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Sanitized Copy Approved for
Release 2011/11/08 :

CIA-RDP86T00608R00030002

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Weekly Summary

Secret

No. 0047/75

November 21, 1975

Copy **№ 1399**

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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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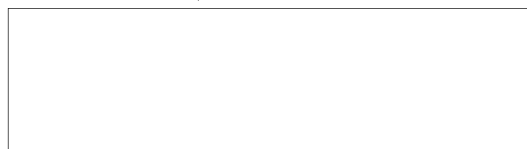
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ANGOLA: AFTER INDEPENDENCE

The country's first days of independence have been marked by more fighting between forces of the two rival "regimes" that are vying for recognition as the legitimate government. With the continuing efforts of the Africans' regional organization to arrange a truce apparently getting nowhere, the outlook is still for a protracted military struggle in which the foreign support going to the two sides may be decisive.

On the Scene

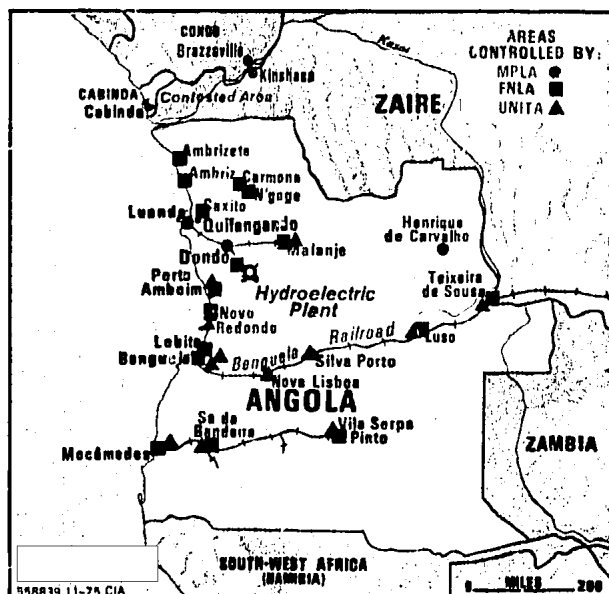
The Soviet-backed Popular Movement for the Liberation of Angola remains under heavy pressure in areas of eastern and central Angola from the more moderate National Front for the Liberation of Angola and National Union for the Total Independence of Angola. On November 18, the National Union announced that its forces, which are operating with elements of the National Front, had taken Malanje, one of the Popular Movement's few remaining strongholds in central Angola. Its fall leaves a wide gap between the Movement's forces in Luanda and important units operating from Henrique de Carvalho.

Forces of the National Front that have been moving toward Luanda from the south apparently reached Dondo this week, putting them close to the hydroelectric plant that supplies power to Luanda. North of the capital, the Front may be about to abandon its effort—stalled for nearly a month—to break through the Popular Movement's defenses around Quifangando. Instead, the Front may try to move on the capital from the east.

In Cabinda, where the Popular Movement is strongly entrenched, its forces apparently

succeeded late last week in beating off an invasion attempt from Zaire by a Cabindan separatist group that is supported by Zairian President Mobutu. There have been no recent reports of further fighting in Cabinda.

On the political level, the Luanda-based Popular Movement regime headed by Agostinho Neto late last week installed an 18-man cabinet in which Neto's lieutenant, Lopo de Nascimento, holds the post of prime minister. He was the Movement's principal representative in the four-party transitional government that collapsed last summer. Both the political and military wings of the Popular Movement are represented in the cabinet. The rival National Front - National Union "government," meanwhile, has had trouble get-



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ting off the ground. A leadership slate has still not been announced, but it now appears that neither National Front leader Holden Roberto nor the National Union's Jonas Savimbi will take top positions. Each is hesitant to become too closely linked with the joint government, which they both regard as a marriage of convenience to provide a focus for anti-Soviet foreign support.

Foreign Reaction

Partly because of the existence of the competing regimes, most nations—including the bulk of the 46-member states of the Organization of African Unity—are withholding recognition from either Angola claimant. Some 25 governments, including the USSR, Cuba, ten other Communist countries, and ten African states, have recognized Neto's government, however, while no state has formally accepted the National Front - National Union regime. This week, Neto's people unsuccessfully sought admission to the current meeting in London of the International Coffee Council.

The Organization of African Unity is still trying to resolve the Angolan situation through a government of national unity, but its efforts have been impaired by the failure of the ten African states—all radical regimes—that have recognized Neto to abide by the OAU's request to remain neutral. Other OAU members want to avoid any further division over the Angola issue. At present, OAU Chairman Amin's proposal for sending an African peacekeeping force to Angola and calls by Somalia for a summit meeting and by Ethiopia for a foreign ministers' conference show little sign of getting off the ground.

The Soviet Role

Moscow provided fresh evidence during the past week of the importance it attaches to a victory by the Popular Movement, the group the USSR has supported for years. With the Movement's forces continuing to retreat in most sectors and the threat to its hold on Luanda apparently growing, the USSR mounted another substantial airlift of military supplies and equipment.

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Holden Roberto

[Redacted]

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Specific details about the cargo rushed to Neto's hard-pressed forces are not available, but it surely included substantial quantities of the small arms and ammunition expended so freely in the Angolan fighting.

[Redacted]

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The Soviets will be watching the military situation closely, however, and may well provide further support to the Popular Movement if its fortunes continue to decline.

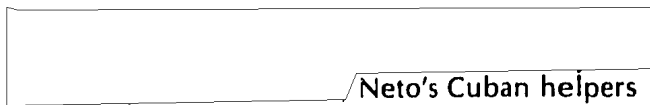
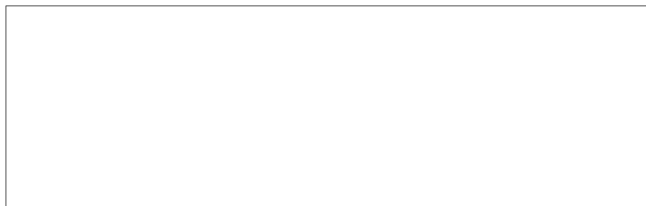
The USSR has had to pay a price in black Africa for its strong military and diplomatic support of Neto's regime, although Soviet leaders presumably had made a prior determination that the prospect of gaining significant influence in southern Africa was worth the price. A number of African states have been particularly upset by the Kremlin's flouting of the OAU's call for neutrality in the Angolan dispute.

Soviet pressure on Uganda's Amin—the OAU chairman—to recognize Neto's government contributed to the recent temporary rupture in relations between Moscow and Kampala. Nigeria, long an important target country for the Soviets in Africa, has publicly criticized the Soviet Union's "flagrant interference" in Angola's affairs. Zaire is trying to make an issue in the UN Security Council of the Soviets' support for their Angolan protege.

Cuban Involvement

Concurrent with the Soviet supply airlifts, Havana, probably with a nudge from Moscow, has stepped up its airlift of troops to support the Popular Movement's military operations. Cubans have advised and trained Neto's forces for years, both in Cuba and in Africa. The number of Castro's people involved in the situation has risen sharply in recent months, particularly since the end of September when the airlift apparently began.

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Neto's Cuban helpers may now total more than 3,000.

The Cubans have almost certainly become more directly involved in the Angolan fighting since the tide of battle turned against the Popular Movement last month. They probably played an important role, for example, in the Movement's successful defense, so far, of its position in Cabinda. If Moscow has provided Neto with fighter aircraft, they most likely would be flown by Cuban pilots.

Peking Finesses

The Chinese, who have long viewed the Angolan strife in the broader context of Sino-Soviet rivalry, have taken ill-concealed delight in the African backlash to Moscow's heavy-handed involvement with the Popular Movement. Peking's media have been saturated with replays of anti-Soviet articles and statements from numerous African capitals, and Chinese propagandists have authored a number of articles clearly aimed at fanning African emotions.

Early this week, the Chinese sent an official letter to OAU Chairman Amin indicating that, in line with the organization's stand on Angola, China would not recognize any regime until "national unity" is achieved and lambasting Soviet "interference in Angolan and African issues."

Anticipation of precisely such a propaganda windfall led Peking, in the immediate pre-independence period, to lower the visibility of its own involvement in Angola. China withdrew military advisers from Zairian programs for training units of the National Front—the primary recipient of past Chinese assistance. Future Chinese support for the National Front - National Union coalition will almost certainly be of the type that can be funneled through African intermediaries in a way that will leave Peking with a plausible case for denying any direct role.



