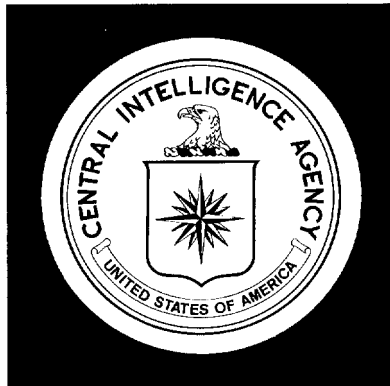


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Weekly Summary

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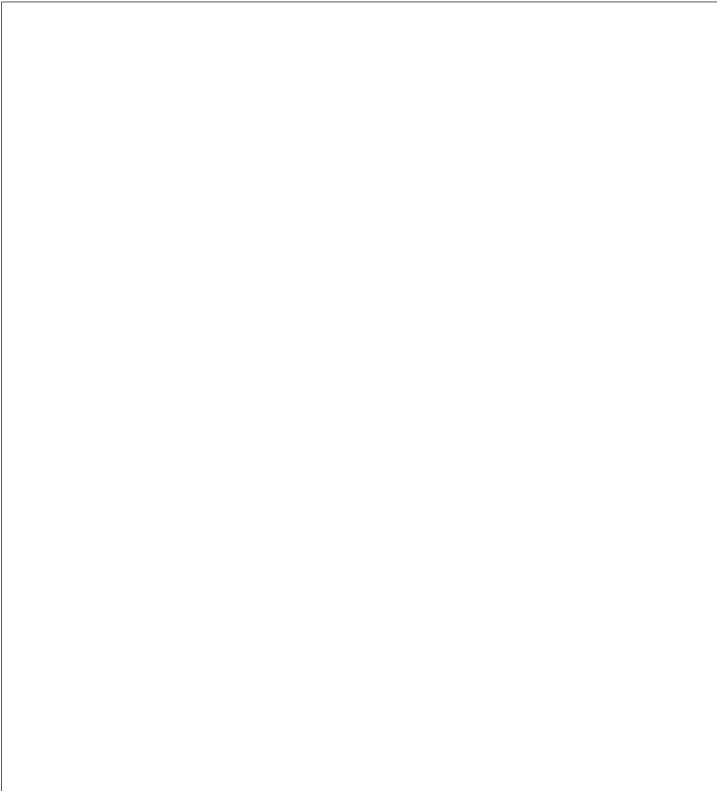
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of 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

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LEBANON: TURN FOR THE WORSE

The occupation by renegade Muslim soldiers of several Lebanese army bases this week has led to another political crisis in Beirut and to fears that the six-week-old cease-fire may collapse. Christian and leftist leaders have reverted to tougher positions in the negotiations on forming an expanded cabinet, and Prime Minister Karami has again threatened to resign. The deteriorating security situation has led to an increase in the number of violent incidents in northern Lebanon and in the capital, and to an increase in tension on Lebanon's southern border, where the Israelis are carefully watching for any buildup of Syrian-controlled Palestinian forces.

Karami's threat to resign was included in a March 11 statement expressing his frustration with the obstinate stands adopted by politicians on both sides of the Lebanese dispute. He almost certainly hopes that neither President Franjyah nor the Syrians will allow him to follow through with his threat. Karami presumably wants Franjyah to accept and marshal Christian support for Karami's preferred strategy of offering a general amnesty to all army deserters. He wants the Syrians either to force Lieutenant Ahmad Khatib, leader of the rebels, to accept an amnesty or to use Syrian-controlled Palestinian troops to take military action against Khatib's forces.

On March 10, the commander of Lebanon's army did offer amnesty to "those who are now outside the army," but it was not clear whether his offer would include the leaders of the dissident Muslim forces. The rebel leaders have replied only that they will await evidence that the army command will make good on its promises. The dissidents are apprehensive that those who accept amnesty will in fact be imprisoned and are doubtful that the army will follow through on its implied commitment to adopt a more aggressive

stand toward Israel. In the hope of placating the rebels, the army commander said in his March 10 statement that the "army of the future will defend Lebanon's borders."

Israeli leaders are closely monitoring events in southern Lebanon, where the dissidents have seized several military bases, but so far the Israelis have refrained from any comment or move that would inflame the situation. They fear that the spread of the mutiny to the border region will draw additional Palestinian forces into the area. Previously, Israeli leaders had indicated that they would consider the presence of major non-Lebanese forces in southern Lebanon a direct threat to Israel's security.

The Syrians, who are aware of Israel's apprehensions and desirous of avoiding confrontation with Israeli forces, still appear determined to contain or ultimately put down the Muslim army revolt with Palestinian troops. Both independent and Syrian-controlled Palestinian forces have the military capability to end the army revolt. They have been reluctant to do so, however, because Khatib is a hero to many Muslims. Moreover, the revolt serves as a reminder to the Christians that they are dependent on the Syrians and Palestinians to maintain order in most parts of Lebanon, and must cooperate in implementing a political settlement to secure a permanent peace.

Now that the revolt has reached the point that it complicates rather than facilitates negotiations, however, the Syrians and Palestinians probably will follow through with more forceful action to stop it. The Syrians are still committed to enforcing the cease-fire and have a long-term interest in seeing the Lebanese army strengthened rather than destroyed.

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3-6; 8

Pressure Increasing

Mozambique's closure of its borders with Rhodesia last week has stepped up the economic and military pressures on Prime Minister Ian Smith's white minority regime. The Rhodesian settlers are now more dependent than ever on the support of the South African government.

Mozambican President Machel has cut all the substantial ties with Rhodesia that his country inherited from the Portuguese when it became independent last year. Machel has not only blocked the Rhodesian transit traffic through ports in Mozambique, but also stopped all local trade and communications between the two countries and prohibited Mozambicans from going to Rhodesia for work.

Such a total boycott will be very costly for both countries. Roughly half of Rhodesia's overseas trade had been funneled through



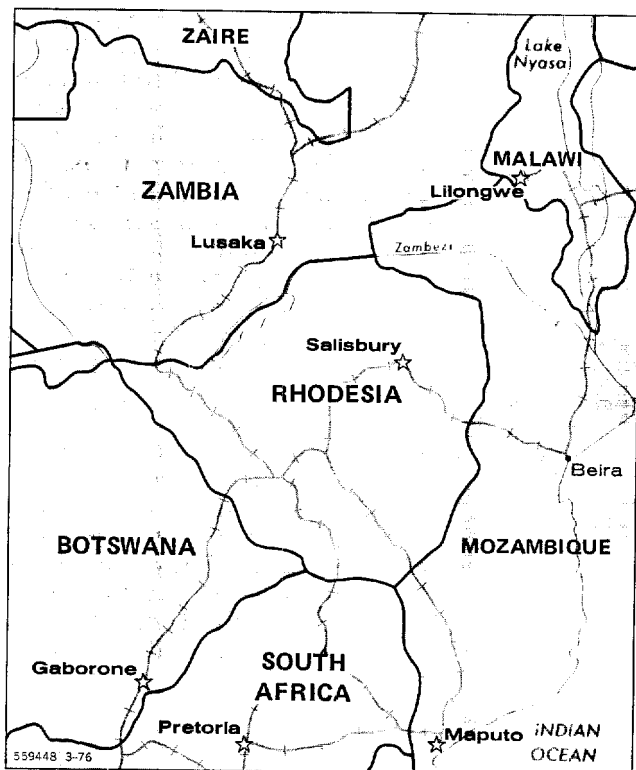
President Machel

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Mozambique's ports. Machel's already serious financial problems will be worsened by the loss of foreign currency hitherto derived from handling Rhodesian traffic and from the remittances of some 200,000 Mozambicans who have been working on Rhodesian plantations. Sharp increases in unemployment and likely food shortages resulting from the boycott will intensify existing social tensions.

The South African transportation network is physically capable of handling a significant portion of the Rhodesian traffic that had been going through Mozambique, giving Vorster a new opportunity to bring pressure on Smith to cooperate with his efforts to resolve the Rhodesian conflict. Vorster has been quietly pushing Smith to compromise with the black nationalists since late 1974, and he no doubt is more anxious now than ever to bring about a settlement that might head off an escalating insurgency that might eventually be supported by Cuban troops.

Vorster's reinforced leverage over Smith, however, must be used discreetly. The Mozambican boycott is an application of the UN sanctions against Smith that are anathema to white

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South Africans, and Vorster must avoid any move that would appear to be going along with UN sanctions. On the other hand, an emergency rerouting of Rhodesian trade would involve some costly disruptions in South Africa's normal traffic patterns—a politically acceptable explanation for rationing aid to Smith.

