

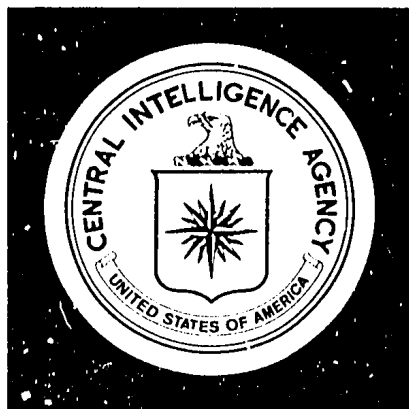
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Weekly Summary

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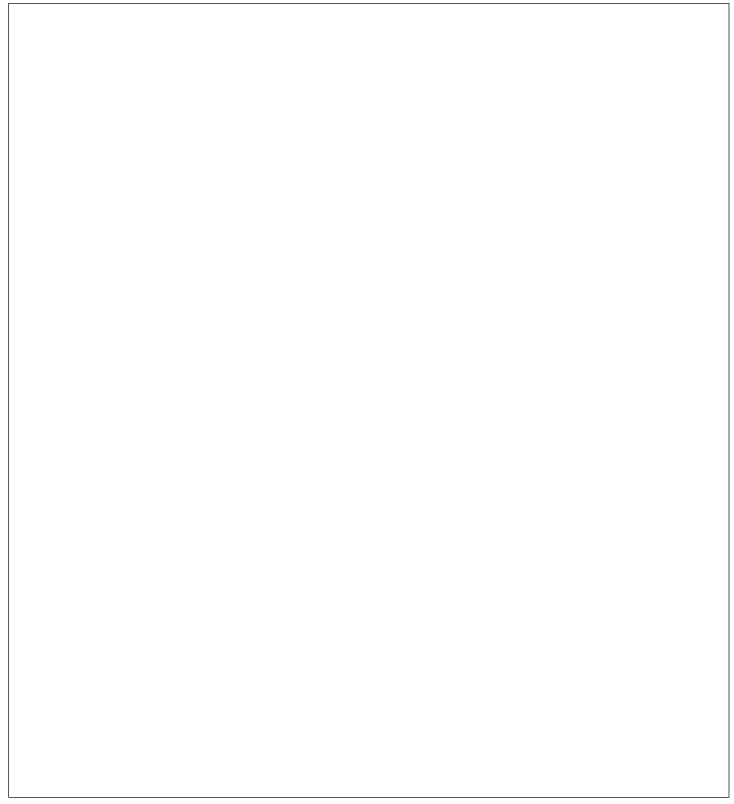
No. 0011/75
March 14, 1975

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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, 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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Portugal

LEFTISTS TIGHTEN GRIP

The leftist-dominated Portuguese Armed Forces Movement has moved rapidly to consolidate its control of the country following an abortive coup by rightist forces. The coup attempt, which played directly into the hands of Movement radicals and their Communist supporters, occurred at a time when the moderates appeared to be gaining strength. Now on the defensive, the moderates are expected to be the target of retaliation by the radicals. This will further cripple the moderates in the coming

constituent assembly elections, which have now lost much of their meaning.

On March 11, rightist officers with alleged connections to former president General Antonio de Spínola launched an ill-conceived and poorly executed coup attempt. The uprising, directed against the headquarters of an artillery unit near Lisbon airport, involved only a handful of aircraft supported by a paratroop unit and some elements of the national guard. Within hours, Portuguese authorities announced the coup had failed, and President Costa Gomes

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presented a list of 26 officers charged with involvement in the revolt.

The list was headed by General Spinoia, who fled to Spain by helicopter with some of his supporters and is being "interned" pending a decision by the Spanish government. Madrid, embarrassed by Spinoia's presence, has denied any involvement in the coup and has declared that it will continue to pursue a policy of non-involvement in Portuguese affairs. The Spanish, who expect an extradition request for Spinoia and his retinue, may anticipate such a request by offering to return the Portuguese helicopters and arms used by the escaping officers. Spain reportedly would welcome offers of diplomatic asylum for Spinoia from third countries.

During an all-night meeting following the coup attempt, officers of the Movement acted quickly to tighten their grip on Portugal. As a first step, spokesmen announced on March 12 that the Movement would be institutionalized immediately. Although the military's future role in politics has been the subject of tough debates in recent weeks between the Movement and Portugal's political parties, this question is apparently now rendered wholly academic. Prime Minister Goncalves was also authorized to reshuffle his cabinet to bring its membership more into line with the Movement's program. In an internal reorganization move, the Movement announced the creation of a new executive body, the Council of the Revolution.

A purge of Spinoia's supporters is already under way within the leadership of the Movement, and increased pressure on the moderates is anticipated. All service councils that contained members involved in the coup attempt are to be abolished. Just prior to the attempt, the defeat of leftists in elections to those councils had greatly encouraged hopes of a moderate resurgence.

The political parties of the center and right are also being threatened. Mobs of leftist demonstrators have sacked the Lisbon and Oporto offices of both moderate and conservative parties. It is already rumored in Lisbon that the center-right Social Democratic Center and Christian Democratic parties will be dissolved prior to the constituent assembly elections set for April 12. A commission has been formed to investigate the coup attempt and moderate parties will be reluctant to pursue their criticism of Movement policies for fear of being labeled reactionaries and tarred with the same brush as the coupists.

Although the Movement has announced that the elections will be held as scheduled, the increasingly dominant government role being played by the leftists and continued excesses against the democratic parties threaten to make any future Portuguese elections meaningless.

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Iran-Iraq: Startling Accord

The Shah of Iran and Iraqi strong man Saddam Husayn Tikriti, long bitter antagonists, signed a comprehensive agreement last week intended to resolve bilateral differences that have produced numerous border clashes between their two countries during the past year. Each of the parties gains important advantages from the accord, while Iraq's rebellious Kurds, who have depended on Iranian military support, were the big losers. This week, Kurdish leaders sued for a

cease-fire that appears to leave the Arab regime in Baghdad the decisive victor in its latest round with the proud Kurds.

The accord, "which was arranged through the mediation of Egypt, Algeria, and Jordan," was announced on March 6 in Algiers where the two leaders were attending a summit conference of the Organization of Petroleum Exporting Countries. A subsequent communique makes no

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mention of the civil war that has been in progress in Iraqi Kurdistan for the past year, but it is clear that a major feature of the agreement is a secret pledge by Iran to cease its assistance to the rebels. In return, Baghdad publicly accepted Tehran's formula for defining their long-disputed southern river boundary. Iran had unsuccessfully sought such an Iraqi concession in previous negotiations and regarded it as the key to any accord with Iraq.

Saddam Husayn moved quickly to exploit the agreement. Iraqi forces in Kurdistan launched a massive attack that stunned the rebels and drove them back toward the Iranian border. In a further effort to undermine the Kurds' will to resist, on March 9 Baghdad offered a new amnesty to those who surrendered before April 1.

An agreement was reached to end the fighting as of the morning of March 13, but ground action occurred thereafter in some areas and the Iraqis continued air attacks on Kurdish positions.

When the Iraqi offensive began, some Iranian officials expressed the view that it was a betrayal of the Algiers accord, but neither the Shah nor Iran's press made such charges. The Iranian and Iraqi foreign ministers are scheduled to meet in Tehran on March 15 to start working

out, with the help of their Algerian counterpart, details of the border demarcation.

