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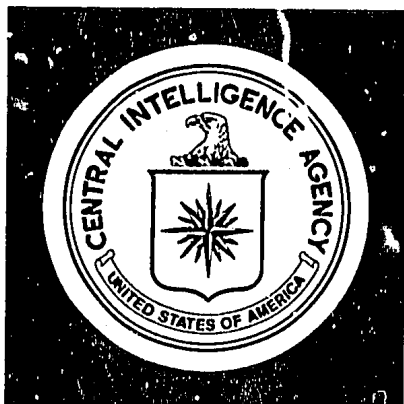
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Weekly Summary

Secret

No. 0027/75

July 5, 1975

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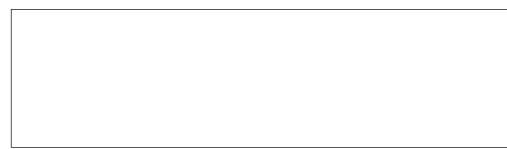
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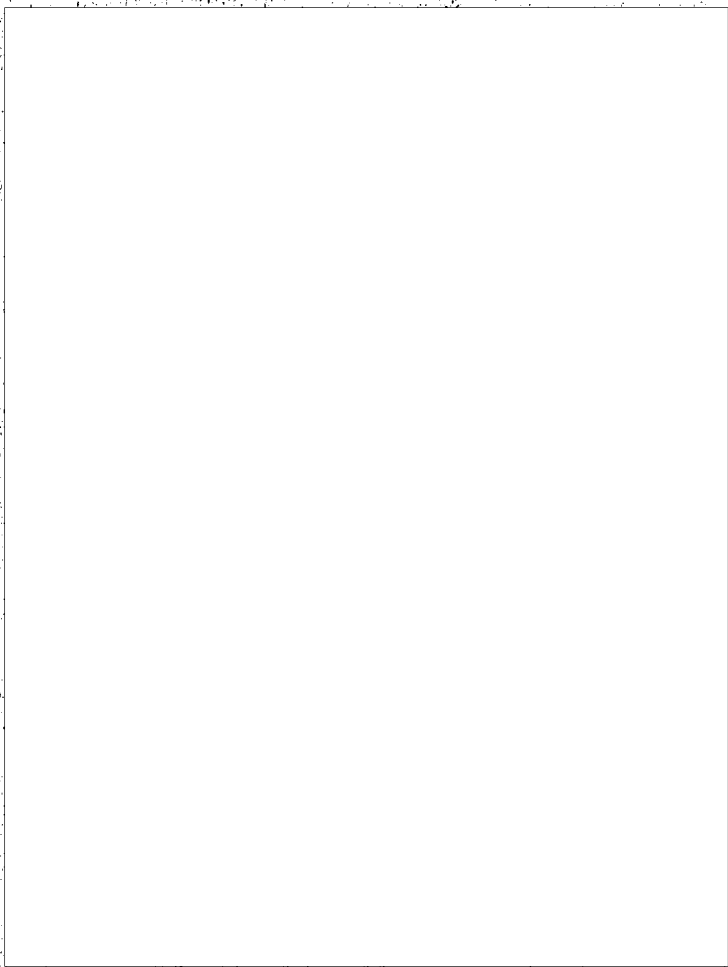
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of 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.



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INDIA

UNDER CONTROL

Acting under the wide authority conferred on the government by the proclamation on June 26 of a state of emergency, Prime Minister Gandhi continued this week to move against her political opponents. She also tried to rally popular support for her cause by promising improved economic conditions. The inability of the now leaderless opposition to challenge the repressive acts of the government indicates that Mrs. Gandhi has, for now, successfully carried off her controversial move.

Sporadic clashes between police and demonstrators erupted in several states where

opposition parties have their broadest support, but for the most part public reaction apparently has been subdued. More trouble may be brewing, however, in two states, Gujarat and Tamil Nadu, that are not ruled by Mrs. Gandhi's Congress Party.

On July 1, Mrs. Gandhi unveiled a new economic program featuring something for everyone, but especially relief for the poor and strong measures against the wealthy. Her promises included more action against inflation, including credit controls and curbs on government spending; vigorous implementation of land reform laws; crackdowns on hoarders and smugglers; and controls on prices for student housing and food.

Prime Minister Gandhi meets with her Congress Party colleagues



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The proposals are typically long on political considerations and short on the wherewithal to accelerate the slow-growing economy. Agricultural production is the key to India's growth, but the Prime Minister offered no new programs aimed at increasing food supplies. If she vigorously pursues land reform and succeeds in curtailing grain hoarding, she may even reduce agricultural production.

Despite the outward appearance of normalcy, Indian political life has undergone a basic transformation. Invoking special emergency powers, Mrs. Gandhi's government has:

- Suspended civil liberties, including the right of habeas corpus, and widened its authority to arrest and detain political foes and racketeers.
- Jailed more than a thousand politicians and "troublemakers."
- Imposed strict censorship rules on both the Indian press and foreign correspondents.
- Outlawed public gatherings of five or more persons in the capital area and advised the states to do so also.

With most opposition leaders in jail or underground, the threat of a nationwide civil disobedience campaign to force Mrs. Gandhi to resign has receded. A new outbreak of demonstrations, in which students would likely play a key role, could erupt should jailed opposition leader J. P. Narayan die; the elderly Narayan is in poor health.

So far, Mrs. Gandhi appears to be retaining the support of key Congress Party leaders. A new cabinet-level committee set up to oversee the administration of the emergency regulations includes the two ministers commonly considered potential contenders for Mrs. Gandhi's post—Agriculture Minister Ram and Foreign Minister Chavan. Reports continue to circulate that Mrs. Gandhi has both men under surveillance. Apparently, many Congress Party mem-

bers privately deplore the recent authoritarian moves. They are intimidated, however, by the arrest last week of party colleagues who openly criticized the Prime Minister for refusing to resign following her conviction last month of campaign violations in 1971.

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For the present, the army, as well as private business leaders, seems willing to tolerate suppression of civil liberties, in hopes that a more disciplined and efficient society will emerge. Conversely, many politicians, journalists, editors, and students are described as despondent. They doubt Mrs. Gandhi's claim that the stringent new controls are temporary, and they fear that as long as she remains in office, freedom of expression will never be fully restored. But for most of the population, living at a subsistence level or below, Mrs. Gandhi's renewed pledge to alleviate poverty is the prime concern.

If the internal situation remains calm, Mrs. Gandhi may reconvene parliament by early August in order to secure required approval for the emergency decree. The two-month deadline for approval could be stretched, however, if she dissolves parliament. The Supreme Court convenes on July 14 to deliberate on her appeal, and a final decision is expected by late summer.

SOVIETS SUPPORT GANDHI...

To the surprise of no one, the USSR has come out firmly on the side of Prime Minister Gandhi. *Pravda* has published the full text of Mrs. Gandhi's emergency decree, commenting that the decree was needed to defend India against "reactionaries."

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The Soviets probably expect that Mrs. Gandhi can carry off her political gamble, and they almost certainly regard her as more friendly than any likely successor. The Soviets hope present problems will force her to become more dependent both on pro-Soviet figures within the Congress Party and on Moscow-oriented Indian communists.

Judging from Soviet propaganda and private statements, Moscow is determined to head off what it foresees as a major effort by China to expand its influence in Asia in the post-Indochina war period. Moscow regards India as an important counterweight to China and thus sees the situation in India as an opportunity to score against Peking by strengthening Soviet influence in New Delhi.

...AND PEKING CRITICIZES

Peking has sharply criticized Prime Minister Gandhi's latest actions, leveling its harshest personal attack against her in some time. The Chinese paid special attention to Soviet support for her moves, charging that she is attempting to act as Moscow's "subregent" so that the USSR can maintain its control of India and its influence in South Asia.

The Chinese handled with discretion the Prime Minister's conviction on June 12, perhaps fearing that a heavy propaganda hand would help her cause. Peking may now believe that her tactics and open Soviet support will speed her departure from office, and that propaganda on these developments is very much in China's interest. [REDACTED]

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Panama: Uncertainty on Canal Issue

The Panamanian government is presenting an appearance of calm in the face of a vote by the US House of Representatives to deny funds for the canal treaty talks, but officials of the Torrijos administration are seriously concerned about the future of the negotiations.

