

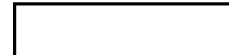
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# Weekly Summary

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No. 0022/76  
May 28, 1976

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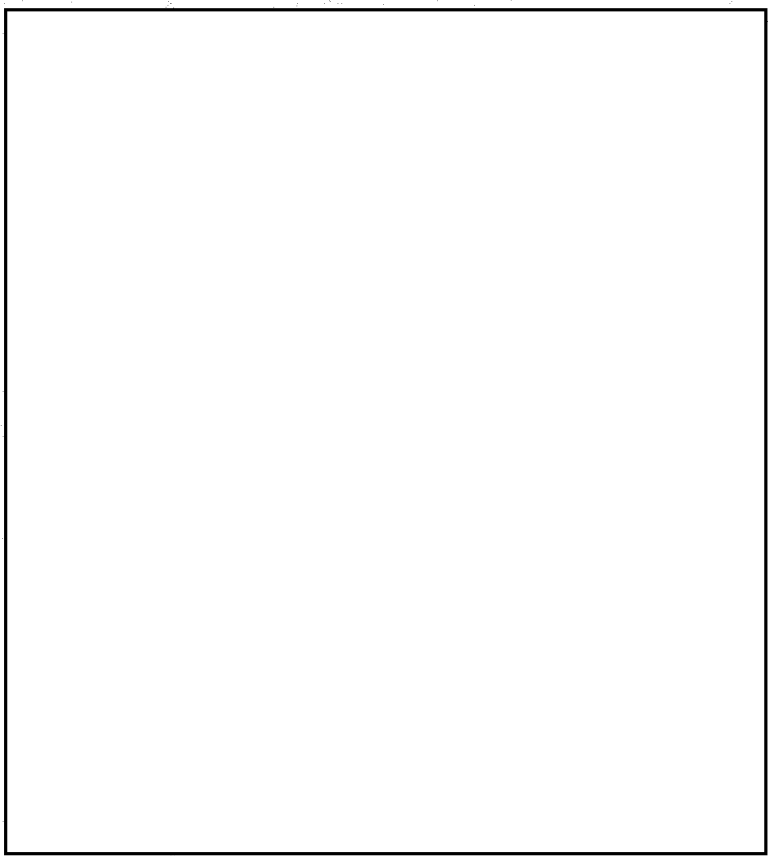


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May 28, 1976

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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# Africa

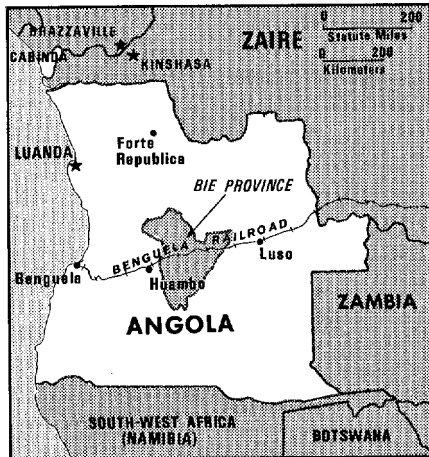
ANGOLA 1-7-9-10-11

Three months after the end of large-scale fighting, Angola's economy remains in serious disarray, and the Neto government is having difficulty maintaining law and order.

[redacted] even in Luanda assaults and armed robberies have made most streets unsafe even during the day. Much of the banditry and violence is apparently the work of hastily recruited, heavily armed soldiers who have never been under the full control of the Popular Movement leadership.

A worsening food shortage is aggravating the security situation. Fresh food is virtually unavailable in the major towns, partly because of the total collapse of the country's transportation system. Medicine is also in extremely short supply.

The violence and economic problems are intensifying long-standing animosities between Angolan blacks and mulattos. Some poor blacks are said to be focusing



their resentment on the Cuban expeditionary force as well as the mulatto-dominated Popular Movement leadership.

President Neto and other Angolan leaders have been exhorting workers to return to their jobs but with little apparent effect so far. A continuing factional struggle within the Popular Movement doubtless hampers efforts to deal with Angola's problems.

Remnants of Jonas Savimbi's National Union continue to harass government and Cuban forces in southern Angola.

[redacted] the regime does not control the province of Bie or the area around Luso because of the frequent guerrilla attacks.

### Visit to Moscow

Radio Moscow announced on May 25 the conclusion of talks between Soviet leaders and the high-level Angolan government delegation that arrived in the USSR the day before. The announcement said the talks were held in an atmosphere of "complete mutual understanding," but shed little light on their substance.

General Secretary Brezhnev, Premier Kosygin, Foreign Minister Gromyko, and Defense Minister Ustinov headed the list of senior Soviet officials who met with the Angolan delegation led by Prime Minister Nascimento. The participation of Ustinov in the discussions, along with top Soviet foreign trade and aid officials, indicated that questions of military and economic aid were high on the agenda.

In his speech at the welcoming banquet for Nascimento, Kosygin reaffirmed Moscow's strong support for the Popular Movement government in Luanda and for the liberation struggle in southern Africa.

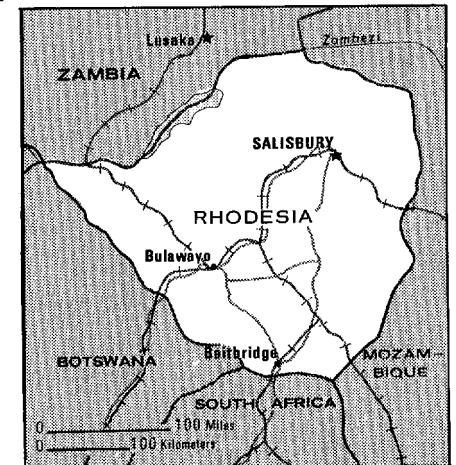
Repeating a theme President Podgorny used in his welcoming toast last week for Mozambican President Machel, Kosygin stressed that "detente" and support for revolutionary movements are not incompatible and that improved East-West

relations serve to accelerate the liberation process. [redacted]

RHODESIA 12-15

Black nationalist insurgents have carried out new attacks on Rhodesia's road and rail links with South Africa and Botswana.