Machel's action has locked him into further support for the Rhodesian nationalists, who are determined to overthrow Smith unless he agrees to an early transfer of power to the black majority. Machel is already heavily involved with other southern African leaders in joint military preparations for backing the Rhodesian insurgents based in Mozambique, who are starting to expand their guerrilla operations inside Rhodesia.

Soviets Wary

9-23

Moscow is being cautious in both its public and private statements on the volatile situation in southern Africa. This may reflect the Kremlin's sensitivity to African desires—particularly on the part of Mozambique's Samora Machel and Tanzania's Nyerere—that the liberation effort against the "White Redoubt" remain firmly in African hands.

General Secretary Brezhnev strongly reaffirmed Soviet support for national liberation struggles in his keynote address to the party congress, but said nothing about liberating "racist Africa." Moreover, delegates to the congress responded unenthusiastically to speeches by officials from a number of pro-Soviet African leftist regimes and insurgent organizations.

Not surprisingly, the second-echelon representatives from the Popular Movement in Angola, the Congo, Guinea-Bissau, the South African Communist Party, and the South-West Africa People's Organization expounded on the need to support national liberation movements and to oppose white minority regimes in southern

Africa. The subdued audience reaction to their ideas suggests the Soviets were less interested in hearing about local conditions in Africa than in listening to the speakers' praise of past and future Soviet influence on the continent. Nevertheless, there was greater African representation at this congress than in 1971, including—for the first time—black nationalist delegations from Rhodesia and Namibia.

Soviet media, also, have been taking a cautious approach toward developments in southern Africa. They did not, for example, replay those portions of the recent saber-rattling speech by Popular Movement leader Neto in which he pledged all-out support for liberation groups targeted against Rhodesia and Namibia. Instead, the Soviet press hailed the normalization of relations between Angola and Zaire and emphasized Neto's willingness to cooperate with his African neighbors.

Soviet diplomats abroad have been putting out a similarly bland line on Southern Africa. On several recent occasions, Soviet personnel assigned to the UN told US officials that they anticipated no Soviet-Cuban role in Rhodesia. They observed that one potential problem for Moscow and Havana in supporting guerrilla operations against the Smith regime was the absence of a well-organized local liberation movement. The Soviet and Romanian ambassadors to Tanzania have seconded this view. Both recently told the US ambassador in Dar es Salaam that they saw no likelihood that the present Soviet and Cuban presence in Angola would be shifted to either Rhodesia or Namibia.

Such expressions of Soviet diffidence cannot be accepted at face value, particularly in light of unconfirmed reports that some Cuban troops and surplus Soviet military equipment may have recently been transferred from Angola to support Rhodesian guerrillas based in Mozambique. Nevertheless, they do suggest that Moscow has not yet geared up its machinery to justify an assertive policy toward Rhodesia, Namibia, and South Africa.

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Ould Daddah CRS

17-21

MOROCCO-ALGERIA: DIPLOMATIC BREAK

Morocco and Mauritania severed diplomatic ties with Algeria this week as the dispute between the three countries over Western Sahara continued. The move does not seem to presage any military escalation by either Morocco or Algeria.

Rabat's communique announcing the break explained that it was prompted by Algeria's formal recognition on March 6 of the Saharan Democratic Arab Republic, which was proclaimed on February 27 by the Algerian-backed Polisario Front. Algeria's recognition followed the Front's announcement last week that it had formed a "government" headed by a native Saharan, Mohamed Lamine Ould Ahmed.

[redacted] Rabat's action was designed primarily to warn other states not to recognize the Polisario entity if they value their relations with Morocco. Morocco and Mauritania have partitioned the former Spanish dependency, and each considers its portion to be now part of its sovereign territory.

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Thus far, only Burundi, Madagascar, and Benin, in addition to Algeria, have recognized the Polisario "state." An East European diplomat in Rabat claims that the USSR and other East European countries are not planning to extend recognition under present circumstances.

Mauritanian President Ould Daddah probably followed Morocco's lead reluctantly. Although some of his ministers have been urging him to break relations for the past month, Ould Daddah apparently hoped to work out a face-saving accommodation with Algiers on the contentious Saharan self-determination issue. He recently stated that he was not opposed to a free and honest referendum, expressing confidence that the people of Western Sahara would opt for Mauritanian citizenship if given their choice.

The statement seemed to move him some distance toward Algiers' insistence on a UN-supervised popular vote in the territory. Ould Daddah's commitment to retaining Mauritania's sovereignty over the southern Sahara and his heavy military dependence on Morocco, however, left him with little choice but to show diplomatic solidarity with Rabat.

Although the formal break will complicate future efforts to mediate the Moroccan-Algerian dispute, there are other public and private channels for direct communications between Rabat and Algiers. Moreover, the two countries probably will maintain official representation at the consular level or an interests sections in a third country embassy because there are still some 25,000 Algerians in Morocco and more than 250,000 Moroccans in Algeria. ([redacted])

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32-36

ISRAEL: NEW PARTY FORUM

Top Labor Party leaders moved last week to curb the growing dissatisfaction with Prime Minister Rabin's party leadership by creating a high level consultative forum that includes former prime minister Golda Meir. The new forum is in part intended to strengthen Rabin's standing within the party and to help him prepare for the party's national convention, now scheduled for October. In the short run, Rabin's active participation in the forum is likely to silence many of those who have been sniping at his "autocratic" style, but the new body could also prove a liability for him if he fails to secure Meir's full support.

Rabin has come under heavy fire recently from party leaders who claim that he has failed to consult and coordinate with them adequately on broad questions of policy. By bringing the party's important power centers together, the new forum is intended to dampen this criticism. In addition to the party's three principal factions and Meir—a power in her own right—the new body includes the secretary general of the party and the Labor leaders who head the general labor federation and the World Zionist Organization. Foreign Minister Allon's status has not yet been clarified, but it seems probable that, as a leading member of the government and a prominent spokesman for party moderates, he will participate.

The new forum has already achieved a measure of success in generating greater cohesion within the party. In response to the group's formation, Meir Zarmi, the party's secretary-general, withdrew his recent resignation, stating that Rabin had satisfied his main demand that the party resume its traditional role as a partner in the policy-making process.

For the future, much will depend upon the role played by Meir. As still one of the party's most respected leaders, she has the stature to help re-establish party unity. If she cooperates actively with Rabin, the Prime Minister's position as party leader will be strengthened, and he could hope to secure stronger support for the platform he will present at the party's convention.



Prime Minister Rabin O C I

On the other hand, if Meir is unwilling to lend her prestige to Rabin and instead seeks to push through her own policies, the Prime Minister's position will be further weakened and could eventually become untenable. Already, some Labor Knesset members have expressed their opposition to Meir's inclusion in the new forum, protesting that it will only further confuse the party leadership problem. They also fear that her presence will give the impression that Rabin himself has admitted his inability to establish firm leadership over the party.

As presently envisioned, the new forum will serve as the party's senior policy-coordinating body. It will not have a formal power of decision, but will instead submit its recommendations to the party's larger leadership bureau. One of the group's first tasks reportedly will be to arrange for internal party elections to prepare for the party's national convention. It is also expected to try to hammer out an agreed party position toward the illegal settlement attempt near Sebastia on the West Bank.

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The elections and the convention represent matters of vital importance for Rabin, because they will be the first occasions for him to put his stamp on the party platform. The convention will decide on the party's positions for future peace negotiations and various domestic issues in preparation for the 1977 national elections.

The formation of the new group will not satisfy all of Rabin's party critics. The party's youth faction as well as the backers of ex-ministers Eban and Dayan are unrepresented in the new body. They will resent their exclusion and will probably continue to criticize Rabin. Moreover, Labor moderates fear that the participation of such a well-known hard liner as Meir will strengthen party conservatives opposed to further territorial withdrawals, especially in the West Bank, during future peace negotiations with the Arabs.

were in custody following investigations into the awarding of trade and defense-related contracts. Those convicted so far include the chief of Iran's navy and 23 other military officers; prison terms ranging up to five years have been meted out. Additional important regime figures may yet be implicated.

Private Iranian and foreign business firms have also been targets. Some have been formally charged with defrauding the government and black-listed from doing further business in Iran, according to reports in Iranian newspapers. Early this month, Prime Minister Hoveyda bluntly denounced foreign business practices in Iran to a visiting group of US business leaders.

