

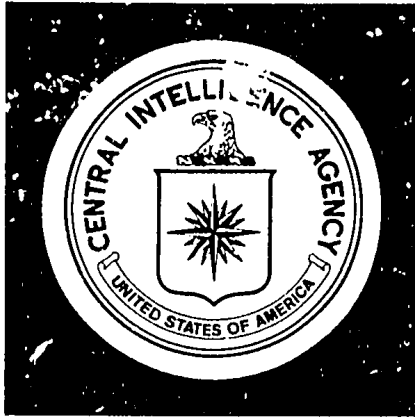
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Weekly Review



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6 December 1974 25X1

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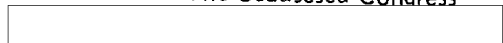


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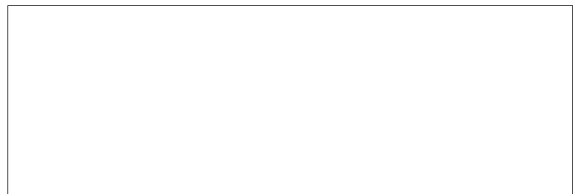
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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of 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.





Makarios with Clerides [redacted] and Karaman25X1

Tensions Rise on Cyprus

Concern has mounted on all sides over the possibility that Archbishop Makarios' scheduled return to Cyprus this weekend will trigger violence between pro- and anti-Makarios factions in the Greek Cypriot sector of the island. Greek Cypriot security authorities have taken extra precautions to curb possible hostilities, and Turkish military forces are prepared to intervene should the fighting become widespread and threaten Turkish Cypriot civilians in the south.

Meanwhile, the results of a summit meeting between Greek and Greek Cypriot leaders have

provided a ray of hope for prospects of an eventual negotiated settlement of the Cyprus problem.

In a communique released on December 1, following two days of talks, Archbishop Makarios, Acting President Clerides, and Greek Prime Minister Karamanlis noted that agreement had been reached on a negotiating position and that written instructions will be drawn up and given to Clerides so that he may begin substantive negotiations with the Turkish Cypriots. Clerides told a British official that Makarios had agreed to

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sign a protocol setting a negotiating framework for Clerides along the lines of a geographic federation comprising one major Turkish Cypriot zone in the north and possibly one or two additional cantons. Clerides is reportedly pleased with the Athens agreement, but is not certain that Makarios will honor it. The meetings were stormy, according to a US embassy source, with Makarios moderating his position only after strong pressure from Karamanlis.

Clerides returned to Nicosia on December 2 and two days later held another of his weekly meetings with Turkish Cypriot Vice President Denktash. While they continued to focus on humanitarian issues, Clerides doubtlessly gave Denktash some hint of what transpired in Athens. At Denktash's request, however, no date was set for another meeting pending Makarios' return and a further clarification of the Greek Cypriot position.

In Ankara, Turkish officials warned that Makarios' return to Cyprus could torpedo the talks between Clerides and Denktash and could lessen the chance for a negotiated settlement. They also warned that Turkish forces on Cyprus would take "necessary measures" to protect Turkish Cypriots living in the Greek Cypriot sector should their safety be endangered by an outbreak of intercommunal fighting. As a precautionary measure, martial law was extended another month in four of Turkey's provinces. Turkish forces in Cyprus as well as some mainland air force units were placed on alert. In addition, some 5,000 Turkish commandos in the Mersin area—on the southern coast of Turkey near Cyprus—have been placed in a state of readiness for transfer to the island by helicopter and ship should large-scale military action be required.

While the Turkish moves reflect a genuine concern about the safety of Turkish Cypriots on the island, they are probably intended to encourage Makarios to accede to the more moderate positions of Clerides and Karamanlis or even to cancel his return to the island. Makarios has restated his intention to return on December 7, however, although the timing could change for security reasons.

Pro-Makarios groups in the Greek Cypriot sector are preparing to give Makarios a rousing welcome. Once on the island, the archbishop is expected to limit his movements for security reasons, holding a series of consultations with leading members of the Greek Cypriot community at his residence. Eventually, he is likely to make some personnel changes in the government to consolidate his position.

In the meantime, national guard and police officials have instituted strict security measures and are bracing for the possibility of violence. These officials reportedly believe that EOKA-B, the terrorist organization that participated in the July coup against Makarios, has been weakened and that responsible EOKA-B leaders now realize that Greek Cypriot unity is essential in the months ahead in view of the Turkish threat. At the same time, they do not discount the possibility that an extremist splinter group or individual might attempt to assassinate the archbishop.

The security officials also expect that at least some anti-Makarios activity, including bombings, may occur, particularly in the Larnaca and Limassol districts, but that it is likely to be limited. Moreover, a number of killings are expected in the coming weeks as members of opposing factions seek revenge for the death of friends and relatives during the July coup. 25X1

In the long run, the level of violence will depend on the willingness of Makarios to seek reconciliation with his opponents and the extent to which he can control his own followers.



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The Middle East

RABIN'S NEGOTIATING STRATEGY

Israeli Foreign Minister Allon, who is scheduled to hold talks with Secretary Kissinger in Washington next week, apparently will not be empowered to make any commitments regarding the next stage in the Middle East peace negotiations. The Israeli press has referred to Allon's mission as a "listening brief" to learn the Secretary's assessment of the prospects for another round of talks with Egypt. The cabinet reportedly has not held any substantive discussion on Allon's visit.

Prime Minister Rabin's own concept of Israel's long-term negotiating strategy with the Arabs was outlined in an interview published on December 3 in Israel's leading independent daily. Stressing that there is no realistic prospect of a short cut to an immediate, final settlement, Rabin indicated that the next several years will be particularly critical because of the growth of Arab power based on oil wealth. Israel must stall for time and find a way to live in peace while the US and Western Europe free themselves from Arab oil—a process he thought could take seven years.

Rabin believes the only realistic way to avoid renewed hostilities is to obtain partial settlements in separate negotiations with the Arabs, a view he says is shared by the US, Egypt, and Jordan, but opposed by the Soviet Union and Syria. Rabin thinks, however, that General Secretary Brezhnev's visit to Cairo in mid-January is a sign that Egypt may shift to a more intransigent position if President Sadat cannot point to some progress in the peace negotiations. To give Sadat his progress, Rabin said Israel is prepared to agree to another military withdrawal in the Sinai provided:

- the Egyptians do not occupy the evacuated area;
- the passes in central Sinai remain under Israeli control;
- the withdrawal does not occur before the mandate for UN troops is renewed next

spring, and that the renewal period is for much longer than the present six months.

The Israeli leader seemed to back off from his earlier insistence that agreements with the Arabs must be clearly political. He indicated that in another military agreement with Cairo, Egyptian political concessions for Israel could be conveyed to the US.

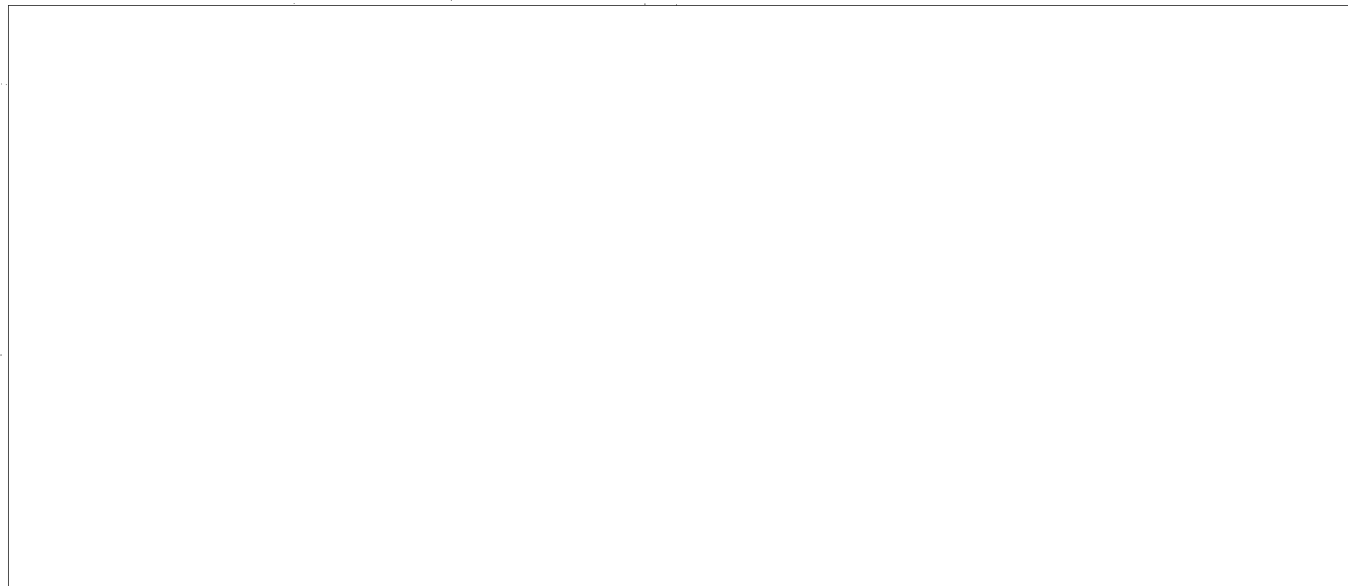
Rabin did not discuss negotiations with Damascus and left his interviewer with the impression that a resumption of hostilities with Syria is a real possibility sometime next year. He seemed to suggest that the important thing for Israel is to prevent Egypt from joining in, at least initially, thus allowing Israel to fight on only one front for the first crucial days.

