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Weekly Review

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March 21, 1975

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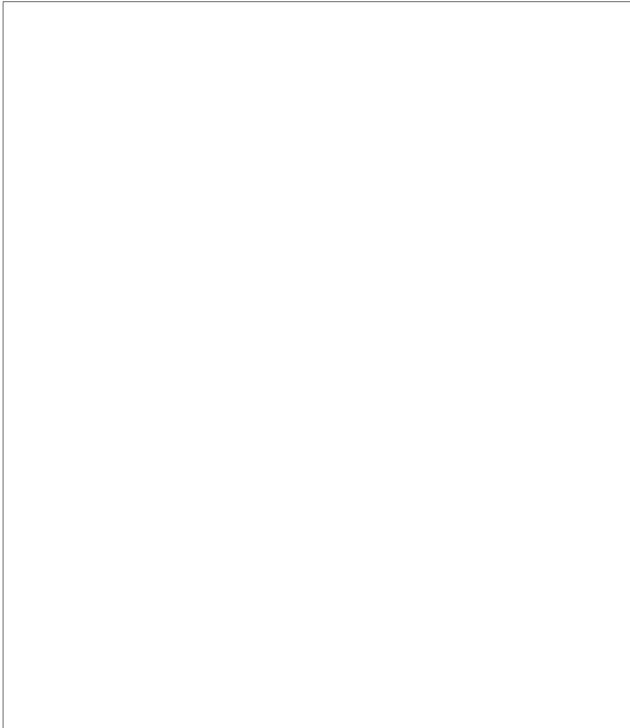
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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review.



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A Shrinking South Vietnam

Faced with major, widespread North Vietnamese assaults and the threat of even more dangerous attacks in the future, President Thieu made a fateful decision late last week to husband his forces by ceding large portions of the country to the Communists. Thieu's primary objective was to protect the larger concentrations of people and the economically more important areas of the country. Many of these priority areas are clustered in the southern half of the country or are strung out along the north-central coast and can be reached directly by road or sea.

While much of the newly abandoned territory consists of uninhabited jungle mountains, the surrender of Kontum, Darlac, Pleiku, and Quang Tri provinces is a major military and psychological setback for the South Vietnamese. Despite downed bridges and the lack of food and transport, many hundreds of thousands of people are finding their own way out to the relative safety of government-held areas. They will quickly become a heavy burden on the government's diminishing economic resources.

The territorial forces, which in many cases were left behind to protect the withdrawal of



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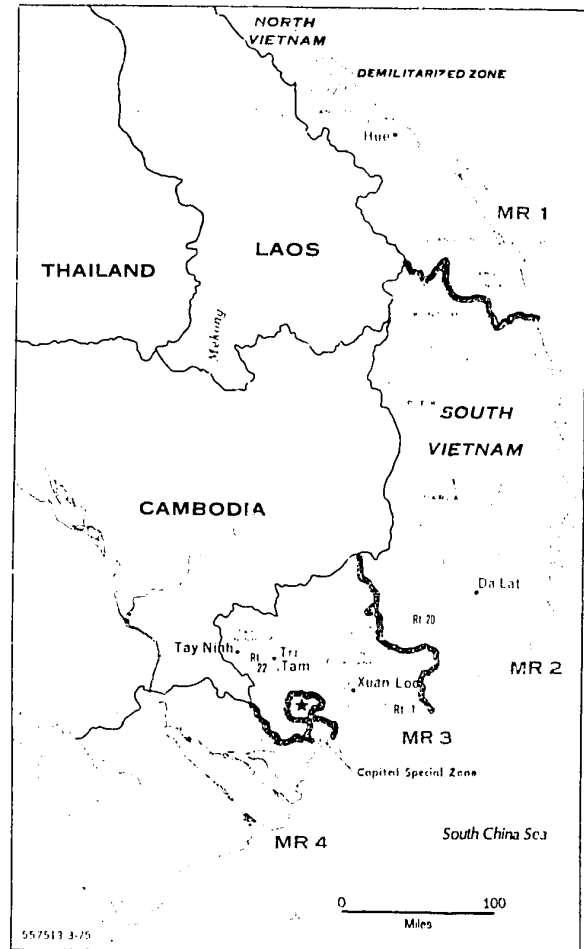
the regular soldiers, have fled. There are also some signs that government local forces in other sectors of the country are beginning to lose confidence because of their fear that they will not be supported when push comes to shove.

Although Thieu apparently believes that he is trading "territory for time," his decision to give up large tracts without a fight is quickly putting the Communists in a much better position than they probably had hoped to achieve as a result of this year's military campaign. In many areas, the mountainous no-man's-land had provided an effective buffer between opposing armies. Much of this former buffer will now be occupied by the North Vietnamese and newly reinvigorated Viet Cong local forces, which can now move in much closer to the populated sections.

In other areas, Saigon's withdrawal opens new avenues to Hanoi's long-standing major objectives. For example, the Communists now have an opportunity to take the ancient imperial capital of Hue far more cheaply and quickly than at any other time in the past.

Compounding the government's problems, the Communists are putting additional pressure on a wide front, including some areas where the government is relatively strong. The military situation has become critical in the northern provinces of Quang Tin and Quang Ngai, for example, where strong Communist attacks on the outlying district towns have resulted in near strangulation of both provincial capitals.

To the northeast of Saigon, the Communists have overrun a district capital in Long Khanh Province along Route 20 to Dalat, effectively cutting that strategic road. Route 1 has also been severed east of Xuan Loc. Some of the sharpest fighting of the week took place in the Tay Ninh area. Although the government was able to reopen Route 22 and move large quantities of supplies to Tay Ninh City, elements of the Communist 9th Division, which recently seized Tri Tam district town, overran an important government base less than five miles east of Tay Ninh. Reinforced government troops are



also trying to push back advancing Communist forces in the southern part of the province.

In anticipation of Communist attacks, government units have been shifting in several areas of the northern delta, and some heavy clashes have erupted during these moves. Commanders in the delta are deeply concerned that Saigon is neglecting their problems because of the government's preoccupation with the greater difficulties presented in the other three military regions.

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Portugal: Leftists Set Course

In the wake of the abortive coup last week Portugal's ruling Armed Forces Movement has invested a 24-man military council with wide-ranging governmental powers. This new "Revolutionary Council" has moved boldly to assert its new authority, announcing in rapid-fire succession the nationalization of the nation's banks and insurance companies, the proscription of three political parties, and the postponement of elections for nearly two weeks.

The newly formed Revolutionary Council replaces key decision-making bodies of both the government and the Movement. The council's first major action came in the economic sector, where it nationalized all Portuguese-owned banks and insurance companies. The nationalization measures go far beyond the government's moderate economic plan and strengthen the Movement's hand in running the country's economy by giving the government control of credit facilities. This is a major blow to the oligarchy that has dominated Portugal's economic life for generations.

In its first policy statement, the council stressed continued observance of all international agreements and obligations as well as the protection of foreigners and their assets. The constituent assembly elections will still be held, and democratic freedoms will be protected, according to the statement. Subsequently, it was announced that the elections will be delayed from April 12 to April 25.

Prime Minister Goncalves has said that he plans to bring members of a communist-front organization—the Portuguese Democratic Movement—into his government, but so far the expected cabinet shuffle has not materialized. The delay suggests he is having trouble securing

suitable candidates or the approval of the Armed Forces Movement for his choices.

The two moderate parties in the present government, meanwhile, are beginning to show some determination to hold their ground. Mario Soares, who is both foreign minister and leader of the Socialist Party, publicly questioned Goncalves' intention to bring the Portuguese Democratic Movement into the government and said cabinet changes just prior to the election were inopportune. Soares also said he hoped to continue to serve as foreign minister.

The Popular Democratic Party, on the other hand, has sought to outflank the leftists by closely identifying itself with Movement policies. It was the first party to denounce the coup attempt last week, and it quickly acclaimed the bank nationalization scheme.

In a widely expected political move, the council banned two far left parties and the moderate rightist Christian Democratic Party until after the election. Groups on the extreme left have been responsible for the political violence in recent weeks, while a leading Christian Democrat is alleged to have been involved in the coup attempt.

It is significant that the council did not ban the Social Democratic Center—the Christian Democrats' election coalition partner. The Social Democratic Center has broad appeal among conservatives and serves as a buffer on the political right for the Popular Democratic Party, which feels itself threatened by leftists intent on tagging it with the "fascist" label. These two parties together could still do well in any legitimate election in April, although both have suffered serious organizational disruption as a result of recent leftist attacks.

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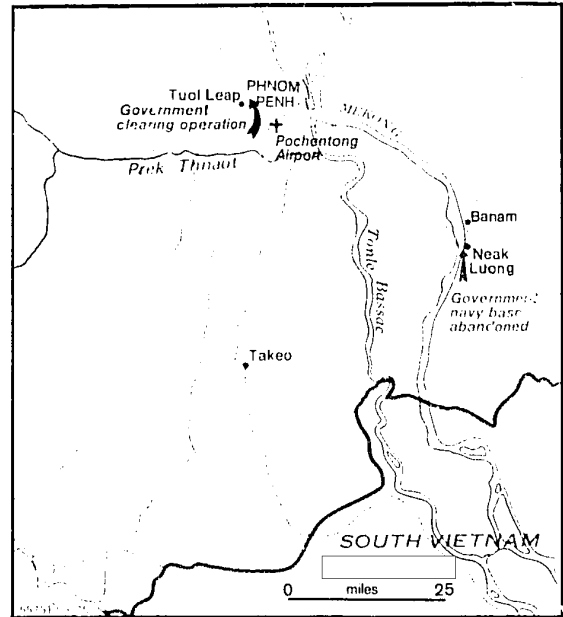
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CAMBODIA: THE WAR DRAGS ON

Late last week, a government task force broke through Communist lines and reoccupied the town of Tuol Leap. Communist artillery fire against Pochentong airport ceased immediately, although mobile rocket crews continued intermittent attacks against the airport. At week's end, even this rocket fire began to slacken as the task force pushed into the marshy and wooded "rocket belt" just northeast of Tuol Leap. For their part, the Communists kept steady pressure on government units near Route 5 north of the capital and launched fresh attacks near Route 4 in the west, apparently in an effort to divert government troops from the Tuol Leap operation.