Acceptance of the Shah's terms for settling the boundary dispute costs Baghdad something in national pride, but, on balance, the Iraqis gained more than they conceded. For Saddam Husayn, curtailment of Iran's support of the Kurds—and, thus, of the rebels' military capabilities—clearly became an overriding priority some time ago. The prolonged rebellion was drawing increasingly heavy domestic criticism and causing serious disruptions in the economy.

The Shah, in addition to gaining the boundary settlement he has long been pushing, extricates himself from involvement in a rebellion that he knew could be sustained only by an increased military commitment on his part. He was not prepared to make that investment, especially at a time when he wishes to have closer ties with Arab regimes—notably Sadat's Egypt—eager for their own reasons to see Saddam Husayn relieved of his Kurdish problem. In addition, the Iranian ruler may hope the accord will lead to a diminution of Moscow's presence and influence in Iraq. Egypt and other moderate Arab states had held out the prospect of such a development in pressing the Shah to seek a reconciliation with Baghdad.

Shah of Iran, Algerian President Boumediene and Iraqi Vice President
Agreement on national disputes



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Cyprus-Greece-Turkey

Cyprus: Extremists Again Active

The tenuous truce between pro- and anti-Makarios factions within the Greek Cypriot community appears to have been broken as a result of the attempted assassination of a high government official on March 9 and an explosion last week at the Limassol offices of the Church of Cyprus. President Makarios will now be under growing pressure from his supporters to purge the remaining rightist extremists in the government and to move against the remnants of the EOKA-B terrorist organization, which may have been responsible for the latest acts of violence.

Relations between pro- and anti-Makarios supporters began to deteriorate late last month following the Greek government's discovery of a plot against it by supporters of the former junta. Pro-Makarios groups on Cyprus charged that the conspiracy was also aimed at the overthrow of the Archbishop's government. They called for a purge of junta collaborators from the bureaucracy and the national guard, as well as the apprehension of terrorists still at large.

Makarios had previously adopted a conciliatory line toward the far right in an effort to secure a common front in the face of the Turkish threat. This now appears to have been only a tactical move, however, as he was apparently just biding his time before moving against those who have sought his overthrow. The latest acts of violence, coupled with pressure from his supporters, will probably persuade him to take some punitive measures against the far right, despite the continuation of the Turkish threat.

This could spark renewed clashes between government or pro-government forces and the well-armed, hard-core remnants of EOKA-B, which are particularly strong in the Limassol area. The terrorists, however, do not appear to have either the means or the popular support to mount a successful challenge to the government

UN RESOLUTION

Greek and Turkish Cypriots have agreed to resume intercommunal negotiations after the UN Security Council on March 12 adopted a resolution acceptable to both sides. The resolution provides a 'face-saving means for the Greek Cypriots to resume the talks they broke off last month following the proclamation of a separate Turkish Cypriot state.

The Greek side had hoped to secure a greater role for the Security Council in future negotiations, but the Turks succeeded in preventing this. A key provision of the resolution calls for future talks under the "auspices" of the UN Secretary General, but the scope of Waldheim's role must be determined by the mutual consent of the two Cypriot communities. Preparations to resume the talks will get under way at a time when their outcome could be affected by domestic unrest in Greece and Turkey—as well as within the Greek Cypriot community itself. [redacted]

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at this time. Moreover, the Turkish threat is likely to keep the violence on both sides at a low level. [redacted]

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Greece: Shaking Up The Army

The Karamanlis government completed its review of the loyalty and competence of high-ranking officers this week and will now begin examining cases in the lower ranks. The review and subsequent retirements have caused major morale problems in the army as well as some friction within the government itself.

Fifty-eight army and air force generals and four naval flag officers have been retired, causing widespread anxiety within the armed forces.

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After seven years of military rule, nearly all officers are vulnerable to charges that they supported the junta. In addition, the constant shuffling of the top leadership has created confusion in the command structure, while the recall to high positions of officers who had been cashiered by the junta has increased factionalism within the army.

The government, which is aware of the unrest within the armed forces, this week decided to suspend indefinitely penal proceedings against former military leaders connected with the coup on Cyprus last July. The postponement, which was approved by political opposition leaders, is clearly a conciliatory gesture toward the military. It may also mean that government leaders are trying to resolve differences of their own on that score.

[redacted] advocating a harder line against holdovers from the junta than Averoff. [redacted]

[redacted] who has been under heavy attack for his handling of the military conspiracy, may resign as defense minister. Alternatively, some say, he may remain in the government as foreign minister, while Karamanlis would add the defense portfolio to his other responsibilities. [redacted]

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Turkey: Still No Government

Caretaker Prime Minister Sadi Irmak this week abandoned attempts to form a new government, thus prolonging Turkey's political stalemate into its sixth month. Irmak, who will continue in a caretaker capacity, went through a ritual round of consultations with party leaders this week, but he encountered the same obstacle that prevented him from forming a government last week: the parties would not agree to join together in any one of several coalition formulas.

President Koruturk has been reluctant to designate Justice Party leader Demirel to form a right-wing Nationalist Front, but he may now be forced to do so. Although Demirel appears to have the best chance of forming a coalition that might be able to command a majority in parliament, both Koruturk and the military fear that if he comes to power, the polarization between right and left would increase, provoking renewed public disorders. They are also opposed to the inclusion of the Islamic-based National Salvation Party and the extreme rightist National Action Party—both members of Demirel's four-party Nationalist Front—in any future government.

Military pressures will undoubtedly grow now that Irmak has admitted failure. So far, the military has been content to exert psychological pressure. A "precautionary" alert is still in effect, designed to demonstrate the concern of high command over the political impasse. The alert may also be related to:

• the threat of renewed violence between rival political and religious factions;

• the General Staff's concern over growing unrest among junior and noncommissioned officers;

• the possibility of President Koruturk's resignation and the crisis that would ensue as the deeply divided parliament tried to find a successor.

Ultimately, the only way out of the impasse is new elections, which the military may decide to compel by intervening in the political process. Even this solution is far from sure, for it is not certain that any party could win enough votes to ensure a stable majority. A revision of the electoral law is in order, but the parties disagree on the details.

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SOUTH VIETNAM: FIGHTING FLARES

The second phase of the Communist winter campaign, which got under way last week, has now spread to all four government military regions. The signs are clear that the fighting will intensify, especially in the central part of the country, and the government almost certainly will lose more ground before the new Communist drive can be blunted. Most of the losses will be in fringe areas, however, and South Vietnamese counterattacks may recapture some of the territory later. The government should be able to emerge from this round of fighting with most of the economically important land and most of the population still under its control. The commitment of several reserve divisions from the North, however, would tilt the balance of forces toward the Communists.

The heaviest fighting of the week took place in the central provinces. The battle continues for Ban Me Thuot, the capital of Darlac Province, although the Communists are in control of most of the city. Government reinforcements have been sent to this battlefield, and President Thieu has ordered that the city be held "at all costs." The main routes linking the highlands with the coast remain cut, and heavy fighting continues as the South Vietnamese move to open these vital roads. Late in the week, the Communists cut north-south Route 1 in the central coastal provinces.

To the south, the Communist 9th Division made a long-awaited move in midweek by sallying out of its base area and overrunning a district capital just 40 miles north of Saigon. The Communists have also cut Route 22, the road linking Tay Ninh with the capital, and have increased their shellings throughout many of the provinces north and west of Saigon. A flurry of shellings and harassing attacks also took place at week's end in the northern and central delta provinces. Although the South Vietnamese have retaken some lost positions in the northern provinces, the fighting in the area has resulted in

large numbers of refugees who are fleeing to the safety of Hue and Da Nang.

