

Page Denied

Next 1 Page(s) In Document Denied

State Dept.
review
completed

Secret



Weekly Summary

Secret

No. 0026/75
June 27, 1975

DOS review completed

Copy **Nº** 62

CONTENTS (June 27, 1975)



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. 25X1

- 1 India: Opponents Jailed
- 2 Laos: A Swan Song for Souvanna?
- 3 Angola: Another Truce

EUROPE

- 4 Portugal: Moderates Encouraged
- 6 Spain: Arias Reaffirms Goals
- 7 CSCE: Qualified Yes to a Summit
- 8 Greece: A New President
- 8 Romania-Portugal: Friendship Treaty

10 USSR-Eastern Europe: Grain Prospects 25X1

MIDDLE EAST
AFRICA

- 12 Mozambique: Independence Arrives
- 13 Israel: Focus on the Sinai

WESTERN
HEMISPHERE

- 14 Venezuela: Political Stalemate
- 15 Latin American Communism:
Meeting in Havana
- 16 Peru: Succession Once Again

EAST ASIA
PACIFIC

- 17 Northeast Asia: Triangular Tensions
- 20 Papua New Guinea: Independence at Last 25X1

25X1

India: 1-3 Opponents Jailed

Prime Minister Gandhi, who has been under increasing pressure from her opponents to resign since her recent conviction for corrupt electoral practices in 1971, struck back on June 26 by having scores of opposition leaders arrested. A presidential proclamation of national emergency followed, giving the government wide new powers.

In a brief radio address, Mrs. Gandhi cited the threat of internal disturbances as the reason for the proclamation. The arrests were made under the provisions of the Maintenance of Internal Security Act, the language of which will prevent those arrested from seeking court action to obtain their release.

Government critic J. P. Narayan, the aging one-time associate of Mahatma Gandhi in the independence struggle and leader of a national non-partisan protest movement, was among those jailed, as were at least two members of Mrs. Gandhi's own Congress Party who had urged her to resign. All newspaper reporting on internal developments was brought under censorship, and the editor of at least one opposition newspaper was arrested. The radio in India has long been fully under government control.

The Prime Minister's vigorous action came two days after a ruling by a Supreme Court justice that granted Mrs. Gandhi only a conditional stay of the judgment against her by a state court on June 12. That judgment, if it stands, will disbar her from holding public office for six years. The conditional stay allows her to retain the prime ministership but denies her the right to vote in parliament until the Supreme Court acts on her appeal. With parliament in recess, the restriction is academic, but the ruling further damaged Mrs. Gandhi's political position, which had also been hurt by her party's



Indira Gandhi

unexpected defeat in legislative elections in the state of Gujarat in early June.

Sensing that they might have Mrs. Gandhi on the run, opposition leaders intensified their campaign to force her to step down. Their attempts to arouse the public reached a climax in a speech by Narayan in New Delhi on June 25 in which he called on the army, police, and government employees to disobey any order they considered illegal. A nationwide "non-violent struggle" to force Mrs. Gandhi to resign was to have been launched by the combined opposition parties on June 29.

Much will now depend on the leaders of the ruling Congress Party. The cabinet, including the two members most often mentioned as possible successors to Mrs. Gandhi—Minister of Agriculture Jagjivan Ram and Minister of Finance Y. B. Chavan—is still giving her strong public support. Even before the events of June 26, however, a small group within the Congress—perhaps 25 of the 515 members of parliament—was reported insisting on Mrs. Gandhi's resignation, and others may now take

SECRET

SECRET

up the call. Her demonstrated willingness to take strong action in order to stay in power will give pause to some, however.

Senior officers within the armed services apparently were taken by surprise by the proclamation of emergency. The Indian military has a long tradition of remaining aloof from politics and probably will not interfere in the present situation other than to assist the police in maintaining order, if ordered to do so.

Mrs. Gandhi will probably not convene parliament in July for its traditional summer

session. Under the terms of the Indian constitution, however, she must seek parliament's approval of the emergency proclamation within two months of its date of issuance or the proclamation automatically expires. The Supreme Court is expected to begin a review of Mrs. Gandhi's appeal shortly after it reconvenes on July 14, and a judgment might be issued before the expiration of the two month period. The executive branch of the government, despite extensive powers granted it under the new emergency proclamation, cannot block the Supreme Court's consideration of the appeal.

25X1

4-6 Laos: A Swan Song for Souvanna?

There are unconfirmed reports that Prime Minister Souvanna Phouma may be planning to turn over leadership of the coalition government to his half-brother, Prince Souphanouvong, the nominal chief of the Lao communist movement.

National Political Council, succeeding to the prime ministership is also plausible. The so-called "Red Prince" has long been considered Souvanna's heir apparent, and he enjoys a national following second only to that of Souvanna.

25X1

Souvanna reportedly plans to accompany the King only as far as Paris, with the King and his royal entourage continuing on to Moscow, Peking, and Hanoi for official state visits. Recent press reports from Vientiane have also mentioned the possibility of a midsummer trip abroad by Souvanna and the King.

The reports of Souvanna's impending retirement from active political life are plausible. The coalition government is now dominated by the Lao communists, leaving Souvanna a virtually powerless figurehead. Moreover, the Prime Minister is nearly 74 years old and his health is failing; these physical factors alone argue strongly for retirement. It is unclear whether Souvanna plans to go into permanent political exile in France or return to the retirement home he has built in the royal Lao capital of Luang Prabang.

The notion of Souphanouvong, currently serving as chairman of the coalition's Joint

[Large redacted area]

25X1

25X1
25X1

25X1
25X1

SECRET



President Kenyatta (l), Holden Roberto (r), and Jonas Savimbi, (second from right) at recent negotiations in Kenya

7 Angola: Another Truce

UPI

The leaders of the three rival liberation groups in Angola's transitional government signed a new coexistence agreement last week, after six days of talks in Kenya. It is intended to forestall all-out civil war and to preserve the transitional regime until the country gains independence next November. Its effectiveness is questionable, however, inasmuch as the new accord is little more than a restatement of earlier agreements that the liberation groups have failed to honor. Elements of the two major groups engaged in sporadic skirmishing even while their leaders were meeting, and new fighting erupted in Luanda, Angola's capital, on June 24.

