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# Weekly Summary

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary

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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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Conference hall in Vienna

## East-West Talks Adjourn

The Conference on Security and Cooperation in Europe (CSCE) in Geneva and the Mutual Balanced Force Reduction (MBFR) talks in Vienna have both adjourned for Easter after sessions marked by substantial progress in Geneva but little headway in Vienna.

### CSCE: Progress in Geneva

2. [Anxious to show some tangible results before the European security conference recessed on April 5, the Soviets agreed to a last-minute compromise on the principle of inviolability of frontiers. The Soviets evidently were motivated by a desire to move the negotiations along toward a concluding third stage at a meeting of heads of state in July. Brezhnev has taken a close personal interest in winding up the conference this summer.]

2. [Inviolability of frontiers means, for the Soviets, Western acceptance of the postwar boundaries in Eastern Europe and, by implication, of Soviet hegemony in the area. Moscow initially sought an all-encompassing statement on the immutability of frontiers. This was objectionable to

some Western delegations, particularly the West Germans, who did not want to foreclose the possibility of eventual German reunification by peaceful means. In the end, the Soviets got a statement that was worded in such a way as to imply a ban on changes of frontiers by forcible means. Furthermore, a separate principle in the agreement acknowledges the right of states to change their borders by peaceful means.]

2. [Having passed this hurdle, the conference can move on to the controversial problem of freer movement of people and ideas when it reconvenes on April 22. The West has stressed that an agreement must include some specifics in this area so that the conference can produce more than platitudes on detente. The Soviets have been holding back until the question of inviolability of frontiers was resolved. They may now argue that, since they retreated from their maximum demands on that principle, the West should reciprocate and relax pressures for freer movement. There is room for accommodation on the part of both sides, and it seems likely that wording will be found to satisfy both the West's interest in "concrete" results and Moscow's desire to avoid

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any "meddling" in what it considers to be the USSR's internal affairs.]

[An Italian plan for a separate document on European-Mediterranean relations has been tentatively approved by the EC but not yet introduced into the conference. The Mediterranean issue could disrupt or delay a successful completion of the conference by introducing the contentious Middle East dispute into the negotiations and into any follow-up arrangements that are adopted. Both the US and Soviets can be expected to oppose the plan, and the EC political directors will take another look at the Italian proposal at their April 18-19 meeting.]

[Ultimate acceptance by the West Europeans of a summit-level finale is likely, but there will still be some uneasiness about thus consecrating the conference results, especially if it seems that little has been gained in the force-reduction talks by that time.]

[The West Europeans also hope for progress on the so-called confidence-building measures in the area of military security through adoption by the conference of a plan for prior notification of major military movements. Fears have been expressed that the Soviets may try to win support from neutrals and some allies for a partial solution of this question in order to isolate the US, which would prefer to discuss this issue at MBFR. The EC Nine generally remain cautious on arrangements for follow-up procedures to the conference, but may be moving toward acceptance of proposals made by the neutrals that would entail limited formalization subsequent to the conference.]

#### MBFR: Little Headway in Vienna

[The force reduction negotiations recessed with the NATO and Warsaw Pact participants still far apart on how to achieve a reduction agreement. Neither side has made substantive concessions, but informal meetings have helped shed light on the issues to be resolved and the need to develop common data as a basis for further negotiations.]

[Each side now understands the other's position better, but there are no signs of a meeting of minds. The Warsaw Pact accepts the fundamental NATO thesis that there is a ground force imbalance favoring the East, but argues that, while NATO has fewer ground troops and tanks, it has an advantage in air and nuclear forces. The pact, therefore, does not acknowledge the need for asymmetrical reductions to reach a common ceiling, as NATO has proposed. The East contends that there is thus an over-all balance in central Europe.]

[The proposals put forward by NATO and the pact both embody a concept of phasing, but the resemblance ends there. NATO believes that only US and Soviet forces should be reduced in the first phase, while the Warsaw Pact wants the forces of all direct participants to be involved in each of three stages of reductions. The Soviets have interpreted the NATO position as indicating a reluctance on the part of the West Europeans to reduce their forces. During the current recess, NATO members will discuss ways to assure the Soviets of their willingness to reduce forces without abandoning their basic desire to reduce US and Soviet forces first.]

[In recent informal meetings, the Soviets have pushed for Western acceptance of a symbolic reduction to take place in 1975. In an effort to make this proposal more attractive, they have hinted that air and nuclear forces could be frozen during this phase rather than actually reduced. The Soviet concept, however, still embodies equal numerical reductions by each side as well as reductions by all direct participants. This has been rejected by NATO, which suspects that the Soviets' apparent eagerness to conclude a symbolic reduction may trap them into accepting precedents that will be difficult to overcome in subsequent stages of negotiation.]

[The question of establishing agreed data on force strengths was raised at the final informal meeting. The two sides attempted to reach common definitions, beginning with ground troops. This is another topic that both will mull over during the recess.]

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# Syria-Israel

## TALKING WHILE SHOOTING

4 As shelling of Israeli positions on the Golan Heights entered its fifth straight week, Syria's delegation to the Washington disengagement talks—led by army intelligence chief Shihabi—finally arrived in the US. A day later President Asad set down in Moscow for consultations with Soviet leaders; an economic delegation had preceded him by a few days. Asad may be seeking additional economic and military aid, but his visit seems timed primarily to assuage Soviet sensitivities about being excluded from the Washington talks.

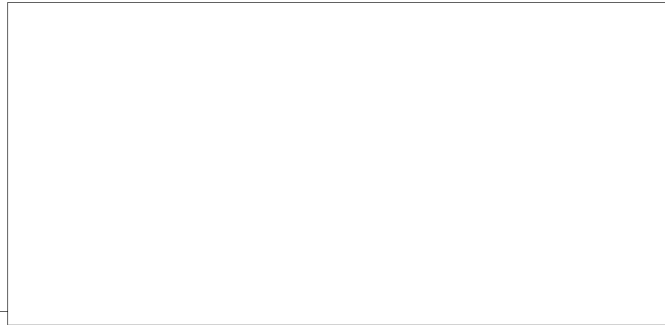
5 Syrian leaders, meanwhile, continued to take a tough public stand on peace negotiations with Tel Aviv. On the 27th anniversary of the Baath party last Sunday, Asad emphasized once more that Syria would settle for nothing less than Israel's withdrawal from all occupied Arab territory and implied that the shelling would continue until this objective is obtained. In a veiled reference to Egypt and other Arab moderates, Asad also criticized "some Arab brothers" for characterizing Syria's position as "inflexible."

6 Relations between Cairo and Damascus have in fact become strained as a result of the lifting of the oil embargo and the postponement of the Arab League summit conference until September.



Asad

Syria had sought to have the summit held this month in order to obtain the endorsement of other Arab states for its negotiating stance. Although Asad believes that Cairo has frequently acted unilaterally to Syria's detriment, he is unlikely to break publicly with President Sadat as long as he sees some advantage in maintaining the appearance of a united front with Egypt against Israel.



An Israeli Foreign Ministry official told a US Embassy officer in Tel Aviv last weekend that Israeli analysts did not expect Syria to increase the current level of fighting. Instead, the official thought the shelling is designed to put pressure on Israel as Egypt had done during its disengagement talks, to satisfy Syrian hard liners who oppose Asad's efforts to seek a disengagement accord, and to impress upon the Soviets the seriousness of the situation prior to Asad's visit to Moscow.

7 Recent reporting from the US defense attache in Beirut tends to support this interpretation. the Syrians seem to be deliberately avoiding inflicting "unacceptable" losses on the Israelis in order to keep tensions within controllable limits. The Syrian shelling has been scattered rather than concentrated and has passed up vulnerable targets such as Israeli troops at mess. The shelling also has begun at almost the same time every day, giving the Israelis time to take cover.

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8 These interpretations may not be shared by the Israeli military commanders, however, and their strong reaction to Syrian ground probes last weekend indicates that they are prepared to strike hard at anything that looks like a Syrian intention to attack. Controlling the level of violence in the Golan Heights could be a difficult exercise for both sides as tensions rise and fall in response to varying signals emanating from Damascus, Tel Aviv, and Washington.

