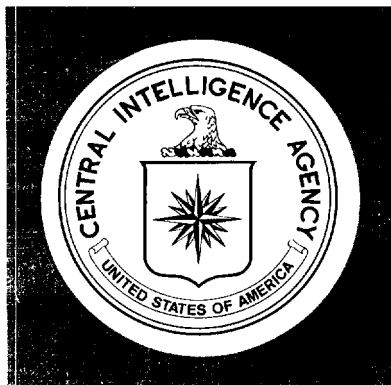


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Weekly Summary

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May 20, 1977

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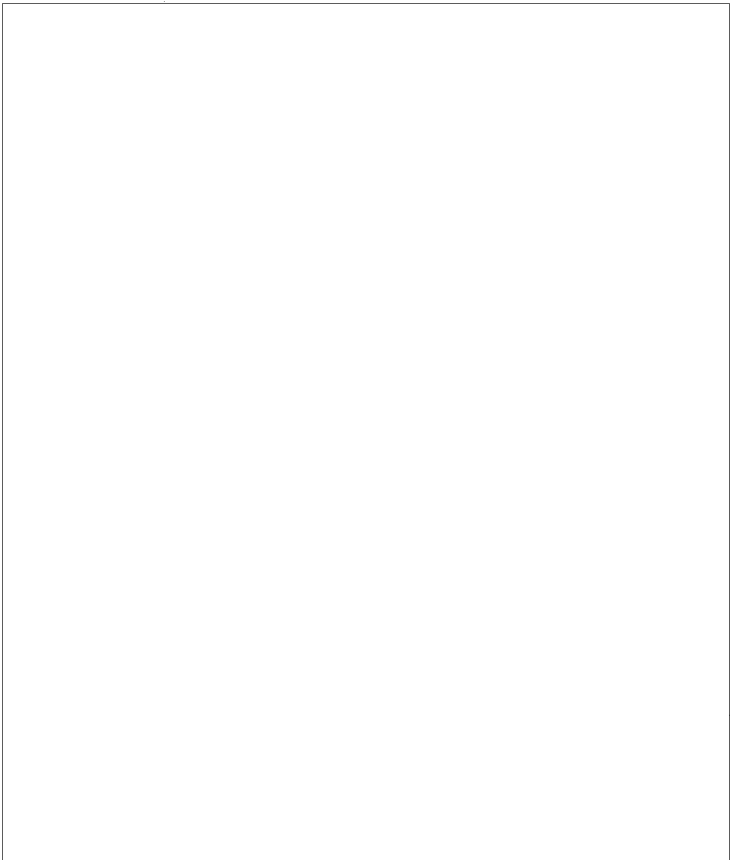


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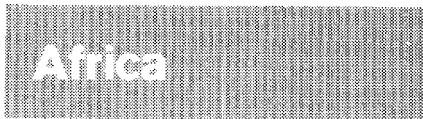
The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, 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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SUDAN-USSR /-4

The Numayri government's expulsion of the Soviet military advisory team will exacerbate strains that have existed in Soviet-Sudanese relations since 1971, when President Numayri became convinced the USSR had supported a nearly successful attempt by the Sudanese Communist Party to overthrow him.

The Sudanese apparently notified the Soviet ambassador last week that all 90 Soviet advisers in Sudan would have to leave within a week. The Egyptian news agency reported that the advisers and their dependents departed for home on three planes on May 18. In addition, Sudan reportedly has asked the Soviets to reduce their diplomatic representation in Khartoum, and the size of their economic aid mission may also be affected.

The expulsion followed a week of anti-Soviet demonstrations in Khartoum orchestrated by the Sudanese government. Numayri seems to have been motivated by a desire to:

- Demonstrate his displeasure over recent Soviet backing for Libya and Ethiopia, both of which provide support to Sudanese dissidents.
- Prevent Soviet advisers from collecting information on Sudan's military preparedness for passage to the Libyans and Ethiopians.
- Underscore Sudan's solidarity with Egypt and perhaps ingratiate his government with Saudi Arabia, which would like to see Soviet influence in the area reduced, and with the US and France, from which Numayri hopes to obtain more military equipment.
- Improve the atmosphere for Numayri's trip to France this week and for his scheduled visit to China next month.

The US embassy in Khartoum believes

that Numayri made the decision to expel the Soviets on his own, but probably coordinated the move in advance with the Egyptians and Saudis.

The Sudanese move is unlikely to have a serious impact on Sudan's military forces, with the possible exception of the air force. The Egyptians may be prepared to replace the Soviet advisers. Egypt now has 300 military advisers working with the Sudanese, including 100 with the air force.

Since political relations with Moscow cooled, the Sudanese have had trouble obtaining an adequate supply of spare parts for their Soviet-supplied equipment; this problem may now grow worse. The Numayri regime will probably increase the efforts it has been making in recent years to acquire spare parts from China and to diversify its sources of supply by purchasing more Western arms.

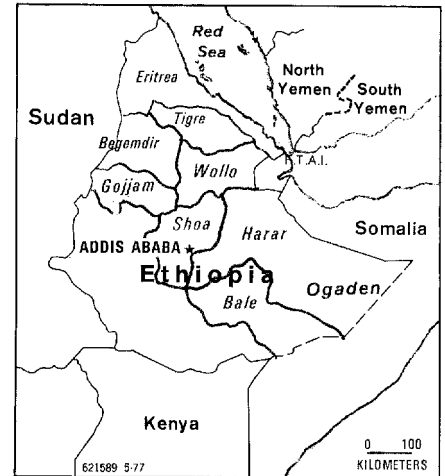
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ETHIOPIA 5/7-8/11-12

Activity in support of a planned military drive against antigovernment insurgent groups in northwestern Ethiopia has increased markedly in the past two weeks. A people's militia made up of recently recruited peasants and accompanied by regular Ethiopian forces may begin operations against the rebels as early as the end of this month.

Cash contributions of almost \$1 million have been made by the public, and an estimated 55,000 to 80,000 militiamen are in a training camp near Addis Ababa. They have been there for a month, and some rudimentary training appears to be under way. Citizens' associations in Addis Ababa are contributing their labor to support the camp.