As the campaign continues, the initial focus on bribe-taking is gradually giving way to a more general theme of misconduct throughout government. The definition of corruption is being informally broadened by those implementing the campaign to include negligence and inertia in the bureaucracy. Investigative commissions have been set up in government offices in Tehran and the provinces. Iran's single political party is also involved in the investigations. Much of the activity, of course, is posturing by underlings to impress the Shah with their vigor in executing his orders.

Regime critics, ranging from the terrorists to the intellectual community, have charged that Iran's elite is siphoning off the bulk of the country's wealth for personal use, and the Shah is wasting it on needless military purchases. The Shah's campaign is designed to neutralize the issue as much as possible. His tactics closely resemble those used in 1963 when he launched his program of land and social reform in an effort to undermine his critics. At the same time, the campaign enables the Shah to reassert his authority over an increasingly powerful and independent-minded business community and to play to the economic interests of the middle and lower classes, probably in the hope of forestalling increased demands from those quarters for political liberalization.

37-38

IRAN: ANTI-CORRUPTION DRIVE

The Shah's current anti-corruption campaign appears to be a serious effort to alter traditional business practices. Politically, the campaign is part of the Shah's continuing effort to identify the palace with reform and with action to ensure a more equitable distribution of Iran's wealth.

The Shah's periodic denunciations of Iranian social ills took a more serious turn last fall when he launched an anti-profiteering drive that resulted in the arrest and fining of hundreds of businessmen, including some prominent persons. The drive against price-gougers was subsequently enshrined as a principle of the "Shah-People Revolution," putting Iran's political and economic elite on notice that this was not to be the usual perfunctory attack on corruption.

Late last year, Iran's semi-official press revealed that nearly 50 military and civilian officials

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39-42

SPAIN: GOVERNMENT UNDER PRESSURE

The violence that flared up in the Basque provinces last week appears to have died down, and the new Spanish government has weathered its most serious challenge to date without altering its measured pace of political reform. The regional turbulence and labor strife, however, will strengthen the hand of ultra rightists who oppose liberalization.

The trouble was touched off on March 3 when rioting broke out in the Basque provincial capital of Vitoria during a "day of struggle" organized by clandestine labor organizations to dramatize local strikes. The rioting was the most serious breakdown of public order since the new government took over last December and suggests that leftist agitators are improving their tactics. The strike that initiated the violence reflected a high degree of coordination by clandestine labor organizations; the demonstrations rapidly escalated into systematic violence even though tension was not believed to be unduly high. Small extremist groups have reportedly infiltrated some local labor groups in the Basque area and were probably the main instigators of the violence.

Police finally restored order in Vitoria, but the confrontation spawned protest demonstration and strikes throughout the Basque region. The most effective and widespread general strike since the Civil War brought economic activity in the heavily industrialized Basque provinces to a virtual standstill on March 8, when an estimated 300,000 workers protested the deaths of four demonstrators in Vitoria. Economic activity in the Basque region is returning to normal, but the success of the general strike there will encourage leftists who are reportedly planning a national general strike for later this month.

There are already signs that the far right will use the breakdown of public order to attack the government's cautious reform program. Ultra-rightists will particularly seek to blame Interior Minister Fraga—the chief architect of the

program and the man responsible for domestic security—in an effort to weaken his position in the government. Four of Fraga's closest collaborators told the US embassy in Madrid that Fraga would have to pay some kind of "political price" for Vitoria.

In addition to pressure from labor, regionalists, and far rightists, the government this week faced the first public airing of dissension within the military. The controversial court-martial of ten military officers accused of belonging to the illegal Military Democratic Union lasted only two days and ended with most of the defendants receiving harsh sentences ranging from two to eight years imprisonment and dismissal from the service.

The sentences are likely to provoke dissatisfaction in the armed forces. The Military Democratic Union, which is reported to have between 300 and 400 members and some 1,000 sympathizers, advocates political reforms and thus represents a threat to the Spanish military's long-standing determination to stay out of politics. Hard-line military leaders were intent on making an example of the ten in order to discourage any dabbling in politics by younger officers who, like the rest of Spanish society, are becoming more politically aware. Other senior generals argued that harsh measures would only serve further to politicize younger officers who already resent the die-hard conservatism pervading the upper echelons.

These problems did not deter the government from taking its first concrete steps toward political liberalization in submitting to parliament two major pieces of legislation designed to legalize political activity by organized groups. The first bill would codify the government's more permissive attitude toward political assembly, while the second would clear the way for freer formation of political associations—parties in all but name.

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Italian Socialist Party congress

ITALY: SOCIALISTS SET TERMS

43-44

If the Socialist Party has its way, the party congress that concluded this week will mark the formal end of a political era in Italy. In their final congress document, the Socialists declared "finished and buried" the center-left coalition formula—Christian Democrats, Socialists, Social Democrats, and Republicans—that has provided the basis for most Italian governments put together during the last 12 years. Although the Socialists did not rule out another coalition with the Christian Democratic Party, they made clear their determination to insist on terms that would end Christian Democratic dominance of the alliance.

The Socialists' strategy is aimed at protecting the party's pivotal position in Italian politics and ensuring that the Socialists are not relegated to a marginal role by the Christian Democrats and Communists. In spelling out their strategy, the Socialists thus sought to distinguish themselves from both the Christian Democrats and the Communists.

The Socialists drew a distinction between their long term objectives and their short term tactics. They emphasized, for example, that the party's long range goal is a grouping of leftist forces, including the Communists, that would replace the Christian Democrats as the major political force. This is posed as a leftist alternative to Communist chief Berlinguer's proposal for an eventual governing alliance between the Communists and the Christian Democrats—the so-called "historic compromise."

The idea of making a deal with the Christian Democrats still troubles more militant leftists—including some Communists—and Socialist leader De Martino probably hopes that his strategy will make more sense to them. De Martino emphasized, however, that the leftist alternative would not be politically feasible until the Socialists have increased their electoral strength with respect to the Communists and until the latter have severed their remaining ties to Moscow.

For the near term, the Socialists said they would be prepared to join another coalition with the Christian Democrats, but not before the next parliamentary election, now scheduled for May 1977. They made it clear that they want more influence in any new government and they stood by their demand for closer relations between the government and the Communist opposition.

De Martino did, however, back away from his earlier insistence on a formalized consultative relationship between the government and the Communists, saying only that the Socialists will refuse to join any government "prejudicially closed to or conceived as an antithesis to" the Communists. While that formulation offers more room for compromise with the Christian Democrats, its effect may be diminished by the tendency at the Socialist congress to portray a new Christian Democratic - Socialist government as a mere stop along the way to a leftist coalition.

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Regardless of how the Socialists phrase the demand, they are determined to force the Christian Democrats to abandon the practice of seeking behind-the-scenes support from the Communists in parliament, while professing opposition to them publicly. In the Socialist view, this informal coordination process allows the Communists to put their stamp on government programs while retaining their freedom to criticize from the opposition.

The Socialists believe their own long record of participation in Christian Democratic-led governments is largely responsible for the fact that the Communists' are benefitting more than the Socialists from the shift to the left that appears to be taking place in the Italian electorate. The Socialists see in this the potential for their own decline and for the consummation of the alliance that Communist leader Berlinguer wants with the Christian Democrats.

The line taken by the Socialists complicates the task the Christian Democrats face in trying to formulate a strategy at their congress, which opens on March 19. The Christian Democrats will be troubled in particular by the Socialist decision not to enter another government before the next election. As a result, the Christian Democrats will go into the election bearing the major responsibility for governing the country and subject to criticism from all sides. This may lead many Christian Democrats to favor an early election, on the assumption that their party would fare better in an election held this summer or fall than in one held after more than a year at the head of another weak and ineffective government.

The Christian Democrats, moreover, are still far from agreement on how to respond to the Socialist demand for more open relations with the Communists. The Christian Democratic position will be influenced heavily by the outcome of a leadership struggle now under way between the supporters of Christian Democratic chief Zaccagnini, who favors an open "dialogue" with the Communist opposition, and the party's center-right leaders, who are convinced that such a

policy would add to the Communists' increasing respectability and lead inevitably to broader collaboration with them.

45-52

ICELAND: MEDIATION CONTINUES

Norwegian Foreign Minister Frydenlund is continuing behind-the-scenes proposals for a compromise settlement in the dispute between Iceland and the UK. The Icelandic government has not responded to the proposals so far, however, and incidents at sea continue between Icelandic patrol boats and British naval vessels.

