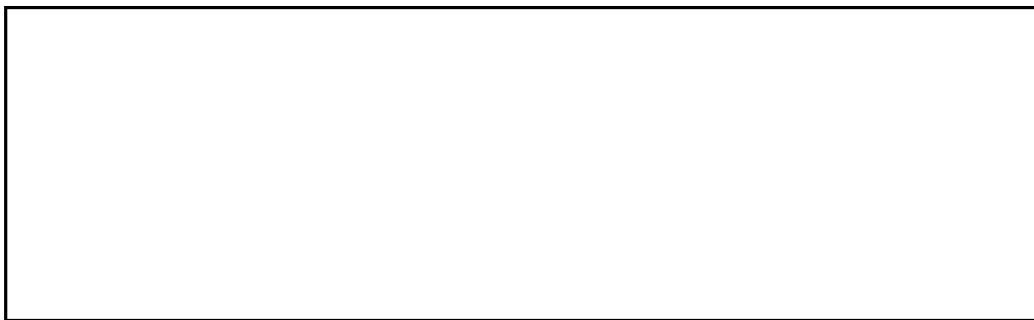


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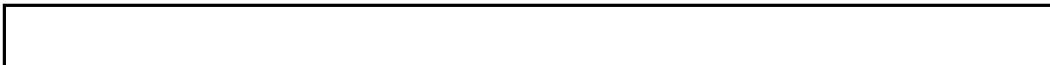


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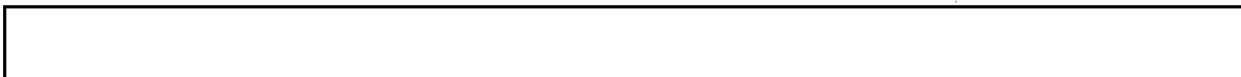
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Madrid Sends Reinforcements to Spanish Enclaves
in Morocco

Spain's move over the weekend in sending naval and marine reinforcements to its enclaves of Ceuta and Melilla on Morocco's Mediterranean coast was evidently designed to make clear Madrid's rejection of Moroccan claims to the territories.

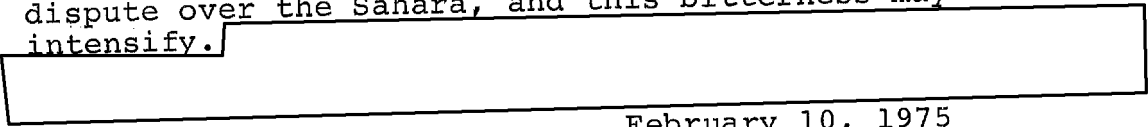
Late last month, Rabat made a formal demarche to the UN Committee on Decolonization requesting an examination of the status of the Spanish enclaves. Moroccan Foreign Minister Laraki followed this with a call for the return of the two enclaves, as well as Spanish Sahara. The Moroccan move is seen as an effort by King Hassan to enhance his domestic prestige, now that interest in the Spanish Sahara question is diminishing, following referral of that issue to the International Court of Justice.

The Moroccan action on the enclaves provoked surprise, alarm, and near-unanimous indignation in Spain. Spanish military contacts of the US defense attaches in Madrid immediately stressed that, although Madrid intends to withdraw from the Sahara, it will never withdraw from the enclaves.

Spanish officials are aware of their vulnerability on the Ceuta and Melilla issue in the UN because of the strong influence exerted in that forum by the third world nations, which support decolonization. The US embassy in Madrid believes that if Spain loses in the UN on this issue, it will ignore any subsequent resolution calling for withdrawal from the enclaves.

The enclaves issue is also likely to affect Madrid's relations with the US. Spain may raise this issue with the US in the negotiations that resume today in Madrid over renewal of US base rights in Spain. Spanish officials reacted negatively to news of US arms sales to Morocco during the Spanish-Moroccan dispute over the Sahara, and this bitterness may intensify.

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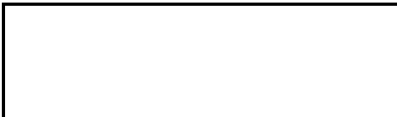

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New Government in Faeroe Islands

Two of the three parties in the coalition government that came to power in the Faeroe Islands after the Danish elections on January 9, favor increased self-rule and have taken a stand against allowing NATO facilities to remain in the islands. Despite the likelihood that the Faeroes will demonstrate increased assertiveness in its relations with Copenhagen, the new coalition has agreed that no changes should be made in the fundamental relationship between the Faeroes and Denmark for the next four years. Even if the question of NATO facilities is raised, Denmark is unlikely to relinquish responsibility for the islands' foreign relations and assuring their defense as a part of NATO.