The Prime Minister remained adamant that Israel will not negotiate with the Palestine Liberation Organization. He had earlier told a group of Israeli editors that, if Israel persevered in this opposition for a year or two, it would become clear that no alternative to Jordan existed for negotiations concerning Israel's eastern border and that King Husayn would then return to the negotiating table.

The Egyptians have so far reacted to Rabin's remarks essentially with a "no comment." Rabin's widely publicized statements will make it more difficult for President Sadat to justify any separate negotiations with Tel Aviv to the other Arabs, particularly the Syrians, because he would be open to charges that he is falling for Israel's stalling tactics.

Sadat's position will be even further complicated by Foreign Minister Allon's statement to the Knesset on December 3 that at the time of the Egyptian-Israeli troop disengagement pact last January, Cairo gave the US private assurances that it would allow Israeli cargoes through the Suez Canal.

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A Syrian spokesman labeled Rabin's statements "provocative" for suggesting that Syria should be isolated from the negotiations because it is trying to drag the Arabs into a new war.

serve to justify the renewal of the mandate domestically and to deflect criticism from hard liners in the Baath Party and the fedayeen movement.

UN Mandate Extended

With the blessings of Syria and Israel, the UN Security Council last week formally extended for another six months the mandate of the UN observer forces stationed on the Golan Heights. Apparently at Syria's behest, the council's renewal action included a reference to last year's cease-fire Resolution 338. That resolution calls on the concerned parties to begin peace negotiations under "appropriate auspices," which the Syrians interpret as a clear reference to the Geneva peace conference.

Having saved face, the Syrians may now be willing to allow Egypt to negotiate another Israeli withdrawal in the Sinai. It seems most unlikely, however, that President Asad would accede to this without seeking solid assurances that similar talks would begin at the same time, or shortly thereafter, between Syria and Israel. In any event, Damascus will continue to push for an early resumption of the Geneva talks.

The newspaper of the Syrian Baath Party claimed this week that the extension of the mandate was directly linked to the immediate implementation of guarantees concerning Palestinian rights and to the complete and unconditional withdrawal of Israeli forces from occupied Arab territory. The paper's exaggerations will

Much will turn on the outcome of Soviet General Secretary Brezhnev's trip to the Middle East in January. The Syrians will try to coordinate their strategy with the Soviets during Brezhnev's visit. Geneva will be a key topic of discussion, but Asad may also seek Soviet assurances of support for another war of attrition on the Golan Heights, perhaps next spring, if negotiations should remain deadlocked.

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Palestinians-USSR: The Wandering Arab

The Soviets won some concessions from Palestine Liberation Organization chairman Arafat during his visit to Moscow last week, but Moscow made clear that it is not yet ready to reciprocate with unqualified support for the PLO. In the final communique, Arafat moved a step closer to committing the PLO to accept a truncated Palestinian state and, indirectly, to acknowledge Israel's right to exist.

In a tortuously constructed passage, Moscow and the Palestinians said that the PLO should assume responsibility for any Palestinian territory "liberated by the withdrawal of Israeli forces from the seized Arab lands, as demanded by well-known UN decisions." By endorsing this reference to Israeli-occupied territory, rather than to Israel itself, Arafat indirectly conceded that Israel proper will continue to exist. Although Arafat privately accepts the reality of Israel, he will probably withhold a more explicit acknowledgment until Tel Aviv offers major concessions.

Arafat's approving reference to "well-known UN decisions" in the same breath as "withdrawal" is also a first. He was obviously alluding to Security Council Resolution 242, which calls for Israeli withdrawal from territories occupied in 1967 and guarantees the "territorial inviolability" of all states in the area.

The Soviets, nevertheless, refrained from explicitly recognizing the PLO as "sole" representative of the Palestinians. They again did not spell out what they meant when they endorsed the right of the Palestinian people to "statehood." In the communique, the Soviets called for the participation in the Geneva peace conference of the "Arab people of Palestine," but did not specifically mention the PLO. Undoubtedly upset over Moscow's continued equivocation, the PLO refused to associate itself with this part of the statement.

Moscow did accord Arafat some of the trappings normally given a chief of state. Premier Kosygin, for example, is the highest ranking So-

viet official ever known to have met with the PLO leader. Arafat's apparent failure to meet party boss Brezhnev, however, was another sign that Moscow is still keeping some distance between itself and the PLO. On the plus side, the USSR and Arafat announced that a previously authorized PLO office will open in Moscow in the "nearest future." 25X1

The Soviets may be concerned that an announcement now of the formation of a Palestinian government-in-exile could disrupt progress toward reconvening the Geneva conference—a prime Soviet goal. Before showing its hand, the Kremlin undoubtedly also wants to be sure that any such government has broad support among Palestinians and the Arab states. Moscow may also hope to influence the composition and program of any future PLO government. 25X1



Arafat laying a wreath at Lenin's tomb



Wilson and Schmidt at the Labor Party conference

UK: LABOR PARTY CONFERENCE

At the annual party conference last week, left-wing Laborites pushed through several resolutions designed to limit the government's flexibility on a number of issues, particularly the EC membership question. Despite this demonstration of left-wing strength, moderates led by Prime Minister Wilson pretty much held their own at the conference, and the balance of power between militants and moderates appears essentially unchanged.

The government's "social contract" came under fire from trade union delegates who charged that workers have borne the brunt of inflation and are entitled to substantial pay raises. Foreign Secretary Callaghan, acting as conference chairman, reminded the delegates in his opening speech that the three main elements of the contract—greater social justice, regeneration of industry, and wage restraint—are interdependent. He urged union leaders to moderate their wage demands.

The conference passed two resolutions critical of the government's foreign policy. The first overwhelmingly approved a decision made in October by the party's administrative organ, the National Executive Committee, to censure the government for authorizing joint naval exercises with the South African navy. The delegates

demanded implementation of a resolution adopted at last year's conference to terminate military relations with South Africa. Although this latest resolution is certainly a minor embarrassment to Wilson, government officials have already agreed that the Simonstown Pact, the agreement providing for the recent naval maneuvers, will be allowed to "wither on the vine."

The second foreign policy resolution criticized the government for its policy toward the Chilean junta and for extending the repayment schedule on a substantial portion of Chile's debt to the UK. Wilson is likely to be responsive to the left wing on the Chilean issue in order to win support for what he regards as more important legislative battles.

As expected, the conference was the forum for strong anti-EC sentiment. Apparently tearful that Wilson or Callaghan might campaign for a "yes" vote in the coming referendum on EC membership, the delegates unanimously demanded assurances that the government would present both sides of this issue. A second, more controversial, resolution, passed by a slim margin, called for "safeguards" before the government accepts new conditions for continued membership. Some delegates also demanded that a special party convention be held in addition to the referendum.

EC supporters at the conference got a psychological boost when West German Chancellor Schmidt addressed the delegates, urging Britain to remain in the community in the interest of European solidarity. Despite threats that anti-marketiers might stage a walkout, Schmidt was warmly applauded.

Moderate Laborites received additional encouragement from party elections last week. Cabinet member Shirley Williams and trade union leader Tom Bradley, both strong supporters of EC membership, were re-elected to their posts in the National Executive Committee despite strong opposition from the left. The Parliamentary Labor Party, the influential organization of backbench Laborites, elected four moderates and only two militants to the organization's committee responsible for liaison with the government. Tom Dallyell, a pro-marketier, finished first in the committee election and, as a result, becomes vice chairman of the backbench organization. [redacted]

TURKEY: IMPASSE CONTINUES

The search continues for a formula that will break the political stalemate that has existed since the governing coalition was dissolved on September 18. The most recent effort—a nonpartisan government headed by the politically neutral Sadi Irmak—was stillborn when parliament refused Irmak a vote of confidence last week.

The political parties were nearly unanimous in rejecting the Irmak government by a vote of 358 to 17. The fact that Irmak's cabinet was in large part drawn from outside parliament was its greatest drawback, although former prime minister Ecevit's Republican People's Party voted against Irmak because his program offered no precise language on the timing for new elections.

