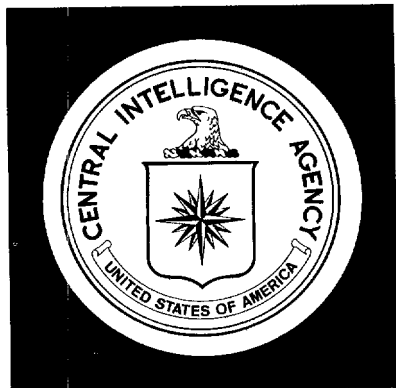


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Weekly Summary

State Dept. review completed.

DIA review completed.

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CG WS 77-015
April 15, 1977

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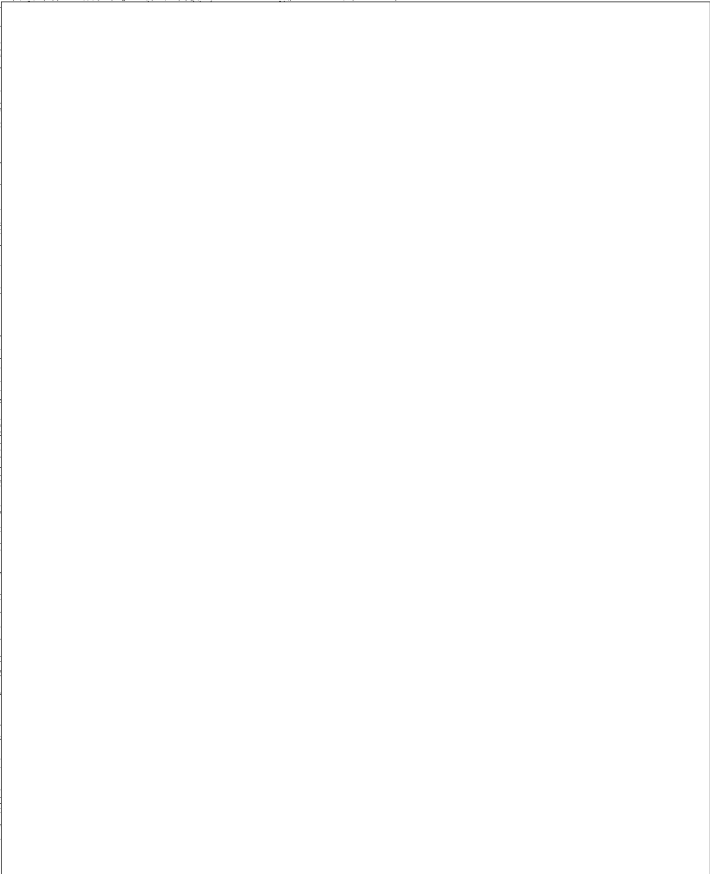
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April 15, 1977

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The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, the Office of Strategic Research, the Office of Scientific Intelligence, the Office of Weapons Intelligence, and the Office of Geographic and Cartographic Research.



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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,

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AP

Middle East

ISRAEL

1-2

The already uncertain prospects of Israel's long-dominant Labor Party in the national election next month were dealt a new blow by the exposure last week of financial irregularities on the part of caretaker Prime Minister Rabin and his abrupt withdrawal from the top position on Labor's electoral list. The party's new candidate for prime minister after the election, Defense Minister Peres, managed to win the grudging endorsement of factions within Labor and an allied party that have long opposed him.

Ironically, the Labor Party, which for months had been rocked by corruption scandals and torn by dissension, was just beginning to rebound from its low standing in opinion polls when the Israeli press disclosed that Rabin and his wife had illegally maintained bank accounts in the US. The most recent public surveys showed the Labor Party and its small left-wing ally, Mapam, moving ahead of both the right-wing Likud opposition group and the new reform-minded Democratic Movement for Change.

Rabin, under Israeli law, must continue as caretaker Prime Minister until after the election, but he clearly intends to play a minimum role. Control of Labor's campaign quickly passed to Peres, a more polished and self-assured politician and one who will likely run a more dynamic campaign.

The new party leader, who almost defeated Rabin in party voting in 1974 and again at Labor's convention last February, is an established hawk on



Defense Minister Peres (l) and Foreign Minister Allon

Arab-Israeli questions but at the same time a pragmatist who is well aware he must broaden his support beyond the party's conservative faction. Immediately after Rabin dropped out, Peres moved to conciliate leading party doves, notably Foreign Minister Allon, who settled for the second spot on Labor's list and a promise of the defense portfolio. Abba Eban, already an ally of Peres, was promised a new tour as foreign minister in a Peres government.

This week Peres succeeded in persuading Mapam to maintain its alliance with Labor. His public statement last weekend that he remains committed to the party platform, which calls for withdrawal from some occupied territory as part of a peace settlement, and the prospect of Eban's return to the Foreign

Ministry probably helped. Mapam leaders were probably also influenced by the lack of a realistic alternative to Labor as a political ally and concern that abandonment of Labor now would jeopardize their prospects for participating in the coalition that will be formed after the election.

Peres may take other steps to broaden his appeal before the vote on May 17. He is unlikely, however, to do anything that would seriously alienate his conservative backers. He has said that the conservative National Religious Party must be included in any new Labor-led coalition. He has even indicated he could take the Likud into his government, although privately he has said that the Democratic Movement would be a more likely coalition partner.

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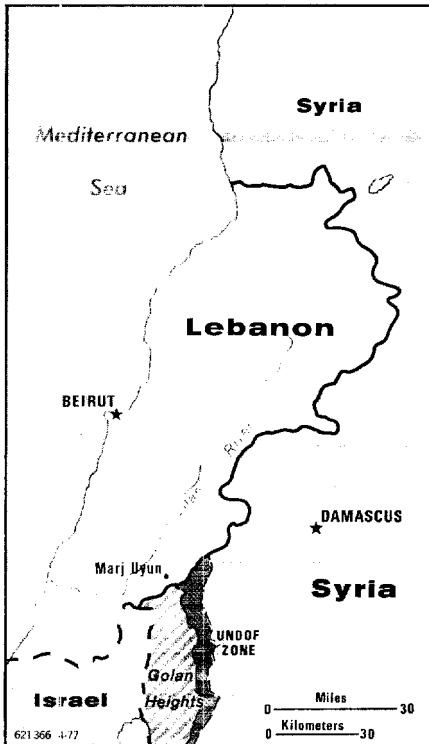
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LEBANON 3-4

The intensive fighting in southern Lebanon between Christian extremists and Palestinians that began last month appeared to be subsiding this week. With the status quo ante about restored after three weeks of seesaw battle, the foreign patrons of both sides—Israel for the Christians and Syria for the Palestinians—have apparently become anxious for the fighting to die down lest it lead to a wider conflict.

Although the warring groups continued to exchange heavy artillery fire, there was little movement on the ground this week and the overall situation seemed to be stabilizing. The Christians, in retreat last week before a Syrian-supported Palestinian counteroffensive, succeeded in fending off attempts to drive them out of their important base at Marj Uyun near the Israeli border. By midweek, there were indications that the Palestinians had agreed not to try further to take the town and that leaders on both sides might be ready for a cease-fire.



The Christians, who started the round by launching an intensive drive to eliminate the Palestinians from a buffer zone all along the border with Israel, have at this point little to show for their effort. All important territory taken by them during the first two weeks is now back in fedayeen hands. In addition, the intensity and initial success of the Christians' drive brought the mainstream Palestinian group Fatah, which had not been significantly involved in the southern fighting, into the field against them and contributed to a growing rapprochement between Fatah and the Syrians.