In a statement to the press on June 26, General Torrijos said that he was confident the US would uphold its commitment to negotiate, despite the House vote. Although other Panamanian officials publicly have been critical of the House action, they privately have told US officials that they remain committed to the negotiations. The press, most of it government controlled, has also taken a fairly restrained position, warning the public not to be "trapped" into resorting to violence by groups that want to sabotage the negotiations.

The National Guard effectively halted a demonstration at the US embassy by some 500

ultranationalist students on June 30. The demonstrators condemned both the US and the Torrijos government for "conspiring" to negotiate a treaty that would fall far short of transferring to Panama total control of the canal.

Torrijos' handling of the negotiations is coming under increasing fire, and he may soon conclude that he must make some public declaration about this issue. He is continuing to seek foreign support as a hedge against a breakdown in the talks. On July 4, he will travel to Mexico for a meeting with President Echeverria, and he also may soon confer again with the presidents of Colombia and Venezuela. The Panamanians are almost certain to seek additional pledges of support at the OAS meeting later this month in Costa Rica. [REDACTED]

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SECRET**PORTUGAL: COUNCIL REORGANIZES**

The ruling Revolutionary Council ended its second week of deliberations on the future of Portugal by announcing that it was reorganizing in order to improve efficiency in the decision-making process. The change does not appear to be directly related to the continuing power struggle between moderate and radical factions. That struggle, however, will undoubtedly dominate the meeting of the armed forces general assembly next week.

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The reorganization will involve the creation of an 11-man central committee with subordinate political, military, and executive committees. The central committee will be charged with handling day-to-day council business, but major policy decisions will continue to be made by the full body. Military leaders appear to have recognized that "consensus rule" by an unwieldy body of 29 persons is not effective, particularly when the situation often requires swift and decisive action by the executive body.

The central committee will be limited to a few of the more senior officials, including President Costa Gomes, Prime Minister Goncalves, internal security head Otelo de Carvalho, and council executive officer Rosa Coutinho. The chiefs of staff of the three armed services will also participate, as will four members from the political committee.

The Revolutionary Council also acted on other business awaiting its approval, including:

- Passage of a decree-law creating a military judicial police service under council supervision.
- Establishment of operating procedures for the military tribunal which will judge those implicated in the abortive coup last March.
- Approval of the expulsion of any soldier who promotes discord within the armed forces, attacks senior officers or the program of the Armed Forces Movement, or disrupts public order or military discipline.

The latter law will enable military leaders to deal with certain units which openly support extreme left-wing groups, but at the same time could be used to provide a legal basis for purging officers considered too conservative.

When the 240-member armed forces general assembly meets on July 8, it will probably consider how to implement the decision made at its last meeting in late May to establish direct links between the Movement and the people.

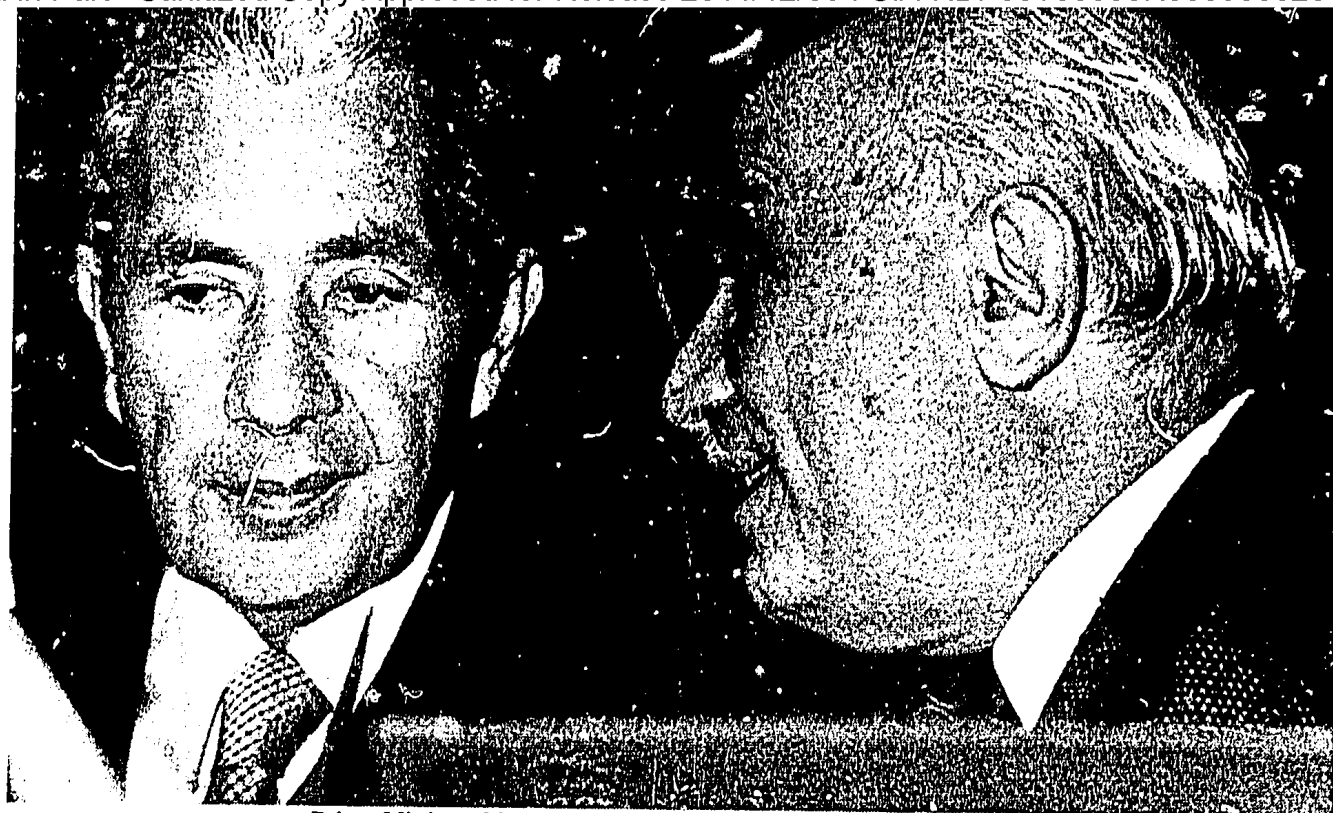
[redacted] the military, encouraged by the number of "popular organizations" that have sprung up around the country, may try to organize the various bodies into a system of popular committees. The assembly is also expected to take up such problems as the dispute between owners and workers over the Socialist newspaper *Republica* and the Catholic radio station.

Moderate forces will try to maintain their momentum after what a presidential aide described as a "first round" victory won in the Revolutionary Council's policy statement released two weeks ago. Foreign Minister Antunes has been credited in some accounts as having led the moderates in the council discussions. He may be attempting to build support for the assembly session by contrasting his success in eliciting economic aid commitments from the West with Prime Minister Goncalves' inability to improve the economic situation. Antunes returned from London on June 29 and announced Britain's full support for EC aid to Portugal. He also presided over the signing of a loan agreement with the US on June 30 for low-income housing.

The moderates can expect to meet strong opposition from more radical factions, such as the leftist nationalists headed by Admiral Rosa Coutinho and security forces head Otelo de Carvalho, as well as Prime Minister Goncalves' pro-Communist backers. Civilian supporters of these radical groups have been quick to capitalize on the prison escape by 88 former agents of the previous regime's secret police to criticize the weakness of the military government and to blame the lack of authority on the moderates.

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Prime Minister Moro with Christian Democratic leader Fanfani

ITALY: POST-ELECTION MANEUVERS

Italy's governing parties are still sorting out their options in the aftermath of the Communist Party's unprecedented gains in the regional and local elections last month. A serious internal feud seems to be shaping up in the dominant Christian Democratic Party, while the Communists appear content to remain on the sidelines and let the other parties jockey for position.