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LEBANON: TRUCE CONTINUES

The cease-fire implemented in Beirut on November 2 is still basically holding, although the security situation deteriorated somewhat late this week as extremists attempted to spark a resumption of heavy fighting. The country's less intransigent Muslim and Christian leaders are edging toward compromises on some political issues, but are being pressed by their militant coreligionists to avoid making important concessions. The politicians therefore have not addressed the basic issues that keep tensions high.

Splinter groups on the far left apparently have been responsible for most of the sniping attacks in Beirut this week. These attacks have occurred in several areas of the city, but have not yet drawn the large private militias into renewed clashes. At least ten far-left organizations have been involved in the recent incidents; these groups are especially belligerent now as a result of Prime Minister Karami's offer last weekend to reach a political compromise with the Christians.

On November 25, Karami won cabinet approval for a proposal that he and President Frangiyah get together and come up with specific plans for ensuring Muslim and Christian equality in parliament and the civil service, for limiting unemployment, and for reviving the economy. The Prime Minister did not directly threaten the powers of the presidency—held by a Christian under Lebanon's present system—and his program fell short of the fundamental changes suggested only last week by the committee on political reform.

Officials of the right-wing Christian Phalanges Party—which is not represented in the cabinet—have cautiously approved Karami's proposals. They are relieved at his willingness to compromise and probably regard alteration or ultimate abandonment of the system of proportional representation in government jobs as inevitable. Christian leaders take some consolation in the knowledge that their followers are generally better educated than the Muslims and therefore would be better able to compete under any future merit system.

The Christians' cautious acceptance of the proposals stems partly from reassurances on security matters offered by Karami on November 7. He called on the country's warring factions to allow the Lebanese army and internal security force to play a greater role in restoring civil order and said that only after the country is calm will the government be able to implement comprehensive political, social, and economic changes. Karami's assertion that security and reform are inseparable was an attempt to be evenhanded; his statement that order must be restored before reforms can be implemented, however, was a concession to right-wing Christians.

On November 15, Karami joined with the rest of the cabinet in approving a proposal by Interior Minister Shamun, the group's most powerful Christian, to form a new 300-man security force to patrol Beirut. Because the new unit is made up of commandos from the army as well as from the internal security force, its creation is also a concession by Karami. The force was to have been provided heavy arms and moved into the streets by midweek, but by the end of the week there still were no signs that it had begun patrolling.

Muslim leftists on the reform committee and some Beirut newspapers are attacking the Christians for refusing to make greater concessions and Karami for his willingness to compromise. Representatives of most Palestinian and Lebanese leftist groups met on November 18 to "review their support" for the Prime Minister, but they are unlikely to turn against him. Kamal Jumblatt, spokesman for the leftists, has demanded that Karami spell out the details and ultimate aims of the changes he is proposing.

Karami has not responded to such calls. In his appearances before parliament and the press over the past two weeks, the Prime Minister has limited himself to lengthy but obscure statements designed to convince Muslims that changes are coming and to assure the Christian community that the changes will involve "reinterpretations rather than amendments" of Lebanon's constitution.

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ETHIOPIA: POWER SHIFT

A power struggle within the ruling military council has increased the influence of General Teferi Benti, the group's chairman, who had previously played a figurehead role. The two most powerful members during the past year, Major Mengistu and Lieutenant Colonel Atnafu, no longer dominate the council, although they retain their positions as vice chairmen. The council apparently is now considering—and discussing with various groups—possible revisions in its policies in an attempt to accommodate its major opponents and halt increasing unrest throughout the country.

Rivalry between the two vice chairmen for supremacy contributed to their political eclipse. Other council members' dissatisfaction with constant jockeying by the two increased sharply last month when a standoff between them threatened the junta's survival. Teferi took advantage of the weakening of their authority to make his own bid. He was aided by the dissatisfaction of key military units—expressed directly to the ruling group—with policies pushed by the council under Mengistu and Atnafu.

The new prominence of Teferi and his supporters has not ended maneuvering in the military. Teferi's leadership abilities are limited, and he is not likely to establish himself as a strong man. His survival will probably continue to rest on his ability to act as arbiter among competing groups.

Meanwhile, the power struggle among the council factions has resulted in an erosion of the authority of the group as a whole within the armed forces. The regular military hierarchy and major units have gained influence, at least temporarily, at the council's expense.

The council's floundering has led to widespread discussion of alternatives to Ethiopia's current leadership and policies. Even some council members appear to be losing confidence in the ruling group's ability to deal with pressing national problems, especially the Eritrean insurgency and the increasingly better organized



General Teferi Benti

rebellions in other provinces. The council, without abandoning its commitment to a socialist framework for transforming Ethiopian society, has shown a willingness to consider new approaches and a desire to gain more popular support.

As part of the reassessment, council members are engaging in a low-key dialogue with some influential civilians. Atnafu and Mengistu, apparently chastened by their recent setbacks, are holding consultations with military units in the Addis Ababa area. The units have been demanding such a dialogue for many months.

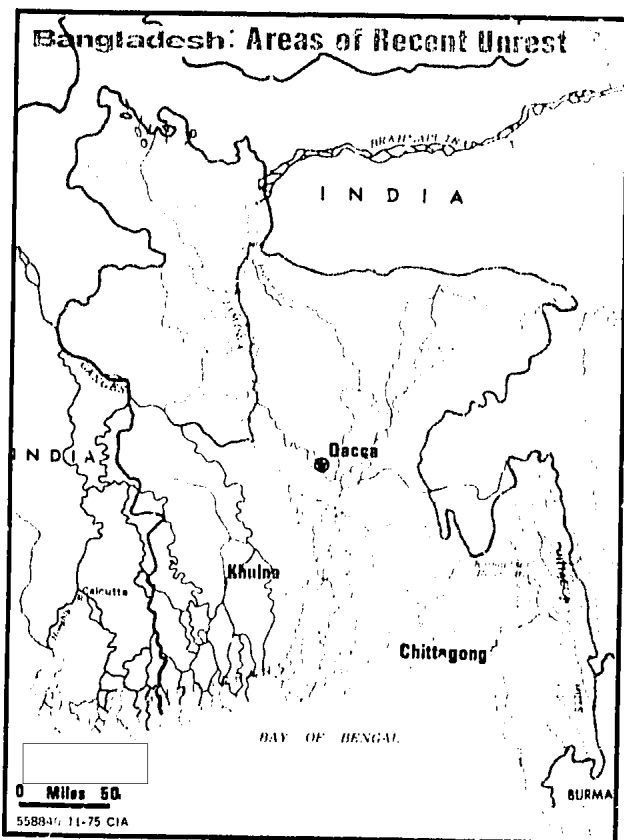
In an address late last week to military and police representatives, Atnafu adopted a conciliatory tone. He admitted the council had made mistakes and said it was now studying a revision of past policies and ideologies. He indicated the civilian ministries would be given a more important and independent role.

Mengistu's and Atnafu's efforts seem aimed primarily at keeping the present ruling group in power. Each is probably also attempting to lay the groundwork for a possible comeback.

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BANGLADESH: TRYING TO COPE

The two-week old regime dominated by army chief of staff General Zia continues to be preoccupied with the collapse of discipline within the armed forces and the possibility of Indian interference. Zia, who apparently retains a wide following in the military, probably represents the best chance of eventually re-establishing authority over the troops. More incidents of military indiscipline, however, could undermine both Zia's reputation and the martial law administration—the country's only governing authority—nominally headed by President Sayem.

Enlisted men at the major army base in Dacca, where the disturbances in the military began on November 7, have apparently not been brought totally under control. Many officers at the Dacca base are reportedly being transferred to other

posts in an effort to prevent a resurgence of opposition.

Early this week, mutinies broke out in military and police units in at least four northern districts and at naval bases in Chittagong and Khulna. It is questionable whether the government has effective authority at any of these locations. At least some of the defiant enlisted men may have been encouraged by reports that mutinous troops in Dacca were given pay raises. As word of the incidents spread, still other units may be affected.

In an effort to reimpose discipline, the government this week announced new martial law regulations that provide for the death penalty for inciting mutinies. Zia and one of his two fellow deputy martial law administrators each made at least one trip from Dacca to talk to restive units. They also addressed separate nationwide appeals to the troops for unity and discipline. Zia made a special bid to assure enlisted men that their grievances would get prompt attention.

