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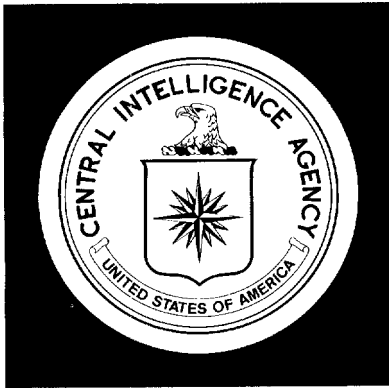
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# Weekly Summary

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CI WS 76-038  
No. 0038/76  
September 17, 1976

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September 17, 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,

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Chinese students mourn Mao's death

Far East

CHINA

N.S.

All active members of the Chinese Politburo participated in the official mourning ceremonies for Mao Tse-tung. The Chinese media listed them in order of rank, disclosing no changes in the pecking order.

All but one of the country's 29 provincial leaders appeared in Peking during the ceremonies. The group includes several province chiefs who have been attacked as supporters of the ousted Teng Hsiao-ping. Missing from the ceremonies, however, were three national government officials who have been linked with Teng. Mao's leftist wife, Chiang Ching, has not been publicly cast in the role of widow, as were the wives of other deceased party leaders, but her wreath received special mention by the official news agency.

All military region commanders appeared in Peking, contributing to the general show of unity much in evidence during the week.

Peking has received messages of condolence from all the provinces and from all 11 military regions. The Peking

Military Region, the most important in this succession period, sent a long message pledging firm loyalty to the party Central Committee.

Sino-Soviet Relations

The Chinese have so far shown no signs of interest in better relations with the USSR. The Soviets were given last place when foreigners in Peking were allowed to pass by Mao's bier. The Chinese obituary on Mao took several swipes at the Soviets, and the Chinese media have continued to criticize Soviet foreign and domestic policies.

By Soviet standards, Moscow's treatment of Mao's death has been correct, and even somewhat conciliatory. *An assessment of how the USSR may be looking at a post-Mao China appears on page 8.*

JAPAN

N.S.

Prime Minister Miki and his opponents in the ruling Liberal Democratic Party worked out another temporary compromise this week, once again avoiding a showdown in the battle over party leadership. The new agreement involves:

- A new slate of cabinet and party officers untainted by the Lockheed affair.

- Convening the Diet to pass a number of pending fiscal bills.

- Miki's public pledge not to dissolve the Diet and call a general election as long as legislative business was progressing smoothly.

- Miki's assent to call a special party convention in October at which his tenure in office will be decided.

Each side gave a little. Miki's opponents dropped their demand for his resignation prior to the opening of the Diet. In return, Miki limited his own maneuvering room by pledging not to dissolve the Diet precipitately and agreeing to a special party convention next month. Miki's opponents will almost certainly press for rapid action on the pending bills. With the national election only three months away, they want to hold the party convention—and replace Miki—sooner rather than later next month.

Miki's rivals also gained an important lever in the replacement of party secretary general Nakasone—Miki's only major ally—with Tsuneo Uchida, a follower of Finance Minister Ohira. The anti-Miki camp will use their control of this key party job further to restrict Miki's options.

Otherwise, the changes in the cabinet and party continue to reflect the balance of forces that weigh against the Prime Minister.

Deputy Prime Minister Fukuda and Finance Minister Ohira, Miki's major rivals, are still firmly in place and the cabinet changes are unlikely to bring any significant shifts in foreign or domestic policies.

Most important cabinet ministers have 25X1 been retained with the exception of Kiichi Miyazawa, who has been replaced by Zentarō Kosaka as foreign minister. Miyazawa had recently irritated the Chinese and presumably Miki as well with his public criticism and candid comments on the lack of progress in Sino-Japanese relations. Miki may well have desired to replace him with a man like Kosaka—a former foreign minister and foreign affairs expert—who is an ardent supporter of better ties with Peking.

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## Middle East

### LEBANON 3-4

The Syrians apparently intend to give Lebanese president-elect Sarkis a chance after he assumes office next week to work out a political settlement before they decide whether to launch a new military offensive. In talks with visiting Lebanese Christian and Muslim leaders over the past few weeks, President Asad and other Syrian officials reportedly have stressed the importance they attach to an orderly transfer of power in Lebanon on September 23.

Asad has urged Christian leaders in particular to cooperate fully with the new government to ensure that Sarkis has sufficient stature and authority to conduct serious negotiations. Asad reportedly won the agreement last week of Camille Shamun, the most extreme of the major Christian leaders, to act with restraint in order to give Sarkis an opportunity to pursue negotiations. Shamun is said to have agreed to put no time limit on these peace efforts. Asad, in an apparent attempt to reassure Shamun, agreed to continue joint preparations for a coordinated military offensive against the Palestinians and Lebanese leftists.

Arab mediators advanced a new proposal this week for a tripartite meeting among Palestine Liberation Organization chief Yasir Arafat, Sarkis, and Syrian Prime Minister Khulayfawi to try to implement the accord concluded by the Syrians and Palestinians in late July. Earlier efforts to carry out the agreement—which calls for a general cease-fire, Palestinian adherence to earlier restrictive agreements, and round-table negotiations under Sarkis—foundered on Syrian suspicions that the Palestinians were trying to take advantage of the accord to rearm and fortify their positions.

The PLO—probably at the urging of Arafat and other less radical

fedayeen—and the Lebanese leftists accepted the mediators' proposal. The Christians, however, immediately raised objections that could delay or even kill the proposed meeting.

The Syrians apparently also met with Arafat's troublesome lieutenant, Salah Khalaf, last weekend, presumably in an attempt to reach some sort of accommodation. The meeting apparently did not go well. The Beirut press has speculated that the Syrians refused to accede to Khalaf's demand that they withdraw from Lebanon.

Egypt is trying to get into the negotiating picture. It has invited Palestinian and Lebanese leaders—including Sarkis, Prime Minister Karami, Phalangist chief Jumayyil, and leftist Kamal Jumblatt—to come to Cairo for consultations. The Egyptians have had little success in blunting Syria's aims in Lebanon by supporting the leftists and Palestinians and apparently are now trying to undercut Syria by diplomatic means in anticipation of the Arab League summit meeting on Lebanon. The League has set October 18 as the starting date for the conference.

## Africa

### SOUTH AFRICA 12-17j

Most blacks in Soweto township outside Johannesburg observed another three-day work stoppage this week, the second such demonstration organized by militant student leaders within a month. This time, there was no backlash from nonparticipating blacks, and police, by making mass arrests, generally were able to avoid serious violence.

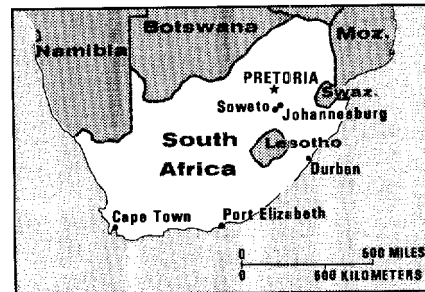
About three quarters of the black work force in Johannesburg, including workers from the other major black township of Alexandra, were reported absent by the city's business firms. Roughly the same number of blacks stayed away last month, but this week's boycott appeared bet-

ter organized. There are widespread rumors the blacks are contemplating further action.