Fighting also continued along the Mekong River near Phnom Penh as Communist forces briefly penetrated an area directly opposite the city's waterfront. The new threat forced the government to postpone its effort to push insurgent mortar and recoilless rifle crews out of range of the main navy headquarters. Communist units along the Mekong have also stepped up rocket attacks against downtown Phnom Penh, including the southeastern section where the presidential palace and the US embassy are located.

Government troops outside Phnom Penh



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Farther south along the Mekong, the situation at the government enclave around Neak Luong and the nearby town of Banam took a serious turn for the worse on March 17 when the government abandoned its floating navy support base. The base—anchored just off an island northwest of Neak Luong—had been the target of close-range shelling and was in flames when evacuated. Three navy patrol boats were lost but all personnel made it ashore. Neak Luong itself is the target of heavy Communist artillery fire and casualties are mounting among the 30,000 refugees packed into the town. The navy has temporarily halted convoy traffic to Neak Luong, leaving airdrops as the only means of resupply.

The exodus of foreigners from Phnom Penh increased this week. The French withdrew their diplomatic staff, leaving behind only small consular and cultural sections. All British personnel planned to fly out to Saigon at week's end. The embassies of South Korea, Malaysia, Indonesia, Japan, and Nationalist China remain open, but with only skeleton staffs.

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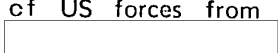
THAILAND: A GOVERNMENT, FINALLY

Thailand's seven-week effort to form a parliamentary government is over. The National Assembly on March 19 gave a vote of confidence to the coalition proposed by Khukrit Pramot.

come an early target of attack by student activists, intellectuals, and the press.

Although the new government enjoys the support of the country's powerful vested interests, including the Chinese business community, the bureaucrats, and the military, it is likely to be unstable. Prime Minister Khukrit is reported to believe that his government will not last more than six months. The coalition rests on the tenuous cooperation of seven political parties, most of which are politically more conservative than Khukrit. Though not entirely trusting him, the conservatives grudgingly offered Khukrit the prime ministership in order to attract parliamentary support from the political center and left.

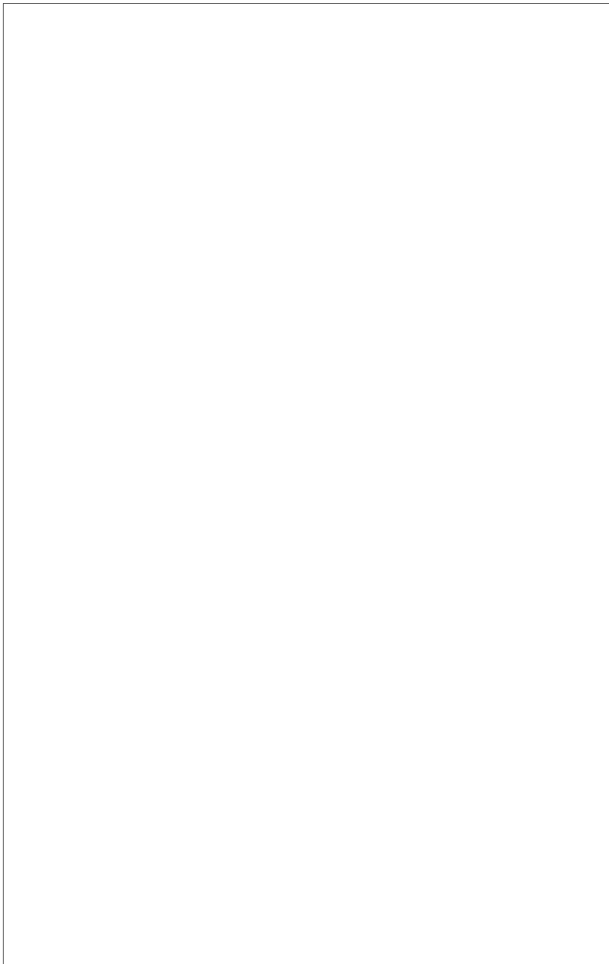
Khukrit is personally sympathetic to maintaining Thailand's close ties with the US, but the current political climate will almost certainly restrict his efforts to do so. In response to pressure from members of the National Assembly and the press, Khukrit has gone on record as favoring a one-year timetable for the withdrawal of US forces from Thailand.



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Khukrit's heavily conservative cabinet is composed largely of businessmen, political cronies, and retired police and military officials—all clearly out of step with Khukrit's more liberal views. Such cabinet members as Deputy Prime Minister and Minister of Defense Praman, who owns much of Thailand's budding textile industry, will probably be less responsive than the Sanya caretaker government to pressure groups demanding social, economic, and political reforms. The new government could therefore be-

Khukrit Pramot



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CANADA: TRUDEAU UNDER FIRE

Prime Minister Trudeau returned to Ottawa this week to face mounting criticism for prolonging his visit to Europe at a time when Canada faces growing labor unrest, continuing inflation, and increasing unemployment. In addition, his own Liberal Party is on the defensive following allegations that some party leaders may have been behind an attempted cover-up of a major financial scandal.

Trudeau had hoped his 17-day tour of five West European capitals would produce some firm commitments to support Canada's drive for stronger ties with the European Community as a counterbalance to what many Canadians regard as an overwhelming dominance by the US. In The Hague, Bonn, Rome, London, and Dublin, however, Trudeau found only polite listeners. The Europeans are still waiting for Ottawa to define what it has in mind in its call for a "contractual" relationship. Trudeau would go no further than to term it a "link" providing the means and the obligation to consult and confer. He stressed that Canada is not seeking preferential treatment or special advantages that would be contrary to the General Agreement on Tariffs and Trade.

For its part, the EC hopes to decide by fall on one of three possible approaches to the Canadian request: a strictly commercial agreement, an agreement establishing the framework for industrial cooperation, or postponement of negotiations with Canada until the current multilateral trade negotiations in Geneva are concluded.

An obstacle to an agreement with the EC is Canada's desire to emphasize the export of finished products rather than raw materials. The EC countries, on the other hand, are anxious to tap the vast mineral and timber resources of Canada, in return for which they hope to expand markets for their finished products.

The other major goal of Trudeau's trip was to urge Bonn, The Hague, and Rome to proceed promptly with ratification of the Non-Proliferation Treaty. Ottawa is eager to find markets for Canadian produced nuclear reactors. After India

used material from a Canadian-supplied reactor to explode a nuclear device last year, Ottawa has insisted that nuclear deals will not be made with any nation until it ratified the Non-Proliferation Treaty and agreed to additional bilateral safeguard arrangements.

In Rome, Trudeau was assured by Italian officials that ratification of the treaty was progressing rapidly and that it would soon be presented to parliament. Bonn and The Hague indicated they were only waiting for the Italians to complete the process before concluding their own ratification.

Although Trudeau told Canadians before he left on his trip that he did not expect to reach any firm agreements, he is being criticized by the press and in Parliament for his failure to return with more concrete results. The attacks against the Prime Minister center on the length of his stay in Europe at a time when Canada's domestic troubles have mounted.

Canada's unemployment rate rose in February to 6.8 percent, the rate of inflation remains a problem, and monthly trade statistics show the nation slipping from a surplus to a deficit in international trade. Strikes on the Vancouver waterfront have held up vital grain exports, and all Canadians have been directly affected by a continuing strike of public service workers that has disrupted transport and postal services. In addition, the government has been hurt by fraud charges against 12 of the country's major dredging firms, all of which have connections to Liberal Party politicians in Ottawa and Quebec. Moreover, several cabinet members have come under direct attack for a series of embarrassing gaffes over the past few months.

Despite these troubles, Trudeau's substantial majority in Parliament should enable him to ride out the storm for the present. Elections are not scheduled until 1978, and in the meantime the Prime Minister is certain to employ his political skills to revive the government's declining fortunes.

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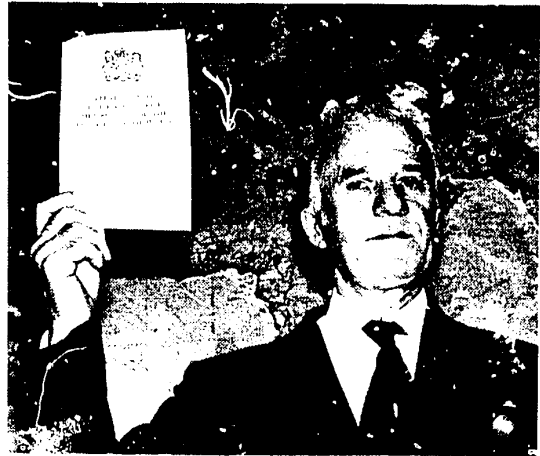
EC: A "NON-SUMMIT" MEETING

The meeting on March 10-11 of the nine EC leaders—by their own decree, not a "summit"—resolved Britain's remaining renegotiation demands to the immense relief of London's partners, who have grown weary trying to cope with British "terms." Other matters, notably energy policy and the CSCE, were discussed briefly. The session, the first of the so-called "European Councils," also formally inaugurated a new style in community decision making that stresses more frequent but less rigid exchanges between EC leaders.

With the conclusion of London's efforts to renegotiate certain aspects of its EC membership, which has preoccupied the community for almost a year, Prime Minister Wilson could claim success and recommend continued EC membership to Parliament this week. There are a number of domestic roadblocks yet to be surmounted, but the UK's referendum will probably be held as scheduled in late June.