Communist Strategy

The Communists, recalling their success in the Phuoc Long fighting earlier this year, must realize that Saigon is in no position to make an aggressive defense of all its holdings. Hanoi almost certainly believes the opportunity now exists to make sizable territorial gains by hitting the South Vietnamese where they are unlikely to put up a vigorous defense. The Communists probably see their best chances for substantial gains in the western tier of provinces—Kontum, Pleiku, Darlac, Quang Duc, Binh Long, and Tay Ninh. The recent surge in action along vital highways serving the highlands confirms Communist interest in the area. The fighting in Darlac, Phu Bon, and Quang Duc suggests a main Communist thrust will be in that area. The Communists have sufficient forces in the highlands to carry out large-scale attacks in the Pleiku-Kontum areas. The Communists also have opened new fronts along the northern coast, and attacks are likely in Quang Nam and Quang Ngai provinces.

Government Initiatives

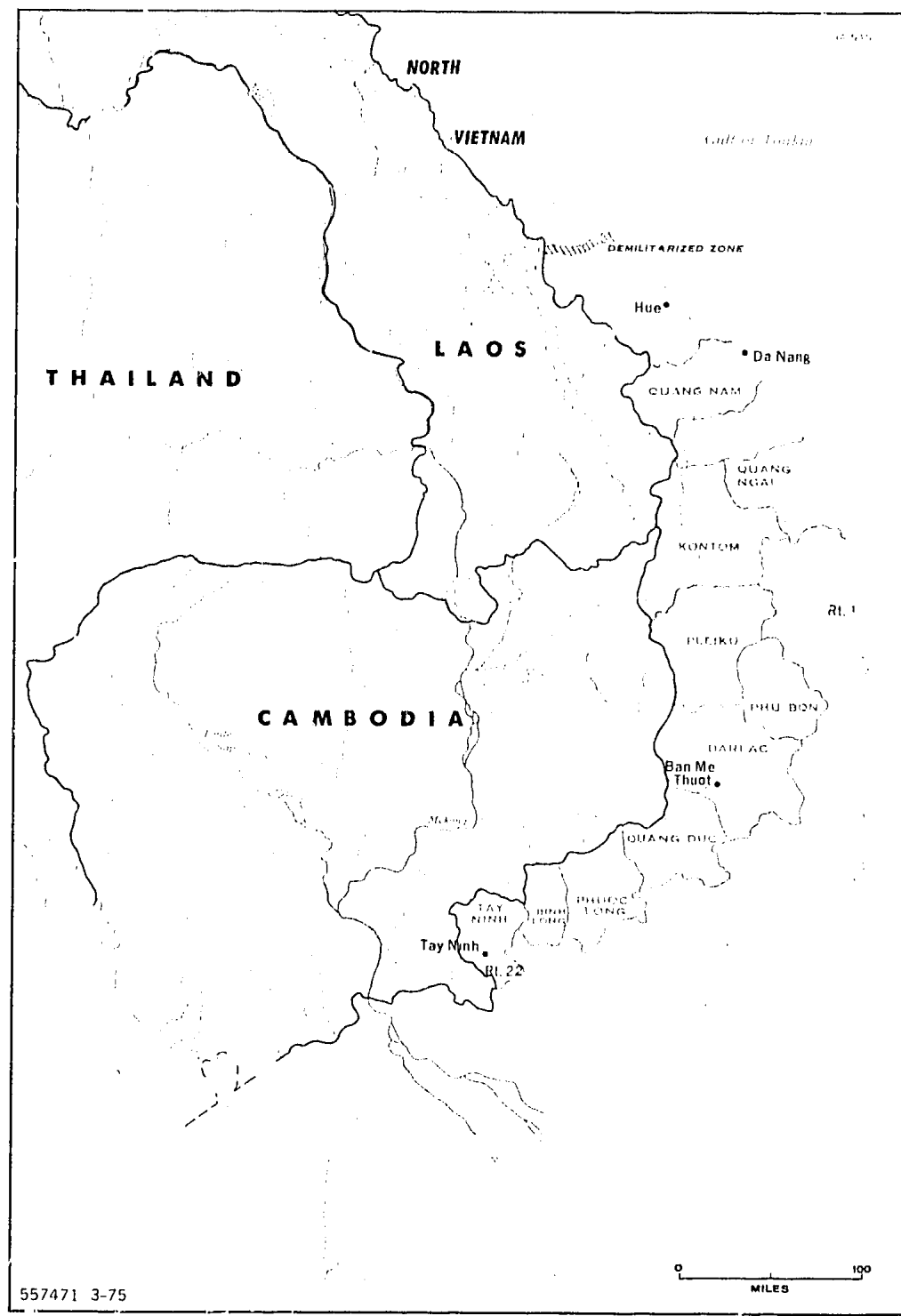
Since taking command of government forces in the region around Saigon, Lieutenant General Nguyen Van Toan has conducted aggressive military operations against Communist forces threatening Tay Ninh. Toan is optimistic about the government's prospects in the region and believes his forces are more than a match for the Communists.

The government is preparing to move reinforcements into the highlands, where South Vietnamese troops are making little progress in clearing the Communists from interdicted roads.

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THAILAND: AN EXERCISE IN CONFUSION

Thailand is still without a government six weeks after the general election. On March 6, after lengthy political maneuvering to gain the necessary support, Seni Pramot's proposed coalition was defeated. The initiative has now shifted to the conservatives, who are backing Seni's younger brother, Khukrit Pramot, to lead a center-right coalition.

Khukrit, respected journalist and former assembly speaker, is more acceptable than Seni to Thailand's vested interests, a factor that helped to bring about Seni's downfall. Khukrit is supported by several key army generals, including the commander of the important Bangkok garrison and army commander Krit Siwara.

Khukrit believes he can put together a coalition and get a vote of confidence in the assembly within a week. His optimism is based in part on his agreement with several key rightist leaders on the allocation of the most important cabinet positions. Although this is an important first step, Khukrit must still come to terms with a handful of smaller parties that hold the key to his gaining a parliamentary majority.

Khukrit's sense of political timing may work to his advantage. He had been tempted to join with the conservatives in blocking Seni's efforts to form a government, but backed out at the last minute. He apparently reasoned that Seni would fail and that embracing the conservatives prematurely would needlessly hurt his own standing as a moderate. He may have calculated that after six weeks without a government, the public would be growing weary of parliamentary maneuvering. This conjecture seems to have been borne out, inasmuch as there has not been any significant outcry from the media, the student community or the public over Seni's defeat, even though Bangkok is the stronghold of Seni's Democrat Party.



Seni Pramot

Another factor that is probably contributing to the muting of protest at this time is the belief that Khukrit represents the last real chance for a political moderate of national prominence to head the government. If Khukrit fails, the most likely alternative is a right-wing, military-backed government—something the students and their liberal mentors believed they had overthrown in October 1973. Such an eventuality would lead to a new and perhaps more violent round of political unrest in the capital.

