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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, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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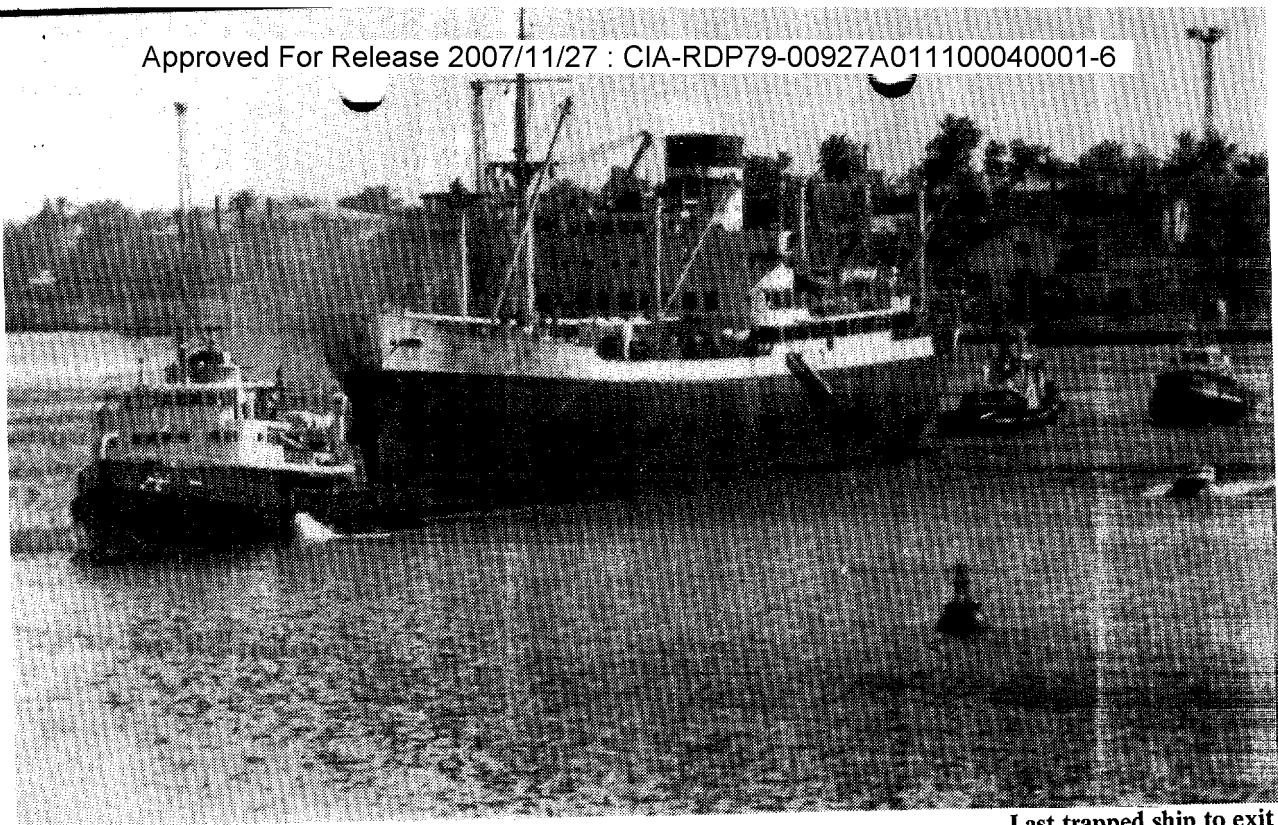
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Last trapped ship to exit

Middle East: Around the Canal 1-3

With much ceremony, Egypt reopened the Suez Canal on June 5, after eight years of idleness, two wars fought on its banks, and an intensive year-long effort to clear it of accumulated war debris. The long-awaited opening, intended by President Sadat as a signal of his desire for peace, was somewhat overshadowed, however, by Israel's sudden announcement that it was reducing its forces near the canal. The two events came as Sadat concluded a meeting in Salzburg with President Ford and as Prime Minister Rabin prepared for a similar summit in Washington next week.

Under the terms of the Israeli move, announced by Rabin on June 2 and completed two days later:

- Israel reduced by half the number of tanks located within 30 kilometers of the Suez Canal.
- The Israelis will maintain no artillery within 32 kilometers of the canal and will

position no missiles—except anti-tank missiles—within 40 kilometers of the UN buffer zone.

- Israeli troop strength in the limited armaments area will be kept below half that permitted by the Egyptian-Israeli disengagement accord.

The move was primarily a political gesture intended to show that Israel was willing to cooperate in moves toward a Middle East settlement. Militarily the steps are of little significance, given the limited force that Israel had been maintaining in the area.

Despite the political and propaganda benefits to be gained, Rabin was apparently reluctant to agree to the urgings of Defense Minister Peres and Foreign Minister Allon that the government announce a thinning-out of its military forces in the Sinai as a reciprocal gesture for the canal's reopening. Rabin reportedly argued that it was not up to Tel Aviv to come up with new proposals or gestures.

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Subsequently, he was reported to have urged that the announcement be withheld at least until the results of the Ford-Sadat meeting were in hand, and preferably until after his own meeting with President Ford.

His two ministers took the position that Israel must make some early gesture to balance the propaganda windfall Cairo would reap by reopening the canal. They reportedly also maintained that such an announcement could create a more congenial climate for Israel in Washington and Cairo, where important policy decisions may be made over the next several weeks. Since the Israeli announcement, Rabin reportedly has concluded that it has, in fact, already created a "more comfortable" atmosphere for his talks with President Ford.

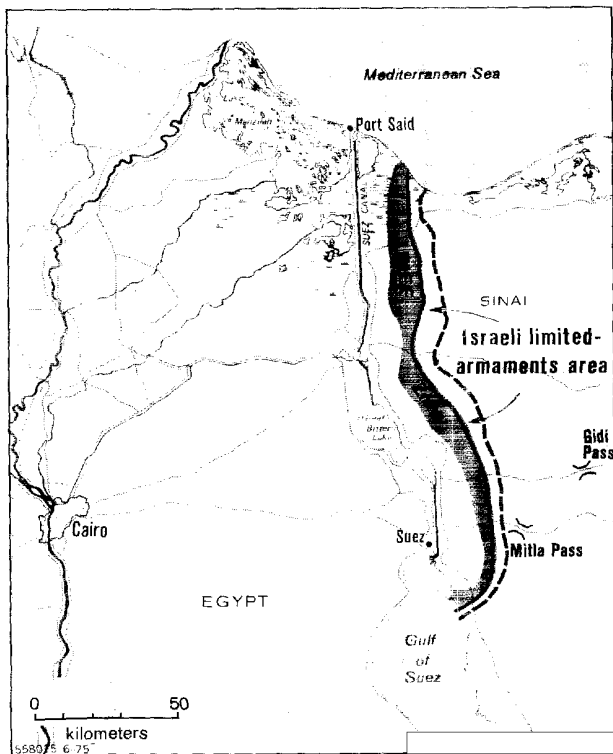
Egypt's reaction to the Israeli move has been highly favorable. President Sadat, while



Presidents Ford and Sadat

still in Salzburg, hailed the action as a step in the right direction that indicates Israel "has started to reciprocate" in moves toward peace. In the first public Egyptian acknowledgement that Israel might be permitted to use the canal in some way, Sadat said passage of Israeli cargoes on ships of other nations will be no problem "if the conduct of Israel is like it is today." The Egyptians will not permit transit by Israeli flag vessels, however, until the conclusion of a final peace settlement.

