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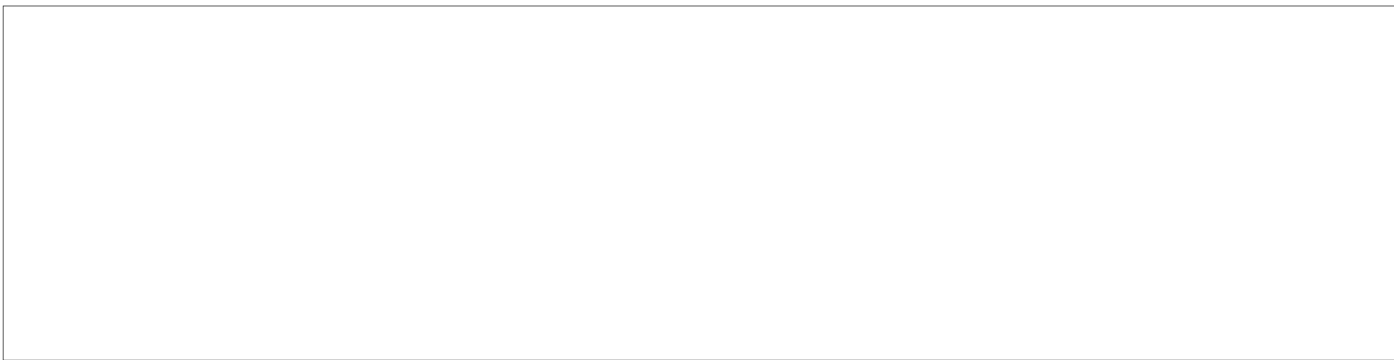
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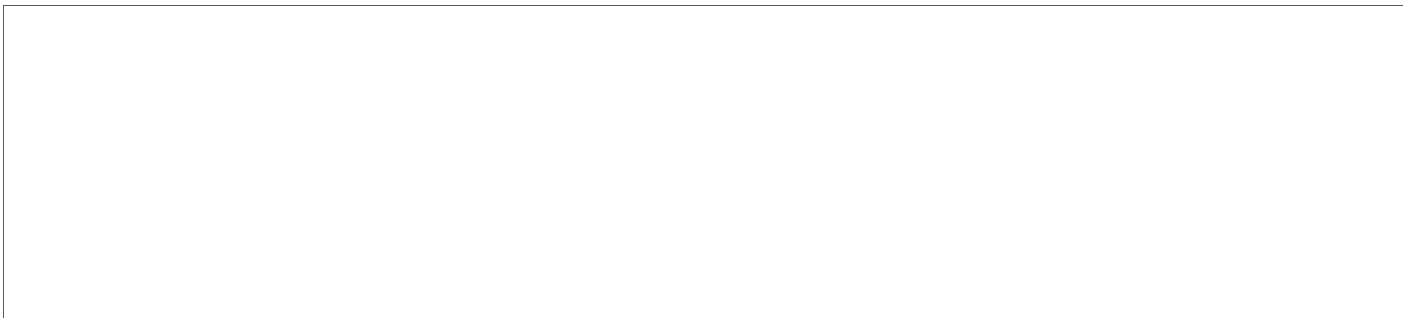
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Vietnam's acceptance in principle of the concept of a zone of peace signifies a new willingness to cooperate with the non-Communist members of ASEAN. Nevertheless, a zone of peace is not likely to be established in the near future.

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Based on a larger study, this article looks at trends prevalent in international terrorism in 1977 with a projection of the implications for the remainder of 1978.

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This publication is prepared by the International Issues Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the best judgments of individual analysts who are aware that many of the issues they discuss are subject to alternative interpretation. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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OUTCOME OF THE UN SPECIAL SESSION ON DISARMAMENT

The UN Special Session on Disarmament concluded on 30 June by adopting a final document that places the main responsibility for future disarmament measures exactly where the session's nonaligned sponsors intended to place it: on the nuclear weapons states. Because several particularly contentious issues were avoided and the nonaligned states made many concessions of their own, the document was approved by consensus. The session saw few significant shifts in the position of member states, but it marked the entry of France and China into disarmament deliberations, stimulated some regional arms control initiatives, and reshaped multilateral institutions in a way that will encourage more active and widespread debate of disarmament issues in the future.

Program of Action

The portion of the program of action dealing with nuclear disarmament was widely considered to be the most important part of the entire document. The nonaligned states insisted, as a matter of principle, that the program call for "urgent" negotiation of agreements on this subject. The specific topics to be negotiated include cessation of the improvement and development of nuclear weapons systems, the production of nuclear weapons and their means of delivery, and the production of fissionable material for weapons purposes. The list mentions as well the reduction and eventual elimination of stockpiles of nuclear weapons and their means of delivery.

The paragraphs on nonuse of nuclear weapons and on nuclear nonproliferation also stress the responsibilities of the nuclear weapons states. The program of action recommends consideration of proposals "designed to secure" the avoidance of the use of nuclear weapons, a gesture toward the dissatisfaction of the nonaligned with the unilateral assurances on nonuse of nuclear

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weapons offered so far by the United States, USSR, and the United Kingdom. The language on nonproliferation links the proliferation problem to the obligation of the present nuclear powers to disarm and asserts the "inalienable right" of all states to develop programs for the peaceful use of nuclear energy. In exercise of this right, all states are declared free to acquire technology, equipment, and materials for peaceful nuclear programs, regardless of their policies on fuel cycles and international cooperation. The leaders in pushing for this language were Argentina, Brazil, India, and Pakistan; all have significant nuclear energy programs, and none is a party to the nonproliferation treaty.

Although the nonaligned states were adamant on key nuclear issues, they realized that to prevail by using their voting strength would be counterproductive. The chief purpose of the session, in their view, was to get down on paper a commitment by the nuclear weapons states to accelerate their disarmament efforts, and this meant achieving a consensus. Accordingly, the nonaligned delegations were much more pliable on the phrasing of other sections, such as that on conventional weapons. It endorses limitations on conventional arms transfers without linking them, as an earlier nonaligned draft did, to limitations on production.

#### Disarmament Machinery

The nonaligned also deferred to the nuclear weapons states on several questions pertaining to the reform of disarmament machinery. This was particularly true of the effort to restructure the Conference of the Committee on Disarmament (CCD), the multilateral negotiating body in Geneva, into a new Committee on Disarmament. The paragraphs on this subject were refined in private discussions among the US, Soviet, British, and French delegations. By the end of the session, the chief stumbling block to agreement had become the legal form of the new committee's "birth certificate": the French wanted the General Assembly to create an entirely new body, while the Soviet view was that the CCD could reform itself. The formulation finally adopted was for the General Assembly to "welcome" the arrangements worked out through consultations among committee members.