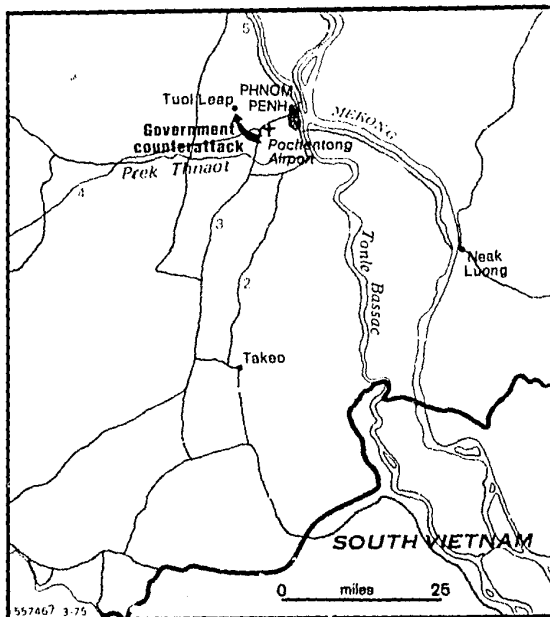
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SECRET**CAMBODIA: THE NOOSE TIGHTENS**

Khmer Communist gunners this week intensified their artillery and rocket attacks against Phnom Penh's Pochentong airport. On March 13, an insurgent rocket set off 90 tons of ammunition on the civilian side of the airport, forcing a temporary suspension of airlift operations. The airlift was scheduled to resume at week's end, however.

Meanwhile, government commanders have brought in reinforcements in an effort to breathe life into the operation to retake the town of Tuol Leap and eliminate insurgent artillery and rocket positions in the area. Late in the week, local commanders were reporting some progress in the operation, but they had not yet forced any significant communist withdrawal from around the town. Many embassies in Phnom Penh have cut back to skeleton staffs, but only two—the Australian and Israeli—have closed down completely.

**Command Shake-up**

In a desperate bid to shake the army out of its lethargy and boost sagging morale, President Lon Nol this week replaced armed forces commander in chief Sosthene Fernandez with widely respected roving ambassador, Sak Sutsakhan. Lon Nol was clearly responding to pressure from Prime Minister Long Boret, who for some time has been pushing for increased civilian control over the military establishment. Boret has the backing of the National Assembly and the Senate, both of which last week passed resolutions demanding increased powers for the civilian government. Lon Nol has also empowered Boret to reshuffle his cabinet, a move that will almost certainly include naming Sak Sutsakhan to serve concurrently as defense minister.

INTENSE INFIGHTING, MILITARILY AND POLITICALLY, INFLUENCING VIEWS ABOUT NEGOTIATIONS.

The shake-up is a calculated risk. Fernandez had come to symbolize the government's military shortcomings so that a groundswell had developed for his departure, and his removal has sparked little controversy. A period of intense infighting could still be in the offing, however, as other ambitious military leaders vie for dominance in the new command structure. Moreover, increasing numbers of influential Cambodians are expressing the belief that some way must be found to break the current impasse on a negotiated settlement. They may seize on any confrontation or confusion resulting from the command shake-up or the cabinet reshuffle to force more dramatic changes in hope of bringing the fighting to an end.

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International Oil PRODUCERS AND CONSUMERS

French President Giscard's proposed conference of oil producers and consumers moved closer to realization last week as four oil-producing states—Iran, Venezuela, Saudi Arabia, and Algeria accepted Giscard's invitation to a preparatory meeting of ten states in Paris on April 7. The industrialized states that were invited—the US, Japan, and a representative of the EC—will announce their intentions next week after a meeting of the US-backed International Energy Agency to consider final approval of a plan for the development of alternative energy sources.

Tentative approval of the plan at the energy agency's meeting last week moved the consuming states closer to the common stand that the US has insisted is a prerequisite to any meeting with the oil-producing countries. The delegates agreed that the International Energy Agency's goal of reduced dependence on imported oil would be jeopardized if the price of imported oil could at some time in the future undercut sales from new energy sources. Acceptance of the principle that oil should not be sold below a certain price was the major breakthrough of the meeting. The level at which this price should be set will be the main issue in negotiations on how to implement the plan.

The plan must be reviewed by the energy agency's 18 members before the governing board holds its meeting in Paris next week. At that time, the board will probably adopt the plan and endorse the participation of its members in the preparatory meeting of producers and consumers.

Although France is not a member of the International Energy Agency, it will also have a hand in reviewing the plan. The eight EC members in the international agency will want to discuss the plan with France as part of the EC's own efforts to forge a common energy policy and to avoid being committed to price levels to which France would not be bound. Paris might be able to block agreement by the eight, but this is not likely, if only because Giscard probably



Giscard

realizes that a stalemate in the energy agency at this point would delay the meeting of oil producers and consumers.

At their summit meeting in Dublin earlier this week, the EC leaders agreed to establish a special high-level committee to study the problems of energy and its costs in preparation for the conference between producers and consumers that they want to take place in July. One question to be decided by the committee is whether to accept demands by some of the developing states—in large part influenced by Algeria—to broaden the oil conference to include other raw materials. The developing states are themselves not united in their support of such a proposal. Many argue that the special problems confronting developing states because of high oil bills would be ignored in a meeting with a broad agenda.

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SECRET**THE SOVIET UNION****THE MERCHANTS OF MOSCOW**

Soviet officials continue to show interest in working out a new trade agreement with the US to replace the one Moscow renounced in January. The Soviets probably believe, however, that their bargaining position is stronger than it was last fall, and they may be less willing now than before to pay a political price for expanded trade ties.

In an *Izvestia* interview last week, Deputy Trade Minister Alkhimov spoke of a "serious reappraisal" taking place in the US, and implied that important US politicians and businessmen are demanding that recent trade legislation be revised "this year." The Soviets clearly think that the US business community—at a time of economic slump, and with "proper manipulation"—could become a "useful ally" of Soviet policy. Moscow has given heavy play in its press to criticism of congressional trade policy by US businessmen, and the Soviets have urged US businessmen to lobby strenuously for changes.

In attempting to enlist the support of the US business community, Soviet officials have warned that Washington's short-sighted policy is forcing the USSR to take its business elsewhere. To buttress this argument, the Soviets can point to substantial credit lines at relatively low interest rates received over the last few months from the UK, France, and Italy.

Moreover, by further cutting Jewish emigration in the first two months of this year, the Soviets have demonstrated that the US cannot expect to use trade and credits as leverage on the emigration issue. On the contrary, Moscow is showing that it has the will, as well as the capability, to regulate the flow of emigrants in pursuit of its objectives on the trade front.

All things being equal, the Soviets in many cases would prefer to trade with the US. They like American technology more than that of other Western suppliers and regard the US economy as the source most nearly commensurate with their appetite for capital and know-how. The Soviets have also not lost sight of their

political stake in expanded economic ties with the US. Moscow publicly acknowledges a link between the state of economic relations and the overall health of US-USSR detente, to which the Soviets remain committed. Alkhimov, for example, concluded his interview last week with an upbeat comment on Brezhnev's coming visit to Washington.

Despite their continued interest in improved trade relations, the Soviets are likely to be tougher bargainers in the future. The trade setback was a political loss to the Soviet leaders even though they had carefully hedged their position against such a contingency. They are unlikely to repeat the scenario of last fall, when the connection between emigration and a trade agreement was made explicit and was widely published. Bolstered by what they regard as a more "sensible" view in the US, and reinforced by the strong interest of other industrialized countries in increasing trade with the USSR, the Soviets will feel less constrained to make concessions to the US in return for better trading arrangements.

ECONOMY IN GOOD SHAPE

Moscow has good reason to feel secure about its position in the international economy. Internally, the economy has been growing at a moderate rate, while output has been declining in many Western countries. Because of its self-sufficient centrally controlled economy, the USSR has been shielded from the recession and double-digit inflation plaguing the West. Thanks to an export surplus in oil and raw materials, the Soviet balance of payments has benefited from high world market prices. But basic problems of low efficiency and an inability to quickly apply new technology remain, and Moscow cannot readily translate its temporary advantages in dealing with the West into remedies for its long-term economic ills.

