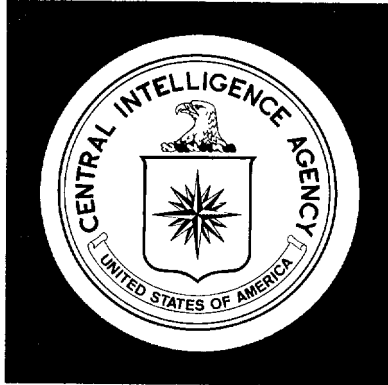


  
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# Weekly Summary

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## CONTENTS

May 13, 1977

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.

- 
- 1 **Africa**  
Ethiopia-USSR; North Africa; Zaire
  - 3 **Asia**  
Pakistan; China
  - 3 **Middle East**  
Israel
  - 4 **Western Hemisphere**  
Argentina; Peru; Brazil
  - 5 **USSR**  
USSR-Sweden
  
  - 6 **Djibouti Independence Plan Endorsed**
  - 8 **Syria: Views on Middle East Negotiations**
  - 10 **Zaire: Problems Ahead for Mobutu**
  - 12 **Japan: Trade Surplus Mounts**
  - 14 **Argentina: Promising Oil Potential**
  - 15 **Youth Unemployment in Industrialized Countries**

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Next 1 Page(s) In Document Denied

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## Africa

## ETHIOPIA-USSR 1-2; 4

The growing relationship between Ethiopia's leftist military regime and the USSR advanced another step during Ethiopian leader Mengistu's state visit to the Soviet Union last week. The visit resulted in a joint political document committing each side to develop bilateral relations. Economic, cultural, scientific, and consular agreements were also signed.

The political document is probably similar to Soviet agreements with other third-world and some Western countries. These usually contain statements of mutual willingness to work for closer political, economic, and often military relations.

The Soviets signed such documents prior to concluding friendship treaties with Angola and Mozambique. At present, however, Moscow is probably reluctant to conclude a friendship treaty with Ethiopia—even if Mengistu were willing—for fear of further antagonizing Ethiopia's arch rival, Somalia, where the Soviets have important military interests.

Moscow's concern about Western and moderate Arab efforts to profit from Soviet troubles with Somalia was evident in President Podgorny's speech at his dinner for Mengistu. Podgorny blasted unnamed "imperialists" for using some Arab countries, especially Saudi Arabia, to try to establish control in the Red Sea region.

Mengistu's visit and the joint political document probably have offended Somalia nonetheless and could reinforce President Siad's determination to loosen ties to Moscow by improving relations with the West and the Arab states. Mengistu, for his part, probably values the document in part for the negative impact he expected it to have on Siad. Mengistu may also hope the agreement will lead to substantial additional Soviet military aid.



President Podgorny (I) with Ethiopian leader Mengistu reviews Soviet honor guard last week at the Moscow airport

The fact that Soviet military aid officials met Mengistu indicates that military aid was discussed, but it is not yet known how much—if any—new assistance was arranged.

to import at least a million tons of grain this year—an increase of 200,000 to 300,000 tons over last year.

Morocco's wheat crop is likely to fall some 15 percent from the already depressed level of 2.1 million tons in the 1975-76 season. Imports will probably rise 20 percent from the million tons imported last year. This will strain Morocco's port and distribution facilities and add to its already serious balance-of-payments problems.

In Tunisia, the wheat crop is likely to reach only 600,000 tons at best this season. Output last year was about 800,000 tons after a record 1.3-million-ton crop in 1974-75.

Domestic requirements in Tunisia run around 1.5 million tons a year. Imports needed to make up the difference, in addition to imposing a heavy cost, would exceed the capacity of Tunisia's port and distribution system.

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## NORTH AFRICA 28-22

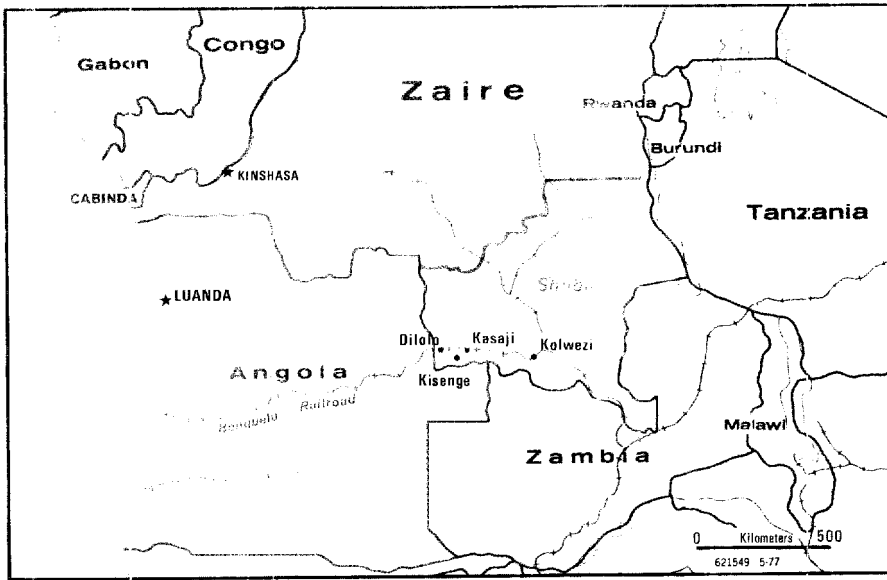
A severe drought is causing a sharp drop in grain yields in Algeria, Morocco, and Tunisia. The three countries will have to divert funds intended for economic development to purchases of at least 3 million tons of grain—a million more than last year.

In Algeria, the US agricultural attache estimates that the wheat crop is down some 30 percent; the yield will be about 1.4 million tons, compared with 2 million tons in the last crop year. To meet domestic requirements, Algeria will have

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## ZAIRE

9-13

Zairian and Moroccan forces renewed late last week their drive to reoccupy towns in southern Shaba Region held by the Katangan troops who invaded from Angola last March. Nigeria, meanwhile, is continuing its efforts to arrange a political settlement between Angola and Zaire.

The Zairian-Moroccan force that set out in a westward direction from Kolwezi last month reportedly entered the important town of Kasaji on May 12 after it had been abandoned by the Katangans. Fighting between the invaders and the government force apparently did occur last weekend east of Kasaji. The reoccupation of Kasaji leaves Kisenge and Dilolo, on the Angolan border, the only significant towns in southern Shaba still in Katangan hands.

Zairian propaganda efforts, aimed at attracting stronger support both in Zaire and abroad, are continuing to play heavily on charges by President Mobutu that the Shaba incursion is an act of armed aggression supported by the Soviets and their communist allies. Last week, Mobutu "suspended" diplomatic relations with East Germany because of its alleged involvement in supplying arms

to the Katangans. Over the past few weeks the Zairians have captured and put on display small amounts of Soviet-made equipment. There has been no hard evidence, however, of direct Soviet involvement with the invaders.

Mobutu's efforts to attract wider support could be offset by stories of atrocities against civilians by undisciplined Zairian troops that are being circulated by local residents and missionaries in Shaba.

Attempting to head off expected international reaction, Mobutu has reportedly given strict orders to commanders to prevent massacres and has publicly assured Shabans of their safety. Zairian troops, however, are prone to see every villager as a Katangan sympathizer and are often beyond the control of their officers.

