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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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USSR

THE ZARODOV LINK

After a six week absence, party chief Brezhnev reappeared on September 17 in Moscow, where he gave a widely publicized audience to Konstantin Zarodov, the chief editor of the international communist journal *Problems of Peace and Socialism.*

The meeting attracted attention because Brezhnev rarely grants audiences of this sort. Zarodov also has been a key figure in a contentious ideological debate. He is the author of an article in *Pravda* on August 6 that took a tough orthodox line on the tactics of communist parties. Zarodov's message was not, as the Soviets themselves might say, in keeping with the spirit of detente, and it raised the hackles of the Italian and French Communists. In its immediate aftermath, seemingly embarrassed Communist officials were passing it off as a bureaucratic foul-up.

It seems reasonably clear that Brezhnev was intentionally, and even ostentatiously, associating himself with the old-time religion that Zarodov had come to represent by virtue of his article.

Why Brezhnev acted is not so clear. He may have simply been making a gesture to that element in the Politburo, frequently associated with the party's ideological doyen Suslov, which has never felt quite comfortable with the detente line and its heretical overtones. Brezhnev may have felt himself vulnerable as a consequence of foreign policy setbacks: in the Middle East, where Moscow's detente partner was making significant gains at the USSR's expense; in Portugal, where an orthodox Communist party had gone through a very bad two months; and in the US, where Moscow perceives a growing cynicism about the

Party chief Brezhnev signs the final document at the European Security Conference

UPI

value of detente that was manifested in the embargo on grain sales to the Soviet Union. Closer to home Brezhnev had to cope with the psychological, as well as political, impact of a disastrous harvest.

Moscow's problems in organizing a European Communist Party Conference could have partly determined the timing of the gesture. The Soviets have an interest in making their basic positions known to those other Communist parties, particularly in Western Europe, who have thwarted Moscow's attempts to establish itself as the rightful leader of a world Communist movement.

It is possible, of course, that more than a gesture is involved—that Brezhnev's move was not merely tactical, but that it portends a significant and perhaps prolonged shift of policy toward a harder line. This hypothesis puts more weight on the possibility that Brezhnev has acted out of political weakness, that there has been a shift in political sentiment in the Politburo and that Brezhnev lacks the physical stamina to do strenuous battle with putative opponents.

So far, however, the circumstantial evidence does not support this wider ranging interpretation. Brezhnev saw the US astronauts on September 22 and was full of good words about the importance of detente. Gromyko delivered a relatively restrained speech at the UN. Perhaps most interesting of all, given the centrality of Portugal to the ideological debate in Moscow, the Soviets announced that Costa Gomes would be visiting Moscow next week. It is even possible that the Portuguese president will be accompanied by his foreign minister, Melo Antunes, who led the fight against the Portuguese Communists. If so, it will be a sign that the ideological hard-liners in the Kremlin have not won a major victory, but that Brezhnev has once again pulled off a successful—if awkward—balancing act.

PICTURES AT AN EXHIBITION

The largest officially approved indoor exhibit of nonconformist art in Soviet history opened in Moscow on September 21, a day behind schedule and a day after the closing in Leningrad of a similar and successful, ten-day show.

The ten-day Moscow show comes on the heels of the first anniversary of last year's notorious "art massacre," when bulldozers were used to close down an unofficial, one-day outdoor exhibit. This year, the regime's growing concern over its image abroad and a new spirit of compromise among the dissident artists combined to produce a somewhat more hospitable climate.

The opening of the Moscow show was delayed after some of the 160 artists protested the city fathers' removal of 41 of the paintings by walking out with many of the nearly 800 works to be exhibited. The officials charged that the confiscated paintings violated a previously agreed ban on religious, pornographic, and political art. As examples, they cited a canvas with Hebrew writing, several "scandalous" paintings, and a portrait of Mao which they called—presumably tongue-in-cheek—a danger to Sino-Soviet relations.

In a compromise reached after heated negotiations the same day, city authorities put back on exhibit most of the confiscated works, promising a return of the rest to their owners when the show closes. The early release of one artist, not a resident of Moscow who had been jailed on minor charges of hooliganism, was thrown into the bargain. The nonconformists view the official backdown as a victory over heavy-handed tactics, but both sides in fact seemed relieved that the conflict had been resolved.

The Moscow exhibit compares favorably with that in Leningrad, featuring a wide range of abstract, surrealistic, primitive, and pop-representational works, both paintings and sculpture. Despite the official restrictions, much of the art flirts with subtle religious and semi-political themes.

In neither city were the early, protracted negotiations leading to the shows accompanied

by the same bitterness as last year. Although the "unofficial" artists--only a few are members of the artists' union--were not allowed to advertise, a breakthrough of sorts occurred when Leningrad radio mentioned the local show three days before its opening. A Tass English-language broadcast briefly noted the opening in Moscow, probably in an attempt to gain favorable publicity in the West.

Both of this year's shows, restricted to local artists, were negotiated at the local level. The final go-ahead, however, came from as high as the Central Committee, demonstrating that ranking officials clearly wished to avoid a repeat of the massive tarring of the Soviet image by Western media after last year's debacle.

Beyond this concern, the regime probably hopes that its conciliatory tactics will induce the nonconformists to accept a modicum of official control over their activities, perhaps eventually leading to membership in the artists' union. For their part, the majority of the artists are trying to bend the official doctrine of socialist realism and set a precedent for at least some acceptance of nonconformist art by the establishment. Both sides remain wary of each other, knowing that the challenge to orthodoxy represented by the artists' goals is unlikely to be easily or lastingly resolved.

The artists' experience mirrors in many ways that of dissidents, Jews, and others on the troublesome fringes of Soviet society. Those few who successfully focus Western publicity on their plight gain reluctant concessions, while the many without a voice are subjected to harassment or imprisonment.

This suggests that even though the determination of Soviet officials to safeguard internal controls is unchanged, they are slowly and reluctantly gaining a better appreciation of the impact of domestic events on the USSR's image and interests abroad in an era of detente. They remain ready to quash any excessive expectations of the dissidents, some of whom wishfully believe that the CSCE accords may eventually have a spillover effect on the Soviet domestic scene. The dilemma of balancing domestic and foreign interests is not new to Soviet cultural and ideological watchdogs and will probably mean a continuation of the familiar pattern of alternating crackdowns and concessions.

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EUROPE: COMMUNIST MEETING STALLED

Moscow has evidently decided to put its long-sought European Communist conference on the back burner. The Soviets had originally hoped to convene the party meeting in May or immediately after the CSCE summit. The timing then slipped to late this year, and now the Soviets claim that they do not necessarily expect such a meeting before their party congress next February.

The reason for the delay is the stubborn attitude of the Italian, Yugoslav, Romanian, and other independent-minded parties. They have effectively blocked Soviet attempts to draft a document that would commit the participants to ideological and policy coordination. The drafting process has been under way since last year but has made little progress. The September drafting sessions have been canceled.

Against this backdrop, Moscow has unleashed some sharp ideological attacks against those who subordinate revolutionary obligations to bourgeois democracy and those who fail to recognize the threat to the communist movement posed by Maoism. These attacks have not gone down well with the Italians, Yugoslavs, and others. In launching them, Moscow may be demonstrating the limits of its tolerance of their opposition in the conference preparations. Through these attacks Moscow is also trying to dictate the terms of ideological debate within the movement. If the Soviets cannot get acquiescence to their leadership by means of a European conference, they could seek to claim it in an open polemic.

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Foreign Minister Gromyko

USSR-JAPAN: THREE IS A CROWD

Moscow weighed in with new protests against the pending Sino-Japanese peace treaty after the announcement that Japan's Foreign Minister Miyazawa would meet with Chinese Foreign Minister Chiao Kuan-hua at the UN on September 25. Negotiations on the treaty have been stalled since June.

An authoritative article in *Pravda* on September 10 warned the Japanese that there would be "severe consequences" for Soviet-Japanese relations if Japan signed a Sino-Japanese treaty that contained an anti-hegemony clause. On September 17, the Soviet ambassador in Tokyo called on Miyazawa and suggested that Foreign Minister Gromyko's visit to Japan, tentatively scheduled for the end of this year, depended on how Tokyo handled the clause. Gromyko probably made the same point directly when he met with Miyazawa in New York on Wednesday, and the Hungarians threw their weight behind the Soviet argument during a meeting with the Japanese ambassador in Budapest earlier in the week.