Last weekend, guerrillas attacked two cars on the road linking Bulawayo,



Rhodesia's second largest city, with Beitbridge, the main border crossing point to South Africa. The incident follows a similar attack late last month on the other main road to the South African border.

In another attack last weekend, guerrillas damaged a locomotive on the rail line between Bulawayo and Botswana. This attack followed an earlier incident on the same line and several attacks on the direct rail link with South Africa.

The Rhodesian government has been able to repair damage to its railways quickly without much disruption in service. Armed convoys are now being used to protect civilian traffic on the highways.

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The continuing attacks point up the difficulty Salisbury faces in coping with small guerrilla bands that infiltrate southeastern Rhodesia from Mozambique. The Rhodesians have moved additional forces into the area and conducted some operational sweeps, but the insurgents appear to be successfully avoiding contact.

Tanzanian President Nyerere and Mozambican President Machel, meanwhile, appear to be rethinking their plan to bypass the squabbling Rhodesian black nationalist political leaders and create a new leadership from the ranks of the guerrillas. The two presidents have sponsored a Zimbabwe People's Army, or "third force," but they apparently are becoming concerned over the unwillingness of the guerrillas to accept the new leadership.

Nyerere and Machel are unlikely to abandon their efforts to assume direct control of the military struggle against Ian Smith's government, but they reportedly plan to meet again soon with Zambian President Kaunda and Botswanan President Khama to consider what to do about the continuing disarray among the insurgents.



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**ETHIOPIA** *Draft not found*

The ruling military council, desperately searching for a way to bring the Eritrean rebellion under control, is sending thousands of armed but largely untrained peasants into the province to spearhead a massive military offensive against secessionist guerrillas. Regular army troops will hold the larger towns and other areas considered secure and will be used as a back-up force should the peasants meet serious resistance.

The council decided to mobilize the peasants because it could not rely on the regulars. The troops are restive and tired of fighting a war many believe cannot be won. Many have refused to take aggressive measures against the

guerrillas. The peasant offensive is unlikely to be decisive, although government forces may succeed in restricting rebel activities, pushing them farther away from the cities and highways, and destroying some of their base camps. Many peasants are proving to be recalcitrant participants and are resisting the government's mobilization efforts. Some peasants have destroyed bridges and blocked highways to prevent the passage of trucks bound for Eritrea for use in the offensive.

The council hopes its obvious preparations for new action against the rebels will induce them to begin peace talks. It has attempted to arrange contacts with at least one of the two main rebel factions. A radio and television address in mid-May by council chairman Teferi Benti was designed to show the

government is seriously seeking a political solution. His reiteration of the government's promise to grant regional autonomy to all provinces is unlikely, however, to be acceptable to the guerrillas as a basis for a settlement. Other "concessions" contained in the speech are probably too vague to appeal to the insurgents.

Sudan is concerned that the fighting will spill across the border and lead to clashes between Sudanese and Ethiopian forces. Khartoum has moved troop reinforcements and anti-aircraft units to the border. President Numayri on May 24 appealed to Addis Ababa and the insurgents to begin negotiations without preconditions. *(An analysis of the deepening divisions within the ruling military council and in Ethiopian society generally appears on page 7.)*

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## Middle East

LEBANON

16-17

A de facto cease-fire settled over much of Lebanon this week as president-elect Ilyas Sarkis continued his efforts to arrange a formal truce. Sarkis' initiative is the first major test of his leadership, and any prolonged delay in implementing the truce will undercut his effectiveness and the Syrian diplomatic victory in engineering Sarkis' election. Sarkis believes his grace period may last only a few more days and stepped up his contacts this week with principal Christian and Muslim leaders.

The most immediate obstacle for Sarkis is President Franjyah's continuing reluctance to step down. The Christian camp is divided and confused over what Franjyah should do. Many Christians consider Franjyah's presidency an important symbol of defiance of the Lebanese



Ilyas Sarkis

GAMMA

left and the Palestinians, while others recognize the detrimental effect further delay could have on Sarkis and the prospects for peace. Interior Minister Shamun and several of Franjyah's close advisers are primarily responsible for encouraging the President's stubbornness.

French President Giscard's recent offer to send troops to Lebanon has probably also encouraged Franjyah's hope that outsiders will eventually come to his aid. The French proposal created an uproar in Muslim circles this week that has ended serious consideration of the offer, at least for the present.

Leftist leader Kamal Jumblatt accepts the truce proposal in principle, but apparently has a list of conditions that will be difficult for Sarkis to meet. Jumblatt has made clear that he wants "fighters"—presumably the heads of the various militias—to participate in future settlement: talks instead of old-line politicians. He has also suggested that the negotiations be held outside Lebanon, an apparent bid to reduce Syria's influence over the talks.

Although Jumblatt may be somewhat flexible on these issues, he will be uncompromising in his demand that Franjyah resign before the formal implementation of a truce. The leftists believe that military pressure is the only way to effect Franjyah's departure, and they will not publicly renounce the use of force—as Sarkis has proposed—until the President has stepped down.

## Europe

ITALY

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The campaign for Italy's parliamentary election on June 20 and 21 is in full swing now that the parties have completed their candidate lists and put the finishing touches on their platforms.