The new commander of the Lebanese army, General Khoury, indicated this week that he hopes to send a supervisory force into southern Lebanon in about two weeks. He reportedly intends to use troops from a small mixed Christian-Muslim group originally put together by the Syrians to form the nucleus of a new Lebanese army. Khoury recognizes that this force will not be able to maintain peace in the area unless the Palestinians and Christians acquiesce; he does not intend to send the force into the area until a cease-fire is actually in effect.

[Redacted]

NORTH YEMEN 19-20

The assassination last weekend in London of a prominent North Yemeni political figure may prompt President Hamdi to move against tribal opponents.

The identity of the assassin of Abdallah al-Hajri, a former prime minister of North Yemen, is not yet known. The North Yemenis believe the killing was the work either of ousted leftist politicians in league with dissident tribesmen, or of radical South Yemenis opposed to their country's growing ties with North Yemen and Saudi Arabia.

Al-Hajri was an arch-conservative and a close adviser to Hamdi; he was viewed by many as the unofficial number-two man in the government. He had been leading an effort to broaden the regime's base of support by establishing a progovernment political party encom-

passing the country's disparate political groups.

The US embassy believes Hamdi is likely to place the blame for al-Hajri's death on the leftist tribal grouping, at least until contrary evidence is available. Tribesmen led by Hamdi's rival, Abdallah al-Ahmar, recently have again asserted their control over parts of northern North Yemen at the expense of the central government's authority.

Hamdi will attempt to turn popular resentment over the death of al-Hajri, who was widely respected, into support for the regime. As he has in the past, Hamdi is likely to move against the tribal dissidents by indirect political means rather than with military force.

[Redacted]

EGYPT-LIBYA 13/16/17

The continuing flow of invective between Egypt and Libya was accented during the past week by officially inspired violence in both countries. There have been no major new military developments along the border.

The Egyptian consulate in Benghazi was sacked last weekend, and its workers confined in a nearby hotel; on April 13, Libyans demonstrated at the Egyptian embassy in Tripoli following a government-sponsored rally to denounce Egyptian President Sadat. Libya has also imposed further restrictions on travel by Egyptians, this time on those trying to leave Libya.

Egypt has retaliated in kind to almost every incident. Egyptians burned the Libyan consulate in Alexandria. There has been no indication so far that Libyan diplomats will be ordered out of Egypt or recalled by Tripoli.

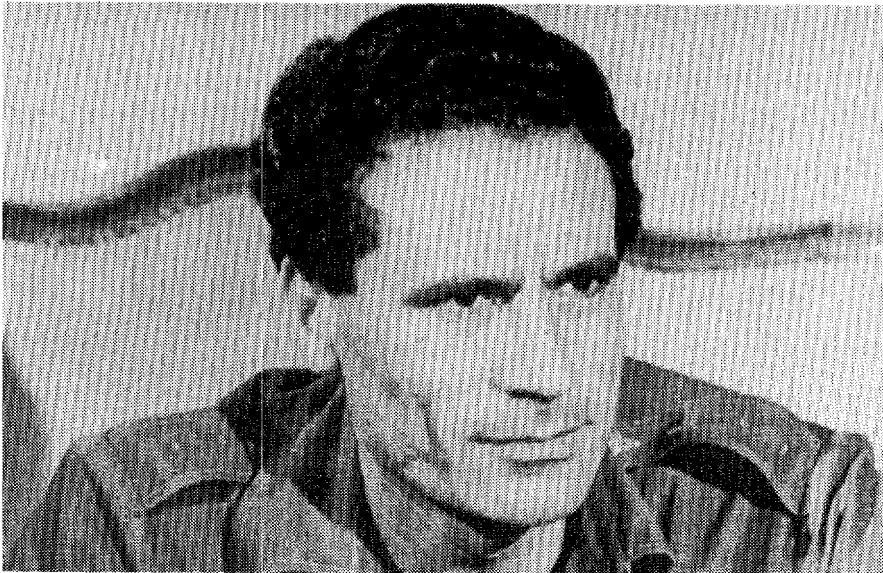
The media in both countries continue to trade charges. In a slight shift in tactics, Cairo dailies this week argued that Egypt should exercise restraint with regard to Libya because Libyans themselves were fed up with Qadhafi and would soon oust him. Egypt, it was said, must guard against providing Qadhafi with a foreign scapegoat.

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Gamma



President Qadhafi

LIBYA 8-12

Some 20 Libyan military officers convicted of participating in a coup attempt against President Qadhafi in 1975 reportedly were executed on April 2. The government has not confirmed the executions, but rumors about them have generated a great deal of anger and apprehension—particularly among Qadhafi's detractors in the military and in the middle class.

Agitation over reports of the executions is running especially high in Benghazi, the capital of the Cyrenaica region, where opposition to the regime is strongest. Army troops reportedly have been stationed at key points in the city, presumably to forestall demonstrations. Qadhafi periodically has placed Cyrenaica under military rule and apparently is considering doing so again.

The emotional reactions to the executions could help solidify opposition to the regime. Earlier reporting suggests that a group of dissidents mainly from the air force has been considering a move to topple Qadhafi.

Qadhafi has had a reputation for leniency toward his opponents; until now, there have been no executions and very lit-

tle officially sanctioned violence under his rule. There has been growing concern among Libyans, however, that Qadhafi's reorganization of the government last month in a move to legitimize his one-man rule and reduce the power of other former members of the recently abolished Revolutionary Command Council would lead to greater repression.

It is too early to judge whether Qadhafi's reported resort to violence will better serve him or his opponents. Having narrowly escaped several assassination attempts over the past year, the Libyan leader probably believes the need to intimidate his opponents outweighs the adverse popular reaction to unaccustomed violence. Most Libyan military officers are likely to be more concerned at least initially about their own survival than about taking action against the regime.

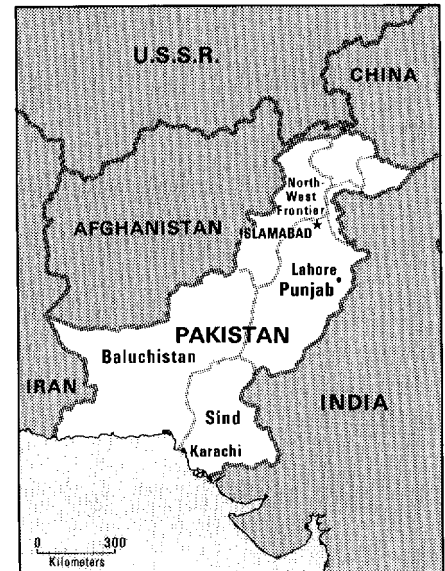
Qadhafi's image as a benign leader dedicated to Libya's interests before his own is rapidly dissipating. His turn toward the USSR, his disregard for local religious leaders, and his resort to tribal politics have offended even some of his staunchest supporters and may have begun to undermine his popularity among Libya's largely rural population.

Asia

PAKISTAN 21-22

The month-old campaign by the opposition to force Prime Minister Bhutto from office by mobilizing public pressure against him may be close to achieving its goal. A week of violent demonstrations, centered in populous Punjab Province, has seriously weakened Bhutto. Student and labor organizations have joined the fray for the first time, and most observers in Pakistan believe Bhutto will have to step down shortly.

Although the opposition's campaign against the rigging of the National Assembly election on March 7 quickly succeeded in some areas, it had failed until recently to foster significant disorders in the Punjab, the key area. On April 9, however, the opposition staged demonstrations against the convening of the provincial assembly in every Punjabi city of any importance. Events in Lahore, the provincial capital, were even bloodier than the violence that forced President Ayub Khan out of office in 1969.



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Demonstrations have continued both in the Punjab and in the cities of the Sind, and the US embassy in Islamabad reported on April 13 that the political situation was deteriorating in both provinces. The opposition was planning what could be its major effort for April 15.