The other eight EC members, for their part, favor Britain's continued membership, and they have on several occasions gone out of their way to accommodate London. Even so, they are not overly sanguine that the British electorate will respond to their efforts. Despite, or perhaps because of, the dismaying array of political, legal, and economic problems that would accompany a British withdrawal, there has apparently been only a minimum of planning on either side of the channel for the contingency of the British electorate rejecting membership.

The future shape of the EC—if not its very existence—may soon be in the hands of British voters, but this did not prevent Chancellor Schmidt from taking advantage of the new style "non-summit" in Dublin to press for his hope of integrating EC decision making with matters still not within the purview of the community itself. At Schmidt's initiative, the Nine agreed to establish an ad hoc high-level energy committee that



The White Paper on the EC

will not only handle community preparations for the conference of energy producers and consumers in April but will also coordinate community views on energy directly with the International Energy Agency. Following the strong recommendation of EC Commission President Ortoli, the new committee will act within the formal community framework, reporting to the EC Foreign Ministers' Council rather than directly to the meeting of heads of government.

The most significant development at Dublin may prove to have been the experience with the new format and its potential for enhancing the usefulness of future top-level community meetings. In the past, EC summits have generated widespread publicity and, consequently, unrealistic expectations. The Nine hope that by holding less formal get-togethers more frequently, and by innovations such as not issuing a formal communique, cooperation will be aided and decisions facilitated.

There are a number of potential drawbacks to the new system, such as a tendency for the heads of government to become immersed in matters that might have been settled at a lower level. The new style Council also has the effect



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of emphasizing personalities, which will not always engender smooth community functioning. Moreover, the Big Three—France, Germany, and Britain—tend to dominate such meetings, although the influence of the Commission serves to safeguard to some extent the interests of the smaller community members.

The Soviet delegation in Geneva has been showing renewed vigor in pushing the talks along. The delegation chief, after returning from Moscow early this month, persuaded the other representatives to take only a short Easter recess and to begin thinking about the final stage of the talks. Last week, General Secretary Brezhnev sent letters to the leaders of the UK, West Germany, France, and Italy calling for a summit on about June 30 to conclude the security conference.

Nevertheless, most of the participants in Dublin have expressed general satisfaction with the new procedures. The Germans and the Belgians were especially pleased; a German official went so far as to call it "the first meeting of a quasi-European cabinet." A high EC Commission official also was moderately enthusiastic, noting that the key role played by the commission president reassured those who feared that the highly restricted meetings might weaken the role of EC institutions.

The letter was timed to coincide with a discussion of the security conference by EC leaders in Dublin.

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Several at the Dublin meeting expressed the view that the West should move quickly to take advantage of Brezhnev's personal commitment to detente. Later, however, caution set in and they concluded the meeting by approving a statement that calls for concluding the security conference "at an early date and at the highest level," but only if "balanced and satisfactory results" on all agenda items can be achieved.

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CSCE: THE END MAY BE NEAR

The renewed Soviet push to end the Conference on Security and Cooperation in Europe this summer and the growing Western inclination to go along if certain conditions are met have produced the first real progress in the Geneva negotiations in several months.

Subsequently, the recipients of the Brezhnev letter decided to base their replies on this statement. Although the French reply apparently came close to referring to the date mentioned by Brezhnev, the other recipients alluded more vaguely to a conclusion sometime in the summer.

One of the most important issues at the conference is close to resolution. The Soviets have agreed to a provision allowing national borders to be changed, in accordance with international law, by peaceful means and by agreement. The West Germans have pushed hard for such a clause so as not to preclude eventual German reunification.

Western participants are now discussing whether to hold their own summit to discuss the security conference prior to its actual end. They feel that a Western summit could be used to counter any public impression that the security conference represents a final solution to East-West problems. This is balanced by the fear of adverse public reaction to allied concessions that a Western summit might highlight. At the moment, the allies tend to believe that the disadvantages of a Western summit outweigh the advantages.

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On most other outstanding conference issues, however, the Soviets continue to take a hard line. They believe that their tactics at the security conference are succeeding and they are gambling that, as the end of the conference nears, they will be required to make only minor concessions.

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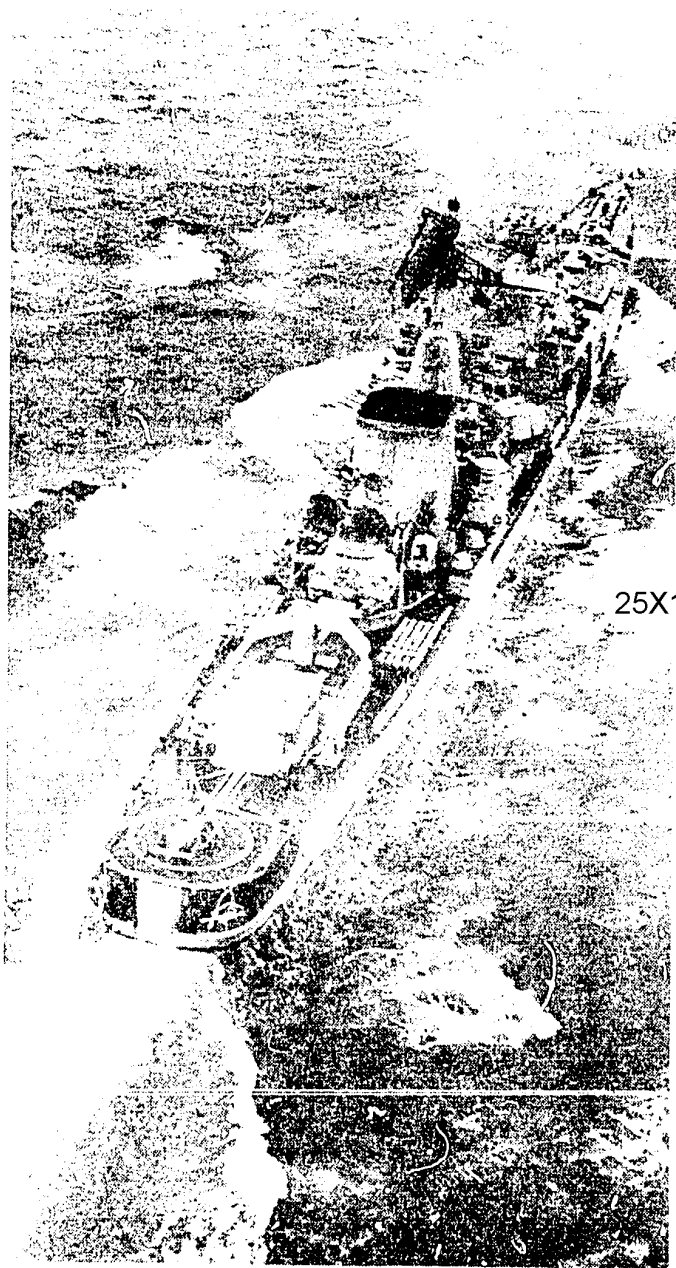
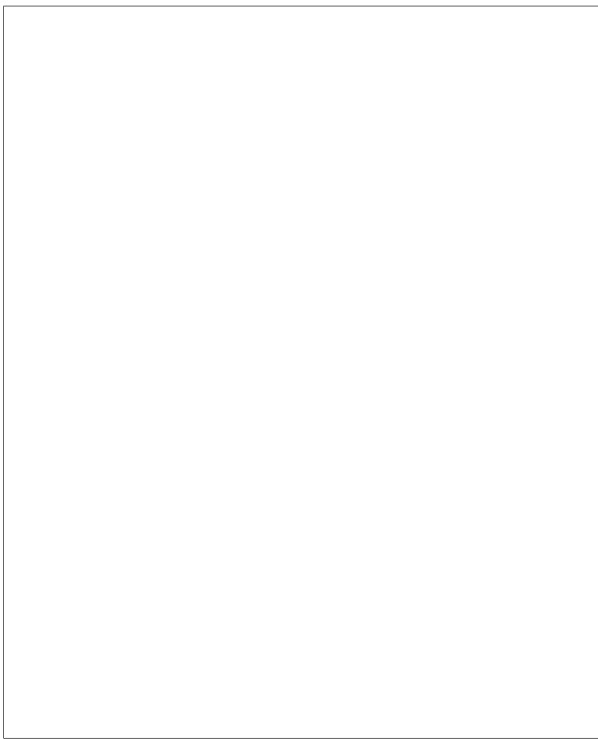


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THE MONTREUX CONVENTION

The Montreux Convention limits the passage of warships through the Turkish Straits. Its key articles provide that not more than nine ships totaling no more than 15,000 tons can move through the straits at one time. An exception is made for Black Sea countries, which can send through capital ships exceeding 15,000 tons provided they are not escorted by more than two destroyers.

Black Sea countries must give eight days notice of their intention to move warships through the straits. Once the date has been reached, the ships have five days in which to utilize the declaration; otherwise, a new declaration with the attendant eight-day wait is required.



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Underway in the Black Sea



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altered their course. This incident may have resulted from a navigational error, but the Soviets have lodged an official protest in any case.

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A day earlier, a Soviet ship aimed its spotlights at the bridge of the USS Turner, which responded in similar fashion. The US-USSR Incidents at Sea Agreement was intended to end such practices. [Redacted]

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The articles governing the movement of submarines are somewhat different from those concerning surface ships. Submarines of Black Sea nations can enter the Black Sea if they have been purchased or constructed outside it. Submarines also can leave the Black Sea for repair at another shipyard, a right the Soviets occasionally exercise. In either case, submarines must transit one at a time on the surface during daylight hours.

The Montreux Convention has affected the composition of the USSR's submarine force in the Black Sea. The submarines there are mostly older torpedo attack boats, many of which are laid up or mothballed. As a result, the submarines in the Mediterranean Squadron are from the Northern Fleet and require several weeks to transit to and from station.

...And the US Navy

The US Navy recently conducted its 30th Silver Fox mission in the Black Sea. Two destroyers, the USS Turner and the USS Vesole, took part in the operation, which lasted from March 9 to 14.