The three leaders—Holden Roberto, Agostinho Neto, and Jonas Savimbi—agreed to release prisoners held by their respective organizations—the National Front for the Liberation of Angola, the Popular Movement for the Liberation of Angola, and the National Union for the Total Independence of Angola. They also agreed to disarm the civilian population and to speed up the formation of a national army composed of troops from the three groups. In addition, they reaffirmed their commitment to hold national elections to a constituent assembly by the end of October. The assembly is to select a head of government who will assume office on independence day, November 11.

Effective implementation of the truce rests on the slim chance that Roberto's group and

Neto's organization—the main antagonists—will refrain from further attacks on each other. The most recent wave of fighting between them left the Popular Movement in control in several areas north of Luanda, severely limiting the National Front's access to the city. The Popular Movement's advantage could spark Roberto into calling for further military action before being cut off entirely from the city.

A weakness in the agreement itself is its provision for the ministries of information and justice to lead the campaign to disarm civilians. Both these ministries are controlled by the Popular Movement, the group most responsible for having armed civilians. These armed civilians have proved a valuable auxiliary for the Popular Movement in areas where its regular military force has been outnumbered by troops of the National Front. If the Popular Movement hesitates to move quickly to disarm civilians, Roberto might try to force the issue with his own troops.

The leaders also agreed to guarantee the right of political activity for all three groups throughout the territory. The National Front and the Popular Movement, however, have established unchallenged control over areas in which they have tribal links, and any future political activity in those areas by a rival group is virtually certain to provoke serious fighting.

25X1

SECRET

Not Sourced

SECRET

PORTUGAL: MODERATES ENCOURAGED

Moderate political parties in Portugal are seeking to ensure that the momentum generated by the moderate tone of the policy statement issued by the ruling Revolutionary Council on June 21 continues in their favor.

The Council's statement was a hard-fought compromise resulting from eight days of deliberations. The effect on the fortunes of political moderates may be more far reaching than the wording of the communique indicates. The Revolutionary Council reaffirmed its commitment to political parties and to the establishment of a pluralistic system. At the same time, however, it reiterated support for the formation of grassroots organizations tied to the Armed Forces Movement that will be the "embryo of an experimental system of direct democracy."

The Council judges Portugal to be in a transitional phase of its revolutionary process, with political parties necessary to help educate the population. The statement does not project the parties' future role, but conceivably this may be diminished in subsequent states in the building of a "classless society," if popular committees are created according to the Movement's wishes.

Moderates are particularly encouraged by the harsh treatment of radical left-wing groups that threatened public order during the past few days. The Council promised to take strong actions against extremists and did so, the day the statement was released, by breaking up a group protesting the jailing of several members last month. The Council also assured the existence



Socialist Party demonstration in support of the Revolutionary Council's policy statement

SECRET

of non-socialist opposition parties—like the right-of-center Social Democratic Center—as long as they support the Movement's goal of constructing a socialist society.

The decision to support the existence of political parties should temporarily silence those radical officers who have supported popular councils formed by the far left and who have proposed abolishing parties as well as the constituent assembly. A list of "recommendations" favoring a "speeded up revolutionary process" was formally presented to the Revolutionary Council last month, pushed by elements of the internal security forces, led by security chief Otelo de Carvalho.

The security troops have grown increasingly independent and, although the majority is probably not radical, the minority has openly taken sides in the *Republica* dispute. The troops allowed Communist workers to enter the newspaper offices and denied access to the Socialist management, despite the announced government policy to treat both sides equally. Last week they were also reluctant to protect from extremist attack Catholic demonstrators demanding that the church-owned radio station be turned back to its legal owners.

The policy statement rebuked the security troops by prohibiting all partisan political activity by the military. Reports of possible attempts by radical elements to oust moderates and assume control over the Movement have probably been discouraged by the moderates' show of strength in the Revolutionary Council. Rumors of Carvalho's impending dismissal, however, have been repudiated by the Council's affirmation of his promotion to commander of the internal security forces, a position that had been officially held by President Costa Gomes.

The communique, while acknowledging economic problems and administrative lethargy, did not address itself to concrete issues like the *Republica* and Radio Renascenca disputes.

Soon after the general policy statement was issued, the Council resumed meeting to



Carvalho

O C I

tackle the conflicts in the media. The Revolutionary Council's communique did state that the Movement intends to exert greater control over the media and will take over at least one newspaper to ensure accurate coverage of its policies. The Council also gave the coalition government until the end of July to propose an economic strategy that would reverse the decline in production and the increase in unemployment.

The moderates hope that forthcoming solutions on these matters will be in their favor. To help maintain the advantage they have gained, moderate parties, led by the Socialists, responded enthusiastically to the communique and organized a demonstration on June 23 to show that they can mobilize the population in support of the Movement as effectively as the Communists.

Socialist and Catholic leaders have begun to line up external support for their causes in a further attempt to influence the Movement. The offer of economic assistance made by various West European countries and organizations is contingent upon the survival of political parties in Portugal and apparently served to strengthen the arguments of moderates last week in the Revolutionary Council. A major portion of the Council's statement dealt with economic problems, and Movement members appear to be aware that the best hope of help lies in Western Europe.

25X1

SECRET

SECRET

8-11

SPAIN: ARIAS REAFFIRMS GOALS

In a major policy speech to the Spanish parliament on June 24, Prime Minister Arias reiterated his determination to follow through on the liberalization program he announced shortly after his appointment 18 months ago and promised new measures to increase popular participation in government. He came down hardest, however, on the need for law and order as a prerequisite for orderly political development. On balance, conservatives will find the views expressed by Arias more to their liking than will the liberals, but neither group will be fully satisfied.

Arias defended his program as a basis for creating a national consensus under the monarchy of Prince Juan Carlos, Franco's designated heir. Arias' praise of the Prince exceeded his references to Franco, whom he treated almost as if he were already a figure of history. He shed no light on when the transfer of power would take place, however. The extensive praise for Juan Carlos may also have been intended as a slap at the Prince's exiled father, Don Juan of Borbon, who recently renewed his claim to the throne.

