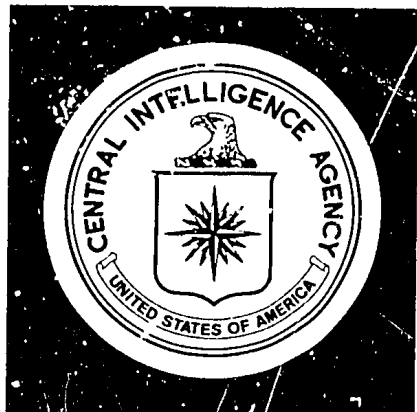


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Weekly Review

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13 September 1974 25X1

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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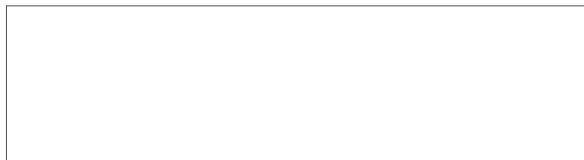
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CHINA

CHOU'S HEALTH AGAIN

For a while last week, it looked as though the deathwatch over ailing Premier Chou En-lai had begun, but press speculation proved to be a false alarm. Chou's physical condition is reportedly worse than it was last July, when he received Senator Henry Jackson in a hospital room. Later

in advance that they would be able to stay only long enough to greet their hosts.

Both officials—one is reputedly Mao's niece—seem to have frequent and ready access to the Chairman. It is possible that their brief appearance at the banquet, excused on the grounds of prior official commitments, was related to a meeting with Mao. The Chairman has been vacationing at a resort area outside Peking. Although he usually receives foreign visitors in his own residence, his meeting last week with the visiting Togolese President was not said to have taken place at his residence, and it appeared from photographs to have been held at another site.

Rumors that Chou's health had taken a sudden turn for the worse were sparked by inaccurate press reports that several high ranking Chinese officials had been abruptly called away from a banquet given by the visiting US congressional delegation. In fact, the two relatively low-level officials who left the banquet had explained

Meanwhile, vice premiers Teng Hsiao-ping and Li Hsien-nien continue to divide representational duties in Chou's absence. Both have recently played host to visiting heads of state and have stated explicitly that they were acting on Chou's behalf. The Premier's wife, who herself

Chou En-lai and others leave reception in August

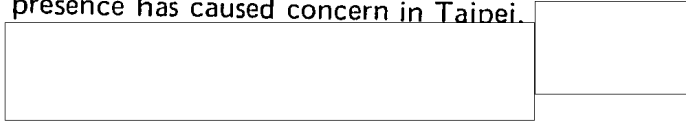
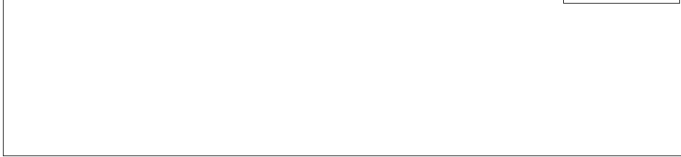


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has been ailing for several years, has also been on hand to greet the visitors.

Chinese media continue to keep Chou's name before the public in an apparent effort to convey the impression that the Premier is still functioning and, more importantly, to forestall speculation that he is in political trouble.

The Chinese are producing about 30 guided-missile patrol boats a year and are stationing more missile boats along the entire coast including the northern entrance to the Taiwan Strait. The Osa boats near the strait will not only help to keep open access to the South Sea Fleet but will also serve to offset the guided-missile firepower lost when the three Rigas were sent south. Peking has not used the missile boats provocatively, but their presence has caused concern in Taipei.

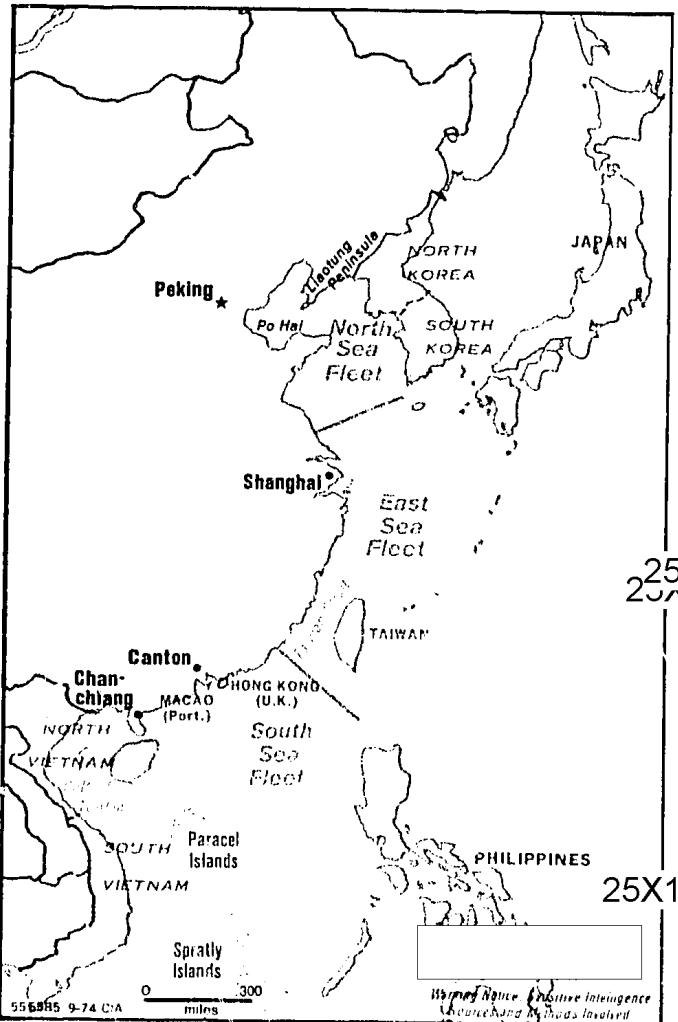


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STRENGTHENING THE SOUTH SEA FLEET

As part of a broader attempt to improve the capabilities of its South Sea Fleet, Peking may have permanently reassigned the three East Sea Fleet Riga-class destroyer escorts it sent south last January. The ships passed through the Taiwan Strait at the time the Chinese occupied the Paracel Islands. Their prolonged stay in the south suggests that their presence is no longer solely related to supporting Chinese operations in the islands.

The Chinese have relaxed their defensive posture in the Paracels, but they are still showing interest in strengthening the southern fleet. Before the arrival of the Rigas, the only major surface unit equipped with guided missiles in the South Sea Fleet was a Luta-class destroyer.



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Strengthening the South Sea Fleet would facilitate Chinese operations in the South China Sea. Petroleum deposits are believed to exist in the area, and this strengthening of the fleet may be designed to buttress Peking's claim to them. The navy has so far confined its activity primarily to coastal waters.



