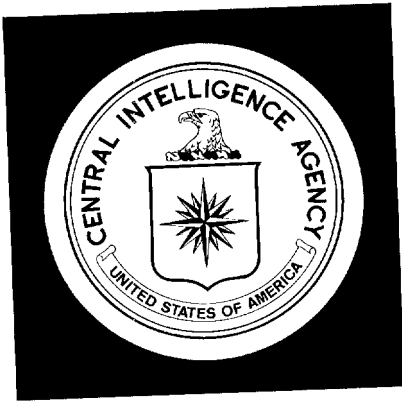


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Weekly Summary

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October 15, 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. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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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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Far East

CHINA *A*

In two dramatic and apparently related moves, Hua Kuo-feng has succeeded Mao Tse-tung as chairman of the Chinese Communist Party and of the powerful Military Commission, while the Politburo's four leading leftists have reportedly been arrested. Public announcement of these changes—and perhaps others—is likely only at the conclusion of a Central Committee meeting that is apparently in session.

Hua's rapid promotion, a month after Mao's death, was probably made possible by a coalition of centrist and rightist civilians with the support of the military. The military may try to extract rewards for its support, and there is potential for friction between civilians and some military leaders.

In addition to ratifying Hua's promotion, the Central Committee is probably reviewing the charges against the four leftists, one of whom is Mao's widow Chiang Ching. These people are widely disliked and, if the party looks back to the leftist-inspired purges of the cultural revolution a decade ago, the list of their "crimes" is likely to be long. Thus far, they have reportedly been accused of plotting a coup, presumably against Hua, and of distorting Mao's writings.

There are rumors that several dozen supporters of the leftists have also been arrested. These are said to include Mao's nephew, who apparently was in charge of Mao's personal secretariat just before his death, and the minister of culture, a protege of Mao's widow.

The Central Committee may also be considering the case of Politburo member Li Te-sheng, the only regional military commander who has espoused leftist causes since the fall of Teng Hsiao-ping. Li could be in serious trouble, but his case is probably a delicate one because he has troops at his command.

The Central Committee may also be trying to reconstitute the Politburo, depleted by deaths and purges. Among its decisions could be the appointment of a new premier should Hua relinquish that job, which seems likely. Rightist Politburo member Li Hsien-nien, a vice premier, is the most logical choice if leftist First Vice Premier Chang Chun-chiao has indeed fallen. Li was eclipsed by Chang for most of the year but has been very prominent in the past week.

Chang and the other leftists have not appeared in public since late last month. Their purge would leave the rightists with more power than they have had in over a decade and would remove a major source of contention in the leadership.

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THAILAND *2-10*

Bangkok has remained quiet since the armed forces overthrew the constitutional government on October 6. The military's newly formed National Administrative Reform Council, led by Admiral Sa-ngat, is in effective control as new government institutions are being developed.

The abrupt dismissal from active service on October 9 of General Chalot, a former deputy army commander attached to the Ministry of Defense, was meant to warn senior officers outside the Council—as well as subordinate troop commanders—of the hazards of joining any countercoup attempt.

Admiral Sa-ngat has been concerned about the intentions of leaders of the now banned Thai Nation Party—and their associates in the military such as General Chalot—who have been removed from positions of power. None of these figures commands troops, and chances of a countercoup are poor.

There are simmering problems within the Council. Its expansion to include several more army officers has soothed the army's initial disgruntlement over its limited representation.

Admiral Sa-ngat apparently hopes that the rapid formation of a civilian caretaker administration will defuse the growing ambitions of some military officers for a greater political role. Thanin Kraivichian, a Supreme Court justice known for conservative but not extreme right-wing views, was appointed prime minister on October 8, and a cabinet is likely to be selected shortly. Sa-ngat is also planning to accelerate the appointment of a national assembly—a unicameral body with virtually no power—and hopes to complete the entire process by the end of October.

It is not clear how much latitude will be permitted the civilian cabinet. When a civilian administration is in place, the Council intends to disband, but a smaller residual military committee will continue to give policy guidance to the prime minister. There are plans, moreover, to appoint a military man—perhaps retired—as deputy prime minister.

Military leaders are willing, for the moment, to operate behind a civilian facade, but they do not want to relinquish complete control of the government to civilians—no matter how conservative—and have already given notice that they would again step in should the civilians falter.

The students who were arrested last week are gradually being released on bail.

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Although rumors of possible terrorist activities have produced a military alert and a decision to close primary and secondary schools temporarily, a more serious threat of disruptions in the near future lies with ambitious army officers within the Council who may be loath to give up the power that has fallen into their laps.

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Middle East

LEBANON

11-12

The Syrians resumed their offensive both in southern Lebanon and in the mountains east of Beirut this week after a pause during which they apparently found the Palestinians still unwilling to accept

Syria's terms for a cease-fire.

Negotiations last weekend in Syrian-occupied Shaturah between representatives of the Syrians, Palestinians, and Lebanese President Sarkis were yet another charade; the Palestinians apparently did not make any significant concessions.

For their part, the Syrians almost certainly attended the Shaturah talks only as a public relations exercise to avoid appearing intransigent. The Syrians are probably still bent on obtaining Yasir

Arafat's removal from the chairmanship of the Palestine Liberation Organization—a step they apparently believe necessary to guarantee the future tractability of the movement.

The Syrians launched their offensive in south Lebanon on October 12. Starting from their positions in Jezzín, Syrian units pushed westward toward the port of Sidon, the major entry point of supplies for Palestinian and leftist forces. The Syrians quickly took Rum, the Palestinians' regional headquarters and the last major stronghold on the Sidon road, as well as a number of neighboring villages.

