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Next 1 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

SECRET

25X1



USSR Pessimistic About Situation in Portugal 3



25X1

General Franco's Meeting with Juan Carlos Could Portend Policy Moves 6

Buy British Campaign 8



25X1

The Bavarians Know What Is Really Important 14

Communist-Socialist Collaboration at Center of Italian Political Debate 15

August 20, 1975

SECRET

25X1

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

Next 1 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

SECRET

25X1A

USSR Pessimistic About Situation in
Portugal

The Soviets yesterday published an authoritative article on the situation in Portugal. Unlike previous Soviet commentary, the Pravda article expresses Moscow's views directly, rather than putting them in the mouths of the Portuguese Communists or others.

The tone of the Pravda article is defensive and pessimistic. As the pressure on the Portuguese Communists has increased, expressions of confidence about the course of events have given way to increasing criticism of what the Soviets term "outside meddling."

The Pravda article draws the analogy between the situation in Portugal and events in Chile just before the overthrow of former president Allende that was first sounded by the Soviets in a broadcast to Hungary on Friday. Pravda goes on to criticize NATO, the Western press, Western economic organizations, and "international social democracy."

The Chinese also are dragged into the cast of evildoers; they are accused of cooperating with "international reaction" by fomenting discord in Angola and the Azores.

Pravda charges that leaders of the Portuguese Socialists are providing a rallying point for reactionaries by attacking the Communists, but Moscow was more critical of the Socialists just after they left the government. Indeed, Pravda again calls for concerted action by the Armed Forces Movement, the Communists, Socialists, and other left progressive forces.

August 20, 1975

SECRET

SECRET

Pravda offers no practical advice and provides no clues about what, if any, action the Soviets themselves might take in support of the Portuguese Communists.

Moscow would clearly like to see the Portuguese Communists recover from their present isolation, but there is little indication the Soviets believe their exhortations will have much practical effect.

They may, in this article, be preparing an explanation for an eventual collapse of the Communist position in Portugal, placing the blame primarily on the Socialists and the West.

25X1

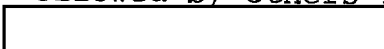


Hungarian Statement

The Hungarian party yesterday issued a short statement that had been clearly coordinated with Moscow. In the statement, the Hungarian party:

- Expressed shock at the increasingly organized attacks against "democratic" developments in Portugal.
- Cited cooperation of all "democratic and anti-fascist forces" as the best defense.
- Assured "the Portuguese Communists and the anti-fascists" of Hungarian solidarity.

Statements such as this provide a cheap and easy way for the Soviet and the East European parties to display their support of the Portuguese Communists; the Hungarian statement will probably be followed by others from Eastern Europe.



25X1

August 20, 1975

-4-
SECRET

25X1

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

SECRET

25X1A

General Franco's Meeting with Juan Carlos
Could Portend Policy Moves

The meetings which General Franco is holding this week with his designated successor Prince Juan Carlos have sparked speculation that an important political announcement is pending. It could come at a cabinet meeting scheduled for Friday.

Speculation stems from the unexpected nature of Juan Carlos' sudden visit to Franco at his vacation retreat in northwest Spain. Franco customarily meets with his cabinet several times during his long summer vacation, but this is the first time Prince Juan Carlos has interrupted his own vacation to join Franco at La Coruna. The prince, who just visited Franco there last month, is scheduled for three days of talks with Franco, but government officials refuse to disclose any details.

Franco has given no indication that he is ready to turn over his powers to the prince, although there has been speculation that such a move could come as early as October. Such rumors crop up periodically, but there is a wide range of possible topics for the talks--many of which will reportedly be taken up at the cabinet meeting.

--Possible cabinet changes; rightists have reportedly been pressing Franco to replace Prime Minister Arias. Arias has been undercut by Jose Solis Ruiz, Franco's recent appointment as minister secretary general of the National Movement.

--Base negotiations with the US; Spanish negotiators have taken a hard line in the ninth round of talks that began this week. The possibility has been raised of asking the US to withdraw

August 20, 1975

SECRET

SECRET

from all its facilities in Spain except the naval base at Rota if Spain's desire for a NATO connection cannot be met.

- Counter-terrorist measures; tough new regulations are planned that are likely to draw a hostile reaction from Spain's European neighbors.
- The recent military arrests; Franco may want to sound out Juan Carlos on the handling of the officers arrested for their political activities. Some of those arrested were reportedly classmates of the prince at the military academy.

25X1

August 20, 1975

SECRET

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25X1A



Buy British Campaign

A recent series of appeals to "Buy British" by Trade Minister Peter Shore reflect growing pressure on the government to protect British jobs from foreign competition.

Shore is concerned about increasing imports of goods that directly compete with those produced domestically. He has promised to look into allegations that foreign goods are being "dumped" into the UK and to take action where charges can be confirmed.

