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Weekly Summary

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No. 0005/75
January 31, 1975

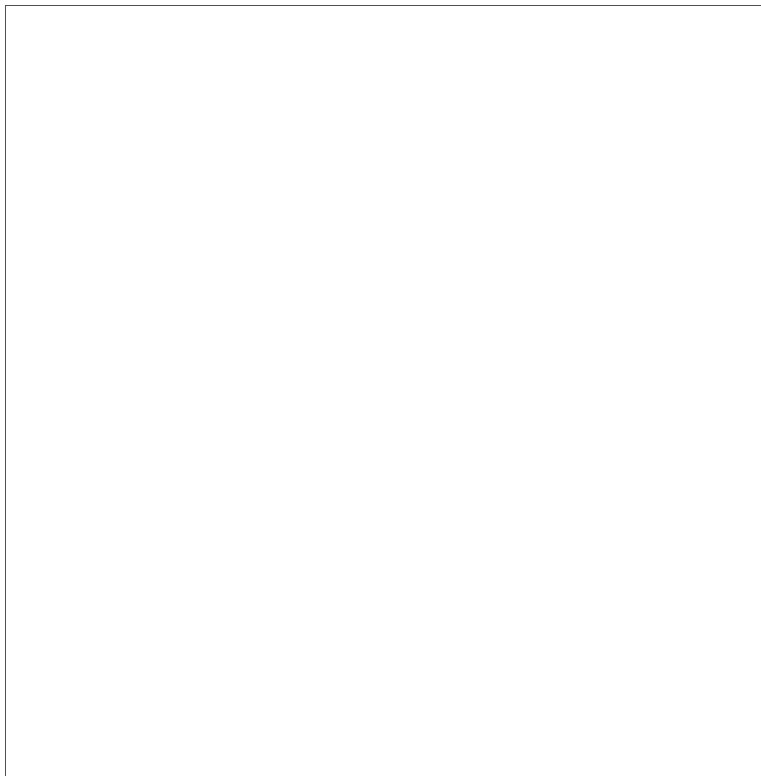
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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

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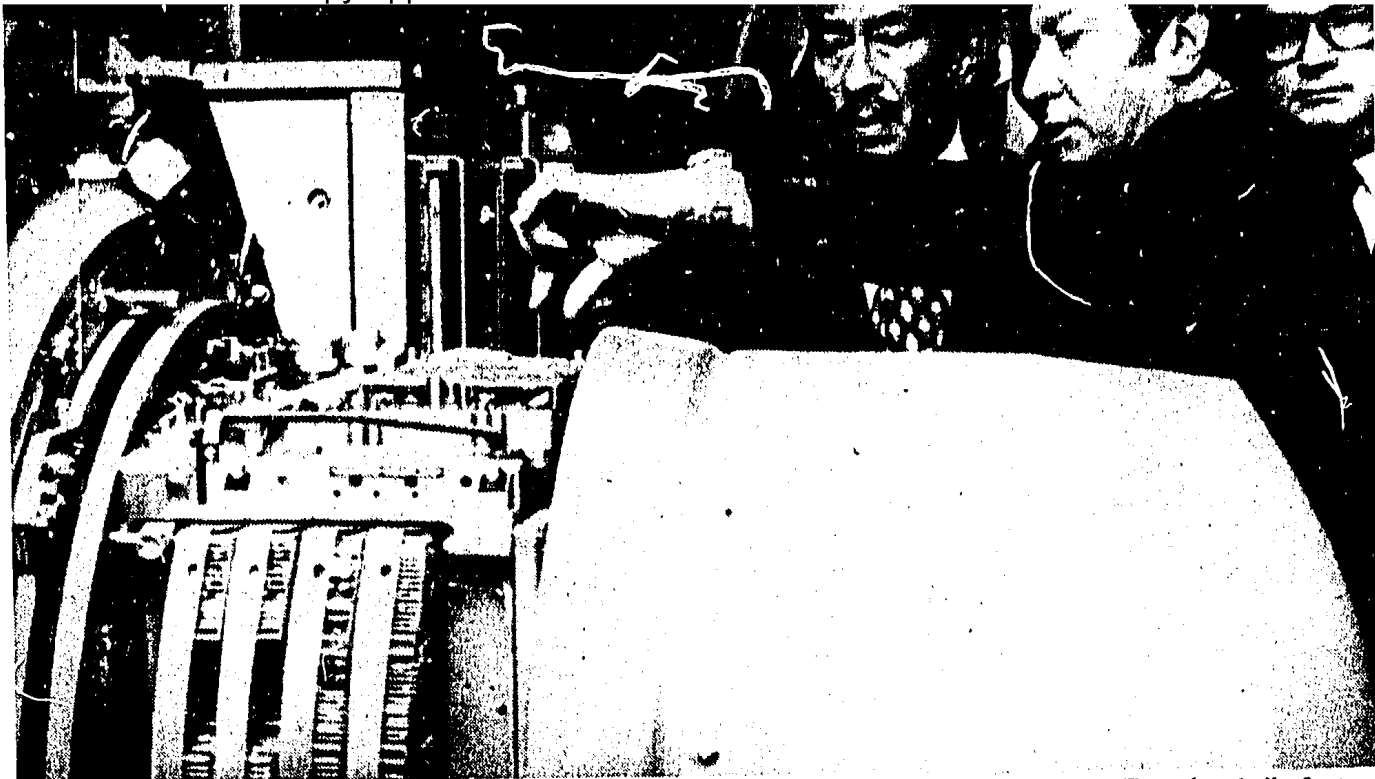
**SPECIAL
REPORT**

(Published separately)

International Relationships in
the Arctic Basin

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Sadat at French missile factory

Egypt

SADAT GOES TO PARIS

President Sadat's visit to France this week—the first by an Egyptian president—gives substance to his determination to expand relations with the West and to diversify the sources of arms for Egypt's military forces, now Soviet-equipped. He came away with an apparently large arms package and a promise by the French to study participation in a wide range of economic projects in Egypt.

Although the joint communique issued on January 29 noted only that President Giscard has agreed to sell Egypt arms "to compensate in part for losses suffered" during the 1973 war, Sadat announced at a press conference in Paris that this equipment includes Mirage F-1 aircraft. He would not divulge the number, saying only that the package consists of far fewer than the 120 planes raised in earlier press speculation. Unnamed French sources have told the press that 50 planes are involved. Egypt is already taking delivery of older versions of the Mirage under earlier agreements concluded on Egypt's behalf by Arab oil producers.

Sadat did not mention other types of arms covered by the new agreement—which will undoubtedly also be financed by Arab oil money—but he was interested in a wide range of equipment, including surface-to-air missiles, tanks, helicopters, and radar components. While in Paris, Sadat made a much-publicized tour of the Thomson-CSF industrial facility, which produces Crotale surface-to-air missiles and electronic equipment. Egypt's war production minister has remained in France for further discussions with Thomson's directors.

Sadat is undoubtedly pleased with the military agreement and particularly with the heavy publicity the arms negotiations have received. The communique's pointed reference to partial compensation for war losses was probably inserted at Sadat's request for Soviet benefit. He has made much in recent public statements of Moscow's failure to provide Egypt with replacement equipment, and he made the most of this opportunity to remind the Soviets that he can go elsewhere to obtain at least some of Egypt's military needs.

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Sadat also hopes that the image of a militarily stronger Egypt will buttress his negotiating position with Israel. At the same time, however, he seemed to take pains during his press conference to avoid giving the impression that the new arms will impede the progress of talks. He repeatedly emphasized that delivery of the Mirages will take several years. He also reiterated his position that Egypt and Syria have no intention of starting a new war.