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The Committee on Disarmament will incorporate several changes favored not only by the nonaligned but by many Western states as well: a small expansion of membership; replacement of the US-Soviet cochairmanship by a rotating chair; access to the Committee by nonmembers wishing to make proposals; and opening of plenary sessions to the public. Nevertheless, the operation of the Committee, which retains its character as a limited negotiating body, will not be greatly changed. Most states recognize that, even without the cochairmanship, the superpowers will continue to negotiate privately with each other before presenting draft agreements to the Committee.

The nonaligned states will continue to use larger forums, including the General Assembly and its First Committee (which henceforth will consider only disarmament and security matters) to expound their views. Their opportunities will be further expanded with the resurrection of the UN Disarmament Commission, a body consisting of all UN members that last met in 1965. At the behest of the Western group, however, the nonaligned accepted terms of reference for the Commission that clearly identify it as a deliberative body with powers to recommend and review but not to negotiate.

#### Avoidance of Divisive Issues

Several nonaligned initiatives that were objectionable to the West were withdrawn rather than being pressed to a vote. The principal one, an Iraqi resolution condemning military assistance to Israel, attracted widespread sponsorship, especially after it was amended to remove specific references to the United States. It posed the danger, however, of unraveling the consensus procedure and stimulating the raising of other troublesome issues, such as Nigeria's concern with South Africa's nuclear weapons potential. The same was true of two resolutions introduced late in the session by India, one declaring the use of nuclear weapons a crime against humanity and the other calling for an immediate nuclear test moratorium. The Indians explicitly threatened to bring these resolutions to a vote unless they were satisfied with the portions of the program of action dealing with major nuclear issues.

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Partly because the delegates managed to keep the lid on questions like military aid to Israel, the session was largely free of clear-cut East-West confrontations. It was far more of a North-South debate, in which the USSR was saddled with as much of the onus for the arms race and the obligation to disarm as was the United States. The Soviets had little opportunity to score political points in competition with the West because their preferred positions were frequently as far removed from nonaligned objectives as were Western positions.

Regional and Unilateral Initiatives

The session provided the occasion for some significant departures in regional arms control. One was Venezuela's effort to revive the eight-nation Declaration of Ayacucho of 1974 as a basis for controlling conventional arms in Latin America. Ayacucho received mention by name in the final document. Another was Vietnam's proposal for a Southeast Asian zone of peace--an obvious bid for support from its ASEAN neighbors in its current difficulties with China.

France's active participation in the session featured the offering of several original proposals, including an international verification agency, a fund for disarmament and development, and an international institute for research on disarmament. Because of Soviet objections, most of the proposals failed to win approval, even after France accepted some changes designed to alleviate US concerns. They did, however, facilitate French reentry into a disarmament debate that Paris had other reasons for wanting to join and, in the eyes of the nonaligned, put the Soviets on the defensive. China also participated, but its deep concern over being frozen into permanent military inferiority to the USSR and the United States continues to preclude its active support for all but the most far-reaching disarmament proposals. Peking was probably pleased, though, by a session in which most of the heat was directed jointly at the two superpowers.

Outlook

The entry of France and China into the disarmament arena, the stimulation of regional initiatives, and the revamping of disarmament machinery (particularly the

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revival of the Disarmament Commission) will help to keep disarmament in the forefront of multilateral diplomacy for the next several years. The session demonstrated that for the nonaligned states, disarmament is a subject of importance in its own right and not merely an excuse for voicing their economic concerns. It also demonstrated that a consensus approach on the whole range of disarmament issues can work in a forum as large as the General Assembly. As a result, the nonaligned states will probably attempt to continue this approach at the second special session (the date of which has yet to be determined) and perhaps in the Disarmament Commission. Much will depend, however, on the progress made in substantive negotiations among the nuclear weapons states. It is there that the nonaligned states hope to see achievement of the breakthrough in disarmament talks that the special session was intended to stimulate. The less satisfied they are with what they see, the more inclined they will be to discard consensus for confrontation.

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THE NONALIGNED MOVEMENT: LOOKING BEYOND BELGRADE

A confluence of trends seems certain to result in a major confrontation between radical and moderate members for leadership of the nonaligned movement (NAM)--but only after the conclusion of the meeting in Belgrade in late July of nonaligned foreign ministers. In effect, over the next year or so Cuba will be seeking to eclipse the influence of Yugoslavia and other moderates. But both sides are likely to concentrate at Belgrade on tactical maneuvers and issues that unite rather than divide the movement. Unless the moderates demonstrate a unified front at Belgrade, the delay is likely to serve the radicals' interests the most. Cuba is soon to gain additional prestige and power as titular head of the movement; Yugoslavia is likely to be increasingly preoccupied with its succession problems.

Cuban success after Belgrade would probably lead the NAM to a more blatantly anti-Western posture rather than the more balanced "third force" designs of Tito and other moderates. The significance of any Cuban success, however, is likely to be limited by its inherently divisive character. A backlash from concerned moderates could split the movement, thereby causing it to lose its major source of influence in world affairs--the breadth and ideological diversity of its membership.

\* \* \*

The atmosphere at the late July nonaligned foreign ministers' meeting in Belgrade promises to reflect the continued clash of interests between the "moderates"--who want the Nonaligned Movement to advance their interests with both the Soviet bloc and the West--and the "radicals" who wish to infuse the NAM with a sharply anti-Western posture. Heightening the tension will be the friction caused by a leadership struggle between Cuba and Yugoslavia.

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Nonaligned foreign ministers' meetings serve as preparatory sessions for the major nonaligned event--the triennial conference of chiefs of state. Besides the importance of the meeting in establishing the agenda for the summits and discussing the political and economic statements that are later issued, they are often indicators of the direction in which the Movement is going.

The tension generated by the clash of wills between opposing forces has on occasion exploded at the nonaligned meetings in debates over particularly contentious issues. This year's meeting must address and attempt to reach some compromise on intraregional disputes between nonaligned members and the more philosophical and global issues of defining nonalignment, disarmament, detente, mass media, and the international economic system.