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South Vietnam FIGHTING MAY GET HEAVIER

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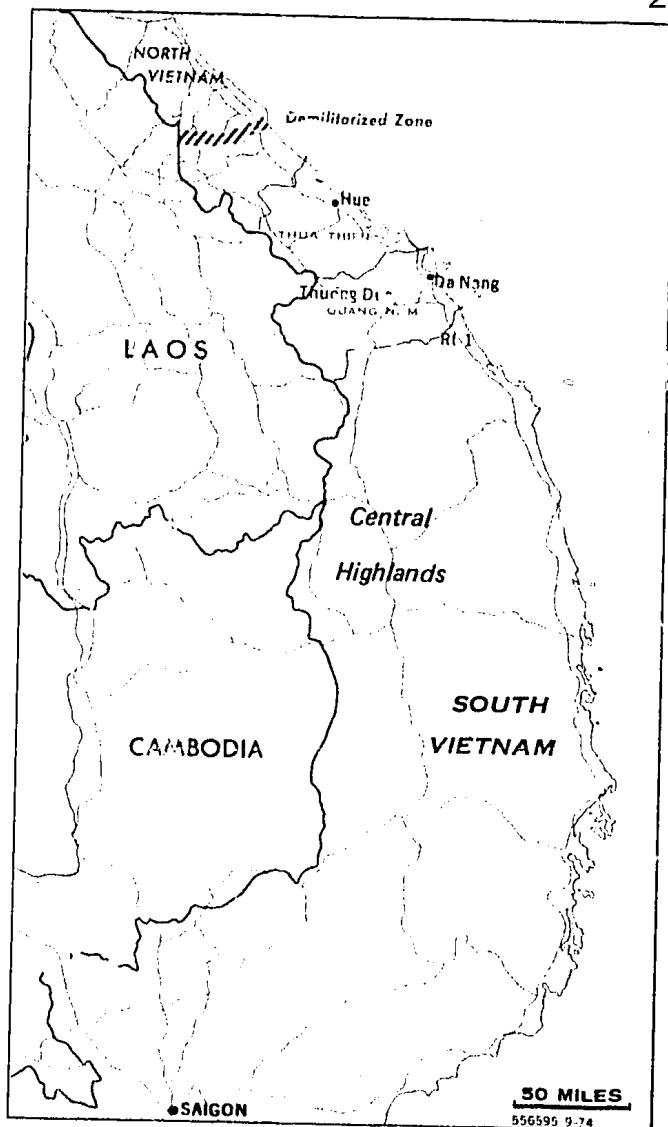
Fighting continues to be brisk in the northern provinces, but has slackened off in the south. Communist forces have not attempted to make a major push against the former imperial capital of Hue, but they have forced the government to withdraw from positions south of the city that were close to populated areas and Route 1. On two occasions, North Vietnamese troops have temporarily interdicted Route 1 between Da Nang and Hue, demonstrating their potential for disrupting land resupply of government forces in the north in the event of heavier action.

gade, which they believe would adversely affect the morale of other South Vietnamese units.

the 1st Infantry Division, has taken heavy casualties in fighting during the past two weeks in southern Thua Thien Province. Two of its regiments are now said to be "almost combat ineffective." If both the 1st and Airborne Divisions sustain substantial losses, this would constitute a serious setback for the government.

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A more interesting development, involving main forces on both sides, could be shaping up near the former district capital of Thuong Duc in Quang Nam Province. The First Brigade of the government's crack Airborne Division has been cautiously preparing to retake this district town, which was captured by the Communists this summer. The government forces have been moving slowly to control the high ground before mounting an assault on the town, which lies at the head of a valley.



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Positional battles such as the one that may be developing around Thuong Duc have become increasingly characteristic of the war since the first of the year. In the past, South Vietnamese counterattacks usually quickly forced Communist forces from towns they had captured. Now, the Communists have the advantage of a logistic network developed since the cease-fire, which provides them with the maneuver and supply capability to defend some of the positions they have captured. Also, recent reductions in the amount of ammunition and air support provided to government infantry forces will further restrict South Vietnamese efforts.

The Communists would like to inflict a substantial defeat on the crack First Airborne Bri-

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JAPAN - SOUTH KOREA: CRISIS WORSENS

The crisis in South Korean - Japanese relations deepened this week when Seoul rejected a draft of a personal letter from Prime Minister Tanaka to President Pak Chong-hui. The South Koreans are pressing Tokyo hard to assume explicit responsibility for the incident last month when a Korean from Japan killed Pak's wife and, further, to agree publicly to take strong measures against anti-Pak activists in Japan. These demands have been accompanied by large anti-Japanese demonstrations, including the partial ransacking of the Japanese embassy.

Tanaka's draft, which the Japanese agreed to send via a top-level envoy to Seoul, referred to the question of "moral responsibility" for the August incident and promised efforts to prevent further plotting against South Korea from Japan. The Japanese maintain that it is their final offer.

Seoul has countered that the letter is "obscure" and "too weak." If Tokyo will not reconsider, the South Koreans warn that they are prepared to recall their ambassador to Tokyo and issue an ultimatum.

President Pak is taking an extremely hard line, especially on the need for a crackdown on Chosen Soren, the association of pro-Pyongyang Koreans in Japan, in order to:

- put the organization on the defensive, and reinforce his claim that opposition to his regime is inspired by outside elements,
- divert attention from his own domestic troubles,
- and perhaps most important in the longer term, cause bad blood between Japan and North Korea, as Chosen Soren is an instrument of the Pyongyang regime. Pak may believe that this would deflect any possible Japanese move toward a more neutral position between the two Koreas.

Suspicious about Tokyo's motives, as well as more emotional anti-Japanese sentiment, were no doubt heightened by what Seoul regarded as a callous initial reaction in Tokyo to the assassination incident. While Seoul was accusing North Korea of having a hand in the affair, Japanese officials made a number of ill-timed public statements, such as that of Foreign Minister Kimura discounting the "threat from the North." This statement—when qualified as it later was—did not deviate from established Japanese policy, but it appeared in Seoul to reflect at best insensitivity to South Korean interests, and perhaps deliberate attempts by Tokyo to put some distance between itself and the Pak regime. 25X1

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the Japanese have been considering a minor improvement in ties with North Korea later this year such as the exchange of trade missions, but that the current tension between Tokyo and Seoul has caused this to be deferred. Pak's diplomatic pressure against Tokyo has been far from an unqualified success, however. As the crisis deepened this week, Japanese diplomats began privately discussing the possibility of economic sanctions against South Korea and the need to reconsider their support of Seoul's position when the Korean question is debated in the UN General Assembly this fall. The immediate interest of the Tanaka government throughout the recent crisis seems to have been to prevent the matter from eroding the Prime Minister's narrow margin of political support at home and to keep diplomatic options open on matters pertaining to the two Koreas.

Even if the immediate impasse is resolved, Seoul-Tokyo difficulties will continue since they are part of a continuing process of adjustment by two close allies of the United States to the changing environment in East Asia. To some extent, the events reflect South Korean fears of abandonment in an era of detente and, in Tokyo, Japan's increasingly ambivalent attitude toward the South in its competition with the North.

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NEW ZEALAND: NEW LEADERSHIP

The New Zealand Labor Party's selection last week of Wallace Rowling as prime minister will ease the party's feeling of being cast adrift by the sudden end of Norman Kirk's ten-year dominance. Rowling is intelligent and capable, and projects confidence—qualities that will stand him in good stead in filling the leadership gap left by Kirk's unexpected death. As a conservative Laborite, Rowling did not have trade union backing for the prime ministership, but he is nevertheless widely accepted in the party, which will help him to consolidate his hold.