Nigerian Foreign Minister Garba recently concluded a second round of talks with Mobutu and Angolan President Neto aimed at getting the two antagonists to negotiate a settlement of their problems. Garba told the US ambassador in Nigeria that he had made "a bit of progress," but that Mobutu and Neto are still far apart on what Garba described as the principal item at issue—a proposed border patrol by a force of neutral African observers.

According to Garba, Mobutu views the establishment of such a force as a precondition for negotiating the entire range of Zairian-Angolan problems, while Neto insists that the border patrol be considered only as part of an overall settlement. Nigerian-arranged talks between ministerial-level representatives of the two sides began in Lagos early this week. *A discussion of the impact of the Shaba crisis on basic problems in Zaire appears in the feature section of this publication.*

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A banner at a government-organized rally last month reflects President Mobutu's charges that the USSR and Cuba are responsible for the Shaba crisis

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## Asia

## PAKISTAN 23,25

Prime Minister Bhutto appears to be deliberately delaying a compromise settlement with the opposition Pakistan National Alliance in the belief that time is on his side and he need not make the concessions that would be required to bring an early end to the country's political crisis.

Bhutto has tried to give the impression that he wants to negotiate a solution as quickly as possible, but some of his moves have seemed to belie this. Early this week, he attempted to have the opposition negotiate with members of his cabinet, a procedure that almost certainly would have proved time-consuming. After the opposition rejected this proposal, Bhutto agreed to meet alliance leaders himself, telling reporters he "hoped" some conclusion could be reached in a day or two.

The talks, which reportedly began on May 11, presumably are focusing on Bhutto's future status. The opposition's latest proposal, formally communicated to Bhutto late last week, calls for him to resign 30 days before a new national election. In earlier negotiations, Bhutto offered to hold new national and provincial elections, but made no commitment to leave office. Both sides seem to feel that if Bhutto remains prime minister during the election campaign, he can determine the results of any new vote.

With the military apparently still willing to support him, Bhutto probably sees little need to work for an early compromise. The longer he delays, he probably believes, the greater the chances that deep differences among the opposition leaders will surface or that their street campaign against him could die out. Although the opposition continues to stage demonstrations and strikes, some of them violent, it has not been able to match the widespread violence of April 22 that threatened to drive Bhutto from office.

To delay a settlement, Bhutto must continue to hold out the hope that the opposition can attain its goals through negotiation. Otherwise, the opposition may once again take to the streets in force, and the army—whose support is essential to Bhutto—could reassess its position.

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## CHINA 32-34

Drought continues to threaten China's winter wheat crop, although scattered rainfall in April improved the outlook for summer-harvested crops as a whole. Output of winter wheat, which accounts for 15 to 20 percent of China's annual grain production, will be down at least 10 percent from the record 50 million tons last year.

Most of the losses have occurred in the North China Plain. Output in Honan and Shantung provinces, accounting for nearly one half of China's winter wheat, is sure to be down from last year's excellent harvest. Kiangsu and Anhwei provinces, on the southern perimeter of the Plain, had enough rainfall to ensure recovery of most of their crops. However, the improvement will not offset losses in the northern half of the Plain.

Last year's winter wheat crop received a boost from exceptionally high precipitation in February, which encouraged early greening. This year, February precipitation was at near-record lows, and a relatively dry March left the crop vulnerable in April. The Chinese have reported that cold weather and winds intensified the drought. With the exception of irrigated areas—and even some of these lack adequate stored water this year—yields are certain to be down.

Rain in March and early April alleviated the drought in at least some of the key coastal growing areas of the southern rice-producing provinces. It is still too early, however, to predict the size of the early rice crop.

The poor harvest last fall, coupled with efforts to conserve foreign exchange last year, resulted in a tight grain situation,

moving the new regime to increase grain purchases for 1977 delivery. The effect of the drought this year on grains now being planted for harvest in the fall will be of particular importance in determining further grain imports. If low soil moisture and insufficient rainfall persist this month, corn, sorghum, and millet in North China may germinate poorly. Should this occur in tandem with a reduced late rice crop in the south, China will be forced to consider additional grain purchases in the third quarter of 1977.

Chinese leaders will probably elect to monitor the wheat crop a little longer before considering purchases in addition to the 5 to 6 million tons of wheat already purchased for delivery this year. Whatever China's grain import needs may be, foreign exchange does not appear to be a major problem. China's trade showed a surplus last year, easing pressure on the balance of payments. With the usual 12 to 18 month credits, payments for this year's grain imports would be spread into 1979. Significantly increased grain imports, of course, might move Peking to delay new purchases of Western technology.

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## Middle East

## ISRAEL 36-42

The Labor Alignment—composed of the Labor Party and an allied group—seems likely to lose several parliamentary seats in the national election on May 17, but will probably retain its plurality and with it the mandate to form the government that will lead Israel in the Middle East peace negotiations expected later this year.

Despite soaring inflation, worker unrest, and scandals in the Labor Party, including the one that led to Prime Minister Rabin's unprecedented resignation, the opposition parties have apparently failed

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to establish themselves in the voters' eyes as credible alternatives. Reports from the US embassy in Tel Aviv indicate that Labor appears to many voters to be "safe" and familiar, especially in foreign policy matters, which most Israelis believe will preoccupy the next government.

The quick and smooth transfer of Labor's leadership from Rabin to Shimon Peres has had a rejuvenating effect on the party's image as well as on morale within the party. Moreover, Labor's leadership change has thrown the right-wing Likud and the new Democratic Movement for Change off balance, upsetting their plans to attack corruption within Labor under Rabin and weakening their claims to represent the only parties committed to reform.

Both Likud and the fledgling Democratic Movement have failed to cash in on the overriding issue of change that has dominated the public's attention. As a result, neither group has been able to cut into Labor's strongholds deeply enough to damage significantly its election prospects.

As in the past, the balloting will be followed by a period during which the leading party—it has always been Labor—will bargain with others to form a majority coalition. The process is always a lengthy one and is likely to be especially protracted and intense this year, in part because of the emergence of the Democratic Movement as a new political factor. Peres has estimated privately that it could take Labor until mid-July to put a new government together.

Peres will probably strive to form a coalition made up of the Alignment, the National Religious Party—a conservative group that has traditionally been a member of Labor-led cabinets—and the reformist Democratic Movement. Negotiations to achieve such a coalition are sure to be difficult and may not succeed. In that event, a minority Labor government with one of the other two parties or even a national unity cabinet including Likud are possibilities.

## Western Hemisphere

### ARGENTINA

43-95

The recent arrest of former president Alejandro Lanusse for suspected financial wrongdoing in office has strong political overtones. Three other top officials of the military government that General Lanusse headed in the early 1970s are also being held.

Lanusse's arrest has been linked with alleged improprieties on his part in connection with a government contract for construction of an aluminum plant, but it is clear that political considerations were uppermost in moving against the former president at this time. His alleged misdeeds were neither unusual nor surprising by Argentine standards, and any number of officials could be called to account for similar improprieties.

For some time, however, Lanusse has drawn the ire of the current military regime, particularly the so-called hard-line officers who distrust him for his role in paving the way for the return of Juan Peron. More recently, Lanusse's criticisms of the government's harsh security practices, his high public profile, and his apparent ties to prominent newspapermen have contributed to suspicions that he is appealing to important civilian sectors as a potential political leader. The regime is not now prepared even to consider a return to normal politics.