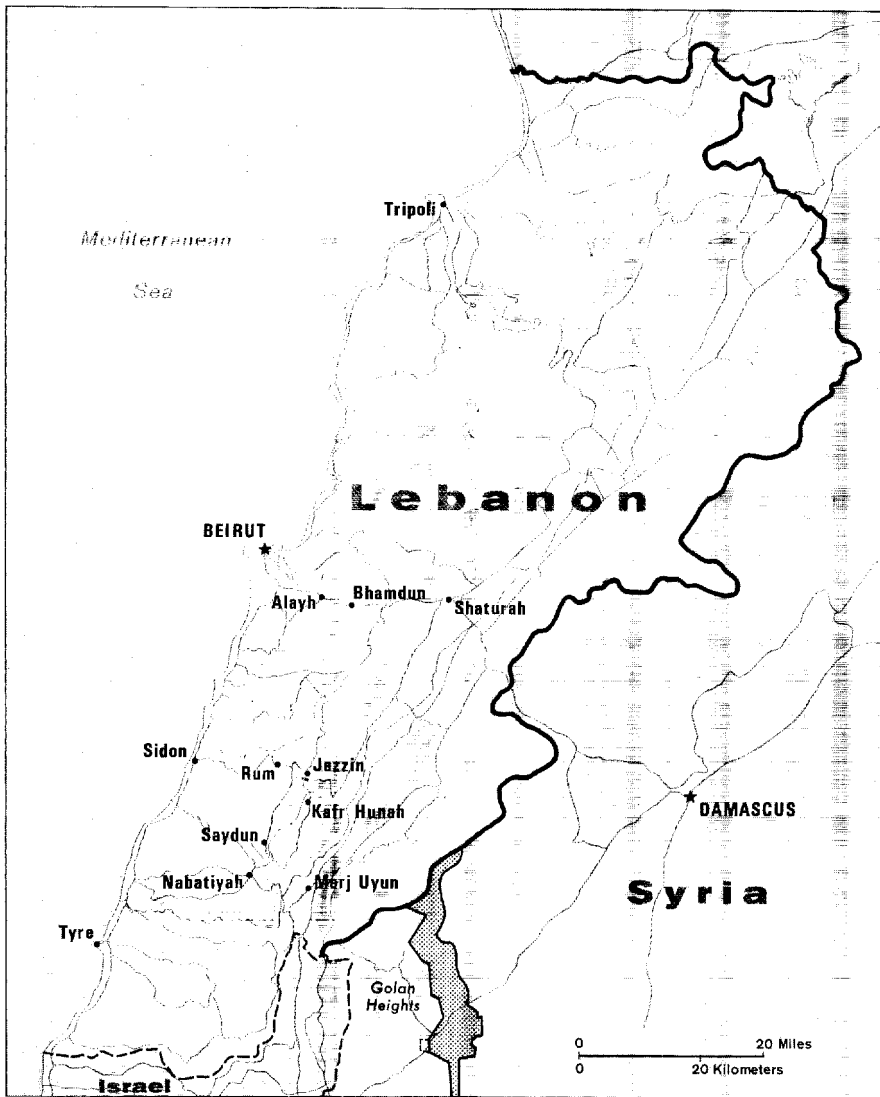
Syrian forces also pushed south from Jezzín toward key Palestinian positions at Nabatiyah and Marj Uyun; by October 13 they had reached Saydun and Kafr Hunah. It is not clear how far south the Syrians are prepared to go. They are steadily narrowing the gap between their positions and the Israeli border and are presumably wary of triggering any overt Israeli reaction.

The Israeli government, however, probably welcomes the new Syrian offensive as a further blow to Palestinian-leftist prospects in Lebanon that will aid Israel's own efforts to eliminate fedayeen units from the border area. The Israelis have been providing Christian forces near the border with tactical guidance and limited military aid, including small arms, ammunition, and training.

In the mountains east of Beirut, intensive Syrian shelling of Palestinian and leftist positions in Bhamdun and Alayh on October 13 permitted Syrian troops to enter Bhamdun by the next morning. The Syrians are probably planning to combine pressure on Beirut's eastern approaches with the interdiction of the coastal road between Beirut and Sidon, thus choking off sources of supply for Palestinians and leftists in Muslim-held west Beirut.

Syria announced this week that it would attend the Arab summit conference scheduled to begin October 18 in Cairo, but its delegation will be headed by Foreign Minister Khaddam, not President Asad.

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Robert Mugabe (l) and Joshua Nkomo (r), with deputy George Silundika (c), at recent news conference

tion of an interim government to prepare Rhodesia for independence under black majority rule. Preliminary talks are scheduled to start on October 21. The blacks, despite more negative-sounding declarations, are apparently preparing to attend.

On the African side, the invitations went to Joshua Nkomo and Robert Mugabe, as spokesmen for the two factions that have guerrillas in the field, and to Bishop Muzorewa, whose faction has no guerrilla wing but has demonstrated political support in Rhodesia. At least some of the five "front-line" African states that have been pressing for a Rhodesian solution—Tanzania, Zambia, Mozambique, Botswana, and Angola—and South Africa are likely to send observers.

The British named their envoy to the UN, Ivor Richards, to be chairman of the proceedings, but apparently hope to minimize their role in the conference.

In anticipation of an early conference, Nkomo and Mugabe, who had been holding unity talks, issued a militant joint statement on October 9 in which they an-

nounced they had formed a "patriotic front" to negotiate for the "total and immediate" transfer of power. Their alliance is almost certainly a temporary one aimed largely at strengthening their political position at the expense of Muzorewa.

The statement also called for a delay in the start of the conference—which Britain apparently has resisted—and set forth a series of harsh demands that Nkomo and Mugabe said were essential to create the proper atmosphere for talks. They stopped short, however, of making fulfillment of the demands a precondition to their attendance at Geneva. Nkomo announced this week that he has formed an 18-member delegation.

For his part, Ian Smith is taking to Geneva a delegation including both moderate whites and hard liners. Smith has stated he is coming to the conference prepared to negotiate only within the framework of the "package" that he publicly accepted on September 24. On this point, he has received strong backing from South Africa's Prime Minister Vorster.

One major sticking point at Geneva will

Africa

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RHODESIA

Britain this week invited three rival black Rhodesian nationalist leaders and Prime Minister Ian Smith's political party to send representatives to Geneva for talks beginning October 25 on the forma-

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be control over the Rhodesian security forces. All the nationalist factions appear prepared to hold out against continued white control over these forces during a transition period. The whites seem equally determined not to yield on the issue.

Although most Rhodesian whites appear to have accepted the prospect of black rule within two years, they are keeping open their options to stay or leave. Large numbers of whites would probably decide to go if the blacks gain early control of the defense and law and order ministries, fearing this would lead to widespread violence by black guerrilla groups.

ANGOLA 28, 30

The USSR gave an enthusiastic welcome to Angolan President Agostinho Neto last week during the African leader's first trip to the Soviet Union since the establishment of his government. The visit was highlighted by the signing of a 20-year friendship and cooperation treaty.

The victory of Neto's Popular Movement in Angola's civil war was one of Moscow's most visible foreign policy successes in the past few years. By further cementing their ties with Neto, who recently joined the ranks of the "front-line" black African leaders, the Soviets hope to expand their influence in postwar Angola as well as among the southern African national liberationists, especially in Namibia.

General Secretary Brezhnev, at a dinner in Neto's honor, underlined the Soviet Union's continuing support to the liberationists when he gave Moscow's most authoritative criticism of those who "are attempting to substitute a fictitious liberation...for a true one."

The Soviet Union has concluded "friendship" treaties with only a few third-world countries—India, Egypt, Iraq, and Somalia. The text of the Angolan treaty resembles the format and substance of the other treaties, outlining a commitment to cooperate in a wide varie-

ty of fields, including defense.

The treaty provides for the strengthening of military cooperation—implying continued Soviet military aid. Under this clause, the Soviets could try to gain access to military facilities in Angola, but we doubt Neto would agree.

