or Angola. He added that he does not care if the result is a postponement of normal relations with the US "for the next 100 years."

Suslov Speaks for Moscow

Senior party ideologist Mikhail Suslov headed the Soviet delegation to Cuba's first communist party congress. Behind the scenes, Angola was almost certainly high on the agenda of discussion topics.

Publicly, Suslov hailed Cuba as an "active and effective participant" in the national liberation movement. He also emphasized Havana's "great contribution" to the "preparation and implementation of our joint policy on international affairs." Suslov gave no indication, however, that significantly greater economic and military assistance would be forthcoming from Moscow to offset Havana's expenditures in Angola.

Suslov said the Cuban revolution was proof that the correlation of forces in the world favors "socialism." He called repeatedly on other Latin American states to look closely at Cuba's example. Suslov also read a message from General Secretary Brezhnev reaffirming the "unshakable

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militant solidarity" and "unbreakable friendship" between the USSR and Cuba.

The Soviet ideologist did not emphasize, as had Brezhnev when he visited Havana two years ago, the benefits of detente or the gains to be derived from a thaw in US-Cuban relations. Now more than ever, the Soviets have a strong interest in relieving the economic burden they bear because of Cuba's isolation in the Western Hemisphere, and hence in improving Havana-Washington relations. They recognize, however, that Cuba's involvement in Angola, along with its position on Puerto Rican independence, has arrested any movement toward rapprochement with the US. Moscow and Havana probably made their choice last summer.

CHILE: MORE PROBLEMS FOR PINOCHET

The Christian Democratic Party is preparing to abandon its tacit truce with the Pinochet government. The party's leader, former president Eduardo Frei, is in the process of distributing a political pamphlet attacking the government.

Frei's action seems certain to reinforce the government's siege mentality and stiffen President Pinochet's determination to enforce his moratorium on political activity. As a result, if Pinochet responds characteristically by placing further restraints on the party's activities, Chile is likely to be subjected to still more criticism from the US and Western Europe, where Frei is highly regarded.

Frei's party was declared in "recess" after the September 1973 coup, but he refrained from openly attacking the government. Frei has decided to speak out now because of a growing fear that the party is withering away and because of publicity alleging CIA support for past Christian Democratic election campaigns.

Judging from the statements of other party spokesmen, Frei's shift was also motivated by a belief that things are not going well for Pinochet's government. Christian Democratic leaders believe that:

- The economic situation has not yet improved substantially, and prospects for next year are grim, particularly in light of continued low prices for copper.

- Church-state relations have deteriorated, reinforcing a trend toward firmer opposition by the Catholic Church.

- Pinochet has increased his personal power, and this is expected to cause friction within the junta and the armed forces.

- The US and other Western countries have demonstrably turned against Chile. 25X1

Some of this is mere wishful thinking, but the Christian Democrats are probably correct in their assumption that Frei has more to gain by challenging the government now than by letting the party continue to atrophy. Frei and his colleagues probably hope that Pinochet's military critics will eventually oust him and turn to the Christian Democrats for cooperation in reestablishing democratic government. 25X1

There are, in fact, differences within the military over Pinochet's style and his tendency to act without consulting other members of the junta. Opposition stems principally from the navy and air force, [redacted]

At present, most evidence suggests that the majority of the armed forces, particularly the army, is united behind the President and is willing to endure the high political costs of restoring the Chilean economy and putting the country on a permanent anti-Marxist footing.