Rowling will be a strong standard-bearer in the general election that the party anticipates is still over a year away. A seasoned and wily politician, he is probably the Laborite most able to match the aggressive style of Robert Muldoon, the new head of the opposition National Party. The opposition already looks like it is campaigning, even though—in view of Labor's strong hold on parliament—it has no hope of forcing early elections.

Rowling has been friendly toward the US. He recently signaled his interest in maintaining New Zealand's cordial relationship with the US by giving first place to the US ambassador in the courtesy calls normally tendered a new head of government. Rowling's only stand that might affect US interests has been his advocacy of strict controls on investment in New Zealand by multinational companies. The new Prime Minister has no record in foreign policy, but his decision to handle foreign affairs himself was intended to demonstrate that there will be no break with the Kirk government's policies.

The selection of leftist-leaning Robert Tizard as deputy prime minister strikes an ideological balance to Rowling that is important in the diverse Labor Party. Tizard held the health and public service portfolios under Kirk, and his handling of these two important jobs established his reputation in New Zealand's welfare-oriented government. In the new administration, Tizard takes over Rowling's old job as minister of finance.

Tizard and Rowling

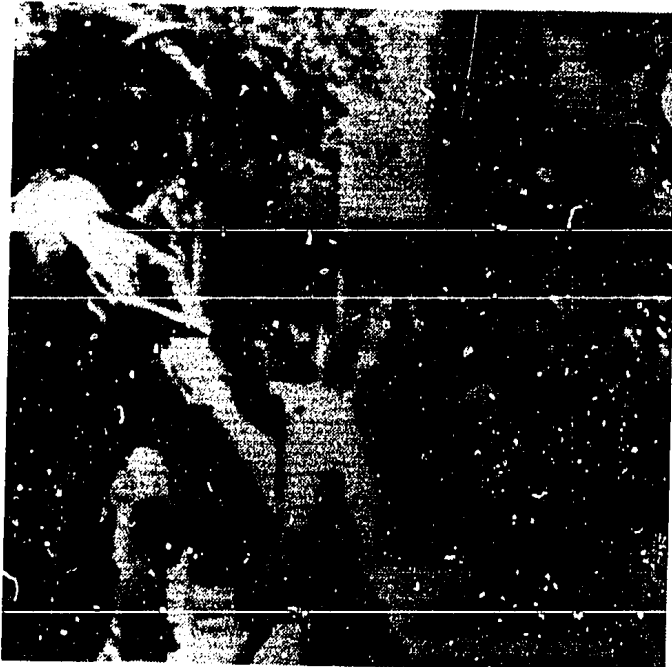
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MOZAMBIQUE: INDEPENDENCE SET

Lisbon and the black insurgent Front for the Liberation of Mozambique signed an agreement in Lusaka, Zambia, last weekend providing for the independence of Mozambique next June and the immediate installation of a joint Front-Portuguese transitional government. The signing provoked a short-lived rebellion by dissident whites demanding that all of Mozambique's political groups be represented in the interim regime.

The dissidents seized two radio stations in Lourenco Marques and temporarily occupied the airport. Although Lisbon ordered reinforcements from northern Mozambique into the capital, military forces acted with restraint in order to avoid violence. Nevertheless, demonstrations both supporting and opposing the rebellion broke out in Lourenco Marques and in the port city of Beira during which as many as 100 persons were killed or injured. The white dissidents finally agreed to give up in order to avoid further bloodshed. The rebellion sparked a black backlash in the suburbs of Lourenco Marques, where it was interpreted as an attempt by white separatists to seize control of the government. Local authorities in Lourenco Marques declared martial law in order to stem a wave of vandalism, looting, and arson.



Discouraging protest

During their incipient rebellion, the dissidents met with two special representatives sent by President Spinoza to hear their grievances. Although they may have received some encouragement that their demands would be considered by Lisbon, it seems unlikely that they gained any concessions. Lisbon cannot revoke its agreement with the Front, and the Front is not likely to consider modifying the agreement to allow its political enemies a role in the transitional government.

The dissidents were able to publicize the unrepresentative nature of the interim government, however, and it appears that their action attracted considerable sympathy, if little active backing, from numerous political organizations in the territory. These organizations—made up of whites, blacks, and mulattoes—adamantly oppose a Front “take-over” and may be encouraged to make another attempt to derail the transitional government.

The transitional period legally took effect upon the signing of the Lusaka agreement on September 7. Front officials announced on September 9 that they will be ready to move into Lourenco Marques next week to begin setting up the transitional government. Under terms of the agreement, the Front will appoint a prime minister and two thirds of a nine-member cabinet. The Portuguese will be represented by a high commissioner and the remaining cabinet members. The two sides will establish a joint military commission, with equal representation, to deal with security problems. The Front, with only about 3,000 armed troops, would be hard-pressed to quell any disorders without active Portuguese assistance.

Even without further dissidence, the transitional government faces a broad array of problems. Front leaders have been living in exile throughout their insurgency and are not acquainted with the complex economic structure and social needs of Mozambique. For some time to come, they will need to rely heavily on Portuguese technical expertise if they are to be ready to assume full power next June.

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EGYPT: NUDGING THE PLO

In an effort to bring the Palestinians to a long-delayed decision to commit themselves to peace negotiations in concert with Jordan, President Sadat has adopted a two-pronged approach with the Palestine Liberation Organization.

The Egyptians are vigorously supporting a PLO-initiated strategy to bring the Palestinian problem to greater world attention by raising the issue as an agenda item at the UN General Assembly session that begins next week. Hoping that this backing will convince the PLO of continued Egyptian support for Palestinian interests in later peace talks, Cairo is pressing a harder line in private councils. The Egyptians have made it clear that their patience with PLO indecision and delay is wearing thin, and they have threatened to leave the Palestinians to their own devices in the peace settlement process unless the PLO soon moves toward an understanding with Jordan.

At the UN, the PLO is seeking the right to address the General Assembly, as well as a resolution focusing on the Palestinian situation as a separate political issue rather than as a refugee problem solely of humanitarian concern. President Sadat apparently sees support for the PLO's UN effort as a relatively painless trade-off for his demand that the organization acquiesce, as Sadat has done, in Jordan's right to negotiate for the return of the Israeli-occupied West Bank.

Although the Arabs have not yet developed their UN strategy, the broad outlines set out in a statement of policy by the Arab League last week envision a UN resolution confirming the basic political rights of the Palestinian people, particularly that of self-determination. From the Egyptian viewpoint, the promise of self-determination, backed by the UN assembly, would give the Palestinians hope of establishing a future separate state on the West Bank after Jordanian-Israeli negotiations for the territory.

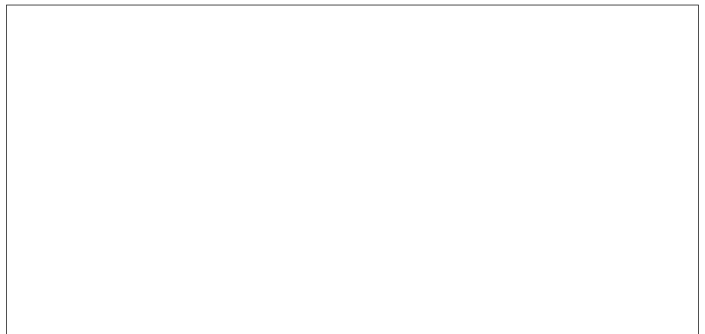
Sadat is undoubtedly counting on this to ease Palestinian inhibitions about participating in those negotiations, as an interested party if not



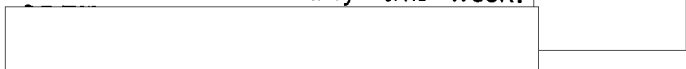
Sadat and Arafat

initially as a principal. The Egyptians have started canvassing for support of the resolution from key UN members.