Frydenlund contacted British and Icelandic leaders, including Prime Minister Hallgrimsson, last weekend. Hallgrimsson agreed to present to his coalition cabinet a proposal that would permit 20 British trawlers to fish in the disputed area during negotiations. London wants the figure raised to 25 and also insists that Iceland "guarantee" not to harass the trawlers.

Hallgrimsson returned to Iceland on Sunday from a Nordic Council meeting in Copenhagen, but has not formally presented the proposal to his cabinet. He may hope the delay will cause the British to back down on the number of trawlers.

Meanwhile, the cabinet has discussed seeking additional patrol boats from the US. A committee to arrange for the purchase of patrol vessels has already been turned down by Norway, and if the US balks, the committee has threatened to go to the Soviet Union for patrol boats that can match the speed of the British frigates. An indication that Moscow might be cool to such a request was provided when the Soviet news agency in Reykjavik asked why Iceland approached governments for boats, rather than simply purchasing them through private channels.

Foreign Minister Agustsson told journalists last week that Iceland would consider withdrawing from NATO and closing the US-manned base

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at Keflavik if the UK does not withdraw its warships. Probably hoping to pressure the US to intercede with the British, he said he thought that "whatever the outcome of the fishing conflict, the agreement on the base will be canceled within a certain amount of time." Although Agustsson described this as his personal view, it contrasts with a televised statement last month in which he declared the need to keep separate the fishing dispute and Iceland's role in NATO.

In what is seen as a move to embarrass the government, the Communist-dominated People's Alliance—the major opposition party—introduced a bill this week that would levy a 25-percent duty on all British imports. The additional revenue would be used to finance the expansion of the Icelandic coast guard. The bill is likely to be pigeonholed since Iceland would suffer more than the UK through such a tariff.

Meanwhile, the British trawlers continue to fish in Iceland's unilaterally declared conservation zones, and London reportedly has added a fifth frigate to its force in the area. Further incidents, such as the one recently in which an Icelandic patrol boat forced an emergency breakaway during a refueling operation between British naval ships, will probably occur and may eventually cause a serious accident that would be almost certain to preclude the resumption of negotiations.

[Redacted]

53-54

MBFR: WEST WEIGHS SOVIET RESPONSE

At the force-reduction talks in Vienna, the NATO allies have reacted for the most part negatively to the Soviet answer last month to the West's nuclear proposal. The Soviet counter-proposal contains some new elements but no basic departure from past Soviet positions.

The most prominent new element of the Soviet proposal is its apparent acceptance of the

Western view that force reductions take place in stages, with the US and the Soviets reducing first. The Soviets have emphasized this feature as a response to the West's offer of a one-time withdrawal of some US nuclear elements.

The West has in fact decided that the new Soviet "concession" does not amount to much. Most importantly, it does not appear to change the Soviet desire for sub-ceilings on national forces. This feature, when combined with a proposal that the forces not being reduced be frozen at their existing levels, preserves what the West sees as the two basic Soviet goals in the negotiations: to obtain formal Western acquiescence in Soviet force superiority in Europe, and to deny individual West European countries—the West Germans in particular—the ability to improve their forces.

Perhaps the most intriguing feature of the Soviet offer has been the shift to an equal percentage formula for determining the size of first-stage reductions of US and Soviet manpower. The new stress on a percentage formula underscores the need to agree on a common data base for the existing forces in the reduction area. The West can now press more aggressively for a data exchange, which it feels will demonstrate the existing force disparities and help document its case for greater reductions on the Eastern side. A Soviet decision to exchange data could thus signify a serious desire for progress in the negotiations.

The allies have still not taken a definitive position on the Eastern proposal as a whole, in part because many aspects of the proposal still remain unclear. The deeper problem, however, is that there is still little sign of movement by the Soviets toward the basic Western demand for parity in ground forces. For this reason, some allies have suggested that the proposal is intended primarily as a tactic designed to counter the public effect of the allied proposal and give the Soviets time to consider what to do next.

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EC: POSITION ON LAW OF THE SEA

EC members are showing increasing interest in developing a Community position as they prepare for the next round of negotiations at the UN Law of the Sea Conference that opens in New York on March 15.

Denmark and the UK have been pushing hardest for a common policy, arguing that this would considerably enhance the Nine's bargaining power. Other EC members are supporting a drive for the EC to sign the treaty as an independent entity, on the grounds that the Community could more effectively represent the member states in bilateral negotiations, primarily on fishery issues, that would follow a Law of the Sea treaty.

The Nine will probably try, at an early stage of the talks, to insert a clause in the general articles to establish the Community's status in the negotiations. Community competence in such areas as fishing, pollution, and marine research would thus be acknowledged.

EC members appear to be moving toward a common position on the issue of mining the deep seabed. The Nine—none of which currently has the technology to mine the valuable seabed nodules—are united in their desire to prohibit unrestricted access to seabed sites by the US, but they want to avoid measures that would restrict their own access.

The British had previously pushed the idea of quotas to limit the number of seabed sites any single country could mine, but they may now be modifying this stand. The French continue to press for a quota system.

Fisheries Policy

Although the Community has made good progress toward revising its fisheries policy in anticipation of a conference agreement to establish a 200-mile economic zone, several problems remain.

The EC Commission presented proposals on the fisheries question to the Council earlier this week that would:

- Extend the exclusive national fishing zones to 12 miles.
- Give the EC competence to negotiate member-state fishing rights with third countries.
- Create a community system to manage fishing within the EC's 200-mile zone through the use of catch quotas.

Quota System

Catch quotas are needed to prevent EC fish stocks from being depleted as community fishermen, increasingly shut out of third-country waters, are forced to fish the home grounds more intensively.

National quotas would be calculated on the basis of past catch figures, losses suffered following the establishment of the economic zones by third countries, and gains to Community fishermen from the reduction of third-country fishing from the "community pond."

Dublin objects strongly to this formula on the grounds that it would hamper efforts to develop Ireland's fishing industry. The Danes support the Irish, arguing that an EC policy must take the members' traditional fishing areas more into consideration.

The UK and Ireland are insisting on 25- or 50-mile national zones rather than 12, and on other preferential riparian rights. Other EC states, however, have resisted even the proposed 12-mile limit, since the Community is already committed to equal access for all EC fishermen in Community waters. The French, among others, want the principle of equal access extended to include the 200-mile zone, should this be adopted.

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EC: AGRICULTURAL POLICY

The EC Council of Agriculture Ministers last week worked its way through a long, tough agenda, concluding with the perennially difficult task of setting annual support prices for agricultural products. The outcome again made clear that political considerations dictate the maintenance of a high support level and prevent any extensive reform to correct the notorious shortcomings of the Common Agricultural Policy.

Although Bonn, as at last year's session, backed away from a showdown over the horrendous costs of the Common Agricultural Policy, parts of the agreement—especially the rise in food prices—have come under fierce attack by consumer and other private organizations in Germany. Paris, for its part, seems generally pleased with the outcome, particularly because solutions were found to the explosive problems of wine and dairy products.

The council adopted the EC Commission-recommended average price increase of 7.5 percent for the 1976-77 marketing season, as against the 10.6 percent called for by the powerful farm lobby. Adjustments in the EC's system of units of account used for farm prices, however, vary from country to country. Italy will have the highest, and Germany the lowest, price increases in terms of national currencies. The farm support package will, as usual, require a large supplementary budget, but the costs involved have not yet been tallied.

Seeking to settle the year-old "wine war" between France and Italy, which had sparked violent demonstrations in France last week and resulted in numerous casualties, the Council agreed on a hefty increase in price supports for Italian wine, a discontinuation of Paris' illegal border tax on wine imports from Italy, and a community-subsidized storage and distillation scheme. While these steps—together with EC measures aimed at structural reforms of viticulture—have bought time for France to cope

with the volatile situation, the basic problems of the winegrowers have not been solved.

Despite a strong US demarche and a warning that Washington would take the matter to GATT, the Council approved a plan to reduce a non-fat dry milk stockpile of well over a million tons through the compulsory purchase by consumers of 400,000 metric tons for use in animal feed. US producers expect that this will sharply reduce the EC's soybean imports. Skim milk powder allotted the food aid program was increased from 55,000 to 200,000 tons. Commission President Ortoli had earlier told the US ambassador to the EC that the Commission believes its proposals are consistent with GATT rules and that the impact on trade will be negligible.