Negotiations have been in process since the no-confidence vote, as the political parties try to narrow their differences and put together a government that can deal with the nation's growing list of problems. In the meantime, Irmak is continuing as head of a caretaker regime, and Presi-

dent Koruturk is waiting to see what develops before designating someone else to try to form a government.

The principal sticking point still appears to be the timing for new elections, although personality clashes and political vendettas also play a role in the continuing stalemate. The Democratic Party reportedly was prepared to go along with Ecevit—agreeing to the elections in exchange for some choice cabinet posts in a coalition government—but it appears to be having difficulty in overcoming some deep-seated hatreds. Such a coalition would need all the votes of both parties, but a small Democratic faction controlled by the son of former prime minister Menderes holds Ecevit's party responsible for the execution of the elder Menderes in 1961 and has refused to cooperate.

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The most recent suggestion for breaking the impasse was Justice Party leader Demirel's call for a conservative coalition that would include his party, the Democrats, and the National Salvation Party. Demirel claims that there would be no need to hold new elections if such a coalition were installed, since the parties are in general ideological agreement and would have a majority in parliament. In the past, however, the Democratic Party has refused to join any government headed by Demirel, who a few years ago expelled several members from his Justice Party. This group provided the nucleus for the Democratic Party, and to this day bears a strong grudge against the Justice Party leader.

The National Salvation Party has already signaled its willingness to join with Demirel in a coalition, but without the Democrats they would fall short of the needed majority in parliament. Thus, the Democratic Party is in the position of power broker—able to give a majority to either of Turkey's two leading political figures—Ecevit or Demirel—but so far it has been unable to make a choice because of old personal and political grudges. The time for deciding may be fast approaching, however, as the military is increasingly dissatisfied with the performance of the civilian politicians and may begin to apply some pressure to break the impasse. [redacted]

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SPAIN: REGIME MOVES CAUTIOUSLY

Prime Minister Arias' astute defense this week of the newly issued draft law allowing formation of political parties in limited form should stem reports of his resignation or dismissal. There is, however, considerable disappointment with the long-awaited draft among many Spaniards who favor wider public participation in their political system. This comes at a time when growing labor unrest is troubling the government.

The draft statute legalizes "political associations"—a form of political party—but limits their scope by making them subservient to Franco's National Movement. The Movement is a collection of largely rightist groups that have supported Franco since the Spanish Civil War. The new law authorizes the Movement to recognize, suspend, or dissolve the associations. Approved associations could take part in municipal elections and in voting for one fifth of the national parliament.

The Prime Minister wanted a bill that would permit the associations to be independent of the Movement, and strong rightist opposition to this idea led to reports that he would resign or be fired. Franco himself allegedly amended the ministerial draft by insisting that the associations be placed under the control of the Movement.

Arias' decision to acquiesce in the draft law and remain in office became clear when he defended the law in a nationwide speech earlier this week, calling it "an agreement with Spanish reality" and a hopeful new step. The law is not likely to ease the growing demands for increased civil liberties. Many opposition groups regard the proposed legislation as a farce and will refuse to apply for association status.

Last week, 14 opposition leaders representing seven Christian Democratic and socialist groups were arrested at a meeting in Madrid. They had assembled to discuss the launching of a "Democratic Conference" as well as the attitude they should take toward the Communist-sponsored "Democratic Junta" formed in Paris last July. All 14 were released the next day. The participation in the meeting of a former cabinet member and the son of the ex-chief of the armed

forces general staff has boosted the concept of a "Democratic Conference."

The inability of the government's syndical organization to cope with serious labor conflicts is demonstrated by the rash of illegal strikes, which has now reached a four-year high. This month, strikes and strike-related violence have centered in Barcelona, Madrid, the Basque provinces, and Valladolid, where clandestine labor groups have clashed with the police.

For the first time, non-Communist clandestine labor groups outside the Communist-dominated Workers Commissions have emerged as the principal advocates of violence. Efforts of the Workers Commissions to moderate the violence may reflect the influence of exiled Communist leader Santiago Carrillo in Paris. He wants to create a moderate image in Spain by promoting the participation of more non-Communists in the new "Democratic Junta" coalition.

Tension with the government increased with the intervention this month by top church officials led by Cardinal Jubany of Barcelona. He issued a pastoral letter that placed most of the blame on government authorities for labor problems in Barcelona and called for recognition of the right to strike and social justice for workers.

Even the official workers' organization felt the need to call for various labor reforms, including the granting of a modified right to strike, but the authorities are divided over how to handle labor and are unlikely to respond. Instead, the government continues to arrest strikers and is proceeding with the trials of clandestine labor leaders. The regime made a concession of sorts, however, when the trial of five prominent members of the illegal socialist labor union—scheduled for last October 28—was postponed indefinitely, reportedly because of protests from European socialists. In this case, moderates concerned with Spain's image abroad prevailed.

The strikes and labor unrest will probably continue at a high level at least until next February. Many collective bargaining agreements expire on December 31, and renegotiations are likely to be accompanied by violence.

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NATO Headquarters

NATO REVIEWS ITS PROBLEMS

When the foreign and defense ministers of NATO meet in Brussels next week, they will debate many of the alliance's most serious problems, but no dramatic results are likely. At the heart of their discussions will be the question of the viability of the alliance itself, as the last six months have seen two of NATO's members become less than full participants.

Greece's withdrawal from the integrated military command has damaged NATO's defenses on the southern flank. The most important consequence is that the full support of Greek forces can no longer be counted on in the event of an attack on the alliance. Beyond that, there remain innumerable unsettled details arising from the Greek withdrawal. The NATO ministers will be assessing the damage already done and deciding how to deal with Athens in the future.

The Portuguese situation may be only the first case in which NATO will be confronted with the problem of how to treat a member with Communists in its government. For the time being, NATO has cut off the flow of nuclear information to Lisbon and has eased the Portuguese out of the nuclear planning group, which will hold a special meeting concurrently with the ministers' gathering. An anti-NATO reaction in Lisbon, with possible consequences for Portuguese membership, is still a possibility.

The specter haunting the ministerial meetings will be the steady deterioration of the economies of the member countries. The national defense programs of a number of members have already been affected, and many observers feel that this is only the beginning. The foreign and defense ministers will be discussing the danger that economic difficulties pose to the main-

tenance of NATO defenses, and they may also give some attention to possible solutions.

One item on the agenda will be the Dutch suggestion that NATO's defense programs could be made more efficient if member countries specialized in certain tasks. NATO has already begun to take a closer look at the Dutch suggestion, but several members have problems with it. The ministers are not expected to act decisively on the proposal.

The ministers' perception of the threat to NATO's defenses will be colored by reports that point to a growth in Soviet military strength. The goals of detente will continue to receive strong support from the allies, but the West Europeans remain concerned about US-Soviet bilateral dealings, exemplified recently by the agreement on SALT principles at Vladivostok. The West European ministers will be anxious to question US spokesmen about the principles and will be especially interested in how developments at SALT might affect the two negotiations—the European security conference and the force reduction talks—in which the West Europeans, along with the US, are involved. The security conference has shown some signs of forward movement within the last few weeks, and delegates are talking about finishing substantive work by spring. The force reduction talks remain stalled, with both sides holding fast to their basic positions despite certain rev variations.

The NATO ministers will also be mindful of the threat of renewed conflict in the Middle East, which could again split the alliance. The West Europeans will be interested in the US assessment of the situation and may seek guarantees that they will be consulted about US activities in the event of a new Middle East crisis.

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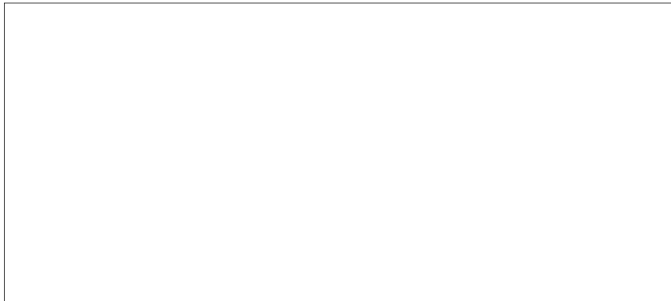
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**European Communism:
SOVIETS URGE MODERATE COURSE**

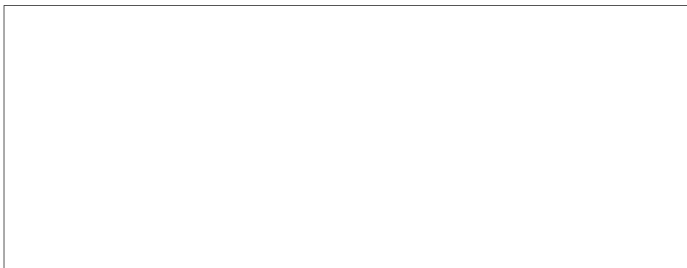
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Nobody questions that the Soviet Union would be delighted if Portugal pulled out of NATO, but Moscow has to balance this goal against the risks that abrupt action would pose for the Portuguese party and for broader Soviet interests. Recent evidence suggests that the Soviets have come down in favor of the longer term, more moderate course.



