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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.

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

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**ANGOLA: AFTER THE DELUGE**

After more than six months of civil war, the Popular Movement has gained unchallenged military control over the largest and richest of Portugal's former African territories. Its rivals conceded defeat in conventional combat and retreated from the field—the National Front into Zaire and the National Union into a remote area of southern Angola. The countries that provided the main support for the Popular Movement's rivals—Zaire and South Africa—are seeking to make their own peace with the Movement's leader, Agostinho Neto. His government in Luanda now faces the complex task of consolidating political control over a traumatized population of more than 6 million people and of reconstructing a once-thriving economy that has been shattered by the fighting.

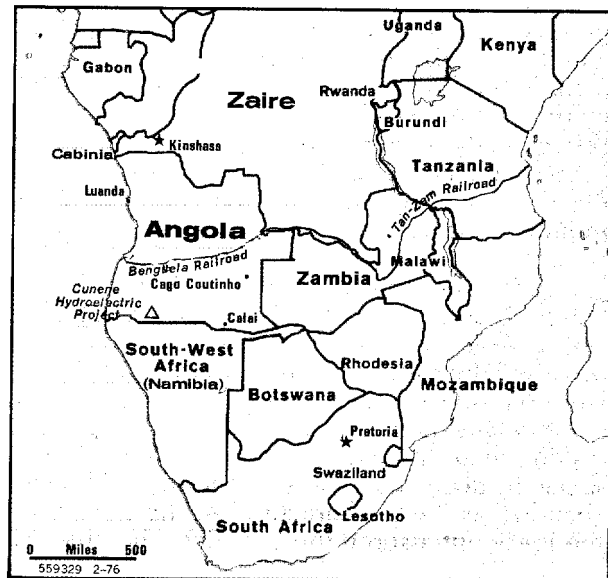
During the past week, the Soviet-equipped Popular Movement and Cuban forces largely completed their occupation of the country's major towns and the route in Angola of the vital Benguela Railroad. They encountered little opposition from their defeated foes, who melted away. For now, however, the victors appear to have stopped their advance well short of the positions just inside the southern Angolan border occupied by some 4,000-5,000 South African troops who are guarding the frontier and protecting the important Cunene hydroelectric project.

National Union president Jonas Savimbi is still vowing to wage guerrilla warfare indefinitely. He has established a headquarters at Gago Coutinho, in southeastern Angola. Some of his forces have occupied Calai, near the Namibian border, and plan to turn it into a major resupply base.

Savimbi's chances of mounting a serious insurgency against the Popular Movement appear

dim, however. South Africa, his major backer, is more interested in trying to secure a stable Namibian-Angolan border than in harassing the Popular Movement and is exploring the possibility of reaching an accommodation with the Neto regime. Such a possibility was given a boost last week when Neto's foreign minister stated that his government "would be prepared to cooperate" with Pretoria provided it recognizes the Popular Movement's sovereignty over Angola. Pretoria quickly announced that it was studying the statement.

The Luanda government has already begun to tighten its administrative grip over Angola's major urban and economic centers. Officials of the Popular Movement, which has always been an urban-based organization, relate easily with



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workers and intellectuals. For the time being, at least, the Movement probably will leave the rural population to fend for itself, much as Portugal did.

Economically, the new regime's first tasks will be to restore the flow of traffic along the Benguela Railroad and resume oil production in the enclave of Cabinda, which was suspended by Gulf Oil in late December. It will probably rely heavily on Cuban technicians to operate rail and port facilities. The Popular Movement has authorized Nigeria to negotiate on its behalf with Gulf for the payment of taxes and royalties owed Angola for production since independence last November. Such negotiations will have to be worked out to the new regime's satisfaction before Gulf is invited to reclaim its concession in Cabinda.

## LEBANON: SETTLEMENT ANNOUNCED

President Franjyah last weekend announced political changes that meet most of the demands of Lebanon's old-line Muslim leaders, yet preserve the most important prerogatives of the country's Christian minority. The reforms do not include the fundamental political changes sought by the Lebanese left, but they do promise the leftists a variety of more limited political, social, and economic gains. The Christians' endorsement of the reforms may win Lebanon at least a few months of peace.

In his speech outlining the reform package, Franjyah sought to balance concessions for the Muslims with reassurances for the Christians. He promised the Muslims that Lebanon's constitution will continue to "evolve by experience" to accommodate needed changes in the political system, that the government is committed to social justice, and that the country will never abandon its "Arab character." At the same time, the President assured the Christians that the 1943

national covenant will be preserved, that the Palestinians will be expected to adhere to their past agreements with the Lebanese government, and that Lebanon will retain its "sovereignty."

As outlined by Franjyah, the most important points of the package provide for:

- Continuing the existing system of distributing the top political posts; the president will be a Maronite Christian, the prime minister a Sunni Muslim, and the speaker of parliament a Shia Muslim.
- Equal representation for Christians and Muslims in parliament and proportional representation of sects within each major religion.
- Election of the prime minister by parliament, instead of his being selected by the president.
- Transferring some power from the president to the prime minister; all decrees and bills will be issued jointly.
- Decentralizing the civil service and establishing a merit system.
- Drafting a new defense policy and strengthening the army.

Lebanon's old-line Muslim leaders, especially Prime Minister Karami, gain most from the agreement. Their major victory is in the increased power of the prime minister relative to that of the president. The traditionally dominant Sunni Muslim politicians are not likely to attempt to use the greater Muslim representation in parliament to make that body significantly more powerful than it has been in the past, primarily because the reforms, if implemented equitably, would lead to increased representation for the disadvantaged Shia Muslims and the Lebanese leftists. According to press reports, leading Christian and Muslim politicians are now considering a plan that would delay the reorganization of parliament by exten-

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ding the life of the existing legislature for one or two years.

The Lebanese leftists and radical Muslim religious leaders received no satisfaction of their fundamental demands: that the Maronite Christians give up the presidency and that the religious basis of Lebanon's government be abandoned. Nevertheless, they are not likely to try to spark new hostilities until they see whether or not the government implements promised economic and social reforms. In the near term, at least, some of the leftists will be satisfied with limited measures; others will be cowed by the overwhelming military presence in Lebanon of the Syrian-controlled Palestine Liberation Army and by the decision of the major fedayeen groups to cooperate with the Liberation Army in enforcing the cease-fire.

Leaders of the large Christian political parties presumably decided that they could accept the reform package because it perpetuates Christian control of the presidency and—theoretically, at least—leaves in force the 30-year-old national covenant. Even before endorsing the final version of the reforms, the Christians received a reaffirmation of Syria's commitment to guarantee Palestinian respect for past agreements limiting fedayeen activities in Lebanon.

The Christians, in theory, will be left with much less power to initiate public policy after the reforms are implemented because the president will be forced to share his authority to issue decrees with the prime minister. In practice this will not change much; the fragility of Lebanon's political system over the past several months has already obliged Franjyah to secure Karami's approval before taking any important step. The Christians will in any case retain a veto, since the president can withhold approval of proposals backed by the prime minister. This is likely to become important as the Christians attempt to restrain the more powerful prime ministers, including the assertive Karami, who will probably push for extensive government programs in education, health, and housing.