Christian Democratic leader Fanfani's initial reaction to the election was to try to get the Socialists immediately involved in negotiations for a new center-left government. He wanted to draw the Socialists into talks for a new national coalition before they had time to put together more regional and local governments with the Communists.

The Socialists—the only governing party that advanced substantially in the elections—made it clear late last week, however, that they intended to keep all options open at the local level. Party chief De Martino said he will not

talk about a new national government until the Christian Democrats bring their politics more into line with the shift to the left revealed by the election results.

The Socialist refusal to accept Fanfani's proposal intensified debate among Christian Democrats over how to stop the erosion of their party's position. In a holding action, Fanfani proposed that the party wait until fall to reassess its strategy at the national congress. The Christian Democratic left-wing factions, however, want to remove Fanfani and begin an immediate across-the-board review of the party's policies. Fanfani's position was weakened this week at a meeting of the Christian Democratic directorate, when the party's key centrist factions rebuffed his proposal for a delay. Instead they scheduled a meeting of the Christian Democrats' national council for July 19, at which time serious debate on party policy will begin and Fanfani's fate may be determined.

The Moro government will probably remain in place for the time being. Most political

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leaders fear that toppling Moro now would amount to a "crisis in the dark." His government—a Christian Democratic - Republican cabinet that the Socialists and Social Democrats support in Parliament—is still seen by nearly everyone as the best arrangement until the Socialists and the Christian Democrats iron out internal differences and firm up bargaining positions at their party congresses this autumn.

Although united in their refusal to negotiate with the Christian Democrats now, the Socialists are divided over their longer range strategy. Many Socialists—especially on the party left—maintain that their association with the Christian Democrats is hurting them at the polls and that the party has more to gain by staying in the opposition. Party leader De Martino will have trouble leading the Socialists back into the government unless he can extract enough concessions from the Christian Democrats to give any new coalition a more pronounced leftist cast.

The Communists are continuing to move cautiously in consolidating their gains. In particular, they are playing down the implications their success may have on the national political scene—a tactic that probably reflects their traditional fear of provoking a counter-reaction in moderate and right-wing circles.

CEMA MINISTERIAL

Discussions at the 29th session of the Council for Mutual Economic Assistance, held in Budapest from June 24 to June 26, focused on the pace of integration, future economic plans, and the repercussions of higher prices for energy and raw materials.

The participants endorsed a CEMA "multilateral integration plan" that provides for joint work on ten projects during 1976-80 at a cost of \$13 billion. Few details were revealed, but many of the ventures in the plan are already in progress and no new projects were announced. Kosygin's contention that multilateral plans do not conflict with economic development by individual nations indicates that there was controversy among the participants on this subject.

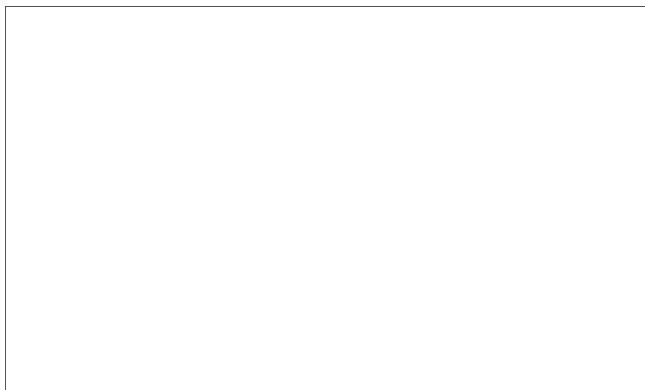
The East Europeans, who have been hit hard by Soviet and Western price hikes, were openly seeking assurances on future Soviet deliveries of raw materials. In response, Premier Kosygin claimed Moscow is providing Eastern Europe with additional raw materials and implied that increasing Soviet investments in this field would benefit the region.

A bland communique largely masked any Soviet-Romanian friction over the nature and pace of CEMA integration. The presence of differences, however, was suggested by the statement in the communique that the session "worked out"—rather than agreed upon—measures to "improve" the legal underpinnings of CEMA authority.

The communique was silent on CEMA's next move to establish a dialogue with the EC, but CEMA secretary Fadeyev later implied that the talks will continue. He stressed the familiar theme of the organization's openness and forecast that an announcement would be made later this summer of Iraqi participation in some joint projects. He also said that an accord with Mexico is expected in the "near future" and that the Colombians have inquired about possibilities for cooperation.

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EC: MOVING AHEAD

The EC councils last week reached a number of long-pending decisions, evidence perhaps that political developments in some member countries are allowing greater government flexibility. The bar on EC activity imposed last winter by fear of adverse impact in the UK referendum and the Italian regional elections is now no more. French President Giscard, meanwhile, perhaps feeling under less immediate Gaullist pressure, is moving toward greater cooperation in the community. He is seeking to enlarge the scope of EC activity toward southern Europe, the Mediterranean, and the lesser developed world.

On the other hand, Bonn's unique constitutional restrictions on deficit spending are making West Germany veto almost any activity calling for new expenditures. This tends to limit

new EC actions to cost-free areas, a fact which may be reflected at the heads-of-government meeting later this month.

The West German budgetary constraints strengthen Bonn in its arguments against EC inefficiency and serve to remind Germany's partners of Bonn's key financial role. Bonn's present and projected budget deficits are running up against a constitutionally imposed ceiling. Chancellor Schmidt, with both the recession and 1976 elections in mind, believes that new taxes could write his government's death warrant. Consequently, he has chosen to face his deficit problem with rigid fiscal austerity aimed at all expensive initiatives in the EC as well as at some hitherto favored domestic programs. Bonn stood alone last week to block new funds for joint EC scientific research and led the



Giscard and Schmidt

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opposition to a proposal for new food aid for poor countries, despite Britain's accusation of "insensitivity to the cry of the children."

Bonn evidently considers that aid to Portugal is an exception. West Germany agreed with its EC partners last week on a program to consider providing substantial financial assistance to Portugal quickly in order to boost democratic forces there. The EC ambassadors and the commission are to prepare specific proposals by July 15 on the amount and terms.

New expenditure is less of an issue in other areas, and the EC foreign ministers were able to move ahead on Mediterranean policy. Italy removed its opposition to the admission of certain agricultural products to the EC, although the concessions Rome received were somewhat less than it had wanted. As a result of Italy's action, the farm provisions of the free-trade agreement with Israel enters into force with the rest of the accord on July 1, preferential trade and cooperation accords with the Maghreb can be concluded, and negotiating directives for agreements with Egypt, Jordan, Syria, and Lebanon can be prepared.

The council agreed in principle on a non-preferential agreement with Canada, to include provisions for industrial and environmental cooperation. The commission hopes the accord will establish a precedent for EC cooperation arrangements with China, Iran, and the East European states. A prime EC motive for the Canadian pact is the hope for better access to raw materials.

British Foreign Secretary Callaghan scored something of an institutional breakthrough when he won a decision favoring black Africa in the contentious agricultural area. France, the only holdout, agreed to accept a majority vote on the issue. This was the first time in EC history that a majority vote prevailed on a foreign policy issue.

The EC also agreed to:

- consider Greece's application for membership;

- favor a CSCE summit at the end of July, if progress this week warrants it;

- resolve differences—again by majority vote—on a cooperation agreement with Sri Lanka;

- implement the EC agreement with African, Caribbean, and Pacific countries on July 1 on an interim basis, pending ratifications from the EC-Nine and the 46 developing states;

- sketch an agenda for the heads of government meeting in Brussels on July 16-17.

The agenda reflects the continuing European preoccupation with economic conditions. The topics include raw materials, energy, the economic situation of the community, and monetary and financial questions.

The EC has been unable to agree on an energy policy. Energy ministers last week were deadlocked on such questions as the development of alternative sources of energy and proposals for community research and exploration in hydrocarbons. In addition, the division continued between France and its partners regarding the International Energy Agency—and the policies the US is recommending in that context. The French charged that the EC treaty may be violated by the Eight's participation in agency programs such as emergency oil-sharing. Despite British promises of being more amenable to energy discussions, there is little reason to anticipate that an important breakthrough on energy is in the offing.

