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Weekly Summary

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Africa

MOROCCO 9-10

Morocco's successful intervention in Zaire will temporarily enhance King Hassan's prestige at home. It may also help solidify diplomatic support from African moderates for Morocco in its continuing dispute with Algeria over Western Sahara.

The Moroccan success in pushing back the Katangan exiles who invaded Zaire's Shaba Region from Angola will appeal to many Moroccans, who traditionally regard themselves as warriors. The triumphant return of the Moroccan expeditionary force this week will also provide a badly needed boost for the Moroccan military, which has had chronic morale problems because of the continuing guerrilla war in Western Sahara.

Hassan's decision to intervene in Zaire was not strongly supported by well informed Moroccans. In addition, the opposition political parties were initially stunned by the King's decision, which was made in isolation and complete secrecy. The subsequent lack of editorial comment in party newspapers has indicated continuing doubts among politically aware Moroccans about the wisdom of such a venture. These Moroccans are probably more relieved than jubilant over the successful outcome.

African reactions to Morocco's intervention have been mixed, with both moderates and radicals generally taking previously determined ideological



King Hassan of Morocco

positions. Hassan probably anticipates that his support of Zaire may widen the moderate-versus-radical split within the Organization of African Unity. He has shown increasing disdain for the OAU since it distributed a report last February charging Morocco and Gabon with complicity in an abortive coup attempt in Benin in January.

Hassan hopes his solidarity with Zaire will elicit from other African moderates stronger support for his position in the Western Sahara dispute. He may also hope the Moroccan success in Zaire will encourage other moderate Africans in the OAU to play a more active role in countering radical and Soviet influence in Africa.

ETHIOPIA 6; 8

Recent guerrilla attacks on Ethiopia's rail link with the sea—the line that runs between Addis Ababa and the port of Djibouti—pose serious problems for freight movement throughout the country.

The rail line carries roughly half of Ethiopia's total freight, excluding oil, and there is no easy way to provide adequate security. It has several bridges and runs through remote areas.

At least three bridges were damaged on June 1 in attacks that almost certainly were carried out by insurgents supported by Somalia. The incidents could mark the beginning of increased Somali pressure on eastern Ethiopia, particularly in the Ogaden area, which is inhabited by a large number of ethnic Somalis and is claimed by Somalia.

Shortages of aviation gasoline would develop quickly in Ethiopia and disruption of its trade would be widespread if the rail line were effectively closed down.



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Ethiopia's two Red Sea ports—Assab and Massawa—are served only by highways. A shortage of trucks, plus the active Eritrean insurgency in the north, inhibits the Ethiopians from shifting significant amounts of cargo from the rail line to these roads. The Eritreans periodically disrupt weekly truck convoys between Asmara and Massawa, effectively closing that already isolated port to inland connections.

As long as the ship remains in place, the Libyans, who probably believe they have the upper hand, will continue to seek negotiations and avoid an open break.

Tunisia is at a distinct disadvantage in any military confrontation with Libya and is not in a good position to back up its tough talk. The foreign ministers of the two nations, called together under the auspices of the Arab League, began talks in Tunis on June 7.



France Albert Rene

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reportedly planned to unite the two coalition parties and to postpone for five years the parliamentary election scheduled for 1979. In the last election, the Peoples Party received only a few seats in the legislature even though it won almost half of the popular vote.

Rene's new cabinet includes several of the radical members of his party who led the coup. The new President's speeches since June 5 have provided few hints about future policy, although he has expressed a willingness to continue all agreements with foreign countries. His radical colleagues will undoubtedly have a strong voice, however, in both domestic and foreign affairs. The party receives some political and financial support from Moscow and actively promotes third world causes.

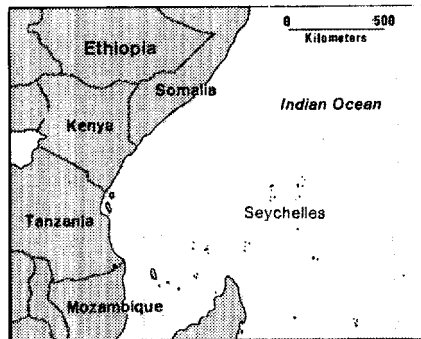
Rene has assured the US charge that the US tracking station near the capital will be allowed to continue to operate, and members of the diplomatic community and the personnel of the tracking station have been exempted from the curfew imposed after the coup. There are some 200 US citizens in the Seychelles, about 150 of whom work at the tracking station. None have been directly affected by the coup.

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TUNISIA-LIBYA 12-13

Relations between Tunisia and Libya went from bad to worse in late May when a US-owned drilling ship under contract to the Libyan national oil company arrived in the contested continental shelf area of the Gulf of Gabes.

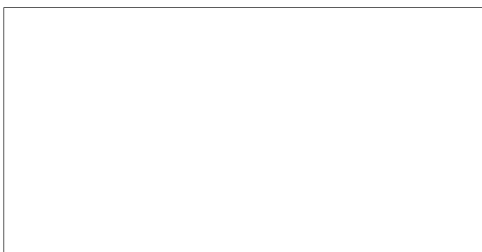


SEYCHELLES 15

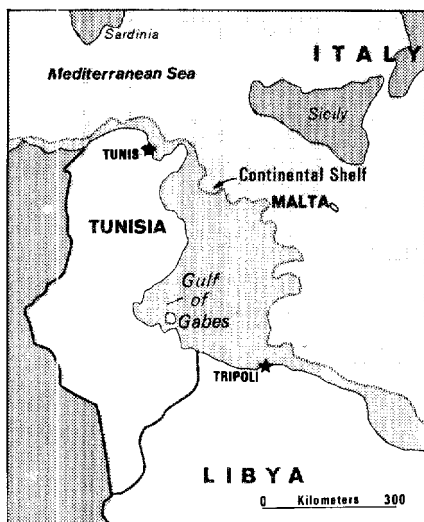
The moderate pro-Western government of James Mancham was overthrown on June 5 by radical members of the Seychelles Peoples United Party, the junior partner in Mancham's two-party coalition government. Mancham was in London for the Commonwealth Conference, and the government was turned over to France Albert Rene, the head of the Peoples Party.

Rene has attempted to disassociate himself from the coup, but he undoubtedly gave his tacit consent. There is a history of animosity between the left-leaning Rene and the more conservative but flamboyant Mancham.

The immediate issue that appears to have prompted the coup was the former president's continuing effort to dilute the power of his more radical partners. He



Libyan officials engaged in some



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NIGERIA

17-19

Nigeria recently announced a package of financial incentives intended to reverse a three-year downward trend in exploration and development by foreign oil companies. The Nigerians are concerned about maintaining their current level of oil exports in order to provide revenues to sustain their economic development program.