The case against Lanusse has been under investigation for several years, but relatively little has been heard about it recently, and many Argentines had assumed the matter would be dropped. Moreover, the case has been overshadowed by recent developments in the investigation of alleged connections between the family of missing financier David Graiver and other prominent citizens—including former government officials—and the terrorist Montoneros.

The conduct of the case against

Lanusse, as well as the Graiver investigation, could provide a rough gauge of the relative strengths and weaknesses of hard-liners and moderates within the regime. If the campaign becomes more aggressive and wide-ranging, it will indicate that hard-liners are gaining the upper hand.

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### PERU

51-52

Peru has indefinitely suspended anchovy fishing in all but its southernmost fishing zone, citing a severe scarcity of anchovies this season. The consequent reduction in fishmeal production will hurt Peru's already precarious balance-of-payments situation and maintain pressure on world soybean prices.

Peru's National Oceanographic Institute blames dwindling anchovy shoals on the weather. During the past year, sea temperatures have been above normal, inhibiting the development of plankton, the microscopic organisms on which anchovies feed.

During normal years, the Peruvian anchovy catch accounts, after processing, for almost 40 percent of world fishmeal output, making Peru the world's largest fishmeal producer. Even if normal fishing can be resumed later this year, world fishmeal supplies will fall by at least 10 percent for 1977. If fishing is suspended throughout 1977, supplies could fall by as much as 25 percent.

Fishmeal and soybeans are the major sources of protein supplement used in livestock feeds. Failures in the Peruvian catch in the 1972-1973 season contributed to record prices for soybeans, feed grains, and meats.

Fishmeal prices climbed 20 percent in the first quarter of 1977 following an increase in soybean prices and a reduced Peruvian anchovy catch last fall, mainly because of a prolonged labor strike. With low Peruvian inventories and the current ban on fishing, much higher world fishmeal prices are likely.

Reduced fishmeal output this year

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could cut Peru's foreign exchange earnings by an amount between \$100 million and \$300 million; this would raise the country's current-account deficit by 20 to 50 percent. The reduction in export earnings could almost double the amount of additional balance-of-payments support loans needed by Peru this year, increasing pressure on the government to come to terms with the International Monetary Fund in the current negotiations for a standby loan.

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**BRAZIL** 53-58

Brazil may be maneuvering to maintain upward pressure on world coffee prices.

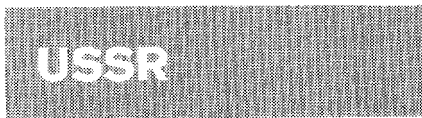
Two leading Brazilian newspapers recently reported that the head of the Brazilian Coffee Institute had lowered estimates for the 1977-1978 crop by 10 percent because of damage caused by a coffee pest. In addition, Brazilian agronomists have asserted that an indigenous bacterial disease affecting coffee trees, first noted 20 years ago, has reached epidemic proportions in the northeast and has also appeared farther south.

These allegations conflict with recent observations by the US agricultural attache and by a foreign agricultural service coffee specialist. Both reported, after a two-week trip through Brazil's major coffee-producing areas last month, that the coffee trees were in generally excellent condition. They did not notice any bacterial or pest damage and predicted that the coffee yield would reach around 17.5 million bags—almost double last year's unusually low, frost-damaged crop.

The Brazilian claims of damage have also been treated with skepticism by the London press. Prices on both the London and US markets, which usually reflect crop prospects, have continued to decline, indicating that a good yield is expected.

In the past, manipulation of information and lobbying by the Brazilian Coffee Institute have raised suspicions regarding Brazil's motives and the validity of its crop reports. This semi-autonomous government agency regulates Brazil's

coffee trade and has sometimes masqueraded as an independent producers' organization in order to publish propaganda favorable to Brazilian interests.



**USSR-SWEDEN**

Moscow's problems with the new 200-mile fishing zone are growing. The Soviets are now at odds with Sweden over a fishing boundary in the Baltic Sea.

The Swedish government recently submitted a bill to the legislature that would permit extension of the country's fishing zone to 200 nautical miles. If the bill is passed, Sweden will claim 45 percent of the Baltic fishing area compared to 10 percent at present.

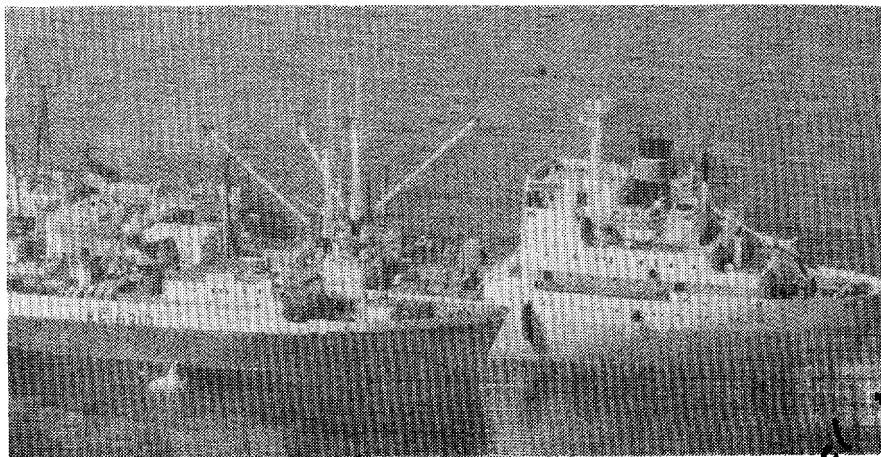
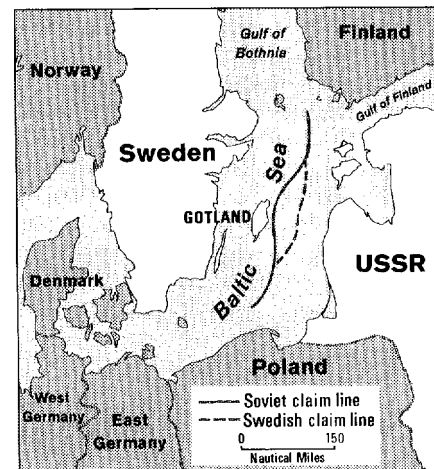
Sweden wants its zone to extend to a line equidistant from the USSR and the Swedish island of Gotland, 80 miles east of the Swedish mainland. The Soviets contend that the line should be drawn between the two mainlands, as provided in

the Gdansk Convention of 1973, which regulates fishing between coastal states. In that case, the delineation would lie less than 12 nautical miles east of Gotland.

In recent discussions, Soviet and Swedish delegations agreed that negotiations on Baltic Sea fishing should be resumed soon. The head of the Swedish delegation has indicated that if no agreement is reached in the immediate future, however, Sweden may unilaterally declare a fishing boundary between the two countries.

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69-66



A Soviet fishing complex—a fish carrier (the larger ship) attended by a stern-trawling factory ship

Picked up from UK Govt periodical

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*France's program to facilitate a peaceful transition to independence for its last colony in Africa appears to be succeeding, but the territory faces a troubled future because of internal ethnic rivalries and the designs of covetous neighbors.*

90-73

## ***Djibouti Independence Plan Endorsed***

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The ethnically-divided French Territory of the Afars and Issas appears set for a peaceful transition to independence next month, but competition between neighboring Somalia and Ethiopia for influence in the territory could come to a head within a year.

Paris' program for bringing its troubled colony to full sovereignty cleared a major hurdle last weekend when an independence referendum and legislative assembly election were held without incident following a last-minute truce among

rival political groups. The territory, which has an estimated population of 220,000, will become the Republic of Djibouti on June 27.

