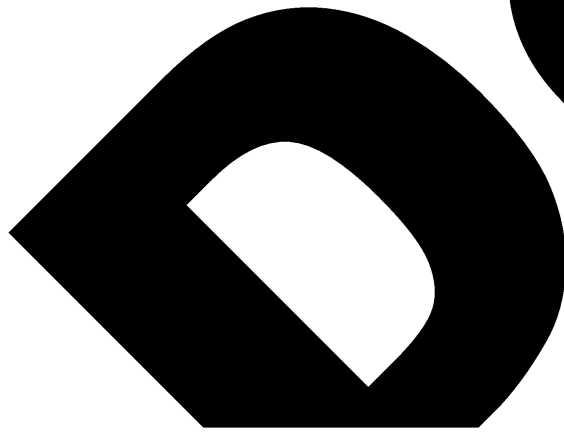


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WESTERN EUROPE -- CANADA -- INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Portuguese Moderates Dealt Setback

Moderates in the Armed Forces Movement have suffered a setback with the forced resignation yesterday of General Mendes Dias, the air force chief of staff and member of the Revolutionary Council.

Mendes Dias' resignation comes as no surprise since his moderate views made him suspect, especially after the abortive March 11 coup. Moderate officers in the Movement had hoped that the popular strength demonstrated by the Socialists and the Popular Democrats in the constituent assembly election would give them increased leverage in the Council. So far, however, they have had little success in making their influence felt.

In a communique released by the Revolutionary Council, Mendes Dias was criticized for "deficiencies" in command during the coup attempt, but he was not accused of complicity in the plot. The Council stated that his loyalty to the Movement is not in question.

According to Captain Vasco Lourenco, a member of the Revolutionary Council, Mendes Dias will leave the chief of staff position, but will retain other functions "associated with the revolutionary process." Press reports speculate that the Council's rebuke was intentionally mild to avoid antagonizing the air force, which is inclined to support the moderates.

The Portuguese media indicate that the commander of the Lisbon air region, General

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Pinho Freire, also submitted his resignation out of loyalty, but the Council's decision on this matter has not been announced.

The new chief of staff is Colonel Morais da Silva, until recently a major who assumed command of an air base in the aftermath of the abortive coup. As chief of staff, he is promoted to the rank of general.

25X1 Morais da Silva is reported to be the choice of a less moderate faction in the air force which is displeased with Mendes Dias' professional attitude.

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Minister of Industry Cravinho reportedly has warned that the account of the March 11 coup, published shortly before the April 25 election, represented a hidden threat and that accusations of misconduct on March 11 would probably be used again. The resignation of the top air force staff will feed continuing rumors that further changes may be made to purge the Revolutionary Council of officers suspected to hold moderate views.

25X1 Cravinho maintains that it is impossible to determine which individuals or factions actually wield power in the Council. According to Cravinho, votes in the Council are frequently 21 to 3, with the 3 characterized as "committed Communists." The 21, however, cannot be characterized as comprising a faction since it includes individuals who are not committed to a particular policy option or alliance. Cravinho believes that the battle for power will continue for several more months.

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British Union Leaders Not in Favor of
Tightening Wage Guidelines

The economic committee of the Trades Union Congress this week decided simply to encourage unions to adhere more firmly to the guidelines of the social contract, rejecting proposals to strengthen the arrangement with the government. TUC leaders, however, will continue to remind unions of their contract obligations and their pledge not to seek more than one pay raise per year.

The committee is concerned that all union negotiators may press for wage rises of 30 percent because of such pay packages already received by the miners, civil servants, London dockers, and power workers. The miners began the current spate of excessive wage demands last February when they were granted an increase of up to 35 percent. Now the miners have announced they intend to go back to the Coal Board to ask for a threshold arrangement to compensate for cost-of-living rises since February. The miners had pressed for such a clause during their negotiations, but were turned down on the grounds that the social contract prohibits pay deals that look forward as well as back at price movements.

TUC leaders are planning to meet Chancellor of the Exchequer Healey to complain that recent government measures, particularly the budget, show that the government is not fulfilling its side of the social contract. The unions are perturbed that Healey continues to warn the unions about their excessive wage demands and that his recent budget proposes income tax increases of six percent.

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Throughout the summer, the TUC will review the wage guidelines and consider possible options for developing the social contract. Despite these good intentions, TUC leader Murray commented that he did not believe that the annual meeting in September would change the guidelines in any major way. This attitude may give the government little choice but to propose statutory wage controls, a measure certain to lead to confrontation between the unions and the government.

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West Berlin Morale Shaken

Decisions announced this week by two large US firms to cut their operations in West Berlin have caused concern there that US commercial interests may be losing faith in the future of West Berlin.