Neto's talks in Moscow apparently focused on party ties and the needs of Angola's economy. At the end of Neto's stay, the Soviets announced the signing of a cooperation agreement between the Popular Movement and the Soviet Communist Party as well as a protocol to an economic and technical cooperation agreement concluded during Prime Minister Nascimento's visit last May. The Angolans seem anxious to see the USSR play a greater role in their economic development, but Angola needs access to the West if it is to benefit fully from its oil, agricultural, and mineral resources.

Neither side mentioned it, but Neto probably extended a personal invitation to his Soviet hosts to attend the first anniversary celebration of Angola's independence on November 11. Should a top Soviet leader attend, he would be the first high-ranking Soviet to visit a southern African country.

Military Operations 31-33

The Neto government is carrying out military operations against National Union insurgents in southern Angola near the Namibian border. Government forces are being supported by Cubans and apparently also by some guerrillas of the South West Africa People's Organization.

The operations sparked serious unrest late last month among the population on

the Angolan side of the border between Calueque and Pereira de Eca.

The Angolans, however, disputed news stories in the South African media indicating that the operations have resulted in widespread killing of innocent persons.

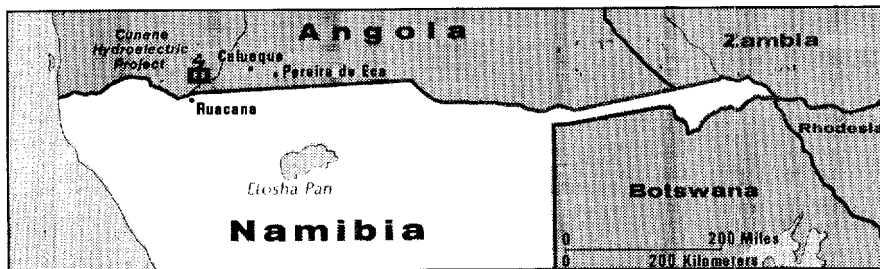
The South African government confirmed in late September that construction has been suspended at two key points—Calueque and Ruacana—of the joint Angolan - South African Cunene hydroelectric project. Work at Calueque was halted at the request of the Angolan government.

The Angolan-Namibian border area is likely to become the scene of increasing military activity in the months ahead. The Neto regime is anxious to extend its authority to the border and, with Cuban help, has established a number of garrisons in the area.

SWAPO would like to step up its incursions into Namibia from Angola, especially now that South Africa's control over the territory is attracting international attention. Until recently, SWAPO conducted its limited guerrilla operations mainly from Zambia.

The South Africans, who have been concerned over the border area for some time, apparently believe the present operations in Angola are designed to provide support for future SWAPO incursions into Namibia.

South African forces have apparently been carrying on limited operations of their own in southern Angola with the assistance of anti-Neto Angolans. Neto's forces captured a South African soldier and three Angolans in southeastern Angola in late August.



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Europe

Party leader Per Ahlmark was named to the newly created post of deputy prime minister, as well as labor minister. The Conservative leader, Goesta Bohman, was made minister of economy, one of the two posts created by splitting the finance ministry.

For the first time, Sweden has a woman foreign minister, Karin Soeder. She has been the second deputy chairman of the Center Party since 1971 and has served on the Foreign Relations Committee in parliament, the Council of Europe, and on the Swedish Foreign Relations Council, an advisory body to the prime minister.

Falldin's most innovative steps may be in the nuclear energy field. He created a new cabinet post to coordinate energy policy and intends to appoint a special commission to study the security and environmental ramifications of nuclear power. The commission will present its report to Parliament in 1978, and the government will "consider" a referendum on further nuclear expansion at that time.

SWEDEN

46-50

None of the government leaders appointed by Prime Minister Thorbjorn Falldin last week has ever held a cabinet post before, but most have served in responsible positions in the federal bureaucracy. Initial policy declarations by the new government stress continuity in Swedish foreign and domestic policy.

Falldin's own Center Party received eight portfolios, the Conservative Party six, and the Liberal Party five. Liberal

51-55 NATO: European Program Group Meets

The arms directors of the European Program Group—which consists of the ten European members of NATO plus France—held their third meeting in Rome recently. The purpose of the meeting was to review progress made on European arms collaboration and to prepare for a meeting of the Group to be held in late November at the political level.

Review of work accomplished thus far focused on progress made in developing opportunities for cooperation in present national equipment schedules and future equipment needs. The representatives concluded that the overall progress so far was satisfactory and agreed to establish new areas for future cooperation.

The representatives also appeared satisfied with the work of a subgroup charged with developing political and industrial principles to guide European arms cooperation. A full assessment of the work of this politically oriented group was reserved for the November meeting.

The Europeans attach considerable importance to the November meeting. An Italian official said recently that the meeting will specifically address the question of a formal tie to NATO.

Since the formation of the Group, the Europeans have given first priority to achieving arms standardization among themselves. A formal tie with NATO would help lay the groundwork for later implementation of a "two-way street" in the arms trade with the US.

The first tentative approaches may in fact have already been made. At a meeting of the arms directors of the US and the three major European powers—France, the UK, and West Germany—the Europeans offered to provide the US with the replacement schedule developed by the European Program Group and pledged that weapons projects they discuss with the US would coincide with those considered in the European group.

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Sweden's foreign policy is to remain relatively unchanged—nonalignment in peacetime and neutrality in war. Aid to Cuba will be reduced further, and support for the liberation movements in southern Africa will be increased. The new government is likely to show greater concern over the practices of nuclear supplier countries in transferring nuclear technology and fuel to nonnuclear states, particularly those that have not signed the nonproliferation treaty. [redacted]

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PANAMA 70-71

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The relatively tame, pro forma observance on October 11 of the anniversary of the coup that brought strongman Omar Torrijos to power in 1968 gave Panamanians little to cheer about. Torrijos' speech, centering on the discouraging economic outlook, reflected the fact that his "revolution" is on the defensive.

The Panamanian leader's opening assertion that the massive crowd refuted the contention that the revolution is losing support does not stand up to scrutiny. The gathering of 20,000 people—many of whom were government employees officially encouraged to attend—was far below official targets.

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Following the student-led protests against price increases last month, the controlled press only belatedly promoted the anniversary. General Torrijos' appearance was greeted with apathy, and the mood of the crowd, like the tenor of the speeches, was generally uninspired. The loudest cheers came when Torrijos announced a holiday the following day.

Torrijos admitted to a difficult economic situation, but offered few specific solutions. He enumerated such urban ills as increased unemployment, the rising cost of living, and poor transportation. He did promise an emergency national public works program, but ad-

mitted that an unemployment survey had yet to be started, suggesting that much remains to be done before an effective program is implemented.

The Panamanian leader came close to announcing two measures that are certain to add to discontent. Asking for sacrifice, he said new tax measures "must be taken." He also stated that some articles in the labor code must be changed. He was referring to articles popular with the workers that are hurting business. Despite his effort to pave the way for these measures, labor unions especially will be disgruntled at the loss of any prerogatives.