Although the Israeli move does nothing substantive to advance negotiations, it does improve the atmosphere for talks and encourages Sadat to continue his moderate course for a time. His meeting with President Ford also seems to have raised Sadat's hopes that the US will continue its diplomatic efforts. Sadat told one American television interviewer that "President Ford has proved to me that he is with us in this peace" and that the peace process will begin to pick up momentum. Some of Sadat's other public comments have been more reserved, and the usually voluble Cairo media have refrained from editorializing on the results of the meeting. But Sadat seems at least to be content to wait a while longer for the definitive US policy statement he has been seeking.



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Laos: Redefining US Relations 4-7

Prime Minister Souvanna Phouma and his Pathet Lao deputy, Phoumi Vongvichit, met with visiting Assistant Secretary of State Habib early this week to discuss the future course of Lao-US relations. They broke no new ground. Both Lao leaders reaffirmed in positive terms the communist-dominated coalition government's desire to maintain "good" relations with the US. They also made a strong pitch for continued US assistance, but with the standard Pathet Lao caveat that such aid must be unconditional and given directly to the Lao government.

In their conversations with Habib, neither Souvanna nor Phoumi was willing to come to grips with the sharp differences between the US position and Lao expectations regarding future aid. Despite the reassurances of good will by both Lao leaders, this question clearly will remain a fundamental and perhaps insurmountable obstacle in working out a new modus vivendi between Vientiane and Washington.

Hanoi appears to share this view. A North Vietnamese commentary on June 3 stated that Habib's Asian trip "cannot reverse the course of events in Vietnam, Cambodia, and Laos."

In his discussion with Habib, Phoumi essentially reiterated a line he had taken earlier with the US charge and acting USAID director. He said that Laos was about to embark on a long-range economic development program, and that US assistance would be welcome—particularly during a two-year "healing the wounds of war" phase. Phoumi previously talked about American aid in terms of war reparations.

Phoumi said he would personally supervise negotiations on a new assistance agreement, which, he hoped, would get under way as soon as possible. He also indicated that he did not "think" there would be any more "disorders" directed against Americans in Vientiane, where—for "convenience"—negotiations should be held. Souvanna, however, indicated that either Vientiane or Washington would be acceptable as a site for talks.

Phoumi obviously prefers Vientiane as a negotiating venue because of the proven ability of the Pathet Lao to marshal large numbers of students and other activists to demonstrate at a moment's notice in support of the government's bargaining position.

In any case, before bilateral talks on a new assistance agreement can begin, the current round of negotiations on the dissolution of AID and the turnover of all of its equipment and facilities to the Lao government must be concluded. Both US and Lao officials have agreed to June 30 as the cut-off date for these negotiations, but the talks—which began earlier this week—already appear hopelessly bogged down.

Meanwhile, Souvanna's lack of touch with reality and his acquiescence to Pathet Lao viewpoints were evident in his discussion with Habib. He repeatedly emphasized that, in his view, "nothing had changed" in the Lao-American relationship. He blamed "excited young people" for the recent "spontaneous" anti-American demonstrations in Vientiane, and argued that AID—not the US—was the prime target.

Souvanna also maintained that there had been no real change in Laos, merely an "evolution of attitudes." He said that in light of the "new situation," he had "ordered" the two sides to collaborate, "ordered" Phoumi and acting Pathet Lao Defense Minister Khammouane Boupha to purge the Royal Lao Army of "undesirables" and integrate the communist and non-communist armies, and "asked" Phoumi to staff the coalition administration with civilian officials from Sam Neua.

The Pathet Lao, according to Souvanna, have no intention of taking over Laos—at least not for another "five or six years." The Lao communists, he insisted, are "reasonable nationalists"—not dictators—who respected the monarchy and who had never formed a separate government during their long years of isolation in Sam Neua.

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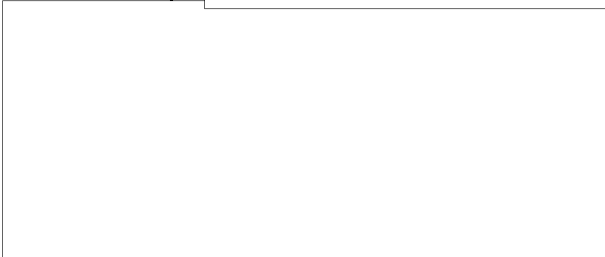
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CHINA: PRO-US COMMENTARY

9

Senior Chinese officials are stressing that despite the outcome in Indochina, the US is still the most important strategic counterweight to Soviet power in Asia and Europe. Both Vice Premier Teng Hsiao-ping and Foreign Minister Chiao Kuan-hua have recently observed that the US was overextended in Indochina; it can now concentrate on more fundamental commitments in Europe and Japan.

During his trip to France last month, Teng stressed the importance of the US-European partnership in countering Moscow's strategic aims in Europe.



The Chinese press gave unusually positive treatment to the NATO summit and President Ford's European trip. Peking's media stressed statements that underline the US commitment to NATO, the determination of the alliance to remain militarily strong and politically cohesive, and US assurances that detente with Moscow would not detract from US interests elsewhere. Prior to the President's trip, the Chinese press had focused on recent statements by US leaders warning Moscow not to test US resolve in the immediate post-Indochina period.

Although they have concentrated particularly on the US role in Europe, the Chinese have also made it clear that they do not expect, or desire, Washington's withdrawal from Asia in the wake of the Indochina debacle. The French received the impression from Teng that China was concerned that any further US drawback in the region would result in a Soviet advance to fill the vacuum. In particular, the French noted that Teng passed up opportunities to denounce

the US military presence in Thailand—and the Philippines as well.

The Chinese seem genuinely concerned about the possibility that Moscow will in fact be in a position to exploit the post-Vietnam situation in Asia; it is this concern that motivates Chinese desires that the military balance in the region not change rapidly or decisively. Peking's anxieties on this score have been fueled recently by the continuing deadlock in Sino-Japanese negotiations over a peace treaty, a deadlock which resulted in part from Soviet pressure on Tokyo—and by what the Chinese believe to be Moscow's overly close friendship with Hanoi.

In attempting to secure their northeastern flank against putative Soviet machinations, the Chinese, in the wake of Kim Il-song's visit to Peking, have been strongly insisting on the withdrawal of US forces from Korea, but they have been careful not to set a deadline for it. After repeating to the French the standard Chinese formulation on this issue, Teng Hsiao-ping remarked that he expects no change in the Korean situation—a tacit acknowledgement that China does not foresee early US disengagement from the peninsula. Peking has made it clear that it does not desire a blowup in the Korean situation, and it probably continues to believe that US forces provide an element of stability there.

In some respects the Chinese have been quite forthright in setting forth their position. Within days of the fall of Saigon, Chiao Kuan-hua implied to a group of British journalists that Peking hopes Washington will play a more active role in East Asia as a counter to the Soviets.

Moreover, a Japan Socialist Party delegation recently in Peking was "astonished" by China's openly benign attitude toward the US. The Chinese reportedly waved aside the Japanese party's proposal that the final communique include a call for reunification of Taiwan with the mainland and attacks on the US-Japan Mutual Security Treaty and US policy

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in Indochina. The communique did include an attack on the issue of US forces in Korea, but the embassy in Tokyo reports that the Japanese believe the US was mentioned only as a concession—apparently in order to get the Socialists to agree to anti-Soviet language regarding foreign hegemony in Asia.