The Communists unveiled their election platform first and appear to have captured the initiative with party chief

Berlinguer's call for a post-election emergency government consisting of all parties except the neo-fascists. The party is presenting economic, social, and institutional proposals framed in general terms calculated to offend no one. It is emphasizing its alleged independence within the international communist movement and its pledge to continue Italy's relations with NATO, the EC, and the US.

The Christian Democrats' platform rejects Berlinguer's formula for an emergency government and calls for a new coalition with the Socialists that would be open to the smaller parties, with the exception of the neo-fascists.

The Christian Democrats are trying to combat their image as a tired, worn-out party by pointing to the substantial number of new faces among the party's candidates. The Christian Democrats' ability to make "renewal" a credible campaign theme will be hampered, however, by the party's failure to replace members of the old guard who are facing serious corruption charges.

The Socialists, in an effort to protect the party's pivotal position by keeping nearly all post-election options open, devised a platform that endorses Berlinguer's emergency government formula but does not categorically rule out another coalition based on Christian Democratic - Socialist cooperation. The minimum Socialist condition for another coalition with the Christian Democrats appears to be acceptance by the latter of an arrangement that would permit the government to negotiate openly with the Communists and to seek Communist support in parliament.

Most opinion polls tend to agree that the Christian Democrats retain a plurality but differ over the gap between them and the Communists. Some surveys show the two parties almost even, while others show the Communists trailing by a significant margin. Nearly all the polls show about a quarter of the respondents undecided or indifferent, which means that the final three weeks of campaigning will be crucial.

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SPAIN 22

King Juan Carlos of Spain will visit the US next week fresh from his first concrete achievement in liberalizing the political system he inherited from Franco last November.

On May 25, the Cortes—Spain's parliament—passed government-sponsored legislation relaxing restrictions on freedom of assembly. While this bill was less controversial than other provisions of the government's reform program, the overwhelming parliamentary support it received augurs well for the approval of other reform laws. Action is expected soon on provisions to legalize political parties and reform the penal code.

The King's basic problem is still to convince leftists and centrists his reforms go far enough without completely alienating the right. A major obstacle has been foot-dragging by Prime Minister Carlos Arias

who has been retained because of the King's belief that there is little chance of getting a more liberal leader through the nominating procedure of the rightist-dominated Council of the Realm.

Arias is still stressing reverence for the past and continues to cater to the right, especially in his refusal to enter a dialogue with leaders of the opposition political groups. To fill this gap, the King has himself recently assumed a more active role in pushing for reforms and has begun to meet with leaders of the democratic opposition.

The King's dissatisfaction with Arias' performance is a topic of open discussion in Spain, and there is speculation that Juan Carlos will replace the prime minister after the US trip. The government's expected success in pushing liberalization measures through the Cortes, however, might ease pressures for Arias' removal.

UPI



King Juan Carlos with Prime Minister Arias (r)

The King would doubtless prefer to avoid a showdown with the right if possible, but he is capable of well-timed dramatic moves to point up his leadership. Recent trips with his wife and family to various regions of Spain have resulted in an outpouring of popular support for the monarchy and probably have strengthened his hand in meeting any challenge from the right.

[Redacted]

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GREECE 26-28

Clashes between Greek police and leftist protesters in Athens and on two islands in the Aegean this week have injected new strains into Greek politics.

The violence in Athens was touched off when police tried to prevent striking workers from marching on parliament to protest a proposed new labor law banning politically motivated strikes. The subsequent attacks by demonstrators on government buildings and a pro-government newspaper had the earmarks of pre-planned action and amounted to the first major challenge to the government by the left since the restoration of democratic rule in 1974.

On the islands of Rhodes and Mykonos, police clashed with protesters who were trying to block shore visits by personnel from visiting US naval vessels. Prime Minister Caramanlis sent a cabinet minister to Rhodes to coordinate the efforts of the security forces, but the official soon concluded that he could not guarantee the safety of US servicemen and asked the ships to depart.

The government pinned the blame for both disturbances on the Moscow-backed Communist Party and the radical socialist followers of Andreas Papandreu, and condemned the actions of the two parties. Even main opposition party leader Mavros decried the disturbances—comparing them with those that brought the junta to power in 1967—although his party had earlier taken exception to the new labor bill. In de-

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fiance of the left, the government placed the bill before parliament and quickly secured its passage.

The clear indications that the demonstrations were a deliberate leftist effort to test the government's determination may well lead Caramanlis to move away from his middle-of-the-road policies—designed to portray him as the leader of all Greeks—and to adopt a more rightist course.

Such a move, already implicit in the specific attack against those responsible for the demonstrations, could lead to a polarization of political forces but it would be welcomed by the rightist component of Caramanlis' constituency including the conservative military.



### USSR-WEST GERMANY

23-25

The USSR issued a formal government statement on May 22 defending its commitment to "detente" and criticizing groups in West Germany for trying to undermine improvements that have taken place in Soviet - West German relations.

Although the statement was addressed to Bonn, it was obviously also aimed at a larger Western audience, including the US. A substantial portion was devoted to refuting Western criticisms of "detente" and to giving assurances that Moscow will continue its "patient and consistent" pursuit of a relaxation of tensions.

The Soviets said they have no plans to attack anyone and that any increase in world tension should not be blamed on Moscow. Soviet defense spending, they added, is justified in light of Western expenditures. The statement yielded no ground in restating Moscow's commitment to support "national liberation movements" and rejected Western attempts to use "detente" to "disarm" the USSR in the ideological arena.