In Cape Town, demonstrations by the colored (mulatto) population declined this week, but a work boycott began there on September 15 and the situation remains volatile. Since the recent outburst by the coloreds—the first since rioting against apartheid began last June—gun and ammunition sales to whites have been heavy, and some vigilante groups have been formed to protect white homes and schools. Whites and coloreds live in close proximity in the Cape Town area. There have been a number of incidents in which white civilians shot and killed coloreds and blacks, the first such instances since the troubles started in June.

Minor disturbances occurred elsewhere in the country, including Durban and Port Elizabeth. The continuation of scattered outbreaks and the impending visit of Secretary Kissinger led high security officials to meet during the week to discuss ways of controlling the disturbances.

Last week, Prime Minister Vorster held a closed-door session with high party officials at a special caucus in Pretoria. In public remarks this week, he strongly reiterated the position that blacks are to exercise their political rights solely through their tribal homelands, and that coloreds and Asians can discuss their grievances through the newly established cabinet council, a strictly advisory group that is to meet for the first time on September 24. Vorster gave no hint of being prepared to make meaningful concessions to the nonwhites, despite press speculation recently that concessions were being considered.



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### ANGOLA-PORTUGAL

The foreign ministers of Portugal and Angola are to meet soon to work out details for re-establishing diplomatic ties, which were broken in April when Angola charged Portugal with supporting opponents of the Popular Movement.

The announcement followed an exchange of views in Luanda—held at Angolan President Neto's request—between officials of Portugal's governing Socialist Party and Angolan leaders. The visiting delegation found the Angolans eager to restore formal relations; one member told the US embassy in Lisbon that ambassadors could be in place by the end of September. Portugal plans to send a team of economic specialists to Luanda soon.

The Angolans apparently are anxious to speed the return of Portuguese technicians. They also clearly hope that Portugal will help them establish broader links with Europe and other contacts that would facilitate Angola's admission to the UN.

Angola's economy needs Western technology and markets if it is to revive quickly. The country's lucrative commercial agriculture and diamond mining, for example, need access to the West before they can return to normal operations.

Members of the Portuguese delegation came away with the impression that Neto's political strength and his self-confidence are growing. In the months immediately following the Popular Movement's victory in the civil war last February, Neto and the Movement's other political leaders—mostly mulattos—were kept from establishing a policy of nonalignment by black radicals in the party's military hierarchy. The radicals appear to have forced the break with Lisbon in April.

During recent months Neto has been considerably more visible and vocal than he was earlier in the year. He has given many speeches and interviews in which he has stressed multiracialism and nonalignment and denounced party disunity.

Neto's efforts to broaden his country's

international contacts are not likely to go unchallenged by radicals in the Popular Movement, who have close ties with the Cubans and Soviets who are providing the regime vital military and other assistance.

Neto, a strong nationalist, probably would like to reduce the Cuban presence



President Neto

substantially, but he is in no position to do so while present military and economic conditions prevail in Angola, and he lacks other sources of assistance. A substantial Cuban presence—probably on the order of at least 10,000 troops and advisers—appears likely for some time.



USSR 23-25

We now estimate Soviet grain production this year at 200-million metric tons, up 5-million tons from our estimate in early August. Because of a near-record lateness in ripening and harvesting, the final crop remains uncertain.

A crop of 200-million tons would exceed last year's by some 60-million tons

and would be second only to the record crop of 222.5-million tons in 1973.

Cool, wet weather in much of European Russia throughout the summer has delayed harvesting. By September 1, only 52 percent of the area sown to grain had been harvested, compared to a five-year average of 62 percent. Weather conditions during the balance of the harvest will play a larger than usual role in determining the size and quality of the crop.

Time is growing short for completing the harvest on the remaining 65-million hectares of grain crops. There is considerable risk even before October 1 of severe frost or snow that could reduce yields in areas with relatively short growing seasons. Light frosts have already occurred in West Siberia. Continuing rains during the harvest and an early onset of winter could lead to losses if the pace of the harvest does not quicken.

Grain quality may be a problem in any event. A large share of the cereal grains harvested in European USSR is expected to be unsuitable for flour milling because of wetness. This problem is intensified in "wet" years by the shortage of high-capacity mechanical dryers to dry the grain before storage.

If favorable prospects hold, Soviet grain purchases abroad should not exceed 14-million tons, a little more than half the amount bought in 1975. A Soviet grain trade official implied last month that the USSR's grain purchases would total about 13.5-million tons. Purchases of this size would cost roughly \$3.5 billion, compared with the nearly \$4.5 billion spent for grain last year.

So far this year, the Soviets have bought 10.5-million tons of grain—5-million tons of wheat and 5.5-million tons of feed-grain—and 2-million tons of soybeans. Of this amount, about 9-million tons will come from the US and the remainder from Canada, Australia, Brazil, and New Zealand. The USSR is still obligated to take 1.6-million tons more of US grain to meet the 6-million-ton minimum called for in the first year of the US-USSR grain agreement.



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POLAND 26-27

Political caution has again won out over economic considerations in Poland. The party leadership, still unsteady after the June riots, has apparently decided not to risk any price increases on basic food stuffs for at least another year.

The regime has backed away from Prime Minister Jaroszewicz's proposal in July that prices for meat would go up this year by about 35 percent. Thus, for the second time this summer, a proposal by Jaroszewicz for price increases has been scrapped—a serious embarrassment for any East European leader.

Although his standing with the public and possibly within the party is weaker than before June, party leader Gierek is still calling the shots. On September 3, he gave Polish workers the good news that

the regime would implement price changes on food only after very long study. He announced the creation of five commissions, one of which is to deal with meat prices, that have at least a year to carry out their investigations. A Central Committee plenum approved this plan on September 9.

By creating these commissions, the leadership is clearly trying to gain time to bring serious, tension-causing economic problems under control. Meat is still in extremely short supply, and there are only limited possibilities for alleviating the shortages over the short run. During the first six months of this year, the government cut back meat exports by about 35 percent; its need for hard currency suggests it is not likely to reduce them any further.

Gierek announced at the plenum that

some meat would be imported but admitted that demand still would not be satisfied. One official earlier estimated that 100,000 tons of meat will be imported by the end of the year.

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EUROPEAN COMMUNITY

The EC monetary committee agreed September 10 to back Italy's proposal for a change in International Monetary Fund gold sales policy, but refused to ask for a postponement of the auction held on September 15.

IMF directors from EC countries will ask the Fund executive committee to consider possibilities for "being more flexible in techniques of selling gold." Changes might involve delaying the scheduling of future auctions, increasing the time between auctions, or reducing the amount of gold offered in each auction.