Although Bhutto is still making every effort to stay in office, he has little left to bargain with. He can no longer count on the support of the military. Some members of his own party have resigned, sparking speculation that mass desertions will occur. Two ambassadors—who as military officers played a key role in Bhutto's rise to power in late 1971—have also resigned.

Army leaders hope to avoid having to seize power themselves and apparently are trying to force both pro- and anti-government politicians into an agreement. The opposition still shows no inclination to compromise. It does, however, appear to be considering a proposal for ending the confrontation, presumably one that at a minimum would strip Bhutto of effective power and lead to new parliamentary and provincial elections.

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CHINA

23

The Chinese Communist Party is making plans for a national congress, the first in four years. The timing of the congress is uncertain, but it may be held early this summer.

The congress will name a new Central Committee and Politburo. As the first congress since Mao's death, it will also have the special responsibility of ratifying the selection of Hua Kuo-feng as party chairman and of formalizing the purge of the four leftist leaders last fall. The decision to move ahead with a congress was apparently made at last month's major leadership meeting in Peking.

It will take at least until June to select delegates from across the country. The party is now examining the credentials of many party members suspected of gaining

membership under the auspices of the four disgraced leftists.

If no announcement is made before the congress on the status of former vice premier Teng Hsiao-ping, a resolution of that issue will probably be formally announced during the congress. Teng's

UPI



Hua Kuo-feng

failure to return by now to public political life; despite the reports and predictions of Chinese officials that he would, suggests he is the subject of continuing controversy. At the heart of the issue may be the division of power among the leaders and the personal political fortunes of some of them who are thought to be opposing Teng's return.

CHINA-JAPAN

A high-level Japanese business mission left Peking last week with an unexpected Chinese agreement in principle to a long-term private trade accord. The Chinese treated the delegation especially well, providing a sharp contrast with the USSR's toughness in current negotiations with the Japanese on fishing rights.

The Soviets will be annoyed not just at Peking, but also at Tokyo—a similar Japanese mission to Moscow last year turned aside a Soviet offer for a long-term economic agreement.

Under the proposed trade agreement, China would provide oil and coal in return for Japanese steel, construction materials, and plants—including power-generating facilities—that the Chinese would use to expand oil and coal production. The offer to export coal and oil is another indication of a general consensus within the new Chinese leadership to use natural resources to earn foreign exchange. The four leftist leaders purged from the Politburo last fall had sharply attacked this policy. In an effort to expedite exports of natural resources, Peking has reportedly established a new committee comprised of China's top economic officials, including Minister of Trade Li Chiang.

A number of important details, such as the duration of the agreement, annual target levels of Chinese exports, and payment terms, are still to be negotiated between the Chinese Foreign Trade Ministry and interested Japanese businesses.

In the Peking discussions, Li Chiang agreed to "study" Japanese proposals of 5- to 10-year repayment terms—a possible indication that the Chinese will stretch repayment beyond 5 years. Deferred payments and other forms of foreign credit have long been politically sensitive subjects in China. With the leftists removed, the leadership may now enjoy a freer hand to utilize credit facilities and accelerate purchases of needed Western equipment and technology.

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Communist soldiers drill along Mekong River at Vientiane

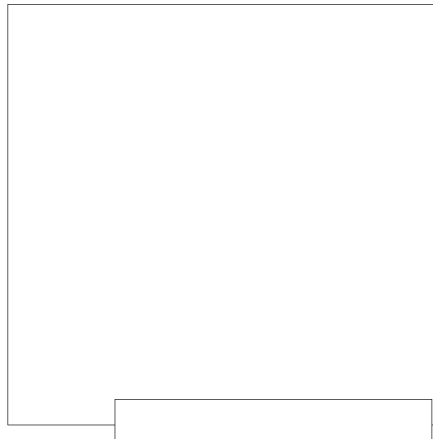
LAOS-THAILAND 28-30

Lao forces this week dislodged rightist Lao rebels from two islands near Vientiane in the Mekong River, which forms the border between Laos and Thailand. The rebels had seized one island late last month and another last week. Both the Lao and Thai governments seemed intent on keeping the fighting from escalating into a serious confrontation.

Sporadic shooting incidents have erupted between Thai and Lao forces along the Mekong since the Communists took over in Laos in 1975. Late that year, Bangkok closed the border for several months, an act that cut sharply into the supply of daily necessities in Vientiane. The border is now open, and relations between the two countries have been generally less troubled in the past year.

In the latest incident, Lao officials

notified Thailand of plans to recover the islands, and Bangkok agreed that the islands were Lao territory and promised not to assist the rebels. Although the Lao government called a state of alert, the likelihood of a serious confrontation was never high.



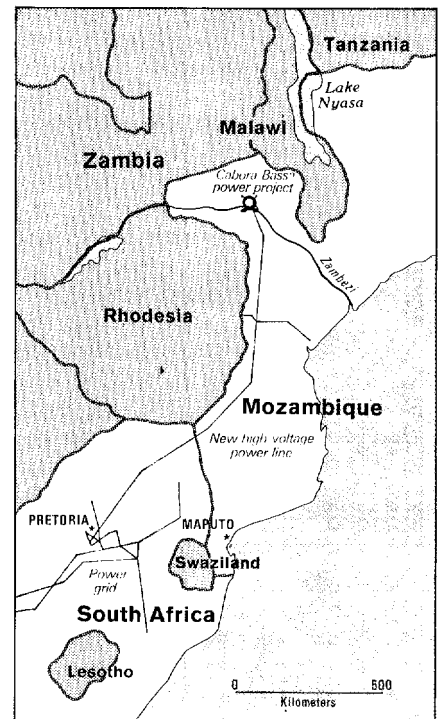
Africa

MOZAMBIQUE - 39-42 SOUTH AFRICA

Commercial sales of electricity generated by the Cabora-Bassa power project in Mozambique began late last month. Almost all of the power is being sold to South Africa.

Initially, three generating units with a capacity of about 1,200 megawatts will feed a new high-voltage power line linking the dam with the South African power grid. The scheduled addition of two more units and another transmission line early next year will bring total capacity to 2,000 megawatts, roughly equivalent to that of Egypt's Aswan Dam.

The project was designed years ago by Portugal to provide inexpensive electricity to its Mozambique territory and to South



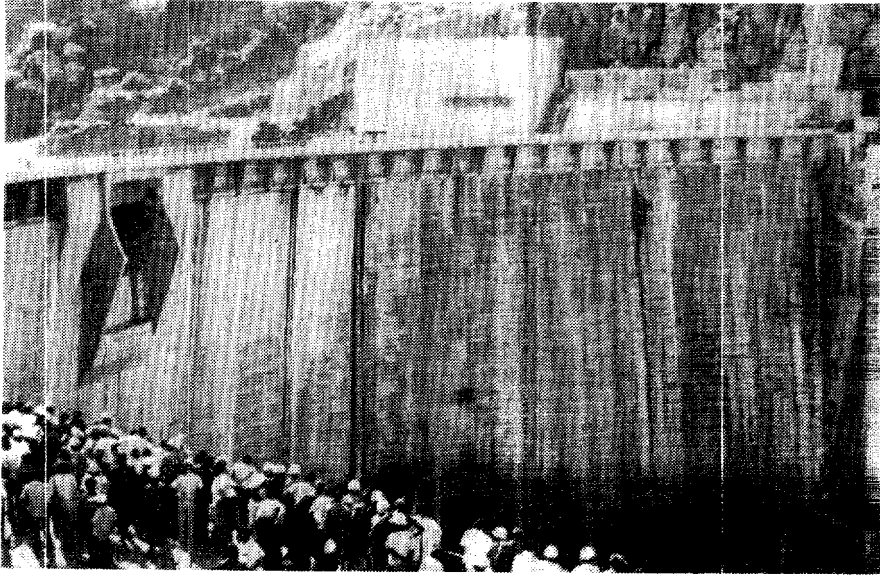
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Cabora-Bassa Dam

ZAIRE

31-33

President Mobutu's prospects for checking the progress of the former Katangan soldiers who invaded Shaba Region from Angola last month have improved with the recent arrival of troop support from Morocco. It will probably be some time, however, before the foreign troops and the Zairian army are ready to move aggressively. The Katangans, for their part, can be expected to continue to strengthen their position in the one third of Shaba that they hold.