In the West German context, the statement appeared to be a response to Foreign Minister Genscher's recent sharp remarks on Soviet policy and to criticism

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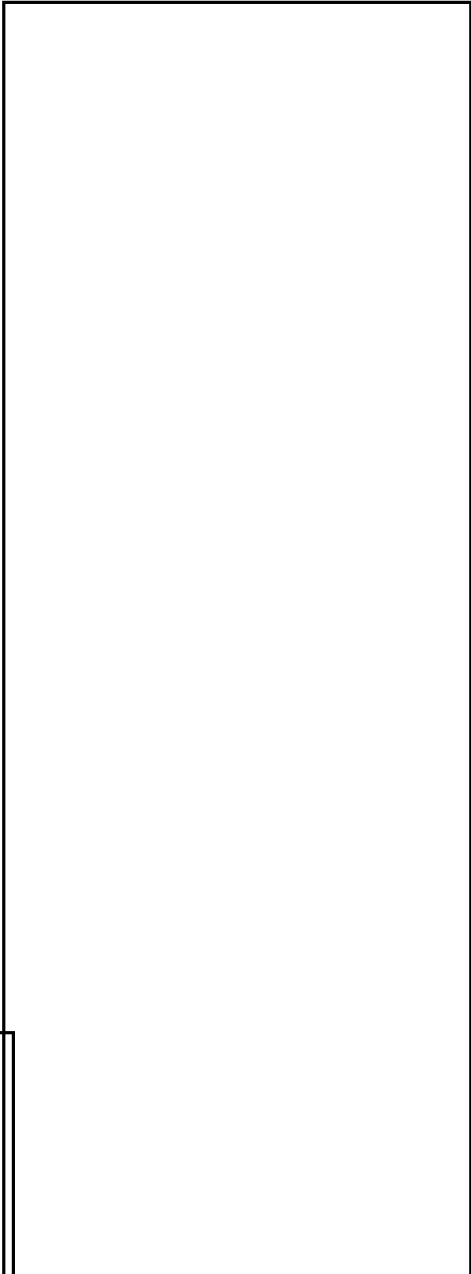
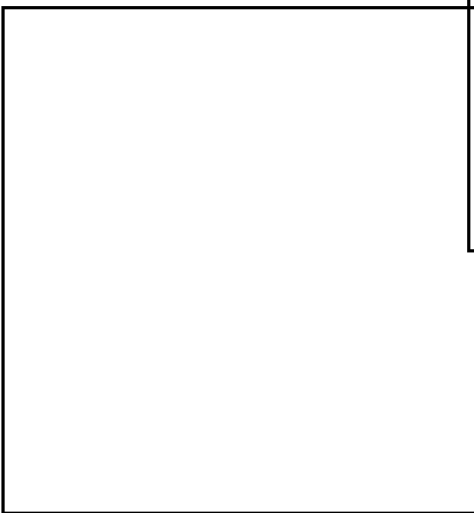
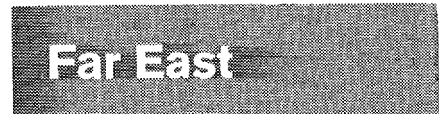
of Bonn's policy toward the East by the West German opposition. The statement added that West Germany has no real alternative to "detente" except isolation. Increased foreign trade, it implied, was one way to improve relations between the two countries.

In a departure from usual Soviet rhetoric, the Soviets described the Quadripartite Agreement on Berlin as viable only if "normal good-neighborly relations" exist between West Germany and communist countries. The implication was that Soviet behavior on West Berlin might become more truculent should "detente" further sour.

The defensive tone of the statement reflects Soviet apprehensions that "detente" is coming to a halt. The choice of West Germany as a target may be an effort to protect US-Soviet relations from direct polemics. The statement may also have been a reaction to internal pressure for a tougher Soviet response to Western criticisms of "detente." One Soviet Foreign Ministry official said this week that he thinks Moscow has been too restrained in replying to the West.



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### PHILIPPINES

46-47

President Marcos is scheduled to arrive in Moscow on May 31 for a five-day visit. The immediate purposes of the trip are to establish Philippine diplomatic relations

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SINGAPORE



President Marcos

with the USSR and to sign a trade agreement. The visit is part of Marcos' continuing effort to broaden the Philippines' foreign relations and markets and end Manila's reputation as a client of the US.

Marcos had intended to visit Moscow late last summer to balance his journey to Peking in June, but the trip was postponed when Moscow was unwilling to guarantee a meeting with General Secretary Brezhnev. Marcos places a high value on his visits abroad to strengthen his prestige at home; he now expects to meet with Brezhnev and other top Soviet leaders.

Marcos probably hopes that establishment of relations with the USSR will strengthen the Philippines' chances of being admitted to nonaligned councils. Manila has so far failed to gain admission to meetings of the nonaligned bloc. Its security ties with the US and the presence of US bases in the Philippines will continue to be a hindrance to its getting an invitation to the nonaligned conference in Sri Lanka in August.

In his talks with the Soviets, Marcos will probe Moscow's attitude toward the Association of Southeast Asian Nations. In the last year or so Soviet propaganda has adopted a more positive attitude toward ASEAN, but Moscow echoed Vietnamese accusations at the time of the Bali summit in February that ASEAN is a US-sponsored military alliance.

Prime Minister Lee Kuan Yew's recent two-week visit to China will enhance his prestige at home and among Singapore's partners in the Association of Southeast Asian Nations.

Peking understood before Lee arrived that Singapore would not develop special ties with China despite Singapore's predominantly Chinese population. Lee spoke in English throughout his visit, presumably to underscore Singapore's distinctive national identity, and emphasized that its geographic position requires close relations with the ASEAN nations.

Peking gave Lee a cordial reception. The Chinese did not challenge Lee's reiteration that Singapore will not be ready for diplomatic ties with China this year, but both sides agreed that they could develop closer trade and cultural relations in spite of differing political viewpoints.

