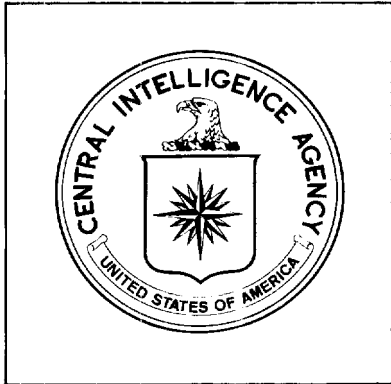


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Portugal's Economic Program Sets Large
Government Role

The official version of the long-awaited economic and social program, released yesterday by the Portuguese government, provides for heavy government supervision of the economy through control of key industries and natural resources. The program declares that Portugal will build "a society in which the intervention of the state will guarantee that the principal resources are employed for the well-being of the Portuguese people."

Government control of essential industries like oil and gas production, petrochemicals, steel, and electricity will range up to complete nationalization. The program maintains, however, that "the larger part of economic activity" will remain in private hands.

Foreign investment is welcomed, except in defense-related industries, banks, and electricity. Outside funds are invited in areas where Portuguese technology will be improved, exports increased, or jobs created.

In agriculture, the program calls for a limit of 125 acres on irrigated farms and provides for limited expropriation of unused land on large holdings which will be converted into cooperative farms.

The government's program drew criticism from the communist-dominated labor confederation even before it was made public. The confederation held that its representatives were not consulted in all areas covered and that positions counter to the Armed Forces Movement had been adopted.

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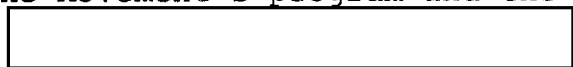
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The US embassy in Lisbon reports that supervision of the economic program is among the legislative powers delegated to the seven-man military junta by the Movement. The junta's powers are also said to include removing harmful influences of the prior regime and ensuring that future governments adhere to the Movement's plans.

According to two air force members of the junta, the Movement is entering negotiations with the political parties to establish a platform for each that will conform to standards set by the Movement. The parties reportedly must agree to accept the economic program for the next three years and to abide by the junta's interpretation of both the Movement's program and the economic program.



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Lisbon Reviewing Policy Toward Timor

There are indications that Portugal is in the process of sorting out its views on the future of Timor.

Several Portuguese colonial officials and politicians from Timor, including the governor, Colonel Lemos Pires, were scheduled to arrive in Lisbon earlier this month for consultations on the decolonization process. Pires, however, has delayed his departure until later this month and will stop over afterward in Jakarta to discuss the Timor political situation with Indonesian officials.

In the past, Portuguese policy toward Timor appeared to be based on the assumption that the territory would remain tied to Lisbon for the time being. There has been a gradual change in Lisbon's attitude, however, and the Portuguese apparently now are prepared to accept Timor's eventual annexation by Indonesia, perhaps in four or five years. Independence for the island possession is not regarded as a viable alternative by the regime in Lisbon, because an independent Timor would be an unstable entity, both economically and politically.

During his trip to the Far East last October, Minister of Interterritorial Coordination Santos visited Jakarta, where he expressed support for earlier statements by President Costa Gomes and Foreign Minister Soares that Portugal would not oppose annexation by Indonesia. Santos said that he considered such a union a "logical" step. He declared, however, that Portugal wants an orderly and peaceful transition that would provide the people of Timor with the maximum opportunity to express their own desires.

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One result of the Lisbon consultations might be a decision to set a timetable for Timorese elections and establish guidelines for the political parties that will be authorized to operate in the territory. Just last month the two largest political parties on Timor formed an alliance to work for independence. At least three other parties have been established, one of which advocates annexation by Indonesia.

Santos stated that after the April elections in Portugal a constituent assembly would be elected in Timor within 12 to 18 months. The assembly would prepare a constitution and decide the island's future status.

Portugal is likely to be reluctant to hasten the process of annexation by Indonesia, because such action would contradict Lisbon's own stated concern for self-determination. Lisbon's acquiescence in Timorese demands for independence would precipitate Indonesian military intervention.

