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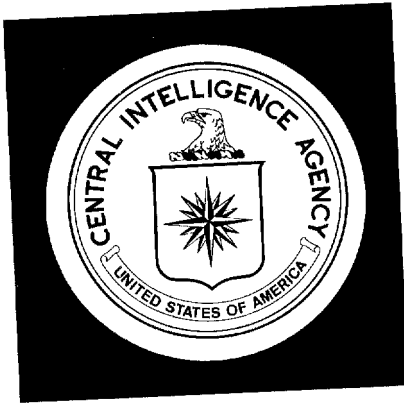
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Weekly Summary

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July 23, 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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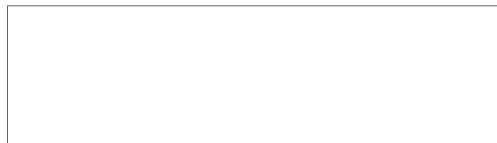


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Middle East

LEBANON

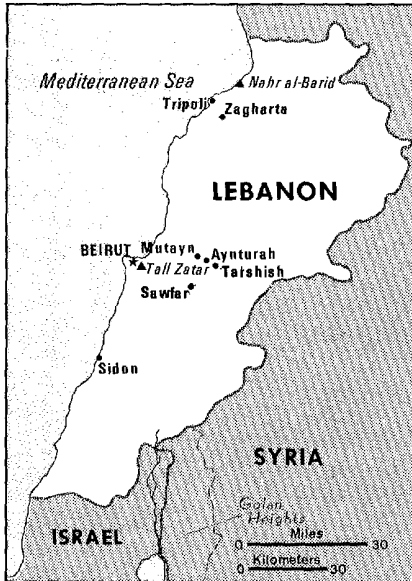


After several false starts, Palestinian and Syrian representatives finally met in Damascus on July 21, but neither side appears ready to reach an accommodation. Syrian President Asad angered Palestinian leaders earlier in the week by accusing them in a speech of trying to create a "North Palestine" in southern Lebanon. He also warned that Syria would not withdraw its forces from Lebanon unless asked by President Franjijah or "other legal Lebanese authorities." Although the speech broke no new ground, it is being widely interpreted as evidence that Asad's attitude toward the Palestinians is hardening.

The Palestinians and their leftist allies have repeatedly increased their demands and now insist that the Syrians, as a gesture of "good will," withdraw completely from southern and central Lebanon before negotiations can begin in earnest. The Syrians, in turn, have insisted that the Palestinians must at a minimum adhere to their previous agreements with the Lebanese government that sharply restrict fedayeen activities.

In an attempt to induce Palestinian leader Yasir Arafat to enter negotiations, the Syrians pulled back from Sidon late last week and agreed to withdraw from Sawfar—the Syrians' forward position on the Beirut-Damascus road. Syrian forces, however, have not relaxed their pressure on the Palestinians and leftists elsewhere.

Syrian forces continue to shell Tripoli and the nearby Palestinian refugee camp of Nahr al-Barid. They are also attempting to take some Muslim villages overlooking the Christian stronghold of Zagharta in the north and have provided artillery support to a Christian effort to retake the villages of Aynturah, Tarshish,



and Mutayn in the Mount Lebanon area.



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EGYPT

Economic Assistance

Finance ministers from Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates met in Cairo last Saturday and agreed to a draft proposal for a Saudi-sponsored fund of \$2 billion over the next five years to bolster Egypt's economy.

The finance ministers approved the new aid fund despite Egypt's postponement of economic reforms that had been recommended by the International Monetary Fund as a condition for its support for other international borrowing.

The new Arab fund will be channeled

through, and presumably managed by, a new body to be known as the Gulf Organization for Development in Egypt.

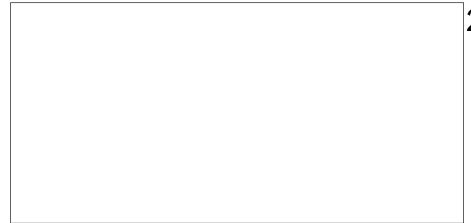
We do not know how soon Egypt can get its hands on the money.

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Egypt has only enough gold and foreign exchange on hand to finance two weeks' imports. Without immediate aid, Egypt would have to rely heavily on high-cost, short-term loans at least until November, when cotton sales should boost foreign exchange receipts.

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Military Discontent



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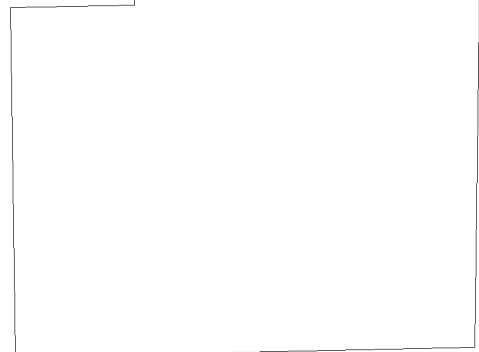
In a move apparently intended to keep the military out of politics, the People's Assembly last week passed a bill that effectively disenfranchises the military and the police. Presidential and parliamentary elections are scheduled for October.



