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# Weekly Summary

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State Dept. review  
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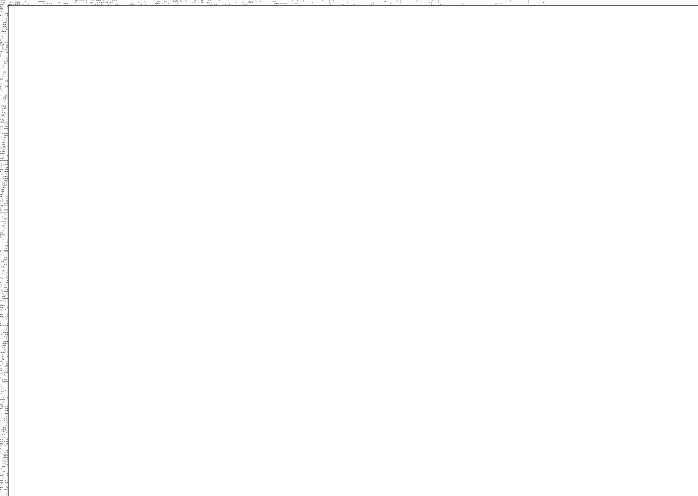
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, 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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**SPECIAL  
REPORT**

(Published separately)

Norway and Sweden Go to the Polls



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Wang Hung-wen, Mao, and Chou En-lai at party congress

## China: The Path of Least Resistance

1 A spirit of trying to accommodate everyone and antagonize no one seemed to pervade the Tenth Party Congress. The new Politburo, for example, includes two newcomers who rose to prominence during the Cultural Revolution and two who were targets of that upheaval. In keeping with this spirit, some contentious longer range issues were avoided, and many big questions were left unanswered.

2 The succession question has been uppermost in the minds of China's leaders since the fall of Mao's chosen heir Lin Piao, but the congress—possibly Mao's last—did not spell out a formal succession scheme. The party did elect five vice chairmen who presumably would serve as a collective leadership when Mao dies, but the new party constitution did not designate them specifically as successors. Recognizing that the issue deserved some sort of treatment, the congress communique boasted that the party had “no lack of successors,” and the new constitution spoke of training successors in the “millions.”

1 The key question of the military's role in politics also received no definitive solution. In his

political report, Chou En-lai praised the achievements of the military during and since the Cultural Revolution, but this was the closest the speakers apparently came to dealing with the issue. The party did arrange a significant, though smaller, military representation in its key councils. Most of the military men on the Central Committee and Politburo who were tainted in the Lin Piao affair were replaced by civilians. The remaining military men—four on the 25-man Politburo and more than 70 on the 319-man Central Committee—were in most cases returned to these positions. The numerical civilian-military balance has shifted to the civilian side.

1 The congress neither endorsed nor condemned the liberal trend in domestic politics that has accelerated since Lin Piao's fall. Even as the congress met, the media were attacking many moderate policies, but Chou En-lai's political report—often in the past used as a vehicle to proclaim policy successes—sidestepped these controversies. Chou noted only that the economy was “doing well,” that there were “many great achievements” in other areas, and that rules and regulations must be followed. The new

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constitution urges party members to "dare to go against the tide," a Chinese euphemism for opposing erroneous tendencies. Without firm policy guidance from the congress, however, party cadre do not know whether they are to oppose the current moderate policies or to oppose those who are critical of these policies. The opaqueness of the constitution on this score is an acknowledgment that proponents of almost all points of view still have some maneuvering room.7

1 One policy attacked just before the congress was the rehabilitation of officials ousted during the Cultural Revolution. The congress elected some 20 rehabilitated cadre to the new Central Committee, but none of the four who sat on the Politburo before the Cultural Revolution was returned to that body. The documents from the congress indicate that there is room in the party for these veteran officials, but fail to define the role they will be allowed to play.2 Chou warned them that party members must be willing to accept "higher or lower posts."7

1 The upper reaches of the party are indeed a combination of old, young, and middle-aged officials. Although they may be able to work together as a group, some differences in approach surfaced at the congress. Wang Hung-wen, the young Shanghai official elected a party vice chairman, gave a speech to the congress in which he expressed great faith in the Maoist principle that constant ideological struggle will keep the party pure. He saw upheavals on the scale of the Cultural Revolution as a useful tool in the future.2 Chou En-lai, while paying lip service to some of these notions, seemed more concerned with the practical question of how to reconcile such struggles with orderly, unified progress.7

1 As the number two man in the party, Chou speaks with somewhat more authority than the others. Nonetheless, one of the most significant actions of the congress was the elevation of at least two men to the standing committee who now must be consulted on major decisions. They are Li Te-sheng, a military man who is a party vice chairman, and Shanghai party boss Chang Chun-chiao, a member of the Standing Committee and perhaps the party's de facto secretary general. Thus, Mao is no longer the only leader

whose agreement Chou needs on questions of policy.7

1 On foreign policy, the congress reaffirmed in strong terms the basic anti-Soviet impulse and pragmatic directions of Chinese foreign policy.2 Congress documents branded the USSR the chief threat to Chinese security and indicated that Chinese openings to the US and to Japan stem from this essential fact.7

1 Chou En-lai charted a policy aimed at containing Moscow. Under the rubric of opposing superpower domination, Chou invited Third World, Communist, and industrialized states alike to join Peking in curbing Moscow's ambitions. The congress left scant room for Sino-Soviet reconciliation, despite Chou's ritualistic call for improved state relations and a negotiated settlement to the boundary dispute. Chou specifically raised the possibility of a surprise Soviet attack against China, but he seemed less alarmed about this prospect than was apparent at the Ninth Congress in 1969.7

1 In striking contrast to the Ninth Congress, Chou advanced hardly any direct criticism of Washington's foreign policy. He compared US foreign policy favorably with that of Moscow and stressed points of Soviet-American contention rather than collusion. In effect, Chou seemed to be subtly building a rationale that more normal Sino-American relations are in Peking's security interest and not ideologically harmful.7

1 Chou's direct references to Sino-American normalization and to Washington's policy were closely measured. He went no further than to say that Peking's ties with Washington had "improved somewhat" since 1969—a vast understatement in light of the distance the relationship has actually travelled. Nowhere did Chou employ the term "Mao's revolutionary foreign policy," which heretofore had frequently been used to indicate high-level endorsement of important policies. Chou's remarks differed in tone, though not in substance, from the foreign policy section of Wang Hung-wen's report on the party constitution. Wang seemed harder on the US, indicating that both Washington and Moscow posed threats to Chinese security.7

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# USSR

## MORE FOR DEFENSE

(3)

Soviet defense spending has followed a generally upward trend since 1960, increasing at an average annual rate of about 3 percent; it was 17 billion rubles a year at the beginning of the period and about 24 billion last year. The principal causes for this rise have been the rapid growth in outlays for space and military research and development as well as the steady rise in the costs of operating Soviet military forces.

For the last three years spending has hovered around the 24 billion ruble level, but a new surge in spending is likely as the Soviets enter into a new investment cycle for strategic systems. Modernization of the strategic missile force, continuing outlays for new sea-based ballistic missiles, and the introduction of new aircraft are some of the major programs that will boost spending.

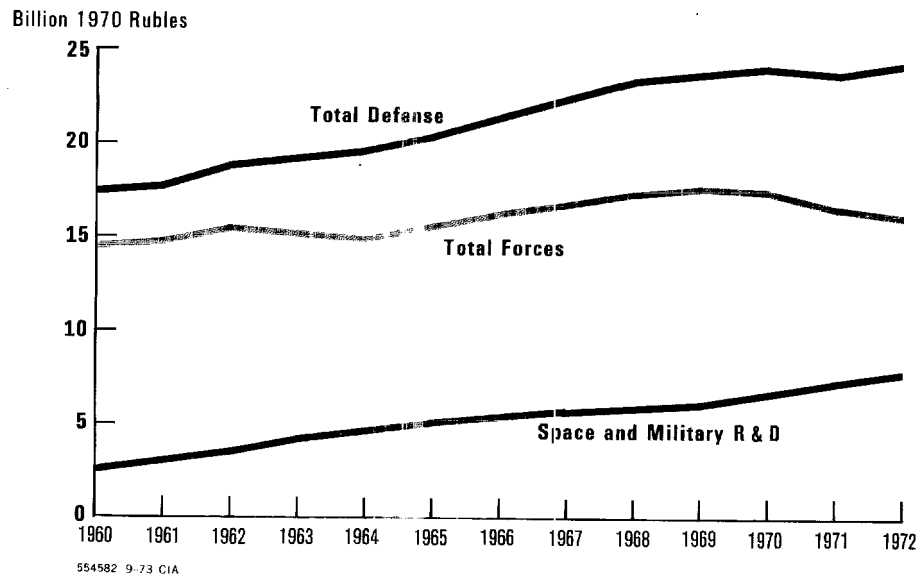
Institutional factors within the Soviet military and defense industries will give added impetus to these and other programs and will preclude any sharp cutbacks. Indeed, the trend for the remainder of the 1970s is likely to be a repeat of the upswing in spending in the 1960s.

Spending for the individual services is likely to follow patterns developed since 1960. Outlays for the ground forces are expected to remain stable. Spending on the navy will show a slow but steady growth resulting from continuing investment programs. The upward trend in spending for the air forces, which began about 1970, will continue as new tactical aircraft and the Backfire bomber are introduced. Expenditures for the strategic rocket forces—now at their lowest level—are expected to remain low for a few more years.