Gromyko's trip to Japan was in doubt even before it became known that Sino-Japanese negotiations on the treaty were about to resume. By implying that the visit is linked to the treaty issue, the Soviets probably hope to give some substance to their threat of "severe consequences" ensuing from Japan's agreement to the anti-hegemony clause.

Moscow has probably not dismissed the possibility that its objections could, as they did last spring, help stiffen the Japanese position in the Sino-Japanese negotiations, but the Soviets have long since become resigned to an eventual treaty containing the offending clause. By hanging tough now, the Soviets could be trying to convince the Japanese that if they accept this clause, they will ultimately have to make some compensatory gesture toward the USSR.

What Moscow would like most would be for Japan to agree to negotiate the interim treaty of friendship and cooperation that Gromyko first proposed when Miyazawa was in Moscow last January. The Soviets believe such a treaty would skirt the seemingly irreconcilable Soviet-Japanese differences over the Northern Territories that have hampered conclusion of a Soviet-Japanese peace treaty and politically nullify the anti-Soviet aspects of the pending Sino-Japanese accord. Tokyo has consistently rejected any treaty with Moscow without a resolution of the territorial problem, however, and is unlikely to accept any Soviet suggestion that Japan's agreement to the hegemony clauses requires some compensatory gesture toward the USSR. 25X1

President Costa Gomes (l) and Foreign Minister Antunes (r) at swearing in of new government

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PORTUGAL: TRY, TRY AGAIN

The new Portuguese cabinet—dominated by anti-Communist military officers and representatives of the democratic parties—is expected to shift away from the pro-Communist policies of the Goncalves regime. The new government of Prime Minister Azevedo, the sixth since the military coup last year, faces a monumental task in dealing with Portugal's pressing economic and social problems, however, and will be subject to continuing challenges from both the left and the right.

The partisan composition of the cabinet roughly corresponds to last April's election results and includes four Socialists, two Popular Democrats, and one Communist. The remaining eight positions are divided between military officers and civilian technicians—nearly all of whom are anti-Communist.

Past cabinets were expected to keep the government running smoothly, but to leave the decisions to the all-military Revolutionary Council. The council—revamped last week to favor Major Melo Antunes' anti-Communist faction—may allow the cabinet a freer hand, but will be certain to reserve the final word on government policies for itself. Unless the council moves away from weak compromises and consensus rule, it may serve only as a bottleneck while Portugal's difficulties increase.

The Armed Forces Movement is still firmly in control of the government, but the Socialists will most likely be held accountable for the government's performance, particularly in the economic sector where they gained the most important post. Party leaders offer no panaceas and will act under the authority of the political program presented two weeks ago by Azevedo—the long-term goal of which is the "realistic" advance toward a socialist society. The Socialists prefer to wait until they have received legitimate authority through elections before initiating strong actions. Socialist party leader Soares has stayed out of the cabinet with the intention of running in general elections which, according to Soares, Azevedo has promised for next February.

The new government is expected to concentrate its efforts in the following areas:

- Establishing a strongly pro-Western foreign policy in hopes of obtaining badly

needed financial assistance from Western Europe and the US.

- Initiating pragmatic measures to halt further economic deterioration and to deal with the chaotic situation created by the Goncalves regime's precipitate nationalization and land reform measures.

- Diminishing Communist influence in labor and the media.

- Re-establishing discipline within the Portuguese armed forces, as well as keeping a tighter rein on public order.

The Communists have grudgingly accepted the new government and their own loss of prestige. They will officially support the so-called "government of unity"—at least for the moment—to retain some voice in government policy and to maintain their backing in the Armed Forces Movement. At the same time, however, the party can be expected to try to mobilize support to undermine the new government. The Communist front Portuguese Democratic Movement has already expressed its opposition to the new cabinet and has promised a "period of social unrest." Communist leader Cunhal has accused "reactionaries" in the government of conspiring to rescind the "revolutionary conquests" already won through the nationalization of industry and agrarian reform. Despite government promises to retain these measures, the Communists have begun mobilizing farm and industrial workers for a series of demonstrations and symbolic strikes to keep the government off balance and protect these "revolutionary gains."

Both the Socialists and the Armed Forces Movement are wary of the Communists' armed strength, but it is doubtful that Communist militants would mount an armed action at this time—preferring to weaken the cabinet covertly. Splinter groups on both the extreme left and the right might ultimately present more of a threat.

The far left opposes the Socialist-dominated government and might be tempted to renew terrorist activities, which have been dormant since the Salazar and Caetano regimes. Right-wing forces allied with former president Spinola have claimed responsibility for a rash of bombings since the new cabinet was sworn in, including one that damaged a building where Azevedo was staying. [redacted] 25X1

GREECE-TURKEY: STRAINED RELATIONS

The impasse at the latest round of intercommunal talks between Turkish and Greek Cypriots earlier this month continues to have repercussions as each ethnic community seeks alternative means to exert pressure on the other. The deadlock in the talks, meanwhile, has increased the strain between Athens and Ankara at a time when efforts are under way to solve the more dangerous Aegean controversy.

The Greek Cypriots, reacting to the refusal of the Turkish Cypriots to discuss the territorial question at the last round of talks, have placed their case on the agenda of the UN General Assembly. President Makarios arrived in New York this week to head the Greek Cypriot delegation.

The Turkish Cypriots have responded by giving their leader, Rauf Denktash, qualified authority to declare the Turkish Cypriot zone an independent state. Denktash pressed for such authority partly for increased leverage in his effort to forestall an overly unfavorable handling of the Turkish Cypriot case by the UN, and partly out of sheer frustration at the successful machinations of the Greek Cypriots in international forums. Ankara's unwillingness to take responsibility for any initiatives in the present politically charged pre-election atmosphere in Turkey seems to have contributed to his frustration.

Denktash's soundings in Ankara on behalf of a declaration of independence received a cool response from all political leaders except Necmettin Erbakan, one of Prime Minister Demirel's rightist coalition partners. Ankara fears such a move would further isolate Turkey from its NATO allies and damage the prospects for lifting

the US arms embargo. A more long-term concern is that a declaration of independence would rekindle the Greek Cypriot movement for union of their zone with Greece, which, if successful, would put Greek and Turkish forces face to face on Turkey's southern flank. Ankara doubtless also reminded Denktash that only a few Moslem states would recognize an independent Turkish Cypriot state.

Denktash ran into surprisingly stiff resistance in his own constituent assembly this week. After a stormy debate—marked by a walkout of the opposition Popular Party members—the assembly gave him authority to declare independence, but only after consultations with Turkey and "final" approval by the assembly, and then only in the event future Greek Cypriot actions warrant it. Ankara's opposition, along with that of some elements of the Turkish Cypriot community, will discourage Denktash from using his limited authority, at least for the time being.

The lack of progress on a Cyprus settlement has probably had a negative impact on Greek and Turkish efforts to resolve bilateral problems in the Aegean. Negotiators in the talks on airspace rights, which began last June, have reached agreement on civilian airflights but the stumbling block continues to be the question of military airflights, along with the extent of Greek airspace over Greek islands.

Ankara is concerned about the closeness of some of the Greek islands to the Turkish coastline. Consequently, the Turks insist on a 50-mile notification zone that would require Greek military aircraft flying to and from Greek islands within the zone to inform Turkish authorities. Moreover, they now indicate they will acknowledge Greek sovereignty over only six miles of airspace around Greek islands rather than the ten miles they had tacitly accepted in the past. Athens believes Turkish demands could lead eventually to encroachments on Greek sovereignty over the islands in the zone and has thus far rejected them.

A more crucial test for Greek-Turkish relations will come in the next few weeks when talks are expected to begin on the terms of reference for submission of the volatile Aegean continental shelf issue to the International Court of Justice. The Greeks seem confident of the legal merits of their case and are therefore likely to argue that the court be given broad terms of reference. The Turks have agreed in principle to submit the case to the Court, but they have given strong indications they still prefer to settle the controversy in bilateral talks. They are therefore expected to insist that the Court be given very narrow terms of reference and that most issues be dealt with bilaterally.

With such differences in approach, the talks may run into the same difficulties that have blocked progress in the Cyprus and Aegean airspace issues. [redacted] 25X1

MBFR: SEVENTH ROUND TO BEGIN

The seventh round of the MBFR talks in Vienna will begin Friday, September 26. There has been little progress toward an agreement since the talks first convened almost two years ago. The basic aims of the two sides in the negotiations remain fundamentally opposed.