The Soviet gross national product grew by 3.2 percent in 1974, less than half the pace of the previous year but still far ahead of most other industrialized countries. The gap between the GNP of the US and the USSR declined by a

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US-USSR: GNP

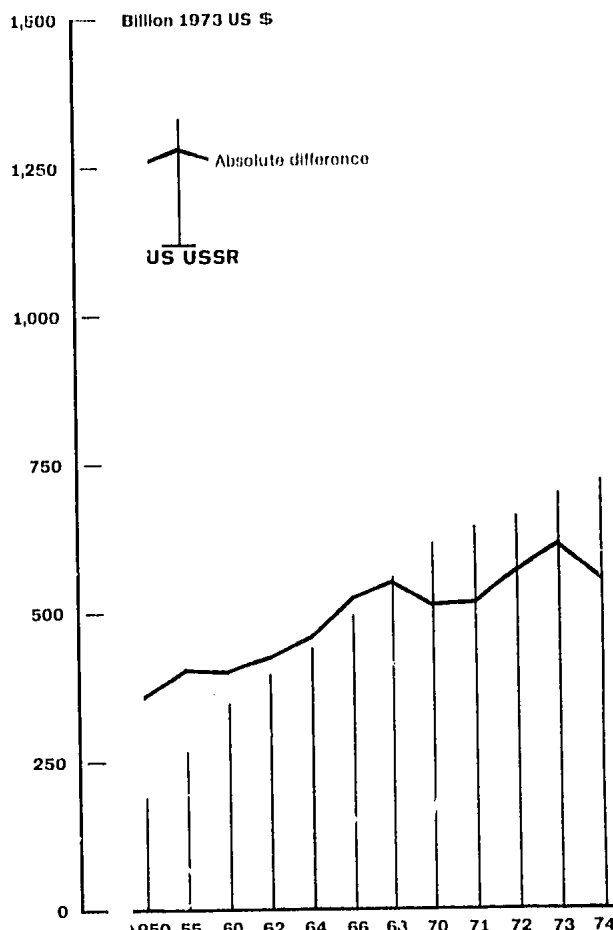
record \$50 billion. A slump in farm output caused by poor weather was the major cause of the slowdown last year, but agriculture still enjoyed its second best year. At 195.6 million tons, grain output was the second highest in Soviet history, and cotton production reached a new peak. Moscow bought only 6.5 million tons of Western grain for delivery in fiscal 1975 and carried over large grain stocks from the 1973 record harvest.

Industrial output—the economic bellwether for the leadership—grew at its highest rate since 1970. Adequate supplies of raw materials and energy were major factors in this growth, as were larger than planned increases in new workers and the highest rise in labor productivity in the current five-year plan period. The leading growth sectors—energy, producer durables, chemicals, and processed foods—reflect the leadership's priority for technological advance and expansion of farm output.

Consumer welfare continued its steady rise, featured by increased availability of meat and dairy products, soft goods, and automobiles. Full employment continued, and prices were stable, although, as usual, not all goods and services were available at official prices. Housing continues to be the area of greatest consumer dissatisfaction.

Moscow's hard-currency surplus reached \$1 billion last year, compared with a nearly \$1 billion average deficit from 1970 to 1973; price increases for Soviet exports of oil and other raw materials far outweighed price increases for imports. Trade with the West boomed, growing by almost 48 percent and accounting for 31 percent of total Soviet foreign trade. Soviet machinery orders from the West totaled a record \$4.1 billion—a 78-percent rise over 1973.

The Soviet plan for 1975 optimistically anticipates that GNP will grow at more than double the 1974 rate. This high rate depends on a large boost in farm output and a matching of last year's industrial growth. So far this year, the weather has been favorable for winter grains, making a record crop possible, but the industrial



plan may be more difficult to fulfill. According to Soviet statistics, industrial output in January grew at only 6.7 percent compared with 9.6 percent in January of last year. Although many original consumer targets for 1975 will not be met, the leadership remains firm in its commitment to raise living standards. Support for the agricultural sector, an important prerequisite for satisfying consumer demands, continues high this year.

The Soviet hard-currency surplus in 1975 will probably match the \$1 billion earned in 1974 as the Soviets continue to benefit from raw materials exports. This financial cushion will allow them to pay cash for some purchases, resist high interest rates, and postpone exports of some commodities that will bring higher prices in the future. Soviet renunciation of the US-Soviet trade agreement will have little impact on trade in 1975.

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SECRET**ITALY: CONTROVERSY OVER CRIME**

The question of how to deal with increasing crime and political violence is causing dissension in Prime Minister Moro's three-month-old government. The leaders of the four center-left parties are trying this week to agree on a compromise package of measures to deal with the situation.

The recent dramatic increase in crime and violence has heightened concern in Italy over the maintenance of public order and—with only a few months to go before nationwide local elections—enhanced the political importance of law-and-order issues. A series of armed robberies in which policemen have been either killed or injured has led the police to demand broader powers and to call for tougher treatment of offenders by the courts. The seriousness of the situation has been underlined by such incidents as the raid in mid-February that succeeded in freeing the leader of a left-wing extremist organization from a Turin prison. Rome has been disturbed, meanwhile, by sporadic street fighting between neo-fascists and extreme leftists since the opening of a trial of leftists there in late February.

As part of their preparations for the elections, which are expected to take place in June, all of Italy's political parties are choosing sides on the law-and-order question. Christian Democrat leader Fanfani took the lead last month when he insisted that law enforcement take precedence over all other problems. The Christian Democrats are pushing legislation that gives the police a freer hand, restricts the use of bail, and increases penalties for possession of weapons.

Fanfani's approach has drawn fire from the entire Italian left, including left-of-center elements in his own party. Left-wing Christian Democrats and the party youth organization claim that Fanfani is concentrating on the crime problem to the exclusion of bread-and-butter

issues that are also troubling voters. Sharp disagreement on this point was one of the factors that led Fanfani to dismiss the leadership of the party youth section late last month.

The Socialists, also concerned over rising crime, maintain that Fanfani's proposals are aimed at the symptoms of the problem rather than its causes. In their electoral campaign, the Socialists will assert that the rise in crime is due primarily to the failure to enact Socialist-sponsored social and economic legislation. The Socialists also are likely to hold to their view that the neo-fascists are responsible for nearly all serious political violence.

The dispute over the law-and-order issue is not likely to cause Moro's government to fall, because there is no other alternative in sight, and no political leader wants to take responsibility for a lengthy crisis. Government leaders, therefore, will probably settle on a compromise package. The Christian Democrats will reportedly not insist on the proposals most adamantly opposed by the Socialists, such as granting the police the right to detain temporarily suspects who are not charged with a specific crime. For their part, the Socialists are trying to avoid actions that could lead to a postponement of the local elections in which they are expecting gains. They fear that the elections would be rescheduled if Moro's government falls before June.

The Communist Party will almost certainly take up the law-and-order question at its national congress next week. The Communists will probably join the Socialists in insisting that more extensive social and economic reforms provide the only effective means of dealing with the crime problem. The Communists are likely to claim also that only a government that reflects a broader consensus—i.e., one in which the Communists have a direct voice—will be able to muster sufficient support to pass such legislation.

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SPAIN: LIMITED CABINET RESHUFFLE

Prime Minister Arias' appointment of five new ministers on March 6 strengthens his authority in the cabinet and may give a boost to his lagging efforts to establish political parties. Franco appears to have vetoed the major reshuffle that Arias reportedly wanted following the resignation of his labor minister almost two weeks earlier. The limited nature of the cabinet changes, however, suggests that the government will continue its hard line in dealing with political, labor, and student unrest.