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By depriving military personnel of the right to vote, the government undoubtedly hopes to render them a less attractive target for agitators interested in turning out a large anti-government vote in the elections.

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KUWAIT

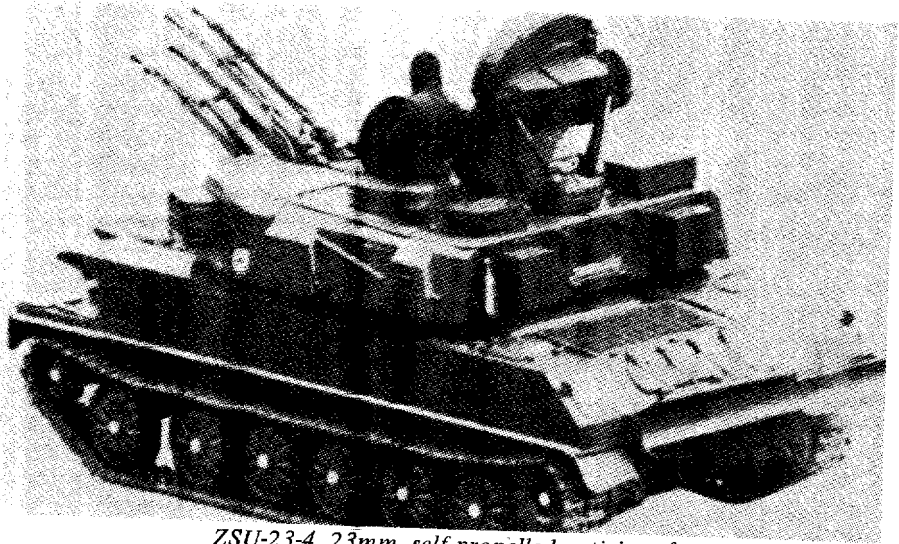
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Kuwait's deputy prime minister, Jabir al-Ali, last week told the US ambassador that Kuwait has agreed to purchase \$300-million worth of Soviet weapons. Negotiations, which began last summer, may in fact have been concluded early this year



The status of the arms negotiations has been difficult for us to pin down. Early in January, the Kuwaiti finance minister announced to the press that Kuwait had concluded its first arms accord with the USSR. A week later, the armed forces chief of staff told a senior US military officer that Kuwait had no contract with Moscow. Reports of an impending Soviet-Kuwaiti arms agreement persisted throughout the spring and early summer, but we could not confirm them.

According to the most recent information provided by the deputy prime minister, the arms agreement includes Scud and Frog surface-to-surface missiles. We do not believe Moscow would provide these missiles because of their potential threat to Iraq. The ZSU-23-4



ZSU-23-4 23mm. self-propelled anti-aircraft gun

self-propelled anti-aircraft artillery systems and SA-7 surface-to-air missiles would be more likely. Kuwait's minister of defense had indicated in May that surface-to-air missiles would be involved in the deal.

The deputy prime minister stated that most of the advisers needed to train Kuwaitis to use these weapons would be brought in from Egypt and Syria and that Soviet advisers would be kept to a minimum. The minister of defense had indicated earlier that Egyptian and Syrian advisers would assume a principal role. Some 90 Kuwaitis went to Cairo in late April for air defense training.

The agreement would be Kuwait's first

major arms deal with a communist country. It would also mark Moscow's first entrance into the lucrative market of conservative Persian Gulf states that have given Western arms suppliers about \$10-billion worth of orders since 1973.

The decision to purchase Soviet weapons, according to the deputy prime minister, was taken to counter National Assembly criticism of the concentration of Kuwait's arms purchases in the West. He said Kuwait's military would continue to rely on Western sources for major defensive weapons systems and military training. Kuwait has a Hawk surface-to-air missile system on order from the US.

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Deputy Prime Minister Jabir al-Ali

Saudi Aid to Syria

Saudi Arabia has agreed to provide a \$200-million grant and a \$100-million loan to Syria. Syria's willingness to reach a limited accommodation with the Egyptians at the Saudi-sponsored reconciliation meeting in Riyadh last month and Saudi concern that political and financial pressures may topple President Asad from power prompted the renewal of assistance.

Syria will still need \$250 million in assistance this year in addition to the \$300

million pledged by the Saudis, if it is to continue a military role in Lebanon and maintain its economic development program.

The smaller Persian Gulf states—which, like the Saudis, had cut off aid to Syria during the first half of this year—will probably provide some of the needed funds. For the moment, however, the Kuwaitis are still holding back because of strong Palestinian influence there.

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Europe

TURKEY-GREECE

The Turkish research vessel Sismik I appears ready to leave Istanbul for the Aegean within the next few days. Greece continues to maintain a watchful eye and remains suspicious of Turkish intentions, but Greek officials may be looking for ways to avoid an incident.