Giscard's domestic political interests are probably served by limiting the arms deal to "partial compensation" for Egypt. Anticipated criticism from pro-Israeli elements in France may be blunted by the impression that the deal only makes up some Egyptian losses rather than heavily rearming it.

Although Sadat and Giscard held extensive discussions on economic cooperation, few firm agreements appear to have been made. Sadat had announced that he intended to request a nuclear power station, but the communique referred to this only as one of many projects in which French participation was "reviewed." French Industry Minister d'Ornano, in a statement that coincided with Sadat's visit, announced that France would not sell nuclear reactors unless guarantees "satisfying the international community" were provided. Agreement was reached on construction of a conventional electric power plant and on a system for color television.

On Middle East peace issues, the communique called for "secure, recognized, and guaranteed borders" for all states in the area—a refinement, inserted at Giscard's request, on UN Resolution 242, which calls for secure and recognized borders. Giscard's use of the key phrase "guaranteed borders"—he repeated it several times before and during Sadat's visit—reaffirms once again France's desire to take part in settlement efforts. Sadat, however, firmly discounted rumors that he would ask for French involvement in current negotiations, noting only that "in a coming stage" France and all of Western Europe should play a role.

GROMYKO TO CAIRO AND DAMASCUS

Foreign Minister Gromyko's trip to Cairo next week appears to be an attempt by the Soviets to keep the lines of communication open following the postponement late last month of Brezhnev's Middle East trip. Gromyko will probably not offer to reschedule Brezhnev's visit, given the strains in Soviet-Egyptian relations and the party chief's uncertain health. A Soviet press officer recently told a US embassy official in Moscow that he did not expect a Brezhnev trip to the Middle East soon.

Soviet officials have been expressing irritation with President Sadat's continued public criticism of Moscow's failure to meet Egypt's arms needs. Cairo has good grounds for its complaint about arms deliveries. Despite a pledge to Foreign Minister Fahmi last December to speed up deliveries, only two ships carrying military cargo have arrived since the end of the year, and neither apparently carried major weapons systems. The equipment sent to Egypt since military deliveries were resumed last August has been limited to spare parts, ammunition, and ground-support materiel ordered prior to the October 1973 war.

The Soviet foreign minister may attempt a reading on the Egyptian-Israeli disengagement talks, particularly in view of Secretary Kissinger's plans to visit the Middle East in February. Although Moscow has continued to snipe at Egyptian support for the US-sponsored step-by-step approach, it seems doubtful that the Soviets expect to turn Sadat from his chosen course at this time.

Gromyko will stop in Damascus before arriving in Cairo, perhaps in the hope of fanning President Asad's suspicions of an Egyptian sell-out in the negotiations. Gromyko will also be seeking to soothe the Syrians, who were miffed by the abrupt manner in which the Soviets canceled the Brezhnev visit.

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Greece-Turkey: Arbitration Proposal

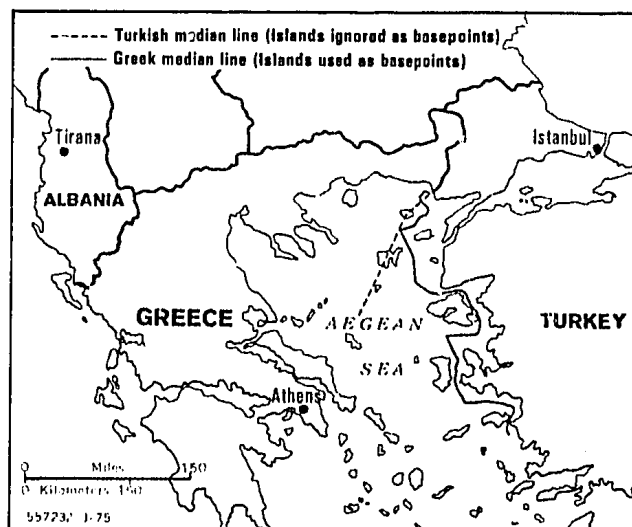
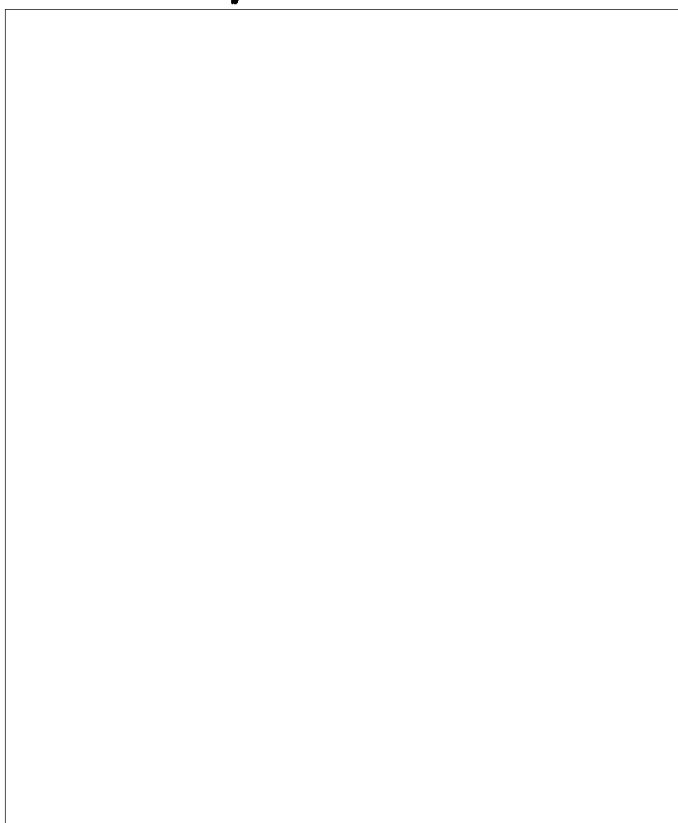
Greek Prime Minister Karamanlis this week proposed that the potentially explosive Aegean dispute with Turkey be taken to the International Court of Justice. Turkish Prime Minister Irmak responded that, in principle, the Greek proposal was acceptable, but that Turkey remained determined to explore for oil in the Aegean. In the past, Ankara has pointed to earlier court decisions to help support its claim to a share of the mineral resources under the Aegean.

The Turks argue that the division of mineral resources under the Aegean seabed should be determined by drawing a median line between the Greek and Turkish mainlands, ignoring the Greek islands. The Greeks, on the other hand, maintain that the islands themselves have continental shelf rights and that the median line should, therefore, be drawn between the easternmost Greek islands and the Turkish mainland. This effectively excludes Turkey from access to the Aegean seabed and any possible oil deposits.

*BOTH SIDES AGREE ON A MEDIAN LINE
TO DIVIDE MINERAL RESOURCE AREAS,
BUT NOT ON WHO DRAWS IT AND
WHERE.*

The controversy has heated up in recent weeks as the Turks responded to what they viewed as provocative remarks by the Greek defense minister. Ankara has announced that it would soon begin oil exploration in the disputed area, and it has alerted several Turkish air and ground units.

The Greek government has taken pains to put down rumors of emergency military preparations and of a sharp deterioration in Greek-Turkish relations. At the same time, Greek officials have privately expressed growing concern that the Aegean dispute might get out of hand.



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~~SECRET~~**UNITED KINGDOM**

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COOLING THE EC ISSUE

Prime Minister Wilson and the Labor Party leadership have made several proposals that should help prevent a split in the government and the party over the EC membership issue. Meanwhile, renegotiation of the British terms of EC membership continues.

ECONOMY IN DOLDRUMS

In addition to such divisive political issues as EC membership, Wilson also must cope with the British economy, which has been in the doldrums for some time. There is little promise of relief this year from rising prices and wages, spreading unemployment, flagging business confidence, and a large balance-of-payments deficit.