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**CAMBODIA: SIEGE AT KAMPOT**

15 The situation eased at Kampot late this week following heavy Khmer Communist attacks on April 5 and 6. At one point, fighting occurred on the city's northern outskirts, while steady Communist shelling knocked out nearly half of the garrison's artillery pieces. Although stepped-up efforts by the Cambodian Air Force and the timely arrival of reinforcements have for the moment stemmed Communist ground attacks, Kampot remains cut off from resupply by sea and subject to continued shellings.

14 The combination of stiff insurgent pressure and the army high command's preoccupation with the defense of Kampot has forestalled any further government efforts to recapture the town of Oudong, northwest of Phnom Penh. Elements of the 2,500-man task force that had been pushing toward the former royal capital from the east have pulled back to a beachhead on the Tonle Sap River in preparation for a return to the Phnom Penh area. With the threat in the east eliminated,



**Khieu Samphan**

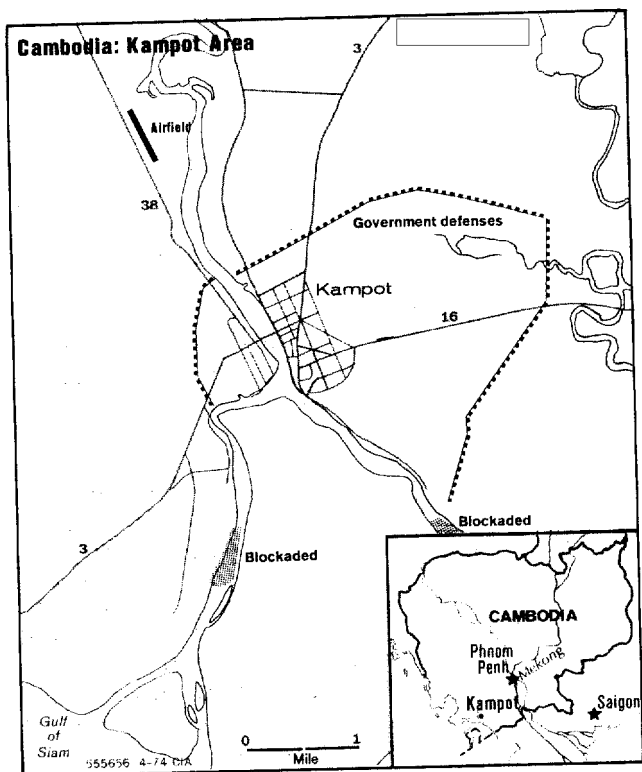
Communist forces at Oudong may now turn their attention to the isolated government outpost at Lovek on Route 5 several miles north of Oudong.

16 On the political front, Khmer Communist "defense minister" Khieu Samphan continued his tour of Asian Communist capitals. After spending last weekend on an official visit to Pyongyang, Samphan and his small delegation returned to Peking—presumably to begin their journey back to Cambodia.

16 Although Samphan predictably extolled the Khmer Communists' battlefield performance in their current dry-season campaign, he also hinted that the insurgents' military prospects may not be as bright as the Communists had hoped several months ago. During one speech in Peking, for example, he acknowledged that the insurgents are now following a "flexible operational strategy" and indicated that the fighting may continue on a long-term basis.

16 In other public remarks, Samphan reportedly stated that a final victory was not possible unless the Mekong River—Phnom Penh's primary supply line—is closed. Admitting that it would not be easy to cut the waterway completely because Lon Nol's US and South Vietnamese backers would do all in their power to keep it open, Samphan warned that no military commander should underestimate a foe that has Washington's support.

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## LAOS: THE NEW POLITICAL LOOK

26 The new coalition government headed by Prime Minister Souvanna Phouma held its inaugural cabinet meeting this week, in an atmosphere of cordiality and propriety, but it is not expected to get down to serious business until Lao New Year festivities (April 13-16) are out of the way. The coalition must grapple with a host of difficult political problems, the most important and immediate of which is the power relationship and division of authority between the 25-member cabinet resident in Vientiane and the 42-member advisory political council based in Luang Prabang.

27 This question gained new prominence when, in a surprise move, Pathet Lao leader Souphanouvong became council chairman rather than first deputy premier, as had been widely expected. Instead, that slot went to Phoumi Vongvichit, Lao Communist Party secretary general and Souphanouvong's plenipotentiary representative during the protracted coalition negotiations. Phoumi will also serve as foreign minister.

24 Souphanouvong's shift may have been motivated in part by his aversion to being directly subordinate to his older half-brother, Souvanna. The move may also reflect a desire on the part of the Communists to mold the council into a

vehicle for expanding the power of Communist leaders in the Vientiane-controlled zone. Under the terms of the protocol, the council is accorded "equal and independent" status with the cabinet, but its specific powers are ill-defined and appear primarily consultative and legislative in nature. The council could, however, turn out to be a much more important body than the Lao accords seem to imply.

25 Souphanouvong's assumption of the chairmanship lends additional prestige and political clout to the council, whose leadership was already weighted in the Communists' favor by the protocol. The Pathet Lao almost certainly hope to use the council to compete with the cabinet in the formulation of foreign policy and in such key domestic policy areas as the holding of general elections.

25 On the Vientiane side, there are no unexpected appointments. Only two members of Souvanna's previous cabinet were dropped, and only two new faces added. There was some reshuffling. Rightist Leuam Insiengmay retained his deputy premiership and his education portfolio. The ministries of defense, interior, and finance went, respectively, to Sisouk na

Phoumi Vongvichit (far left), Souphanouvong, and Souvanna Phouma



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Champassak, Pheng Phongsavan, and Ngon Sana-nikone, while Khamphai Abhay retained his public health portfolio.]

4 In addition to foreign affairs and public works, the Pathet Lao control the ministries of economy, information, and religion. Neutralist politicians approved by both sides head the remaining ministries of justice and of posts and telecommunications. Each of the ten Vientiane and Pathet Lao ministers has a deputy from the opposite side.]

4 Of the four key ministries of defense, interior, finance, and foreign affairs, three are headed by powerful politicians from the Vientiane side with weak Communist deputies, while the fourth pairs a fairly flexible senior Pathet Lao leader—Phoumi—with a capable Vientiane deputy close to Souvanna. Apart from Phoumi and General Singkapo, the new public works minister, the Pathet Lao's cabinet team is second rate. Four of the ten ministers or deputy ministers are "dissident neutralists" with no clout in party councils. Of the other six, Information Minister Souk Vongsak and Economy Minister Soth Phetrasy are party hacks with no special authority or competence in their new fields.

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#### JAPAN: KYOTO AND THE LEFT

1 The near defeat of their candidate in Kyoto's April 7th gubernatorial election has weakened the morale of Japan's Communist and Socialist parties and sharply reduced prospects for effective opposition cooperation against the ruling Liberal Democrats in this summer's Upper House election campaign.

The re-election of Torazo Ninagawa, candidate of the Communist and Socialist parties, to a seventh term as governor of Kyoto is a bitter-sweet victory for the left. Hampered by growing public sentiment that he had been in office too long, Ninagawa won with a margin of only 4,500 votes of the one million cast. For the Communists, who count Kyoto as their foremost local stronghold, the hair-breadth victory was meager reward for a massive campaign effort.

The Socialists backed Ninagawa in the belief that his re-election was inevitable, but they provided only lukewarm support and suffered a loss of prestige. Although the Socialists had helped sponsor Ninagawa since 1950, they engaged in nearly a year of acrimonious debate before doing so this time. Even then, both the right wing of the national party and the local chapter in Kyoto rebelled, choosing instead to run a Socialist member of the Diet's Upper House, Kazutaka Ohashi. The maverick Ohashi—running with the additional endorsement of the Democratic Socialists, the Liberal Democrats, and the unofficial backing of the Komeito—came very close to pulling off a major upset.

The issue of Socialist support for Ninagawa reflected not only the perennial struggle between the left and right wings of the party, but also the problem of balancing the short-term benefits of cooperation with the Communists against the long-term hazards. The hazards have been most acute in local areas where Socialist electoral collaboration has helped the more aggressive Communists to gain control of key city administrations.