Italy, which still has relatively large gold reserves, is asking the IMF to hold gold auctions less frequently because of the depressing effects they have on world gold prices. The Italians have just completed a renegotiation of their gold-backed loan from West Germany and, because of past declines in the price of gold, took the option of reducing the amount of their loan rather than increasing their gold collateral.

France, with the second largest gold reserve in the EC, and the UK were Italy's strongest supporters at the committee meeting. West Germany, which has the largest gold holdings in Europe, has expressed little concern about the fall in gold prices.

The gold issue will be discussed at the IMF meeting in Manila early next month. If the EC receives support from some industrial and developing countries, it will increase the pressure on the US to agree to a more flexible scheduling of future IMF gold sales.

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Romania and Yugoslavia Coordinate Strategy

During their talks in Yugoslavia last week, presidents Ceausescu and Tito evidently concentrated on coordinating strategy within the communist movement and on scotching speculation that there are differences between them.

Tito, [Redacted]

[Redacted] went all out to show that Yugoslavia and Romania have no disagreements. He greeted Ceausescu at the airport and saw him off, despite Yugoslav protocol rules that exempt him from such duties. The two reportedly held lengthy discussions that emphasized their "identity and closeness of views" on all questions of mutual interest.

One highlight was Tito's signing of a "joint declaration" that closely follows Ceausescu's ten principles of national independence and noninterference in internal affairs. The Yugoslavs had resisted earlier Romanian requests that they sign such a document.

In the declaration, the two presidents expressed their determination to cooperate closely in pursuing their in-

dependent courses. They also:

- Praised the recent European communist conference, but voiced anxiety about the attempts of some countries to "legalize" the right to interfere in the internal affairs of others.
- Welcomed the Helsinki accords, but noted the lack of concrete steps to implement them and stressed the need for positive achievements at the follow-on meeting in Belgrade next year.
- Reaffirmed their intention to develop multilateral as well as bilateral cooperation in the Balkans.
- Emphasized nonaligned issues, praising the Colombo summit for renouncing "all forms of foreign domination and exploitation."

The two leaders also reiterated standard pledges of "all-around assistance" to national liberation movements and called for "democratization" of the UN, dissolution of military blocs, and the creation of a new international economic and political order.

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PORTUGAL 42-46

Prime Minister Soares, in a long-awaited economic speech on September 9, painted a gloomy picture of Portugal's economic situation and talked of the tough measures that will be needed to resolve the country's problems. The speech, however, was short on the immediate measures that many had hoped would be announced.

The government does appear ready to take the first steps toward regaining some control of the economy. In most cases, however, the Socialist minority government must still translate promises into legislation and prove to the public it has the power and the determination to enforce the laws.

Soares cited the restoration of labor discipline and worker productivity as top priorities for economic recovery. Specific bills are nearly completed and will be submitted to the legislature when it reopens in October.

The Prime Minister expressed confidence that Portugal's dwindling foreign currency reserves will be strengthened as a result of increased assistance from the West. Soares may be hoping that foreign support will enable him to get the economy moving and permit him to avoid harsher austerity measures.

The speech was probably welcomed by most Portuguese, who appear willing to accept some sacrifice as the price for ending the political and economic chaos of the past two years. The two parties to the right of the Socialists would have preferred an even stronger stand, but gave Soares high marks for a "positive and courageous" presentation.

Soares blamed the Communists for the indiscipline in Portugal's labor unions, for the sorry state of the nationalized businesses, and for the excesses of agrarian reform. The Communists reacted with predictable sharpness, but stopped short of declaring outright opposition to the government. They can be expected to use their influence in labor to incite protests against specific measures, but they probably lack enough support to

mount the "massive resistance" that party leader Cunhal has promised.

Soares is depending on President Eanes' authority over the armed forces to turn back any Communist challenges and may have toughened his speech to maintain good relations with the President. Eanes, whose own political future may depend on the success of the Soares government, is apparently growing impatient with the government's slowness in enacting reforms and with Soares' inability to keep peace between Marxist and social democratic factions in his cabinet and in the Socialist Party.

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GREECE-TURKEY

The International Court of Justice on September 11 rejected the Greek appeal for a temporary ban on Turkish oil exploration in disputed Aegean waters. It also rejected a Turkish request to drop the



Foreign Minister Caglayangil

case altogether, leaving open the possibility of a later ruling on the substance of the case.

The Greek government has tried to put the best face on the situation by stressing that the decision was expected in light of the earlier UN Security Council resolution that urged bilateral talks before either side resorted to the Court. Athens also took comfort from the Court's refusal to drop the case completely.

Except for radical leftist Andreas Papandreu, the Greek domestic opposition has not tried to exploit the setback, and the government seems not to have suffered any immediate political damage. Prime Minister Caramanlis doubtless is concerned, however, that such reverses could gradually erode support, especially within the military, for his circumspect policy toward the Turks.

The Turks, who have refused to recognize the Court's jurisdiction in the dispute, expressed satisfaction with the rejection of the Greek petition but did not comment on the Court's refusal to drop the case. Foreign Minister Caglayangil on September 11 said he hoped Greece will now negotiate with Turkey in a "realistic" and "constructive" way. Prior to departing for New York to attend the UN

General Assembly meetings, Caglayangil said he would "probably" meet with Greek Foreign Minister Bitsios there later this month as had been agreed in August. He cautioned, however, that the Court's decision had created a new situation and that new contacts are required before such a meeting could take place.

The Greeks appear to have been sobered by the Court's decision and probably are resigned to proceeding with talks. The Turks are in a stronger position now to put pressure on the Greeks to consider proposals such as joint exploration of disputed waters. Opposition pressures or the prospect of political gain could tempt the weak Demirel government to set unacceptable preconditions for the talks or to pursue a hard line once they are under way.

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47-48, 50 EC: Differences with Turkey

EC and Turkish officials, meeting in Ankara last week, were unable to settle differences resulting from Turkey's desire to improve the terms of its association agreement with the Community. For its part, the EC hopes technical-level meetings early next month will be productive and that a formal association meeting can take place in mid-October as scheduled. Real progress may not be possible, however, until after the West German national election because of Bonn's firm line of the question of migrant workers.

The EC's inability to meet Turkish demands will complicate negotiations set for this month on Greek entry into the Community, since the Nine have tried to "balance" an agreement with Greece with a positive gesture toward Turkey. Unless a solution acceptable to Turkey is found, the EC would lose whatever leverage it has in persuading Turkey to be more forthcoming on a settlement of the Aegean and Cyprus questions.

When the EC announced last July its proposals for augmenting the existing agreement with Turkey, the Ankara

government declared that it would not meet with the Nine until they came up with a better offer.

Turkey is bargaining for improved access for its agricultural goods, increased financial aid, and agreement on a date when Turkish workers will be allowed free movement within the Community. EC officials believe the Turks will eventually accept the offers regarding financial aid and entry for agricultural goods, but recognize that additional concessions on migrant workers will probably be necessary.