The West has proposed larger reductions for Warsaw Pact forces than for NATO in an effort to reduce the disparity in size between the forces in central Europe. The East, on the other hand, has sought equal percentage reductions, claiming that other factors compensate for its numerical advantage. Western negotiators will be looking for signs of renewed Soviet interest in the negotiations now that a CSCE agreement has been signed. The West at this session is expected to table its long-awaited Option III proposal to include some US tactical nuclear weapons in Europe in its reduction package in exchange for Soviet agreement to withdraw a tank army and a commitment by the East to a common ceiling for both Warsaw Pact and NATO forces in central Europe. [redacted] 25X1

[redacted] 25X1

FRANCE: NEW FIGHTER QUESTIONED

French aircraft designer Marcel Dassault will continue his attempts to develop his controversial next generation fighter despite growing domestic criticism over the plane's cost and questions regarding a widening French aerospace technology lag with the US. The plane, dubbed the ACF (Avion de Combat du Futur), was to have been built in three versions: a single-seat air-superiority version, a two-seat deep-penetration strike model, and a two-seat reconnaissance aircraft.

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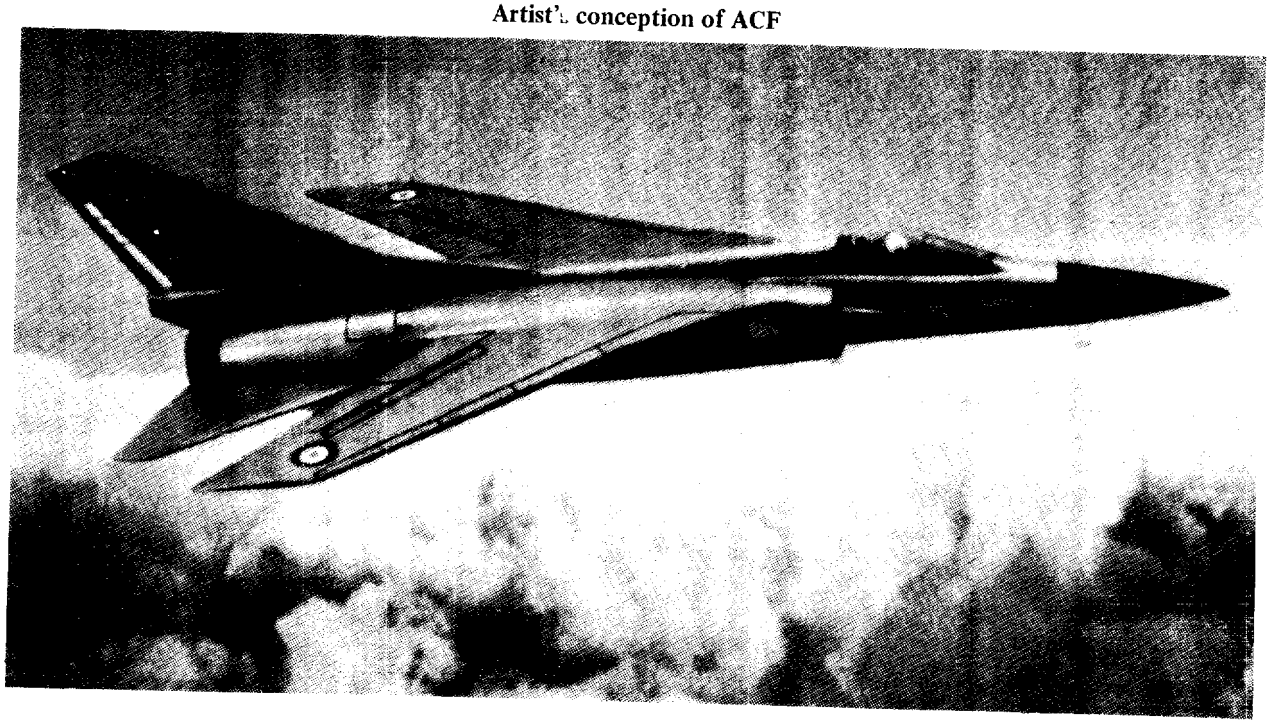
Despite Dassault's decision to go ahead with the single version of the aircraft, he will continue to face crucial decisions in the months ahead. For example, he has not indicated whether he will complete development of the F1/E before devoting his full attention to the ACF. The missions of the two aircraft overlap, and the French air force has expressed a strong preference for the ACF. A firm commitment to turn immediately to the ACF would force Dassault to bank heavily on selling a large number of these aircraft to the French air force in order to finance the project. Both President Giscard and Ministry of Defense officials have expressed dissatisfaction with the ACF, however, because of its high cost. In its multipurpose fighter version, the aircraft reportedly carried a price tag as high as $15 million to $19 million each. A number of knowledgeable French sources apparently believe that France will be able to sell enough fighters in the export market to bring the cost of the aircraft down to a competitive level.

Artist's conception of ACF



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Dassault's previous success has been based on developing good and relatively inexpensive fighters. He has minimized financial risk and kept costs in line by making only modest improvements on a proven fighter design in each new generation of aircraft. This strategy may have backfired, however, when the F1/E competed against the truly advanced technology embodied in General Dynamics' F-16—the US entry in the recent European F-104 replacement competition.

25X1 [redacted] tout the ACF as a totally new concept in fighter technology, but this is not the case. It reportedly will have the same front fuselage section as the F1/E, although the twin-engined ACF will carry more sophisticated electronics systems and be powered by an improved version of the same M-53 engine developed for the F1/E.

[redacted] more realistic members of the French government and the aerospace profession are aware that the technology lag with the US will probably not be made up by the ACF. They recognize that the more limited version of the aircraft, which Dassault now plans to build, would be no more than comparable to the already operational US-built F-15 and yet would not be available until 1980-82 at the earliest.

Adding further to Dassault's problems is the tight budgetary situation in France. Research and development money has not been forthcoming from the government, which is being forced to juggle funds and establish new spending priorities for military hardware. [redacted]

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FINLAND: ANOTHER ELECTION DRAW

Finland's national election on September 21-22, as expected, failed to provide a mandate for dealing with the country's mounting economic problems. The elections came six months early, after Prime Minister Sorsa's three-year-old Social Democratic coalition, the second longest in modern Finnish history, fell apart this summer in a dispute over economic correctives.

None of the problems has improved in the interim; indeed, they have worsened. The trade deficit is headed toward $2.4 billion this year—equal to 10 percent of GNP—despite measures designed to discourage imports. Consumer prices are running some 18 percent above a year ago, while industrial production is falling and unemployment rising. The dilemma facing the new government is that efforts to hold down the trade deficit and inflation would further depress the economy and weaken public support.

In the balloting, the long-dominant Social Democrats held losses to two seats, leaving them the plurality party in the 200-seat parliament. On the other hand, their principal competitor on the left, the Finnish People's Democratic League, which is the electoral front for the communists, picked up three seats. This reinforces fears across the political spectrum that the communists may win the pivotal metalworkers' union election in November, complicating the next government's task.

The other eight parties in parliament, all non-socialist, retain an overall majority. The three middle-of-the-road parties that belonged to the last coalition, the Center, Swedish People's, and Liberal parties, in fact gained enough to outnumber the Social Democrats. Their gains came at the expense of most of the smaller non-socialist groups. In picking up two seats, however, the Conservatives now have the required one sixth of the seats to block important legislation.

Negotiations for a new coalition will be protracted. The centrist parties are likely to demand the prime ministership for the Center Party as the price for reconstituting the old coalition. The Scial Democrats reportedly will balk. In any event, they may want to await the outcome of the union election before committing themselves to a new coalition and the unpopular measures, possibly including revaluation, that must be enacted. On the other hand, the centrist parties ultimately could form a minority coalition, but the need to accommodate Conservative views makes this doubtful. [redacted] 25X1

The Finnish Parliament

	NEW	OLD
Social Democrats	54	56
Communists	40	37
Total socialist	**94**	**93**
Center	39	35
Swedish Peoples	10	9
Liberals	9	6
Christians	9	4
Conservatives	35	33
Rural	2	5
Unity	1	13
Constitutionalists	1	2
Total non-socialist	**106**	**107**

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EAST EUROPEAN CHEMICAL INDUSTRY

Half-year data indicate that the chemical industries of Poland, East Germany, and Hungary will probably fulfill or exceed planned growth rates for the current five-year plan. Bulgaria, Romania, and Czechoslovakia, while reporting

production increases for a number of chemical products, will fall behind. Nevertheless, the chemical industries have all grown more rapidly during 1971-75 than East European industry as a whole.