The narrowness of Governor Ninagawa's victory will encourage the right wing of the Socialists to renew attacks upon the party leadership, arguing that his re-election had been far from assured and that Socialist backing of his candidacy only played into the hands of the Communists. The Democratic Socialists and Komeito will support this viewpoint by blaming the Socialists for missing an opportunity to return Kyoto to the hands of the more moderate opposition.

The disaffection of Komeito is a particularly costly loss for the Socialists as they face Upper House elections this summer. The Socialists had hoped to win Komeito backing for some of their candidates, but when the party broke an earlier commitment by joining with the Communists in Kyoto, Komeito froze negotiations for general electoral cooperation. With this rift, the prospect for any effective collaboration among the non-Communist opposition parties has vanished, a development that will work to the advantage of the ruling Liberal Democrats.

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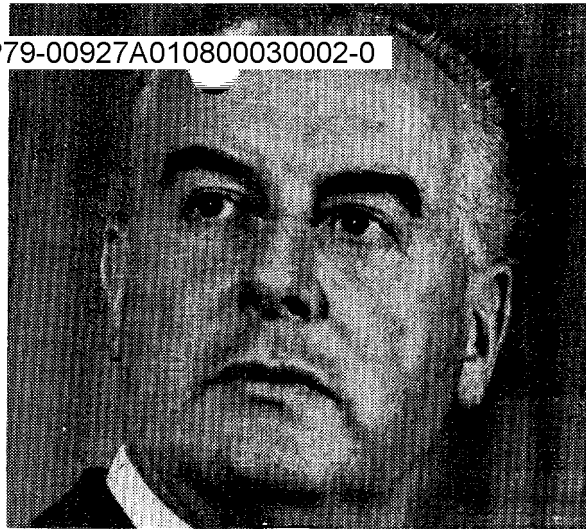
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**AUSTRALIA**

**COURT OF LAST RESORT**

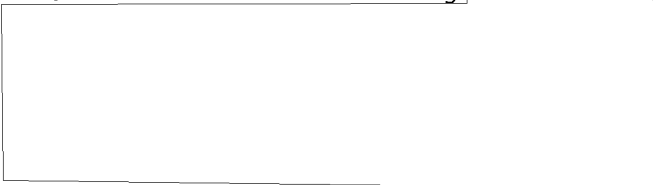
28 Australia's Labor government has had trouble with much of its ambitious domestic legislative program, in part because the opposition Liberal-Country coalition controls the upper house of parliament. On April 10, the opposition-controlled Senate failed to pass a procedural motion dealing with essential appropriations bills, and Whitlam finally acted to dissolve both houses of parliament and take his case to the voters. Elections will be held on May 18.



**Whitlam**

29 In many respects, this is not an auspicious time for the Labor Party to hold elections. Public opinion polls have shown a substantial slippage in the government's popularity over the past months, and some party figures fear the party may lose seats in the new voting.

ment is adding to the list of restrictions on foreign-owned firms in oil and other extractive industries. The latest move is a proposal by Minerals and Energy Minister Connor for a new tax aimed at fattening Canberra's share of the oil companies' soaring revenues.



31 Connor's proposal is one more in a series of policy changes intended to reduce the foreign role in Australian mineral exploration. Over the past year, tax incentives and subsidies have been eliminated, and foreign investors have been required to deposit amounts equivalent to 30 percent of their investments in non-interest-bearing accounts with the Australian Reserve Bank. Moreover, all new development projects in the energy sector have been reserved for 100-percent Australian ownership. Some government officials favor channeling all future investments through an existing government-controlled corporation.

30 The opposition coalition is scarcely in better shape as it heads into the elections. It is handicapped by infighting among its leaders and by its lackluster public image. It is also vulnerable to Labor Party charges of obstructing the passage of needed social and economic legislation. Liberal-Country politicians, however, will try to make political capital of public exasperation with rising inflation and continuous strikes.

32 Since the major international oil companies have most of the money and technology for energy projects, Canberra is in effect discouraging exploration and development. One oil and gas project was halted after Canberra announced it would block exports from it until Australia's long-term energy needs could be determined.

30 Faced with the choice between the two camps, the Australian public will have to base its decision more on which group offers the most promise for the future than which has had the best performance to date. Public weariness with the Liberal-Country coalition's 23 years of rule brought Whitlam to power in the first place, and he is probably counting on his more dynamic style of leadership to carry the day once again.

34 Spending on petroleum exploration already has begun to drop. Australia imports about 30 percent of its crude oil needs and, unless the downward trend of foreign investment and exploration in the energy sector is reversed, will become increasingly dependent on imported crude.

**A NATIONALISTIC PETROLEUM POLICY**

34 In an effort to gain greater control over Australia's energy resources, the Labor govern-



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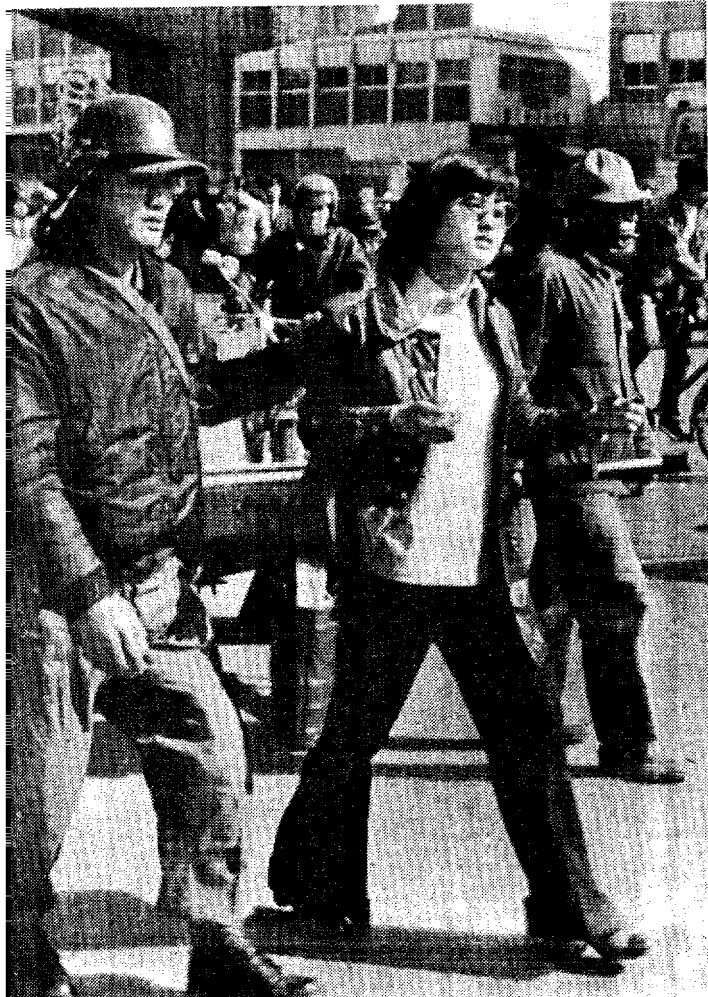
KOREA

STUDENT CONFRONTATION

44 The government crackdown on student and other opposition elements last winter successfully stifled open political dissent in South Korea. But it was apparent, even then, that the government's real test would come in the spring when the nation's 175,000 college students returned to the campus. In anticipation of renewed disturbances, President Pak Chong-hui ordered a strengthening of security forces and the preparation of additional measures—including a martial law decree—

that could be used to quell any renewal of open opposition. Pak hoped that widespread knowledge of this get-tough attitude would be enough to intimidate potential dissenters, but such hopes were dashed last week by a series of small demonstrations primarily by Christian students in Seoul.]

44 On April 3, Pak put in force some of the tough regulations he had been holding in abeyance. The fourth emergency decree since January, the latest one is a sweeping order banning all student political activity and singling out for condemnation an organization called the "National Democratic Youth and Student League," which was branded as a tool of the North Korean Communists. The new measure stopped short of a declaration of full martial law, but provides severe penalties, including death, for any members of the student league who fail to turn themselves in or who are otherwise engaged in political protest.]