Zia may have tried to arrange an accommodation with leaders of the National Socialist Party, the radical group that has gained some influence among the troops and has attempted to exploit their differences with the officers. After the mutiny in Dacca broke out, Zia released two leaders of the party who had been detained by former president Mujib.

Zia has also tried in various ways to allay public uneasiness resulting from the shattering events of this month and the coup last August. In Dacca, he has had army convoys circulate and put troops on patrol at night in an effort to show that the military is in control. Both Zia and President Sayem have publicly emphasized the need at present for martial law, but have also stressed their regime's commitment to end it as soon as possible. Last week the President announced that elections for parliament, which was suspended after Mujib's overthrow in August and then dissolved by Sayem earlier this month, would be held before March 1977.

Both Zia and Sayem realize that to stabilize the situation confidence must be restored, especially among the middle class, the mainstay of

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the bureaucracy and the officer corps. Civil servants at both the national and district levels are demoralized and foundering in the absence of direction from above.

Many Bengalees, meanwhile, continue to fear that India may take advantage of the weakness and instability of the Dacca regime. Their concerns are reflected in rumors that Indian agents and provocateurs have been especially active in the past two weeks. The US embassy in Dacca reports widespread fear that India will make Bangladesh pay for the ouster and deaths of Mujib, a friend of India, and General Musharraf, who allegedly was supported by New Delhi in his short-lived bid for power early this month.

Bengalee concern over Indian intentions has been fueled by reports of recent clashes between Bengalee troops and Indian forces along the border. The Indian army commander for eastern India, however, told US officials privately this week that the Indian army had not been involved in any incidents along the border since the upheavals in Bangladesh began early this month. He was less categorical in denying that paramilitary border security troops had engaged in clashes. The commander insisted that India would not intervene in the neighboring country, regardless of the political complexion of the regime there, unless the Hindu minority is mistreated.

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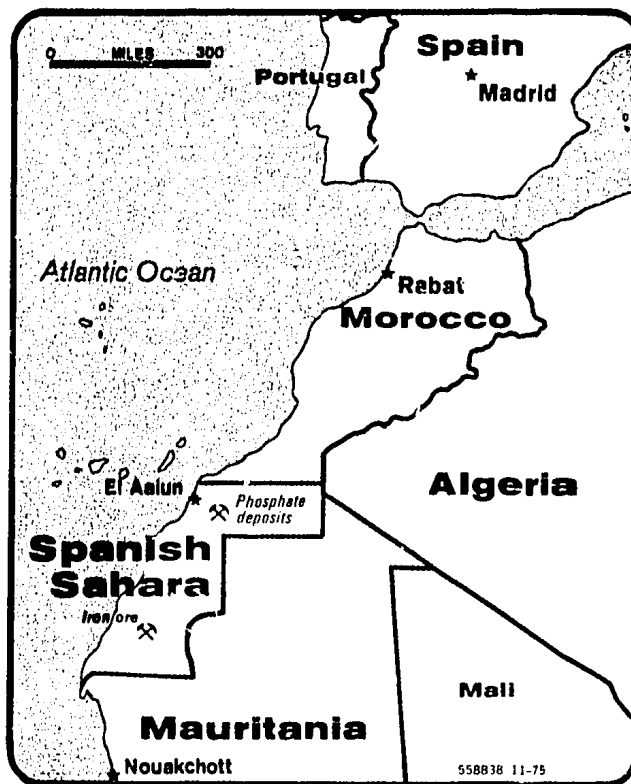
SPANISH SAHARA: MADRID AGREES

On November 14, Spain announced it had agreed to transfer the administration of its Sahara territory to Morocco and Mauritania next March. The accord is a victory for Morocco's King Hassan and the confrontation tactics he pursued to induce Madrid to approve a direct turnover of the territory he has long claimed. Algeria, excluded from the negotiations, has denounced the accord and will continue diplomatic efforts to block its implementation and probably also continue its support for a pro-independence Saharan guerrilla movement.

Under the agreement, the three countries are to set up an early tripartite Saharan administration. This week the Spanish parliament paved the way for such action by passing legislation establishing a legal basis for decolonizing the territory. Spain will pull out entirely by February 28, 1976, leaving Morocco and Mauritania in control.

Although the full details have not yet emerged, the semi-official Moroccan press has asserted that the accord includes economic provisions concerning the exploitation of minerals and fishing rights. These arrangements presumably will assure Spain a return on its investment in the Sahara. Meanwhile, Madrid, relieved of the threat of possible armed conflict with Morocco, will be able to carry out an orderly withdrawal.

The agreement apparently provides for limited "consultations" with the Saharan people on the future of the territory. As co-administrators, Rabat and Nouakchott will be able to



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"consult" with hand-picked Saharan tribal leaders, primarily from the territorial general assembly, who will be responsive to their direction. The tribal leaders would almost certainly agree "voluntarily" to a partition of the territory that gives Morocco the northern region with its rich phosphate deposits and Mauritania the southern portion with its ore.

To get the agreement, Spain abandoned its earlier insistence on a UN solution involving a referendum. With the chips down, Madrid apparently decided to risk a period of poor relations with Algeria, which has long championed self-determination by the Saharans through a UN-supervised vote.

Algiers, outmaneuvered by the accord, will exert diplomatic pressure on Spain and seek international support to reverse the agreement. On November 14, the official Algerian news agency warned Madrid that its action will jeopardize Spanish interests in the region. The Boumediene regime has strongly reiterated its support for the principle of self-determination, and will continue to push at the UN for a referendum. Moroccan and Mauritanian spokesmen, who will seek to limit debate on the issue, can be expected to argue that the consultations their governments have agreed to are all that is required to determine the popular will.

Algeria is threatening to request a meeting of the Security Council as soon as the terms of the agreement are made public. The Algerians will argue that the proposed consultations are not in accord with the advisory opinion issued by the International Court of Justice in October, which upheld the Saharans' right to self-determination. Algiers will also insist that only the General Assembly has the authority to determine the appropriate means of decolonization. Previous assembly resolutions have endorsed self-determination.

Algiers, while probably avoiding direct military intervention in the territory, will surely continue to provide arms, training, and possibly some "volunteers" to the Polisario Front, a Saharan group that wants complete in-



Algerian President Boumediene

dependence. With a sanctuary across the territory's border with Algeria and sufficient arms, a relatively small number of Front guerrillas could carry out terrorist attacks and sabotage in the territory. The Front, which claims to control part of the Sahara, has requested the UN to condemn the agreement as a violation of existing UN resolutions. It also wants a UN observer mission sent to the territory where Front guerrillas have recently clashed with Moroccan forces moving into areas in the northeast already abandoned by Spanish troops.

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NORTH YEMEN - SAUDI ARABIA**Uneasy Relationship**

North Yemeni strong man Ibrahim Hamdi and his supporters are again nervous about Riyadh's intentions toward his reformist regime. Two recent instances of ambiguous Saudi behavior in matters of high concern to Sana have set the North Yemenis on edge.

Since his take-over in June 1974, Hamdi has never felt entirely confident of the support of Saudi Arabia's rulers, which is essential to his regime. Accustomed to exerting influence in North Yemen by supporting conservative tribal elements, especially those led by the powerful Abdallah al-Ahmar, the Saudis took some time before finally endorsing Hamdi's military regime.

Early this month, Riyadh irritated—and worried—the North Yemeni leader by dispatching an uninvited mission to Sana to mediate a flare-up between Hamdi's increasingly assertive central government and disaffected tribalists led by al-Ahmar. The Saudi mediator was Prince Turki al-Faysal, deputy to royal counselor Kamal Adham and younger brother of the Saudi foreign minister. Turki's visit, which lasted nearly two weeks, was interpreted by Sana as gratuitous meddling in North Yemen's internal affairs, and Hamdi's leftist rivals have seized on it as proof of their charge that he is a Saudi stooge.

Still more upsetting to the Hamdi government was the public impression Turki created of Saudi backing for al-Ahmar. This apparently encouraged al-Ahmar to adopt a more intransigent position in his conflict with Hamdi. At the same time, the widespread resentment over the Turki visit may make it harder for Hamdi to agree to a compromise. Ironically, there is evidence that Turki's reports home supported Hamdi.

