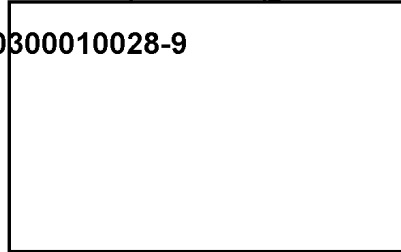


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**Secret**

1. PORTUGAL: DISSIDENT OFFICERS IN THE PORTUGUESE ARMED FORCES MOVEMENT APPARENTLY USED A MEETING OF THE REVOLUTIONARY COUNCIL ON TUESDAY TO PRESENT PRESIDENT COSTA GOMES WITH THEIR DEMANDS FOR THE REMOVAL OF PRIME MINISTER GONCALVES. WE HAVE NO INFORMATION YET ON THE OUTCOME OF THE MEETING.4

NAVY COMMANDER CRESPO—ONE OF THE NINE DISSIDENTS WHOSE NAME HAS BEEN MENTIONED AS A POSSIBLE REPLACEMENT FOR GONCALVES—TOLD WESTERN DIPLOMATS AT A LUNCHEON ON TUESDAY THAT IF THE PRESIDENT DOES NOT RESPOND TO THE DISSIDENTS' DEMANDS, "JUST WAIT A WEEK." THIS IS THE FIRST INDICATION THAT THE DISSIDENTS MIGHT CONSIDER USING FORCE TO REMOVE GONCALVES, ALTHOUGH CRESPO SAID REPEATEDLY THE GROUP IS DETERMINED TO AVOID FORCE IF AT ALL POSSIBLE.4

CRESPO CONFIRMED THAT SECURITY CHIEF OTELO DE CARVALHO, A KEY TO CONTROL OF THE BEST DISCIPLINED TROOPS IN THE ARMED FORCES, DEFINITELY SUPPORTS THE DISSIDENTS. THE NAVY COMMANDER SAID THE DISSIDENTS HAD THE BACKING OF AT LEAST 80 PERCENT

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OF THE MILITARY.4

OTHER REPORTING INDICATES THAT SENTIMENT IN THE ARMED FORCES IS RUNNING HEAVILY IN FAVOR OF THE DISSIDENTS' MANIFESTO. THE COMMANDO REGIMENT OUTSIDE LISBON HAS VOTED IN FAVOR OF THE DOCUMENT, AND ITS COMMANDER, COLONEL NEVES, INDICATED THAT VOTING BY UNITS IN THE NORTHERN AND CENTRAL MILITARY REGIONS, INCLUDING LISBON, SHOWED THAT 90 PERCENT FAVORED THE ANTI-REGIME DOCUMENT. NEVES SAID HE TOO EXPECTS SOME FIGHTING IF BASIC CHANGES ARE NOT MADE IN THE GOVERNMENT WITHIN A WEEK.4

IN HIS LUNCHEON REMARKS ON TUESDAY, COMMANDER CRESPO REMARKED THAT HE RESENTED BEING CALLED A "MODERATE," PREFERRING THE TERM "REVOLUTIONARY." CRESPO POINTED OUT THAT HE BELIEVES MOST ENTERPRISES SHOULD BE OWNED BY THE STATE AND THAT IT IS INAPPROPRIATE FOR PORTUGAL TO REMAIN AN ACTIVE MEMBER OF NATO. CRESPO ARGUED THAT PORTUGAL'S PRINCIPAL GOAL WAS TO SERVE AS A BRIDGE BETWEEN EUROPE AND AFRICA. FORMER FOREIGN MINISTER ANTUNES HAS LONG BEEN THE LEADING EXPONENT OF A THIRD-WORLD ORIENTATION IN PORTUGUESE FOREIGN POLICY.4

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//CRESPO STATED THAT HIS VIEWS ON NATO DID NOT EXTEND TO BILATERAL MILITARY ARRANGEMENTS WITH INDIVIDUAL NATO MEMBERS. HE SAID SUCH ARRANGEMENTS--INCLUDING THE US PRESENCE AT LAJES AIR BASE IN THE AZORES--ARE BENEFICIAL TO PORTUGAL. 11/79