Current Nigerian oil production of more than 2.2 million barrels per day is near capacity. Without additional investment, output could fall below 2 million barrels per day in a few years, but even if exploration were increased soon, no significant rise in production would be likely before 1980. Nigeria exports about 1.2 million barrels of oil per day to the US, nearly as much as Saudi Arabia.

The government wants to increase the number of companies operating in Nigeria and to focus future investment on high-cost offshore areas where it believes sizable reserves are located. To this end, the new program will:

- Reduce the profits tax rate for companies not yet producing oil until all their pre-production costs are recovered.
- Allow all exploration drilling costs and costs of the first two appraisal wells to be written off during the year these expenses occur.
- Reduce royalty payments for offshore production.
- Grant investment tax credits.
- Permit companies to amortize all but 1 percent of total annual investment expenditures within five years; the time span has been seven or eight years.

These incentives are the most recent indication that Nigeria is easing the restrictive oil policies that have slashed company profits and sharply reduced investment. Earlier this year, Nigeria raised its second-quarter prices and allowed the theoretical average company profits to rise by about 4 cents per barrel, to 35 cents. This was the first boost in company per-barrel earnings in about a year.

The companies' response to the new incentives will depend on their assessment of the impact of the package on their individual financial positions. Production costs are higher in Nigeria than in many other oil-producing countries.

Middle East

ISRAEL

20

Likud party leader Menahem Begin has apparently made little progress so far toward formation of a broadly-based



Menahem Begin

*Pietro
Parade*

government. Talks continue with the Democratic Movement for Change, but the Movement reportedly has adopted a strategy of delay, hoping a strong showing in Labor Federation elections later this month will improve its bargaining position.

A major split has developed among Movement leaders over whether to join a government dominated by the rightist Likud, adding further uncertainty to the outcome of talks. Those favoring participation argue that the Movement can carry out its commitment to reform and can moderate Likud's hard-line stance on peace negotiations only by joining in the government. Control of ministries, they contend, would also allow the Movement to use patronage to strengthen the party's grassroots support.

Other Movement members argue that differences with Likud, especially over Middle East peace negotiations, are irreconcilable. They believe the Movement should join with the defeated Labor Alignment and other parties expected to be in opposition to work for the fall of a Likud-led coalition. Without either Labor or the Democratic Movement, such a coalition would hold, at best, only a razor-thin majority in the Knesset.

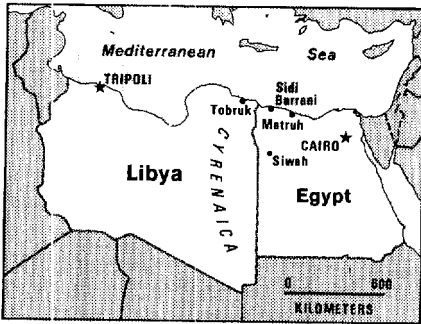
Even party leaders who otherwise favor joining Begin's coalition are concerned that the Movement's flexibility on negotiations with the Arabs would be given scant consideration should the new government's most important posts be held by hard-liners like Begin, Moshe Dayan, and Ezer Weizman, Begin's nominee for defense minister. Many Movement leaders interpret Begin's failure to consult with the Movement before offering Dayan the foreign ministry portfolio as evidence that Begin would run a future coalition in the same autocratic manner he runs Likud.

Movement leader Yigael Yadin believes that Begin's inability to secure a comfortable working majority in parliament without the Movement gives it an advantage in its coalition bargaining and strengthens Yadin's claim on the post of foreign minister.

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EGYPT-LIBYA 21-23

Egyptian Prime Minister Salim and his Libyan counterpart, Abd al Ubaydi, reportedly will meet in Cairo soon to discuss the strained relations between the two countries. A Libyan emissary, after meeting with Egyptian President Sadat on June 4, told the press that the talks could start as early as this weekend.

Tensions on the Libyan-Egyptian border have in fact lessened over the past several weeks, and the propaganda invective has softened on both sides. Substantial Egyptian forces are still stationed near the border, and the airfields at Matruh, Sidi Barrani and Siwah have been readied for combat aircraft; Libyan air defenses at Tobruk and throughout the Cyrenaica area also have been improved. However, the logistics build-up and the increase in force strength that accompanied the heightened tensions of March and April appear to have leveled off.

For the past month, Libyan President Qadhafi has been preoccupied with efforts to deter Egypt from using the forces now assembled on the border.



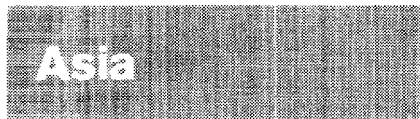
There are some 300,000 Egyptians in Libya; they form the backbone of the country's professional and skilled work force.

Qadhafi has also tried to bring diplomatic pressure to bear in recent

weeks, appealing both to Moscow and to Arab states to use their influence on Sadat. Moscow's response—a preemptory demarche—initially angered the Egyptians and added another irritant to Moscow-Cairo relations, but also served to give the Egyptians pause.



Sadat may in fact have consented to the new talks to mollify his Arab benefactors. Sadat has no illusions that such talks will significantly improve his relations with Qadhafi, but Egyptian leaders seem for the moment to be more concerned with the results of the Israeli election and the resumption of talks with the Soviets than with their dispute with the Libyans.



PAKISTAN 30-33

Prime Minister Bhutto and his opponents resumed negotiations late last week and after several meetings appeared close to an agreement that could resolve Pakistan's long political crisis. At present, the country is calm and the government has lifted martial law, following a court decision that the decree imposing it was unconstitutional.

Bhutto and the opposition leaders with whom he is negotiating apparently have agreed on holding new elections, but there could still be problems in working out Bhutto's role in the pre-election period. The opposition will probably have to abandon its demand that Bhutto resign immediately; there are indications that at least some opposition leaders are prepared to do so. They will, however, be seeking means of preventing him from rigging a future election.

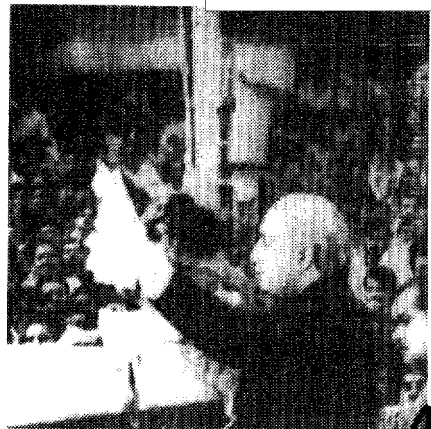
There is no confirmation of press

reports that the two sides have agreed to hold the elections in November, but, if true, one of the major points of contention will have been solved. Bhutto had wanted even more time to rebuild his political position; the opposition want elections as soon as possible.