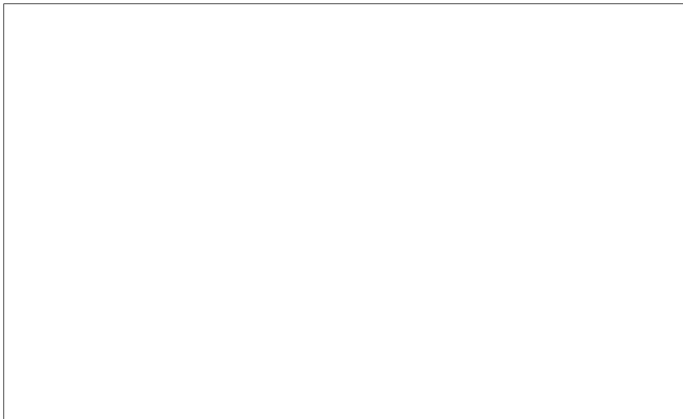
If Pinochet moves against the Christian Democratic Party, Chile's largest, the country's international isolation will deepen, making its economic recovery even more doubtful. Over the long run, it also might provoke serious discontent with Pinochet's leadership and begin to undermine his support. [redacted]

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ECUADOR: OPPOSITION STIFFENS

President Rodriguez, in an effort to stem increasing opposition to his regime, announced on December 19 that a new constitution and new laws on political parties and electoral procedures were being drafted in preparation for a return to constitutional government. The effect of his action was weakened, however, by his failure to set a firm date for a return to civilian rule. Persistent economic and labor problems assure that dissatisfaction with his leadership will continue.



Increasing demands by labor unions are also posing problems for Rodriguez. In the wake of a recent successful transportation strike, communications workers last week occupied several public buildings in Quito and demanded end-of-year bonuses and administrative reforms in the state communications corporation. A labor leader is said to have stated that the communications strike would be nationwide and would continue until the President met the unions' demands. The communications workers may have been encouraged by reports that the government "caved in" to the transportation workers. This issue poses a "no-win" solution for Rodriguez. If he deals decisively with the strikers, he will surely be criticized by his opponents. If he is not firm, he may encourage other unions to strike, putting unbearable strains on the economy.

Rodriguez will soon be faced with the problem of enforcing the Agrarian Reform Law enacted in 1973. The law establishes standards for productivity of private lands and provides that property not meeting these standards by January 1, 1976, will be confiscated and redistributed. As

the deadline draws near, both landowners and campesino organizations have stepped up their activities. The landowners are asking for an extension of the deadline, and the campesinos are demanding that the law be enforced. The controversy reportedly has prompted the minister and the undersecretary of agriculture to state that they are in sharp disagreement with the President and that they will resign on December 31. Regardless of how Rodriguez deals with the situation, his opponents are sure to criticize him and try to exploit the situation to bring added pressures on the government.

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Unquestionably, the military recognizes that the events of the last several weeks have eroded Rodriguez' ability to govern effectively; however, it is doubtful that they will be ready to move against him soon. The military is disunited, unable to agree on a successor, and uncertain as to what course to follow. Until a more capable individual or group emerges to promise more than the President has achieved, his continuance in office, barring his resignation, seems assured for the short term.

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ARGENTINA: END OF THE REBELLION

Rebellious air force officers came to terms on December 22 with their superiors, ending the insurrection begun four days earlier.

No air bases remain in rebel hands, although some individuals continue to resist. A work slowdown called by the pro-government General Labor Confederation to protest the rebellion was almost immediately called off.

In the wake of the insurrection, a number of air force officers are certain to be retired. One brigade commander has already been replaced.

The rebels' only success, achieved early in the uprising, was the replacement of their commander in chief, who was long unpopular with his subordinates. The underlying problem—the status of President Peron—remains unresolved.