The Council tasked the Commission to come up with a proposal, before fall, for a system under which producers would assume some financial responsibility for structural surpluses. The common price system of the Common Agricultural Policy was originally envisaged as a way to enhance competition and—through farm modernization and job retraining—bring about a functional reorganization of agriculture. Price supports have instead led to overproduction and massive stockpiling of many agricultural products including dairy items—which currently account for over 40 percent of the farm fund budget. Sporadic attempts to deal with the farm surplus and other problems have failed in the face of member state protectionism.

Ireland, for example, will deplore the adverse effects of the new grain prices on freer trade in farm commodities but bowed to pressure from its own farmers. Rome accepts such higher prices in order to secure high support levels for its olive oil, citrus, and wine. Common Agricultural Policy advocates argue that the policy guarantees a substantial degree of food self-sufficiency at stable prices. The argument sounded more convincing when world farm prices were generally above EC levels in 1973-74 than now when world market prices have dipped below those in the EC.

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67-69

STABILITY REIGNS IN MOSCOW

Soviet leaders shunned change both within their own ranks and in the Central Committee as they closed the party congress last week. General Secretary Brezhnev's public stature reached a new high at the congress, but he will evidently continue a consensus type of leadership in conjunction with the old guard of senior leaders. The congress offered no sign that preparations were being made for the succession when Brezhnev leaves office. Rejuvenation was not attempted in either the Central Committee or the Politburo; the average age of its full members is still 66.

Two candidate members of the Politburo were promoted to full membership. The elevation of party secretary Ustinov, in charge of the defense industry and space, completes the representation on the Politburo of officials responsible for foreign policy and defense. He joins there Foreign Minister Gromyko, Defense Minister Grechko, and KGB chairman Andropov. The other new full member, Leningrad party chief Romanov, represents the country's second largest city and is a spokesman for innovation in economic organization. Azerbaydzhan party chief Aliyev became a candidate member. The Caucasus republics had lacked representation since Georgian party boss Mzhavanadze was dropped in 1972. Agricultural Minister Polyansky, who was a full member, was dropped completely, a scapegoat for the harvest failures.

Two new faces were added to the party secretariat. *Pravda* chief editor Zimyanin will presumably oversee cultural affairs and the intelligentsia, a post vacant since Petr Demichev was demoted to minister of culture in 1974. The other new secretary is Konstantin Chernenko, a long-time confidant of Brezhnev. As chief of the Central Committee's general department, he has been executive secretary to the Politburo.

The survival rate of Central Committee members was over 80 percent—higher than at any congress since the 1930s and perhaps the highest in the party's history. The number of full members was raised to 287, an increase of 46 over the number elected at the last congress in 1971. Many

party officials were promoted from candidate to full membership on the Central Committee, strengthening the party in relation to the government apparatus and presumably also strengthening Brezhnev.

Most of the full-time party functionaries as well as some additional government officials who were added to the Central Committee come from the Russian Republic. The RSFSR's share of Central Committee members thus increased significantly in comparison with that of the other republics.

Several USSR ministers responsible for consumer-oriented industries moved up to full Central Committee membership despite criticism of the consumer sector at the congress. The rising importance of oil to the economy is reflected in the promotion to full membership of three ministers connected with the petroleum industry.

[Redacted]

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70-72

YUGOSLAVIA: TITO TAKES A TRIP

During his ten-day visit to three Latin American countries, President Tito will be trying to enhance Yugoslav influence in the Western Hemisphere's nonaligned countries. In Mexico, Panama, and Venezuela, he will lobby hard for support of Belgrade's efforts to restrain the more radical third-world elements from taking divisive stands at the nonaligned summit in Sri Lanka this summer.

The 83-year-old Yugoslav leader began a four-day visit to Mexico on March 10. In a pre-trip interview with the Mexican press, Tito lauded President Echeverria and stressed the need for increased nonaligned activity by the Latin American countries.

Tito's talks in Panama, from March 14 to 17, will probably be the most delicate of his trip. He is

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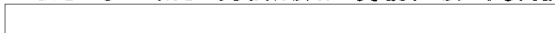
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expected to reiterate previous Yugoslav promises to support Panama "fully and unconditionally" on the Canal issue. Tito's commitment to nonalignment presumably requires such rhetoric, but Belgrade will be watching closely for Washington's reaction.

Tito's goals in Venezuela, a stop added in the later stages of planning for his tour, are less clear. He is expected to preach nonalignment and may

also push Yugoslavia's view that OPEC countries, like Venezuela, have an obligation to help improve economic conditions in the less developed countries.

On the return leg of his trip, Tito will meet briefly with Portuguese President Costa Gomes, apparently while his plane is being refueled at Faro on the southern coast of Portugal.



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CHINA: A CAMPAIGN PRONOUNCEMENT

73-78

Peking's most authoritative statement to date on the campaign to criticize Teng Hsiao-ping, while linking Mao Tse-tung directly to the effort, still reflects differences within the party over how far to pursue the current campaign. A *People's Daily* editorial of March 10 quotes Mao on the need to "narrow the target" of the attack, implying that Teng alone should be criticized, but it leaves the door open for criticism of other officials who are associated with Teng and who, like him, were returned to public office after being ousted a decade ago. While the editorial stops short of calling for Teng to be overthrown, he is separated from other officials who, the editorial notes, should be "helped" to correct their past mistakes.

The party's left wing will undoubtedly use one of the statements in the editorial, which is linked directly to Mao, to broaden the attack to include many of the rehabilitees who once again hold important positions. The editorial nevertheless calls for people to remain "coolheaded" and strictly prohibits the kind of disruptive political activity that characterized the Cultural Revolution.

These prohibitions, which are at the heart of the editorial, strongly suggest that more moderate-leaning members of the leadership still retain a major voice in defining the scope of the campaign. These leaders almost certainly prefer

to limit the attacks to Teng himself and to keep the campaign from gaining enough momentum to encompass large numbers of rehabilitated officials and to undercut major domestic and foreign policies. The restrictions may be particularly important in view of the greater identification of Mao with the leftist cause in general and with the attacks on Teng in particular. The editorial introduces two new "quotations" from the Chairman which tie him closer to the campaign. But even this new invocation of the Chairman's authority is somewhat ambiguous. The editorial states the campaign is being conducted under the direction of the "central committee headed" by Mao—a power-sharing formulation that was conspicuously absent throughout the Cultural Revolution and only regularly reintroduced after the Lin Piao incident, when the central authorities were unsure of army loyalty and Mao was somewhat tarnished by his previous relationship with the disgraced defense minister.

The central authorities also seem to be making other efforts to define the scope of the campaign. In a briefing for foreign diplomats in Peking on March 6, a university official stated that Teng is the only target of the current attack and implied that he could remain in power if he agreed to admit his mistakes. He added, however, that Teng had not yet done so. The official refused to be drawn out on what Teng's ultimate fate would be or on his current status, but the general

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low-key tenor of his comments suggests that Peking is making a concerted effort to play down the campaign for foreign audiences—and that important elements in the leadership are concerned about the possible impact abroad of indications of political instability. This briefing is unprecedented and represents a major departure from practice during previous political campaigns.

A senior communist official in Hong Kong also gave a relaxed explanation of the campaign to an American diplomat and suggested that those leaders in Peking who oppose the current campaign will eventually be heard from. One possible indication of this is the recent report that wall posters appeared in Canton attacking Chiang Ching, Mao's leftist wife.

Posters in Shanghai and in Kwangtung Province are calling for Teng's ouster. One report claims central authority for a call to "strike down" not only Teng but other, unspecified "rehabilities." Moreover, some reports of the attacks on Teng carry the implication that the late Chou En-lai is also to blame for his role in returning Teng to power. If this line is pursued there is likely to be a strong anti-leftist backlash from Chou's many former supporters and adherents.



WORLD WIDE

Equally important, there are signs that civilian leftists are courting the military as allies in the current campaign. The military was conspicuously absent during the campaign's initial stages, but some units are now beginning to participate in the criticism of Teng. In what seems to be a direct appeal to China's powerful regional military commanders in the provinces, wall posters reportedly have accused Teng of seeking to undercut the authority of these regional commanders by concentrating military power in Peking and more particularly in his own hands.

Military support would give a boost to those who are most actively pursuing the current campaign because at present they do not appear to have the muscle to enforce their demands. In the Cultural Revolution, support from Lin Piao and other central military authorities was crucial to the development of the campaign. The support of the military is equally as important to those who would like to keep the current campaign from getting out of hand. It is reasonable to assume that civilians on both sides of the issue are trying to line up military support, but the military thus far has not decisively tilted toward either side.