Ethnic and personal rivalries are paramount in the territory's politics. The Issas have a greater affinity for Somalia, and the Afars for Ethiopia, but each group is also divided internally.

A predominantly Issa coalition backed by Somalia will control the first independent government; it was the only group to submit a list of candidates for the new assembly. The coalition—the National

Independence Rally—is composed of the African People's Independence League, the Front for the Liberation of the Somali Coast, and the majority members of the outgoing legislative assembly, including Abdallah Kamil, the Afar head of the local government.

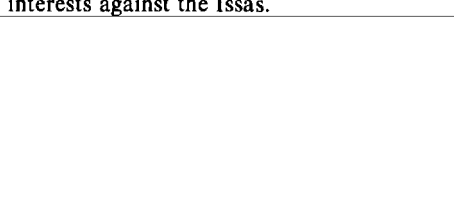
The League, led by Hassan Gouled and Ahmed Dini, dominates the coalition. Its members are mainly Issas, but it has also attracted Afar support. The Front is a Somali puppet organization with headquarters in Mogadiscio; it has legal status in the territory but maintains a clandestine guerrilla capability. The coalition groups are united by little more than their common opposition to the Ethiopian-backed Afar political groups.

### **Efforts at Cooperation**

Kamil, an Afar who advocates ethnic reconciliation, has worked for Afar cooperation with Gouled and with Somalia; at the same time, he has maintained discreet contacts with Ethiopia in case the Issas ignore Afar interests. Kamil has also discussed with leaders of the rival Afar camp the possibility of forming a united Afar coalition to protect tribal interests against the Issas.



*Port area of Djibouti in May, 1974*



Leaders of the National Independence Rally finally agreed that the electoral list

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for the new assembly would consist of 33 ethnic Somalis, including 6 Front members; 30 Afars, including some Kamil followers and representatives of the parliamentary majority; and 2 Arabs. This division roughly reflects the ethnic composition of the population, but excludes representatives from the rival Afar groups.

#### Internal Stability

The greatest threat to domestic stability comes from the split between the Somali-leaning Rally groups and the pro-Ethiopian groups—the National Independence Union, the Popular Liberation Movement, and the Ethiopian-based Djibouti Liberation Movement.

The Union, led by Ali Aref Bourhan, is known for its militant opposition to Somalia. The Popular Liberation Movement is the newest party in the territory; its leaders profess a Marxist philosophy. The Djibouti Liberation Movement is an Ethiopian puppet organization.

These groups decided some months ago to boycott the May 8 election because, in their view, France had rigged the arrangements to guarantee the election of a government controlled by the Rally. Just before the election, however, they decided to support the Rally's slate.

Aref's belated endorsement of the Rally slate was probably only a tactical maneuver; Gouled and Aref have been rivals for decades, and there is a great deal of personal as well as political antipathy between them. Aref still believes Gouled and the League are controlled by Somalia.

Somalia, for its part, would oppose any attempt by Gouled to form a "grand coalition" with Aref. Despite Gouled's desire to remain free of Somali domination, he is probably too dependent on Somali support to disregard Mogadiscio's wishes on such an important issue.

Both Ethiopia and Somalia are prepared to go to extremes to protect their interests in Djibouti; each has infiltrated trained guerrillas into the territory. Somalia's capability for supporting such proxies is probably superior to Ethiopia's.

Somalia is not inclined at present to provoke trouble because political

developments in the territory are moving in favor of the Somali-backed groups. Somalia's recently improved relations with moderate Arab states as it seeks alternatives to its Soviet support also argue for a cautious Somali policy. Saudi Arabia, Egypt, and North Yemen have used their new influence with Somalia to urge President Siad not to engage in overt aggression against Djibouti.

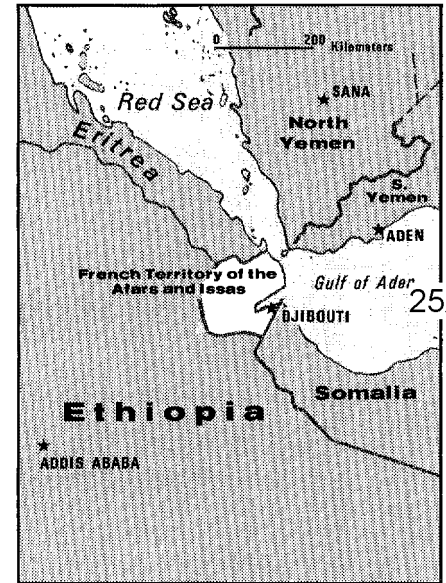


Saudi Arabia has shown particular interest in the territory. The Saudis have recently established a consulate in the capital and have promised economic assistance. They have held periodic talks with Gouled in Jidda and appear to have a close relationship with him. Saudi pressure was probably instrumental in getting Gouled to agree to a French military presence after independence.

The cooperation between Somalia, the Arabs, and the dominant political groups within Djibouti may not be lasting. Gouled and other Djibouti nationalists will probably seek Arab support for keeping the new state free of Somali control. An attempt to draw Djibouti closer to the Arabs at the expense of ties with Somalia would almost certainly prompt Somalia to adopt a more aggressive policy aimed at early annexation. Arab-Somali cooperation on Djibouti also depends on continuation of the current coolness in Soviet-Somali relations.

The Ethiopians will probably refrain from trying to upset the new government until they see whether it is willing and able to remain free of Somali domination. While Gouled will probably try to maintain his independence, it is unlikely that he will ever be able to free himself from Somalia enough to satisfy Ethiopia.

The increasing Arab involvement in Djibouti—and, indeed, in Red Sea affairs



in general—works against Ethiopia's adopting a neutral stance toward the new state. Ethiopian leader Mengistu believes the moderate Arabs are attempting to overthrow his leftist regime and dismember Ethiopia. He regards growing Arab influence in Djibouti as much of a threat to Ethiopia as Somali domination of the territory. His concern that it will become a link in the "Arab encirclement" of Ethiopia has been reinforced by the Somali-Arab rapprochement.

Ethiopia is thus unlikely to find acceptable either of the two most likely trends in Djibouti over the next year: a country coming increasingly under Somali domination, or a truly independent one backed by the Arabs and resistant to Somali hegemony.

If Ethiopia's leaders perceive their country's most important interest in the territory—access to the port of Djibouti, the terminus of Ethiopia's principal railroad—to be in jeopardy, they will take substantial risks to protect it.

In fact, any Djibouti government, even one beholden to Somalia, will allow Ethiopia continued use of the railroad. The railroad is vital to Ethiopia's foreign trade, but it is also a mainstay of the new state's economy.

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*After a difficult year of embroilment in the Lebanese crisis, President Asad is now ready to move forward on peace negotiations with Israel. He is prepared to take some risks, but will proceed cautiously and drive a hard bargain.*

74-98

## Syria: Views on Middle East Negotiations

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Syrian President Asad's international status has grown in the past year, and he is in a strong enough domestic position to take calculated risks in any negotiations for a Middle East settlement. He has practical reasons for wanting peace, has worked actively to reduce the problems that stand in its way, and is guardedly optimistic that some progress may be possible.