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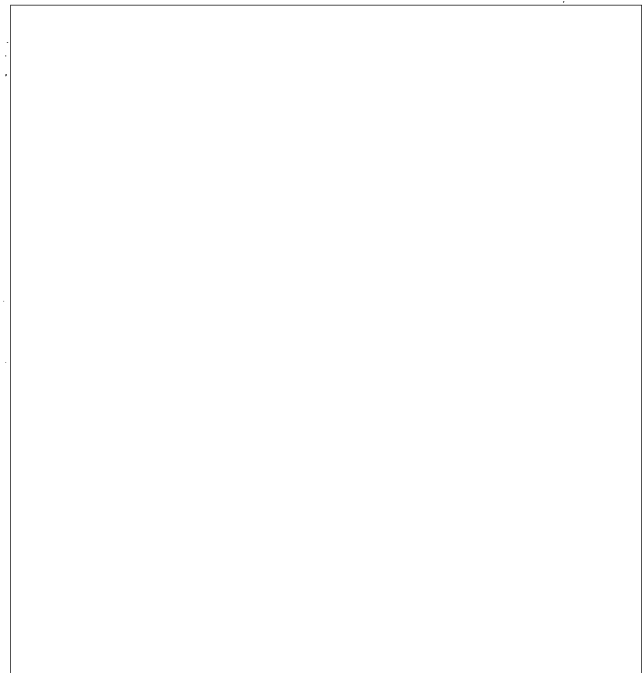
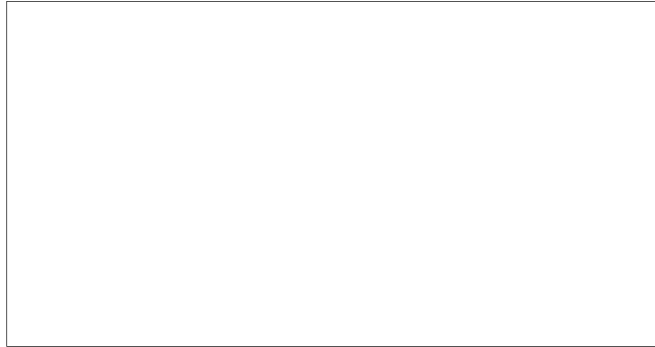
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CHINA: CANTON FAIR

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Business at the Canton Fair this fall was somewhat brisker than at the past two fairs, reflecting the current upswing in the world economy. Attendance returned to the level of a year ago—about 25,000.



Chinese prices were generally competitive with world market prices, and negotiators made special efforts to meet foreign buyers' requirements. More firms were invited to Peking and other cities to conclude their deals, suggesting a greater role for the Canton Fair as an exhibit and screening center in China's total marketing process.

The value of contracts with the developed countries was generally higher. Most West European countries reported increases over the spring fair. The large Japanese contingent recorded total business of \$180 million, a 40-percent increase over the spring fair total. In contrast to the overall pattern, Peking's purchases from Japan—\$130 million—were greater than its sales.

The number of Third World businessmen was large but probably did not produce a corresponding increase in trade. The state trading corporation of Singapore and Malaysia purchased less than last spring.

A record number of US businessmen attended the fall fair, with the total value of transactions approaching records set at previous fairs. US purchases of \$39 million, led by contracts for textiles and consumer goods, recovered to the level

of the 1974 fall fair. Sales by US firms of \$17 million were off by almost half from last spring.

Heavy foreign buying of textiles, arts and crafts, and basketware accounted for most of the gain in Chinese sales. High prices for tin and tungsten discouraged most traders, so Chinese sales of metals were well down from the levels of last fall. Chinese purchases at the fair were concentrated in chemicals and steel products as Peking took advantage of low Japanese and European prices to add to inventories.

The upturn in business at the fall fair offers prospects of renewed growth in Chinese exports in 1976. A large trade deficit in 1974 and slack demand for Chinese exports this year have forced Peking to restrain import growth. Better export performance in 1976 would permit Peking to resume its import expansion, particularly in the area of capital goods.



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CAMBODIA

The Lao Pay a Call

The Khmer communists hosted a Lao government and party delegation headed by Deputy Prime Minister and Foreign Minister Phoun Sipraseuth last week, and in the final communique Phnom Penh for the first time supported the Vientiane-Hanoi demand that US military bases be removed from Thailand. Cambodian endorsement of this Hanoi line points up Cambodia's concern that it not fall too far out of line with its communist neighbors, but the Khmer communists are still maintaining their basically independent foreign policy—they did not join in Hanoi's and Vientiane's insistence that Bangkok return all aircraft and military equipment taken into Thailand during the last stages of the war. Phnom Penh thus far has not raised with Bangkok the issue of Cambodian aircraft and equipment in Thailand, doubtless in the interest of continuing the effort to improve relations.