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### Estimated Soviet Expenditures for Defense

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Expenditures for space and military research and development will continue to be the fastest growing element of Soviet defense spending.

Over the years the overall trend has been upward, but there have been deviations. Heavy spending on research and development coincides with slack periods in the purchase of the actual hardware. This reflects the full cycle of development and procurement costs for major weapons systems and suggests that investment in hardware and military research and development compete for some of the same resources. In addition, there has been a long-term increase in the ratio of research and development to investment, indicating that this area now makes up a greater share of the total acquisition cost of new weapon systems—a reflection of their increasing complexity.

Spending on the active military forces, excluding space and research and development, has risen from about 14 billion rubles in 1960 to about 16 billion in 1972. Such expenditures throughout the period were also marked by distinct cycles and reflect Soviet priorities in force development. Soviet ground forces received the greatest share—some 25 percent of the total. The remaining funds were distributed about equally among the other four combat branches and a residual category which includes rear services as well as all command and support functions.

Investment in hardware, when considered by itself, gives a different impression of priorities. The difference is significant because this sort of spending reveals the flow of new equipment and technology to the forces. In these terms, the strategic rocket forces clearly stand out, account-

ing for some 25 percent of investment spending since 1960. Investment expenditures for the navy, cumulatively some 20 percent of the total, and for the ground forces, about 18 percent, were generally stable over the 12 years. The patterns of investment spending for the air forces—about 17 percent since 1960—and for the air defense forces—14 percent—have been countercyclical with respect to each other. When investment for one has risen, investment for the other has fallen, reflecting the competition of these forces for aircraft.

A reliable allocation of military research and development expenditures among the services cannot be determined from available data, but general assessments can be made. Most Soviet military research and development expenditures are for advanced weapon systems using high levels of technology in fields such as electronics, propulsion, and nuclear armaments. The largest consumers of such technology are the strategic rocket and air defense forces. Thus, their share of total defense spending including research and development would be much higher and grow faster than indicated by the trend of spending for procurement and operation of the forces.

Soviet defense expenditures have enabled the USSR to close the gap with the US in strategic forces and at the same time improve Soviet conventional forces. These achievements have been expensive, and Soviet leaders are sensitive to such costs. They are aware of the heavy impact of military requirements on the technological resources needed to modernize the Soviet economy and are more aware of consumer demands than in the past. Nonetheless, the Soviets apparently believe that the economy is generally healthy and capable of sustaining or even accelerating the pace of defense spending. Thus, economic considerations alone will not prevent them from undertaking the military programs they deem necessary. 7

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## DEALING WITH DISSIDENTS (4-?)

Soviet authorities are slowly tightening the ring around dissidents Andrey Sakharov and Aleksandr Solzhenitsyn. The trial of Petr Yakir and Viktor Krasin last week indicated that Sakharov and Solzhenitsyn may be the next targets. Yakir and Krasin reportedly gave testimony implicating the two men, and the press mounted a letter-writing campaign against them. It would be difficult for Moscow to back off now, particularly in the case of Sakharov.

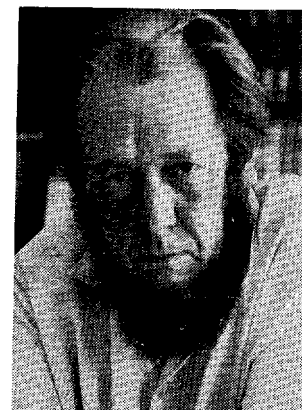
The Soviet press charges that Sakharov's opposition to detente supplies anti-detente elements in the West with ammunition. This argument is probably designed to appeal to intellectuals who otherwise would not lend their support to an attack on Sakharov. Significantly, signers of letters denouncing Sakharov included not only conservatives but also moderates such as novelist Boris Polevoy and social scientist Aleksey M. Rumyantsev. Besides preparing the ground for an attack on Sakharov, the letter-writing drive against Sakharov is being used to extract clear expressions of support from the intelligentsia.

Only two Soviet intellectuals have publicly defended Sakharov. Both are dissident scientists. Physicist Valery Turchin attempted to reverse the official argument, by maintaining that it was the "hysterical campaign" against Sakharov that was undermining the basis for detente. The spirited defense offered by Academy of Science member Igor Shafarevitch is perhaps more important, since there has been speculation that Moscow may press for Sakharov's expulsion from the academy. Another prominent Academy of Science member, Petr Kapitsa, reportedly resisted heavy official pressure in refusing to join 40 academy members who signed a letter criticizing Sakharov.

While the authorities have largely succeeded in isolating Sakharov and Solzhenitsyn at home, the attacks on them have touched off a barrage of



Sakharov



Solzhenitsyn

criticism from the outside world. This has included criticism from Western Communists, and Moscow finds such barbs harder to handle than the outcry in the non-Communist media. For example, Pierre Daix, an outspoken member of the French Communist Party's secretariat, created quite a stir in the French party by denouncing neo-Stalinist persecutions in the Soviet Union. Last week, the Italian party organ registered cautious disapproval of the way Moscow was handling the Solzhenitsyn affair.

The US Embassy in Moscow reports that dissidents, believing that "the worse the better," are now convinced that Moscow's drive to crush dissent is backfiring. It may be that the reaction by Sakharov and Solzhenitsyn to the moves against them was stronger than the authorities had bargained for. They have refused to follow the regime's dictates and have shown a dogged determination to make their plight known to the West. Sakharov's defiance of official warnings will probably make it necessary for the regime to follow through with more drastic measures to silence him, even at the cost of damaging Moscow's international reputation and demoralizing some Western Communists. The press attacks on Sakharov have been more strident than those against Solzhenitsyn, and the publicity given to the former's sins makes it difficult for the regime to back off now.

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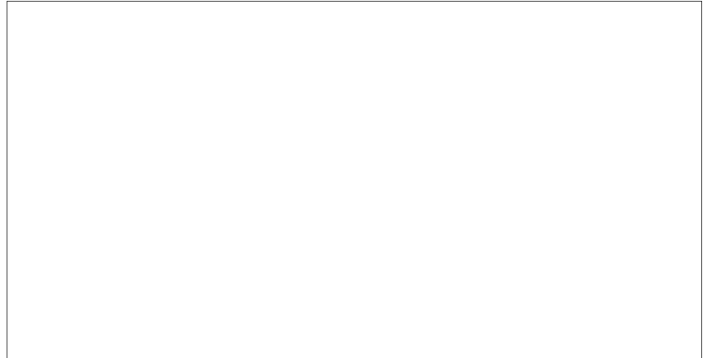
## Trade Talks To Open in Tokyo

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 The Tokyo ministerial meetings of 12-14 September, formally opening the multilateral trade negotiations, will be devoted largely to ceremonial speeches and obtaining agreement on the wording of the joint declaration. Debate in Tokyo will center on the nature of the link between trade and monetary reform and on the interests of the developing countries. Negotiations on specific issues will not begin until November, and real bargaining will be delayed until major participants develop their negotiating positions.

The US will face strong resistance in pursuit of its objectives. Many governments prefer only limited trade reform. They are willing to see some reduction in tariffs and in non-tariff barriers, but not a major change in rules and procedures under the General Agreement on Tariffs and Trade. The EC clearly does not want the trade talks to dilute the impact of EC enlargement and development. The community's tough stance reflects wariness about US intentions as well as uncertainty about the ultimate extent of the US negotiating authority. The elements for US-EC confrontation exist, but efforts are under way to soften differences over the trade-monetary link. In addition, the growing likelihood of the less developed countries making presentations hostile to the interests of industrialized countries will help unify the negotiators from the developed countries at Tokyo.

Within the framework of the EC's overall position, each member has its own particular interests to protect. All agree on the need for reciprocity in trade concessions and inviolability of EC institutions. All oppose the US goal of completely removing tariffs on industrial goods and favor international commodity agreements. Differences among community members center on the relationship between the trade negotiations and monetary reform, on the role of agriculture in the negotiations, and on trade preferences for less-developed countries. The Germans, Brit-

ish, and Danes are more sympathetic to US interests than are the French, who fear that US positions will weaken the EC's common agricultural policy and other elements of European integration.



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The developing countries will be contentious. They are concerned that the negotiations will damage their trade with developed nations or inhibit the future growth of that trade. Many disagreements naturally exist among the developing nations, reflecting differences in stages of development and in degrees of militancy. These differences have resulted in the emergence of various blocs which should reduce their effectiveness.

The Latin Americans, through the Special Coordinating Commission for Latin America, will present a regional position which calls for:

- expansion of generalized preferences for developing countries' exports;
- allocation of special benefits for the least developed so long as this does not prejudice the interest of other developing countries;
- application of non-reciprocity in negotiations between developed and developing countries.

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None of the Latin American participants was completely satisfied with the regional position. Mexico indicated that the commission had been too passive in accommodating the interests of the least developed countries. Brazil, on the other hand, wanted the group to develop a strong negotiating position on market access for developing

countries' agricultural products and on the elimination of tariff differentials between processed and unprocessed products. Chile and Peru, along with Cuba, which is not a member of the Latin American group, are the most vociferous in advancing what they see as the developing nations' interests.