The General's swipes at the US were, in the Panamanian context, almost perfunctory. Torrijos did not set any deadlines in the canal negotiations nor repeat past Panamanian demands for an end to the US presence before the year 2000. He even noted that rash actions could cost Panama support in the hemisphere. [redacted]

PERU 72-76

Peruvian President Morales Bermúdez failed on October 3 to deliver the customary "Revolution Day" address; he was to have outlined some important future government policies.

No explanation was given for the break with tradition, but [redacted] government leaders could not agree on one major aspect of policy—a more restrictive labor law. Since the law would reportedly limit strikes and give management greater latitude in dismissals, it would surely have evoked labor protests that could have catalyzed discontent throughout the country.

The government hopes to avoid another outbreak of disorder. Popular backing for the President seems weak and his support within the armed forces is uncertain. The government, therefore, has become increasingly sensitive to growing domestic criticism of its recent policies; leftist opponents charge that the government has betrayed the revolution.

Many civilians are calling for the

restoration of civil liberties that were suspended by a state of emergency decree imposed in part to prevent labor protests. The regime is trying to demonstrate the need to continue the state of emergency by giving dramatic billing to the recent arrest of 17 members of a far-left terrorist group, the Peruvian Popular Army. The opposition has not yet responded to the government's argument, but will probably not be satisfied. [redacted]

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ARGENTINA 77-79

The government's announcement that it has created the cabinet post of planning minister may be a prelude to further changes at the top. General Diaz Bessone, a regional army corps commander, is almost sure to get the new job.

The planning minister will coordinate the activities of all the other ministries. One purpose is to centralize President Videla's authority over the government. Videla has been criticized by some in the military for not being assertive enough and for permitting government policy to drift.

Videla and others may also judge that it is time to devote increased attention to other important issues in addition to economic recovery and counterinsurgency. Resolution of the difficult problem of labor's status could be one.

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Videla may also wish to delegate some of his day-to-day responsibility as army commander in chief. [redacted]

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[redacted] changes in regional corps commanders may be forthcoming in the near future; the next promotion cycle is approaching.

The forceful General Diaz Bessone is apt to interpret rather broadly the guidelines for the new ministry. He will be buoyed by the fact that under new succession provisions he will head the entire executive branch in the event of the President's absence or illness. The President is scheduled to make trips abroad in the near future. [redacted]

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The unprecedented powers assumed by the executive branch under Prime Minister Gandhi will be institutionalized this fall when Parliament approves a constitutional amendment. Few Indians disapprove.

97-99

India: Gandhi's Rule

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The increasingly authoritarian trend that has marked Prime Minister Indira Gandhi's decade in office will reach a new benchmark this fall when Parliament approves, as it surely will, a constitutional amendment to institutionalize unprecedented power in the executive branch. Future challenges to Gandhi's authority from the courts and the presidency will be effectively neutralized.

The most important provisions of the omnibus amendment will:

- Unequivocally establish the prime minister as the supreme authority in government.
- Institutionalize many repressive measures in effect since Gandhi imposed a national emergency in June 1975.
- Sharply curtail the judiciary's power to challenge legislation and executive actions and to safeguard civil liberties.

Beyond this, the provisions give Gandhi carte blanche during the next two years to amend the constitution further under the pretext of removing "difficulties" that stand in the way of implementing the new amendment.

The amendment stems from a committee Gandhi appointed last February to draft proposals ostensibly aimed at making the constitution a "dynamic instrument" of social and economic change. The amendment, however, goes considerably beyond the committee's recommendations, making it clear that

Gandhi plans to retain all the vast power she has held on a temporary basis since imposing the emergency.

Gandhi defends the amendment as a necessary updating of India's 26-year-old constitution. She says the present distribution of power in the constitution, which mainly follows the British pattern, impedes economic and social reform by favoring the rich over the poor. In part, this argument provides a scapegoat for her administration's failure to improve substantially the living standards of India's 630 million people.

Gandhi's Leadership Style

Gandhi's intolerance of criticism and her reluctance to compromise made it almost inevitable that her administration would grow progressively more authoritarian. She has repeatedly sought full freedom of action. These traits were not visible in 1966 when Congress Party leaders, on the death of prime minister Shastri, chose Gandhi as his successor with the expectation that she would be malleable.

Gandhi's initial uncertainty in office gave way within months to self-confidence, and by the end of 1969 Gandhi had outmaneuvered the veteran party leaders and gained control of the party. She was willing to take political gambles, and they usually paid off. By 1972 she had won a national election giving her a large parliamentary majority and had presided over India's military victory over Pakistan in the war for Bangladesh's independence.

Setbacks and Threats

Economic setbacks and political challenges in the following years helped nudge Gandhi toward authoritarian control. The severe impact of two poor monsoons and worldwide inflation made a mockery of her promise in the 1971 campaign to abolish poverty. Opposition parties joined to capitalize on mounting public discontent, and in the early summer of 1975 Gandhi's opponents were planning a national civil disobedience campaign demanding her resignation. They were further encouraged by a court ruling that found Gandhi guilty of campaign violations and threatened her with dismissal from office.

Gandhi responded resolutely to the threat, proclaiming a state of emergency on June 26, 1975. Asserting that she was acting to halt a threat to national security, Gandhi suspended civil liberties, jailed her opponents, and muzzled the press—unprecedented acts in India during peacetime.

Revising the System

In the early months of the emergency Gandhi reportedly considered adopting a strong presidential system, but dropped the idea when some of her close advisers opposed it. Instead, she opted for a redistribution of power within the existing parliamentary framework.

One of Gandhi's major objectives has been to curb the judiciary. The courts, through their substantial review powers, have challenged a number of Gandhi's policies. She charges that the judiciary

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represents the elite and that the Supreme Court's "narrow" interpretation of the constitution has blocked social justice.

The pending constitutional amendment will bar the Supreme Court from challenging the substance of any new amendments and will substantially limit the purview of the state courts. It will enable the executive to tighten its control over the selection and assignment of judges at all levels. Nonetheless, the judiciary probably will retain a fair degree of independence and continue to rule against the government in some cases involving either civil or corporate matters.

The role of the president also posed a threat to Gandhi's authority. The constitution, as it now stands, vests wide powers in India's indirectly elected presidents although they have traditionally refrained from using these powers and assumed titular roles. Gandhi has occasionally clashed with the current chief of state, Fakhruddin Ali Ahmed, and probably seeks to rule out any future confrontation. The new amendment will clearly subordinate the president to the prime minister.

An addition to the constitution of 10 "fundamental duties of citizens" exemplifies a shift in emphasis from individual rights, as outlined in the constitution adopted in 1950, to the citizen's obligations to the state. The duties listed include unenforceable ideals as well as requirements to abide by the constitution and defend the nation.