It is possible that the Portuguese were merely embroidering on an internal party dispute in an effort to establish their credentials as an independent party. There is evidence, however, that Moscow has accepted the Portuguese approach. The Soviet party's theoretical journal recently ran an interview with Portuguese Communist Party chief Cunhal, in which Cunhal made it clear that he intended to go slow on NATO and on the use of Portuguese bases by the US. The appearance of this line in the journal, in effect, gives Moscow's ideological green light to Cunhal's tactic.

The cautious Soviet line on Portugal is in keeping with Moscow's advice to the Italian Communists and with the general Soviet position that Western Communist parties can increase and entrench their influence only if they avoid serious disruptions of the domestic political and economic status quo.



EUROPEAN COMMUNITIES

PARIS SUMMIT

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Ever since Paris first proposed holding an EC summit by the end of the year, France's partners have been markedly unenthusiastic and pessimistic about its prospects for reaching significant decisions. It is now scheduled to convene next week, and many still profess to see it essentially as an attempt by President Giscard to enhance his prestige. Italy and Ireland openly set a condition—establishment of a regional assistance fund—as a price for their attendance, while other members demanded and got limitations on the agenda.

The flurry of last-minute consultations among the principal leaders of the Nine—Chancellor Schmidt, Prime Minister Wilson, and Giscard—however, testifies to the dangers the European leaders perceive in another unsuccessful summit that would merely confirm the stagnation of the community. The diplomatic activities this week have made it possible to reduce substantially chances that the summit might conclude in disarray.

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Bonn's agreement to set up the regional fund—to which it will be the main donor—removed the Italian and Irish threat not to attend and represents a sharp turnaround from Bonn's earlier tough talk against any marked increase in German EC expenditures.

the decision is viewed by Schmidt as a concession of considerable magnitude, made because it is now "vitally important" to show progress in European cooperation. In return, the Germans probably received concessions—perhaps relating to energy matters—during the pre-summit negotiations.

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For its part, Britain has asked that a member's budget contribution be directly related to its

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gross national product. The French are now alone in resisting this concept, but Wilson and Giscard may have worked out a mutually face-saving compromise during their meeting this week.

Despite the cautious optimism about the summit outcome generated by these developments, some EC leaders have publicly cautioned against expecting dramatic results. French Foreign Minister Sauvagnargues, for example, said this week that "what we must avoid is, first, great expectations and then profound disappointment." The Nine hope to avoid such recurrent post-summit disillusionment by holding meetings several times a year in the future so that the summits can be treated in more routine fashion.

Beyond its function of promoting a community identity, the summit's success will be viewed by each of the Nine in terms of the degree to which national objectives are advanced. Thus, Bonn particularly seeks agreement on common energy policies, and London a reduction in its EC budget contribution. The British and the Danes are not in favor of the development of supranational institutions, while the Benelux states hope that the possibility for movement in this area will at least not be killed.

The French initiative for EC institutional reforms—including enhancing the political coordination process—has focused attention on the inadequacies of the community's decision-making process. If the original French proposals have been greatly watered down, it is not because the institutional debate is irrelevant, but because it touches the heart of the community problem: how much sovereignty the members are willing to surrender in the cause of European integration. Giscard told American journalists this week that France, at the summit, intends to propose fixing a date for elections for the European Parliament and that ground rules be set up for future EC decisions by majority vote. The Belgians have suggested establishing a working-group—possibly headed by Belgian Premier Tindemans—to study institutional reforms and to make definite proposals within a year. Although Schmidt is reportedly lukewarm toward the idea, it will probably be discussed further at the summit.

One of the most serious issues dividing the Nine is the community's response to international cooperation on energy matters. France's partners all want a reconciliation of Paris' and Washington's views on cooperation among consuming countries, but they are aware that any such rapprochement may have to await the Franco-US summit in mid-December. The Nine may nevertheless attempt to agree on guidelines to prevent another fruitless debate on EC energy policy, which will be discussed in greater detail at a council meeting on December 17.

The call for a summit has had the important beneficial effect of forcing new discussions of how the critical economic problems can be dealt with on a community-wide basis. In fact, given the complexity of the problems and the divergencies in their economies, the Nine are not expected to reach substantial agreement at the summit on community-wide measures. The meeting may, however, give an impetus to expansionary policies in certain countries. Chancellor Schmidt will presumably try to get his partners to pursue anti-inflationary policies in return for his pledge to relax West Germany's tight monetary and fiscal measures.



Meeting last August of EC heads of state

EXPANDING TRADE PREFERENCES

The EC is re-examining its trade and aid policies for developing countries, but a clear policy line does not seem likely in the near future. While the community is expanding the preferential treatment accorded the manufactured and semi-processed exports of all developing states, it is also widening the network of preferential access to the EC market granted the developing associates in Africa, the Caribbean, the Pacific, and the Mediterranean. Many EC members believe the oil-producing states should assume a larger share of the burden of direct financial assistance, even though the EC has made a gesture toward helping those developing states "most seriously affected" by high oil prices.

In line with its declared intention of further stimulating the economies of the developing states, the EC Council recently approved an increase in benefits available under the community's system of generalized preferences. EC tariffs on processed agricultural goods will be reduced substantially, and the volume of industrial exports for which preferences are given to developing countries will be increased by 15 percent. Quotas for textile imports, treated separately under the system, are scheduled to increase by 5 percent, while the EC's list of "sensitive goods"—for which the EC market is protected by import quotas—was cut from 51 to 16.

In view of Britain's announced intention to renegotiate the terms of its membership in the community, EC officials have taken care throughout these negotiations not to demand terms that would worsen Britain's economic problems. In compensation for trade losses resulting from Britain's EC membership, the new preference agreement will include concessions for Hong Kong and Asian Commonwealth countries, primarily India.

The expanded system of generalized preferences will cover products with a total value of \$4.1 billion in 1975, as compared with \$3.6 billion this year. Latest EC figures, however, indicate that under the existing scheme developing countries have taken advantage of only 40 percent of the trade preferences offered by the com-

munity. Less than half of the 104 eligible countries have used the preferences. A lack of understanding of the intricacies of the preference system—especially the complex rules for defining the origin of goods in order to qualify for a preference—prevent more effective use of the system by the developing countries. Only relatively advanced areas such as Yugoslavia, Brazil, Hong Kong, and Singapore have taken full advantage of the preferences, and these account for 50 percent of the industrial goods exported under the system.

At the request of the Netherlands, which has recently criticized preference benefits as illusory, the EC Council has agreed to conduct an overall review of the system in early 1975. Particular attention will be paid to measures that would facilitate and encourage greater participation in the system and offset the impact of inflation. The EC is unlikely to extend the scope of its preference scheme substantially, however, until the US adopts a similar system. The pending US trade bill contains provisions for establishing such a program.

Negotiations are scheduled to resume later this month with 44 African, Caribbean, and Pacific countries for a long-term association agreement to replace the Yaounde Convention, which expires in January. The new agreement will include Commonwealth countries who became eligible for association when the UK joined the community. The most innovative aspect of the new arrangement will be a scheme to guarantee export earnings for 12 basic commodities produced by developing countries—a concept that the EC may eventually seek to generalize between all developed and developing countries. The new convention will also provide financial and technical aid commitments.

Last month, the EC was able to provide \$150 million through the European Development Fund for the states most seriously affected by high oil prices. In January 1975, a decision will be made to release an additional \$350 million in direct assistance, contingent upon similar efforts by the US.

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THE APOLLO-SOYUZ PROGRAM

The Soviets launched Soyuz 16 on December 2—their first manned spacecraft mission directly related to the joint Apollo-Soyuz project scheduled for next July.

According to a Tass announcement, the Soyuz 16 spacecraft is virtually identical to the one that will be used for the joint mission. The Soyuz 16 crew is the primary back-up team for the joint project. A major task of the current mission is to test the environmental control and docking systems, both of which have been modified for the joint venture. In addition, the cosmonauts are also to carry out a scientific program that includes photographing the earth and biological research. The mission will probably last six days with deorbit occurring early on December 8.

The environmental control system has been modified to allow the Soyuz to lower cabin atmospheric pressure and increase oxygen concentration when docked with Apollo so that the crew members can safely transfer between the two spacecrafts. Depressurization to the desired level was achieved during the second day of the mission.