The Singaporeans expected that an agreement would be reached on an exchange of trade missions, but there has been no announcement yet.

Chinese Premier Hua Kuo-feng's favorable comments on ASEAN's zone of neutrality at a banquet for Lee will be welcomed in Singapore and probably in other ASEAN countries, particularly because of the contrast with Hanoi's hostility toward ASEAN following its summit in February.

[Redacted]



OPEC 51-52

A report that exaggerates the impact of inflation on the prices of goods imported by member states will be presented to the meeting of the Organization of Petroleum Exporting Countries that opened on May 27. It could strengthen the arguments of members who favor an oil price hike at midyear.

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The report, approved by the Economic Commission Board of OPEC, estimates inflation in the cost of OPEC-country imports at 15.4 percent from October 1, 1975—when oil prices were increased 10 percent—to June 30, 1976. The study greatly overstates the inflation. We estimate that OPEC import prices will have increased less than 3 percent during the period.

The Commission, faced with an absence of reliable import price data, asked individual OPEC members to provide pertinent information. Import price data is not available for many OPEC countries, particularly Middle East members, and we believe several countries provided only estimates, which included charges for freight, insurance, and demurrage.

The inclusion of these non-merchandise costs overstates OPEC's import price estimates. Iran alone paid \$1 billion in demurrage charges in 1975—8 percent of its total import bill—as ships had to wait up to 160 days before dockage was available. Nigeria, Iraq, and Saudi Arabia also had port congestion and administrative bottlenecks that resulted in large demurrage and insurance charges. These fees are a penalty for poor planning rather than an increase in import costs resulting from inflation in the West.

To arrive at its estimate of price increases in the first half of this year, the Commission arbitrarily doubled the Organization for Economic Cooperation and Development's projection of domestic inflation in the OECD states.

Our estimates of import price changes in OPEC countries are based on dollar export prices reported by the Big Seven developed countries, which account for more than 70 percent of OPEC imports.

OPEC import prices declined in the second and third quarters last year because of the recession in the West, lower raw materials prices, and the strengthening of the dollar. The decline ended in the last quarter, and we expect only a small price rise in the first half of 1976. Prices in the first half of the year should thus remain slightly below last year's average level.

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*The sharp turn toward radicalism by the faction now dominant in Ethiopia's ruling military council is aggravating divisions within the government and stirring old antagonisms among the country's principal ethnic groups.*

67-68-71

## ***Ethiopia: Disarray Within Regime***

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Radical policies imposed by the dominant faction of Ethiopia's ruling military council are deepening divisions within the council and in Ethiopian society generally. This, together with the lack of a strong leader capable of unifying the diverse population, is causing increased social and institutional disarray.

Major Mengistu Hailemariam, the ruling council's first vice chairman, has emerged in recent months as its single most influential member, but his leadership is not accepted by all council members. His bid for power seems likely to set off another round of maneuvering. His opponents, most of whom favor more moderate socialist policies, are disorganized and leaderless.

### **Turning Leftward**

Mengistu has been the driving force behind the council's sharp turn leftward. The shift was apparent in the announcement in April of a Marxist-oriented "national revolutionary program," touted as the basis for transforming Ethiopia. Previous council pronouncements were issued by anonymous spokesmen, but Mengistu personally outlined this program in a radio and television speech.

The new and still fuzzy program is an attempt by Mengistu and his supporters to appeal to radical leftist civilians, including students, teachers, and trade unionists. These radical civilian groups want to take over the revolution and apply quick and drastic medicine for the country's problems.

Their stated goal, to achieve by mass action an almost overnight "socialist modernization" of a still highly traditional rural society, is clearly unrealistic. They are, however, the best organized and most vocal of the political groups in the large towns where they have their base of support, and they wield influence out of proportion to their numbers.

Mengistu hopes by drawing closer to the radical left to rally civilian support for the unpopular military regime, which has no organizational base and has not tried to achieve a consensus on appropriate steps toward the broad socialist goals that most Ethiopians seem willing to accept.

The council has been ruling by fiat and has turned increasingly to repression to overcome resistance to its actions. It has little solid support in the country. Its only boosters are the poorer Ethiopians who have benefited—psychologically at least—from the toppling of landlords and the rich. The new program has little to offer the apolitical peasants or other Ethiopians who, while advocating changes, are skeptical of the council's leadership.

Mengistu is receiving ideological advice from a 14-member civilian committee—known as the "politburo"—established last fall to aid the council in forming its program. Its members, well-known Marxists, are to undertake the political education and organization of the Ethiopian masses.

Mengistu has failed so far to win over

most leftist civilians. Students, teachers, and workers continue to demonstrate periodically, demanding a return to civilian government.

In general, leftists who oppose the council are united only in their desire to see the current military leadership ousted. The most significant anti-Mengistu activity is directed by an underground Marxist organization that may have ties to—or be protected by—a faction on the military council.

The military council can count on little backing from the armed forces as a whole. There are serious disagreements within the military, and the council's relations with individual units are increasingly strained. Most council members, in fact, dare not return to their units for fear of being detained. Indiscipline is widespread. Many senior officers have been forced to retire, and enlisted groups often decide on their own whether to obey orders.

Most military unrest stems more from practical grievances than disagreements over political matters.

### **Ethnic Tension**

The political turmoil in Addis Ababa is intensifying frictions in the countryside. Traditional antagonisms between the large Amhara and Galla ethnic groups have sharpened. The Amharas—and the ethnically related Tigres—have dominated Ethiopia's politics for generations. In the armed forces, for example, most officers are Amharas and most enlisted men and noncommissioned officers are Gallas. The less educated and

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*Ruling council chiefs Mengistu (l), Benti, and Atnafu (r)*

less affluent Gallas have long resented Amhara domination.

