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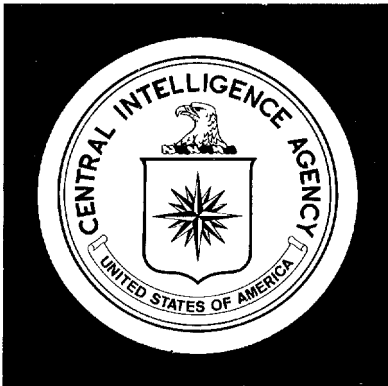
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Weekly Summary

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November 26, 1976

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

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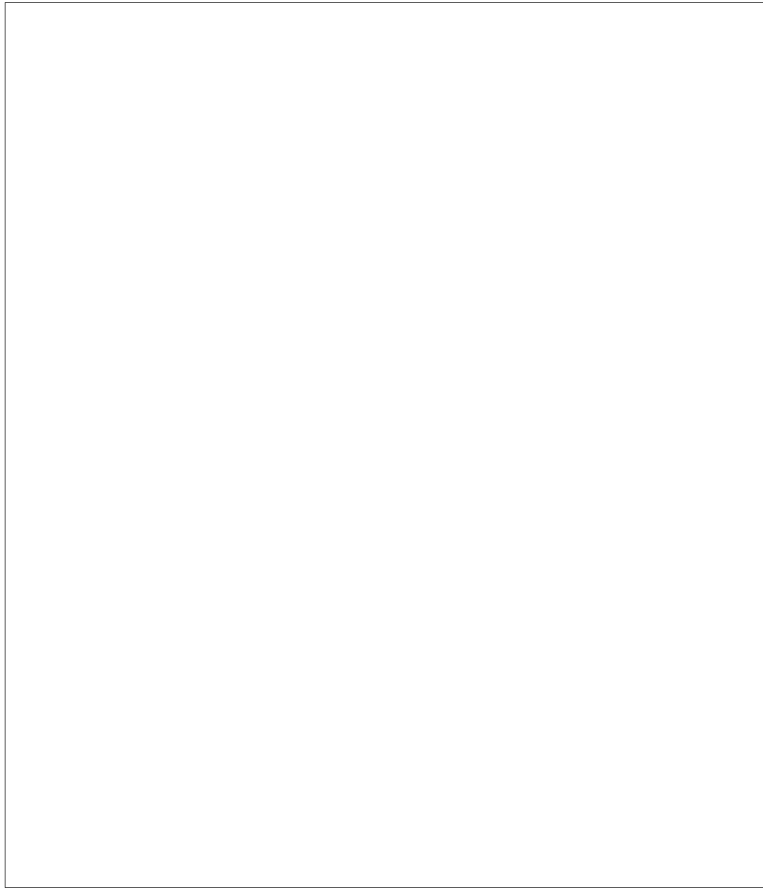
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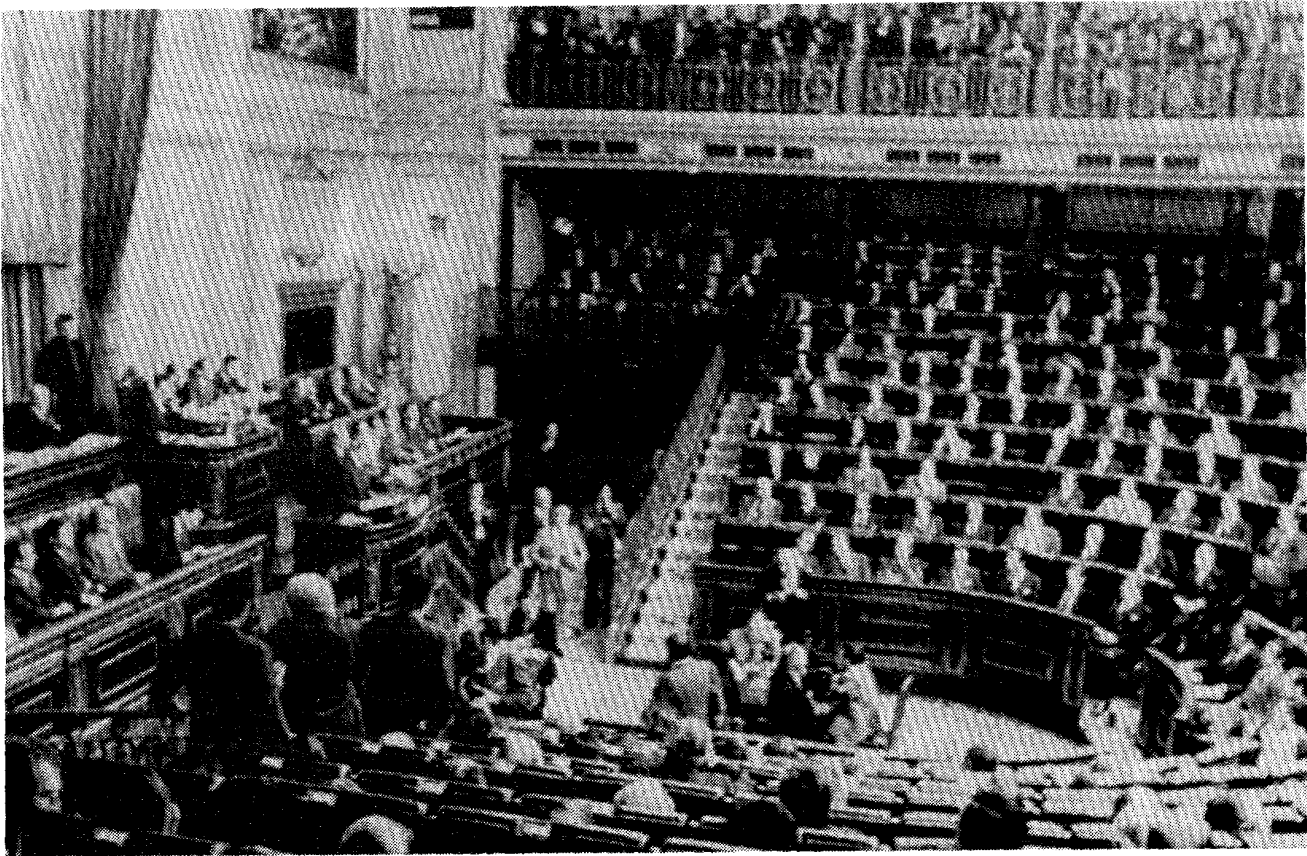
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During historic session on November 18 the Cortes voted on the democratic reforms proposed by the government

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Europe

SPAIN

1-2-3

King Juan Carlos and the government of Prime Minister Suarez won a significant victory last week when the Cortes voted by a wide margin to accept the government's key political reform bill. The reformists' victory took much of the steam out of the rightist demonstration in Madrid on November 20 commemorating the first anniversary of Franco's death.

The bill establishes a new, democratically elected, bicameral legislature to replace the present Cortes,

which is unicameral and largely appointed. The new legislature will have the power to initiate further constitutional reform by a simple majority vote.

The rightists' last-ditch efforts in the Cortes centered on the bill's provision for election of the lower house by proportional representation. At one point the major rightist alliance threatened to abstain if its demands on this and other issues were not met. Had all of the group's 100 or so members abstained, the government would have had difficulty obtaining the two-thirds majority required for the bill's passage.

The government held firm, making only a few minor concessions—largely cosmetic modifications of the proportional representation proposal that allow-

ed the rightists to save face. Last minute pressure tactics by the government, such as the release of an opinion poll indicating that Spaniards backed the bill by a majority of better than 20 to 1, may also have been a factor in the capitulation of the rightists. The government announced that the final roll call would be televised live, increasing the pressure on many legislators who hope to run for the new Cortes.

Spaniards will now be asked to ratify the reforms in a referendum, scheduled for December 15. Approval is a virtual certainty, despite leftist opposition threats to abstain. A parliamentary election, in which the democratic opposition parties are expected to participate, is promised for next spring.

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EC Responds to CEMA Proposal

The EC last week approved a cautious response to the offer from CEMA, the closest thing to an economic community in Eastern Europe, to conclude an "umbrella" trade and cooperation agreement linking the two organizations.

The EC foreign ministers, meeting in Brussels, approved a draft accord that ignored most of the provisions contained in the draft agreement proposed by CEMA last February. They did agree, however, to begin negotiations on possible cooperation in those areas—transportation, standardization, the environment, and the exchange of technical information—which the Community believes fall within CEMA's competence.

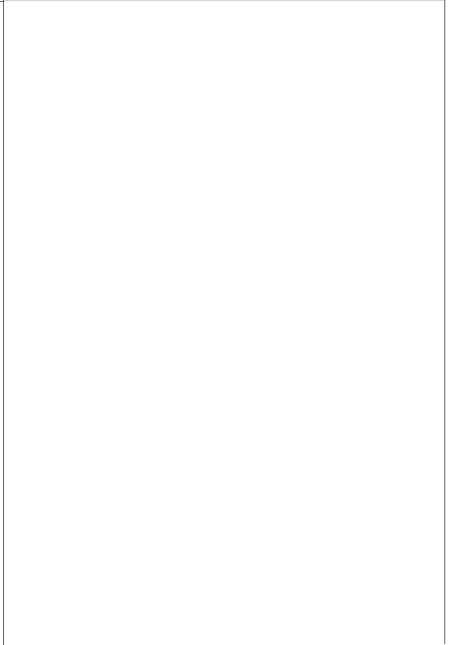
The EC stood firm on its position that trade agreements with individual CEMA members should be negotiated by the EC Commission. In a separate letter, the Community reiterated its offer of two years ago to enter into such negotiations in accordance with its common commercial policy. The EC has steadfastly refused to recognize a CEMA role in trade talks, noting that CEMA—unlike the EC—lacks the authority to conclude trade agreements on behalf of its members.