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**INDOCHINA****CAMBODIA: STATE OF SIEGE (9)**

The Khmer Communists are pushing hard to gain control over Kompong Cham, the country's third largest city. The situation at the isolated northern provincial capital has deteriorated rapidly since the insurgent offensive was launched on 31 August. Although the government has airlifted reinforcements to the threatened city and provided additional air and artillery support, sustained ground and artillery attacks have forced Cambodian Army troops to fall back from outlying positions. At midweek, the situation had reached a critical stage as some Communist elements had infiltrated sections of the city itself and fighting was reported in the central marketplace.

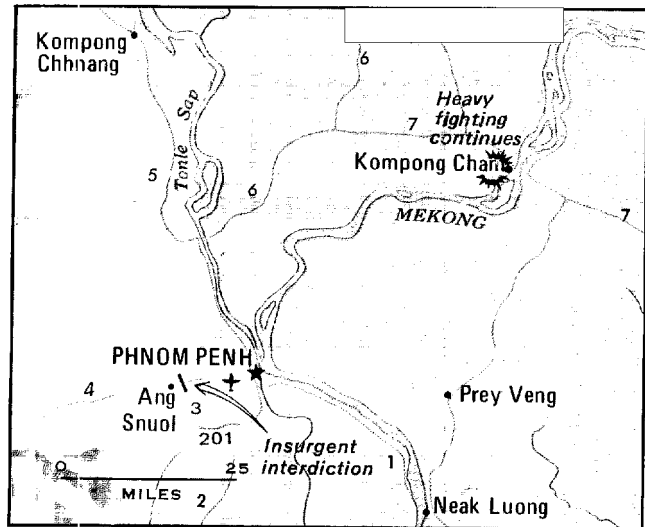
In the Phnom Penh area, the insurgents returned to the attack along Route 4 and gained control over a short section of that vital highway, 15 miles west of the city. Elements of the Cambodian Army 1st Division, backed by armored vehicles and artillery, have so far been unable to reopen the road. Fighting also picked up south of Phnom Penh, where units of the 3rd Division continued their seesaw struggle with the insurgents for control over a short stretch of Route 201. So far the insurgents have been contained in this sector and have not been able to breach Phnom Penh's southern defense line.

**Sihanouk On Stage**

The peripatetic Prince Sihanouk arrived in Algiers early in the week to attend the nonaligned summit conference, which he hopes will support

his efforts to isolate the Lon Nol government in the international community. In a spate of interviews before leaving Peking, Sihanouk reaffirmed his refusal to negotiate, promised to fight until "total liberation," and denounced would-be mediators. He also stated that the Chinese would foot the bill for renewed North Vietnamese arms shipments to the Khmer insurgents, and repeated that the arms would come from Viet Cong stocks in South Vietnam. He asserted that these arrangements would not violate the armistice.

Although the Lon Nol government is resigned to coming off second best at Algiers, it did not leave the field entirely to Sihanouk. In his first press conference since January, Lon Nol rebuked Sihanouk for his collaboration with the Vietnamese Communists and his claim that he is



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struggling to make Cambodia a Communist country. Lon Nol also left the impression that negotiations were no longer of vital interest to the government. As for his own situation, the Cambodian leader said that he has no plans to leave the country.]

#### LAOS: MORE PROBLEMS

10 [Prime Minister Souvanna Phouma is still locked in a struggle with his rightist critics over the protocol he worked out with the Lao Communists. In a press conference early in the week, Souvanna again threatened to resign if rightist approval was not forthcoming. He singled out Transportation Minister Ngon Sananikone and Finance Minister Sisouk na Champassak as the leading obstructionists. Souvanna did not criticize leading Lao Army officers, most of whom have voiced varying degrees of opposition to the draft protocol. Souvanna's failure to cite the generals suggests that he may be having some success in isolating his civilian opponents from their allies at senior levels of the army. Lao Army Commander in Chief General Bounpone recently ordered units from south Laos into Vientiane to protect Souvanna from possible rash reactions from the less rational rightists.] Although some cracks are appearing in rightist ranks, it may take more time before Souvanna feels that the diehards have been sufficiently isolated to permit him to sign the agreement.]

10 [The Communists continue to complain about the delay and are holding the rightists personally responsible. In a press conference on 4 September chief Communist negotiator Phoumi Vongvichit lambasted the Sananikone clan for its foot-dragging and asserted that the US could pressure them into bowing to Souvanna's demands if it were willing to try.]

#### VIETNAM: RECONSTRUCTION STILL FIRST

12 [Premier Pham Van Dong's national day speech reaffirmed Hanoi's commitment to the cease-fire agreement and the economic reconstruction of the North. Dong pledged Communist implementation of the Paris Agreement, and warned that his people would continue their struggle until the "other side" fully implements the agreement.]

12 [The Premier said that since the cease-fire, rail and highway routes have been repaired and many

13 industrial enterprises put back into operation. He acknowledged, however, that long-term economic planning for the country was still in the "thinking" stage.] National Day pronouncements from North Vietnam tend to be laden with more platitudes than usual, and Dong's speech was no exception. It is noteworthy, however, that the Premier restated standard North Vietnamese positions in the wake of recent articles in the army daily advocating a more aggressive military line in the South.]

#### A Less Vigorous ICCS

14 [The Communists are laying the groundwork for a reduction in the role of the International Commission for Control and Supervision. Hanoi and the Viet Cong have sent diplomatic notes to the members of the group proposing a cutback in personnel. Some of the language suggests that the Communists may also be considering the elimination of regional and local truce teams, leaving only a headquarters in Saigon.]

17 [The Communists have always held that the International Commission should be basically a mediating rather than an investigative body and have been pushing for a reduction in its activities almost since it was established. The new proposals do not necessarily indicate that Hanoi plans a big step-up in its military or political activity in the countryside, but it does suggest that the Communists find the presence of cease-fire teams throughout the country politically and psychologically inhibiting.]

15 [The Communists probably would like to do the reshaping before the new Iranian team gets established and will use the commission's recurrent financial difficulties to back up their arguments that its activities should be curtailed.]

15 [Even if this Communist pressure fails, the commission is not likely to be as vigorous as it was before Canada's departure. The Iranians will probably play a more passive role than the Canadians, and in any case it will take them some time to get adjusted. There is no indication that the Communist members, Poland and Hungary, intend to be any more cooperative than in the past, although Poland has stopped suggesting that it might withdraw.]

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is encouraging some Japanese industries, including steel, to restrain exports and boost purchases from abroad.

Tokyo's effort to control price increases has been complicated by a number of other factors. Trade and industrial firms have plenty of money, and this has reduced their normally heavy dependence on bank credit. Because profits have been rising rapidly, these firms have built up larger cash holdings than usual. Moreover, much of the increase in wholesale prices this year stems directly from the sharp increase in world market prices of foodstuffs and raw materials which make up a large share of Japan's imports.

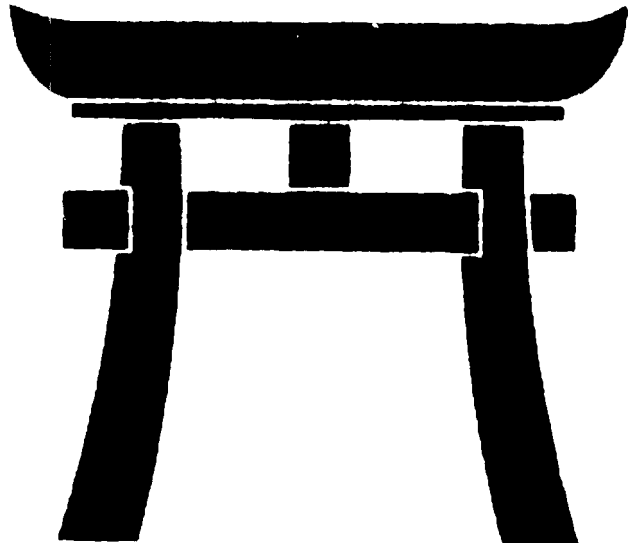
The government's latest measures should cool the economy a bit for the rest of 1973. A few signs that domestic demand has begun to slacken have already appeared. Gross national product, for example, grew at a slower pace in the second quarter of 1973 than in the first quarter; land prices have begun to decline; and bank deposits posted a slight decline in July, the first July decline in 12 years. Nevertheless, the rate of price increases will slow only gradually during the coming months.

A BLOW AT INFLATION

*(NO SOURCES)*  
Tokyo this week introduced a new series of measures to combat inflation. Some \$2.5 billion in planned government spending will be postponed until April 1974. Consumer credit terms are being tightened, and the government is moving to encourage major industries to postpone outlays for plant and equipment. These steps complement the hike last week in the central bank discount rate to 7 percent and the increase in commercial bank reserve requirements.

Tokyo began its anti-inflationary moves in early 1973, but the impact has been limited so far. In fact, wholesale prices jumped 2 percent in July to more than 15 percent above the July 1972 level. Price increases have been fueled by a surge in private investment coupled with a continued high level of government spending. At the same time, some Japanese industries are having trouble increasing output because they are reaching their capacity. To cope with shortages, Tokyo

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CHINA: FLAYING THE SOVIETS

25 Chou En-lai's strident attack on Moscow at the Tenth Party Congress took place against a background of an intensifying war of words between China and the Soviet Union. With the Chinese Congress clearly in mind, Moscow initiated a new round of polemics in mid-July which included an authoritative speech by Brezhnev and a carefully orchestrated campaign from most of Moscow's client states in East Europe.