In a press interview on July 21, Turkish Prime Minister Demirel said he was "hopeful" the ship would sail this week. Press reports assert the Turkish navy has announced restrictions on navigation and aviation in an area at the Aegean end of the Dardanelles for the periods July 21 to 22 and July 28 to 30. The US consulate in Izmir reports that the scheduled stop of a Greek cruise ship there has been canceled this week, allegedly because of naval restrictions.

There has been considerable speculation in the Turkish press in recent days that both Greece and Turkey have put or intend to put military units on alert.

Public tension in Greece over the Aegean question has recently subsided somewhat, but Greek officials continue to follow developments concerning the Sismik I with grave concern. Turkey's continued vagueness about the ship's exact course once it reaches the Aegean heightens Greek concern.

The Greek government issued a statement on July 20 outlining its interpretation of portions of the 1958 Geneva continental shelf convention relevant to the current Aegean dispute. The statement seemed to be phrased to permit Athens a range of responses depending on Sismik I's activities. Press coverage of the statement—following a government "background" session with reporters—noted that three areas are of particular concern to Greece—the waters around the islands of Limnos, Lesbos, and Rhodes.



Adolfo Suarez

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SPAIN

The program announced by the new Spanish cabinet does not differ markedly in its major provisions from that of the previous government, but its tone goes further toward appeasing the opposition and cutting ties with the far right.

The statement issued late last week by Prime Minister Adolfo Suarez and his cabinet calls for a referendum and a legislative election before next July. Overtures to the left are apparent in the emphasis on "national reconciliation"—a codeword of considerable importance to the opposition—and in the declaration that sovereignty resides in the people.

The cabinet committed itself to:

- "Accept criticism" and recognize that "civilized dissidence is a service to the community."
- Accelerate labor reform.
- Maintain a dialogue with the opposition.

In an epilogue to its policy statement,

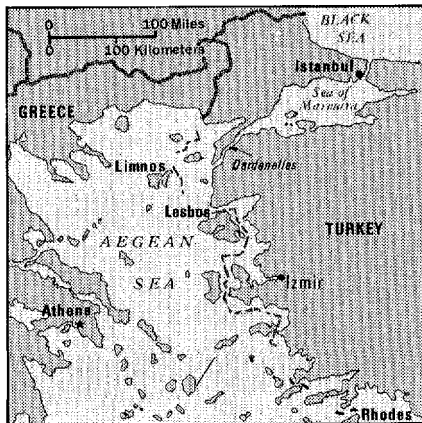
the government met a key opposition demand by recommending that King Juan Carlos grant amnesty to nonterrorist political prisoners. The opposition has made political amnesty a primary condition for its cooperation with the government's reform program.

These concessions to the sensitivities of the left contrast with former prime minister Arias' efforts to placate the right.

The new program has been favorably received by the democratic opposition—with the reservation that actions will speak louder than words. A leader of the major democratic opposition group, the Socialist Workers Party, told US embassy officials that the vague wording of several sections, including the one on the referendum, is a good sign since it leaves room for the negotiations that the government has offered to open with the left.

Sharp criticism of the program by the Communist Party indicates that the government has succeeded, in this instance at least, in isolating the Communists from the democratic opposition.

By appeasing the left Suarez has an-



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tagonized the far right, which has reacted strongly to the program. In order to avoid haggling in the rightist-dominated parliament, where the penal reform bill encountered stiff opposition before it was finally passed last week, the government may decide to use the proposed referendum to seek broad popular approval for liberalization. Armed with this mandate, Suarez could implement the details of the reform program by decree.

[Redacted]

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ITALY

[Redacted]

Prime Minister Designate Andreotti is in the midst of a second round of consultations on a new government. Most signs point to the formation of a minority

Martino, who had held the job since 1972. Craxi comes from the Socialist right-wing faction that lays emphasis on the party's autonomy from the Communists

[Redacted]

It is unlikely, however, that Craxi will be able in the near term to alter the Socialists' official policy of refusing to join the Christian Democrats in another government unless they agree at least to include the Communists in the parliamentary majority. The Socialist directorate, in effect, tied Craxi to that policy by unanimously reaffirming it just prior to his election. Thus, it appears the best Andreotti can hope for now is Socialist abstention or support in parliament for a Christian Democratic minority government.

For their part, the Communists are taking a wait-and-see attitude toward Andreotti's effort, refusing to take a position until he settles on a specific government formula and program. In putting together an economic program, however, Andreotti appears to be making a serious effort to secure a benevolent Communist stance toward a new government.

One sign of Andreotti's progress in this respect came from his generally positive meeting this week with Italy's major labor organization, in which the Communists have more influence than any other party. Largely at the initiative of the Communist unions, the labor leaders offered a package of concessions, including a partial wage freeze, and declared themselves generally satisfied with Andreotti's initial response to their proposals.

