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Weekly Summary

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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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SECRET**INDIA: RETROACTIVE LEGALITY**

Prime Minister Gandhi continues to consolidate her political position, demonstrating a firm resolve to remain in office and to remove any possible threats to her exercise of power.

At Gandhi's direction, her party's large majorities in both houses of Parliament this week enacted retroactive amendments to the election law under which she was found guilty last June of illegal campaign practices in 1971. The amendments render largely meaningless the Supreme Court's consideration next week of her appeal. They stipulate that the violations of which Gandhi was convicted are no longer offenses and that the figurehead president, rather than the courts, will determine the penalty for anyone convicted of illegal campaign practices.

Two more bills are in the process of passage. One will exempt these amendments from review by the courts and the other will designate the upper house of parliament, rather than the courts, as the proper authority to consider future charges of campaign violations.

A constitutional amendment signed into law last week prevents the courts from acting on the legality of the state of emergency Gandhi declared in June. The measure had been approved by Parliament and was quickly ratified by state legislatures also controlled by Gandhi's Congress Party.

Meanwhile, there is increasing evidence that Gandhi may be contemplating fundamental changes in India's system of government. A special session of Parliament has been scheduled to begin on August 18, and the president of the Congress Party is working on a tightly held "crisis matter," presumably additional amendments to the constitution. Gandhi may well have in mind substituting for the present parliamentary form of government a strong presidential system with herself as the first chief executive. Eventually she may also move to declare India a one-party state.



Prime Minister Gandhi

Popular reaction to Gandhi's recent moves remains restrained. The opposition was caught off guard by the crackdown in June, and most opposition leaders are either in jail or have gone underground. Press censors strictly control news of political developments, and security remains tight throughout the country. There is evidence, nonetheless, that opposition elements may be planning nonviolent demonstrations in the northeastern state of Bihar and possibly elsewhere on August 9, the anniversary of a major anti-British protest led by Mahatma Gandhi. Other demonstrations could occur on August 15, India's independence day.

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Vorster and Smith

RHODESIA - SOUTH AFRICA

Vorster Withdraws Police

The South African government's public acknowledgement on August 1 that it is withdrawing all its police forces in Rhodesia seems intended to underscore Prime Minister Vorster's impatience with Rhodesian Prime Minister Ian Smith's refusal to begin settlement negotiations with the black Rhodesian nationalists. Vorster may also hope that removing this symbol of South African support for the Smith regime will further his ultimate goal of peaceful coexistence with the black states of Africa.

Some 1,600 South African police had participated in Rhodesian counterinsurgency operations until last December, when a truce with the black insurgents was arranged by the South African Prime Minister and four black African presidents. Last February, Pretoria began a quiet withdrawal of the police, and less than 300 now remain in Rhodesia.

Without the South African police, the Rhodesian security forces will be hard pressed should the black nationalists carry out their threat to resume guerrilla warfare if Smith has not agreed by October to a settlement conference. Rhodesian whites are outnumbered 20 to

1, and the shortage of white manpower limits further expansion of the security forces.

Smith says that a settlement conference between himself and black Rhodesians must take place in Rhodesia. The black nationalists, on the other hand, insist that the conference be held outside Rhodesia because several of their exiled leaders might be arrested if they returned for a conference.

Some Reluctance

Several considerations may have kept Vorster from openly completing the police withdrawal until now. He probably hoped that uncertainty as to whether the withdrawal would be completed might stretch out Pretoria's leverage over both Smith and the black nationalists. Also, Vorster was reluctant to provoke the right-wingers in his own National Party, who still feel strongly that South Africa should not abandon the white Rhodesians. Vorster apparently has now come to believe that leaving even a small police contingent in Rhodesia has encouraged Smith to evade meaningful negotiations with the black nationalists.

Vorster is aware that the presidents of Zambia, Mozambique, Tanzania, and Botswana

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are still trying to keep the black Rhodesians from scuttling the truce. Last month the four presidents brought the quarreling Rhodesian leaders together and told them that foreign support for a new guerrilla offensive was contingent on their proving, through a joint approach to Smith, that a negotiated settlement was impossible. Subsequently, a senior Zambian official and the black Rhodesians began a new effort to resolve the impasse with Smith over a conference site.