26 The Chinese response has concentrated on discrediting Soviet efforts to portray Moscow as 26 x 27

favoring disarmament and opposing the use of force in international relations. An NCNA article commemorating the Soviet invasion of Czechoslovakia, for example, stressed pointedly that Moscow still had not renounced the "hegemonic" policy that led to the invasion and the internal purges which followed. Peking also chose the day after the anniversary of the Czechoslovakia invasion to sign its first formal agreement in the disarmament field, the treaty for the prohibition of nuclear weapons in Latin America, and pointed to the fact that the USSR remained the only nuclear power that had not accepted the treaty.



27 All of this was followed closely by a long NCNA article on 25 August which was the most waspish attack on the Soviets in perhaps two years. In developing the theme that the present leaders of the USSR are "new Czars" pursuing the "aggressive and expansionist nature of great Russian chauvinism and imperialism," the article came very close to a racist analysis of Soviet foreign policy. Chou himself developed a similar theme, using even harsher language, at the congress, charging that the USSR was a "fascist dictatorship" engaged in an aggressive, militaristic policy worthy of a "new Czar."

27 One week after the conclusion of the congress, *Izvestia* published some of the congress documents and charged that they confirmed the "anti-socialist character" of the policies of the Chinese leadership. Authoritative Soviet comment on the congress has been minimal thus far, with Soviet media relying on foreign commentary, particularly from East European allies.

They noted that the anti-Soviet aspects of the meetings were not as bad as could be expected, and they went out of their way to argue that the Chinese communique had blasted both the US and the USSR.

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## WEST GERMANY: BACK TO WORK

30 ¶ Chancellor Willy Brandt's governing coalition is vexed by a number of problems which could become big headaches, but the opposition Christian Democrats may not have much luck in their avowed aim of making this a "hot autumn" for Brandt.

done little to ease the irritations between Bonn and Paris.

33 ¶ Internationally, Brandt's Ostpolitik has stalled; the most recent evidence was provided by the postponement of his symbolic visit to Prague where he was to have signed a draft Czechoslovak - West German treaty. Further, State Secretary Frank's recent visit to France appears to have



West German strikers

29 ¶ On the economic front, prices continue to climb, though the public has shown remarkably little concern. The rash of wildcat strikes and riots instigated by radicals, however, has threatened the delicate balance between workers and industry. The fact that some of the agitators are members of Brandt's own Social Democratic Party has brought new tension to the party and strained relations with its coalition partner, the Free Democratic Party. The situation looks bad enough so that the Chancellor has made a number of public statements urging restraint and mutual respect; on 4 September Brandt sharply attacked the Young Socialists, stating that their support of the strikes was detrimental to the Social Democrats.

33 ¶ In spite of Brandt's troubles, there is a question whether the Christian Democrats are in a position to exploit Brandt's problems effectively. The Christian Democrats are calling Brandt a neutralist and decrying his internal economic policies, but thus far the Christian Democrats have not been able to offer the voters specific alternatives to government programs. Nor have the Christian Democrats succeeded in arousing widespread public dissatisfaction with Brandt's leadership. Unless the Christian Democrats do better, most Germans will probably remain willing to allow Brandt to deal with the country's problems.

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**LIBYA: OIL AS A WEAPON**

(no sources)  
 Libya's nationalization of five major oil companies on 1 September will almost certainly lead to a confrontation with the companies, but will not cause any significant supply problems for the US. The five companies—Exxon, Standard Oil (California), Texaco, Mobil, and Royal Dutch Shell—are faced with either accepting 51-percent Libyan ownership or being taken over completely. The companies produce about 700,000 barrels per day, about 30 percent of current Libyan production, and export about 75 percent of this to Western Europe. The companies export to the US (both directly and indirectly from foreign refineries) about 130,000 barrels per day. This constitutes only about 2 percent of US oil imports.

Acceptance of Tripoli's terms, which include compensation for the companies' assets at net book value—a low valuation method—and selling government oil back to the companies at the market price, would lead to new demands from Persian Gulf oil producers. The companies will not wish to see Libya's terms spread to the Persian Gulf, and they will probably withdraw from Libya, threatening legal action against the sale of oil from the seized properties.

Even if the companies succeed in blocking the sale of such oil, Libyan officials have indicated that they would increase production from fields already under their control through previous nationalizations and recent agreements with Occidental, Continental, Amerada-Hess, and the Italian State oil company ENI. Surplus production capacity in oilfields operated by these companies is nearly 700,000 barrels per day and, given the extremely tight market for low-sulphur oil, the Libyans should encounter no difficulties in increasing their sales.

Recent press reports stating that Tripoli had raised the price of its oil to \$6 per barrel and would reject payments in dollars are in error. According to the text of Prime Minister Jallud's press conference broadcast by Tripoli Radio on 2

September, Jallud discussed the price of oil and oil payment in dollars, but did not explicitly refuse to sell oil for dollars or mention a \$6 per barrel price. He did, however, enumerate the problems of holding reserves in currencies of uncertain future value and pointed to the Organization of Petroleum Exporting Countries as possibly being able to find a solution.

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**ISRAEL: BELLWETHER ELECTION**

(45 + 46)  
 Histadrut, the giant labor federation, holds its election on 11 September for some 1,500 delegates who in turn will choose, at a convention in December, the federation's governing bodies for the next four years. As usual, this election, which is always held immediately prior to the parliamentary election, will be scrutinized carefully to detect any trends that might be applicable to the general election on 30 October.

Histadrut, often called a "state within a state," includes in its ranks some 90 percent of organized Israeli labor. The organization also owns and operates commercial and service enterprises and welfare activities such as the main Israeli health service. Members of Mrs. Meir's Labor Alignment won 62 percent of the Histadrut vote in 1969; the Alignment is in solid control and is certain to remain so. Its nearest competitor is the right-wing, annexationist-minded Gahal bloc which won 17 percent of the Histadrut vote in 1969. Nine other parties shared the remaining 21 percent, with the largest of them getting 6 percent. The same proportional representation system is used in the Histadrut as in the Knesset elections, and this year 13 parties have filed.

The Histadrut elections are a somewhat defective barometer of Israeli elections, however, because the Histadrut issues are primarily economic, not all parties participate, and the electorate is restricted to the 1.2 million dues-paying members. Some Israeli voters, moreover, use the

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Histadrut elections to vent their irritation with government policies by voting against the Laborites, but then heed party discipline in the Knesset election when their vote really counts.

Mrs. Meir's Labor Alignment is working hard this time to make a good showing in order not to suffer another 15-percent drop as it did between 1965 and 1969. Party leaders laid that reverse to complacency and low voter turnout. This year there is considerable internal dissension over inflation, strikes, income gaps, and housing. The Alignment, however, has organized a virtual army to get out the vote and is particularly anxious to forestall any possibility of a groundswell for Gahal and two allied parties that might carry over into the Knesset elections. Such a groundswell does not seem likely, but the Labor Party was careful to get a more activist program for the occupied Arab territories on the books on 3 September, in a further effort to undercut Gahal.

that a strike would begin this week unless the schools were reopened, arrested demonstrators released, the army returned to the barracks, and other security measures rescinded. The union officials, who were promptly arrested, may not have broad support among rank-and-file workers; if they can pull off a general strike or a strike by railway workers, they would create severe food and fuel shortages and generate strong public criticism of the government.

47 In spite of general dissatisfaction over economic issues, Numayri's political opposition has thus far failed to attract wide support from the working class, the business establishment or the disaffected Ansar sect. With memories of the bloody coup of July 1971 still vivid, the general populace, although lukewarm toward the government, does not seem disposed toward a confrontation with the President at this time. From all indications, Numayri continues to command the loyalty of the army, the key instrument of power.

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#### SUDAN: THE STUDENTS ARE RESTIVE

47 The government is trying to quell disorders in Khartoum that began with unruly student demonstrations last week. The tense situation could become a major headache for President Numayri's regime if a threatened general strike materializes.

47 Nevertheless, the Muslim Brotherhood and the weak but still active Communists are seeking to discredit Numayri. They appear to have had a part in staging the well-organized student demonstrations. Muslim Brotherhood activists operating on the campus of Khartoum University have been a thorn in the government's side all summer. Since May they have harangued student audiences with inflammatory attacks against high prices, food shortages, and unemployment.

80 The authorities closed Khartoum University and most other schools because of demonstrations which were apparently abetted by the political opposition. Clashes between students and police, plus the threat of a general strike, prompted the government to declare a state of emergency on 5 September. So far, three students and one soldier have been killed.

47 Over the past week the security forces have rounded up a number of Communists and Muslim Brothers as part of the effort to forestall further incidents. Attacks on student demonstrators by bands of pro-Numayri youth groups, however, provide agitators with another issue. Moreover, the closing of schools puts on the streets students who could create further disturbances. The students may try to stage new demonstrations when Numayri returns this week from a lengthy African tour.

The strike threat came from six union leaders, including a representative of the key Railway Workers Union. Acting in sympathy with the dissident students, they warned the government

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GREECE: CHOOSING A PREMIER

51 A terse government announcement that President Papadopoulos and Spyros Markezinis had found "complete agreement" during a recent meeting suggests that the latter is the leading candidate for prime minister in Greece's first "political" cabinet since the 1967 coup.

keep tight control. At this time, Markezinis appears eager enough to gain the position to make him willing to compromise.