The Mayaguez affair provided another clue regarding Chinese attitudes with respect to the US position in Asia. As in the case of Korea, Peking has an obvious interest in keeping relations with Phnom Penh warm. Nevertheless, the Chinese reaction to the US rescue of the ship and crew, despite an unusual reference to the US as a "paper tiger," was low-keyed, relatively restrained, and almost entirely ex post facto, indicating that Peking wished to isolate the affair. This suggests that China wants to minimize most areas of friction with Washington, even in situations where the use of American power tends to conflict with other Chinese interests.

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**North Korea
COURTING THE NONALIGNED**

22-23

President Kim Il-sung's current tour of African and East European capitals is the most ambitious diplomatic swing ever made by the North Korean leader.

Kim's trip has had a distinct nonaligned, Third World orientation. Since May 22, he has been warmly welcomed in Romania, Algeria, Mauritania, Bulgaria, and Yugoslavia. In his speeches and press interviews, Kim strongly emphasized nonaligned themes—the independence, sovereignty, and common interests of the smaller countries—and he roundly attacked the US and UN presence in South Korea.

On several occasions, Kim repeated the line that a war provoked by the US and South Korea would result in reunification of Korea under communism. He took pains, however, to project a moderate image for North Korea, insisting that Pyongyang's policy calls for peaceful reunification and that he is prepared to move in gradual steps toward that end.

Kim's immediate objective is to strengthen political support for North Korea's participation in the nonaligned conference of foreign ministers in Lima this summer and for a pro-Pyongyang resolution at the UN General Assembly this fall. In both forums North Korea intends to press for the removal of US forces and the UN command from South Korea.

In Romania, Kim and Ceausescu signed a "treaty of friendship and collaboration" between the communist parties of the two countries. Both leaders pursue an independent foreign policy and have developed a close personal rapport. Algeria and Mauritania provided Kim with a good platform for appealing for UN votes from Middle Eastern and African states. The stop in Yugoslavia is intended to enhance North Korea's standing in nonaligned circles. In Bulgaria, Moscow's closest ally in Eastern Europe, nonaligned themes were muted, but Kim and Zhivkov found common ground in "socialist internationalism."

A Soviet Foreign Ministry official told a US diplomat on May 27 that Kim will not be coming to Moscow "at this time." He said noth-

ing about a future visit, but a Soviet official in Western Europe has said that planning is under way for a visit by the North Korean leader late this month or early next. [redacted]

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**Australia
GOVERNMENT'S STOCK FALLING**

24-25

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The resignation this week of Defense Minister Barnard complicates the Labor government's already difficult parliamentary position. Barnard, who had been rankling since he was eased out as deputy prime minister a year ago, will take an ambassadorial post.

Barnard's parliamentary seat will be contested in a by-election on June 28 under circumstances unfavorable for Labor. Although his constituency is traditionally a Labor district, the state party organization is in some disarray, and the probable candidate of the opposition Liberals is a vigorous campaigner who will be a formidable threat.

Loss of Barnard's parliamentary seat would reduce Labor's working majority in the House of Representatives to only two seats. This, on top of the opposition-controlled Senate's blockage of 25 pieces of legislation so far this year, might force Labor to consider calling national elections. This new situation may also encourage the opposition, now recovered from the strains of a change in leadership nearly three months ago, to greater aggressiveness.

With public opinion polls showing that Labor now trails the Liberal-Country opposition by 13 percentage points, the Labor government will face a difficult choice between national elections under unpromising prospects or continued frustration of its legislative program. If it is willing to tolerate continued obstruction by the Senate, Labor can hold on until November. At that time, however, annual consideration of government appropriations takes place, and with the opposition using its Senate majority to block the government's operating funds, Labor would have no choice but to go to the polls.

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PORTUGAL: POLITICAL TENSIONS

26-27

Socialist leaders have agreed to end their boycott of cabinet meetings and to resume participation in the four-party coalition government, provided that the dispute with Communist printers over the Socialist party newspaper is resolved by June 7. The solution is a temporary one at best, even if the military meets the Socialists' deadline.

The Socialists managed to back down gracefully from their challenge to the Armed Forces Movement's political authority after military leaders promised to convince the Communist printers to accept the reopening of the Socialist newspaper *Republica*. Information Minister Jesuino has said the government will reopen the newspaper at any time the Socialist management requests, but editor Raul Rego has hesitated, fearing renewed opposition from the printers.

Press reports indicate that the Socialists are pressing the Movement to resolve the problem by setting June 7 as the deadline for the reopening of the paper. The US embassy believes the government is embarrassed by unfavorable reaction abroad and is anxious to bring the dispute to an early end.

The Movement managed to assuage the Socialists without taking concrete action on their other demands—curtailment of Communist influence in the trade unions, mass media, and local governments. The Movement did state its recognition of "disproportions" in the political structure and promised to correct them.

Military leaders also vowed to safeguard the activities of the constituent assembly, which opened on June 2. The Movement's assurance dispelled last-minute fears that the assembly,



Information Minister Jesuino (I) and Prime Minister Goncalves

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which is dominated by moderate political parties, would not be allowed to meet.

The Socialists hope to use the assembly as a public forum for expounding moderate ideas. They should have little trouble dominating it since they hold 116 of the 249 seats and their candidate has been elected assembly president. In contrast, the Communists and their sister organization, the Portuguese Democratic Movement, together hold only 35 seats.

A substantial portion of the constitution that the assembly will draft has already been dictated by the Movement and accepted by the major parties. The military has made certain it will remain the dominant political power for at least the next three years. The Socialists, however, believe there are several important decisions left for the assembly and plan to concentrate on the areas of human rights, justice, and municipal governments. The assembly will decide the date of elections for a legislative assembly and also for new municipal councils.

There is speculation that moderates might attempt to reserve part of the assembly sessions for free debate on national problems. If the moderates attempt to exceed the strict mandate the Movement has given them, the papered-over differences between the military and the parties will resurface, possibly forcing the Movement to renew its threat to do away with the parties.

[Redacted]

**Poland
ADMINISTRATIVE REFORMS ENACTED**

Parliament last week enacted party leader Gierek's plans for a massive restructuring of the territorial and administrative bureaucracy. Implementation began on June 1.

The principal feature of the reorganization is the division of 17 provinces into 49 smaller units. Prime Minister Jaroszewicz justified these changes by saying that the old system had become outmoded and bogged down in red tape. He added that Warsaw wants to bring the gov-

ernment close to the people and to tailor administration to recent social and economic changes.

The official explanations failed to mention that the reforms will also enable Gierek to break up some of the powerful provincial fiefdoms and to bring the local government and party bureaucracies under greater central control than at any time since the Communists came to power.

[Redacted] the reforms will affect 250,000 people, including 110,000 party workers. Of the latter, 50,000 are slated for retirement. Six provincial party first secretaries have already been removed—three of whom received important jobs in Warsaw—and new province governors have been announced. There are rumors in Warsaw that the powerful party first secretary in Katowice, Zdzislaw Grudzien, will move up to the party Secretariat and Politburo.

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Although no organized opposition to the reforms has emerged, there is considerable dissatisfaction among officials who stand to lose their posts or find their powers reduced. One bureaucrat recently told a US diplomat that the best officials in the old administrations will resist being relocated, and that less qualified people will come into many of the new local positions. He also said that local facilities were inadequate for the new governmental units, and that it might take two years before "some semblance of order" could be restored.