Cambodian-Thai Border Relations

Efforts by the Cambodians and the Thai to work out their border relations are having mixed results. Official trade began on December 11

[redacted] On the same day, however, Khmer communist troops and Thai border police clashed several miles northeast of Poipet.

Bangkok has played down the incident, and neither side wants such skirmishing to get out of hand. Local border liaison officials have met to try to resolve the dispute, which is complicated by the vagueness of the border demarcation. Similar incidents will almost certainly occur from time to time, however, as a result of the villagers' custom of moving freely back and forth across the border. Moreover, Cambodian authorities are very sensitive about attempted escapes from Cambodia and infiltration by Khmer anti-communist elements from Thailand.

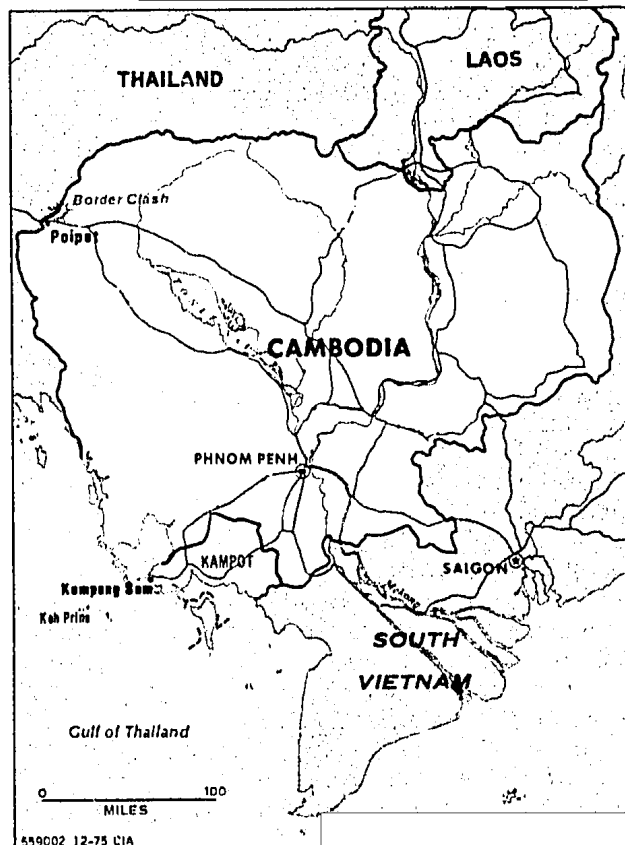
Continuing Tension in the Gulf

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Cambodian authorities have also been showing concern over both Thai and Vietnamese activities in the Gulf of Thailand. Defenses along the coast and around the offshore islands are being strengthened with additional arms and ammunition, and patrol craft are now operating around the islands off Kampot Province.

The Cambodian actions appear to be defensive in nature, but Phnom Penh's continuing sensitivity about Vietnamese activity in the Gulf of Thailand, the free-wheeling actions of Thai and Vietnamese fishing boats, and Cambodian efforts to secure its maritime border could lead to more incidents.

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SOUTH KOREA: PAK TIGHTENS HIS GRIP

South Korean President Pak Chong-hui removed a major potential rival and further personalized his control over government ministries by reshuffling his cabinet late last week. Meanwhile, opposition parties, students, and Christian dissidents remain quiescent, thanks to rigid government enforcement of measures designed to curtail political dissent.

The cabinet changes on December 19 were highlighted by the removal of prime minister Kim Chong-pil, one of the few politicians left in South Korea with substantial independent stature and popularity. He cited poor health as his reason for stepping down, but the move was obviously ordered by Pak. Although Kim was the chief architect of the coup that put Pak in power in 1961 and has been a faithful executor of Pak's policies, Pak apparently regarded him as a possible challenger.