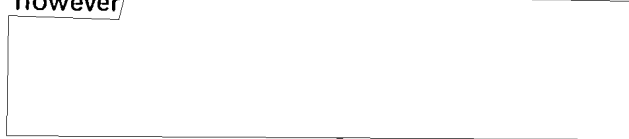
The ouster of National Movement Minister Jose Utrera Molina, secretary general of the official state party, is a victory for Arias. Utrera had bypassed Arias and had appealed directly to Franco to water down the Prime Minister's plan to break the Movement's monopoly on political activity by permitting the formation of political associations. The newly appointed minister favors evolution of the system, a change that may encourage moderate political groups to apply for association status.

The new labor minister—a protege of Arias—is a labor law expert who also supports liberalization of the system. Although he is a moderate, he may be no more successful than his predecessor in preventing the introduction of anti-labor measures in the pending labor regulation law. The appointment of a younger and possibly more liberal replacement for the rightist minister of justice will bring needed leadership to Spain's judicial system. The new ministers of industry and commerce are competent specialists previously associated with the minister of finance.

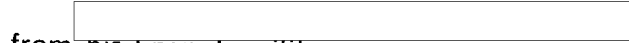
Meanwhile, rumors of military unrest continue to circulate. Since the arrest of two army officers in Barcelona on February 19—allegedly for protesting the use of the military in a police role—various reports have circulated about the existence of a military "manifesto" on the issue.

Along with reports of this document, there has been speculation that the regime may have uncovered a military plot or at least have gotten evidence that various officers had engaged in political discussions despite warnings from their superiors that the military must remain above politics.

Examination of what purports to be a copy of an unsigned protest letter by a group of officers reveals that it closely follows the line of arguments that the Communist-sponsored Democratic Junta has used in the past to try to appeal to the Spanish military. The rhetorical tone of the letter does not match the prosaic style of most military writings. US officials in Madrid doubt the authenticity of the letter, however



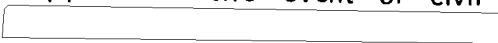
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from his Spanish military contacts that one of the two officers whose arrest set off the speculation is a well-known troublemaker who has criticized military policy in the past. He is reported to have no following among his fellow officers.

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Despite doubts about the authenticity of the manifestoes and the lack of evidence of any plotting, the opposition groups are likely to cite the alleged documents as evidence of unrest among junior military officers. The regime's reaction thus far suggests that it is aware of concern among the military over possible misuse of the army in suppressing civil disorder. At the same time, the regime is confident that it can continue to rely on the military leadership for support in the event of civil disorders.



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HUNGARY'S PARTY CONGRESS

The 11th party congress that opens on March 17 will reaffirm the leadership and the moderate policies of party boss Janos Kadar. Several people closely associated with these policies, however, may well be removed from the leadership.

The 62-year-old Kadar appears to have a firm political hand on the situation. There is no credible contender for the top party job, and Kadar has cut the ground from under some critics by nudging Hungarian policies a bit closer to orthodoxy. Soviet party leader Brezhnev will probably head the list of foreign guests at this congress, and his presence would constitute continued endorsement of Kadar's leadership. The Hungarian leader's triumphal reception in the USSR last September quashed speculation that he had lost Moscow's backing. The Soviets are well aware that Kadar's political skills and popularity provide a strong guarantee of domestic stability.

Personnel shifts at the congress are likely to include the removal of some Politburo members who lost ground in a shake-up last March. Two of these men, Lajos Feher and Rezso Nyers, are closely associated with economic reform, while Gyorgy Aczel has been an adviser to Kadar on cultural moderation.

The session will also endorse economic and cultural programs that have already been trimmed back. Kadar has heeded the calls of critics for more orthodoxy and has taken the lead in making adjustments. The economic reform has lost momentum, and a tolerant attitude in cultural matters has yielded to greater watchfulness and increased attention to ideology in education and the media.

A special effort will be made at the congress to paper over differences deepened by lengthy policy debates, to upgrade the party's guiding role, and to meet the demand for a

united party in the face of detente. Changes in party rules will limit the right of dissent and will facilitate tighter discipline. A new party program will define in ideological terms where Hungary stands, where it is going, and how it will get there.

The congress will probably discuss the implications for Hungary of the rapid increases in world raw material prices. Budapest ran a large deficit with the West last year and is adversely affected by Soviet price increases this year.

The session will also reiterate Hungary's close political alliance with the USSR and its active participation in the Warsaw Pact and CEMA. The restatement of its loyalist foreign policy will include strong support for Soviet-led efforts to improve relations with the West.

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IDEOLOGISTS GATHER IN PRAGUE

Communist party officials from the Warsaw Pact states, Cuba, and Mongolia met in Prague last week as part of the Soviet effort to keep ruling parties alert to the dangers of detente.

The meeting generated little publicity, but the communique issued on March 6 makes clear that it was a continuation of a similar meeting held in Moscow in December 1973. At both meetings, the delegates discussed the corrosive effects of detente on communist discipline and the measures that might be taken to keep the parties strong. The Prague conference also took up such topical matters as plans to commemorate in May the 30th anniversary of the end of World War II and the 20th anniversary of the Warsaw Pact.

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From the outset, however, the conference had its own problems. The Romanian Party daily billed the meeting in advance as a "debate on current problems." Then Bucharest, which probably anticipated another Soviet attempt to put pressure on its representatives, delivered a calculated insult by sending two deputy section chiefs of the Central Committee instead of more senior party secretaries, such as attended from the other nations, and did not associate itself with the final communique. The communique described the meeting's atmosphere as "businesslike" and "comradely," suggesting less than total success.

Despite these problems, the Soviets regard meetings of party officials involved in ideology, culture, and inter-party relations as essential, especially as contacts with the West increase. More sessions of this sort, together with increasing exhortations to unity and orthodoxy, can therefore be expected. [redacted]

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ICELAND: EXTENDED FISHING LIMITS

Iceland announced on March 4 that it plans to extend its fishing limits to 200 miles this year. Within the expanded limits, the Icelanders intend to claim exclusive rights to the entire catch and the authority to regulate all fishing within the new zone. Prime Minister Hallgrimsson told parliament that the move will take place regardless of the outcome of the UN Law of the Sea conference. The unilateral announcement will be made sometime between the end of the conference on May 10 and the expiration of the current fisheries agreement with the UK on November 13.