The Prime Minister pointed to the outlawed Communist Party as the greatest obstacle to a smooth transition after Franco goes. Arias announced that before the end of the year, he would send to the parliament a special draft law on combating communism. The law will probably lead to harsher police action against the Communists and their allies in the underground trade union movement and in the Communist-dominated Democratic Junta, which was formed in Paris last July and now operates clandestinely in Spain.

Arias also condemned separatist movements, especially those in the troubled northern Basque provinces. He defended the state of emergency with its added police powers that was imposed on two Basque provinces on April 25 and gave no indication when the emergency decree would be lifted. On a conciliatory note,

he promised that his government will propose regional development plans that could meet some of the grievances of the separatists.

The Prime Minister singled out the armed forces for special praise, noting their stability, moderation, and acceptance of responsibility to guarantee the protection of the present institutions of government and order. He also credited the armed forces for exercising "prudence and courage" in the Sahara by not giving in to provocations and threats—his only reference to foreign affairs in the entire speech.

Arias rejected the call of radicals for a new constitution, saying reforms can be made by amending the present basic laws. He referred again to improved prospects for greater popular participation in government through creation of political associations. Admitting that the project had aroused opposition, Arias announced he would remove some restrictions on political associations and will permit them to participate in the parliamentary election this fall. The impact of this measure is blunted, however, by the fact that only one fifth of the 565 members are elected directly.

Arias also cited the appointment last week of Jose Solis Ruiz as minister-secretary general of the National Movement as a boost for associationism. Solis, Arias noted, was one of the original advocates of associations. Despite his positive remarks about Solis, the Prime Minister is probably still unhappy about the appointment. Solis, an ambitious politician who has been mentioned as a future prime minister, reportedly was appointed by Franco against Arias' wish.

The Prime Minister dealt only briefly with Spain's serious economic and labor problems, promising major tax reforms and citing the recently adopted right-to-strike law as evidence of the government's concern with labor. Arias avoided any mention of such current issues as the conflict with the church on political and social policies, university problems, youth, and censorship—all of which he discussed in some detail in his maiden speech in February 1974.

25X1

SECRET

SECRET

CSCE: QUALIFIED YES TO A SUMMIT

12-15

The question of whether the European security conference will be capped by a summit-level finale in July remains unanswered. Soviet party leader Brezhnev last week sent letters to the heads of major Western countries proposing that the summit be held in Helsinki on July 22. The foreign ministers of the EC Nine responded on June 24 with a very qualified "yes." They stated that it is "desirable and possible" to hold the summit at the end of July—if a number of outstanding issues can be resolved quickly.

In the past month, Soviet concessions have made it possible for many substantive problems to be resolved, particularly those concerning increased East-West contacts and exchanges of information. This week, the Western and Soviet delegations agreed on a clause protecting Allied rights in Germany and Berlin, another point of contention. The representatives of the neutral states must still concur with the text, but it is likely that they will do so.

There are still several other major issues yet to be resolved, including military-related confidence-building measures—particularly one dealing with advance notification of military maneuvers—and the type and frequency of follow-on meetings to the conference. The West Europeans have insisted that these problems must be resolved before they give final agreement to the summit. They believe that Moscow's desire to have a summit in July will lead the Soviets to make concessions.

The issue of providing advance notice of maneuvers will likely be resolved by compromise. The East and West will probably split their differences on how much advance notice must be provided and on the size and location of the maneuvers that will be affected.

East and West, however, are far apart concerning follow-on meetings. The EC Nine sup-

port a Danish proposal calling for senior officials to meet in the second half of 1977 to assess how the conference's decisions have been implemented. A preparatory meeting could be held two months earlier. In addition, the EC states agree that there can be ad hoc meetings of experts, provided there is a consensus among the participants to convene such meetings.

The Soviets apparently want fairly frequent meetings, in which all aspects of detente and the state of bilateral and multilateral relations are examined. At the same time, however, Moscow does not want to be held accountable for implementation of the conference's decisions. The Soviets also hope to obtain an eventual commitment to another, full-scale European security conference. The conferees are trying to reach a compromise, but resolving differences may prove difficult and time-consuming.

THE EC FOREIGN MINISTERS SAID IT IS "DESIRABLE AND POSSIBLE" TO HOLD THE SUMMIT AT THE END OF JULY IF A NUMBER OF OUTSTANDING ISSUES CAN BE RESOLVED QUICKLY.

Another possible stumbling block to a July summit is the Turkish demand that the Turkish Cypriot community be represented in the Cypriot delegation to the summit and Ankara's objections to the presence of President Makarios at Helsinki. Western delegates seriously doubt that Makarios can be persuaded to absent himself from the summit and are hoping that the parties concerned can work out a solution.

The Finns have let it be known that they will require four weeks' advance notice to complete preparations for a summit meeting. If there is to be a summit in July, the delegates in Geneva will be under the gun to resolve the outstanding issues within a few days.

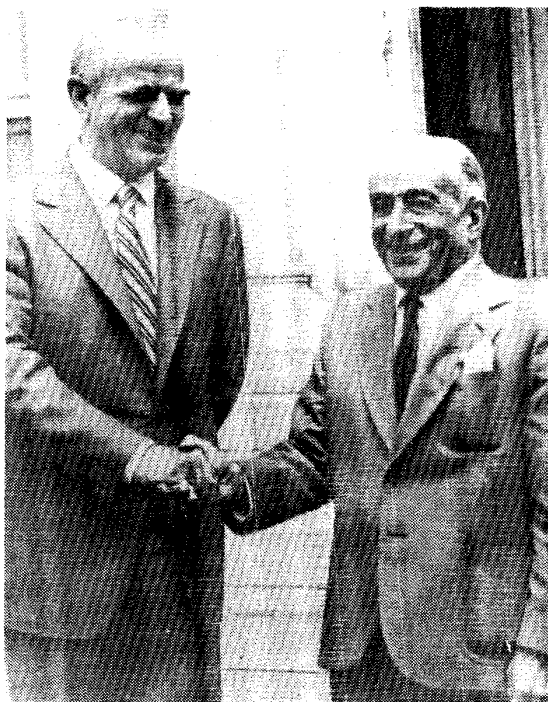
[Redacted]

25X1
25X1

SECRET

SECRET

AP



Karamanlis and Tsatsos (r)

GREECE: A NEW PRESIDENT 18-19

Constantine Tsatsos was elected president of Greece last week by a parliamentary vote of 210 to 65. He was Prime Minister Karamanlis' hand-picked candidate and the principal architect of the new constitution.