Within the past year, Asad's initiative in tackling long-standing foreign policy problems has improved Syrian relations with Arab neighbors and with the two super powers:

- The Syrian army has brought a halt to the fighting in Lebanon, in spite of domestic criticism of the move and the severe strain it has placed on the Syrian economy.
- The feud with Egyptian President Sadat has been ended.
- Outstanding problems with the Soviets have been patched up enough to get arms flowing again.
- An understanding has been worked out with PLO chief Yasir Arafat.
- Closer ties have been established with Jordan's King Husayn.
- The quarrel with Iraq, which is responsible for Syria's most troublesome and persistent outside

subversive threat, has been muted.

Asad has also moved to smooth over relations with the US and has been pleased with the US cancellation of the sale of concussion bombs to Israel, President Carter's apparent interest in a resumption of the Geneva peace talks, and with the US President's statements on final borders and the need for a Palestinian homeland.

The Syrians clearly would like to see relations with the US improve in the interest of attracting more investment capital and acquiring access to advanced US technology to help Syria overcome its economic backwardness.

Cooperation with the US in handling the Lebanese crisis has helped to dispel some deep-seated Syrian suspicions, but Asad probably is still concerned that the US will discount or ignore Syrian views. Asad's differences with Sadat over procedural matters, the timing of his trip to the USSR, and his choice of Geneva as the site for his meeting with President Carter early this week all seem calculated, at least in part, as not-too-subtle reminders that Syria has a central and independent role to play if the US is serious about pursuing an overall peace settlement.

### A Shrewd Negotiator

Asad is a tough, shrewd negotiator, extremely cautious, and unlikely to take the

lead in proposing new negotiating positions.

Asad prefers to stake out a hard public line and stay one step behind Egypt's Sadat in order to retain as much room for maneuver as possible. He shuns the role of initiator, preferring to let others offer their proposals first. He also places a lower premium on public diplomacy than Sadat; it is not his style.

Although he and Sadat, for example, have encouraged the Jordanians and Palestinians to reach an accommodation, Asad has carefully avoided endorsing Sadat's proposal for the establishment of a link between the West Bank and Jordan before the resumption of the Geneva talks as a means of finessing Israeli objections to dealing directly with the Palestine Liberation Organization. In part, this simply reflects Asad's natural tendency to drive a hard bargain, but it also reflects his belief that Syria holds few trump cards and must play them with utmost care and attention to timing.

Asad does not want the Palestinian representation issue to scuttle the Geneva talks and is urging the PLO to accept his idea of going to Geneva as part of a single Arab delegation. Unless he gains some assurances that Syria stands to regain all of the Golan Heights, however, he is unlikely to press the PLO very hard to accept a compromise solution. The issue

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of final borders is critical in determining the degree of Syrian flexibility.

#### Cooperation with Cairo

For the present, the Syrians seem genuinely pleased by the restoration of cooperation between Cairo and Damascus and determined to support Sadat's diplomatic efforts and to avoid splits in Arab ranks that the Israelis could exploit. The second Sinai accord, however, was a bitter pill for Syrian leaders to swallow, and it has left a residue of distrust.

Asad has always differed with Sadat on basic strategy, believing that the Arabs should try to strike a balance between the US and the USSR in order to expand their room for maneuver and to maintain their credibility as a military threat to Israel. Although he shares Sadat's conviction that the US holds the key to a negotiated settlement, he believes Sadat has been unwise to tie himself so closely to the US and to sever all but his formal ties with the USSR.

Asad also feels frustrated playing second string to Sadat and is determined to increase his voice in the formulation of Arab strategy. His advocacy of a single Arab delegation and of functional rather than territorial committees at Geneva to discuss the shape of a final agreement appear in part designed to increase his leverage.

The Egyptians and Saudis are probably counting on Saudi financial leverage—which is considerable—to keep Asad in line. The Syrians have become increasingly dependent on Saudi largesse as a result of the high cost of their intervention in Lebanon. Syria's foreign exchange reserves are still low—a situation the Saudis could quickly remedy but have not, presumably in order to keep Asad as tractable as possible.

#### Interest in Peace

Asad's desire for an end to hostilities is firmly rooted in practical considerations; his acceptance of Israel's right to exist is grudging at best. Like most Syrians, he believes that a great injustice has been done to the Arabs, especially the Palestinians, by the implanting in the Middle East of an alien, expansionist

Jewish state. Asad also accepts the fact that Syria and Egypt cannot hope to defeat Israel militarily and that their repeated efforts to do so have brought the Arabs little but grief—and dependence of one sort or another on outside powers.

Asad aspires to make Syria a regional power, able to lay claim to its "rightful" place of leadership in the Arab world. To do so, Asad realizes Syria must develop economically and to do that he believes Syria must first make peace with Israel.

Asad's idea of making peace is quite different from that of the Israelis. Ideally, he would prefer to sign an end-of-war agreement and forget that Israel exists. He does not regard diplomatic recognition or free trade—Israel's terms—as legitimate subjects for peace negotiations.

He is probably pragmatic enough, however, to understand that he will have to accept some practical, implicit steps that lead in the direction of "normalization." He has already said he is prepared to accept the demilitarization of

the Golan Heights to satisfy Israel's security needs provided a comparable zone is established on the Israeli side.

Presumably he would have little trouble abandoning the Arab economic boycott or ending hostile propaganda attacks on Israel. How far and how fast he is willing to move toward more normal relations with Israel will obviously depend in part on Israel's meeting Arab demands and on how these practical steps would be implemented.

#### Domestic Considerations

The past year has been difficult and has severely tested Asad's domestic political strength. His intervention in Lebanon was neither popular nor well understood by his enemies or his supporters. It put him at loggerheads with the PLO, antagonized Syria's Sunni Muslim conservatives, and eroded his support among his own minority Alawite sect.

Asad's security services have increased their efforts to deal with clandestine terrorist groups that have carried out bombings and assassinations of lower level Alawite officials. Foreign Minister Khaddam was nearly killed by assassins in December, and attempts have been made against other senior Syrian officials.

This dissident activity, however, probably does not represent a serious threat to Asad or a constraint on his ability to negotiate. None of his enemies, either individually or in any likely combination, appears to have the strength to dislodge Asad. His involvement in the negotiating process may in fact help keep his opponents off balance.

The Alawite-dominated armed forces remain Asad's mainstay of power, and his brother Rifaat's Defense Companies are the most important deterrent against a coup attempt. Although the army's loyalty was strained by Asad's decision to intervene in Lebanon and further shaken by the arrest of several Alawite officers last December for alleged coup plotting, Asad appears to have weeded out or transferred potential malcontents and to have mended fences with the most important constituencies in the military.



President Asad

*Victory  
Para*

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*The Katangan incursion has imposed new burdens on Zaire's sorely troubled economy and also increased doubts among Zairians in and out of government about President Mobutu's leadership.*

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## Zaire: Problems Ahead for Mobutu

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Captain-General Bumba

Even if Zaire's President Mobutu survives the challenge brought on by the Katangan incursion, his worries will be far from over. In addition to several old problems to which he will have to return, he will face a number of new ones brought on by the incursion. In his efforts to tackle them, he is likely to tighten central control over domestic affairs and to shift Zairian foreign policy away from its long-time close ties with the US.

The military advances by Zaire's Moroccan-backed army and the government's ability to mobilize popular support for Mobutu after a sluggish start no doubt have increased Mobutu's confidence, but they have probably done little to improve his credibility, which was on the downswing when the Katangan incursion started last March.