The offensive is likely to be directed first at the Ethiopian Democratic Union—a moderate opposition group that controls parts of Begemdir Province—and the secessionist Tigre People's Liberation Front. Pockets of leftist dissidents in areas north of Addis Ababa also will be early targets. An offensive against the more formidable



secessionist guerrillas in Eritrea Province presumably will follow if the first phase is successful.

The Union probably has about 2,000 reasonably well-armed men, plus several thousand poorly armed sympathizers. It has significant support in Begemdir and other northern provinces, but suffers from a lack of heavy weapons, ammunition, and money. Some Arab states reportedly have tentatively agreed to support the Union, but their aid has not materialized.

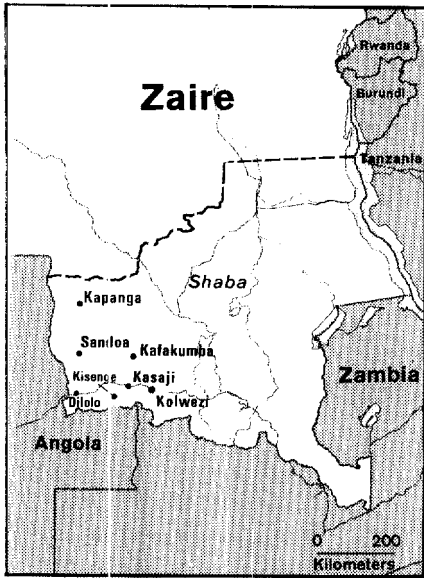
Government forces will probably be able to recapture most of the towns now held by the Union, but the government's difficulties in keeping a sizable force in the field for long will work to the Union's advantage. The Ethiopians' logistic system is incapable of keeping the regular army adequately supplied. Moreover, if the militia offensive is delayed much beyond the end of this month, it would run into the rainy season, when large-scale military operations would be exceedingly difficult.

The effectiveness of any offensive by the peasant militia will be determined largely by the amount of training it receives. The group has a better base of organization, supplies, and weapons than the thousands of peasants who were sent out to fight secessionist guerrillas in Eritrea last year; that operation turned into a debacle.

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ZAIRE 23-28

The Moroccan-supported Zairian army is advancing slowly in Shaba Region, apparently hampered more by its own shortcomings than by Katangan resistance. The Nigerian-sponsored talks between Zaire and Angola, meanwhile, seem to have all but ended.

The Zairian-Moroccan force that occupied the important town of Kasaji on May 12 reportedly advanced at least another 20 kilometers west of the town during the next several days. Another government force was reported this week to be halfway between Kafakumba and Sandoa; Kafakumba apparently had been reoccupied by government troops on May 11 after they had gained almost no ground in the area of the town for nearly a month.

To the north, a third government force is advancing slowly on Kapanga, one of the first towns initially occupied by the Katangan invaders. The Katangans reportedly abandoned the town last week and fell back a few kilometers to the south. Sandoa, Kisenge, and Dilolo are the only major towns in Shaba still thought to be in Katangan hands.

There has been little sign of any concerted effort by the Katangans to stop the four-week-old government advance,

although there is one report that they may attempt a counterattack on Kasaji. The slowness with which government forces are moving is probably due in large part to their own organizational, logistic, and leadership weaknesses. River flooding also is said to be slowing the offensive in the Kapanga area.

Another obstacle may be the reluctance of the Moroccan forces to take the lead. The Moroccans prefer to play more of a supporting role.

Zairian President Mobutu has been in Shaba for four weeks and reportedly intends to remain there until the invaders are forced across the border into Angola. Mobutu, who is making his headquarters in Kolwezi, is portrayed by the government-controlled press as personally directing the war effort. He obviously is trying to reinforce his political stature by minimizing the role of his military commanders and claiming personal credit for recent military gains.

Since last week, the talks between Zairian and Angolan representatives apparently have been either in recess or adjourned. The question of a neutral border police force, advocated by Mobutu, remains a major sticking point. Nigerian



ISRAEL 29-30

The task of forming a new Israeli government and the prospects for Middle East peace negotiations were plunged into new uncertainties this week when the long-dominant Labor Party lost its plurality to the right-wing Likud grouping in the parliamentary election on May 17. The outcome makes Likud leader Menahem Begin the key person at the start of negotiations for a new coalition government, but it is by no means certain

that he will succeed.

On the basis of unofficial returns, Likud won at least 41 of the 120 Knesset seats; Labor and its close ally, Mapam, came in second with 33. The new Democratic Movement for Change, a reformist party, took 14 seats, and the National Religious Party, the guardian of orthodox Jewish laws and values, won 12 seats. The remaining seats were scattered among small parties.

Negotiations among the main parties are sure to be difficult and protracted. Begin will get together quickly with the conservative Religious Party, which shares Likud's opposition to returning any part of the occupied West Bank to Arab rule, but he will need the support of either the Democratic Movement or Labor to form a viable majority coalition. Begin announced immediately after his party's victory became apparent that he would seek to form a government of national unity. The odds seem heavily against such an outcome, but the dynamics of coalition negotiations have been basically altered by the emergence of the new party and at this early stage nothing is to be excluded.

Labor's leaders, for their part, appear divided on strategy. Some, including the party's campaign manager, say flatly that Labor will not enter a Likud-led cabinet. Party leader Peres, however, has been more noncommittal and may wait to see what Begin offers. Labor's course during the negotiations will be influenced by the knowledge that if Begin finally is unable to form a government, Labor could get a crack at it or at appealing to the electorate again in a new election.

A conservative government led by Begin would give neighboring Arab states special pain. Although Arab leaders see little difference among Israeli leaders, Begin is particularly anathema to them. A Begin government will confirm their conviction that Israel is not prepared to make the concessions the Arabs consider necessary for peace in the Middle East and will, in turn, reduce Arab willingness to make concessions of their own.