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The Egyptian-Syrian-PLO meeting has been scheduled and rescheduled repeatedly over the past two months because of the Palestinians' refusal to attend. Cairo may not carry through with its threat, but it probably calculates that the fear of being abandoned will be sufficient to bring a reluctant PLO around. So far, this has not proved true; the PLO reportedly reiterated its refusal to attend the meeting during an executive committee session early this week.



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IRAN-IRAQ: THE KURDISH PROBLEM

The ground and air offensive that began last month has dealt a serious blow to the rebel Kurdish forces. The Iraqi army's deep penetrations into Kurdish-held territory have prompted increased intervention by Iran.

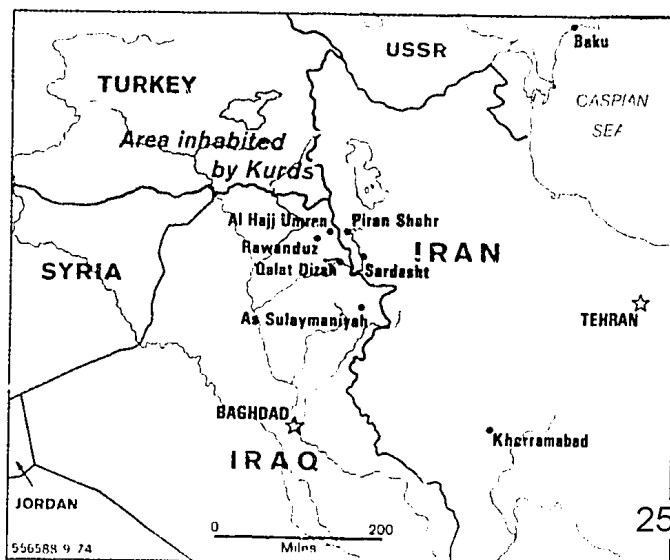
Iraq has now committed over half of its army to the campaign against the Kurds. This force, numbering over 50,000 men, is driving toward two major objectives: to split the Kurdish forces so that they can be dealt with piecemeal, and to cut off supplies from Iran.

Despite recent setbacks, Kurdish morale appears good. There are more volunteers ready to join up than there are weapons to supply them. [redacted] the rebels are more unified than ever; large numbers of educated Kurds, who in the past have been cool to Barzani's conservative leadership, now are reported to be joining the rebel forces. Even with poor equipment, the Kurds are likely to fight on. They fought the last war against the Iraqis in 1970 despite severe supply deficiencies.

Last month, the Iraqis drove a wedge between Kurdish units in the north and those in the northeast by seizing Rawanduz, some 25 miles from Al Hajj Umran, the headquarters of Kurdish rebel leader Mulla Mustapha Barzani. In a drive from As Sulaymaniyah, the Iraqis also took Qalat Dizah as part of their apparent strategy to establish a fortified line parallel to the Iranian border.

[redacted]

The Kurds' strategy recently has been to stage delaying actions along the front while



maintaining a series of harassing attacks in the rear of the main battle areas. Kurdish guerrilla actions behind the lines are intended to disperse the Iraqi forces.

The Iranian Role

For some time, Iran has provided the Kurds with equipment, munitions, and military advisers. Tehran also provides food, medicine, and money, and maintains refugee camps for Kurds who flee the fighting. The Iranians admit only their humanitarian aid, claiming that current fighting has pushed the refugee total to over 70,000. Iraq's recent successes have prompted the Kurds to ask for increased support, and Tehran has made a positive but limited response.

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Unless the Shah reverses himself, the likelihood of direct clashes between Iraq and Iran increases as Baghdad's troops push closer to the border. The Shah may deepen Iran's involvement if he concludes that this is the only alternative to a crushing defeat of the Kurds. Barring a sudden collapse of the Kurdish resistance, Iran's most likely course is to intensify what it is already

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doing, particularly with regard to artillery support. The Iraqi bombing on September 6 of two Iranian villages near Piran Shahr—the main supply depot for the Kurds—prompted Tehran to lodge a protest at the UN. It could also be used by Tehran to justify launching a limited military action along the border.

Open intervention in strength by Iranian ground forces seems unlikely, however, as this would force Arab governments to choose between Iraq—a fellow Arab state—and Iran. Moreover, Iran has been making efforts to strengthen ties with neighbors who already are apprehensive about its growing military power.

Who's for Rapprochement?

The Shah believes his interests are well served by Baghdad's preoccupation with the Kurdish problem and by Iraq's isolation in the Arab world. He therefore wishes to keep Kurdish resistance alive, and shows little interest in a rapprochement with Iraq. The Iranians believe the greatest threat to their goals in the Persian Gulf is the growth of radicalism, and Iraq is seen as its chief sponsor.

Iraq, on the other hand, is under pressure from several Arab countries to seek an accommodation with Iran as a prerequisite for resolving the Kurdish problem. There have been some signs over recent months that the Iraqis were seeking an understanding with Iran. Baghdad took the lead, for example, in starting preliminary bilateral talks in Istanbul last month on a range of outstanding issues, including border demarcation. After two weeks, the talks ended inconclusively, but the Iraqis are trying to get the Iranians to resume the discussions at the foreign ministers' level later this month, at the UN General Assembly.

The Iraqi air strike near Piran Shahr was apparently intended in part as a warning to the

Shah not to step up deliveries of military equipment to the Kurds or to increase the involvement of the Iranian army on the side of the rebels. The Iraqis, however, are aware of the risks involved in carrying out air strikes against Iranian territory. With a large part of their ground forces tied down against the Kurds, the Iraqis are not able to engage in major ground actions against Iran and will seek to avoid a confrontation.

Implications for Iraq

The unending war with the Kurds could become an increasingly onerous political liability for the regime. If the army gets bogged down later this year, there could be an open power struggle at the top between President Bakr and Baath party strong man Tikriti, who have been at odds for some time. When the fighting began in March, Tikriti put his reputation on the line by promising the Baath party that the war would be over in September. Nevertheless, his position remains strong; he controls the party security apparatus, which gives him early warning of potential troublemakers within either the party or the army.

Even if the two leaders remain united, there may be a move against them by Baath party critics acting with army support, or an independent move by the army. In the past two months, there have been signs of increasing military dissatisfaction with the prolonged, inconclusive war.

If the Iraqi regime were overthrown, there probably would be no sudden shifts in domestic or foreign policy—except perhaps for the handling of the Kurdish question. The Iraqis are so heavily dependent on the Soviet Union for deliveries of sophisticated weapons that any regime that takes power is unlikely to loosen the country's ties with Moscow.

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ETHIOPIA: END OF A REIGN

By removing Emperor Haile Selassie on September 12, the Armed Forces Coordinating Committee has further strengthened its control of the government. The committee—formally designating itself the Provisional Military Government—also named General Aman, who has been defense minister, as chairman of the provisional government and prime minister. Aman is popular with the military and has been taking on increasing importance in the government in recent weeks. He is believed to be working with the more moderate forces on the committee. Other cabinet changes are likely. The committee has been working through the facade of a civilian prime minister and a largely civilian cabinet for several months.

