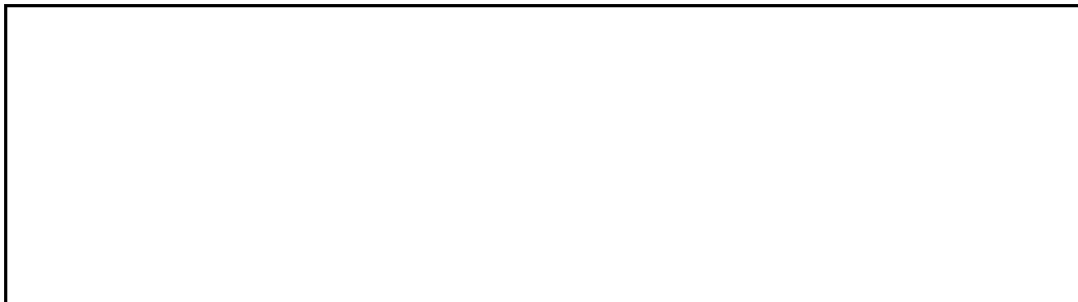


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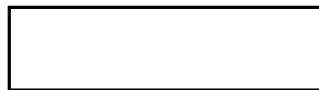
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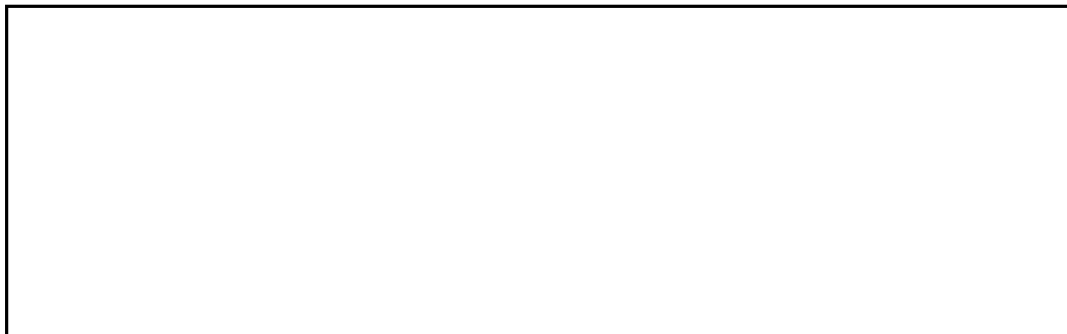
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Portuguese Leaders Divided on Angola Question

Renewed fighting in Angola is posing serious problems for Portugal's ruling Armed Forces Movement, which is divided on how to deal with its African territory.

Despite public assurances that Lisbon has adopted a policy of strict neutrality toward the warring Angolan parties, influential members of the Movement leadership, including Admiral Rosa Coutinho, reportedly continue to favor the Soviet-backed Popular Movement for the Liberation of Angola (MPLA). Rosa Coutinho, who was high commissioner in Luanda when the agreements on Angola were signed, has a vested interest in the outcome.



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A recent Portuguese delegation to Zaire led by Revolutionary Council member Vitor Alves signed a joint declaration reiterating Portugal's neutralist position and stating that Portugal pledged to avoid any action which might worsen the Angola situation. Although the communique is consistent with Portugal's public stand, it also served to mollify President Mobutu, who had been publicly denounced by Rosa Coutinho for his support to the FNLA.

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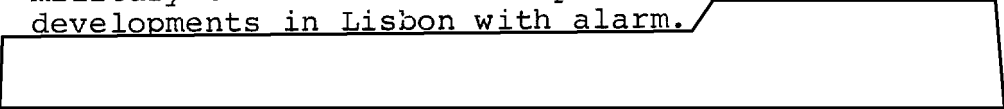
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Further evidence of the split in the Movement on the Angolan issue came to light this week in remarks made to Ambassador Carlucci by Interterritorial Coordination Minister Almeida Santos. Santos claimed that over the objection of Rosa Coutinho he had succeeded in persuading Portuguese leaders to adopt a position of genuine neutrality. He argued that the MPLA clearly would be defeated and that Portugal could not afford to back a loser. His admission that Portugal has been secretly backing the MPLA was the first by any high government official. The issue may not have been finally resolved as Santos claims, however, as Rosa Coutinho has a large following and may yet sway the movement to his point of view. His arguments will be bolstered by recent MPLA successes in the fighting in Angola.