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NATO Assesses British Defense Review

The discussion of the UK defense review in NATO's Defense Planning Committee on Friday represented a grudging acceptance of unpleasant reality. In general, the NATO ambassadors sympathized with the UK's economic plight but criticized the proposed defense program because it would weaken NATO's northern and southern flanks and have an adverse political and psychological impact.

The UK permanent representative, Sir Edward Peck, clearly set the limits of the debate when he said that the UK's decision to reduce defense spending is firm. His government would be willing to consider modifications of its defense program within these spending limits, according to Peck, but it could not reconsider the level of spending.

Nearly all representatives who spoke expressed understanding for the UK's situation. Several of them--mindful of the defense cutbacks their own governments had been forced to make--echoed the Dutch permanent representative, who remarked that "people in glass houses should not throw stones." The representatives were nevertheless well aware that the reductions the UK is contemplating in its NATO commitment are the most significant the Alliance has ever been asked to consider.

Several representatives agreed with the NATO Military Committee's pessimistic assessment of the impact of the British actions on NATO's defenses. The Italian representative bemoaned the UK's planned departure from the Mediterranean and asked if London could not at least maintain its capability to reinforce the southern region.

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The Belgian representative asked if NATO's southern flank still existed and if it were possible to defend it. The West German, Danish, and Norwegian representatives all were concerned about the UK's intention to reduce significantly its capability to reinforce NATO's northern region.

The Belgian representative thought that the proposed UK cutbacks called NATO's strategy into question and weakened the Alliance's ability to deter aggression. Consequently, there would be a "most striking effect" on public opinion. The Dutch representative thought that allied "cohesion, solidarity, and resolve" would suffer.

Despite the hand-wringing, the discussion produced very few practical suggestions about how the UK could maintain its activities on NATO's flanks while still reducing defense expenditures. Only the Canadian representative echoed Ambassador Bruce's suggestion that the UK might realize some savings through cooperative programs, such as the standardization of weapons.

NATO Secretary General Luns intends to send a letter to UK defense minister Mason this week summarizing the views heard in the debate and expressing the hope that consultations between the UK and its allies on the defense program will continue until final decisions are made in London.

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West Europeans Searching for Ways to
Support Portuguese Moderates

West European officials are expressing growing concern about the drift to the left in Portugal, but are having trouble finding ways to lend support to moderate forces.

Although confused by Portuguese developments, many officials believe that the future of democracy in Portugal depends on the elections taking place on schedule, not later than April 25. The officials are aware of estimates giving the Portuguese Communist Party less than 10 percent of the vote. They nevertheless fear that the Communists may attempt to postpone or subvert the elections in order to retain their appearance of strength.

The actions by extreme leftists in breaking up a center-right party congress in Oporto last month received much attention in the European press, especially since representatives of several West European parties were there.

The inability of the Portuguese government to specify its aid requirements has frustrated the other Europeans in their attempts to provide direct bilateral aid to Portugal. The UK has embarked upon a modest assistance program, however, and Norway is at present negotiating a technical assistance pact.

Several EC capitals have expressed interest in a Dutch proposal to "untie" development aid to the former Portuguese colonies, thus allowing them to turn to Portugal instead of the donor country for goods and services.

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The French, Danes, and Italians want to use EC channels to provide governmental assistance, but the EC Commission is reluctant to commit the community to any long-term preferential arrangements until the political situation in Lisbon stabilizes. EC Vice President Soames will visit Portugal this week to discuss the aid situation and to publicize EC interest in Portugal.

The intent of this visit and that of UK Foreign Secretary Callaghan's last week is to provide moral support for Portuguese moderates. In the period prior to the elections, such visits by European leaders may provide the best means by which Europe can respond to Portuguese Foreign Minister Soares' recent call for support of pluralistic democracy in Portugal.

The Dutch Socialist Party, meanwhile, has launched a campaign to collect funds for its Portuguese counterpart. Social Democratic and Labor parties in the UK, Italy, and West Germany are also considering various forms of direct party-to-party assistance.

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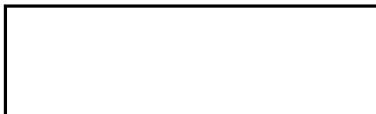
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ANNEXUNCTAD Commodity Talks

At this week's meeting in Geneva of the committee on commodities of the UN Conference on Trade and Development (UNCTAD), the developing states will take a major step in their efforts to breathe life into the resolutions demanding a "new economic order" which they have imposed on UN members. The overwhelming majorities enjoyed by the developing countries enabled these states, at a special session of the UN on development last spring and at the UN general assembly in the fall, to adopt steamroller tactics and force adoption of a *Declaration for a New World Economic Order* and a *Charter of Economic Rights and Duties of States*. Both included provisions unpalatable to most of the industrialized states. Other meetings are scheduled for this year and next on the problems of the developing states, the most important of which are another special UN general assembly in September 1975 and a major UNCTAD gathering in Nairobi in May 1976.