The South Africans have announced that Smith is to meet with Vorster in Pretoria today. They may discuss the latest Zambian effort to salvage settlement talks.

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ANGOLA: FIGHTING SPREADS

The civil war between the National Front for the Liberation of Angola and the Popular Movement for the Liberation of Angola is steadily spreading. Portuguese officials in Lisbon and Luanda realize that the situation has reached a crucial stage, but they are unable to stop the fighting.

During the past week clashes between Angola's two principal liberation groups took place at a number of locations south of Luanda and in the exclave of Cabinda. Angola's third nationalist group, the National Union for the Total Independence of Angola, has strong tribal support in the area south of Luanda; this increases the prospect that it will be drawn into the fighting. So far, the National Union has remained neutral, although in recent months it has had to defend itself against small-scale attacks by the Popular Movement.

The clashes in Cabinda apparently were sparked by a modest buildup by the National Front along Zaire's border with Cabinda. The fighting was light and the National Front did not penetrate the exclave in force. Cabinda is dominated by units of the Popular Movement.

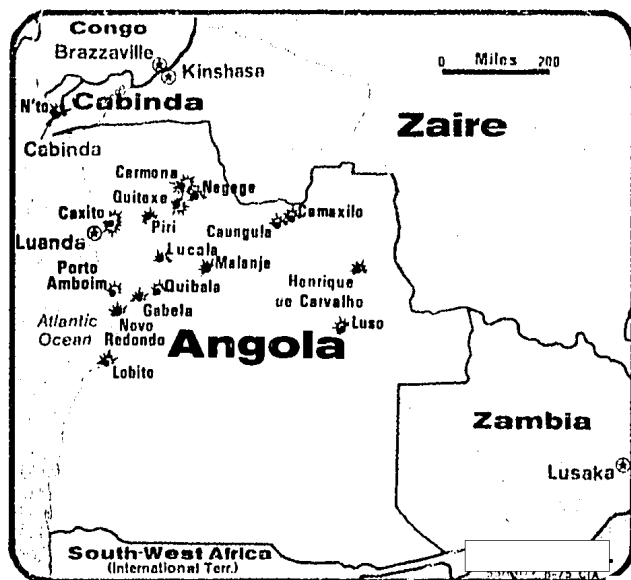
A high-level military delegation from Lisbon visited Angola last weekend. The group

consulted with Portuguese military officials in Luanda and with representatives of the Popular Movement, which has close contacts with a number of influential officers in the Armed Forces Movement. The National Front and the National Union apparently refused to meet with the delegation, arguing that it was biased in favor of the Popular Movement.

The suspicions of the Front and the Union increased with the departure for Lisbon of the Portuguese high commissioner in Angola, who had taken a neutral position regarding the fighting. He probably will not return, and the territory's military commander has become acting commissioner.

Expectations of a Portuguese policy shift soon regarding Angola are widespread, particularly among the territory's estimated 200,000 whites. Lisbon has announced that it will speed the evacuation of all whites who want to leave the territory. The announcement has provoked speculation in the territory that Lisbon realizes it is helpless to control developments in Angola and now intends to turn the territory over to the nationalists and let them fight it out.

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SECRET**NIGERIA: ALL QUIET**

The new regime lifted all emergency restrictions late last week as Nigerians quietly accepted the replacement of General Gowon by Brigadier Muhammed as head of the Federal Military Government. For the moment the new rulers are preoccupied with putting their administration in order and have not indicated how they intend to deal with economic problems.

The Nigerian press, student groups, and trade unions have expressed support for the new government. At the same time, leading newspapers and student spokesmen—long-standing critics of military rule—have called on the military to set a firm schedule for returning Nigeria to civilian government. Pledges of loyalty have also come from several senior officers in the Gowon regime who apparently are reconciled to their forced retirement. Gowon presently is in Togo and may later join his family in London.

In the new 25-man cabinet, the defense post went to Brigadier Bisalla, a respected north-

ern minority tribesman. Colonel Garba, who first announced the coup, emerged as commissioner of external affairs. Civilians hold 12 of the posts, including such important ones as petroleum and energy, economic development, and finance. An Ibo supreme court justice was named commissioner of justice and attorney general. This is the only prominent position in the new regime awarded to Ibos, who still are viewed with suspicion five years after their defeat in the civil war.