Gross national product declined by 0.6 percent in 1974 and is likely to show little growth this year. The investment upswing of recent months has begun to fizzle as low profits, high interest rates, and uncertain demand dampen business hopes. Consumer spending, stagnant for about a year, will at best hold its own. Although wage hikes are outpacing inflation, real disposable income is being held down by taxes and unemployment. Export demand has been declining since mid-1974.

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Government spending is the only buoyant element of domestic demand. Public investment plans have been maintained, and operating outlays—particularly for subsidies on food and public services—have been increased. The current budget, revised twice, will wind up showing a \$14.6-billion deficit at the end of the fiscal year in March.



Wilson

As for foreign trade, the current-account deficit will probably match last year's \$8.7 billion—the largest in the world. Weak foreign demand, rapid domestic inflation, delays in developing North Sea oil, and higher interest payments will inhibit improvement. The trade deficit, a staggering \$12.1 billion in 1974, is likely to be nearly as high in 1975. Even though small quantities of North Sea oil will begin to flow late this year, large cuts in the oil import bill are at least two years away.

Inflation, which stood at 20 percent at the end of 1974, will continue to move up at least through mid-1975. Price controls and subsidies had previously concealed the full force of inflationary pressures. Labor has already been given wage boosts of 20 percent or so to cover anticipated inflation in 1975.

These strong inflationary pressures will bedevil the Wilson government this year. If London continues to hold growth in the money supply below the inflation rate, the private sector could be starved for funds, leading to massive layoffs. Yet if the government eases its monetary policy, the speedup in inflation and the decline in interest rates could result in increased reluctance of foreigners to hold sterling. Already, Euro-market bankers and oil-producing states are growing more leery of financing Britain's deficits through loans and sterling deposits.

In the event of a selloff of sterling by private holders, London is unlikely to use its reserves of \$6.8 billion, its unused drawing rights of \$2.8 billion in the International Monetary Fund, and its credit lines with central banks to prop up the pound. Rather than expend its reserves to defend an overvalued currency, London most likely would choose depreciation through a controlled downward float, though a sharp drop in the rate cannot be ruled out. It would also seek assistance under various recycling schemes and, possibly, new bilateral deals with oil-producing countries.

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SALT RESUMES IN GENEVA

The Strategic Arms Limitations Talks resume in Geneva on January 31 to hammer out the details of the understandings reached at Vladivostok. In the wake of the recent setbacks to US-Soviet trade, the talks will be watched closely as a measure of Moscow's commitment to detente. The Soviets, well aware of this linkage, are touting the importance of cooperation on arms control by the super powers. In view of the present, somewhat strained state of detente, they may be more difficult negotiators than they would otherwise have been.

The November summit at Vladivostok set ten-year ceilings on the number of strategic delivery vehicles permitted each side—2,400—and on the portion of the missile force that can be equipped with MIRVs—1,300. These ceilings will form the backbone of a treaty that could be ready for signing at a US-Soviet summit later this year. For this schedule to be met, the SALT negotiators must agree on a number of difficult issues, including:

- Which weapons systems will count toward the allowable totals, and which will be excluded.
- What mutual restrictions and interpretations will be necessary to ensure verifiability of compliance with the terms of the treaty.

Ample opportunity still exists for serious differences to arise on both of these items, although there is no evidence that Moscow has qualms about the Vladivostok accords. On the contrary, the Soviets have recently re-emphasized their initial, strongly positive public assessment, partly in an effort to offset the negative effect on detente of US-Soviet friction elsewhere.

At the same time, Moscow has been stressing the significance of US recognition of Soviet strategic parity, taking occasion to reassure domestic skeptics that the Vladivostok agreements will not lead to unilateral disarmament by the Soviet Union. Soviet media also have asserted that future talks on reductions of strategic arms would have

to take into account the existence of other nuclear powers. Moscow has given no indications that it intends to reintroduce at the coming session the issues of third-country nuclear powers, US forward-based systems, or so-called "geographic factors"—issues it failed to press at Vladivostok.

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DENMARK: A NEW GOVERNMENT

Denmark is headed for a new period of political uncertainty. Prime Minister Hartling's minority Moderate Liberal government fell on January 28, when the Social Democrats—Denmark's largest party—tabled a successful no confidence motion only five days after the new parliament, elected on January 9, convened. The final vote was 86 to 85. The Radical Liberals voted against the government, and some members of both the Center Democrat and Conservative parties abstained. All had supported Hartling on critical votes in the past.

The Queen appointed Karl Skytte, president of the Folketing (parliament) and a member of the Radical Liberal Party, to try to form a government. Even if he is successful, Skytte will not necessarily be the next prime minister as Social Democrat leader Jorgensen is also a front-runner.

Skytte's selection was recommended by both Hartling and Jorgensen. Radical Liberal Party leader Baunsgaard, who has advocated an increasingly independent role for the Radical Liberals, was apparently passed over in favor of Skytte, who has advocated closer association with the Social Democrats. Skytte may be able to act as a bridge between the opposing socialist and center parties. A Radical Liberal - Social Democrat minority coalition would appeal to more parties than would the alternative, a Social Democrat minority government.

In any case, the Social Democrats are likely to form the core of the next government. The most effective government would be a Social Democrat - Moderate Liberal coalition, but the

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mutual dislike between Hartling and Jorgensen, together with Jorgensen's role in toppling the Moderate Liberals, all but precludes such a combination for the time being.

The next government's most difficult task will be coping with Denmark's economic problems. Both the Radical Liberals and the Social Democrats have been vague about their plans but have vigorously opposed Hartling's economic crisis plan. The new government may try to adopt a watered-down version of Hartling's austerity program that would be palatable to several of the parties of the left and center.

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A government led by the Social Democrats would be favorably disposed toward the US, but would not support US policy to the degree that the Hartling government did. There may be a slight shift to the left on foreign policy matters, but the Atlantic alliance will remain the basis of Danish security policy. For the time being, the next prime minister will be too busy putting his own house in order to focus on foreign policy.

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USSR-CYPRUS: SEEKING A ROLE

The Soviet Union is showing renewed interest in the Cyprus situation. During the past two weeks, Soviet diplomats have made demarches to Greek, Turkish, and Cypriot leaders repeating Moscow's views regarding a settlement and re-emphasizing its desire to play a role in guaranteeing the future sovereignty of the island.

The Soviets, who have thus far been unsuccessful in gaining a role in the settlement process or in influencing the negotiations, are no doubt eager to get their oar in before talks on a settlement proceed further. Since the coup last summer, Moscow has been worried that the island would be divided into two ethnically based regions that could eventually end up as the basis for "double enosis." The Soviets have therefore been pressing for a cantonal arrangement and for stronger guarantees of Cyprus' independence by the UN Security Council.

Before the coup last summer, the Soviets had made considerable progress toward establishing a mutually beneficial working relationship with President Makarios, and they publicly supported his return. Now that he is apparently back in full control of the Greek Cypriot portion of the island, the Soviets are in a stronger position to press their proposals. Because of the lack of progress in the intercommunal talks, Makarios is apparently consulting with his advisers on how to make best use of Soviet support

Despite Makarios' general agreement with the Soviets on the terms of a settlement, he is undoubtedly aware that the Soviet desire to keep relations with Turkey on an even keel places a limit on how far Moscow will go on behalf of Cyprus.

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Makarios

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SECRET**ITALY: MORO'S NEW YEAR AGENDA**

Since the end of the holiday respite, a number of problems have emerged that could refuel conflicts among Italy's governing parties.