The Mobutu regime, which seemed early last week to be on the ropes because of the ineffectiveness of its forces in Shaba, received an important boost from the arrival, starting late last week, of some 1,500 Moroccan troops; they were airlifted to Zaire by France, which made 11 transports available for the operation. Another Moroccan contingent of equal size may be sent if deemed necessary. In addition, a number of French military advisers are now in Shaba, where some are attached to the Zairian commander's staff and others to the Moroccan contingent.

Other new foreign assistance may have arrived or be coming. A shipment of

Africa. The planners hoped that it would eventually become the cornerstone of the agricultural, mineral, and industrial development of Mozambique's Zambezi Basin.

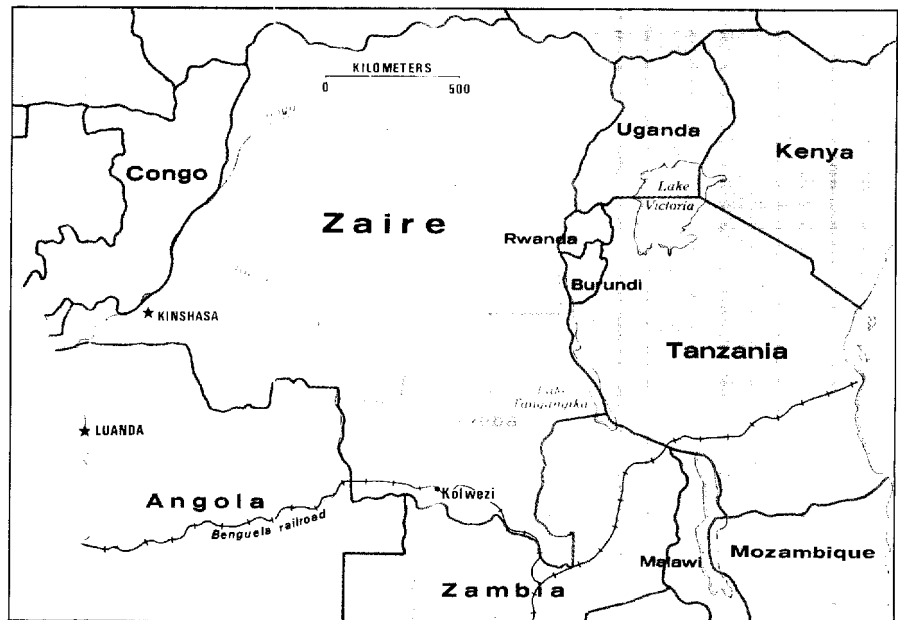
Despite Mozambique's harsh rhetoric against South Africa's white minority government, practical considerations continue to prevail in such important economic relations as the sale of electricity. Mozambique would like to reduce its dependence on South Africa, but no other neighboring country can use the large amount of power generated by the project.

South Africa will probably continue to purchase electricity from Mozambique as long as the price is favorable. It also hopes to recover its investment of more than \$30 million in the project. Cabora-Bassa could provide up to 10 percent of South Africa's electricity by 1980. South Africa, however, is likely to maintain a domestic reserve generating capacity equal to the amount it imports to guard against power interruptions.

Mozambique must export electricity in order to pay for the foreign financing used in constructing the project; until the loans are repaid Mozambique will receive only a small amount of the foreign exchange

from such sales.

The potential agricultural and industrial benefits of Cabora-Bassa probably will not be realized in the near future. Mozambique lacks the managerial, technical, and financial resources to develop the surrounding region.



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equipment—probably including military supplies—reportedly arrived by air from China recently, and more Chinese assistance is coming by sea. An Egyptian military delegation has been in Zaire this week surveying the government's needs.

Moroccan King Hassan's decision to send troops to Zaire was motivated in part by a desire to demonstrate solidarity with a fellow moderate African state that has supported Rabat in its continuing dispute with Algeria over Western Sahara. Hassan is also concerned—as are France, Egypt, and Belgium, which retains major economic interests in its former colony—about the spread of Soviet and Cuban influence in southern Africa and the possibility that radicals may gain power in Zaire if Mobutu falls. The Zairian leader has insisted that the Soviets and Cubans are behind the

Katangan rebels.

Most of the Moroccan troops now in Zaire have taken up positions in or near Kolwezi, the key mining center that has been a major objective of the Katangans. The invaders have advanced a little closer to Kolwezi; this week they were reported to be about 50 kilometers away.

The infusion of the relatively well-trained and disciplined Moroccan troops

presumably will secure Kolwezi and other important towns and may help stiffen the Zairian forces. Plans are apparently under consideration to use the Moroccans to spearhead an eventual counteroffensive. The Katangans will not be readily eliminated from Shaba, however, as they will probably rely on guerrilla tactics, against which the Moroccans are not likely to be very effective.

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South African Prime Minister Vorster (c) confers with Israeli Defense Minister Peres (l) and Prime Minister Rabin in Jerusalem last year

43-45

SOUTH AFRICA - ISRAEL

South Africa, which is attempting to modernize and improve its badly outdated navy, reportedly will take delivery next month of the first of six Israeli-built Reshef-class patrol boats it ordered some time ago. The 250-ton boats are designed to carry anti-aircraft artillery and up to eight Gabriel surface-to-surface missiles.

According to a source of the US naval attache in Pretoria, the Israelis are also training 100 South Africans—the complement of two crews—to operate the boats. The crew for the first Reshef has been

conducting at-sea training on the boat. A South African naval replenishment ship will escort the new Reshef from Gibraltar to South Africa.

A second Israeli-built Reshef is due to be launched this summer. South Africa will build at least three others under license in Durban, but they probably will not be ready for launching until next year.

The naval modernization program also includes the purchase of two destroyer escorts and two submarines still on order from France. As these new ships become operational, many of South Africa's older, British-built ships will be phased out.

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President Mobutu

PP6

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AFF Pictorial

Europe

SPAIN

50-52

The government's legalization of the Communist Party on April 9 reflects the deep commitment of King Juan Carlos and Prime Minister Suarez to ensuring a free and democratic parliamentary election this summer. Die-hard rightists had strongly opposed removal of the ban imposed by Franco 38 years ago; moderate opposition groups had pressed for removal, alleging that the election would not be truly free unless the Communists were allowed to participate.

The government's hand was forced when the Supreme Court refused early this month to rule on the party's legality. The King and Suarez had hoped that a court decision in the Communists' favor would help to dilute a strong reaction from the political right and the military. The timing of the government's announcement—Easter weekend—seemed designed to reduce chances of an immediate violent reaction.

So far, protest action has been of a minor nature, but dissatisfaction with the government's move is clearly widespread on the right and among the military. At a meeting of the army's Supreme Council on April 12, officers expressed angry disapproval both of the decision and the fact that it was made without a formal meeting of the cabinet. The navy minister, an admiral who had long been a staunch Franco supporter, resigned from the government the same day, and some other senior military leaders may also quit their posts. More serious dissent in the armed forces may have been headed off, however, by an army announcement on April 13 that it accepts the government's action and by the decision of the remaining three military ministers not to resign.