The duties probably would have provoked opposition, even in the Congress Party, if Gandhi had retained her original plan to impose penalties for noncompliance. She has emphasized, nonetheless, that discipline and order are imperative and that the "permissive" political atmosphere that existed during the first 28 years of India's independence will not be restored.

Gandhi is highly sensitive to foreign criticism about her political crackdown and manipulation of the constitution. This may at least partially account for her decision to preserve a facade of

democratic procedures. She is trying to encourage a "national debate" on the constitutional changes before pushing them through Parliament.

Parliament will continue to be elected by universal suffrage, although for a six-year rather than a five-year term. In addition, new procedural rules establish shorter sessions and limit debate. Parliament's principal task has clearly become that of approving the prime minister's decisions.

The new amendment should receive quick approval from Gandhi's compliant parliamentary majority in a special session tentatively set for late October. The opposition may be permitted to voice some criticism, but this is unlikely to receive much, if any, coverage in the government-controlled media.

Following parliamentary approval, endorsement of the amendment by at least half the 22 state governments is required before it can take effect. This will be easy, as the Congress Party or one of its allies controls all elected state governments; the federal authority administers several troublesome states where elected governments have been temporarily suspended.

Gandhi may lift the emergency after the amendment is law. She may then call the parliamentary election that was postponed for a year last spring. Another postponement is possible, but the Congress Party is already soliciting campaign funds and making other preparations. Whenever the election is held, a large Congress Party victory is assured against the various small opposition parties.

Public Support

Gandhi's actions since June 1975 have stirred little negative public reaction in India. This is largely because of economic improvements during the last 15 months. Gandhi's supporters credit the emergency with the economic upturn, but two beneficent monsoons are at least as responsible.

There is uncertainty about the future, particularly in the private business sector, but the educated middle class generally supports the emphasis on discipline and

resulting improvements in bureaucratic performance. The military also supports Gandhi, and she in turn honors its desire not to be used in dealing with domestic civil disturbances. The masses may be aware of some political changes, but their lives so far have not been affected much by the emergency.

Some intellectuals, particularly those educated in the West, are despondent over



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the loss of traditional democratic rights. Gandhi has used economic pressures and other threats to force the once-lively free press to conform and to abide by rules that restrict criticism of the government or exposure of problems that would embarrass the government.

Popularly elected state officials resent the central bureaucracy's powerful role under the emergency but are unable to prevent the growing concentration of power in the central government. The few opposition parties are divided and demoralized, with some of their leaders still in jail.

India is not, however, a repressive dictatorship such as those in some third world countries. Tens of thousands of Indians have been arrested for political and economic offenses since June 1975, but many were released after short jail terms. Only extremist political parties have been proscribed. Police brutality, while not un-

known, is uncommon. The security forces are ubiquitous, but no attempt has been made to transform them into a personalized force under Gandhi.

Prospects

On the basis of her performance in the past, it seems unlikely that Gandhi will use her enhanced power to implement basic social and economic changes. She recently stated that reform in the countryside must come from education and persuasion rather than force.

Gandhi seems unwilling to face the serious political problems that would accompany an attempt to upset the status quo through far-reaching policies aimed at redressing basic inequities in Indian society.

There has been little real progress in implementing the politically sensitive aspects—such as land reform—of the 20-point socio-economic program she introduced shortly after the emergency

proclamation. The government's focus rather has been on implementing birth-control programs, curbing economic offenses such as smuggling and hoarding, cleaning up the cities, and improving government services.

Gandhi delegates little authority. She consults with a small circle of relatives and aides, rather than with the cabinet, but she makes all important decisions herself. There is little opportunity for policy debate, open criticism, or innovative ideas.

As she faces each new challenge, Gandhi's sense of mission and self-righteousness seem to grow stronger. Her assumption of full responsibility for government performance and the certainty of future economic crises when poor monsoons occur, could bode ill for Gandhi's future popularity and eventually force her to deal again with serious political instability.

The Suarez government is engaged in simultaneous efforts to fight inflation and to overcome the rightist drive to cripple the political liberalization program.

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Spain: Economic Austerity Plan

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The Spanish government has responded to increasing economic and political pressures by announcing strong measures to attack inflation and by submitting to the Cortes a bill that would effectively legalize opposition trade unions.

The Cortes battles over various reform bills this month may be decisive in the government's campaign to democratize the political system. In a final effort to force the government to back down, the right is reportedly concentrating on amendments that would cripple the bills.

Suggested amendments were attached to the constitutional reforms before they were approved on October 8 by the

National Council—the overseeing body of Franco's National Movement party. The Council's report is nonbinding but serves as a clear warning that the right will resist when the Cortes debates the bills later this month.

The government still seems likely to win the required majority in the legislature, unless the military weighs in against the reforms—as apparently happened over the penal code reform bill—or the right is galvanized by a charismatic leader.

The right does seem to be strengthening itself politically. Spanish officials have expressed concern over the recent formation of a rightist alliance by former interior minister Fraga and six other former

ministers who served under Franco. Although Fraga drafted the last government's reform program, he is considered a rightist at heart. The new group, the Popular Alliance, also includes several diehard opponents of any political reform.

Fraga, with his seemingly boundless drive, talent, and ambition, may be the man who can unify the right. His successful negotiations with his former enemies on the right have already caused alarm in the unorganized center of the Spanish political spectrum.

Government concern over military support was evident in the cabinet's decision to submit the draft law on trade unions to the Cortes. The military hierarchy has pledged support for the government's

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Manuel Fraga Iribarne



Prime Minister Suarez

political reform program, though reportedly with the proviso that the reforms must be approved by the legislature. Prime Minister Suarez apparently met stiff resistance to his reported plan to bypass rightist dominated institutions by issuing decree laws to accomplish political reform.

By handling the labor reform as normal legislation, the government risks having restrictions attached to it. In particular, the Cortes may find a way to exclude the Communist-dominated Workers Commissions. The government reportedly wanted to allow the Communists to participate openly through their trade unions in Spain's political evolution in the hope that this would ease opposition pressure for legalization of the Communist Party.

The major opposition trade unions have already condemned the government's action because it:

- Allows the rightist Cortes to sit in judgment on labor reforms.
- Reportedly sets up a registration procedure that will force the trade un-

ions to pass through the "government turnstiles" in order to be legalized.

- Delays legalization for at least a month.
- Does not completely eliminate the existing state-run labor organization.

Economic Measures

The opposition labor unions have also rejected the wide-ranging economic measures announced by the government on October 8, charging that the government was trying to make the workers bear the cost of ending the country's economic crisis. Labor may be mollified, however, if the government can hold the line on prices.

Deputy Prime Minister Osorio announced on October 8 the strongest measures yet taken by Spain to attack its serious inflation problem. Most Spanish officials blame inflation—now running at a 20-percent annual rate—for continued domestic economic stagnation and loss of competitiveness abroad.