Performance of the chemical industries was highlighted by a number of outstanding achievements during the five-year plan period:

- The opening of the Bulgarian Devnya chemical complex, which includes a fertilizer plant and one of the largest soda ash plants in the world.

- The start-up of large ethylene plants in East Germany and Hungary, which are supplying Czechoslovakia and the USSR respectively by pipeline.

- The opening of the first stages of the nitrogen fertilizer plants at Piesteritz, East Germany, and Petfurdo, Hungary, and the start-up of the East German Zielitz potash mine, which soon will account for over one fourth of total East German production.

Despite the expansion, midyear reports indicate that most of the countries will not reach fertilizer or plastics production goals for 1975. In Poland, however, production goals for phosphate fertilizer and plastics are likely to be exceeded. Nitrogen fertilizer and synthetic fiber output for the year—although higher than in 1974—will probably be below plan. Hungary's production goals for fertilizer and plastic are unlikely to be met.

East Germany reported increases in synthetic fiber and polyvinyl chloride production in the first half of 1974. This year's potash fertilizer goal should be reached as the Zielitz potash mine approaches capacity output, and nitrogen fertilizer production for the year should be close to target. Plastics output will probably fall short of the plan; synthetic fiber production had already reached the 1975 goal last year.

Production of a number of chemical products increased in Bulgaria, but problems with new machinery make achievement of fertilizer goals for 1975 unlikely. Targets for plastics and synthetic fibers will probably be reached.

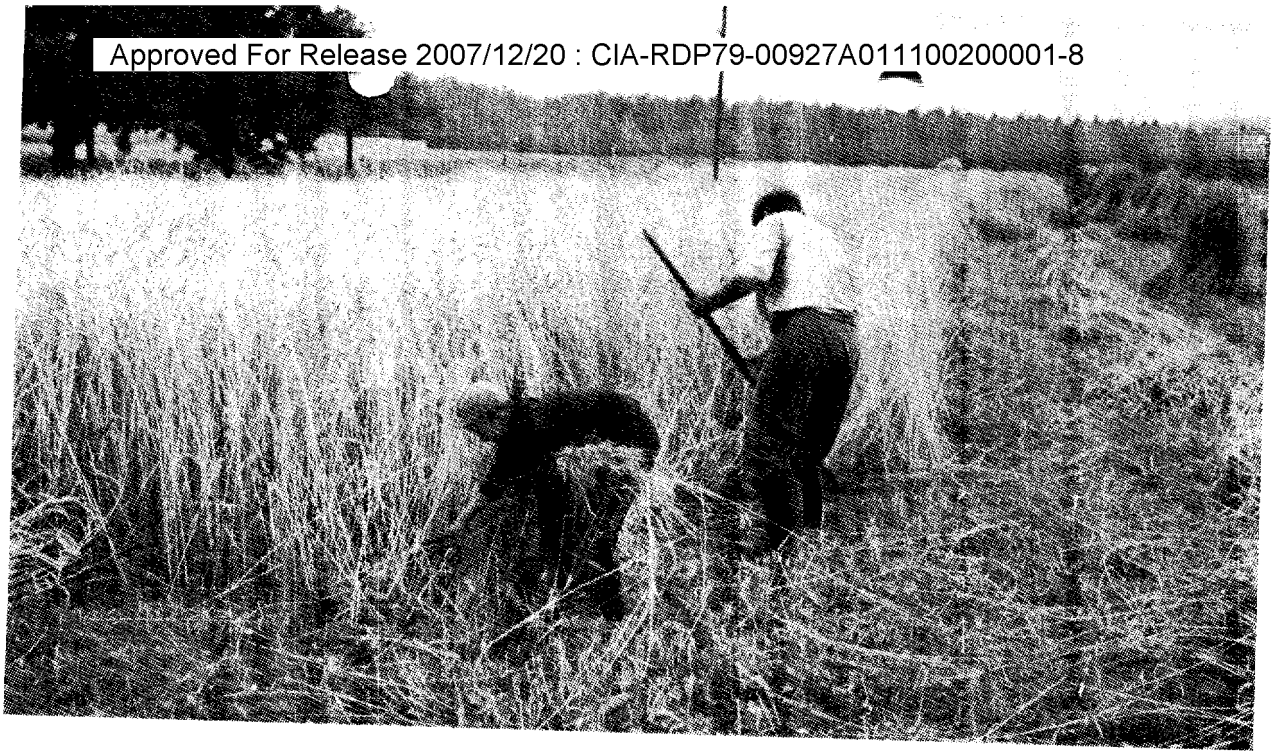
East European Chemical Industries: Planned Average Annual Increase and Probable Achievements, 1971-75
(Percent)

Country	Plan	Probable Achievement
Poland	10.4	12.9
Hungary	8.9	10.5
East Germany	8.0-8.5	8.5
Bulgaria	20.6	12.9
Romania	17.5	16.3
Czechoslovakia	9.2-9.9	9.1

Romania has reported little information on the chemical industry at midyear. Although output in 1974 was nearly 20 percent above the level of 1973, only 89 percent of the target was achieved. Construction delays have plagued Romania's fertilizer expansion program, and fertilizer output last year reached only 71 percent of the 1974 goal. Plastics production was 7 percent lower than in 1973, reflecting reduced feedstocks caused by an explosion at the Pitesti chemical plant.

In Czechoslovakia, many of the 1975 plastics targets will not be reached because of problems in the integration of raw materials and downstream production facilities and delays in the plant construction caused in part by labor shortages.

For the 1976-80 plans, the development of the petrochemical industry—a principal objective in the current plans—will continue to receive priority. Emphasis will be placed on plastics and synthetic fiber production. Synthetic rubber expansions are planned in Czechoslovakia, Poland, and Romania. Fertilizer production will continue to expand, and by 1980 all the countries should be either self-sufficient or net exporters of nitrogen fertilizer. [redacted] 25X1 25X1



POLAND: AGRICULTURAL PROBLEMS

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Poland's visiting Agriculture Minister Barcikowski met with US officials this week to discuss purchases of US grain, $200 million in credits, and a long-term agricultural agreement that would make Poland more dependent on US grain. Barcikowski agreed that any further discussions on the grain sales and credits will be postponed until after the US October grain report is made.

Poland's ambassador to the US recently told US officials that grain import requirements would be almost 6 million tons in fiscal 1976 and that Warsaw is looking to the US for about 4 million tons, mainly wheat, corn, and grain sorghums. The remaining 2 million tons of grain will be purchased from other Western countries. Over the longer term, Warsaw hopes to import 2 to 3 million tons of grain annually from the US through 1980.

Because of a severe shortfall in its own crop, the Soviet Union will not ship any grain to Poland or its other East European customers from this year's harvest. Instead, the Soviets reportedly will provide Warsaw with hard-currency credits to cover most of its grain purchases.

Poland's need to sustain livestock production at a time of drought-induced crop shortfalls is responsible for higher grain imports. Production of forage crops—especially potatoes—and pastures have been cut by a late summer dry spell. In addition, the grain harvest is down 2 million from the 23 million tons produced last year.

The regime is clearly concerned about discord among Polish consumers that could result from agricultural problems. Public disturbances occurred earlier this year over shortages of meat and milk products. Attempts to stimulate production of these products through higher procurement prices announced last month will fail unless feed supplies improve.

Warsaw has increased meat and dairy imports this year and cut exports. Butter exports have been cut by nearly half during January-June and, according to Prime Minister Jaroszewicz, have now ended. Meat exports will be reduced by one third in 1976. So far this year, Poland has imported 13,000 tons of meat from Yugoslavia and 12,500 tons of butter from Australia and New Zealand. Meat shortages will persist until the regime takes some action to dampen the growth of consumption.

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The top leadership has spread news about the bad harvest to condition the public for food price hikes that now seem inevitable.

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LEBANON: TURMOIL CONTINUES

The fighting in Beirut continued throughout the past week. By September 25, however, the third attempt since last weekend to arrange an effective cease-fire appeared to be meeting with partial success. Some of the combatants—leftist groups and militiamen of the rightist Christian Phalanges Party are the main adversaries—began withdrawing, and street barricades had been removed from parts of the city.

As many as 900 persons may have been killed and several thousand wounded in the fighting that began almost two weeks ago. Property losses have been estimated at over $2 billion. The economic damage resulting from the fighting has seriously jeopardized Beirut's position as the financial center of the Middle East.