The long political crisis has had a serious impact on the country's economy. The strikes and demonstrations staged by the opposition and the curfews imposed by the government have on occasion shut down economic activity in major cities. Industrial production has been curtailed, although no reliable measure of the economic setback is yet available.

Karachi, the country's largest city and scene of some of the most violent demonstrations, has been hardest hit. Labor problems there closed the port for several days. Transportation from the port to the rest of the country has also been disrupted, and industry in the area is estimated to have lost the equivalent of a month's production.

Inflation, which was cut to 8 percent in 1975 from more than 20 percent in 1975, is rising again. Price increases have been fueled by substantial raises granted to government employees just prior to the disputed election last March as well as by the production losses and shortages that developed during the height of the turmoil. Pay increases in the private sector are likely to follow, creating new inflationary pressures.



Prime Minister Bhutto

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Such changes could help clarify Tito's wishes regarding a party successor. Dolanc will "lead the work" of the new "political bureau," thus strengthening his claim to be first among equals in the party leadership. According to the leaked information, Dolanc will give up his current post as head of the executive committee, and Branko Mikulic—the young party leader of Bosnia-Hercegovina—will take over the secretariat. This would be his first important position in Belgrade; he and Dolanc have had policy differences in the past.

Such a compact group would probably become the focal point for decision-making. In the present structure, collective decisions are supposedly made by the large and unwieldy presidium. In practice, however, Tito makes most key decisions, and the party structures simply rubber-stamp and implement them. A small "political bureau" would be better able to make decisions after Tito leaves the scene.

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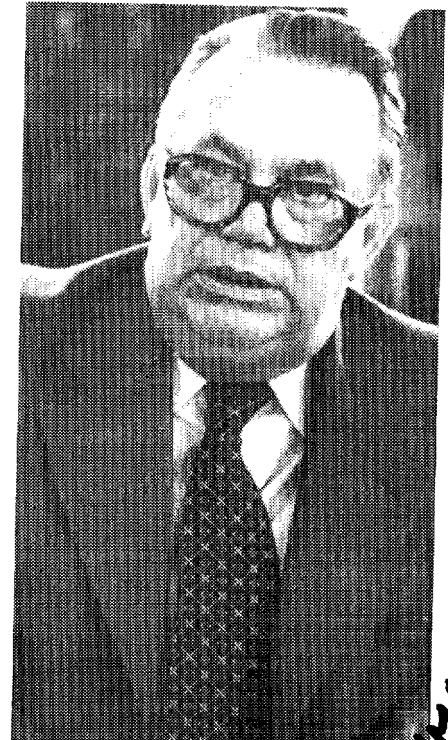
Europe

YUGOSLAVIA 39-41

Yugoslav officials are leaking word that the party will soon establish a seven-man group to run its affairs. Other party changes being mentioned are reducing the 47-man presidium by half and renaming its 12-man executive committee the party secretariat. These changes would be the first significant steps the Yugoslavs have taken in over a decade to streamline the party structure.

The new group will reportedly include President Tito, Stane Dolanc—Tito's second-in-command—and five other senior leaders. No military figure has been mentioned, a surprising omission given the current prominence and expected future importance of the Yugoslav military.

One official has referred to the seven-man group as a "political bureau," and it is clearly intended to function like politburos in other communist countries. The Yugoslavs, however, evidently want to avoid the appearance of moving closer to the Soviet model and are likely to come up with a different name for the group.



Stane Dolanc

GAMMA

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TURKEY

43-44

There were no decisive winners in Turkey's parliamentary election on June 5, and another period of relatively weak coalition governments appears likely. Such leadership will be hard put to deal effectively with the country's pressing domestic and foreign problems.

Complete official returns give opposition leader Bulent Ecevit's center-left Republican Peoples Party a larger plurality. His party gained 28 seats, but has fallen 13 seats short of the 226 needed for a majority.

Ecevit will make every effort to attract enough independents, defectors from other parties, and splinter-party deputies to form a working majority. In the end, however, he will probably have to turn again to the right-wing, Islamic-revivalist National Salvation Party, seeking its cooperation either as a coalition partner or, less likely, as a tacit supporter of a minority government led by Ecevit.

As they proved during their eight-month coalition in 1974, Ecevit and Salvationist leader Erbakan are uneasy partners because of differences in both temperament and ideology. Each, however, seems capable of making the adjustments and concessions necessary for gaining power.

Their negotiations will be difficult and protracted. Ecevit—having come so close to winning outright—will jealously protect his prerogatives; Erbakan, although his party's parliamentary strength is down, will still be in position to sell his votes to the highest bidder. He could switch to Justice Party leader Demirel if Ecevit's terms are unsatisfactory.

Another Ecevit-Erbakan coalition would have no assurance of longevity. Both men would strive to make any coalition accord as specific as possible in order to minimize the bickering that was a major factor in the demise of their earlier partnership. Erbakan might be slightly less quarrelsome than before, but dissension and indecision would probably be the norm.

If Ecevit fails to form a government, Demirel will try. His Justice Party scored dramatic gains over 1973; as an aggregate, the four center-right parties of the outgoing government, which he headed, now hold an absolute majority. While all parties—particularly Erbakan's—would be reluctant to recreate the stresses of the former coalition, the lure of power would probably win out.

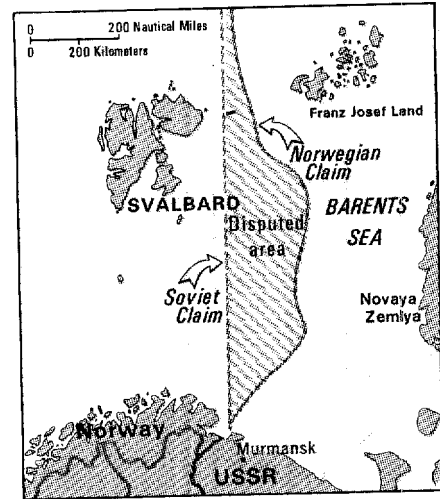
USSR 45-47

The USSR continues to limit foreign operations in its coastal waters in an effort to offset the reduction in its own fish catch because of the proliferation of national 200-mile maritime fishing zones. On May 25, Moscow extended its control over fishing in the Barents Sea to 200 miles. On June 4, the USSR concluded an agreement with Japan that cut in half the amount of fish and marine products that the Japanese can take from Soviet waters.

Moscow's announcement on the Barents Sea was described as a "temporary" measure to regulate fishing in the region of the Soviet Barents Sea coast. Moscow had originally exempted this area when it established its 200-mile fishing zone on March 1.