The new measures include a price freeze on goods and services for the rest of the

year, followed by controlled price increases through September 1977. Spain will also institute strong wage controls tying pay increases to the cost of living. These controls will extend through next June. A 20-percent import duty surcharge may also be imposed. The government decided to have the measures put into effect immediately by a royal decree to avoid normal legislative delays.

While the wage controls are not new, their strict enforcement would be. Spain already has provisions limiting pay hikes to increases in the cost of living plus 3 percent, but some recent pay increases have been 30 percent. Osorio implied that the provision allowing the additional 3 percent over the cost of living might be dropped.

To further assist firms in maintaining profitability during the price freeze, the government wants to hold dividend payments to 10 percent and has suspended the law preventing companies from firing unnecessary labor.

The impact of these policies on the economy during the remainder of the year will be limited. Wage settlements during the fall labor negotiations will be restrained by the measures, but beneficial effects will not be felt fully until next year. Export sales over the next few months will not show much of an increase.

Spain will probably still end 1976 with a 20-percent rise in prices for the year and a \$3-billion current-account deficit. Moreover, the actual jobless rate, probably about 10 percent, will be little improved by any of the measures so far announced.

The government made no mention of plans for fiscal and monetary restraints. It probably still wants to postpone a rigorous austerity program until after next summer's election.

In setting its sights on improving conditions by next spring without a major overhaul of the economy, the government is likely to push for at least one more major economic measure this year. A 15- to 20-percent depreciation of the peseta is almost a certainty in the next three months.

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The British have already cut just about all they can from defense expenditures without reducing their balanced air, sea, and ground contribution to NATO. Still, the government is under steady political and economic pressure to make further cuts.

M.S.

UK: Impact of Defense Cuts

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Steady economic and political pressure to reduce military spending could induce a basic change in the UK's traditional defense posture in Europe. Similar pressures in the 1960s and early 1970s gradually forced the British to abandon their global military role.

The military budget has been cut four times since the Labor Party came to power in February 1974. Additional de facto reductions have occurred as a result of inflation and the fall in the value of the pound from \$2.40 in the spring of 1975 to the current rate of about \$1.65.

The rationale for the defense cutbacks does not flow from a new estimate of the Warsaw Pact. The UK still views NATO as the cornerstone of its security, and the Labor government promises to concentrate its resources in the Alliance.

The Labor government has tried to convince NATO that reductions to date have not harmed the UK's balanced air, sea, and land contribution to the Alliance. Britain's argument has been that the cuts affect only the tail and not the teeth of its military establishment. Britain is now in a situation, however, where any further economy measures are likely to cut into the UK contributions to NATO defense.

Allies Worried

In spite of economic problems and military cutbacks, the UK continues to

provide most of NATO's maritime defense of the eastern Atlantic, the English Channel, and the supply and reinforcement routes from North America.

In addition, Britain has some 56,000 ground troops and a number of tactical air force units assigned to the British Army of the Rhine. With its four Polaris submarines, Britain is the only European NATO ally contributing to the strategic nuclear deterrent forces.

Britain's allies are concerned about possible future cuts in British defense spending, which currently runs at just under \$10 billion annually. West Germany, for example, is worried about the UK's ability to maintain the British Army of the Rhine's current strength.

The British are aware of the West German concern but appear unable to assuage the Germans. In fact, there are indications the UK may try to exploit German fears. Earlier this year then prime minister Wilson tried to negotiate a renewal of the Anglo-German offset arrangements by linking a generous German payment to the maintenance of British troop strength in West Germany.

Recent Cuts

The UK has announced two major defense cuts this year. In February it slashed spending through 1980 by over \$1 billion. The second cut, announced in July, pared an additional \$178 million from the 1977-1978 defense budget.

The cuts came on top of the reductions announced in March 1975 following a

major review of British defense policy by the Labor government. The goal of that review was to bring British defense expenditures more into line with those of France and West Germany, which spend about 3.5 to 4 percent of their gross national product on defense.

The UK plans to reduce spending gradually from about 5.5 percent of the gross national product to about 4.5 percent by 1984. Comparatively, this decline will be aggravated by the rate of British economic growth, which continues to lag behind those of France and West Germany.

The Callaghan government is under pressure from the Labor Party left wing to make even larger cuts in the defense budget.

Debates in the cabinet over budget priorities will be difficult in face of the current economic problems, and the left wing may find allies among cabinet ministers intent on protecting their own budget allocations.

New Defense Minister

In the cabinet, Callaghan will miss former defense minister Roy Mason and his top deputy, William Rodgers, both of whom were moved to other posts in the recent cabinet shuffle. Although their replacements, Frederick Mulley and John Gilbert, are well disposed toward the military, they are not likely to be as effective in public and private debate.

Still, the new appointees will be able to handle the left. They can argue that ad-

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ditional cutbacks would increase the record unemployment rate. Mulley and Gilbert presumably will also remind the party that any British slippage in conventional or nuclear defense may cause the West Germans to fill the gap. The prospect of a strong Germany still troubles many Britons.

The British have little room to save further on defense if they continue current policies. Over the longer term the UK may reduce defense costs through partnership arrangements on major weapons development programs, but these projects offer little help now.

The July reduction of \$178 million, for example, was a purely political decision and, after the decision, senior defense officials had to search for areas where cuts could be made. These officials had privately indicated before the July announcement that there was no fat left in the defense budget and that any further reductions would have a direct effect on front line performance.

Other British officials have told the Alliance the cumulative cuts have not damaged the UK contribution to NATO, although London's reluctance to consult with the Allies suggests there has been some impact. The Labor government obviously fears that NATO criticism would give the opposition Conservatives a weapon to use against the government in a future election campaign.

If the Conservatives are returned to office in the next election, however, their efforts to rebuild the defense budget would also be limited by Britain's economic situation.

Possible Economy Moves

Britain already has plans to abandon its peacetime military presence in the Mediterranean and to emphasize the defense of northern and central Europe.

Elimination of the British military presence outside Europe would offer only marginal savings. Political obstacles could even prevent these small economies. Britain would probably not want to remove the small Hong Kong garrison, for instance, and the tense situation between Guatemala and the British



John Gilbert

colony of Belize would be exacerbated by the withdrawal of British forces, which have been a stabilizing factor.

Significant defense cuts will confront the UK with a choice between maintaining just a facade of balanced armed forces or moving toward a specialized contribution. Should the British shy away from such a decision, the overall quality of the UK's balanced force structure would be steadily eroded.

In the event of a serious economic crisis and a subsequent urgent review of the defense budget, the following options would be high on the list of prospective cutbacks:

- Retiring Britain's only strategic bomber, the aging Vulcan B2, six squadrons of which are assigned to NATO.
- Mothballing the Royal Navy's two tiger-class cruisers and the UK's only remaining aircraft carrier, thus weakening NATO forces in the Atlantic.
- Building only two Invincible-class cruisers instead of the three now planned.