Tsatsos, a respected academician, is not expected to challenge Karamanlis' leadership. A long-time associate, he is particularly indebted to Karamanlis, who as prime minister in the early 1960s brought Tsatsos back into his cabinet. Tsatsos had been out of the government for a year because of his involvement in a scandal over alleged improper awarding of government contracts.

The new constitution creates a strong presidency and was tailor-made for Karamanlis. He will exercise most of the powers granted to the

chief of state, with Tsatsos being little more than a figurehead. It is generally believed that Karamanlis will move up to the presidency in a year or two, by which time internal and external pressures on the government may subside. Karamanlis's decision not to opt for the presidency now probably stems in part from fear that controversy over a successor as prime minister might split his New Democracy party. The constitution also provides that the prime minister serve as party head, and Karamanlis is probably unwilling at this point to give up day-to-day control of party affairs.

Only four New Democracy deputies flouted party discipline and cast ballots for the opposition candidate, former prime minister Kanellopoulos, who is not connected with a political party. Papandreou's Panhellenic Socialist Movement and one wing of the Communist Party cast blank ballots to protest the sweeping powers of the presidency under the new constitution.

Should Tsatsos eventually step down from the presidency as expected, Karamanlis will probably then be elected to a full five-year term as president. The opposition charges that this scheme would permit Karamanlis to maintain control of the government, even if his party lost the parliamentary election in 1978.

Romania-Portugal FRIENDSHIP TREATY 20-23

The signing of the Portuguese-Romanian friendship treaty—the first between a NATO and a Warsaw Pact country—culminates a year of rapidly improving relations between Lisbon and Bucharest. Romania is now markedly ahead of its Warsaw Pact allies in developing ties with Portugal.

The 13-article document was the most dramatic result of the visit of Portuguese President Costa Gomes to Bucharest from June 13 to 16. The treaty stresses national independence, sovereignty, and the similarities between

25X1
25X1

SECRET

SECRET

the policies of the signatories and the non-aligned world. It also bears a striking resemblance to a treaty signed by Bucharest and Pyongyang in late May, when North Korean party boss Kim Il-song visited Romania.

Romanian President Ceausescu heralded the treaty as "the first of its kind between friendly countries that belong to different military blocs." Although Ceausescu and Costa Gomes criticized the concept and existence of military blocs, Ceausescu counseled moderation. He avoided mention of the Portuguese Communist Party in public. Romania has consistently sought closer ties to the Portuguese socialists in preference to the Soviet-oriented Portuguese Communist Party.

The communique summarizing the visit points out that both Portugal and Romania are developing nations. It stresses the need to overcome the gap between the developed and developing nations and the Third World theme of establishing a new political and economic order in international relations. The communique also indicates that the two sides signed several trade, economic, and technical-scientific agreements and decided to establish a joint commission to expand economic and industrial cooperation.

Military contacts between Lisbon and Bucharest also continue to expand. Colonel-General Coman, the Romanian chief of staff, visited Portugal from June 17 to 23. Coman's trip came four months after General Fabiao, his Portuguese counterpart, visited Romania. Fabiao later spoke enthusiastically about his trip and praised the civic action role of the Romanian army in society.

25X1

25X1

25X1

SECRET

SECRET

APIC



Grain harvest in the Lvov region

Not Sourced

USSR-EASTERN EUROPE: GRAIN PROSPECTS

USSR

Because of drought in parts of the USSR's spring grain area, this year's grain crop will probably reach only 215 million tons. This is 5 million tons less than earlier forecasts, but still 5 million tons above Soviet needs. Large purchases of foreign grain may not be necessary this year.

Growing conditions in most of the European USSR—the major winter grain area—have been good to excellent. The harvest there, which is just beginning, will cover 30 million hectares. Barring unexpected difficulties, some 70 million tons of grain should be brought in, 6.5 million tons more than the record in 1973.

Record yields are likely in parts of the eastern New Lands area and western Siberia, where moisture levels are better than normal. In the Volga Valley, southern Urals, western

Kazakhstan, and Kustanay, however, soil moisture is critically low, and yields in these areas will be three fourths of the long-term average.

A good spring grain harvest still seems likely. About 100 million hectares of spring grain, including 4 million hectares of corn, will be harvested this year. Despite dry conditions in parts of the spring grain area, yields are likely to be above average; the spring grain crop could be 145 million tons, assuming the drought breaks soon.

A total grain crop of 215 million tons will probably exceed the USSR's requirements. Nevertheless, Moscow may purchase about 5 million tons of grain for delivery in the next fiscal year to cover shortfalls in corn for livestock and in high-quality milling wheat.

Most buying will probably be done in the summer and early fall. Grain prices should be

SECRET

SECRET

attractive in the coming months, a result of a bumper US crop and generally good crop conditions throughout the world. The Soviets have not bought any grain this year, but deliveries continue under old contracts. Soviet grain imports in the current fiscal year will probably total 6.5 million tons.

A large grain crop this year may result in substantial storage losses because of the severe strain on overloaded storage facilities. The Soviets are making a major effort to increase closed grain storage; a massive construction program is under way to raise storage capacity by 40 million tons by 1980. This means the Soviets will have to add 8 million tons a year, more than double the annual rate between 1971 and 1975.

In mid-1974, the Soviet ministry of procurement reported it had off-farm storage facilities for 126 million tons of grain, of which only 28 million tons were in grain elevators. Farms have the capacity for storing an estimated 100 million tons. The construction program will rely primarily on prefabricated concrete silos, though metal silos will be included on a significant scale for the first time. The Soviets will probably purchase some equipment or designs from abroad.