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81-82

JAPAN: LIBERAL DEMOCRATS IN CRISIS

With the Lockheed affair having developed crisis proportions in Japan over the past six weeks, Prime Minister Miki is now coming under increasing pressure as Washington prepares to transmit pertinent data to Tokyo.

Immediately at issue is how the government handles the evidence. In an effort to dispell any notion that a coverup was under way, Miki had previously promised full disclosure. Other members of the ruling Liberal Democratic Party argued that releasing names in Japan's superheated atmosphere without first thoroughly investigating the evidence would be tantamount to character assassination. Miki subsequently modified his stand, and late last week US officials proposed that the evidence be disclosed only in the context of prosecuting specific individuals.

As a result, Miki is now under fire from members of his own party for having promised too much and from the opposition parties and the press for failing to fulfill that promise. The opposition has used this issue to stall Diet proceedings while continuing to press for full disclosure and criticizing US restrictions on use of the evidence.

As a result of the legislative impasse, one leading conservative recently suggested that Miki might have to dissolve the Diet and hold an early election. The opposition will resist an early election because it wants to exploit the Lockheed affair and believe that an election this spring would tend to end the issue prematurely. For their part, conservatives would almost certainly prefer to avoid an election in the current atmosphere, although an election must be held sometime this year.

Uncertainty about what revelations are in store has generated considerable anxiety and factional maneuvering in the party. Miki, widely considered to be innocent of any wrongdoing, views the affair as an opportunity to strengthen his own position by cleaning up the party, but he operates on a narrow base of personal support, faces stronger contenders for his job, and is saddled with the responsibility of conducting a convincing investigation. At times, Deputy Prime Minister Fukuda has tended to support Miki since

a purge would most likely damage his longtime rival, former prime minister Tanaka. As a potential prime minister, however, Fukuda may also be looking for an opportunity to ease Miki out of office. The net result has been an uneasy consensus to pursue a "damage-limiting" strategy pending a decision in Washington to transfer the available evidence.

The eventual outcome of the current crisis hinges largely on the evidence received from the US and the manner in which Tokyo handles it. Possible developments range from virtually no disclosures at all to the implication of a powerful faction leader such as Tanaka. In either of these cases, the Miki cabinet would be jeopardized. An optimum outcome from the government's point of view would probably involve the indictment of



Prime Minister Miki OCI

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a few relatively minor officials. Alternately, the government might be unable to maintain the confidentiality of the evidence while conducting its investigation and opt for an early election in an effort to cut its losses. [redacted]

85-86

JAPAN-AUSTRALIA: MENDING FENCES

Japanese-Australian relations seem likely to improve, following a relatively abrasive period caused by the economic recession and the policies of the former Whitlam government. Although Tokyo is still cautious, the recent visit by Australian Deputy Prime Minister Anthony has given Japanese leaders a clear impression that the new Fraser government is considerably more eager than its predecessor to encourage a Japanese economic role in Australia, particularly in the development of natural resources. Trade problems will remain, but should diminish in intensity.

Anthony's trip, the first overseas visit by any senior minister in Prime Minister Fraser's cabinet, seemed designed to underscore the importance the new Australian government attaches to relations with Japan—Australia's largest trading partner. The Japanese responded with a top-level reception. Anthony met with most of Japan's top cabinet ministers, including Prime Minister Miki.

During the Whitlam administration, trade and the development of Australian resources were contentious issues in relations with Japan. Some of the difficulties stemmed from Japan's desire for guaranteed access to Australian raw materials, and at the same time, a relatively unhindered market for Japanese manufactured goods. These objectives have run headlong into Australia's traditionally protectionist policies on manufactured products and, more recently, have conflicted with growing nationalistic sentiment against foreign "exploitation" of Australia's natural wealth.

Both sides engaged in discriminatory trade practices, partly in an effort to counter recessionary pressures. Tokyo caused an uproar in 1974 by banning imports of Australian beef, clos-

ing off a major market for Australian producers. Last year, some imports were resumed, but not nearly enough to satisfy Canberra. Japanese companies caused additional irritation by asking Australian mineral producers to cut back agreed-upon shipments because of the downturn in the Japanese economy.

The Japanese, for their part, have been unhappy over Canberra's efforts to influence prices in contract negotiations between private Japanese and Australian companies. Tokyo is also vexed over import restrictions imposed by Canberra on a wide range of products, particularly automobiles. The trade balance is heavily in Canberra's favor, which adds to Japanese dissatisfaction.

Much to the pleasure of Japanese leaders, Anthony indicated that the Fraser government is committed to private development of resources—including uranium, which was off limits to foreign participation under Whitlam. Anthony also expressed his government's intention to try to improve trade relations.

One Australian embassy official admitted that Anthony's description of Australian-Japanese economic interdependence as a source of strength, rather than vulnerability, constituted a significant evolution in Canberra's thinking. Japanese officials for their part seem generally optimistic about the Fraser government's "pro-business" attitude as well as Anthony's frequent references to "market prices and forces" in his conversations with Japanese leaders. Another source of encouragement to Tokyo is Canberra's renewed desire to conclude a basic relations treaty. Talks on a treaty have foundered for several years because of differences over economic issues.

There is some concern in Tokyo that the Japanese business community will overreact to the conservative victory in Australia and fail to give due regard to the basic nationalistic undercurrent still running strong in Australia. Insensitive behavior by Japanese firms in the difficult negotiations coming up on raw materials prices, for example, could diminish the good will of the new Australian government. [redacted]

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87-89

PHILIPPINES: REBELLION IN THE SOUTH

The Muslim rebellion in the southern Philippines has intensified after a lull of several months. The commander of the Philippine armed forces in the southwest, who had been publicly saying that the Muslim threat had tapered off, now has his troops on full alert.

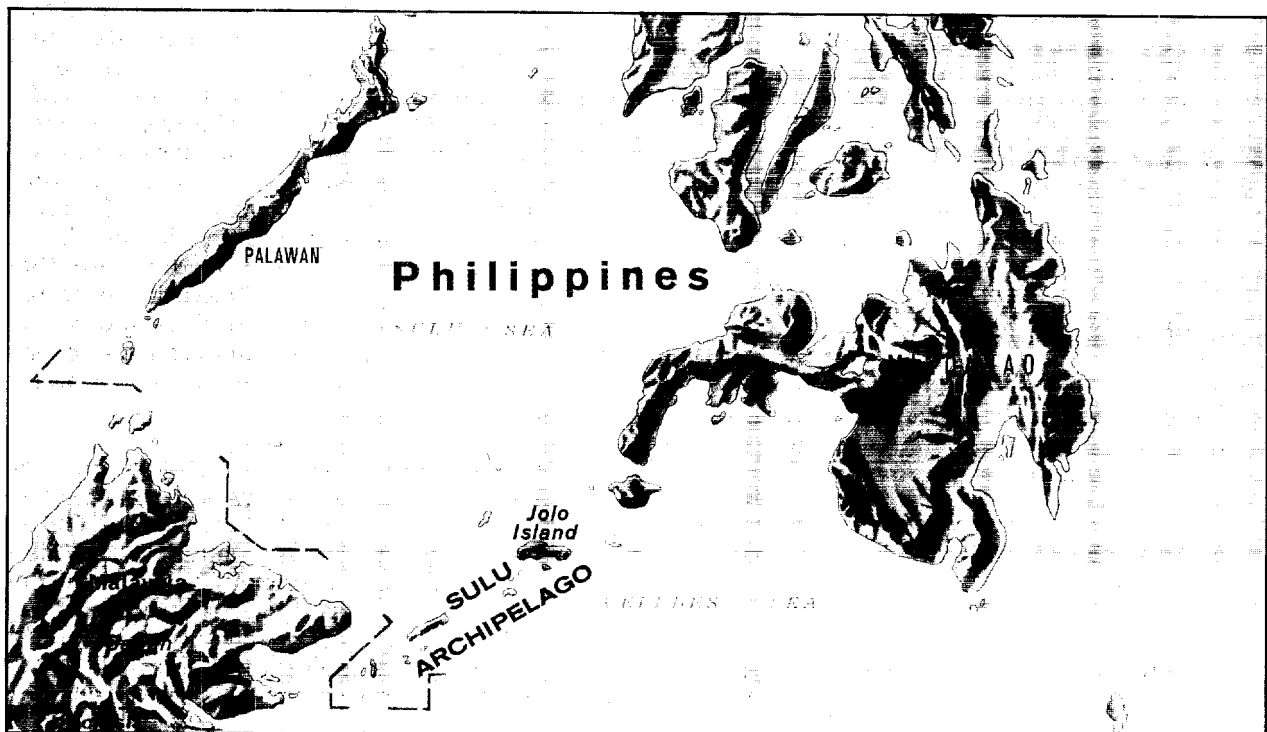
The government is capable of keeping this resurgence of activity from getting out of hand, but is not able to quell completely the Muslims. There is no end in sight to the rebellion. The Muslim-Christian conflict in the south has existed for centuries, and most Filipinos regard bloodshed as the normal state of affairs in Mindanao-Sulu.