Even if the latest cease-fire, announced on September 24, should hold, several factors could bring about new fighting at almost any time:

- The control exercised by the major religious and political leaders over their armed followers is by no means complete.

- Lebanese leftists and radicals, especially Kamal Jumblatt's followers and the Popular Front for the Liberation of Palestine, apparently believe that continued conflict is likely to overturn the present system of government and pave the way for a leftist-dominated Muslim regime.

- The radical Arab governments, notably Libya and Iraq, are likely to increase their financial and military support to the dissident groups.

Prime Minister Karami, fearing a reaction by the moderate fedayeen organizations, which have not become involved in the fighting, has continued to oppose the use of the largely Christian-controlled army to end the fighting. If the latest attempt to implement a cease-fire finally brings an end to the fighting, the government plans to use the army to maintain order.

In midweek, Karami announced the formation of a 20-member "national reconciliation committee," equally divided between Muslims and Christians. The committee met on September 25 for the first time and was to discuss cooperation among all segments of Lebanese society. It may have considerable difficulty in bridging the deep divisions between the two religious communities, however. Christian leaders, notably President Franjiyah and Phalanges Party leader Pierre Jumayyil, reportedly remain adamantly opposed to any modification of the existing political structure.

As long as the conservative Christian leadership continues to oppose some shift of political power to the Muslims, including a revision of the national covenant of 1943, which provides for political representation in proportion to the numerical strength of each religious group in the country, Lebanon will remain chronically unstable.

It is generally believed that Christian emigration, a higher Muslim birthrate, and, to a lesser extent, naturalization of some Muslims have at least reversed the estimated 55-45 ratio of Christians to Muslims that existed in 1943. As a consequence, Lebanese Muslims have been calling for an alteration of the parliamentary quota system to obtain 50 percent or more of the seats.

For the short term, if some degree of order is restored, Karami will probably remain on as prime minister. He continues to have the support of the principal Muslim leaders, as well as Palestine Liberation Organization chief Yasir Arafat—an increasing power in Lebanese politics—and the Syrians. If the situation deteriorates badly, however, Christian or—more likely—Muslim political groups might finally abandon their support for the power-sharing principle of the national covenant and seek complete power for themselves.

Damascus has so far avoided taking sides in the Lebanese conflict and has sought to persuade the various forces involved to accept a cease-fire; Syrian Foreign Minister Khaddam, who came to Beirut last week, has been playing the role of

chief peacemaker. President Asad, deeply con-
25X1 cerned about the outlook for negotiations on the Golan Heights, is anxious that the Israelis not have an excuse to occupy southern Lebanon.
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ANGOLA: FIGHTING BACK

The National Front for the Liberation of Angola late last week recaptured two important towns northeast of Luanda that it had lost two weeks earlier to the Popular Movement for the Liberation of Angola. The success gave the sagging morale of Front partisans an important boost, but the Popular Movement still holds the predominant military and political position in Angola.

The recovery of Caxito and Barra do Dande—both important road junctions—again brings the National Front to within about 40 miles of Luanda. However, the Front clearly must put much stronger military pressure on the Popular Movement in the weeks ahead if it is to gain a meaningful political role in any government that may be formed between now and November 11, the scheduled date of Angolan independence.

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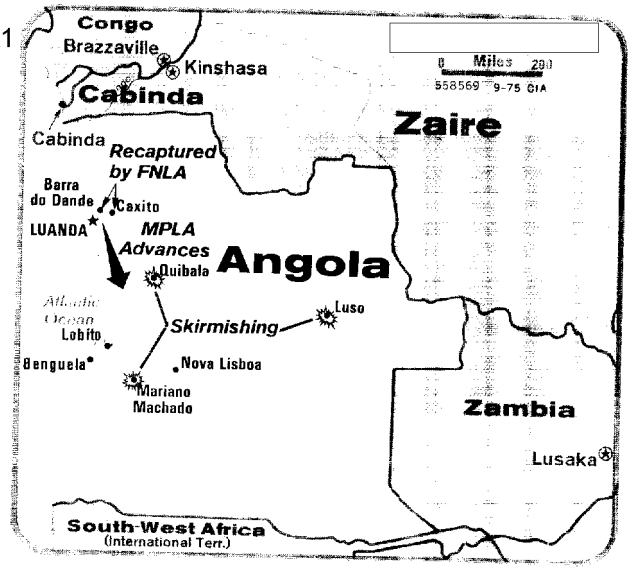

The Popular Movement is bending every effort to present itself as the only liberation group capable of assuming power at independence. It remains in firm control of Luanda, most important central coastal towns—including Angola's main port of Lobito—and the exclave of Cabinda. Popular Movement members or sympathizers also occupy most of the responsible administrative positions in Luanda, including the top post in an embryonic foreign ministry.

In central Angola, the National Union for the Total Independence of Angola, the territory's third nationalist group, continues to fight the Popular Movement in a holding action, but its prospects are not bright. Popular Movement forces reportedly have begun to advance from Luanda and Benguela in the general direction of Nova Lisboa, the Union's main stronghold. Some new skirmishing has occurred near the towns of Quibala, Mariano Machado, and Luso.

With independence only seven weeks away, the Portuguese are becoming increasingly pessimistic that they will be able to re-establish a nationalist coalition to which they can turn over the government. Nevertheless, Portuguese officials give every indication of being determined to get out of Angola by then, come what may. Last week, the Portugese high commissioner for the territory announced that the remaining 22,000 Portuguese troops would be withdrawn by independence. Lisbon's evacuation of white refugees from Angola is continuing, but at its current pace Portugal can not hope to have all of the remaining 200,000 or so whites out by the end of October, the targetted deadline for completing the evacuation.

Meanwhile, OAU chairman Idi Amin, in response to an urgent plea by Portuguese President Costa Gomes, is intensifying his effort to try to find a peaceful solution in Angola. He has invited the three liberation group leaders to meet with an OAU-appointed reconciliation committee in Kampala early next week, but he is apparently not sanguine that either Holden Roberto of the National Front or Agostinho Neto of the Popular Movement will show up.

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SYRIA: SOUND AND FURY

President Asad's regime continues its sharp attacks on the Sinai accord. More protest demonstrations were staged in Damascus and around the country this week. Syrian leaders also kept up a steady barrage of public criticism of Egypt, echoing Foreign Minister Khaddam's call for President Sadat to abrogate the agreement.

The shrill pitch of much of the Syrian criticism reflects Damascus' frustration and anger over what it considers Egyptian misrepresentations of the terms of the recent negotiations. These attacks, however, are primarily designed to accommodate domestic dissatisfaction with the accord and to keep US and Israeli attention focused on the need for prompt and serious negotiations between Syria and Israel as a follow-up to the Sinai agreement. President Asad told *Newsweek* editor de Borchgrave last week that he feared the Egyptian-Israeli accord would "anesthetize" the situation in the area.

With Egypt's military power effectively neutralized for the time being, the Syrians are indeed fearful that the US, because of domestic concerns, and the Israelis, because of the promise of huge amounts of US aid, will have little incentive to pursue serious negotiations with Damascus. Asad has already indicated that he believes the US and Israel would like to string Syria along until next year's US presidential election is out of the way. Damascus is determined to do what it can to prevent that.

In his *Newsweek* interview, for example, Asad expressed deep pessimism about the prospects for successful negotiations with Israel and raised the possibility that Syria might decide to resume hostilities on its own. Since the Sinai accord was signed, however, Asad has also repeatedly stressed his desire to pursue a peaceful course as long as that route offers some hope of progress.

Asad is keenly aware that he has few other viable options. But for tactical purposes, he is likely, over the next few months, to assume a belligerent public stance in order to illustrate that the Sinai agreement has not brought true peace to the Middle East. Much of the Syrian effort is also likely to be directed at putting pressure on Egypt and obtaining the support of other Arabs, especially Saudi Arabia, so that pressure can be brought to bear on the US, and through the US on Israel, to do something for Syria. Earlier this month Asad sent Khaddam on a brief junket to the Persian Gulf states to explain Syria's position; on September 21 he dispatched his special political adviser to North Africa for the same purpose.

If there are no signs of progress in negotiations by the end of next month, the Syrians are likely to threaten again not to renew the mandate of the UN forces stationed on the Golan Heights in order to raise tensions and give a greater sense of urgency to Syria's demand for movement. In separate interviews both Asad and Khaddam recently refused to be drawn out on Syrian intentions toward the mandate, obviously preferring to keep that weapon sheathed for the time being. The Syrians, however, almost certainly do not want to provoke a war with Israel at present and would probably quietly renew the mandate if some form of exploratory talks are under way before the mandate comes up for renewal in late November.