The trade minister has been careful to balance his views by reiterating the government's opposition to import controls. The success of Labor's economic policy rests heavily on an export-led recovery and import controls would risk damaging retaliation from abroad. There have been reports that Shore is considering the merits of an official advertising campaign urging consumers and industries to use more British-made goods. The government may look on such a campaign as a way of reducing political pressure for the imposition of selective import controls.

Trade unions and left-wing Laborites favor the use of import controls to curb unemployment which is already at a record level. Last week the economic committee of the Trades Union Congress recommended that the government be pressed to adopt selective controls as soon as possible. The unions are especially concerned about the effects of imports on the textile, automobile, television tube, and electrical appliance industries.

Pressure from the labor movement to buy British could have an effect in the selection of

August 20, 1975

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certain weapon systems. The British army, for example, would probably like to purchase the helicopter mounted Franco-German anti-tank guided missile, Hot. Instead the army could end up purchasing the inferior British Aircraft Corporation (BAC) Hawkswing missile because of union pressure and the government's desire to set an example to buy British. Furthermore, an unequivocal recommendation by a bipartisan parliamentary committee that the army purchase another Franco-German anti-tank missile--the Milan--may run into opposition from the politically powerful unions. Workers at one BAC plant recently recommended that the company produce a modified version of an existing British missile for the army to buy in place of the Milan.



25X1

August 20, 1975

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25X1

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

Next 3 Page(s) In Document Exempt

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

SECRET

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3



25X1A

The Bavarians Know What Is Really Important

Bavarian Interior Minister Bruno Merk has requested the West German ministry of the interior not to go through with plans to schedule next year's Bundestag election on either October 3 or October 31.

Merk's objection to the first date is that it falls within the three week period when Munich hosts the world's biggest beer-bust, the "Oktoberfest." Merk believes--and he is probably correct--that many thousands of people will be traveling to or from the Oktoberfest on October 3, and might not vote.

The Bavarian official objects to the second date because November 1 is a legal holiday in many parts of West Germany, and tens and even hundreds of thousands of West Germans will take advantage of a three-day weekend to travel. Again, they might not vote.

One would not be surprised if the federal authorities see the merits of Merk's arguments, and schedule the election sometime between October 3 and 31.



25X1

August 20, 1975

-14-

SECRET

Approved For Release 2005/08/22 : CIA-RDP79T00865A001600110001-3

SECRET

25X1A

Communist-Socialist Collaboration at Center
of Italian Political Debate

Italian government and party leaders are still grappling with the consequences of the Communist Party's unprecedented gains in the June regional and local elections. The main controversy centers on the continuing trend toward closer relations between the Communists and the Socialist Party, which is pledged to support the Moro government in parliament.

Since the elections, the Socialists have shown a clear preference for alliance with the Communists in the new regional and local governments. The Socialists, who gained moderately in the elections, now share power with the Communists in most major Italian cities, 5 of the 20 regions and nearly a third of the 94 provinces.

Socialist leader De Martino has rebutted criticism from partners in the national government--the Christian Democrats, Social Democrats, and Republicans--by maintaining that he is against a Socialist-Communist coalition at the national level. Such an alliance would not control a majority in the present parliament, but that could change after the next national elections which must be held no later than 1977.

De Martino drew additional fire from the other governing parties last week by signing a joint communique with Communist chief Berlinguer on the situation in Portugal.

August 20, 1975

SECRET

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The communique called for a political agreement in Portugal between the "democratic" parties--including the Communists--and the Armed Forces Movement.

It was the joint signature by De Martino and Berlinguer, more than the document itself, that drew criticism. Although the Communists and Socialists have consulted discreetly on policy matters in recent years, they have not issued joint communiqués since the dissolution of their common "front" in 1957.

Berlinguer scored a major plus by persuading one of the governing parties to sign the communique. That will help him deflect the renewed criticism he has come under as a result of his party's recent signing of a joint communique on Portugal with the Soviets. The communique seemed to give stronger support to the Portuguese Communists than Berlinguer has in the past. On many occasions, he has publicly stated his disapproval of Portuguese Communist strategy.

De Martino, on the other hand, will be able to point to the less-than-revolutionary language in the document he signed with Berlinguer to bolster his argument that Italy's Communists are developing into a legitimate national party. The Socialists have used this line to help justify growing collaboration with the Communists.

The Socialists, meanwhile, have spelled out what they regard as a suitable successor to the Moro government, which is almost certain to be replaced before the end of the year. Although still opposed to giving the Communists any cabinet positions, the Socialists desire an arrangement that would allow the Communists to participate indirectly.

August 20, 1975

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Last week, the Socialists pointed to the regional administrations in Lombardy and Campania as models for the next national government. Although the Communists are excluded from the center-left governments formed by the Christian Democrats and Socialists in those areas, the two parties have agreed to negotiate formally with the Communists on the regional legislative program.

25X1

August 20, 1975

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