Gierek's hopes of creating a more efficient bureaucracy will be complicated if reports of Deputy Premier Mieczyslaw Jagielski's illness prove accurate. [Redacted] he suffered a serious heart attack in early May, and a Polish journalist says he has less than a 50-percent chance for full recovery. Jagielski is the Politburo member responsible for national economic planning, the ranking deputy premier, and chairman of the State Planning Commission. His loss would deprive Gierek of one of Poland's most experienced and able economic planners and managers. [Redacted]

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Prime ministers of Greece and Turkey
Karamanlis and Demirel

GREECE-TURKEY: LEADERS MEET

33;35

The Greek and Turkish prime ministers met at the NATO summit in Brussels last weekend for their first talks since the Cyprus crisis last summer. Nothing concrete was decided upon during the three-hour meeting, but the atmospherics were favorable, producing some improvement in the troubled relations between the two countries. Each side publicly declared itself pleased with the outcome.

During the foreign ministers' meetings in Rome last week, the Turks appeared to back away from referring the Aegean dispute to the World Court, but the prime ministers have now agreed to this step. In the final communique, both sides pledged to resolve their differences peacefully through negotiations and to support the Cypriot intercommunal negotiations in Vienna, which resumed on June 5. Some members of the Greek delegation, who had come to the Brussels summit genuinely concerned that the Turks had war on their minds, were particularly relieved at the outcome.

The Turks have been emphasizing that Prime Minister Demirel is in too weak a position

to make concessions because of the fragile nature of the coalition he heads. They have been insisting that Athens make the first move by stating specifically that it will accept a bizonal solution in exchange for return of a certain percentage of Greek Cypriot territory held by the Turks. The Greeks have been unwilling to commit themselves until they have a better idea of Turkish views on the final shape of a settlement.

Other problems between Greece and Turkey are just as complicated as the Cyprus issue and, initially at least, will be dealt with separately. Experts from the two countries will meet to discuss their differences over control of airspace in the Aegean. They will also examine a Turkish proposal for joint exploitation of the resources of the Aegean and a compromise text on the Aegean dispute to be forwarded to the World Court. The experts will probably make some progress on the airspace dispute, but the bargaining on other issues will be long and hard.



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NATO: REACTION TO THE SUMMIT

West European leaders who attended last week's NATO summit meeting have generally been satisfied. Most were gratified with President Ford's assurance that the US will continue to fulfill all its commitments to NATO. Press reaction to the summit has been mixed, but many European papers complained that the heads of government only discussed problems and did not arrive at solutions.



Premier Goncalves

Positive public comments have been made by several leaders. Luxembourg Prime Minister Thorn commented that President Ford has calmed European fears that US reverses in Indochina would lead to a disengagement from Western Europe. Turkish Prime Minister Demirel made similar remarks. West German Foreign Minister Genscher said the summit was an impressive confirmation of the resoluteness of the NATO allies. Danish Prime Minister Jorgensen played down the summit as "undramatic," but said he was satisfied with it

[Redacted]

positively on the summit and on the private meeting they held to discuss bilateral problems. Both men described the latter meeting as useful and indicated that their dialogue will continue.

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Portuguese Prime Minister Goncalves used the summit and several press conferences to stress that Portugal will remain in the alliance and is determined to meet its obligations. Reacting to expressions of concern about the leftist tendencies of the rulers in Lisbon, Goncalves asked the allies for more "comprehension and less apprehension" about Portugal. He also stressed several times that Lisbon will not be a "Trojan horse" within the alliance. Goncalves, treated to a hero's welcome on his return from Brussels, said that the Portuguese delegation had scored an important victory in a "veritable information battle."

[Redacted]

Canadian Prime Minister Trudeau, according to an official in the Department of External Affairs, was very pleased with the summit and with the results of his private meeting with the President. Trudeau, initially skeptical to the idea of holding the summit, even proposed that such meetings be held more frequently.

French officials have not commented in much detail. They probably would prefer not to arouse new debate in France over whether Paris is moving closer to or divorcing itself further from the Alliance. Foreign Minister Sauvagnargues has tried to reassure the public that President Ford's comment regarding the need for no partial memberships in NATO was not directed at France.

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Greek Prime Minister Karamanlis and Turkish Prime Minister Demirel also commented

[Redacted]

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ITALY: REGIONAL ELECTION CAMPAIGN

50-51

After two full weeks of campaigning for the regional and local elections to be held on June 15, debate remains focused on the implications of the vote for the national political situation. All parties view the elections as a crucial test, since they will be the first definitive measure of popular sentiment since the 1972 parliamentary race; more than 95 percent of the electorate will go to the polls to choose new officials in 15 of the 20 regions, 86 of the 94 provinces, and 6,345 of the 8,000-odd municipalities.

The Christian Democrats, who have dominated postwar politics with an average 38-40 percent of the vote, are struggling to avoid a repeat of the sharp losses they suffered to the left last year in Sardinia and scattered local contests. The Christian Democrats' prospects appear to have improved lately, but the party is still in danger of dropping to 35 percent or less for the first time in the postwar period.

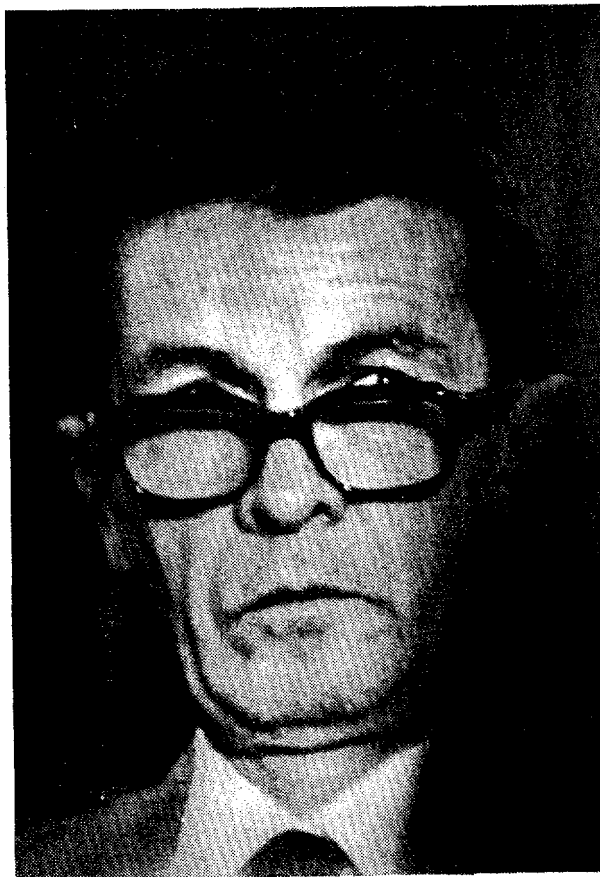
The campaign is dominated by discussions of how power should be distributed in the next national government, what the future role of the Communist opposition should be, and who is best qualified to stop the dramatic increase in crime and political violence.

With the exception of the law and order issue, these are essentially the same questions that divided the center-left governing parties last October and November during Italy's longest postwar government crisis. The imminence of the elections was the main reason political leaders were reluctant to come to terms then. Instead, they set up the Moro government, a Christian Democratic - Republican coalition dependent on Socialist and Social Democratic parliamentary support, as an interim solution that would at least keep the four parties working together.