How long Asad's patience will last or how successfully he can control internal pressures for action after that is almost impossible to predict. As on other occasions, Asad has been able this time to deftly divert any jingoistic pressures by taking the initiative in critcizing the Egyptian-Israeli agreement, thereby robbing his domestic opponents and the Iraqis of any way of effectively attacking him for his passivity during the Sinai negotiations. [redacted] 25X1

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Jose Lopez Portillo

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MEXICO: ECHEVERRIA'S SUCCESSOR

The governing Institutional Revolutionary Party announced on Monday that Treasury Secretary Jose Lopez Portillo would be its candidate for a six-year term as president beginning next year. Under Mexico's dominant single party system, his election is a certainty.

The selection and timing of the announcement were unexpected. Most observers believed the choice had narrowed to Secretary of Government Mario Moya and Secretary of the Presidency Hugo Cervantes. Lopez Portillo may have been a compromise selection, made only after party leaders could not agree on either of the apparent front runners.

Of all the presidential hopefuls, Lopez Portillo is the closest personally to Echeverria and appears to share Echeverria's economic and social philosophy. He is regarded as a top-notch administrator with left-of-center economic and political views. The President probably trusts him to continue the policies and programs he has initiated to achieve continued economic growth and an improvement in the lot of the poor.

Echeverria has moved to modify the development policies followed by Mexican governments since 1940. While these policies have produced a sustained real growth rate of about 7 percent a year, they have at the same time resulted in one of the most inequitable systems of income distribution in all of Latin America. Echeverria's recognition that attempts to correct this imbalance will have to be pursued during the next presidential term presumably was a factor in his choice of Lopez Portillo.

Lopez Portillo no doubt was acceptable to the influential business and finance community. Because of his generally restrained performance in the cabinet, he has allayed the fears of many businessmen who initially regarded him as a radical. His associates predict that Lopez Portillo will tone down the government's leftist rhetoric and act as a "consolidator," following up on Echeverria's good initiatives in a more orderly way.

Lopez Portillo strongly supports the role of state-owned enterprises in the economy and favors expanding government credit to agriculture in an effort to stem the massive migration of rural poor to the cities. To help the impoverished rural areas, he may well advocate higher taxes on the rich and the middle class.

He has pledged full support to industry and has promised to obtain credit for industrial expansion. Lopez Portillo appears to be fully cognizant of the need to foster this wellspring of the country's economic growth. Still, he will probably pursue populist policies in the Echeverria vein. Lopez Portillo subscribes to the Echeverria policy on foreign investment, welcoming it if it is in accord with Mexican goals and development needs. Concerned over losses of foreign capital, he

decided to go easy on enforcing the tough foreign investment law enacted in 1973.

Looking forward to large oil revenues, Lopez Portillo wants Mexico to exploit its large reserves and become a major oil exporter. He has said that Mexico will give preferential treatment to developing nations in the sale of oil, but that such sales must be at current market prices. He has expressed concern about the impact of high oil prices on developing countries.

As he has at past international financial meetings, Lopez Portillo will continue to support Third-World causes and push Echeverria's charter of economic rights and duties of states. He will probably be less vocal and less inclined to take on the role of spokesman for the developing world than Echeverria.

As treasury secretary, Lopez Portillo has traveled to Washington on occasion as head of economic delegations. He has been cordial and cooperative in his dealings with US officials. Although he has not criticized this country publicly, he will, like all Mexican presidents, be alert to any action of the US that might infringe on Mexican national interests.

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PANAMA CANAL NEGOTIATIONS

The government's release last weekend of confidential US and Panamanian negotiating positions and escalating student demonstrations complicate and could imperil the treaty talks. Despite its tactics and policies, however, the Torrijos administration appears still committed to the talks and probably believes it is in control of the situation.

The Foreign Ministry's public outlining of the points of agreement and disagreement in the treaty talks was addressed to domestic political considerations. The government sought to demonstrate that it is maintaining the initiative in the negotiations and continuing to reject US proposals that might infringe on Panama's future sovereignty. It also was in compliance with Torrijos' pledge to conduct open negotiations.

Recent statements by US officials were interpreted in Panama as indicating a hardened US position, and the latest negotiating round ended with Panama publicly noting that "very little progress" had been achieved. In light of this, the government felt its communique would deflect possible criticism.

The ministry's release ended by quoting US Ambassador Bunker as saying that the US positions "are all negotiable." Panamanian media have focused, generally positively, on the government's approach to the negotiations rather than on alternate courses of action. Thus, although the government's basic commitment to the talks is not in doubt, its public contrasting of major differences—for example, the US proposal to retain 85 percent of zone territory versus Panama's offer of 10 percent—will make it increasingly difficult for the Panamanian side to compromise. It demonstrates that Panama is banking on significant additional concessions from the US.

Student reaction to treaty talks developments, focusing on the statements by US officials, produced the most violent demonstrations in recent years. Approximately 800 students stoned the US embassy in Panama City on September 23. National Guard troops prevented the students from entering the grounds but otherwise did not interfere with their actions. The students, members of radical groups not under the government's control, also demonstrated at the Panamanian Foreign Ministry to underscore their charge that the government is acquiescing in a sellout of Panamanian interests.

Torrijos and his chief lieutenants in the Guard probably still believe they can control the general development of protests, which are highly visible manifestations of the popular impatience that Torrijos frequently cites in his speeches. Further demonstrations, with possible government connivance, are likely.

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OAS: BACK ON TRACK

The OAS Permanent Council has reconvened in an ambitious and positive mood. Latin American members apparently want to nurture the current flexibility they believe they discern in US proposals to the UN, in the resumption of the Panama Canal negotiations, and in the lifting of the sanctions against Cuba. The expectations of the Latin Americans have been buoyed by their feeling that the lesser developed countries are beginning to make some headway in winning concessions in various international debates between the rich and the poor.

The delegates are plunging into the OAS backlog, making a special effort to conclude the two-year-old business of reforming the inter-American system. They are motivated by a desire to build on the recent success in amending the Rio Treaty, by the renewed commitment to the OAS on the part of critical governments like Mexico, and by the anticipation of unscheduled business in the months ahead.

Reading the rapid and sharp shifts from cooperation to confrontation between Latin America and the US over the past two years, the Latins believe they must make the most of any faint trails through the minefield of contentious issues that divide the hemisphere. They see an array of problems that threatens to break the current spirit of inter-American good will. These include the Trade Reform Act's provisions that discriminate against OPEC members in the OAS, the possibility of a Guatemalan military response to moves toward independence by Belize, the fragility of the canal talks, conflicting interests in Law of the Sea and fishing matters, border tensions between Peru and Chile and between Honduras and El Salvador, and efforts to lure Cuba back into the OAS.

Peru, backed by Venezuela, has already made clear its intention to press hard over the objections of the US for OAS approval of the principle of "collective economic security." Having failed to insert this language into the Rio Treaty amendments, Peru wants a separate inter-American treaty that would provide for sanctions against "economic aggression." Peru has already proposed to amend the opening articles of the OAS charter to include achievement of collective economic security among the goals and purposes of the organization.

The Latin Americans are also hard at work preparing for a meeting in Panama scheduled for October 15 at which they expect to establish the new Latin American Economic System, an organization designed to allow the Latin and Caribbean governments, without the presence of the US, to formulate joint strategy for dealing with Washington and the rest of the highly developed world. [redacted] 25X1

VENEZUELA: NATIONALIZATION TALKS

The nationalization of the foreign-owned petroleum industry is entering a decisive phase. The Perez administration has already taken the first step toward setting up a basic organizational structure for the new nationalized petroleum industry and is engaged in serious talks with major oil company representatives on such issues as compensation, technical assistance, and marketing contracts.

A Venezuelan oil company executive, who is also one of the nine directors of Petroven, the state holding company that will manage the Venezuelan oil industry after January 1, 1976, has publicly predicted that the oil concessionaires will accept the government's compensation terms. He acknowledged, however, that differences exist on other matters under review. Even so, he believes that it is not in the interest of the government or the companies to be inflexible and is confident that the parties will come to some agreement. Government negotiators and officials involved in the current talks also are confident that problems will be resolved.