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OPEC-US

31-32

Member states of the Organization of Petroleum Exporting Countries increased their investments in the US by a net figure of nearly \$7.5 billion in 1976; their total investments in the US now come to more than \$28.3 billion. The US received about 30 percent of these countries' new investments abroad in 1976, up from 25 percent a year earlier.

Saudi Arabia and Kuwait invested \$5.3 billion and \$3 billion respectively in the US last year, bringing their combined holdings in the US to more than \$20 billion. The two now account for 72 percent of holdings by OPEC countries in the US; at the end of 1975, they accounted for

less than 60 percent.

Iran and the United Arab Emirates, which together invested \$1.1 billion in the US last year, were the only other OPEC members to post substantial gains. Some of the remaining nine reduced their US holdings.

Most of the new funds went into medium- and long-term US assets; about 5 percent of the new funds were invested in foreign securities by US trust managers. Saudi Arabia put the bulk of its funds into medium- and long-term government securities and also increased substantially its holdings of corporate securities.

Kuwait invested most of its funds in corporate issues, mainly equities. In both

cases, the countries are seeking the higher returns offered by longer term assets. OPEC countries' bank deposits, which offer relatively low interest rates, increased only slightly last year.

OPEC investment in the US this year will probably equal or exceed that of 1976. Saudi Arabia will have a larger surplus to invest and has already increased allocations to its US trust accounts, indicating that a higher proportion of 1977 investments in the US will go to corporate securities, possibly with increased emphasis on corporate debt issues.

The Kuwaitis will probably increase their US holdings in the next few months, too. They recently opened a new equity account.

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Asia

reports he is planning a nationwide tour in June—presumably part of the referendum campaign.

Bhutto is probably interested primarily

in the proposal's effect on senior generals. They are unlikely to intervene to end the political crisis as long as they see some prospect for a political solution. Bhutto

PAKISTAN

33-35

Prime Minister Bhutto is attempting to buy time by keeping alive hopes, especially among the military, that some form of political settlement in Pakistan is still possible despite a breakdown in his negotiations with the opposition. His latest effort is a proposal for a referendum on his continuation in office.

As Bhutto probably expected, opposition leaders quickly rejected his proposal. They argued that an honest referendum is impossible with Bhutto in office, that he would have far too much control over procedures and timing, that he has badly distorted the issue by saying the choice is between him and chaos, and that even if he lost and resigned, his successor would be chosen by a fraudulently elected National Assembly.

Bhutto nonetheless apparently intends to go ahead with his plan. He had the constitution amended this week to allow the referendum, and according to press



Pakistan police arrest political demonstrators in Islamabad

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surfaced the plan for a referendum after his negotiations with opposition leaders on proposals for a political compromise had broken down.

The military is likely to judge the value of any proposal not on its merits, but by the intensity of the opposition's reaction. Should the opposition again be able to create widespread civil disorder, the senior generals might well decide there is no alternative to military intervention.

Discordant among military officers appears to be growing, adding to pressure on the senior generals to act. Several brigadiers apparently have resigned to protest the use of force against civilians, and there have been a number of reports indicating serious dissatisfaction among more junior officers.

The opposition has returned to the streets in recent days and violence is increasing, although there have been no serious problems in those cities where martial law is in effect. The violence has not reached the level it did in April, when demonstrations nearly drove Bhutto from office.

INDIA-USSR

36-37

Efforts by the USSR to preserve its preeminent position in India are continuing with the scheduled visit to New Delhi later this month of the commander of Soviet ground forces, General Pavlovsky. The Pavlovsky visit follows Foreign Minister Gromyko's trip to India by only a few weeks and is another sign of Soviet concern that relations with India may cool in the wake of former prime minister Gandhi's election defeat.

The Soviets are probably especially anxious to shore up the military connection. India's military leaders were never as favorably disposed toward the USSR as was Gandhi, and the Soviets probably are concerned that they will be less amenable now to close cooperation. Pavlovsky apparently has had an open invitation for some time and accepted it

only recently.

The Indian military appreciates Moscow's willingness to provide a wide range of sophisticated military hardware for its navy and air force, but it tries to prevent the Soviets from gaining influence with Indian troops.

There has been, for example, recent evidence that New Delhi would like to diversify its sources of military equipment. Moreover, military leaders limit both the number of Indians sent to the USSR for training and the number of Soviet military personnel in India. India is one of the largest recipients of Soviet military aid in the third world, but only an



General Pavlovsky

SUP PHOTO

estimated 300 Soviet military advisers are stationed there. By comparison, there are some 1,200 Soviet military advisers stationed in Iraq and 2,500 in Syria.

For years, the USSR has pressed India to grant special port privileges for the Soviet navy and landing rights for TU-95 reconnaissance aircraft. Even under the Gandhi government, however, the requests were always denied.

Western Europe

FRANCE

49-51

The French Communist Party's publication last week of the estimated costs and benefits of the common program of the Socialist-Communist alliance has embarrassed the Socialists and handed the governing coalition its first solid issue against the left in some time.

In a subsequent televised debate, Prime Minister Barre was able to force Socialist leader Mitterrand to disassociate his group from the estimate of costs the Communists published, thus making the differences between the two alliance parties glaringly evident. Most of the Paris press proclaimed Barre the winner of the debate.

The Communists' motivation in handing the government this unexpected ammunition and thereby sabotaging Mitterrand, who is one of France's most experienced and talented debaters, is complex. The Communists, involved in a power struggle with the Socialists, undoubtedly timed their move to influence negotiations between the leftist parties that began with an alliance "summit" meeting this week. Communist leaders also wanted to head off criticism from long-time members who fear that the party is compromising too much with the Socialists. There may also have been a certain amount of miscalculation.

The Communist estimate of the cost of the common program advocated by the left is nearly \$100 billion—half again as large as the government's 1977 budget. The program would produce a massive and rapid transfer of income to the lower end of the wage scale, and would be financed by the business sector and by higher taxes on the wealthy. Most of the French public would view the program as highly inflationary.