45 The new laws have not stopped the protests. Some students remain resolved to boycott classes in defiance of the new decree, and on April 9 a young Christian, under investigation for expressing anti-government sentiments, burned himself to death in a Seoul church. This suicide is likely to set off further acts of protest on the part of the more determined student and Christian dissenters. The political atmosphere in Seoul will remain tense—at least through April and probably until the school semester ends in late May or early June.

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**FRANCE: RUNNING IN CIRCLES**

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47 Prime Minister Messmer's failure to convince the four presidential candidates from the governing coalition parties to withdraw in his favor underscores the lack of unity in the Gaullist majority.

47 The coming and going of candidates has become something of a joke in Paris, but it has also caused serious speculation that the disarray will cause a high abstention rate among voters who normally support the governing coalition. Meanwhile, the appearance of unity in the left alliance—the Communists, Socialists, and left Radicals—is apparently only skin deep.

46 Messmer issued a statement on April 9 in which he presented himself as the unity candidate, reminding French voters that President Pompidou had demonstrated his confidence by reappointing him prime minister in February. This plea got only a lukewarm reception, however. Christian Fouchet claimed that Messmer's appeal did not apply to him because he is an "opposition Gaullist"; Giscard d'Estaing said he would "study the matter"; and Chaban-Delmas demurred. The initial reaction of Edgar Faure, a left-wing Gaullist, was to withdraw, but he made it clear he might re-enter if the other three did not follow suit. By day's end, Messmer had "irrevocably" withdrawn his proposal.

47 Giscard, who at 48 is young enough to sit out this presidential election, probably would have preferred to step aside for Messmer, expecting that Messmer would appoint him prime minister, thus paving the way for his eventual succession to the presidency.

48 With his arch-rival Chaban-Delmas in the race, however, Giscard must run to preserve his political credibility.

46 For his part, Faure announced his withdrawal on April 10 in an oblique statement that could imply support for Giscard. While backing from Faure would help, the key to Giscard's strategy is the endorsement of centrist leader Jean Lecanuet, whom he has been wooing for some time. Lecanuet, who might enter the race in order to maximize his bargaining power, has not announced his intentions. The filing deadline is April 16.



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**Pierre Messmer**  
*A proposal withdrawn*

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## EC: PONDERING ENERGY POLICY

4 With studies moving along in the 12-nation Energy Coordinating Group, French initiatives have encouraged progress on community policy in the energy field. French influence may be somewhat limited in the next few weeks by the interregnum in Paris, but EC policy formulation now seems to have its own momentum.]

7 Preparations in the Coordinating Group for producer-consumer talks have been moving at a rapid pace in a number of sub-groups. Only the work of the study group on international cooperation on uranium enrichment has not begun on schedule, apparently because Brussels was concerned over possible objections from France, which is Belgium's consortium partner in a major uranium-enrichment project.]

1 Paris has been stepping up its efforts over the past month to galvanize the EC into establishing an energy policy, partly in response to progress made by the Coordinating Group. At the EC Council session last week, the French presented wide-ranging new proposals. Paris formally suggested establishment of a European energy agency to be called *Eurenergie*. It would have responsibility for reducing petroleum consumption and developing substitutes, and would serve as the sole representative of the Nine in energy discussions with other countries. *Eurenergie* would be financed by a common EC tax on energy consumption; it would be a semi-autonomous body under council direction, but with wide latitude and gradually increasing responsibilities. In a broad statement of general policy, the French representative proposed that the EC organize both the supply and the functioning of its energy market. The model appears to be one generally opposed by the major international oil companies. Paris also proposed moves to lessen dependency on external sources.]

EC members generally agree with Luxembourg Foreign Minister Thorn, who advocates a "go-slow" policy in dealing with the French proposal. The eight want to avoid any conflict

with the Coordinating Group, and some see additional hazards in *Eurenergie*.

54 The newly established EC Energy Committee met on April 5 to consider a commission paper entitled "Toward a New Energy Strategy," which is now before the EC governments and may eventually subsume the French proposal to some extent. The paper, like all industrialized country proposals, stresses the need to reduce foreign oil consumption. The paper advocates an ambitious program of development for nuclear energy to provide half the community's electricity by 1985. In addition, the use of natural gas would be increased from the present 10 percent to 25 percent of total energy consumption.]

54 The committee agreed that the commission's proposals do not conflict with the work of the Coordinating Group, which was also discussed. Because of concern over this point, the establishment of a formal link between the two energy groups is under consideration.]

54 Because the committee's discussion was essentially on the strategy of a new energy policy, little attention was given to the instruments of the policy. Thus, there was no detailed discussion of the French proposals or, specifically, of *Eurenergie*. An effort is likely to be made to accommodate the French in order to ease the tensions that have surfaced in recent EC meetings on the energy question. France has been arguing that its partners are disloyal to the concept of integration because the commitments they make in the Coordinating Group prove to be obstacles to development of a common policy among the Nine. ]

54 The new EC Energy Committee, meanwhile, has eliminated some of the bureaucratic procedures of other EC entities. The meetings are conducted informally by Commissioner for Energy Henri Simonet, and decisions are made on the basis of consensus rather than formal votes. The 25X1 paper, after final committee action, will be sent directly to the EC permanent representatives, by-passing a usual intermediate step.]

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**THE SCRAMBLE FOR ENRICHED URANIUM**

The US is losing its monopoly in performing uranium enrichment services for Western nuclear power plants. To some extent, stiff new US contract terms announced in early 1973 spurred foreign customers to develop new sources for such services. Western consumers of enriched uranium, however, are primarily interested in finding a secure source of enrichment services during 1975-85 when projected requirements will outstrip capacity. The US share of the enrichment market in non-Communist countries will decline to about one half by the mid-1980s.

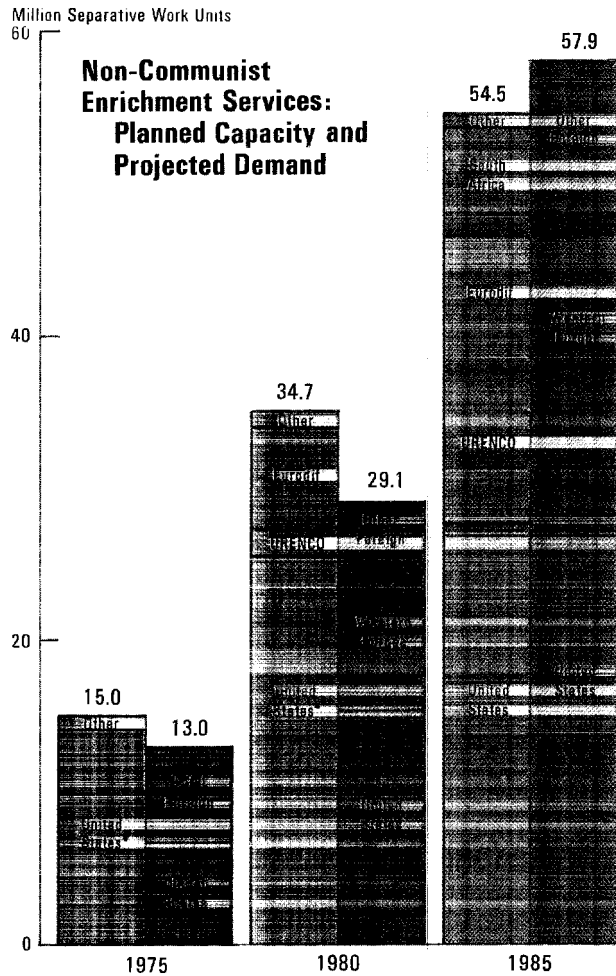
Scheduled growth in world nuclear electric-generating capacity through 1985 is creating a booming market for enriched uranium fuel. Nuclear power capacity in the West will increase by about 23 percent per year, and the demand for enrichment will grow accordingly. Between \$2 and \$3 billion worth of enrichment services will be needed annually to fuel Western reactors.

