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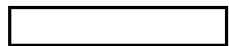
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PORTUGAL-ANGOLA

A high-level Portuguese delegation arrived in Angola yesterday. The visit—and the imminent replacement of Portugal's high commissioner in Angola—could prove to be a turning point in Portugal's relations with the war-troubled territory.

The three-man delegation is led by the commander in chief of the Portuguese army, and includes Admiral Rosa Coutinho, former high commissioner in Angola. The group will consult with Portuguese military officials in the territory and hopes to contact movement leaders. Unless the delegation can persuade the territory's two major liberation groups to stop fighting—an unlikely prospect—Lisbon may be forced into a major policy shift regarding Angola.

Yesterday, President Costa Gomes announced that High Commissioner Cardoso will be replaced by General Sacramento Marques. Cardoso's removal was reportedly demanded this week by an emissary of the Popular Movement for the Liberation of Angola. The emissary met with Coutinho, Prime Minister Goncalves, and General Otelo de Carvalho in Lisbon on July 31.

Prior to his removal, Cardoso said that the Armed Forces Movement now recognizes that a new formula must be found to replace the Alvor Accords, which established Angola's transitional government. That agreement has long since ceased to be effective as a result of widespread fighting in the territory.

Cardoso believes that Lisbon has a number of options, though all of them seem to be virtually unworkable or potentially more dangerous than the current situation.

--The Portuguese military could intervene in force to disarm the liberation groups and halt the fighting. It is probably too late for this, however. The liberation groups are much better armed and more deeply entrenched than they were several months ago. Moreover, Portuguese troops may not be willing to get embroiled in a major military campaign.

--Since the Popular Movement for the Liberation of Angola has established itself in Luanda, Lisbon could recognize it as a legitimate political successor and declare the other groups in rebellion. Although many Portuguese military officials, particularly Rosa Coutinho, sympathize with the Popular Movement, their troops could probably not be made to support the Movement in a civil war. The US embassy in Lisbon reports speculation that Portugal is preparing to side with the Popular Movement.

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--Lisbon could solicit international support, either from the UN or the Organization of African Unity, for a political solution based on the Alvor Accords. Members of the Organization of African Unity meeting in Kampala issued an appeal on Thursday for an end to the fighting in Angola and announced it would form a "commission of reconciliation" to go to Angola soon. The liberation groups, however, have rejected any international involvement as unwarranted interference.

--Lisbon could turn the territory over to the liberation groups and withdraw completely. This would leave some 200,000 whites to fend for themselves in the face of full-scale civil war. Although Lisbon is not economically or politically prepared to accept these whites in Portugal, it is not psychologically prepared to abandon them.

In the final analysis, the last option may be the only realistic one for Lisbon, if it can work out guarantees with the liberation groups that will allow for the evacuation of all whites who want to leave. Many whites have no real sense of identity with Portugal and may opt to remain in Angola come what may. Many, however, may prefer to emigrate to Brazil, South Africa, or Rhodesia, thus taking some of the burden off the Portuguese.

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PORTUGAL

Groups opposing the Portuguese government's continuing drift to the left are making a new effort to gain international backing.

Socialist leader Soares, in Stockholm for a conference today with West European socialist leaders, hopes to attract support and financial assistance for his party, now in opposition to the government. He made light of General Otelo de Carvalho's refusal in an interview on Wednesday to rule out the possibility that Soares may be forced into exile. Soares said the flamboyant security chief was "a military man who says he will use repression but is not going to."