The incident is only one of several re-

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cent examples of friction within the left alliance sparked by the Communists or their labor federation. The Socialists believe that the Communist Party's tougher line is due to its need to maintain a distinct identity for itself and to remain clearly separated from the Socialists in the public mind. The Communists are concerned that a blurring of the lines between the two parties may be weakening the militancy of some Communists and could eventually lead to a transfer of votes from their party to the Socialists.

The Communists nonetheless have a strong interest in resolving their policy differences with the Socialists, as they have indicated by recent conciliatory statements on the European Parliament and the French nuclear force. On the latter issue, the Communists, in a move designed in part to increase their popular support, announced last week that they will not oppose retention of France's nuclear strike force if the left alliance comes to power. Statements by party leaders indicate, however, that they remain sensitive to any indication that France would move closer to NATO and are uncomfortable about the nuclear force's intended purpose of defending against a threat from the East.

were injured.

The incident has created new tensions between the Socialists, who run the mainland government and the Social Democrats, who dominate the Azorean regional government. The Socialists—and President Eanes—were quick to criticize the regional government's lack of firmness in dealing with the separatists.

The Social Democrats, in attempting to play down the incident, claim that the regional government supported the display of the Azorean flags to affirm their interest in regional autonomy. The reprimand from President Eanes was especially disappointing to the regional government because he recently had shown some understanding and sympathy for Azorean aspirations for increased autonomy.

SPAIN

54-58

Many of Spain's numerous legal parties have formally established coalitions to contest the parliamentary election next month. Only 5 of the 18 coalitions have nationwide appeal, and they are likely to dominate the election.

Prime Minister Suarez' announcement early this month that he will run at the head of the Madrid list of the Union of

the Democratic Center gives this center-right coalition a boost that should enable it to win a plurality, probably with 30 to 40 percent of the vote. However, the coalition's designation—in a dispute-ridden selection process—of a number of candidates who were associated with the Franco regime may result in the election of some conservatives less committed to reform than Suarez.

Suarez also has the disadvantage of being held responsible for maintaining order during the pre-election period. Recent police brutality in controlling demonstrations has triggered further protests over his inability to reform the police. Demonstrations by Basques, who are demanding the release of the remaining political prisoners in Spain, led to several deaths last week. Tension eased this week when major Basque parties and trade unions urged a halt to demonstrations for fear that further violence could undermine the election.

The Democratic Center must also share centrist votes with a coalition of several Christian Democratic factions. This grouping, led by Joaquin Ruiz Gimenez, is known for its opposition to the Franco regime and could win 8 to 15 percent of the vote. It has agreed to run joint lists with the Democratic Center in some provinces.

PORTUGAL

59-62

Azorean separatists clashed with police on May 15 in Ponta Delgada, the main city of the Azores, over the display of the Azorean flag. The incident demonstrates the mainland government's fear of the minority that favors independence.

The dispute began when supporters of the Azorean Liberation Front—a conservative group advocating immediate independence for the archipelago—defied orders from Portuguese authorities not to fly Azorean flags alongside Portuguese flags for local holiday celebrations. The Azorean flags normally are flown openly on private property. When police attempted to remove the Azorean flags, a scuffle broke out in which several people



Dolores Ibarruri (r) with Spanish Communist Party leader Carrillo

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The main coalition on the right is the Popular Alliance led by a well-known former interior minister, Manuel Fraga. Although he favors moderate reform, Fraga has thrown in his lot with a number of rightist groups headed by former ministers under Franco. Alliance spokesmen are alleging a threat to order by the recently legalized Communist Party and will play up any pre-election disorders to draw conservative votes. Latest estimates give the group 15 to 24 percent of the vote.

The Socialist Workers' Party of Felipe Gonzalez, which has the support of West European socialist and social democratic parties, represents the democratic left. It may obtain 15 to 21 percent of the vote.

Communist Party leader Santiago Carrillo espouses a "Eurocommunist" moderate line but is handicapped by his alleged involvement in a massacre during the Spanish Civil War. His efforts to give the party a moderate image in the campaign may be hampered by the return to Spain on May 13 of its titular head, 81-year-old Dolores Ibarruri, after nearly 40 years in exile. Ibarruri is an unreconstructed Stalinist who opposes "Eurocommunism." In any event, the party is not expected to win more than 5 to 10 percent of the vote.



Boris Velchev

in the Central Committee, implies that he was involved in extremely serious offenses, possibly even a plot against party leader and chief of state Zhivkov.

One of Velchev's responsibilities was coordinating relations with foreign communist parties, and his dismissal may have involved policy differences with the USSR. In earlier years, Velchev had been rumored to be opposed to certain aspects of Soviet foreign policy, and his failure to appear during a visit to Sofia by General Secretary Brezhnev in 1973 was regarded as an indication of those differences.

The announcement earlier last week that Zhivkov will visit Moscow soon suggests that the Bulgarians wanted to dispose of the Velchev case before that visit. Velchev's ouster creates a fourth vacancy on the Politburo; in April 1976, three members of lesser importance were eased out.

USSR-
Eastern Europe

BULGARIA 63-64

Boris Velchev, number-two man in the Bulgarian Communist hierarchy, was ousted from all party positions on May 12. His removal, which was not explained by the party, represents the most serious crack in the Bulgarian leadership in more than a decade.

As the man in charge of party personnel and security matters, Velchev wielded vast power. The decision to deprive him of all positions, including his membership

POLAND 65-66

The recent death, probably at the hands of the police, of a Polish student with close ties to dissident intellectuals could become an important rallying point for

the flagging dissident cause in Poland and create more headaches for party leader Gierek. Students are pressing the regime to investigate the death; if they maintain their campaign, Gierek will face his most serious political test since last June when Polish workers rioted to protest proposed price increases.

Thousands of students turned out on May 15 for a requiem mass and a candlelight procession in Krakow to mourn the death of the student. Several leading members of the dissident human rights organization, the Workers' Defense League, tried to participate in these ceremonies but were prevented from doing so by Polish officials and were arrested the following day. Five have been charged with contacts with "alien organizations harmful to Poland"—probably meaning either Radio Free Europe or *Kultura*, a Paris-based Polish emigre journal. If convicted, they could be sentenced to seven and a half years in prison. Until now, the regime had not detained dissidents for more than the 48 hours allowed by Polish law nor brought charges.