The military's thinking has been evolving on the Communist question in recent months. Most of the officer corps had



Prime Minister Suarez

moved from outright opposition to legalization last fall to acceptance in February of the decision to let the Supreme Court make a ruling. Since then, increasing numbers of Spaniards had apparently come to expect the party to be legalized before the election and this, along with Suarez' frequent consultations with the military ministers and the implicit backing of the King, may have impressed senior military officers.

The government weathered a potential crisis in the north last weekend when Basque political parties defied a ban on public celebration of Basque national day. Strong security measures and bad weather helped to restrict the violence. [redacted]

CYPRUS

54

Another round of UN-sponsored talks between Greek and Turkish Cypriots ended last week without any significant movement toward a Cyprus settlement. The two sides made more concrete proposals than they had previously, however, perhaps setting the stage for a

future narrowing of their differences. Much will depend on the outcome of the parliamentary election in Turkey in early June.

The talks, which were held in Vienna, concentrated on Greek Cypriot territorial proposals and Turkish Cypriot constitutional proposals. The proposals underscored the protagonists' deep mutual distrust and their aversion to compromise.

The Greek Cypriots presented a proposal based on conceding 20 percent of the island's territory to the Turkish Cypriots, who currently control 36 percent as a result of the invasion of the island by troops from Turkey in 1974.

The Turkish Cypriot proposal called for a weak central government concerned mainly with foreign affairs and defense, and with no power to tax. It did, however, leave open the possibility of greater powers for the central government in the future.

The Turkish Cypriots, indicating that the Greek Cypriot proposal failed to satisfy the Turkish community's security or economic requirements, did not commit themselves to give up any specific areas. The Greek Cypriots nevertheless seem willing to continue negotiating in the hope that a government capable of strong foreign policy initiatives will emerge from the Turkish parliamentary election.

The Turks and the Turkish Cypriots seem more pleased by the talks than the other side. They got a specific territorial proposal from the Greek Cypriots and retained their own options on both territorial and constitutional questions. At the same time, the negotiating process, important to Ankara's hope of securing a restoration of full US military assistance, is continuing.

The negotiations will probably resume in Nicosia in early May. They could result in a further elucidation of positions, but the Turkish Cypriots are not likely to make any significant concessions before the Turkish election. The talks may even be postponed if Turkish Prime Minister Demirel concludes that they would have negative repercussions on his party at the polls. [redacted]

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President Videla has strengthened his position with the Argentine military and may now be in a better position to move forward on moderate proposals for restructuring the unions and permitting civilians a limited political role.

N.S.

Argentina: Support for President Videla

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President Videla begins his second year as Argentina's leader in a reasonably strong position. Only a few weeks ago there was widespread talk about Videla giving up one of his jobs, the presidency or his membership on the junta. Such talk has now ceased, and the President seems to be enjoying—at least for the present—the support not only of the army, but also the navy and air force, which from time to time expressed dissatisfaction with him. This military consensus around Videla means that for the time being officers with moderate views are in control in Argentina.

Videla and the junta last month marked the first anniversary of their takeover with low key, characteristically austere statements. The President's address to the nation pointed to the progress made during the past year in controlling leftist subversives and in improving the economy. As is his custom, he promised nothing, except that the armed forces would not be deterred from pursuing their own concept of economic and political progress.

Videla did suggest that a new, more constructive phase of political activity could begin. He made it clear there will be no early return to free-wheeling politics, but some civilians will be allowed to express opinions on a variety of subjects through informal channels.

On March 15, Videla assembled all

army generals to review the government's performance during the past year and to outline its plans for the future. The President anticipated criticism of his performance and skillfully neutralized it. The session, which lasted an entire workday, was a success for the President. He assuaged the feelings of the air force and navy by strongly reiterating the supremacy of the junta and playing down his own role.

The President announced at the meeting that he would remain as chief executive and army commander in chief through March 1979, refuting the notion, widely discussed among Argentines in recent months, that he would relinquish either the presidency or his post in the three-man interservice junta.

Videla himself may have had a hand in encouraging public discussion of his authority. He probably judged that such a "debate" would do him no harm and might help, and he was right. The discussions never turned up a serious contender to replace him. Moreover, although some individuals indulged in personal criticisms, no really damaging criticism of Videla emerged.

The army meeting seems to have demonstrated that the present government, with Videla at the top, is still the most desirable choice and perhaps the only practical one. The public "debate" may also have served as an escape valve

for Argentina's highly politicized citizenry, deprived for the past year of normal outlets for political expression.

The Government and Labor

The ascendancy of Videla and his moderate line will have an important impact in the crucial area of government-labor relations. Union activities have been suspended since the coup, and the military has been unable to agree on how to treat organized labor. Some military men believe labor, the long-time stronghold of Peronism, must be permanently shorn of its potential political power. Others, including Videla, favor an accommodation.

Developments on the labor scene over the past year have worked to the advantage of Videla and weakened the arguments of those calling for punitive measures. There have been numerous violations of the junta's ban on strikes, but the government has not used force, nor has labor defied the junta on the massive scale some officers anticipated in response to government-imposed economic austerity measures.

The way now seems clear for the emergence of a labor policy that is not as vindictive as the so-called "hard liners" had demanded. The new labor code, although it will still be restrictive, will probably allow unions to join together in federations. Unions will continue to be prohibited from blatant political activity.

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It is doubtful that larger groupings like the Peronist General Workers' Confederation, through which labor flexed its political muscle during the Peron regimes, will have government backing, but such a confederation may not be specifically banned, as some officers have recommended. Videla presumably hopes the workers will recognize and accept the new law as a compromise, permitting the unions some, but by no means all, the importance they have had in the past.

The Government and Civilians

Conditions also seem favorable for implementing Videla's policy of encouraging communication with representative civilians. At the meeting with army generals, the President indicated that he intends to continue this process, but made it clear that he envisions no program formally reincorporating civilians into the governing process. This is in keeping with Videla's public statements; he has repeatedly declared that he has no timetable for the reemergence of an elected legislature or free political parties.

Civilian opinion leaders will be disappointed—but not surprised—that the political "opening" many of them had begun to predict some weeks ago is not around the corner. Most of them will take heart, however, at least privately, from the fact that Videla and not one of the hard-line generals is in the driver's seat.

Counterinsurgency

The strengthening of Videla's hand does not mean any slackening of pressure against leftist guerrillas. Here, Videla is not, and cannot afford to be, any less tough than the "hard liners."

The President may attempt to make sure that the security forces pay more attention to legal guarantees, and he could justify this approach to the "hard liners" by arguing that the subversive threat had been so obviously hurt by the government's campaign that the harsh measures were no longer necessary. Any resurgence of the terrorism, however, would force Videla to get tougher.

Hemisphere Affairs

In his first year in office Videla has visited the capitals of Chile, Peru, and

Bolivia. He plans trips to Venezuela and Paraguay.

He is clearly making the point that after a period of enforced withdrawal from hemispheric affairs because of domestic political turmoil, Argentina is now ready to claim its rightful place as an important regional power. The message Videla carries to the heads of other authoritarian governments in the area is one of solidarity in the face of international pressure for greater respect for human rights.

The General is well suited to the task of rebuilding his country's influence in the region without antagonizing Brazil, the historic rival that has pulled far ahead of Argentina by almost any measure. With his reserved style, Videla seeks to assure the Brazilians that his country is not out to make gains at their expense. For the moment, at least, the Brazilians probably take him at his word, seeing virtually no prospect for Argentina to contest seriously the regional dominance Brazil has established.