How the nonaligned collectively view some of these issues was hotly debated, but left unresolved, at the May nonaligned Coordinating Bureau meeting in Havana. As the host, Cuba drafted a communique that contained inflammatory "anti-imperialist" rhetoric, but when faced with strong opposition from the aroused moderates, it had to settle for less than it wanted. Under Indian and Yugoslav leadership, the moderates were able to add some balance to the draft which had cast the West in the role of villain, to reaffirm the definition of nonalignment as standing apart from both power blocs and to excise Soviet-inspired portions, such as linking reference to a world disarmament conference with the neutron bomb controversy. Nevertheless, Cuba has not changed its attitude, and the importance it attaches to controlling the nature of the NAM suggests that it will try again both at Belgrade and at the summit in Havana in 1979.

Cuba believes the NAM has not achieved its potential because of the failure of a number of its members to follow a truly revolutionary path. To Cuba, nonalignment means opposition to imperialism, racism, and neo-colonialism, which translates into an anti-West posture. The Cubans have consistently tried to present the

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Soviet bloc as the natural ally of Third World countries, thus dividing the world into only two camps: the progressives (led by Moscow, Havana, and the non-aligned states) versus the imperialists and reactionaries (meaning the US, Western Europe, Japan, and China).

To Yugoslavia, Cuba represents a direct assertion of Soviet influence in the world forum that helps Yugoslavia stake out an independent course in international affairs. Besides providing Yugoslavia a forum in which to express its independent foreign policy goals, Tito believes the NAM should seek to frustrate the policies of both power blocs. In Yugoslavia's view, the large Third World membership spanning the political spectrum is the source of the NAM's strength and influence on the world scene.

Yugoslavia has only recently regained a foothold in the leadership of the movement, having had to defer to Algeria's strong leadership during its tenure as chairman of the group from 1973 to 1976. Yugoslavia occasionally plays a moderating role at nonaligned meetings, seeking to reconcile differences and scale down radical or confrontational proposals to avoid open splits in the group.

The state of nonaligned unity, shaky at best, is further threatened by the issue of Cuba's military involvement with the Soviets in Africa, which raises questions among some members of how much influence the Soviets may have in the Movement through Cuba. This concern is heightened by the fact that Cuba's standing will automatically rise in 1979, when it hosts the summit in Havana and becomes titular head of the Movement until the next summit. Typically the nation occupying the chair can strongly influence the tone and attitudes of the Movement throughout its tenure. Yugoslavia is concerned because the rise in Cuba's influence could coincide with the Tito succession when Belgrade may not be able to react effectively to Cuban moves. Nonetheless, Yugoslavia finds itself in a dilemma. It does not want to foster a split between the pro- and anti-Cuban factions, but neither does it want Cuba's influence to grow.

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At Belgrade, Yugoslavia is neither likely to challenge openly nor support a challenge to Cuba's credentials as a nonaligned country. Because of its desire to maintain a semblance of a third force in international relations, Yugoslavia is often willing to dampen its reservations about individual political stands of the majority to keep the group together. Additionally, questioning Cuba's credentials might set loose unrestrained acrimony between other ideologically incompatible countries.

At present there does not appear to be any strong country within the Movement willing to risk the consequences of questioning Cuba's nonalignment.\* India, a leading moderate in the Movement and also concerned about Cuban motives, has reportedly refused to lead any move against Cuba, citing as one reason its bilateral relations with the Soviet Union. India's position is that it condemns foreign intervention, but not assistance in clear cases of aggression.

On the Cuban issue, the most that can be expected at Belgrade is an indirect criticism, which might influence Cuba to soften its hard-line positions at nonaligned meetings. Egypt had suggested--but will not pursue--introducing a motion calling for indefinite postponement of the 1979 summit. Cairo thought that even if the motion did not carry, which almost certainly would be the case, it would put the Cubans on notice that a number of states look critically at their activities.

To minimize ideological disunity, the membership at Belgrade will be looking for an issue around which it can rally. Economic issues, largely ignored since the Algiers summit, when the declaration for a new

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\*Cuba is clearly aware of the dangers and went out of its way to leave the door open to countries like Zaire and Somalia earlier this year in hopes that they would not bolt the NAM. The Cubans are confident they can handle friction from such outcasts as Zaire without damaging the Movement. They are keenly aware that many NAM members--although wary of Cuba's aggressiveness--are too fearful of destroying the NAM's fragile unity to press the issue of the Cuban-Soviet axis.

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international economic order was drafted, might meet that need. Although they probably would not expect any substantive outcome from a renewed emphasis on economics, the symbolic benefits could make it attractive. The "New World Information Order" slogan could also be an issue that some members may try to raise to a level equal to the "New International Economic Order." The essential characteristics of the NWIO--viewing the transnational communication apparatus as a vestige of colonialism and a threat to LDC sovereignty and cultural integrity--will surely appeal to the emotions of most nonaligned members.

The most likely outcome at Belgrade, however, will be no clear judgments about the status of Cuba, the definition of nonalignment, or what the focus of the Movement should be. The ensuing confusion could represent an advantage to the radicals, since Cuba's position to influence the NAM will increase with its assumption of the chairmanship. But unless Cuba slows its aggressive drive to transform the Movement, its success is likely to be limited by the divisive effect of its goals on the NAM. If Cuba pushes too hard, even some radicals may join an anti-Cuban backlash. If Cuban actions were to result in conversion of the NAM into a smaller, clearly revolutionary, and anti-Western group, the loss of membership would greatly reduce the influence of the body.

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ZOPFAN OR ZOIPN--A ZONE OF PEACE IN SOUTHEAST ASIA?

A recent proposal by Vietnam for a "zone of independence, peace, and neutrality" (ZOIPN) in Southeast Asia, introduced as an amendment to the draft program of action of the UN Special Session on Disarmament, has met with favorable but cautious reactions from the five non-Communist members of the Association of Southeast Asian Nations (ASEAN). While Vietnam's proposal goes no further than ASEAN's initiative for a "zone of peace, freedom, and neutrality" (ZOPFAN), it actually signifies a new willingness to cooperate with ASEAN and an acceptance of the concept in principle.

\* \* \*

Vietnam's unexpected statement supporting the concept of a Southeast Asia zone of peace in the UN Special Session on Disarmament (SSOD) program of action caught the ASEAN members by surprise. For years, Vietnam and Laos have criticized ASEAN and opposed the ZOPFAN proposal. Also known as the Kuala Lumpur Declaration, ZOPFAN is the brainchild of the late Malaysian Prime Minister Tun Razak, and by the early 1970s it had become a major objective of Malaysian foreign policy. ZOPFAN was formally adopted as a goal by ASEAN in November 1971 at its meeting in Kuala Lumpur, and a working group of experts was established to draw up a conceptual blueprint of the zone and a plan of action for its implementation. The zone would consist of the nine Southeast Asian nations (ASEAN plus Burma, Cambodia, Laos, and Vietnam), and would be recognized and guaranteed by the international community.