Enrichment capacity now in place or scheduled to be added in the West by 1985 will not provide enough fuel for the nuclear generating plants. Capacity will probably be sufficient through the early 1980s, but some time during the mid-1980s the demand for enrichment services will exceed planned capacity. For example, US capacity is expected to be fully committed to foreign and domestic customers by early 1975. Most of the nuclear energy programs now under way or planned were drawn up before the current energy crisis, so the dearth of capacity could turn out to be even more severe.

West European countries have responded by forming multinational ventures to build enrichment capacity. West Germany, the UK, and the Netherlands have formed Urenco/Centec, and France, Italy, Spain, and Belgium have organized Eurodif. These organizations will have about one third of the estimated non-Communist enrichment capacity now planned; South Africa also has an ambitious program. Although the USSR has surplus enrichment capacity and is seizing the opportunity to sell enrichment services to non-Communist countries, customers appear reluctant to become too dependent on the Soviet Union.

New enrichment capacity beyond that already projected almost certainly will be built in the 1980s. Governments are heavily involved in expensive nuclear power programs and will move vigorously to ensure that their nuclear power plants have fuel. As it takes six to eight years to build a large enrichment plant and place it in operation, decisions concerning new capacity must be made within the next few years to be effective by the mid-1980s, when additional sources of supply will be required.

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\*Excluding US preproduction stocks. Such stocks amounted to 17.1 million separative work units on 1 July 1973, are expected to reach a maximum of 33.7 million separative work units during fiscal year 1978, and to be completely exhausted by the end of 1982. 555622 4-74

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### YUGOSLAVIA: POLEMICS ON TWO FRONTS

67 | Belgrade is continuing its war of words with Rome on the issue of Yugoslav sovereignty in Zone B, but there are some signs that Yugoslav leaders want to wind down the controversy. At the same time, increased polemics with Bulgaria may herald a shift of Yugoslav concern over "irredentism" to the south.

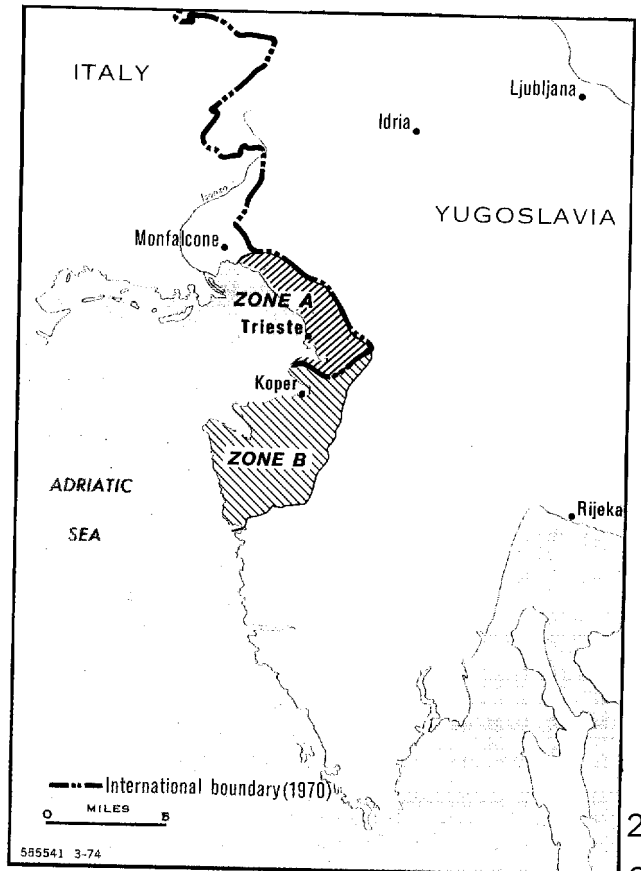
64 | Belgrade is showing its concern over Zone B by the continued presence there of the regular army units placed on alert early this month. Moreover, Yugoslav media continue to protest Italy's questioning of Yugoslav sovereignty in Zone B, and to reiterate Belgrade's determination "to defend every inch of Yugoslav territory."

64 | Among the signs that the Yugoslavs may be ready to tone down the controversy is the decision to release reservists who were called up especially for the Trieste "crisis." Furthermore, there are hints that Belgrade may be thinking about resuming quiet bilateral talks with Rome. Stane Dolanc, the front runner to succeed Tito in the party, said his country "will do everything possible to settle the situation," though he barred any "unprincipled concessions."

65 | [Redacted]

64 | As the Zone B affair simmers, a renewed flare-up of the Macedonian dispute is drawing Belgrade's attention southward. Yugoslavia has been denouncing Sofia's refusal to recognize Macedonians as a non-Bulgarian nationality. This has now reportedly led to a cancellation of a visit to Belgrade this spring of Bulgarian leader Zhivkov. A newspaper in the capital of Yugoslavia's Macedonian Republic has also criticized Moscow for its alleged support of Sofia's position.

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### TALKS ON DISARMAMENT

69 | The 26-member Conference of the Committee on Disarmament will convene in Geneva on April 16. The US still backs the committee—which is a non-UN body under the co-chairmanship of the US and USSR—as the best forum for the consideration of multilateral arms control measures. Its lack of any substantial progress on a

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broad range of issues considered over the past years has undermined the confidence of participating states, however, and possibly threatens further continuation of the CCD. Another sterile session at this time, coupled with the increasingly vocal demands of the nonaligned for real progress in disarmament negotiations between the super powers, could generate new pressures for transferring the debate to a UN forum which would be more amenable to nonaligned control.]

!! [An agenda for the conference has not yet been drawn up. The two Germanies have indicated their interest in joining the committee; to balance their admittance, the nonaligned have requested additional slots for Asian, African, and Latin American representatives. The expansion of membership to 31 is likely to meet with little opposition.]

A potentially divisive issue, however, is the Japanese draft treaty on chemical weapons, which has been submitted for consideration at this session. A perennial submission, the chemical-weapons issue has received much attention in the committee over the years, but the insistence of the US and other Western powers on the necessity of verification procedures has blocked any attempts to draft a new protocol. The US has meanwhile come under increasing criticism for its research and stockpiling of chemical-warfare agents; the discussion of chemical-weapons control may be pushed by a number of delegations. It can also be expected that the super powers will again be taken to task for lack of progress on a comprehensive nuclear test ban.]

The status of the committee as a forum for disarmament debates has been increasingly eroded in recent years by the proliferation of similar conferences and groups under the aegis of a variety of international organizations. Soviet initiatives for a world disarmament conference and an experts group to discuss the reduction of military budgets have attracted nonaligned support and are being pursued at the UN. The Law of War Conference sponsored by the International Red Cross, which recently concluded in Geneva, has scheduled a follow-up conference to be held in June specifically to discuss certain weapons, such

as incendiary and napalm devices. The first preparatory committee for the 1975 Non-Proliferation Treaty Review Conference has just adjourned in Geneva, and in New York nuclear and disarmament questions have recently surfaced in connection with discussions of the Indian Ocean "zone of peace."

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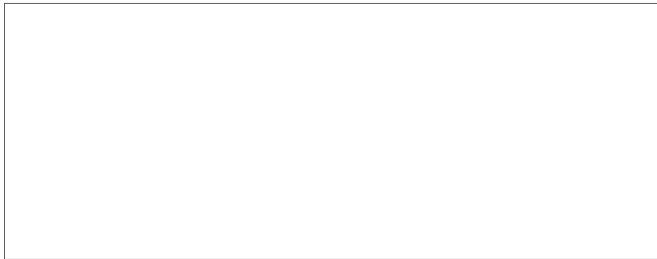
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cross-service capability, and reduce unit costs. This goal has been strongly endorsed by all except Belgium]

81 [Leaders of Belgium's caretaker government—including the prime minister and the ministers of defense and economic affairs—have denied recent rumors that the cabinet has already made a unilateral decision to buy the French Mirage. Belgian officials have conceded that they have narrowed the choice to the Mirage and the Cobra, and they have further admitted that Dassault made "very interesting proposals on compensation and cooperation." They insist, however, that no formal decision will be taken until a new government is formed.)