TROOPS WERE PLACED ON ALERT TUESDAY NIGHT IN THE SOUTHERN TOWN OF EVORA, WHERE THE SOCIALISTS AND COMMUNISTS STAGED DEMONSTRATIONS. MILITARY POLICE, HOWEVER, PREVENTED ANY VIOLENCE. 4

THE SOCIALISTS RALLIED ABOUT 3,000 SYMPATHIZERS TO DEMONSTRATE SUPPORT FOR THE COMMANDER OF THE SOUTHERN MILITARY REGION HEADQUARTERED THERE. THE COMMANDER IS A LEADING MEMBER OF THE DISSIDENT FACTION. THE COMMUNISTS, TRADITIONALLY STRONG IN THE SOUTH, DREW APPROXIMATELY THE SAME NUMBER OF DEMONSTRATORS FOR THEIR COUNTER-RALLY. THE SOCIALISTS, MEANWHILE, ARE LENDING THEIR SUPPORT TO THE CHURCH-SPONSORED CELEBRATION IN FATIMA TODAY, WHICH IS EXPECTED TO BE THE SCENE OF CONTINUED CRITICISM OF THE GOVERNMENT. [REDACTED]

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1. ARGENTINA: WORSENING ECONOMIC CONDITIONS ARE WEAKENING THE ABILITY OF TOP ARGENTINE LABOR LEADERS TO CONTROL THEIR RANK AND FILE. WORKERS ARE ALREADY CRITICAL OF THEIR LEADERS' COMPROMISES WITH THE GOVERNMENT.4

ARGENTINA'S DEEPENING RECESSION, WHICH IS ACCOMPANIED BY DECLINING DEMAND IN THE FACE OF DRASTICALLY INCREASED PRICES, IS WIPING OUT THOUSANDS OF JOBS. THE US EMBASSY NOTES A SHARP UPSURGE IN THE NUMBER OF WORKERS LAID OFF THIS MONTH, AND A NUMBER OF FIRMS HAVE BEEN FORCED TO CURTAIL OR CEASE OPERATIONS BECAUSE THEY CANNOT PAY WAGE INCREASES RECENTLY WON BY LABOR.4

THE AUTOMOBILE INDUSTRY HAS BEEN PARTICULARLY HARD HIT. THE ARGENTINE SUBSIDIARY OF THE FORD MOTOR COMPANY REPORTEDLY IS CONSIDERING A MONTH-LONG SHUTDOWN THAT WOULD IDLE SOME 3,000 WORKERS.4

THE DEEPENING ECONOMIC CRISIS CANNOT FAIL TO AGGRAVATE THE MOOD OF WORKERS, MANY OF WHOM--DESPITE SIZEABLE WAGE HIKEs AND UNION ORDERS TO RETURN TO WORK--CONTINUE TO PROTEST STEEPLY RISING PRICES. AS UNEMPLOYMENT GROWS, WORKER DISCONTENT IS LIKELY TO BE TRANSLATED

INTO CALLS FOR MASS ACTION AND MORE WIDESPREAD STRIKES. INDEED, STATE AND LOCAL GOVERNMENT WORKERS ARE THREATENING TO STRIKE IF THEIR 100-PERCENT WAGE HIKE IS NOT INCREASED.Y

THE TWO MOST IMPORTANT LEADERS OF PERONIST LABOR, LORENZO MIGUEL AND CASILDO HERRERAS, ARE EAGER TO AVOID A DIRECT CLASH WITH THE GOVERNMENT. MIGUEL WENT OUT OF HIS WAY TO SIDE WITH THE GOVERNMENT AS IT SOUGHT, UNSUCCESSFULLY, TO RESIST A RECENT CHALLENGE TO ITS REMAINING AUTHORITY. MIGUEL CORRECTLY INTERPRETS DEFIANCE OF PRESIDENT MARIA ESTELA PERON--TITULAR HEAD OF THE LABOR-BASED PERONIST MOVEMENT--AS AN ATTACK ON THE CONCEPT OF LABOR DISCIPLINE, AND THUS A THREAT TO HIS OWN POSITION.Y