The new military governors of Nigeria's 12 states have been downgraded in importance and no longer sit on the Supreme Military Council. The council may now be more able to control the governors, who were quite free-wheeling under Gowon. The governors now comprise the National Council of States, a new body intended to provide a forum for state representation and to act in an advisory capacity to the central government.

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SECRET**COMORO ISLANDS: NEW GOVERNMENT**

A group that wants to maintain close ties with France ousted the government of President Ahmed Abdallah on August 3. Abdallah appeared to be moving toward a complete rupture with Paris following the islands' unilateral declaration of independence on July 6. The new government has pledged to seek a compromise with the inhabitants of the island of Mayotte, whose wish to remain a part of France had precipitated the dispute between Abdallah and Paris.

About 50 members of the United National Front, a coalition of opposition groups, seized the local security forces' barracks in the capital of Moroni while Abdallah was visiting another island. There was no opposition or bloodshed. An 11-member committee headed by Said Mohamed Jaffar, a former president of the local governing council and former Comorian representative in the French Senate, is in charge.

The new leaders favor independence, but they hope their policy of cooperation with Paris will persuade the inhabitants of Mayotte to abandon their demands for incorporation in France. The new leadership is willing to offer the island considerable autonomy within a federated state.

Abdallah, backed by the Comorian chamber of deputies, declared the chair of four islands independent in an attempt to counter a move by the French National Assembly that would have permitted Mayotte to become a French overseas department. Mayotte political leaders denounced Abdallah's declaration and demanded that France maintain its authority on the island. Paris was willing to accept the Comoros' independence and hoped Abdallah would reach a compromise settlement with Mayotte.

Abdallah, however, adopted a militant position; on August 1 he demanded that the

French withdraw from all the islands as soon as possible. Pro-French demonstrations began in Mayotte on the same day. Jaffar and his followers then decided to act.

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ISLAMIC DEVELOPMENT BANK

The Islamic Development Bank, the largest multilateral aid institution funded by Middle East oil producers, held its inaugural meeting in Riyadh last week. The bank, headquartered in Jidda, has an authorized capital of \$2.4 billion, more than \$900 million of which already has been subscribed.

The bank is scheduled to start operations in October and will provide interest-free loans for development projects in Islamic countries. The bank may also supply equity funding for industrial projects. Most of its work presumably will be undertaken in conjunction with other international financial agencies.

Pakistan and Egypt first proposed a Muslim development bank in 1970, but Saudi Arabia is now the principal champion of the institution. There are 27 member countries and two applications are pending. Major OPEC commitments have been made by Saudi Arabia (\$250 million), Libya (\$150 million), the United Arab Emirates (\$137 million), and Kuwait (\$125 million). Pledges of \$12 million or more have come from Turkey, Sudan, Pakistan, Egypt, and Bangladesh.

The new bank brings to five the number of OPEC-sponsored multilateral institutions that provide development assistance. The combined authorized capital of these banks is over \$4 billion. There are two other OPEC-sponsored agencies not yet in operation.

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PORTUGAL: VIOLENCE INCREASES

Anti-Communist violence in northern Portugal reached serious proportions this week, and the country's ruling triumvirate apparently has finally decided on a new government.

The executive troika—President Costa Gomes, Prime Minister Goncalves, and security forces chief Otelo de Carvalho—has been holding a series of meetings with high-ranking military officers in an effort to settle the leadership issue. The Prime Minister's office has said that the new government will be announced on August 8.

The upsurge of anti-Communist violence in the north has driven security forces, as well as Communist Party functionaries, out of several towns. The accidental shooting deaths of two demonstrators in Famalicao resulted in the sack- ing and burning of the local Communist head- quarters, as well as attacks on the property of known Communists. Similar incidents have been reported in neighboring towns, and one police official has stated that the people are mobilizing in many other places to the north to "finish off the Communists."

The Catholic Church is also fomenting op- position to the Armed Forces Movement and the Communists in close cooperation with the democratic parties. In Coimbra, a northern university town, the bishop has urged increased militancy by Catholics in opposing efforts to alienate the people from the clergy. Both the patriarch of Lisbon and the papal nuncio have said that the church in Portugal is determined to struggle against the government's pro-Communist policies.