Until 1975, the ASEAN nations as a group did not actively pursue ZOPFAN. Thailand and the Philippines were members of SEATO; and Malaysia and Singapore were signatories of the Five-Power Defense Arrangement with the United Kingdom, New Zealand, and Australia. The Communist victories in Indochina and the withdrawal of US forces from Southeast Asia rekindled serious interest by ASEAN in obtaining both regional and international

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support for ZOPFAN. Malaysia sought international endorsement of the ZOPFAN idea at the 1976 Nonaligned Conference in Colombo. Vietnam and Laos were so antagonistic to ASEAN and to the ZOPFAN, however, that Malaysian Foreign Minister Rithaudeen was not permitted to read his prepared statement. To avoid subsequent confrontations Malaysia began a policy of prior consultation with Vietnam and Laos on ZOPFAN. In 1977 initial Vietnamese and Lao hostility toward Malaysia's plan to raise ZOPFAN on behalf of ASEAN at the Nonaligned Coordinating Bureau meeting in New Delhi caused Malaysia to withdraw the issue from the agenda. ASEAN's plans to submit a resolution to the UN General Assembly in 1976 and 1977 were similarly canceled for fear of jeopardizing its gradually improving relations with the Indochinese states.

The UN Special Session on Disarmament presented ASEAN with a unique opportunity to gain international recognition of ZOPFAN. Early in 1978 Malaysia initiated efforts to have Southeast Asia mentioned in the section on zones of peace in the program of action. Malaysia was careful, however, to couch the concept in very general terms (the words "freedom and neutrality" were dropped), to omit any reference to the Kuala Lumpur Declaration or to ZOPFAN, and to present it as a Malaysian rather than an ASEAN initiative. Preliminary consultations indicated that Vietnam and Laos would accept this approach, but not that Vietnam would present its own proposal.

In an obvious bid to improve its relations with ASEAN and to defy China, Vietnam circulated a document in early June to the SSOD setting forth four principles on which to base a definition of a Southeast Asian zone of peace. On 13 June, at a dinner for Burmese, Lao, and ASEAN diplomats attending the SSOD in New York, Deputy Foreign Minister Vo Dong Giang announced a Vietnamese proposal for a new "zone of independence, peace, and neutrality" in the region. Timed to coincide with the annual ASEAN foreign ministers' meeting, the Vietnamese announcement came just a day before the meeting was to discuss Indochinese participation in ZOPFAN.

The ASEAN foreign ministers reacted cautiously. They welcomed the initiative, but noted Vietnam's motives and the differences between the Vietnamese proposal and

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ASEAN's formulation. In particular, while the four-point definition of the ZOIPN\* is similar to the four-point statement of objectives for ZOPFAN, Vietnam uses the words "genuine independence" instead of "freedom." The Singapore and Thai foreign ministers were especially skeptical of Vietnam's motives and emphasized that ASEAN should be careful not to become trapped in a Vietnamese effort to outmaneuver and oppose Chinese influence and to act as a surrogate for Soviet influence in the region.\*\* Malaysia, as the major sponsor of ZOPFAN, and Indonesia were more positive and optimistic that further consultations could produce a zone of peace proposal acceptable to all states in the zone.

### The Future of a Zone of Peace

Both ASEAN and Vietnam are pleased with the language of the SSOD program of action on zones of peace,\*\*\*

\* (1) Respect for each other's independence, sovereignty, territorial integrity, nonaggression and noninterference in each other's internal affairs, equality, mutual benefit, and peaceful coexistence.

(2) Not to allow foreigners to use one's territory as a base for direct or indirect aggression and intervention against another country or countries in the region.

(3) Establishment of friendly and good neighborly relations, economic cooperation and cultural exchange on the basis of equality and mutual benefit, and settlement of disputes among the countries in the region through negotiation in a spirit of equality, mutual understanding, and respect.

(4) Development of cooperation among the countries in the region for the building of prosperous countries in keeping with each country's specific condition for the benefit to genuine independence, peace, and neutrality in Southeast Asia and, thereby, to peace in the world. (Underlining added.)

\*\*China has endorsed ASEAN and ZOPFAN. The USSR approves of regional zones of peace and is apparently supporting the Vietnamese proposal.

\*\*\*"The establishment of zones of peace in various regions of the world, under appropriate conditions, to be clearly defined and determined freely by the states concerned in the zone, taking into account the characteristics of the zone and the principles of the charter of the United Nations, and in conformity with international law, can contribute to strengthening the security of states

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though they see it as only a first attempt. The Non-aligned Foreign Ministers' Conference, meeting in Belgrade from 25 to 29 July, will also consider proposals on zones of peace. Vietnam has already indicated that it intends to submit a resolution, and Malaysia and Indonesia have supported this initiative. It is not yet clear, however, whether Vietnam will propose the SSOD formulation or present its own version. Malaysia, on behalf of ASEAN, may also decide to resurrect ZOPFAN and thus risk reopening the controversy of the 1976 Colombo nonaligned meeting.

Support of the principle by the other states in the area is necessary to establish any zone. In the past, Burma has expressed acceptance of a zone in principle, although not of ZOPFAN in particular; it has not voiced an opinion on Vietnam's initiative. Laos has been the most vocal opponent of ZOPFAN; it introduced a counter-resolution at the 1976 Colombo meeting, which, however, supported a zone of peace in principle. Laos finds the SSOD formulation and Vietnam's proposal acceptable. The major stumbling block to both proposals or to a compromise will be Cambodia. Cambodia has not accepted ZOPFAN and thus far has not specifically reacted to Vietnam's ZOIPN. Given its suspicion of ASEAN and its open antagonism toward Vietnam, it is not likely to endorse either in the near future.

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within such zones and to international peace and security as a whole. In this regard, the General Assembly notes the proposals for the establishment of zones of peace, inter alia, in: (A) Southeast Asia where states in the region have expressed interest in the establishment of such a zone in conformity with their views."