The basis for the current concern were reports appearing in West Berlin newspapers on May 13 and May 15 that National Cash Register (NCR) and Pitney Bowes--both hard hit by the recent business downturn--planned to cut Berlin operations in favor of centralized operations from their plants in West Germany. The moves will idle nearly 1,000 workers in West Berlin.

Officials of both firms have denied that political factors motivated their decisions, but early reactions in West Berlin indicate that neither political nor trade union leaders are convinced. While West Berlin political leaders have taken a public position that the decisions reflect a decline of the US commitment to Berlin, some have told US Mission officials privately that they doubt the decisions were based wholly on economic grounds. Trade union leaders have been even more outspoken. A spokesman for the large Metal Workers' Union (IG Metall) claimed earlier this week that the real reason for the NCR move to its Augsburg, West Germany, plant was the firm's lack of faith in the US commitment to Berlin based on recent US performance in SE Asia.

Although fears of diminishing US involvement abroad may not gain general acceptance, the close timing of the two announcements has encouraged a political interpretation in West Berlin, where

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basic insecurity is always a major factor. The US Mission will urge US businessmen in West Berlin to coordinate their plans closely with Berlin authorities to help forestall misinterpretations of this kind in the future. Some 100 other US firms are still operating in West Berlin, though few are as important in terms of employment as NCR and Pitney Bowes.

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Quebec Labor Unrest Threatens 1976 Olympics

Quebec's mounting labor unrest has resulted in severe rioting, a walkout of Montreal construction workers, and a threat of a one-day general strike next week. The unions are counting on the Quebec government's desire to complete the facilities for the Olympic games by the summer of 1976 to force it to modify proposed restrictive labor legislation.

Revelations by a special provincial commission studying corruption and racketeering in the Quebec labor movement led to the introduction of two corrective bills in the Quebec National Assembly. One would impose government trusteeship over the allegedly corrupt construction unions affiliated with the Quebec Federation of Labor and the other would bar persons with serious criminal records from holding senior union positions.

The union leadership requested a 90-day moratorium on the legislation to allow time to deal with the corruption problem itself. Premier Bourassa's government has thus far refused to budge on the issue. The Premier said in a recent radio interview that he is ready to sacrifice the Olympics if necessary to preserve social order.

Wildcat strikes by the construction workers have stopped all work at the Olympic site, where work already was far behind schedule. The severe rioting on May 12 at the long strike-bound American owned Pratt-Whitney aircraft engine plant in suburban Montreal has added more fuel to the fire and taken on anti-American overtones.

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Soviets Weigh In on Finnish Political Situation

Finnish President Kekkonen will announce next Monday his plans for resolving the current domestic political impasse. In a statement on May 15, he assured foreign governments that domestic political uncertainties would not impede Finland's hosting the third stage of the Conference on European Security.

The break up of the present coalition, deeply divided over a host of issues, has appeared imminent in recent weeks. During his visit to the USSR last week, however, Foreign Minister Karjalainen was warned by President Podgorny that Finnish political instability could give opponents of European security an excuse to postpone the third conference stage planned for this summer.

Prior to the Soviet warning, Finnish leaders assumed that once the coalition resigned an interim non-political government would preside until elections in late summer or early fall. Now, however, some Finns are talking of retaining the coalition on a caretaker basis and putting off an election until next spring.



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Spain Acts To Ease Labor Unrest

The Spanish government has made two moves to ease labor tension, but its actions may be a case of too little too late.

The labor minister announced last week that the cabinet had approved a long-awaited decree that makes strikes legal for the first time under the Franco regime. The new law provides for legal strikes only as a last resort after various prescribed mediation and conciliation steps have been taken. A strike will be considered legal if it deals with a dispute not covered in government-approved labor management contracts and follows a secret ballot in which a minimum of 60 percent of the workers affected have voted to strike. Written advance notice of five working days following a favorable vote must be given to the government. During that time, the government will try to settle the dispute.

The following strikes would not be permitted: all politically motivated strikes, all solidarity strikes by workers or others not involved in the specific labor disputes, all strikes involving worker sit-ins, strikes at any public services or installations related to national defense, and any wildcat strikes not following prescribed procedures.

Given these restrictions, there may be few legal strikes in Spain. The new law is thus only a small victory for those wanting to liberalize the government-controlled labor system. Although it was a concession for the government even to use the word strike in the decree--a word Franco has not previously permitted--the new decree is unlikely to satisfy critics of the Spanish system at home or abroad.