**EUROPE: F-104 REPLACEMENT BLUES**

76 [The competition over what aircraft will replace the US F-104G Starfighter in Belgium, the Netherlands, Norway, and Denmark has been narrowed to the French Dassault Mirage Super F-1 and three American contenders of which the Northrop Cobra P-530 is currently the favorite. The decision will channel billions of dollars into the manufacturing country and could have ramifications that significantly affect US-European relations. The choice underscores the dilemma of NATO allies who want to preserve defense links to the US while supporting "European" undertakings. It is particularly difficult for such staunch Europeanists as the Dutch and the Belgians, who feel trapped in a position where any decision must antagonize either France or the US. Defense ministers of the four will meet soon to discuss the matter further.]

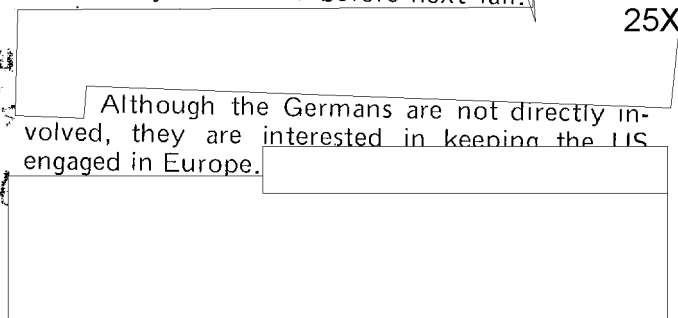
76 [Belgium's attitude is critical because it is likely to be the first of the four to commit itself on a replacement. Since Belgium could be the key to world-wide sales that might amount to as much as \$10 billion, the French have applied intense political, economic, and personal pressure on Brussels to choose the Mirage. There is apparently fierce disagreement within the Belgian bureaucracy, but most of the signals that have appeared so far suggest that the Mirage is the front-runner.]

79 [The Dutch, referring to an "agreed position" of the four countries to consider all competing offers before making any decision, have expressed concern that the Belgians are attempting to limit the choice. There are indications that high-pressure French sales tactics have been counterproductive in the Netherlands. The Dutch decision will be delayed until a crucial defense White Paper has been approved by the cabinet, which may not occur before next fall.]

76 [The French argue that selection of the Mirage would reduce European dependence on the US while strengthening the European aircraft industry. A decision in favor of the US aircraft would encourage continuation of military ties between America and Europe, and would provide for transfer of the latest US aircraft technology to Europe. It would also demonstrate the willingness of the four countries to cooperate in offsetting the US balance-of-payments deficit incurred by stationing US forces in Europe.]

79 [The Secretary General of NATO has urged all NATO countries requiring new aircraft to seek a common replacement, as standardization would enhance cooperation among NATO forces, ensure

Although the Germans are not directly involved, they are interested in keeping the US engaged in Europe.



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### GERMANS EXPANDING TIES

Bonn and Pankow are making progress in fleshing out their bilateral relations despite differences over Berlin issues. The two states will take a major step toward recognizing the division of Germany for the foreseeable future when they exchange missions in early May.

Their agreement last month on this step opened the dam, and since then the two sides have agreed on additional bilateral accords regulating "practical and humanitarian" matters. A sports agreement was tentatively concluded on March 20, and negotiations on health and non-commercial payments agreements were concluded last week. The details of the latter two agreements have not been made public.

All three accords will probably be signed later this month.

Negotiations on at least five other subjects are currently in progress. Talks on a cultural agreement remain deadlocked because of differing interpretations over what constitutes the cultural traditions of the "German" nation. Pankow wants to restrict cooperation in this field as part of its policy of establishing a German state that has little in common with the political and cultural traditions of the Federal Republic. Many officials in Bonn are skeptical that an agreement will ever be concluded. Negotiations on a legal assistance agreement also pose many difficulties because of the large number of political snares in providing such aid to West Berliners.

Commerce between the two Germanies will remain under the aegis of the Interzonal Trade agreement. West Berlin officials are pleased by Pankow's agreeing to let the Interzonal Trade administrative office remain in West Berlin rather than requiring that it be transferred to Bonn's new mission in East Berlin.

The right of West Berliners to visit East Berlin and East Germany remains the most troublesome issue in inter-German relations. West Berlin officials complain that Bonn has not done enough to press Pankow to rescind its de-

cision to double the minimum currency exchange requirement for visitors. This step has reduced by nearly half the number of visits by West Berliners since last fall.

The Social Democratic - controlled city government in West Berlin, nevertheless, faces elections early next year, and intends to harp on the issue to demonstrate that it is an effective defender of the city's interest.

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### WARSAW PACT SUMMIT

The pact's Political Consultative Committee, composed of Soviet and East European party chiefs and government leaders, will convene in Warsaw next week to discuss detente. The session may well issue a call for faster movement in the European security and force reduction talks. An East European diplomat claims that special attention will be given to the effects of detente on the East European countries.

The gathering may also discuss the renewal of the Warsaw Pact treaty, which formally expires next year but is automatically renewable for a ten-year period unless renounced by May 14, 1974. In this connection, the session could also revive an old propaganda theme designed to portray the pact as a champion of peace. The participants might express some willingness to dissolve the pact upon the conclusion of the European security talks and then call on NATO to respond in kind. The Warsaw Treaty provides for its automatic dissolution after the establishment of an appropriately vague "European collective security system," part of which is a general European security treaty.

The session was evidently initiated by Moscow and is expected to last only a day or two. The last such meeting, held in Prague in January 1972, issued a major statement on force reductions.

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### JORDAN: CLINGING TO THE WEST BANK

101 King Husayn campaigned for support of his approach to the West Bank problem in a round of visits to Egypt, Syria, and Saudi Arabia during the past week. Although the King is clearly willing to concede a role to the Palestine Liberation Organization at the Geneva peace talks, he appears as determined as ever that Jordan be the agent for the recovery of the territory from Israel.

100 While in Cairo on April 5-6, Husayn did not fulfill predictions in the Arab press that he would align Jordan with the other Arab states by publicly recognizing the Palestine Liberation Organization as the "sole representative of the Palestinian people." In an interview with the semi-official Egyptian newspaper *Al-Ahram*, the King said only that he did not oppose the Palestinian organization being represented at Geneva and that he had offered it places on the Jordanian delegation. Husayn's position apparently was tougher than Cairo had anticipated. This may make it more difficult for President Sadat, who wants both the organization and Jordan represented at Geneva, to persuade the Palestinian group to attend the talks.)

101 Nevertheless, from all indications, the Husayn-Sadat talks took place in a friendly atmosphere. According to the official communique, Jordanian-Egyptian contacts will continue, and the Jordanian press has indicated that Sadat agreed to visit Amman in the near future for the next meeting between the two leaders.

100 On April 9, Husayn took his case to Syria. President Asad has been highly critical of the withdrawal of Jordanian troops from Syria last January. Following the visit, however, the Jordanian press quoted Husayn as saying the talks were "positive" and reported unanimity of views between the two leaders. Asad was said to have agreed to visit Amman soon.)

100 Husayn arrived in Saudi Arabia on the 11th. It is unlikely that King Faysal raised any opposition to Husayn's position on the West Bank, but he may press Husayn to hold fast against making any territorial concessions—especially on Jerusalem—to the Israelis at the Geneva talks.



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Arabs and Jews rub shoulders in a market place  
While others try to represent them

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## ISRAEL: GOLDA QUILTS

Prime Minister Meir's resignation on April 11, barely a month after she had laboriously patched a coalition cabinet together, opens up the prospect that Israel may have to limp along with a caretaker government for an extended period. The likelihood of continuing instability and uncertainty on the domestic scene will further complicate the difficult process of achieving a Middle East settlement.

Mrs. Meir's decision was apparently based on her inability to bridge differences in her Labor Alignment over political responsibility for the military and intelligence failures outlined last week in the Agranat Commission's partial report on its inquiry into the government's conduct of the October war. As wrangling over the issue continued, Mrs. Meir apparently came to the conclusion that she no longer exercises the political control within the Alignment necessary to govern effectively. Leaders of Mrs. Meir's party have asked her to reconsider, but it seems unlikely that she will. She has, however, agreed to head a caretaker government until a new cabinet can be formed.