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Bettino Craxi

Christian Democratic government to preside at least until autumn.

The Socialist Party, preoccupied with internal problems stemming from its poor performance in the election last month, remains the principal stumbling block to a new coalition. Late last week, the Socialists chose 42-year-old Bettino Craxi as party leader to replace Francesco De

Polish Regime's Price Proposals

The Gierek regime last week sought to regain the initiative on the issue of price increases on basic foodstuffs by announcing that meat prices will be raised by about 35 percent this fall. All other food prices will remain the same through the end of the year. The government also announced an immediate increase in procurement prices on a number of agricultural items, a move designed to stimulate deliveries.

Gierek probably believes that by narrowing the scope and slowing the pace of the increases, they will be more palatable to Polish consumers. He is trying hard to convince workers that the regime does listen to and heed their advice. He has visited and talked with workers in Katowice and Gdansk, persistent problem areas, and last Monday he met party activists from the country's largest factories. He stated that the new price package is better than the previous one because it more precisely responds to "emotional and psychological" realities. Gierek added that there would be no rush to make decisions and that the experience

of the past few weeks had "inclined us to reflect more deeply."

Gierek will have to mend some of his fences within the party. A Central Committee member recently told the US ambassador that the leadership had become infected with more than the usual "arrogance of power." He said the debacle last month over price increases had produced "depression, defensiveness, and a loss of self-confidence" within the leadership. The official was obviously piqued in part because the Central Committee was not consulted before the announcement was made on June 24. Gierek has said his go-slow approach will be discussed at the next Central Committee plenum, which will focus on agriculture.

The regime has tried and convicted 13 persons who participated in the June riots and demonstrations. Prison sentences range from 3 to 10 years. There has thus far been no adverse public reactions to the trials or to the new proposal on price increases.

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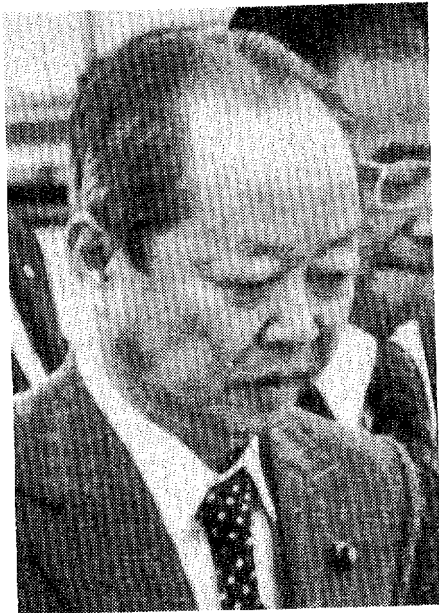
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Far East

CHINA-JAPAN

Potentially serious problems are developing in China's relations with Japan, and the prospects for an early reversal of the trend are not good.

In recent public statements, Foreign Minister Miyazawa has taken a substantially tougher position on key issues affecting Sino-Japanese relations. In China's view, perhaps the most troublesome change is Japan's treatment of Taiwan. China has formally protested Japanese



Foreign Minister Miyazawa

"backsliding" on this question twice during the past month, most recently on Monday. The issue was Miyazawa's recent statement to Senator Mansfield that East Asian security could be adversely affected by any dramatic improvement in US relations with China. The Chinese called this interference in China's internal affairs and a violation of Tokyo's agreement in 1972 to "respect" Peking's claim to Taiwan.

The official protest reflects China's concern that Japan may be reverting to a "two Chinas" approach. The Chinese are almost certainly also worried about the level of attention Taipei is getting in other countries, especially the US, and their remarks to the Japanese serve to remind this wider audience that Peking has not changed its position on Taiwan.

The Japanese, for their part, are concerned about Chinese attempts to nurture anti-Soviet sentiment in Japan. The conclusion of a Sino-Japanese peace and friendship treaty is hung up on the treatment of an implicitly anti-Soviet clause; throughout the past year, Peking has repeatedly rejected Tokyo's attempts to devise a compromise formula. Last week, Miyazawa admitted explicitly for the first time that the Soviet issue is the primary obstacle to the treaty. Miyazawa has also criticized China for interfering in Japan's internal affairs by overplaying demands for Soviet reversion of the Northern Territories to Japan.

Tokyo's relations with Moscow are correct at best, and the changed atmosphere in Sino-Japanese relations does not presage a shift by Tokyo from Peking toward Moscow. Rather, the thrust of Japanese policy is now directed more at stressing the status quo in relations with China than at pressing ahead toward full normalization of ties.

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Africa

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dependence. A referendum on independence will probably be held next March. There was serious, politically inspired violence between Afar and Issa tribesmen as recently as June 10, when at least 13 were killed.

KENYA-UGANDA

Relations between Kenya and Uganda remain tense, but Kenya's fears of Ugandan military intentions have declined somewhat—partly because there have been no reports of new Ugandan troop movements. Both armies are still on alert, and Ugandan troops remain near the Kenyan border.