In the political field, the leaders at Brussels are preparing for informal discussions of the future of the community in the wake of the UK referendum. Both the commission and the European Parliament have made public suggestions for the shape and direction of European integration. The only early innovation endorsed in both reports was for direct elections to the European Parliament, which is now filled by national government appointees. European observers almost unanimously agree that this is

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not the time for any major new move toward European union, but there is nevertheless a feeling that the Nine will have to take some visible steps toward that goal.

The relatively smooth operation of EC meetings during the past six months is largely a result of the skill and energy of Irish Foreign Minister FitzGerald, described as the most brilliant council president in recent years. Political developments in Italy are expected to pre-occupy the Italians during their six-month term in the EC presidency and may preclude comparable performance. President Leone nevertheless will bring considerable interest and long political experience to his presidency of the heads-of-government meeting in Brussels. He is in the middle of a seven-year term of office and is to some extent above the Italian political wars.

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THE BALKANS: CHINESE WOOING

Peking's efforts to limit Soviet influence in the Balkans have recently taken on an increasingly military cast.

Chinese military delegations made separate trips in June to Romania and Yugoslavia. The third-ranking of the nine Chinese army deputy chiefs of staff spent ten days in Yugoslavia touring military installations and holding talks with senior Yugoslav military officials, including Defense Minister Ljubicic. A second group followed a similar itinerary during a visit to Romania, including a meeting with Defense Minister Ionita.

Within the past year, China delivered IL-28 jet light bomber aircraft to Romania and MIG-19 fighters to Albania. The delivery of MIGs was China's first to Tirana in almost five years, and the bomber shipment was the second

major arms deal between Bucharest and Peking. More deals may well be in the works, particularly in view of the recent Chinese visits. 25X1

The visits have spawned rumors that the Chinese are trying to drive another wedge between the Balkan mavericks and Moscow.

Civilian exchanges between China and the Balkans also remain active, particularly with Romania. In mid-May, Ceausescu's interior minister made an unprecedented and unannounced trip to Peking. Later in the month, a Romanian-Chinese communications agreement was signed, a Romanian industrial exhibit was opened in Peking, and its representative was received by Chou En-lai. Sino-Romanian trade is slated to increase to \$320 million this year—28 percent over the level of the 1974 trade agreement.

A high-level Albanian economic delegation visited Peking in mid-June, reportedly to discuss Chinese plans for long-term economic aid to Tirana. Vice Premier Li Hsien-nien, China's ranking economic specialist, was host to the Albanians.

Belgrade has responded guardedly to Peking's overtures. The Chinese party's refusal to open party ties with the Yugoslav Communists has led many Yugoslavs to believe that Peking is merely using Belgrade. The Yugoslavs' wariness may have been the reason for Premier Bijedic's postponement of his trip to China until later this year.

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SECRET**CSCE: TRYING FOR A SUMMIT**

The Western and neutral nations continued this week to resist Soviet demands that a date in July be set for a summit-level finale of the European security conference. These nations insist that agreement be reached first on military-related confidence-building measures and follow-up procedures for the conference. If these issues cannot be resolved this week, the summit may have to be postponed until late summer or the fall.

The Soviets now concede that a summit on July 22—recently proposed by General Secretary Brezhnev—is no longer feasible, and accordingly they have launched a drive to commit the West to hold such a meeting before the end of July. At a news conference in Rome last weekend, Soviet Foreign Minister Gromyko suggested that foot-dragging by the NATO states was strengthening the position of several smaller states—particularly Malta, Yugoslavia, and Romania—that are seeking special concessions. He warned that any postponement of a summit beyond July would place “a grave responsibility on the West.”

Finland, prospective host for the summit, had said that it needs four weeks' advance notice to complete preparations for a July summit in Helsinki. The Finns have, in any case, begun preparations for a four-day summit to begin on July 28.

Sharp divisions began to appear this week within the NATO caucus over several outstanding problems, and one new issue was raised by West Germany. Turkey, West Germany, and, to a lesser extent, the Netherlands have adopted much harder negotiating positions. The other NATO states, led by France and the UK, want a prompt decision on a date.

A major obstacle to final agreement is the Turkish demand for a separate clause that would exempt certain areas of Turkey from inclusion in the provisions for confidence-building measures. The clause would state that Ankara need provide advance notice for military maneuvers only on its northern and western boundaries. The Turks are isolated on this issue, but

they refuse to budge, and now the Greeks have demanded a parallel exemption.

Ankara's demand that the Turkish Cypriot community be represented in the Cypriot delegation to the summit and the Turks' objections to the presence of President Makarios in Helsinki may pose additional stumbling blocks to a summit this month. Makarios definitely plans to attend and strongly opposes the presence of a Turkish Cypriot representative.

The West Germans indicated for the first time on Tuesday that they would not agree to a date until the final text on confidence-building measures and on overall principles governing relations among states is agreed upon. Bonn's motivation for a tougher stand on these issues stems in part from increasing domestic political pressure for better terms in the final agreement.

Substantive negotiations in Geneva, meanwhile, have proceeded at a faster pace and have even required weekend sessions. Tentative agreement was reached on some aspects of confidence-building measures. The West is hoping that the Soviets' desire for an early summit will prompt them to make a final concession on the areas covered by this agreement.

Progress was made early this week on negotiations concerning follow-up meetings to the conference. Most delegations appear willing to support a solution along the lines of a recent Swedish proposal that senior officials meet—beginning in 1977—to assess how the conference's decisions have been implemented and to ensure “continuity of the multilateral process.” This provision would keep alive the possibility of another conference. The French, however, continue to strongly oppose any wording implying continuity of the conference proceedings.

On Monday, final accord was reached on guidelines for freer movement of ideas and people between East and West. Moscow also appears willing to go along with a Western request for a disclaimer to the effect that the results of the conference are politically, but not legally, binding.

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MIDDLE EAST

ISRAELI MODERATES PRESS RABIN

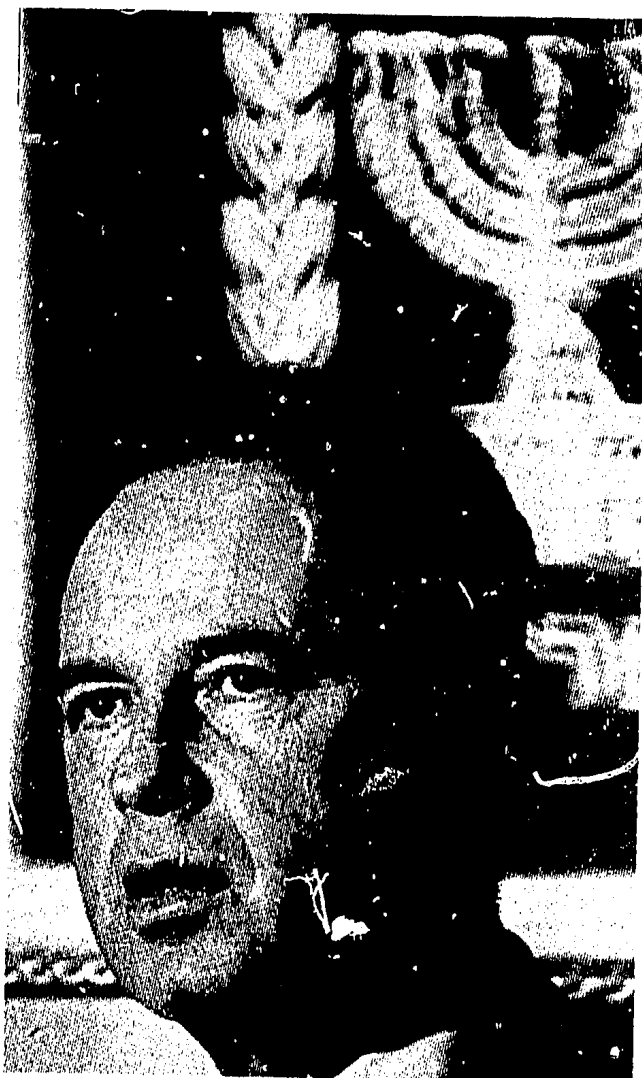
Moderate members of Prime Minister Rabin's ruling coalition this week stepped up their effort to persuade him to consider further concessions to Egypt. They are afraid an uncompromising stand will jeopardize Israel's close relationship with the US.