Several of the articles in the CEMA draft, such as those granting most-favored-nation status, improving credit terms, and eliminating trade quotas and nontariff barriers, were ignored because the EC believes the communist states could not reciprocate adequately. The EC informed CEMA, however, that the Community's reply is intended only as a starting point for the negotiations—which it said it hopes can begin soon.

EC officials doubt that CEMA will respond soon and in any event anticipate protracted and difficult negotiations.

The EC, in such negotiations, will strive to avoid any agreement that would:

- Strengthen Soviet control over East European trade relations with the EC countries by extending CEMA's authority.
- Weaken EC institutions by blurring the jurisdictional distinction between Community and individual members in such matters as commercial policy.
- Advance Soviet efforts to set up permanent pan-European bodies to implement East-West agreements—an idea the EC has rejected in other forums.



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GREECE-TURKEY

4-9

Greece and Turkey made considerable procedural progress and broke some new substantive ground in their recently concluded talks on the Aegean, but they have yet to take up the most difficult issues. Any follow-up negotiations are likely to 25X1

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be intermittent and protracted.

Both sides assert that the talks in Bern on the Aegean continental shelf have set the stage for serious substantive negotiations in the coming months. A committee of experts is to work in secret on the question of delimitation of the shelf, using the practice of other states and international rules as guidelines.

According to a communique issued in Bern, the two countries have also agreed not to take any actions in the Aegean that could disrupt the talks and not to try to discredit each other in their bilateral relations with other states. In practical terms, this apparently means that the Turks agreed not to engage in oil exploration in contested waters, and the Greeks undertook not to lobby in the US and in Western Europe against Turkey.

The agreement offers considerable scope for differing interpretations. For example, the Turks are already inclined to believe that the Greeks are violating their commitment. The Turks, moreover, may find it difficult not to resume an assertive policy in the Aegean next spring, as the campaign for the October parliamentary election heats up.

For their part, the Greeks are unlikely to refrain completely from their efforts to seek external support in their dispute with the more powerful Turks. After a summer of high tensions, however, both sides seem content for the time being to limit their jockeying and to seek some narrowing of their differences.

In the talks on Aegean airspace that were held simultaneously in Paris, the two sides agreed to set up a hot line connecting the Greek and Turkish air defense command centers. In addition, they moved closer to agreement on the question of advance notification for military flights—the major stumbling block in the talks. The main issue separating the two sides continues to be the question of the boundaries of the zone within which military flights must be announced in advance. This will doubtless be the subject of the next round of talks.



East German dissident Wolf Biermann (left) at press conference with West German writer Heinrich Boell

EAST GERMANY 13-14

East Germany's decision last week to exile Wolf Biermann, one of its most outspoken dissident cultural figures, may signal a tougher party policy on domestic criticism.

Biermann's forced exile took place against a backdrop of mounting tension in church-state relations and the population's unease over the economic situation. The public is also concerned that the regime may tighten travel restrictions on East German citizens.

These developments have been given heavy play by the West German media, which the East German leaders find particularly disturbing. The regime remains committed to the pursuit of normalization of relations with Bonn. It is not prepared, however, to abandon its emphasis on internal security and ideological controls, despite the resulting tensions within the party and among the people.

For the moment at least, it appears that East Germany intends to take the hard line on day-to-day issues with West Germany that ranking Politburo member Paul Verner adopted in a speech before the East German parliament late last month. Verner—considered second only to party boss Honecker in the East Ger-

man political hierarchy—is the senior party official in charge of policy formulation in the area of security.

The regime seems to have underestimated the extent to which the intellectual community would react to its decision to exile Biermann. Party officials were obviously taken aback by a public petition condemning the critic's involuntary expatriation that was signed by a number of the country's leading writers and artists. This poses the question of whether other East German intellectuals, for the most part less critical of the regime than Biermann, will go beyond symbolic defense of the man and take a more active role in criticizing the regime's actions.

For its part, the Honecker leadership is trying to split the ranks of the intellectuals by launching a campaign of its own. It is conducting an intensive domestic media campaign highlighting the names of those writers and artists who support the party's decision.

Party leader Honecker and party cultural affairs spokesmen last week stressed their intention to continue to support those artists in the regime's good graces by visiting a leading conformist sculptor who is working on a Marx-Engels monument in East Berlin.

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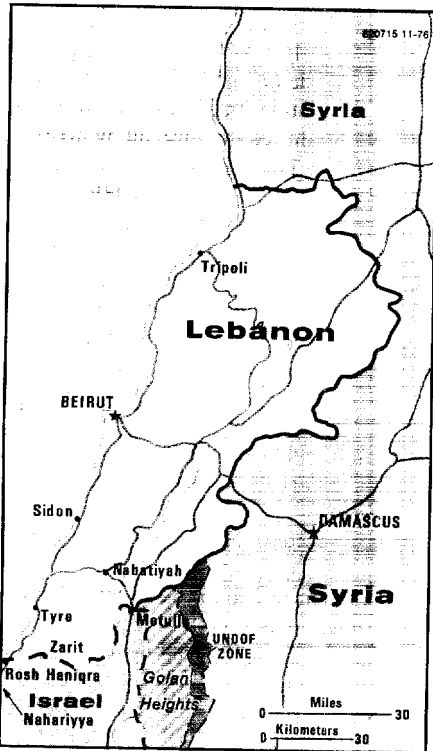
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Middle East

LEBANON 15-16

Contingents of the predominantly Syrian Arab peacekeeping force entered Tripoli and Sidon unopposed early this week, thus tightening the Syrians' grip on Lebanon's main coastal roads and port facilities.

Syrian-controlled news media indicate that peacekeeping troops may in the next few days occupy the southern Lebanese port city of Tyre and the Palestinian stronghold at Nabatiyah in order to establish control over the Palestinian and leftist forces' only remaining important resupply routes. The Syrians, however, probably will be reluctant to move any farther south than Tyre because of Israeli



sensitivity to the presence of Syrian troops near the border.

Partly as a warning to the Syrians, who have recently increased their troop strength inside Lebanon to about 30,000, the Israelis on November 22 augmented their forces near the Lebanese border. They reportedly sent two infantry battalions and two armored companies to Rosh Haniqra on the Mediterranean coast and to Metulla in the northeast.

The Israelis are clearly disturbed about renewed fedayeen operations along the border last weekend. In the first such incident since early this year, Fatah guerrillas fired across the border at an Israeli army patrol near Zarit.

On November 21, an unidentified commando group shelled the Israeli coastal resort town of Nahariyya. The Israelis say that radical Fatah members—not Lebanese leftists—were behind both attacks and insist that the Syrians are in a position to put a stop to such operations.

In reality, neither the Syrian regime nor Fatah leader Yasir Arafat is at present able to control the many radical Palestinian splinter groups operating near the Israeli border.

The Syrians have publicly announced their intention to begin confiscating heavy weapons held by Palestinian and leftist units as well as Christian militias. This move is certain to provoke resistance from these groups, all of which have been caching weapons in areas under their control. Syria's determination and ability to enforce the cease-fire will soon be put to the test.

IRAQ-SYRIA 17-21

Iraq has apparently withdrawn one division of troops from its border with Syria.

[redacted] has reported that at least one division returned to its home garrison following the



large-scale exercises held near the border early this month.

The withdrawal of a division would leave about 40,000 troops in western Iraq—down from some 80,000 in July. Iraq would have one armored division near H-3 in the west, an armored division along the Euphrates River, and a mountain infantry division in the northwest. An additional 9,000 men in mechanized, armored, and mountain units remain in the north and could be used against the Kurds.

Iraq had hoped to distract Syria from its military intervention in Lebanon by massing forces near the Syrian border but now clearly recognizes its inability to influence the situation in Lebanon. Baghdad also seems to be resigned to the failure of the buildup to encourage opponents of Syrian President Asad to move against him.

The Iraqis probably are now convinced that the continued presence of their forces on the border no longer serves the regime's interests and, in fact, may be contributing to morale problems in the military.