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In an additional effort to ease tensions, the government-controlled Syndical Organization finally announced that elections for shop stewards will be held in June. Most clandestine labor organizations, from the Communist-dominated Workers' Commissions to the moderate Catholic-oriented Spanish Workers Union--but not the Socialist General Workers Union which refuses to participate--plan to run candidates in a move to penetrate the official labor organization at the plant level. This activity may substantially diminish the recent strike activity as workers concentrate their attention on the elections.

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"Leap Forward" for EC Commercial Policy?

Immediately upon his return to Brussels after a one week trip to Peking and Tehran, Sir Christopher Soames, EC Commissioner for foreign relations, announced his intention to seek "economic cooperation agreements" with China, Iran, and, eventually, with the Eastern European states.

The economic cooperation agreement the EC is now negotiating with Canada would serve as a model for these agreements. The non-preferential agreement will include provisions for cooperation in the industrial and environmental areas and set up formal consultation procedures. The EC views the Canadian agreement primarily as a means of guaranteeing European access to raw materials in exchange for EC technology.

Soames hopes that once the Canadian arrangement is concluded, the competency of the commission to negotiate such broad agreements will be established. The commission will then seek authority to negotiate similar arrangements between the EC and state-trading countries. How much success Soames will have is uncertain. The EC members have up till now refused to enlarge the jurisdiction of the community's common commercial policy to include cooperation agreements.

During his stopover in Tehran, Soames pressed the Iranians to accept a non-preferential cooperation agreement similar to that being negotiated with the Canadians. Tehran, however, prefers special trade preferences

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along the lines of the EC-Mediterranean accords. Agreement was, nevertheless, reached to begin exploratory talks in June on a new agreement which will include provisions for oil and refined products.

At a Brussels news conference, Spames expressed the hope that his China visit would not retard progress toward improved relations with the Council for Economic Mutual Assistance and individual Eastern European countries. The Commission surely figures, in fact, that the talks with China will spur Eastern European interest in their own arrangements with the EC.

The initial Romanian reaction appears to be favorable. Romanian officials want to establish closer ties with the community, but do not want to risk being the first communist country (except for Yugoslavia) to enter into a trade agreement with the EC or accord it full political recognition. The Chinese decision to blaze the trail may increase the possibility that Romania may follow suit. Bucharest, however, would not want to follow Peking's lead too closely because of Moscow's negative reaction.

Under the EC's common commercial policy, state-trading countries must recognize the Commission's authority to negotiate trade agreements. Romanian economic officials may hope that by recognizing the EC they will gain, among other things, more favorable treatment in negotiations on an EC-Romanian textile agreement and greater access to EC markets for Romanian cotton goods.

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Turkish Coalition Government Off to
Good Start

After a little more than a month in office, the nationalist coalition government of Suleyman Demirel has made a good start toward achieving the major elements of its domestic program.

The principal beneficiaries of the government's measures are those groups that have traditionally supported Demirel's Justice Party such as farmers, labor and women. The main opposition--former prime minister Ecevit's Republican People's Party--made major gains among these groups in the 1973 general election. The government's measures will also probably win support from government employees who have generally favored the Republican People's Party.

So far, the governing coalition has exhibited internal unity with Demirel in firm control, although the leader of the National Salvation Party, Necmettin Erbakan, has irritated Demirel's party on occasion. Demirel has maintained his close contacts with the crucial independent bloc of mostly former Democratic Party deputies that gave him the necessary support to win the vote of confidence on April 17.

For the time being, at least, Demirel has little to fear from his opposition which has been further weakened since the confidence vote. The Democratic Party, in particular, has been hit hard by resignations and the party now has only 27 deputies compared to the 45 elected on its ticket in 1973. Ecevit would need to pick up 11 votes, while holding the current opposition forces in line in order to bring down the government--an unlikely prospect at present.

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The Republicans are frustrated by Demirel's skill in stealing their thunder by adopting progressive reforms and they are only beginning to formulate a coherent opposition strategy.

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The Turkish constitution permits the president to call new elections after three votes of no confidence--two within a period of eighteen months.

The adjournment of parliament for the summer, probably in mid-June, will give Demirel the opportunity to govern without the threat of any embarrassing parliamentary setbacks, and school vacations will reduce the incidence of student violence. Leftist student activists reportedly are regrouping for further actions designed to bring the government down and necessitate early elections but they will have difficulty launching a concerted effort before next fall.

In the meantime, the Demirel government will be faced with some tough foreign policy decisions that will have a major impact on the coalition and its political fortunes. Demirel will be reluctant to make substantial concessions on Cyprus and the Aegean for fear of antagonizing his two coalition partners on the far right and leaving himself open to attacks from the opposition which reportedly is waiting for just such an opportunity.