The destruction of the old order has improved the relative status of the Gallas, as have the new rulers' efforts to improve the lot of the disadvantaged. A majority of the military council members, but not of the powerful core group of key decision makers, are Galla enlisted men and non-commissioned officers, and Mengistu is himself a Galla.

The Gallas' newly won political prominence has increased their ethnic consciousness.

Gallas on the council have placed a large number of fellow Gallas in high government offices and civil service positions. Gallas in southern Ethiopia have benefited most from land reform, gaining control of land once owned by ab-

sente Amhara landlords. Many alarmed non-Gallas have come to view the revolution as basically a Galla revolution.

The present radical line promotes Galla ascendancy. Amharas believe, with some justification, that Gallas predominate among the leading leftist ideologues.

The council's plan to send thousands of armed peasants into Eritrea Province to fight secessionist guerrillas is viewed by the Amhara as serving Galla interests. The Amharas reason that Mengistu and his Galla clique are deliberately fostering Amhara-Tigre conflict by pitting the peasants—mostly Amhara—against Eritrean rebels, many of whom are ethnic Tigres.

The use of the peasant militia also suggests that the council is willing to attack the Eritrean problem by setting

Christian against Muslim. Most of the peasants are Christians; the rebels are predominantly Muslim. Official media over the past several weeks have waged a propaganda campaign against the Arab supporters of the Eritrean rebels in a way clearly intended to fan traditional anti-Arab and anti-Muslim sentiment among Christians. The council may see this as a way to reduce military discontent over the Eritrean war.

Neither the Gallas nor the Amharas are united behind any particular political program or ideology. The Gallas are themselves divided into diverse tribal groups scattered throughout the country. Some southern Galla, supported by Somalia, have begun a guerrilla campaign against the central government.

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*Algeria's President Boumediene is faced with some increase in domestic discontent, but his position still seems secure. He has now launched a political process designed to institutionalize the political system and perpetuate his brand of socialism.*

72-77

## Algeria: Boumediene's Domestic Position

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Growing criticism of his foreign and domestic policies and preparations for long-awaited national elections have spurred Algeria's President Houari Boumediene increasingly to focus his attention on domestic problems.

Boumediene lost prestige as a result of the failure of his efforts to prevent the take-over of Western Sahara by Morocco and Mauritania. A general malaise has begun to develop in Algiers.

As of now, however, Boumediene's domestic position still appears strong, and he has outlasted or suppressed his major rivals. Of the original 26 members of the National Council of the Revolution who helped Boumediene seize power in June 1965, only nine remain active in national affairs.

Boumediene, assisted by a small number of advisers who vary according to the issue under consideration, makes the key decisions. The body charged with running Algeria—a plenary session of the Council of the Revolution and the Council of Ministers—ratifies and implements decisions of the leadership.

Despite the growth of presidential power over the years, the Council of the Revolution apparently can assert itself. Some decisions on the Western Sahara issue may have been imposed on Boumediene by the council. During the unsuccessful week-long efforts in early February by Egyptian Vice President Mubarak to mediate the Moroccan-Algerian dispute, Egyptian officials said Boumediene noticeably hardened his

position following consultations with the council.

Reports of discontent among some of Boumediene's key advisers have recently become more numerous and may have some basis in fact. Foreign Minister Bouteflika and gendarmerie commander Bencherif are frequently mentioned as malcontents. Interior Minister Abdelghani, military academy head Colonel Yahiaoui, and Minister of Industry and Energy Abdesselam are now alleged either to be opposed to certain Boumediene policies or to be on the outs with the President for some other reason.

Some of Boumediene's advisers probably are disgruntled because the growth of presidential authority has diminished their own roles, but none appears to have the support to challenge his supremacy. Chronic, sometimes bitter, rivalries divide Boumediene's immediate subordinates, and he is able to manipulate these differences to maintain control.

Boumediene's ultimate base of support is still the military. He has retained the defense portfolio since assuming power and has maintained close ties with fellow military officers over the years. Rumors of low morale in the armed forces, however, are now more frequent. It seems likely that Boumediene's pre-eminent role in policy formulation on the Sahara issue has produced some grumbling among army officers that he has failed to consult fully with the military.

The President is doubtless aware of such grievances through a variety of security channels as well as private con-

fidants. In the past, whenever criticism has grown he has been able to contain it.

### Signs of Discontent

Despite a continuing barrage of official propaganda in support of Saharan self-determination and the rebel Polisario Front, the public generally has reacted with apathy to the dispute with Morocco over Western Sahara.

Some of Boumediene's advisers oppose diverting scarce resources needed for economic development to a cause that does not appear to be making much headway. It is unlikely, moreover, that many Algerian soldiers have much taste for becoming involved in a struggle that they do not consider their own.

Mounting economic troubles, especially the failure of Algeria's much-vaunted agrarian revolution, have also reduced the regime's popularity. Algerian farmers have shown a noticeable lack of commitment to socialized agriculture. Agricultural production has declined, food imports have risen, the migration of rural people to the cities has accelerated, and an inadequate marketing system produces sporadic food shortages.

