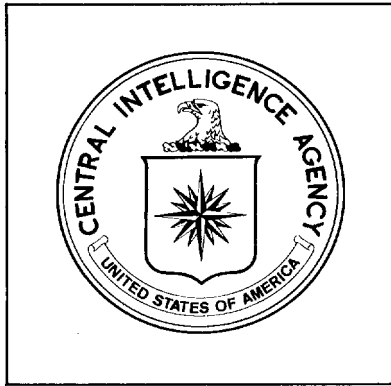


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

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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EC Discusses US Countervailing Duties

EC officials charged with trade matters are extremely concerned by the recent US determination that countervailing duties may be imposed on certain EC exports because of community subsidies.

This week's meeting of the EC committee charged with trade affairs was almost entirely preoccupied with a discussion of US-EC trade matters. The Italian chairman said that the US finding that subsidies are being paid on one of these products--high-quality sheet float glass--aroused "deep resentment" within EC member governments. Committee members admit that float glass per se is not an important trade item. They feel, however, that the US action puts into question the Community's industrial policy and system of regional development aid. Under these policies the EC has established such industries as those producing float glass in less developed areas of the community.

Moreover, it was argued, since the Community has agreed to negotiate the issues of subsidies and countervailing duties at the ongoing Multilateral Trade Negotiations meeting in Geneva, US pressure is unnecessary and could prove counterproductive. (Confidential No Foreign Dissem)

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Fishing Issue Causes Stir in Iceland

Iceland's plan to extend its fisheries zone to 200 miles this fall is precipitating more and more diplomatic activity.

The UK, whose fisheries agreement with Iceland expires on November 13, 1975, has offered to reduce its annual catch from 130,000 tons to between 80,000 and 90,000 tons. London reportedly also will offer to reduce the number of zones in which it is currently allowed to fish.

The West Germans, who have been involved in several recent fishing skirmishes with the Icelanders, plan to reduce their catch and keep factory and freezer trawlers out of the current 50-mile zone in return for a fisheries agreement. A West German official reportedly will visit Iceland in August and plans to meet with the Prime Minister, Foreign Minister, Minister for Fisheries, and the head of the Icelandic Trawler Owners Association, presumably to speed up an agreement.

The Soviet Ambassador in Reykjavik reportedly called on Foreign Minister Agustsson recently to announce Soviet opposition to Iceland's planned extension of its fishing limits. An East German official has said that the GDR will support the Icelandic extension if the countries that currently fish within the zone are allowed to continue.

The fisheries issue is creating problems for the Independence-Progressive coalition as well. Prime Minister Hallgrimsson and Foreign Minister Agustsson both favor agreements with the UK and West Germany which would permit some fishing within the 50-mile

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zone. The fisheries minister, as well as the entire Communist-dominated Peoples Alliance, on the other hand, are opposed to any foreign fishing within that zone. The Communists also believe that when Iceland extends its fishing limits, foreign fishing should be banned from the 200-mile zone.

Hallgrimsson and Agustsson will have a difficult time justifying their more lenient positions in view of Iceland's deteriorating economic situation and the prominence of fishing as the island's economic staple. The economic situation has gotten so far out of hand that Hallgrimsson has called two emergency meetings of Independence Party members of parliament to discuss the economic crisis. (Confidential No Foreign Dissem)

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Portuguese Parties Threatened by "Popular
Councils" Proposal

Proposals announced yesterday by the Armed Forces General Assembly called for the creation of "popular councils," and are drawing a sharp reaction from moderate political leaders who see a threat to their parties' continued existence.

The Socialist Party reportedly convened an emergency meeting of its national executive council. A spokesman for the center-right Social Democratic Center Party expressed "consternation, concern, and regret." He said the parties should have been consulted before such far-reaching proposals were announced. The Assembly's proposals call for the development of popular councils, first at the local level, leading to district and regional assemblies, and eventually to a national assembly. The military proposes to play an active role in each of these bodies.

The aims of these popular councils, as set out by the Assembly, would be:

- to foster mass participation in the revolution;
- to protect the revolution through self-defense organizations;
- to enlist the workers' assistance in increasing production.

The councils would gradually take over local administration, along with the job of political indoctrination of the people and control of the

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means of production. The Assembly noted that the formation of these popular bodies would not preclude cooperation by those political parties favoring socialism, but did not say what form this cooperation might take. It implied there would be no significant role for the parties once the popular councils are functioning.

The councils represent a compromise between the committee structure favored by the Communists and that supported by the even more extreme left. The Communists, however, were quick to announce their support for the Assembly's action. They also said they would carry out an intensive organizing effort at the local level. The new councils are attractive to the military because they would allow the Movement to control the form of the "direct links" it wants between itself and the people and to by-pass the parties if it chooses to do so. The formation of a national assembly is some time off, but the promise of one to come could be used by the Movement to sidestep its earlier commitment to the election of a legislative assembly.

The Assembly also promised further nationalization measures, progressive land reform, and a revamping of the civil service, including further purges of officials. On foreign affairs, the Assembly had only this to say: "Any type of ideological, political, or economic hegemony" over the Portuguese revolution will be avoided. The statement is an effort to answer the critics on the right who are wary of Communist domination and critics on the left who fear the Armed Forces Movement will sell out for financial assistance from Western Europe.

There have been no reports of a power play from either the left or the right at the Assembly, and a Movement spokesman has described such rumors as "completely unfounded." Rumored attempts to unseat Prime Minister Goncalves failed to materialize.

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Meanwhile, the Communists have scheduled a mass demonstration in Lisbon tonight to show support for the Prime Minister and the military government. The Socialists have countered with plans for their own rally. (Confidential)

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Delays in Ratification of IEA Treaty

Etienne Davignon, the Belgian chairman of the governing board of the International Energy Agency, is looking into the possibility of delaying for the second time the September 1 target date for ratification of the agreement.

Of the 17 full IEA members, only Luxembourg and Denmark have ratified the treaty. The Austrians seem close to ratification, but the Belgians have put off ratification until the fall.

One of Davignon's aides has asked US officials for a report on the status of ratification of the treaty by the US Congress. Davignon's request was prompted by the necessity of deciding--before the IEA governing board meeting on July 28--whether or not to postpone the target date.

Continued postponement of ratification, along with dodging difficult issues such as happened in connection with the long-term cooperation agreement at the last board meeting, could hamper development of the agency's prospective role as the representative of oil consumer's interests. According to an official in Davignon's office, this factor is reflected in the opposition to the agreement which has recently developed in Switzerland. The burgeoning Swiss opposition to ratifying the agreement is based on disenchantment with the IEA's role in arranging a meeting of oil producers and consumers. The Swiss--whom the official feels joined the IEA in the hope their membership would contribute to such a dialogue--are questioning whether membership is in their best interest. (Confidential No Foreign Dissem)

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