Relations between Sana and Riyadh have been complicated further by the results of the visit to Saudi Arabia in early November by North Yemeni chief of staff Ghashmi. Ghashmi has told Hamdi and the US ambassador that the mission was a failure because the Saudis did not extend

the offers of military assistance Sana has been expecting. Ghashmi also claimed that Saudi Defense Minister Prince Sultan made allegations about continuing leftist influence in Sana, thereby seemingly calling Riyadh's support for the Hamdi regime into doubt.

The Saudi military attache in Sana, who was present during the talks, has provided a different account. He says that details of proposed Saudi military assistance to North Yemen were discussed at considerable length, including a January starting date for the program.

The Soviet Aid Ploy

Whatever the case, Sana is resorting to a familiar ploy to generate greater motion in Riyadh: it is threatening to turn to the Soviets for military aid. A member of the ruling command council left for the USSR on November 13 to observe some Soviet military maneuvers, although he was not authorized to engage in serious talks. Hamdi himself broke with tradition to attend the Soviet national day celebration in Sana along with everyone of importance in his government; he has never attended a similar Western function.

The Yemenis may well be overreacting. The Saudis reportedly conveyed verbal assurances of their support during Ghashmi's visit, and they will probably follow through with something more tangible in due course. They have apparently also indicated that their subsidies—for Sana's budget—now a half year and \$80 million in arrears—will be paid shortly.

Although there are clearly divisions among Saudi leaders over the extent to which Hamdi ought to be backed, there seems at present to be a basic consensus in Riyadh that he should be supported and his government made strong enough to resist external threats from radical states—notably South Yemen and Iraq. Saudi support for the North Yemeni tribes is not likely to end entirely, however, providing, at the least, a continuing irritant.

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Prime Minister Azevedo

PORTUGAL: CABINET GOES ON STRIKE

The Portuguese cabinet suspended its functions in an unprecedented move on November 20, blaming divisions within the armed forces for its inability to govern. Renewed left-wing challenges to the Azevedo government have exposed its vulnerability and thwarted Prime Minister Azevedo's efforts to establish control over the government through a step-by-step curtailment of leftist influence.

The cabinet, which called on the all-military Revolutionary Council to resolve the question of

authority two weeks ago, brought the issue to a head by threatening to resign unless President Costa Gomes, in his capacity as armed forces chief of staff, guarantees military backing for the cabinet and its policies. Costa Gomes has a penchant for compromise, but he may find it difficult to wriggle out of this situation gracefully. It is a daring move for Azevedo since Costa Gomes may try to settle the matter by increasing left-wing participation in the cabinet or even dissolving the sixth provisional government altogether.

The Communists stand to gain the most from any cabinet changes. They have gone along with the protests of the extreme left wing against the government, but most party leaders appear reluctant to attempt a grab for power at this time. Gains in the cabinet and the Revolutionary Council would restore a large measure of the influence lost by the Communists following the ouster of prime minister Goncalves this fall.

The cabinet's decision to suspend its functions may have resulted from the apparent success of the left wing in frustrating efforts to bring about changes in the government and the military high command. The anti-Communists had continued to press for the reduction of left-wing influence in the armed forces, even though this goal became more difficult to achieve because of the left's growing assertiveness.

Security chief General Carvalho's boycott of the Revolutionary Council and his active courtship of the left convinced many senior military officers that he was the major stumbling block to the restoration of discipline. When reports were leaked of the impending reassignment of Carvalho and several other radical commanders in the Lisbon area, the Communists and the far left rallied their forces to block the move.

The left's campaign against the government had gathered steam when a protest march by striking construction workers on November 12 turned into a Communist-led siege of the constituent assembly building and the adjoining residence of Prime Minister Azevedo. Assembly delegates were released after spending the night

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in Sao Bento palace, but Prime Minister Azevedo was detained for 36 hours until he agreed to the workers' demands for an average salary hike of 28 percent. A permanent contract is to be completed by November 27. By acceding to the workers' demands—only three days after an economic austerity plan was published in the Lisbon press—the government damaged its chances for enacting effective measures for economic recovery.

The left dealt a further blow to the Azevedo administration by turning out tens of thousands for an anti-government demonstration on November 16. The increased leftist activity had raised fears among the democratic parties that the left was building up to an effort to take over the government. The left, in turn, has accused the right of coup-plotting. Democratic parties were acutely aware of their helplessness in the face of left-wing militancy and sent party leaders to safer locations in the north until the situation in Lisbon clarified. There were calls for the government and the constituent assembly to move to the northern city of Porto and leave Lisbon to the radicals.

Opposition to the Communists' moves could be weakened by dissension between the Socialists and the Popular Democrats. The Socialists charged that the Popular Democrats were trying to use a joint demonstration in the northern town of Viseu on November 16 for partisan purposes and withdrew their support at the last minute. The Popular Democrats since then have insisted that relations between the two parties are good, but the Socialists are concerned that the Communists might make serious inroads into Socialist support on the left if the party appeared to be collaborating closely with the Popular Democrats.

The latest Communist offensive in Lisbon has given rise to a new surge of independence sentiment in the Azores. The six-man regional governing council issued a communique on November 15 demanding that mainland security forces support the government. The junta warned that if the unsettled conditions in Lisbon continue, the Azores will refuse to submit to a government in a "state of anarchy." Mass demonstrations in the islands this week made clear the overwhelming solidarity of the conservative Azorean population with the council.

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President Costa Gomes (l) with security chief General Carvalho

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Icelandic Foreign Minister Augustsson (r) meets with British officials

ICELAND: TROUBLED WATERS

Prospects for at least a limited rerun of the cod war of 1972-73 increased last week following the expiration of the existing Icelandic-UK fishing agreement and the failure of the two nations to break a deadlock in negotiations for a new agreement.

The talks last weekend, the third since September, broke off shortly after they opened because of basic disagreement over the size of the annual catch to be allowed British fishermen. Iceland raised its offer from 50,000 tons to 65,000 tons, but the UK proposed to reduce its catch only to 110,000 tons from the 130,000 tons allowed under the old pact.

The tone of the talks was also unpromising. The British negotiator, State Secretary Hattersley, in a talk with US officials following the failure of the talks described Icelandic politicians as "impossible and incompetent." For their part, Icelandic negotiators considered Hattersley overbearing, arrogant, and threatening. No date has been set for the next round of talks.

Since the expiration of the agreement on November 13, which permitted some fishing within 50 miles of the coast, the Icelandic coast

guard has begun gradually to enforce the new 200-mile jurisdiction that Reykjavik declared on October 15. Iceland's six coast guard vessels have warned many of the estimated 50 British trawlers in the area to leave and have cut the lines of three that were caught within the 50-mile zone.

The British have issued a public warning that they will protect their fishermen against harassment. London has dispatched three unarmed oil rig protection vessels outfitted with fenders 25X1

There were sporadic confrontations among trawlers, gunboats, and frigates at the height of the last cod war.

Public opinion in Iceland remains strongly opposed to concessions to foreign fishermen. In an apparent effort to alter this view, the newspaper of Prime Minister Hallgrímsson's party last week ran two editorials pointing out that Iceland is too weak to enforce its will and stands to gain more from negotiations than intransigence. Saddled with an indecisive coalition partner, however, Hallgrímsson probably cannot afford to bend far to meet British demands before

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tensions rise even higher; he fears pressures to withdraw from NATO will revive.

Despite the impasse with the UK, Iceland is on the verge of reaching a fishing agreement with West Germany, following relatively smooth negotiations. Foreign Minister Agustsson went to Bonn this week to iron out the few remaining details and hopes to initial a pact. Hallgrimsson runs some risk of negative public reaction to the proposed terms, but the Germans have tried to ease his position by accepting a number of key Icelandic demands. Bonn reportedly will agree to a 60,000-ton catch limit and is prepared to allow Reykjavik to determine where the fish can be caught if Iceland will accept ambiguous German language on the 200-mile claim.

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[redacted] there has been no official announcement that the UK has lifted its ban on the sale of offensive weapons to Middle East countries. Official policy will apparently continue to be one in which each sale will be reviewed individually to determine its potential effect on the military balance in the Middle East.

This policy undoubtedly is of concern to Cairo, although the Egyptians appear confident that they will obtain some sophisticated equipment from the UK. In any case, the Egyptians do not want to become too heavily dependent on British arms because they are worried that the UK may again cut off arms deliveries if there is another Middle East flare-up.

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The Egyptians may be more interested in package deals that include weapons assembly and local production under British license. [redacted] Egypt is the leading proponent of a move to develop long-term Arab self-sufficiency in basic arms production.