The extension focuses attention on the USSR's three-year-old dispute with Norway over a demarcation line in the Barents Sea. The Soviets want a line running from the border on shore to the North Pole. The Norwegians insist on a median line zigzagging between each country's offshore islands. The area in dispute covers some 60,000 square kilometers, some falling within the new 200-mile limit.

Norway hopes that a compromise can be worked out, possibly by some kind of joint administration; talks are scheduled to resume on June 13. One of the proposed areas of joint administration, however, may impinge on Soviet strategic interests because of its proximity to a So-



viet military facility at Murmansk.

Moscow has backed off from demands that Japanese catches in Soviet waters be balanced by the Soviet take in Japanese waters. The new limit for Japanese fishermen in the Soviet zone is 700,000 tons, about half the quantity the Japanese took in 1976. The Soviets took 400,000 tons out of Japanese waters last year.

Moscow also cut the number of Japanese fishing boats that will be allowed in Soviet waters from 7,400 to 6,355. Fishing in the Soviet zone may become unprofitable for some Japanese boats because of sharply reduced quotas, and Tokyo is concerned about the effects of the new Soviet cuts on the Japanese fishing industry.

The Japanese rely more heavily on fish for animal protein than does any other developed country. Prices are now some 30 percent higher than a year ago.

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The changes made in the new constitution give the Presidium of the Supreme Soviet new tools to manage the bureaucracy. These changes will also enhance Brezhnev's position in the leadership, if he assumes the chairmanship of the Presidium, as expected.

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USSR: Draft Constitution

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The draft Soviet Constitution published on June 4 suggests that changes are coming in institutional relationships that have reportedly been the subject of intense debate in the leadership. The draft charter strengthens the role of the Supreme Soviet and its Presidium in their relationship to the Council of Ministers. If, as seems likely, General Secretary Brezhnev assumes the chairmanship of the Presidium, not only will he have the trappings of chief of state for his visit to Paris later this month but, more importantly, when the constitution is ratified next fall he will also have new tools to use against the government bureaucracy.

A new position—first deputy chairman of the Supreme Soviet Presidium—has been established, presumably to assist the Supreme Soviet with protocol duties. Premier Kosygin's retirement, should it come, and this new position will open up important additional vacancies in the top leadership, and further shifts are to be expected.

In defining the relationship between the Supreme Soviet and the Council of Ministers more precisely than does the 1936 constitution, the draft charter specifically gives the Supreme Soviet and its Presidium the power to decide on all matters of state, economic, social, and cultural developments, and to control the execution of those decisions by the Council of Ministers.

More importantly, the draft gives the Supreme Soviet and the Presidium more political muscle. Supreme Soviet deputies will have the right to address inquiries to

government organizations and officials, who must reply at a session of the Supreme Soviet.

The draft also transfers the system of people's control committees from the executive branch, where it served essentially as a powerless watchdog, to the Supreme Soviet, where in the hands of a vigorous Presidium chairman it could be used to spotlight bureaucratic obstructionism.

In the 1936 constitution, government ministries were listed individually. In the new draft, they are referred to in general terms and in broad blocks of responsibilities. In his speech to the Central Committee plenum last month, Brezhnev explained that this would relieve the Supreme Soviet of the necessity of amending the constitution each time a ministry is established or its responsibilities revised. In addition, however, the change may make it easier for Brezhnev and others long interested in streamlining economic management to effect a reorganization of the ministerial structure.

The guiding role of the party has been more explicitly spelled out and given added prominence. Recognition of the multinational character of the USSR has been made more explicit. For example, the right to schooling in minority native languages, which is provided for in laws on education and the nationalities, has now been enshrined in the draft constitution.

On the other hand, in spelling out in greater detail the relationship between the central authorities and the republics, there is heavy emphasis on strengthening integration and control at the center.

Brezhnev, in fact, alluded to this at the Central Committee plenum last month, his carefully chosen phrases indicating the sensitivity of the shift.

The draft contains several concessions to the interests of senior party secretary Suslov. For example, of the six major tasks identified for the current stage of the



General Secretary Brezhnev

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USSR's development, the first three are in the field of ideology. Brezhnev's oft-repeated desire to raise the standard of living follows in fourth place, ensuring national security is fifth, and helping to strengthen peace and promote international cooperation ranks sixth.

A brief foreign policy section in the draft constitution incorporates key phrases Brezhnev has voiced before in summarizing the USSR's diverse aims abroad. The order in which these are listed in the draft is intended to indicate Soviet long-term priorities.

- First, the preservation of favorable external conditions for internal Soviet development and the strengthening of the position of "world socialism"—that is, those communist countries dominated by the Soviets and those world communist parties still on speaking terms with the Soviets.

- Next, support for "national liberation" struggles—meaning anticolonialist movements of the third world—and "social progress"—meaning the improvement of communist positions in the capitalist world.

- Then, the prevention of "wars of aggression," and the implementation of peaceful coexistence with the capitalist states.

The order adopted for the draft constitution is consistent with recent Soviet practice, and probably is congenial to such ideologues as Suslov. At times in the past, peaceful coexistence ranked higher in Soviet foreign policy goals than it does here.

Another article in the foreign policy section repeats, without attribution, the 10 principles of the Helsinki Final Act, reaffirming Soviet determination to adhere to the line of Brezhnev's peace program. The draft elevates to first place the CSCE provision on nonuse of force to settle disputes. This may have been influenced by the ongoing Soviet campaigns to promote multilateral treaties on non-use of force and non-first-use of nuclear weapons in Europe. There is evidence that the Soviets are planning very widespread and lengthy diplomatic efforts on behalf of these proposals, particularly the second one.

A section on defense in the draft constitution contains assurances to the

military that everything necessary for the defense of the country will be provided. The draft also specifies that the Supreme Soviet Presidium will formally appoint the members of the Defense Council, raising the possibility that the membership will for the first time be published.

Obviously with an eye to the coming CSCE review conference opening on June 15 in Belgrade, the section on human rights has been expanded, but deals primarily with those rights involving physical well-being—the rights to work, to housing, to medical care, and to pensions. The civil liberties section is unchanged, but strengthens the previous constitution's admonition that these rights must be exercised only in support of the interests of society and the state.

There are new provisions, however, that give citizens recourse against the actions of officials, to sue those officials, and to seek compensation for damages deriving from unlawful actions of state or public institutions. These provisions appear designed to protect the nonpolitical citizen, not dissidents or other would-be

reformers of the system.

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Brazil is unable to meet present or future energy requirements from domestic resources and hopes to establish a nuclear industry by the turn of the century.

N.S.

Brazil: The Nuclear Alternative

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Brazil is laying the foundation for a nuclear industry to meet its electric power needs. Hydroelectric sources will be fully used toward the turn of the century, and Brazil hopes to achieve nuclear self-sufficiency by establishing a complete nuclear fuel cycle. The large investments needed may worsen Brazil's balance-of-payments situation over the next decade or so, but in the long run, establishment of

a nuclear industry would bring substantial savings of foreign exchange.