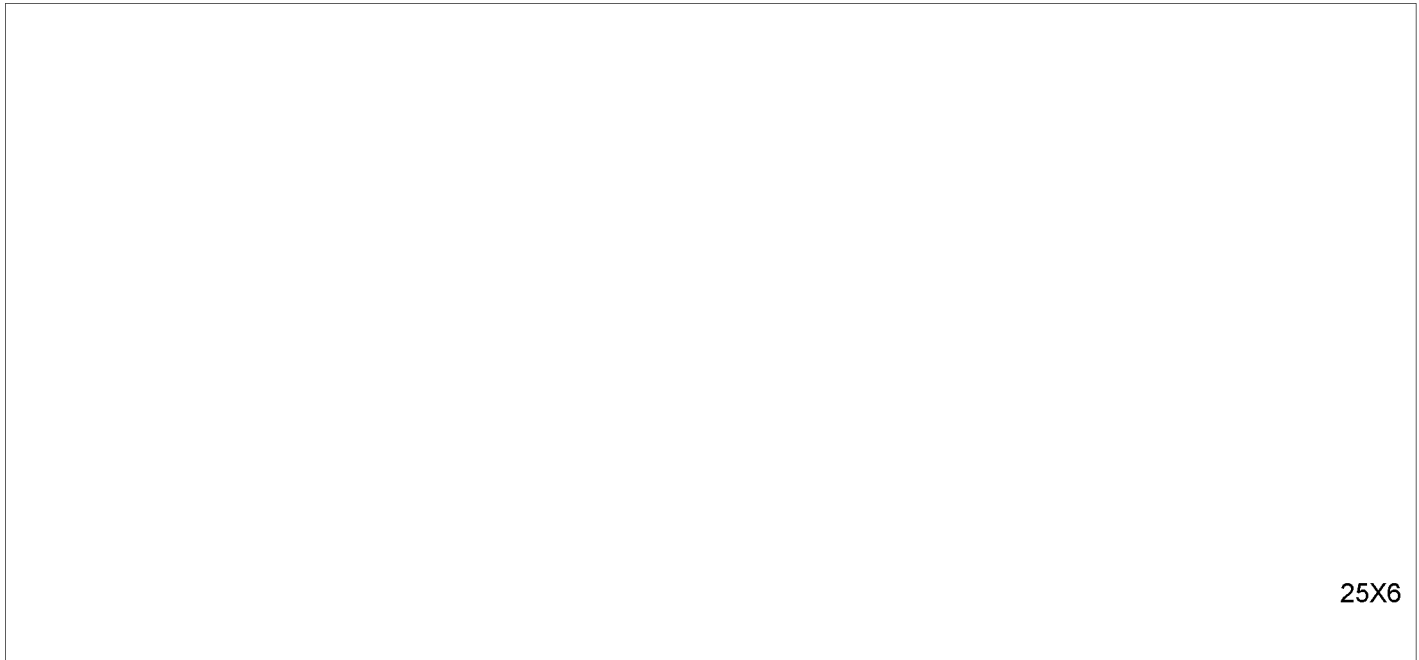
It is unlikely that Iraq is planning to pull back all of its units from the border at this time. The two remaining armored divisions have been in western Iraq since June, and Baghdad may plan to station portions of these units there permanently.

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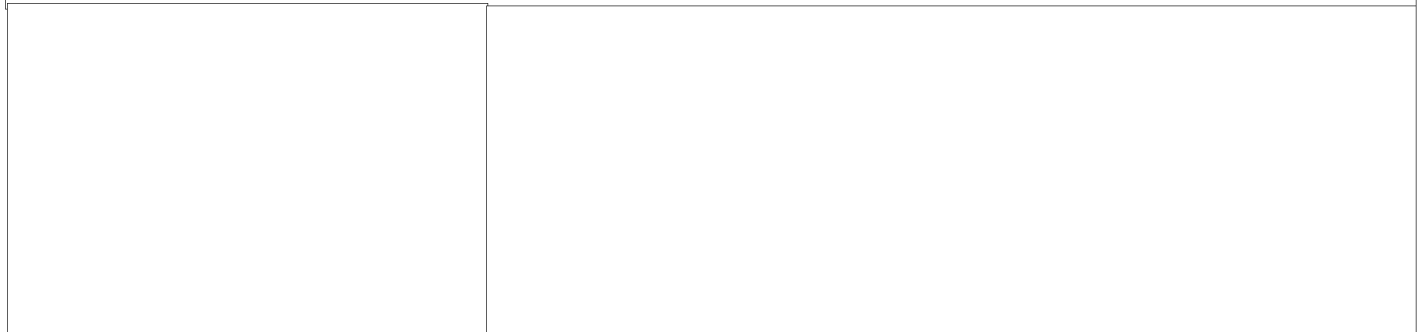
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Soviet Union

EXPORT POLICY 27-30

The USSR has apparently given up hope for now of meeting its additional hard-currency needs by expanding exports of manufactured goods to the West.

On at least two occasions since last spring, a high official in the Ministry of Foreign Trade reportedly indicated that the USSR would have to defer plans to favor exports of manufactured goods over raw materials. This shift in export

strategy was confirmed recently by an official of the Institute of US and Canadian Studies in conversations with US officials.

Soviet interest in stressing exports of manufactured goods had intensified since 1973, culminating in the priorities established at the 25th Party Congress last March. The subsequent policy shift almost certainly has been prompted by the USSR's realization that its need for rapid expansion of hard-currency exports can be met only by boosting sales of raw materials to Western customers.

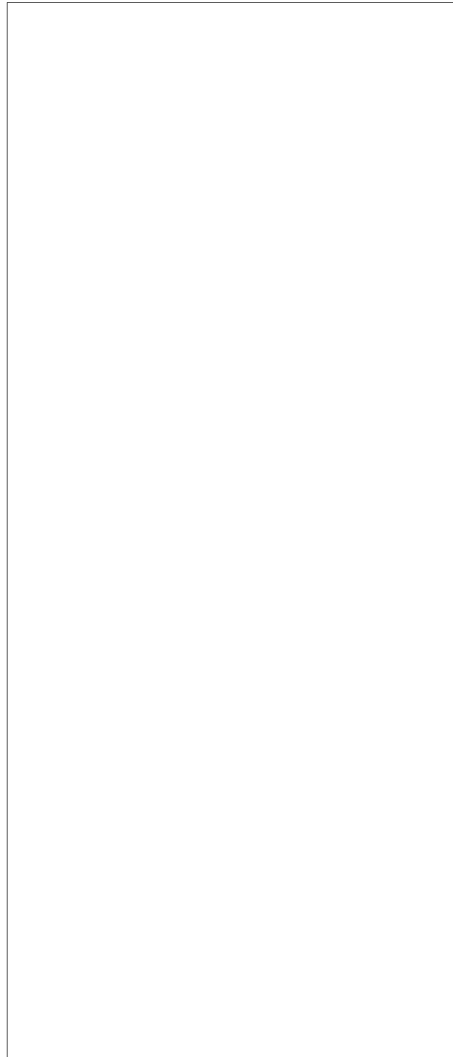
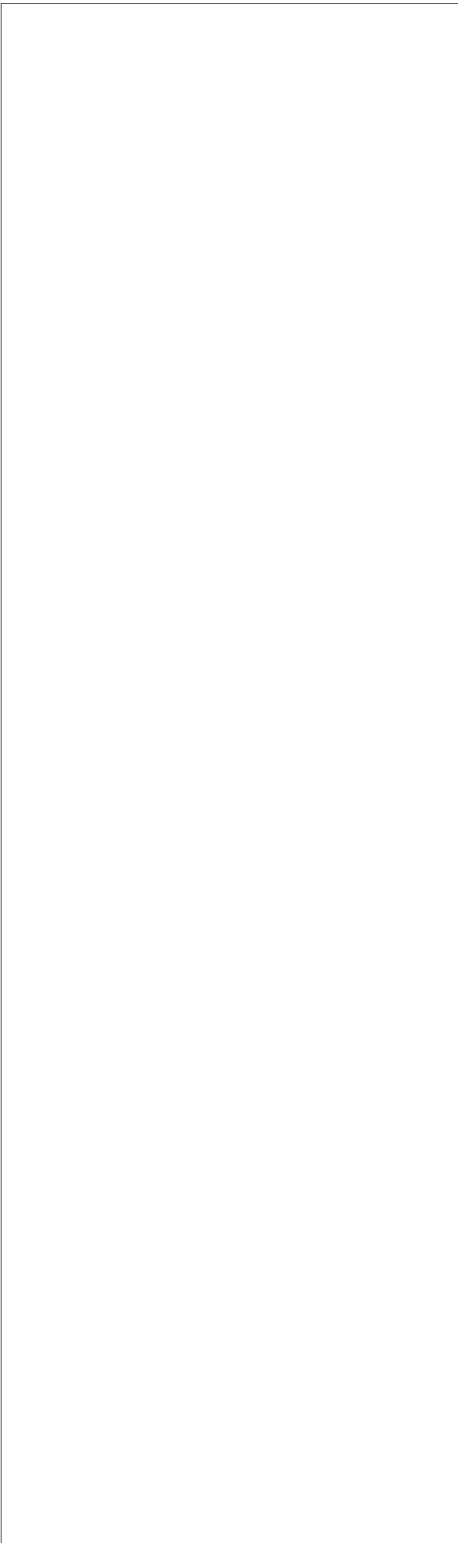
Manufactured goods still represent only 4 percent of total sales to the West.



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East Asia-Pacific

CHINA

40-41

Recent statements by Chinese officials make clear that Peking intends to put renewed emphasis on foreign trade. The impact of any new policies, however, probably will not be felt until the second half of next year.

China wants to avoid trade deficits with the West. In deficit between 1973 and

1975, China's trade balance with the West will be in surplus this year. Most important, the hard-currency deficit in trade with non-communist countries is likely to fall to about \$100 million, compared with the \$1-billion deficit average in 1974 and 1975.