Kim was replaced by Choe Kyu-ha, who has been Pak's special assistant for foreign affairs and has no independent political standing. Nine other cabinet ministers, including the foreign minister, were replaced. Most of the new ministers appear to be technically proficient; more important, none is a political figure in his own right. In addition to Choe, two other senior presidential assistants and several loyal assemblymen were moved into the cabinet.

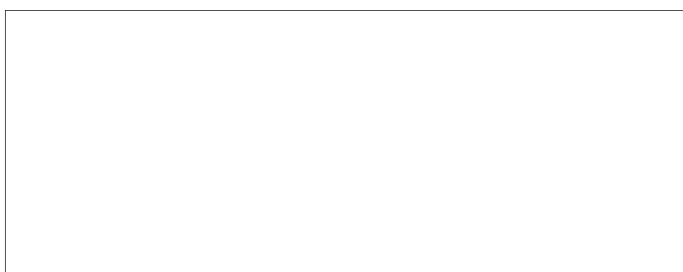
Kim's removal may be followed by moves against others who could emerge as rivals to Pak. Chong Il-kwon, for example, could be removed as speaker of the National Assembly when Pak reappoints a number of National Assembly members early next year.

Pak currently has all major opposition groups cowed. There was a notable absence of discord between the government and the main opposition, the National Democratic Party, at the recently concluded National Assembly session. Despite some grumbling among the party's rank and file, the present NDP leadership is pursuing a policy of compromise with the Pak government. Sentiment for a tougher line against Pak seems unlikely to

grow, since Pak has made it clear that he will not tolerate any assembly challenge to the "present system."

The students, for their part, have been intimidated by an extensive police campaign to implement the emergency decree announced last May after a series of stormy anti-government demonstrations. The decree bans criticism of the constitution, prohibits political activity by the students, and curbs the press. About 200 students have been arrested under the decree; some have received severe sentences.

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Christian dissidents are also under pressure. Several prominent clergymen have been charged with "misuse of church funds." Although some have been let off with relatively light sentences, the government's pressure has had a numbing effect on dissident Christian groups. Some younger clergymen are urging their leaders to be more assertive—the Catholic bishops are under particular pressure because of their unwillingness to take a firm public stand on human rights issues—but little seems likely to come of such efforts.

An exception to the government's restrictive policies has been its cautious handling of the Kim Tae-chung case. A former National Democratic Party leader and presidential candidate, Kim was kidnaped from Japan in 1973 by the South Korean CIA and has been tried in Seoul for alleged campaign violations in the 1967 elections. Although the government originally demanded a five-year prison term, a one-year sentence was handed down earlier this month—apparently out of concern over potentially adverse reactions in Japan and the US. Pak may even suspend the sentence

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during the appeal process to ensure that the case does not complicate Seoul's relations with its two major allies.

Over the near term at least, President Pak's efficient enforcement of his restrictive measures will probably enable him to maintain tight control. Some student restlessness can be expected next spring as usual, but the government should have little difficulty keeping it within tolerable bounds. Other opposition groups, meanwhile, are unlikely to risk losing what little operating room they have left by becoming more assertive.

PHILIPPINES: RISE OF MRS. MARCOS

President Marcos' recent decision to appoint his wife Imelda governor of the newly created Metropolitan Manila region bears witness to her growth as a political figure. Increased centralization of power since martial law was declared three years ago has given Mrs. Marcos opportunities to attract her own political coterie and to expand her personal influence into many new areas of government policy. Mrs. Marcos clearly hopes to exploit her enhanced power to build a political base that would enable her to take over in the event of her husband's death.

Mrs. Marcos is ambitious and ruthless. Born a poor cousin of landed aristocracy, she has thirst for wealth, power, and public acclaim; her ego makes her easy prey for flatterers. Although she has had little formal education, she is cunning and determined.

Mrs. Marcos has a loose political organization made up of media people and businessmen, plus some politicians and a few military men. Most moves on her behalf are orchestrated by her brother Benjamin Romualdez, sometime governor of Leyte Province, home of Imelda's family. Many of her foreign and domestic policy advisers are former associates of the now moribund pro-Soviet Communist Party of the Philippines.