The Muslims, who are concentrated on the island of Mindanao and the Sulu archipelago, believe that the Christian majority and government will eventually obliterate Islamic culture and society. The continuing encroachment by Christian immigrants into traditional Muslim lands, Manila's discrimination in providing government

services, and the Muslims' underrepresentation in the armed forces and elsewhere in government provide considerable justification for Muslim apprehensions.

Although the Moro National Liberation Front ostensibly represents all Muslim rebels, the Muslims are divided and leaders rarely agree on goals or tactics. The Front probably has from 300 to 500 cadre and 3,000 to 5,000 full-time soldiers or support personnel backed by thousands more who may from time to time fight government forces if ammunition is available.

The Muslim provinces on western Mindanao are plagued by grenade attacks, hijackings, ambushes, kidnappings, incidents between Muslim and Christian civilians, as well as some attacks on Philippine armed forces units. Most of this violence is the result of banditry and quarrels between the large local Christian and Muslim communities, aggravated by intense clan rivalries.



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Area predominantly Muslim

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The government has stationed four fifths of its combat battalions in Muslim areas. The most serious combat in recent months has come from search and destroy operations, particularly on Jolo Island. It is estimated that the Philippine armed forces suffered an average of 100 killed in action and 300 wounded each month during 1975. Despite this substantial commitment, the troops in the south are not strong enough to stamp out the Muslim rebellion. The armed forces, moreover, are poorly trained, ill equipped, and lack discipline.

President Marcos is aware that major offensive operations in the past resulted in adverse press commentary in Muslim countries. Too much of this kind of publicity could endanger the Philippines' supply of Middle Eastern oil.

With one eye on the international audience, Manila has for years been engaged in a well publicized on and off again campaign to encourage defections from the badly factionalized Muslim movement. Claims that some 10,000 rebels have surrendered and that the Muslim organization has become unraveled appear vastly exaggerated. The government has also given substantial publicity to its impressive array of programs designed to benefit the Muslims. Implementation of these programs has been slow, and in reality the government has done little to deal with Muslim grievances.

Marcos seems to have no intention of engaging in any serious negotiations to discuss demands for autonomy with Muslim dissident leaders. Government representatives, however, from time to time engage in "peace talks" in another effort to give the impression of movement and reasonableness. Marcos, like all other Philippine presidents before him, is committed to the concept of a unitary state and is unwilling to accede to Muslim demands for even limited autonomy.

The Muslim rebels for years have received weapons and funds from Libya and elsewhere, funneled through the Malaysian state of Sabah. A lull in the fighting during the second half of last year and the forced resignation of Sabah's chief

minister Tun Mustapha, who has been the principal foreign backer of the Philippine Muslims, raised some hopes in Manila that external support was dwindling. Tun Mustapha, however, remains a political power in Sabah and is probably still involved in arranging arms shipments to the Muslims.

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70-91

SOUTH KOREA: PAK'S FOES

The Pak government has reacted sharply to the latest opposition protests in Seoul, but the controversy appears unlikely to lead to a serious challenge to the authority of President Pak.

The strongly worded statement critical of the Pak regime issued last week by a group of leading anti-government figures—including Kim Tae-chung, Pak's respected opponent in the 1971 presidential election—was intended to fan criticism of the government in the US and Japan and spark a renewal of activism among Korean students, Christians, and intellectuals. The statement was timed to coincide with the return of students to the campuses for the spring session, often a time of political unrest in South Korea.

So far, the effort is falling well short of this goal. Over the past several years, and especially since the fall of Indochina last spring, the system of legal and extralegal controls established by the Pak regime has undermined and enervated its opponents. The government has moved quickly to detain most of those responsible for last week's statement, including Kim Tae-chung, and they will be prosecuted for plotting the "overthrow of the government."

Although an overreaction by the regime—for example a harsh sentence for Kim—is possible, Pak's top aides at least seem aware that this could prove counterproductive and provide the regime's critics the kind of emotional issue they now lack.

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97-105

VENEZUELA: WORRIED ABOUT GUYANA

Cuba's intervention in African affairs has stirred concern in Caracas over Havana's growing influence in Guyana. In recent weeks, the Caracas press has given heavy play to allegations that Guyana, with Cuban assistance, is engaged in a military buildup along its disputed border with Venezuela. The reports, which first appeared in the influential conservative weekly *Resumen*, claim that upwards of 200 Cubans were serving as advisers to Guyanese paramilitary forces operating from camps recently established in the interior and in the area in dispute.

The Guyanese ambassador in Caracas publicly denied these reports, and Prime Minister Forbes Burnham in a major speech on February 23 dismissed them as fabrications by "foreign hawks" bent on discrediting his country. There is no evidence to confirm a Cuban military presence in Guyana, but the issue refuses to go away. As a result, many influential people in Venezuela, including some leaders of President Perez' governing Democratic Action Party, believe the reports to be true and are pressuring the government to take a hard line with Cuba and Guyana.

The issue also gave conservative nationalists in Venezuela a basis for questioning the wisdom of Perez' highly publicized policy of rapprochement with Cuba and Guyana. These people are attempting to revive the clamor for a return of Venezuela's "lost territory." They are also seeking to discredit domestic leftists. For his part, Perez has reacted in low key, in sharp contrast to the emotional excesses of some of the local press. Nevertheless, he has made quite clear to Havana and Georgetown his displeasure over developments in Angola and Guyana.

Perez is troubled by Cuba's demonstrated capacity and will to mount and support a large-scale military force several thousand miles from home. Such power could just as easily be manifested in the politically unstable Caribbean, where Venezuela has major political and economic interests. Guyana's willingness to provide Cuba with refueling and transit rights for its Angola airlift has further accentuated Perez' concern that the Cuban presence in Guyana could eventually become a major Cuban toehold on the continent. Such a development would

jeopardize the stability of the region, provide a source of regional political discord—which Perez' policy of Latin American solidarity seeks at all costs to avoid—and complicate the handling of the delicate border problem with Guyana.

While the Perez government tries to convince both Cuba and Guyana of the seriousness with which it views recent developments, it is also busy improving its military capability in the border area.



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On March 2, in a significant gesture aimed at cooling the situation, Guyana's minister of information instructed the government-controlled media to play down its heavy coverage of Guyana's ties with Cuba, the USSR, and China in order to avoid further aggravating relations with Venezuela and Brazil. In another move to demonstrate that Guyana has nothing to hide, the Burnham government has permitted at least one US press representative to visit the interior, including the paramilitary national service camps.

Although the current efforts may take some of the steam out of the press campaign being waged against Guyana in both Venezuela and Brazil, the episode will feed Burnham's obsession that his country faces a military threat from its neighbors and could drive him to closer relations with the socialist countries.

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118-120

ARGENTINA: ECONOMIC PLAN OPPOSED

Although top labor leaders have apparently expressed support for President Peron's latest economic austerity program, they apparently do not have the backing of the rank and file.

Workers are continuing the strikes and work stoppages begun earlier in the week to protest the program, which included drastic price rises and a minor wage increase. The auto industry was particularly hard hit as thousands of workers

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walked off the job in Cordoba and Santa Fe, as well as in Buenos Aires. Maverick Peronist labor boss and Buenos Aires governor Calabro broke his recent silence to label the new plan a "fraud" that penalizes workers.

Strong opposition was also voiced by key congressmen, including members of Peron's own party, and by the nation's most influential businessmen's group. Some of the critics claim that the reforms were forced on Argentina by external pressures, emanating principally from the International Monetary Fund.

As a result of worker pressure, the administration agreed at midweek to augment its original wage increase significantly. Even the 20-percent increase subsequently granted, however, is not likely to satisfy workers whose salaries are ravaged by soaring inflation and who are unaccustomed to sacrifice. The prospect is for still more pressure from below on the top unionists and for further striking.