China is likely to return to the policy of 1972 when it emphasized trade to promote economic development, but it will tie import growth to export performance. An Italian delegation was recently told that China's policy on credits is unchanged. Supplier credits of up to five years will be used for major purchases; the Chinese will not seek direct loans or long-term credits.

In the past few weeks, the Chinese press has been enthusiastic about foreign trade, widely quoting Chairman Mao's statement of 1949 on China's desire to increase trade as a means of developing production. Trade officials have been discussing trade expansion at meetings with visiting economic groups—including one with the National Council for US-China Trade in which China's need for purchases of capital goods and technology was highlighted.

The controversy between radicals and moderates over foreign trade policy apparently stalled the drafting of the new five-year plan that was to begin this year. Although foreign trade organizations—particularly the one handling imports of whole plants and technology—remained active throughout the year, uncertainty about the overall plan undoubtedly affected trade decisions.

Revisions of the five-year plan are reported under way, including adjustments in import requirements because of earthquake damage, but China's trade balance in 1977 is not expected to show any serious deterioration as a result.

China will continue to import agricultural products. Purchases of some industrial commodities, such as metals, may pick up, but imports of fertilizer will decline as imported plants begin production next year. Imports of capital goods and technology will be aimed at developing sectors of the economy that in the long

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run will allow import substitution.

With criticism of raw material exports by radicals now muted, China may seek to boost crude oil sales. Negotiations on a long-term oil contract with Japan—China's best potential market—may be reopened.

While non-oil export opportunities will continue to improve with the increase in Western demand, shortages of many commodities offered at the recent Canton Fair suggest that export supplies may be a problem early in the year.

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PHILIPPINES *42-44*

Philippine President Marcos has begun a crackdown on his critics in the Catholic Church. On November 15, he ordered the arrest of religious and lay persons suspected of subversive activity in collaboration with either the communists or with former politicians of the right. Two American priests have been arrested and deported; other foreign priests including Americans are reportedly on the list for similar action.

Dissident clerics—often joined by moderate members of the church—have been the most outspoken critics of Marcos' martial law regime. The current arrests are part of a comprehensive plan to counter church criticism by deporting foreign priests active in political agitation, placing activist leaders in preventive detention, and scaring off their financial patrons. The church hierarchy is apparently not actively opposing the government crackdown.

The President's move against the Christian left was foreshadowed by his revision last summer of the antismunition law. He broadened application of the law beyond communist organizations to include any group allegedly engaged in subversive activities—a revision clearly aimed at his Catholic critics.

The current action also seems to be part of a general tightening of the regime's control—an effort launched by Marcos after the recent referendum that has led to

a broad investigation of the civil service and the military for misconduct or disloyalty. Thus far, 327 military personnel have been sacked in the current drive.

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Western Hemisphere

MEXICO 48-50

Mexico is in the throes of a crisis in business and public confidence in the country's economic future.

Altogether, the peso has fallen 55 percent since it was first floated in September. On November 22, the government, in an effort to stem the massive capital flight of recent days, temporarily suspended the sale and purchase of all foreign currencies and gold by banks.

Estimates are that some \$300 million were withdrawn from Mexico City banks last week; over \$150 million left on November 19 alone. During early October, capital flight reportedly occurred at the rate of \$100 million a week.

Mexican reserves, conservatively placed at \$1.7 billion at the beginning of the year, were under \$800 million by the end of October, despite massive foreign borrowing this year. Reserves will be helped, however, by drawing on an \$800-million Eurodollar loan signed on November 16. Mexico also signed an agreement with the International Monetary Fund on October 28 for \$963 million. It has drawn down \$365 million to repay the US for funds extended under a stabilization program agreed to in September.

To make matters worse, rumors of a coup or a move by President Echeverria to extend his term of office circulated widely last weekend. The weekend passed quietly, but distrust of Echeverria's intentions is widespread and is influenced by his activism in the waning weeks of his administration when Mexican presidents customarily begin transferring power to their successors.

Confidence was further eroded by Echeverria's abrupt expropriation on November 19 of about 250,000 acres of rich, private farm land in the northwest. It was a move by Echeverria to go down

in history as the president who delivered on his promise to break up large private farms and distribute them to the peasants. The expropriation evoked a strong outburst from large landowners and businessmen, who staged business strikes in protest.

The expropriation will pose a serious problem for president-elect Lopez Portillo, who assumes office on December 1. He has indicated that he will try to avoid division of land holdings because it creates uneconomic units that hinder agricultural production. Business and conservative interests will urge him to rescind the expropriation, but counter-pressure from peasant groups will make this difficult.

Clearly, Lopez Portillo's first task will be to restore confidence in the economy. The very act of taking office will help. *(Further analysis of the measures that the new government will likely take to exploit Mexico's oil reserves and improve its agriculture appears in the feature section of this publication.)* [redacted]

JAMAICA NS

Jamaican Prime Minister Manley has called for an early general election, on December 15, in an apparent effort to act before his popularity is further eroded as Jamaica's economy continues its decline.

Manley's People's National Party and the opposition Jamaica Labor Party led by Edward Seaga appear to be running nearly even.

Manley, however, is relying heavily on a gerrymandering move that will create seven new seats in the House of Representatives. He is also counting on his skill as a campaigner to reverse middle-class voter defection from his party and prevent abstentions by party members who are dissatisfied with his handling of the economy and alarmed at the growing influence of the party's left wing.

The closeness of the race reflects a marked decline in the Manley



Edward Seaga

government's popularity. Manley has acknowledged being concerned about his party's prospects and is supporting the renomination of even its conservative members of parliament if they have proven vote-getting ability. The leading party leftists have also been given a place on the ticket, as candidates for the new districts.

The opposition Labor Party has been campaigning hard for several months, and Seaga expects to win. His party could nonetheless be handicapped by the fact that many of its candidates are young and not as well known as those of the ruling party.

The campaign may well be plagued by violence. Already a clash between ruling party activists and part of a motorcade carrying Seaga and former prime minister Shearer injured ten persons, including nine members of the Labor Party.

There have been other scattered incidents, apparently instigated in most cases by members of the ruling party acting on their own initiative.

Manley has been stressing the theme of "national unity against imperialism," and his attacks on the US—especially the CIA—could become more pointed.

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BRAZIL

51-52

Brazil's persistent balance-of-payments problems may widen the rift within the military regime over foreign economic policies. Planning Minister Reis Velloso and other spokesmen are attacking in the press recent speeches by Minister of Industry and Commerce Severo Gomes in which he called for greater insulation of the economy from external influences.

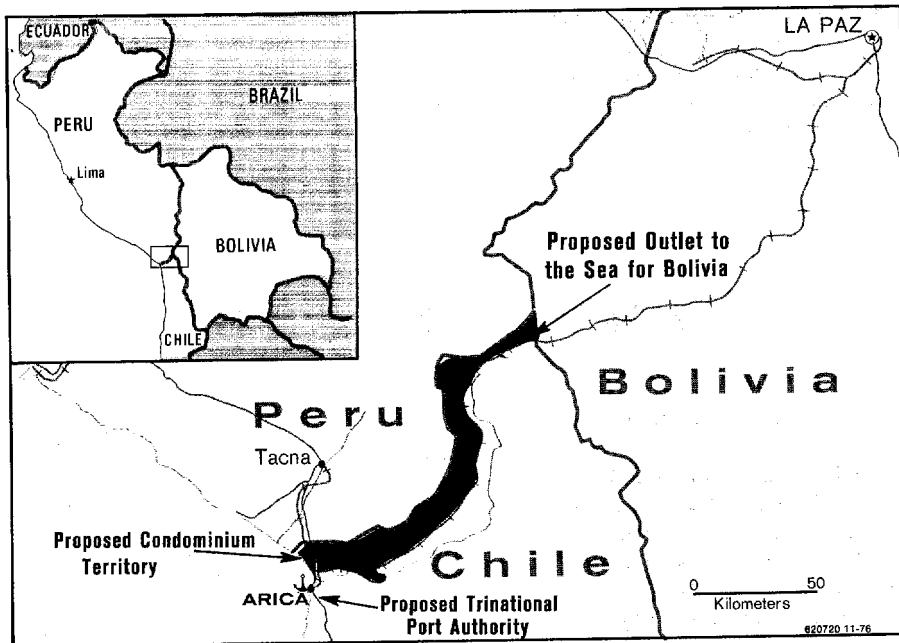
Brazil's rapid economic progress since the military took power in 1964 has been greatly aided by policies that encouraged domestic industry to compete vigorously for markets abroad, that liberalized imports, and that welcomed foreign capital to supplement domestic savings. Since early 1974, however, business has been hurt by soaring import prices and weakened export demand resulting from the oil price hike in 1973 and the subsequent world recession.

Gomes blames the government's liberal trade and foreign investment policies for Brazil's economic troubles. He has proposed redistributing income to accelerate expansion of the domestic market—implicitly to reduce dependence on foreign markets—and accelerating development of import substitution industries.

He would also trim foreign borrowing and cut direct investment by multinational corporations. These arguments appeal to many nationalistic Brazilians, including some factions within the military.