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PRODUCER DECISIONMAKING AND INTERNATIONAL OIL SUPPLY

The problems and uncertainties facing oil importing countries regarding the cost and availability of oil include two widely recognized aspects: the geological and technical difficulties of producing a smooth and adequate supply of oil and the threat of politically motivated restrictions on exports. There is still another important aspect: notional shortages in oil supply arising from the institutional slowness of producing governments and operating companies in recognizing future production problems and implementing programs to alleviate them.

The issue of institutional responsiveness helps to illuminate the complex nature of the problem of adequate oil supplies; in particular, it helps explain some of the differences in estimates of the timing, intensity, and duration of future notional shortages. The judgments of this paper support the more pessimistic estimates.

The inadequate institutional responsiveness of national oil companies, multinational companies, and producer state bureaucracies not only makes the future emergence of an international oil shortage more likely, but will tend to make that shortage more stringent and prolonged. To the extent that these institutions focus on short-run difficulties and simple solutions rather than addressing more fundamental problems, they can create conditions in which the importing countries will face not one but two oil supply shortages--the second of which is likely to be much more serious and long-lasting than the first.

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The paper is necessarily general and speculative. It is intended primarily to stimulate

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discussion and focus greater attention on the decisionmaking process of oil producers as a factor affecting the future well-being of the industrial democracies. While the problem of institutional inadequacies is the focus of the article, the author recognizes that this factor must be viewed in the context of even more critical political and economic factors.

\* \* \*

If trends in consuming country oil demand fall within the range of most recent projections,\* and if soft market conditions and production limits in the countries with excess capacity continue to deter expansion of productive capacity in the short run, the world will reach a point (perhaps in 1981 or 1982) when demand for OPEC oil approaches OPEC productive capacity. At that time, expansion of productive capacities would be limited by several different sets of problems that would be seen in layers, with the least difficult recognized first.

Because of their decisionmaking methods, the first set of problems that is likely to be recognized and addressed within the institutional framework of international and national oil companies and producer governments is that which most immediately impinges on their ability to modestly expand productive capacity (and production) as demand for OPEC oil approaches, or reaches, OPEC productive capacity.\*\*

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\*Most projections show fairly flat OECD demand for OPEC oil in the 1978-80 period because of North Sea and Alaska additions. OECD demand for OPEC oil would grow at an annual rate of 2.5 percent to 3.5 percent in the early 1980s. LDC demand for OPEC oil would grow at an annual rate of 4 percent to 6 percent during the entire period.

\*\*The logic, as developed in this article, can be best applied in Saudi Arabia. But, although the participants, problems, and political-economic settings are quite different, the same generalizations can be usefully applied in Kuwait, UAE, Iran, Iraq, and non-OPEC Mexico.

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Often, in both multinational and nationally controlled oil companies the planning cycle best isolates short-range and easily identifiable difficulties. Assessments tend to be both narrow and shallow, not because of incompetence, but because basic data and initial analysis are generated by small operating units with narrowly focused substantive interests at the base of the organizational pyramid. The data and analysis are fed upward to the top of the organization while remaining segregated from the analysis of other operating elements. At fairly senior levels, officers with responsibilities in planning and finance evaluate these low-level assessments in the light of broader economic and political factors. They often appear constrained in their efforts, however, by the tradition of strong reliance on operating division assessment\* and executive conservatism with regard to presenting "hypothetical" or "speculative" (that is, nonoperationally derived) planning to finance committees and directors. Finally, as analytic efforts near the most senior executive levels, they are packaged by small policy planning staffs without the resources or authority to evaluate the individual parts or integrate them in a satisfactory manner.

An example of this incremental process can be found in the basic assessment of future demand, which is usually made by marketing groups without much attention to criteria such as aggregate levels of economic performance, government policy, or energy diversification efforts. At the same time, supply tends to be viewed by many operational personnel as a function of demand (namely, the supply required to meet projected demand) rather than as a separate analytic topic. The separate supply analysis that is generated is handled by operating personnel in the same decentralized manner. Their tendency is to address the question of "how" to reach desired levels of production in a narrowly defined production area. That analysis is colored by an optimistic pragmatism based on past successes in overcoming production difficulties and by an isolation from the consideration of

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\*This reliance stems from the fact that these assessments have been quite successful in meeting past problems. The companies now face production problems, however, that are different both in magnitude and type.

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such related problems as the availability of equipment and trained labor, investment difficulties, and government policy.\* For example, the difficulties now faced by Aramco result in part from their failure to accurately predict the more restrictive long-term petroleum development policy that the Saudi Government has adopted within the past year.

Senior levels do attempt to coordinate the operational level inputs and address the difficulties stemming from decentralized planning (such as the impact of competing requirements for scarce resources), but these attempts tend to be only partly successful because of a "splitting the difference" philosophy in those areas where high-level analysis suggests that operationally derived assessments are in error.

Thus, while one often sees both sound technical competence and good planning capacities within the major companies, one also finds tendencies that are likely to result in very cautious and rather slow identification of potential problems.

This model, however, should not be overdrawn. Like most generalizations it is subject to considerable disagreement among analysts, and there are both exceptions to the generalization among the companies and qualifications to the generalization within specific companies. For example, there are companies in which there is a relatively high degree of sophisticated political and economic understanding at working levels within the organization that is not effectively passed to the top.

\*The argument has been made that this is rational behavior; that company interests, if not maximized, are at least advanced and protected and that companies cannot adequately consider broader economic and political concerns.

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In general, until very recently, national oil company officials have tended either to adopt the decision-making techniques of the multinational firms, create different but equally simplistic projective models, or focus on political and strategic questions rather than operating questions. As a result national oil company officials have tended to accept cautiously (often partially) the operating assessments of the multinational companies, and the resulting policies are patchwork combinations of conservative compromises. The role of national companies (and related bureaucracies) is changing as they assume control of policy, but their methods of decisionmaking are likely to change only slowly because of the character of their training and experience.

Perhaps the most important single problem in the decisionmaking process stems from the relationships between producer governments and multinational companies. Senior executives within a company are usually quite sensitive to the operating constraints (whether for political, economic, or technical reasons) placed on them by the host government and attempt to develop policies and projections with them in mind. There is often little understanding of these constraints, however, at lower operating levels where basic assessments of production possibilities begin, and there is a less than adequate ability to integrate the impact of these imposed constraints with basic assessments at senior staff levels. In some companies the reverse seems true: there are generally accurate perceptions of the political constraints of direct concern to an operating element within that company, but these are not fed up through the company for aggregation and analysis. In a sense there are usually two sets of plans--one developed by the marketing elements with little regard for governmental operating decisions and constraints on the supply side, and one formed by the production elements with an awareness of these constraints. Senior planners attempt to reconcile these differences. The results are less than satisfactory. One finds "public," optimistically stated sets of projections and policies that ignore these constraints and actually serve as guidelines to many within the company. One also finds "private" and less optimistic opinions that are not fully understood within the company's diffuse policymaking process or by people outside the company when assessing the companies' statements.