For the moment, however, most party leaders seem to have their sights set on nationwide local elections next June that will provide a definitive test of party strengths. The tendency to look ahead to the elections was probably strengthened by the recent settlement of the labor-management disputes that had posed the most pressing tangible problem for the Moro government. After a long campaign by labor that featured four brief nationwide general strikes, the employers paid a very high price for a tenuous labor peace. Labor received a substantial increase in the cost-of-living allowance, a lump sum payment to all workers for past losses in purchasing power due to inflation, and a hike in the family allowance.

The new benefits will raise the average working man's pay by at least 7 percent, and there is no evidence that the unions promised to moderate future wage demands. More than half of the industrial work force's contracts come up for renewal later this year, including those of the most militant unions. These negotiations, combined with other factors, could jeopardize the government's goal of holding wage cost increases to 16 percent this year.

Relations between the governing parties and the Communist opposition remain the most contentious political issue in the pre-election period. This problem was highlighted in late December when Christian Democrat officials in Venice broke ranks with the party's national leadership and invited the Communist opposition to help formulate major municipal legislation. Christian Democrat organizations in three other localities have since begun to move in the same direction. If the Communists do as well as expected this spring in the local elections, such arrangements will probably proliferate.

Christian Democrat chief Fanfani has played down the significance of these developments. This

probably reflects his inability to stem a revolt against his leadership by left-wing elements within the party who are largely responsible for the closer relations with the Communists. As part of his effort to keep the initiative within the party, Fanfani has recently focused national attention on his proposals for tougher law-and-order measures. Fanfani probably hopes that spotlighting the law-and-order question will help divert attention from some of the bread-and-butter issues on which the Christian Democrats are vulnerable in the coming elections.

Reforms that would weaken the Christian Democrats' traditional control of the state radio-TV network are also proving troublesome. The Christian Democrat leadership had agreed to give several of the other parties, including the Communists, more influence in communications policy. Right-wing Christian Democrats, however, joined the Neo-fascists and the conservative Liberal Party in blocking approval of the law in parliament. Government leaders are trying to work out a more acceptable version and reportedly will call a parliamentary vote of confidence on the issue soon.

Meanwhile, the question of whether to legalize abortion was pushed to center stage by the recent arrest of the operators of an illegal abortion clinic in Florence. The publicity surrounding the event forced party leaders to take a stand on the issue—a development they had hoped to avoid. A Socialist-sponsored bill calling for legalization has languished in parliament for over two years. The Socialists and the other anti-clerical parties—Communists, Social Democrats, Republicans, and Liberals—are under pressure to speed up the campaign for legalization. The Christian Democrats are opposed but, after being stung badly in the divorce referendum last year, they are not eager for a showdown. A court decision on the constitutionality of the present law is imminent, however, and no one is likely to force the issue before that outcome is known. 25X1

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PORTUGAL: TENSIONS DECREASE

Political tensions in Lisbon, which had built up over the past week in anticipation of demonstrations scheduled for January 31 by the Socialists and the Communists, are subsiding in response to the Armed Forces Movement's statement that the rallies should not take place. If the parties abide by the cancellation—as all but a small number of radical parties have said they will—the chances of violence over the weekend will be reduced. The Movement's decision to call off the demonstrations does not resolve the deeper conflicts between the political parties or within the Armed Forces Movement.

The Socialists had planned their rally as a show of strength following their defeat last week on the unitary labor law. The Communist later scheduled a demonstration at the same time.

When radical left-wing groups forced cancellation of the first congress of the Social Democratic Center Party last weekend, government leaders were alerted to the possibility of street violence. Party delegates and observers from several European parties were trapped overnight inside a meeting hall in Oporto, Portugal's second largest city. Police kept demonstrators from breaking in, but the crowd could not be dispersed until security forces arrived from Lisbon early the next day.

The inability of a center-right party to meet in Portugal without harassment by left-wing extremists raises doubts that free and orderly elections can be held this spring. The Social Democratic Center, dubbed "fascist" by the left, has been under constant pressure from extremists. Last week, the extremist groups held further demonstrations calling for the dissolution of the Social Democratic Center, but party leaders responded that they will not quit and will try to reschedule their interrupted congress for late February.

Apprehensions were raised further when the left-wing extremists announced they also planned a demonstration on January 31 at the same location as the Socialists. The Socialists, determined to make their show of strength in spite of competition, changed locations to avoid conflict. The

announced times and places of the three demonstrations, however, were so close that planned or spontaneous clashes were still possible.

The Armed Forces Movement's decision to call off the demonstrations, although reflecting the Communists' desire, has taken the heat off a potentially explosive situation. The announcement, made by Minister Without Portfolio Vitor Alves in a televised address, indicates that the Movement can still act as a body, even though it is seriously divided between moderates and radicals. Alves, a moderate, was reportedly in political trouble and on his way out, but the fact that he made the announcement may indicate that the moderates' fortunes are rising.

Although the Socialist leader, Foreign Minister Soares, told Ambassador Carlucci early this week that his party would proceed with its plans despite a government ban, the Socialists appear to have backed down to preserve public order after meeting with military leaders and Communist Party head Cunhal on January 29. The Communists and their front organization, the Portuguese Democratic Movement, also canceled their demonstration. Two extremist groups will probably proceed with plans to hold their rallies on January 31 as scheduled, but the chances of a violent confrontation have diminished.



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THE SOVIET UNION

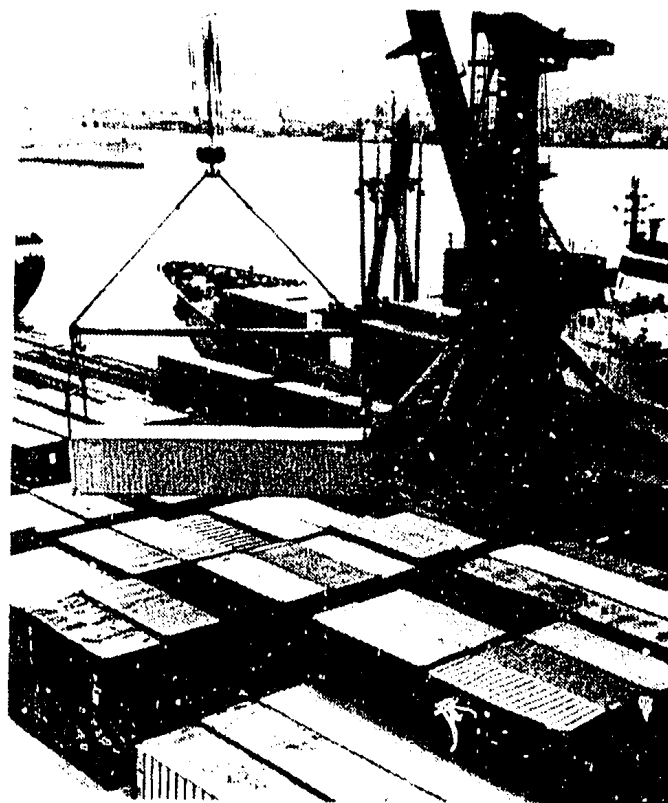
A BETTER MERCHANT FLEET

The Soviet Union is making ambitious plans to develop its containerized transport capabilities. Moscow has allocated over \$500 million for the next few years to add fast, modern containerships to its growing merchant fleet. The introduction of these vessels and the development of modern container-handling facilities at Soviet ports will enable the Soviet fleet to compete more effectively along key international trade routes as well as enhance Soviet military sealift capabilities.