The press attack against Gomes indicates that many within the government fear his ideas may be gaining momentum. Balance-of-payments problems already have forced the regime to restrict imports and accelerate import substitution.

The attack may also be inspired by a desire to influence presidential politics. While President Geisel's term will continue for more than two years, potential successors already are maneuvering for position. Government leaders probably want to bury this divisive economic issue before it complicates the task of choosing a new president.



PERU-CHILE

53-57

Peru has presented Chile with a formal counterproposal for creation of a corridor giving Bolivia access to the Pacific Ocean. Chile made its own proposal last December.

Peru's plan calls for:

- Eventual cession to Bolivia of sovereignty over a corridor through northern Chile to a point short of the ocean.
- Tripartite administration by Peru, Chile, and Bolivia of the remaining section of the corridor to the sea.
- Tripartite administration of the Chilean port of Arica.
- Authorization for Bolivia to construct its own port and exercise sovereignty over waters adjacent to the corridor's coastline.

The original Chilean proposal was to grant Bolivia exclusive sovereignty over a similar corridor, with no additional provisions.

With their current offer, the Peruvians apparently are counting on Chile and Bolivia to disagree. Peru has long hoped to regain territory in the Arica region that

was lost to Chile in the last century.

The Bolivian government will study the Peruvian proposal, but for the present is likely to await Chilean reaction. Bolivian leaders probably will be displeased that their country's sovereignty in the proposed corridor would not continue to the sea.

Chile seems likely to take strong exception to Peru's counterproposal. The Pinochet administration may well continue negotiations to keep relations with Peru amicable, but will nevertheless have reservations, particularly about the proposed joint administration of the port of Arica. The semiofficial press in Santiago has already billed Peru's offer as "a negative response" to Chile's earlier bid.

There is a good chance that negotiations will eventually founder or reach a stalemate. Chile may not be entirely reluctant to see the corridor idea languish or fail altogether, since realistic hopes in Santiago for a workable solution have probably never been very high.

Both sides may prefer, nevertheless, 25X1 keep the talks going as long as possible, because a breakdown would probably increase border tensions.

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The military and political defeat suffered by the fedayeen at the hands of the Syrians has forced the relatively moderate leadership of the Palestinian movement to align itself with the Arab states that want to search for the possibility of a settlement with Israel.



The Palestinian Movement After Lebanon

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The Palestinians' defeat in Lebanon has forced Palestine Liberation Organization chief Arafat to align himself with the key Arab states interested in a settlement with Israel. He needs their support for his continued tenure as PLO chief.

Arafat will find it increasingly difficult to preserve the PLO's independence, and he will now have to emphasize the pursuit of a more purely political strategy to secure both his position and the goals of the Palestinian moderates. The alternative—a return to terrorism—would alienate his Arab backers and could cost him his position.

The Palestinians gravely miscalculated when they took sides in Lebanon's civil war. They have been dealt a decisive military defeat by the Syrians, previously their staunchest allies.

The movement has also lost most of the political standing it won at the 1974 Rabat summit, when at the expense of King Husayn the PLO was formally dubbed the sole representative of the Palestinians.

A look at the post-Lebanon status of the Palestinians suggests that:

- The PLO will be unable to challenge Syria for the foreseeable future, either in Lebanon or in broader Middle Eastern affairs.

- Arafat will do his best to play other Arab states off against Syria in order to salvage a sphere of autonomy. His success will be limited because, with the exception of the mavericks—Iraq and Libya—the

Arab states have become convinced that a free-wheeling Palestinian movement is a threat.

- Arafat is likely to retain his position as head of the PLO and spokesman for the Palestinians, even though he has come under attack from within the Palestinian movement. He probably will remain willing and able to commit the main body of the PLO to peace negotiations if he becomes convinced he can make concrete gains.

- Syria's domination of the PLO, control of Lebanon, and closer ties with Jordan will give it a strong hand in the event of renewed Middle East negotiations.

- The PLO probably would be willing, if invited, to participate in a new round of peace talks as part of a joint Arab or mixed Syrian-Jordanian-Palestinian delegation.

- The PLO almost certainly is prepared to recognize Israel in return for the creation of an independent "Palestine" made up of the West Bank and Gaza.

- Fedayeen leaders are under increasing pressure from their militant followers to turn again to terrorism to redress their grievances against the Arab states as well as Israel. This pressure will grow more intense if the Palestinians—involved in negotiations or not—realize no diplomatic gains.

The Palestinian movement is at a crossroad. The fedayeen military defeat in Lebanon at the hands of Syrian troops—to which Arafat acquiesced at the Arab summits in Riyadh and Cairo—has

cost them their last independent power base. Militarily, they have lost men, equipment, and allies; politically, they have lost supporters, momentum, and prestige.

In particular, the Palestinians have had to acknowledge the reality of Syrian overlordship.

Syrian-Palestinian Accommodation

Arafat—and his moderate followers in Fatah and the PLO—had come to recognize months before the Riyadh summit that accommodation with Syria was the only way to go. It was clear by the end of the summer that prolonging the fighting would simply drain the Palestinians.

The Riyadh summit was thus in Arafat's own interest, however little he could have relished the legitimization of Syria's role by the other Arab states. Arafat was primarily interested in salvaging from the debacle the existence of the Palestinians as a viable unit, with some military strength—theoretically employable against Israel—and an autonomous sphere of activity inside Lebanon, however circumscribed.

At Riyadh, he committed the Palestinians to a withdrawal from the few military positions they retained—even if this meant an open breach with the Lebanese leftists—and a return to the refugee camps under the terms of the Cairo accords. He dropped the Palestinians' insistence on a mutual Syrian withdrawal and agreed to accept, as guarantor of the peace, a pan-Arab security force that, in reality, consisted

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overwhelmingly of Syrian troops.

Arafat will continue to maneuver against Syria to the extent he can, but he will be very careful to preserve his accommodation with President Asad. The Palestinian movement survived the loss of Jordan as a base of operations, but it needs, at a minimum, a physical presence in Lebanon if it is to retain any credibility as an independent force against Israel.

The Palestinians in Lebanon

Arafat knows, of course, that Syria would not now allow the fedayeen to mount unrestricted terrorist attacks across the Lebanon-Israel border, even if the fedayeen were able and Israel vulnerable. He also knows that it is not in Syria's interest to destroy the effectiveness of the fedayeen altogether, and he probably hopes Asad will permit an occasional terrorist action to remind Israel that this weapon is still available to the Arabs.

A Syria facing Israel over the negotiating table needs whatever leverage it can get, and the threat of renewed fedayeen activity—strictly controlled by Damascus—is useful to Asad.

Arafat is probably willing to abide by the Cairo accords—Lebanese-Palestinian agreements signed in 1969 and 1973—although he will stress the prerogatives they afford the fedayeen rather than the obligations they impose. The accords were negotiated when fedayeen strength in Lebanon was rising; they are an attempt to keep the Palestinians from interfering in Lebanon's internal affairs, but they also guarantee the fedayeen almost free run of the refugee camps and their commando bases in the east and south.

Acceptance of the Cairo accords is not the only aspect of the Riyadh agreement that allows Arafat considerable freedom of maneuver. He will not give up trying to win for the Palestinians some kind of political role in Lebanon.

There are half a million Palestinians in Lebanon, a quarter of the country's population. A sizable proportion lives outside the refugee camps. It would not be feasible to isolate them from the country's

political life, particularly because they are the natural allies of the segment of the political system that has been denied the political and economic privileges enjoyed by the Christian and Sunni Muslim elite.

It was the system's inability to absorb the Palestinian presence that pushed Lebanon into civil war in the first place. Without somewhere else for the Palestinians to go—and there is nowhere else in the absence of some kind of Middle East settlement—they will continue to play a role in Lebanon.

Arafat hopes Asad will come to see that a Fatah allied with Damascus can promote Syria's interests in Lebanon and in the fedayeen movement better than a Syrian-controlled group like Saiqa that has little political or military strength.

Asad may have followed some such line of reasoning at Riyadh. He undoubtedly hopes, however, to refurbish the Syrian-controlled fedayeen group, Saiqa, and the Syrian-based Palestine Liberation Army.

As always, Arafat will perceive such efforts as direct challenges to his own control, but he will be unable to resist.

Can Arafat Hold On?

During the height of the fighting in Lebanon, the Syrians attempted to undermine Arafat. A front-page editorial in Syria's official Baath party newspaper as recently as October, for example, hit out at the Fatah leadership as responsible for undermining the Palestinian cause and prolonging the fighting in Lebanon with its "daily killing of more Arabs." The author ridiculed the suggestion that Damascus would ever reconcile itself to the present PLO leadership.

Syria is not in a good position to move against Arafat directly. At a minimum, the forcible removal of Arafat would fragment the already divided Palestinian movement to the point that it would be a greater liability than help to Syria, both in Lebanon and in wider Middle East negotiations. Damascus is not in a posi-



Yasir Arafat (center) and President Sarkis of Lebanon (right) emerge from unsuccessful Lebanese peace conference in September

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tion to ensure Arafat's replacement by someone closely aligned with Syria. Syria has been killing Palestinians in the field too recently for a pro-Syria candidate to win broad acceptance.