With so much at stake, the campaign has turned into a free-for-all. The center-left parties for the most part are running against each other, despite the fact that cooperation among them

remains the only workable alternative to Communist participation in the government. Restoring such cooperation after the elections will be made more difficult by the harsh exchange now taking place between the two key parties—the Christian Democrats and the Socialists.

The Socialists, who generally get around 10 percent of the vote, have been running on the theme that the only way the voters can guarantee social and economic progress is to give more support to them and less to the Christian Democrats. That, the Socialists argue, would allow them to force new policies on the Christian Democrats, who have set the terms for every



Communist leader Berlinguer
An eye toward government

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coalition in which the two parties have participated since the Socialists joined the government in 1963.

Christian Democratic leader Fanfani counterattacked this week by criticizing the Socialists for running on joint tickets with the Communists in several hundred small towns. Fanfani pointed to this as evidence that the Socialists are trying to prepare the way for Communist entry into the national government. For the first time he explicitly urged the voters not to support the Socialists; Fanfani previously had told his audiences to vote for at least one of the Christian Democrats' potential allies if they could not support the Christian Democrats themselves.

The Socialists, in fact, are walking a tight-rope on the Communist issue. Local conditions make it difficult for them to avoid allying with the Communists in certain areas, but the Socialist campaign stresses that the time is not ripe for a deal with the Communists at the national level. The Socialists' advertising, for example, advises the electorate that a vote for their party is a "vote without compromises"—a thinly veiled jab at Communist chief Berlinguer's design for an "historic compromise" that would eventually bring his party into the government.

Fanfani, meanwhile, is highlighting his party's leading role in pushing tougher law and order measures through parliament last month. The Socialists and Communists are trying to make the same issue work for them by charging that it is the Christian Democrats who are responsible for the deteriorating situation, since they have controlled the Interior Ministry's law-enforcement apparatus for most of the past 30 years.

Berlinguer's campaign is built around the theme he has stressed since launching the "historic compromise" proposal in late 1973: that Italy's problems cannot be solved until his party, the country's second largest, is granted more influence. Berlinguer is emphasizing in particular the Communists' reputation for efficient administration in the three north-central regions where they hold the balance of power.

It is obvious, however, that Berlinguer feels vulnerable on foreign policy issues: Fanfani continues to cite the Portuguese situation to bolster his arguments against concessions to Italy's Communists. Berlinguer took advantage of an interview this week to re-emphasize his claim that the Italian Communists are "inspired by a different vision" than their counterparts in Lisbon.

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CSCE: SOVIET CONCESSIONS 52-53

After weeks in which seemingly inevitable Soviet concessions were repeatedly deferred, the European security conference is moving closer to resolution. On May 28, the Soviets offered to modify their position on certain humanitarian issues, part of the subject matter of so-called "Basket III" that had kept the conference stalemated.

The Soviets moved closer to accepting Western texts facilitating international travel and restricting the expulsion of journalists engaged in legitimate professional activity. They also agreed to drop a statement on national responsibility for international radio and television broadcasts.

The Soviet moves came in response to a Western "global initiative" intended to reduce the number of disputed issues to manageable proportions and to identify the significant ones. The initial Soviet reaction to the Western proposal had been chilly, but the Soviets suddenly changed their tactics when it became clear that more stonewalling would probably kill the chances for an early windup of the conference.

The Soviet shift was probably timed to influence the NATO summit meeting at Brussels. NATO members, while anxious to conclude the conference, have been put off by the Soviet's rigidity on Basket III and are reluctant to face public opinion with so little to show for their efforts.

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Moscow's concessions have kept alive the possibility that the third and final stage of the conference can be held this summer. The Soviets have not pressed for—and have no chance of getting—the June 30 date proposed by General Secretary Brezhnev earlier this year, but they appear anxious to wrap up the conference before the August vacation season in Europe. The Finns are prepared to play host to the final stage on four weeks' notice.



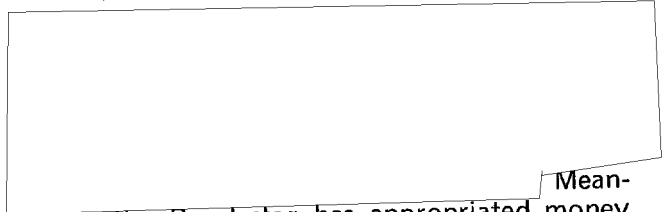
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Despite the progress last week, significant obstacles to a rapid conclusion remain. There are still many differences—some minor, some substantial—on humanitarian issues. In addition, compromises must still be reached on military-related “confidence-building measures,” such as how much advance notice must be given prior to military maneuvers, what size of maneuvers require advance notification, and what geographic area is covered by these provisions.

The engine problem may also have influenced the decision not to show the new fighter-bomber at the Paris air show this week. The official explanation is that the appearance would take too much time away from prototype testing, already several months behind schedule.

After the first two prototype aircraft flew in 1974, all three nations agreed to continue development work for 18 months and to make a final decision in early 1976 whether to go into full production. Because of rising costs, however, all three nations have since considered either cutting back their purchases or opting out of the program.

If the Soviets follow past practice, they will hold out until the last minute on the remaining issues and then make only minimal concessions. In fact, there is already evidence that the Soviet representatives have gone back to their tough bargaining tactics. The differences could be resolved in time to organize a summit session in July, but if this were to happen, the scenario would be straight out of “Perils of Pauline.”



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Meanwhile, the Bundestag has appropriated money for the project, but only if the plane will not cost more than \$9 million each. Most estimates indicate this ceiling will be exceeded, but the potential setback to Germany's aircraft industry and the amount of money already invested may weigh heavily against a decision to abandon the project. As for the Italians, Rome has generally followed the lead of the other two partners and probably will continue to do so.

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59-56
WESTERN EUROPE: AIRCRAFT TROUBLE

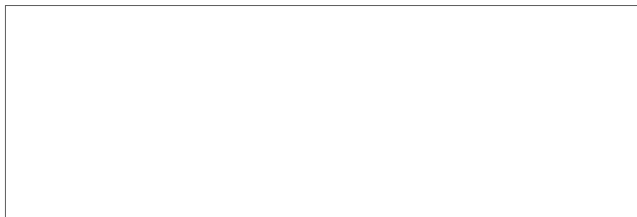
The West German - British - Italian project to develop a European Multirole Combat Aircraft (MRCA) is still encountering serious difficulties. Although the British claim that widely publicized engine problems are being solved, the West Germans apparently are deeply concerned at the continuing delays.

Although the project is still shaky, it appears to have a better than even chance to succeed. If it fails, the UK and Italy, both economically hard pressed, may decide not to buy any new aircraft—a move that would seriously weaken NATO tactical air capabilities by the 1980s. The West Germans probably would purchase some other, less expensive aircraft tailored for specific missions, such as the US F-16.

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57-60

SYRIA-IRAQ: WATER DISPUTE ABATES

Damascus' announcement early this week that it would release more Euphrates River water to Iraq as a gesture of good will should help ease the tension that has developed over the past three months between the two countries' rival Baath regimes. It will not, however, end either Iraqi political intrigue in Syria or President Asad's antipathy for the men who rule in Baghdad.