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UK: OFFERING ARMS TO EGYPT

US embassy officials in London report that no major arms deals were concluded between the UK and Egypt during President Sadat's early November visit to Britain.

[redacted]

Following the visit, both British and Egyptian officials have said that press reports of a pending Egyptian purchase of 200 supersonic Jaguar fighters were inaccurate. According to these sources, the press greatly exaggerated the immediate likelihood of a Jaguar deal as well as its size. Nevertheless, US embassy officials believe the British Defense Ministry is in favor of such a deal and is pushing the cabinet to authorize further negotiations.

Egypt has been negotiating with Great Britain for some time to produce under license the Hawk advanced jet trainer and the Anglo-French Lynx helicopter. The Hawk would be a better initial choice than the Jaguar if the Egyptians are seriously interested in producing an advanced fighter aircraft. The Hawk is an excellent trainer with good ground-attack capabilities and could be built using less sophisticated technology than that required to build the Anglo-French Jaguar. The Jaguar strike fighter, however, would give Egypt a much greater military capability, but any licensed production program for this highly sophisticated aircraft would require considerably more direct Anglo-French assistance, and for a longer period of time.

Earlier this year, the British appeared close to concluding a Hawk deal with the Egyptians, but in recent months the French have been pressing hard to sell Cairo the Franco-German Alpha Jet, an aircraft similar to the Hawk. Sales competition for the Arab dollar, especially between the UK and France, is intensifying, and Sadat undoubtedly realizes that he is in a good bargaining position.

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WEST GERMANY - USSR**Scheel Visit**

The state visit of West German President Scheel and Foreign Minister Genscher to the USSR last week was watched closely for indications of a fundamental shift in Soviet attitudes toward the West in the light of French President Giscard's seemingly troubled visit a month before. Whatever it was that disturbed the Giscard visit seemed not to have carried over to the West Germans. The Soviets made considerable effort to create the appearance of cordiality and dedication to detente. Initial reporting on the current visit of Italian President Leone shows that the Soviets are determined to make his trip, too, congenial and successful.

No meeting with Brezhnev had been included in the agenda for the Scheel visit, but the General Secretary surprised the West Germans by spending 90 minutes with them on November 11. Brezhnev seemed determined to impress the West Germans with his vigor and his un-



Walter Scheel

diminished commitment to detente, and he apparently succeeded in both. Brezhnev was in an unusually expansive mood and assured Scheel that the forthcoming party congress will reaffirm Soviet detente policy toward the West. To our knowledge, this is the first time that Brezhnev has made such a prediction.

In all, the visit was detente the way the Soviets like it—showy, platitudinous, and generating the atmosphere necessary for increased access to Western technology without pinning down the Soviets on sensitive bilateral issues, especially ones involving domestic policies. The West Germans went with little expectation of concrete results, and so, while some of the major sore points were discussed—Berlin affairs, family reunification, emigration of ethnic Germans from the USSR—they were not surprised that progress was limited.

Interpreting Detente

Both sides stated their differing interpretations of detente and the implications of the CSCE agreement. But the Soviets again praised the concept of European security and reiterated their intentions to abide by the provisions of the CSCE agreement—at least as they interpret them.

Soviet reaction to West German entreaties on CSCE implementation was in line with what seems to be an emerging pattern of behavior. While stressing aspects of CSCE they regard as favorable, the Soviets have shown no willingness to go beyond their interpretations of the letter of the document to accommodate the West and have complied only reluctantly even with the letter.

Thus far, the major Soviet gesture on "human contacts" that are subject of concern to the West has been to grant multiple exit/entry visas for US and French journalists. This procedure is specifically provided for in the CSCE final act, but it was implemented only grudgingly.

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UN CONSIDERS CYPRUS ISSUE

The UN General Assembly continued to grapple with the troublesome Cyprus issue throughout much of the week amid indications that a consensus on the wording of a resolution might not be reached.

The Greek Cypriots, anxious to score a moral victory and take advantage of the growing anti-Turkish sentiment in the assembly, introduced a strongly worded resolution reaffirming the one last year and expressing regret that it had not been implemented. That resolution, favorable to the Greek Cypriots, called for the withdrawal of foreign troops, the return of refugees to their homes, and, as a concession to the Turkish Cypriots, negotiations by the two communities "on an equal footing." The Greek Cypriot resolution also noted the lack of progress in negotiations and condemned unilateral actions, including any aimed at changing the demographic composition of the Cypriot population. The latter refers to various reports of Turkish "colonization" of the Turkish Cypriot zone.

The Turks and Turkish Cypriots came to New York determined to secure a non-substantive resolution that would note—but not reaffirm—the one the Ecevit government consented to last year and, if possible, to secure equal status for the Turkish Cypriot community with its larger Greek Cypriot counterpart.

Turkish and Turkish Cypriot officials backed up their demands with threats to delay or indefinitely postpone intercommunal talks if the assembly adopted a resolution hostile to Turkish interests. One Turkish Cypriot representative alluded to the possibility of a declaration of independence by the Turkish community if the Greek Cypriots pressed their resolution.

The main debate took place last week in the special political committee where the Greek Cypriot delegate described the issue as one of Turkish aggression and continuing occupation of an independent state. The Turkish Cypriot spokesman viewed the problem as an effort by one community to dominate another and called

for a solution based on the "new realities." A Turkish resolution on Wednesday to get a hearing for Turkish Cypriot leader Denktash in the assembly, as was earlier accorded the Greek Cypriot foreign minister, was defeated by a lopsided vote.

Representatives of five nonaligned countries tried hard to bridge the gap. With Greek help, they succeeded in slightly modifying the Greek Cypriot position, but the Turks remained adamant. Finally, they formulated their own resolution, which met some Turkish demands but still favored the Greek Cypriots, particularly in the reaffirmation of last year's resolution and incorporation of the provision condemning efforts at colonization.

The nonaligned made a final effort at a consensus and declared they would not introduce their resolution if any of the interested parties opposed it. As the debate moved toward a conclusion, there were indications that the Greek and Greek Cypriot delegations would withdraw their resolution in favor of the nonaligned's, while the Turks were expected to abstain or even oppose it.

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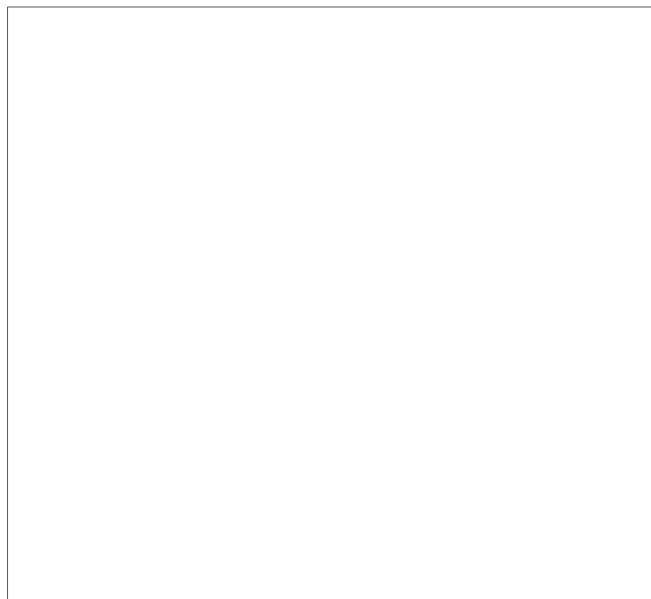
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told a visitor last week that the Soviets are not opposed in principle to further partial steps.

The note will nevertheless make it more difficult for the Soviets to pursue US suggestions that informal Middle East negotiations be undertaken. It may be that the Soviets think Syria is not ready to move on a new Golan Heights disengagement accord and are resigned to a stalemate in the Middle East.

Moscow apparently has one eye on Egyptian President Sadat's advocacy at the UN last month of a resumption of the Geneva talks, with PLO participation. The Soviets do not want to be outflanked by their Egyptian antagonist and may have hoped to compel him to acknowledge that on at least one issue, he and Moscow are on the same side.

The Soviets, who have been defensive about their exclusion from Middle East diplomacy, may also have wanted to suggest that they still have a major role in the area. One press article, for example, said the proposal gives the lie to "short-sighted Arabs" who say that Moscow has "virtually disassociated itself" from Middle East affairs. The Kremlin may want to get a similar message across to its domestic audience in the months prior to the 25th party congress.