President Franjyah

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Somali President Siad

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**SOVIETS COMMENT ON FTAI**

Moscow last week broke its public silence on recent developments in the French Territory of the Afars and Issas (FTAI). Several articles in the Soviet central press replayed Mogadiscio's version of the confrontation early this month between French forces and Somali border insurgents in the FTAI. *Pravda* cited a statement by the Somali government that claimed the French had retaliated for the insurgents' seizure of a French school bus in the FTAI by crossing into Somalia and bombarding the northern city of Loyado, "causing numerous casualties."

*Pravda* also noted Somali President Siad's demand for the complete withdrawal of French forces from the FTAI and the liquidation of all military bases there, as well as his call for an urgent meeting of the UN Security Council to discuss the latest incident. Tass, meanwhile, replayed several Western wire service reports that the French were dispatching reinforcements to the FTAI and three additional warships to the Indian Ocean.

Moscow's press treatment does not commit the Soviets to any particular outcome in FTAI, but it is nonetheless a clear sign that the Soviets support the essentials of Siad's policy toward FTAI.

The Soviet ambassador in Somalia said as much to a US diplomat earlier this month. He implied that Moscow would support a "liberation struggle" in FTAI if the French try to transfer power to a government under the control of Ali Aref, the present local government leader. The Soviet also said that the USSR hoped Paris would act in a way that would assure "peace and stability" in the African horn—which may boil down to giving Siad what he wants.

One reason for Moscow's public diffidence over FTAI is that it wants to avoid an open dispute with Paris. The Soviets are also reluctant to take any public position that would anger the Ethiopians, whom they regard as being on a "progressive" course. Moscow is attempting to reassure Addis Ababa that Ethiopian access to Djibouti will not be affected by what the Soviets regard as a "favorable" outcome in the French territory.

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## MOROCCO-ALGERIA: OASIS SHOOT-OUT

Fighting flared briefly in the Spanish Sahara last weekend when Moroccan and Algerian forces clashed at the oasis near Amgala. [redacted] the Algerians staged a hit-and-run attack on a small Moroccan force guarding Amgala on February 14, killing some 30 Moroccans and capturing several others. Algiers has claimed that only Polisario guerrillas were involved, but Rabat believes that the attack was carried out by Algerian troops cut off several weeks ago during the Moroccan sweep into northeastern Sahara. The Algerians apparently decided to avenge their defeat at Amgala late last month before withdrawing across the border.

On February 15, Rabat announced that King Hassan had sent a personal message to Algerian President Boumediene, accusing him of again breaking promises not to use Algerian troops in the Sahara to fight the Moroccans. Hassan challenged Boumediene to make known his intentions about Spanish Sahara by either accepting an internationally guaranteed peace or openly declaring war on Morocco.

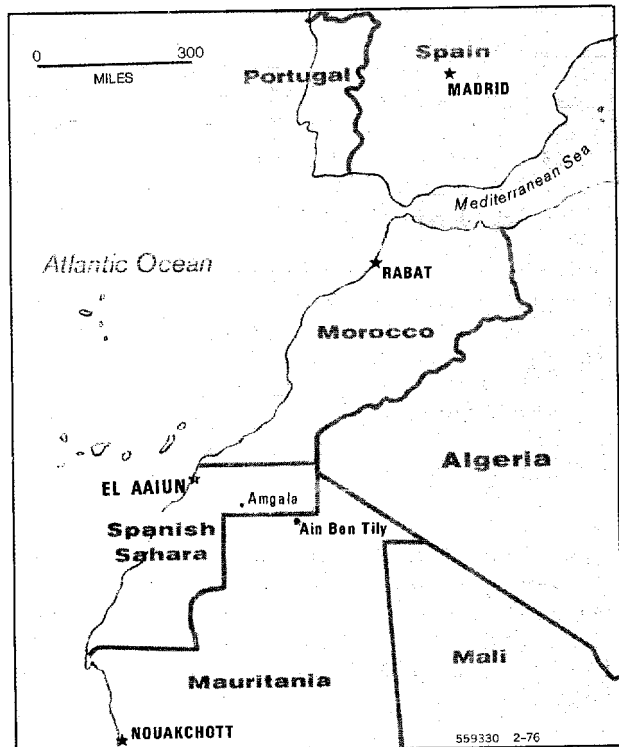
Algiers still appears determined to avoid any all-out confrontation with Morocco in the Sahara, although its official denial of any involvement in the Amgala attack was equivocal. A government statement said only that as of February 16 no Algerian army units were present in the Sahara, leaving it to the Algerian media to deny specifically that Algerians had participated in the attack on February 14. The statement reiterated that Algeria will continue to support the Front fully in its struggle for independence for Spanish Sahara. Boumediene remains adamantly opposed to the Moroccan-Mauritanian take-over of the disputed territory and continues to insist that a referendum on self-determination is the only basis for resolving the dispute. He reiterated this demand in a letter to all nations on February 17 and called upon world leaders to help reduce tensions in the area.

Arab League Secretary General Riad this week began an attempt to revive the flagging Arab mediation effort in the dispute. There has been no visible sign of progress from the mission of the

UN envoy who spent five days in Spanish Sahara last week. [redacted]

[redacted] the envoy was discouraged by the small number of civilians, especially young Saharans, in population centers under Moroccan and Mauritanian control. The UN will probably try to limit its involvement in the dispute to pro forma consideration of the envoy's report.

At the same time the Moroccans and the Algerians were having their dustup, Mauritanian troops were recapturing Ain Ben Tily in northern Mauritania. The town had fallen to Polisario forces in late January when the guerrillas attempted to establish a supply corridor extending from the Algerian border through the Spanish Sahara and Mauritania to the Atlantic Ocean. Moroccan and Mauritanian forces now occupy all key towns along the major infiltration and supply routes in the contested areas.



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Lieutenant General Obasanjo

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The motives of the plotters remain unclear. The statement broadcast by Dimka during his brief control of Lagos radio said only that Muhammed's "hypocrisy" had been "detected"—possibly an allusion to the assassinated leader's punishment of others for official corruption while long guilty of such wrongdoing himself.

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following his announcement, the coup leader complained of corruption in the top leadership, the recent promotions of senior officers, and Nigeria's drift to the "left," citing Lagos' support for the Angolan Popular Movement as an example.

Dimka indicated he wanted to restore General Gowon, who was deposed by Muhammed last year and is living in Britain. This week the Nigerian government charged in effect that Gowon was a party to Dimka's plot, but there is no evidence that this was the case.

**NIGERIA: ABORTIVE COUP ATTEMPT**

Tribal and religious tensions, generally absent from the Nigerian scene in recent years, appear to have been rekindled by the assassination of the head of state, Murtala Muhammed, a northern Hausa tribesman, during an unsuccessful coup attempt on February 13. So far, surviving members of the military government that took power last July seem united and in control of the situation and working to defuse tensions. No immediate changes in Nigerian foreign policy or relations with the US are expected under Nigeria's new leader, Lieutenant General Olusegun Obasanjo, a Christian and member of the Yoruba tribe of southern Nigeria.

Loyal troops in Lagos easily crushed the coup attempt made by a group of middle-level officers led by Lieutenant Colonel Dimka, a Christian and staff officer at the Ministry of Defense. The coup was poorly organized, and support for the rebels was limited to a few units in Lagos and in Kwara state, where the military governor was murdered. Dimka managed to escape, however, and is still at large.