In other moves, the committee dissolved parliament, suspended the constitution, banned strikes and demonstrations, and imposed a curfew. It plans to set up a military tribunal to try government officials charged with corruption.

Haile Selassie's ailing son, 57-year-old Crown Prince Asfa Wossen, was chosen to succeed to the throne, but the committee stated that he would be a "figurehead" and would carry the title of "king," a step below an emperor in Ethiopia's royal hierarchy. Since early 1973 the Crown Prince has been living in Europe where he has been slowly recovering from a stroke that left him seriously incapacitated. An unassertive person when he was well, he would be easily manipulated by the committee.

Asfa Wossen may be unwilling to return, however. He may be frightened off by the treatment meted out to his father, the recent arrests of other close relatives, and the military committee's harsh public statements against the entire royal family.

In that event, the military may turn to Asfa Wossen's 21-year-old son, Prince Zara Yacob, or it may take the occasion to abolish the monarchy and establish a republic. Radicals in the committee have been pushing hard for such a move. As of now, moderate committee members who

favor the establishment of a constitutional monarchy and reconciliation of the disparate elements in Ethiopian society apparently still have the upper hand.

The forced removal of Haile Selassie appears to have been carefully prepared, and the committee may be able to continue to guide the revolution in a generally bloodless manner. So far, there have been no reports of unrest or demonstrations of support for Haile Selassie in the rural areas, once his stronghold. Moderate members of the committee, however, may have difficulty controlling radical students and military elements who are demanding that the measured pace of the revolution be intensified.

Prospects for avoiding violence may depend on what happens to Haile Selassie, who is being detained at 4th Division headquarters in Addis Ababa along with other nobles rounded up earlier. Anti-monarchist sentiment is running high in Addis Ababa, and radicals on the committee have been pressing for Haile Selassie's trial and possible execution. Moderates appear to be in favor of allowing the 82-year-old deposed monarch to live out his years at one of his countryside palaces. At present, the committee is apparently concentrating on overcoming Haile Selassie's reported resistance to its demands that he yield his overseas assets.

The committee will probably be preoccupied for some time with domestic matters, and the removal of Haile Selassie is unlikely to bring any immediate shift in the government's foreign policy. Although there have been some reports that the government has been looking for Soviet arms, it has generally retained its ties to the West. Following the removal of the Emperor, some preliminary foreign policy guidelines were issued. They provide that the government will maintain a "nonaligned" foreign policy, respect Ethiopia's international obligations, and strengthen ties with all African countries.

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INDIA-USSR: ASKING FOR FOOD

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Foreign Minister Swaran Singh visited Moscow this week to stress India's economic needs. Singh received a cordial reception, including a meeting with party chief Brezhnev on September 10, but he apparently was unable to extract a promise of a sizable loan of food grain.

Last year, when the Soviets had a good harvest, they loaned India two million tons of wheat. New Delhi apparently would like a similar amount this year, but the prospects for the Soviet harvest in 1974 are not encouraging. Although Brezhnev characterized the harvest overall as "not bad" in a speech on September 7, he acknowledged that the situation in the important wheat-growing areas of the eastern USSR, hard hit by drought, was "not entirely favorable."

Moscow may also be reluctant to hand over more food grain for fear that responding to Indian requests two years running might imply a continuing commitment. The magnitude of India's needs would place a heavy demand on the Soviets' normally limited supplies of exportable grain. By lessening its deliveries to India, Moscow would gain greater flexibility in meeting requirements elsewhere in the world and hence in exploiting other opportunities to increase its influence.

Singh's visit may help to set the stage for a meeting later this month in Moscow of a bilateral commission on economic matters. New Delhi will probably press Moscow for balance-of-payments relief. In past years, India's trade surplus with the USSR has usually been sufficient to cover its debt service payments to Moscow. This year, because of the increased prices Moscow is charging for fertilizers and kerosene, India's surplus is expected to be cut in half.

Because the Indian press and public have been giving considerable attention to the coming visit by Secretary Kissinger and to the general improvement in Indo-US relations, New Delhi may have arranged Singh's trip partly to reassure Moscow of the importance India attaches to its relationship with the Soviet Union. In addition, Prime Minister Gandhi has accepted an invitation to visit Moscow later this year, although no date has been set.

For its part, Moscow probably sought to probe India's intent regarding nuclear development, particularly for any indication that New Delhi is developing nuclear weapons. The Soviets did not have advance warning of India's first explosion last May. Since the test, India has asked for Soviet advice on peaceful uses of nuclear power, but Moscow has attempted to discourage the Indians even on this score.

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SOVIET NUCLEAR SUBMARINES

The Soviets probably have completed the construction program for Y-class ballistic-missile submarines.

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During the ten-year construction period, 24 Y-class submarines were turned out at the Severodvinsk shipyard on the White Sea and ten at the Komsomolsk shipyard. In the spring of 1974 when Komsomolsk launched its first larger, D-class submarine, it was thought that the Far East shipyard had stopped building the Y class.

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The Y-class submarine, which carries 16 SS-N-6 ballistic missiles with a 1,300-n.m. range, quickly became the backbone of the Soviet navy strategic forces when it first became operational in 1969.

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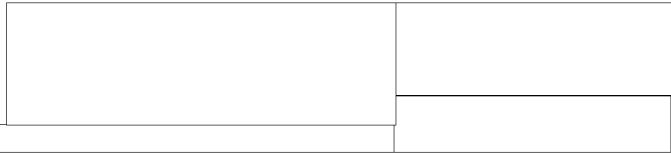
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solidarity, but noted that they had not retracted any of their views. The only vote against the social contract came from the civil and public services workers. 225X1

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The unions again endorsed the Labor Party's stand on the EC. The convention passed a resolution opposing British membership and demanding a continued boycott of certain EC institutions, but rejected a proposal for immediate withdrawal from the community. Instead, the delegates approved Labor's less radical program to renegotiate the terms of membership and to hold a referendum on the question.

Labor continues to lead in the opinion polls. A poll released on September 6 gives Labor almost 43 percent of the vote, the Conservatives 36, and the Liberals 17. According to the latest Gallup poll, Labor has a margin of only 4 percent, having almost 41 percent of the vote, compared with 37 percent for the Conservatives and 18 percent for the Liberals.

Wilson's victories coincided with a series of setbacks for Ted Heath, leader of the Conservative opposition. The Ulster Unionist Party endorsed Enoch Powell, a Tory rebel and long-time Heath nemesis, as the candidate for its South Down seat, lessening chances that the Unionists would support a post-election Conservative-Liberal coalition. A parliamentary seat would also provide Powell with a power base to rally Conservative opposition to Heath.

UK: ELECTION IN PROSPECT

Prime Minister Wilson's success last week in securing the support of the British trade unions has prepared the way for an early election. Wilson met with the Queen last weekend to gain her formal assent to holding national elections. The polling date, probably in early October, was expected to be announced late this week.