The moderates' drive is spearheaded by the leftist Mapam Party, supported by the small Independent Liberal Party and some leading members of Rabin's Labor Party. The Laborites reportedly include Foreign Minister Allon and Finance Minister Rabinowitz, as well as Yitzhak Navon of the party's conservative Rafi faction, which is headed by Defense Minister Peres and Moshe Dayan.

Navon told reporters on June 30, following Rabin's briefing of the Knesset's Foreign Affairs and Defense Committee on the negotiations, that he considered Israel's security more dependent on close ties to the US than on a "single mountaintop or one single place." Israel, he remarked, won wars in 1948, 1956, and 1967 without the Gidi and Mitla passes in the Sinai and had been unable to prevent a war in 1973 when it held them. Navon was probably echoing a major argument used by the moderates to buttress the case for concessions.

Some press reports suggest that Israeli advocates of greater flexibility are arguing that Tel Aviv should be guided by what it can get from the US—not Egypt—in return for giving up the passes. Specific objectives being discussed include:

- A two-year US economic aid commitment to Israel worth \$2 billion.
- Military aid to meet the major part of Israel's requests over the next two years.
- A public statement that the US would support Tel Aviv if the Egyptians violated an agreement.



Prime Minister Rabin

Rabin held a series of meetings this week with Israeli political leaders from various parties and the Labor Knesset faction to explain the state of negotiations. The Israeli press speculates that Tel Aviv will make no basic decisions on how to proceed until the middle of July. For one thing, Rabin probably wants to get a better reading of just how far Washington and Cairo are prepared to go to meet Israeli demands in order to prevent another breakdown of the negotiations.

An article by a commentator close to Peres, for instance, suggests that conservatives in the cabinet are arguing that there may be an

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element of bluff in the US position, and that this could be smoked out by Tel Aviv's demand for further "clarifications" of the Egyptian position. The commentator claims that Tel Aviv thinks Washington and Cairo are extremely anxious to make progress before Secretary Kissinger meets Soviet Foreign Minister Gromyko late next week and before Egypt celebrates its Revolution Day on July 23 and the UN mandate in the Sinai expires on July 24.

As might be expected, the rightist Likud bloc has come out strongly in support of Israeli retention of the eastern end of the passes and has urged Rabin to stand firm. The Likud has also revived its call for a national unity government.

EXPECTATIONS RISING IN CAIRO

A widespread belief in Cairo that Washington is exerting heavy pressure on Israel for progress in negotiations has evoked differing ideas among media commentators on the speed with which the US should produce results. In all cases, however, there appears to be a high degree of expectation that the US will indeed follow through either with successful negotiations for an interim Sinai agreement or, failing that, with a declaration of Washington's ideas on the shape of a final settlement.

An *Al-Ahram* editorial writer commented last week that, with US-Israeli differences now out in the open, the US can no longer delay the conclusion of its policy reassessment and should take clear and decisive steps now to bring Tel Aviv into line. Other commentators have adopted a somewhat more patient attitude and indicated a confident belief that the US will in fact take such steps in the near future. *Al Jumhuriya's* diplomatic editor, who has close ties to the Sadat regime, cited several recent US statements to support her belief that, if Washington cannot produce another disengagement in the Sinai, it will, on the basis of its policy reassessment, still maintain pressure on Israel for an overall settlement.

SOVIETS PLAYING COOL

Moscow has adopted an aloof attitude toward the Arab-Israeli situation while it awaits the results of US efforts to achieve a new Egyptian-Israeli disengagement agreement. The Soviets are clearly not enthusiastic about the current US initiatives, but they have withheld the embittered criticism of step-by-step diplomacy they employed in the past.

Moscow's forbearance results partly from its recognition that some sort of diplomatic progress is essential if the Arab-Israeli dispute is not to boil over. The Soviets do not want to be seen as obstructing diplomatic progress, and they realize they have little to offer, in view of their own failure this spring to organize a Geneva conference.

The Soviets also hope that ultimately they can gain at least the appearance of participation in the diplomatic process. They hope to make some progress on this and to gain a clearer reading of US intentions when Foreign Minister Gromyko and Secretary Kissinger meet in Geneva next week.

Perhaps in anticipation of that session, Politburo member Suslov put in a pitch for "coordinated action" on the Middle East when he met with a group of US Senators on Monday. Indeed, the Soviets, who have not given up talking quietly about a Geneva conference, have indicated that they could live with a US-sponsored agreement that was concluded under the umbrella of Geneva.

In the meantime, the Soviets continue to drop reminders that they have other cards to play. Party Secretary Ponomarev's visit to Damascus last week, for example, seemed timed to overlap Syrian Foreign Minister Khaddam's visit to the US. The Soviets are also once again pushing the Palestinian issue. One senior Soviet diplomat claimed he was "astonished" that the US seemed to be ignoring the question. Such remarks imply that Moscow may intensify its support of Palestinian demands if the US continues to exclude Moscow from the settlement process.

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LEBANON: A GOVERNMENT AT LAST

The heavy fighting that rocked Beirut for nine days diminished sharply following the installation this week of a new cabinet and the announcement by Prime Minister Rashid Karami and PLO Chairman Yasir Arafat that they would use force, if necessary, to implement a cease-fire. The resolution of Lebanon's worst political and security crisis since 1958 has left the Prime Minister—and Sunni Muslims in general—in a strong political position, highlighted the reduced effectiveness of President Franjyah and the right-wing Phalanges Party, and reflected the increased ability of radical groups to undermine public order.

The six-man "nonpolitical" cabinet installed on July 1 includes neither Phalangists nor Socialists. Its makeup represents a victory for Karami and a defeat for Franjyah, as he and other right-wing Christian leaders had held out

for more than a month for participation by the Phalangists.

Phalangist leader Pierre Jumayyil has not commented publicly on the new government, but he is reported to have promised privately that the Phalangist militia will cooperate in implementing the cease-fire. The new cabinet meets Jumayyil's demands that it be made up primarily of conservative representatives of the country's several religious groups and that former president Shamun, the leader of the National Liberal Party, be given the powerful Interior Ministry, which has responsibility for internal security and Lebanese-Palestinian relations.

Major Lebanese and Palestinian leaders endorsed a cease-fire immediately after the new government was installed; Karami and Arafat

Masked gunman seeks cover during recent civil strife in Beirut



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SYRIA: MISSILES CONFIRMED

announced shortly thereafter their determination to enforce it. The agreement between Karami and Arafat, negotiated in a meeting with Syrian Foreign Minister Khaddam, senior Lebanese army officers, and fedayoon leaders, provides that the security forces will move into all areas of the city, arrest snipers and kidnapers, exercise restraint "even when fired upon," and clear the streets of barricades and arms. The cease-fire took hold almost immediately, although sporadic firing by fedayoon and Lebanese radicals continued in some areas.

These radical elements—which in addition to the small fedayoon groups included Lebanese Communists, members of the Syrian Social Nationalist Party, and several Nasirist groups—played a more important role in the most recent fighting than during the hostilities of May and June. They were not supported by the major fedayoon groups, which stayed on the sidelines, but were emboldened by vastly increased Libyan—and to a lesser extent Iraqi—support.