The appointment of Obasanjo was announced by the ruling 21-man Supreme Military Council on February 14. To replace Obasanjo as armed forces chief of staff—the number-two position—the council named one of its more junior members, Lieutenant Colonel Yar Adua; he was also jumped two ranks to brigadier. The elevation of Yar Adua, a member of a prominent Hausa family, was reportedly a deliberate attempt to reassure northern Muslims that the council intends to preserve a regional and tribal balance. Obasanjo, for his part, will almost certainly avoid any suggestion of tribal favoritism.

There are indications, however, that Muhammed's death and Obasanjo's succession have sparked restiveness among northerners. Some traditional leaders in the north reportedly are expressing the view that Muhammed's assassination shows that Christians intend to eliminate Muslims from high places. In an attempt to calm Muslim concern, the government stated publicly on February 18 that the coup had neither tribal or religious motivations and that Obasanjo had also been marked for assassination. Privately, the government is using northern state governors

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and senior Muslim civil servants to convey the same message to northern leaders.

Nevertheless, some Hausas have been leaving Lagos and Ibadan, both predominantly Yoruba cities, and heading north. Yorubas in that area are said to be keeping a low profile, remembering the massacre of southern Ibos in the north in 1966.

Obasanjo's authority within the revamped council is unclear, but he was a prime mover behind Lagos' strong support for the Popular Movement in Angola and the drive to project a more decisive image of Nigerian leadership in Africa. He can be expected to continue a hard line on southern African issues. Recently, at a foreign policy seminar for senior officers, he

suggested that Nigeria should consider using oil as a lever in pursuit of its objectives.

The abortive coup has spawned widespread rumors of foreign involvement, especially by the US because of differences over Angola. During the week, Nigerian students demonstrated against the US embassy in Lagos and other US posts as well as against the British chancery. The Nigerian government has made no official accusations against either Washington or London. Despite differences with the US over Angola, the government-controlled radio has been highlighting the recent signing of a major telecommunications contract with a US firm.

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### SYRIA: OIL PRODUCTION RECOVERS

23-27

Syrian oil production has fully recovered from the effects of the October 1973 war. Production and refining capacity are expanding rapidly, and the country is emerging as an oil exporter.

Crude oil production reached 190,000 barrels per day in 1975, up 50 percent from the prewar level. While most Syrian crude is of poor quality and high in sulfur content, new fields are yielding higher quality oil. Crude from the newly developed Jibse Field, for example, is low in sulfur content. All Syrian production is exported, mostly to Italy, Romania, and West Germany, at an average price of about \$9.50 per barrel. Total sales in 1975 reached about \$650 million, more than two thirds of total Syrian exports. Syria refines Iraqi crude for most of its own requirements, now estimated at 70,000 barrels per day.

Petroleum facilities have been repaired, and substantial new construction is evident throughout the country. A new refinery at Baniyas, being built with Romanian help, will triple Syria's crude oil refining capacity. The

Romanians are reportedly seeking subcontracting bids from US and other Western petroleum and engineering firms.

With reserves estimated at more than 2.8 billion barrels, Syrian production could be substantially increased. To develop these resources, Syria has begun to turn to Western firms. Damascus is dissatisfied with the pace of seismic work being done by Hungarian and Soviet technicians and with the quality of Romanian and Soviet drilling and production equipment. A number of contracts for exploration have been signed with US firms.

The Asad government has tried to assure US investors that their interests would be protected in the event of another war. Most companies nonetheless are reluctant to go much beyond making seismic studies and providing oil field equipment. Damascus itself has taken a cautious approach in contract talks, undoubtedly reflecting uneasiness about large joint ventures that would give Western firms a solid stake in the economy.

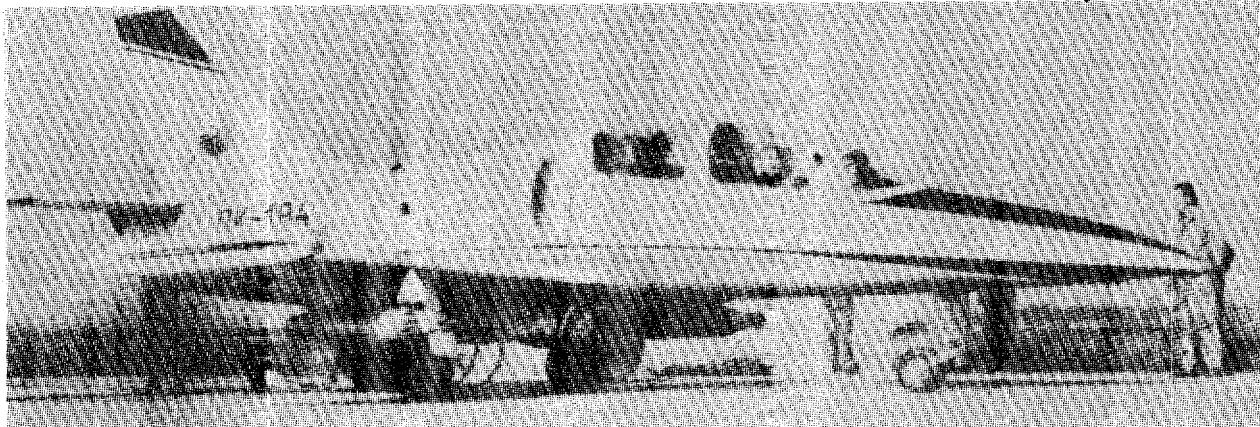
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L-39 jet trainer

## IRAQ: DIVERSIFYING ARMS PURCHASES

Iraq is using some of its greatly increased oil revenues to increase its purchases of arms from non-Communist sources. Baghdad is trying to reduce its dependence on Soviet arms because it fears that Moscow might use arms as a political weapon against Iraq as it did Egypt. Nevertheless, Iraq is likely to continue to buy most of its advanced weapons from the USSR for some time to come.

Iraq ordered \$1.7-billion worth of arms during the past two years. About half, mostly ammunition and support equipment, came from the West and Yugoslavia. Until 1974, Western suppliers had sold only about \$5-million worth of arms annually to Iraq.

France is providing almost \$500-million worth of modern arms including Super Frelon and Alouette helicopters, some armored vehicles, and the Milan and Harpon antitank missile systems. Italy, the second largest West European supplier, contracted to deliver \$40-million worth of military and transportation aircraft and howitzers. Orders were placed in Belgium for large amounts of ammunition and communications equipment, in the

UK for Leyland vehicles, and in Spain for 106-mm. recoilless rifles. Even India agreed to provide about \$35 million worth of aircraft ammunition, rockets, and napalm. Most of the larger pieces of ground equipment and aircraft are yet to be delivered.

Iraq purchased nearly \$200-million worth of equipment from Yugoslavia, mainly mortars, artillery, ammunition, gas masks, and military support equipment. Major deliveries from Eastern Europe included Czech L-39 jet trainers—the first to a non-Warsaw Pact country—some older L-29 jet trainers, and Czech and Hungarian armored vehicles and artillery.

Under arms agreements signed with the Soviets since 1973, Baghdad has received MIG-23 jet fighters, the SA-6 surface-to-air missile system, OSA II and ZHUK patrol boats, Yevgenia-class minesweepers, 180-mm. field guns, and the FROG-7 tactical surface-to-surface rockets. Iraq became the third country in the Middle East—after Egypt and Syria—to get the SCUD surface-to-surface missile system. Moscow also reintroduced the SA-2 surface-to-air missile system, which had been delivered in the early 1960s but

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was transferred to Egypt because Iraq did not have the technical capability to operate it.