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As a result of these planning tendencies, as production nears or reaches capacity, companies recognize certain technical problems similar to those encountered by Aramco during the expansion of the last few years and particularly acute in 1977 (cumbersome administrative procedures; inefficient well maintenance; expansion-caused difficulties in treatment, pipelines, storage, and loading) that would limit production but could be partially alleviated in short periods of time. The companies would then begin fairly modest programs for the accelerated development of relatively new production that could be exploited within a short period.

Corporate planners assume that all necessary available measures will be undertaken to raise productive capacity (and production) at a rate sufficient to stabilize the relationship between supply and demand to avoid serious supply disruptions. This could result in increased, and misplaced, optimism in both the companies and importing countries that reduces immediate pressure for expansion of productive capacity. The "optimistic projections" of the world oil outlook seem to focus on this set of assumptions, with less attention devoted to the more serious political and technical problems. More pessimistic projections tend to focus on the more serious, long-range constraints.

If attitudes within the producing governments and companies remain optimistic and oriented to short-range solutions, hence complacent, the world could reach a point at which the "shortage" became more severe than it otherwise need be. While it is quite true that capacity could be further expanded (by attacking water and salt problems, and by increasing reservoir pressure to allow more extensive production), these efforts may require long periods of time to implement. If little expansionary work had been done before the supply difficulty actually started, there would be a long period of time in which the notional gap constrained demand. The companies would be in the unfortunate position of having used their most effective (in terms of impact time) expansionary tools because they were simple and cheap. The results would be twofold: an initial false sense of security and only difficult, time-consuming expansionary tools left at their disposal.

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The difficulties of dealing with serious technical problems would be made more severe by the length of time necessary to design and implement investment policies that would increase the productivity of old fields and increase or open production in the newer, smaller fields. Investment and program design could also be a serious problem in the application of secondary and tertiary recovery techniques necessary to expand production in many existing fields.

At first glance it might seem that this investment problem could be easily dealt with in the Persian Gulf states, but even there one would find problems: government conservatism and slowness in expanding capacity and approving expenditures, personal and bureaucratic frictions over investment programs, the "normal" institutional time lags in developing programs, the complicated institutional arrangements present in several countries. Those problems would be further complicated, and the expansionary programs further slowed, if capital markets were involved (as they well might be in some countries), if administrative and labor constraints developed (as they often do), and if equipment production and purchase bottlenecks developed (as they have in every period of expansion).

This analysis should not be taken as a general indictment of the effectiveness of oil company decision-making processes. Nonetheless, the challenges that lie ahead in terms of meeting oil demand are likely to be more formidable than in the past, and the consequences of inefficiencies in planning and implementing production increases more damaging to the interest of importing countries. In some cases, if this thesis is correct, company "underestimation" of potential future oil shortages may be less the issue; production decisions may be constrained primarily by the different perceptions of self-interest on the part of multinational companies and producing governments (as in the Saudi-Aramco disagreement on the funding of expansion and improvements). The consequences for the industrial democracies would, however, be the same.

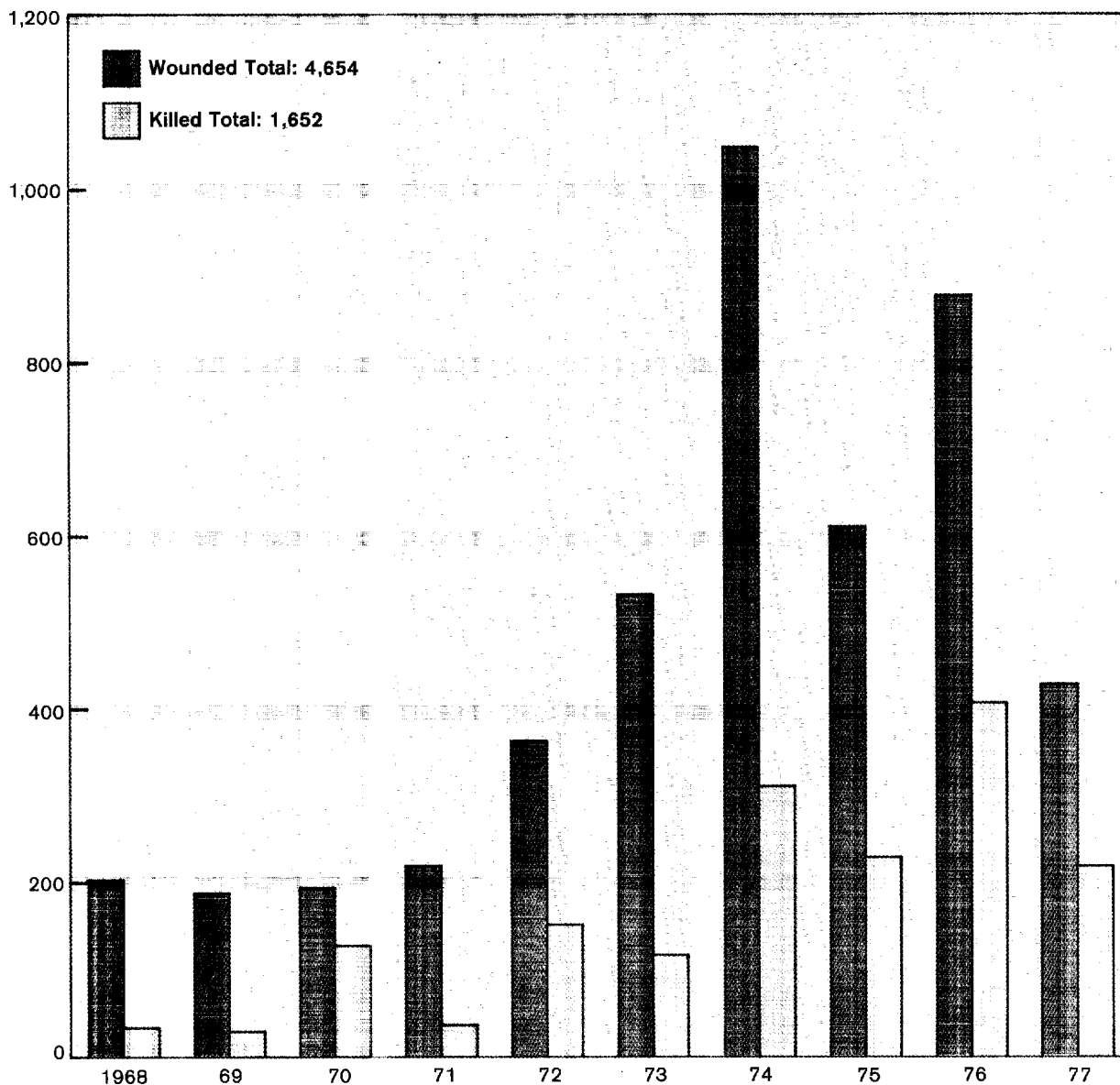
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Figure 1