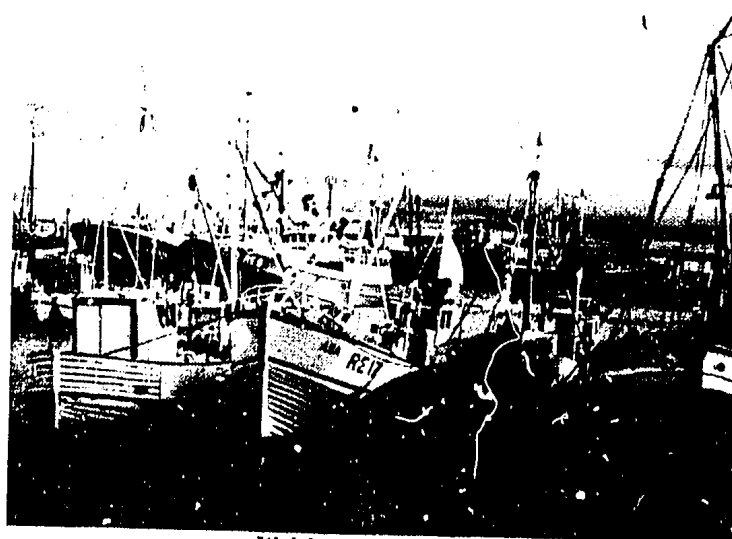
Disputes over Iceland's fishing limits, which led to the 1972-1973 Cod War with the UK and to sporadic incidents with West Germany, may heat up again. In addition, difficult bilateral talks are in prospect between Iceland and the UK, West Germany, Norway, and Denmark to draw up median lines in cases where Iceland's claims conflict with those of other nations with traditional fishing interests off Ice-

land's coast. Foreign Minister Agustsson's recent contention that Iceland's proposed move is backed by members of the EC, NATO, and the Nordic Council is exaggerated. The UK and West Germany are flatly opposed to the 200-mile extension. Even the Nordic countries—Iceland's strongest supporters—limited themselves to expressions of "understanding" for Reykjavik's special position at a meeting of the Nordic Council last month.

Iceland's small coast guard will have problems patrolling the vast zone. The cabinet minister responsible for enforcing the new jurisdiction said that even with the expected addition of a new cutter in May, the coast guard will not be able to cope with the problem.

Protection of its vital fishing industry is an emotional issue in Iceland that overshadows all others in political importance. The present center government is anxious to prove that it can be just as tough as the previous leftist coalition on the fishing issue. [redacted]

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Waiting on the tide

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SECRET**MIDDLE EAST: ASAD AND THE PLO**

In a speech at a Baath Party rally in Damascus on March 8, Syrian President Asad floated a proposal for a closer tactical association between Syria and the Palestinians in the form of joint political and military commands. The offer appears intended to serve several purposes, not least of which was Asad's desire to put maximum pressure on Egypt as it began intensive—if indirect—negotiations with Israel for a new Sinai accord.

Asad told his audience he was not proposing a specific formula, but was simply indicating the lengths to which Syria would go in defending the rights of the Palestinians. The statement seemed designed not only to underscore Syria's commitment to the Palestinian cause, but, by implication, to cast doubt on Egypt's. Damascus has become increasingly concerned in recent weeks that Egyptian President Sadat might conclude a second-stage withdrawal agreement that does not hold out the prospect of further progress soon on the Golan front.

With key party elections coming up later this month, Asad may also hope his offer will enhance his supporters' chances for re-election and thus strengthen his own hand in negotiations. In addition, he probably views such joint commands, if they are actually created, as a useful device for exerting greater control over fedayeen operations as well as for countering criticism by Baghdad and Palestinian "rejection front" groups of Syria's willingness to negotiate a settlement of the Arab-Israeli dispute.

Some observers see Asad's proposal as a means of finessing Israel's refusal to deal with the Palestine Liberation Organization by including PLO representatives in a Syrian delegation at the Geneva peace talks when they are resumed. During a press conference on March 9, Asad acknowledged that his offer might provide such an opportunity. The Syrian leader may also hope the joint command concept could provide a framework for resolving the dispute between the PLO and Jordan and that it might eventually bring Amman into closer military arrangements.



Asad

PLO chairman Yasir Arafat, who apparently had no advance knowledge of Asad's proposal, publicly welcomed it and agreed to discuss the matter with the Syrian leader this week. Arafat shares Asad's concern over the current Egyptian-Israeli negotiations, but his basic wariness of Syrian motives makes it unlikely that he would agree to any arrangement that could restrict his maneuverability.

The Israelis, preoccupied with preparations for the new round of talks, did not take kindly to Asad's initiative. Officials in Jerusalem publicly expressed "grave concern" that the joint command proposal would "not add to the success" of Secretary Kissinger's mission. The Israeli press flatly labeled Asad's move an effort to foil the political talks. One influential daily, which has close ties to the ruling Labor Party and often reflects official opinion, concluded that Asad, Arafat, and the Soviets had decided to increase the pressure on Sadat not to offer any quid pro quo for a further Israeli withdrawal in the Sinai. The only question now, the paper said, is whether Sadat can overcome this pressure.

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KENYA: TENSIONS SHARPLY INCREASE

The murder of J. M. Kariuki, a vocal critic of President Kenyatta's regime and a spokesman for Kenya's "have nots," has increased tension, especially in Nairobi. The atmosphere had already become highly charged by a recent series of unsolved bombings in Nairobi, one of which resulted in considerable loss of life, as well as a train derailment and other incidents.

Kariuki, a member of parliament, was a leading figure among the northern clans of Kenyatta's Kikuyu tribe. The northerners have long been at odds with Kenyatta because his southern Kikuyu clan has benefited handsomely from its hold on political power since independence. Kariuki's murder may touch off demonstrations among the northern Kikuyu and other discontented groups, such as the urban poor, who considered Kariuki their champion. On March 12, university students responded to the news of Kariuki's murder by marching through Nairobi, but they were dispersed by police.

Many Kenyans will attribute responsibility for Kariuki's death to Kenyatta or some of his close associates. Suspicion will be increased by the government's unsuccessful efforts to suppress news of Kariuki's death. Moreover, Kariuki, who disappeared on March 2, had been under surveillance by security officials, and his political activities had been circumscribed by the government.

The shooting of Kariuki is reminiscent of the murder in 1969 of Tom Mboya, another popular figure who was a rival to Kenyatta's clan. The government then was able to cope with the disorders that erupted among Mboya's fellow Luo tribesmen at his funeral. This time, the government may have more difficulty. The public is probably more restive because of continuing unemployment, high prices, and the accumulation of farmland and wealth by leading figures associated with the regime, especially Kenyatta's wife. [REDACTED]

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TRINIDAD-TOBAGO: OPEC APPLICATION

Trinidad has again applied for full membership in the Organization of Petroleum Exporting Countries. Its first application in 1972 was rejected, probably because it was then only a minor producer. Since then, its production has risen to at least 200,000 barrels per day, about the same as Ecuador, an OPEC member.

In addition, in 1972 Trinidad was largely a refinery center for Texaco and Shell. The government has since bought all of Shell's producing, refining, and marketing operations in Trinidad and has established a national oil company to operate the former Shell properties.

The government also intends to acquire some equity in the remaining US-owned oil operations.

Until now, the US has been by far the largest market for Trinidad's petroleum. This relationship could become strained since Prime Minister Williams is eager to place his country squarely in the camp of Third World oil producers and is optimistic that this time Trinidad will be admitted by OPEC. This ambition may have been one motive for his stop in Indonesia during his recent trip to the Far East. It could also explain his expression of concern about the effect of the new US Trade Act on OPEC members. [REDACTED]

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COLOMBIA: SITTING ON THE FENCE

Two rapid-fire announcements in late February provided dramatic evidence of the "ideological pluralism" championed by President Lopez in conducting his country's foreign affairs. First, Lopez announced his acceptance of President Ford's invitation to make a state visit to the US. Just one day later, Foreign Minister Lievano disclosed that Colombia would resume diplomatic relations with Cuba. On March 6, relations with Cuba were reinstated.

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Lopez has long advocated Cuba's return to the inter-American system and has been an outspoken critic of US policy on Cuba. In addition, Lievano has made Cuban relations a personal project as well as a high-priority concern of his ministry. In November, Colombia joined Venezuela and Costa Rica in sponsoring a resolution to lift the Organization of American States' sanctions against the island. When the resolution failed to carry, Lopez was deeply disappointed and Lievano felt humiliated. Beginning then, Colombia abandoned pursuit of Cuban relations through international bodies for fear of another defeat. The country's unilateral movement toward relations was reinforced by Venezuela's announcement of ties with Havana in December.