Meanwhile, the influx of white refugees from the Portuguese colony could cause additional problems for Portugal's leaders. It is estimated that at least 5,000 Portuguese emigrants have recently left Angola, with 1,500 returning home. As many as 50,000 more are said to have booked passage. The refugees that do return to Portugal will not only swell the ranks of the unemployed, but also reintroduce into Portugal's turbulent political life a large number of conservative military officers who view present political developments in Lisbon with alarm.



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Lisbon Exerts Control Over Azores

The Azores are calm and under the control of Portuguese military authorities after demonstrations by farmers and separatists on Friday forced the resignation of the civil governor on the main island of Sao Miguel.

Lisbon has reacted with moderation. It has promised to study Azorean farmer complaints which have to do mainly with agricultural prices and commercial arrangements with the mainland, but also include a demand for increased local autonomy. It has promised to take action on these within three months.

At the same time, Lisbon has warned that it will deal firmly with any further pro-independence demonstrations. Military authorities on Sao Miguel have strengthened security measures, but have assured the public that no additional military force will be brought in from the mainland.

The media in Lisbon have not yet referred to the US in connection with the demonstrations on Friday.

The exploitation of the farmer demonstration on Friday by the Front for the Liberation of the Azores has forced Lisbon to respond to appeals that would have gone unheeded otherwise. Over time--and if Lisbon makes some concessions--this could bring greater public support to the Front. For now, however, the failure of separatists on the other eight islands to act in concert with those on Sao Miguel in spite of broadcast appeals to do so exposes the lack of unity in the Liberation Front.

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The Portuguese will probably try to calm Azorean dissidence by making some real concessions on agricultural prices and perhaps a nod toward greater local autonomy. Lisbon clearly intends to retain firm control in the Azores, but has little time right now to devote to the question because of many pressing problems demanding immediate attention--the worsening situation in Angola, the Socialist threat to quit the government coalition, and the country's deteriorating economy.

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Canada Prepares for NATO Defense Consultations

Ottawa appears committed to consult its NATO allies on the impact the current Canadian defense review might have on the Alliance. The Canadians propose to hold the talks at NATO headquarters in Brussels under the aegis of the permanent representatives to the North Atlantic Council at a time still to be decided.

According to an official in the External Affairs Department, West German Chancellor Schmidt's intercession led Prime Minister Trudeau to agree to hold the consultations in Brussels. Schmidt's efforts also led Trudeau to propose separate trilateral discussions with the US and West Germans, also in Brussels. The Canadian government has not reached a final decision on these separate talks, but the official believes a proposal to Washington and Bonn will be made in a couple of weeks.

The Canadians were impressed by the importance Schmidt and other NATO leaders attach to consultations. Trudeau pledged to the NATO members that Canada would "maintain a force level which is accepted by our allies as being adequate in size and effective in character." Among the options for its European contingent being considered by Ottawa are the present mix of land-air forces or an all air or all land force.

The proposal to hold trilateral talks in Brussels separate from the general NATO consultations may cause some difficulties with the other allies. Trudeau is anxious to be forthcoming with both the West Germans and other EC members in order

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to enhance prospects for a formal Canadian agreement with the EC. It will be up to him to make arrangements that are satisfactory to all the allies as well as the factions within the Canadian government. Trudeau's desire for an agreement with the EC, however, gives the Allies an effective lever by which to exert pressure on him to override those in Ottawa seeking to cut the Canadian defense budget at the expense of NATO.

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Portugal Faces Controversies Over Press Freedom

Socialist Party leaders have announced their intention to remain in Portugal's coalition government, but the country continues to be torn by conflicts between moderates and radicals.

The Socialists have accepted the Revolutionary Council's settlement of the Republica dispute, but the truce may last no longer than the end of the week when the paper is expected to resume publication. Leaders of the Communist-controlled printers' union have announced they will continue to try to force a change in Republica's pro-Socialist editorial policy.

The military government has refused a Socialist suggestion to head off future troubles by transferring pro-Communist printers to other papers. The military insists that the workers themselves must request the change. The Socialists reportedly have begun court action against workers responsible for the attempted takeover of the paper in hopes of forcing them to resign and find other jobs.

Another press freedom controversy currently brewing appears likely to fuel a clash between the Armed Forces Movement and the Portuguese Catholic Church. Church spokesmen have threatened a showdown with military leaders if the church-operated radio station--partially occupied by Communist workers two weeks ago--is not restored to the control of ecclesiastical authorities. Catholic bishops are scheduled to meet sometime this week to discuss the dispute.