Major losses during recent years have been caused by storing newly harvested grain in huge outdoor piles. Grain with a moisture content of 14 to 15 percent can usually be stored safely, as long as temperatures remain below 40 to 50 degrees Fahrenheit. In certain regions of the USSR, however, freshly harvested grain may contain 25 to 35 percent moisture. If this moisture is not reduced by drying, the grain becomes moldy and deteriorates.

Eastern Europe

Grain production in Eastern Europe—excluding Yugoslavia—could reach 80 million tons this year, compared with 75 million in 1974, provided the weather is favorable during the rest of the growing season and harvest. This level of output still would require grain imports

of 8 million tons, only 5 percent less than last year.

Bulgaria, Hungary, and Romania—the grain exporters in Eastern Europe—will account for the jump in output. Spring rains relieved drought conditions in both Bulgaria and Romania. On a visit to Bulgaria in late May, Undersecretary of Agriculture Campbell observed that the important winter wheat crop was in excellent condition, but that the corn had been planted late or was stunted by cool weather. Soil moisture level is still low in Bulgaria, and normal summer rainfall is needed to maximize crop yield.

Crops in Romania, on the other hand, need hotter, dryer weather to speed development. Good crop conditions notwithstanding, it is unlikely that Bucharest's ambitious harvest target—20 million tons—will be met. In 1972, Romania harvested some 17 million tons of grain from roughly the same amount of planted area. Wheat and corn production in Hungary will probably match last year's, with a reduction in the area planted offset by higher yields. The production of barley and other grains will increase.

Grain production in Czechoslovakia, East Germany, and Poland will approach the record harvest of last year. Because of heavy rains last fall, 500,000 to 600,000 hectares normally sown to winter wheat had to be sown with lower yielding spring grains. Only East Germany fulfilled its fall sowing plan. April rains slowed spring planting in Czechoslovakia, but no major problems were reported by East Germany or Poland. To boost production levels, meadows, pastures, and other marginal land were sown with spring grains, mainly barley.

Bulgaria, Hungary, and Romania will export most of their increase in output, with the remainder going to replenish drought-depleted stocks. Czechoslovakia, East Germany, and Poland, on the other hand, will account for almost all of the 8 million tons of grain imported, mainly to feed livestock. The Soviet Union and US will be the principal suppliers.

25X1

25X1

SECRET

SECRET

35

MOZAMBIQUE: INDEPENDENCE ARRIVES

Mozambique, a Portuguese dependency for over 400 years, became independent on June 25. The date was set last September in an accord signed by Lisbon's new military rulers and the nationalist Front for the Liberation of Mozambique, which had waged guerrilla war for ten years. The Front's leader, Samora Machel, became president of the new state.

During the nine months that the territory was governed by a joint Front-Portuguese transitional regime, it remained generally free of political strife. The only notable exception was a short-lived attempt by dissident whites and blacks to seize control just after the accord was signed. At present, the Front appears to be popular throughout the country; at least there are no signs of active opposition.

The new government inherits a potentially prosperous economy, but economic activity was seriously disrupted by the coup in Lisbon in April 1974 and has not yet fully recovered. The coup sparked labor unrest in the territory that led to decreased production and revenue, inflationary wage settlements, and periodic work stoppages in Mozambique's major ports.

Machel's regime will have to rely heavily on Portuguese advisers to sort out economic problems. The Front lacks trained people, and its leaders are unfamiliar with the territory's complex economy, which was shaped for the benefit of Portuguese economic interests and directed from Lisbon. The Front will also need the cooperation of Mozambique's whites. They number about 200,000, out of a total population of 9 million, and still dominate the economy, bureaucracy, and social services. Some are sympathetic to the Front.

The new government will be under heavy pressure to alleviate widespread black unemployment by giving to blacks the semi-skilled and unskilled jobs now held by whites. These whites cannot afford to return to Portugal, and Lisbon does not really want them. Racial hostility

between the two working class groups could eventually become a serious problem.

Economic necessity dictates that Mozambique's black rulers take a cautious, pragmatic approach toward the white minority governments in South Africa and Rhodesia. During Portuguese rule, the territory earned about \$200 million annually from rail, port, and tourist services to South Africa and Rhodesia, and from the repatriated wages of some 100,000 Mozambique blacks working in South African mines. South Africa, in turn, invested heavily in Mozambique, especially in the \$500-million Cabora Bassa hydroelectric power project. A large share of the electricity from Cabora Bassa is to be sold to Pretoria beginning later this year.

Machel has joined the presidents of Tanzania, Zambia, and Botswana and with South African Prime Minister Vorster in an effort to mediate between Rhodesian Prime Minister Smith and black Rhodesian nationalists. The four black African leaders promised the Rhodesian nationalists that their governments would eventually support efforts to bring down the Smith government by insurrection if negotiations failed.

Mozambique's new leaders have been considering applying UN economic sanctions against Rhodesian trade carried through the ports of Lourenco Marques and Beira. During the transitional period, the Front agreed in principle to deny these routes unless a constitutional settlement is worked out providing for black majority rule in Rhodesia. Now they are under pressure from various quarters to follow through.

Mozambique, however, earns some \$30 million a year in rail and port earnings from the Rhodesian traffic, and Machel cannot afford to shut off so much income without finding an alternative. In addition, Front leaders have privately reflected concern that imposing sanctions might invite Rhodesian military retaliation.

SECRET

SECRET

The new government intends to pursue a nonaligned policy in world affairs. For a while at least, Portugal's influence is likely to be strong because of a common language and deep-rooted social and economic ties. Lisbon's ability to offer financial assistance, however, is hampered by its serious economic difficulties at home. The USSR and China will enjoy close relations with Mozambique because of their military assistance during the insurgency against Portugal. Diplomatic relations with Peking and Moscow will become effective upon independence. The US, which is remembered as Lisbon's close ally before the coup, was not invited officially to the independence ceremonies. [redacted]

took on the passes in March without destroying his credibility at home.

- The principle of mutuality of concessions must be preserved.