West Germany's position on migrant labor has been the major stumbling block. Although committed to preserving Turkish ties to Western Europe, the West Germans contend that both domestic economic and political considerations rule out any plan that would permit a substantial increase in the number of non-EC citizens working in the Federal Republic. As an alternative, Bonn has promoted the idea of direct West German investment in Turkey to ease unemployment there and reduce pressure for Turkish emigration.

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## Western Hemisphere

### MEXICO 51-54

The Mexican government announced on September 12 that it will support the peso at a level 37 percent below its pre-float dollar level. The new level is just above 5 cents; before the float the peso had been pegged at eight cents.

The move is an attempt to eliminate public uncertainties and to reassure the people that the government is in control of the situation. By not referring to its action as a repegging of the peso, the government hopes to keep open its options for further adjusting the value of the currency if the current exchange rate becomes un-supportable. Since the public impression is that a new parity has been set, however, future changes in the peso's value may lead to a further outcry.

Prices of goods and services in Mexico skyrocketed after the peso devaluation. Department stores quickly increased prices for consumer durables by 20 percent. Most other retailers have followed suit. Basic food costs are reportedly up 20 percent since the float started and meat prices increased even more.

Government inspectors, who in the past have not been noted for their zeal, have started to crack down on businesses subject to government price controls. They reportedly have closed 38 department stores and four supermarkets in Mexico City. Some 100 other businesses face prosecution for ignoring government price controls.

The early establishment of a supported level for the peso is a surprise because Mexican officials had been saying that an extended float was necessary. President Echeverria probably gave in to pressures from business and labor, which were having a difficult time adjusting to the floating exchange rates.

Echeverria's apparent yielding to pressure raises doubts about how far his government is prepared to go in con-

trolling inflation. His policy will be clearer when the government announces new official price levels and the size of the coming federal workers' wage increase. The increase to the federal workers will serve as the basis for scheduled wage negotiations this fall between private industry and the major labor unions.

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### CANADA 55-58

The cabinet shuffle Canadian Prime Minister Trudeau announced earlier this week is the first step in a Liberal Party campaign to refurbish the party's image, but falls short of the sort of change needed to end the malaise of the Trudeau government. The shuffle follows public opinion polls that show Liberal Party support at its lowest point since 1958.

Two key cabinet portfolios—Finance

and Energy, Mines, and Resources—are unchanged, indicating that Trudeau remains committed to wage and price controls and to a Canada-first policy on energy and raw materials. Allan MacEachen was shifted from External Affairs to his old job of government leader in the House of Commons, undoubtedly to make use of his considerable parliamentary skills.

The new Minister for External Affairs, Donald Jamieson, headed the Ministry of Industry, Trade, and Commerce. Described as congenial, witty, and an "enlightened pragmatist," Jamieson can be expected to hew closely to the government's line on economic affairs. He has in the past advocated strong trade ties with the US as well as expanded commercial links with other countries. His appointment could signal some softening of Canada's increasingly nationalist approach toward economic relations with the US.

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### Chile: No Signs of Moderation 59-64

The military government, which marked its third anniversary on September 11, shows no signs of moderating its tough internal security practices or making any substantial concessions in the area of human rights.

In his anniversary speech, President Pinochet reiterated the regime's hard-line views and indicated that new decrees would soon be issued further restricting the "recessed" political parties. The new measures are clearly aimed at the opposition Christian Democrats, but the church and independent labor leaders, whose criticism has stung the regime, may also be in for harsher treatment.

The President made public several measures to be incorporated into a new constitution that will institutionalize the authoritarian practices now being employed. The guarantees of human rights promised by Pinochet at the OAS meeting in Santiago in June received scant attention, and security forces will probably continue to ignore them. The Interior

Ministry has announced that 205 political prisoners are being released, but the state of siege has been extended for another six months.

Pinochet's tough stand suggests there is little room for flexibility in accommodating a visit by the working group of the UN Human Rights Commission; its scheduled trip to Chile last year was abruptly canceled by Pinochet. Talks between the two sides appear to be stalemated, and the Commission's forthcoming report to the UN will most likely again be highly critical of the military regime.

On economic matters, the Chilean leader gave no hint in his speech that he is considering any policy changes, although an acrimonious debate reportedly is under way in the government over the social costs of the harsh austerity program. Despite some spotty improvements in economic conditions, the US embassy sees no overall recovery.

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*Soviet leaders will probably try to improve relations with China now that Mao Tse-tung is dead. They will make no fundamental concessions, however, and appear skeptical that reconciliation is possible.*

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## The USSR Looks at China After Mao

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It has long been almost an article of faith among Soviet China-watchers that the death of Mao Tse-tung would not result in any early or significant improvement in Sino-Soviet relations.

In public, the Soviets say that Mao has institutionalized a legacy of "Maoism" that has as one of its cardinal points a hostile attitude toward the Soviet Union. In private, they have also mentioned natural differences between the two nations that supercede personalities, as well as the real differences and hostilities that have grown over the years. History, they seem to be saying, cannot be easily swept away.

Moscow's skepticism, while both prudent and seemingly realistic, has not completely driven out a certain sense of hopeful expectation, particularly among Soviet leaders.

For them, the rhetoric about the pernicious influence of Mao has been grounded in the conviction that it was indeed Mao who was to a great degree responsible for the current state of Sino-Soviet relations. They see his death as providing the USSR its first significant opportunity to alter the course of those relations and are not going to let that opportunity slip by.

Soviet leaders want first and foremost to minimize the possibility of hostilities with a nuclear neighbor, 800 million strong, that shares a border over 7,200 kilometers (4,500 miles) long.

They also hope to dilute the advantages that their even more dangerous enemy, the US, has derived from its connection with China. They would like to forestall, if possible, further normalization of

Sino-US relations.

Moscow also wants to contain China's challenge both to Soviet pre-eminence within the world communist movement and to Moscow's pretensions to natural leadership of national liberation movements in the third world.

### Soviet Preparations

In the months prior to Mao's death, Soviet propaganda played up Mao's role in China's anti-Sovietism more than ever before. The Soviets quickly rehabilitated Chou En-lai's reputation after he died and were careful not to say many negative things about Teng Hsiao-ping when he was riding high. More recently, they have commented gingerly on Premier Hua Kuo-feng. Between the lines, the theme has been that a new beginning was possible after Mao.

Soviet propaganda also revived the theme that there are individuals in China, particularly among the military, less hostile than others to the USSR.

This theme is predicated not only on the assumption that such factions exist in China, but that the USSR, by openly acknowledging their existence, is prepared to be helpful.

The evidence that has accumulated over the years suggests that Moscow does not have any special insight into the issues and personalities at stake in the Chinese succession struggle. The Soviets seem to hope that China's moderates will best its leftists.