IN AN EFFORT TO JUSTIFY HIS DEFENSE OF THE GOVERNMENT AND RE-BUILD WORKER SUPPORT, MIGUEL HAS ISSUED A STRONGLY WORDED DOCUMENT ATTRIBUTING THE NATION'S ILLS TO IMPERIALISM ON THE RIGHT AND TERRORISM ON THE LEFT.Y

THE PROSPECT OF AN INCREASINGLY UNRULY LABOR MOVEMENT IS PARTICULARLY DISQUIETING TO THE ARMED FORCES, WHICH WANT TO ALL COST TO AVOID A SITUATION THAT WOULD REQUIRE THEM TO STEP IN OPENLY

AND RUN THE COUNTRY.Y

LEADERS OF THE MAJOR POLITICAL PARTIES ARE CONCERNED THAT, HAVING COOPERATED WITH LABOR IN THE EFFORT TO OUST LOPEZ REGA, THEY MAY NOW BE LOSING OUT TO LABOR IN THEIR BID TO REGAIN A VOICE IN NATIONAL DECISION-MAKING.Y

MEANWHILE PRESS REPORTS INDICATE THAT PERONIST ECONOMIST ANTONIO CAFIERO HAS AGREED TO BECOME MINISTER OF ECONOMY, COMPLETING THE CABINET REORGANIZATION BEGUN ON MONDAY. CAFIERO WILL BE THE FIFTH INCUMBENT WITHIN A YEAR IN THIS DIFFICULT POST. 25X1

2. //MEXICO: MEXICO REPORTEDLY WILL SIGN AN AGREEMENT WITH THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (CEMA) WITHIN THE NEXT FEW DAYS THAT COULD SUBSTANTIALLY STRENGTHEN AND FORMALIZE ITS TIES WITH THE SOVIET-DOMINATED ECONOMIC ORGANIZATION.W/Y

//THE AGREEMENT WILL BE CONCLUDED DURING A VISIT TO MOSCOW THAT BEGAN ON AUGUST 11 BY MEXICAN FOREIGN MINISTER RABASA, WITH EXECUTIVE DIRECTOR FADDEYEV SIGNING FOR CEMA. ALTHOUGH IT IS NOT EXPECTED THAT MEXICO WILL BE GRANTED OBSERVER STATUS, SIMILAR TO THAT HELD BY YUGOSLAVIA, IT WILL PROBABLY BE PERMITTED TO BECOME AN OBSERVER ON

SEVERAL CENA PERMANENT COMMISSIONS, PARTICULARLY THOSE CONCERNED WITH ENERGY. THE AGREEMENT PROBABLY WILL ALSO PROVIDE FOR A JOINT ECONOMIC COMMISSION WITH SEVERAL SUBSTANTIVE SUBCOMMITTEES.//Y

//IN ADDITION TO THE CENA AGREEMENT, MOSCOW REPORTEDLY MAY ALSO AGREE TO ASSUME A MEXICAN COMMITMENT FOR THE DELIVERY OF OIL TO A EUROPEAN CUSTOMER, IN RETURN FOR INCREASED SHIPMENTS OF MEXICAN OIL TO CUBA. THIS WILL SERVE TO REDUCE SHIPPING EXPENSES FOR BOTH PARTIES AND WILL NECESSITATE BILATERAL DISCUSSIONS TO COMPENSATE MEXICO FOR ITS HIGHER QUALITY OIL.//Y

//THE CENA ACCORD ITSELF WILL PROBABLY INVOLVE MORE APPEARANCE THAN SUBSTANCE. FOR MEXICO, IT WILL REPRESENT EVIDENCE OF PRESIDENT ECHEVERRIA'S SUCCESS IN INCREASING HIS COUNTRY'S ECONOMIC INDEPENDENCE IN AN AREA LONG DOMINATED BY THE US. POLITICALLY, THE MOVE IS CONSISTENT WITH ECHEVERRIA'S DESIRE TO BROADEN MEXICO'S TIES WITH AS MANY NATIONS AS POSSIBLE AND TO PROMOTE HIS PERSONAL AMBITION TO BECOME THE NEXT UN SECRETARY GENERAL.//Y