Frederick Mulley

- Slashing civilian defense employment beyond cuts already called for in the 1975 defense review and the 1976 public expenditure review.

Stretching out the acquisition period for the multirole Tornado aircraft is another possible economy measure. Cancellation of this ambitious multinational program is highly unlikely, since it would add thousands more to the unemployment rolls and undermine the production efforts of Britain's partners, West Germany and Italy.

The allies would strongly oppose a sizable reduction in the British forces stationed on the Continent. Such a reduction would in effect be a unilateral concession at the mutual and balanced force reductions talks and further weaken NATO's already thin Northern Army Group. Before making such a decision, the UK will probably try to persuade West Germany to continue making substantial offset payments.

The UK could save money by abandoning its ballistic missile submarines. The 1975 defense review hedged on this issue by prolonging the life of the Polaris

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missile force instead of replacing it with the more advanced Poseidon. This decision put off the painful choice until the 1980s, when age and technology will end the usefulness of the Polaris.

Nuclear Debate

A decision to abandon a strategic nuclear capability would not come easily to a British government. The capability provides the UK with membership in a

still small international club in Europe and gives Britain equality with France and superiority over West Germany.

If Britain can afford a new generation of weapons, the decisions it makes on weaponry will reveal whether it is prepared to end its heavy reliance on the US for nuclear hardware and technology and move toward collaboration with the French.

Some Britons have renewed the push for Anglo-French nuclear cooperation. They argue that collaboration with France would establish an independent nuclear force for Western Europe. These proponents also point out that such cooperation would effectively combine British nuclear technology know-how and French delivery system expertise.

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President Marcos, while intent on retaining his authoritarian power, is preparing to create a semblance of popular participation in government.

89-96

Philippines: Another Referendum

The referendum President Marcos has set for October 16 will allow him to go through the motions of re-establishing a legislative branch in his government without actually reducing his authoritarian powers.

The public poll, the fourth since martial law was imposed four years ago, will ask Philippine voters whether martial law should be continued and whether a partially elected legislature should be created. Marcos expects a strongly favorable response to each question.

The new legislature would be firmly under the control of the executive, who would determine what subjects it could discuss and how long it could remain in session.

Marcos obviously is contriving to portray himself as responsive to public opinion. He is counting on the hand-picked local councils set up under martial law to guide the voters into giving him the same strong mandate for martial law that he received in the three previous referendums.

Most Filipinos are apparently indifferent if not content with martial law. They tend to look back on the old

free-wheeling political system as corrupt and serving only the privileged. The reduction of violence that has resulted from martial law means more to them than their loss of political rights.

The effort being made by some members of the clergy and former politicians to promote a boycott of the referendum will probably have little effect outside politically conscious Manila. Local government councils appear to have sufficient power to get out the vote and to alter the results should they fall short of overwhelming endorsement.

Regime Strengths

Marcos has no significant challengers. Armed forces of 140,000, led by key supporters, are the backbone for his rule. The 40,000-man constabulary provides a pervasive government presence.

Former political opponents are cowed, jailed, or in exile. Former senator Aquino, who many think would have won the suspended 1973 election, has been in prison since martial law was declared in 1972. He is now on trial for subversion.

The Philippine press is guided and docile. There has been no need for harsh censorship because surviving newspapers are without exception owned by close

friends or relatives of the first family.

Marcos is sufficiently confident to permit a degree of moderate criticism. A number of respected figures occasionally speak out against the government. Antigovernment activists are fitfully visible in labor and student circles. Some of these individuals have communist connections, but more are inspired by the Catholic Church.

The church, although basically cautious and conservative, harbors some vigorous critics of the regime and is the only significant legal institutional base for opposition to the government. Marcos is alert to the potential danger; at least 83 percent of the people are nominally Catholic. Marcos frequently warns against the danger of the "Christian left" and has served notice on activist priests that excessive agitation would be met by increased intimidation.

As Marcos likes to remind his countrymen, his regime can point to some achievements that the discarded political system failed to produce. The country has an unaccustomed sense of civil order, and the government has kept its communist insurgency in check. The Muslim insurgency in the south has little national political impact.

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The estimated 1,600 regulars of the New People's Army, the military arm of the outlawed pro-Chinese communist party, have been generally contained and remain basically a police problem. Key leaders were recently captured by government forces.

The government can also take credit for such programs as land reform—limited in scope but nevertheless considerably more far reaching than earlier attempts—expanded credit to farmers, tax reform, and

rural electrification. Although Filipinos have been disturbed over inflation, the government in recent months has been able to trim the inflation rate as international trade and financial conditions have improved.

Even though the government's achievements are generally recognized, there is widespread annoyance, especially among the middle class, about the visible accumulation of great wealth by the President and Mrs. Marcos. There is some

general dissatisfaction with the indefinite continuation of the theoretically temporary martial law, but critics are neither willing nor able to challenge the regime.

Marcos believes a guided vote of confidence will undercut his critics. The criticism is increasing, and the President has been sensitive to demands by churchmen and former politicians for a return to constitutional government. International press play on the mistreatment of political prisoners tends to undercut his image of "smiling" martial law, and he worries about the effects abroad of such criticism, particularly the possibility that the US Congress might balk at further aid.

Nominal Democracy

Against this background, Marcos is attempting to devise a system of nominal popular participation in a government system of easily manipulated assemblies at the local and national levels.

The local governmental mechanism which has been in place since the first of the year, has worked fairly well from the President's point of view. Marcos still seems uncertain, however, about how to structure a national legislature that would provide the same image of legitimacy yet not dilute his authority. He has been vague about its composition, although it would apparently include his hand-picked cabinet members. He has also said the timing of elections will depend on "how things develop."

Last month, Marcos appointed a legislative advisory council, composed of his own cabinet members and hand-picked members of village councils. The first session of the council showed it to be a totally controlled forum. Although the President has explained that the council is an interim body and not a substitute legislature, he probably sees it as a rough model for an eventual national legislature.

Marcos holds a trump card should the referendum vote fail to meet his expectations or should any new assembly become too independent. He warns that if the election process shows signs of dishonesty, he will revert to a "crisis government."



President and Mrs. Marcos

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Despite a prospective bumper grain harvest, we expect the Soviets to buy about 14 million tons of foreign grain this year, nearly 11 million tons of it from the US.

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USSR: Grain Outlook

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Prospects remain good for a bumper grain harvest in the USSR, although various methods of predicting the crop and the range of Soviet statements still leave room for a fairly wide span of possibilities.

Our current estimate of Soviet grain production, based on all-source information on weather and crop conditions, is 205 million metric tons, up 5 million tons from our early September estimate. The US Department of Agriculture puts the Soviet crop at 215 million tons.