### Deaths and Injuries Due to International Terrorist Attacks,<sup>1</sup> 1968-77



1. Casualty figures are particularly susceptible to fluctuations due to inclusion of especially bloody incidents, e.g., exclusion of the Malaysian hijacking of 1977, which some reports credited to Asian terrorists, would subtract 100 deaths from that year's total.

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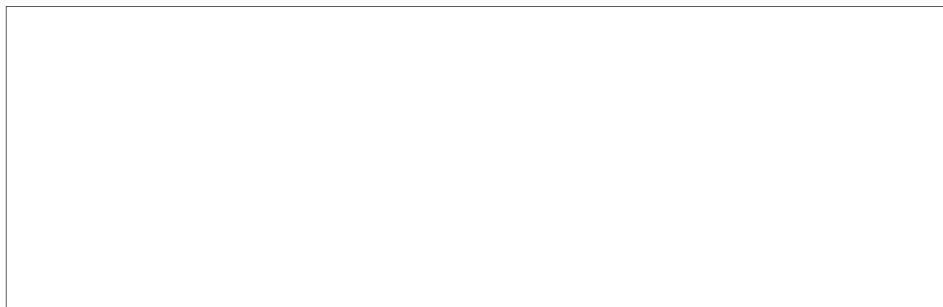
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TERRORISM IN 1977



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Trends

Developments relating to international terrorism in 1977 showed several major patterns and trends.

For the year as a whole, there was a decline in the number of international incidents and their attendant casualties (see figures 1 and 2). This decline was probably in large part due to increased security measures taken by previously victimized governments, coupled with political developments fostering a wait-and-see attitude on the part of terrorists. During the second half of the year, however, the frequency of terrorist incidents jumped to nearly the previous year's record levels. Several spectacular acts--such as the Japanese Red Army (JRA) and Lufthansa hijackings--and bombings protesting the Baader-Meinhof suicides and the Sadat peace initiative occurred toward the end of the year.

In geographic terms, terrorists continued to prefer operations in the industrialized democracies of Western Europe and North America. More than half of all incidents were recorded in these regions (see figure 3).



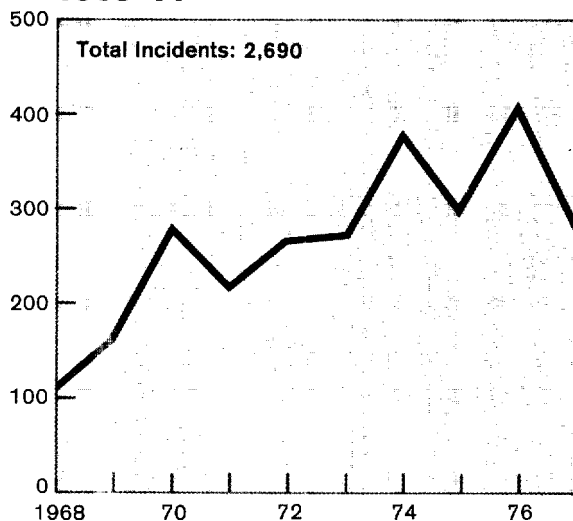
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Figure 2

### International Terrorist Incidents, 1968-77



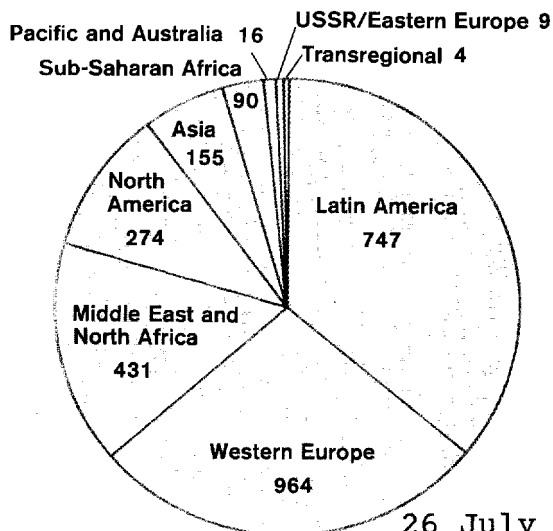
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Figure 3

### Geographic Distribution of International Terrorist Incidents, 1968-77

Total: 2,690



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There were fewer attacks than the previous year, both in relative and absolute terms, on US citizens and property (see table 1). Increasingly effective preventive measures taken by police and by US Government and business officials were probably the main reasons for the decrease. American human rights advocacy may also have played a part by making US citizens and installations a more ambiguous and less inviting target than in previous years.

Terrorism in the Middle East stayed at relatively high levels and again transcended the Arab-Israeli conflict. As in 1976, attacks on fellow Arabs constituted the bulk of fedayeen-related international terrorism. Bombings of Egyptian overseas facilities contributed to an overall increase from 1976 in the number of fedayeen-related attacks.

While terrorist organizations at times carefully planned and coordinated complex operations, the vast majority of reported attacks continued to be low-risk endeavors, such as bombings, arson, and murder (see table 2). This was accompanied by a shift away from well-protected targets to more remote ones not heretofore subjected to attacks. For example, US facilities in isolated rural villages were attacked, while hijackers used smaller airports as their embarkation points.

Terrorists continued to display a lack of inclination, or perhaps ability, to master and use sophisticated weapons and technology. Terrorist acquisition of such devices and training in their use is frequently reported, but this has not led to their operational deployment. While the West German Red Army Faction threatened to shoot down Lufthansa planes with SA-7 heat-seeking missiles, so far it has not followed up its threat.