The administration is hardly in a position to stand up to massive strikes. In the final analysis, Peron will probably be obliged to grant a further wage increase in order to keep the workers in the factories. Another failure by the government to deliver economic reform could convince the military, still poised to intervene, of the need to move. [redacted]

224-117

BOLIVIA: RENEWED UNREST

A year of relative political calm has given way to a resurgence of anti-government strikes and demonstrations by students and miners. President Banzer has already begun to retaliate and is likely to profit from government allegations of a widespread subversive plot.

The trouble started almost a month ago when students in La Paz began to agitate for democratization in the university system and to demand the release of students detained for suspected subversive activities. Street demonstrations quickly became pitched battles

with police, and violence spread to the university in the country's second largest city of Cochabamba. The government responded by closing the universities, an action that provoked the powerful miners federation, which represents 30,000 workers throughout the country, to stage a 24-hour sympathy strike.

Earlier, workers at the two largest mines had elected Marxist union leaders in open defiance of a government ban. Officials of the state mining monopoly have asked the government to take immediate and decisive action to quell disruptive forces. Citing work slowdowns and mineral thefts as signs of growing rebellion, the officials also point out that several radio stations are aiding the dissidents by broadcasting speeches and resolutions urging workers to maintain a united front against management.

The interior minister has assured mining officials that "severe measures will be taken." President Banzer has already jailed hundreds of protesters and has forced into exile several middle-grade officers who have been involved in previous conspiracies against him.

The government now claims to have proof that leftist extremists, supported by groups outside the country, are fanning the discontent. There are also allegations that foreign governments are fostering the current agitation in an effort to impede Banzer's diplomatic efforts to obtain an access to the sea. [redacted]

It makes little difference whether these reports are true. Banzer often has manufactured evidence in the past to suit his own political ends and generally attributes domestic political turbulence to international conspiracies. He will almost certainly use the "evidence" to solidify military support behind him and to justify an even firmer crackdown on protesters. He can also now argue that foreign countries have obstructed his attempts to obtain a corridor to the sea and use this argument as a plausible excuse for failure to achieve this objective. [redacted]

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124-125

OPEC: IMPORT PRICES DROP

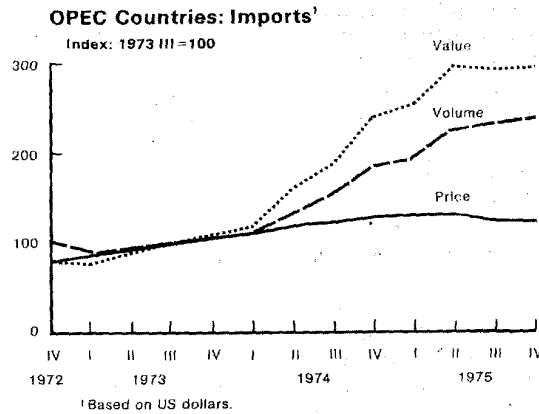
The prices of OPEC imports, which oil producers have used to justify price hikes, have declined at an 8-percent annual rate since March 1975, reversing the trend of the past two years. This should make it easier for Saudi Arabia and like-minded OPEC countries if they choose to resist or restrain a midyear oil price hike when the oil ministers meet in Jakarta in late May.

The dollar prices OPEC countries paid for their imports averaged only about 6 percent above the previous year—a far cry from the 27 percent jump in 1974. Whereas OPEC import prices had climbed steadily throughout 1974, we estimate that they actually declined at an 8-percent annual rate in April-December 1975. Our estimates are based on export prices of the seven major developed countries, which supply more than 70 percent of OPEC's merchandise imports.

Three factors seem to have contributed to the downward trend:

- sluggish domestic demand and substantial unused capacity apparently induced industrial suppliers to cut prices to foreign markets;
- wholesale price inflation fell to about half the 1974 rate in most industrial countries; and
- the dollar appreciated in 1975, making imports from non-US suppliers less expensive in dollar terms.

The total value of OPEC merchandise imports increased about 60 percent, to \$56 billion, in 1975. Most of the growth occurred in the first two quarters; the value of these imports declined in July-September and just barely recovered to the second-quarter level in October-December. Prices of OPEC imports supplied by the seven major OECD countries at the end of 1975 stood about 24 percent above the level that prevailed in the third quarter of 1973—just prior to the oil price hikes.



The volume of OPEC imports rose 54 percent in 1975, compared with 47 percent in 1974. Most of the increase took place in the first six months of the year. In the third and fourth quarters of 1975 the import volume increased at only a 12- to 13-percent annual rate as administrative and transportation bottlenecks and smaller current account surpluses constrained OPEC's spending spree. Each of the seven largest importers in OPEC approached limits of one type or another on foreign purchases during 1975; port capacity and sluggish customs procedures impeded imports in Iran, Nigeria, Iraq, and Saudi Arabia; Algeria ran a current account deficit; and the surpluses of Venezuela and Indonesia declined at a precipitous rate.

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126-127

TRENDS IN THE NATURAL GAS MARKET

The natural gas market in the major developed countries has been shaken by wide-ranging changes in the use and production of gas. During the past two years, gas export prices have climbed rapidly in pursuit of parity with oil prices. Nine of the major energy-con-

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suming countries—Canada, Japan, Belgium, Luxembourg, France, Italy, Netherlands, the UK, and West Germany—have increased their use of natural gas in the past two years, primarily as a substitute for oil, and now account for one fourth of non-communist gas consumption. By contrast, gas consumption in the US has shown a sharp reduction. The US nonetheless still accounts for two thirds of non-communist gas production and consumption and is the largest single importer, being supplied mainly by Canada.

Trade in natural gas remains small. Only 10 percent of the gas consumed by non-communist countries is imported. Imports for these countries in 1975 amounted to about 4 trillion cubic feet or the equivalent of 2 million barrels per day of oil. The bulk of non-communist international gas sales is concentrated in producing regions near big markets—that is, shipments from the Netherlands to other European countries and from Canada to the US.

The decline in natural gas output in the major developed countries accelerated last year, with production falling to 27.8 trillion cubic feet, the US accounting for most of the decline. Natural gas consumption in these countries fell 4 percent to 27.4 trillion cubic feet, following a slight gain in 1974. The seven West European countries increased their gas use despite a slump in total energy consumption. Over the past two years, Western Europe has replaced the equivalent of 250,000 barrels per day of oil with gas.

Natural gas export prices have risen sharply but are still substantially lower than for oil. The Netherlands and Canada are the largest suppliers, providing roughly 50 percent and 25 percent, respectively, of total non-communist exports. Both countries are planning price increases this year to augment earnings, space out production from existing fields, and encourage exploration. The Netherlands raised its prices 30 percent in 1974 and 40 percent in 1975. Canadian prices lagged until last year when they were raised several

times. Canadian prices averaged only 54 cents in 1974, but reached \$1.60 per thousand cubic feet by the end of 1975. Even at this price, gas sells for one fifth less than oil of equivalent energy value.

In 1976, we expect US output and use of natural gas to decline still further, while in Western Europe its use will continue to rise because it is cleaner burning than oil, supplies are ample, and prices are relatively low; the gradual economic recovery will add impetus to the rise.

The expected 10-percent rise in Dutch output alone this year will supplant about 150,000 barrels per day in oil demand. The expected completion of the pipeline in midyear from Ekofisk in the Norwegian sector of the North Sea to Emden will provide an additional 1 billion cubic feet of gas per day to the West German market. In addition, West European natural gas imports from North Africa and the USSR are expected to continue growing, while Japanese liquefied natural gas imports will probably increase with the completion of the Das Island project in Abu Dhabi later this year.

Canadian gas prospects have improved because of expanding gas field development resulting from higher prices. Large increases in supplies are not expected from the Arctic until pipelines are completed in the early 1980s. In the meantime, additional supplies are likely from an increase in drilling of shallow gas deposits in Alberta and British Columbia. Canadian output and consumption nevertheless are expected to rise only slightly this year while the decline in exports to the US will continue.

Natural gas export prices will continue rising toward parity with oil. An additional 50-percent hike in the Dutch price is likely in 1976. Canadian natural gas export prices may rise again later this year, perhaps by about 15 cents—to \$1.75 per thousand cubic feet or \$9.84 per barrel of oil equivalent, roughly 90 percent of current heavy fuel oil prices in the US spot market.

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