With a grain crop of 205 million tons, plus expected imports, the Soviets' grain supplies will be sufficient to maintain their momentum in rebuilding the livestock sector, improve the quality of bread and other consumer products, and start restocking depleted grain reserves.

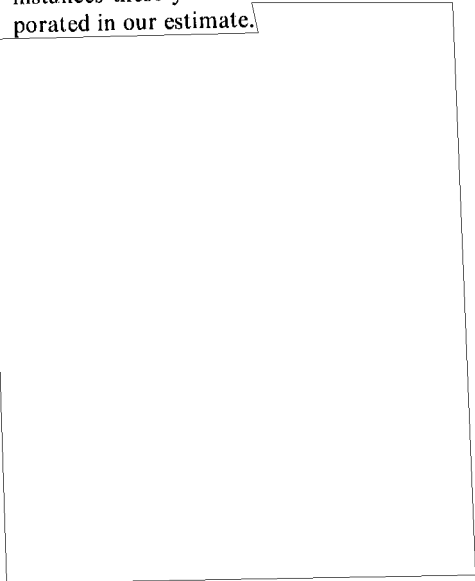
Predictions by Soviet officials of this year's harvest range from 195 million tons to a new record that would exceed the 1973 crop of 222.5 million tons.

In late August, Soviet Minister of Agriculture Mesyats indicated that the grain harvest would be over 200 million tons. In mid-September, another ministry official, in a conversation with the US agricultural attache in Moscow, said that the harvest should be "more than 200 million tons, but we must see how much

more." He then backtracked to say "it could also be around 195 million tons."

General Secretary Brezhnev told Ambassador Harriman on September 22 that "the 1976 grain harvest is expected to be even better than in 1973, which was a record year." On October 5, Brezhnev predicted to a French TV interviewer that the USSR would enjoy "a very good harvest of grain crops."

Numerous Soviet regional yield and production figures have appeared in the Soviet press, covering an area of approximately 61 million hectares, or 47 percent of the area sown to grain. In many instances these yields exceed those incorporated in our estimate.

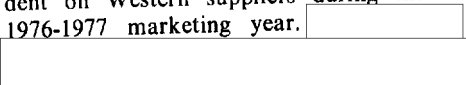


Grain Purchases

We still believe that the USSR this year will purchase abroad about 14 million tons, a little more than half the amount bought in 1975. This would cost roughly \$2 to \$2.5 billion, compared with the nearly \$4 billion spent for last year's purchases. So far this year, the USSR has bought 12.8 million tons of grain—6 million tons of wheat, and 6.8 million tons of feedgrain—and 2 million tons of soybeans.

Of this amount the US will supply 10.9 million tons. The USSR has bought 6.7 million tons under the first year of the US-USSR grain agreement and must buy 355,000 tons more of wheat to satisfy the provision that the first 6 million tons be equally divided between wheat and corn.

So far, the Soviets have promised little grain to their traditional customers. We expect that about 2 to 3 million tons of grain will be shipped to Eastern Europe. Should the Soviet harvest exceed our expectations, Eastern Europe might well press for additional amounts of grain from the Soviets, but will remain dependent on Western suppliers during the 1976-1977 marketing year.



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The government has taken strong measures to stabilize the economy, which was unsettled by the recent currency change.

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Mexico: Economic Measures

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Mexico is taking steps to stabilize the economy in the wake of the recent 37-percent drop in the value of the peso. The government has imposed harsh new price controls, initiated curbs on government spending, and granted relatively restrained wage increases.

These moves are likely to have a favorable psychological impact on the public, which had been losing confidence in the government's ability to control the effects of the peso float. They will also help to ensure that the economy does not lose the stimulus to exports normally expected from currency devaluation.

New official price levels decreed by President Echeverria mean that most prices, which had skyrocketed following the devaluation, will be rolled back. The government has limited the price increase for most basic consumer goods to 10 percent and has greatly expanded the list of regulated goods and services.

Nearly all basic foodstuffs, clothing, chemicals, basic raw materials, construction materials, household appliances, automobiles, and services such as auto repairs and hospital care will now be controlled. To avoid discouraging tourism, hotel rates cannot be increased by more than 20 percent and restaurant prices 15 percent. Prices for petroleum products, natural gas, and unrefined sugar—all produced from domestic materials—remain frozen.

Strict Enforcement

The government intends to enforce its price controls strictly. Violators will be subject to 3-month jail terms and \$2,500

fines. The government's inspection staff probably will concentrate on the larger manufacturing and retail concerns. Companies able to prove their costs have gone up more than 10 percent will be permitted to petition for additional price increases.

Prices ultimately may rise 15 to 20 percent as a consequence of the devaluation, but this increase will still leave a substantial price benefit to exporters.

Wages for government employees will be increased 21 to 23 percent, reportedly to cover the rise in the cost of living between January and August as well as to compensate for the new 10-percent price increase. Echeverria also set guidelines for private sector wages because of the failure to reach a compromise between the 10-percent increase offered by management and the 65-percent hike demanded by labor under threat of a general strike.

The guidelines call for a 16- to 23-percent rise, but companies engaged in scheduled annual wage negotiations over the next several months probably will be forced to pay an additional 10-percent increase.

Government Spending Cut

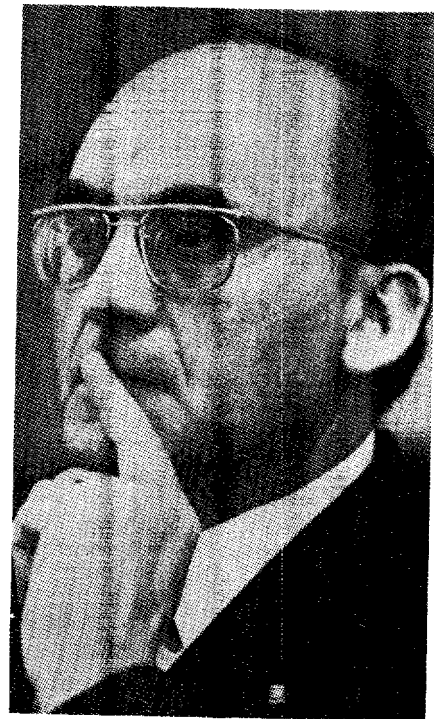
The government also has imposed drastic curbs on government spending, the first sign of Echeverria's willingness to face up to the mounting government deficits of recent years. Government hiring has been frozen and new investment undertakings have been banned.

Although these curbs probably will have little impact on the 1976 deficit, they will set the tone for the 1977 budget and are expected to have a significant psychological impact. The government's

borrowing to finance its deficit has been the major source of new money fueling inflation.

The stabilization measures doubtless have the approval of president-elect Lopez Portillo, who believes that the restoration of financial stability will be one of his most important duties when he assumes office in December. While in Washington late last month, Lopez Portillo implied that his fiscal program would be more austere than Echeverria's.

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President Echeverria

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