A senior Kenyan Defense Ministry official said this week that dwindling food and fuel supplies in Uganda—a result of Kenya's economic restrictions—have had a serious effect on Ugandan army morale. The official said this has prevented President Amin from lining up sufficient support in his army to make a move against Kenya.

The Kenyans, nonetheless, remain wary

Libyan minister of state this week said in a press conference that Tripoli has provided "war planes" to Kampala and would "not stand silent if Uganda is exposed to an attack."

For their part, the landlocked Ugandans are angered by Kenya's continuing restrictions on the flow of petroleum and other commodities. The resulting shortages are apparently generating criticism of Amin among civilians as well as in the army. The Kenyans charge that any scarcities in Uganda are due to Uganda's lack of foreign exchange—which Kenya now demands for rail-transit freight charges.

The two governments continue their acrimonious propaganda exchanges. Despite occasional calls from Uganda for better relations with Kenya, the Ugandans assert they are able to bomb Mombasa, Kenya's principal port, and Nakuru, where President Kenyatta spends much of his time. Uganda also charged that Kenya is "in the pockets of the UK, Israel, and the US."

The Kenyans have responded with their own tough statements about "crushing" any Ugandan invasion and have charged that several Ugandan spies have been arrested near important Kenyan installations.

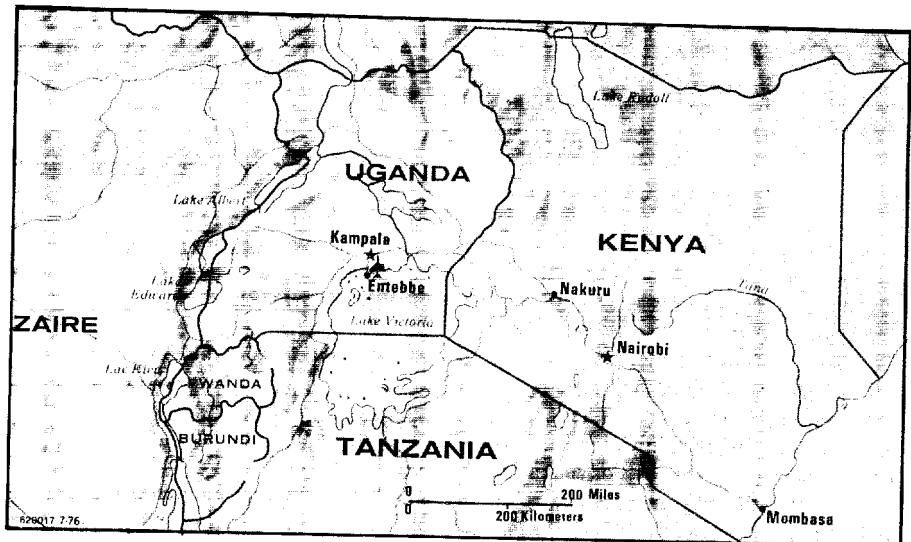
FRENCH TERRITORY OF THE AFARS AND ISSAS

Ali Aref Bourhan resigned on July 17 as president of the local government of the French Territory of the Afars and Issas. Aref faced an almost certain vote of no confidence in the legislative assembly. His resignation paves the way for the creation of a broad-based coalition government in Djibouti that France hopes will help ensure a peaceful transition to independence.

Aref, an Afar, has held office on borrowed time since early June. At that time, the French engineered an agreement among the three major political groups in the FTAI that will give a greater political role to the Issas and other ethnic Somalis, who constitute a majority of the population.

Aref, a long-time French protege, bitterly opposed the agreement, not only because he realized it meant his political downfall, but because he believes Issa control in Djibouti will lead to the annexation of the territory by Somalia.

The French believe an Issa-dominated government will be more stable, both in the coming months and after in-



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Southeast Asian governments have been receptive to a high-level delegation from newly united Vietnam and are expressing cautious optimism about Hanoi's more conciliatory foreign policy line.

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Vietnam: Flexibility Toward Neighbors

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With formal reunification completed, Hanoi is taking a decidedly more flexible and conciliatory line in dealing with its Southeast Asian neighbors.

The joint Vietnamese-Philippine communique issued in Manila on July 12 indicates that Hanoi has tempered, and in some cases eliminated, demands that have frustrated past negotiations with Southeast Asian countries. Remarks by Vietnamese officials suggest that Hanoi may even be softening its rhetoric in support of insurgencies in neighboring countries.

The Philippine communique—and the message that Deputy Foreign Minister Phan Hien is promoting elsewhere on his current swing through the area—reflects the “four principles” enunciated by party chief Le Duan earlier this month in ceremonies commemorating formal reunification:

- Mutual respect for sovereignty and independence.
- Prohibition on use of foreign bases to attack Vietnamese soil.
- Improvement in economic and cultural cooperation.
- Settlement of disputes through negotiations.