Portuguese leaders have given the impression that an "orderly transition" can be best achieved in cooperation with Indonesia. Such an approach would require extensive collaboration between Lisbon and Jakarta. At a meeting in New York last fall, Foreign Minister Malik agreed in principle to personal contacts for the purpose of promoting cooperation and consultation. As the first step, Indonesia is due to send a delegation to Lisbon soon to set up a diplomatic mission.

The Portuguese, meanwhile, have indicated that the bulk of their 1,000 troops would be returned to Portugal this spring ("by Easter"). They plan to leave behind a few hundred technicians to train local recruits, who now number about 3,000.

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Greek Defense Minister Optimistic on NATO, US

Greek Defense Minister Averoff continues to be optimistic about the future of relations with NATO and the US and about Prime Minister Karamanlis' ability to consolidate his power in Athens.

Averoff told Ambassador Kubisch on Tuesday that Athens is disposed to maintain a close relationship with NATO and the US, but that the humiliation suffered by Greece in Cyprus would necessitate a modification of Greek ties to its Western allies. The defense minister added that a return to the status quo ante in Cyprus would permit Athens to re-enter NATO's integrated military command.

Since a return to status quo ante is not possible, he said, Greece will seek a relationship similar to the French, but one tailored to the Greek situation. Averoff said he thought the French are more "in" than "out" of NATO.

Averoff expressed satisfaction with the first round of discussions last week between US and Greek officials on the status of US facilities in Greece. He acknowledged that the facilities served Greek interests and predicted that the talks would turn out well.

In last week's negotiations, Greek officials seemed to concentrate on eliminating the more visible aspects of the US presence, such as the home port at Piraeus and the air base near Athens.

On the domestic side, Averoff said that the shake-up in the armed forces would be completed by June, barring some major disaster. He noted that there was some disaffection in the services arising from the government's relaxed attitude toward student demonstrations. He added, however, that his contacts within the officer corps have kept him aware of stirrings in the armed forces.

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EC Commission Outlines Goals for 1975

EC Commission President Ortoli, in his annual report to the European Parliament this week, issued a ringing call for the Nine to revitalize the Community and regain Europe's independence of action and international standing.

Ortoli was harshly critical of the EC's relative ineffectiveness and poor showing in international forums during the past year or so. He commented--correctly--that it has "failed miserably to speak with a single voice on vital issues" and that "dissension and bickering have ruled us out of a game in which the stakes are Europe's interests and its future." He contrasted such failures with the international role played by the US, adding however, that friendship with the US should not "blind us to the reality that we must defend our own interests with the same firmness that the US displays."

This bleak picture of the Community, according to Ortoli, has improved only slightly of late. He mentioned as examples of progress the Nine's renewed recognition of their economic interdependence, the creation of the regional development fund and new policies to assist underdeveloped countries.

The principal elements of the Commission's 1975 program were outlined--in order of priority--as follows:

--The achievement of greater independence for Europe in order to obtain more control over its own destiny. Reliance on external sources of energy and raw materials supplies is an important restraint on independence and formulation of an EC common energy policy is thus a top priority objective.

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--The re-establishment of economic and social equilibrium in Europe.

--The development of a new relationship with the underdeveloped countries, based on long-term economic cooperation, in order to both ensure raw material supplies and continued progress by the lesser-developed states.

--Resumption of progress toward European economic and monetary union by the creation of such new instruments as a strengthened monetary cooperation fund, a medium-term research institute, and additional machinery in the energy field.

--Further steps toward European political union.

According to an EC Commission official, many of the initiatives which Ortoli intends to propose to the Council in order to advance this year's program objectives are only in the planning stage. Moreover, Ortoli apparently intends to push ahead with any politically acceptable measures which might renew impetus toward achievement of the Community's major long-term goals. Such an approach is in marked contrast to Ortoli's previous method which was based on a carefully planned and phased program.

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