In recent years, Mobutu has been living on his reputation as the man who brought Zaire out of the chaos that followed independence and into relative prosperity and national security. His image as an economic savior was tarnished even before the Katangan incursion, however, and the myth that Mobutu—and by extension, Zaire—was safe from attack has now been called into question as well.

Thus, doubts about his leadership on the part of the public, as well as from the civilian and military officials who carry out his policies, are likely to increase. Mobutu's failure to recognize this could lead him to dangerous political mis-

calculations.

The Katangan incursion has added new burdens on an economy already seriously weakened by production cutbacks, balance-of-payments deficits, foreign-exchange shortages, and a \$3-billion foreign debt that Zaire was failing to meet. Basically, Zaire was caught in a squeeze between declining prices for minerals—its major source of revenue—and the rapidly rising cost of imported consumer and industrial goods. Mobutu's ill-advised borrowing and nationalization policies of the early 1970s magnified the problems.

The trouble in Shaba has forced the government to divert transport equipment and precious fuel from civilian uses to the army, which could further slow production and create additional losses in export earnings. The government probably also will have to use foreign exchange slated for upgrading mining facilities, thereby cutting into future production.

### Money Problems

Mobutu had turned to the International Monetary Fund and his Western creditors for help last year and was responding to Western economic advice when the incursion took place. The conflict, however, threatens Zaire's ability to abide by an IMF stabilization agreement setting strict ceilings on government expenditures, credit expansion, and foreign borrowing. If Zaire fails to observe these restrictions, it could lose some future installments on an \$84-million loan.

The unstable political climate has also

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affected Zaire's ability to arrange private bank credits. One large Western bank recently reneged on its agreement of last November to raise \$250 million for maintenance of essential imports.

Faced with a \$200 to \$300 million balance-of-payments deficit, Mobutu will be forced to seek additional foreign assistance and debt relief in the coming months. Austerity measures will have to be implemented for two or three years before sustained economic recovery is possible.

Mobutu will also face growing social problems stemming from Zaire's straitened economy. The average Zairian is increasingly restive over shortages of basic consumer goods, rampant inflation (now running at an annual rate of 60 percent), chronic layoffs, and deficient or nonexistent public services.

Although labor walkouts are illegal in Zaire, a number of wildcat strikes occurred last year over salary disputes, and the government quickly gave in to worker demands. Financial problems have brought the educational system, particularly on the university level, to a virtual standstill; students and faculty members are becoming increasingly vocal in their demand for improvements.

#### Political Worries

Zaire is far from the cohesive nation-state Mobutu intended to establish when he introduced, in 1971, his campaign of "authenticity," which was designed to promote a sense of national identity. When the Katangan incursion came, he would not trust the locally recruited Zairian troops in Shaba, and he found that troops from other areas were less than enthusiastic about fighting for someone else's territory.

The Katangan incursion has set a dangerous precedent. Even if the invaders are dispersed, government forces are likely to face lingering rebel activity in that area. The incursion may also give encouragement to dissident groups in other areas of Zaire.

The immediate political question once the crisis is over will be the central government's relationship to Shaba as



*Zairian soldiers are shown setting up roadblock with a military truck in the Shaba region*

GAMMA

well as to other regions of the country. Prior to the incursion there were indications that Mobutu was considering some decentralization to give regional authorities more flexibility in responding to local needs. Recent events in Shaba are likely to convince Mobutu that the regionally based forces that figured so prominently in the chaos following independence are still too strong to allow any loosening of strong central control.

Mobutu's reorganization of the army's senior levels to improve its response to the Katangan threat has revived personal rivalries within the army's officer corps. The downgrading of Captain-General Bumba as the senior field officer in favor of his long-time adversary, General Babia, has had a salutary effect on military operations, but it is bound to disrupt the delicate balance Mobutu had achieved between the two men and the cliques that surround them.

Already, the two generals are being criticized by each other's supporters, and the infighting is likely to intensify once military operations in Shaba are over and reputations and careers must be salvaged.

Babia will undoubtedly call for reforms

in the military, which his opponents will interpret as a purge. Mobutu agrees with Babia, but he will have to walk a fine line between the Babia and Bumba factions if he hopes to win the army's cooperation in implementing reforms.

Even under the best of circumstances, change will come slowly. The army's poor discipline and leadership go back too many years to be reversed by fiat. In addition, many of the army's flaws are exacerbated by other factors which, in turn, affect society as a whole. Corruption and antisocial behavior are widespread not only because of poor training and discipline but also because of the inadequacy of pay, housing, and other benefits for the soldiers.

Zaire's political bureaucracy will also face new strains and tensions. Mobutu, like many other African leaders, expects unquestioning obedience from his subordinates. He is aware of numerous officials who have criticized his failure to meet the Katangan incursion head on. Once Shaba has settled down, he will probably launch a major purge of the bureaucracy. Such a purge could result in a serious loss of morale and talent in the government and interfere with its ability to deal with

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Zaire's real problems.

A reform group within the government is taking advantage of the situation to advocate economic and political changes that Mobutu has brushed aside in the past. The group recommends granting the regions some autonomy, quickening the pace of economic stabilization, and removing Mobutu from the daily decision-making process by obliging him to share power with a prime minister and to give more authority to cabinet ministers.

The Katangan experience does not seem to have convinced Mobutu of the wisdom of the reformers' ideas. As the loudly self-proclaimed "Guide" of the Zairian people, he may be loath to suggest to the nation and the outside world any lessening of his own personal power in the wake of the Katangan challenge.

#### Foreign Policy

The Katangan incursion has driven home to Mobutu the need to improve relations with Angola, but he does not want to appear to be negotiating from a position of weakness.

Zaire and Angola will continue to suspect the worst of each other for some time to come. Mobutu believes Angola is dominated by the USSR and Cuba and that it will continue to support anti-Mobutu dissident movements no matter what accommodations are reached. The Angolans, for their part, will expect Mobutu to retaliate at some point for Angolan collusion in the Katangan incursion.

Mobutu has won the support of many other African leaders, none of whom would like to see the Katangans succeed either in forcing concessions from Kinshasa or establishing a government of their own in Shaba. Privately, some of Mobutu's chronic detractors—such as Tanzanian President Nyerere—are pleased to see Mobutu facing such a crisis after his own involvement in Angola, but even they do not want Mobutu discredited or Zaire plunged again into political instability.

On the debit side, the military operations in Shaba have damaged Zaire's relations with Zambia because of

footdragging on Mobutu's part over reparations for a recent Zairian air attack inside Zambia. The Zambians regarded Mobutu's attempt to blame "Soviet aircraft" as an insult.

As for the Soviets and the Cubans, there is no chance Mobutu will do anything to improve relations any time soon. He has singled out the USSR as the puppeteer behind the Katangans. That charge has stimulated much of the support he has already received.

The help provided by France and Belgium has given those countries—particularly France—a new importance in Mobutu's eyes and offered both him and them new opportunities. Paris has been working to cement closer relations with Mobutu for some time now, and French economic and military support is likely to increase in the near future, particularly if US influence wanes. Competition between the French and the Belgians has begun to appear, and Mobutu will be quick to capitalize on that competition to prompt each into giving additional support.

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*Despite the complaints of Western industrialized nations about Japanese export policy, Tokyo is headed for another record trade surplus this year.*

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## Japan: Trade Surplus Mounts

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Japan is well on its way to a record \$13-billion trade surplus this year. Tokyo may try to slow export growth, lower selected import barriers, and allow some further appreciation of the yen, but these measures will come too late to appreciably trim this year's surplus.