The Prime Minister's apparent hard line reportedly has critics within the cabinet. The commentary claims "quite a few" of the ministers at the special session argued that Tel Aviv must not allow another attempt to reach an interim agreement with Egypt to fail. To do so, they fear, would invite a confrontation with Washington. Although these ministers do not constitute a majority in the cabinet, they apparently obtained Rabin's agreement that any decision to break off the talks with Cairo must be made by the entire cabinet and not just by the negotiating team of Rabin, Defense Minister Peres, and Foreign Minister Allon.

25X1

ISRAEL: FOCUS ON THE SINAI 36-37
74-75

The Israelis focused their attention this week on the prospects for another interim agreement with Egypt. As reflected in the Israeli press, their attitude in general was one of cautious optimism that an agreement could be reached by the end of the summer.

Prime Minister Rabin, however, is not as confident. He reportedly told a special cabinet session called last week to hear his report on his visit to the US that the odds are "less than 50-50" for such an agreement. According to a recent commentary by one of Israel's best-informed political reporters, Rabin is firmly committed to a hard line on Israeli requirements for another interim agreement and will not give up control over the eastern ends of the Gidi and Mitla passes without a clear Egyptian commitment not to use force for the duration of the agreement.

Rabin reportedly argues that:

- Retention of part of the passes is necessary as long as there is any doubt about Cairo's intentions, particularly with respect to its position in the event of Syrian-Israeli hostilities.
- He cannot reverse, in the absence of greater Egyptian flexibility, the position he

Rabin, however, is said to believe that Israel is in an excellent bargaining position because Egypt and the US want very much to obtain an early agreement and is strong enough to live without one if its position is rejected. Furthermore, Rabin reportedly is convinced the concessions he offered in Washington make it impossible to accuse Israel of intransigence and of torpedoing the talks with Egypt. He thinks President Sadat will have to come up with appropriate concessions of his own.

Rabin's popularity as well as that of his government has shown a significant increase over the past several months. One of Israel's more reliable polling organizations reported recently that almost half the people questioned last May believe the government has fulfilled at least some of the expectations they had of it when it took over from Mrs. Meir a year ago. To some extent, this reflects the sharp rise in Rabin's own popularity in the wake of the government's firm stand last March in the negotiations for another interim agreement with Egypt. Two polls published early in June indicated that almost 62 percent approved the Prime Minister's performance. [redacted]

25X1
25X1

SECRET

SECRET

38-41

VENEZUELA: POLITICAL STALEMATE

The debate over oil nationalization took a new turn this week with indications that the governing Democratic Action Party has abandoned its efforts to win opposition support for the petroleum bill now before the Congress.

emerge historically as the one that succeeded in nationalizing the petroleum industry over the opposition of other political parties.

Instead, the government reportedly is prepared to use its majority in both houses to steamroller the controversial bill through, probably in time for President Perez to make the historic announcement on July 24, Simon Bolivar's birthday. During the past three weeks of debate, opposition continued to focus principally on the question of whether private oil companies would be allowed to participate in the industry after nationalization.

The Social Christian party leadership is perceptive enough to recognize the pitfalls of total opposition to what is in principle a popular political move by Perez. This may have inspired several recent attempts to reach a compromise on Article Five. Although these efforts failed, the Venezuelan ability to work out a pragmatic solution to most seemingly unsolvable political issues could result in the emergence of some compromise acceptable to both Perez and the Social Christian party. Significantly, former president Caldera, who has been active in keeping open his lines of communication with government and party leaders, has yet to speak publicly on this issue. He will do so when the nationalization bill goes to the Senate for debate soon.

Article Five of the bill, personally drafted by President Perez, would allow the companies to form "association agreements" with the government. The leftist political parties for the most part would either totally exclude the companies or—in the case of the opposition Social Christian party—would limit their participation to selected areas and require prior congressional approval by a two-thirds majority.

In the meantime, talks between government representatives and the major oil companies continue in desultory fashion, pending resolution of the congressional debate. Some industry sources have expressed surprise at the lack of preparation by the government team and its seeming inability to come up with any firm proposals on the organizational structure and management of the industry after reversion. This criticism is increasing both within and outside the government. It undoubtedly reflects concern that the government, in its rush to nationalize the country's major extractive industry and major export earner, may have acted before it was ready to take on the job of operating a complex multibillion-dollar industry. The government's negotiations will be watched closely by the opposition in hopes of eroding Perez' now strong political position.

Although the debate is expected to drag on for several more weeks, political leaders seem reconciled to the fact that Perez will get exactly what he wants. As a result, some of the more extreme leftist political parties are attempting to promote a nationwide strike to put pressure on the government. This is unlikely to sway either Perez or his party. Most government and party leaders take the view that the assistance of the foreign petroleum companies in providing technical and marketing help is essential for some time to come. Further, they probably believe that the issues now being debated are too complex to be understood by most Venezuelans, and the Democratic Action Party will



25X1

SECRET

SECRET

**Latin American Communism
MEETING IN HAVANA**

47-48

High officials from all 24 communist parties of Latin America and the Caribbean met in Havana from June 9 to 13 to draw up a broad, coordinated plan of action aimed at eliminating US influence south of the Rio Grande. The plan, embodied in a declaration released three days after the conference closed (presumably after the attendees had a chance to get home safely), is intended to serve as a guide for all the forces of the left and not just for communists. Although the meeting was unquestionably the high point in the Cuban Communist Party's relations with its hemispheric counterparts, it will undoubtedly fall far short of its grandiose goal of unifying the Latin American left into a solid anti-US front. There are likely to be very few leftists willing to adopt a plan of action formulated at a meeting in which they had no representation.

Excerpts and summaries of the strategic declaration—its full text is not yet available—indicate that the unification of the forces of the left in the anti-US struggle is the document's basic theme; it has already become obvious, however, that whatever unity was achieved, even among those at the meeting, is likely to be only a thin veneer of dubious durability. The Mexican Communist Party, for example, had hardly reached home before it disowned that portion of the declaration that criticized Peking's foreign policy. In addition, parts of the declaration itself clearly reflect considerably less agreement than the unanimity it is alleged to have received.