The establishment of formal ties between Vietnam and the Philippines promises important political dividends for both countries. President Marcos views

the move as another step toward his goal of reducing Philippine identification with the US and promoting some balance in Manila's foreign relations. He probably assumes it will help avoid confrontation over islands in the Spratlys. The communique, for example, pledges that neither party will permit its territory to be used for “aggression” against the other.

For their part, the Vietnamese almost certainly view the provision on the use of bases as an indication of Philippine

de-emphasis of security cooperation with the US and as an example for the Thai to follow if they wish to establish formal relations with Hanoi.

Hanoi hopes its more conciliatory negotiating stand will enhance its position among the nonaligned countries at their summit conference next month and increase support for its admission to the UN this fall.

Vietnam's moderation and flexibility will also net some immediate assistance



Deputy Foreign Minister Phan Dien signs communique establishing diplomatic relations with the Philippines

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from its neighbors to help reconstruct its economy. The Vietnamese would like to reduce their heavy reliance on the USSR and China, and they probably hope that a more pragmatic approach may eventually help pave the way for aid from the US.

The Vietnamese delegation visited Kuala Lumpur before going to Manila, and it will also stop in Singapore, Jakarta, and Rangoon. These stops already have produced commitments for limited economic assistance; Malaysia has offered to aid the Vietnamese rubber in-

dustry; Singapore and Indonesia have said they will explore ways to help Vietnam's oil exploration; and Burma plans to provide some agricultural assistance.

Thailand is the only Southeast Asian country that has not yet established formal ties with Vietnam, and the only ASEAN country not included on the delegation's itinerary. Both Hanoi and Bangkok have announced, however, that a Thai delegation led by Foreign Minister Phichai will visit Hanoi in August. Given Hanoi's more conciliatory foreign policy

line, the establishment of Thai-Vietnamese relations in the near future seems probable.

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The dissident movement in the USSR, having lost most of the Western-oriented leaders who rose to the fore in the late 1960s, is in disarray. The next generation of dissidents may be more inward looking and less able to stir Western sympathy.



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Soviet Dissidents Lament the End of an Era

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[redacted]
The departure last week from the USSR of the prominent historian, Andrey Amalryk, symbolized the end of significant activity by a generation of Western-minded dissidents who had come to the fore in the late 1960s. Those who are left [redacted]

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[redacted] reportedly are dispirited and resigned to eventual expulsion from the country. The lesser lights fear oblivion, or at least neutralization through isolation, harassment, or imprisonment.

The progressive erosion of political and cultural dissidence in recent months, underscored by the departure of many leading figures, does not mean an end to all dissent. It does mean a significant weakening of the democratically oriented core of the movement that generated most Western sympathy. The regime's relatively sophisticated policy of selective repression has been successful in virtually eliminating the highly visible group of articulate intellectuals whose criticism of present-day Soviet realities was rooted in the Western intellectual heritage of pre-revolutionary Russia and who appealed to the West over the heads of the Soviet authorities.

The official policy of suppressing any open expressions of unorthodox intellectual, creative, religious, nationalistic, and political thought ensures that dissident activity will continue. Its new recruits,

however, may lack the breadth of vision of a Sakharov or an Amalryk.

New recruits are likely to be inward-oriented, possibly clustering around the several antagonistic trends that have long existed side by side with the waning Western-oriented democratic movement. These dissident streams range from various nationalist groups including Russian—some of which are anti-Semitic extremists—to the Marxist reformers of various shades whose most prominent

light is historian Roy Medvedev.

If present trends set the tone for the next generation of Soviet dissidents, the "movement" as a whole may become less vulnerable to official charges of alienation from Soviet society. At the same time, such dissidents would be less effective in mobilizing world public opinion than the group whose activities now appear to be coming to an end. Such a result would reduce one of the few pressures on the regime for internal change.



Andrey Amalryk (r) and wife Gyuzel arrive in Amsterdam



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Weak and Divided

During the past year, the blood has been gradually drawn from the primarily Moscow-based democratic dissident movement, which has been symbolized as much as led by Sakharov. While the award of the Nobel prize to Sakharov last fall was warmly welcomed by the group, many of its members see the prize in retrospect as an isolated event that did little to stem—and may in fact have stimulated—official repression.

Sakharov's international prestige probably will continue to guarantee him



Andrey Sakharov

relative immunity from serious persecution. He has become less active, however,



Amalryk's name is but the latest in a long list of emigres from the movement. In addition to the growing roster of apolitical cultural figures who have opted for the West, the relatively recent past has witnessed the departure of, among others,

mathematician Leonid Plyushch, sculptor Ernst Neizvestny, painter Vitaly Rubin, and historians Mikhail Bernshtam and Aleksandr Nekrich.

Of those remaining in the country, some have been imprisoned or sent into domestic exile. Tatar nationalist Mustafa Dzhemilev, and activists in Amnesty International—Sergey Kovalev and Andrey Tverdokhlebov—are among them. Those who are still at large, such as Tverdokhlebov's colleagues in Amnesty International, Turchin and Albrecht, reportedly are resigned to eventual arrest and trial. Others, like aged and ailing former general Grigorenko and members of Sakharov's immediate circle, have substantially reduced their activity.