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USSR - MIDDLE EAST: DIPLOMATIC NOTE

Moscow has sought to project a picture of activism in Middle East diplomacy by delivering a note to the US on November 8 which again stressed the need for reconvening the Geneva conference. The Soviets actually see little prospect for the conference anytime soon and probably hoped that the note would help demonstrate their support of the Arab cause and of the Palestine Liberation Organization in particular.

The Soviets called Geneva "the only correct route" and, for the first time in a major statement, explicitly stated that the PLO must take part in the conference from "the very beginning." Moscow knows that this is acceptable to neither the US nor Israel.

The note did not explicitly rule out additional interim measures in which the Soviets would have a role—such as a new Golan Heights disengagement agreement—and Soviet President Podgorny

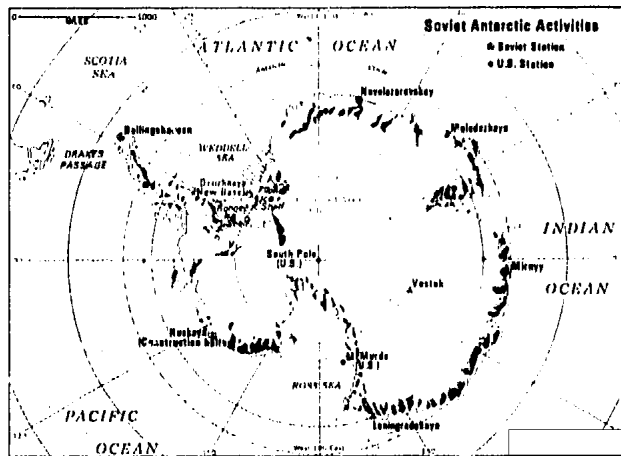
SOVIET DEBT MISSION IN CAIRO

A Soviet delegation arrived in Egypt on Tuesday to resume discussions on rescheduling Egypt's economic and military debt to the USSR, which totals at least \$2 billion. Although the Soviets are apparently prepared to offer some counterproposals to Cairo's demand for a ten-year moratorium, these will probably fall far short of Egyptian desires. Soviet-Egyptian trade relations are also being discussed.

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USSR

LARGE ANTARCTIC EXPEDITION

The annual Antarctic expedition this year will begin construction of a temporary research base on the Weddell Sea, in addition to the usual scientific research and exploration. The first ships have already left for the south polar area.

Russian interest in the Antarctic is long standing. Russian captains Bellingshausen and Lazarev led an expedition in 1819. The first Soviet expedition was in 1955; this year's is the 21st. Probably the most significant measure of this growing Soviet interest is the number of scientists on each expedition who stay through the austral winter (April through November). The number has grown steadily over the past 14 years, with 255 scheduled to do so next year—three times the winter population at US bases.

Since the expedition in 1955, the Soviets have sent expeditions annually to the Antarctic during the austral summer. They have established six permanent stations that circle the continent; a seventh was under construction, but they have been unable to reach it for the last few years.

In addition, temporary bases were set up, and the new one on the Weddell Sea will be in operation during the summer for about five years.

Recent negotiations between the 12 signatories to the Antarctic treaty have focused on how to control future exploitation of the continent's fuel and mineral resources. The only agreement reached so far is to continue to seek an international arrangement and to restrain commercial exploration.

A Soviet announcement that the new base would be used for geological and mineral exploration was interpreted by some as a breach of the agreement. Soviet officials were quick to stress that the exploration will be scientific rather than commercial in intent.

A wide range of meteorological and geophysical observations regularly have been conducted at all stations. Meteorological research is facilitated by the use of small sounding rockets launched from the Molozhzhnaya station.

The monitoring of Soviet activity has become more difficult, even though the 12-nation Antarctic treaty requires annual written reports on all Antarctic explorations. In recent years, the Soviet reports have been incomplete and have been submitted late.

Signatory nations have the right to visit each other's research stations. The US has sent one scientist to work at a Soviet station each year, and the Soviets have reciprocated. The US supplements these exchanges by inspections of one or two Soviet stations every three or four years.

Five ships will participate in the Soviet expedition now en route. The flagship is the newly constructed research ship, Mikhail Somov, which has a strengthened hull for ice operations. The Somov's predecessor, the Ob, was stuck in the ice for four months in 1973 after trying to reach the Russkaya station.

Three of the ships left Leningrad during the past month and are heading south. One probably will stop at Australia to pick up about a third of the Soviet party for transport to Antarctica. This has been standard Soviet procedure on the last seven or eight expeditions.

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Antarctic station Leningradskaya

WINTER GRAIN OUTLOOK

The severe drought this year has left important winter grain areas far short of the soil moisture reserves required for a good crop. Persistence of drought conditions—while facilitating fall sowing—has already hurt the crop by limiting germination and retarding hardening, making the plants more vulnerable to winterkill.

The winter crop, which usually accounts for one third of total grain production, is critical because grain stocks are extremely low. In an effort to recover from the 1975 harvest failure, the Soviets planted winter grains on 37 million hectares, the largest area sown since 1970.

At the end of October, soil moisture reserves were at a record low in parts of the Baltic

republics and Belorussia, in the eastern and southern Ukraine, and in parts of the Black Soil Zone, the Northern Caucasus and the Volga valley. Conditions are particularly severe in the southern Volga region where a year-long drought remains unbroken. The area affected normally accounts for half of all winter grain, and about a third of this area is critically low in soil moisture.

The crucial period for winter grains is just beginning. Continued dry conditions, coupled with a cold winter, could destroy an above average proportion of the crop before spring. Acreage lost to winterkill—which has ranged in the past from negligible to 30 percent of the total crop—would have to be replanted to the lower-yielding and more drought-vulnerable spring grains.

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President Geisel

BRAZIL: HUMAN RIGHTS

The death of newsman Vladimir Herzog in a Sao Paulo jail almost a month ago is still a focus for international criticism of Brazilian violations of human rights.

Herzog is only one of several political prisoners who have died recently under mysterious circumstances, but he has become a "cause celebre" because of special circumstances surrounding his death. A prominent television director and film maker, he is known to have gone voluntarily to military headquarters for questioning on the day he died. Regional army authorities claim he committed suicide after confessing membership in the illegal communist party, but they refused family requests to view his body or to hold an autopsy. In addition, even though Herzog was Jewish, the Roman Catholic Cardinal held an ecumenical memorial Mass in his honor that was attended by thousands, and the Jewish community had him buried in consecrated ground. The wide publicity given these events represents a sharp, if passive, rebuke to the

system of military justice by liberal elements of the population.

Herzog's death could have occurred accidentally at the hands of a zealous military interrogator, but his arrest was part of a wider pattern of official repression by security agencies, who have put hundreds of people behind bars on charges of subversion in the last few months. The crackdown has tended to focus on prominent citizens—journalists, lawyers, professors, labor leaders, and members of the legal opposition party—and may have developed out of arrests early this year of suspected communists. It also appears to be a calculated and even ostentatious effort by conservative military groups to force a complete reversal of the political liberalizing trend initiated by President Geisel.

While no one has publicly disputed the right of security forces to detain and question suspects in connection with the fight against subversion, there has been open criticism under Geisel of interrogation methods, and increasing charges—especially by church and opposition political leaders—that military security officials routinely violate human rights through illegal arrests and torture. Although Geisel apparently does not know about or approve of many of these actions, he has yet to discipline those who operate independently of his authority.

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The resurgence of criticism appears to be forcing some military leaders to try to dissociate themselves from the issue, while driving those responsible for internal security into an even more intransigent position.

There is no evidence that the police want to accept responsibility for suppressing communists or that hard-line elements in the military would be willing to give it up. On the contrary, the most likely prospect is that the controversy over human rights will serve to deepen divisions within the armed forces as well as within the Geisel administration. 25X1

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CUBA: STILL REVOLUTIONARY-MINDED

Recent Cuban statements suggest that Havana's interest in improving relations with the US takes a distinctly second place to its desire to further the revolutionary cause in Africa. Havana has not yet acknowledged the presence of Cuban fighting men in Angola, but it appears ready to justify their involvement and the inevitable casualties as a necessary response to US "imperialist" intervention in Africa, whatever problems this may cause later in dealing with Washington.

The Foreign Ministry has released a declaration calling on "revolutionary, progressive, and independent peoples of the world" to aid the Popular Movement for the Liberation of Angola against the "racist oligarchy of South Africa, the imperialist forces, and their reactionary African allies."