As for Havana's role, the meeting provided considerable evidence that the Castro regime is following a foreign policy more closely aligned than ever before with that of the USSR. In signing a document that condemned the Chinese communists by name and in serving as host for a meeting that could turn out to be a preparatory step to a world conference of communist parties (which Moscow hopes to use against Peking), the Cubans have gone further than ever before to support Moscow in the Sino-Soviet polemic. As if to ratify the blast at Peking, Fidel Castro personally criticized the Chinese during a press conference last week and praised the declara-

tion's attack on Peking. Moreover, in signing a public declaration that tacitly accepts the validity of the Soviets' view that violence is not always necessary to achieve power, the Cubans have gone on record as abandoning Che Guevara's rigid theoretical concepts of violent revolution.

The Cubans also gave in to Moscow on the nature of the conference. Still wary of what it considers the duplicity of many Latin American communist leaders, Havana had preferred to invite a broader range of participants, including some revolutionary movements anathema to the orthodox communists. The Cubans apparently had in mind something akin to the conference of the Latin American Solidarity Organization held in Havana in 1967. They were also reluctant to invite some parties whose attendance might prove an embarrassment to the Castro regime. The Guyana communists, for example, were apparently to be excluded to prevent friction in Cuba's blossoming relationship with Guyana Prime Minister Forbes Burnham. The Guyanese finally attended, however, and the meeting was restricted to the recognized, pro-Moscow communist parties.

The Cubans were not the only ones to compromise. The declaration gave high praise to Fidel Castro—which must have been difficult for those party chiefs who had at one time been subjected to his scathing denunciation—and held Cuba up as a showcase for the blessings of socialism. The fusion of Castro's guerrillas with the members of the pre-Castro communist party into what is today's Cuban Communist Party is described as “a unity that constitutes an example for all of Latin America's revolutionary movements,” a clear invitation to the non-communist left to join forces with the communists. The Cuban interpretation of the downfall of Allende in Chile in 1973 was accepted, and the need to be ready to use violence to defend revolutionary gains was underscored. The declaration, a formidable document of some 18,000 words, is an attempt to focus attention on the US as the source of all the region's ills. It is strongly reminiscent of Castro's own Second Declaration of Havana on February 1962, which

SECRET

was also a plan of action to eliminate US influence in Latin America. The more recent plan is not likely to be much more successful than its predecessor, despite its more pragmatic nature and the changed conditions in Latin America.

entrenched himself so well in the line of succession that a presidential expression of preference for someone else would jeopardize the peaceful turnover of power.

[Redacted]

[Redacted]

25X1
25X1

49.54

PERU: SUCCESSION ONCE AGAIN

Peruvian President Velasco appears convinced now of the need to turn virtually all presidential powers over to Prime Minister and Minister of War Morales Bermudez.

The moderates who support Morales Bermudez have become increasingly alarmed at the leftist trend of the Velasco government. Although Velasco has yielded much authority to Morales Bermudez, the President manages to sustain his radical policies on a number of issues. The moderates have been particularly dissatisfied with Velasco's economic policies, his repressive measures against critics in the press, and his short-circuiting of the military seniority structure by forcing retirements and placing his supporters in key positions. The moderates are also suspicious of the extreme leftist leanings of some of these supporters of Velasco.

Since Velasco's stroke on February 28, Morales Bermudez' influence has steadily increased and, through recent efforts to divorce himself from Velasco's more radical policies, he has further improved his position. The virtually uninterrupted growth of Morales Bermudez' strength within the military, combined with his business-like manner and considerable proficiency in economics, makes him the prime candidate to succeed Velasco.

Despite his strong position, Morales Bermudez appears unwilling to make a decisive move to replace Velasco. He is likely, for the time being, to continue acquiring influence and support gradually, while avoiding a direct confrontation with the radicals.

25X1

Radical elements in the military, however, became concerned, when Velasco first fell ill, that the pace of his extensive revolutionary program would be slowed as Morales Bermudez assumed increasing authority. Recent glimpses of the Prime Minister's economic policies, particularly his apparent desire to do away with Velasco's economic subsidies, have led Velasco to fear that the radicals might attempt to intervene to ensure that the revolution remains on course. The principal radicals, General Jose Graham Hurtado, chief of the President's advisory council, and General Leonidas Rodriguez Figueroa, commander of the second military region, which includes Lima, have also fallen into disfavor lately for political intriguing and questions of competence.

[Redacted]

25X1

[Redacted]



Morales Bermudez

0-10-196

25X1

25X1
25X1

SECRET

Northeast Asia
TRIANGULAR TENSIONS

55-58

Growing concern over Soviet intentions in Asia, in the wake of the Communist victory in Vietnam, was a major factor behind Peking's increasing insistence on including an anti-hegemony provision in the proposed Sino-Japanese Peace and Friendship treaty. The failure of the two sides to agree on this thorny issue ended the current round of treaty talks last week.

Peking has for some time expressed the view that Moscow's influence in Hanoi is greater than its own and that a communist victory in the south represents an opportunity for the Soviets to increase their influence there, as well as in other countries in the region.

The Chinese stepped up their propaganda attacks against Soviet "social imperialism" and "hegemonism" after the fall of Saigon; several commentaries have emphasized Soviet activities and intentions in Japan. Peking also pointed up the "hegemonism" issue in the joint communique establishing diplomatic relations with the Philippines earlier this month. In that announcement, both countries expressed opposition to any third country attempts "to establish hegemony or create spheres of influence in any part of the world," an even broader formulation than that proposed for the Sino-Japanese peace treaty

At the outset of the Sino-Japanese talks on the peace treaty in January, Tokyo proposed omitting the anti-hegemony clause it had agreed to in the 1972 joint communique establishing relations with Peking. Desiring to maintain a rough balance in their relations with Moscow and Peking, the Japanese at least hoped to soften the terms of the hegemony clause in order to counter any Soviet backlash to the conclusion of the peace pact.

Initially, the Chinese responded in a relatively low key manner. Premier Chou En-lai told a member of the Japanese Diet in January

that the proposed anti-hegemony language was not directed at Moscow and that, in any event, the issue should not be an obstacle to reaching agreement on the pact. Chou predicted that negotiations could be completed within three months.

As late as April, the Japanese press was still predicting imminent agreement. There were reports that Chinese Vice Premier Teng Hsiao-ping proposed a compromise that would have allowed the inclusion of the anti-hegemony clause in the preamble of the treaty, rather than in the text—a suggestion the Japanese offered later.