Until recently Moscow sold Iraq arms at low prices on favorable credit terms. Discounts of one third from list price often were allowed for weapons systems, and repayments ranged from five to ten years, at 2 to 2.5 percent interest. Since 1973, the Soviets may have raised their list prices, dropped discounts, and hardened their repayment terms. Unlike Egypt and Syria, which have received Arab financial assistance for arms purchases since the October War, Iraq has sufficient foreign exchange reserves to pay its own arms bill. [redacted]

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**KUWAIT: LOANS TO THE THIRD WORLD**

Bilateral Kuwaiti loans to and investments in the Third World totaled about \$1.1 billion at the end of 1975, up from only \$100 million at the end of 1974. More than 90 percent went to Arab countries. About 95 percent was made at market rates, with concessionary loans accounting for the remainder.

Last year, the Ministry of Finance provided loans totaling \$835 million to Egypt for financing balance-of-payments deficits and development projects and to Sudan for a sugar refinery. In addition, more than \$100 million was provided to governmental bodies in Sudan, Zaire, Mexico, and Brazil through one of the Kuwaiti quasi-public investment institutions. All these loans have repayment periods ranging from 5 to 10 years at commercial interest rates.

Kuwaiti investment companies have set up several foreign joint ventures for specialized investment. The Arab-Brazil Investment Company, capitalized at \$300 million, is the largest of these joint venture companies. Smaller ones have been formed in Egypt, Pakistan, Sudan, Senegal, Mali, Mauritania, and Mexico. The newest joint venture—the Pacific Financial Company, which has

Japanese, Canadian, and British investment house participation—is looking to channel Kuwaiti money into promising private projects in the Far East.

So far, the new investment institutions have done little more than carry out feasibility studies and furnish capital for local investment banks. About \$9 million has been funneled through joint ventures. The Kuwaitis have also purchased several small commercial properties in the Third World.

In 1975, the Kuwaiti Fund for Arab Economic Development disbursed \$75 million to eight third-world countries at concessionary rates. Repayments were extended over 15 or more years, starting after a few years' grace period at 3- to 4-percent interest rates. This totally Kuwaiti-owned development fund was established in 1961 to provide low-interest loans exclusively to Arab countries. In July 1974, its charter was broadened to cover loans to all developing countries. Priority is given to projects in such general public sectors as power, transportation, and irrigation. The major recipients have been Bahrain, Egypt, Morocco, Sudan, and North and South Yemen.

Kuwait is anxious to find more investment outlets in the Third World but is having problems identifying viable private projects. Kuwaiti financial involvement will continue to be inhibited by red tape, a questionable political environment, stringent investment laws, and the bleak short-term economic outlook for most developing countries.

Kuwaiti commercial loans and investments in the Third World this year will continue at about the 1975 level. Kuwait is committed to \$900 million in third-world projects. We expect a decline in Ministry of Finance loans to be offset by placements through the joint venture companies. Drawings against the outstanding concessionary loans are expected to increase as work on projects picks up momentum. [redacted]

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**SECRET****USSR: THE 25th PARTY CONGRESS**

The 25th Party Congress, which opens Tuesday, is expected to reconfirm General Secretary Brezhnev and the core of leaders around him and to reaffirm the basic outlines of their present policies. Shifts among second-echelon leaders, as well as some innovations in domestic programs, are possible. They could offer some clues as to how policy and the succession problem may develop in the post-congress period.

**The Leaders**

Brezhnev appears secure and determined to continue in office. The policy disappointments at home and abroad over the past 18 months have not seriously damaged his status. His health and stamina have stabilized in recent months, and he is able to function effectively, albeit at a reduced pace. Rumor and speculation—some from Soviet officials—that Brezhnev would soon retire have abated. At the republic congresses, Brezhnev was accorded a full portion of praise and honor.

Major changes in the rest of the leadership are also unlikely. The extremely small turnover of officials with Central Committee status who have been elected at the lower party meetings preceding the congress suggests continued stability at the top.

The leadership is likely to make some adjustments in its membership at the secondary level. RSFSR Premier Solomentsev and Leningrad party boss Romanov are among leaders who have some claim to promotion to full membership on the Politburo. Departures are also possible. Arvid Pelshe, 77 and not influential, may retire honorably. The leadership has avoided recriminations over the harvest disaster, but it still may offer up someone—perhaps Agricultural Minister Polyansky—as a scapegoat.

If a top leader should go, Premier Kosygin seems to be the most likely. Periodically, reports have circulated that he would like to retire. His health has been indifferent recently. Over the years his governmental apparatus has suffered attacks and incursions from the party, including

Brezhnev, and reports of criticism cropped up again in December. Moreover, Kosygin is the only top leader who has an obvious successor, First Deputy Premier Mazurov. Even so, his departure is only a possibility, not a probability.

**Policies**

The congress will reaffirm the basic foreign and domestic policies pursued by the leadership since the last meeting. In his report, however, Brezhnev will have to take into account some policy disappointments. Last year's bad harvest will force him to take a more sober line on domestic prospects than on the international outlook.

The fundamentals of Soviet foreign policy are not seriously in question, and the overall tone as well as the specifics of Brezhnev's report to the congress will convey satisfaction and optimism. This will be attributed in the first instance to the growth of the USSR's military capabilities and the increased respect which must consequently be accorded Soviet demands throughout the world.

Brezhnev will find good things to say about disarmament. Clearly a SALT II agreement would have been a big help, but Brezhnev will still be able to point with pride to SALT I and the other agreements reached with the US in 1972. He will come out for a new SALT agreement and may put in a word in favor of future reductions, while repeating his call for the banning of new weapons of mass destruction. Brezhnev will probably note that the MBFR negotiations were begun since the 24th congress and call for more rapid progress in those talks.

The treatment of the US relationship will probably be relatively sober. The problems of SALT II, most-favored-nation status, credits, and Angola have helped create an atmosphere that would make it very difficult for the General Secretary, even if he were so inclined, to give a strongly positive cast to the US relationship. He will note the increasing activity of "anti-detente forces" in the US. At the same time, Brezhnev will

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want to signal—particularly in a US election year—that Soviet policy aims at placing detente with the US back on track.

Brezhnev will probably be positive on the USSR's progress vis-a-vis Western Europe, although recent disappointments will give this part of his report a more subdued tone than would have been the case a year ago.

China may be a problem. In the past week or so, Moscow has been unusually harsh in its treatment of Peking; this could be a warm-up for a blast at the congress. At the 24th congress, Brezhnev treated China with remarkable forbearance. One argument in favor of such an approach this year is the recent leadership changes in Peking. The Soviets are not optimistic, but they might strike a moderate pose so as either to encourage "pro-Soviet" elements in China or, at least, to avoid giving additional ammunition to Moscow's enemies there.

Brezhnev will probably emphasize Moscow's support for the "struggle against imperialism" and for national liberation movements. Com-

munist successes in Vietnam and Angola will be prominent, not only because they are "successes," but because Brezhnev will be seeking to underline the point that detente has not prevented the Soviet Union from carrying out its international obligations within the Communist movement.