Asad probably has recognized this and come to believe that getting rid of Arafat would likely result in the rise of a radical like Salah Khalaf, the terrorist leader and head of Fatah's Black September Organization. Khalaf has strong Egyptian connections as well, which make him distasteful to Syria despite its rapprochement with Egypt.

We have seen no signs that a broad anti-Arafat movement is developing within Fatah or the PLO. There has been criticism of Arafat at various stages of the Lebanon conflict, but his opponents show no sign of being able to agree on an alternative leader. Arafat remains the only leader with the stature to speak for the movement. Lacking an alternative, the Palestinians may well react to the trauma of defeat by coalescing around Arafat as a familiar and reassuring symbol.

One of the key factors influencing Arafat's ability to hang on will be the attitude of Saudi Arabia. The Saudis have been convinced that Arafat, for all his undesirable features, is the most moderate leader the Palestinians are likely to produce and the only one who can rally the moderate fedayeen majority and shape it into the movement's controlling force. Saudi financial support has enabled Fatah to dominate the PLO. With the Saudis behind him, Arafat is in a good position to stave off challenges to his control.

Egypt's reluctance to give the Syrians an opening to dominate the PLO also works in Arafat's favor. While few Arab leaders have any great love for Arafat, he has one great advantage: he is perceived as being his own man, dedicated to the independence of the PLO and not under the thumb of any particular Arab state. This fact alone makes him preferable to many of his would-be successors in the eyes of those leaders who otherwise might—if they were willing to work together—engineer his downfall.

Arafat and the PLO

With or without Syrian prompting, Arafat could face a challenge at the next meeting of the Palestine National Council, the PLO "parliament." A PNC meeting, which is supposed to be held annually, is long overdue; the last was in June 1974. A session now would provide a logical opportunity for the Palestinians to chart their post-Lebanon course, but also an obvious opening for a power play.

The most radical fedayeen groups pulled out of the PLO executive committee, the organization's small governing body, in the fall of 1974. These "rejectionists," however, can be expected to participate in any future meeting of the PNC in the hope of forcing this larger body, which is more difficult for Fatah to control, to move toward their hard-line policy positions rejecting peaceful solutions to the Middle East and Lebanon problems.

If they are successful, they might also attempt to unseat Arafat or to alter the composition of the executive committee in order to eliminate Fatah dominance.

In the present uncertain circumstances, it is also possible that pro-Syrian members of the PNC not affiliated with any fedayeen group could join with Saiqa representatives in an attempt to reduce Arafat's and Fatah's domination of the PLO. Several of the independent members of the PLO executive committee—and, ironically, one of the rejectionist groups—are heavily influenced by Syria.

Splits Within Fatah

Not the least of Arafat's headaches is keeping his hands firmly on the reins of his own fedayeen group, Fatah. Its nine-member central committee has never been monolithic; decisions are more often arrived at by give and take than by Arafat alone, and infighting is chronic.

The moderates, including Arafat, now have the upper hand, but the extremist wing, led by Salah Khalaf, has challenged Arafat's policies at various stages of the Lebanese crisis and has acquired some following among the group's publicists and militia leaders.

The Salah Khalaf wing may well be

tempted to turn to terrorism in an effort to garner publicity and win converts. Arafat and his supporters, will probably try to curb such activity, recognizing that it would cost them vital support from the Arab states interested in generating new momentum toward settlement negotiations.

Arafat has been maneuvering recently to shore up his position against the extremists. He is building up the strength of Fatah's internal security apparatus headed by Ali Hasan Salamah, one of his supporters. His efforts are aimed at undercutting Muhammad Salih, the leftist head of Fatah's military arm.

Another Arafat confidant, Khalil Wazir, has been delegated much of Fatah's day-to-day administration. Wazir is a long-time competitor of Khalaf. Wazir's loyalty to Arafat and lack of a personal following make it unlikely that he would move against Arafat. He is respected by his Fatah colleagues and probably would be acceptable to the Syrians, with whom he has close ties. Thus he would be a likely candidate for the succession if Arafat is forced out by others.

West Bank Palestinians

The principal Arab states as well as Israel have made modest efforts to enhance the influence of Palestinians from the West Bank and Gaza within or outside the PLO as a way of diluting or eliminating Arafat's control of the Palestinian movement. Several members of the PLO executive committee are of West Bank background, and one, Abd al-Muhsin Abu Mayzar, has been bruited as a possible successor to Arafat.

The West Bankers now on the executive committee, however, are of varied political outlook, and they all owe their positions to Arafat.

Anti-Arafat maneuvers seem to have little support among West Bank residents. Most generally support the PLO and do not object that its leadership comes from outside their own ranks. West Bankers have been confused and disillusioned by events in Lebanon. Some are apparently inclined to blame Arafat, but more feel

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betrayed by Syria's attack on the fedayeen. Few are prepared to cooperate with Syria.

West Bankers support the PLO as the only genuine Palestinian organization now in existence, and they see Arafat as the symbol of the Palestinian cause. They regard the PLO as the only group dedicated to ending the Israeli occupation. The Arab states, in the West Bank's view, are cynically using the Palestinians as pawns to further their own interests.

The Israeli government has occasionally attempted to delegate broader municipal powers to West Bank officials in order to foster limited Arab self-rule—a plan that would tie West Bank leaders more closely to Israel. The Israelis, however, consistently work to prevent the emergence of any potential leader of the entire West Bank.

Inhabitants of the West Bank probably would take a more active interest in their own political future should the existence of some kind of West Bank state, independent or semi-autonomous, seem imminent. In the absence of such a development, West Bank leaders seem inclined to support Arafat passively, while minimizing their cooperation with Israeli authorities.

The Palestinians and Peace Talks

The odds are that Arafat will survive the storm and hold on to his position as chief spokesman for the Palestinian cause. He will be obliged, however, to follow Syria's lead on important policy matters. Syria's influence in the PLO, its newly won control of the situation in Lebanon, and its ties with Jordan will give the Syrian President a fairly strong hand in future negotiations.

Arafat would probably have no objection to involving the Palestinians in the negotiating process. The PLO, if invited, would probably participate in negotiations as part of a joint Arab delegation or as part of a mixed Syrian-Jordanian-Palestinian delegation.

The moderates who control the PLO probably are prepared to drop their declared objective of settling for nothing less than an independent secular state with



Black September leader Salah Khalaf (right) joins PLO political chief Faruq Qaddumi at recent news conference

Israel proper at its heart. The basic PLO aim appears to be the creation of a PLO-governed, independent Palestine made up of the West Bank and Gaza. Arafat and the present leadership will not, however, play their only strong card in advance by recognizing Israel before peace talks begin.

If a compromise were reached giving the Palestinians a West Bank state, a significant body of fedayeen opinion—the “rejectionist” groups and perhaps the extremist members of Fatah—would presumably refuse to adhere to the settlement and would commit themselves to continued guerrilla warfare against Israel. They would assume that the new West Bank state of Palestine would give them safehaven. The rejectionists, frustrated, probably would turn as well to international terrorism.

Militants within Fatah are probably weighing the possibility of a return to terrorism, both as a means of redressing fedayeen grievances against Syria and as an attempt to re-establish the Palestinians' touted ability to strike at Israel.

The basically moderate Fatah leadership is not likely to acquiesce in terrorism at this time, but pressure to do so will increase if the Palestinians are ignored in a future round of peace negotiations or forced by the Syrians to accept solutions to representational or substantive problems that result in no negotiating gains for the Palestinians.

A Palestinian leader other than Arafat would have greater difficulty making compromises in negotiations. Although a Syrian-backed successor presumably would be even more moderate than Arafat, most of the leading Fatah contenders favor tougher tactics in dealing with Israel. In addition, none of them has Arafat's prestige or ability to sell a controversial settlement to his followers without making it appear to be an abandonment of the Palestinian cause.

With Arafat in control, however, the near-term outlook is somewhat more encouraging: the PLO has been chastened by its defeat in Lebanon, but is still able to project enough credibility to make conciliation possible.

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The austerity measures Prime Minister Andreotti has been announcing over the past month will mean a slowdown in economic growth next year, perhaps to zero. The continued cooperation of the Communists will be a key to the success of the measures.

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Italy: Austerity Measures

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Prime Minister Andreotti won a vote of confidence from Parliament recently on the fiscal and monetary program he has been announcing piecemeal over the past month.

The program aims to soak up the excess

consumer demand that has been fueling rapid inflation and boosting imports faster than exports. Inflation in Italy is running double, and in some cases triple, the rate in the other major industrial countries except the UK.

Consumer prices in September were up 17 percent from a year earlier, while wholesale prices were 27 percent higher.

Increases in both price indexes accelerated sharply during September. The seasonally adjusted trade deficit totaled \$2.3 billion through September, compared with a deficit of \$13 million last year.

The government program calls for raising revenues by \$5.8 billion next year through a combination of tax hikes on gasoline and motor vehicles, prepayment of income taxes, higher prices for public services such as transportation and telephones, and increases in miscellaneous other taxes.

The Bank of Italy estimates that, with the large amount of funds flowing back into the economy through public capital investment programs, this revenue package would yield a net reduction in buying power of \$4.1 billion, or about 2 percent of projected gross national product.