This week's Geneva session comes on the heels of a meeting last week in Dakar of 70-odd developing states aimed at establishing a common position on commodity and development issues.

At the Dakar conference, the participants recited their familiar litany of complaints over exploitation by the industrialized states. The developing states agreed to seek "economic emancipation through the recovery and control of their natural riches and resources and the

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means of their economic development." They further pledged unity in the case of aggression-- "economic or otherwise"--directed against developing states.

The delegates endorsed the communique issued at last month's OPEC ministerial meeting in Algiers which calls for expanding the scope of a French-sponsored meeting of oil producers and consumers to include raw materials and development. The developing states also demanded that they be allowed to select their own participants in the meeting rather than allow France to invite whom it chooses.

The principal debate in Geneva will be over an "integrated program for commodities" prepared by the UNCTAD secretariat in response to one of the provisions adopted at last spring's special UN session. The corollary issue of indexation--tying the prices for raw material exports to those of manufactured goods imported by developing countries--will not be emphasized in Geneva because the developed states want to avoid the subject at all costs and the developing countries have agreed to give priority to the integrated program on commodities. Indexation will nevertheless return to influence future meetings on development because many of the developing states feel some such scheme is the only means by which they can maintain the earning power of their exports.

Integrated Program

The integrated program would establish international stocks for a number of commodities to be used to stabilize prices at remunerative levels for the producers. The stocks would be financed by a central fund to which producers and consumers would contribute. For commodity markets in which stockpiles could not provide stability or would be difficult to maintain

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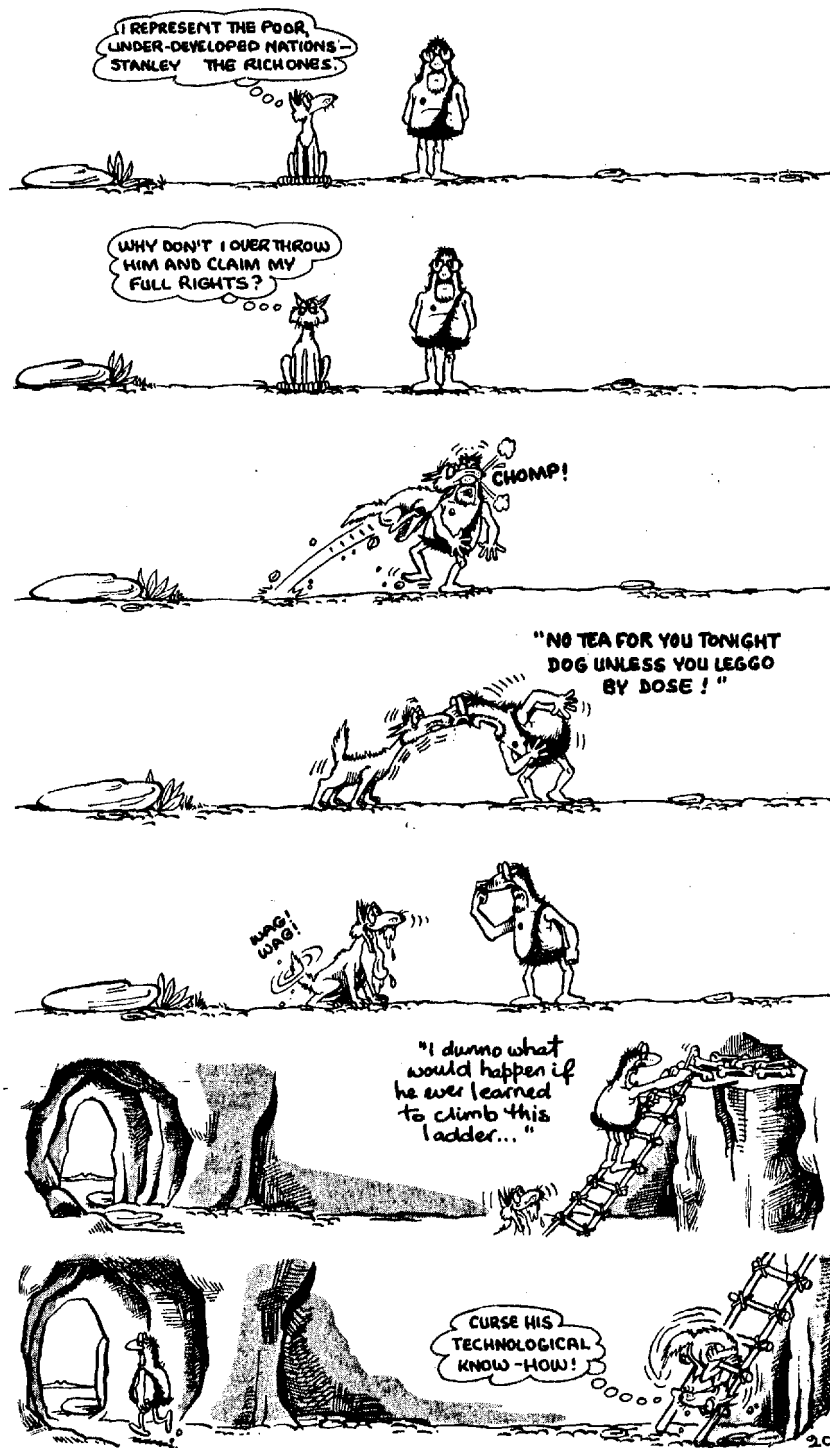
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STANLEY by Murray Ball