The highlight of the annual convention of the ten-million-member Trades Union Congress was the debate over Wilson's "social contract," a policy of voluntary restraint in wage demands. Primary opposition came from the engineering workers, Britain's second largest union, who insisted they could not support even a voluntary limit on wage bargaining. Following an 11th-hour appeal by Len Murray, general secretary of the Trades Union Congress, the engineering workers agreed to abstain from voting in the interest of

Two senior conservatives, meanwhile, have issued statements embarrassing to Heath. On September 5, the shadow home secretary, Sir Keith Joseph, rejected any return to the former Conservative government's policy of controlling wages and prices by law and stated he would tolerate a high unemployment level. Two days later, Geoffrey Rippon, shadow spokesman on foreign affairs, made a law-and-order speech calling for a civilian police reserve. Both statements provide Labor with more ammunition on the sensitive issues of unemployment and the organization of quasi-military units.

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CYPRUS

Hopes for progress toward a negotiated solution of the Cyprus conflict in the near future rest on the current talks between representatives of the Greek and Turkish Cypriot communities. Acting President Clerides and Vice President Denktash have met twice since September 6 regarding prisoners of war and refugees. Athens and Ankara have become somewhat more flexible toward eventual negotiations, but seem content to let Clerides and Denktash come up with some local accommodations.

Clerides and Denktash met on September 6 and agreed to set up arrangements for the release of prisoners, with priority given to the sick and wounded and those over 50 or under 18 years of age. On September 11, the two leaders said they agreed to release those given priority, but no specific date was given.

What to do with other prisoners was not decided. This problem touches on one of the

basic disagreements that prevents progress toward political negotiations. Clerides wants the prisoners returned to their homes or released where captured. Denktash insists that Turkish Cypriot prisoners be released in the Turkish-controlled sector of the island, reflecting the Turkish desire to bring Turkish Cypriots from all over the island into the Turkish-controlled area. Clerides refuses to accept what amounts to a population exchange, considering it tantamount to de facto partition of Cyprus.

How much freedom of movement both Cypriot leaders are given by Greece and Turkey will determine the outcome. Denktash, in particular, appears to be on a short leash. If no progress is made within the next week or so, the Greek side seems prepared to take its case to the UN General Assembly later this month. Whether the Cyprus issue is inscribed on the agenda or not, it will undoubtedly be a subject for discussion at the General Assembly. The foreign ministers of

Clerides and Denktash agree before a UN mediator



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Greece and Turkey, as well as British Foreign Secretary Callaghan, plan to attend, which raises the possibility of informal talks between the guarantor powers if there are any indications that the logjam can be broken.

PROSPECTS FOR ELECTIONS IN GREECE

[redacted] Prime Minister Karamanlis recognizes that no elections can be held in Greece until Cyprus is at least "stabilized." This has been confirmed by his press spokesman, who emphasized that elections could not be announced until the Cyprus crisis passes and martial law and mobilization are ended. Karamanlis reportedly hopes to be able to hold elections in mid-November.

[redacted]

Karamanlis reportedly plans to enter the elections heading a broadly based grouping that will include members of his former National Radical Union and the center and right wings of the Center Union.

[redacted] The US embassy believes the right would not challenge such a grouping. Its support from the center, however, would depend on whether Greece is still being buffeted by Turkey.

Defense Minister Averoff believes that the longer elections are delayed, the more concessions Karamanlis will have to make to the left and its most outspoken advocate, Andreas Papandreu. He will also be held responsible for the economic difficulties created by the former junta.

Averoff is concerned that Karamanlis' electoral base might therefore dissipate within a year. If elections are held fairly soon, however, Averoff estimates that Karamanlis will gain about 60 percent of the popular vote. Andreas Papandreu, who reportedly prefers not to form an electoral coalition with the communists, believes that he could pick up 20 percent of the vote, and the badly divided communists 15 percent.

[redacted]

TURKISH POLITICS

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There has also been renewed talk of elections in Turkey as a result of the strains in Prime Minister Ecevit's coalition government. There has been no serious effort to heal the differences that emerged last week between Ecevit and the leader of the junior coalition party, Deputy Prime Minister Erbakan.

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[redacted]

Ecevit is leaning toward forming another coalition government, this time with the right-of-center Democratic Party. Any move toward elections would have to have majority support within parliament, which Ecevit might have difficulty getting now.

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SOVIET MANEUVERINGS

The USSR is still trying to be more actively involved in a Cyprus solution. A delegation headed by Deputy Foreign Minister Ilichev arrived in Ankara on September 11 and is scheduled to proceed to Nicosia and Athens. Ilichev may take soundings on Turkish, Greek, and Cypriot attitudes toward discussion of Cyprus at the UN General Assembly.

Soviet public comments about Cyprus have taken an increasingly pro-Greek tenor, but Moscow still seems to be refraining from criticism of the Turks. The Soviets are treating Ankara's negative position on their proposal for an international conference on Cyprus with kid gloves, both publicly and privately.

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EC: THE DUBIOUS PROSPECT

The EC resumes a heavy schedule of meetings this month, but the prospect of halting the drift in community affairs is dubious. Inflation has sapped what momentum there was toward economic and monetary union, and has put further strains on the common agricultural policy. Adding to the gloom is the lack of public support for the EC in Britain and the ambivalent attitude of the UK's Labor government. Recognizing what one French official has called the "sorry state" of Europe, Paris hopes to inspire some improvements in EC procedures—where the French have always dragged their feet in the past. The French concede that their ideas are modest, however, and are not sanguine about their effect.

One potentially bright spot is the consideration now being given to the idea of joint community borrowing to help members deal with their balance-of-payments deficits. The loan would be an important demonstration of financial solidarity as well as of an independent capability for action on the problem of "re-cycling" oil revenues, which is the subject of much international concern. The loan, however, is likely to be small—the original goal of \$5 billion has been reduced to about one billion—and debate over such crucial details as to how it will be guaranteed could prevent action until the end of the year.

The finance, foreign, and farm ministers will all meet separately next week, but have agreed to hold more frequent joint sessions in the future. EC economic policies could therefore be better meshed, but it is a reform that may be too late, given the increasing temptation to respond to inflation with national measures. Moreover, fears of recession and concern over US economic policies are beginning to rise in Europe. The effect of this on the community is to subordinate action to consultation in wider forums. Recession fears may also dampen interest in the GATT trade negotiations, on which the EC will try to reach an agreed position this month.

The effect of the international scene on the community is also apparent in the energy area, where the initiative is now clearly with the US-sponsored Energy Coordinating Group. France would like to revive movement toward an EC policy, but even if the British lift their previous objections, any accord is likely to fall short of the Commission's original aims.

Next week, the agricultural ministers will be hard pressed to come up with new ways to maintain farmers' incomes. While inflation has sent expenses soaring, community prices for several important agricultural commodities have been held below world levels; at the same time, currency changes have played havoc with the concept of a single EC market. What threatens now is an even more complete restoration of national farm markets.

Paris' ideas for resuming progress toward European union, which Chancellor Schmidt may have endorsed in his bilateral talks with Giscard on September 2, center around restoring majority voting in the EC Council, at least on certain selected issues. In another reversal of traditional French attitudes, Paris is apparently willing to propose expanded powers for the European Parliament. Also on Paris' agenda are more inter-governmental cooperation on matters not covered by EC treaties and more frequent summit sessions "in a community framework."