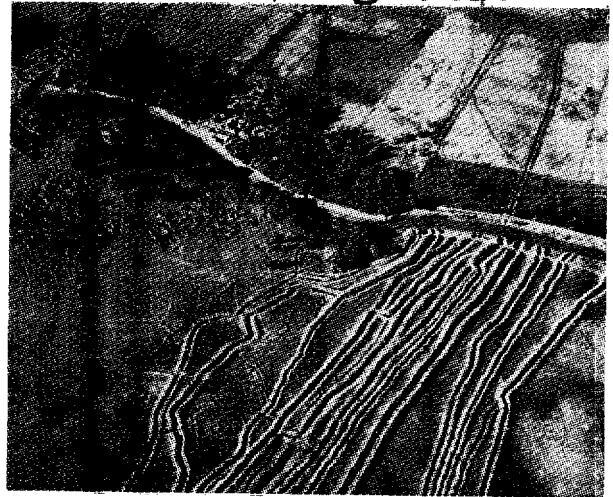
A Syrian government spokesman, portraying the gesture as a product of the mediation of Saudi Oil Minister Yamani, indicated that Damascus now hopes a permanent agreement on sharing the water can be reached. Until the announcement, Damascus press and radio had kept up a daily propaganda barrage against the "fascist Iraqi right." Last week the Asad government closed Iraq's consulate in the commercial center of Aleppo, and Baghdad claimed that the Syrians had placed a ban on the movement of Iraqi goods through the Mediterranean port of Latakia.

More Syrian military units were pulled away from the Golan front last week and moved toward the Tabaqah Dam on the Euphrates, allegedly to discourage Iraqi military adventures. By last weekend, two armored divisions, half of Syria's SA-6 missile defense system, and some MIG-21s and 23s had been reoriented from the south—near Damascus—toward the northeastern part of the country.

Iraq will be relieved if the Syrians do release significant quantities of water; the cutback had threatened the livelihood of thousands of Iraqi farmers. Baghdad had reacted with restraint to Syrian harassment and propaganda charges, apparently believing that Asad would drop his campaign against Iraq once it had served his purposes.

It is not clear why Syria decided to open the sluices at the dam. Asad may have concluded he had amply demonstrated that Syria can exert severe economic pressure on Baghdad any time the Iraqis try to meddle in Syrian internal affairs.

[Redacted]



Irrigation canals fed by the Euphrates

SPAIN: SAHARAN INITIATIVE

61-69

Madrid's announcement on May 23 that it is prepared to speed up the transfer of sovereignty over Spanish Sahara if the process of self-determination in the territory is delayed introduces flexibility into its policy. Only three weeks earlier, Foreign Minister Cortina had stated publicly that the only solution to the problem of Spanish Sahara was a UN-supervised referendum to let the people there determine their political future. The new approach, with its reference to Madrid's wish to take into account the legitimate aspirations of "interested countries" in the Sahara, appears to signal a willingness to negotiate. Preliminary contacts may already be under way.

The government statement aroused the concern of Morocco and Mauritania by noting the possibility of a unilateral Spanish withdrawal if the situation in the territory deteriorates. The announcement was expressed in terms which make it unlikely, however, that Madrid contemplates immediate withdrawal. In a letter to the UN Secretary General, the Foreign Ministry stated that:

- Spain wishes to end its presence without creating a vacuum;

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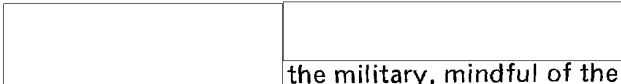
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- All parties to the process should be invited to work for a smooth transition under the auspices of a UN-sponsored conference, but if this fails Madrid will set a deadline for withdrawal;

- Spain requests the UN to dispatch observers to follow developments in the Sahara; and

- Madrid reserves the right to report to the Security Council if peace is threatened.

Several developments probably contributed to Madrid's abrupt shift away from insistence on a referendum, which it was convinced would result in a vote for an "independent" state that Spain could continue to control. Recently there has been growing concern in Madrid about its ability to handle the situation. A militant anti-Spanish organization has emerged as the dominant political force in the territory, insurgent attacks on Spanish forces have occurred recently, and the civil population and even the Saharan armed forces and police have shown a lack of sympathy for Spain.



the military, mindful of the Portuguese experience, wishes to avoid a colonial war at a time when the country faces domestic problems such as Basque terrorism and the uncertainties of the coming post-Franco era. These developments apparently enabled Prime Minister Arias and officials in charge of the Sahara to prevail over the foreign minister. Arias reportedly favors a negotiated settlement that would take into account Moroccan King Hassan's determination to annex the Sahara.

Moroccan and Algerian Positions

Morocco last week expressed surprise at the Spanish statement, accused Madrid of creating a "climate of confusion," and concluded with a veiled warning that Rabat would

use force if necessary to uphold its claim to Spanish Sahara. The Moroccans have also charged that Spain is trying to bypass consideration of the dispute by the International Court of Justice and to undercut the mission of a UN investigating team now in Mauritania on the final leg of its visit to the area.

The Moroccans fear Spain may grant the territory independence before a political settlement acceptable to Rabat can be negotiated, and they suspect collusion between Madrid and Algiers to block Moroccan annexation of the territory. Algeria's open support of a pro-independence party in the Sahara has further antagonized Moroccan officials. As a result, King Hassan has intensified diplomatic efforts in Madrid and Algiers to head off rapid moves toward independence lest he is forced to take a stand that might lead to a confrontation with Algeria.

Mauritanian Reaction

Mauritania welcomed Madrid's willingness to hasten the decolonization process, provided it is carried out in close consultation with the interested parties. In a recent interview, President Moktar Ould Daddah chided Spain for threatening to hand over sovereignty of the region to an entity unilaterally chosen by Madrid. Ould Daddah asserted that Spain has a moral obligation to maintain political stability in the territory and should remain until the ICJ has rendered a decision.

Mauritania seeks a partitioning of Spanish Sahara and claims to have reached agreement with Morocco. It accepts Algeria as an interested party but places it in a special category because Algiers has made no territorial claims. Although lacking the military and political clout of neighboring states, Mauritania can be expected to step up its diplomatic campaign in pursuit of partition.

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71-76

FTAI: PRESSURES FOR CHANGE

The somnolence that has long enveloped the French Territory of Afars and Issas—one of the last colonial remnants in Africa—has been disturbed in recent weeks by internal and external developments.

Many members of the Afar tribe, which composes about half the total population and dominates the local scene, are demanding improvements in economic conditions and the inclusion of younger, better educated Afars in politics and administration. Much of their criticism is directed at the French-installed regime headed by Afar leader Ali Aref, who is president of the territorial council. Popular pressure for the removal of Aref and his conservative, traditional Afar advisers is mounting.

The regime's opponents do not yet form a united front, and most are probably undecided about long-range goals. Some would be satisfied with increased economic benefits within a French administration, while others want independence. The leaders of the predominantly Afar African Peoples Independence League recently visited Paris to press for independence. The league will seek recognition by the UN Decolonization Committee, and the leader of the league is seeking Arab support.

French officials note that they may even have to reckon with Ali Aref, once considered their pawn. The French are worried that, in an attempt to steal his opponents' thunder, Aref may make a sudden call for independence in the local assembly, where he controls the vote.

Last week, bloody clashes between Afar and Issa tribesmen erupted. Sixteen persons were killed and some 250 injured, including 12 French gendarmes, in several days of rioting. Some opponents of French rule probably tried to keep the riots going as a means of gaining publicity and embarrassing France.