Imported energy accounts for nearly 30 percent of Brazil's total import bill and is the largest single component of its huge current-account deficits in recent years. Imported energy, almost entirely petroleum, met about 47 percent of total energy requirements in 1976, up from 43 percent in 1970.

Hydroelectric power, the major domestic energy source, meets one third of

Brazil's energy needs; most of the remainder is met by oil, more than 80 percent of which is imported.

Requirements

Demand for electricity will continue to grow rapidly. Brazil could require as much as 180 million kilowatts of electric power capacity by the turn of the century, up from 21.8 million kilowatts at the end of 1976. Hydroelectric capacity is expected to reach only 110 million kilowatts by the year 2000. Only about one third of

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potential hydroelectric power is in south-central Brazil where nearly three fourths of all electricity consumption takes place. About two fifths of Brazil's power potential is in the Amazon region, too remote for economic transmission to major consumption centers.

Brazil plans to have only 15 million kilowatts of conventional thermal capacity by the turn of the century unless large petroleum reserves are found. The country's large coal reserves have been neglected because of their low heat and high sulfur and ash content.

The government has increased oil exploration, spending \$400 million on domestic exploration last year, compared with only \$140 million in 1973. Brazil has broken a long-standing policy by bringing foreign oil companies back into domestic oil exploration.

The Nuclear Option

Policymakers are turning to nuclear energy against the contingency that oil discoveries will fall far short of requirements.

The nuclear agreement signed in 1975 with West Germany is designed to meet Brazil's requirements through 1990, the first stage of the current nuclear development program. Under the accord, Brazil will buy four 1,300 megawatt reactors with an option on four more. Brazil will also receive a pilot uranium enrichment plant that can be expanded to commercial scale, a fuel fabrication plant, and a fuel reprocessing plant. If the agreement is fully carried out, Brazil will have 10,000 megawatts of nuclear capacity by 1990, enough to meet 5 percent of the economy's energy needs.

Reported cost estimates for the West German agreement range from \$4 billion to \$10 billion. Assuming that Brazil acquires the full package—eight reactors and a complete fuel cycle large enough to support them—the total cost will probably approach \$13 billion.

Brazil's known uranium resources cannot support its nuclear development plans. Official reserves are estimated at about 26,000 tons of U308, little more than the amount needed to provide the



Nuclear plant under construction in central Brazil

first core and 10 annual reloads for the 8 reactors. Undiscovered uranium may exist in significant amounts, however, and exploration now under way has turned up evidence of uranium deposits at a number of sites.

Balance of Payments

During its early years, the nuclear energy program could add slightly more to Brazil's foreign-exchange expenditures than would thermal power. Over the longer term, however, a nuclear program should greatly ease energy import expenditures.

Including capital costs for the fuel cycle, for example, total foreign-exchange expenditures required for the first 1,300 megawatt reactor—scheduled for completion in 1983—would be approximately \$1.6 billion, almost all of which would be spent during the first 5 years of its expected 30-year life. Unless large uranium reserves are found, an expanding nuclear power industry would require growing fuel imports. Barring a radical change in uranium prices compared with those of other fuels, however, uranium import costs would be relatively small.

If an equivalent conventional power plant fired with imported oil were built instead of a nuclear reactor, foreign-exchange costs over the 30-year period probably would exceed \$4.5 billion. Although conventional plants cost less than nuclear plants, and Brazilian in-

dustry could supply more than 90 percent of an oil-fired plant, fuel imports would cost about \$150 million annually. These costs, moreover, probably would continue indefinitely.

Foreign-exchange savings per unit will increase as additional reactors are built and as Brazilian industry expands its ability to supply reactor components. By the late 1980s or early 1990s, Brazil probably will be able to manufacture 80 to 90 percent of the components for its new reactors.

Imported enriched uranium fuel for a 1,300 megawatt reactor operating 70 percent of capacity would cost about \$40 million annually. Domestic enrichment would cut this cost in half, and recycling the uranium and plutonium contained in the spent fuel could reduce it to as little as \$14 million per year—about one tenth the cost of the oil imports needed to generate an equal amount of power.

Despite large foreign-exchange savings per reactor, Brazil's nuclear program may have little beneficial impact on the balance of payments until after the year 2000, when the growth of hydroelectric capacity levels off. If nuclear power were not available to replace hydroelectricity, however, the cost of energy imports by the year 2010 would be nearly twice the cost of fuel imports with a self-sufficient nuclear industry—and perhaps considerably more.

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South Africa's white government remains firmly committed to apartheid, and neither outside pressures nor actions by the black majority are likely to effect meaningful changes in the system any time soon.

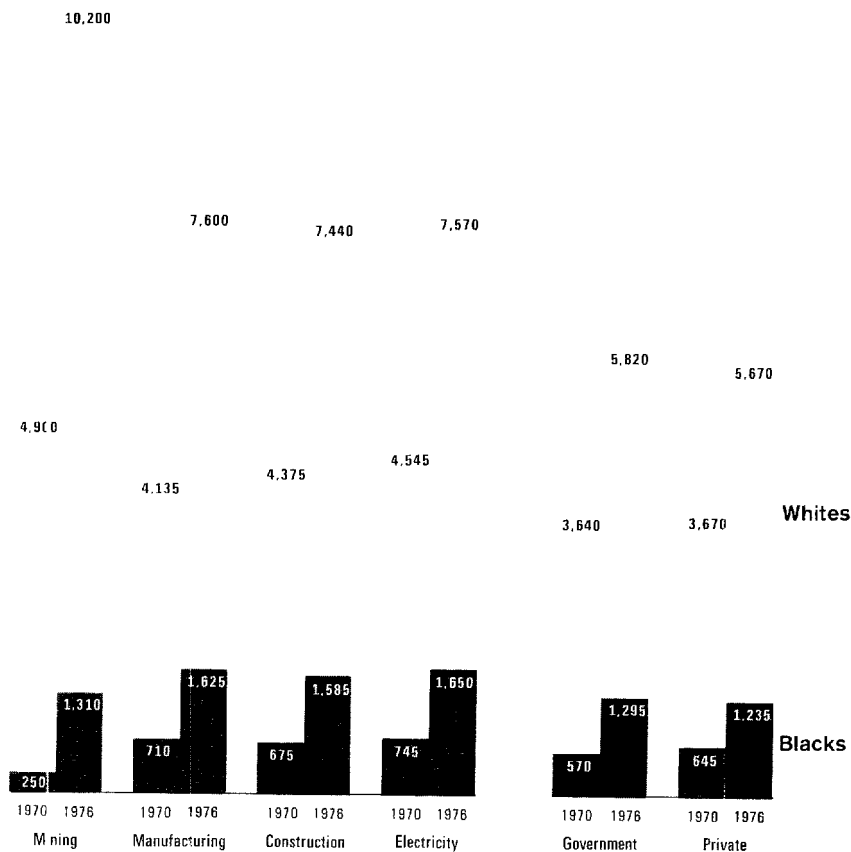
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South Africa: The Economics of Apartheid