Regime leaders have said nothing publicly about the demonstrations or the arrests. In the past, Gierek has been careful in handling dissidents in order not to create martyrs, but he may be facing some tough decisions. The students apparently intend to keep up the pressure for a full investigation. At the May 15 demonstration, they announced the establishment of a solidarity committee to support the human rights goals of the Workers' Defense League as well as plans to hold memorial services in other Polish cities.

The students plan to hold another memorial service in Warsaw on May 20. Although there were no violent incidents in Krakow, the potential for trouble is greater in Warsaw, where the universities are centers of dissident and human rights activism. The student turnout is expected to be large, and the regime will probably take special precautions to ensure that there is no violent confrontation.

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USSR

67-71

Despite a record grain crop last year, the Soviet Union continues to suffer from its worst food shortages in a decade. The industrial sector, meanwhile, may be heading for a second consecutive year of sluggish growth.

There were sharp declines throughout 1976 in amounts of food normally available to consumers. Overall supplies of staple foods had recovered by early this year, but serious shortages of meat, milk, and vegetables, including potatoes, continue in many places. The meat shortages will persist for some time, and a reasonable volume of fresh vegetables will not appear in northern cities before July at the earliest.

Although the situation does not endanger the regime, the shortages have caused unrest and even some work stoppages.

food shortages in provincial cities may have led to three bombings in

Moscow in January. The shortages also have been politically embarrassing to General Secretary Brezhnev, who is the Kremlin spokesman for agricultural policy.

Moscow appears confident that the momentum generated by last year's record grain crop can be sustained, and the outlook for this year's grain crop is still favorable. Winter losses appear to be below normal, spring sowing is running slightly ahead of the pace of last year, and soil moisture is generally good.

Even if this year's harvest turns out well, the odds are strongly against the five successive years of better-than-average weather necessary to achieve the 1976 to 1980 grain production targets, which are more than one fifth larger than actual output during 1971 to 1975. Past experience suggests the weather will cause one or two serious crop shortfalls before 1980.

In the industrial sphere, last year's growth was the slowest since World War

II. For the first quarter of 1977, moreover, industrial output in the civilian sector is estimated to have risen by only 4.3 percent over the same period last year.

Growth in energy-producing sectors—fuels and electric power—fell to an all-time low of 3.5 percent for the quarter. This in turn may prevent recovery in the steel and cement industries. Steel production dropped by 1 percent for the quarter, while the growth rate for civilian machinery output—usually a star performer—fell to a seven-year low in 1976 and sank even lower during the first quarter of this year.

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Western Hemisphere

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PERU

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General Morales Bermudez, the head of Peru's military regime, has been holding talks with party leaders that could further his plan to return the country to civilian rule by 1980. Any transfer of power will be gradual, and Peru's uncertain economic situation could delay its implementation.

Last month, military leaders expressed confidence in Morales Bermudez by extending his presidential term beyond the date early next year when he was to retire from the military. Since then, the President reportedly has been discussing a return to representative government with a wide range of political parties.

Besides conferring with the Christian Democrats and the Socialist Popular Action, both of which support his government, Morales Bermudez has met with the Peruvian army's principal antagonist—Victor Haya de la Torre's American Popular Revolutionary Alliance. He was also scheduled to meet with the Peruvian Communist Party and the Popular Action of former president

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Soviet citizens wait their turn for scarce meat supplies

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Belaunde who was overthrown by the military in 1968.

It is not clear how far the military is prepared to go in restoring a democratic system. The parties are nonetheless setting forth their views on presidential, parliamentary, and municipal elections.

The consultations will in any event mollify the government's critics by demonstrating at least a semblance of movement toward civilian rule.



President-elect Romero

UPI

Leftist terrorist groups, however, are not intimidated. The murder of Borgonovo by one of the main groups, the

Popular Liberation Forces, appears to be the beginning of a more intensive terrorist campaign. The authorities have few effective ways of dealing with or penetrating terrorist groups and will probably continue to harass leftist priests and dissidents suspected of supporting the terrorists.

The state of siege will doubtless be maintained beyond the inauguration on July 1 of President-elect Romero, who will himself continue to rule by repression. He reportedly has threatened to expel all Jesuits in the country when he takes office.

Last February, the US embassy received unconfirmed reports of coup plotting by officers who were upset by the government's blatant vote rigging in the election or were dissatisfied by Romero's election. Although a prolonged wave of repression could eventually galvanize some elements of the military to move against the government, there is currently no evidence that discontent focuses on the repression issue or has united around an individual officer or group of officers.

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EL SALVADOR

80-85

Political violence has been mounting in El Salvador since February, when the long-dominant ruling party was declared the winner in a fraudulent presidential election. The murder last week of kidnaped Foreign Minister Borgonovo by leftist opponents of the regime has markedly heightened tensions.

Protest demonstrations in February by supporters of the opposition presidential candidate led to a bloody clash with the National Guard and the imposition of a state of siege. Since then, the courts and news media have been under military control, political meetings have been banned, and citizens have been barred from leaving the country.

These measures have been accompanied by a government campaign of repression against leftist groups and persons suspected of aiding them, including clergymen. Several Catholic priests suspected of having such ties have been expelled from the country and others have been murdered by right-wing groups.

The wave of repression has prompted the usually reticent Salvadoran Catholic Church to publicly accuse the government of torture, illegal detentions, harassment, and intimidation of clergymen. After a Jesuit priest was killed last March, the Archbishop of San Salvador prohibited priests from taking part in any official state ceremonies.

92-76

Arab Funds in Latin America

Kuwait and Libya have offered several Latin American banks \$60 million to establish a joint development bank. The new bank, which would have an initial capitalization of about \$100 million, would help finance joint Arab-Latin American industrial projects in Brazil, Colombia, Chile, Argentina, and Peru. Some of the banks involved in the joint proposal reportedly are also considering participation by European countries.

Until recently, Arab governments have invested only small amounts of capital in Latin America. The Arab-Brazilian Investment Company, a Kuwaiti-Brazilian enterprise set up to invest in joint ventures in Brazil, had provided most of those funds.