The current mission will also be the first flight test of a new type of docking system. Because the Soviet and US space programs have used different docking equipment and procedures, a docking system compatible with both spacecraft has been developed.

The Soviets have conducted a number of tests of the new docking system. A series of ground tests were conducted over the past year, both in the Soviet Union and in the US, to test the compatibility of the Apollo and Soyuz capsules. In addition, two unmanned Soyuz flights this year tested the functioning of the new docking coupling in space. These flights, however, were limited to simply extending and retracting the coupling and did not involve actual docking exercises while in orbit.

In the past, the Soviets had repeated difficulty in achieving a workable docking system that permits crew members to transfer from one spacecraft to another without having to walk in space. In the first docking and transfer operation in their manned space program—Soyuz 4 and 5—the crew had to walk in space between the two capsules. Soyuz 2 and 3 and the group flight of Soyuz 6, 7, and 8 had rendezvous problems, and docking attempts failed. Soyuz 10 was unable to dock successfully with the Salyut 1 space station in April 1971, and no crew transfer was attempted. The first successful docking and internal transfer was made two months later by the crew of Soyuz 11 to the Salyut 1 space station. A pressurization failure, however, resulted in the death of the three-man crew during descent.

The first completely successful Soviet mission to include docking and internal transfer was made this July, when the two-man crew of Soyuz 14 transferred to Salyut 3 and returned to earth

Soviet crew during recent training exercise



after approximately three weeks in space. The Soviets still had problems with their docking techniques, however, because Soyuz 15 was also intended to dock with Salyut 3 one month later, but returned to earth without accomplishing this. [redacted]

ROMANIA: THE CEAUSESCU CONGRESS

A confident Nicolae Ceausescu rang down the curtain on the 11th Romanian party congress on November 28. The congress, which elected Ceausescu to another five-year term as party boss, buttressed his personal power and overwhelmingly endorsed his independent path to socialism.

Ceausescu tightened his hold on the party's top executive bodies—the permanent bureau and the executive political committee—but made no dramatic personnel changes. The permanent bureau, created last March to coordinate party-state activities, was pared down to five of his closest advisers, including some of the nation's top economic experts. Five more staunch supporters became full members of the executive political committee, and four were named candidate members.

The party Central Committee was expanded from 319 to 361 members, and Ceausescu engineered a major turnover in its personnel: 35 percent of the full members and 80 percent of the candidates are newcomers. The changes reflected Ceausescu's desire to get rid of deadwood and, more important, to find individuals with the correct blend of technical expertise and political loyalty.

The congress, as expected, adopted the party's new program—a forceful reaffirmation of Romanian national policies and independence. Moscow reportedly has "undefined" problems with the program. The Soviets may be particularly displeased with the historical section, which criticizes the Comintern's "mistaken" orders to the Romanian party in the interwar period and has some kind words for the monarchy and the middle class.

Soviet, Chinese, and Yugoslav reactions to the congress reflect their different attitudes toward Romania and the Communist movement:

- The Chinese and Yugoslavs paid tribute to Ceausescu by name, but the Soviets made no mention of him.

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- Peking praised the Romanians for "maintaining independence, keeping the initiative in their own hands and working hard." Moscow stressed that "cooperation" and "deepening unity" in the Communist movement guarantees the "continual flourishing" of Romania.

- Belgrade strongly echoed Bucharest's line that international relations must be based on respect for independence, equality, and noninterference in the internal development and policy of others."

For the average Romanian, the congress held out little hope of a better life. Although lip service was paid to improving the standard of living and increasing the availability of consumer goods, the congress endorsed the continued forced growth of industry and priority production for the export market.

Agriculture moved up on the list of economic priorities, reflecting Ceausescu's concern over two bad harvest years. Investment in agriculture for the 1976-80 plan will be 37 percent higher than during 1971-75 and 25 percent more than had previously been announced for the next Five-Year Plan.

With the congress behind him, Ceausescu is now turning his attention to the government. Two cabinet posts have already changed hands, and rumors abound that party secretary Stefan Andrei will soon replace Gheorghe Macovescu as foreign minister. The Grand National Assembly usually meets within two weeks of a party congress, and any further changes in the government will probably be unveiled at that time. [redacted]

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IRAQ: OFFENSIVE STALLS

The offensive against the Kurds in northeastern Iraq is coming to a halt, according to the US consul in the northern Iranian city of Tabriz. The Iraqis have been unable to make significant advances since they took two Kurdish towns in late August, and the arrival of winter rain and snow is hampering air and armor operations.

Most of the recent action has centered around Rawanduz, where the Iraqis have been trying to break out of the surrounding basin toward the Iranian border. Despite some limited success, the army has been unable to move more than a few kilometers from the town.

The consul, who toured the border last week, reports that Kurdish morale is good. The rebels continue to control most of the area around Qalat Dizah and are supplied regularly over a new road from Iran. Iranian artillery has

driven Iraqi regulars from the town, leaving behind a light force of mercenaries.

Local observers expect the present Iraqi campaign to proceed much like those in the past—gains by the army during the summer months, followed by setbacks and stalemate with the onset of winter. 25X1

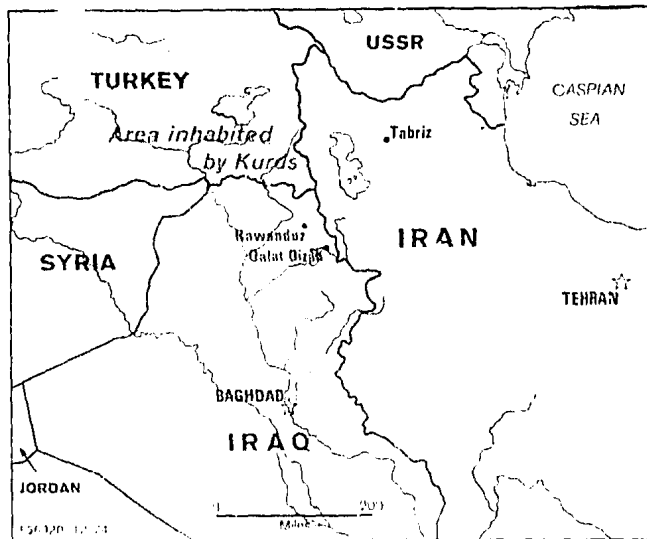
Baghdad is making some effort to break this cycle. The army, for example, has constructed winter fortifications in hopes of withstanding expected Kurdish counterattacks. Moreover,

the Iraqis intend to maintain about 100,000 well-equipped regulars in the area. This force is augmented by a large number of irregulars, who are also well supplied for the winter.

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ETHIOPIA: MORE TROUBLE AHEAD

The ruling military council, already apprehensive about its relations with some army units and fearful of reprisals from its enemies, now is confronted with what may be the beginning of a terrorist campaign in the capital.

Four bomb explosions in Addis Ababa during the past week prompted the council to tighten security and alert its forces to expect terrorist attacks by the separatist Eritrean Liberation Front. Publicly, the council blamed the bombings on relatives and supporters of the 59 former officials executed in the bloodbath of November 23. Early this week, the council announced the arrest of an additional 17 persons. Most of them were associates of old regime officials or of former council chairman Aman, who was killed resisting arrest on November 23. Many suspected Eritrean Front sympathizers in the capital have probably also been arrested.

Last week, the council chose Brigadier General Teferi Benti as its new chairman, but he is likely to be little more than a figurehead. At this time, it is still unclear who the dominant figures on the council are. Major Mengistu Hailemariam, the first vice chairman and a member of the important Amhara tribe, wields considerable influence, but apparently does not control the group. He seems to have little standing among the military as a whole.

The council continues to be rent by complex divisions based on military rank, tribal affiliation, and rivalry between graduates of Ethiopia's elite military academy and of a less prestigious officer training school. Council members appear united, however, in no longer considering themselves mere representatives of the units that selected them last summer. Major Mengistu, for example, is reported to have defied an order to return and explain his recent actions to his former parent unit.

Opposition to the council's increasingly authoritarian rule is widespread within the military, but it still lacks leadership, organization, and purpose. Opposition factions are beginning to form, however, drawing their membership mainly from the ranks of younger officers. Previously,

only general officers and senior officials felt directly threatened by the revolution. The possibility of further excesses by the council is apparently encouraging the younger officers to work toward gaining control of the armed forces.

The outcome of the efforts of these oppositionists is uncertain. If they can gain enough support among armed forces units in Addis Ababa, they may well seek an armed showdown with the council and its supporters. Alternately, they may try to undercut the council through a political action program designed to get important military units to withdraw their support.