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SOUTH AFRICA: Expanding Black/White Wage Gap

Annual Wages (US \$)



Basic Industries: 1.7 Million Blacks
0.4 Million Whites

Services: 1.0 Million Blacks
0.8 Million Whites

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Apartheid, to which South Africa is firmly committed, is designed to maintain the essential labor contribution of blacks to a white-run economy. The economy is divided into two labor markets: one for whites restricted largely to skilled and management positions, for which there are personnel shortages; and one for blacks consisting of semiskilled and unskilled jobs, for which there are massive personnel surpluses. The division is maintained by laws, customs, white union regulations, and the overwhelming advantage of the whites in education and training.

Although blacks have received steady wage increases in the past few years, the income gap between blacks and whites has continued to grow. In industry and government, for example, the gap between average current wages of blacks and whites widened from about \$3,350 in 1970 to \$5,000 in 1976. Whites now receive about 65 percent of the national income but account for only 17 percent of the population.

Outlook for Change

Widespread rioting last summer and fall represented a spontaneous expression of urban black frustrations with apartheid, not the kickoff of organized battle against the system. Students and teenage dropouts—objecting to the Afrikaans language curriculum in schools—were the principal participants. Support from the black working class was

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short lived, reflecting fears for job security.

The riots caused roughly \$50 million in physical damage. They weakened Pretoria's standing in Western credit markets and provoked a sharp drop in private foreign investment, forcing the leadership to prolong controls on imports and government spending. But the government made few concessions to the young blacks: Afrikaans language is no longer obligatory in black schools, and blacks are now permitted to buy instead of rent homes in black townships. More unrest is likely but is not apt to bring important changes soon in the system.

The South African government is unlikely to cut white living standards to accelerate black progress. To do so would require a turnaround in the key apartheid policy of protecting the whites' economic position. Labor and social legislation passed in the last few decades has been to ensure the opposite—reinforcement of white advantages.

International economic pressures against apartheid are still too weak and disorganized to force meaningful reform. In general, foreign firms in South Africa have adapted to apartheid, changing their own employment practices only when pressured by church groups, stockholders, or home governments. Pretoria has either accepted or ignored such changes, leaving management and unions to deal with local labor matters. Foreign firms are not willing to jeopardize their position by taking part in political actions aimed at breaking down the system.

Optimism that normal market forces arising from economic growth would bring evolutionary change is not being realized. Growth had been expected to sop up the pool of black unemployed and gradually bring black opportunity and economic participation into equality with whites.

Reduced infant mortality among blacks since the 1950s, however, has pushed the growth of the black labor force well past the ability of the economy to absorb it, particularly since the recession in 1975 and 1976 slowed the growth of job



A supermarket gutted by fire during rioting in a black township in Cape Town

openings. Moreover, whites have successfully tinkered with job definitions and pay scales to preserve their prerogatives in cases where blacks have moved up to skilled positions.

At current economic growth rates—3.6 percent annually during 1974-1976—job openings for blacks are falling far short of the increase in the black labor force. Black entrants into the labor market in these two years are estimated to have outnumbered nonagricultural job vacancies by 155,000 a year; the excess was 100,000 a year in 1971 to 1973. Adding to the problem is a steady decrease in agricultural jobs because of mechanization.

An annual gross national product growth rate of about 7 percent would probably be needed to absorb labor force increases and cut into the existing pool of unemployed during 1977 to 1980.

Foreign exchange limitations, however, point to an economic growth rate considerably short of the long-term average

of 5 percent. No extraordinary spurt in foreign exchange income is in sight to fund the imports of raw materials and capital equipment needed to boost growth. More rioting would cut into capital inflows and force Pretoria to tighten controls in imports.

Moreover, South Africa receives no foreign aid now and is not likely to in the future. Pretoria is anxious to insulate itself from outside pressures and probably would be reluctant to accept any foreign assistance with strings attached.

Under present conditions, progress by blacks will most likely be along the lines already established—gradual expansion of black training programs, more electrical hookups to township housing, grudging pay raises, erosion of rules on separate facilities, and perhaps more steps toward local self-government for the townships around white cities. Improvement in the black standard of living will continue to be very slow.

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Communist leader Carrillo has a strong grip on the party leadership and is a force for moderation in party councils, working to dominate the labor movement and make the party a respectable and important influence in parliament.

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In the Spanish election scheduled for June 15, the Communist Party is likely to win about 10 percent of the vote, but party boss Santiago Carrillo will have to deal with significant problems inside his party once the election is over. Carrillo will probably hew to the party's moderate line, but he could be in trouble if the party stumbles badly at the polls. Given Spain's economic problems, he will also find it



Santiago Carrillo

hard to maintain his party's leading role in organized labor and at the same time avoid confrontation with the government.

The Spanish communists have emerged quickly and confidently from the years of repression and clandestine operation under Franco. The party's surprisingly rapid acceptance in a country weighted down by bitter memories of the civil war and almost 40 years of anticommunist rhetoric is a tribute to the population's support for reconciliation of the "two Spains"—the concept encouraged by King Juan Carlos and Prime Minister Adolfo Suarez.

The party's success is also traceable to the astute policies of communist leader Santiago Carrillo who, since the late 1960s, has fostered a party image of moderation and respectability. Overcoming initial internal resistance, Carrillo rejected the Soviet system as a model and asserted the primacy of Spanish national interests over the interests of the USSR. He advocated the "Eurocommunist" commitment to pluralistic democracy, civil liberties, and other principles common to most West European democratic parties.

The legalization of the party on April 9 vindicated, for the time being, Carrillo's strategy of working within the post-Franco constitutional system. His opponents in the party maintain, however, that the party was legalized because of its weakness, rather than its strength, and Carrillo must still convince them that his is a viable road to power.

Spain: Communist Prospects

The communists have assets in the scramble for votes. The party has:

- An experienced political organization that is well-established in nearly all of the country's 50 provinces and is particularly strong in the most populated urban areas.
- A strong leadership with a well-defined and articulately presented political strategy.
- A formidable propaganda machine, including a clandestine radio station that broadcasts from Romania.
- A firm base in organized labor; it controls the most powerful of the newly-legalized trade unions, the Workers Commissions.
- An unassailable record of opposition to Franco.