Over the past year, however, Kuwait

and Libya have shown increased interest in Latin America. Kuwait committed \$31 million in development assistance to Jamaica and Ecuador, the first instance of sizable Arab aid to Latin America. Libya has been negotiating agreements with Argentina, Brazil, Panama, and Surinam that would provide them with economic credits and investment in joint ventures.

Among the Arab oil-producing states, Kuwait and Libya have been the most active participants in joint investments in non-OPEC developing countries. Each is involved in such ventures in at least 20 developing countries throughout Asia and Africa. Kuwait and Libya first teamed up in January when they established the joint Turkish-Arab Bank.

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Foreign workers are pouring into the oil-producing countries of the Arabian Peninsula in response to rising income; they bring skills that contribute to economic growth, but they also create economic and social problems.

86-87

Arab States: Labor Boom

[redacted]
For more than two decades before 1973, Arab workers drifted steadily into Saudi Arabia, Kuwait, and the smaller Gulf states. Their numbers—never more than 100,000—were easily absorbed. Western personnel were brought in to manage and operate the oil fields and to fill other skilled positions, but their numbers remained fairly stable.

Rising oil income, however, has recently triggered a mass migration of labor in the Arab world. More than a million foreign workers have poured into the Arab oil-producing states of the Persian Gulf since 1973, bringing the total foreign labor force to 1.6 million. The number is likely to double by 1980.

Saudi Arabian development plans have had the biggest impact on labor demand. The Saudis spent \$1.1 billion in the fiscal year preceding the oil price hike in early 1974; they now have a \$140-billion five-year development plan. This plan alone calls for an increase in the labor force from 1.6 million in 1975 to 2.3 million in 1980. Of the 700,000 increase, 500,000 workers would come from abroad. [redacted]

[redacted] the Saudi manpower plan understates the need by at least 300,000 workers.

Although some foreign workers are needed for only two or three years to fill jobs in the booming construction business, most are hired for permanent jobs in fields such as retail trade, teaching, medicine, and government service. The demand for outside labor in fact covers nearly all occupations. A recent Saudi

contract with a US sanitation firm, for example, calls for the import of 2,000 workers, primarily from Pakistan and Egypt, to collect garbage in Riyadh.

Kuwait, the United Arab Emirates, Oman, and Qatar have also stepped up their modernization programs since 1973. Development spending in the UAE, for example, jumped from \$18 million in 1973 to \$750 million in 1975.

The demand for foreign labor has been pushed even higher by ambitious military programs that drain domestic manpower. The Saudi military, which is scheduled to double its strength by 1980, currently sponsors 30 percent of the Saudis studying abroad and will have first call on these students when they return.

Kuwait and the smaller Gulf states do not have populations large enough to man completely their military forces; the UAE's air force, for example, is dominated by Pakistani pilots, and the army is run largely by Jordanians.

The oil states fill some of their labor needs by offering high wages and by going far afield, including Asia and the US. The Saudis have hired stevedores from the Chicago docks.

To assist recruitment, several Middle Eastern governments require foreign contractors to bring in the labor force needed for their projects. A US contractor for one construction project in Saudi Arabia, for example, will have to supply more than 25,000 foreign workers. The foreign labor requirement has been a boon to South Korean contractors, who are able to supply the full range of labor needs from ditchdiggers to engineers.

About 1.2 million of the roughly 1.6 million foreign workers now in the oil-producing countries are Arabs—primarily North Yemenis, Egyptians, Jordanians, and Palestinians. Since 1973, increasing numbers of Pakistanis, Indians, and South Koreans have obtained jobs as the Arab pool of excess labor has dried up. Egypt is now the only Arab country in a position to furnish large numbers of workers to the oil states.

Saudi Arabia has taken the lion's share of the workers coming into the area. Immigration has boosted the Saudi population by almost 25 percent in less than three years. About one third of the population is now foreign.

The smaller Persian Gulf states, while taking relatively few workers, have doubled their populations. Foreigners make up more than 75 percent of the population in the UAE and about 55 percent in Kuwait. Only Iraq among the Arab oil states has not imported large numbers of workers. Although encouraging Arab immigration, Iraq has met manpower needs primarily from its own labor force of 3.5 million.

The void left by the rush to the oil states has set off a secondary migration to non-oil-producing Arab countries. Jordan—also enjoying an economic boom—has brought in Pakistanis, Egyptians, Taiwanese, and South Koreans, as well as Palestinians from Israeli-occupied Gaza and the West Bank.

The Syrian labor force, which lost large numbers of Palestinian workers to the oil states, was resupplied by 1 million refugees escaping the fighting in Lebanon. Roughly 400,000 of these people remain

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in Syria.

Economic Impact

The large inflow of foreign workers has both contributed to economic growth and precipitated economic problems. Inflation has been running at 20 percent or more a year in the area since 1973, reflecting soaring wages, housing shortages, and new demand for imported foodstuffs and other basic consumer goods, the cost of which has been magnified by severe port congestion. Despite the influx of workers, wages are now roughly three times the 1973 average in Saudi Arabia, UAE, Kuwait, Qatar, Oman, and Bahrain. Wage rates for unskilled labor have risen more than sixfold.

Serious housing shortages have resulted from the rapid increase in population and the more than twofold rise in disposable income in the Arab oil states since 1973. Saudi Arabia needs 200,000 housing units, and sanitation facilities are scarce. Turkish workers in Saudi Arabia recently went on strike, complaining that they had only one refrigerator per 400 people.

The situation is not much better in other oil states. Kuwait's shantytown numbers 120,000 people and is growing.

Many of the same problems have spilled over to the Arab nations that provide workers to the oil states. Labor shortages and the competition for workers have driven up wages in Jordan and North Yemen as fast as in the oil states. The building trades have been hit particularly hard; in Jordan, wages in construction have increased fourfold over the last four years. Average wage levels, however, remain well below those in the oil states.