Faced with these attacks, Communist Party leader Alvaro Cunhal has made an unprec- edented appeal to radical leftist groups—some of which are among his bitterest enemies—to join with the Communists to prevent them from being overwhelmed by "counter-revolutionary" forces.

The Communists also appear to have been dealt a sharp setback in their efforts to infiltrate and control key military units. General Carvalho this week reversed a decision issued by his

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headquarters sanctioning the expulsion of a conservative commander and his supporters from a commando unit near Lisbon. Carvalho ordered the expelled officers reinstated and their Communist opponents held for court-martial. This decision could be instrumental in restoring discipline to the military and in discouraging Communist penetration of other units.

Ecevit's tough line will make it more difficult for Demirel to show much give on the US base issue or the Turkish presence on Cyprus. Even if the embargo is lifted, Demirel is expected to demand continued Turkish administrative control over the bases and ask for some adjustments in Turkey's "special" relations with the US.

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The Portuguese leaders' "shock" last week over the extent of independence sentiment reported in the Azores has been reinforced by the news of another independence movement with anti-Communist overtones on Madeira. The Madeira branch of the Popular Democratic Party is reportedly spearheading the independence drive, and Lisbon was sufficiently concerned last weekend to reinforce its garrison on the island.

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TURKEY: WAITING IT OUT

Turkish Prime Minister Demirel declared this week that Turkey cannot negotiate a new defense agreement with the US as long as the arms embargo remains in effect. If no end to the arms embargo appears to be in sight by fall, the Turks may resume negotiations but solely to arrange the withdrawal of US military forces.

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Former prime minister Bulent Ecevit, leader of the opposition, has challenged Demirel to outline the future status of US bases now that bilateral defense agreements have, in Turkish eyes, become invalid. Ecevit clearly intends to make political capital out of the base issue in the senatorial elections scheduled for October.



**Prime Minister Demirel (r)
and Turkish Foreign Minister Caglayangil**

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CSCE: PROOF OF THE PUDDING

Western leaders at the summit last week stressed that implementation of the provisions of the European security conference protocol will provide the only real test of the spirit of detente as expressed in Helsinki. In evaluating the conference, West Europeans will focus on military security and the freer flow of people, ideas, and information between East and West. The first in a series of follow-up meetings to monitor the progress in implementing the CSCE accords will be held in Belgrade in 1977.

The Soviets went out of their way to play to the more optimistic instincts of the Western nations. Brezhnev's conference speech was an adroit expression of Soviet interests woven in a language sensitive to the nagging Western concern that Moscow had somehow gained the most from the conference. He called the non-interference principles the "main conclusion" of the conference. To the West, non-interference means no more Czechoslovakias. To Brezhnev, it means that the West cannot use humanitarian issues as an excuse to meddle in Soviet internal affairs. Brezhnev told the conference that the information media can poison, as well as promote, international understanding.

Brezhnev studiously refrained from saying anything about the inviolability of frontiers—a concept that has been widely interpreted as legitimizing Moscow's post - World War II ter-

ritorial gains in Europe and that was clearly one of the Soviets' principal objectives in CSCE. On the contrary, Brezhnev tried to give the impression that CSCE was not a denouement, but a prologue. Brezhnev did not blanch at extolling the humanitarian benefits that will derive from the agreement.

The words were easy, but the practice may be another story. The Soviets will have to show considerable flexibility and a flair for public relations if they are to convince others that they are living up to the agreements. The text was, as promised, printed in full in the Soviet press, but the Soviets seem to have been caught off guard when American correspondents applied for multiple entry visas.

Brezhnev stated that with the conclusion of the CSCE, progress at the force reductions talks in Vienna is now a "priority goal" of the Soviet Union. This sentiment, echoed by all the larger Western powers except France, may be put to the test this fall when the talks resume.