Moscow realizes that Chinese foreign policy probably would be easier to counter should the leftists come out on top, but the Soviets also seem to believe that the leftists do not appreciate the USSR's military might and would be inclined to adopt a belligerent policy toward

the USSR.

Soviet coverage of internal Chinese developments since Teng Hsiao-ping's fall has not been entirely consistent. The bulk of it suggests that the Soviets see the leftists as having made some gains, but not enough to overtake the moderates' majority support in the party, the government bureaucracy, and the army.

### A Conciliatory Approach

For a number of reasons, the Soviets are likely to make some conciliatory-sounding gestures to China in the coming days and weeks. Moscow will want:

- To impress the communist world that it bears no inherent hostility toward China and that it is ready, as always, to repair the unfortunate damage to Sino-Soviet relations caused by Mao's implacable hostility.
- To indicate to anybody in China who is interested that it genuinely wants to ameliorate relations.
- To avoid giving ammunition to those in China who will argue for a continuation of Mao's Soviet policy.
- To determine whether any improvement in relations is possible.

General Secretary Brezhnev probably feels some compulsion to demonstrate he has done everything possible to improve Soviet relations with China. One of the reasons behind Khrushchev's ouster in 1964 was his mishandling of the China problem, specifically his failure to do all he could to ameliorate relations with Peking.

The first signs of the conciliatory approach have already begun to manifest themselves. The Soviet Central Committee has sent a message of condolence to its Chinese counterpart. The message itself was correct and perfunctory, but it

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was the first public party-to-party contact between the Soviets and the Chinese since 1966.

On September 13, two Politburo members, First Deputy Premier Mazurov, who presumably is standing in for the ailing Kosygin, and Foreign Minister Gromyko, headed the group of Soviets who went to the Chinese embassy in Moscow to sign the condolence book for Mao. Although both men are primarily associated with the government, not the party, the Soviets referred to the party as well as to the governmental ties of both. Only one Politburo member, Mazurov,

signed the condolence book for Premier Chou En-lai in January. Propaganda broadcasts to China are beginning to recall past Soviet aid to China and to reiterate Moscow's desire to normalize relations.

On September 14, China rejected the condolence message, reportedly because it came from a communist party with which China no longer maintains relations. China's rejection of the message will undoubtedly give the Soviets pause, but is unlikely to do more than delay additional conciliatory gestures toward the Chinese.

The Soviets are already beginning to

tone down their anti-Chinese propaganda and stress instead their desire for better relations. The Soviets will also spread the word privately that the USSR hopes for an improvement in Sino-Soviet relations. The muting of the propaganda probably will continue for some time, even if there is no immediate response from the Chinese.

Recalling their own concerns when Stalin died, the Soviets publicly—perhaps privately also—may try to reassure the Chinese that the USSR does not plan any military adventure during the succession period. The Soviets may reissue to their forces along the border a long-standing order to bend over backwards to avoid incidents. Many of the border forces are now engaged in the annual effort to bring in the harvest, but any planned out-of-the-ordinary postharvest exercise activity might be canceled or postponed.

The possibility of mixed signals on the border is considerable, however, since the Soviets themselves will be apprehensive that the Chinese—for some unforeseeable internal political purpose—may make trouble there. Hence, the Soviets are likely to heighten their vigilance along the border, including maintaining the increased level of aerial reconnaissance they began the day of Mao's death.

After the internal situation in China clarifies somewhat, we expect that the Soviets will privately approach the Chinese about the possibility of a high-level meeting. The Soviets will set no preconditions for such a meeting and probably will be amenable to Chinese suggestions about the level, the time, and the place of such a meeting.

The Soviets probably have other proposals ready to present to the Chinese. Since 1969 they have made numerous efforts to persuade China to mute the propaganda war and to increase trade and scientific and cultural contacts. China's rejection of previous Soviet proposals is unlikely to deter the Kremlin from offering them up again because the Soviets believe that there are influential Chinese to whom these proposals are attractive.

If China rejects Soviet overtures for a



*First Deputy Premier Mazurov (l) and Foreign Minister Gromyko  
leave Chinese embassy following signing of condolence book*

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high-level meeting, Moscow may propose reviving the long-stalemated border talks. These talks have been the most significant point of contact between the two sides since 1969, and they have not always dealt solely with the border problem.

Moscow may offer to upgrade its level of representation at the talks. The current Soviet negotiator Ilichev, who has been associated with the most sterile period of the talks, is not as high ranking as the negotiator who began the talks. Ilichev has been absent from Peking since May 1975.

Moscow could use revived border talks to present to Mao's successors some of the same proposals prepared for a

high-level meeting; it could also make new offers to resolve the border problem. Any such offer probably would be somewhat more generous than the last Soviet offers in 1973 and 1974.

The Soviets are not going to make any fundamental concession to China, however, and they will stick to their position that Peking has to show more flexibility. In any event, the Soviets will not engage in serious negotiations on the border problem until they think there is a Chinese leadership in place that has sufficient authority to make an agreement stick.

If China fails to respond to any of the USSR's proposals but takes no additional

hostile measures, the Soviet approach toward China probably will revert gradually to what it was before Mao died. If, however, China adopts a more belligerent posture toward the USSR, the Soviets will be quick to show their tough side.

The Soviets almost certainly have contingency plans to deal with the prospect of a post-Mao leadership that is hostile to the USSR. Should China's hostility be manifested only in the propaganda arena, the Soviets probably would respond in kind. Should China start trouble on the border, however, Moscow's retaliation would probably be swifter and more impressive than it was in 1969.

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*The government has taken another major step toward political liberalization. A bicameral parliament, to be elected before next June, is to be empowered to make basic constitutional changes.*

## 65-96 Spain: Government Program Announced

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Spanish Prime Minister Adolfo Suarez took a major step toward accommodating opposition demands on September 10 when he announced the general lines of his government's reform program.

In a televised statement following cabinet approval of the program, Suarez said that all major reforms—such as overhauling the state-run labor organization, granting greater autonomy to the regions, and working out the power relationship between the executive and legislative branches—would be left to a bicameral legislature elected by direct, universal suffrage before next June. In effect, the new parliament, which will include the democratic opposition, will be a constituent assembly.

Suarez' program incorporates several other concepts called for by the opposition as guarantees of democratic progress:

- Abolition of the seats for 40 members of the current parliament appointed for life by General Franco.
- Some form of proportional representation.
- Regional representation in the upper house.
- Lower house initiative for constitutional reforms.

The reaction of the opposition and the Spanish press to Suarez' proposals has been broadly positive, though the left in its public statements has been picking at the flaws it sees in the program. "As the opposition, we have to criticize it," one Socialist leader explained to the US embassy. The opposition has specifically complained that it was given no formal voice in drawing up the program and that the government is still committed to working through the "moribund" institutions of the Franco era.