On the positive side, Jordan, North Yemen, and Egypt have benefited greatly from worker spending, which totaled some \$2 billion in 1976. In fact, spending by workers in both Jordan and North Yemen is a larger source of foreign exchange than commodity exports.

Social Strains

Foreign workers are indispensable to the governments and economies of Kuwait and the small Persian Gulf states, but the large foreign presence clearly strains political and social stability. In

Kuwait, where many foreign workers and their families have lived for years, demonstrations, flag-burnings, pamphleteering, and even bombings have been carried out, primarily by Palestinians attempting to influence Kuwaiti foreign and domestic policies.

The Kuwaiti government has taken a tough stance. Troublemakers are promptly deported, parliament has been dissolved, the press is under strict censorship, and unions and professional societies are forbidden to deviate from government policies.

Even more worrisome, especially to

Saudi leaders, is the threat to social traditions. So far at least, the Saudi leadership seems prepared to risk the social cost of industrial and educational development. The Saudi royal family is not completely unified on this, however, and conservative religious leaders antagonistic to development still have a voice in government decisions.

By 1980, there will probably be around 3 million foreign workers in the Arab oil-producing countries of the Persian Gulf. Most of the increase will come from outside the Arab world. Pakistan probably will provide about half of the total in-



Currency exchange office in Saudi Arabia with foreign workers

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crease. South Korea will most likely be the major source of non-Muslim workers, and Egypt—still with considerable slack in its labor force—will supply most of the small rise expected in Arab workers.

By 1980, preparations for accommodating foreign workers will be nearly complete. Port expansion and improvements in the handling and distribution of goods will greatly ease competition for consumer goods, and housing construction now under way should alleviate shortages. The foreign presence will, however, continue to rise as workers are

needed to build and operate new industrial facilities. The number of construction projects is not likely to decline in the 1980s.

Barring a complete reversal of development policy, most oil states will become melting pots. In the smaller Gulf states, foreigners may outnumber locals by as much as 10 to 1, and it will be nearly impossible to prevent them from having a voice in government policy. Saudi Arabia too will find it hard to ignore the political demands of a major portion of its population.

The labor boom will put pressure on the Arab states to expand the role of women in the work force, but progress will be slow. Jordan employs only 3.5 percent of its large potential labor pool of literate 15- to 35-year-old women, despite a policy of actively encouraging women's participation in the labor force. In Kuwait and Saudi Arabia, women are not accepted as workers outside the home except as nurses or teachers in girls' schools. This situation probably will not change markedly in this century.

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As the belief grows in French political circles that the parliamentary election scheduled for March 1978 is all but lost to the left, President Giscard and his coalition partner, Gaullist leader Chirac, are each believed to be weighing the possible advantages to himself of moving up the vote.

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France: Possibility of an Early Election

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Speculation is growing among French politicians that the legislative election, which must be held by the end of next March, will be advanced. Rumors about an early election have been circulating for months, but speculation has intensified recently as disenchantment with President Giscard grows, rifts in the governing coalition deepen, and the growing popularity of the Socialist-Communist alliance seems to ensure it an electoral majority.

The widely held belief that the Socialist-Communist coalition will win is stimulating an attitude that "it's best to get it over with." The French press has reported such sentiments among members of the governing coalition parties, but their leaders—Giscard, Prime Minister Barre, and Gaullist chief Chirac—have repeatedly denied that the election will be

advanced.

The leaders have good reason to stick with their commitment to hold the election on schedule, but it is symptomatic of the current sense of drift in French politics that their statements are not believed. Recent efforts to paper over problems within the coalition have not succeeded, and rifts are so deep that both Chirac and Giscard are constantly re-evaluating the personal advantages that an early election would offer.

Any initiative for advancing the election will come either from President Giscard—who has constitutional authority to dissolve the Assembly—or from Chirac, who holds the votes that could destroy Giscard's majority. The leftist leaders cannot directly provoke action; they can only precipitate massive labor protests, which might be counterproductive and hurt their own chances at the polls.

The National Assembly cannot vote to dissolve itself. It could defeat the government on a vote of confidence—which the Prime Minister has said he will not again request before March—or it may censure the government. The President is not compelled to respond to these actions by calling an election, although either move probably would eventually force him to do so.

Arguments For

The Gaullists believe that the election is all but lost, that the left will only increase its lead in the period before it is held, and that an anti-left backlash would return the Gaullists to power a year or two afterward. Thus, the party would favor putting the election behind it.

Chirac recognizes that continued attacks on the government to establish a separate identity for the Gaullists will also hurt their cause. Chirac might conclude that he can better revitalize his party and

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win back voter support as opposition leader than as Giscard's less-than-loyal ally. Lastly, the Gaullists may conclude that the left should not be allowed to reap any benefits accruing from a possible improvement in international economic conditions, but should rather be forced to cope with the nation's current economic problems.

salvage his personal popularity by seeking an early election. Giscard would expect to use the presidency to moderate the left's program if his coalition is defeated.

He believes that he can work fairly smoothly with a leftist government until his term ends in 1981. He would also hope for an early split in the left alliance that would allow formation of the center-left government he wants.

Giscard might also reason that the serious losses the Gaullists are expected to suffer in the election would discredit Chirac and reduce the Gaullists to the more modest role Giscard believes the party should play.

Arguments Against

Arguing against dissolution of parliament are not only the repeated public commitments by Giscard, Barre, and Chirac not to advance the election date, but also the damage that Giscard and Chirac would suffer by such a move. Chirac would have to bear the onus of allying himself with the left to bring down the government; neither he nor Giscard wants to be the man who invited the Socialists and Communists into power. Giscard, moreover, would forfeit for 12 months his power to call a new election if he dissolves the National Assembly.

Were Giscard to decide that the best

course for France is an early legislative election, he would open the door for the left to press for a similarly early vote on the presidency. This could frustrate Giscard's desire to serve his full seven-year term.

In order to keep the Gaullists in line, the Elysee may be encouraging stories that Giscard feels under pressure to call an election. The President knows that the threat of dissolution is one of the few weapons he has to goad the Gaullists into being more cooperative with him.