The attitudes of two major units outside Addis Ababa—the Second Division in the north combating the Eritrean insurgents and the Third Division in the east facing Somalia—will be important in any attempt to oust the council. They are known to resent being excluded from the council's decision making. Although their reluctance to leave their sectors unguarded reduces their ability to directly influence events in the distant capital, a declaration by these units that they no longer supported the council would strengthen the hand of opposition groups nearer Addis Ababa.



Teferi Benti

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Shah of India (l) and Naik of Pakistan
The commerce secretaries sign

INDIA-PAKISTAN: ANOTHER AGREEMENT

India and Pakistan agreed last week to restore trade links, broken since their war in 1965. Although trade between the two countries will probably be modest, its resumption is an important step toward normalizing relations.

Further discussions are to be held early in January to conclude a formal trade pact covering specific commodities. The agreement last week listed a number of possible items for trade, such as Pakistani cotton and rice and Indian jute products, manufactured goods, and iron ore. At present, the Indians seem interested in purchasing surplus Pakistani cotton, but for the most part neither country appears able to offer large quantities of goods needed by the other. Prior to 1965, commerce between the two made up only a small fraction of their foreign trade and was

primarily between India and East Pakistan, now Bangladesh.

According to the agreement, trade will be conducted on a most-favored-nation basis, with payments to be made in hard currency. Initially, it will be conducted only at the government-to-government level.

The agreement is the latest in a series of accords reached by India and Pakistan under the Simla Agreement of 1972, in which they resolved to settle their differences peacefully through bilateral negotiation. Although the two countries remain wary of each other and differ strongly on a variety of issues, they have managed to negotiate settlements of many of the problems left over from their 1965 and 1971 wars.

In 1972 and 1973, India and Pakistan agreed to withdraw troops from each other's territory and to exchange prisoners of war and stranded civilian minorities. This fall they restored telecommunications and postal links, established a liberalized visa system, and began discussions aimed at restoring air links and overflights. The two sides are meeting this month to discuss resumption of shipping links, and they may hold talks early next year on restoration of rail traffic.

The agreement to resume trade could pave the way for talks on re-establishing diplomatic relations, broken at the time of the 1971 war. Pakistan has favored an early restoration of diplomatic ties, but India has held that significant progress on other issues should come first.

[Redacted]

SOUTH ASIA: GRAIN SITUATION

The four major grain importing countries of South Asia—India, Bangladesh, Pakistan, and Sri Lanka—face at least another year of serious shortages. These countries have arranged for imports of about 9 million tons of grain in fiscal 1975, and they will probably seek at least an additional 2 million tons. Practically all of the grain supplies in fiscal 1975 will be consumed, leaving little to rebuild depleted stocks. Crops in all four countries will be extremely vulnerable to adverse weather during the first half of 1975.

India—The major grain harvest—normally two thirds of annual grain production—is now under way. Because the summer rains were below normal, a harvest of 58–60 million tons is projected for the current crop year, compared with 67 million tons last year. New Delhi has already arranged grain imports of 6 million tons for fiscal 1975 and is expected to seek another million tons or more. These imports should be sufficient to maintain government distribution in urban areas, but grain reserves will be almost completely depleted.

Even with favorable weather, India will need further grain imports early in fiscal 1976.

Requirements could increase sharply if poor weather again hurts the winter grain crops—harvested in April and May—as it did last year. Fertilizer consumption, which proved to be a key element in raising grain output in the last decade, is expected to remain at about the level of the past two years.

Bangladesh—The major rice harvest now under way normally provides 60 percent of annual grain production. Because of beneficial rains last summer, this harvest is estimated at 7 million tons, slightly above the 6.8 million tons of last year. Bangladesh depends on annual grain imports of about 2 million tons, largely for urban distribution. Dacca has already arranged for 1.4 million tons of imports for fiscal 1975, but acquisition of the balance is contingent on additional foreign aid.

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Pakistan—While the current rice and coarse grain harvest—30 percent of annual grain production—is down slightly from last year because of a poor summer monsoon, rice exports of nearly 500,000 tons probably will be maintained. Concern is being voiced over water supplies for irrigation of the winter wheat crop, harvested in April and May, because rivers and reservoirs are far below normal for this season. Favorable rains between now and February could alleviate this situation, but Islamabad, anticipating difficulties, recently raised its fiscal 1975 wheat import requirement from 1.14 million to 1.5 million tons in hopes of securing additional aid. Pakistan has arranged 650,000 tons of wheat imports for fiscal 1975. Aid and commercial purchases will probably total about 1.2 million tons—short of government targets but adequate for fiscal 1975 needs.

Sri Lanka—The major rice harvest—two thirds of annual grain production—begins in February and is dependent on rains from the northeast monsoon during November-February. The government hopes for a repeat of the record harvest of last year—75,000 tons—which would permit 1975 grain imports to be reduced by 100,000 tons from the 850,000 tons of 1974. Colombo so far has arranged for 550,000 tons for 1975.

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JAPAN: PRIME MINISTER MIKI

Takeo Miki will be named prime minister when the Diet convenes on December 9, after having been chosen to succeed Kakuei Tanaka as president of the ruling Liberal Democratic Party earlier this week.

Miki emerged as the party's new leader when it became apparent that a showdown between the two principal contenders—Masayoshi Ohira and Takeo Fukuda—might split the party. Even so, his selection came as a surprise; as one of Tanaka's strongest critics, he was considered too controversial to be a compromise candidate. Tanaka, however, apparently acquiesced in order to kill the finances of Fukuda, a more potent rival over the years. Miki's reformist image commended him to party elders anxious to counter the corruption charges that forced Tanaka's resignation early last week. Indeed, the press and public have reacted favorably to the choice.

A career politician for the past 37 years, Miki was instrumental in the formation of the Liberal Democratic Party in 1955. He has held a variety of party and ministerial positions, but was repeatedly passed over for the top leadership position. As a result, he gradually assumed the role of party critic and gadfly. Socially and financially tied to the Japanese elite, Miki is nevertheless identified as a "progressive," more concerned with social welfare and environmental problems than with safeguarding the interests of big business.

The national policies of a Miki administration, however, are unlikely to take significant new directions. The twin pressures of inflation and recession in Japan provide little leeway for domestic experiments. In the past, Miki has advocated a more "independent" foreign policy. Whatever this may entail in practice, he will undoubtedly promote better relations with China while continuing basic cooperation with the US based on the Mutual Security Treaty.

One uncertainty is whether his cabinet will have the political resolve to make tough policy decisions. Another is the staying power of Miki

himself. It is not clear whether he will serve a full three year term as party president or act as a caretaker until the party convention next July. As the first minor-faction leader to head the party, his personal power base is relatively weak. Much will depend on whether Miki is able to restore public confidence in the Liberal Democrats and halt erosion of the party's electoral base. Miki will try to regain public trust by reforming the party—reducing its dependence on financial contributions from big business, picking the party president in a way that lessens the importance of party factions, and building a stronger grass-roots organization. In view of powerful entrenched interests in the party it is questionable whether Miki will soon be able to proceed along such a course—and, even if he does, whether party reform will lead to quick electoral gains. Should the party fare poorly in a series of important local elections next spring, disaffection with Miki could set in rapidly, both within and outside the party.

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VIETNAM

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CALLING FOR INCREASED FIGHTING

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high-level Viet
Cong instructions calling for widespread fighting to begin as early as this month. The fighting would be aimed primarily at disrupting Saigon's pacification effort and inflicting heavy losses on government forces.

[Redacted]

These instructions appear to prescribe a level of fighting below that of the 1972 offensive. They suggest, however, that the Communists may be prepared to commit the forces and firepower already in the South more fully than they did during the fighting last summer in the hope of achieving some quick and dramatic victories. Specifically, the instructions call for "intense" fighting in central South Vietnam and the commitment of all Communist units in Military Region 3 to offensive action in the provinces around Saigon.

LE DUC THO SEEKS SUPPORT IN PARIS

While Communist military forces continue to prepare for a new round of fighting in the South, a North Vietnamese delegation led by Politburo member Le Duc Tho has wound up a ten-day visit to France. During his stay, Tho met with various French leftist groups and French Communist officials. On November 27, he held a press conference in which he repeated recent Communist denunciations of the Saigon government and the US for their failure to implement the 1973 Paris Accords. While in France, Tho also reportedly planned to meet with a group of potential Vietnamese "Third Force" leaders. 25X1

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Analysis of Tho's statements in France and Hanoi's commentary on his mission suggests that he also hoped to use his trip to mobilize Western public opinion and the overseas Vietnamese community behind Hanoi's current propaganda campaign demanding President Thieu's ouster before the Paris agreement can be implemented. In his public statements, Tho not only praised anti-Thieu opposition elements in the South, but repeatedly called on the French people and the overseas Vietnamese for "more active" support of the Communists' struggle to force Saigon's "correct" implementation of the 1973 accords. Privately, he is reported to have expressed confidence that it is just a matter of time before President Thieu is forced to leave office and is replaced by a more "democratic" successor willing to make political concessions to the Communists. [Redacted]

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CAMBODIA

Trying to Maintain Momentum

Government leaders in Phnom Penh have welcomed the close but favorable vote at the UN with a mixture of pleasure and relief, and have used the occasion to renew their bid for peace negotiations. In an address late last week, President Lon Nol stressed that the General Assembly's ratification of the Asian-initiated resolution was, above all, a call for peace talks, and he reaffirmed his government's offer to negotiate without preconditions. Lon Nol also voiced hope that the UN would carry out its new mandate to play an active role in promoting a peaceful settlement, sentiments he repeated in a personal letter to UN Secretary General Waldheim.