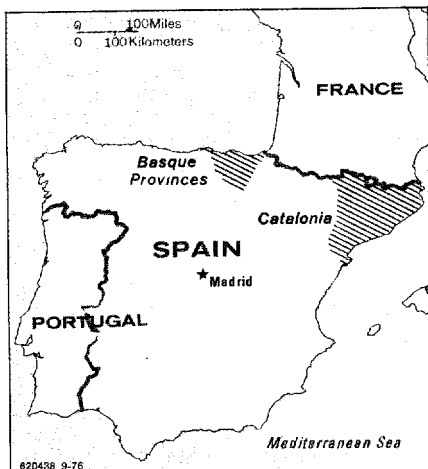
Other opposition concerns about the liberalization process have concentrated on the election law that the government will soon draw up. The left fears the law may allow Francoist local government officials to manipulate the election.

Preparing Spain for the legislative election while keeping the rest of the reform program on track will be the principal role of the Suarez government. So far, Suarez has published a draft law that would amend the constitution and establish a bicameral legislature. The law is to be submitted to parliament and subsequently in some form to a referendum. Suarez is then to issue the election law by decree.

The major obstacle will be getting the reform program approved by two thirds of the current, rightist-dominated parliament. This means, in effect, asking the political right to vote itself out of power

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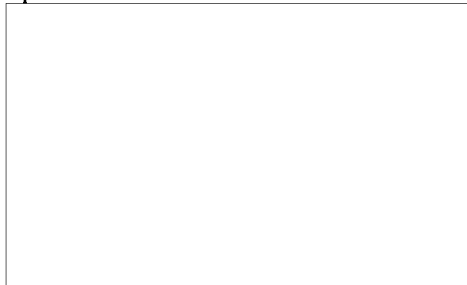
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after nearly 40 years, but the government seems optimistic.

**Support of the Military**

In order to strengthen his hand against the right, Suarez—strongly backed by King Juan Carlos—has sought prior approval from the military hierarchy. On September 8, the Prime Minister called a meeting of all senior Spanish military officers and presented them with the details of his program. The generals reportedly assured him he could rely on their support.



**Relations with Opposition Improve**

Relations between government and opposition seem to have improved dramatically since Suarez began meeting with leftist leaders, but legalization of the Communist Party remains a major point of contention. The government—pointing to military inflexibility—maintains that its hands are tied.

There have been recent signs, however, that the Communist-dominated Workers' Commissions may soon be legalized by

decree law along with other opposition labor unions. The government could rationalize such a move on the grounds that the Workers' Commissions are neither political nor overtly Communist. By allowing the Communists to work openly in labor, the government would hope to blunt opposition demands for legalizing the party and at the same time gain valuable good will from labor as collective bargaining contracts affecting some two million workers come up for renewal this fall.

**The Challenge of Regionalism**

The government also faces a potentially serious challenge this fall from regional separatists who will probably be disappointed by Suarez' decision to shelve regional questions for the time being.

In the troubled Basque provinces, there have been widespread strikes and demonstrations following the killing of a young Basque worker by the Spanish Civil Guard on September 8. Almost 200,000 workers in the region have walked out in protest, and there have been numerous clashes between demonstrators

and police. Tensions remain high in the region, and another incident could touch off major disorders.

In Catalonia, the separatist issue does not often manifest itself so dramatically, but in many respects it poses a more serious problem. Whereas the Basque culture appears to be dying out and the push for independence there—as distinct from general discontent—is led by a relatively small group of extremists, the Catalan culture is thriving. Some 80 percent of the people in Catalonia speak the native language as opposed to about 20 percent in the Basque area, and Catalan nationalists enjoy widespread popular support.

The issue of Catalan nationalism is a matter of particular concern to the Spanish military, whose backing is critically important to the Madrid government during the present transition period. Senior military leaders, preoccupied with maintaining Spain's territorial unity, reportedly consider Catalan separatism one of the greatest problems facing Spain today.

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Prime Minister Suarez (r) with King Juan Carlos

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*Swedish voters will decide on September 19 and 20 whether the country's brand of democratic socialism has gone far enough. The election campaign has been contested almost solely on domestic issues.*

## N.S. Swedish Election: Taxes and Big Government

Swedish voters, who go to the polls on September 19 and 20, will be asked to decide whether it is time to check the spread of centralized government, which the opposition believes threatens to permeate nearly all levels of society under the ruling Social Democrats.

Parliament now is divided equally between socialists and Communists on the one hand, and nonsocialists on the other. Each bloc controls 175 seats. Prime Minister Olof Palme heads a minority Social Democratic government with 156 seats in the 350-member parliament. He relies on the support of the 19 Communist deputies to block challenges by the three nonsocialist opposition parties.

The Social Democrats, in government almost continuously for 44 years, have suffered declining popularity in recent years. Along with their Communist allies, the Social Democrats have trailed the combined opposition parties in polls all year. If this dissatisfaction is translated into votes, the Social Democrats will either be forced into opposition or have to share power in some way with the nonsocialist parties.

In less than a century, Sweden has grown from one of Europe's poorest countries to one of the world's richest. Its standard of living and per capita income are among the highest in the world. Swedish levels of health and medical care are unsurpassed, and poverty and illiteracy are practically nonexistent. The few minority groups—primarily the Lapps and foreign workers—are accorded treatment equal to the Swedish majority.

These achievements have made Sweden a model for many nations, and nearly all Swedes recognize the benefits that have accrued from successive Social Democratic governments. Much of the Social Democratic legislation has originated in Sweden's central labor federation, which is the party's single

most powerful source of support. Many Swedes believe, however, that conditions are good enough and that additional sacrifices—increased taxation and government involvement in private affairs—would offset the current benefits.

The pervasiveness of the government's role in national life—and the attendant



*Prime Minister Palme in 1975, campaigning for aid to the Spanish opposition. This year, he has no foreign issue to divert public attention from Sweden's problems.*

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cost in both material terms and in the encroachments on personal freedom—has begun to dampen enthusiasm for granting a mandate that might lead to extending the system even further.

High taxes, which make the system work, are a major campaign issue. A Swedish worker with an annual income of \$10,000 pays nearly one third in income taxes; a businessman earning \$36,000 annually retains only about \$13,000; an executive in the \$350,000 bracket receives less than 20 percent of his salary after taxes.

The Social Democrats are proposing a 3-percent tax hike, the Liberals and the Centrists favor a 1.5 percent rise, while only the Conservatives oppose any increase. The fact that none of the parties is trying to reduce the tax load, which would mean a drop in social benefits, reflects majority support for the existing social welfare system.

No longer able to divert public attention from Sweden's own problems by espousing causes that are not vital to the nation's interests—Vietnam or democracy in Spain, for example—the government has had to concentrate on defending its domestic policies. This led to a substantial loss of votes in 1973 and plagues the government's present campaign. This year, the only foreign policy issue to emerge is aid to Argentina, which has had little impact in the campaign.

#### Opposition's Problems

The three opposition parties lack issues on which to attack the government, and they disagree among themselves. Basic differences over domestic policies between the Center and the Liberal parties on the one hand and the Conservatives on the other have prevented cooperation in the past and raise serious doubts about the ability of the nonsocialist parties to agree on a coalition even if they win a majority.