Assuming Mrs. Meir sticks by her decision, there are two possibilities for resolving the government crisis: President Katzir, after consultations with the political parties, taps someone else, presumably from the Alignment, who is able to form a government; or the Knesset votes to call elections on a date it specifies. The Alignment leaders will probably try to avoid early new elections; most of them fear that the party risks losing more voter support and needs time to get its own house in order. Should it prove impossible to form a new coalition cabinet under Labor's leadership, however, the Alignment factions would have no choice but to face the electorate for the second time in less than a year.

The oft-postponed search for a successor to Mrs. Meir has now begun in earnest within her party. Finance Minister Pinhas Sapir—long considered Labor's "king-maker" and next after Mrs. Meir in influence within party circles—is being touted by some party leaders as the logical choice to take over. There are strong pressures, however,

from the public and from within the Alignment for a completely new leadership, preferably one untainted by the controversy over the government's conduct of the war and above internecine party strife. These pressures tend to work against the old, traditional front-runners such as Sapir or Deputy Prime Minister Alon, and favor men like the popular Yosef Almogi, former minister of labor and recently elected mayor of Haifa. Almogi has been spearheading efforts over the past week to keep the Alignment together.

Likud leader Menahem Begin has announced that he will attempt to mobilize support for a national unity government. The Alignment is highly unlikely to support such an attempt, however, and Begin probably could not induce sufficient defections from the Alignment to form a government.

The outlook for any breakthroughs in the Middle East peace negotiations is dim until the current political crisis is resolved. This could take months, particularly if new elections eventually have to be called. A caretaker government could still pursue the negotiations, pending the formation of a new cabinet, but it would not be willing to commit Israel to any binding arrangements beyond perhaps an initial disengagement on the Syrian front. The negotiating position of the caretaker government is likely to harden, however, thus diminishing the prospects for obtaining even the Syrian disengagement.

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Mrs. Meir

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### GREECE-TURKEY: NEW AEGEAN FRICTION

110 The prospect of extensive oil deposits in the Aegean seabed has fueled a dispute between Athens and Ankara over conflicting offshore exploration rights. Turkey is pressing for bilateral talks, but so far the nationalistic junta in Athens has shown no inclination to negotiate and may welcome the controversy as a diversion from domestic problems and a means of unifying the army.

in Athens, stating that the Greeks and Turks would continue to talk, but there was "nothing to negotiate," as "no country could negotiate its own sovereignty."

111 Offshore oil reserves recently discovered near the Greek island of Thasos, which may yield some 500,000 barrels per day, are not in dispute, but have encouraged the Turks to plan prospecting activities in areas that Greece considers to be part of its continental shelf. This week a spokesman for the Turkish Foreign Ministry announced a cabinet decision giving Turkey's national petroleum company the go-ahead to explore near four other Greek islands. The official said this will begin after the decision is published in his government's official gazette.

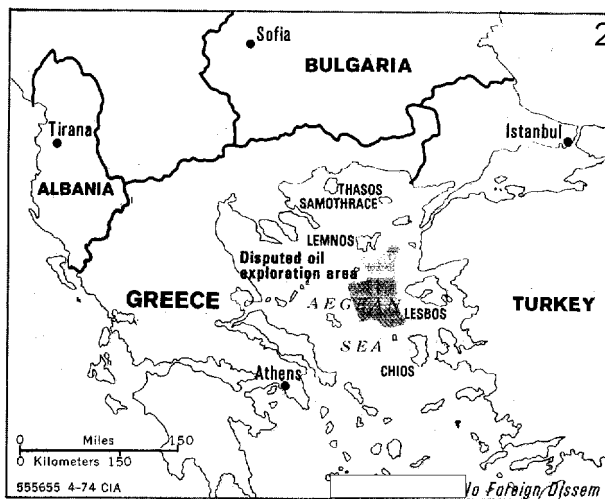
112 Official Turkish pronouncements have been relatively moderate, but the Turks seem determined to get what they believe is their share of Aegean oil. They are not a party to the 1958 convention and apparently maintain that, in any event, the Aegean is a special case and agreement should be reached on a basis of equity.

112 Ankara's action, probably designed to smoke out a response from Athens to an unanswered Turkish diplomatic note of late February, could well be viewed by the Greek junta as a challenge. The Greek military regards the Aegean seabed as a vital economic preserve and has been taking a tough stance on the dispute, presumably to convince the Turks to take seriously Greece's claims to exclusive oil exploration rights.

112 Since oil exploration is still in an early stage, there is time for further assessment and maneuvering by the two sides. The US Embassy in Ankara believes, however, that with possible new sources of wealth and a historic rivalry involved both governments are probably prepared to run high risks to establish their claims.

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112 Athens is saying that the issue should be resolved on the basis of the 1958 Geneva convention on the continental shelf, which would give Greece extensive rights in the Aegean, and that no political negotiations are necessary. The chairman of the committee preparing for Greek participation in the Law of the Sea conference this week confirmed the Greek position to the US Embassy

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### CYPRUS: INTERCOMMUNAL TALKS STALLED

115 The six-year-old UN-supervised talks on a system to govern relations between the majority Greek Cypriots and the minority Turkish Cypriots were adjourned abruptly last week without setting a date for the next meeting. None of the parties involved appears bent on ending the negotiations, but the talks are in a difficult phase caused by a recent hardening of positions and President Makarios' heightened concern about Athens' intentions toward his regime.

116 The current impasse was precipitated by the Greek Cypriots, who chose to make an issue of Turkish Prime Minister Ecevit's public statement in late March advocating a federal system for Cyprus. Federalism is anathema to the Greek Cypriots, who insist that talks are pointless unless the object is the creation of a unitary, independent Cyprus. Turkish Cypriot Vice President Denk-tash and the Turkish ambassador in Nicosia have tried to play down Ecevit's statement, claiming he was misinterpreted and denying that there has been any change in Turkish policy toward Cyprus. The issue of federalism was apparently not raised directly in the talks, but the spokesmen for Ankara and Athens reportedly were both taking a harder line shortly before the negotiations were suspended.

117 Although Ecevit and his party are on record as favoring federalism for Cyprus, this presumably represents Ankara's maximum bargaining position. Similarly, the Greek Cypriots' decision to stall the talks at this time is probably essentially a tactical gambit, although they are obviously determined to bury the idea of a federal solution. President Makarios has declared that if the deadlock is not broken, the Cyprus issue should be returned to the UN Security Council. The UN's special representative on Cyprus is trying to work out a formula that will allow early resumption of the intercommunal talks.

118 Athens last week repeated its standard policy line of support for the talks and for an

independent, unitary Cypriot state. President Makarios fears, however, that the nationalistic, anti-communist junta in Athens may be plotting against him and clandestinely supporting enosis, which aims at the union of Cyprus and Greece. He has recently tried to increase his control over the Greek-officered Cyprus National Guard, which has been implicated in pro-enosis incidents. The US Embassy in Nicosia also suspects that Makarios, in order to shore up his position, encouraged recent Soviet demarches—delivered to Greece, Turkey, Britain, and the US—that professed to see Cyprus' sovereignty endangered.

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### IRAQ: KURDISH AUTONOMY SIMMERS ON

123 The government has made little progress toward winning Kurdish support for the autonomy plan announced a month ago, but Baghdad appears determined to push ahead. A substantial military force has been moved into the Kurdish area to assure government control of urban and industrial centers. The rebels have largely abandoned these areas for more defensible positions in the mountains to the north and east. Reports of intermittent clashes—some involving artillery, mortars, tanks, and even aircraft in limited numbers—remain mostly unconfirmed, but skirmishes will probably continue. Kurdish claims of heavy government losses probably are exaggerated.

120 Both sides have launched propaganda campaigns designed to win support for their positions on the autonomy issue. The government has played up alleged progress in implementing its autonomy plan for the Kurds. The Kurds have reactivated a clandestine broadcasting station and have sent representatives abroad to explain their cause and seek foreign aid. The rebels' continuing attention in domestic propaganda broadcasts to the specific issues in dispute suggests they may yet be willing to negotiate their differences with the government.