The Soviet merchant fleet is the seventh largest in the world with more than 14 million deadweight tons. Its containerships are primitive by Western standards, consisting of about 50 small, slow vessels capable of handling a total of only 10,000 containers. In contrast, the container fleet of developed Western maritime powers—mostly under US, UK, Japanese, and West German flags—consists of 340 large, modern ships that can carry 360,000 containers.

Moscow currently has more ship orders placed than any other country. At least 30 large containerships capable of handling more than 20,000 containers will be built in domestic, East European, and other yards. These additional ships will bring the Soviet container fleet to 5-10 percent of world capacity by 1978.

Included in current Soviet orders are full containerships and roll-on/roll-off ships designed to carry vehicles as well as containers. Some of these ships are capable of speeds up to 25 knots, and are able to handle 700 to 1,400 containers—similar to ships ordered by Western fleets. Larger ships capable of hauling 1,800 to 2,500 containers at speeds of over 30 knots—equal to the current state of the art—may be added to the fleet, perhaps as early as 1980. At this time, such vessels are beyond both the demonstrated technical capabilities of Communist yards, where most Soviet containerships are constructed, and of current Soviet commercial needs.



Containerized cargo

Leading European containership builders, facing tapering demand as the expansion of the world container fleet slows, are anxious to exploit the Soviet market. West Germany has proposed changing the Coordinating Committee restrictions on the export of full containerships—which carry only containers—with speeds up to 33 knots, up from the current limit of 26 knots. The fastest and most sophisticated full containerships currently in operation are 33-knotters built in West Germany and Holland and operated in US trade.

By enlarging its containership fleet, Moscow will increase the capacity of feeder services at both ends of its Trans-Siberian Landbridge, the direct rail link between Leningrad and Nakhodka, with sea connections to other European and Far Eastern ports. The Landbridge competes with the

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increasingly larger and faster containerships run by Western shipping firms along the all-sea route between Europe and the Far East.

Moscow also intends to compete directly along the all-sea route; three containerships will be assigned to this route in the spring. Two Japanese companies have been contacted for a possible joint service. Moscow is concerned that the all-sea route will become more attractive to shippers if the Suez Canal is reopened this summer. Sea transit times between Western Europe and Hong Kong, for example, could be shortened from about one month to three weeks, roughly the shipment time via the Trans-Siberian Land-bridge.

Moscow is trying to capture more of South Asia's seaborne trade with Europe by rate-cutting, but it needs an efficient container fleet to do so. Taking advantage of a decision by the Far Eastern Freight Conference—a shipping cartel of 26 shipping lines operating between Europe and the Far East—to increase rates by 18 percent, Moscow formed a joint Soviet-Filipino shipping company offering 15-percent lower rates to Europe. Singapore, Thailand, Indonesia, and other countries in the area have threatened to switch to Soviet vessels to avoid the conference's rising rates. Moscow may want to join the conference, however. In at least one other trade system, the Soviet Union established itself with substantially lower rates and then, threatening to reduce rates further, applied and was accepted for membership in that conference.

Soviet containerships would prove a growing irritant to containership operators in other trade systems, particularly those involving the US. The Soviet Union is an important non-conference competitor on Trans-Pacific routes, and three of six Soviet scheduled services to the US already offer partial container service. Within a few months, Moscow plans to begin upgrading its trans-Pacific and trans-Atlantic services to North America by replacing older vessels with its first new high-speed containerships.

Fast Soviet containerships will also enhance the military support capabilities of the Soviet

merchant fleet. Roll-on/roll-off containerships can be pressed into service to carry light tanks and trucks. Although full containerships require extensive modifications to carry personnel or heavy equipment and must rely on specialized container terminals to load or discharge, they can speed the transport of ammunition, food, and spare parts.

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SALYUT 4 MISSION CONTINUES

The crew of Soyuz 17 is nearing the end of its third week in orbit aboard the Salyut 4 space station. The two cosmonauts are performing a wide variety of scientific experiments, including tests in biomedicine, astronomy, and astro-navigation.

The two cosmonauts may remain in space for about 30 days, with recovery in the USSR occurring during the second week of February. Another team of two cosmonauts probably will rendezvous and dock with Salyut 4 in March.

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Cars and containers

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SECRET**CAMBODIA: THE WAR OF NERVES**

Two more heavily escorted resupply convoys reached Phnom Penh this week after running a gantlet of Khmer Communist fire along the lower Mekong River. Communist gunners sank one tanker and so damaged two other vessels that they had to be beached. The 12 ships and barges that made it through brought badly needed rice, fuel, and ammunition to the capital. Rice and fuel will continue to be rationed to civilian consumers, but the arrival of the convoys belied the claims of Communist propagandists that the river was closed and buoyed morale on the government side.

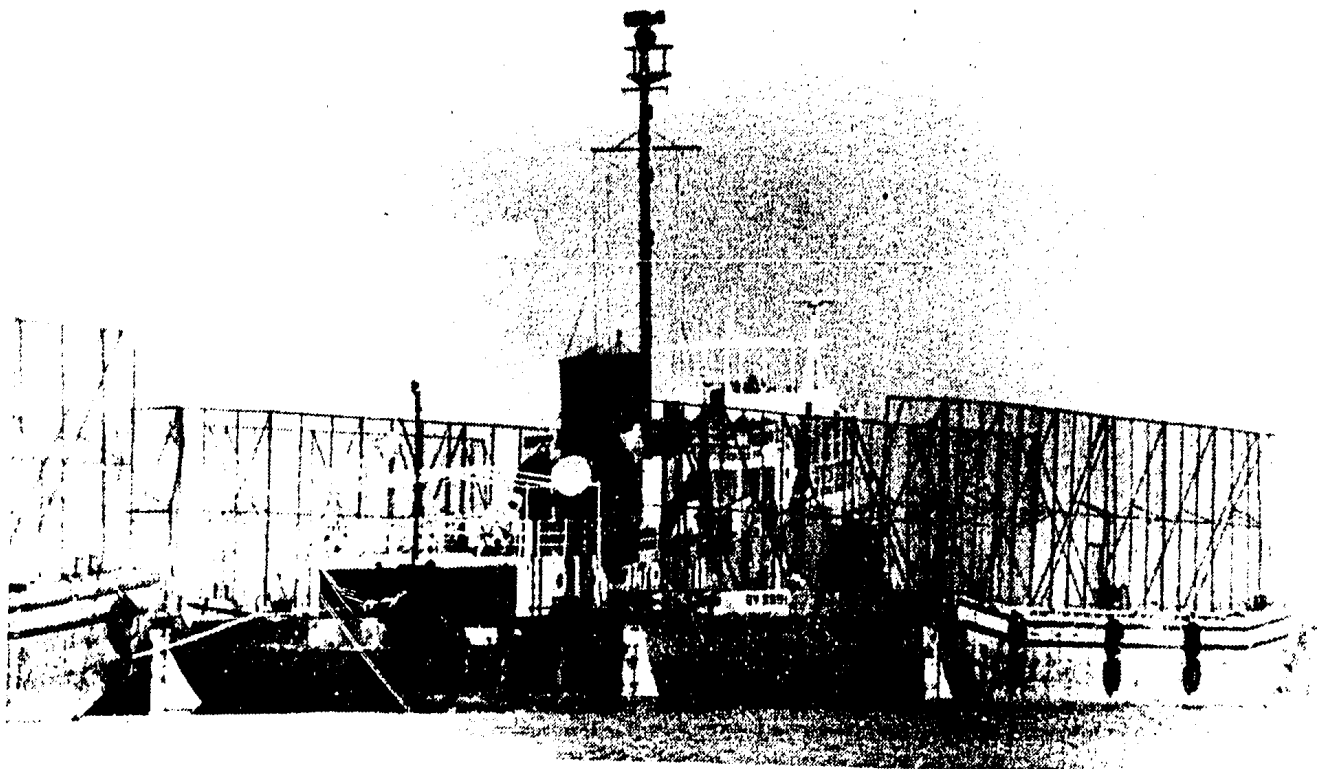
Despite daily rocket attacks, life is proceeding in a relatively normal fashion in Phnom Penh. A direct hit on one school resulted in a temporary suspension of classes, but the school reopened in a few days. Members of the capital's large French community—many of whom packed up and left during the artillery attacks last spring—have re-

mained calm as have most foreign diplomats. The city's airport is as busy as ever although foreign airlines have canceled flights on some days.