A \$13-billion surplus would be \$3

billion more than last year's. Despite a large deficit on the service account, the current-account surplus will approach \$6 billion, only a little below the \$6.6 billion record set in 1972. It was \$3.7 billion in 1976.

Prime Minister Fukuda continues to maintain publicly that Japan will have a \$700 million current-account deficit in the fiscal year that began in April.

Japanese exports should exceed \$77 billion this year, 17 percent above 1976. More than half the increase will reflect higher prices, particularly for cars and consumer electronics. The volume of Japanese car shipments is expected to increase less than 7 percent; dollar sales will be up much more because of recent price hikes.

The volume of steel exports at best will

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only match last year's level because of higher prices and trade barriers. Overseas sales of Japanese plants and machinery should continue strong, particularly in the less developed world where import demand is reviving.

Japanese imports will reach \$64 billion, 14 percent above 1976. Even if Japan achieves its 6.7-percent growth target for fiscal 1977, imports will not increase a great deal.

Oil imports should increase about 5 percent in volume and roughly 17 percent in value, but prospects are dim for a revival in machinery or consumer goods imports at this time because of the low level of domestic confidence in Tokyo's deflation efforts. For key commodities such as coking coal and iron ore, high domestic inventory levels enable Japanese firms to pressure suppliers to shave prices.

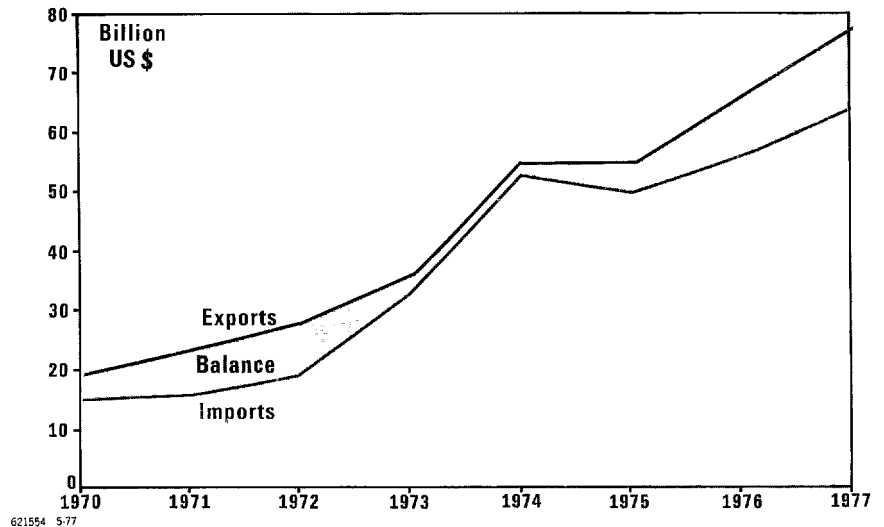
Japan's heavy dependence on developed countries to absorb exports will ease this year because of Tokyo's sensitivity to complaints by other industrial countries, new trade barriers by these countries, and reviving import demand in less developed countries. In the first half of 1976, sales to the US and Western Europe accounted for nearly all of Japan's increase in exports; by the end of the year the share had slipped to 70 percent, and it was under 50 percent for the first quarter of 1977.

So far this year, sales to less developed countries are outpacing the growth in Japan's total exports. Sales to the Middle East were particularly strong in the first quarter because of deliveries on machinery contracts signed in 1976. Demand in more traditional markets, such as Hong Kong, is also picking up.

#### Trade with the US

Japan's surplus with the US in 1977 will be at least as large as the \$5.2-billion imbalance in 1976 and could surpass \$6 billion if Japanese machinery imports remain sluggish during the rest of the year. Japanese sales to the US will likely exceed \$18 billion, 15 percent above last year. The sales returns from moderate volume gains for cars will be bolstered by higher prices. Toyota, Nissan, and Mazda have already announced their second round of

## JAPAN: Trade Surplus



price hikes on 1977 models; Honda is expected to follow suit.

Japanese TV exports will continue to do well this year even with Japan holding color TV exports to the 1.7 million units recently agreed upon for the year beginning July 1—half of the 1976 level. Part of the drop will be offset by higher prices resulting from the recent US customs court decision requiring Japanese firms to post a bond of 5 to 20 percent on all Japanese color TVs exported to the US. By midyear most producers will begin marking up merchandise because of the yen's recent appreciation.

Japanese imports from the US are expected to total about \$12 billion. Any increase above this level will depend on Tokyo's ability to boost business confidence enough to spur investment and machinery imports. Roughly 30 percent of US sales to Japan are capital goods. Food and raw material imports will increase only 3 to 5 percent in volume and probably less in price.

Tokyo is moving slowly in several areas in response to pressure from major trading partners regarding its large surplus. It is considering lowering some non-tariff import barriers, but not enough to

boost imports much.

Discussions on easing strict Japanese auto emission standards are slated to begin about midyear. Tokyo has lifted its ban on certain citrus fruit imports from the US, and it may loosen quotas on beef imports from Australia. These products together, however, account for only a small share—less than 5 percent—of imports.

On the export side, the government is tightening its already extensive oversight procedures on Japanese export industries. Tokyo is concerned because existing procedures did not predict last year's surge in Japanese TV shipments to the US. Despite some pressure from Japanese industry, Tokyo opted for export restraint on TVs.

Japan's large trade surplus has meant continuing upward pressure on the yen. In the past few weeks, however, Tokyo's move to cut interest rates as part of a deflation effort has pushed the yen down about 2 percent, to 278 to the dollar. Once interest rates settle, the yen will likely move back to the 270 level. Tokyo will actively intervene to prevent further appreciation

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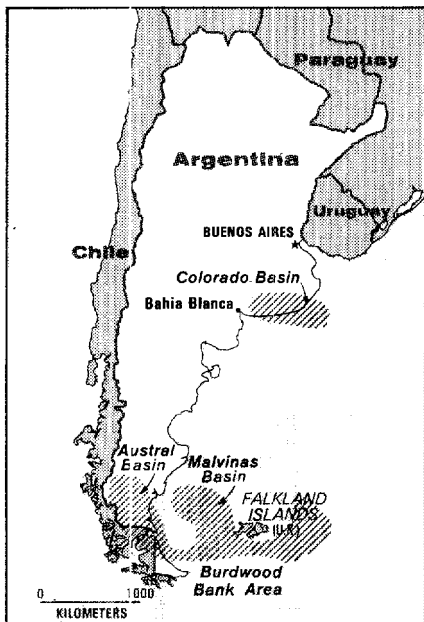
*Potential oil deposits on the continental shelf off Argentina may be more than double the proven reserves of the whole Western Hemisphere.*

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## Argentina: Promising Oil Potential

Argentina's vast continental shelf—four times larger than the US Atlantic shelf—may be one of the world's richest oil-bearing areas. An estimate done by the US Geological Survey indicates that the sedimentary basins on the Argentine shelf have an oil potential of as much as 200 billion barrels.

Prospects for large oil finds are especially good in waters near the Falkland Islands, which are administered by the UK but claimed by Argentina. The most



promising area is located between the Falklands and the Argentine mainland in the large Malvinas Basin, adjacent to the Austral Basin, where oil is already being produced. The Malvinas Basin is similar geologically to many areas in the North Sea.