### The Economy

Most of Brezhnev's ambitious plans to put his stamp on the country's future at this congress will come to naught. A long-term economic plan (1976-90) and a new constitution, which he had promised for this congress, are evidently far from ready. His rather vague calls for a comprehensive rationalization of agricultural and industrial management have generated little response.

The leadership will try to gloss over present economic difficulties and to retain the verbal commitment to a consumer program that has, for the time being, lost much of its substance. Quality and efficiency will be stressed over quantitative growth. Besides calling for more discipline and



Soviet leaders Podgorny, Kosygin, and Brezhnev

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socialist competition, Brezhnev may be tempted to launch proposals for some modest reorganization of management in agriculture or industry to create a more convincing image of initiative in these areas.

In the ideological sphere, he will convey the message that detente and the CSCE agreements do not mean a slackening of the ideological struggle or of internal discipline.

### The Succession Problem

Although Brezhnev will remain at the helm, the congress proceedings may give some indication that the leadership is beginning to address the problem of succession. Brezhnev has so far made no move to establish a long-term successor, and most present candidates lack a good claim to his mantle. Shifts among junior leaders—for example, enhancing party secretary Kulakov's status or bringing Ukrainian party chief Shcherbitsky to Moscow—could signal that succession maneuvering has begun and suggest who might be a front-runner.

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### POLAND: CONSTITUTIONAL GIVE AND TAKE

The Polish parliament last week approved amendments to the country's 1952 constitution that bring the document more into line with the East European pattern. Public discussion of the amendments again showed both the political strength of the Polish Catholic Church and certain intellectuals and the regime's flexibility and willingness to seek compromise rather than confrontation with its critics.

The amendments were first unveiled last September, and in the ensuing months a debate, often heated, developed over several of the proposals. Numerous petitions were circulated among intellectuals and then sent to party and state leaders. Stefan Cardinal Wyszynski devoted

three sermons to the amendments, and church officials lobbied hard behind the scenes.

The regime backed away from some of the more politically sensitive formulations, but held firm on the need for several basic changes. The revised constitution thus now declares Poland to be a "socialist state" rather than merely a people's democracy, but the country will continue to be known as the Polish People's Republic.

Elsewhere, the constitution breaks new ground by citing the party as the "leading political force" in Polish society. The church insisted on adding the word "political" to avoid giving the impression that the party is the leading force in all sectors of life. Compromise language also softened the linkage between a citizen's rights and duties as well as Poland's relationship with the "socialist commonwealth." Moreover, the regime agreed to delete a clause that would have made "misuse" of religious freedom a criminal offense.

This remarkable process of give-and-take shows that the Gierek leadership as well as its critics know their respective strengths and weaknesses. Polish church officials have indicated their grudging willingness to accept the changes, thereby implicitly acknowledging that the regime holds the levers of power to ram any change it wants through the parliament. Continuing popular tensions brought on by economic conditions, particularly the specter of price hikes for food and shortages of consumer goods, also undoubtedly contributed to the leadership's willingness to compromise. Gierek is keenly aware that a confrontation with the church and intellectuals would deflect attention from critical economic tasks.

During the course of the nationwide debate, the government's critics were divided into those willing to reach a compromise and those who, "on principle," opposed all the changes. Now that the amendments have been adopted, however, the regime may decide to be less gentle should the more radical opponents misinterpret the compromises as weakness and try to harass it on other issues.

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USSR-CHINA

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**Soviets Approve of Hua**

The Soviet media have reacted favorably to the appointment of Hua Kuo-feng, whom they term a "moderate," as China's acting premier. A Soviet embassy official in Peking has commented that one point in Hua's favor is that he has no specific history of "anti-Sovietism."

Moscow's coverage of the new wall poster campaign in Peking suggests dismay over the jiparent show of leftist strength. Although not



Hua Kuo-feng

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mentioning Vice Premier Teng by name, one broadcast noted that the new campaign seemed to be aimed at rehabilitated cadre without whom China's economy and administration could not function. The Soviets do not like Teng or the leftists, but Teng, in contrast to the leftists, is at least a known quantity and an adversary who the Soviets believe appreciates the power balance between China and the USSR.

Despite reservations about what is now happening in China, the Soviets still seem inclined to see a brighter side for them. A commentary in *Pravda* last week referred to Hua's promotion as a sign that the Chinese "moderates," despite the fulminations of the leftist-controlled propaganda organs, are "gaining currency." The same commentary also explicitly referred to "representatives" of the Chinese military establishment who were linked to the moderates.

Moscow seems especially sensitive about its image vis-a-vis China now that the party congress is close at hand. Three times in recent weeks the Soviets have denied the implication of a Chinese broadcast in early February that there had been trouble along the Sino-Soviet border opposite China's Sinkiang Province. Tass labeled the broadcast a lie from beginning to end.

The Soviet denials were doubtless aimed at several audiences. For the Soviet public, it was intended to reassure. The denial came only three days after Soviet television carried a rare documentary on China that played up the allegedly militaristic nature of Mao's domestic and foreign policies. For the West, the denial was aimed at heading off speculation that the Sino-Soviet dispute is intensifying or that Moscow is putting pressure on China during the succession period. For the Chinese, the message seemed to be that the Soviets will not abet those in China who want to exaggerate the Soviet threat for their own political purposes. All the denials noted that the Chinese propagandists have in the past resorted to these kinds of "concoctions" when there was political turmoil in Peking.

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47-78

**UK: TORIES ON THE OFFENSIVE**

The Labor government faces the prospect of more aggressive opposition by the Tories, who seem ready to challenge the government vigorously on a number of issues during the current session of Parliament.

Until recently, Labor usually won key contests because the Tory leadership hesitated to attack the government on anything but a rhetorical level. Last week, however, the Tories pulled out all stops and produced an almost complete turnout of Conservative MPs in an attempt to defeat the government on a controversial trade union bill. The Tories even brought back their European Parliament representatives from Strasbourg.

Despite this more aggressive behavior, Labor handily turned back the Conservatives' first all-out parliamentary maneuver in over a year. The effort failed, even though the Conservatives were joined on four separate votes by an assortment of Liberals, Ulster Unionists, and Scottish Nationalists, because Labor's factions closed ranks to support the government. The only defections were two Laborites currently under criminal indictment, one of whom has voluntarily disqualified himself from parliamentary activities until his legal problems have ended.

The Tories had more luck later in the week as Labor floor managers in Commons let down their guard. As a result, the government suffered harmless, but embarrassing, defeats on two relatively insignificant bills.

While the Conservative victories were a fluke, the cumulative effect of last week's aggressive opposition performance was an important psychological victory for the Tories. They probably did not expect to topple Wilson, but their effort served to reinforce Margaret Thatcher's leadership with the party rank and file, who have probably felt somewhat uneasy about the lackluster performance of Tory MPs throughout most of 1975.

The Conservatives will continue to assert themselves in the months ahead, but barring massive defections from the Labor left, the opposition is not likely to be able to defeat the Wilson government on any major issues. Tory successes on minor legislative matters, however, serve as a warning to Labor leaders to be alert to an opposition that will continue to seek opportunities to embarrass the government, which has only a one seat majority in Parliament.