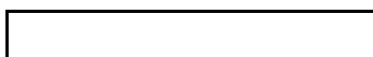
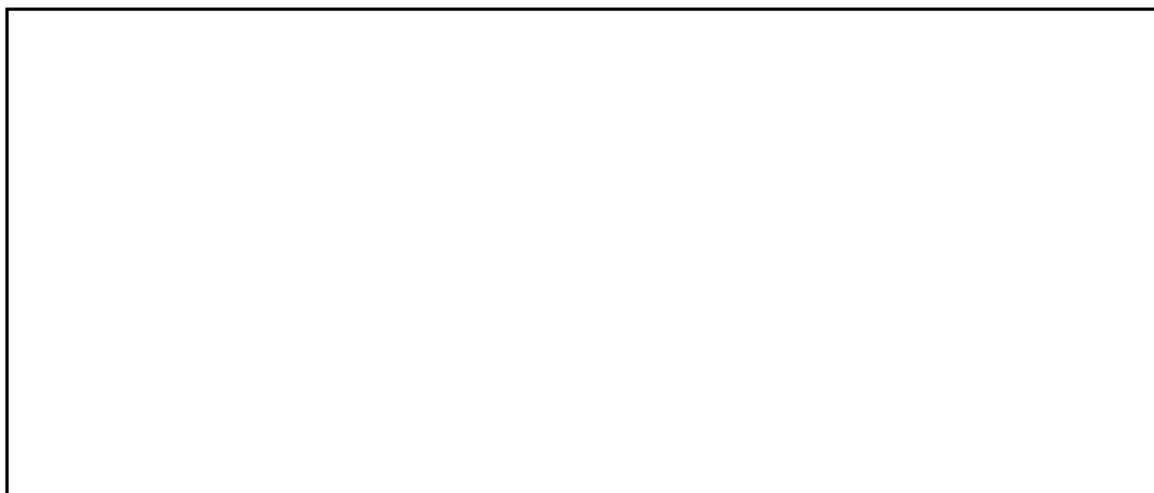
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Popular Democratic leader Guerreiro spent the week in Paris seeking moral and financial backing from the Gaullists. The results of his consultations are not known, but he has taken advantage of the French media to criticize the Lisbon government. Guerreiro expects to return to Lisbon on Monday to lead a series of Popular Democratic rallies critical of government policies.

The Catholic Church is reported to be working closely with the Socialists, Popular Democrats, and center-right Social Democratic Center to foment opposition to Armed Forces Movement radicals and the Communists. Church leaders plan to hold a demonstration every Sunday in the provinces, gradually moving the demonstrations closer to Lisbon. This Sunday, the rally is set for the northern university town of Coimbra.

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JAPAN-KOREA

Some ambiguity is emerging in Japan's policy toward Korea on the eve of Prime Minister Miki's departure for Washington.

The basic trend—improvement in relations between Tokyo and Seoul in the months since the Indochina collapse—has not been reversed. Indeed, Foreign Minister Miyazawa's trip to Seoul last week resolved some long-standing problems and helped pave the way for closer consultations, as well as Japanese economic assistance.

A crosscurrent in Tokyo's Korean policy, however, has developed in the wake of a trip to North Korea by Tokuma Utsunomiya, a political associate of the Prime Minister. Utsunomiya recently returned from Pyongyang with word that President Kim Il-song wants to discuss a peace treaty directly with the US.

After conferring with Utsunomiya, Miki said publicly that he would convey Pyongyang's message to President Ford next week. Miki was careful to hedge his role as an intermediary and attempted to head off suspicions in Seoul by adding that he would express "his own views" on the Korean issue in addition to passing on the North Korean proposal.



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Pyongyang's proposal for talks with the US is not new; the North Koreans offered to negotiate a peace treaty with the US in March last year, and they have attempted to approach the US on several other occasions. Pyongyang has probably renewed its pitch at this time as part of its current peace campaign in support of North Korean diplomatic initiatives among the nonaligned states and at the UN. The North may also believe it can encourage some frictions in the US - Japanese - South Korean relationship.



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INTERNATIONAL MONETARY

Tokyo is cool to a French proposal for a five-nation economic summit. When Prime Minister Miki comes to Washington next week, he is not likely to push for US acceptance of President Giscard's initiative. He will probably agree to the proposal, however, if President Ford asks him to go along with it.

Tokyo remains suspicious of Paris' objectives. The Japanese believe the French may hope to gain concessions on international monetary reform that they have not been able to achieve at the ministerial level.

At recent meetings of the International Monetary Fund, Paris has been holding out for a return to fixed exchange rates. There are reports stemming from his recent meeting with Giscard that West German Chancellor Schmidt may be moving somewhat toward the French on this issue. Tokyo fears that Giscard and Schmidt will have an advantage at a summit meeting because of their experience in international monetary affairs. Japanese financial officials will want to ensure that extensive working-level discussions take place before a summit meeting to minimize this advantage.

The Japanese are also concerned that a meeting of the five major countries will alienate nations, such as Italy and Canada, that do not participate. Tokyo would probably be receptive to suggestions that these countries be invited to the proposed discussions.