Seismic data indicate that the Malvinas formations are likely to yield a high proportion of oil to gas. Water depths, however, vary from 150 to 200 meters in the northern part to as much as 370 meters farther south. The greater depths would require costly semisubmersible drilling platforms or drillships for effective exploration.

The oil potential of the Falkland Islands offshore area is played down by the British, who wish to avoid intensifying their territorial dispute with Argentina. Last summer, the UK issued a government report incorporating seismic work done in 1973 and 1974 by a British geological team. While agreeing that the Malvinas Basin is promising, the report dismisses the US Geological Survey's estimate.

Argentina is eager to find out the extent of offshore oil reserves, including those in contested waters. On April 26, Energy Secretary Guillermo Zurbarán announced that Argentina has authorized a US firm, Geophysical Service, Inc., to start exploration on the shelf. The company will conduct seismic prospecting in a zone stretching from just east of Bahia Blanca

to the southern extremity of Argentina, 2,400 kilometers away. The Falklands offshore area is implicitly included in the authorization granted to Geophysical Service.

The exploration underscores a radical shift in Argentina's oil policy since the ouster of President Maria Estela Peron a year ago. The present military government encourages participation by foreign firms in the petroleum program, while the Peron government increased the role of the state oil company.

The existing contractors of the state oil company probably will be able to improve their position considerably. These include three US companies and five private Argentine firms. The state oil company has reportedly been authorized to double the production areas allocated to these contractors, provided they install modern equipment and guarantee higher output.

Argentina hopes to bring its oil industry out of a period of long stagnation. Production has averaged about 400,000 barrels per day since 1970. In 1976, Argentina imported more than 50,000 barrels per day, at a cost of some \$300 million. Exploration has been slow, failing to add significantly to the nation's proved reserves of 2.5 billion barrels.

The government's new targets are self-sufficiency in oil by 1980 and an exportable surplus from offshore production by 1985. This year, the government plans to spend \$150 million on exploration, in-

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cluding deep-water drilling by the state oil company in the Colorado Basin east of Bahia Blanca. Argentina recently received from France a new \$75-million platform, which is being used for this project.

Argentina's efforts to broaden and accelerate petroleum development through increased foreign participation may be hampered by wariness on the part of foreign companies. Argentina's

vacillating attitude toward foreign firms in the past makes such companies cautious—especially those which have had facilities nationalized.

The present government has undertaken a broad range of economic initiatives in the past year to stabilize the economy and create a favorable environment for investors. It has markedly slowed the rampant inflation, sharply cut

the huge government deficit, rebuilt foreign exchange reserves, and changed the balance-of-payments current account from a \$1.3-billion deficit in 1975 to a \$600-million surplus in 1976. The government realizes that economic progress could be undercut by a rapidly rising oil import bill, which could be avoided with outside capital and technology.

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*Unemployment among young people is becoming an increasingly serious problem in some industrialized countries. Efforts by governments to alleviate it have so far not provided much relief.*

82

## Youth Unemployment in Industrialized Countries

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High unemployment among young people in some industrialized countries has heightened social tensions and increased demands for remedial action.

Concern over youth unemployment is shared by both political "ins" and "outs" and, increasingly, by those responsible for maintaining domestic order. Even where large numbers of out-of-work youth have not yet caused overt disturbances, authorities fear that feelings of injustice will mount and social tensions increase as the wait for jobs continues.

In Italy, more liberal entrance criteria at the universities have combined with the paucity of jobs to create chaotic conditions. Extremists have found ready material to exploit in fomenting violence.

In Britain, youth have been prominent in racial disturbances, and the new National Front Party has gathered strength from resentment against non-whites competing for jobs.

French Communists are concerned that youth unemployment may exceed one

million by autumn and result in unrest that could provoke a right-wing backlash in the parliamentary election next year. The French government, on the other hand, realizes that the unemployment issue favored the left in recent municipal elections.

In West Germany, dissatisfaction with the government's record in providing jobs may have moved votes of youth to the opposition in the national election last October.

Organized labor, especially in Italy and in France, has come under fire for looking out only for the interests of employed workers and not those of the young unemployed.

### Aggravated by Recession

The recession of 1974 and 1975, which pushed unemployment rolls to postwar records, dealt a particularly heavy blow to young workers. In Canada, workers under the age of 25 accounted for nearly one half of unemployment in 1976, while their share in the labor force was only about one fourth. The situation was comparable in Western Europe. While on an average

constituting less than one fifth of the labor force, young workers accounted for more than 40 percent of the jobless total in the UK, France, and Finland, more than 50 percent in Norway, and over 60 percent in Italy.

Unemployment rates among young people in France and Italy in 1976 reached nearly 15 percent and in many countries were more than triple the jobless rates of older workers. In Italy, the youth unemployment rate was more than nine times that of older workers.

Although cyclical factors were largely responsible for the inordinately high level of youth unemployment last year, jobless rates for young workers historically have been considerably higher than those of older workers. Moreover, youth unemployment has been rising in many developed nations for several years.

The roots of the problem extend far beyond the influence of the most recent economic downturn. Most industrial countries have failed to prepare young people adequately for the types of jobs available and have not developed ap-

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appropriate institutions for assisting youth in job placement and career selection. Various job security arrangements, statutory restrictions on employment in certain occupations, restrictions on employment in night-time jobs, limits on the number of hours that young people may work, and minimum wage rates have served as further impediments for young people.

Japan and West Germany have managed to keep youth unemployment at relatively low levels during the last decade. Japan experienced a sharp drop in its youth labor force during this period—a trend that has kept young workers in tight supply. The youth labor force in West Germany has been on the decline since 1972.

Moreover, these countries have well-established apprenticeship systems and extensive counseling and placement services for youth. Their educational systems put more emphasis on vocational preparation, while social stratification encourages young people of blue collar background to seek blue collar careers.

#### Corrective Measures

Most governments have taken some measures over the past two years to alleviate youth unemployment. The limited short-term steps adopted thus far, however, have done little to improve job prospects for young people. The UK's largest program, for example, provided jobs for only about 5 percent of its unemployed young people last year, and most of these positions were temporary.

Youth oriented programs now in operation abroad include:

- Direct job creation schemes in the public sector.
- Programs facilitating the early retirement of certain categories of workers.
- Extension of compulsory education or encouragement to youths to extend their education.
- Expansion of financial support for vocational training and apprenticeship



*A student riot last February on Rome University's campus in which more than 20 students were injured*

UPI

programs.

- Temporary subsidies to encourage the employment of youth in the private sector.

France, Sweden, the UK, Belgium, and Luxembourg have recently extended their unemployment insurance and assistance schemes to cover young people seeking their first jobs. Governments are extending social insurance benefits reluctantly, however, because they regard containment of their large budget deficits as necessary to slow inflation and because prolonged high unemployment is straining established financing arrangements. Social expenditures now exceed 30 percent of national income in some West European countries.

Demographic trends, combined with relatively slow economic growth, are like-

ly to result in a worsening of youth unemployment in most industrial countries over the next five years. In Western Europe, the peak baby boom years of the early 1960s will result in a considerable rise in the number of people reaching working age. Not until 1985 will the low birth rates of more recent years begin to reverse the trend.

Canada will experience a continued, though slower, rise in its youth labor force until the early 1980s, after which the number of young people in the job market will decline in response to a sharp drop in the birth rate during the 1960s. Japan should continue to benefit from a relatively low rate of youth unemployment over the next decade as a result of a further drop in its youth labor force.

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