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Portugal Seeks Economic Assistance from
the EC

Portuguese pleas for substantial economic assistance from the EC to prop up a steadily deteriorating economy dominated the visit to Lisbon last week of EC Council of Ministers President Garrett FitzGerald.

The Portuguese asked for an immediate infusion of EC capital to counter the balance of payments problem which they expect to become critical in the next few months. Although sympathetic to their problems, FitzGerald informed the Portuguese that the community cannot offer loans just to reduce balance of payments pressures; loans must be tied to specific project proposals. Although the Portuguese were unable to provide FitzGerald immediately with a list of concrete proposals, Industry Minister Cravinho did manage to cite several electric power projects to FitzGerald at the end of his three-day visit.

FitzGerald agreed to urge prompt assistance for Portugal within the EC Council, but cautioned that progress in this area will be tied to the development of democratic processes and the reduction of Communist influence. Specifically, FitzGerald pressed his Portuguese hosts on the need for honest elections in the trade unions and the removal of Communist domination in the Portuguese media.

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During his visit, FitzGerald met with virtually all the Portuguese leaders. He was particularly impressed by Portugal's Foreign Minister, Melo Antunes, who appeared deeply committed to establishing strong ties with the EC.



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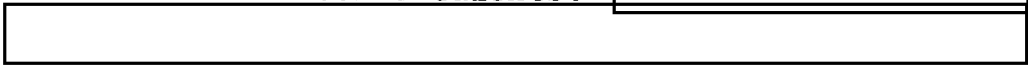
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Belgians May Face Government Crisis

The Walloon Rally Party, the smallest component in Belgium's three-party coalition government, has rejected Prime Minister Tindemans' decision to buy the US-made F-16 fighter aircraft. The Walloon party, which prefers the Mirage, is likely to withdraw from the coalition, however, only if a majority of the party's parliamentary deputies vote against the government in a confidence motion.

Tindemans could be in trouble in the event debate on the F-16 selection is followed by a confidence motion. There are 97 opposition members in parliament which, with the Rally's 13 seats, would deprive the government of a majority. Even if the government squeaks by with the aid of some opposition support, the Rally's intention to withdraw would force Tindemans either to continue with a minority government or resign.

Parliament is slated to begin debate on the issue tomorrow and a no-confidence motion may follow later this week. Tindemans has succeeded in keeping his government together so far through manipulation and compromise. Despite the reluctance of most parties to hold early elections, the current issue will provide a severe test of the Prime Minister's talents.

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EC Officials Meet with Employer and Trade
Union Representatives

Representatives of the EC Commission, EC employer groups, and the European Trade Union Confederation expressed particular concern over youth unemployment and illegal immigrants in the EC area at a tripartite meeting on employment on June 3 in Brussels.

EC Vice President Hillery, who is responsible for social policy, presented a detailed report which said youth unemployment has risen 49 percent over the past 12 months. He called for job-creating action in both private and public sectors and described the possible political as well as economic repercussions of the problem, pointing to the probable development of distorted attitudes toward work and society.

Labor representatives at the meeting liked Hillery's report, but evidently were skeptical that his proposals would result in adequate action. The employers, on the other hand, were worried that they would end up paying for most of the Commission's schemes which include recommendations for early retirement, a reduced work week, longer vacations, and more time off to promote education and re-training.

Hillery also reported that ten percent of the EC's immigrant workers--or about 600,000--are working illegally. He recommended action in three areas: warning workers before they leave their home countries of the risks involved in clandestinity;

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taking action against "dealers" in illegal labor; and making employers respect regulations concerning employment of non-community workers.

Employer and worker representatives praised the report and recommendations, but a French labor ministry official warned it would be difficult to implement.

At the end of the conference, worker representatives called for a "social summit" which would involve a meeting of labor and management representatives with the ministers of finance and labor of the Nine. The finance and even some of the labor ministers oppose what one Commission official referred to as "a time and money wasting extravaganza." Nevertheless, the trade union leaders still want the meeting and predict it will be held during the Italian presidency, in the second half of this year. The pro-EC outcome of the British referendum last week is likely to increase the chances for the "social summit." Labor representation in the EC has been weakened until now by British labor's refusal to take part.

A meeting of EC social ministers on June 17 is expected to review the recommendations of the tripartite meeting. It may also take up the concern of EC governments over the prospective early legalization of free immigration from Turkey. The treaty providing associate membership to Turkey will grant this right to Turkish workers if no modification is made before the treaty takes effect next January. A recent West German labor union convention highlighted the problem, recommending EC action to restrict Turkish immigration in view of the unemployment problem in the EC.

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