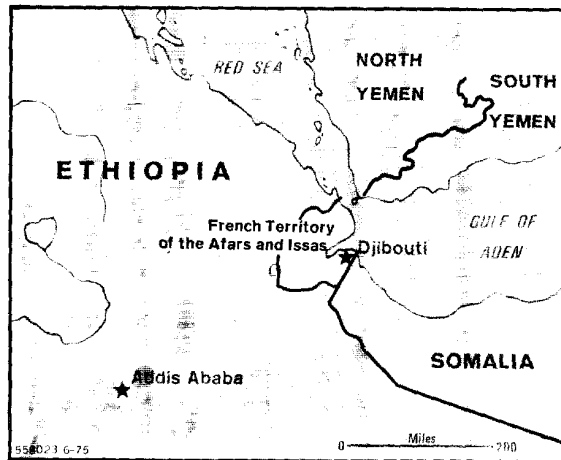
The French are also feeling heat from Somalia, which claims the territory on the basis of ethnic ties to the Issas. In recent months, President Siad has increased his polemics against the French presence and has received a sym-

thetic hearing in Arab and African circles. In April, the Arab League Council passed a resolution urging independence for the territory and formed a ministerial committee to make contacts with France. The Organization of African Unity has voiced support for the territory's liberation, and African leaders are expected to reiterate their call for independence at the OAU summit in July.

Ethiopia has played down its claims, recognizing that French withdrawal might make the territory a battleground between Addis Ababa and Mogadiscio. The Ethiopians are satisfied at present with the arrangement allowing them to use the port of Djibouti, the terminus of Ethiopia's only railroad.

The beginning on June 1 of what may be a full-scale revolt by Afar tribesmen in Ethiopia against the ruling military council in Addis Ababa poses a new threat to stability in the French territory. Sultan Ali Mirah, leader of all the Afars and Ali Aref's tribal overlord, has left his capital in Ethiopia and taken refuge temporarily in the territory. The French almost certainly will not allow him to use the territory as a sanctuary or as a base for dissident activity against the Ethiopian government, but France could face problems with its Afar if it tries to prevent them from aiding their tribal brothers in Ethiopia.

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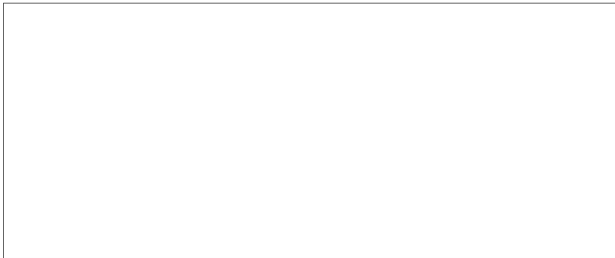
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ANGOLA: CONFLICT SPREADING 70

Forces of the Popular Movement for the Liberation of Angola clashed during the week with troops of the National Front for the Liberation of Angola. The clashes occurred in a number of towns north and east of Luanda, where both groups have been rapidly building up their military forces, and in the exclave of Cabinda. It was the third round of major fighting in two months between the two principal nationalist groups in Angola's transitional government and the first outside Luanda, the capital.

The clashes in Angola proper apparently resulted from a coordinated offensive by the Popular Movement aimed at driving the National Front out of areas where the Movement's ethnic support predominates and at disrupting the Front's supply routes from northern Angola into Luanda. The Front is setting up a major base in northwestern Angola in an area where it has strong tribal support. The base is to replace the extensive training and support facilities long maintained by the Front in neighboring Zaire.

The fighting in Cabinda was apparently restricted to the capital of the exclave, which is administered as a province of Angola. The operations of Gulf Oil, which produced 150,000 barrels a day from Cabinda last year, were apparently not affected. The company has evacuated dependents and support personnel.



At present, the Front continues to rely heavily on Zairian President Mobutu; he has long supported the Front but recently has had

to cut back because of his government's pressing financial difficulties. China also provides important assistance, but not enough to meet the Front's goal of training and equipping a force of at least 10,000 troops. The Front reportedly is trying to improve its military capabilities by recruiting former Portuguese army officers in Angola who have been purged by the Armed Forces Movement because of "political unreliability."

The Popular Movement, which last winter appeared militarily weaker than the Front, appears to have scored significant gains in the latest fighting, as it did in the clashes that occurred in Luanda in late April. It is now well supplied with arms by the Soviet Union, its principal foreign patron. In Luanda, large numbers of well-armed civilians can be mobilized to support the Movement's regular forces; in the countryside, its troops seem better armed and more experienced than those of the National Front. The Front has not been intimidated by its recent setbacks, however; it is trying to even the score in areas where it has strong tribal support.

In the political arena, both groups have been courting the National Union for the Total Independence of Angola, the smallest of the three liberation groups in the transitional government. Union president Jonas Savimbi has refused to be drawn into the conflict, seeking instead to convene a meeting with the leaders of the two groups to discuss their political differences. So far he has not succeeded.

Clearly, neither Holden Roberto nor Popular Movement leader Agostinho Neto is willing to share political power. Any compromise they might agree to in the near future is likely to be only for the purpose of buying time in preparation for a final showdown. The 24,000 Portuguese troops—most of whom are stationed in and around Luanda—are spread thin in the countryside and may not be able or willing to intervene between the two groups in the event the fighting continues to spread.

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LEBANON: STILL NO GOVERNMENT

77

White World

Lebanon's cabinet crisis shows no sign of ending soon. Prime Minister - designate Rashid Karami claims to have made some progress toward assembling a cabinet acceptable to the country's many political and religious blocs, but he has been unable to convince leftists to drop their demand that the right-wing Phalangists be excluded from any new government.

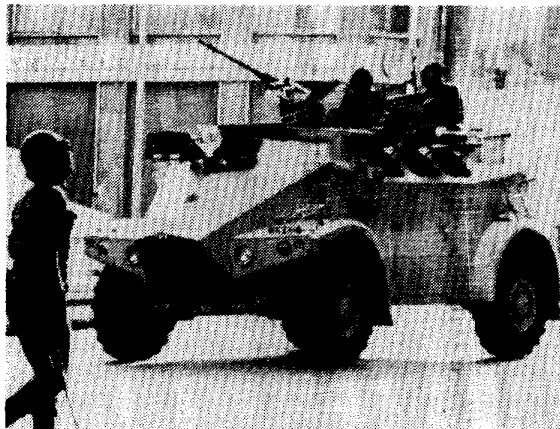


Karami

Kamal Jumblatt, head of the Progressive Socialist Party, is promoting what he calls a compromise under which representatives of his party and of the Phalanges Party would stay out of the government. The new cabinet, he maintains, should be composed of civilians who are not members of parliament and of retired military officers. Phalangist leader Pierre Jumayyil has rejected this suggestion. He is supported by former president Camille Shamun, who has declared that his National Liberal Party will not join any government from which the Phalangists have been excluded.

Under ordinary circumstances, Karami would be tempted to endorse Jumblatt's proposal, since it would create a weak cabinet that Karami could easily dominate. As a result of the continuing civil unrest, however, he almost certainly will continue to seek a solution that can win the active backing of Jumayyil and Shamun;

it was their withdrawal of support that forced former primer minister Rashid Sulh to resign last month. Karami's strategy at present is to delay forming a government in the hope that, in time, tempers will cool and both sides will be willing to compromise.