Last week, Finance Minister Hector Hurtado announced that the government will pay slightly

less than $1 billion to the companies in ten-year bonds carrying 6.5 percent interest. The announcement was made following a meeting with President Perez, who is taking an active role in the negotiations. Under article twelve of the oil nationalization law, the President must submit the written compensation agreements to a joint session of Congress for "consideration and approval." Leftist legislators will surely accuse the government of giving in to the companies, but the governing Democratic Action Party will exercise its majority in the legislature to prevent a major or prolonged political controversy. There is no requirement that the more politically controversial technical assistance and marketing agreements be submitted for congressional approval.

President Perez

In the meantime, the government has acted to forestall labor problems that could develop in the petroleum field similar to those that occurred in the nationalized iron-ore industry. To prevent a repetition of the wildcat strikes that cut production and threatened serious economic damage to the country, President Perez has promised that the privileged position of workers in international subsidiaries will not be changed without consultation with the unions. He also offered the workers half the severance and seniority benefits that would have been due them if nationalization had terminated their jobs. The generally conciliatory posture of the government demonstrates the importance Perez attaches to a smooth transition from private to state ownership and to his desire to prove that Venezuela will be able to run the industry without interrupting production.

Whether the government has in fact succeeded in buying labor peace for an extended period is an open question. The wildcat strikes that plagued the iron-ore industry were basically rank-and-file revolts against ineffective and nonresponsive union leadership, which could be repeated in the petroleum industry. Potentially disruptive factors include the internal politics surrounding the Fedepetrol convention scheduled for December. Many workers are demanding full payment of severance and seniority payments, and new union leaders are to be elected. The white-collar workers' association is also becoming more militant.

The expiration of the petroleum workers' contract in June 1976 will be another critical test of the government's ability to cope with the petroleum workers in a nationalized industry. The far-left parties will have an opportunity at that time to stir up the workers in an effort to embarrass the administration. Venezuelan officials, including Perez, are aware that the government's problems will not end with the formal take-over of the oil industry in January. Acutely aware of the fact that labor problems may be more troublesome than relations with the private oil companies, government officials are devoting more than their usual attention to this potentially troublesome area.

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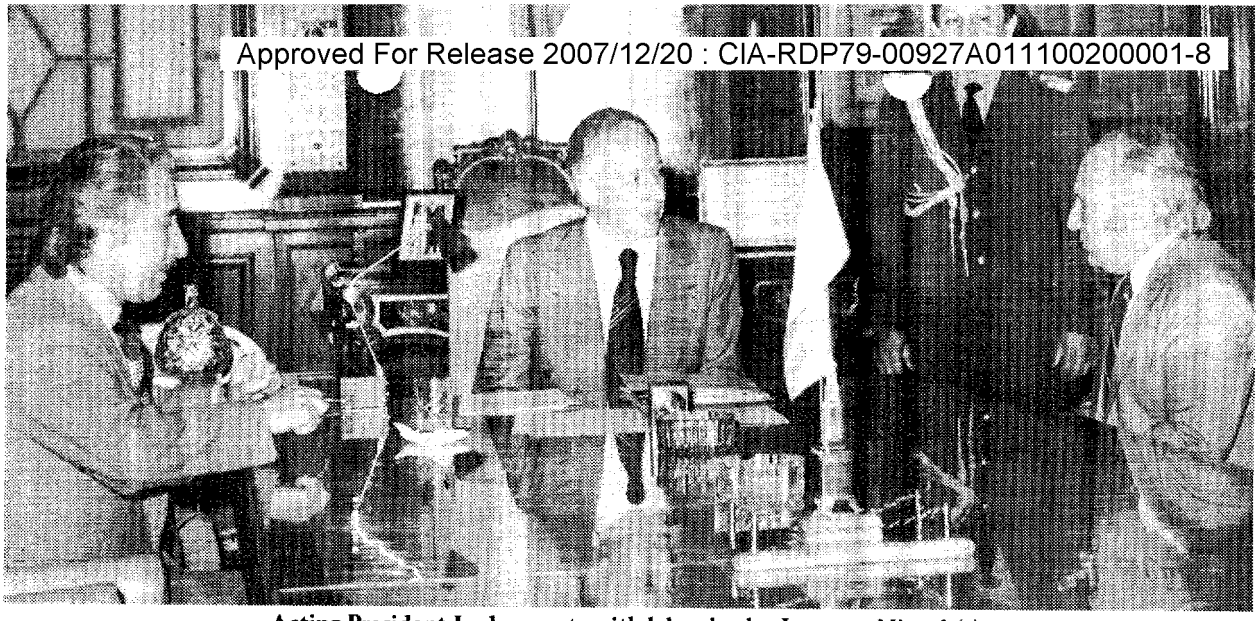

Acting President Luder meets with labor leader Lorenzo Miguel (r)

UPI

ARGENTINA: SETTLING IN

After an initial burst of activity, the pace of the new government team headed by Acting President Italo Luder has slowed considerably.

Within days of assuming executive authority, Luder replaced the ministers of interior and defense, as well as President Peron's private secretary and confidant, Julio Gonzalez. Luder also replaced the federally appointed chief administrator of politically turbulent Cordoba Province, a widely disliked right winger. In addition, Economy Minister Cafiero again devalued the peso slightly and indicated that further mini-devaluations can be expected. He also announced a compromise plan to control price rises.

Now, however, the new team has entered a period of relative lull. Additional cabinet changes that seemed imminent have not materialized, although most observers still consider them inevitable. Gonzalez, although out of his top job, still retains a lesser post he has held for some months, despite Luder's desire to remove all Peron's supporters. Moreover, Luder and his aides have not taken on top labor leader Lorenzo Miguel. The acting president is known to favor the removal of Miguel, who has allied himself with Peron on several occasions. Finally, the political problems inherent in initiating a severe crackdown on leftist subversives—particularly the Montoneros, who are still not universally considered beyond redemption—continue to delay definitive action on that front.

The slowdown in the new government's activity is probably the result of a desire to proceed with caution until the effect of the early initiatives can be evaluated. But there are also indications that the highly touted team, whose other principals are Economy Minister Cafiero and Interior Minister Robledo, has already begun to encounter problems of its own.

The US embassy reports, for example, widespread speculation that Luder and Cafiero have clashed at least once over Cafiero's failure to inform Luder beforehand of the latest currency devaluation. The embassy also indicates that Luder and Robledo are seen more and more as differing over the eventual return or definitive departure of Peron. Luder is said to oppose her return to duty, while Robledo favors retaining her, at least in a figurehead role.

These differences may be minor; indeed, from all outward indications, the three are still working well together. But their very prominence—all are considered potential presidential candidates for 1977—is likely to be a continuing source of friction.

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INDOCHINA: FIVE MONTHS AFTER

The end of the fighting in Vietnam ushered in a new period of uncertainty in Southeast Asia, but today there is little doubt about the totality of the Vietnamese, Lao, and Khmer communists' victories. Despite the continued existence of a separate South Vietnamese political apparatus in the form of the Provisional Revolutionary Government, de facto reunification of South with North Vietnam was accomplished with the fall of Saigon.

It has become clear that the new regimes will be preoccupied for some time by the enormous tasks of economic reconstruction and political consolidation. These problems, at least in the case of Cambodia and South Vietnam, were greatly magnified by the very abruptness of the communist take-overs. The Vietnamese communists, for example, did not anticipate the collapse of the former South Vietnamese government last spring and were not prepared to assume administrative control of the country. Initial euphoria following the fall of the Thieu regime gave way quickly to a recognition of the serious economic and administrative problems confronting South Vietnam.

Vietnam: North Rules

Nearly five months after the fall of Saigon, South Vietnam remains under a form of martial law in which North Vietnamese military personalities make all day-to-day political, administrative, and economic directives. The primary authority, however, appears to be Pham Hung, fourth-ranking member of the North Vietnamese Politburo, who is in charge of party and military affairs in the South. The South Vietnamese Provisional Revolutionary Government, which ostensibly serves as a national government, has no meaningful authority over either Pham Hung or the military management committee.

Immediately after the take-over, the communists moved to offset the lack of capable and trustworthy administrators by importing large numbers of officials from the North. [redacted] within a few weeks after Saigon's collapse, nearly one third of North Vietnam's bureaucracy had left for the South. Many of these appear to have been former southerners who had come north at the time of the 1954 Geneva accords. The communists are also taking steps to "rehabilitate" former South Vietnamese bureaucrats and return them to their old positions.