Demirel will also be vulnerable if he fails to respond to the US arms cutoff. He is likely, therefore, to seek changes in Turkey's relations with the US and possibly NATO, if the arms ban is not rescinded. Ecevit has refrained from using this issue against the government thus far but he may not be able to resist much longer.

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With this in mind, Demitel has probably directed his Foreign Minister to take a tough position in his consultations in Rome this weekend with the Greek Foreign Minister. Demitel may be equally tough in his discussions with Secretary of State Kissinger in Ankara next week and with Greek Prime Minister Karamanlis at the NATO summit in Brussels in late May.

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ANNEXJockeying for Position Over the Spanish Sahara

The arrival in Spanish Sahara this week of an investigating team of the UN Committee on Decolonization has stirred action among the parties contesting the disposition of the territory. The team has already visited Madrid and will go on to Morocco, Algeria, and Mauritania.

Recent allegations in the Spanish press about secret conversations between Spain, Morocco, and Mauritania for settlement of the Sahara problem led Foreign Minister Cortina to announce that Spain continues to support a self-determination referendum under UN auspices. A Spanish Foreign Ministry official told the US embassy that the press stories came from certain Spanish officials who favor a negotiated settlement that would take into account Moroccan King Hassan's determination to annex the Sahara.

The arguments of these officials have been weakened by Hassan's renewed claim to the Spanish enclaves of Ceuta and Melilla in northern Morocco--territories that Madrid says it has no intention of relinquishing.

Cortina's formula reportedly has the full backing of Franco. Madrid appears to believe that a referendum would result in a vote in favor of an independent state, which the Spaniards could hope to control.

The Spaniards postponed their plans to hold a referendum during the first half of this year as a result of the adoption by the UN General Assembly

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last fall of a Moroccan-initiated resolution that sent the dispute to the International Court of Justice for an advisory opinion. The Court will decide whether the Sahara was administered by any government prior to Spanish occupation and, if so, what legal ties existed then between the territory and Morocco and Mauritania.

Spain, Morocco, and Mauritania have submitted written briefs to the Court, which began hearing the case on May 12. Algeria has notified the Court it wishes to present its views as an interested party.

A court opinion is expected next September in time for the UN General Assembly session. Faced with competing claims to the area, the Court may rule that Spanish Sahara was an unadministered territory. That would return the problem to the General Assembly, which would probably recommend implementation of existing resolutions that call for a UN-supervised referendum.

Relations between Morocco and Algeria have recently become strained again over the Sahara issue. Algiers, which is determined to block Moroccan annexation of the territory, supports the proposed referendum, on the assumption that it would result in independence for the area. Such a solution would at once deny Morocco any form of control and open the territory to Algerian influence.

The two countries clashed over self-determination for the Sahara at the Arab League foreign ministers meeting in Cairo last month. The day after the meeting ended, Hassan warned that Morocco would use force, if necessary, to prevent "self-determination in the Sahara." Hassan, however, still prefers a settlement through bilateral negotiations.

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The extensive coverage in the Moroccan press last week of recent attacks against Spanish forces in the Sahara, which were attributed to a Moroccan-backed insurgent group, suggests that Rabat is preparing its people for the use of Moroccan irregulars in small-scale guerrilla operations.

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Morocco will be circumspect in using paramilitary pressure tactics inasmuch as it does not want a military confrontation with the Spanish in the Sahara. The latest incidents may be designed to demonstrate to the UN observer team that there are pro-Moroccan Saharan dissidents as well as those who favor independence. Rabat may also wish to create a sense of urgency in Madrid in the hope of inducing the Spaniards to resume bilateral talks.

A Moroccan unit fired a missile at two Spanish helicopters that were overflying southern Morocco on May 14; the helicopters were not hit. The firing probably was the action of an individual soldier or local commander, but it could reflect a decision by Rabat to challenge the fairly frequent Spanish overflights of the area.

Mauritania, for its part, is continuing its juggling act in the Sahara dispute. It does not want to share a common border with Morocco and fears Rabat might not be satisfied with the acquisition of Spanish Sahara. In the past it has relied on Algiers to defend its interests.

More recently Nouakchott has accepted a \$15 million development loan offered by Rabat in an obvious effort to buy Mauritanian support on the

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Sahara. The Mauriticians will remain suspicious of Moroccan intentions, however, and are unlikely to risk offending Algeria by cultivating too close ties with Rabat.

Ultimately, the dispute will probably be settled through private negotiations among the four interested parties. A compromise solution based on partitioning Spanish Sahara between Morocco and Mauritania may emerge. Spain and Algeria would find it easier to agree if that alternative can be worked into an option in the referendum.

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