Decisions Deferred

All the governing coalition parties need time to re-evaluate their positions, to try to cut their losses in the election, and to prepare for a period out of power. Hopes are fading that the government's economic program will produce results that will help the coalition at the polls.

Despite indications to the contrary, Giscard and Chirac may not have made up their minds on the election question. If the vote is to be advanced, vacation schedules and winter weather conditions leave dates in the early fall as best for a maximum turn-out of the coalition's supporters. If an early election is called, it must be held 20 to 40 days after dissolution of the parliament.

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Giscard, for his part, might conclude that prolonging the pre-election period would severely damage the nation and that he could best serve the country and



Gaullist chief Chirac



Prime Minister Barre



President Giscard

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An authoritative stinging attack on current Chinese leaders in Pravda indicates that the Soviets have abandoned all hope for any early improvement in Sino-Soviet relations.

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USSR-China: Soviets Escalate Polemics

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A *Pravda* attack on May 14 against China's leaders is the most vituperative Soviet criticism of the Chinese leadership since Mao's death. The article appeared over the signature "I. Aleksandrov," indicating that it is an authoritative statement from the Soviet leadership. The article responded specifically to recent high-level Chinese warnings of approaching war, but was probably prompted by what the Soviets see as a possible US relaxation of restrictions on Western arms sales to China.

The article charges Peking with:

- Stubbornly resisting the spread of political detente to the military field.
- Fighting arms control and disarmament efforts.
- Interfering with the normal development of relations between nuclear powers.
- Putting the Chinese economy on a war footing.
- Supporting reactionaries in the West against the USSR.

In a marked departure from recent Soviet commentary on China, the polemic explicitly criticizes party chief and Premier Hua Kuo-feng, Defense Minister Yeh Chien-ying, and Vice Premier Li Hsien-nien for recent anti-Soviet statements and alleged war provocations. This is the kind of attack leveled at Mao in the 1960s when he opposed US-Soviet arms control agreements, particularly the 1963 Partial Test Ban Treaty.

Significantly, the article cites that por-

tion of Brezhnev's speech at the 25th Party Congress in February 1976 in which he berated the Chinese, but omits the balancing portion in which he affirmed Moscow's interest in better Sino-Soviet relations.

Soon after Mao's death last fall, the last article on China bearing the Aleksandrov signature contained the relatively hopeful note that Sino-Soviet problems would be resolved. In February, in the face of apparent Chinese intransigence, some of the conciliation went out of the line, and Soviet commentaries charged that the new Chinese leaders were following "the old anti-Soviet line."

Despite the failure of high-level Soviet and Chinese officials early this year to find ground for improved relations and despite increasingly unfriendly statements by Chinese leaders, the Soviets in March still gave the appearance of believing that limited improvements in Sino-Soviet relations were possible under the new Chinese leadership. This posture has now been displaced by a new, more openly critical and harsh line.

A possible harbinger of the shift appeared in the weekly *New Times* on April 22. The new Chinese leadership was accused of "missing a favorable opportunity" by "voluntarily taking on Mao's regalia." In a speech on the same day, Soviet Party Secretary Zimyanin used such harsh words on China that the Chinese charge walked out.

Recent high-level Chinese charges that war is coming may be one reason for the switch to a tougher line. In speeches at a



CAMERA PRESS
Hua Kuo-feng

national industrial conference published on May 9, Hua and Yeh reiterated Peking's line that a new world war is inevitable. Yeh declared that "it is

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necessary to be prepared for a big war that may break out at an early date," and the May 14 *Pravda* article seized upon Yeh's comments to point out the dangerous proclivities of the Chinese leaders.

The direct attack on the Chinese leadership, however, probably stems mainly from the USSR's fear that the West may sell arms and military equipment to China. Recent articles in the US by scholars on China discussing this subject have undoubtedly attracted intense Soviet attention, and Soviet leaders know that the US administration is reviewing its China policy.

Indeed, the main thrust of the article in *Pravda* is to warn Western countries about being taken in by Chinese arguments or underestimating the danger Peking poses for them. Several major points in the article appear to reflect deep Soviet concern on this score. *Pravda* warns:

- It would be an "unpardonable mistake to hold an indifferent attitude toward Peking's reckless policy until the danger assumes ruinous proportions."

- The Western countries should not hold "illusions that they will manage to divert Peking's expansionism from themselves and direct it elsewhere."

- Western arms suppliers in the US and West Germany and some monopolies in France, Japan, and the UK want to profit from Peking's military build-up. This effort recalls the appeasement of Hitler's Germany before World War II.

- "The leaders of the military-industrial complexes of the US, West Germany, Japan, and some other capitalist countries are actively discussing the possibility of supplying China with arms and military equipment."

In trying to prove Chinese duplicity in



Yeh Chien-ying

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Li Hsien-nien

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hiding its "true" purposes while dealing with the US, *Pravda* quotes from several fabricated statements by high-level Chinese, in particular from the alleged secret speech of a party official to the effect that Peking will use the US temporarily to protect China against the USSR and later "say to Uncle Sam, be so kind as to pack your things."

If Washington, along with Peking, is a primary target of the article, Tokyo is the next most important reader. The Soviets are concerned that the numerous visits to Peking by various Japanese political figures in recent weeks, in the wake of the stalemate in Soviet-Japanese negotiations on a fishing agreement, may be the initial signs of a real desire in Tokyo to conclude a Sino-Japanese peace treaty. The Soviets fear that the Japanese government may accept Peking's demand that the treaty include an anti-Soviet clause—

that is, a phrase which condemns "hegemonism"—and the *Pravda* article indirectly warns Japanese leaders against this.

The harsh tone taken by the *Pravda* article indicates that the Soviets now see no prospect for improving relations with China and believe that nothing further is to be gained by relative restraint. They may in fact fear that something might be lost if other powers, above all the US and Japan, are not warned strongly against rapprochement with China.

In light of their reading of recent trends in the US and Japan and faced with strongly worded, high-level Chinese statements intended to stiffen Western policy toward Moscow, the Soviets evidently felt a strong message was needed to convey their interests to all parties, particularly Washington. [redacted]

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