Notwithstanding the resumption of Cuban relations, Lopez considers the prestige of his pending visit with President Ford of substantial personal and political value. Even the mere prospect of the visit will spare him possible embarrassment early next month, when Secretary Kissinger is scheduled to visit Caracas and other Latin capitals, but not Bogota. Although Lopez obviously favors president-to-president discussions, he has publicly deplored the ministerial dialogue now being assayed by Secretary Kissinger; in Lopez' view, it weakens existing inter-American organizations. Lopez is also eager to cultivate a statesmanlike image as a counterpoint to the broad criticism his far-reaching austerity programs have earned him at home.

Indeed, the importance Lopez assigns to his foreign policy goals is evident in the domestic price he seems willing to pay for their implementation. His own foreign policy advisory committee, more politically realistic than he, counseled him against resuming full diplomatic relations with Cuba. Criticism has also come from within Lopez' Liberal Party as well as from the opposition Conservative Party. Some members of the traditionally apolitical military hierarchy have even spoken out.

There is no indication, however, that the Castro government has any current interest in supplying Colombian insurgents. Nevertheless, Lopez must add the military's concern to the displeasure already voiced by some officers at their having to perform a police role in controlling current demonstrations over economic issues.

In his approach to Cuba, Lopez has clearly not been deterred by Colombia's long years of excellent relations with the US. On the contrary, he considers the established momentum sufficient to sustain good relations with the US despite the strains that may result from his Cuba initiatives. His fundamental desire for a cohesive inter-American system derives in large part from a conviction that certain key countries—among them Colombia, of course—are destined for Latin leadership. In this context, the US becomes an equal—but at the same time, an outside—influence with which to contend. Thus, Lopez' re-establishment of Colombia's relations with Cuba and his prospective state visit to Washington are complementary aspects of an actively neutral foreign policy. He can be expected to take great pains to maintain the fact as well as the appearance of that policy.

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ARGENTINA: OPTING FOR SHORTAGES

In a blur of economic policy actions last week, Argentina attempted to shore up its exports and balance of payments by devaluing the peso and, at the same time, to reverse the recent erosion of real wages through a wage hike and re-imposition of price controls. The net effect however, will be to stimulate widespread domestic shortages of consumer and producer goods and to depress profits and discourage badly needed investment.

Effective March 1, Argentina workers were granted a 15-percent pay hike—only partially offsetting the nearly 40-percent increase in the cost-of-living since November. Buenos Aires then halted all foreign-exchange operations and devalued the peso by 33 percent (financial rate) to prevent further erosion of export markets already faltering because of the escalating prices of Argentine products.

The pay hike and the devaluation will seriously aggravate inflationary pressures as increased purchasing power stimulates demand and the prices of imported goods rise. At the same time, higher prices for imports of raw materials and semi-finished goods for the domestic market will add to production costs.

To head off renewed rounds of price increases and subsequent labor demands, Argentina followed up the devaluation with a strict re-imposition of price controls. All prices for domestic goods were frozen at February 28 levels. With the resulting profit squeeze, producers will be forced to reduce output and in some cases, to re-orient it to export markets in order to take advantage of higher export prices. With supplies to domestic markets thus declining while aggregate demand grows, widespread shortages and numerous black markets are inevitable.

Buenos Aires will probably be forced by the need to restrain wage increases to maintain the price freeze at least until the more than 1,400 labor contracts are renegotiated. Current agreements, in force for nearly two years, expire



Lineup for food

in June. Meanwhile, producers will find that investments needed to maintain productive capacity are best postponed in the face of lower profits. The resulting economic dislocations and shortages will mean increased labor and business unrest, and Argentina's policy makers will find that their problems have not disappeared but have simply changed shape.

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DIPLOMACY IN THE ANDES

Chile's recent diplomatic efforts to strengthen its position in relation to Peru have begun to pay off. The 13-year hiatus in relations between Chile and Bolivia was recently ended, and two weeks ago Santiago announced that relations with Colombia—strained since last May—would again be raised to the ambassadorial level. Peru has also been active on the diplomatic front in an effort to reduce tensions with Chile.

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When President Pinochet met with Bolivian President Banzer in early February, Pinochet agreed to help Bolivia end its landlocked status.

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Initially, Peru may alert its troops in the south to preclude any pre-emptive Chilean move during a government transition in Lima. Any of Velasco's successors will most likely be more concerned with strengthening his position at home than with adding to tensions with Chile, unless he needs to use the Chilean problem to unify the military cliques behind him.

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Prior to Banzer's meeting with his Chilean counterpart, Peruvian Presidential Press Secretary Zimmermann met with Pinochet in the border town of Arica. Zimmermann indicated that Peru was "willing to make concessions" to avoid war between the two nations. He also reportedly said that Peruvian President Velasco wanted to meet with his Chilean counterpart when the former's health improved.

Before that meeting took place, Velasco had told Chilean Ambassador Errazuriz in Lima that he was unable to ignore requests from his armed forces for new military materiel, but that he discounted the importance of these purchases. He noted that it would be dangerous for Chile and Peru to allow themselves to be pushed into war, and added that Peru did not want to use its manpower and resources in a senseless conflict.

Peru has already taken note of Chile's diplomatic maneuvers. Peruvian Foreign Minister de la Flor conceded that Chilean-Bolivian relations are good and that these newly forged ties could be used against Peru. Chile, for example, might lease Bolivia a corridor to the sea. Should this occur, Peru would appear to have no legal recourse under the 1929 treaty that fixed the border between Peru and Chile. Under that treaty, former Peruvian territory cannot be "ceded" to a third party without Lima's consent, but there is no prohibition against leasing.

BRAZIL: DISGRUNTLED CONSERVATIVES

Senior military conservatives opposed to President Geisel's liberalization program are apparently behind the wave of arrests and detentions of suspected subversives in several cities.

Some of those arrested recently—including journalists, attorneys, and students—are accused of being members or supporters of the illegal communist party. Their arrests have drawn protests from the press and bar associations, as well as from a leading liberal cardinal. In addition, the security services are claiming that several opposition party legislators, at the federal and state levels, were elected with strong communist party backing.

The disgruntled conservatives, some of whom command the security services, probably hope that by dramatizing the subversive threat they can convince Geisel that he should slow down or even abandon his efforts to ease political restraints and decrease emphasis on national security matters. Among those most displeased by the liberalization effort are the army minister, General Frota, and some of the top army commanders. Frota is so incensed by recent newspaper coverage of one particular arrest that he is pressing for legal action against the offending paper. The conservatives are particularly vexed with Geisel's top adviser, General Golbery, whom they view as the chief architect

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of liberalization and the man responsible for the government's poor showing in the elections last fall.

At least some of the conservatives are genuinely concerned that liberalization will embolden subversives. Others, however, are worried that their influence and prestige will suffer if the administration significantly reduces the priority of national security matters. Moreover, some officers undoubtedly fear that excesses committed over the past 11 years in the name of national security could be exposed. Indeed, the opposition party, greatly strengthened in congress, proposes to study the whole question of violations of human rights. The government has voiced its disapproval, however, and will use its congressional majority to defeat the plan.

The apparent impunity with which regional security officers operate indicates that Geisel still has not brought these services fully under his control. Despite the discontent of some conservatives, however, they do not constitute a threat to the government's stability at this time, but they are certain to impede the progress of liberalization.

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