A number of the remaining dissidents have recently succeeded in gaining some prominence by organizing an unofficial group to monitor Soviet adherence to the Helsinki accords. The group is, to some extent, troublesome for the authorities, but its spokesman, Yury Orlov, has no illusions about the group's effectiveness in ameliorating the lot of Soviet dissidents. The existence of similar monitoring groups in several Western countries may have helped, thus far, to keep the authorities from moving against Orlov.

A Bleak Future

Most of the dissidents remaining in the country feel that the meager numbers and narrow vision of the new generation of potential dissidents contributes to the gloomy outlook. In their view, a special aspect of the isolation of the youth, whether dissident or not, is the recent emigration of many Jewish academic figures and professional educators. Jews are seen by the older dissidents as among the few remaining groups in the USSR with spiritual ties to the West and a profound respect for the Western intellectual heritage.

The departure of Jewish teachers, the dissidents say, has not only affected the quality of Soviet education, but has helped to cut off more students from the Western moral values that Jewish professionals have tried to pass on. From the official Soviet viewpoint, any diminu-

tion in "cosmopolitan" influences on Soviet youth is probably a substantial benefit of Jewish emigration.

Dissidents note that recruits to the movement tend increasingly to be persons of middle age, many of whom feel they have little to lose because of dead-end careers. These persons have the potential advantage of pressing for possible reforms "from within." By remaining essentially within Marxist-Leninist norms, however, they may weaken their ability to generate an echo in the West.

The ability to generate sympathy and publicity in the West has been both a strength and a vulnerability among those dissidents whose time now appears to be passing. Their current feeling that the Helsinki accords have lowered rather than heightened the interest of Western governments and media in their cause contributes to their sense of gloom. The dropoff in Western interest, they believe, has diminished whatever pressures for remedy the regime may have felt, as well as the protection from reprisal such publicity accords the dissidents themselves.

The dissidents' mood of depression and their disarray have been further deepened by their failure to discern any signs of change—in whatever direction—in cultural policy, which might give the movement some impetus to new life. Soviet officials apparently see waning Western interest as a proof of the success of their policies, which range from rare instances of benign neglect to the more common harassment, arrests, expulsions, and encouragement of voluntary emigration.

Amalryk, who arrived in Amsterdam on July 15 and who may soon seek a US visa, has spoken of the future of dissidence in the USSR with poorly disguised pessimism. While dissidence will continue to be politically ineffective, he told interviewers, his hope is that it will contribute to the cumulative "fatigue" of an aging Soviet regime and thus, presumably, in some unspoken way hasten change for the better.

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The strong, effective government Prime Minister Caramanlis has given Greece for nearly two years may be challenged by a revival of the kind of political partisanship that has frustrated earlier attempts to give the country stable government.

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Greece: The Caramanlis Administration

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Prime Minister Caramanlis has given Greece nearly two years of strong, effective government since he returned to power in the aftermath of the military junta's misadventure on Cyprus in July 1974.

His efforts to institutionalize democratic rule are meeting increasing resistance, however, and there are signs that the irresponsible partisanship that frustrated earlier attempts to give Greece stable government is again beginning to emerge.

Caramanlis spent 11 years in self-imposed exile before he was called back to bail out the foundering military junta. Always convinced that his time would come, Caramanlis was ready to govern when he returned.

Courting Western Europe

Caramanlis' most impressive accomplishment has been his rapid rehabilitation of Greece's international image, in particular, his strengthening of Greek ties to Western Europe. His success has been underlined by trips to Rome and London and visits by the French and West German leaders to Athens.

Caramanlis' campaign for early Greek entry into the European Community has led the Nine to approve in principle accelerated entry, a move taken as much to reinforce Greece's still fragile democracy as to provide economic benefits. Negotiations for Greek entry into the EC will open formally July 27.

The Caramanlis government also has

made some progress in reviving the country's economy, despite huge defense outlays caused by the tensions with Turkey over Cyprus and the Aegean. A new five-year plan sets as its goal the social and economic modernization necessary for successful competition within the EC.

Over the past year, the government has been able to sustain the economic recovery by continuing a mildly reflationary policy, although this has resulted in balance-of-payments problems and double-digit inflation. The government hopes that the five-year plan, which concentrates on stimulating exports and exploiting domestic energy sources, will ameliorate these problems.

Military Still a Factor

Caramanlis has recognized that the military remains a threat to democratic government and has sought to retain the confidence of the officer corps.

Caramanlis quickly commuted the death sentences of the three original junta ringleaders despite strong protests from opposition political parties. He rescinded a plan to try an additional 89 officers for their association with the junta and had the sentences of others reduced when their appeals came up for review.