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Communist policies to date have been aimed primarily at restoring order and the economy. On the first point, the communists adopted a relatively conciliatory approach in order to mobilize support. But given the long and bitter nature of the Vietnamese conflict and the abundance of firearms in the country, it is hardly surprising that the communists are admitting to opposition from a variety of sources, including former government soldiers, religious sects, and ethnic minorities in the highlands.

So far, this largely unorganized activity does not present a long-term threat to communist control, but the continued presence of 18 of the 20 North Vietnamese divisions Hanoi had in South Vietnam during the final offensive last spring attests to the fact that security remains a problem.

The economy is probably a far more worrisome problem. The communists admit that it is still in bad shape. Low production and high unemployment have reduced the level of living throughout the country.

Considerable help from Hanoi's foreign allies will be required to get the economy on its feet. The Vietnamese lack the fertilizer, machinery and parts, and fuel to become self-sufficient in food for at least the next couple of years, despite expanded farm acreage. Moreover, industry relies almost exclusively on foreign materials, and the country's foreign-exchange reserves are insufficient to cover more than a fraction of the South's needs.

The communists so far have not attempted to make fundamental or sweeping changes in the South's economic structure. Some banks have

been reopened and a new currency has recently been introduced. While the largest industrial enterprises have apparently been seized by the state, the communists are depending heavily on private enterprises to revive the economy. Refugees, demobilized South Vietnamese troops, and other urban dwellers are being sent to the countryside to resume farming, but so far there has not been a coordinated effort to collectivize agriculture.

Vietnamese officials, both North and South, proclaim formal reunification as their foremost objective. At the same time, they make it clear that the process will be gradual, following progress in developing an acceptable communist administrative structure and in restoring order and economic stability. Although the communists are maintaining the fiction of an independent South Vietnamese state, there is no question that Vietnam is now one country with one policy.

Cambodia: Uncompromising Victors

Although Cambodian Prince Sihanouk and Lao Prime Minister Souvanna Phouma ostensibly continue to share power in Cambodia and Laos, the non-communist nationalists they represent have no future in the communist states now developing there. Little time may remain for these two familiar Southeast Asian personalities to play their now largely cosmetic roles.

The Khmer communists entered Phnom Penh in April with an ideology largely untempered by experience. Since then they have set far more ambitious goals and adopted far more draconian measures than their comrades in either Laos or South Vietnam. When faced with the problems of handling the hard-to-digest economy and society of Phnom Penh, they chose to get rid of the problem by forcibly relocating the city's 2 to 3 million people at a heavy cost in human lives and suffering.

Pathet Lao troops assemble near Vientiane

Those who lived through the experience, along with most of the rest of the country's population, are now in the countryside trying to create what the communists term a modern agrarian society. Unlike the new rulers in Vietnam and Laos, Khmer authorities adopted, at least in the early stages, a policy of fairly widespread arrests and executions of former government officials.

Although a trickle of refugees across the border to Thailand is continuing, there appears to be no significant organized resistance to the regime; the armed forces now appear to be as heavily engaged in reconstruction as in maintaining internal security.

The policies developed in the "liberated zones" during the fighting are apparently now being implemented on a national basis. They include the establishment of a centralized administrative system, the confiscation of all privately held land, the establishment of large agricultural cooperatives, the nationalization of industry and commerce, and the de-emphasis of Buddhism.

This radical program has been hastily imposed and has produced serious problems. Not surprisingly, the city people who were moved to the countryside have not yet been turned into efficient farmers; Cambodia, formerly a major world rice exporter, is in the midst of a serious rice shortage.

Refugees have reported the widespread occurrence of cholera and malaria, and the government probably has not been able to obtain or distribute medicines to deal with the problem.

The political leadership presiding over this grim situation remains, as it was during the war, a mystery. Penn Nouth, the aging Sihanouk loyalist who holds the title of prime minister, returned to the country only this month and plays no significant part in affairs of state. Deputy Prime Minister Khieu Samphan appears to be serving as Cambodia's actual prime minister.

Samphan's true position within the Khmer communist pecking order has never been firmly established. Radio Phnom Penh, describing a cabinet meeting of September 10, gave prominence to a report by the deputy prime minister for national defense, Son Sen. Son Sen also took a prominent part during the ceremonies surrounding the return of Sihanouk. Thus, it seems fairly clear that Son Sen and possibly other senior leaders have important voices within the party.

Despite the respect accorded Sihanouk since his return, the Prince's political prospects are bleak. In August Phnom Penh named Ieng Sary, another top Khmer communist leader, as deputy prime minister for foreign affairs. This put him over Foreign Minister Sarin Chhak, a Sihanouk loyalist, and makes clear that Sihanouk's foreign affairs role will be limited to that of international spokesman for the regime.

In order to capitalize on Sihanouk's standing within the Third World, and possibly out of deference to Sihanouk's Chinese patrons, the Khmer communists are probably prepared to accept a token non-communist role in their government for an indefinite period. Sihanouk himself could, however, tire of this charade.

Laos: A Gentler Revolution

The communists are as fully in control in Laos as are their comrades in Cambodia and South Vietnam, but the course they took to reach this point was quite different. The Lao communists did not sweep into power as a result of abrupt and total military victory; they assumed power gradually by taking advantage of the indecision of the rightists.

Following the fall of Saigon last spring, the communists began to brush aside the right wingers in the coalition and met no opposition in the process. A few months of agitation in the streets of Vientiane and other places continued the process. The agitation was directed against those in power as well as the US. By the summer, the communists had taken over complete control of the government, although a number of politically impotent non-communists were allowed to remain in the cabinet. Today, the com-

munists control all senior positions in the Lao national and provincial bureaucracies and have disbanded the Royal Lao Army. The once large and influential American role has been reduced to a token diplomatic presence.

The communists, until recent weeks, treated Prime Minister Souvanna Phouma with circumspection, although they took care to deprive him of any significant power. Now they have begun to step up pressure against both Souvanna and King Savang, and it seems likely that both will be forced out by next spring if not earlier.

Communist policy is made not by their titular leader Souphanouvong or the other communist officials in Vientiane or Luang Prabang, but by Kaysone Phomvihan and the other senior communists who ruled from Sam Neua in northeastern Laos, where they remain very much under the influence of the North Vietnamese.

Because the Lao communists have been preoccupied during the past four months with getting a stranglehold on the existing state organs and working through the existing bureaucracy, the "revolution" has come to the average Lao in a less dramatic and visible manner than in either South Vietnam or Cambodia. This is changing, however, as the Lao communists begin to implement control measures, which, though fairly standard in communist practice, are a shock to people long accustomed to governmental neglect. The authorities have ordered a national census—the first ever—and are issuing identification papers. Travel restrictions are being tightened both internally and at the Thai border. People are being forced to attend political education seminars. Privately owned firearms are being seized, and "People's Militia" units formed.

Like their South Vietnamese brethren, the Lao communists so far have not tried to change the country's primitive, subsistence economy. The perennial problems of the economy, however, have been greatly magnified by the Lao communist decision to push relations with the US to near the breaking point and to do away with US aid programs.

The Lao seem to be counting on economic assistance from other donors to offset the loss of US assistance, but it is unlikely that they will obtain the amount necessary. As a result, Laos will face chronic shortages of foreign exchange, soaring budget deficits, and inflation as well as shortages of such basics as rice. 25X1

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TIMOR: DELAYS AND CLASHES

The war of words over Portuguese Timor continues, but there have been no significant changes on either the diplomatic or the military front. The governor of Portuguese Timor has been recalled for diplomatic consultations, and there are hints that multilateral talks may be held soon in Lisbon. There is still no official confirmation from any side, however, that negotiations will begin any time soon. The appointment of Portuguese negotiator Almeida Santos as information minister in the new cabinet may cause further delay until Lisbon designates a new representative. The Indonesians are keeping the pressure on with public demands that Lisbon act to restore order in Timor.

Indonesian special forces troops have taken casualties in recent fighting in Portuguese Timor where they are assisting pro-Indonesia Timorese against the radical Fretilin forces that now control most important towns. Some Indonesian soldiers have been captured, but Fretilin efforts to stir up an international outcry by publicizing Jakarta's involvement have evoked little response.

President Suharto is obviously impatient with the slow pace of developments, but he has given no sign that he is any closer to authorizing an all-out invasion than before. Lisbon has been careful not to do anything that might be interpreted by Jakarta as a deliberate attack on Indonesian interests—and without this Suharto continues to postpone the decision on military action. 25X1

Secret

Secret