Equipment associated with the Scud short-range ballistic-missile system [redacted] 25X1
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[redacted] one Scud transporter-erector launcher and nine Scud resupply transporters near Al Qutayfah, some 20 miles northeast of Damascus. No missiles were seen on the photography. 25X1

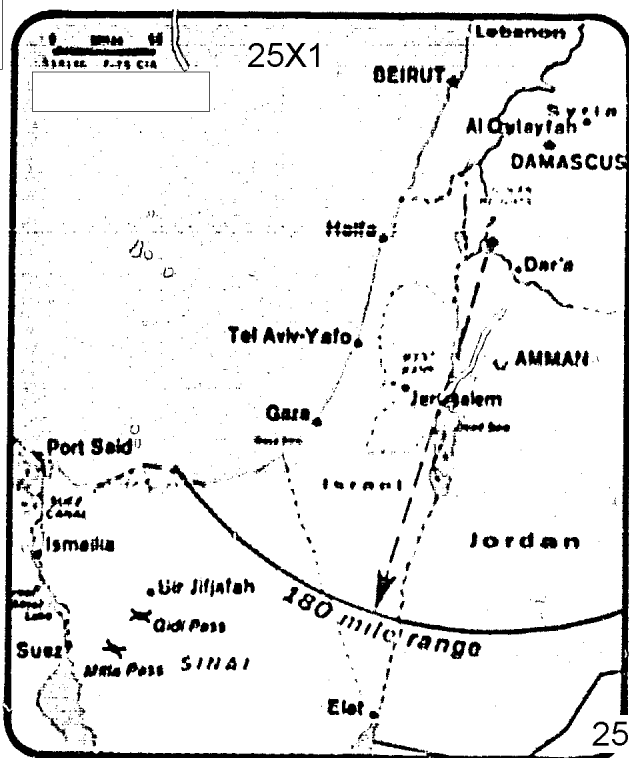
[redacted] The presence of nine resupply transporters suggests that at least one Scud brigade of at least nine missile launchers has been formed. The Scud has a range of about 180 miles and could cover almost all of Israel from southern Syria.

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The security services this week made an unusually strong effort to flush out snipers belonging to the radical groups. This attempt was only partly successful, however, because government forces tended to stick to the relative security of their armored vehicles and tried to dislodge the snipers with heavy weapons. This resulted in considerable property damage, many civilian casualties, and some disaffection within the security service.

The limited success of the security services' initiative, the government's extreme reluctance to call in the army, and the alarming spread of violence to towns outside Beirut all served to prompt Karami and Franjiyah to paper over their differences. The compromise government they created, however, will be short-lived. If it is not expanded to include representatives of all political factions within two or three months, as has been promised by Karami, violence is almost certain to recur.



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SPANISH SAHARA: TENSIONS MOUNT

Moroccan-inspired violence in Spanish Sahara and in Spain's enclaves of Ceuta and Melilla, along with growing friction between Rabat and Algiers, have increased tensions among the parties disputing the future of Spanish Sahara. The rising scale of violence and the frustrations Madrid has encountered in trying to arrange quadripartite talks with Morocco, Mauritania, and Algeria have probably increased Spain's desire to withdraw from the Sahara.

During the past month, Morocco has increased its military probes into Spanish Sahara, provoking several clashes with Spanish forces. Five Spanish soldiers were killed on June 24 when their vehicle hit an antitank mine in the vicinity of an earlier Moroccan incursion. The next day, Moroccan troops who had crossed into the Spanish dependency fired on two Spanish planes flying a reconnaissance mission near the border. The Moroccans withdrew after a Spanish army unit engaged them with mortar fire.

Last weekend, two bombs exploded in Ceuta and one in Melilla, killing at least three Moroccans and one Spaniard. According to press accounts, Spanish officials temporarily closed the border between Ceuta and Morocco and detained some 100 Moroccans for interrogation.

The Moroccans apparently hope that increasing military pressure will induce Spain to negotiate a cession of Spanish Sahara to Morocco. If the level of violence continues to rise, however, Spain may respond more vigorously and show less concern for Rabat's interests in the Sahara. Madrid is especially sensitive about Ceuta and Melilla, which—unlike the Sahara—it is unwilling to give up.

Algerian opposition to Morocco's claim to the territory has been the chief stumbling block to negotiations. Morocco, for its part, is more opposed than ever to Algeria's inclusion in any negotiations on Spanish Sahara.

The Algerians would like to see a referendum on self-determination, as they believe the

Saharans, if given a choice, would opt for independence. Toward that end, Algiers is backing a pro-independence Saharan party, the Polisario Front, which has emerged as the dominant indigenous political force in Spanish Sahara. In addition, Algiers has brought home air and ground units stationed in Egypt since October 1973 and may have moved some local army units closer to the Moroccan border. These limited movements seem to be an attempt to exert psychological pressure on Morocco, whose forces would be no match for Algeria's.

Spain, in another effort to arrange multilateral talks, has invited Morocco, Mauritania, and Algeria to meet in Madrid on July 9. If this effort fails, the Spanish government says, it will seek UN Secretary General Waldheim's help in arranging a conference under UN auspices.

At the same time, Spain is attempting to build a political structure in the Sahara to facilitate a unilateral withdrawal if negotiations break down. The governor general of the territory announced last week that he had invited various political groups to participate in setting up a commission to receive the "transmittal of powers." Despite guarantees of Madrid's neutrality toward all Saharan groups, the Polisario Front did not respond to the invitation, presumably because it considers itself the sole representative of the Saharan people.

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**Cape Verde Islands
BECOMING INDEPENDENT**

The Cape Verde Islands archipelago, a Portuguese colony since the 15th century, becomes independent on July 5. The island group is expected to form an early political union with the Republic of Guinea-Bissau.

The Cape Verde National Assembly, elected on June 30, is drafting a constitution and working out details for the union with Portugal's former dependency on the West African mainland. Guinea-Bissau received its independence last September, following more than a decade of insurgency led by the African

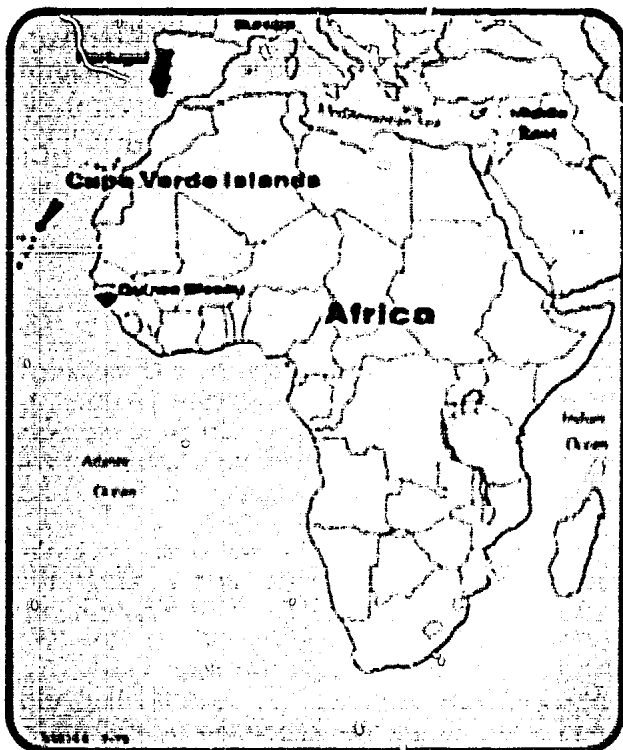
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Party for the Independence of Portuguese Guinea and Cape Verde. The party is the dominant political force in both areas. Most of its leaders are Cape Verdeans, although its military force consists mainly of natives of Guinea-Bissau—the only area in which the party mounted a guerrilla effort.

The islands, which were uninhabited when discovered by Portuguese explorers, were initially valued by Lisbon as a secure base from which to administer its colonizing activities on the African continent. The archipelago soon became a major staging area for the Portuguese slave trade; some slaves from the mainland became permanent residents, and their descendants account for the bulk of the present population of 280,000. In later years the Portuguese relied heavily on Cape Verdeans, because of their longer contact with Portuguese language and culture, to help administer Guinea-Bissau, Angola, and Mozambique. Cape Verde and Guinea-Bissau were under joint territorial government until 1879.



The islands, situated about 300 miles west of Senegal, were the poorest of Portugal's overseas territories. The islands are of volcanic origin; water is scarce, and farming is extremely difficult. The 7 percent of the island that is arable supports over 80 percent of the population on a subsistence level. The islands do have two valuable economic assets resulting from the importance they had to Portugal as a way-station to Africa—an international airport and a modern harbor. The harbor is a major haven for Portuguese and foreign fishing fleets. The two facilities should bring in substantial income.