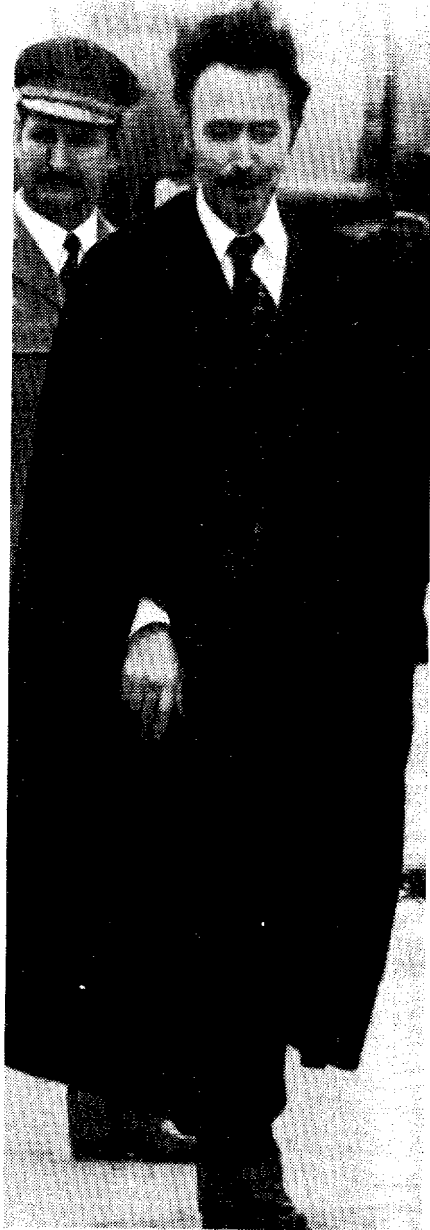
Inflation has risen to the point where the wholesale prices that farmers need to meet costs are higher than the government-controlled retail prices. The country's ambitious economic development program faces financing problems and is beset with unfulfilled production targets, long-delayed completion dates, waste, and misplaced priorities.

On at least three occasions in the past two months Algerian officials have com-

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President Boumediene

for more than a decade distributed "an appeal to the Algerian people," which denounced the regime's policy of confrontation with Morocco over Sahara, called for free elections and the establishment of democratic institutions, and demanded an end of Boumediene's personality cult.

Algerian dissidents in exile chimed in with a flurry of statements of support for the "appeal"; two or three of these tracts have been smuggled into Algiers. Their credibility among Algerians was weakened, however, by the fact that most of these statements emanated from Morocco with the knowledge and encouragement of the Rabat government.

The regime reacted quickly. The four authors were placed under house arrest and apparently remain under close surveillance. The government-controlled media denounced them and the government has subsequently called the dissidents' appeal foreign-inspired and one more example of the "imperialist" threat to Algeria's revolution. Although there has been little evidence of a positive reaction to the appeal, the government was clearly embarrassed and concerned by the respectable nationalist credentials of its signers and the fact that it surfaced inside Algeria.

#### Boumediene Responds

Spurred in part by these developments, Boumediene has been traveling around the country boosting socialism, urging vigilance against the "enemies of the revolution," and calling on Algerians to increase industrial and agricultural production. The speeches are designed both to refurbish his image as a leader dedicated to the welfare of his people and to warn any recalcitrants that socialist Algeria is here to stay.

Boumediene is also preparing to institutionalize the political system. He has initiated a lengthy political process that will culminate in national elections. On April 27, he announced publication of the draft of a new national charter—a set of governing principles—to replace the old "Charter of Algiers" promulgated in 1964. The new charter is a status report on the development of socialism in

Algeria and a prescription for the future.

Comments on the draft charter are being funneled upward through the National Liberation Front—Algeria's sole political party—the women's, labor, and youth organizations, and local and provincial assemblies. A final draft will be submitted to a nationwide referendum.

Once the referendum is completed—probably before the anniversary on June 19 of Boumediene's seizure of power—a draft constitution will undergo a similar process and will be submitted to another referendum. Adoption of a new constitution is to be followed in turn by the election of a national assembly—probably before national day celebrations on November 1—then by a presidential election and, finally, a party congress.

Boumediene wants to put a stamp of



Foreign Minister Bouteflika

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legitimacy on his government through elections—but on his own terms. He envisions a governing apparatus that will perpetuate his form of socialism.

It is clear that the Algerian leader does not intend to share significant power with a reconstituted national assembly and that all candidates for this body, as well as for the party posts, will be carefully

screened for their loyalty to Boumediene. The subordination of the regime's official party to the government apparently will not change.

Boumediene intends to use the national debate now under way and forthcoming elections to create the appearance of popular participation in the governing process. Despite his commitment to

socialist principles, he has generally avoided curbing the interests of the privileged elite, especially senior military officers, many of whom have become large landholders. So long as he continues this pragmatic approach, Boumediene is unlikely to encounter serious opposition to the institutionalization of his regime.

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*Poland's trade deficits with the developed West and the size of its debt-service payments have grown to the point that Warsaw is trying to curb import growth. It may have to resort to some domestic belt-tightening.*