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USSR: AID TO SANA

(55 - 58)

Moscow appears to have reactivated its small military aid program in Yemen (Sana) after a hiatus of some three years. The Soviets obviously hope that they can in this way wean Sana away from too close a relationship with Saudi Arabia and other Western-oriented countries. Relations between Moscow and Sana deteriorated when the Soviets failed to follow through on promises made in late 1971 to supply new arms for Sana's largely Soviet-equipped forces. The Yemeni Government also is irritated over Moscow's expanded military assistance to Sana's long-standing adversaries across the border in Aden.

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52 Papadopoulos' timetable reportedly calls for the appointment of a new government, from which most if not all of his coup colleagues will be dropped, sometime in October. 53 Certain of the ministers in the present cabinet, particularly those with a military background, are reluctant to leave their positions. They enjoy no political following and believe their present offices afford the best means of keeping an eye on Papadopoulos. 52 Nonetheless, all present cabinet officers will resign in the next few weeks. Should the military ministers continue to resist, Papadopoulos could resign as premier at any time and thereby necessitate their resignation and the appointment of a new cabinet. 53

53 Markezinis, who once led the small, right-of-center Progressive Party, is at present the only person known to be actively seeking the job of prime minister. As the only party leader to avoid open opposition to the junta, he is acceptable to Papadopoulos. Markezinis may stand the best chance of gaining the reluctant acquiescence of those military elements who oppose resumption of even the trappings of representative government.

53 The Athens press almost certainly overstates the degree of like-mindedness between Papadopoulos and Markezinis. For example, the President probably will not accommodate Markezinis in his demands that the promised elections in 1974 be freely conducted and that he be given a significant role in handling foreign affairs. Markezinis may be able to wield influence in the economic and development areas, but hardly in the political arena, where Papadopoulos means to

In early May a military delegation, led by the commander of the Yemeni Army, went to Moscow to discuss implementation of military deliveries under the 1971 arms accord. He pressed the Soviets to resume deliveries of vitally needed spare parts. Reports indicate that Moscow agreed to begin spare parts deliveries and to provide a few jet fighters and helicopters. A contract also was concluded for over 150 military trucks, which are scheduled to arrive by late November.

Sana has announced that a group of military students will be sent to the USSR. This appears to be a response to Moscow's request that five ground crew members of the Yemen Air Force be trained on transport aircraft. These will be the first military personnel from Sana to be trained in the USSR since the hiatus began. Sana, on the other hand, has not renewed contracts for Soviet military advisers as their contracts have expired; the number of advisers has dropped from over 100 in 1972 to probably less than 50 at present. The Soviets have been involved primarily in the maintenance of Soviet-supplied equipment and have been confined to the Sana area.

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ARGENTINA: A BALANCING ACT

62 Juan Peron, after eliminating, or at least diminishing, the leftist influence fostered by the Campora administration, is now focusing on ways to coax the rebellious left-wing youth contingent of his movement to help elect him president later this month. He cannot, however, go too far in this direction without alienating the more conservative labor groups that constitute the base of his power structure.

absence to participate in the election campaign, Lopez Rega was probably removed from the scene as a sop to the younger Peronists who consider Lopez Rega a "fascist" and "reactionary." They believe him to be the architect of efforts to rid the provisional government of leftist influence and to be a schemer with presidential ambitions.

59 The first outward sign of Peron's latest shift was the departure from the government of his close aide, Lopez Rega. Ostensibly on a leave of

66 Peron may not, however, dispense with Lopez Rega altogether. Lopez Rega has close ties with Isabel, and his appearance at Peron's side during the review of a massive demonstration in support of the latter's candidacy last weekend suggests that he retains his spot in Peron's inner circle.

59 There have been other signs recently that Peron is moving to achieve a modus vivendi with his left-wing critics. He agreed to meet with leaders who represent the left-leaning Peronist youth movement. Peronist youth also participated in the pro-Peron rally on 31 August, which brought out a crowd estimated at 400,000—less than the organizers had expected. Youthful marchers provided much of the enthusiasm for the generally peaceful turnout.

61 Some of the government's recent foreign policy moves are also calculated to enhance Peronist bona fides with the left. The extension of a \$200-million credit to Cuba and a \$10-million credit to Peru, for example, will be popular with leftist youth since they demonstrate Latin American solidarity through actions which diminish "economic dependence" on the US. Argentina has requested full membership in the nonaligned countries' organization and the loan may have been intended to improve Argentine credentials.

64 Peron is giving weight to his program for an independent foreign policy by making a strong

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Peron rally advertisement

"Today as yesterday we—the Argentine Workers—close ranks with the Leader"

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pitch to the Chinese Communists. He made one of his infrequent forays outside his Buenos Aires home to attend a recent Chinese trade exhibition, and he used the occasion to lavish praise on Chairman Mao. Argentina has agreed to conclude a trade pact with the Chinese, and the terms are apparently being worked out now. Peking has also received the go-ahead to open an office of the New China News Agency in Buenos Aires.7

to devote to the broader issues of Argentina's foreign policy unless he can put his own house in order. And that promises to be a substantial challenge for the 77-year-old leader. [redacted]

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**BOLIVIA: SEEDS OF DISCONTENT**

62 Meanwhile, the Soviets have not passed up a chance to get a first-hand reading of Peron's political plans and his health. The USSR sent a fairly high-ranking delegation to the recent congress of the Argentine Communist Party. The delegates had a 50-minute meeting with Peron, the first direct Soviet contact with Peron since his return from exile. In the 1940s the Argentine Communist Party was proscribed by Peron, and Soviet media described him as a fascist dictator. The Argentine Communists are planning to support Peron in the coming elections.7

70 The coup attempt last month that involved right-wing zealot Carlos Valverde, though a dismal failure in itself, has revealed a spreading rot within the government of President Hugo Banzer.7

70 Opposition from the extreme right was to be expected since most of the threats to Banzer so far have come from this quarter. The significance of the Valverde plot is that it involved a number of young military officers. These officers, showing the puritanical streak that runs through the new Bolivian middle class, are discontented with the nepotism and self-seeking politics that have characterized the second year of the Banzer presidency. While not tied to any specific plot, a number of important troop commanders share these ideas.7

63 Moscow probably still has lingering doubts about how Peron will act as a Third World spokesman. Reflecting this caution, Soviet media have welcomed the recent political changes in Argentina, but stopped short of praise for Peron or Peronism. The Soviets did express to Peron—and to the Argentine Foreign Ministry—interest in providing some economic assistance. [redacted]

73 Senior officers have attempted to write off opposition by their juniors by labeling them "communists," but Banzer is troubled by the growing rejection of his government within the very institution that has gained the most from it. Army leaders were concerned enough to place their troops on alert last week and delay the departure of their commander to the Caracas meeting. Several air force officers took refuge in the Paraguayan Embassy. Banzer may attempt to restore his image as a housecleaner by naming an all-military cabinet soon, but this would be an implicit recognition that his new political system is crumbling about him.7

[redacted] To get a toe in the door, the Soviets probably will offer concessionary purchase terms as a form of economic aid.7

67 In any case, Peron is likely to continue projecting the idea of the "two imperialisms" in an effort to advance his claim to a leadership role in the hemisphere and among Third World countries. Romanian President Ceausescu's visit later this month will give Peron an opportunity to elaborate further on this theme. In the meantime, Peron is likely to have less time than he might like

68 Adding to and inextricably involved with the military discontent is the shoving and hauling in +22

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the civilian parties that make up the formal government coalition. The prospect of presidential and legislative elections next year has brought into the open conflicts that were papered over when the coalition was formed. The right-wing Bolivian Socialist Falange, beset by factionalism and waning popular support, will need help if it is to maintain its current share of government jobs after the elections. The moderate Nationalist Revolutionary Movement, which probably would win a majority in a free election, would, of course, like a chance to demonstrate its strength, but it is not likely to get it.

is now convinced that they were deliberate and designed to precipitate a coup.

?? Rumors of coup plotting were rife a few months ago, but few had been heard since the shakeup of the armed forces in early August. The security forces have been on full alert since the first fire on 23 July. Even more stringent security measures were imposed after the second fire, on 29 August, especially around the presidential compound.

?? The senior military establishment still maintains a bias against the Movement. The military hopes to restrict both parties to urban electioneering, isolating the Movement from the peasants who provide the bulk of its voting strength. Such a procedure would make the election meaningless, and relegate the rural voter to a second-class citizenship. It might tempt Movement leaders to move over to the opposition rather than accept such a short stick under Banzer.

?? The long-run danger for President Banzer is that, by refusing to share power, he will force together the very groups that could, if united, supplant him. Younger military officers and Movement leaders still see certain advantages in continuing with Banzer, but if this perception should change, they command both the muscle for a coup and popular support for a new government. There are no reports that the two groups are conspiring together, but it would be unusual if at least preliminary soundings have not already been taken.

?? The commander of the presidential guard would like to prove that the Leopards are responsible for the fires; he believes they have usurped a number of duties previously assigned to the presidential guard and infringed upon his role as chief security adviser to the President. The commander is conducting his own investigation of the incidents and apparently believes that the strong-arm interrogation techniques used when the elder Duvalier ruled Haiti will prove more effective than those used by the commission of inquiry established by the President following the first fire.