These strengths contrast with the disarray of most Spanish parties. Communist domination of working class neighborhood associations, which have established a sound reputation for resolving grievances, could be especially effective in turning out the vote, and possibly boost the party's share over the 10 percent mark.

The party's showing at the polls will be affected, however, by the civil war legacy of distrust that persists in the military and in many quarters of the civilian population, even among leftists. Furthermore, the wrenching transformation from a tightly-controlled and dedicated clandestine organization to an "open party" has opened old wounds and inflicted new ones in the party itself.

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The Return of La Pasionaria

Some of these problems were highlighted by the return to Spain last month of Dolores Ibarruri—the 81-year-old titular head of the party—after nearly 40 years of exile in Moscow. At her first public appearance, an emotional rally of some 35,000 supporters, “La Pasionaria” embarrassed the party’s leadership by praising the USSR and declaring that Eurocommunism does not exist. Subsequently the party announced that “health reasons” prevented her from participating in the ensuing press conference. Carrillo and Ibarruri have both stoutly denied that they have policy differences, but Carrillo confessed to reporters that he found her remarks about Eurocommunism “very strange.”

La Pasionaria’s peccadillos are not in themselves significant since she has little power in party councils. They are, however, symbolic of two deep divisions that have long existed with the party. A hard-core Stalinist minority remains out of tune with Carrillo’s moderate line, and a “generation gap” separates many of the elderly members who fought in the civil war and endured imprisonment and exile during the Franco era from younger militants who chafe under the party’s older leaders.

During the past few months Carrillo has had to fight dissension on both these fronts. Older rank-and-file Stalinists—pointing a contemptuous finger at the party’s recent efforts to avoid confronting the government in the streets—accuse him of having made too many concessions as a price for legality. Younger militants also object to his moderate approach to the government and complain about the authoritarian way he imposes his Eurocommunist policy on the party.

Carrillo is a tough infighter who has survived nearly 40 years in the upper councils of the party. He has defeated the Stalinists before—most decisively in the early 1970s when he expelled a Soviet-backed faction led by Enrique Lister—and probably feels confident that he can contain them again. The Stalinists

are not likely to pose a serious threat unless Carrillo fails to prove that his tactic of moderation is benefiting the party—for example, if the party does not win the predicted 7 to 10 percent of the vote in the coming election.

Carrillo seems more concerned by the “generation gap.” It will not go away if the party is successful at the polls; a strong electoral showing could even encourage militants to press demands for greater internal democracy. This form of dissidence is also likely to increase as the party expands and draws in members who have not been subject to party discipline in the past.

Growing Dissent

The first rumbling that there was growing dissent appeared in the Spanish press in early April after a group of communist lawyers issued a document criticizing the party’s leadership. In it they charged that the party had lost its revolutionary character and accused Carrillo and his colleagues of making deals with the government. They further noted with regret that although the party was on the verge of legality there had been no increase in its internal democracy. Finally, the lawyers proposed that all members of

the party’s leadership be democratically elected.

Internal criticism of Carrillo’s policies reportedly increased dramatically following a plenum of the party’s central committee in mid-April. The central committee, apparently alarmed by the Spanish military’s strongly negative reaction to the party’s legalization, attempted to mollify the armed forces by announcing the party’s acceptance of the Spanish flag, its support for the monarchy (as long as the monarchy works for democracy), its commitment to national unity, and its dedication to democracy.

The central committee reached these controversial decisions without consulting the rank and file, and the statement raised a howl of protest when party members read about it in the press. Although the protests focused on specific issues, it was the authoritarian manner in which the decisions were reached that sparked most of the criticism.

In Catalonia, where the opposition is traditionally anti-monarchical, some party militants told the press that they were Republicans before they were Communists and boasted that the Catalan party base simply would not accept the



Dolores Ibarruri, titular head of Spain's Communist Party

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decisions. Apparently party officials from Madrid were able to smooth over differences for the time being. The incident could, however, foreshadow problems between the central party leadership and the strong, nominally autonomous regional branches.

Carrillo's Defense

Carrillo and his colleagues have met specific criticism of party decisions by stressing that they were necessary, tactical, and successful in allaying military fears.

The criticism of the party's lack of internal democracy is hard to counter, however. Officially, Carrillo endorses the principle of democratic centralism, under which party members are free to discuss issues within the organization but only until a decision has been reached.

One of Carrillo's most effective tactics has been to insist that the party must close ranks and allow nothing to interfere with the effort to win as many votes as possible in the election. His efforts appear to have succeeded, and for the past month the party membership has been pulling more or less in the same direction.

Rumors of Carrillo's imminent ouster

abound, but this does not seem likely any time soon. His success in containing dissidence during the critical pre-election period implies that he is still firmly in control. There is no viable alternative.

Carrillo's Goals

Carrillo's twin goals reportedly are to build the Communist Party into a respectable organization that can exert its influence through parliament and to consolidate the party's dominance of labor. He estimates that becoming a genuine opposition power will take three to five years.

In order to achieve these goals, Carrillo must convince skeptics in both his party and the military that the democratic system will work in Spain and that the communists should take part in it. Toward this end, Carrillo seems likely to urge that the party:

- Cooperate informally with Spain's moderate, centrist majority to ensure the political stability necessary to prevent military intervention.
- Resist political polarization in the country that might enable the hostile and frustrated right wing to pull off a military coup.
- Play down demands for radical change in the economy in order not to

discourage foreign investment necessary for growth.

- Act with as much restraint as possible in labor matters to avoid economic destabilization.

- Pursue a Eurocommunist foreign policy, advocating Spanish membership in the EC, acquiescing in the defense treaty with the US and possibly membership in NATO, and criticizing the USSR when the occasion arises.

So long as the party perceives the military to be a potential threat—it is the only remaining Francoist force capable of reversing the party's legalization—and so long as the party does not suffer significant reverses in elections or parliament, party members are likely to accept this approach.

Carrillo's goal could conflict, however, with his effort to establish the party as the only true representative of the working class. The greatest strain on his policy will almost certainly come from organized labor, especially if the next government imposes harsh austerity measures. There have already been signs that the communists will have trouble, even in the party-dominated Workers Commissions, making their political objectives mesh with worker demands.

Last fall, when the Workers Commissions abandoned for the time being attempts to build a single, united labor confederation and played the government's game by applying for legalization as a trade union, several radical factions pulled out, exposing the communists as the moving force behind the union. Since then, the Workers Commissions have sought to avoid any confrontations with the government that might endanger the Communist Party's bid for legality.

Last month, during the turbulent Basque campaign for full political amnesty, the Communist Party and the Workers Commissions refused to support the call for a nationwide general strike. They asserted that strikes and demonstrations might jeopardize the parliamentary elections. This stand not only provoked

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criticism from other leftists but also tore open the papered-over rift between communists and noncommunists in the Workers Commissions.