Also, a Foreign Ministry official, who sometimes serves as a commentator on the island-wide television network, was even more pointed in his accusations, charging that the resistance to the Popular Movement was part of a vast CIA plot against Angola and Portugal. [REDACTED]

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COLOMBIA: SECURITY CRACKDOWN

President Lopez has ordered a military and police crackdown on public disorders and terrorism throughout the country.

The hard line apparently stems both from increasing military pressure on Lopez to take more forceful action and his belated recognition that the recent wave of crime, kidnappings, and strikes has undermined popular confidence in and support for his government. Last June, Lopez declared a state of siege to curb student protests and country-wide demonstrations against economic hardships. Army units were called on to help police maintain order. This time he has emphasized that restoring public safety is his primary concern. Lopez traveled twice this month

to Medellin, the country's major commercial center, which has been badly shaken by a rash of kidnappings. He told local officials there that he would soon decree further measures to combat terrorism. At the same time, municipal and national police officials in Bogota announced the preparation of an overall security plan, including the assignment of troops to patrol Bogota and major cities.

Although the local media are giving much play to the government's security measures, with heavy emphasis on arrests of suspected criminals and counterinsurgency operations, there is no indication that these measures have had more than a palliative effect on the security problem, which has deep economic, political, and social roots. Several strikes have been brought under control, but a more serious challenge lies ahead with reported plans for a nationwide strike by communist-controlled bank unions. Police, military, and other security forces are paid through the banks, and strikes in this vital area would have serious repercussions on the general security situation. [REDACTED]

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President Lopez

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ARGENTINA: PERON FIGHTS BACK

The administration this week made two important political moves—one conciliatory, the other defiant—which, by design or not, are almost certain to add to the disarray of President Peron's opponents.

On Monday, the government announced that presidential elections would be advanced from 1977 to late next year. The decision was probably urged on Peron by top government officials anxious to lessen the possibility of a military take-over that would scuttle their own chances to compete for the presidency. It also constitutes something of a concession to presidential critics by signaling Peron's willingness, for the moment at least, to be responsive to them. With the selec-

tion of a successor to the discredited President more nearly at hand, her numerous foes may well ease pressure on her to resign. Moreover, national attention should quickly focus on campaigning and preparations for the elections.

The decision could, however, be a ploy designed to ease strains temporarily while Peron or one of her intimates works out some other bold move. There is ample precedent for this.

Also on Monday, the administration moved to block a congressional inquiry into alleged widespread corruption in the executive branch, especially in the welfare ministry. The government challenged the legality of the investigation and implied that those who favor it harbor "coup" and "treasonous" motives. It also advanced one argument—the duplication of effort between this investigation and one already being conducted by the attorney general—that might get it off the hook. Some of its critics may decide that—with earlier elections in prospect—one investigation might suffice, even though the attorney general is much more susceptible to manipulation by the executive branch.

Peron's ability to stay in office—despite her administration's many failures and despite repeated threats to remove her—stems from the factionalism and lack of resolve among those opposed to her. No one group, including the military, has enough cohesiveness or backing from other sectors to dare the final step of ousting the President. Peron's many enemies, though they agree on the need for another solution, seem unable to find one.

The administration's latest moves will add to this disarray of the forces ranged against it. Most critics will oppose the government's rejection of the congressional investigation, but many of them will welcome the advancing of elections, an idea that was proposed some time ago by the opposition Radical Party. On balance, the government, by signaling its intention to compromise on one issue and wage protracted legal battle if need be on another, seems likely to give administration critics considerable pause and buy Peron still more time.

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GUYANA: ROAD TO SOCIALISM

Prime Minister Forbes Burnham is trying to speed Guyana's evolution into a de facto one-party socialist state. In recent weeks, he has spelled out proposals for a radical shift in his country's economic and political life and the rapid subordination of the government to his political party, the People's National Congress.

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Specific measures [redacted] seem likely to include:

- A compulsory national service system with heavy political indoctrination for the nation's youth.
- Increasing political censorship and monopoly control of the media.
- Further pressure on trade unions to make them subordinate to the party.
- Politicization of the educational system, with eventual Chinese-style compulsory five-day boarding facilities.
- Further state control of the economy, with early moves against the largely foreign insurance and banking firms.
- Tighter currency and emigration control.
- Further identification in international forums with socialist countries and communist parties.

In order to bolster his and his party's position in the bureaucracy and the Guyanese Defense Force, Burnham has inaugurated compulsory "development courses" lasting several weeks at interior training centers. Several hundred senior civil service personnel and the top military command have already gone through what some of them have derisively described as "brainwashing." Last month, four hundred members of the overwhelmingly black defense force began their political indoctrination.



Prime Minister Burnham

Defense leaders for the most part have gone along with Burnham's politicization of their service. Early this year, Burnham instituted a sweeping change in the top personnel, placing party partisans in key positions.

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[redacted] The only public opposition has come from some members of the East Indian community and leaders of the several religious organizations who have become increasingly fearful of the radical socialist program of the government.

Although such criticism particularly from the religious communities is disquieting to the government, it is obviously insufficient to deter Burnham. The active involvement of the still passive and leaderless East Indian community and of additional middle class blacks will be necessary before such opposition can hope to have any appreciable impact. At present there is little likelihood that those disparate groups will join forces or that a leader can be found to marshal opposition to the government. [redacted]

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SURINAM ACHIEVES INDEPENDENCE

Surinam will become South America's second non-Latin independent nation on November 25. The country has weathered a parliamentary impasse that threatened to upset the established timetable, but enmity between the two major ethnic groups, the creoles (blacks) and East Indians, endangers prospects for future stability.

Centrist Minister-President Henck Arron heads a predominantly black coalition of both militants and non-militants. The actions of the leader of the left wing of the coalition, rabid black nationalist Edward Bruma, have exacerbated the fears of East Indians—the country's largest ethnic group with 37 percent of the population—as well as of the less numerous Javanese and Chinese, that Surinam is rapidly following the path of its neighbor Guyana toward becoming a creole-dominated state.

Jagernath Lachmon, leader of the Hindustani Reformed Party (VHP) that represents the East Indian community, has steadily opposed independence, for without Dutch protection his group's interests will be even more ignored. In a last ditch effort, he delayed independence preparations for six weeks by persuading three legislators from Arron's ruling coalition to defect, thereby stripping the government of its majority. The political deadlock handcuffed the Staten (parliament) until mid-October, when George Hindorie, a prominent Hindustani Reformed Party member, announced that he would cooperate with the government long enough to permit enactment of necessary pre-independence legislation.

The Netherlands has been determined that there would be no delay in granting independence. The government is under domestic pressure to end the influx of poor Surinamers into Holland's urban slums. Over the past few years approximately a fifth of Surinam's population of 400,000 has gone to the Netherlands. Most of

them are East Indians, who are lured by visions of economic improvement, fearful of their future in a creole-run Surinam, and aware that emigration to Holland will be far more difficult after independence.

The final debate in Surinam's Staten got under way this week, with the major items on the agenda consisting of the adoption of a constitution that would protect the civil liberties of the East Indian community and the reaching of an agreement that would alleviate economic discrimination against certain non-creole groups. A grievance that has aroused especially bitter feelings is the charge that Minister of Economics Bruma has used the state purchasing and distributing agency to squeeze East Indian farmers and Chinese merchants in order to gain popularity with poor urban blacks.

Arron's coalition now has a two-vote majority because of resignations and absences, and the government appears ready to make concessions to placate the Hindustani Reformed Party. Even Bruma has agreed not to interfere. While there is still a possibility that isolated disturbances will mar the festivities, the US consulate expects the celebration to come off as planned.

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The next major step is likely to be elections to the Staten.

The party alignment for an election is uncertain at this time. In view of the popularity of the government with the creoles and the disunity of the East Indians, Arron may reason that continuing the present ruling coalition offers the greatest assurance of success. The Minister-President played a major role in creating the alliance of parties that brought the creoles to power in 1973, and he is not likely to dismantle it lightly.