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**SOYUZ-20 ENDS 91-DAY MISSION**

49

The unmanned Soyuz-20 spacecraft separated from the Salyut-4 space station on Monday and returned to the USSR after 91 days in orbit. This mission was very likely a prelude to the launch of a manned spacecraft that will probably attempt to establish a new record for manned space flights.

that one of the mission's objectives was to test life support systems for a lengthy manned mission. The longest Soviet manned space mission to date was conducted last year when the Soyuz-18 crew remained in orbit for 63 days. No major problems developed during the flight.

Soyuz-20 was launched on November 17 and docked with the space station two days later. There is no indication that new systems or operational techniques were tested, but the Soviets have announced that biological experiments with different plants and living organisms were conducted. The spacecraft was pressurized to sea level conditions indicating

In view of the apparent success of the Soyuz-20 mission, the Soviets, after replenishing or replacing the Salyut-4 space station, will probably attempt to launch a manned spacecraft within the next few months. That mission will probably last about 90 days and thus set a new record for manned space flights. The US Skylab-3 crew was in orbit for 84 days in 1974. [Redacted]

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56-58

### THE SOVIET PACIFIC FLEET

The position of the Soviet navy in Far Eastern waters has been getting considerable attention lately in South Korean and Japanese newspapers. The papers were reacting to recent congressional testimony by the US Chief of Naval Operations.

The Soviets are the strongest naval power in the Sea of Japan. The USSR's Pacific Ocean fleet over the past few years has been strengthened by the addition of newer submarines and surface ships. It now has about 110 submarines, 60 major surface ships, and about 325 naval aircraft, mostly based along the Sea of Japan. Much of the Soviet naval activity in the Sea of Japan is easily detected by the South Koreans and Japanese. Soviet surface ships leaving this sea and moving to stations in the Pacific and the Indian oceans, for example, must pass through straits bounded by Japanese or South Korean territory.

Soviet naval bombers, as well as reconnaissance and antisubmarine warfare aircraft, are frequently in the air over the Sea of Japan and adjacent waters. Last September, the Japanese Foreign Ministry lodged a protest with Moscow over Soviet violations of Japanese airspace. During their infrequent visits to the Sea of Japan, major US surface ships are kept under nearly constant surveillance by the Soviets.

#### Concern in South Korea . . .

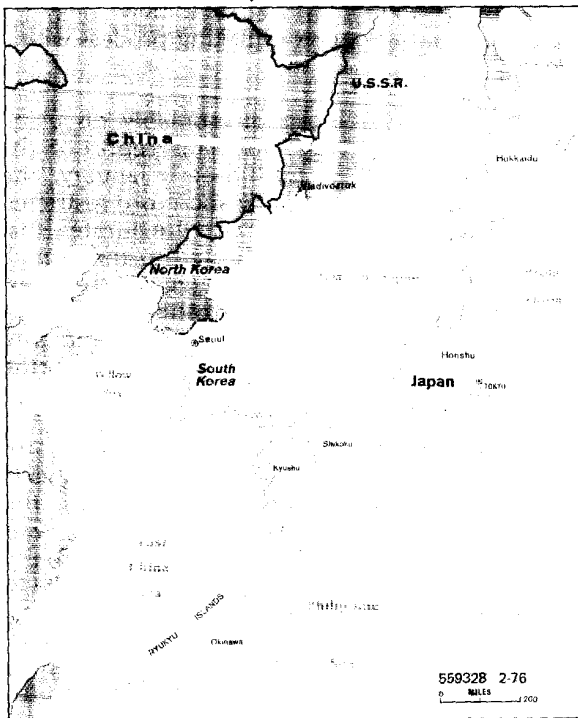
North Korea's present naval superiority over the South makes Seoul sensitive to any apparent diminution of US strength in the Sea of Japan. The South Korean press has recently pointed out that the Korean war ended successfully only because the high seas were under US control. The inference is clear that this might not be the case if another war breaks out on the peninsula.

At least one newspaper offered a remedy, urging Seoul to improve its antisubmarine warfare capabilities and build a submarine fleet to match North Korea's. Seoul is already taking steps to improve its antisubmarine capabilities. It is relying heavily on ship- and shore-based helicopters and fixed-wing aircraft. The South Koreans had considered acquiring their own attack submarines to counter those of the North, but—after discussions with senior US officials—chose instead to develop air and surface antisubmarine techniques.

Seoul appears not to have completely abandoned the idea of acquiring submarines, and the recent press stories may be inspired in part to keep this option open.

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#### . . .and in Japan

The implications of the Soviet presence in the Sea of Japan are not as serious for Tokyo as they are for Seoul, but the Japanese, too, are concerned about the impact of any apparent erosion of US military strength in the Far East. Japan's modest

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navy is oriented toward coastal defense, with anti-submarine warfare a major focus of naval operations. The Japanese are modernizing their anti-submarine warfare capability, and defense officials acknowledge that future defense planning may have to include provisions for a greater Japanese role in protecting key sea lanes near home.

The current scandal in Tokyo over alleged payments to Japanese officials by the Lockheed Corporation, however, has delayed the government's plans for improving its anti-submarine warfare forces. Tokyo had decided to purchase more than 100 anti-submarine aircraft from Lockheed, but the government has announced that the decision is now under review.

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61-62

## HUNGARY: A NEW ARCHBISHOP

The Vatican's appointment last week of a successor to the late Jozsef Cardinal Mindszenty as Archbishop of Esztergom will improve its relations not only with Hungary but with other East European states as well.

The new Archbishop of Esztergom—traditionally the Primate of Hungary—is Laszlo Lekai, a 65-year-old bishop who at one time was Mindszenty's secretary. Lekai, who will clearly never match his mentor's outspoken performance, has apparently not been a member of the regime-sponsored "peace priest" movement and has quietly worked in the lower church ranks for most of his career. Budapest undoubtedly hopes that he will provide a model of church-state cooperation that will help erase the bitter anti-communist legacy left by Mindszenty. The Vatican, for its part, wants to see the church in Hungary strengthened, but without controversy or collaborationist overtones.

Both sides have been cautiously optimistic about diplomatic ties, which, if established, would be the Vatican's first formal relations with a Warsaw Pact country. Budapest probably calculates that diplomatic relations would provide useful evidence of its commitment to the Helsinki summit accord and would also be a popular move on the domestic front. Party leader Kadar will, however, proceed with the measured deliberation that has marked his foreign policy.

The Vatican—which has cautiously been seeking improved relations with Eastern Europe—will probably want to secure other gains for the church in Hungary before entering into formal relations. The Holy See may also feel that it would be politically imprudent to do this at a time when the Vatican has stiffened its opposition to cooperation between the Communists and other parties in Italy.

The Vatican may deem it more appropriate to establish diplomatic relations with Poland first. The Polish church is the largest and the most powerful in Eastern Europe and Warsaw has established a stronger dialogue with the Holy See than has Budapest. Any Polish-Vatican move

toward formal ties, however, must take into account the views of Polish Cardinal Wyszynski, who is anxious to preserve his prerogatives as primate of Poland and to serve as the conduit for any contacts between the Polish government and the Vatican. [REDACTED]

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63

## UNEMPLOYMENT TO PERSIST ABROAD

In six of the major developed countries—Canada, West Germany, the UK, France, Japan, and Italy—economic recovery will probably not be sufficient to make sizable inroads into unemployment this year or next. Government reluctance to take strong stimulative measures—in the face of persistent inflation and mounting budget deficits—will likely prevent a rapid recovery. In Western Europe, large-scale unemployment may well persist into the 1980s, but Japan and Canada may experience labor shortages over the next decade. If this assessment proves correct, political pressures on various West European governments to adopt vigorous re-employment measures will mount.