US ships have been conducting Silver Fox missions in the Black Sea for about 16 years. The missions, usually conducted semiannually, are intended to exercise the right of US ships to operate in the Black Sea under the terms of the Montreux Convention. Soviet and Bulgarian ships, along with Soviet aircraft, usually monitor these missions, and over the years, there have been several incidents.

On one occasion during the latest mission, the US ships apparently entered the 12-mile territorial limit claimed by the Soviets. A Soviet destroyer monitoring the US ships warned them of their position, and the Turner and Vesole

EASTERN EUROPE: BREZHNEV SPEAKS

General Secretary Brezhnev and his East European colleagues—minus Romanian President Ceausescu—were in Budapest this week for the 11th Hungarian party congress. The evidence is not all in, but economic problems in Eastern Europe and the need for keeping the ideological guard up in a time of detente clearly were major topics for discussion.

The Soviets got their allies to take the lead on some issues of primary concern to Moscow. At least four East European party leaders present called for an international Communist conference in their speeches. As in the past, the Soviets—this time in the person of Brezhnev—said nothing themselves. Brezhnev was also reticent on China, not even mentioning it in his address. The East Europeans, however, were full of vitriol on the Maoist leadership and on Maoism in general.

All eyes, of course, were on Brezhnev, not only for what he had to say, but for how he said it. Not surprisingly, observers differed on how he looked on his first trip outside of the Soviet Union since December. Some thought he appeared pallid and tired; others said he looked at least as well as he did last month during Prime Minister Wilson's visit to Moscow.

As to substance, Brezhnev presented a sober but confident reiteration of Soviet foreign

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Brezhnev and Kadar

policy positions. Brezhnev noted that the USSR was giving "serious attention" to consolidating relations with the US, but otherwise said relatively little about bilateral matters. Brezhnev made no mention of President Ford or of his own coming trip to the US.

The Soviet leader referred to progress at CSCE and to the prospect of a "summit level" windup in the coming months, but did not mention June 30—a date he had proposed for the summit finale in letters to Western leaders earlier this month. Brezhnev indicated that with CSCE out of the way, greater attention could be given to "military detente." He referred to the MBFR talks in Vienna and to the Vladivostok agreements on strategic arms limitation. In this context, he spoke of the "gradual reduction," as well as limitation, of armed forces and armaments. He added, however, that this is not a matter that could be decided "overnight."

For his East European audience, Brezhnev had a few pointed reminders of the past, when the "unity of our parties" rebuffed right-wing and leftist "distortions." He had high praise for his host, Hungarian party chief Kadar. Like Kadar, he referred positively to the contribution of the Warsaw Pact and CEMA, particularly in enabling the East to do a better job than the West in promoting economic growth and stability at a time of worldwide economic trouble. At the same time, he noted that the East Europeans and the Soviets would have to coordinate their economic planning more effectively to meet the problems raised by higher prices for energy. The East Europeans, particularly the Hungarians, were even more candid about current economic difficulties. On the "crisis of capitalism," Brezhnev picked up the defensive theme of some of his ideologists that the West's economic woes strengthen the hand of reactionary elements, and hence were a source of potential trouble for the USSR.

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SOVIET CIVIL AVIATION

Flying Friendlier Skies With AEP OΦ JIOT

The Soviet national airline, Aeroflot, is the world's largest. Serving over 3,500 cities in the Soviet Union and 68 foreign countries over a 500,000-mile route network, the airline carried 91 million passengers in 1974, one fourth the world's total air passenger traffic. Despite these far-ranging services, Aeroflot has traditionally lagged behind major Western airlines in safety standards, quality of service, and fleet modernization. Over the past three years, Moscow has been concentrating on these areas to improve its relatively poor image and to bring Aeroflot service closer to Western standards.

Modernization

Aeroflot began acquiring new aircraft during the early 1970s after lagging behind Western carriers for two decades. Its current inventory of high-performance jet aircraft, which has almost doubled in the past five years, is now approaching 1,000.

Fleet modernization has included the introduction of the short-take-off and landing Yak-40, the improved TU-134A, the medium to long-range TU-154, and the long-range IL-62M, the flagship of the fleet. Over 450 of these new aircraft have been added to Aeroflot's fleet in the past three years.

In addition, Soviet design bureaus are developing several new aircraft scheduled for introduction over the next several years. These include:

•The TU-144: Soviet officials indicate this supersonic aircraft will begin limited scheduled service

from Moscow to Tashkent and Frunze by the end of this year.

•The IL-76: Aeroflot has acquired a few of the longer range cargo aircraft and, as production increases, the IL-76 will probably enter service on a few domestic cargo routes by early 1976.

•The Yak-42: The 100-passenger Yak-42 is slated to replace the Yak-40 on routes with growing traffic, and may enter service by 1976.

•The IL-86 Airbus: Despite many delays, Soviet officials intend to move forward with production of the IL-86—the USSR's wide-bodied aircraft. Under the most optimistic projections, the IL-86 could not begin service before 1978-79.

Improved Service

The modernization program has allowed Aeroflot to improve overall operations by increasing the frequency of flights, adhering to schedules, and providing more comfortable travel. The new aircraft are being used on almost all of Aeroflot's international services and more than half of its domestic routes.

The most dramatic changes in service in recent years have occurred in Aeroflot's domestic services. These operations account for over 96 percent of the passengers carried, but have traditionally been the last to receive new equipment. Over the past few years, however, new aircraft have been added to domestic routes in increasing numbers, allowing for expanded services.

Aeroflot's international routes also have been upgraded and ex-

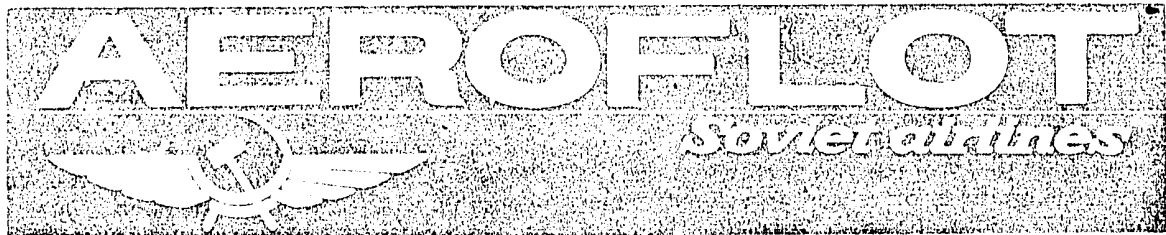
panded with newer aircraft and additional flights. Nearly all of the 170 weekly international flights are now served by the TU-134A, TU-154 and IL-62M, many of which have been put into service since 1972. Outdated TU-104 and TU-124 jets, and in some cases IL-18s, had been used on many of these routes.

Since 1972, the Soviets have focused on inaugurating routes to sub-Saharan Africa and on expanding operations to and in Latin America. Aeroflot's efforts in Africa have been the most successful; air agreements have been concluded with Burundi, Chad, Equatorial Guinea, Mauritania, Mauritius, Rwanda, and Zaire. Aeroflot flights were inaugurated to Chad and Equatorial Guinea last December. Service to the other five countries is likely to begin this year.

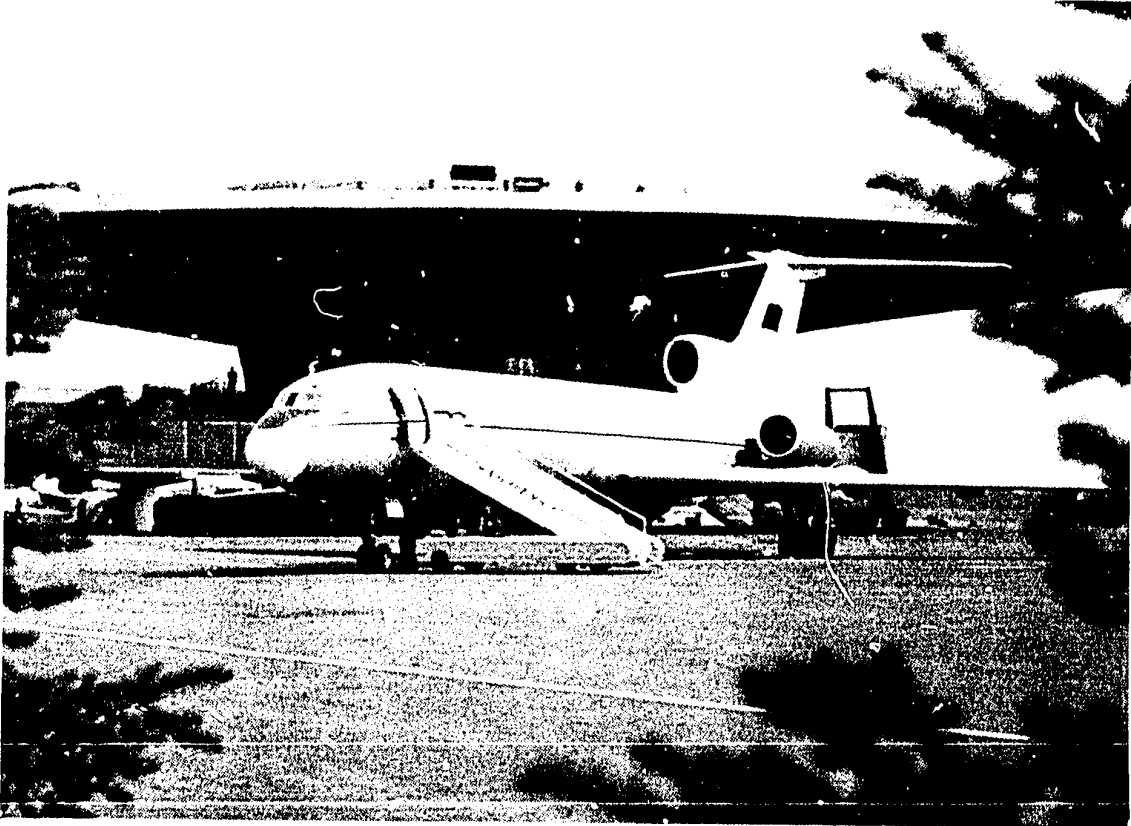
The Soviets are pressing for expanded service to Latin America—the last major gap in Aeroflot's route network. The only countries currently served are Cuba and Peru. Talks have been held with a number of countries—including Argentina, Brazil, Colombia, Ecuador, Mexico, Panama, and Venezuela, but most negotiations are still in the exploratory stage. Two exceptions are Ecuador and Venezuela, where Aeroflot service may begin this year. Elsewhere in the world, Aeroflot has added service only selectively, the most recent being to Portugal in early March.