Much of her power is based on her husband's authority and the belief among both foreigners and Filipinos that she is able to influence his decisions. The Marcos marriage is essentially a business and political partnership, but the closeness of even this relationship is a much-debated subject. In most policy areas, they have generally similar views, although her public positions are often more extreme. He probably occasionally finds her statements useful as trial balloons, but there is no evidence that she coordinates everything in advance.

President Marcos' announced intention to bring a new balance to Philippine international relations and reduce Manila's close identification with US interests gave Mrs. Marcos new opportunities in foreign policy, and she has been quick to take advantage of them. She has cultivated the image of a roving ambassador whose specialty is cementing new relationships with Third World and communist countries. 25X1

Manila's opening of relations with China is a good example of how Mrs. Marcos operates. Much of the groundwork for improving relations with China had already been laid through regular government-to-government negotiations when she seized on the idea of making a visit. The Chinese, for reasons of their own, treated her royally. After her return to Manila she began pressing hard for early establishment of formal relations and for a presidential state visit to Peking. Marcos himself had already decided to establish ties with Peking, but his wife probably was responsible for speeding up the timetable.

She has also made a trail-blazing visit to Cuba and would like to make one to Moscow, but has yet to wangle an invitation from the Soviets. Her trips to the Middle East have been publicized as negotiation efforts to assure oil supplies and to relieve Arab concerns about discrimination against the Philippine Muslim minority. As with the China trip, however, whatever tangible results have come from the visits were usually negotiated in advance by the responsible government agencies, leaving only the signing and publicity for her.



Imelda Marcos addressing UN last fall

Her enthusiasm for Third World and communist contacts fits well with her growing anti-American bias. Mrs. Marcos resents what she believes are slights she has suffered from US officials both in Washington and Manila. Over the long run this could cause friction in US-Philippine relations. Thus far her husband still values the US relationship, and Mrs. Marcos' activities have been confined to anti-American statements.

Many Filipinos believe that Marcos has left a political will naming Mrs. Marcos his successor. She does not yet have the stature, however, to make a serious bid for the presidency. Imelda regards Defense Secretary Ponce Enrile, a long-time Marcos confidant with strong friendships among the military, as the principal threat to her ambitions. Since the early days of martial law, Enrile has been widely considered the most obvious successor to Marcos, and there is a long-standing deep personal antagonism between Mrs. Marcos and him.

Mrs. Marcos' desire to become governor of Metro-Manila evidently stemmed from her belief that she needs to demonstrate her administrative talents. Her husband acceded to the idea, but Manila's middle and lower classes have never liked the Marcos clan—voting against President Marcos in national elections and even registering a sizable negative vote in the latest controlled referendum on martial law. The new position will give Mrs. Marcos an opportunity to attack some of the city's obvious physical problems, such as flood control, slum clearance, and road maintenance, but she has a short attention span, and it is quite likely that she will not have the administrative follow-through to accomplish much. If she can find good administrators as subordinates, she may be able to make some progress, but most of her present advisers could not perform such a role.

Her debut as governor was not inspiring. After only one week on the job, she left town for a visit to the US, saying publicly that her new domestic duties would not interfere with her foreign policy interests. Part of Mrs. Marcos' problem in being taken seriously as a successor to her husband is her freewheeling life style, featuring world junkets and jetset friends.

If something should happen to President Marcos, there is little doubt that his wife would make a bid to replace him. In the political confusion she might even succeed, but her ability to rule would require support from the military, and she is not well regarded by the officer corps. The military's loyalty to Marcos is personal, based on his long record of political support to the armed forces during a period when most Filipino politicians treated the military with contempt. This loyalty does not extend to Mrs. Marcos.

The longer Marcos stays in office, the more likely are the chances that his wife could put together a powerful political machine of her own. But even without more significant support, Imelda can almost certainly be expected to become one of many candidates to succeed her husband—adding to political turmoil and instability that would follow Marcos' departure—without much chance of emerging the victor.

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