Outlook

The military consensus that Videla has established is fragile. The officers who have in the past been the most troublesome to Videla, navy chief Admiral Massera, for example, are quiet, at least for now. Still, Massera has a long history as a "spoiler," and he is not likely to remain in the background indefinitely.

Political conditions in the country could change, perhaps rapidly, with disruptive effects on military unity. Organized labor could react violently if a new labor code is not forthcoming soon or if it is enacted and, in their view, is too restrictive. Terrorists may launch a spectacular last-ditch offensive. Such events would reinforce the hard-line officers and weaken Videla.

Videla recognizes the frailty of the consensus. He will continue to move with great caution on all fronts in order to preserve it. Policy making and implementation will continue to be slow and cumbersome and could falter if the regime were to be confronted with fast-breaking problems.



President Videla

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Canada's decision to buy new fighter aircraft is an overdue first step toward modernizing its armed forces, but decisions on other equipment purchases and financing have yet to be made.

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Canada: A New Look in Defense

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A recent decision by the Canadian government to go ahead with the acquisition of a new fighter aircraft is a major commitment toward long-overdue modernization of the armed forces.

The cabinet has approved the letting of bids to buy 130 to 150 high-performance multipurpose fighters to replace the aging CF-101s used for continental defense and the CF-5s and outmoded CF-104s that are part of Canada's contribution to NATO. The procurement program, expected to get under way late next year, is likely to cost \$2 billion over a 10-year period.

The decision underscores a dramatic turnaround in Canadian defense policy over the past three years. In 1974, the Canadian armed forces were approaching the point where they could no longer effectively carry out military assignments at home or abroad. There had been no major equipment purchases for almost 10 years, and an increase in the defense budget in 1973 had been swallowed up by inflation.

By December 1974 the government had become sufficiently alarmed by the deterioration of its military posture to initiate a comprehensive review of the defense structure. With defense costs increasing at 12 to 15 percent annually, it was soon clear that a substantial increase in the defense budget was needed to make the armed forces capable of meeting their responsibilities for internal security, North American defense, NATO, and

peacekeeping abroad.

It could be achieved only at the expense of other government programs. The alternative was to reduce the armed forces substantially and cut back military tasks across the board—a course unpalatable to Prime Minister Trudeau and other leaders in part because of new concern about the build-up of Soviet military strength.

The European Connection

A key factor in Canada's decision in 1975 substantially to increase defense spending was its eagerness to cement economic links with the EC. Trudeau, who had deliberately played down defense concerns after taking office in 1968, envisioned close economic and political ties

with Western Europe as the cornerstone of his effort to reduce Canada's dependence on the US. A "contractual link" with the EC was finally negotiated last year, but the Europeans made it clear that there are military dues to be paid if Canada hopes to get much in the way of real economic benefits from its ties with the EC. Canadian defense spending comprises 2.3 percent of gross national product, exceeding only that of Luxembourg among NATO countries and well behind the NATO average of 5.1 percent of GNP.

Problems at Home

Another factor in the decision to increase defense spending was a general



Prime Minister Trudeau

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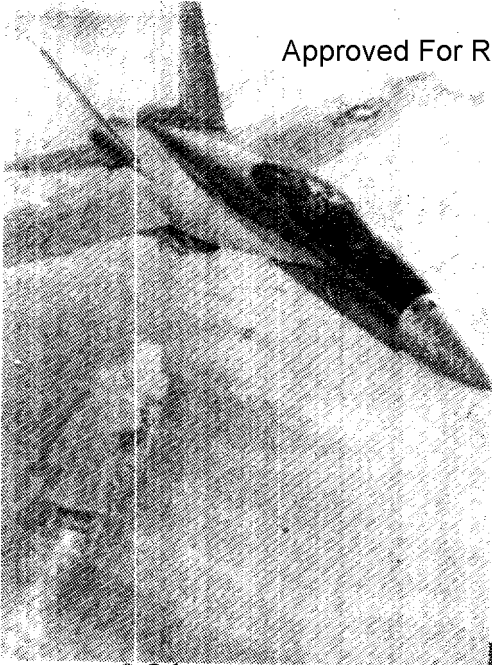


Defense Minister Danson

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US fighter planes under consideration include (1 to r) McDonnell Douglas and Northrop F-18, Grumman F-14 Tomcat, and McDonnell Douglas F-15 Eagle



the "industrial benefits" Canada can expect to enjoy from the multibillion-dollar program.

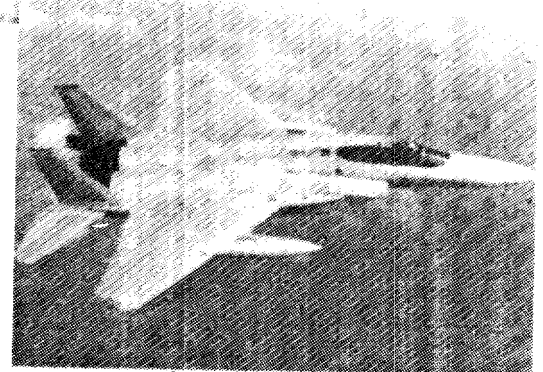
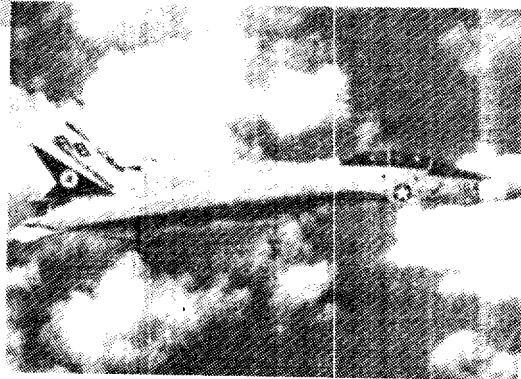
A ship replacement effort, expected to cost \$1.3 billion, will not get under way until the early 1980s. It will be close to 1990 before the first four to eight ships—if heavy destroyers are selected—are in the water and some 20 years before the proposed new fleet of 20 ships is ready for combat.

Canada's agreement to participate in NATO's Airborne Warning and Control

modernization program. The defense budget for the fiscal year that began April 1 calls for outlays totaling \$3.8 billion. Capital expenditures for new equipment will increase almost 25 percent (about one half of which is lost to inflation) over the previous year.

The budget includes \$2.5 million for aircraft and ship procurement programs, just enough to get them started. No money is set aside for increasing manpower above the present 78,000, although defense and cabinet officials agree another 5,000 persons are needed to bring the armed forces up to minimum manning levels. Even an 83,000-person level would be 18 percent below the 120,000-person force level many military analysts see as ideal.

The modernization bill over the next 10 to 20 years is estimated to cost \$5 to \$6 billion. Some \$3.3 billion is slated for capital expenditures during the next five fiscal years, of which long-range patrol aircraft, new Leopard tanks from West



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recognition of the need to strengthen the government's ability to handle a national emergency

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In addition, Canada must enforce its claimed sovereignty over the 200-mile fishing zones declared in January. Ottawa's purchase of 18 new long-range patrol aircraft last year was designed in part to provide coverage of the new fishing zones. Most of Canada's warships are not geared to patrolling the zones.

Defense Priorities

The broad question of defense priorities remains a major headache for military planners. The many lean years of caretaker budgeting has left almost every component of the armed forces under-equipped, poorly trained, and generally lacking the manpower to perform efficiently. Defense Minister Danson, who took over the portfolio last fall, has had not only to grapple with choosing between air- and sea-oriented procurement programs, but also with selecting the equipment for each.