The informal dinner to be hosted by Giscard in Paris on September 14 for the leaders of the Nine is designed to sound out the prospects for community movement and a more formal summit later this year. Paris will doubtless consider it a success if the Nine arrest the current sense of erosion and reawaken interest in European integration on both sides of the Atlantic.

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PORTUGAL: DOMESTIC FLUX

Political activity in Lisbon has become more spirited as the host of parties that have organized in recent months prepares for the elections to the constituent assembly in March. Frictions have developed in the center-left alliance at a time when a center-right coalition has emerged after a long period of silence from that quarter. The atmosphere has been marred by incidents of political violence.

Three right-of-center parties have formed a coalition to present what they call a "non-Marxist democratic alternative." With the provisional government soon to promulgate a law setting numerical minimums that political groups must meet in order to qualify as "parties," the announcement of the rightist coalition probably was designed to enhance its qualifications. Unless the coalition softens its right-wing image and improves its grass-roots organization, however, it is not expected to appeal to more than five or ten percent of the electorate.

Meanwhile, the Socialist Party has officially withdrawn from the Communist-dominated Democratic Movement. The move came after it became evident that the Communists intended to turn the loosely organized coalition, which also included a centrist party, into a separate political party. The Communists apparently were counting on running candidates from the Movement in areas where Communist support was weak, and candidates from their own party in districts where they had a reasonable chance of success. Such a strategy would have strengthened Communist representation in the constituent assembly, either directly or through control of representatives of the Movement. Without the electoral alliance, however, the Communists are not expected to receive more than 20 percent of the vote.

The centrist Popular Democrats followed the Socialist Party's example and also withdrew from the Movement. They had long wanted to break away, but had hesitated for fear of being accused of dividing the democratic forces. The Popular

Democrats will now attempt to align themselves with the Socialists in order to further isolate the Communists.

The Communists, disappointed by these developments, are trying to renew the leftist alliance by raising the specter of an anti-Communist crusade. They have charged that there is a concerted campaign under way to defame the party and to stir up the people against it. Anti-communism has in fact been the dominant theme in the platforms of the rightist parties, but there is also some evidence that leftist militants, posing as right-wing extremists, have disrupted rallies sponsored by Communists and moderate parties. This strategy presumably is designed to illustrate the "common cause" between the Communists and center-left parties.

The quarrel between the left and the right has also shown signs of developing into open violence. A representative of one of the rightist parties that formed the new coalition has told US embassy officials that members of his party have physically attacked leftist militants in the north and are planning to continue this activity. Right-wing activists have also been attacked by leftists, and there are reports that they are storing weapons in anticipation of further hostilities.

The political target 25X1
Popular support 25X1



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BULGARIA: 30TH ANNIVERSARY FETE

Bulgaria celebrated its 30th anniversary of liberation with two days of extravagant pomp and long speeches that included some hints of shifting emphasis in Sofia's policies.

President Zhivkov's praise of the Soviet Union was much more reserved than in September 1973, when his emotional statement that the two countries have "the same circulatory system" prompted speculation that Sofia intended to become a part of the USSR. This time, Zhivkov's sole reference to integration was an observation that the two countries are following a course of all-round cooperation and ever closer unity. The Soviets may have requested that Zhivkov be less fawning this year. Moscow was reportedly embarrassed by the slavish language of last year, and has no wish to raise new fears that Bulgaria may become a Soviet republic.

Soviet President Podgorny, the most prestigious foreign dignitary present, spoke glowingly of Bulgaria as a "beloved sister of the USSR," and, as if to underscore Moscow's rejection of political union, added: "This has always been the line and remains such today. It will be the same tomorrow also."

Zhivkov's discussion of Bulgarian economic development stressed the "extremely positive role" of the Council for Mutual Economic Assistance, but admitted—without elaboration—that the "unlimited possibilities" of the socialist system and the economic council were not being fully utilized.

In praising the socialist countries of the world, Zhivkov listed by name those with which Bulgaria is linked by "strong militant friendship." The list notably omitted Yugoslavia, Albania, and China, which were singled out for separate treatment. In discussing Yugoslavia, Zhivkov left the impression that relations with Belgrade are still far from happy; regarding Albania, he mentioned that "we want to improve relations and cooperation." By contrast, he condemned Mao Tse-tung's "adventurous, revisionist, and nationalist course" as a threat to the socialist achievements of the Chinese people. He also said that Bulgaria "resolutely repudiates and condemns anti-Soviet and

anti-Communist slanders by Peking," at which point the Chinese ambassador and his Albanian colleague stalked out of the assembly.

American observers noted that crowds showed little emotion or enthusiasm for the parade and paid scant attention to the speeches. Young marchers, especially students, seemed particularly slack and almost self-conscious in their participation. Crowds dwindled as the parade went on, and eventually marchers outnumbered spectators.

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GROMYKO SETS VISIT TO BONN

Soviet Foreign Minister Gromyko will visit West Germany on September 15-16, the first high-level contact between Moscow and the Schmidt government. Chancellor Schmidt is scheduled to visit Moscow later this year.

The West Germans believe the atmosphere for the visit is fairly good, now that the uproar over the establishment of the Federal Environmental Office in West Berlin has quieted. They plan to press Gromyko for a more conciliatory Soviet attitude on such issues as West Germany's ties to West Berlin and the repatriation of German nationals from the USSR.

Schmidt is said to be urging Foreign Minister Genscher to try to conclude a few bilateral agreements that will preserve the appearance of some movement in Ostpolitik. The West Germans do not intend to respond favorably to Gromyko's anticipated soundings for favorable credit terms unless the Soviets show some give regarding Berlin.

Gromyko undoubtedly will restate Moscow's position that the environmental office violates the letter and spirit of the Quadripartite Agreement on Berlin. The Soviets have refrained from blaming the Schmidt government for the hassle over the environmental office, however, and Moscow will do its best to preserve a civil atmosphere, if only to avoid clouding the prospects for the European security conference and force reduction negotiations.

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ARGENTINA: THE PERONIST LEFT

The declaration of war against the government last week by Montonero guerrillas who claim to speak for the "revolutionary tendency" of the Peronist youth formalizes a split between left-wing and orthodox Peronists that had grown steadily worse since Juan Peron's death over two months ago. The tempo of violence is likely to increase, thereby adding to the serious problems facing Mrs. Peron's government.

At a clandestine press conference on September 6, Montonero leader Mario Firmenich announced that his organization would go underground. The decision came only hours after the government shut down *La Causa Peronista*, the last radical publication still printed openly. In recent weeks, the tone of its editorials had become highly caustic and defiant. The final provocation came in an article by Firmenich describing his personal role in the kidnap-murder of former president Aramburu in 1970. Although the disclosure was not new, the cold-blooded account of the Montoneros' most spectacular operation quickly developed into a cause celebre, in part because it implied that Juan Peron sanctioned the killing.

Firmenich claimed that the return to armed resistance was in response to the government's campaign of "intimidation and repression." He vowed that the struggle would be waged as long as Lopez Rega—the President's controversial adviser—remained as the government's strong man. At the same time, Firmenich admitted that his followers were responsible for a recent kidnaping as well as several killings and bombings, which he said signaled the beginning of "popular resistance."