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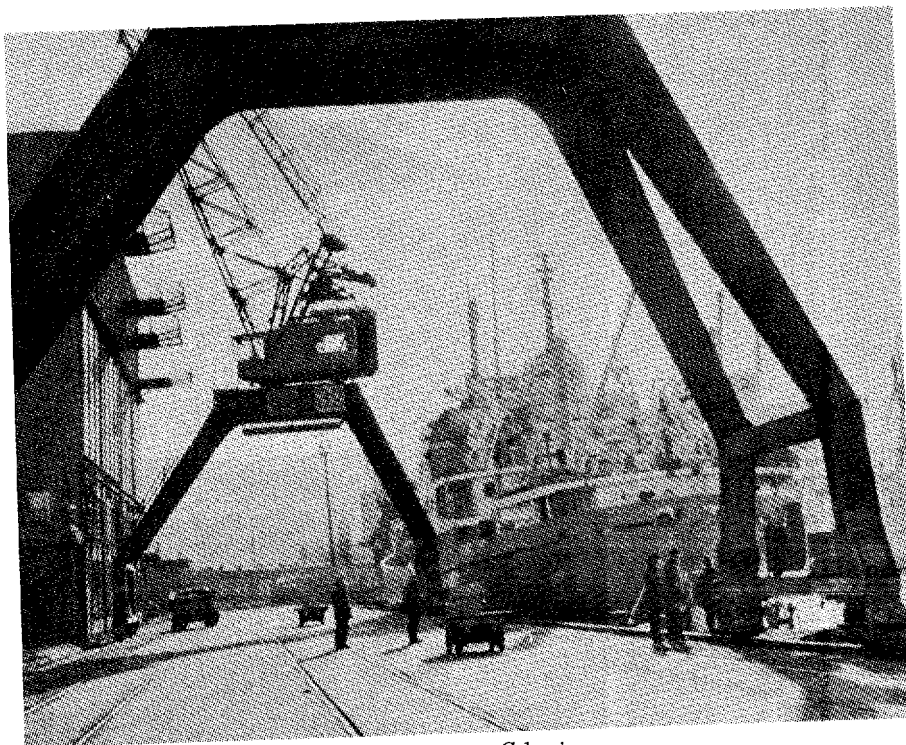
## Poland: Growing Western Debts

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Massive borrowing to purchase Western machinery and flagging exports to the recession-hit West place Poland in an uncomfortable financial position. By the end of last year, hard currency indebtedness had risen to \$7 billion and the debt-service ratio to 43 percent.

Poland has had mounting trade deficits with the developed West between 1973 and 1975. Imports have more than tripled because of above-plan purchases of capital equipment, higher import prices, and unanticipated purchases of Western grain following poor harvests in 1974 and 1975 and Moscow's suspension of grain deliveries in 1975. Exports doubled in 1973 and 1974, mainly on the strength of higher prices, but the rise in 1975 was only 7 percent because of the Western recession, EC trade restrictions on meat imports, and lower prices for copper, textile, and wood.

Even though Poland's trade gap had widened by the end of 1975, conditions had begun to improve during the latter



The port at Gdynia

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*Meat factory at Elk: The US is one of the largest importers of processed Polish meats*

half of the year, reflecting curbs in imports, particularly of cement and steel products. The growth in the trade deficit in the second half of 1975 was held to 17 percent, compared with 46 percent in the first half.

To finance its trade deficits and rapidly rising debt-service payments, Poland has drawn heavily on Western official and private sources. Medium-term and long-term credits from Western governments covered a large share of the deficits from 1973 to 1975. Non-governmental loans grew substantially—from about \$200 million in 1973 to more than \$1 billion in 1975. The need to meet debt payments and down payments on machinery purchased on supplier credits forced Warsaw to rely more heavily on short-term financing in 1974 and 1975. Poland's debt maturity structure thus has been shortened, and net short-term liabilities now account for almost two fifths of total net liabilities at the end of 1975.

We estimate that the trade deficit this year will hit \$3.2 billion. Even though the West is recovering from its economic slump, Polish exports will not benefit appreciably until late 1976 or early 1977. In the first two months of 1976, Polish ex-

ports to the developed West were 8 percent below exports in the comparable 1975 period. Soft prices will hold down earnings from exports of coal, sulfur, and nitrogen fertilizer. EC trade barriers will continue to hamper Poland's exports of beef and bacon.

Polish imports most likely will continue to grow in 1976, although at a slower pace than in 1975. Poland still has to take delivery of large amounts of Western machinery and US grain it has ordered.

There are indications, however, that Warsaw is seriously trying to curb import growth. Citing the shortage of hard currency, Warsaw has canceled \$500-million worth of projects that would require massive imports and has postponed some purchases in the West, including \$80-million worth of US civil aircraft. Poland is also taking an increasingly tough stance on negotiations with Western firms.

To cover its trade deficit and debt service payments—the latter projected at \$1.5 billion in 1976—Warsaw will rely on government-backed Western credits and Eurocurrency credits. Poland has already lined up \$2 billion in government-backed credits for use in 1976. Poland will also receive \$300 million in West German

credits and payments to the Polish pension fund under agreements signed last year. Middle Eastern money could provide additional financing, but Warsaw so far has had little success in tapping this source.

The government will find it increasingly difficult to obtain untied financial credits. Many Western banks have plenty of money to lend, but bankers consider Warsaw in a tight situation and have adopted a "very cautious" attitude toward further lending. Poland now pays the highest rates in Eastern Europe on its Eurocurrency borrowings. Recent attempts to arrange a \$30-million loan to finance grain purchases in the US have been unsuccessful; Warsaw may have to pay higher interest rates in order to attract lenders.

Poland may be able to muddle through until 1978 with the help of available Western credits, a recovery in its export earnings, and some form of domestic belt tightening. Large trade deficits will nonetheless persist, and the debt-service burden will increase as grace periods expire on previous loans. Although exports will increase, their growth will be held in check by capacity constraints, rising domestic consumption, and the need to increase exports to the USSR.

Poland's need to acquire hard currency and maintain the flow of Western technology will make it more flexible in its economic relations with the West. Warsaw, for example, recently reversed itself and will now permit joint-equity ventures with Western firms. A US group has been granted approval to build and operate a hotel-office building on this basis.

Beyond 1978, Poland will find it less and less feasible to live beyond its means. The extent of its difficulties will depend on how successfully it curbs import growth, promotes exports to the West, pulls in its belt domestically, and gets new concessionary credits. The government presumably fears that the imposition of severe austerity measures would generate an unacceptable level of public discontent.

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