Although the island group will probably have a degree of local autonomy in any union arrangement with Guinea-Bissau, it will basically be little more than an appendage of the more populous mainland state. Heretofore, the islands have been heavily dependent on Portuguese aid; during the past 18 months, Lisbon provided some \$60 million in financial assistance. Lisbon has indicated that it will be unable to provide financial assistance after independence, although it will probably continue to underwrite some technical and cultural assistance in the form of teachers, doctors, and agricultural experts.

To a large extent, the islands will now be dependent for economic assistance on Guinea-Bissau, whose own resources are extremely limited. The African Party is actively seeking financial assistance for both areas from a wide variety of international sources, including the US.

Both the Soviet Union and Cuba were major supporters of the party during the insurgency, but there are no indications that this support has bought them special favors from the Bissau government. Moscow is continuing to supply Bissau's military needs, and Soviet delegations have visited Bissau to discuss future military and technical aid. The prospective union government will probably allow the Soviets landing and bunkering rights at the islands' port and airfield, but party leaders have declared publicly that they will not allow a foreign military presence in Guinea-Bissau or the islands and that they will follow a nonaligned foreign policy. 25X1

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LAOS: THE LAST STRAW?

After a brief lull, the communists have renewed their campaign of harassment and intimidation against the US mission in Vientiane.

A mixed group of Pathet Lao troops and police as well as student and other civilian demonstrators still occupies the three US installations they seized before dawn on June 28. The installations include the USIS headquarters in downtown Vientiane and the US embassy's general services compound and nearby US residential housing area on the capital's outskirts. A fourth installation—the USIS warehouse—was seized on Monday. All Americans have been evacuated from the various facilities.

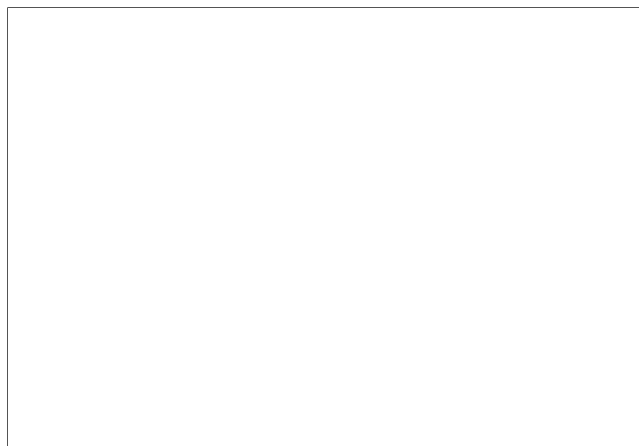
According to US officials, the demonstrators have plastered highly inflammatory wall posters around all of the installations. Some of the posters call for the immediate departure of all "American imperialists" from Laos and threaten harsh consequences otherwise. No violence or serious property damage has occurred thus far, although US officials have noted that for the first time since the Pathet Lao-inspired demonstrations against Americans began nearly two months ago, civilian protesters are brandishing weapons.

There are strong indications that a major demonstration against the US embassy, originally scheduled for June 30, is now on tap for the holiday weekend. Meanwhile, the president of the leftist Lao Student Federation, the activist group that has spearheaded most of the recent anti-American shenanigans, took a very hard line toward the US at a press conference earlier this week. He threatened that, if the US refused to continue assistance to Laos in the form of war reparations and foreign exchange support, the coalition government "would agree

with the federation's desire to break diplomatic relations."

Protests by the US mission to senior communist coalition authorities over the latest anti-American harassment have fallen on deaf ears. Pathet Lao Deputy Prime Minister Phoumi Vongvichit—who along with titular Lao communist leader Souphanouvong returned to Vientiane last weekend following a three-week Central Committee strategy session in Sam Neua—has been "too tired" to discuss the matter with the US charge. Phoumi's alleged fatigue could be politically motivated and designed to further exacerbate the already severely strained Lao-American relationship. It could also be the result of a mild heart attack that Prime Minister Souvanna Phouma claims his deputy suffered while in Sam Neua.

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Steps continue to be taken to trim the mission staff. Some 19 nonessential embassy employees were temporarily dispatched to Thailand early this week, leaving only 22 official US personnel in Vientiane. Some 57 private American citizens also remain in the Lao capital.

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KOREA-CHINA: TALKING PEACE 25X1
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The North Koreans and the Chinese [redacted] continue to emphasize that Pyongyang's intentions are peaceful.

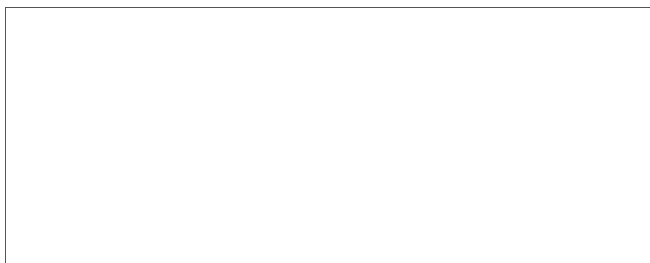
In speeches and commentary marking the 25th anniversary of the Korean war last week, the North Koreans pressed this theme, stating flatly that talk about Northern invasion plans was "ridiculous" and that Pyongyang has no intention of using force of arms to reunify the country.

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Chinese officials in Europe, at the UN, and in other capitals have emphasized that, although reunification of Korea is a matter for the Korean people to decide, Peking urged a moderate course during Kim's visit. Moreover, Chinese propaganda has continued to stress "peaceful" reunification—a line Peking has highlighted since the Kim visit.

North Korean propaganda continues to play some militant themes, but with less promi-

nence since Kim's foreign trip last month. The statement first introduced by Kim Il-sung in Peking—that the North would not stand idly by in the event of an uprising in South Korea—still appears, as do warnings that the North will meet any aggression from the US and Seoul with vigorous revolutionary war. But Pyongyang almost certainly recognizes that Kim's threatening tone at the outset of his visit to Peking was counterproductive, as it encouraged a closing of ranks in South Korea—quieting President Pak's political opposition—and prompted strong expressions of support for Seoul by high US officials.

The current stress on peaceful intentions is probably also aimed at increasing diplomatic support for North Korea at the conference of nonaligned countries in Lima and at the UN this fall.

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Kim meets Mao during recent visit



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SOUTH VIETNAM

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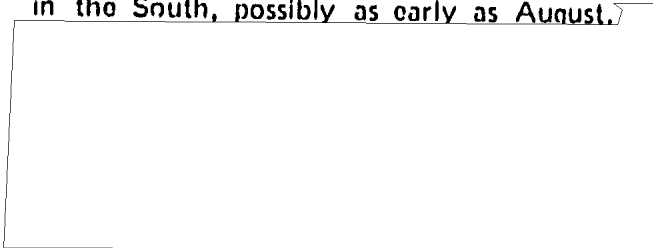
COURTING RECOGNITION

Since seizing Saigon in April, the communists have been busy courting international recognition. The UK, the latest country to announce diplomatic ties with the Provisional Revolutionary Government, was the 30th to do so. A number of others have expressed an intention to recognize the new administration; still others, such as West Germany, maintain that no interruption in formal relations occurred.

Not even the communists' staunchest allies during the war have yet been allowed to establish any sort of diplomatic representation in Saigon. Rumors are now circulating in Saigon and Hanoi, however, that the communists may soon allow some diplomats to take up residence in the South, possibly as early as August.



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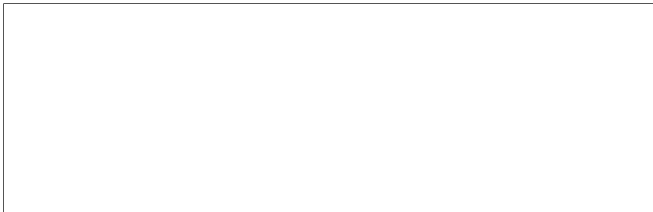


THE UN QUESTION

We continue to pick up signs that both North and South Vietnam plan to seek admittance to the UN this fall. The communists probably see certain practical advantages in separate representation. For one, the South Vietnamese might be able to succeed to positions held by the Thieu government in various UN specialized agencies and other international organizations.