Safety

Aeroflot was jolted into action on civil aviation safety after a



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TU-154 at Moscow's Sheremetyevo International Airport

year-long series of accidents that began in late 1972. During this period, at least ten Aeroflot aircraft crashed on scheduled service killing at least 500 persons. Although poor quality on-board avionics and outdated air traffic control may have increased the chances of an accident, the principal causes of these crashes were pilot error and inclement weather. In any event, the USSR launched a program to improve safety by:

- Establishing an Aviation Safety Committee within the Ministry of Civil Aviation.
- Upgrading operational testing of new civil aircraft and providing for more stringent preflight crew checks.

- Inquiring into Western air traffic control procedures and equipment for possible applications to the USSR.

The recent Soviet emphasis on safety is genuine and has met with success. Aeroflot had only two confirmed crashes involving fatalities in 1974 and none so far in 1975.

Outlook

Soviet efforts to modernize Aeroflot's fleet and improve overall operations will continue through the next several years. The introduction of new aircraft will provide more efficient operations, better quality service, and allow for some expansion of service. The use of more modern aircraft coupled with better avionics and air traffic con-

rol will improve Aeroflot's safety standards.

Despite the improvements being made in equipment, service, and safety, Aeroflot does not currently pose a commercial threat to major Western international airlines and is unlikely to do so in the near future. The Soviet airline does not offer the frequencies or route alternatives necessary to garner a significant portion of the international travel market. Instead, the Soviets continue to seek revenue-pooling arrangements with the foreign carriers operating reciprocal service to the USSR and jointly share revenues generated on major international routes.

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POLAND: CONSUMER COMPLAINTS

Recent shortages of butter, pork, and other meat products have caused increased grumbling and some minor demonstrations by Poland's increasingly affluent and often outspoken workers. The US embassy reports that the Polish people are in a "bad humor" over the shortages, and several Polish officials have admitted that the situation is serious.

In an effort to calm the public, the regime has attempted to eliminate the most serious shortages. On March 6, in addresses before a National Woman's Day gathering, party leader Gierek and Prime Minister Jaroszewicz admitted the seriousness of the problems. They called on the party and government for quick action and on the people for support. The party Politburo met on March 14 to discuss the shortages and issued an unusually long and frank communique.

According to the Politburo statement, increased supplies of pork and butter have been delivered to the market, imports have been increased and exports cut, and appeals have been made to farmers to increase sales of agricultural products to the state.

The mayor of Cracow said that the shortages would be brought under control by imports from the Soviet Union and East Germany. As early as March 7, in fact, the US embassy in Warsaw reported that more meat was appearing in stores. Whether these efforts have succeeded will probably become evident next week during the Easter season. Easter is a major feast day in Poland, and pork products are especially important for the celebration.

The shortages reflect poor fodder crops last year, which led to large-scale slaughtering of hogs by farmers in the last quarter. Because domestic storage and processing facilities are inadequate, the resulting spurt in raw pork supplies forced Warsaw to find foreign buyers.

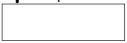
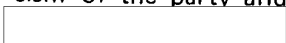


Shopping for food

Polish officials now concede that they underestimated demand and exported too much pork.

Some grumbling by the Polish workers will continue, but the current problems are not expected to lead to widespread public rioting such as toppled the Gomulka regime and brought Gierek to power in December 1970. Unlike his predecessor, Gierek is keenly sensitive to the mood of the public. He also runs a tighter ship than did Gomulka, and he will make sure that the security forces do nothing to worsen the situation. It does seem likely, however, that his image will be tarnished.

Over the longer run, the current situation will further impress the Gierek leadership with the need to keep consumer interests in mind. Monetary incomes of Polish workers have increased 44 percent since 1970, but the availability of major consumer items, such as housing, cars, and furniture, has not kept pace. Thus, much of the increased purchasing power has no other outlet than higher quality foods. When these items become scarce, frustration and resentment can, and do, spill over into open criticism of the party and government.



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TURKEY: DEMIREL TAKES HIS TURN

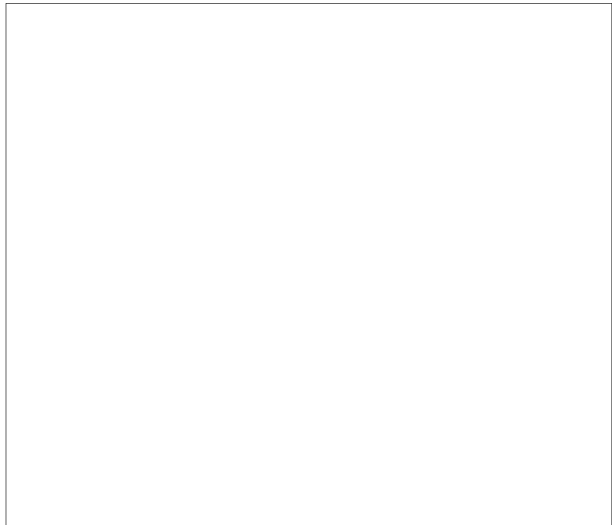
President Koruturk this week designated former prime minister Suleyman Demirel, leader of Turkey's second largest party, to try to form a government. Demirel's center-right Nationalist Front, which consists of four parties, falls just six votes short of the 226 needed for a majority in parliament.

Demirel will try to pick up additional support from dissident members of the pivotal Democratic Party. His chances of doing so have been reduced because of recent steps taken by that party to reach agreement with the left-of-center Republican Peoples Party for its support of a government to be headed by the Democratic Party but to include technical experts and independents. This formula may well be tried next if Demirel fails. Earlier in the week, Republican Peoples Party leader Ecevit turned down a chance to form a government because he did not have the required majority.

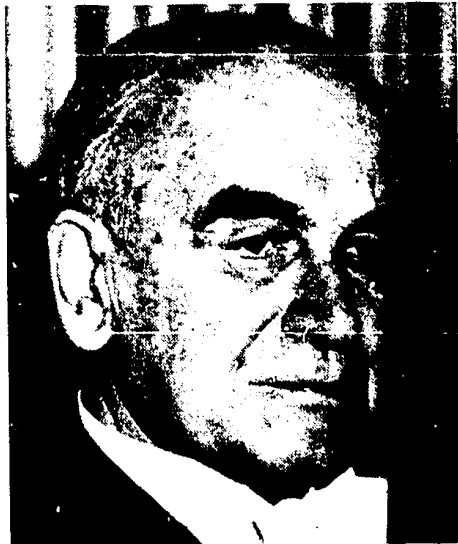
The Turkish President has previously been reluctant to name Demirel, in part because he believes that including in the government the two irresponsible extreme right parties that are part of the Nationalist Front—the fascist Na-

tional Action Party and the reactionary National Salvation Party—would soon lead to a breakdown of the government. These parties are anathema to the leftists, and their presence in the government might spark renewed outbreaks of violence. This would in turn arouse uneasiness among the military, who ousted Demirel in 1971 and have remained strongly opposed to him.

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President Koruturk



Demirel



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IRAN-IRAQ: MOVING FORWARD

Both Tehran and Baghdad appear determined to make a serious effort to implement the comprehensive accord that the Shah of Iran and Iraqi strong man Saddam Husayn Tikriti reached earlier this month in Algiers. Iraq's Kurdish rebels, deprived of essential Iranian aid by the accord, are striving to cope with the new realities before the cease-fire arranged last week runs out on April 1.



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Although occasional clashes between Iraqi and Kurdish forces have occurred since the two sides publicly acknowledged the cease-fire on March 13, Baghdad has halted the massive offensive it had launched right after the Algiers accord was announced. The lull in the fighting paved the way for the foreign ministers of Iran and Iraq to meet in Tehran last weekend, as scheduled, to start implementing the provisions of the accord aimed at settling the border problems that have long disturbed relations between the two countries. On March 17, the ministers signed a protocol setting up joint committees to deal with land borders, river borders, and the infiltration of "saboteurs." The ministers agreed to meet periodically—under Algerian auspices—to review bilateral relations.

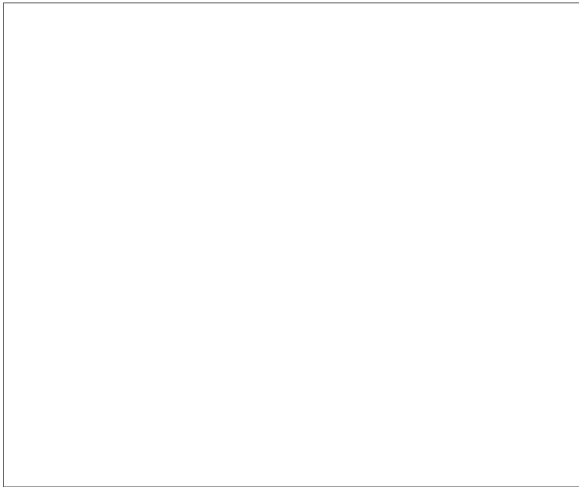
THE TRUCE GIVES BOTH NATIONS TIME TO RESOLVE THEIR LONG-STANDING BORDER PROBLEMS.