The decision to opt for new fighter aircraft was taken to maximize the visible and political impact of the increased defense spending. The Canadians want an interceptor that could go into service within a relatively short time. In the meantime, the government can point to

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System—AWACS—also has complicated defense planning and sparked debate within the government over the wisdom of the commitment. Canada's share of the cost would be \$200 million, with \$60 million returning in the form of offset.

Some Canadians doubt the cost effectiveness of AWACS in North American air defense. Others argue that, if Canada supports AWACS at all, it should do so only in the context of North American defense and only if the US is firmly committed to the system. If the US appears to waver on AWACS for North American defense and West Germany continues to drag its feet on cost sharing in the NATO context, the Canadian defense minister, who is the strongest advocate of AWACS, will have trouble selling a project that the Canadian parliament rejected more than seven years ago.

Financing Woes

Overshadowing problems of equipment selection is the question of financing the

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Germany, and Canadian-built, Swiss-designed armored cars will cost \$1.4 billion. Subtracting building construction, ammunition, research and development—normal charges on a capital budget—there is not much left over for new fighter planes, let alone a new fleet of warships. The defense minister is confident that the fighter program can be fitted in, but admits that new shipbuilding would "stretch us very hard" at this stage.

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In the negotiations for a new international sugar agreement that begin next week, producers will probably not be able to raise prices much above the present low level. Production is continuing to increase, stocks are already high, and sugar substitutes are making inroads in the market.

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The World Sugar Market

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International negotiations to set minimum prices for sugar will begin in Geneva on April 18. The world sugar market has been characterized by low prices, record production, and a growing surplus since the end of the crop year last August. There is little prospect of higher prices this year; with nearly three quarters of the world harvest completed, record sugar production of about 87 million tons has been forecast.

For the third consecutive year, sugar production will outstrip world consumption—estimated to be 83 million tons this year. Although up 4 percent from last year, consumption is still below the long-term trend established before the record sugar price increase of 1974.

The largest production gains were made this year in Brazil where output was up almost 20 percent. Production also increased in Africa and Asia. Small declines have occurred in North America and Eastern Europe.

Most of the consumption increase is occurring in the developing countries. In the developed countries, growth in sugar consumption is being slowed by market saturation and competition from other sweeteners, particularly high fructose corn syrup. This product is both cheaper and less caloric than sugar.

Reserve Stocks and Prices

World sugar stocks should reach a record 24 million tons by August 31. Most stocks are held by exporters, although some major importing countries—China, Japan, and the US—have recently in-

creased their reserves.

The prospect of a large carryover—29 percent of annual consumption—continues to depress prices despite recent large purchases by China and the USSR. Since December, China reportedly has purchased between 600,000 and 1 million tons of sugar for 1977 delivery. The USSR purchased 600,000 tons from the Philippines in January for early 1977 delivery.

For the past six months, prices for world raw sugar have hovered between 7 and 10 cents per pound, the lowest level since 1972. The current price—about 10 cents per pound—is 40 percent below that of a year ago. Prices now are considerably below sugar production costs in the US, as well as in some of the less efficient cane producing countries of Central and South America.

Current plans for planting do not indicate a large reduction in world sugar acreage for the 1977-78 harvest. Although

low prices have encouraged acreage reductions by farmers in the EC, the Philippines, and the US, growers in Eastern Europe, Cuba, and Australia will probably increase acreage. Unless weather conditions prove unfavorable, world production next year is likely to equal or exceed this year's record level, keeping prices down.

Negotiations for New Agreement

In Geneva next week, exporting countries will be pressing for a guaranteed minimum price that reflects their claimed cost of production. An organization of Latin American sugar producers accounting for about 50 percent of free market exports has indicated that members will push for a minimum price of 15 cents per pound.

Other major exporters—the Philippines, Thailand, India, Australia, and South Africa—will probably support this floor price.

Any agreement would probably require



Field wagons carrying cut sugar cane

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US adherence to be successful. As the world's largest importer, the US is the dominant force in the sugar market, accounting for 25 to 30 percent of free market imports.

EC participation in a new agreement probably is also essential. The EC accounts for 12 percent of world production and is a net exporter; at the same time, it has an agreement with the African-Caribbean-Pacific countries to import 1.3 million tons a year. The EC is willing to participate in the negotiations, but has been unwilling to soften its opposition to export quotas, favoring instead a buffer-stock arrangement. Most countries involved in the negotiations favor some form of quota system, although they are in conflict over the assignment of quotas. The producers probably cannot get the 15-cent minimum they would like. A minimum price of 10 to 12 cents per pound is more likely.

Changes in US sugar policy also could further dampen world prices. If the US should adopt import quotas along the restrictive lines recommended by the US International Trade Commission, an additional 575,000 to 725,000 tons of sugar could be forced onto the world market. Such import restrictions would meet strong opposition from exporters in Central and South America and the Philippines.

Sugar Substitutes

The continuing growth in the use of high fructose corn syrup will limit growth in sugar consumption in the developed countries. This product can be substituted directly for sugar in most industrial uses, and sales would jump if sugar prices were to rise significantly. The syrup is produced almost exclusively in the industrialized nations and has become a serious threat to sugar industries in the EC and Japan as well as in the US.

The EC has become so concerned over the threat to the sugar industry that it has proposed that member countries eliminate subsidies on cornstarch production, disallow tax benefits to high fructose plant construction, and regulate imports and exports of the substitute product.

According to trade studies, a sugar price increase to a level of 13 to 15 cents per pound would provide an umbrella for the high fructose industry and speed expansion if corn prices remain close to current levels.

A ban on saccharin by the US and Canada, if implemented, would have only a minimal effect on boosting sugar consumption. The soft drink industry would probably switch from saccharin to high fructose corn syrup and other low calorie substitutes. Medically handicapped individuals still must consume low calorie sugar substitutes.

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The pervasive Soviet role in Somalia puts important restraints on President Siad's hopes to improve relations with the Arabs and the US, but some change is likely over time.

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Somalia: Looking for New Friends

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Somali President Siad has apparently begun to question the close ties his country has developed with the Soviets. For years, the USSR has been Somalia's primary source of arms and military training, aid for economic development, advanced education for young Somalis, technical expertise for the civil bureaucracy, and the ideological underpinning for the Siad regime's "scientific

socialism." But now the Somali leader is bitter over what he considers Soviet duplicity in expanding ties with Ethiopia, Somalia's traditional rival for influence in the Horn of Africa. Siad appears to believe that the Soviets take him too much for granted.

Somalia turned to the Soviets in the first place to receive the arms and training needed to take on Ethiopia; from Siad's standpoint, any effort by the USSR to

restrain Somalia from trying to regain its "lost territory" runs counter to the very purpose of having close ties to the USSR. Saudi Arabia is actively seeking to exploit Somalia's grievances against the USSR. It is leading moderate Arab efforts to wean Somalia away from the Soviets and has offered money and petroleum as inducements.

In his recent speeches, Siad has taken to emphasizing Somalia's Arab character and expressing a willingness to cooperate

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with Arab states irrespective of their domestic social and economic systems. He has maintained balance by calling the Soviets "true friends," but his statements that Somalia differentiates between ideology and national interests in determining foreign policy are a clear warning to the Soviets that he will not be their puppet on issues vital to Somalia.

Siad's Internal Position

Siad's internal position is secure enough to allow him to make adjustments in Somalia's relations with the USSR. The regime is stable and, although pockets of opposition remain, Siad has consolidated his personal power over the past year. He must consult with other key leaders before making important decisions, but most of his colleagues are likely to support loosening ties with the USSR, drawing closer to the moderate Arabs, and improving relations with the West. The military as a whole is also likely to support such policies.

