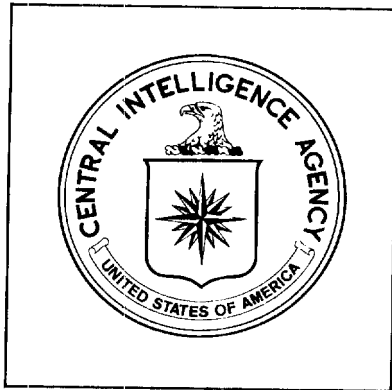


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MIDDLE EAST – AFRICA – SOUTH ASIA

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Guinea

Economic Situation Worsens

Guinea's chronic economic difficulties have become more troublesome for President Toure over the past few weeks. Although the country's economy has potential for becoming one of the strongest in black Africa, Toure has paid more attention to pursuing radical political goals than to economic development since Guinea gained independence in 1958. After 17 years, only the mining sector has been successfully exploited and that was well under way before independence. Guinea's mineral wealth includes more than one-third of the world's reserves of high-grade bauxite, substantial high grade iron ore reserves, and significant diamond deposits.

One of Toure's immediate concerns is the country's shortages of rice--Guinea's chief food crop--fruit, vegetables and meat. Also, consumer goods are unavailable in many areas and some cities reportedly lack enough running water and electricity to meet their needs. Moreover, Guinea's never ending foreign exchange "crisis" seems to be worse than usual.

To counter these problems, Toure recently announced several measures designed to increase government control of agricultural production and distribution, augment revenues through additional taxes, reduce smuggling and black market operations, and allocate petroleum supplies. These measures have been highly unpopular. More Guineans reportedly have fled across the border to neighboring countries, where several hundred thousand fellow countrymen took refuge earlier. Toure has taken forceful action against persons suspected of trying to evade the new regulations. In three hinterland cities, local officials have been arrested and there are reports--so far unconfirmed--that some 30 smugglers have been shot at border posts. Toure and other government officials have visited several cities throughout the country to campaign for popular support of the economic program.

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The government has also turned to the students, who are organized under the aegis of Guinea's single party, for help in fighting "economic criminals." Student demonstrations have been staged and the government is setting up a program under which students above the secondary level are to leave school for eight months of service in the interior. Higher education institutions have now closed and students are scheduled to begin work on various projects in rural areas next month; their primary role will probably be to help identify anti-Toure elements.

Toure is also having problems with his partners in three major bauxite operations--two financed by Western companies and one by the USSR--because of his announcement last January of a new tax on exported minerals. He looks to the tax to provide Guinea some \$25 million in additional revenue this year. The Western companies are also upset over Toure's attempts to increase the government's control over their management and financial operations. The Western partners involved in one of the operations recently reached an accommodation with Conakry, but discussions between Guinea and the foreign partners of the other Western-financed project, including two US firms, Alcoa and Martin-Marietta, have been inconclusive.

The Soviets appear to be taking a hard line in their negotiations with the Guinean government, which apparently began earlier this month. The Soviets' operation at Kindia, which began exporting bauxite ore last year, is their largest aid project in black Africa. The Soviets reportedly are insisting that the two governments--partners in the operation--should each pay half the tax. The Guineans maintain that the Soviets, the purchasers of the bauxite, should pay the entire tax. (SECRET NO FOREIGN DISSEM)

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Ethiopia

Monarchy Formally Abolished

The ruling military council's announcement on March 21 formally abolishing the 3,000-year old monarchy was probably triggered by a belief that Ethiopian exiles loyal to former crown prince Asfa Wossen were ready to form a government-in-exile in London. The council, which had been moving gradually toward ending the monarchy since deposing Haile Selassie last September, probably will next declare Ethiopia a republic. The council had designated Asfa Wossen as king after deposing Haile Selassie, but the former crown prince refused to return from Europe where he has been undergoing treatment for the effects of a stroke suffered in early 1973. (CONFIDENTIAL)

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Gambia-USSR

President Jawara Visits Soviet Union

Gambian President Jawara has just concluded a long-planned but twice-postponed visit to the Soviet Union. He received high-level treatment, including meetings with Prime Minister Kosygin, President Podgorny, First Deputy Chairman of the USSR Council of Ministers Mazurov, and Minister of Fisheries Ishkov.

A fishing agreement between the Soviet Union and the Gambian government was signed on March 18, but its terms are not yet known. [REDACTED]

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[REDACTED] the Gambian delegation would also ask the Soviets to donate small arms for the Gambian police field force. The delegation's chance of succeeding may have improved with the conclusion of the fishing accord. Moscow's interest may have been increased by reports that Peking had agreed in principle to a Gambian request for free weapons. (SECRET NO FOREIGN DISSEM)

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