//MOSCOW HAS LONG SOUGHT TO IMPROVE RELATIONS BETWEEN CENA AND NONMEMBER NATIONS, BUT SO FAR HAS ONLY SUCCEEDED IN REACHING

COOPERATION AGREEMENTS WITH FINLAND AND IRAQ. AN ACCORD WITH MEXICO  
RAISES THE POSSIBILITY THAT OTHER COUNTRIES WILL FOLLOW. MEXICO  
WILL BECOME THE SECOND NATION IN THE WESTERN HEMISPHERE--FOLLOWING  
CUBA--TO ESTABLISH FORMAL TIES WITH CEMA. [REDACTED]

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1. KOREA: PYONGYANG ON MONDAY PROPOSED A DRAFT UN RESOLUTION WHOSE EMPHASIS ON MAINTAINING PEACE IN KOREA SHOULD ENHANCE ITS PROSPECTS FOR GENERAL ASSEMBLY APPROVAL.4

LAST YEAR, THE NORTH KOREANS CAME WITHIN ONE VOTE OF PASSING A RESOLUTION CALLING FOR THE WITHDRAWAL OF ALL "FOREIGN FORCES UNDER THE UN FLAG." THIS YEAR, PYONGYANG'S DRAFT REITERATES THE DEMAND FOR A TROOP WITHDRAWAL, CALLS FOR A PEACE TREATY BETWEEN THE "REAL PARTIES" CONCERNED TO REPLACE THE KOREAN ARMISTICE AGREEMENT, AND INCLUDES SEVERAL OTHER PROVISIONS OSTENSIBLY AIMED AT REDUCING TENSIONS ON THE PENINSULA.4

IN A SUPPORTING STATEMENT, PYONGYANG ASSERTED THAT ENDING THE UN COMMAND WOULD END THE ARMISTICE AS WELL. //BY PROPOSING A PEACE TREATY TO REPLACE THE ARMISTICE, THE NORTH KOREANS STRONGLY IMPLY THAT THEY WILL DEAL ONLY WITH THE US, NOT SOUTH KOREA, WHICH THEY DO NOT CONSIDER A SOVEREIGN STATE.//4

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//THE US HAS OFTEN SAID THAT IT WILL NOT CONCLUDE A TREATY WITH PYONGYANG WITHOUT BRINGING SEOUL INTO THE NEGOTIATIONS.//THE PRO-SEOUL RESOLUTION, ALREADY MADE PUBLIC, AGREES TO THE TERMINATION OF THE UN COMMAND IN SOUTH KOREA, PROVIDED THAT SOME AGREEMENT CAN BE REACHED ON MAINTAINING THE ARMISTICE MACHINERY.Y

A COMPROMISE APPEARS REMOTE, AND THE TWO COMPETING RESOLUTIONS WILL ALMOST CERTAINLY BE VOTED ON IN THE GENERAL ASSEMBLY. SOUTH KOREA'S SUPPORTERS WILL PROBABLY SUCCEED THIS FALL, AS THEY DID LAST, IN PASSING THE PRO-SEOUL DRAFT.Y

GIVEN THE CLOSE VOTE LAST YEAR, PYONGYANG'S CONTINUING DIPLOMATIC GAINS, AND THE NORTH'S NEW FORMULATION, PYONGYANG'S RESOLUTION MAY VERY WELL ALSO PASS THIS FALL.// THE PASSAGE OF THE PRO - NORTH KOREA RESOLUTION WOULD NOT LEGALLY BIND THE US TO WITHDRAW FORCES; IT WOULD NONETHELESS BE PROCLAIMED BY THE NORTH AS A DAMAGING DIPLOMATIC BLOW TO THE US - SOUTH KOREAN POSITION. [REDACTED]

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