Prime Minister Caramanlis also refused to try the ringleaders of the coup against Cypriot President Makarios that brought about the junta's collapse. He has appealed to critics of the military to tone down their attacks and directed Defense Minister Averoff to declare that the purge

had ended.

The trials that took place and the political attacks on the military caused substantial discontent within the armed forces, but Caramanlis' efforts on their behalf, together with new weapons purchases and the need for unity in the face of tensions with Turkey, appear to have retained for him the support of a majority of the officer corps.

Turn to the Right

Caramanlis' broad popular support has been based on the widely held belief that only he can restore democracy to Greece. He played on this sentiment with the campaign slogan "Caramanlis or the tanks" in the 1974 legislative election that his New Democracy Party won by an overwhelming majority. In recent months, cracks have begun to appear in this strong base.

Caramanlis had hoped that a clearly nonpartisan approach of evenhanded treatment for right and left would offset his earlier conservative reputation and begin to heal the deep political divisions that have troubled Greece since the civil war in the 1940s. Despite a respite during Caramanlis' first year in office, factions on both ends of the spectrum have stepped up their attacks against each other and the government as well.

The left, led by the Moscow-backed communists and Andreas Papandreou's radical socialist party, has charged Caramanlis with establishing a parliamentary dictatorship of the right

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through his New Democracy Party's huge majority.

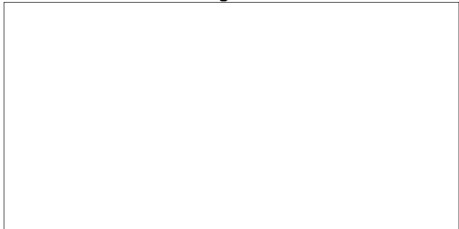
The right, led by pro-junta stalwarts, has accused Caramanlis of paving the way for a communist take-over by his legalization of communist organizations, his toleration of leftist activities, and his diplomatic contacts with Greece's Balkan neighbors.

Caramanlis at first considered the right potentially more dangerous than the left and stuck by his middle-of-the-road policies. He began to change course when colleagues expressed growing concern about communist activities.

Caramanlis' turn to the right was highlighted in May when leftists demonstrated against a new labor law and prevented the landing of liberty parties from the US Sixth Fleet. Caramanlis condemned the Moscow-backed Communist Party and Andreas Papandreu by name for their roles and declared that the principal danger to democracy now lies on the left.

Caramanlis may plan to give his government a more clearly conservative—and political—cast in a cabinet shuffle that will probably take place this summer.

Caramanlis' crackdown on the left has reassured his conservative constituency and will probably limit the ability of perennial right-wing plotters to gain much support. The left was put off balance by Caramanlis' attacks but seems unlikely to stand down for long.



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The world copper industry is operating far below capacity. If there are no major strikes or other interruptions to supply, it will easily cover demand through 1978 and probably through 1980.



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World Copper Industry



Despite a strong recovery in demand this year, the world copper industry is still operating far below capacity. Barring strikes and other supply interruptions, the industry will easily cover consumption requirements through 1978 and probably through 1980. Prices nonetheless may continue to rise in the months ahead.

In 1975, the copper industry faced the widest gap between supply and demand since World War II. The recession in major developed countries reduced consumption to 5.5 million tons, compared with 6.9 million tons in 1973. Despite large production cuts, copper stocks reached 1.5 million tons toward the end of 1975.

Prices on the London Metals Exchange sank to 50 cents per pound, down from a peak of \$1.52 in April 1974. Efforts by members of the Intergovernmental Council of Copper Exporting Countries to moderate the price decline proved ineffec-

tual, given the magnitude of the fall in demand and their inability to organize supply. Although demand has rebounded over the past six months, the industry is still operating far below capacity.

Present consumption patterns suggest that requirements for refined copper could reach about 6.9 million tons this year—25 percent above last year's low level but still well below capacity. Copper demand should reach 7.4 million tons by 1978 if the major industrial countries follow the same growth patterns they have in earlier recovery periods.

We expect refining capacity to stand at 8.9 million tons. The industry could satisfy a demand of 7.4 million tons while operating at 83 percent of capacity. This margin of spare capacity should enable the industry comfortably to handle temporary demand peaks. With no prolonged interruptions in mining operations, copper ore supplies should be adequate to support refinery requirements throughout the period.

If consumption increases sharply, many of the expansion plans now shelved can be revived in time to avoid capacity constraints even assuming more rapid growth in demand. At present, reasonably sure estimates of additions to refining capacity between 1978 and 1980 total 420,000 tons; projects involving another 320,000 tons have been postponed.

The absence of refining constraints does not mean prices will remain low. With demand improving, prices on the London Metals Exchange have risen from 54 cents in January to 76 cents currently. The price rise has been helped along by speculative purchases associated with declines in the British pound earlier this year and with expectations of further price hikes.

Price movements will also remain highly sensitive to any supply interruptions caused by strikes, transport problems, or political instability in any of the major producing countries.



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