The other side's reaction has been swift and negative. In a statement issued in Peking on November 28, Sihanouk denounced the UN action and firmly rejected any possibility of nego-

tiations "even under UN auspices." The Khmer Communist news agency followed with a statement that took oblique note of the UN vote and reiterated the Communists' refusal to "negotiate or compromise." Peking and Hanoi supported the insurgents' position with strongly worded newspaper editorials.

Communists Stress Economics

This new evidence of Communist intransigence toward a negotiated settlement is in line with other signs that the insurgents are digging in for the long haul. For the past six weeks, a Khmer Communist "economic and financial" delegation headed by "special adviser" Ieng Sary—whose innocuous title belies his standing in the Communist hierarchy—has been touring Asian Communist countries with the apparent aim of lining up nonmilitary aid for the insurgency. Although no new aid agreements have been announced

Ieng Sary (l) meeting with Le Duan



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from Hanoi or Peking—where the delegation has spent most of its time—Sary appears to have had some success, most probably in obtaining technical assistance to exploit rubber—20,000 tons after processing last year—still produced in the Communist zone of Cambodia.

Sary's delegation is the first of its kind, and its mission coincides with a noticeable shift of stress in Communist propaganda from military to economic matters. Taken as a whole, these developments suggest the Khmer Communist leadership has concluded that prospects for a military victory in the near term have diminished considerably and that emphasis must now be placed on building an economic base within the country to help sustain the insurgency over the long term.

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LAOS: DISCUSSING STRATEGY

The tempo of political activity quickened late this week as both the coalition cabinet and its advisory council met in the royal capital of Luang Prabang. Prime Minister Souvanna Phouma interrupted his convalescence to chair the cabinet meeting—his first appearance on the political firing line since suffering a serious heart attack last July. Souvanna's half-brother, Lao Communist leader Souphanouvong, presided over the council, which will remain in plenary session for the next month.

Both conclaves came on the heels of an extraordinary two-week conference of the Lao Communist Central Committee at Pathet Lao headquarters in Sam Neua, which was almost certainly called in part at least to chart Communist political strategy for the coming months. Although the results of the Sam Neua gathering are still unclear, its importance was underscored by the fact that neither Deputy Prime Minister Phoumi Vongvichit nor Souphanouvong was able to break away to meet in Vientiane with a high-level Soviet delegation headed by Deputy Foreign Minister Firyubin; Moscow subsequently postponed the visit indefinitely.

There has been considerable speculation in Vientiane about the Sam Neua conclave. Prime

Minister Souvanna Phouma and non-Communist Finance Minister Ngon Sananikone have theorized, for example, that the meeting may have been convened to resolve serious policy differences between so-called coalition "moderates" like Phoumi and Souphanouvong and the ardent, hard-core revolutionaries who remain behind in Sam Neua. The latter, according to Ngon, are wedded to the concept of an all-Indochina Communist Party that must remain vigilant and belligerent until the conflicts in Cambodia and Vietnam have been resolved. Phoumi and Souphanouvong, on the other hand, are—in Ngon's view—nationalists who believe that with the establishment of the coalition government, the Pathet Lao should work toward national reunification and not concern themselves with the problems of other Indochinese states.

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For its part, the US embassy in Vientiane has speculated that in addition to ironing out possible disagreements within the Lao Communist leadership itself, the conference may have been called to address policy differences between Sam Neua and Hanoi.

[Redacted]

There are several possible areas of disagreement between the North Vietnamese and the Pathet Lao. Hanoi might be displeased with the Lao Communists' lack of success in securing coalition government recognition of the Viet Cong's Provisional Revolutionary Government and, possibly, Sihanouk's government as well. Hanoi might also be pressing the Pathet Lao to take a much harder line on the presence of US bases in Thailand and to link any improvement in Lao-Thai relations to further reductions in American force levels and aerial reconnaissance activity.

It is possible that the Sam Neua conferees focused primarily on internal political problems facing the coalition government, particularly Prime Minister Souvanna's health and the question of succession. The problem of refugee resettlement, which will shortly be considered by the coalition's Joint Central Commission, may also have been high on the agenda.

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COLOMBIA: OUT ON A LIMB

The Colombian Congress is continuing to review the anti-inflation measures decreed by President Lopez in September and October, while violent demonstrations against the measures persist in many parts of the country. Lopez has placed several cities and towns under modified martial law, and troops have been called in to help police quell demonstrations elsewhere.

The President has quietly abandoned the campaign of television appearances that he and members of his cabinet were making to rally public support for his economic moves. There has been little action on the congressional review as the legislators keep an eye on public opinion and the political barometer.

Thus far, Lopez has not wavered from the stringent economic program his decrees outline, although the unexpected tension engendered by the decrees is likely to produce some accommodation eventually. The President has remained adamant in the apparent hope that an early turnaround in cost-of-living statistics would vindicate his program. The effect of his economic measures, however, will be felt only in the longer term.

If the combined weight of the demonstrations and the unsavory image of martial law becomes a significant factor in the congressional review process, Lopez can be expected to change his tack. He can most easily do this without losing face by throwing his economic team to the wolves and negotiating with Congress for changes in his decrees.

A far less likely option would be to declare another state of economic emergency and bypass Congress again. In fact, Lopez has asked Congress for additional emergency powers, but this is a marked departure from his earlier use of such powers without even token congressional authority.



Police move in on demonstrators with tear gas

In the midst of this gathering economic and political storm, Lopez mounted a low-key celebration of his first 100 days. Speaking to Congress and the nation late last month, he was able to point out the considerable forward movement his administration has already made in such areas as women's rights, labor relations, and student affairs. Nevertheless, these salutary aspects remain in the shadow of his economic programs, whose positive values are largely invisible to most Colombians.

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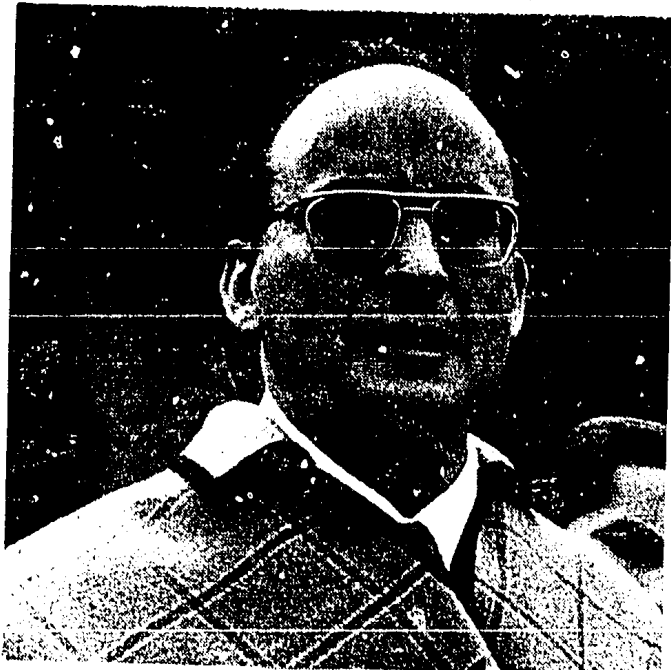
MEXICO

BREAKING WITH CHILE...

The Echeverria administration has said little to explain why it curtly severed diplomatic relations with Chile last week. Foreign Secretary Rabasa noted to the press that sometimes reasons for foreign policy decisions are "never stated"—a strong hint that the actual causes of the break may never be revealed.

Some officials in the Mexico City diplomatic community believe that the sudden action may lead to a feeling in other countries that Mexico acts irrationally. Reaction in the hemisphere has so far been muted, however. The conservative, military-dominated regimes of Brazil, Paraguay, Bolivia, and Uruguay are likely to be the most annoyed at Mexico.