The Montoneros were joined in their stand by a half dozen Peronist student and labor groups that oppose Peron's widow. The amalgamation of left-wing organizations led by the Montoneros

draws most of its adherents from the universities, where its socialist tenets are widely espoused. Disturbances have already erupted at the sprawling University of Buenos Aires, where a confrontation with the government had been brewing for months. The naming of a new education minister led students to occupy buildings to protest any changes in personnel or policies, particularly the removal of acting rector Raul Laguzzi, who is reportedly a Montonero sympathizer. Right-wing



Guerrilla leader Firmenich

terrorists, possibly acting with quasi-official sanction, planted a bomb in the rector's apartment that killed his infant son.

Because of the tense situation at the university, new clashes are likely, especially if the government moves to close it, [redacted]

[redacted] In that event, the Montoneros could be expected to encourage students to go into the streets against the government. Already, 300 persons have been arrested as police and army forces sought to break up a major demonstration last week.

Hard-core Montonero militants will no doubt try to make good their threats of violence, but internal divisions and criticism over strategy will cause some desertions. Nevertheless, the Montoneros have a much broader following than the Marxist People's Revolutionary Army, which is credited with most leftist terrorism in Argentina, and are quite capable of pulling off spectacular abductions or assassinations. Firmenich hinted that the two organizations might even find common ground in combatting the government. Among their shared objectives is a desire to prod security forces into an overreaction that would alienate the public.

President Peron's government has thus far responded cautiously to the Montonero threat. No action has been taken to declare them illegal, although military and police officials reportedly have been instructed to move more vigorously against the guerrillas now that the lines have been firmly drawn. Stronger legislation and new security mechanisms are under study, but these have proved ineffective in the past. If the army has accepted the inevitability of greater participation in the fight against terrorism, [redacted]

[redacted] the government's ability to cope with the challenge will improve somewhat. Over the short term, however, the struggle between left and right will be a bloody one. [redacted]

OAS TO CONSIDER CUBA

The foreign ministers of Costa Rica, Colombia, and Venezuela have begun proceedings that will lead to an OAS foreign ministers' review of the Cuba sanctions on November 11. Several governments have made clear their view that Cuba remains a threat to hemispheric tranquility, but they will not oppose a reconsideration of the issue.

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The sponsors of the move have been careful to couch the rationale in terms of a changed world situation and a spirit of detente. They stress that a vote to lift the sanctions will imply no judgment of the Castro regime, but rather will release OAS members from obligations that have been in force since 1964 although recently honored mainly in the breach. Latin American sensitivity about outside interference in matters of national policy has caused the anti-Castro forces to be ill at ease about obstructing sister republics that want to open the door to Cuba.

Using the co-existence argument, Costa Rica and others are confident that they can secure the necessary two-thirds majority vote of the 23 members to overturn the sanctions. A blocking one third plus one, once assured by the unity among Bolivia, Brazil, Chile, Haiti, Nicaragua, Paraguay, Uruguay, and the US, seems likely to break down in the absence of a strong diplomatic blitz. Various governments have noted the relative serenity with which Washington has viewed the latest developments in the OAS, and have become increasingly worried that the US will alter its policy and abandon its old allies on the issue. Hedging against such a development, Bolivia, Uruguay, and others have begun to open the way to flexibility on the sanctions issue, while continuing to assert both their intention to remain diplomatically aloof from Cuba and their opposition to an inter-American embrace of the Castro government. [redacted]

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BOLIVIA: ELECTIONS—PROMISE OR RUSE?

President Banzer's recent promise to hold national elections next year touched off a new period of uncertainty in Bolivia. Last week, Banzer threatened to resign in response to reports that civilian politicians were forming a united front to urge that the election date be moved up from October 1975 to May or June. This dramatic gesture was apparently calculated to neutralize the politicians by eliciting new protestations of support from the government's military backers.

Banzer's threat was quickly withdrawn, however, and spokesmen for the various parties have now begun to press for major electoral reforms, including the granting of amnesty to exiled politicians and labor leaders. Even right-wing leader Mario Gutierrez, who had been one of Banzer's chief supporters, has publicly urged that elections be held as soon as possible and has formally declared his own candidacy. According to an assessment by official US observers, there is very little popular sentiment in favor of maintaining Banzer in office, and a majority within the military as well as most politicians would prefer to see a new man take over the presidency.

Although Banzer so far has not rescheduled elections, he has adopted a conciliatory approach to his critics, and has reaffirmed his stated intention not to run for office. Earlier this week, the labor minister reportedly told union officials that several exiled leaders will be allowed to return to Bolivia. According to a national radio broadcast, the government has told its consulates to issue visas.

Twice before, Banzer has promised to hold elections and has reneged, but it is doubtful that he could successfully pull that trick again. Bolivia's economic problems have been costing the Banzer government important support among

both civilians and military men for some time. The mounting pressure to hold the election sooner stems from the suspicion that given enough time, Banzer would devise a stratagem to perpetuate himself in office [redacted]

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MEXICO: KIDNAPING VICTIMS SAVED

Mexican security forces scored a major success against terrorists last weekend, but they are still a long way from eliminating the guerrillas' capability to embarrass the government by isolated acts of kidnaping and terrorism.

Senator Ruben Figueroa, who had been held captive since May, was rescued on September 8 after a gun battle in which soldiers wounded several members of Lucio Cabanas' guerrilla group and arrested others. Cabanas is Mexico's best-known guerrilla and enjoys widespread support and sympathy among the peasants in the state of Guerrero. On September 7, another group of terrorists freed President Echeverria's father-in-law, Jose Guadalupe Zuno, who had been kidnaped 11 days earlier. The government had refused to talk with the kidnapers about terms for the freedom of either man.

Until Echeverria became president in 1970, politically motivated violence of this sort had been absent from Mexico since the late 1920s. About 15 guerrilla groups have sprung up since 1971, but only a handful are now active. The groups are small and not well-organized, but they have the capability to carry out spectacular acts of violence and terrorism and are likely to continue being a real nuisance to the government.

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CHILE: A YEAR LATER

The military government marked its first year in power on September 11 without incidents by leftists. The anniversary was highlighted by junta President Pinochet's speech.

Two of his announcements could have a major effect on the treatment of present prisoners and future offenders. Pinochet ended the state of internal war, thereby placing military courts under less severe peacetime rules on offenses, punishments, and appeals. The courts will continue to function under the state of siege.

Pinochet further declared that the government is "disposed" to release en masse prisoners who want to leave the country for good, and challenged Cuba and the Soviet Union to make a similar gesture. Positive responses probably will not be preconditions for Chilean action, however. In fact, former ambassador to the US Letelier already has been released.

On the economic front, Pinochet disclosed that automatic quarterly wage readjustments henceforth will keep pace fully with increases in the cost of living. This move to ease the economic

squeeze on wage and salary earners will help keep discontent over the austere recovery program from ballooning into general disaffection with the government, but it will also hinder the fight against inflation.

The remoteness of return to civilian rule was emphasized by some of the junta President's strongest language yet on the evils of politics. Noting that in the period prior to the military's overthrow of president Allende's Marxist government political parties had become "the symbols of national divisions and decay," Pinochet declared that resumption of political activity would have to await the emergence of a "new generation of Chileans" dedicated to national rather than partisan causes.

Pinochet brought his audience of regime officials and supporters to its feet with a peroration that pictured their country as a small nation locked in "frontal combat" with the forces of international communism and declared that, united, Chile would prevail.

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