Allowing a limited diplomatic presence in Saigon and seeking separate representation at the UN would point up the gradual course the communists apparently intend to follow in reunifying the two Vietnams.

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The timing of a decision to permit foreign diplomats in Saigon may be linked to the communists' evaluation of the progress being made toward maintaining order and providing food, jobs, and homes for the large number of unemployed including former soldiers and civil servants and persons displaced during the war. Allowing foreign diplomats could also be a harbinger of a transition to a civilian administration from the military committees (headed by Northern generals) that now run Saigon and other large urban areas.



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OAS: TANGLED AGAIN

Conflicting principles once again threaten to leave the OAS awash in rhetoric and unable to come to grips with practical issues. Two items currently before the body illustrate the divisions that plague inter-American affairs: one pits the rest of the hemisphere against the US; the other evokes an ideological conflict among the Latins themselves.

The question under discussion at OAS headquarters in Washington, "illicit corporate payments," opened as an accusatory exercise reminiscent of the OAS blast against the Trade Reform Act some months ago. Six governments—Peru, Ecuador, Venezuela, Honduras, Bolivia, and Costa Rica—all stung by revelations of bribery in business dealings, sponsored a resolution in effect condemning transnational companies as corrupting influences and insisting on the need for a code of conduct for such firms.

Despite the fact that the payoffs were revealed through US investigations, the transnational companies remain for the Latins a major symbol of US exploitation and intervention. The distinction between US official and US private activity remains blurred. Latin governments are prone to exaggerate the political and economic power of large companies and to feel unable to protect their national interests in dealing with them. These governments want what amounts to corrective intervention by the US—a US monitoring system that would "control" US investors abroad. The devising of a code of conduct has been under study for some time in the UN and other international bodies, but an inter-American effort to this end languished as Latin-US affairs turned again toward an adversary relationship.

Revival of the issue via their polemical resolution was another sign of the Latins' conviction that the US and other developed nations can be influenced by a constant barrage of criticism from the Third World. Some governments, however, are beginning to respond to arguments that the flow of unenforceable declarations from the less developed countries is preventing serious efforts to bridge international

divisions. Peru has been less willing than the other sponsors of the resolution to move to a more reasonable position, so that rhetoric will probably outweigh practicality in the final declaration. Nevertheless, the interest by the majority in accommodating the US point of view to some extent seems indicative that dialogue is still alive in the OAS.

San Jose, Costa Rica, will host another OAS meeting which will begin on July 16 and run for perhaps two weeks. The issue here will be specifically to amend the inter-American security alliance, the Rio Treaty, but the gut question is that of the Cuba sanctions. One of the amendments likely to pass will make it possible for a majority, instead of two thirds, to rescind sanctions. Some governments would like to follow through by converting the assembly into an "Organ of Consultation"—foreign ministers or their designates acting under the treaty—that would terminate sanctions against Havana. Chile and other anti-Castro governments, however, will probably block such a move. Santiago, for example, will not send its foreign minister, and it plans to empower its delegation to deal only with the formal Rio Treaty agenda. The vaunted OAS principle of ideological pluralism remains an abstraction that many governments refuse to accept in the case of Castro's Cuba.

The Latins on both sides of the Cuba problem have faulted US "neutrality" on the issue. Those preferring to normalize relations with Havana are angry at the US for failing to go along with the majority at Quito last autumn, a stand which they believe denied them the chance to dispose of this contentious issue.

Neither side is likely to be wholly satisfied at the outcome of the San Jose conference. The Latins favoring normalization will probably call for yet another meeting and vote on a resolution that will, at a minimum, leave governments with "freedom of action" on the Cuba matter—a freedom many OAS members have already exercised independently by establishing relations with Cuba.

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Argentina LABOR'S DEMANDS UNDERMINED

Labor's announced pledge to respect the authority of President Peron constitutes a momentary but significant victory for the government in its continuing conflict with workers. For the moment at least, the leaders of the Peronist labor confederation are unwilling to risk calling the workers into the streets again for the final showdown, as they had threatened.

The President's unexpectedly strong stand has caught the labor leaders off guard. They had apparently assumed that the government would yield easily, but the administration's persuasive economic rationale for overturning massive pay hikes negotiated last week has considerably lessened their ability to act. The longer the union chiefs hesitate, the more untenable their position is likely to become.

At the direction of chief presidential adviser Lopez Rega, the government sought first to undermine the authority of the labor leaders and now seeks to divide the whole labor movement. The administration came out against the wage hikes only after many, but not all, of the important unions had negotiated new wage contracts. The government thus set union against union and demonstrated once again to the workers their leaders' inability to deliver.

Against this setting, the Peron administration has come forth with a proposal to increase wages by 80 percent, in installments. This will probably appeal to those workers whose new contracts were still being negotiated, but will not assuage those who had obtained increases of 100 percent or more. The President has also announced a doubling of certain benefits that apply primarily to workers at the lowest end of the wage scale.

Both the President and Economy Minister Rodrigo, a protege of Lopez Rega, have made tough, well-thought-out speeches cataloguing the nation's many economic ills, pointing out that austerity is in order and that the present administration—the constitutional heir to the magical Peron legacy—is uniquely qualified to deliver it. The stress on legitimacy is designed to discourage military intervention; indeed, most



Textile workers demonstrate outside the headquarters of the General Labor Confederation

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officers are known to favor the maintenance of constitutional rule if at all possible.

In a related move, Lopez Rega has taken another step toward building greater control over the nation's security apparatus. Last week, the government created a new post within the Interior Ministry—that of under secretary for domestic security—and filled it with a former federal police official. The new official will coordinate all government antisubversive efforts. The appointment came before the current crisis and could have been designed to give the government an alternative means of dealing with potential labor violence, given the military's unwillingness to intervene against workers and on the side of Lopez Rega.

If the government wins its contest with labor, the main victor will be Lopez Rega; his mastery of the political situation will then be virtually complete. A fragmented, unrestrained labor movement, however, could prove more dangerous in the long run than the somewhat recalcitrant but still relatively disciplined force that now exists. [redacted]

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HONDURAS: PEASANT UNREST

Peasant unrest is giving the government of President Melgar, in office only since April, its first hard test.

Army troops last week broke up a hunger march in the interior of the country by peasants of the National Union of Campesinos, killing at least five persons in the clash. Many more deaths may have gone unreported. The march was intended to force the government to comply with peasant demands for a more rapid distribution of land and the release of imprisoned campesinos.

Police raided the peasants' union headquarters in Tegucigalpa and arrested its leaders. Three US Peace Corps volunteers and several Catholic priests of US nationality were detained by police. The Peace Corps volunteers were later released.

By week's end, army troops had stopped the marchers and sent them back home, but the peasants have vowed to resume their protests, which may include further attempts to take over privately owned lands.

Melgar apparently received authority to crack down from the 26-man Superior Defense Council, the policy-making body dominated by lieutenant colonels who ousted president Lopez in April. Their action was an attempt to show that the new government is not weak or vacillating, as its critics have said.

Despite the quick and harsh response, peasant unrest still poses a problem for Melgar. Committed like his predecessor to the cause of agrarian reform, he has to steer between the demands of the peasants and the landowners. Melgar is regarded as a conservative with ties to landowner and business circles, which have opposed land reform.

Although the council appears to have given the President the authority to get tough this time, it is not at all clear that he will be allowed to dismiss the peasants' demands out of hand. Pressures from organized peasantry for a speed-up in agrarian reform are likely to continue, and the lieutenant colonels, probably fearing that more repression would bring the military into disrepute, are likely to tell Melgar that some movement toward more rapid land reform is necessary for the good of the country. [redacted]

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COLOMBIA: SECURITY EXTENDED

President Lopez has extended to the entire country the state of siege he imposed in three widely separated areas in mid-June. Continuing student demonstrations, protests against economic hardships, and the recent outbreak of guerrilla activity have obliged Lopez to move to maintain order. By imposing martial law and all but abandoning his policy of broadening civil liberties, Lopez is almost certain to face the most serious political challenge of his ten-month tenure. [redacted]

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