The behavior of hostage-takers suggested a heightened sensitivity to the tendency for sympathetic psychological bonds to form between captors and hostages over time. For example, South Moluccans refused to talk to their hostages; Japanese Red Army hijackers wore masks, used numbers to refer to themselves, and initially instructed passengers not to look at them; the Lufthansa hijackers deliberately mistreated passengers and killed the pilot.

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Table 1

International Terrorist Attacks on US Citizens or Property,  
1968-77, by Category of Target (U)

Target	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Total <sup>1</sup>
US diplomatic officials or property .....	12	17	52	51	22	19	12	12	12	21	230 (20.0)
US military officials or property .....	4	2	38	36	11	12	12	9	33	10	167 (14.5)
Other US Government officials or property .....	26	32	57	21	20	10	16	14	2	7	205 (17.9)
US business facilities or executives .....	6	35	24	40	44	51	86	42	52	33	413 (36.0)
US private citizens .....	3	7	17	5	12	10	13	27	26	13	133 (11.6)
<b>Total</b> .....	<b>51</b>	<b>93</b>	<b>188</b>	<b>153</b>	<b>109</b>	<b>102</b>	<b>139</b>	<b>104</b>	<b>125</b>	<b>84</b>	<b>1,148</b>

<sup>1</sup> Figures in parentheses are percentages of the total accounted for by each category of target.

Table 2

## International Terrorist Incidents, 1968-77, by Category of Attack (U)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Total <sup>1</sup>
Kidnaping .....	1	3	32	17	11	37	25	38	30	22	216 (8.0)
Barricade-hostage .....	0	0	5	1	3	8	9	14	4	5	49 (1.8)
Letter bombing .....	3	4	3	1	92	22	16	3	11	2	157 (5.8)
Incendiary bombing .....	12	22	53	30	15	31	37	20	91	57	368 (13.7)
Explosive bombing .....	67	97	104	115	106	136	239	169	176	131	1,340 (49.8)
Armed attack .....	11	13	8	8	9	10	21	11	21	14	126 (4.7)
Hijacking <sup>2</sup> .....	3	11	21	9	14	6	8	4	6	8	90 (3.3)
Assassination .....	7	4	16	12	10	18	12	20	48	23	170 (6.3)
Theft, break-in .....	3	7	22	10	1	0	8	8	5	0	64 (2.4)
Sniping .....	3	2	7	3	4	3	3	9	14	6	54 (2.0)
Other actions <sup>3</sup> .....	1	3	11	10	4	4	4	1	7	11	56 (2.1)

<sup>1</sup> Figures in parentheses are percentages of the total accounted for by each category of attack.<sup>2</sup> Includes hijackings of modes of transportation for air, sea, or land, but excludes numerous nonterrorist hijackings.<sup>3</sup> Includes occupation of facilities without hostage seizure, shootouts with police, and sabotage.

### Implications for 1978

The 1977 experience with international terrorism, compared with historical events, suggests two basic observations. First, relatively wide fluctuations in the nature and intensity of violence remain evident. Second, the number and character of the groups engaged in international terrorist activity have been constantly changing. Although terrorism has risen from the levels of the 1960s, the 1970s seem to have produced a cyclical pattern in terms of overall numbers of incidents. Most terrorist campaigns do not appear to be sustainable for more than a few months, as governments adapt to terrorist tactics, group leaders are arrested, and logistic problems arise. In time, however, new terrorist recruits appear and develop new methods--thus the cycle continues.

These oscillations and uncertainties in the pattern and level of terrorist activity render predictions hazardous, although it is clear that the threat will persist. While the precise level and nature of international terrorist activity over the next six months or so cannot be forecast, past experience suggests that:

- Regional patterns of victimization and location of operations will remain unchanged. Representatives of affluent countries, particularly government officials and business executives, will continue to be attractive targets. Europe, Latin America, and the Middle East will be the primary arenas of attack. While US official and corporate security will continue to deter potential attackers overseas, American persons and property will continue to be attractive targets.
- Terrorists will shift to alternative targets rather than retreat from the scene, if their primary goals are unattainable.
- Acts of terrorism related to the Palestinian issue will almost certainly continue. Extremists will seek to demonstrate their rejection of a political solution of the Arab-Israeli dispute, even if this is accepted by the mainstream of the Palestinian movement, the PLO.

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Recent terrorist activities in the Middle East have focused on President Sadat's overtures to Israel, with Egyptian facilities becoming prime targets. Developments seen by the Palestinians as contrary to their interests could induce even more moderate groups, such as Fatah, to resume terrorist activity outside of Israel.

- Developments in other areas, such as separatist sentiments in Europe or apartheid in South Africa, could motivate terrorist organizations indigenous to the arena of conflict to carry their battles abroad to gain increased international publicity for their cause.
- The vast majority of incidents will continue to involve bombings and incendiary attacks, which will be of little immediate risk to the terrorists.
- Commemoration of radical martyrs--such as Andreas Baader, Mayir Cayan, and Che Guevara--through the use of violence will continue. There are also likely to be incidents designed to protest specific national or international political developments.
- The development and implementation of more effective international countermeasures will continue to be impeded by differing moral perspectives among states, a broad resistance to the perceived infringement of sovereignty in any curtailment of the right to grant political asylum, and a natural reluctance on the part of many states to commit themselves to any course of action that might invite retribution--either by terrorist groups or by states sympathetic to the terrorists' cause.

The next six months or so are likely to be characterized by some discontinuities and new developments as well, including:

- The potential use of standoff weapons, such as heat-seeking missiles, to avoid direct

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confrontations with authorities. One or more groups may overcome their present tactical limitations and moral qualms to master and employ such technologies.

- A further upsurge in West European radical activity. Although the original West German anarchist leaders are dead, their organizations remain a major threat. Difficulties experienced by police in locating suspects involved in major kidnappings and assassinations have demonstrated the existence of well-organized support networks willing to aid such individuals. The suicides of the Baader-Meinhof leaders, as well as the deaths of the Mogadiscio hijackers, have provided the radical left with a new group of martyrs whose deaths may be avenged by future operations. These may be primarily directed against the governments that aided Bonn in arresting radicals who had fled West Germany.

In sum, the decline in the frequency of international terrorist attacks is expected to level off and may even be reversed. The many issues that have motivated individual terrorists remain unresolved, and new causes will arise. Although added security precautions at sensitive facilities and the use of paramilitary rescue squads may deter spectacular confrontational attacks, these measures clearly cannot protect all potential targets from simple hit-and-run operations.

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