Noncommunist members complained bitterly and publicly that the communist leaders of the union were using the Workers Commissions for political purposes at the expense of workers' interests. A Basque branch of the Workers Commissions went so far as to condemn the action of the confederation's national leadership and called for the resignation of Marcelino Camacho, the communist head of the organization.

Some degree of control over organized labor will be a prerequisite for the continuation of Carrillo's policy of moderation. Without this major trump card, the party would have little negotiating power

with the next government. But the party has a thin line to walk if it is to enhance its leverage with the labor rank and file without jeopardizing its new image of respectability in the country as a whole.

The potential conflict between Carrillo's two major goals could lead to renewed questioning within the party of the wisdom of his policies. Carrillo's support among the leadership of the party seems sound, and the people most likely to move onto the central or executive committees in the near future—a large number of members on both committees is over 60 years old—seem likely to endorse his line.

The depth of support in the party, however, is more difficult to gauge. The party rank and file probably does not fully

understand Carrillo's rationalization for the break with Moscow, the Eurocommunist line, or the declaration of support for the monarchy. Party members have, however, demonstrated a willingness to follow Carrillo's lead—either because they believe in his concepts or because they have accepted the tactical necessity of his policy.

Carrillo is a past master at riding the currents of change and achieving unity among bickering factions. His grip on the party is strong enough, and his ambition great enough, for him to retain control even during the period of economic and social turbulence that may follow the election this month. As long as he is at the head of the party, radical changes of policy are unlikely.

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China in recent months has moved to restore discipline in the schools and—within limits—to ease restrictions on cultural activity.

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China: Educational and Cultural Reform

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Since the purge of China's leading leftists last October, Peking has taken several steps to improve the Chinese educational system and to relax the stranglehold on cultural life. Peking's call to "let a hundred flowers bloom" in literature and the arts, however, has so far focused on the revival of older, politically acceptable works, rather than on the creation of new and innovative ones. China's leaders, moreover, seem willing to allow real debate only in fields—such as science and technology—that might benefit China's economic development.

Discipline in Schools

One of the most important steps has

been an attempt to restore discipline in Chinese schools, many of which have been torn by factional struggles and undermined by lax educational policies since the Cultural Revolution a decade ago. The latest effort to restore discipline first became apparent early this year in news articles that attacked the leftists for undermining the authority of teachers and encouraging students to revolt. An article in *People's Daily* in February, for example, denounced the leftists for wanting to "make revolution without teachers" and for encouraging students to believe that their only job was to transform other people's attitudes, not their own.

An item in the *Kuangming Daily* in March was even harsher, charging that

leftists had "upset the regular order of schools," abolished school discipline and "rational rules and regulations," and tried "by every means to create chaos in schools"—moves that were "contrary to Mao Tse-tung's principles."

In February, central education authorities ordered students to stop attacking their teachers for political mistakes, to study conscientiously, and to pay attention to their teachers. Several schools have tried to implement these orders. A school in Honan Province has been made a model for reimposing discipline in schools throughout the country.

In some schools, proposals have been discussed for strengthening discipline, including the reintroduction of strict

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grading standards. A school in Canton requires students to hand in work on time, attend lectures, and remain quiet in class. Repeated offenders are called before the school's revolutionary committee, and, in extreme cases, may be expelled.

Efforts to restore order in Chinese schools have been helped by the resumption of strict grading standards and exams, especially college entrance exams. The leadership has found that students whose careers depend at least in part on academic achievement, rather than on vague standards of political reliability, have been less inclined to engage in disruptive political activities. On the other hand, continued propaganda stressing discipline in schools may also reflect some resistance on the part of students disgruntled with the purge of the leftists, who had worked actively to gain the support of young people.

Cultural Revival

In the cultural field, a number of films and plays produced before the Cultural Revolution and later banned by the leftists have been revived. Although these works are hardly innovative by Western standards, they have helped to enliven the drab Chinese cultural diet.

There also has been a revival of folk art and culture. In February, a national fine arts exhibition featuring many traditional-style paintings, cartoons, and sculptures opened in Peking. Tibet celebrated the new year with programs on Tibetan folk art. Such presentations had been taboo in China since the Cultural Revolution.

Revivals of cultural works are also being discussed in a more touchy area—Chinese literature written before the Communists came to power in 1949. Although many of these works are still unavailable, Chinese students in at least one university reportedly have asked for novels written by "progressive writers" of the 1930s. At Fudan University in Shanghai, students have put up posters demanding broader courses in literature.

Finally, there has been a greater openness to foreign literature, music, and art. For the first time in several years



Electronics class in Swatow, Kwangtung Province

Western music can be heard in China. During a recent visit, the Canadian Brass Quintet played works by Beethoven and won a "tumultuous ovation." More surprisingly, China's Central Philharmonic Orchestra commemorated the anniversary of Beethoven's death by playing his Fifth Symphony. In April, the Stuttgart Chamber Orchestra performed works by Bach, Mozart, Gluck, and Pachelbel—composers who, with Beethoven, were until recently condemned as products of bourgeois culture.

Chinese media have praised the literature and art of ancient Greece, the Renaissance, the Enlightenment, and the 19th century, and recommended the works of Tolstoy, Chernyshevsky, and Gorky. Study of these works, they have argued, could improve China's proletarian literature and art. The government recently took a step to make such works available by announcing that it is lifting the 10-year-old ban on Shakespeare and publishing a new Chinese language edition of his works.

There have even been hints that the Chinese might be ready to consider increasing cultural exchanges with the West. During a recent visit of the Shanghai Ballet to Paris, a Chinese official suggested that China might be willing to return "to the attitude of developing cultural exchanges with other coun-

tries."

Although these revivals of Chinese and foreign literature and art have enlivened the Chinese cultural scene, they have not produced a cultural renaissance nor even a Soviet-style "thaw." There have been few, if any, signs that the government is encouraging new and original works of art. No innovative films have appeared, no new, nonpolitical works of literature have been written, and no original music has been composed. Recent editions of poetry and literature journals have featured not works of creative imagination, but politically motivated tracts.

There have been some signs that this is all the government wants—that there are limits to debate and cultural flowering beyond which it is unwilling to go. Last month, for instance, an article in *People's Daily* attacked the notion that authors should be free to write on any subject they please. Contemporary literature and art, it said, should deal only with those subjects that serve the revolution.

In 1957, when "letting a hundred flowers bloom" was last a national policy for literature and art, the Chinese interpreted the policy as permission not only to produce more original artistic works, but also to criticize the government and its policies—something the government certainly wants to keep from happening again.

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