It was not until May—and the communist assumption of power in Saigon—that reports were leaked suggesting that Peking had demanded that the anti-hegemony issue be treated in the body of the treaty, thus giving it greater currency and emphasis. The Chinese were encouraged to maintain their harder line when a Japan Socialist Party delegation visiting Peking in May agreed to a strongly worded hegemony clause in a joint communique. Shortly thereafter, Tokyo conveyed its compromise proposal—including the clause in the preamble rather than in the text—but were privately rebuffed by the Chinese. For a time, Tokyo tried to keep the appearance of talks alive by claiming that Peking had not formally responded. Finally, Premier Chou En-lai reiterated to a Japanese visitor earlier this month Chinese insistence that the clause be in the text of the treaty. In going public, Chou also signaled the end of serious negotiations.

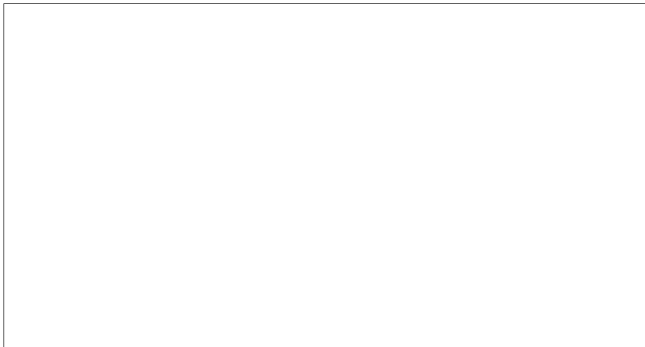
Excessive publicity surrounding the talks restricted each side's room for maneuver and may have caused some ill feelings as well. The Chinese might have agreed to inclusion of the clause in the preamble if such an arrangement had been negotiated strictly in private. Given

SECRET

SECRET

the extent of public knowledge about the talks, however, the Chinese may have felt that their willingness to compromise on the issue of Soviet hegemony would have been all too evident—and would have given the appearance that Peking had buckled in the face of Soviet-inspired opposition.

The Chinese also probably calculated—correctly, in our view—that other aspects of relations with Japan would be unaffected by postponing the treaty. Given its political problems with Moscow, Japan certainly cannot turn toward the USSR. And in time, Tokyo may offer Peking a more attractive proposal on the anti-hegemony issue; in any event, the Chinese will certainly continue to press Tokyo to accept their uncompromising stand.



Vice Premier Teng Hsiao-Ping

25X1

The Soviets are in a poor position to take advantage of the breakdown in Japanese-Chinese negotiations. Soviet tactics over the last two weeks were fashioned with the expectation that a treaty would be signed. When it was not, Moscow was left in the unseemly position of appearing to apply unreasoned pressure on Tokyo. The Soviets will now make an effort to change the atmospherics, but this will not be very important unless Moscow is prepared to consider returning at least part of the northern territories to Japan. But Moscow has itself firmly locked into a position of even refusing to consider returning the islands, and the breakdown in Sino-Japanese talks gives Moscow even less reason to curry favor with Japan.

The Soviets might rethink their position if they had as much influence in Asia as the Chinese claim they have; Chinese apprehensions and Asian realities are not one and the same. Indeed, the Soviets have some concern that it will be China, not the Soviet Union, which will gain from the US defeat in South Vietnam. They are likely to see support for this view in China's developing relations with Thailand and the Philippines.

25X1
25X1

SECRET

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Page Denied

25X1

SECRET



25X1

Somare claims he was inspired by a dream to put the independence date to a vote. Passage was facilitated by absence from the floor of the most vocal opponents of cutting ties with Australia.

The toughest unresolved constitutional issue is citizenship. Racists in the House of Assembly are pushing for restrictive qualifications that would force expatriate Australians to leave and make persons of mixed blood go through a period of "provisional" citizenship. The Somare government is resisting, on the grounds that such discriminatory requirements would blemish Papua New Guinea's reputation at the outset of nationhood.

The type of government to be set up is also undecided. Somare wants a centralized administration and fears that the loose federation advocated by some political opponents would lead to early strains. Although the matter can probably be resolved by compromise, it may take considerable threshing out.

Choosing a head of state also threatened for a time to become a major obstacle. The Somare government's proposal, that as a Commonwealth member Papua New Guinea should have the Queen as head of state, provoked unexpectedly strong protests led by nationalistic students. The provision was passed this month over vigorous opposition and will probably remain a subject of some contention.

Substantive disagreements aside, Papua New Guinea's experience with self-government has been too brief to prepare for a smooth transition to the parliamentary style of government that has been chosen. Also, the new nation's myriad problems—tribal animosities, persistent separatism, and a fragile government coalition—do not presage an easy transition.

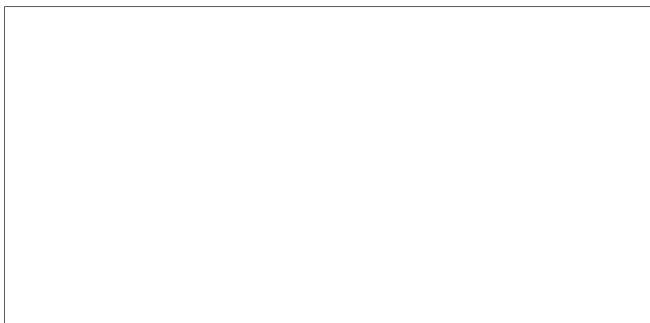
25X1

25X1

**Papua New Guinea
INDEPENDENCE AT LAST**

70-73

Chief Minister Somare has persuaded a reluctant territorial House of Assembly to agree to September 16 as independence day for this Australian trust territory. Independence, originally planned for last December, had already been postponed three times because of difficulties over a constitution. The House of Assembly was insisting until last week that the constitution be ready before an independence date was set. Although differences remain and could still delay completion of a constitution, the fact that Australia has informed the UN of Papua New Guinea's decision would appear to commit the colony to holding to its timetable.



SECRET

Page Denied

Secret

Secret