Although several thousand Kurds—it is not clear whether they are combatants—have taken sanctuary in Iran since the cease-fire, some rebel leaders are talking as though they intend to keep up the fight.



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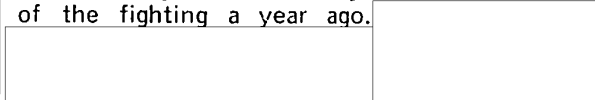
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Baghdad, for its part, seemingly intends to mop up the Kurds after April 1, when the grace period expires. The Baath Party newspaper has "categorically and unequivocally" ruled out any negotiations with Barzani; the army is apparently preparing for a new offensive in the hope of ending the Kurdish problem once and for all. When the cease-fire expires, Baghdad probably will again appeal to refugees to return—on the government's terms—and may reaffirm its intention to carry out the program for limited Kurdish autonomy that Barzani rejected at the outset of the fighting a year ago.

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SYRIA: JOINT COMMAND WITH TH. PLO

The Syrians apparently have no clear idea of how to implement President Asad's offer of March 8 to establish joint Syrian-Palestinian political and military commands. Palestinian leaders have welcomed the proposal, but this reflects their desire not to offend Damascus at a time of strained relations with Egypt rather than any real enthusiasm for closer association with Syria.

Fedayeen leaders have always been suspicious of the Syrians and are likely to drag out—perhaps indefinitely—actual implementation of the Syrian proposals. The chief danger in such cooperation, in Palestinian eyes, is that it might pave the way for Damascus to seize control of the Palestine Liberation Organization. Asad, they fear, might try to use increased leverage within the PLO to replace Arafat as chairman with a Fatah member more sympathetic to Syria or with a representative of the Syrian-controlled Saiqa fedayeen group. Arafat and his associates also worry that closer association with the Damascus government would restrict their freedom to formulate their own policies and could result in Syrian army control of fedayeen operations outside Syria.

Despite these reservations, the PLO will want to keep alive the idea of closer ties with Syria. To the relatively moderate leaders of the PLO, including Arafat, even a notional alliance with Syria would strengthen the Palestinians' bargaining position with Egypt, Israel, and the US. It would also enable them to better endure any showdown with their radical colleagues from the "rejectionist" groups, some members of which are already being detained by the Syrians. The radicals, for their part, have condemned the proposed Syrian-Palestinian cooperation as a subterfuge designed to pave the way for Palestinian attendance at the Geneva peace talks.

The Egyptians have not commented officially on the Syrian proposal. In an effort not to



Arafat - suspicious but willing

be outdone by Syria, however, Cairo has put out the word through unnamed "responsible sources" that Egypt would have no objection to participating in a unified Arab delegation at the Geneva conference. This proposal was clearly made without enthusiasm. Although Cairo probably agrees that a unified delegation could more easily overcome Israel's reluctance to negotiate with the PLO, its primary concern at this time is to counter Arab charges that Egypt is negotiating unilaterally.

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ETHIOPIA: MORE INSURGENCY

Conservative opponents of the ruling military council are increasing their insurrectionist activity in the provinces. The fighting in Eritrea, however, has died down during the past two weeks. Both the government and Eritrean rebels continue to reject Sudanese President Numayri's proposal for a cease-fire and for direct, unconditional negotiations.

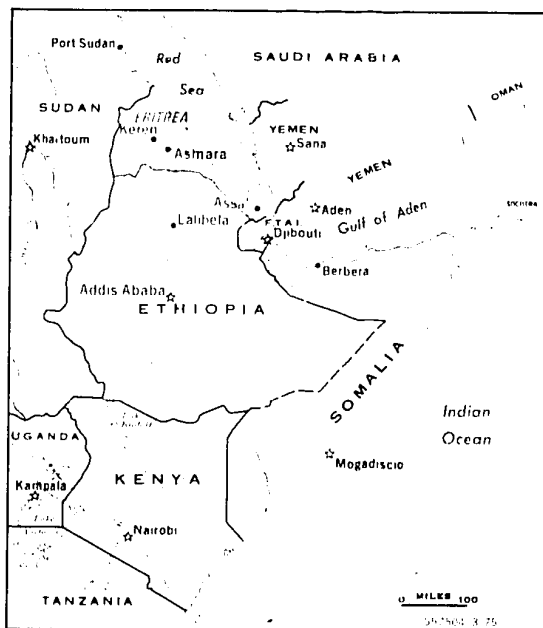
On March 14, an insurgent band led by Berhane-Meskel Desta, an aristocrat, seized the historic town of Lalibela, a major tourist attraction some 220 miles north of Addis Ababa. The insurgents burned an Ethiopian airlines plane, destroyed government property, and engaged in some looting. A small group of US citizens in the town was permitted to leave and has arrived safely in Addis Ababa. Two days later government forces regained control of the town after a brief skirmish. The insurgents fled into the countryside, and additional army reinforcements have been sent to the area to pursue them.

Berhane Meskel began forming his group several weeks ago because of his opposition to the military council's radical socialist policies. The raid on Lalibela was probably a reaction to the council's recently announced land reform program, which will strip many Ethiopian aristocrats of the source of their wealth.

The government this week executed former general Tadessa Biru, an important leader of an anti-government group of Galla, the country's largest tribe. Tadessa was arrested last week for inciting a Galla rebellion in the provinces. The government also executed one of Tadessa's lieutenants, an aristocratic supporter of Haile Selassie, and three persons alleged to have been responsible for terrorist bombings in Addis Ababa last December. The execution of Tadessa will set back the Galla efforts to oust the council, but the tribesmen will be able to conduct raids from their provincial strongholds. Government forces are continuing to search for other dissidents in the area west of Addis Ababa where Tadessa was captured.

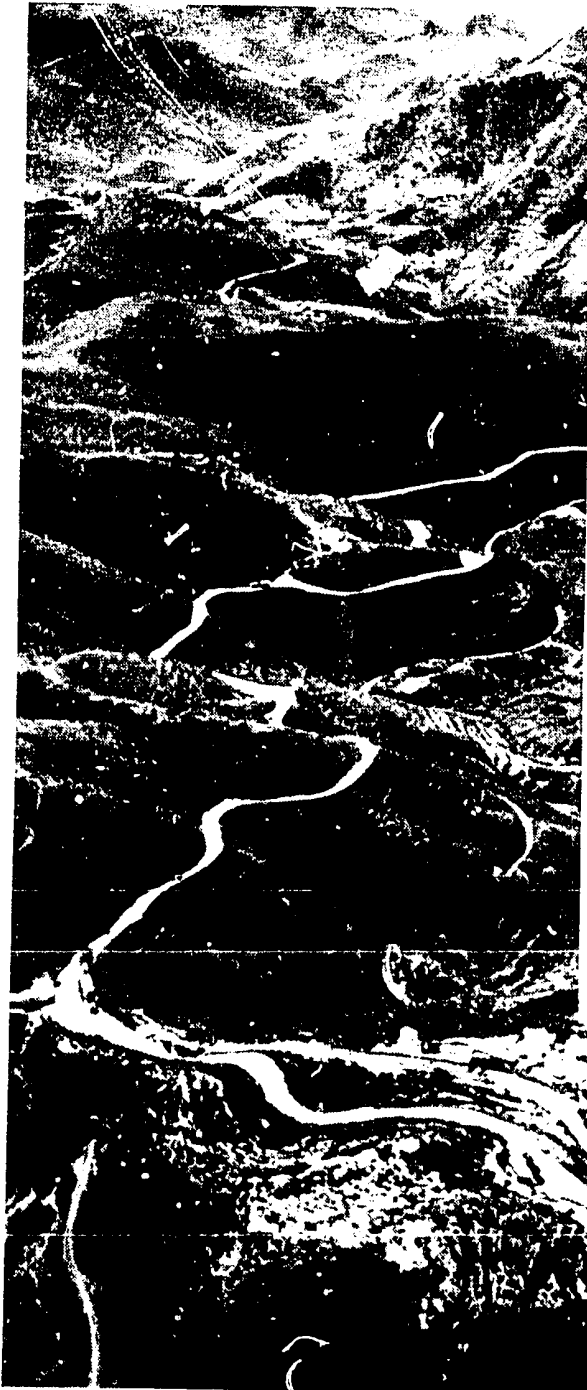
Numerous other disgruntled tribal groups, possibly including the large Afar tribe in north-eastern Ethiopia, are also sponsoring uprisings in the countryside aimed at overthrowing the council. Most of these dissident groups are in contact with each other and are attempting to coordinate their activities, but poor communications are a handicap.

In Eritrea, the rebels continue to stage occasional ambushes along the main roads leading out of Asmara, but there has been only one major clash with government forces since early March. During that engagement, about 40 government troops reportedly were killed. This was the first report of fighting outside a 75-mile radius of the provincial capital of Asmara since hostilities resumed in late January. The slow-down apparently reflects the initial success of the army's three-week-old sweep against suspected rebel positions near Asmara and Keren.



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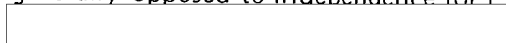


The US embassy in Khartoum has learned that an Ethiopian delegation last week held secret talks on the Eritrean insurgency with Sudanese President Numayri, but he was unable to get the Ethiopians to agree to his peace proposal. The Ethiopian delegation used the meeting mainly to point out its reasons for rejecting Numayri's proposal, citing the lack of a common negotiating position between the two main Eritrean factions as a major impediment.

The Ethiopians also raised doubts about Numayri's ability to act as a neutral mediator, criticizing him for allegedly allowing arms to transit Sudan on the way to the insurgents.

Numayri has not officially sanctioned arms shipments through Sudan, but some weapons almost certainly have reached the Eritreans by this route, probably with the connivance of local Sudanese officials. Most of the Eritreans' arms have been sent from South Yemen to points along Ethiopia's Red Sea coast.