Taking the six countries as a group, unemployment in 1975 affected over 5 million persons, more than 2 million above the previous highs in the 1960s and 1970s. Furthermore, the number of persons on short-time work schedules multiplied rapidly.

- Canada had the highest unemployment rate, some 7 percent of the labor force in 1975.
- In West Germany, the 4.2-percent rate was five times the average for 1963-73.
- The 3.5-percent rate in Britain exceeded peaks of 1972 and 1974 when coal strikes severely curtailed employment in the winter months.
- The 3.7-percent rate in France exceeded by 2 percentage points the rate posted in 1968 when economic activity was disrupted by riots and demonstrations.

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- Japan, even with its tradition of lifetime employment, saw unemployment rise to 1.9 percent of the labor force; joblessness is particularly severe among youth and the less educated.

- Italy, through extensive use of short-timing, held down unemployment rises better than the other three West European countries; even so, the average 1975 rate of 3.6 percent was close to the record of the past 15 years.

Given the high level of outright joblessness and the large amount of underemployment, a return to anywhere near pre-1974 unemployment levels is unlikely this year or next. In West Germany, Britain, and Italy, employment is likely to continue to decline this year as firms more fully utilize workers already on payrolls. In 1977, these countries seem likely to post only slight gains in employment at best. If, as seems probable, inflation accelerates in 1977, governments will institute restrictive policies; these will prevent a sharp strengthening in recovery or lessen its duration. Consequently, unemployment is expected to rise in Italy and Britain; it may hold steady in West Germany because of an expected exodus of 300,000 foreign workers this year.

Some growth in employment is expected in the other three countries in 1976 and 1977. Canada seems likely to achieve the strongest gain, 2 percent in each year, while gains in France and Japan will be at or below 1 percent per year. Only in Japan will employment increases outstrip labor force rises.

The most severe unemployment pressures seem likely in West Germany, Britain, and Italy. From 1960 through 1975, all three of these countries have had almost no change in employment. In this period, the labor force did not grow. In the next 10 years, however, growth of the working-age population will accelerate strongly, particularly in 1981-85. The number of young people entering the labor force will remain high, and exits from the labor force will decline as the age group depleted by World War II passes into retirement. In France, a less pronounced acceleration of working-age population growth,

combined with a stronger growth trend in employment indicates joblessness will be only slightly higher than in the decade before the present recession.

The projected unemployment rates, and particularly the high level of unemployment among young people, promises trouble for West European governments and societies. To some extent, the working of the labor market will alleviate the problem; for example, the recession has already led to an exodus of foreign workers, mainly Greeks, Spaniards, Yugoslavs, and Turks, from West Germany and France. A continuation of this exodus would clearly ease the unemployment problem in West Germany and France, but it would aggravate unemployment and balance-of-payments problems in the workers' home countries.

In West Germany, unemployment will be an issue in the federal election this October, in part because there are few other economic problems. Chancellor Schmidt is trying to defuse unemployment as the issue by a job-training program designed to benefit 120,000 young Germans, an age group hit particularly hard.

In France, the government, which does not face an election until 1978, has concentrated on fighting inflation and allowing unemployment to rise. While the left has attempted to seize on the issue, the workers at large have not yet been willing to take to the streets. French President Giscard is clearly counting on international economic recovery to pull up the French economy. It is our judgment, however, that even with moderate economic recovery, French unemployment may remain high throughout this decade.

In Britain, Prime Minister Wilson has also decided to bring rising prices under control before taking significant measures to stimulate the economy and create jobs. So far, this course has not encountered heavy resistance from the labor unions because the high level of unemployment makes workers cautious. Now however, union leaders are beginning to grow restive, and if, as could well occur, unemployment shows no signs of substantial abatement, the government and the unions could clash.

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Teng Hsiao-ping

67-68

### CHINA: TENG UNDER FIRE

Teng Hsiao-ping, China's erstwhile successor to Chou En-lai as premier, has come under intensified attack since the designation earlier this month of Hua Kuo-feng as "acting premier." In an apparently coordinated effort, the official media and political wall posters, appearing mainly in universities, have accused Teng of reversing the policies of the Cultural Revolution, forming "cliques" around himself, splitting the party central committee, and promoting economic progress at the expense of politics.

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These attacks are a reaction to the great power Teng accumulated after returning from the political exile imposed on him in the Cultural Revolution a decade ago. His various detractors may have different goals in mind in promoting these attacks, and for that reason it is difficult to predict what eventually will become of him. Some of his opponents undoubtedly want to purge him again if only because he represents everything they tried to eradicate during the Cultural Revolution. Others, who rank just below Teng in political standing, may be willing to settle for a reduction of his power if some of that power falls into their hands. There is also the question of policy, and there presumably are differences within the leadership over what policies to pursue and at what pace.

Some in the leadership probably recognize that Teng's ouster would leave thousands of other rehabilitated officials at all levels of the Chinese hierarchy vulnerable to similar treatment. Should widespread attacks on rehabilitated officials occur—and there is evidence that at least two other lower level officials are being criticized—the result would be political turmoil and perhaps even violence throughout the country. For that reason alone, some officials may be opposing drastic action against Teng. Similar considerations may have come into play when another top party official came under severe attack in 1974 and was eventually demoted from a party vice chairman to an ordinary member of the Politburo. The demotion apparently silenced his critics.

Although Teng has been denied the premiership, he apparently has not yet lost any of his party, government, or military positions. The Chinese Foreign Ministry has said he remains a vice premier in government, and the Ministry of Defense has confirmed that he is still chief of staff. Most Chinese officials abroad are confident that he also retains his high party position. They have obviously received no official word that Teng is politically finished. In fact, most Chinese officials abroad who have offered an opinion on Teng's current troubles see the balance of power in the leadership as clearly favoring the pragmatists

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associated with Teng. Although they may not have access to inside information and may be basing their judgment on Teng's strong showing last year—and on the fact that many of his supporters are now in important posts—it is perhaps significant that they are for the most part optimistic about Teng's future and do not expect foreign or domestic policy to swing to the left as a result of the current situation.

A large party meeting convened shortly after Chou En-lai's death, presumably to choose a new premier, apparently broke up early without reaching a decision. It was left to the ruling Politburo to designate an acting premier. The relatively few appearances by Politburo members in recent weeks suggest the Politburo may still be meeting, with Teng's status likely on the agenda. Teng's image has clearly been tarnished by the attacks on him, but should he survive his current troubles, he will still be a force—albeit somewhat chastened—to be reckoned with. In that event, those who are currently orchestrating the effort to oust him may themselves fall on political hard times [redacted]

73-77

### THAILAND: ENERGY OUTLOOK

Government plans for eventually reducing oil imports have been set back by failure to find commercially exploitable quantities of oil in the Gulf of Thailand. Further exploration has been hindered by the uncertain political environment that followed the fall of Indochina. Thailand will have to continue relying heavily on imported oil, mostly from Middle Eastern suppliers.