The more pro-Soviet members of the ruling hierarchy are not strong enough to block such a shift or to move against Siad. General Samantar, the defense minister and first vice president, is the main Soviet sympathizer, and his personal power was reduced in a government reshuffle in February.

Most Somalis would welcome strengthening ties with the Arabs at the expense of the Soviet relationship. Socialism may be making headway among younger, educated Somalis, but the population remains overwhelmingly conservative and Muslim. The Soviet advisers in Somalia are often seen as condescending and arrogant.

Restraints of Siad's Actions

Nevertheless, Siad's freedom to reduce Somalia's heavy reliance on the Soviets is limited. Soviet advisers play an important role in both the armed forces and the civil bureaucracy. They provide more than broad advice; they are involved in day-to-day administrative affairs. It would be costly for the government and the armed forces were these advisers withdrawn or substantially reduced.

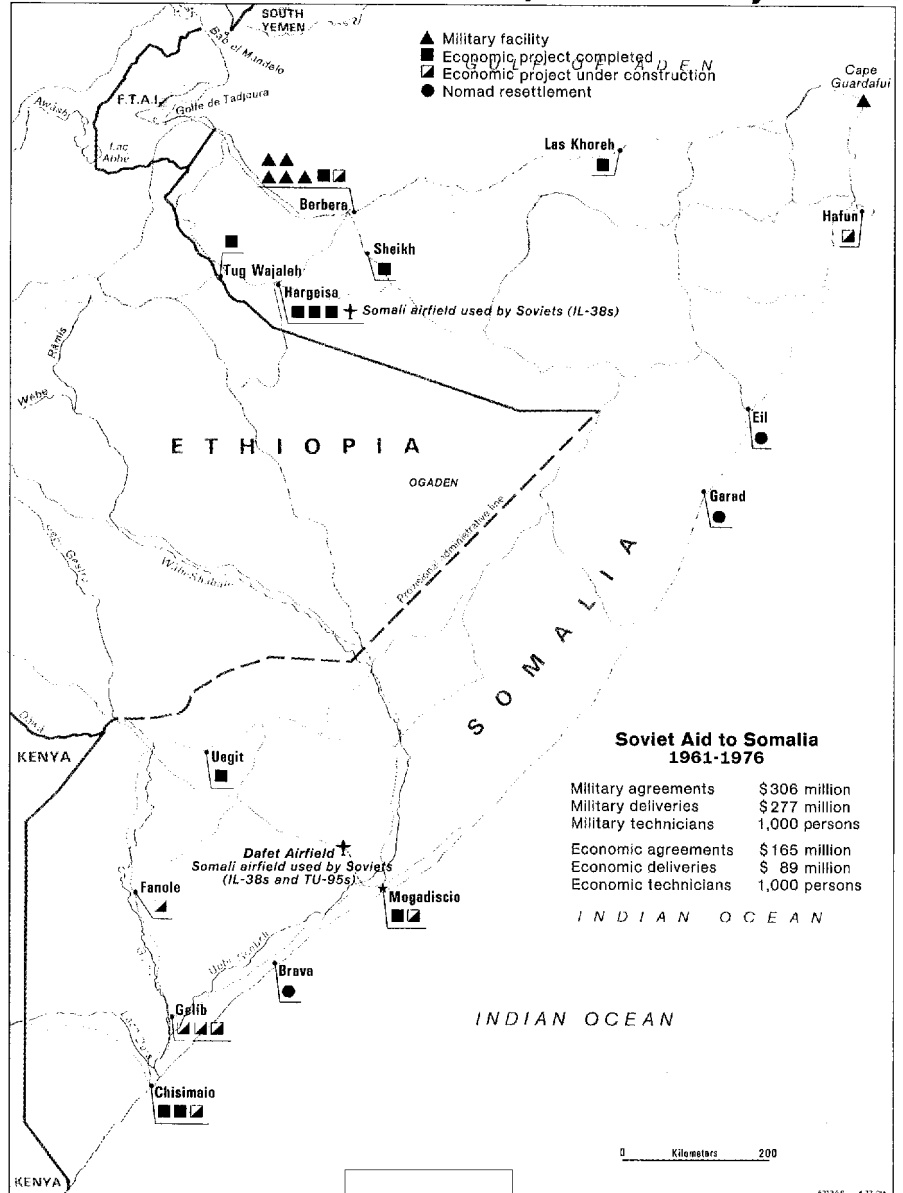
Close Soviet ties, moreover, fill a need

beyond technical and administrative talents. The ideology and political structures adopted by the regime—including the new Somali Revolutionary Socialist Party—closely follow the Soviet model. Soviet advisers attached to the office of the president provide guidance on

ideology, mass mobilization, and political organization.

The questioning of ties to the Soviet Union risks raising doubts in Somalia about the whole concept of President Siad's much-touted "scientific socialism." Siad genuinely believes that socialism is

Somalia: Major Soviet Economic Projects and Military Facilities



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Sov Foto



Somali Defense Minister Samantar with Politburo members Arkhipov (l) and Ponomarev (c) following aid discussions in Moscow last August

the way to social and economic development. He is capable of making tactical adjustments in implementing his program for building a socialist society, but he would be uncomfortable trying to become too closely aligned with moderate Arab states like Saudi Arabia.

The armed forces' reliance on Soviet military equipment is one of the most important restraints on making a dramatic change. The Somalis are searching for alternative sources of supply and may eventually obtain small arms and other limited amounts of aid from other sources, but they cannot hope for enough large and sophisticated equipment to end their dependence on the Soviets. The Egyptians might be able to provide some Soviet equipment, but they are not in a position to send large amounts or to sustain a flow of parts and ammunition.

Replacing Soviet equipment with arms purchased from Western countries—paid for with Saudi money—would probably take several years and require a reorientation of military doctrine. There would also be a degradation of military capability while the changeover is taking place. The Somalis would be reluctant to risk this while they are facing the possibility of

a conflict with Ethiopia over the French Territory of the Afars and Issas and the Ogaden region of Ethiopia.

Siad would have to weigh carefully the military reaction to changes in Somalia's sources of military supply. The military hierarchy would probably approve a broadening of Somalia's military and political relations, but would probably not support an abrupt break with the Soviets and perhaps not even a gradual transition to more reliance on other sources.

The Soviets' View

The Soviets apparently miscalculated Somalia's reaction to their expanding ties with Ethiopia. They view Ethiopia, with its greater population and economic resources, as potentially the more important country in the Horn of Africa and one that in the future will probably play an important role in African affairs. They may not have realized that they would offend Siad to the extent that they have, calculating that Somali suspicions could be overcome with assurances that Soviet weapons given Ethiopia would not be used against Somalis.

In spite of recent problems, Soviet-Somali relations remain mutually beneficial. Soviet President Podgorny's

recent visit to Somalia demonstrates continued high-level Soviet interest in Somalia. It is doubtful that either country will take hasty action in the near term to end their close ties. The Soviets will reluctantly tolerate a Somali opening to the Arabs and the West so long as Somalia takes no action to jeopardize Soviet access to the Soviet naval and communications facilities at Berbera.

In the absence of a clear alternative to Siad in the Somali leadership, the Soviets will probably try to mend their relations with him. It would be counterproductive to try to mobilize sentiment against Siad in the Somali military solely on the basis of loosening ties with Moscow.

The Somalis probably have the most to lose from an abrupt termination of the relationship. Soviet naval air operations in the Indian Ocean area would be severely hampered by the loss of access to Somali airfields, but overall Soviet naval operations in the Indian Ocean could continue without the use of Somali facilities, although at some expense. A sudden withdrawal of Soviet military support for Somalia, however, would cause a swift decline in Somali military capabilities.

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