Even Chilean officials profess to have no clue as to why the decision came at this time. The two countries, however, have been sniping at each other since the overthrow of President Allende in September 1973. Mexico withdrew its ambassador in April 1974. President Echeverria, who was friendly with Allende, has been decidedly cold toward the Pinochet government, but there



Echeverria

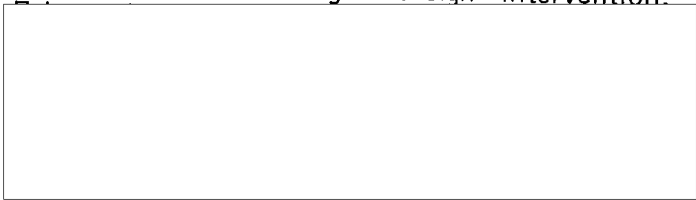
was no outward sign of any recent incident that might have precipitated the break.

Defending the decision, Rabasa said only that it was not capricious, but came after months of observing the Chilean situation. He noted that Mexico had felt it necessary to keep its Santiago embassy open to receive refugees. Since the coup, Mexico has accepted nearly 700 Chileans who wished to leave their country. The Mexicans now may have concluded that the junta government was not going to release more Chileans, including two whom the Mexicans especially wanted freed—Allende's foreign minister, Clodomiro Almeyda, and his sister, Laura—and that it was high time to sever relations.

Some speculation, originated by a right-wing, sensationalist newspaper in Santiago, centers on a Mexican scheme to sponsor and then recognize a "Chilean government in exile" composed of figures from the Allende era. Many Chileans, especially those with technical skills have been given government jobs in Mexico, but the Mexican government has kept a close watch on their outside activities. They have reportedly been warned to stay out of politics. Only a few exceptions to this rule have been made—Allende's widow, for one, has been given a loose rein to express her views.

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Other press reports link the break to alleged CIA involvement in Allende's overthrow. They suggest Mexico reached the conclusion that the Chilean military junta was illegal because it had gained power through foreign intervention.



Echeverria took umbrage at what he believed were insults directed at him by Chilean officials in Rome while he was attending the recent World Food Conference. In addition, more than one local observer, according to the US embassy, has commented on the possible role

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Lucio Cabanas

played by Mrs. Echeverria, who is widely considered to be on very friendly terms with Chilean exiles and Cubans.

...ELIMINATING CABANAS

Less than a week after the break with Chile, security officials announced the death of Lucio Cabanas—Mexico's premier rural guerrilla leader—and some 20 of his followers in a skirmish with army troops. Cabanas had eluded authorities for years but the army began to close in after he kidnaped a well-known senator last May. The senator was freed during a gun battle in September.

Many peasants in the southwestern state of Guerrero, Cabanas' area of operation, sympathized with him.

[redacted] Cabanas' death will be a severe blow to his "Party of the Poor," but bitterness over harsh treatment by the army is likely to linger for some time, and new guerrilla and bandit leaders will probably attempt to take up where Cabanas left off. Cabanas' second-in-command remains alive and commands a guerrilla band somewhere in the wilds of Hidalgo and Veracruz states.

CHILE: JUNTA-PARTY TENSIONS GROW

Relations between Chile's military government and the Christian Democratic Party again neared a breakdown last week and continue tense. The government and the party have been close to a break before, but former president Frei's direct involvement in the latest dispute has made it the most serious.

The controversy began on November 26, when left-wing party leader Renan Fuentealba was expelled from the country for violating the ban on political activity. Frei's signature topped the roster of Christian Democratic luminaries from across the party's ideological spectrum who protested the expulsion in a strongly worded public statement.

The government responded by declaring that Fuentealba's statements on human rights to a foreign news service constituted a "lack of patriotism" that placed him "beyond the limits the government can reasonably tolerate." The government was clearly in no mood to listen to criticism. One official spokesman reminded "politicians" that they were dealing with "an authoritarian government that will impose its authority even if it has to be harsh and ruthless," and Junta President Pinochet declared that "this government is strong and will make itself respected."

There have been no further moves by either side since the government's verbal blasts, but this may be only a lull before the storm. Some within the government, especially right-wing civilian advisers who would like to see a split between the armed forces and the Christian Democrats, probably are pushing for vigorous action, such as outlawing the party. Cooler heads have prevailed in the past, but Frei's participation has given the party's protest an aura of direct challenge that comes at a particularly inopportune moment. Recent international criticism and unfavorable events, such as Mexico's severing of relations, have bred a siege mentality in Chile's military leaders. They may be sorely tempted to strike back at any critics within reach.

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BRAZIL: THE CONGRESSIONAL ELECTIONS

The electoral victory of the opposition Brazilian Democratic Movement marks a perceptible turning point in the development of the post-1964 military governments. By encouraging open campaigning and abiding by the results of the election, President Geisel has reaffirmed his commitment to a legalist—if not classically liberal—approach to government. In the process, the military-backed “revolution” has displayed a new degree of maturity and self-confidence by resisting the tendency to allow security concerns to influence the conduct of the election.

By presiding over a freewheeling election, Geisel has taken a significant step in his policy of gradually opening the political system. Right-wing military pressures, however, continue to be a potentially inhibiting factor. The opposition party's attitude and behavior, therefore, will have much to do with how much conservative pressure is brought to bear on Geisel when the legislative season opens next March.

Thus, opposition leaders continue to stress their desire to play a constructive, rather than a “negativist,” role. Clearly, they seek to vindicate Geisel, whose policies allowed them to contest the elections seriously, and to deny ultra-conservatives any pretext whatsoever for opposing the election results. The party leaders also intend their remarks as guidance—if not a warning—for potentially outspoken members of their own party. Exultant, vindictive outbursts could prove counterproductive. The call for moderation also stems from the realization that a good many votes cast for the opposition represent not so much an endorsement of the party itself as a protest against economic conditions and government policies.

Nevertheless, the enlarged representation of the opposition party increases the prospects for more substantive debate in congress and state assemblies. Legislators chosen at least partly in an expression of economic discontent can be expected to focus their attention on government policies in this area. Indeed, party leader Franco Montoro has indicated that “shadow cabinets”

will be set up to monitor federal and state government performance. The party could also follow up on another of its effective campaign issues, the need for greater scrutiny of multi-national firms. In those state legislatures it now controls, the party may attempt to bargain with the federal government by offering to help rather than hinder the work of the state governors, who are, in effect, chosen by the President.

In the final analysis, the regime has all the power it needs to ignore or even suppress the legislatures, if it should choose to do so. The price in public resentment would be high, however, now that the election results have been allowed to stand. 25X1

LATIN AMERICA: MEETING AT AYACUCHO

Five chief executives and numerous lower ranking officials from hemisphere countries begin a four-day meeting in Lima on December 6 to commemorate the sesquicentennial of Simon Bolivar's defeat of the Spaniards at Ayacucho. The heads of state of Bolivia, Chile, and Venezuela, along with Panamanian strong man Torrijos, are scheduled to join Peruvian President Velasco for a discussion of regional problems. The presidents of Argentina, Colombia, and Ecuador will send representatives to the meeting.

While Chile reportedly has lobbied against formal consideration of political problems at the meeting, preferring instead to limit activity to protocol and historical discussion, the participants are likely to debate a variety of general topics, such as:

- Bolivia's desire to regain access to the sea;
- a regional arms moratorium;
- structured regional economic cooperation;

- alleged "economic" aggression;
- interference in their countries' internal affairs by other governments.

In addition, the question of Cuba's inter-American role is almost certain to crop up in a variety of circumstances.

President Velasco would like to use the meeting as a forum to boost his prestige both domestically and in the hemisphere. The luster of the gathering already has been dimmed somewhat, however, as a result of the Argentine, Colombian, and Ecuadorean presidents' decisions not to attend. In addition, the current restive atmosphere in Peruvian domestic politics is likely to detract from the statesmanship of the meeting. Political unrest and terrorist activity in Lima probably influenced the three leaders who decided not to attend.

The Peruvian government is concerned about violence during the meeting. Such activity would come from civilian middle-class dissidents and disgruntled navy officers as part of an effort to embarrass and weaken President Velasco. Anti-

Chilean leftists might also protest the presence of Junta President Pinochet. Security during the conference will be tight, but terrorism remains a distinct possibility.

The recent charges of CIA interference in Peru may be raised during the meeting, particularly if the Peruvians need a pretext to seize the limelight. The presence of US Assistant Secretary of State Rogers, however, may help to temper the rhetoric on this issue.

The meeting will also afford Velasco an opportunity to discuss bilateral problems face-to-face with Chilean General Pinochet. While no solutions are expected, the meeting of these two men is likely to help ease tensions for the time being.

Venezuelan President Perez' attendance will complicate Velasco's effort to emerge as a leading spokesman for hemispheric affairs, since both presidents view themselves as leaders in this area. President Perez would like to use the Lima gathering to build support for the planned meeting of all Latin American presidents next year in Caracas. [REDACTED]

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