Continuing the adventures of the Great Palaeolithic Hero



One view of the development problem

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the program would provide direct compensatory financing to developing states whose earnings from their exports decline below a certain level.

The program implies that for some minerals producer cartels could maintain price levels. The draft program pays lip service to the need to consider consumer interests.

The goal of the UNCTAD secretariat is to secure acceptance now in principle for the program and get the details worked out before the UNCTAD Trade Development Board meets this summer.

Developing States

The developing states will certainly maintain, in Geneva, the united front they have been showing on economic issues in the UN. They are nevertheless not a homogeneous group and are divided by regional interests, ideological differences, disparity in levels of development and endowment in natural resources.

Radical elements among these states have led the developing country bloc in demanding recognition of its new power and influence. These countries are likely to insist on a rapid adoption of the commodities program, or even more radical programs.

The moderates are nevertheless cautioning that the developing countries do not have very much real power outside of the UN forum where they hold an automatic majority and that adoption of radical positions only increases the resistance of the industrialized states to cooperating in multilateral development plans. The moderates also realize that exploitation of commodity issues is shaky ground on which to attain developing country solidarity, since not all developing states are commodity producers. Moreover, some of the industrialized states are also exporters of raw materials

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and stand to benefit more from commodity arrangements than the developing countries.

Still, the moderate states have not yet broken solidarity with the developing-country bloc on economic issues and are not likely to do so in Geneva. They see little alternative offered by the developed countries to help them face their economic problems.

Moderate elements lack an effective spokesman for their position and the radicals, led by Algeria, have remained well organized and prepared to meet internal and external challenges to their leadership. Last week's meeting in Dakar, Senegal reflects this; Algeria financed, organized and set the agenda for the affair. Senegal--along with the other moderate developing states--found itself carried along in support of radical positions at a meeting held in its own capital.

Looking for an alternative to the radical positions, the moderates could seize on certain provisions in the recently negotiated trade and aid agreement--to be known as the Lome Convention--between the EC and 46 developing states. The agreement commits the EC to protect the developing states' purchasing power earned from exports of 12 commodities to the EC.

Formal agreement to this provision is the first such accord between developing and developed states, and the moderates may point to this concession, reached by negotiation, as a more concrete achievement than any reached by the confrontational tactics of the radicals. The latter may well argue that the EC agreement is limited in scope and that a stronger version of its provisions have in any case been incorporated in the proposed integrated commodity program.

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Developed Country Attitudes

The industrialized states met in late January in the OECD to coordinate their position for the Geneva meeting, agreeing to maintain a common front and to avoid confrontation with the developing states if possible. Many of the industrialized states are themselves interested in some mechanism that would lend stability to commodity markets. They are also concerned that the success of the oil producers may encourage the development of other commodity cartels. The emphasis of the industrialized countries will thus be on gaining multilateral and bilateral guarantees of access to raw materials.

While they will consider the commodity program in a "positive perspective," the industrialized states have agreed to take a slow approach. They want more time to study the program and point out that the proposal is both complex and would be difficult to administer as presently conceived. They want to be sure that the commodity program would not be used to support prices above long-term equilibrium levels but only to smooth out temporary price fluctuations.

The EC countries, for their part, may seek political capital in Geneva from their concessions in the Lome Convention on earnings stabilization, claiming that the agreement shows that the community is taking the interests of the developing countries to heart. Although most of the 46 states that signed the agreement with the EC are traditionally members of the moderate camp among developing states, the debate on commodities has not approached the point where the solidarity of the developing states will be seriously tested by calculations of economic benefit. While eager to curry

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favor with developing states when possible, the EC is not likely to break ranks with the other industrialized countries in their cautious approach to the proposed commodity schemes. [REDACTED]

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