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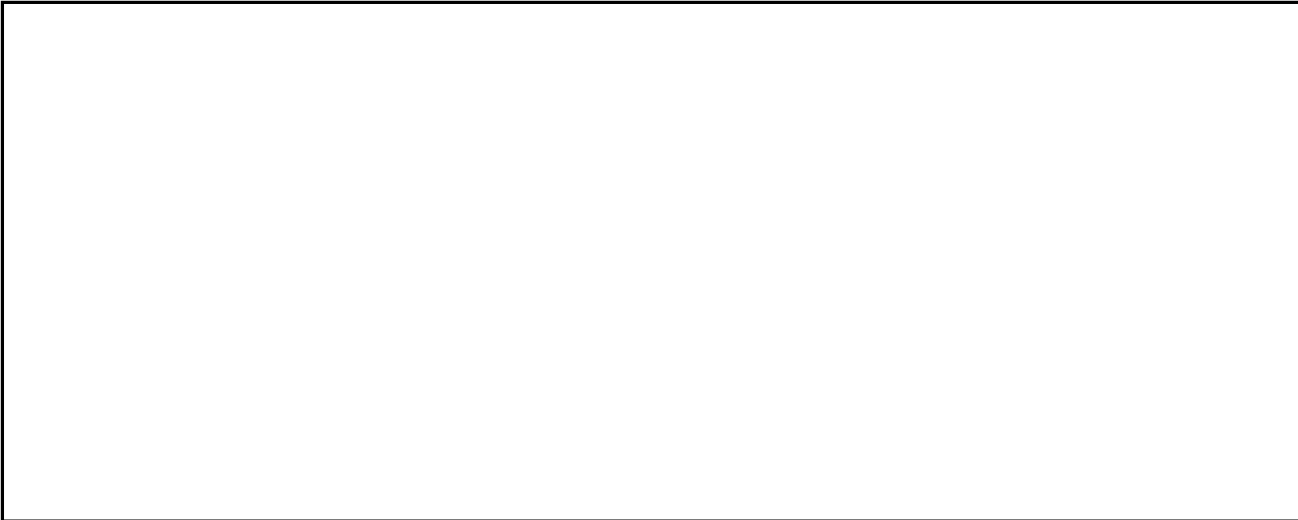
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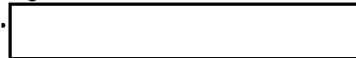


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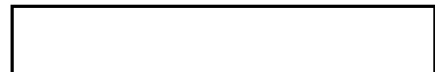
CYPRUS

Greek and Turkish Cypriot negotiators, currently meeting in Vienna, reached an agreement yesterday that will enable some 9,000 Turkish Cypriots in the Greek Cypriot zone to move north and will improve the living conditions of an equal number of Greek Cypriots who have chosen to remain in the Turkish Cypriot area. It will also permit the return to the north of some 800 Greek Cypriots who had been expelled earlier.

UN Secretary General Waldheim, under whose auspices the talks are being held, described the agreement as the most important development that had occurred in the negotiations. The agreement could set the stage for at least some progress on other issues. The talks are set to conclude today, following a discussion of the powers of the central government in the proposed federation.



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ICELAND

Iceland has once again linked settlement of fisheries and trade issues to its continued membership in NATO and maintenance of the US-manned NATO base at Keflavik. Iceland last used this tactic in 1973, when it tried to use the base issue to force the US and NATO to aid Iceland in its cod war with the UK and West Germany.

Now, Prime Minister Halgrimmsson and Progressive Party Chairman Johannesson have warned the US embassy in Reykjavik that unless West Germany stops blocking EC tariff concessions on Iceland's fish products and both the UK and West Germany agree to phase out fishing within a 50-mile zone around Iceland, Reykjavik may retaliate against the Keflavik base and reconsider its membership in NATO.

Iceland's decision on July 15 to extend its fishing limits to 200 miles, effective October 15, undoubtedly prompted the new warning. West Germany and Iceland are still quarreling over a pact governing fishing by foreign trawlers within Iceland's 50-mile zone.

Iceland has refused to allow West German freezer trawlers to operate in its waters, and West Germany has retaliated by banning sales of Icelandic fish in Germany and opposing proposals to grant EC preference to Reykjavik. Once Iceland tries to enforce a 200-mile limit, agreement will even be more difficult.

British fishermen currently operate within Iceland's 50-mile zone under the terms of a two-year agreement reached in November 1973. The fishing dispute between the UK and Iceland could heat up once again unless bilateral talks lead to an extension of the agreement.

Iceland's economy is clearly being hurt by the West German action in blocking EC tariff concessions. Protection of the vital fishing industry is an emotional issue in Iceland, and political leaders will be hard put not to link settlement of the fishing dispute with Iceland's defense commitments, particularly if the economy continues to slide.

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ANGOLA-CABINDA

The National Front for the Liberation of Angola may be getting ready to challenge the Popular Movement for the Liberation of Angola for control of the oil-producing exclave of Cabinda.