?? The fires have intensified concern within the Duvalier regime for its security. Critics of the regime are beginning to speculate that the Duvaliers are in serious trouble. This would appear to be an exaggeration, but further such incidents would seriously undermine public confidence in the government. In these circumstances, President Jean Claude Duvalier and his advisers may conclude that a show of force, such as a massive arrest of suspects, is necessary in order to regain the upper hand.

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**HAITI: FIRE ALARM**

?? Political unrest is on the increase in Port-au-Prince as the result of a second and third fire of suspicious origin in the national palace. Although the Duvalier regime calls the fires "accidental," it

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**COLOMBIA: ELECTION RUMBLES**

(78)  
 The presidential campaign is already under way despite the fact that almost eight months remain until the election.

Colombia has been operating since 1958 under the National Front system. The system, which alternates the presidency between the two major parties—the Liberals and the Conservatives—is due to end when President Pastrana's term is completed next year. As a result, the election in April 1974 will be the first genuine presidential election in 25 years, and the major political parties are in the throes of selecting presidential candidates. The Liberal Party on 30 June named former foreign minister Alfonso Lopez, and the Conservative Party is expected to nominate party chief Alvaro Gomez later this month. Both men are sons of former presidents of Colombia. The third major party, the National Popular Alliance of former dictator Gustavo Rojas Pinilla, has yet to make a formal decision. Bowing to considerable pressure from his party leaders, the aging Rojas withdrew his candidacy last week and recommended his daughter as the party standard bearer. Maria Eugenia is almost certain to win approval at the party convention next month.

Rojas' action had been expected for some time; party leaders have been concerned over his failing health. Further, there were reports that the party was disintegrating at the local level for lack of a candidate and strong leadership. Party leaders expect that Maria Eugenia will be an aggressive and able campaigner and that the party will benefit from the younger and more progressive image she will bring. Perhaps of more importance is the fact that she is much more flexible than her

father in dealing with other parties, particularly regarding election agreements.

It is generally agreed that the party is not the powerhouse it was in 1970, when Pastrana narrowly edged out General Rojas for the presidency. Since then Rojas' declining health, a disappointing showing in the 1972 municipal elections, defections, and rivalries within the organization have caused the party to lose political clout. In addition, some of its leaders privately question whether Colombians would vote for a woman.

The issue that will dominate the campaign has already appeared on the scene: inflation. Politicians agree that inflation and the cost of living will be the central theme of the campaigns, with each candidate trying to pin the blame on his opponents. Inflation in some form is endemic in Colombia, but it becomes especially bad when prices for coffee exports are high and foreign loans easy to acquire. Judging by past performance, none of the candidates is likely to do much about inflation once in office, but each hopes to ride popular concern with thin wallets into the presidential chair.



Rojas Pinilla and Maria Eugenia Rojas

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**SECRET****USSR: DAMAGED SUBMARINE**

(84)  
 The Soviet nuclear-powered cruise missile submarine that arrived in Cuba on 4 August has departed the Caribbean after suffering damage to its port bow. It is being escorted by the Soviet light cruiser and tanker that arrived the same day. The submarine, with an eight-foot gash in its bow, is moving under its own power, but its ability to operate while submerged seems to have been hampered.

The ships are probably en route to their home port in the Northern Fleet area, an indication that there are no facilities in Cuba capable of

repairing the damage. The absence of a tender—which normally accompanies submarines on visits to Cuba—probably precluded making even temporary repairs.

A Soviet destroyer and a diesel-attack submarine remain in Cuba. They are participating in exercises with the Cuban Navy that are scheduled to continue intermittently until 9 October. The diesel submarine was first observed at Cienfuegos [redacted] after entering the Caribbean undetected. [redacted]

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**LOOKING FOR A NEW FORUM**

(25+86)  
 The 25-nation disarmament conference in Geneva ended its 1973 session last week without having made any perceptible progress toward agreement on its two major problems—prohibiting chemical weapons and extending the limited nuclear test ban to cover underground tests. The lack of progress will probably encourage dissatisfied smaller states to renew attempts to establish another forum for disarmament talks in which non-nuclear powers could play a larger role.

One possibility is a world disarmament conference, to be organized on an ad hoc basis under UN auspices. Last November the UN General Assembly adopted a Soviet-sponsored resolution setting up a committee to study the possibilities for such a gathering. The committee was never formally convened because of a dispute over its composition and because of US and Chinese opposition to the whole idea. Iran and Mexico are now trying to revive the concept.

The Swedes and the Yugoslavs, among others, have indicated that they will push to resurrect the UN disarmament commission. The commission had an undistinguished record before it ceased to function in the late 1960s. Its proponents argue that the commission has one redeeming feature—it could be reactivated quickly.

These alternatives do not have a bright future in view of the opposition of one or more of the five nuclear powers. Nevertheless, given their disillusionment, the smaller nations will probably push ahead with proposals in the General Assembly this fall and try to put new pressure on the US to reconsider its aversion to the discussion of arms control topics in large multilateral forums with high visibility and propaganda potential. If these efforts enlist any support, they will tend to erode the position of the Geneva conference, which, despite its recent ineffectiveness, in earlier years laid the ground-work for such milestone measures as the limited test ban agreement and the nonproliferation treaty. [redacted]

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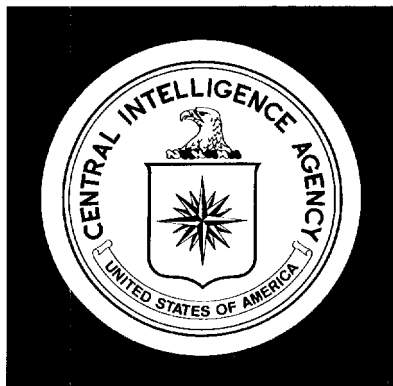
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# *WEEKLY SUMMARY*

## *Special Report*

*Norway and Sweden Go to the Polls*

**Secret**

**№ 41**

7 September 1973  
No. 0386/73A

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**Summary**

Elections this month in Norway and Sweden could bring about major changes in both countries. Norwegian voters cast their ballots on 9-10 September; the Swedes vote on 16 September.

Norway, the keystone of NATO's north flank, had a strong, stable government until a few years ago. The lengthy wrangle over proposed EC membership caused the downfall of two governments and left a "mini-coalition," representing a minority of parliament, in power. The Norwegians now have an opportunity to restore stable government, either under a revived Labor Party or a center-right coalition. But the rising cost of running Norway's welfare state has succeeded EC membership as a major issue, and the number of political parties has doubled; the chances are not good that a strong government will be elected. Norway's relations with the US should not be adversely affected no matter who wins.

Sweden, a self-appointed neutralist leader in Europe, has been governed by the Social Democratic Party for over 40 years. This year Prime Minister Palme and his party are in trouble. A general dissatisfaction, stemming largely from high taxes and inflation, pervades Swedish society. The three old-line bourgeois parties could win if they stick together and take advantage of their openings, but they have shown a capacity for beating themselves in the past. If they do win, Swedish-US relations certainly would improve.

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**NORWAY**

Norwegians go to the polls on 9-10 September in one of their more important elections in recent years. Although the campaign is again being fought over such welfare state issues as the decline in purchasing power, the real question is whether Norway can elect a purposeful government of any persuasion. The referendum last year on entry into the EC, which was rejected, caused deep divisions within and among the old-line parties and also led to the founding of many new parties. This wide choice in parties may lead Norwegians to disperse their votes so that no likely party combination will be able to command a parliamentary majority, and the divisions in the old-line parties will make it difficult for them to

cooperate in putting together a government after the election.

Norwegian voters will be stuck with whatever parliamentary mix they choose for the next four years. The constitution does not provide for dissolving parliament or for calling a new election. The "cussedness level" is high among Norwegians, and if they exercise it this time around, as much as they did in the EC referendum, the country will be in for a period of factious and weak coalition governments, much like the present minority one. A Norwegian government that could not grapple with contentious domestic and foreign policy issues would not be in the interest of the US. Norway has been a reliable NATO ally,

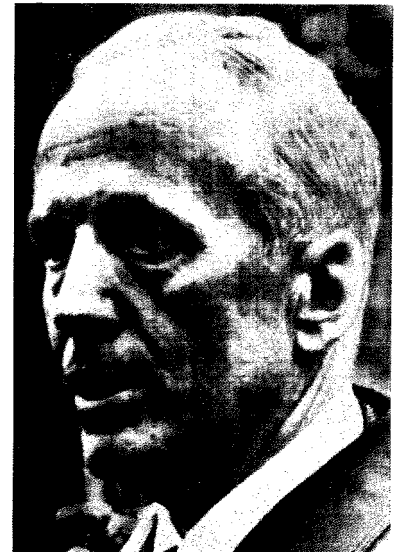
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**A Look at the Record**

The last four years have brought swift and drastic shifts in Norwegian attitudes. It began with the election in 1969 when a four-party, center-right coalition under Centrist Per Borten won a narrow majority. Until then, the Labor Party had won every election in Norway since



Per Borten and Trygve Bratteli



Lars Korvald

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## NORWEGIAN POLITICAL PREFERENCES

Party	Election 1969	Opinion Polls		
		June 1972	June 1973	August 1973
Labor	46.5	43.4	38.8	40.1
Conservative	19.6	20.4	17.2	17.1
Center	10.5	12.9	12.8	11.2
Christian People's	9.4	8.7	10.9	10.6
Liberal	9.4	7.2	3.4	3.9
New People's	-	-	4.1	3.8
Red Electoral Alliance	-	-	0.5	0.5*
Anders Lange	-	-	4.5	4.6
Socialist Electoral Alliance	-	-	7.8	7.8
Communist				
Socialist Peoples				
Democratic Socialist				
Independent Socialists				
Various Other	-	-	-	0.3*
Lapp				
Women's Joint List				
Etc.				