Battle Over the Wage Escalator

Many of the government's moves to curb its cash budget deficit will in fact add to short-term inflationary pressures, particularly if Italy's wage indexation system is not modified. Currently, an increase in the government set and subsidized prices or public service tariffs results in a wage increase greater than the income generated by the price increase.

Under pressure from the EC and the International Monetary Fund, to which the Italians have turned for further aid, the government now recognizes that its



Communist union leader Luciano Lama (left) and Socialist union leaders Pietro Roni (center) and Giorgio Benvenuto discuss austerity measures

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austerity program cannot succeed without substantial revisions in the wage escalator.

No economic issue is more sensitive politically. To avoid a parliamentary test that could lead to the downfall of his minority government, Andreotti has resisted making any strong attack on the wage escalator, appealing instead to industry and the unions to work together for a solution to the problem.

Despite adamant public opposition, union confederations reportedly might agree to some changes in the escalator mechanism, such as reducing the frequency of adjustment from three-month intervals to six. Voluntary major concessions by the unions seem unlikely.

Help for Industry

A revision of the wage escalator would be an important boost to the government's efforts to shift resources from consumption to investment. Unable to count on reform of the escalator, the government has been casting about for other ways to spur industrial investment. In a combination wage-restraint and investment proposal, the government announced that it might freeze cost-of-living and basic pay increases for workers in the top one fourth of the income scale for the next two years.

Another scheme under consideration is government financing of some portion of workers' social insurance benefits, which account for half of labor costs. Implementation of these proposals—in whole or in part—depends on the outcome of industry-union talks on curbing increases in wage costs.

Problem of the Lira

Complicating the government's efforts to stem inflation and promote economic recovery is the persistent weakness of the lira. The Italians are caught in a vicious cycle in which rapid inflation leads to depreciation of the lira and, in turn, to more inflation. It is especially difficult to break the cycle because imports equal almost one third of gross national product. Inflation has eliminated nearly all the competitive advantage gained through depreciation this year.

The trade deficit, which had shrunk in the third quarter, will probably rise sharply in the final three months of 1976. As a result, the current-account deficit is likely to reach \$2.5 billion this year.

The government has resorted to numerous foreign exchange controls to stabilize the lira and conserve foreign exchange holdings. It twice imposed a tax on foreign currency purchases in October—the latest a 7-percent tax due to remain in effect for four months.

The government also is calling on foreign creditors for more loans. Negotiations are under way with the EC for \$700 million and with the International Monetary Fund for \$530 million; the US and West Germany may be asked for \$1.2 billion. Both the EC and the IMF are holding off their response, urging Italy to act on the wage indexation system.

Impact of Austerity Measures

The Andreotti government's austerity program will do little to cut inflation in the short run. According to rough calculations, increases in public service and other prices already in effect will cause a one-time increase of about two percentage points in the consumer price index, with most of the impact coming late this year. The program as a whole probably will only mildly ease inflationary pressure next year.

Although the government's cash deficit is likely to decline somewhat, it will remain sizable. Prices will probably rise at an annual rate of about 18 percent next year. Achieving a lower rate will hinge on basic reform of the wage escalator.

Attention will now shift to the coming negotiations between labor and industry on the wage question. Andreotti has in effect placed on the Communists—the most influential group in the labor movement—considerable responsibility for formulating wage policy.

In exchange for some key parliamentary posts and a more overt consultative voice in policy making, the Communists have cooperated in the enactment of Andreotti's program so far by abstaining in Parliament. There are signs that the Communists are also prepared to work for



Prime Minister Andreotti

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some form of wage restraint, but their advocacy of such a policy would subject the party to increased internal strain. In that event, Communist leaders would push for further economic or political concessions from the government to blunt criticism from their followers.

The price of undertaking the austerity program will be a loss in potential growth in real gross national product next year. With no austerity measures in effect, real growth might have been about 2 percent

in 1977. Calculations now suggest that implementation of tax increases included in the austerity program will result in no growth next year. If the partial wage freeze is also implemented, gross national product would probably decline slightly.

The slowdown in growth will bring about a significant improvement in Italy's foreign payments position, barring a large increase in oil prices. The trade and current-account deficits will probably

decline substantially as import demand falls. In the event of a 10-percent oil price rise, however, Italy's net oil import bill would rise about \$800 million, wiping out most of the benefit of the decline in other imports.

Because inflation will remain high, pressure on the lira probably will continue. The government may have to maintain foreign exchange controls much longer than it now anticipates.

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Colombia's present economic, social, and political difficulties do not immediately threaten its democratic institutions.

Colombia: Troubles for President Lopez

Colombia, one of the two remaining democracies in South America, is beset by economic hardships, rampant crime, and guerrilla and other extremist activities. These problems weigh heavily in the country's already volatile political arena as the campaign for the 1978 presidential election gets under way. They also have led to growing dissatisfaction among armed forces officers. The military's reaction is not at present, however, a threat to Colombia's tradition of democratic government.

President Lopez is the first chief executive to be freely elected since the 16-year period of the National Front ended at the presidential level in 1974. Under the Front, the country's two major political parties, the Liberals and the Conservatives, agreed in 1957 to alternate the presidency for four four-year terms and to maintain equal Liberal and Conservative representation in congress through 1974 and in other elective and appointive offices through 1978. This

system was devised to bring to an end nearly two decades of bloody political warfare and military dictatorship.

Lopez, a Liberal, came to power 27 months ago with the largest election mandate in the country's history. His party also gained control of both houses in congress. A champion of social and economic reform and civil liberties, Lopez hoped to correct many of the persistent inequities in Colombian society.

Since Lopez took office, however, economic and social difficulties—resulting in riots and demonstrations—have forced him to abandon his libertarian concepts and to impose two nationwide states of siege separated by only three months; the latest was imposed last month.

Declining Popularity

Lopez' popularity has declined since his inauguration. His stern anti-inflationary program, which has put lower income wage earners in a financial squeeze, is partly to blame.

Lopez has had some successes,

however. The rate of inflation has declined, and tax revenues, designed eventually to help the neediest, have increased. The lot of the average Colombian is nevertheless probably no better and may in fact be worse than when Lopez took office. As one Colombian ex-president has observed, it is an "academic consolation" that inflation has declined from 27 percent to 20 percent.

Under Lopez real wages have fallen, and unemployment remains high as a result of the deflationary policies in effect. The two-year-old income redistribution program has not yet begun to benefit a significant number of poorer Colombians.

The situation has led to an increase in extremist activity, particularly by small leftist groups. They have encouraged strikes in both the public and private sectors that have resulted in demonstrations and violence. The country's long-standing rural terrorism by pro-Moscow, pro-Havana, and pro-Peking guerrilla groups has also increased.

The reimposition of the state of siege

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has given Lopez the authority to take some of the tough actions necessary to regain the public confidence that has been eroded by the continued disturbances. With his emergency powers, he can ban street demonstrations, control the media, declare a curfew, and replace civil courts with military tribunals.

Lopez also must at the same time contend with rampant corruption. Widespread press coverage of corruption and numerous scandals involving public officials is adding to Lopez' other problems.

Politics and the Military

Colombians are already beginning to prepare for national and local elections in 1978. For the first time in 20 years, all the contests will be open to all political parties.

The governing Liberal Party—weakened by factionalism—has at least two presidential candidates competing for the party's presidential nomination. The opposition Conservative Party is intensifying its criticism of the government—a departure from the cooperative attitude of National Front days.

A coalition of minor leftist parties is attempting to muster support despite a rather poor showing in municipal elections this year. The Moscow-line Com-

munist Party is planning to participate in the campaign.

Because of the aura of uncertainty surrounding the return to full political competition, the traditionally apolitical military will be watching carefully from the sidelines.

The armed forces' posture of support for Lopez has changed markedly in reaction to the government's increasing difficulty in maintaining public order. Although officers recognize that most of Lopez' problems were inherited from the previous administration, they nevertheless have demanded that stop-gap measures be instituted to cure the country's ills. They have little sympathy for long-term economic programs.

Since Lopez took office, the army has been called on twice to restore order. Colombian professional soldiers have resented this police role and on both occasions have forced the administration to legitimize their action by declaring a state of siege. [redacted]

Despite the problems that Colombia is experiencing, its democratic institutions are not seriously endangered.

Lopez will press for continued social and economic change. He believes the role of government is to promote equality rather than to perpetuate a traditional wealthy elite. He is convinced, in fact, that the concentration of power in the hands of an "irresponsible" elite is the greatest danger to democracy in Colombia. The military, while not entirely sympathetic to Lopez' outlook, is not likely to move against him.

Support for Conservatives

The Conservatives, who won 40 percent of the vote in the municipal elections last April, are increasing their popular support and have maintained party unity. They can be expected to present the voter with an attractive alternative to the Liberals in the next election.

Lopez cannot seek re-election in 1978. He has strongly defended his administration's policies, ridiculed the left for its attempt to create disorder, and called on Colombians to repudiate extremism by supporting the government's emergency measures.

The President obviously considers the public's acceptance of the new state of siege as a mandate for his new "get tough" policies and will work to counter the erosion of popular support for his administration and party. [redacted]

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President Lopez, whose popularity has declined since elected 27 months ago, meets the people

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The new president of Mexico, who is to be inaugurated next week, will probably push for maximum production from the country's vast new oil fields. He will also try to make Mexico self-sufficient in farm products.