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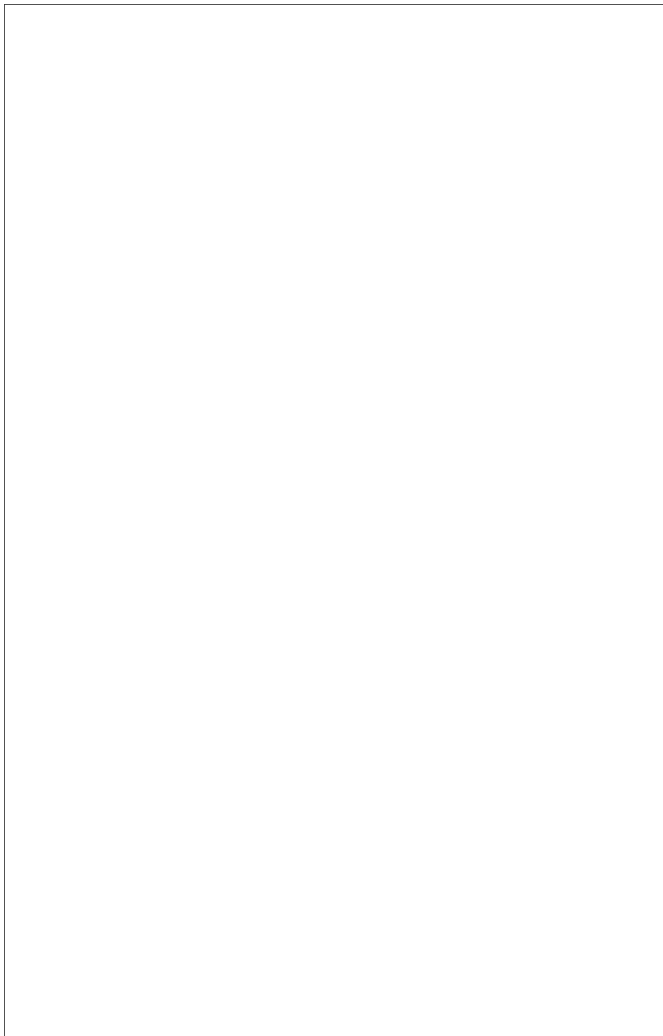
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Prime Minister Fraser

AUSTRALIA

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ECONOMIC ISSUES

Fraser is attempting to distract public attention away from the disputed legality of the recent change in government by emphasizing Labor's responsibility for Australia's continuing recession. Industrial production is stagnant, and unemployment reached a postwar high of 5.3 percent last month. Inflation has moderated only slightly to a 12-percent annual rate in the third quarter from a 15-percent first half increase.

A wage indexing system has satisfied neither

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labor nor business; workers are demanding higher real wages, while business has seen profits plummet. At least 3,000 firms have been forced to close this year. Major industries, faced with substantial excess capacity, are continuing to pare investment in plant and equipment.

The foreign sector remains the lone bright spot—Canberra's trade surplus was \$1.5 billion for January through September, compared with a \$150 million deficit for the same 1974 period.

Australia will continue its nationalistic resource and foreign investment policy no matter which party wins the election. Most politicians support membership in producer associations for copper, iron ore, and bauxite and the use of export licenses and contract renegotiations to maximize earnings from resource sales abroad. The foreign investment policy statement issued last month by the Liberal-Country Party differs only in detail from Labor's September statement on the subject. Both sides want to limit foreign ownership and control of resource projects to 50 percent.

Canberra's tough policies already have led to a sharp drop in foreign investment. Foreign direct investment—one third of which is from the US—has averaged only \$600 million since 1972, compared with \$1.4 billion annually in 1968-72. Foreign investment in the minerals sector has fallen to only one fifth the level of the early 1970s. In fact, Japanese firms have publicly threatened to invest elsewhere unless Canberra relaxes controls.

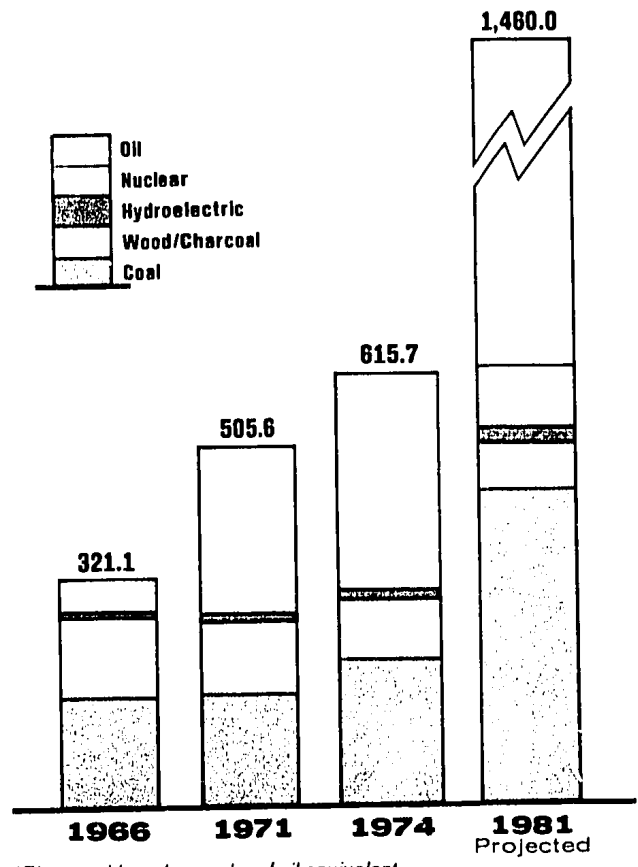
Under the deposed Whitlam government, Australia, to cope with rising unemployment, had relied on import controls more than any industrialized country. Beginning last December, quantitative restrictions were applied to about 10 percent of imports, including automobiles and textiles. Although the Labor government recently proposed larger textile quotas for 1976, it had no plans to remove other controls. The opposition is not likely to act differently. The Liberal-Country Party adopted strong protectionist measures during its previous term in office, many of which were overturned when Labor came to power three years ago.

SOUTH KOREA: THE ENERGY PROBLEM

During the past decade, South Korea has emerged as a major oil consumer and now ranks as the third largest importer among developing countries. While total energy consumption rose 8 percent annually in 1967-74, oil usage increased three times as fast. Oil, with 300,000 barrels now consumed per day, supplies about half of all energy used. Industry uses about 50 percent of the oil. The transport and household sectors take most of the remainder.

Growth in oil consumption slowed to 3 percent last year, largely because of an industrial slump. This year, faced with mounting

SOUTH KOREA Energy Consumption*



*Thousand barrels per day of oil equivalent

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balance-of-payments pressures largely reflecting greatly increased oil prices, the government is enforcing tougher conservation measures that should hold growth in oil consumption under 10-percent. Normally oil consumption would rise faster than industrial output, which will jump 12-percent this year. Commercial consumption appears to be rebounding after last year's slump, and unusually dry weather has required a sharp rise in the use of fuel oil by the electric power industry.

Over the longer term, Seoul expects oil consumption to increase rapidly. According to government estimates, requirements will reach about 850,000 barrels per day in 1981, nearly triple the current level. The pattern of consumption is not likely to change much; the industrial share will be buoyed by the requirements of several major petrochemical plants now under consideration. Plans now call for oil to supply nearly 60 percent of total energy needs by the early 1980s.

Because all oil requirements are met from abroad, import patterns have closely followed consumption trends. In 1974, and earlier this year, however, oil imports increased somewhat faster than consumption because of government efforts to increase stocks. In addition to normal commercial inventories, Seoul wants to increase energy stocks to a 45-day supply. At the time of the 1973 oil embargo, South Korea was caught with little more than a 20-day stockpile.

Saudi Arabia supplies 60 percent of crude imports; Kuwait and Iran supply the remainder. Small amounts of petroleum products are purchased abroad, chiefly from Japan. South Korean hopes to reduce dependence on imported oil by developing offshore fields in the Yellow and East China Seas have been damped by conflicting territorial claims. Only a few wells have been drilled so far on the East China Sea continental shelf, which is claimed in part by the Japanese. Chinese claims have interfered with work in the Yellow Sea.

Although of declining importance in recent years, coal remains a major energy source. Government aid is expected to boost coal production by a million tons annually through 1981. Imports are expected to provide 35 percent of coal supplies by 1980, compared with only 5 percent at present.

Nuclear energy plans are highly ambitious. Although no nuclear power plants currently are in operation, Seoul expects nuclear power to provide 6 percent of total energy needs by the early 1980s.

Financing a nuclear program of this scale will be most difficult. The cost, now estimated at \$32 billion, is sure to rise substantially. Seoul already has borrowed heavily to finance record trade deficits in 1974 and 1975 and will continue to need foreign credits for several years even without large-scale imports of nuclear equipment.

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