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122 Baghdad has two main options, neither of which has much prospect for early success. It can move to consolidate its hold on the urban Kurdish areas it now controls, while launching limited military operations designed to whittle away the territory held by rebel leader Barzani. Alternatively, Baghdad can try to break the impasse with an all-out military offensive. The government probably still regards this as a last resort, but it may feel compelled to follow such a course if a more gradual approach ties down a large military force in prolonged and unproductive skirmishing in the north.

123 Although the government might be able to subdue the Kurds with the forces and weapons already available in the area, any such attempt could drag on inconclusively as in the past. An unsuccessful military campaign against the Kurds could strain relations between the Baath government and the armed forces, which would bear the brunt of intensified Kurdish resistance.

#### SOUTH ASIA: TOWARD BETTER RELATIONS

127 The agreement reached in New Delhi on April 9 by the representatives of India, Pakistan, and Bangladesh, resolves the most serious problem standing in the way of a normalization of relations among the adversaries in the December 1971 war. Some thorny issues remain, however, and will be the subject of further hard bargaining.

125 127 Although the accords contain face-saving elements necessary to satisfy domestic political requirements, particularly in Bangladesh, Pakistan achieved its major objective in the trilateral negotiations. Dacca agreed to the unconditional, speedy repatriation of 195 Pakistani prisoners of war who have been held in India for possible war crimes trials in Bangladesh. In return, Islamabad made what amounts to a public apology for "any

crimes that may have been committed." Pakistan also agreed to re-examine the cases of some Biharis—non-Bengalee Muslims—seeking to emigrate from Bangladesh to Pakistan, whose applications had previously been rejected. Additional Biharis will probably be admitted to Pakistan as a result, but the total number finally accepted will remain a fraction of the some 400,000 who still wish to relocate.

127 The accord moves reconciliation between what were, before the 1971 war, the two "wings" of Pakistan, an important step beyond the simple recognition Islamabad accorded Bangladesh last February. The two nations can now begin negotiations on various bilateral matters apart from the Bihari issue, including the establishment of trade and communication links and the division of pre-war Pakistan's assets and liabilities. At some point, diplomatic relations will be established.

124 127 Indo-Pakistani relations also made limited progress at New Delhi. India, which successfully played a mediatory role in the trilateral discussions, concluded a separate bilateral agreement with Pakistan defining priorities for future discussions to implement the 1971 Simla agreement between Prime Ministers Gandhi and Bhutto. Talks will begin shortly on the resumption of postal and telecommunications links and the restoration of travel facilities, particularly for pilgrims. Presumably, discussions will come later on the restoration of diplomatic relations, which Islamabad had once insisted must come first, and on economic ties.

127 The New Delhi accords should pave the way for Bangladesh's early entry into the UN. The Chinese, who were committed to keeping Dacca out of the UN until the issue of the 195 POWs was resolved to Pakistan's satisfaction, may now recognize Bangladesh and no longer oppose its admittance to the UN.

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**ARGENTINA: SUCCESSION POLITICS**

12- [President Peron's age and fragile health, along with the turbulent nature of the internal political situation, seem to be fostering concern and anxiety over the presidential succession. The mood of uncertainty in the country encourages pulling and hauling among the Peronists as they struggle for position in the event of Peron's absence or death.]

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12- [Meanwhile, it is still unclear whether Peron will go to Spain before the onset of the Buenos Aires winter. He probably would like to seek medical attention and rest and to escape the damp inclement weather, but he obviously is trapped by the political entanglements caused by terrorism and the quarreling among his followers. His hesitancy may also stem from a conviction that his departure would create a dangerous vacuum. His doubts are not unfounded, since it is highly probable that politically inspired violence would intensify in his absence—regardless of who assumed his mantle.]

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**Cuba:**  
**PREPARING FOR THE PARTY CONGRESS**

*125* Although the Cuban Communist Party's first congress will not be held until some time next year, the Castro regime is already involved in vigorous activity aimed at ensuring the event's success. Success in this case means maintaining undiminished Fidel's hold on power—by no means a sure thing. Creeping institutionalization, brought about both by Soviet pressure and by the demands of efficient government, is rapidly reaching the point where Fidel's old free-wheeling style of rule, were he to attempt to revert to it, would

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meet significant organized opposition within the regime leadership. Fidel's ultimate authority in the decision-making process is still unchallenged (in large degree because he has voluntarily retreated from many of his more extreme positions), but he apparently is determinedly carrying out meticulous preparatory political work to prevent the congress from being a vehicle by which he is kept in a high position as "revolutionary" window dressing but deprived of his supreme authority.]

135 [Ever since 1970, Castro has been reducing his interference in day-to-day administrative and economic matters, and thus reducing the damaging impact of his injudicious meddling in affairs best left to better-qualified subordinates. In the past four years, he has inclined much more toward the appearances of group leadership, and he has delegated responsibility and authority to a greater degree than ever before during his administration. At the same time, he has relaxed his resistance to the creation and development of political, legal, and administrative structures that are the prerequisites of efficient and successful government—the same structures that could be used to limit his heretofore unchecked authority. The party congress, of course, will be a key event in this process of institutionalization and it is there—where a new political bureau, secretariat, and central committee probably will be selected—that the forces opposed to Castro's total domination are most likely to attempt to place formal restraints on him.]

136 [Fidel—working primarily through his brother, Raul—is determined to prevent the institutionalization process, and the congress in particular, from being used against him. He has turned to his main source of strength—the military—which held its third party organization meeting from April 3 to 6. The sessions were dominated entirely by members of the Sierra Maestra guerrilla elite—those who served in combat with the Castros during the revolution—and by those who owe their position to Fidel or Raul. By guaranteeing the continued loyalty of the party leadership in the armed forces, the Castros will be assured of considerable control within the party itself because the military has

overwhelming influence in the party central committee and, through it, the entire party rank and file.]

137 [Similarly, the seventh national conference of the Young Communists League (the party's youth arm) held from March 31 to April 4 was dominated by those owing their allegiance to the Castros. If these political organizations remain largely in Fidel's camp, those hopeful of placing restraints on his rule will have an uphill battle in engineering a political turnaround when the congress is eventually held.]

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#### ECUADOR: ECONOMIC PROBLEMS

(139-145)  
[In less than two years, Quito's fiscal position has changed dramatically. Last year, the first full year after completion of the trans-Andean pipeline, central government revenues increased by 49 percent to about \$312 million. About half the increase came directly from the petroleum industry, and much of the rest was from secondary effects of the larger oil income, mainly taxes on a much larger volume of imports. At the current reference price of oil, the government's petroleum revenue will increase to over \$600 million this year, bringing total revenues to an estimated \$900 million. Foreign-exchange reserves, which were down to only \$12 million in 1972, have climbed to about \$250 million. To most Ecuadoreans, however, these new riches have meant little more than higher prices.

The consumer price index rose 17.5 percent last year, a sharp increase in a country where economic stagnation and conservative monetary policies had kept prices stable. Inflation has been aggravated by a slump in agricultural production, resulting in the need to import high-priced food. Fiscal policy has not been geared to stabilizing prices—the 1974 budget calls for increased spending of 36 percent above the 1973 budget. New measures decreed on March 25 are unlikely in the short run to dampen inflationary pressures. In an effort to increase agricultural production, the

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government raised prices paid to farmers, which should transfer about \$120 million from consumers to agricultural producers, and modest wage increases were decreed for low- and middle-income workers in both the public and private sectors. The new measures also included a price freeze on a wide range of consumer items, efforts to discourage foreign borrowing, and measures to increase credit available to the agricultural and housing sectors.

While the government has been aware of the danger of inflation, it has been slow to attack basic causes. The government is apparently

seriously divided on the issue of whether to grant wage increases to compensate for inflation, or to deny them for fear of starting an inflationary spiral. Token wage increases decreed last month have done little to satisfy workers. Further increases in food prices, coming after increases of about 25 percent in 1973, will be felt particularly by the politically volatile urban classes. The new price freeze is likely to be ineffective because Quito does not have the ability to supervise present price controls. Aware of the need to deal with popular discontent, the government will probably placate the demands of workers who complain the loudest, but this will only further add to inflationary problems.

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