Numayri plans to continue encouraging both sides to begin talks. Osman Saleh Sabbe, the leader of one rebel faction that so far has rejected talks, is expected to arrive in Khartoum soon. The Sudanese are cautioning other Arab governments that uncritical support for Eritrean independence could harm Arab-African relations. Black African governments, many of which face their own separatist problems, are generally opposed to independence for Eritrea.



Eritrean Province near Asmara

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MEXICO: VISITING THE CAMPUS

The visit of Venezuelan President Perez this week is momentarily drawing public attention away from the fracas last Friday when President Echeverria visited the National Autonomous University. His trip to the campus on March 14, the first by a Mexican president since the student riots in 1968, was intended to symbolize the success of Echeverria's five-year-long dialogue with youth.

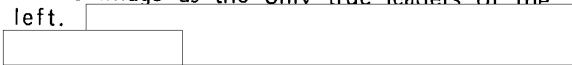
As it turned out, however, Echeverria had badly misjudged the situation. He apparently believed that his Third World - oriented foreign policy as president had offset the students' memory of the casualties suffered in the riots, for which they hold him responsible as the then minister of government. The rough treatment he received poked gaping holes in this notion.

Even so, the violence at the university came from only a few hundred extreme-left radicals who probably could not in any case be swayed by a dialogue with the government. Mexican security officials say that a member of the local Communist Party played a key role in encouraging the jeering that led to a bombardment of rocks and bottles. Echeverria was grazed on the forehead during his hasty retreat from the campus.

Echeverria was warned that he might well get an unfriendly reception at the school, a long-time sanctuary of anti-government sentiment. It is likely, however, that he decided to chance it in order not to be upstaged by Perez, who had himself planned a meeting with the students.

The President does not want a harsh crackdown on campus troublemakers, fearing this would damage his image as a peacemaker. He does want the agitators quietly rounded up, however, and all persons who took part in the disturbance identified and eased out of the university.

If he were not busy traveling the countryside with President Perez, Echeverria doubtless would be enlarging upon the considerable public support he is already receiving from the incident. His reference to CIA manipulation of the students was made in full awareness that to admit publicly that the violence came from leftist radicals would damage his and the government's image as the only true leaders of the left.



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Echeverria and Perez



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PANAMA: SEEKING FOREIGN SUPPORT

General Torrijos is trying to marshal foreign support for Panama's position as the canal treaty negotiations enter a critical phase. He is concerned both about key negotiating issues, such as the duration of a new treaty, and about the chances for US ratification if the two sides agree on a draft. Panamanian officials have said that the campaign for support will include other Latin American countries as well as all Third World nations.

The Panamanian leader's first attempt this month to mobilize international backing did not fare well. He was unable to persuade Argentina to withdraw its candidacy for the rotating Latin American seat on the UN Security Council in favor of Panama, which would then have had an advantageous place to expound its views in a world forum.

Torrijos is now placing his hopes on the meeting with the presidents of Colombia, Costa Rica, and Venezuela that he will host on March 23 and 24. Torrijos expects them to sign a declaration affirming Panama's claim to sovereignty over the canal.

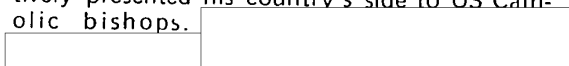
Although Torrijos believes that outside support for his treaty stand is useful, he realizes that the main effort to sell a new pact must be directed at the Panamanians and the US. Panamanian officials privately recognize that there are certain basic elements the US must have in any treaty, but they feel they must constantly reassure Panamanians that their country's interests are being zealously protected in the negotiations. This difference between private and public positions may in part explain the recent press criticism of Secretary Kissinger's statements in Houston concerning US aspirations in the negotiations.

On the other hand, Torrijos appears to be genuinely concerned about the implications of



Torrijos

the resolution by 37 US senators reasserting US sovereignty and rights over the canal. He has already started a campaign aimed at showing the US public that a new treaty would benefit both sides. Several pro-government businessmen have presented this view in the US. Torrijos administration officials are talking to the Panamanian branches of organizations, such as the Rotary Club and the Boy Scouts, in the hope that they can influence the US affiliates. Panama's leading cleric, Archbishop Marcos McGrath, has effectively presented his country's side to US Catholic bishops.



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ARGENTINA: OPPOSING MRS. PERON

The political position of President Maria Estela Peron has weakened during the past two months. Politicians are expressing open criticism, and military officers are increasingly dissatisfied with the performance of her government.

The rift in Peronist party ranks was underscored last week when an assemblage of dissident left-wing Peronists in Buenos Aires formed the Authentic Peronist Party. This group, however, is more a political embarrassment than a threat to Mrs. Peron, and it will probably be denied recognition.



President Peron
In need of support

On the other hand, growing strains within the Justicialist coalition that brought the Peronists to power may be harder to resolve. On March 12, the group headed by former president Arturo Frondizi issued its first public criticism of the government's economic policies. It was joined a few days later by another small party that denounced the "disorder of public finances." While there are no indications that Frondizi or leaders of the other parties are ready to pull out of the coalition, a serious economic decline would probably force them to abandon the government, especially as the 1977 election draws nearer.

from the view held by the military just a few months ago. At that time, it felt that there was no alternative to Mrs. Peron.

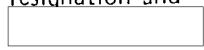
A recent survey of army and navy officers has disclosed some dissatisfaction with Mrs. Peron's government. Contempt for her dependence on Minister of Social Welfare Lopez Rega reportedly has grown to the point where many officers would like to see her step down voluntarily.

Renewed inflation and the prospect that it will grow are serious problems for military personnel, who are already finding it difficult to live on their salaries. The recent devaluation will hurt defense spending, especially the purchase of foreign materiel.

The armed forces welcomed the government's tough stand against terrorism, but now many officers are upset by the failure to deal the terrorists a decisive blow. Their frustrations are reflected in growing criticism of their own leaders as well as of the government. The chief complaint voiced against the three service commanders is that they have gone along with the politicians' policies.

There is no effort under way to persuade her to do so and none is anticipated, but the consensus among the cross section of officers surveyed is that Argentina would be better off with another president, especially if the military had a hand in the selection. This is a major shift

The armed forces are still reluctant to take over the government again, and as long as this attitude continues it is the best guarantee of Mrs. Peron's serving out her term of office. If their dissatisfaction with the political leadership continues to grow, however, military leaders will probably begin to press for her resignation and to look for legal alternatives.



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Weekly Review

Special Report

Brazil: A Year of Change

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March 21, 1975

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BRAZIL A YEAR OF CHANGE



President Geisel

In the year since President Ernesto Geisel assumed office on March 15, 1974, significant changes have occurred in Brazil, both economically and politically. The euphoria accompanying the economic boom of the late sixties and early seventies has given way to uncertainty, as the country feels more and more the effects of worsening international economic conditions and recurring domestic problems. Foreign policy has undergone significant shifts—regarding Eastern Europe, China, and the Middle East—designed primarily to shore up Brazil's international economic position. Finally, there has been real, although uneven, progress in Geisel's effort to ease the restraints on political life and seek a limited rapprochement with disaffected sectors of society.

SECRET**Economic Problems...**

For several years prior to Geisel's presidency, Brazil's economy regularly experienced annual growth rates of more than 10 percent, steady reduction of inflation, rapid growth and diversification of exports, and a steady influx of foreign capital. During 1974, however, inflation rose again, the result of increased domestic demand and rising prices for imported goods. The balance of payments became a critical problem as the cost of needed imports—especially oil—soared. Foreign exchange holdings decreased by more than a billion dollars as the bills for imports mounted while inflows of foreign capital, reflecting world conditions, decreased sharply after mid-year.

Nevertheless, economic problems—including the prospect of a substantial decline this year in overall growth—have not dampened the administration's public optimism. Official spokesmen continue to stress the very real progress the country has made and continues to make. President Geisel, for example, in his year-end speech, stressed Brazil's ability to reach its development goals. He pointed to the high rate of employment, prospects for good harvests, and current industrial expansion. Such economic problems as Brazil has, he said, are largely attributable to outside forces and can be dealt with.

In addition, the finance minister and other top planners recently emphasized how much more growth Brazil is likely to experience this year than most industrialized nations, whose economies may very well stagnate or grow only marginally. Top officials also point out that inflation, which caused problems during much of last year, was again being brought under control.

Outward optimism notwithstanding, there is a realization among government officials that a lowering of economic expectations is virtually unavoidable. No longer do economic planners predict a yearly growth rate on the order of 10 percent or, for that matter, any specific figure. In private, some speak of growth this year of 5 or 6 percent still impressive, but a comedown for Brazil. This year, also, the government has set no

specific target for the reduction of inflation, a practice that had become almost routine in the previous administration. Finally, in recognition of the serious balance-of-payments situation, tight controls have been placed on imports, a move certain to have an inhibiting effect on growth.

President Geisel has put his own stamp on the formulation and implementation of economic policy. For example, he has created two organizations aimed at achieving the administrative efficiency for which he is noted and at increasing his already high degree of personal control over the policy-making machinery. The Economic Development Council, presided over by the President, brings together the ministers of finance, industry and commerce, agriculture, and interior. Geisel has also revamped the former Ministry of Planning and redesignated it the Planning Secretariat. Both the Planning Secretariat and the Development Council have been made integral parts of the office of the presidency. The net result is that no single minister has achieved or is likely to achieve the dominant status exercised in the previous administration by former finance minister Delfim Netto.

...And Their Domestic Impact

Since Brazil's military-backed regime bases its claim to power largely on its ability to deliver on sweeping economic promises, the government is apt to be highly sensitive to any economic setback, still more so if there is any possibility of a prolonged, serious downturn. In the face of the relative slowdown of the economy, the administration has included in the list of economic priorities this year a number of items that reflect increased attention to matters not related primarily to growth. Specifically, the government gives prominence to the need for social development and for more equitable income distribution. Geisel has set limits on the amount of price increases permissible this year on goods and services provided by the public sector, and has allowed substantial wage increases ahead of schedule.