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Whatever the National Front's current intentions, Cabinda is bound to become a contentious issue sooner or later, despite agreement among Angola's three liberation groups that it must remain an integral part of the territory. The liberation group that controls the exclave will have great leverage in any future negotiations to work out a political solution for Angola.

Cabinda's future is further complicated by the existence of a Cabindan liberation front, with rival factions in Zaire and in the Congo. Luis Franque, the president of the stronger, Zairian-based Cabindan faction, declared Cabinda's independence from both Portugal and Angola yesterday at the Organization of African Unity meeting in Kampala. The OAU, however, still considers Cabinda part of Angola.

Neither faction of the Cabindan separatist movement can do much by itself, but the Zairian-based group is supported politically by Zairian President Mobutu. Mobutu believes Cabinda should at least have the right to decide whether to remain part of Angola. He equates Cabinda's position with that of Burundi and Rwanda, which were once administered from the Belgian Congo but obtained separate independence.

So far, Mobutu has shown no willingness to give the Cabindan separatist movement any military support. In the event of large-scale hostilities in Cabinda between the two major Angolan liberation groups, however, Mobutu might feel constrained to intervene militarily to neutralize the exclave and protect its "integrity."

In addition to whatever questions of principle may be behind Mobutu's support for Cabindan independence, there are important practical reasons for his interest in the exclave. He wants to protect Zaire's access to the sea and to Angolan railroad and port facilities, and he has not forgotten Cabinda's important oil deposits.

If the anti-Zairian Popular Movement came out on top in Angola, Mobutu probably would see little reason not to give full backing to Cabindan separatism.

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IRAN

The Iranians have concluded the largest tank purchase made by any country since World War II [redacted]

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Iran has reached a new agreement with the UK to buy 1,200 to 1,600 more Chieftain battle tanks. The Iranians previously ordered 300 Chieftains in January 1971, and 462 the following July. Since then, the UK's entire output has been devoted to filling the Iranian orders.

Average unit prices for the first two purchases, including spare parts, ammunition, and technical assistance, were \$403,000 and \$302,000 respectively. The US defense attache office in London estimates the cost of the latest deal at between \$450,000 and \$650,000 a tank.

The reason for such a large purchase is uncertain. In addition to about 620 Chieftains delivered thus far, the Iranians also have 874 US-made M-60 and M-47 tanks in service. Iran may have decided to replace all of its older, lighter gunned US tanks with the British ones and to sell the surplus, if US permission can be obtained.

If current holdings are retained after the Chieftains are delivered, the Iranian medium-tank inventory will be one of the largest in the Middle East, exceeded only by those of Turkey and possibly Israel. [redacted]

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EL SALVADOR

A clash between students and security forces could signal a major problem for President Molina's administration.

Simmering student unrest manifested itself most recently in threats to disrupt last month's Miss Universe contest to protest the government's waste of money in hosting it. Security precautions kept the lid on during the pageant, but on July 30 some 500 students left the university campus to demonstrate in the capital. Security force units, claiming they acted in self-defense, opened fire. The government admits that five students were killed; some reports place the number at 12.

In a news conference on July 31, Molina claimed that the march was part of a communist conspiracy and hinted he might impose a state of siege. He also accused the major opposition party, the Christian Democrats,—some of whose deputies marched with the students—of promoting the violence. Molina's charges against the communists and the Christian Democrats, traditional enemies of the armed forces, are designed to ensure the solidarity of the military, the country's principal political force.

The Christian Democrats, in anticipation of the 1976 legislative elections, have recently been more aggressive in denouncing government corruption and inefficiency. The party controls the capital's municipal government and has its largest popular base there. It may seize upon the student deaths—highly out of the ordinary for generally peaceful El Salvador—to spur popular dissatisfaction with Molina.

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USSR: According to two Soviet scientists, the Soviet Union will launch an unmanned space probe to Mars and probably another to Mercury later this year. The Soviets launched two Venus probes in June. At the international space conference held in June in Varna, Bulgaria, the two scientists indicated that the launch to Mars would occur during the launch window in September. The last Soviet launch to Mars was in August 1973. Previously, other space officials had indicated that no missions to Mars were planned for this year. No date was mentioned for the Mercury probe, but optimum periods for a launch to Mercury occur about every four months—the next one is at the end of October. This is the first stated interest in a Mercury probe.

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USSR-PERU: The final increment of 30 Soviet MI-8 Hip helicopters ordered by Peru this spring is expected to be delivered this weekend. A Soviet freighter that passed through the Panama Canal on July 31 was carrying the equivalent tonnage of at least 15 MI-8s. The first group of MI-8s was delivered in late June and may have included a MI-6 Hook for demonstration purposes.

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