Meanwhile, fighting continues to sputter along Phnom Penh's outer defenses, but government forces are still holding their own. At week's end, army commanders were preparing to send armored units into an area used by Communist rocket crews northwest of the airport. Government clearing operations along the Mekong near the city and along Route 5 were also beginning to gain some momentum. In the countryside, the Communists launched small-scale attacks against the southwestern coastal city of Kampot and are harassing government positions along highways in the far northwest. With major insurgent units concentrated around Phnom Penh and along the Mekong, however, these provincial flare-ups are not serious.

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Ammunition barges with special screens

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SECRET**LAOS: REFUGEE RESETTLEMENT**

Nearly two years after the cease-fire, major steps are finally being taken to resettle the country's large refugee population. The initial group of refugees opting for resettlement was scheduled to be flown from Vientiane to Communist-controlled territory on the Plaine des Jarres in northern Laos this week.

Estimates of the total number of refugees in Laos vary widely. USAID, which has for years been deeply involved in providing assistance and food for refugees in the non-Communist zone, estimates that there are some 700,000. Prime Minister Souvanna Phouma, on the other hand, claims that fully one third of the nation's population of 3,000,000 fall into the category of displaced persons or refugees. Other coalition government officials believe the figure to be in the range of 400,000 to 500,000. Whatever the specific figure, refugees constitute a significant percentage of the Laotian population.

The Pathet Lao—who control two thirds of the country but less than one third of the population—are fully aware of the refugees' potential significance. Many belong to mountain-dwelling tribes whose ancestral homelands are in the Communist zone. Should large numbers choose to return, the Pathet Lao would be in line for a population windfall that could prove extremely valuable when national elections are eventually held.

The Joint Central Commission—the coalition body responsible for refugee resettlement—would like to wrap up the entire resettlement operation by the end of March to enable refugees to plant their rice crop before the rainy season begins. Given the enormous logistic problems involved and the extreme weakness of the coalition government's administrative machinery, however, it is likely that only a small number of refugees will actually be resettled in the next few months.

During the negotiations on refugee resettlement, the Pathet Lao successfully resisted non-Communist demands for prior inspection of proposed resettlement sites in Pathet Lao areas as well as for guarantees of freedom of movement

for the refugees after settlement. The Communists did agree, however, to permit representatives of the UN High Commission for Refugees—which is footing the lion's share of the resettlement bill—to accompany Joint Central Commission teams on inspection tours of refugee villages in the Pathet Lao zone after resettlement has been achieved. [redacted]

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VIETNAM: ANNIVERSARY LULL

The second anniversary of the cease-fire agreement on January 29 witnessed a temporary lull in the fighting, but most indications point to a resumption of heavy Communist attacks directed at vulnerable government areas throughout the country.

Vietnamese Communist commentary continues to blame Saigon and Washington for the persistent warfare. President Ford's request for supplemental military assistance for the Saigon government was vigorously attacked as a clear indication of US unwillingness to implement the Paris accords. The article also attempted to portray continuing US assistance to Saigon as justification for the current Communist military campaign in the South. The Viet Cong's Provisional Revolutionary Government issued a communique on January 17 repeating its demand that President Thieu resign and all US aid to South Vietnam be ended before serious consideration could be given to resuming negotiations. The North Vietnamese repeated their support of these demands in a commentary on January 24.

Meanwhile, Hanoi acknowledged for the first time that a 23rd plenum of the Lao Dong Party Central Committee was held last summer. The decision to make President Thieu's resignation a condition for new negotiations and to carry out the present military campaign in the South may have been ratified by this body. The plenum also endorsed a new agricultural reform program aimed at improving management and cracking down on free-market sales in grain. [redacted]

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THAILAND: AN UNCERTAIN MANDATE

Thailand, in an ambitious attempt to adopt a parliamentary system of government, emerged from its first election with results so mixed that it may take weeks before a government can be put together. Any government that is formed is likely to be highly unstable.

Candidates from 22 parties were elected to the 269-seat lower house. Most Thai political pundits had predicted a sweep by the four leading conservative parties—an outcome that would have allowed the existing elite to retain its monopoly on political power. Instead, the Democrat Party, Thailand's oldest political party and best known for its opposition to military rule, walked away with the largest number of seats in the parliament—71. Its nearest competitor, the conservative Social Justice Party, gained only 46 seats, although it had been the pre-election favorite of almost everyone. Both parties are far short of the 135 seats needed for a majority in the lower house.

THE PROSPECTS FOR STABILITY ARE NO BETTER THAN THEY WERE 15 YEARS AGO.

The Democrats presumably will attempt to form a coalition government, but the odds are no better than even that the party's leader, Seni Pramot, will succeed. Leaving potential personality clashes aside, the political mathematics of the situation suggest that Seni would have to work with as many as seven other parties to gain a like-minded majority. Seni has said that he would like to avoid a center-right coalition, partly because of his party's long-standing opposition to the military and their political henchmen, and partly because the election clearly showed that the old elite lacks the voter's confidence. He will find it difficult, however, to form a viable coalition without some conservative support.

Seni might attempt a center-left coalition, but it is questionable whether he could persuade



Checking names and faces

the Socialist Party of Thailand, which has characterized the Democrats as a "capitalist, feudalist" party, to cooperate. Were he to succeed, however, the prospects of a leftist government eventually emerging would immediately raise fears among the still powerful military.

If Seni fails to put a government together, the initiative will almost certainly shift to the conservative bloc. It, too, would be faced with an unwieldy coalition—perhaps as many as 12 parties would have to participate to give it a majority in the assembly if parties from the center grouping were excluded.

Whatever the outcome—and the US embassy believes the possibility of a minority government cannot be discounted—the prospects for political stability in Thailand are no better today than they were immediately after the Thanom military regime was toppled 15 months ago.

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SECRET**PHILIPPINES: TALK, TALK, FIGHT, FIGHT**

During the past month, the Philippine government and Muslim insurgents have confronted each other on the battlefield and at the bargaining table, but there has been no breakthrough in either arena.

Two weeks of talks in Jidda with leaders of the radical insurgent group, the Moro National Liberation Front, apparently brought the two sides no closer than before. At the same time, insurgent forces in the southern Philippines increased their guerrilla operations, causing a substantial number of government casualties.

The talks in Jidda began in mid-January under the auspices of the secretariat of Islamic nations and were the first discussions between government representatives and Nur Misuari, leader of the Liberation Front. President Marcos' executive secretary, Alejandro Melchor, a well-known moderate on Muslim issues, led Manila's delegation.

Last year, a meeting of the foreign ministers of Islamic nations called for direct talks between Manila and the Front. Marcos does not accept Misuari as the sole Muslim spokesman, and is seeking talks with other rebel leaders. Misuari's group is the best known of the insurgent organizations, however, and a settlement with it would be a major breakthrough.

In a public speech on January 28, Marcos charged that the Muslims were seeking to wreck the negotiations by their unreasonable demands and by their recently renewed attacks on government troops. Marcos claimed that he had previously ordered his forces to stop fighting during the negotiations, but that the insurgents had taken advantage of this decision to ambush government units.