\*Estimated

World War II. The Borten government collapsed in March 1971 when news leaked out that the prime minister, whose government was pledged to support EC membership, was actually trying to sabotage the negotiations then under way with the EC. The recriminations in the non-socialist parties were so bitter that the Labor Party, which had dominated the government for decades, was able to move into the breach and form a minority government under Trygve Bratteli.

The EC issue caused strains within Bratteli's Labor Party, too, and he may have underestimated the passions the subject evoked in the Norwegian public. His government was also committed to taking Norway into the EC and, in an

effort to overcome objections within his party and among the public, Bratteli vowed to resign if the referendum on EC membership failed.

Opponents to Norwegian entry into the EC were in nearly all parties, and they marshaled their forces under an ad hoc group called the Popular Movement Against the EC. It was a mixed bag including elements from the far right Christian People's Party, the middle-or-the-road Liberals, the left-Socialists, and even Norway's Communists. The referendum was held in late September 1972, and when the results were in, it was found that nearly 54 percent of the Norwegian electorate had voted against full EC mem-

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bership. The Bratteli government resigned a few days later.

Formation of a new government proved difficult, but after several weeks a "mini-coalition" emerged under Lars Korvald, chairman of the Christian People's Party. The grouping included the Center Party and the anti-EC faction of the Liberal Party. The Conservative Party, which remained united in backing the EC, refused to participate. The Korvald government, the incumbent in the election on 9-10 September, has only 39 seats in the present 150-seat parliament, which will be expanded to 155 after this election. Nevertheless, the little coalition negotiated a free-trade agreement with the EC, which was swiftly ratified last spring, and survived an attempt by Laborites to dump the government before parliament recessed for the summer. Although the Korvald coalition is not popular, it has managed to keep going, and this has not hurt the chances of the member parties for attracting votes on election day.

#### The Issues

Since the major parties have sought to avoid the EC issue during the campaign, the decline in purchasing power probably ranks as the number one election issue. Although salaries and wages are rising, so is the cost of running Norway's welfare state. All industrial wage earners suffered a loss in disposable income in 1972. For farmers and fishermen, the loss may have run as much as 15-20 percent. Although an average worker's pay increased by over one half since the last welfare legislation six years ago, his taxes doubled and the consumer price index rose over 50 percent. Pensioners have fared much better; today, a pensioned couple has, per capita, nearly as much disposable income as a worker with a family of four. Norway, of course, will not abandon its welfare system, but all political leaders have called a moratorium on new welfare programs.

In addition to economic issues, the conservative parties criticize leftist proposals to liberalize abortion laws, while the socialists back the trade unionist goal of closed shops. Nearly all parties sponsor an environmental plank. Foreign policy

issues have played only a secondary role in the campaign, and Norway's continued membership in NATO is supported by all major parties.

#### Too Many Parties

Adding to the woes of the old-line political parties is the recent emergence of a number of new parties. Some 14 parties, about twice the normal number, are scheduled to participate in this election. Although none of the newcomers is expected to garner a large number of votes, together they are capable of draining significant support from the older parties.

The Labor Party, Norway's largest, has usually campaigned on a strong welfare platform; robbed of that issue this year, the party has had difficulty in putting together an attractive package. The Labor Party congress adopted a lack-luster domestic program that pledges that a Labor government will:

- Reorganize the system of production, achieve genuine equality, and make democracy a reality;
- Carry out rather ambiguous objectives that most voters probably assumed the Labor Party already championed;
- Change the tax system to improve the lot of the wage earner at the expense of big business and the rich;
- Improve "workers' satisfaction" by ensuring more employee participation in management and by initiating new health and safety programs;
- Institute new government controls over banking and credit institutions. It cautiously endorsed liberalized abortion policies.

In foreign policy, the congress once again rejected a left-wing proposal to withdraw from NATO and "demanded" that the US cease bombing in Cambodia. It also called for recognition of North Korea, expressed solidarity with the Allende regime in Chile, condemned French

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nuclear testing, and criticized Portugal, Greece, and Turkey for their want of democracy. The defection of EC opponents into a newly formed leftist Democratic Socialist Party, the all-time low registered by the party in polls earlier this year, and a colorless platform make it doubtful that Labor can win a clear majority this time out.

A recently formed leftist alliance composed of the Democratic Socialists, the Socialist Peoples Party, and the Communists is expected to cut into Labor returns. The new alliance is called the Socialist Electoral Pact, and it plans to submit a "joint list" of candidates. This will allow the three parties to pool their votes and increase their chances for winning a few seats in parliament. In the past, parties like the Socialist Peoples Party, which received 3.4 percent of the national vote in 1969, ran on a separate ticket and failed to win any seats.

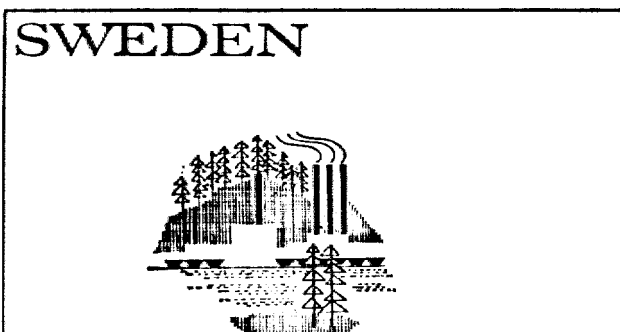
On the right, the anti-tax phenomenon, started in Denmark, has spread to Norway with the formation of Anders Lange's Party for the Drastic Reduction of Taxes, Fees, and Governmental Interference. Lange, a long time anti-welfare campaigner and dog-kennel owner, leads a party that is expected to win some seats in parliament by appealing to the "cussedness" factor of the Norwegian electorate. The Conservative Party felt Lange's effect almost immediately and has dropped steadily in popularity polls since the anti-tax party was formed last spring.

A big win by Labor that would permit governing alone might be best for Norway. Failing that, a minority Labor government drawing support from the left for domestic issues and from the center and right on defense and foreign policy issues might provide more stability than a non-socialist coalition still reverberating from the shock waves of the EC referendum. Furthermore, the non-socialists have not produced a leader of any prominence. Former Centrist prime minister Per Borten has sunk into obscurity since resigning two years ago. The present government is generally an uncharismatic lot, personified by its Christian Democratic Prime Minister Lars Korvald, sometimes referred to as the "colorless Chris-

tian." Laborite leader Trygve Bratteli stands well to the fore of the competition.

Recent polls, however, show that the five major non-socialist parties combined are running well ahead of Labor. The Conservatives, who represent the largest party in this group, refused to cooperate with the other four because of their opposition to EC entry. The Conservatives might again balk at joining any coalition with an anti-EC taint. Furthermore, the split between the newly formed New Peoples Party, made up of Liberals who bolted the party over the EC, and the Liberal Party, which is against EC entry, would complicate matters for such a coalition. Indeed, a non-socialist coalition could only succeed if the EC membership issue could be kept dormant. The Labor Party, which still advocates full EC membership, will probably raise the issue again within the next four years, whether in the government or out. Thus, the outlook for stable government is not promising.

Neither a minority Labor government nor a non-socialist coalition—the two most likely outcomes—is likely to alter US-Norwegian relations adversely. During the past four years, bilateral relations have remained good under a non-socialist majority, a minority Labor government, and the present, small rightist coalition.



The Swedes vote on 16 September. The battle lines in Sweden are more conventional than in neighboring Norway. The three old-line bourgeois opposition parties are once again challenging the Social Democrats who have been in power in Sweden for more than 40 years. The Center, Liberal, and Moderate Coalition

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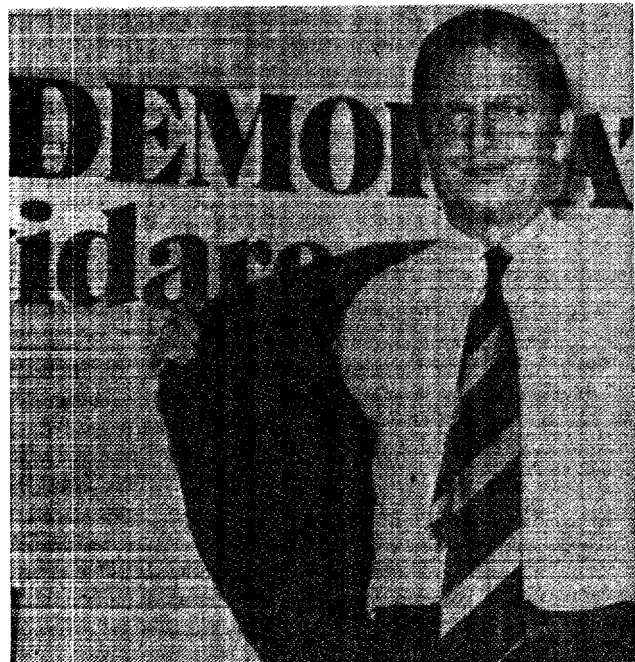
(conservative) parties are in a strong position, according to recent polls, to win a majority. They may not, however, be able to sustain their tenuous cooperation up to election day and beyond. As some pundits are fond of saying, the Social Democrats never win elections in Sweden, the bourgeois parties lose them.