These moves were designed in part to blunt the appeal of the opposition party, which capitalized on rising discontent over worsening

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economic conditions—particularly high prices and tight consumer credit—in the elections last fall. Moreover, it is probable that the regime, with the luster of its economic image slightly tarnished, is seeking to broaden its base of support, thus far confined largely to the military hierarchy allied with business and big agricultural interests.

Regardless of the motivation, the moves constitute a response to specific popular demands. In this regard, the Geisel regime differs somewhat from its predecessor, which was almost exclusively preoccupied with economic expansion and diversification rather than with social issues. Indeed, the embassy believes that there is a good chance that Geisel intends to do more to improve the lot of individual citizens. The magnitude of the balance of payments and inflation problems, however, may force the administration to focus on those two areas, to the virtual exclusion of other, less immediate issues.



Foreign Minister Silveira

Foreign Policy Shifts

The Geisel administration is still weighing the results of the significant foreign policy shifts that were made during the past year in Brazil's relations with the Communist world and the Middle East. In both cases, economic benefit was the moving force, supported by a growing Brazilian desire to become a major world actor.

Geisel, looking for expanded trade opportunities, made it clear that his administration wanted a sharp increase in its contacts with the Soviet Union and Eastern Europe. Brasilia lowered its ideological barriers substantially as the exchange of trade missions with Communist countries increased and legations in central Europe were raised to embassy status. Moreover, Brazil established diplomatic relations with the German Democratic Republic and, hoping to tap a potentially vast market, moved to recognize Peking as well.

Brazil may be disappointed, however, with the results of its efforts. A Foreign Ministry official has pointed out, for example, what he calls a "difference of goals" between his country and Communist nations. The latter, he says, are more interested in selling than in buying. Moreover, the Brazilians have probably greatly overrated the Chinese market. Finally, increased dealings with Communist countries are not without critics in Brazil, especially among senior conservative members of the military hierarchy.

The success of Geisel's effort to placate the Arabs also has yet to be fully determined. Brazil's recent adoption of a more clearly pro-Arab stance—designed to assure continued supplies of crude oil—has evoked Arab expressions of satisfaction with Brazil's attitude. Another goal—acquiring large amounts of petrodollars—has not yet been met. Brazilian diplomats and other officials are sparing no effort to persuade Arab leaders to invest heavily in Brazil. Brasilia now is anxiously awaiting the visits of leaders from Kuwait and Saudi Arabia, which it hopes will produce concrete results.

Brazil has also increased its activity in black Africa in the past year, recognizing Guinea-Bissau

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Geisel meets with Chinese delegation

very early and establishing links with the other Portuguese-speaking areas. Brazil hopes to enhance its image among Third World nations by playing down its traditionally close ties with Lisbon and playing up its support of the decolonization process. To dramatize Brazil's heightened interest in the area, Foreign Minister Silveira has visited Dakar, one of the few visits he has made. Brasilia not only hopes to secure markets but also to gain support in jointly maintaining high prices for agricultural products that both Brazil and Africa export.

A main concern of the Geisel government in its relations with the US is the preservation of access to US markets. To this end, Brasilia has sought to avoid provoking the US while still registering concern over the imposition of addi-

tional tariffs and, more recently, the passage of the US Trade Reform Act. Brasilia's position is somewhat delicate, since it seeks to avoid being lumped with other Latin nations bent on taking the US to task, but also does not want to appear to be yielding to Washington. Recent statements by top officials reflect this situation. The minister of industry and commerce, for example, has told the press that means should be found to "permit Brazil to discriminate against those who discriminate against it." Finance Minister Simonsen said, on the other hand, that Brazil would have to live with the trade act. President Geisel, in a recent speech, stressed the importance of the "new dialogue" but pointed to "restrictive US trade measures" that could ultimately weaken the "fundamentals" of relations between the two countries.

Special Report

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March 21, 1975

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Opposition party President Guimaraes

Brazil's major interest in Latin America is the preservation and enhancement of its relatively privileged economic position, and the maintenance of its influence with the conservative governments of a number of nearby nations. Brazil is particularly wary of attempts by other Latin nations to establish themselves as competitors for regional leadership. Until recently, Argentina had been the main source of concern. Now, however, Venezuela, which has championed the creation of an exclusively Latin economic system, is emerging as the main claimant for such a role. Foreign Minister Silveira pointed up Brazil's reserve concerning the proposed organization by saying his country would not endorse any grouping principally aimed at confrontation with the US. Brazil questions both the economic feasibility and political motivation of the proposal. Moreover, it does in fact want to avoid provoking the US, its most important trading partner. Foreign policy planners will want to postpone a commitment either for or against the organization until more soundings are taken and its potential effectiveness

can be accurately gauged. Brazil's eventual adherence cannot be ruled out.

Political Liberalization

In a speech to the new Congress, President Geisel reiterated his intention to continue the gradual political liberalization that has been his goal for the past year. In customary fashion, however, he tempered his remarks with a warning that "malicious criticism" and "uncalled for pressures" will not be tolerated. Indeed, the Geisel administration does seem committed to an easing of political restraints, but on a protracted basis and on its own terms.

During the past year, there have been numerous signs of a trend toward lessened controls—a process that has come to be known as "decompression." One of President Geisel's first acts, the selection of a cabinet, was widely viewed as a portent of the liberalization to come because two of those chosen are former members of Congress, a body almost entirely ignored by the previous president. The administration also initiated a highly publicized dialogue with the clergy, another group long at odds with the military-backed government. The President himself made a special effort to be seen in the company of some of the more noted liberal church leaders. Formal censorship of newspapers appears to have been greatly, if not entirely, relaxed, although unofficial guidelines are certain to remain for some time. The administration has also dropped direct control of a substantial number of labor unions.

The single most significant element of the liberalization movement was the decision to permit open national elections last November and then to allow the unexpectedly large gains made by the opposition party to stand. Of the Senate's 66 seats, 22 were at stake; of these, the opposition won 16, raising its representation in the upper house to 20. In the Chamber of Deputies, with all seats at stake, the opposition doubled its representation to 40 percent of the seats. It also gained majorities in most important state legislatures. The November results were all the more noteworthy when contrasted with the indirect

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election October 14 of state governors, hand-picked by the President and ratified, unopposed, by lame-duck state assemblies.

When it became clear that the administration, by and large, did not intend to inhibit election campaigning, opposition candidates began to criticize government policies, assailing the high cost of living, the influence of multinational companies, the use of torture, and the holding of political prisoners. The opposition's impressive gains are generally viewed as a mass protest against worsening economic conditions and perhaps to some extent an expression of frustration with over a decade of authoritarian rule.

Geisel's decision to ease restrictions does not mean that he is fundamentally more liberal than his predecessors or that he will proceed to "re-democratize" Brazil in short order. Indeed, his reputation both in military and civilian life has been that of an austere, efficient disciplinarian concerned principally with doing the job at hand. Moreover, Geisel shows no signs of being disposed to modify the vast powers he inherited from previous presidents. He shares the military's conviction that the old-style politics, which it views as corrupt and ineffectual, cannot be allowed to return.

The President is widely known, however, as an intellectual and a member of the so-called "Sorbonne group" of military men with strong academic credentials. His chief adviser, General Golbery do Couto e Silva, is perhaps the foremost member of this group. Geisel and Golbery have concluded that by allowing greater—though not necessarily total freedom to established institutions, such as the press, the church, and Congress, Brazil in the long run will be easier to govern. This is a decidedly more sophisticated approach than that of previous military-backed governments.

Geisel is also conscious of the fact that the military has been in power for 11 years, despite the stated intention of eventually restoring the country to civilian rule. Indeed, each of Geisel's two immediate predecessors promised to restore democracy by the end of his tenure. This



Special adviser Golbery (l) with President Geisel (c)

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Senate minority leader Montoro

awareness, as well as a desire to compensate somewhat for the relatively lower economic prospects, could provide further stimulus for liberalization.

Geisel's liberalization effort is running into opposition, however, from conservative members of the military hierarchy. Some, particularly security specialists, feel that the President is creating an atmosphere of permissiveness that will embolden irresponsible politicians as well as subversives. The administration, in an apparent attempt to placate these so-called "hard liners," gave considerable publicity to the work of security officials in moves against the Communist party early this year. Continuing arrests of suspected party members and sympathizers may be part of an effort by conservative officers to press Geisel still further by dramatizing the subversive threat. The impunity with which local security officers operate indicates that Geisel still has not brought these services fully under his control.

A number of these officers resent the prominence of General Golbery, whom they view as the principal architect of liberalization in national policy making. They feel that he and Geisel should have prevented the government's poor showing in the November elections by controlling the process much more strictly. Thus far, however, this resentment has not diminished either the influence of Golbery or the administration's desire to continue with liberalization.

The Outlook For Liberalization

Opposition by some senior officers to "decompression" will pose a continuing challenge for President Geisel. In dealing with this situation, he will have to be very adept at gauging the extent of that opposition at any given time, lest he underestimate its effects on military unity. To accomplish this, Geisel will look more and more to such trusted confidants as First Army commander General Reynaldo to interpret, and if necessary contain, military discontent.

The behavior of the new Congress and other sectors that stand to benefit from liberalization will have much to do with how strongly the conservatives react to Geisel's program. Unduly defiant attitudes among legislators, for example, could cause disaffected officers to harden their views still further and induce even uncommitted officers to join the ranks of enemies of liberalization. Leaders of the opposition party have sought to allay the fears of conservatives by stressing their party's intention to play a "constructive" rather than "obstructionist" role.

At the moment, the conservative officers do not pose a threat to the stability of the government. Indeed, the President retains wide respect among senior officers. Thus, barring a major setback for the administration such as a serious, prolonged economic downturn, the liberalization process is likely to continue, although its progress will be cautious and halting.

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