Marcos' speech undoubtedly is directed at both domestic and foreign audiences. He pointed

to the renewed fighting as another reason why martial law is necessary, an obvious reference to the upcoming national referendum on the continuation of martial law. But more importantly, he is probably trying to press the Arabs to lean on Misuari to moderate his negotiating position. Marcos is also making sure that, in the aftermath of a failure at Jidda, the Philippine government will appear as the party of reason and moderation and the Muslims will be the villains.

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Muslim rebels in southern Philippines

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BANGLADESH: PRESIDENTIAL RULE

Mujibur Rahman, the founding father of troubled Bangladesh, has implemented his plan for converting the country to a more authoritarian form of government. On January 25, Mujib was sworn in as president with near-dictatorial powers, following swift approval by the legislature of his proposal for constitutional changes shifting the country from a parliamentary to a presidential system.

The constitutional changes circumscribe opportunities for members of parliament to oppose the government, and they empower Mujib to declare Bangladesh a one-party state if he chooses to do so. They also give Mujib extensive control over the judiciary. Another bill passed on January 25 institutionalizes emergency regulations under which many basic civil rights were suspended last month. The president is to be popularly elected under the new system, but neither Mujib nor the current parliament are required to run for election until 1980.

The main obstacle to Mujib's long-harbored plan was removed last week when the ruling Awami League's parliamentary group unanimously authorized him to take whatever steps he deemed necessary to cope with the country's severe economic and social problems. Previously, leading party members had opposed a shift to a presidential system for fear it would reduce their influence. Mujib, who is still the most popular leader in Bangladesh, finally convinced them to accede to his wishes.

The new system gives Mujib increased power to deal with smugglers, hoarders, terrorists, and corrupt officials. In the past, however, he has been slow to clamp down on friends and relatives, some of whom have been deeply involved in corruption. A failure to act forcefully now could make Mujib appear ineffective, focus popular discontent on him personally.

Mujib's choices for his new cabinet do not offer grounds for expecting bold new approaches soon to the country's problems. The cabinet contains little fresh talent. A majority of the 17 ministers are holdovers from the previous cabinet, and most of the six new members appear to have been chosen mainly for their political reliability rather than for any administrative talents they might have. Power is now centered in the presidency, not the cabinet. Yet even strong presidential action may do little to resolve Bangladesh's massive economic troubles.

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SOMALIA: DISCOURAGING OPPONENTS

President Siad's leftist regime last week summarily executed a group of Muslim religious leaders who had openly opposed a recent government move to carry out reforms that run counter to the teachings of Islam, the country's dominant religion. The harsh punishment may increase domestic unrest and also jeopardize Somalia's current efforts to obtain financial aid from conservative Arab states.

Traditionalist religious leaders were aroused by a government decree, issued without warning on January 11, that granted Somali women equal political, social, and economic rights. In making the announcement, Siad characterized Islamic regulations regarding women as anachronistic and inconsistent with the "principles of scientific socialism," which allegedly guide the regime.

The religious leaders, already distrustful of the government because of its socialist policies and ties with the Soviet Union, reacted by denouncing the decree during their sermons in the mosques on January 17 and calling for Siad to step down as president. A wholesale arrest of disgruntled religious leaders followed; ten of them were executed by a firing squad on January 23 and others were given lengthy prison terms.

The general populace, long cowed by the government's strong internal security apparatus,

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has remained relatively quiet throughout the episode, although numerous clashes occurred between police and conservative Muslims during the roundup of religious leaders and the closing of some mosques. Prior to the Friday services on January 24, the government effectively gagged the religious establishment by prohibiting all prayer leaders, except state appointees, from delivering sermons in the mosques.

Popular resentment has now apparently been directed toward Soviet personnel in Mogadiscio. The homes of Soviet citizens are being guarded by police and the Soviets are keeping off the streets. Many Somalis associate the Soviets with the decree as well as with the government's socialist policies. Arab diplomats in Somalia were angered by Siad's actions against his religious critics. Some Arab governments may react by reducing or canceling financial assistance to the hard-pressed Somali government. The Arab League's decision to hold its next summit meeting in Mogadiscio may also have been placed in jeopardy.

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Malagasy Republic INTERNAL RUMBLINGS

General Ramanantsoa, the head of government, dissolved the cabinet on January 26 and promised to form a new government. His move was an attempt to end a recent resurgence of tribal and military unrest highlighted by an unsuccessful coup attempt on January 1 by officers from disaffected coastal tribes. Ramanantsoa, who is still the most powerful figure in the regime, apparently intends to give the coastal tribes a bigger role in the new government.

In his announcement dissolving the government, Ramanantsoa made no mention of the animosities that sparked the plotting and unrest; he claimed his move was prompted by the country's economic difficulties. The plotters resent domination of the government by Merina tribesmen of central Madagascar. Until Ramanantsoa—a Merina—came to power in 1972 after student and labor demonstrations helped topple his predecessor, coastal people had long dominated the government.

Some of the coup plotters were arrested.

Ramanantsoa's position does not appear to have been challenged by the recent events. Nonetheless, in moving cautiously against the plotters he has also hoped to avoid aggravating similar differences among his key subordinates. Colonel Ratsimandrava, interior minister and head of the gendarmerie, and army Colonel Rabetafika, the director general of the government and Ramanantsoa's right-hand man, have been rivals since Ramanantsoa came to power. Their conflict partly reflects traditional animosity between the gendarmerie and the army, an extension of coastal-Merina rivalry; the gendarmerie is predominantly coastal, and the army is a Merina preserve. Ratsimandrava and Rabetafika may also have differed on how to deal with the current problem, raising the possibility of a clash between the army and gendarmerie.

The faltering economy and food shortages have also contributed to the surge in unrest. The new cabinet promised by Ramanantsoa, therefore, may try to improve the situation and encourage more Western aid by diminishing government involvement in the economy and allowing a larger role for private enterprise.

Regardless of any economic changes, Madagascar will probably continue to follow a foreign policy of radical nonalignment, which replaced the conservative, pro-French position favored by the pre-1972 government. Foreign Minister Ratsiraka, the driving force behind the current policy, is likely to retain his position. During his three years in office, Ratsiraka has won wide support among government colleagues and the people for his nonaligned policies, which include a ban on visits by foreign naval ships.

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OPEC MEETING IN ALGIERS

The foreign, finance, and oil ministers of the Organization of Petroleum Exporting Countries took a relatively moderate line on oil-related topics at their meeting in Algiers between January 24 and 26. The conference agreed to hold an OPEC summit in Algiers, probably between February 21 and March 8, to be followed by a meeting with oil consumers.

To a large extent, the outcome of this first gathering of OPEC's foreign, finance, and oil ministers seems to reflect a decision to postpone until later a possible airing of differences among the cartel members. The Algerians had proposed the conference in an effort to advance their own political and economic goals; Foreign Minister Bouteflika, elected conference chairman, tried to sound the keynote with his opening attack on Western industrialized nations.

The Algerians, who for some time have been calling loudly for a "new economic order," apparently had hoped the conference would take up a wide range of topics in detail. More moderate delegates, including the spokesmen for Iran and Saudi Arabia, managed to head this off and engineer an early end to the conference, allowing further substantive preparations for the summit

to be made more carefully and away from Algiers' politicized atmosphere. An "experts" meeting is to be held in Vienna on February 8, and the oil ministers are to confer there on February 19.

Algeria surfaced a proposal on oil pricing that appears to be relatively moderate. It would involve a continuation of the present freeze on prices through 1975; price increases in 1976 and 1977 would be correlated to "certain factors to be defined" and to the rate of inflation. The price issue was not mentioned in the final communique, however.