A general dissatisfaction, stemming primarily from high taxes and inflation, pervades Swedish society. In the three years since the last election, Sweden has witnessed an unusual amount of labor unrest and a large number of demonstrations. Workers are showing a new proclivity to strike, and irate housewives have led price protests and food boycotts. This condition gives the opposition parties plenty of campaign fodder and they have zeroed in on the government's management of the economy. The Social Democrats have defended themselves, pointing out, with some justification, that the Swedes have never had it so good and arguing that the opposition represents the "forces of reaction" which favor big business and disregard the worker.

### The Parties

While Swedish polls are not an infallible indicator, one of them taken last May showed that only 40 percent approved the Social Democrats. The party had not improved its standing appreciably by August. In contrast, the party won 50.1 percent of the vote in the 1968 elections and 45.3 percent in 1970. The Social Democrats stayed in power as a minority government, drawing support from the Communists for a majority when necessary. They will have to obtain 44-45 percent of the vote this year to continue in this vein. The party has lagged in past elections too, but always managed to rally before the actual voting. This year the rally has been late in coming, causing some observers—perhaps prematurely—to forecast Palme's defeat. The government can count on the support of the massive Swedish Trade Union Confederation, and the party's position as incumbent affords it considerable advantage.

Palme does not have the sort of popularity that kept his predecessor, personable Tage Erlander, in office for 23 years. Palme is an aloof



Olof Palme

intellectual and has little in common with the average man. He is respected for his brilliance and dedication. He does have a following of sorts and his chairmanship of the party is unchallenged. Palme is the obvious choice to lead the government if the Social Democrats are returned.

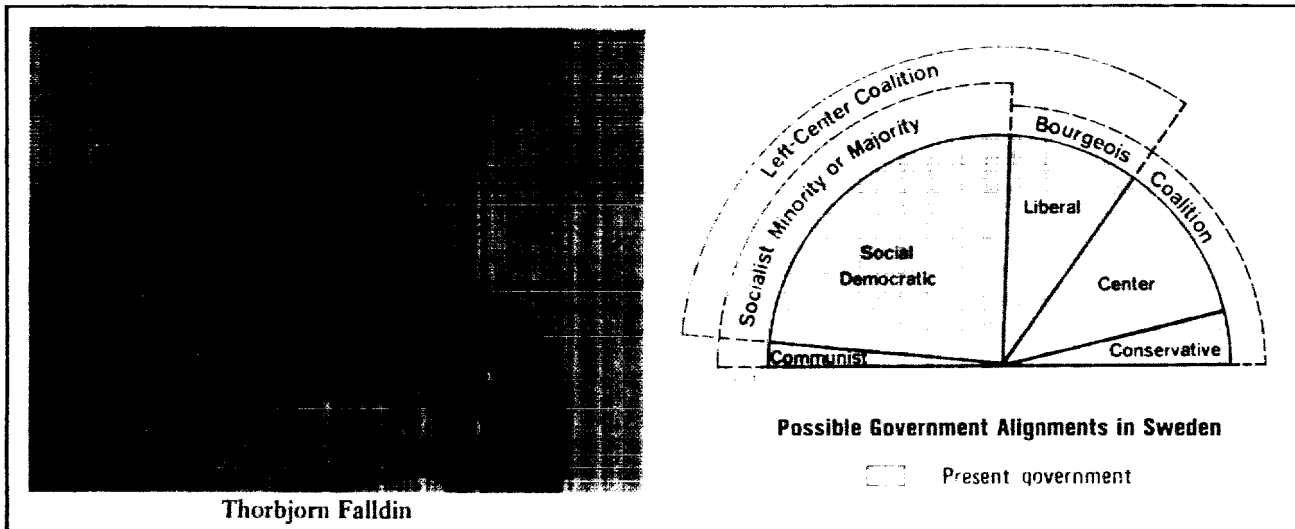
His counterpart in the opposition, Center Party chairman Thorbjorn Falldin, is the antithesis of Palme. Falldin, who would be prime minister if the bourgeois parties were to win, is a relaxed, thoughtful man with none of the air of lofty condescension surrounding Palme. Falldin provides a good balance to Gunnar Helen, the intellectual leader of the Liberal Party, and to Gosta Bohman, the sometimes abrasive Conservative Party leader.

There are several minor leftist parties. One, the Left Party-Communist, has 17 seats in the current 350-seat parliament. It gives the Social Democrats a majority when needed. Another is the newly formed Swedish Communist Party, an ultra-left group favoring a Maoist approach. Like its Scandinavian cousins Denmark and Norway,

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Thorbjorn Falldin

Sweden also has an anti-tax movement in the newly formed Opinion Party. Neither of the newcomers, nor the tiny religious-oriented Christian Democratic Rally, is likely to gain representation in the legislature. Left Party-Communist, however, may once again get the necessary 4 percent of the national tally to win seats in parliament.

#### The Issues

Taxes and unemployment held center stage in the opening rounds of the campaign. Particularly vulnerable on taxes, the Social Democrats unveiled a scheme last month to increase old-age pensions and at the same time reduce the tax burden on workers by shifting the responsibility of retirement contributions to employers. Some Social Democrats, however, are skeptical that the moves will neutralize the tax issue. In fact, there are fears that the proposals may generate more unemployment as management seeks to reduce labor costs to cover the tax increase. According to the polls, unemployment is the principal concern of most Swedish voters. Government leaders hope that subsidized relief work and seasonal adjustments will improve the picture before the elections. The opposition has vowed it will "create 100,000 new jobs." Its 15-point program would try to stimulate the growth of small- and medium-sized companies through easy loans and reduced

payroll and other taxes. The program is far from unique but addresses the complaint of business leaders who charge that government is unsympathetic to small business.

Inflation is another issue, and prices, particularly for food, are indeed high and getting higher. There are no food shortages in Sweden except those dictated by a housewife's budget. Ground beef and pork chops, for example, are as much as \$3 a pound with filet mignon running as high as \$9 a pound. Automobiles, clothing, and appliances are equally expensive. The in-party, the Social Democrats, naturally gets the blame for the high prices.

Law and order is an important issue in Sweden, as it is in many other Western countries. The growth in civil crime and terrorism has plagued the Palme government. The assassination by Croat terrorists of the Yugoslav ambassador in 1971, airline hijacking and sabotage, and rowdy, drug-using youth all get front-page spreads in Swedish papers. The six-day siege by hundreds of police against two bankrobbers and their hostages in downtown Stockholm last month was a blow to the Social Democrats' liberal, avant-garde penal system. Critics have also scored the government for recent anti-terrorist legislation permitting wire taps and mail surveillance of aliens and for the

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"Big Brother" effect of 75 television cameras providing security in downtown Stockholm.

Many Swedes would like to see their government decentralized. The government, which tends to move in the opposite direction, has spoken of plans to restore some national authority to regional governments. The collective affiliation of trade union members with political parties, favored by the Social Democrats, is opposed by the Communists as well as the opposition because it often forces members of the other parties to subsidize the Social Democrats. Another issue was injected into the campaign when a pro-Communist magazine exposed Sweden's top secret foreign intelligence service, the Information Bureau, which was reported to have been active in domestic affairs, particularly against Communist activities in trade unions and political organizations. While the Social Democrats' stand on most of these issues shows the party's preference for strong central control, the opposition has not attempted to string them together, preferring instead to pursue the more popular arguments provided by domestic economic problems.

Although foreign policy is not a big issue this year, Prime Minister Palme has been criticized for the deplorable state of US-Swedish relations, which sunk to new lows last December following his strong criticism of US policy in Vietnam. Right now, neither country is represented by a resident ambassador. The opposition has scored Palme for "making an enemy" of the US, and a change in government would undoubtedly result in improved bilateral relations.

### Outcome Obscure

The race is close and could go either way. The Social Democrats must pick up an additional 3 or 4 percent in order to continue as a minority government. This presupposes, of course, that their Communist partners get the 4 percent needed for representation in parliament. This is not an impossible prospect, and, indeed, the Social Democrats have begun to project cautious optimism. The death of King Gustaf VI Adolf, who is seriously ill, could hamper the Social Democrats' campaign. The King's demise would result in a moratorium on political campaigning for six to ten days which might stall the Social Democratic comeback or even postpone the election.

The opposition parties, all told, have managed to sustain a majority in polls for nearly a year. If the polls are accurate, and do not reflect idle carping forgotten in the voting booth, the Social Democrats are in real trouble. The bourgeois parties must keep together, something they have been unable to do in the past. They must also rebuff attempts by the Social Democrat Party to entice one of their number into a coalition if Palme fails to garner enough votes to go it alone. If the Centrists and the Liberals can continue to cooperate with the conservatives and shun the divisive tactics of the Social Democrats, this could be the year the opposition "throws the rascals out."

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