Thorbjorn Falldin, leader of the large Center Party—the man likely to head any nonsocialist government—has tried to make opposition to the government's nuclear policy a unifying issue. When environmentalists opposed further hydroelectric expansion in the mid-1960s,

the Social Democratic government embarked on a nuclear energy program that now has five plants on line and several more under construction.

Initially both Gosta Bohman, leader of the Conservatives, and Per Ahlmark of the Liberals sidestepped Falldin's demand that the plants be closed and the plan abandoned. Recent press commentary, however, reflects considerable public concern over nuclear waste disposal and other safety aspects of the government's nuclear program. What appears to have been a nonstarter as an important issue could make the difference in a close race.

#### Socialist Campaign

While the nonsocialist parties seem uncertain and indecisive, the Social Democratic campaign appears to be in high gear. A possible stumbling block for the party is the so-called Meidner Plan, which would give unions control of industry in 20 to 25 years by forcing companies to make a certain percentage of their profits available to workers for the purchase of stock. Under the Meidner Plan, control of Swedish industry would pass to the unions within the next two or three decades.

Thus far, the opposition has not aggressively attacked the Meidner Plan and other key Social Democratic proposals that would nationalize the construction industry and eliminate private ownership of land. The Conservatives may still do so, but the Liberals and the Centrists, who have supported government moves to give workers a voice in industrial management, have indicated that they will not dig in their heels over these proposals.

The prospects for the Communists' continuing to play a supporting role to the Social Democrats are clouded by the deep ideological split in the party and its advocacy of a revolutionary platform that has alienated many of its fringe supporters. Midyear polls showed the Communists with less than the four percent of the national tally necessary to win significant representation in parliament, but a poll in late August indicated that the party might squeak by. The Communists are



*Thorbjorn Falldin*

almost certain, however, to win 12 percent in one northern district, a long-time stronghold, and such strength locally would give the party at least one seat in the new Riksdag even if it fails to get four percent nationally.

#### Alternative Governments

The latest polls show the Social Democrats and the Communists winning a combined 47 percent of the votes and the opposition parties 51 percent. The opposition parties had an identical edge just before the 1973 election, but lost by a fraction of a percentage point to the usually fast-finishing Social Democrats.

If the opposition wins a majority and manages to put together a coalition, the basic differences among the parties probably would persist, resulting in an inherently unstable government. Encouraged by this prospect, the Social Democrats might decide to take the initiative and attempt to form a government that would include one or both of the centrist parties, or go it alone as a minority government.

US relations with Sweden are not likely to change significantly if the opposition wins, although a nonsocialist government probably would take more pains to avoid unnecessary frictions with the US.

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*Indonesia, Malaysia, and Singapore received some stiff jolts at the recent nonaligned conference in Colombo. They were unprepared for the vehemence of Vietnam's attacks on ASEAN or for the political militance that dominated the proceedings.*

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## ASEAN and Hanoi: Rethinking Relations

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Three of the five members of the Association of Southeast Asian Nations are reassessing relations with Vietnam following Hanoi's stinging attacks on the organization and its members at the recent conference of the nonaligned at Colombo.

Indonesia, Malaysia, and Singapore are full-fledged members of the nonaligned movement. The other two members of ASEAN—the Philippines and Thailand—are not members of the nonaligned movement, but the Philippines attended the conference as a guest and wants to join.

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The Vietnamese view ASEAN as a potential rival and source of political and economic influence capable of thwarting their ambitions for a stronger position in Southeast Asia.

In their postwar drive to improve relations in Southeast Asia, the Vietnamese have from time to time—usually in private conversations with individual ASEAN members—soft-pedaled their objections to the organization. In public, they still seem inclined to reiterate, and sometimes flaunt, their revolutionary credentials.

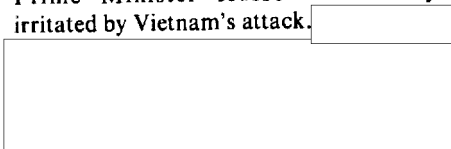
As the Vietnamese seek a leadership role in the nonaligned movement, they are likely to continue attacking ASEAN.

### Suspicious Reawakened

Indonesia, Malaysia, and Singapore were all dismayed by Vietnam's strong support of the Lao resolution that charged ASEAN with being a front for US imperialism. For Indonesia and Singapore,

Vietnam's behavior reawakened their suspicions about Hanoi's real intentions in the region, and it wiped out much of the good will generated by the visit of Vietnam's Vice Foreign Minister Phan Hien to Southeast Asia in July. Both countries now believe Hien's conciliatory posture then was an effort to mask Hanoi's basic objective of subverting and dominating the area.

For Malaysia, Hanoi's attack was an especially sharp slap. Malaysia had been working hard to encourage a more cooperative attitude on the part of ASEAN members toward Vietnam. Prime Minister Hussein is clearly irritated by Vietnam's attack.



Malaysia put its own resolution in favor of a zone of "peace, freedom, and neutrality" in Southeast Asia on the docket at Colombo. The concept has been a cornerstone of Malaysian foreign policy for several years. Other ASEAN governments are skeptical about the idea, but have generally gone along with Malaysia's insistence that it be formally incorporated into the ASEAN regional view. In February, at the first meeting of the ASEAN heads of state, the concept was adopted by all five members and made a central part of the conference's final communique.

Malaysia went to the nonaligned conference convinced that its resolution would be adopted and was not prepared for the attack from Laos. Vietnam



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provided strong support for the Lao resolution, and most ASEAN observers believe Laos was acting as the front man for what essentially was a Vietnamese position. The Malaysian proposal never came to a vote.

The Colombo performance could well undercut Vietnamese objectives in Southeast Asia. Most ASEAN states believe Vietnam needs them more than they need Vietnam. With Hanoi revealing its "true colors"—the words of Lee Kuan Yew of Singapore—the ASEAN states will be less enthusiastic about providing Vietnam with economic assistance.

Singapore reportedly plans to turn a cold shoulder, and Malaysia, whose economic help to Vietnam is minimal, also intends to review its position. Indonesia almost certainly will reconsider its future aid program to Vietnam. Even token economic aid from its noncommunist neighbors is important to Vietnam.

**Disillusionment at Colombo**

Regional considerations aside, the Lao

resolution, together with the general disarray of the Colombo conference, has left Indonesia, Singapore, and Malaysia seriously questioning their future role in the nonaligned movement. The three generally do not share many of the values of the newer, more militant members of the movement and see no need to posture about anti-imperialism or subscribe to the anti-US diatribes of the more recently decolonized states.

The three countries were disappointed that the more serious economic questions facing the nonaligned were given short shrift and that the conferees produced few meaningful guidelines to deal with substantive problems.