The final communique said that OPEC welcomed a dialogue between the industrialized and developing countries and was prepared to participate in a conference such as France proposed. Participants from Saudi Arabia, Venezuela, and Nigeria told US officials that the conference had decided OPEC would adopt a position of cooperation rather than confrontation in its dealings with the industrialized countries. Saudi oil minister Yamani has suggested that a preliminary exporter-importer meeting could be held as early as March to set an agenda for a full-scale conference.

OPEC delegates

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PERU: OLD FACES. NEW JOBS

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than compromise and be associated with what he would interpret as a sell-out of the revolution's goals.

Although Morales Bermudez will be a moderating force and, as prime minister, will probably play a greater role in the decision-making process than his predecessor, the basic thrust of the revolution will not change drastically. For some time to come Peru will be controlled by an authoritarian, nationalistic, and socialist-oriented military. Tactics may be moderated somewhat depending on personalities, but the strategy of the process will remain essentially constant. [redacted]

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**Nicaragua
OPPOSITION GAINS CONFIDENCE**

President Anastasio Somoza is faced with increasing disaffection and an opposition encouraged by the success of the terrorists who seized government officials last month and bartered their freedom for a flight to Cuba. Somoza's power and control are not in any immediate danger but the growing dissidence could weaken his hold.

Nicaraguan politics, historically contested by liberals and conservatives, have been dominated by the Somoza family through the Liberal Party since 1937. Despite losses to anti-Somoza factions, this party still constitutes a principal part of the President's power base. Recently, however, legitimate opposition groups including the Conservatives, too weak or fragmented in the past to pose any real threat, have increasingly turned to coalition as the major tactic in challenging the Somozas. Nine organizations that had endorsed abstention in the last election recently formed the Union of Democratic Liberation. Ranging across the political spectrum from right to left, the group includes dissident liberals and conservatives, Social Christians and Communists. Their objective is to force Somoza to uphold all consti-

tutional liberties or, failing that, to break the family's firm grip on the sources of power.

The kidnaping of some of Somoza's closest aides and family on December 27 by members of the Sandinist Liberation Front demonstrated to many dissidents that the regime is vulnerable, and that violence is a viable means of protest. In fact, sympathy for the hitherto ineffective Sandinists has grown, particularly among the repressed peasants of northern Nicaragua, university students in Managua and Leon, and even middle-class professionals. Furthermore, the well-executed act quickened the polarization between supporters and opponents of the Somozas.

Opposition party leaders want to take advantage of the momentum and psychological climate created by the Sandinists, but they hesitate for fear of government reprisals. Pedro Joaquin Chamorro, Somoza's principal antagonist and leader of the new opposition coalition, may soon have to answer to a military court for distributing a document that blames the government for the country's violence and calls for the immediate termination of martial law. So far, the anti-Somoza front has concentrated on justifying itself as a non-violent alternative to the Sandinists. Now, however, it is planning several rallies that—if carried out—could signal a readiness to risk a confrontation.

Future protests—through violence, the media, or bureaucratic channels—will be largely determined by how the government attempts to defuse public disaffection. If the administration expands civil liberties and allows for freedom of expression, dissident groups may soften their attack. The trend toward unified dissidence, now motivated by extreme outrage, may then be reversed. On the other hand, strong man tactics, such as vindictiveness by National Guardsmen, could bring on student and labor strikes and an upsurge of terrorism. [redacted]

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ECUADOR: TUNA BOATS AGAIN

The Ecuadorean navy seized four US tuna boats on January 25 and three days later fined their parent companies for unlicensed fishing inside Ecuador's claimed 200-mile territorial sea limit. The fines totaled \$253,920 for the confiscated 1,130-ton catch, which the authorities have apparently offered to sell back to the companies for an additional \$230,000. A fifth boat was seized on January 29.

These are the first such incidents since the 1972-73 fishing season. They occurred as Ecuador, with Venezuela, was charging that the new US Trade Reform Act unreasonably discriminates against the two Latin American nations because of their membership in the Organization of Petroleum Exporting Countries. Although there is no evidence that Quito was actively seeking a cause celebre, the government showed no hesitation when naval units stumbled upon the tuna boats.

Initial government announcements of the seizures claimed that the boats had been captured "40 miles offshore," placing them on the limit between two distinct fishing zones established by the revised fishing law of January 1. From 40 to 200 miles, fishing operations are permitted when licensed, but within 40 miles, foreign fishing is prohibited altogether. Fines and probably confiscation are the expected penalties for unlicensed fishing; these and more severe penalties, including imprisonment of crews, may result from fishing in the prohibited zone.

By pegging the capture of the tuna boats to the 40-mile limit, Quito appeared to be reserving the option to increase the penalty, depending on the reaction of the companies involved and the US government. Determination of the precise location of the seizures—ostensibly to be settled after careful study of the boats' logs and naval data—could be postponed almost indefinitely. Disposition of the first four cases could be adversely affected by the January 29 seizure. The fifth boat had already been captured three times

prior to this season. It also exceeds the net registered tonnage limit stipulated for fishing vessels in Ecuadorean waters.

The Ecuadoreans are particularly interested in US congressional reaction in view of the Fishermen's Protective Act. This legislation provides for US government compensation to companies fined for fishing in foreign territorial seas, so long as the incident takes place outside the US-recognized 12-mile limit. The amount of compensation is then to be deducted from US military assistance to the country involved. During the 1972-73 tuna season, compensation for fines levied in Ecuador's claimed seas reached the level of our military assistance to that country, and the assistance program was suspended. It was reinstated in January 1974.

However bilateral relations may be affected by this new incident, such seizures play a major domestic role in Ecuador in their reflection of army-navy rivalries. Two of the country's most important sources of foreign exchange, fishing and petroleum, until last October were under the authority of powerful and ambitious Admiral Gustavo Jarrin in his capacity as minister of natural resources. President Rodriguez, an army general, replaced Jarrin with a lesser light, and more recently appointed another army officer as governor of coastal Guayas Province, traditionally a navy position. The navy is also miffed that the central government is spending grandly on army and air force weapons and materiel while the navy's fleet remains antiquated and barely serviceable.

In this combination of circumstances—tying Ecuador's international relationships to domestic military discord and intra-government warfare—it appears likely that the navy will continue to assert itself. As long as the tuna continue to run well, the navy's self-assertion will cause greater friction in relations with the US.

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ARGENTINA: PROTESTING LOPEZ REGA

The military's growing concern over the steadily expanding power of presidential adviser Jose Lopez Rega may soon bring the issue to a head. According to the US embassy, the three armed forces commanders met with the defense minister last week to protest Lopez Rega's excessive influence in the government. The military high command apparently has not issued any ultimatum, but the possibility of demands being made on President Peron is greater now than at any time since she assumed office last year.

President Peron is resting at an Atlantic beach resort. Her absence from the capital has probably stimulated speculation that Lopez Rega, alone, is running the government—a conclusion that may not be too far off the mark.

Her reliance on the controversial minister is also increasing alarm in Peronist labor and opposition political circles. Prominent opposition leader Ricardo Balbin reportedly has taped a TV interview in which he denounces recent heavy-handed actions by the government and criticizes the concentration of power within the newly created presidential secretariat headed by Lopez Rega. The embassy reports that Balbin's party has been in contact with armed forces leaders during the past few weeks and that they may have agreed to a joint stand against the President's key adviser.

If Mrs. Peron does not take some action soon to curb Lopez Rega's authority, she may well be headed for a confrontation with the power groups she needs most to guarantee support for her government.

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