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Mexico: Oil, Farm Decisions for Lopez Portillo



President-elect Lopez Portillo

[Redacted]

Mexican president-elect Lopez Portillo, who takes office on December 1, will face an immediate problem of restoring public confidence in the economy. For the longer term, he will emphasize exploitation of the country's oil resources and assistance to agriculture.

Recent oil discoveries in Mexico hold out the prospect for a substantial increase in non-OPEC oil supplies, although Mexico will continue to follow OPEC price guidelines. In 1972, Pemex, the state oil monopoly, discovered vast reserves in the southern states of Tabasco and Chiapas but kept the magnitude of these finds a secret.

We now believe that the Tabasco-Chiapas discovery is the largest ever made in the Western Hemisphere and that, when fully developed, the reserves may rival those of such Middle East countries as Kuwait and Iran. Proven and probable oil reserves are now conservatively estimated at 20 billion barrels, but up to 60 billion barrels may be confirmed over the next decade as a result of continued exploration and development.

Volume of Oil Production

Lopez Portillo would probably like to produce and export crude at something near the maximum level. If an all-out development effort were begun soon,

Mexico could produce about 2.75 million barrels per day by 1980 and more than 6 million barrels per day by 1985. At this rate, exports could reach 1.6 million barrels per day by 1980 and 4 to 4.5 million barrels per day by 1985.

Technical and equipment limitations and foot-dragging by government officials, however, could create major obstacles. Production by 1980, given a high priority, could be about 2.3 million barrels per day, with exports of 1.2 million barrels per day.

The Pemex leadership generally believes that crude output should be limited to what Mexico can process itself and that only refined products should be exported. Shortages of equipment and, in some cases, of trained personnel also could slow progress. Although there is a world-wide shortage of the deep-drilling rigs needed in the Tabasco-Chiapas area, the situation has improved in recent months.

Lopez Portillo needs to reorganize Pemex before a real effort to expand production can get under way. The desire of Pemex technicians to show themselves technically efficient and the need to increase exports to pay for equipment imports will strengthen the new President's hand in his battle with the bureaucracy.

Mexico also could increase production faster if foreign firms were allowed to participate in development projects. Lopez Portillo reportedly has tentative plans to

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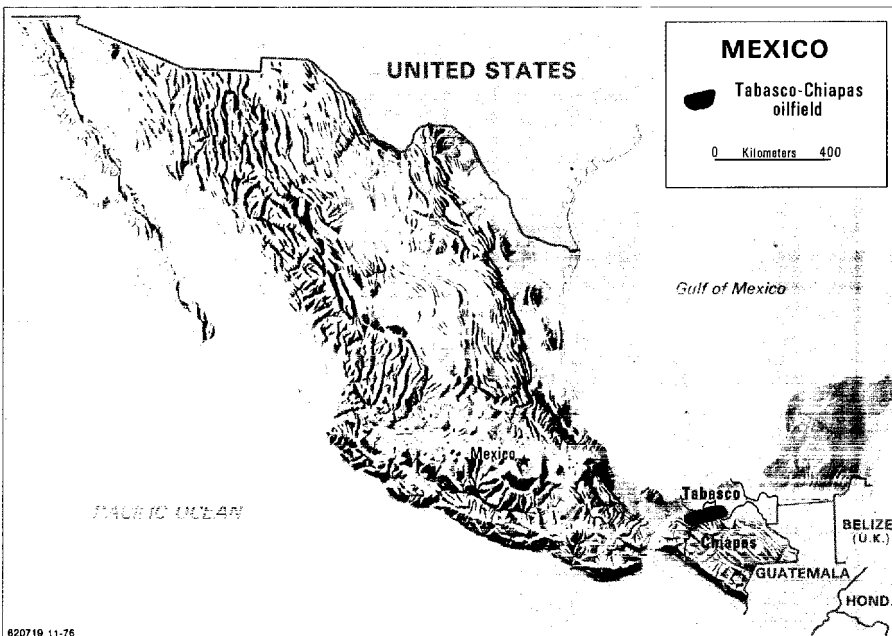
seek assistance from the US to help develop the country's oil potential. Although he has not spelled out what sort of assistance he contemplates, Lopez Portillo does respect the technical capabilities of US oil companies.

Seeking US help in this sensitive area would clash with past Mexican policy, and Lopez Portillo would doubtless encounter stubborn opposition to the idea from Pemex and from other nationalistic groups in the bureaucracy.

Agriculture

In the agricultural sector, Lopez Portillo's goal is to raise productivity and make Mexico self-sufficient in farm products, particularly corn and oil seeds, and boost exports of such commodities. The president-elect realizes that this will be a difficult and slow process and will require significantly more direct government assistance to both large and small farmers than is currently being provided.

There would be a political price as well. Land redistribution, an integral ideological feature of the party that has governed Mexico for decades, would have to be curtailed in favor of creating



large-scale commercial farms to maximize output.

Lopez Portillo appears to want to stress productivity over land redistribution. His

plan is to group together some of the small communal farms into larger units in the hope of increasing their productivity.

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The military officers ruling Ethiopia are developing what they expect to become a nationwide complex of grassroots organizations to implement government policies in a variety of areas—political, economic, social, and even military.

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Ethiopia: Institutionalizing the Revolution

Ethiopia's ruling military council is moving ahead with efforts to institutionalize its socialist revolution despite widespread opposition and unrest produced during its two years of rule.

New administrative units have been es-

tablished in urban and rural areas and given responsibility, under the central government's supervision, for carrying out many of the council's social and economic programs. The new structures are fragile, but over time could provide the council with the political base it now lacks.

In cities and towns, the council has created urban dwellers' associations as the key units in a system of municipal administration based on "democratic centralism." The system is supposed to provide for popular participation in public affairs, but in practice it appears short on democracy and long on centralism.

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*Chairman of the Provisional
Military Government Teferi Benti*

Urban Associations

A proclamation issued in early October gave legal status to the associations and defined their functions and duties. The associations are responsible for municipal administration, organizing "the masses," and encouraging participation in government-initiated development projects.

They are to establish and operate cooperatives, schools, low-cost housing, and welfare programs. Judicial tribunals are to be established in the associations, with jurisdiction to hear criminal and civil cases involving minor disputes.

Members of the associations' management committees in Addis Ababa were elected this month in tightly controlled proceedings. All candidates had to meet requirements set forth in the October proclamation—including, of course, a commitment to the council's "national democratic revolution program."

The election was run by supervisory committees, which in turn were elected in October. The supervisory committees had to approve all nominees for the management committees and had the authority to investigate candidates to ensure they met the requirements.

The associations are likely to be pliant tools of the council and will allow it to exert more direct control over local affairs. The central government will supervise association activities, and ministerial representatives will participate in the deliberations of management committees.

Peasant Associations

In rural areas, peasant associations have been established as the basic units of political and economic administration, allowing for a degree of governmental decentralization. The duties and powers of the associations were spelled out in guidelines issued by the council in late 1975.

A primary task of the peasant groups is to implement the council's land reform program. All matters concerning land have been taken out of the hands of local officials and courts and placed under the jurisdiction of the associations.

The peasant associations have the right to form peacekeeping forces under guidelines established in Addis Ababa. In some provinces, these local militia have been used to fight insurgents led by landlords opposed to the military regime. The associations also have some responsibility for marketing agricultural products and for providing "ideological education" to the peasants.

The effectiveness of the peasant associations has varied in different parts of the country, reflecting different reactions to land reform.

In the southern provinces the peasants welcomed the reform because it allowed them to regain land that for decades had been controlled by landlords from dominant northern tribes, or by local elites co-opted by the northerners. The peasants looked favorably on the formation of the associations, and a large number have already been formed.

In the northern provinces, where land

ownership based on a communal land tenure system was firmly established, few peasant associations have been formed. Many peasants in the north have opposed land reform and joined prominent landlords in insurgency against the government.

Labor Unions

The council also is in the process of restructuring organized labor in Ethiopia. Eight of nine planned unions for major categories of workers have been formed. After the ninth is established, they will all be represented in a national organization called the All-Ethiopian Trade Union. This structure is intended to make the labor movement an instrument for carrying out the council's program for establishing a socialist regime in Ethiopia.

The All-Ethiopian Trade Union will cooperate in formulating policy directives and in social and economic planning. The unions will also provide ideological training and political indoctrination to the workers. The national labor group replaces the Confederation of Ethiopian Labor Unions, which was disbanded last year because the council feared it would become a center of opposition.

The ruling military council may find it difficult to control the unions. The labor movement harbors a substantial number of opponents of the military government whose agitation has caused some delays in the government's efforts to organize the new unions.

Some oppositionists are members of the Ethiopian People's Revolutionary Party, an underground group led by radical leftists that has carried out numerous terrorist incidents in Addis Ababa in recent months. The Revolutionary Party is probably also responsible for isolated strikes and work stoppages that have occurred recently.

The council's intention is to form a national front composed of all "progressive" forces in Ethiopia, under the leadership of a working class party. An organized and "properly oriented" working class is considered necessary to produce the leaders of the party.

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