Looking for snipers

White World

Karami is working closely with the caretaker military cabinet to create buffer zones in Beirut between those areas controlled by the Phalangists and those controlled by the radical fedayeen. Sporadic shooting continued in the city this week, despite somewhat more aggressive patrolling by joint Lebanese-Palestinian security units. Approximately 130 persons have been killed since the latest round of fighting began on May 20.

Economic activity in Lebanon has fallen off significantly as a result of the fighting this year; the gross national product for 1975 will probably be about 2 percent less than anticipated. The economy has not suffered irreparable damage, however, and will rebound strongly, as it did after the extended closure of the Lebanese-Syrian border in 1973.

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PANAMA: GOVERNMENT CRACKS DOWN

78-81

The Torrijos government has placed tough restrictions on the media in an effort to stifle domestic criticism during what it considers a crucial period in the canal treaty negotiations with the US. The crackdown is evidence of the government's concern over the impact of recent criticism by business organizations, student groups, and the media, and its fear that any sign of disunity at home may be exploited by domestic and foreign opponents of a new canal treaty. It also reflects the administration's growing tendency to adopt a "for us or against us" attitude.

lence the criticism. Recently, a group of high school students briefly took over an offending radio station, charging that it was a mouthpiece of "reactionary" businessmen and the CIA. The government's next step may be to turn its student allies loose on the radical youth groups. Also, government spokesmen will probably step up the campaign against the opposition, portraying the government's critics as servants of foreign interests who want to sabotage the negotiations and topple Torrijos. [redacted] 25X1

The new restrictions were imposed on radio and television stations, which previously have been under less direct control than the press. The stations were instructed not to comment, without prior consultation with the authorities, on "sensitive" subjects, including the treaty negotiations, student affairs, public services, or the restrictions themselves. The following day, a "clarification" indicated that the restrictions were intended only to caution the stations rather than to order them to comply, but the message remained the same.

82-84 25X1
REGIONALISM RISES IN LATIN AMERICA

Latin leaders who are encouraging new forms of area cooperation are taking pains to sustain the momentum of the regionalist spirit as well as to keep pressure on the developed world.

For several years, the Torrijos government's prohibition of political activity has enabled it to act with little fear of criticism by organized groups. During the past month, however, members of the business community who have always been opposed to Torrijos have aggressively attacked the government's economic policies.

Ten countries now appear ready to put their money behind a shipping fleet venture that has been under discussion for only a few months. Mexico, Nicaragua, Costa Rica, Panama, Jamaica, Cuba, Colombia, and Venezuela have already signed the pact to establish the Multinational Caribbean Fleet. Guyana and Trinidad and Tobago are also expected to be charter members. Each will contribute equally to an initial \$30 million fund, and new members will be assessed a like amount. This system of equal shares, rather than some proportional assessment based on relative wealth, may have won over Trinidad, which had been leery of domination by the big countries. The other Central American and Caribbean governments are yet to be convinced that the venture can be a success.

Criticism by ultranationalist students is even more worrisome for the administration, which has always considered Panama's youth among its staunchest allies. Antigovernment students represent only a small minority of the student population, but they have made effective use of demonstrations and radiobroadcasts to attack the government for the nation's educational shortcomings and for its handling of the treaty negotiations.

The government, not wanting to use open repression against the radicals, apparently has decided to rely on pro-Torrijos students to si-

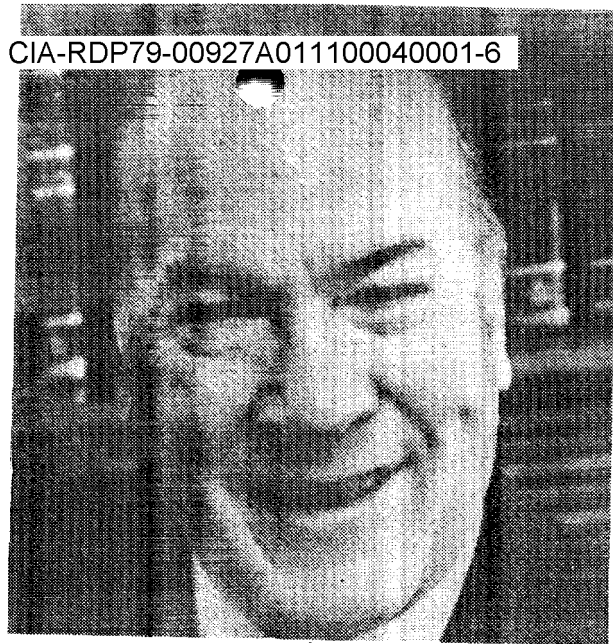
The act creating the shipping enterprise empowers it to commission and operate all types of merchant ships, to construct or acquire shipyards and related facilities, and to buy or charter ships and appropriate material. The first move evidently will be to rent five freighters, which the consortium would like to see begin operating by the end of the year. If this is

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successful, the group will consider moving into passenger lines and oil transport.

Venezuela and Mexico appear ready to move forward also on their other all-Latin and Caribbean scheme, the Latin American Economic System. This system so far has little definition beyond its outline as a vehicle to encourage regional cooperation on a variety of economic and development questions, but like the proposed multinational fleet, it seems likely to take some shape fairly rapidly, at least as a paper organization.



Gomez Morales

On the pressure side, there are signs that some governments may be contriving a joint declaration condemning illegal activities of multinational corporations. Several Latin governments have recently been embarrassed by bribery scandals involving official payoffs by large US-based firms. Peru has reportedly asked for an OAS Permanent Council discussion on this subject and may already have the backing of Bolivia, Ecuador, Venezuela, and Honduras. Earlier this year, Venezuela and Ecuador secured Latin support for similar OAS denunciation of the Trade Reform Act. [redacted]

The replacement of Gomez Morales by a lackluster successor is certain to hamper Argentina's efforts to secure financial assistance abroad. Although Rodrigo has made a bland call for decreased spending and increased productivity, it is clear that he has no particular economic program of his own. His primary function will be to carry out Lopez Rega's instructions.

The latest move not only emphasizes Lopez Rega's growing power—he also arranged recent changes in the army's command structure—but points up the government's desire to maintain its populist image as the administration assumes an increasingly authoritarian posture. For similar reasons, Lopez Rega this week responded for the first time to growing popular revulsion over the activities of a right-wing counterterrorist group by announcing that the organization would be investigated. The announcement may be no more than a calculated gesture, however, since the group is widely thought to have at least tacit approval of the government.

There is considerable speculation in Buenos Aires that more cabinet changes are imminent. Indeed, the success Lopez Rega has had to date may encourage him to press the extension of his influence to the maximum permitted by the nation's final political arbiter—the military. Thus far the officers do not appear disposed to rein in the ambitious minister, despite widespread dislike of him. [redacted]

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85-87

ARGENTINA: NEW ECONOMY MINISTER

By engineering the replacement of highly respected economy minister Gomez Morales, presidential adviser Lopez Rega has given another indication of his power—but the move has dimmed the country's economic prospects.

Early this week Celestino Rodrigo, formerly an official in the Social Welfare Ministry, supplanted Gomez Morales in the top economic post. Rodrigo's transfer extends the influence of Lopez Rega, who is minister of social welfare, as well as presidential adviser. Lopez Rega has favored accommodating the demands of organized labor through wage increases and extensive welfare spending. Gomez Morales lost out because he advocated restraint and austerity in the face of mounting inflation.

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