Oil consumption grew 19 percent annually during 1965-73 but declined in 1974-75 because of sharply higher prices, which the government passed on to consumers, and the cessation of Indochinese military operations. We expect oil imports to grow very slowly over the next five years, not rising much beyond the record 151,000 barrels per day of 1973.

The Thai government has until recently relied mainly on price changes in adjusting to the higher costs of imported oil. Prices have been raised on petroleum products and electricity to reflect actual costs to consumers. Subsidies on diesel and other refined products designed to stimulate economic development have been eliminated. The government has restricted commercial and street lighting and has raised taxes on energy-consuming appliances. Because of its heavy reliance on oil, industry has been particularly affected by the higher prices. Industrial production fell off sharply, and the growth of real gross national product slowed from 10.3 percent in 1973 to 3.3 percent in 1974. Oil price rises have also been a major factor in Thai inflation and consequent labor unrest. The latest rise in OPEC prices in October 1975 has not been passed on to consumers for fear of political repercussions before the April elections.

The government has sought to exploit available domestic energy sources by converting some power plants to lignite, but this saved less than 3,000 barrels per day in 1974. An aggressive diplomatic search for new oil suppliers has resulted in small contracts for Chinese diesel and crude. Thailand is currently attempting to obtain more oil at favorable prices from neighboring Indonesia in order to reduce dependence on Middle East oil.

Thailand is utilizing less than one third of its hydroelectric power potential. The government is not prepared to provide the massive investment in dams and equipment needed to boost capacity within the next 3 to 5 years. Nuclear power plants are in the planning stage; they will produce less than 1 percent of energy requirements when they become operative in 1982. Shale oil deposits, estimated to contain 1.8 billion barrels of oil, could be developed within 10 years if technology and prices make extraction commercially attractive. The one bright spot resulting from exploration in the Gulf of Thailand was the discovery in 1974 of a natural gas deposit in the Gulf estimated at 1 trillion cubic feet, which could supply 10 percent of Thai energy needs by 1985. [redacted]

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Indonesian President Suharto, who will be the host

88-89

### ASEAN: A SUMMIT AT LAST

After nine years of halting development and several false starts toward a summit meeting, the Association of Southeast Asian Nations (ASEAN) will hold its first summit in Bali next week. The agreement of the five leaders from Malaysia, Singapore, Indonesia, the Philippines, and Thailand to meet together and to issue a common declaration is itself a major achievement considering the conflicting national outlooks and the personal animosities that exist between some of them. The brief history of the association has

been marked by the frequent indifference of some members to the concerns of the others, and a common view of regional cooperation has been slow in developing.

Conflicting reactions to the fundamental political and security changes that have occurred in the region over the past few years constitute one general line of division within ASEAN. The mainland states of Malaysia and Thailand well before the end of the Indochina war began to see the value in a more evenly balanced foreign policy based on rapprochement with China and, if possible, with their Indochinese communist neighbors.

Indonesia, however, has been far more interested in promoting itself as a natural bulwark against further communist expansion in the region. Jakarta was unhappy with the decisions by Malaysia, Thailand, and the Philippines to establish diplomatic relations with China and has adamantly resisted any suggestion that ASEAN's doors be opened to the Indochinese states. Instead, Jakarta, with little regard to Thai and Malaysian sensitivities, has been pressing for mutual security understandings within the ASEAN framework that would inevitably carry anti-communist connotations.

Singapore, with support from the Philippines, has been actively promoting increased economic ties among the ASEAN nations and has recently stepped up efforts to form an ASEAN free trade area. Indonesia, the most populous and economically backward of the ASEAN states, views Singapore's motives as self-serving and argues that a tariff-free arrangement would lead to Singaporean domination in area markets for a wide range of consumer products. Even gradual reductions in tariffs for selected commodities are likely to be opposed by Jakarta at Bali.

In a move to establish a permanent headquarters and secretariat in Jakarta, the members have informally agreed to name an Indonesian to be the first secretary general.

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Rene Vargas

agreement would be difficult to reach with Vargas in control. Admiral Poveda, president of the supreme council of government, has called for talks between the two parties. In the event that the consortium pulls out, or alternatively, if Ecuador is able to purchase a controlling interest, the political and economic prospects of the country will be eroded.

Nationalizing Texaco-Gulf appeals to Vargas and apparently to General Duran, the army member of the triumvirate. The action also is apparently favored by certain colonels within the army who support Vargas and forced his appointment on an unwilling Poveda. These colonels appear to have strong influence on the ruling junta and may have enough power to veto certain appointments or policies.

Admiral Poveda recognizes that Ecuador lacks the know-how to run the petroleum fields or market the product. Despite his misgivings about Vargas and his plans for the petroleum industry, however, Poveda is in a weak position to challenge Vargas head-on. The navy is the junior service in Ecuador and is no match for the army in a showdown. Moreover, if the matter were put to a vote within the supreme council of government, Poveda almost certainly would lose to his two colleagues. Poveda is probably aware that his position is weak and knows that as long as Vargas remains in his powerful position, the chances for reaching an accommodation with Texaco-Gulf are slim.

Vargas' actions are likely to diminish the prospects of further foreign investment in the petroleum industry, magnifying the country's severe economic problems. Leaders of the country's civilian opposition have already questioned the triumvirate's competence and called for a return to democratic rule. As they become more aware of Vargas' machinations they will begin to oppose the military rulers more forcefully.

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### ECUADOR: AN INAUSPICIOUS START

Ecuador's new supreme council of government already appears headed for trouble. Minister of Natural Resources Rene Vargas' plan to alter the current modus vivendi with the Texaco-Gulf petroleum consortium is facing the government with a potentially disastrous problem. Since taking over the ministry on January 11, Vargas, under the guise of expanding petroleum production and exploration, has been trying to raise the price for Ecuadorean crude and purchase a majority voice for the government in the consortium.

Both schemes as currently envisioned are unacceptable to the consortium, which has threatened to sell out completely rather than bow to Vargas' demands. As an alternative, the company has offered to operate the facilities and market the oil on a service contract basis, but

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82-82

## ARGENTINA: PERON WILL NOT RUN

President Peron's announcement on February 18 that she will not seek re-election appears to have eased the pressure for her immediate ouster. In a brief address to the nation, she declared she was "not interested in running for the next constitutional term." She again rejected, however, the idea of stepping down before her current term expires in May of next year, citing an "historical mandate" to complete the term. To step down, she said, would only play into the hands of the left and cause "popular disruption."

The President was forced to make the announcement when the Peronist labor movement and members of her own party threatened to join her opponents in protesting controversial moves she had made earlier in the week. Peron had adjourned congress, closed down a critical newspaper, and called for major revisions of the constitution.

Peron sought to head off a move by congress to declare her "unable" to carry out her presidential duties. Top labor leaders, increasingly at odds with the President, were reportedly giving serious consideration to supporting such a motion. Peron's declaration that she will not run for election should take the steam out of this effort. Indeed, the government late on Wednesday announced it would reconvene congress next week. Top Peronist party officials, apparently satisfied with the President's latest moves, said they "fully support" her.

Military leaders, eager to avoid the need to intervene directly, undoubtedly added to the pressure on the President in the last few days. That she has yielded even partially comes as a relief to the officers, who, though apparently poised to make a move, nonetheless have consistently expressed their preference for a civilian solution.  

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President Peron at recent meeting with labor leaders

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