The Philippines, watching from the sidelines, has so far been less critical of the conference than its ASEAN colleagues. President Marcos is anxious to become a full member of the nonaligned movement by the next summit in Havana in 1979. As the only Southeast Asian country still allowing a large US military presence and as a member of

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SEATO, Manila has yet to establish its third-world credentials to the satisfaction of the ruling councils of the nonaligned. Marcos thinks he cannot afford at this point to be as critical of the conference's results or of Vietnam's performance as his three colleagues have been.

Despite their reservations, none of the three is likely to pull out of the nonaligned movement or even sharply criticize the conference in public, but they may try to disassociate themselves from the more militant nonaligned positions.

Over the longer term, the three will remain interested in better bilateral relations with Vietnam, provided Hanoi restrains its support for neighboring insurgencies and tones down its anti-ASEAN rhetoric.

For now, however, these countries are unlikely to take significant initiatives toward Vietnam. They are more likely to exert greater efforts to strengthen ASEAN and to try to make it a more effective competitor to Vietnam.

[Redacted]

*More than half of the labor force in Saudi Arabia is now foreign, and the proportion of foreigners continues to rise. Many Saudis wonder whether the implicit threat to their traditional values is too high a price to pay for rapid economic development.*

N.S.

## Saudi Arabia: Influx of Foreign Workers

[Redacted] Saudi Arabia's commitment to its ambitious five-year development plan has generated tremendous demands for skilled and semi-skilled labor that cannot be met domestically. The need to import workers is beginning to cause serious labor and social problems.

North Yemen has been the customary source of unskilled labor in Saudi Arabia; in the past year or so, Yemeni workers have been joined by large numbers of Indians, Pakistanis, South Koreans, and Filipinos. There is also a large West Euro-

pean and US presence in the kingdom. About half the Saudi labor force is now foreign; if the trend continues, we estimate that by 1980 two thirds will be foreign.

Many Saudis fear the influx of so many foreign workers will undermine the unique Saudi lifestyle and values and wonder if this is not too high a price to pay for rapid economic development.

An estimated 500,000 North Yemeni laborers—who need only an identity card to enter Saudi Arabia—are scattered throughout the kingdom. Most are

manual workers in the construction industry. According to one estimate, there are more Yemenis in Jidda than in any city in North Yemen.

These workers send home about \$25 million a month, an important contribution to North Yemen's economy. The Saudis have long viewed Yemeni residents with a mixture of indifference and contempt.

In the past year, the North Yemeni predominance in the labor force has been diluted by the growing presence of Asian workers, most of whom come from the

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subcontinent. The Saudis are concerned because the productivity of the Indians and Pakistanis is low, while inflation keeps boosting their salaries and maintenance costs. Some of these workers have proved to be demanding employees, in contrast to the docile laborers to which their Saudi employers have been accustomed. Another concern of the Saudis is their suspicion that workers from the subcontinent will not go home when their work is done.

The Saudis have ambivalent feelings about the 10,000 to 12,000 South Koreans in Saudi Arabia's Eastern Province. The Koreans, who are engaged primarily in construction work, are respected for their hard work, productivity, and craftsmanship but are eyed by the Saudis with a good deal of suspicion and even some fear for their discipline and quasi-military appearance and manners.

Saudi apprehensions have been fed by the Koreans' tendency to dress alike in uniforms and to go about publicly in groups of 10 or 20; some Saudis even see the Koreans as a potential security threat. The government's reaction has been sharply to curtail entrance visas to other Koreans.

There are small, but growing, contingents of workers from other Asian countries. About 200 Thai have arrived and have shown themselves to be hard-working and unobtrusive. Filipinos make up a small—about 200 at present—but growing segment of the foreign work force. About 5,000 Indonesians are expected, but few are in the country now.

#### **Problems**

The country's economic boom has driven up wages and prices precipitously; both are estimated to be increasing at 40 percent a year. Since 1973, the shortage of labor and the extensive construction projects have boosted daily wages for an unskilled Yemeni construction worker from \$3 to \$25. Wages for domestic help have doubled.

Foreign workers employed on government construction projects in recent weeks have engaged in several major

strikes—virtually unheard of in Saudi Arabia. A work stoppage by Pakistani laborers in late August was put down by police and army units. Early this month, 400 skilled Turkish workers struck a military construction project in Taif. The government, which refused to entertain the workers' demands for higher pay and better working conditions, ordered their deportation when they refused to return to the job. Strikes are illegal in Saudi Arabia, although grievance procedures do exist.

Yemenis—unlike other foreign workers—are not bound by the Saudi regulations that limit the shifting of sponsored expatriate workers from one employer to another. Yemenis can enter the kingdom without sponsorship and without visas. This situation, coupled with the fact that few workers of any nationality obey the law requiring them to have a binding work contract, has caused virtual chaos in the labor market as workers feel free to quit their jobs at will.

Some Yemenis have switched employers four or five times in as many months.

An apparent increase in crime has been an unwelcome spin-off from the presence of foreign workers. Traditionally, crime has been rare in Saudi Arabia because of harsh penalties.

We have reports that crimes committed by foreigners—usually against other foreigners, including Americans—are increasing. The oil consortium, Aramco, has started a safety program warning its employees of possible dangers in their neighborhoods.

The Saudis long have been sensitive to the possible security threat posed by foreign workers to the oil fields. Since 1967, Aramco has been forbidden to use Syrian, Iraqi, Palestinian, or Yemeni laborers at Ras Tanura or sensitive oil sites in the Eastern Province. No such security concern has yet been expressed about American or European workers.

The Westerners, however, present a different problem. They must be offered high salaries and housing and maintenance benefits to entice them to

work in the kingdom. Young, Western-trained Saudis who are now returning home and going into the government are discovering that these Westerners—most of whom seem no better qualified than they—are being paid far more for doing the same work.

Compounding the problem is the fact that many uneducated Saudis working in the private sector are accumulating wealth and influence at a rate unattainable by a government employee. The Saudi government, concerned about slowing inflation, is reluctant to raise government salaries.

A result of these pressures has been that increasing numbers of the most capable young Saudi officials are abandoning government service for the private sector.

#### **Outlook**

Saudi Arabia's plans for domestic development will require a continuing influx of foreign workers—an estimated 500,000 more by 1980. The associated problems will continue—inflation, crime, possible security threats—and, perhaps more long-lasting and difficult to control, the cultural challenge to the values and traditions of Saudi society. Saudi concern about crime and security threats has focused mainly on Asians, but not surprisingly the American and European residents are seen as presenting the critical challenge to Saudi culture.

The Saudis face some tough decisions about their plans for development and the related issue of foreign labor. They could choose to ignore the problem and hope its effects do not become too disruptive, or they could change the mix of the foreign work force—perhaps substituting Americans or Europeans for Asians.

Such a shift would cost the Saudis more in wages immediately and more in cultural impact in the long term. The Saudis have been pleased with the quality of American work.

Finally, they could curtail their development plans and reduce foreign labor. This, of course, would have far-reaching political, economic, and social implications for the kingdom.

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