The first and, perhaps, most visible test of the new accord will come when the Warsaw Pact gives advance notice of its military maneuvers this fall under the provisions of military-related, confidence-building measures. This week, NATO members agreed on a text concerning the notification of a series of exercises planned for

Brezhnev and Gromyko head the Soviet delegation



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September involving US, West German, Canadian, and French forces. The Allied announcement specifies the time, purpose, and area of the maneuvers, the units participating, and the number of troops involved. The Western powers will be watching whether the Warsaw Pact states reciprocate with the same degree of detail in their notification.

The Communist performance regarding the provisions for greater exchanges of people, ideas, and information will also be watched closely. Procedures for putting some of these provisions into effect still must be worked out in bilateral accords. Other provisions will be dealt with in international forums, such as UN specialized bodies and trade organizations.

The East European regimes can be expected to deal very cautiously with questions relating to the freer movement of ideas and people. Indeed, the East German and Czechoslovak news media have only obliquely referred to such issues.

The West anticipates significant commercial as well as political benefits to result from the accords. Western businessmen hope they will be allowed to set up offices in Moscow and to expedite transactions by dealing directly with factory managers instead of going through ministry officials.

The Helsinki summit may breathe life into the largely dormant UN Economic Commission for Europe. The commission is preparing a report on follow-up procedures for the CSCE, to include suggestions for projects involving:

- expansion of trade between East and West,
- economic planning and forecasting,
- regularized and detailed exchanges of information in the fields of science, technology, and the environment,
- moves toward harmonization and standardization,

- joint research concerning environmental and energy problems,
- development of common projects in the energy, communications, and transportation fields.

According to Chancellor Schmidt, the 35 participating nations are now morally committed to "let deeds follow words." The burden of implementation—particularly in the areas requiring increased exchanges—will fall primarily on the East. The "voluntary" commitments represent, in the words of Prime Minister Wilson, "a moral commitment to be ignored at our mutual peril."

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SOVIET SPACE PROBES

According to two Soviet scientists, the Soviet Union will launch an unmanned space probe to Mars next month. A probe to Mercury was also discussed.

At the international space conference in Bulgaria this June, the two scientists indicated that the Mars launch would take place during the launch window in September. Previously, other space officials had indicated that no missions to Mars were planned for this year. The last Soviet launch to Mars was in August 1973.

No date was mentioned for a Mercury probe, but optimum periods for a launch to Mercury occur about every four months; the next one is at the end of October. This would be the Soviets' first Mercury probe.

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SECRET**EASTERN EUROPE: PRESIDENT'S TRIP**

President Ford's whirlwind trip to Eastern Europe generated much popular enthusiasm, which the leaders in Warsaw, Bucharest, and Belgrade will use to their own advantage. News media at each stop gave heavy coverage to the Presidential visits.

Poland's leaders were obviously pleased that the President chose to visit their country only ten months after party chief Gierek became the first East European leader to talk with President Ford. The Poles appeared to be especially proud that the President chose to stop in Warsaw before going on to Helsinki for the CSCE summit meeting. Polish news media have underscored expanding Polish-US contacts, particularly in the economic and commercial fields. Gierek can be expected to emphasize Warsaw's developing ties with Washington as he tries to divert attention from his regime's economic problems.

The timing of President Ford's visit to Romania—in Bucharest's view—could scarcely have been better, since it closely followed US congressional action opening the way for most-favored-nation status for Romania. President Ceausescu probably hopes that the bilateral summit meeting will boost his prestige, which has suffered because of economic problems and the recent devastating floods. Ceausescu accordingly rolled out the red carpet, and the US embassy in Bucharest reported that the Romanians gave more media coverage to President Ford's visit than to that of any other foreign dignitary. Romanian journalists dwelled on the significance of most-favored-nation treatment and stressed the "profound fact" that the President arrived in Bucharest only a day after the Helsinki summit.

The Yugoslavs, like the Romanians, viewed the visit as a welcome sign of Washington's interest in their country's stability and independence. Belgrade reported that the dialogue between the President and Tito "went further than all other" Yugoslav-US summit meetings. Milika Sundic, Radio Zagreb's authoritative commentator, suggested that Belgrade was particularly pleased with Washington's desire to

improve relations in all fields, presumably including military relations. Sundic probably summed up Belgrade's hopes in noting that despite some continuing differences, Yugoslavia and the US will cooperate "as previously and perhaps more broadly" in solving problems together.

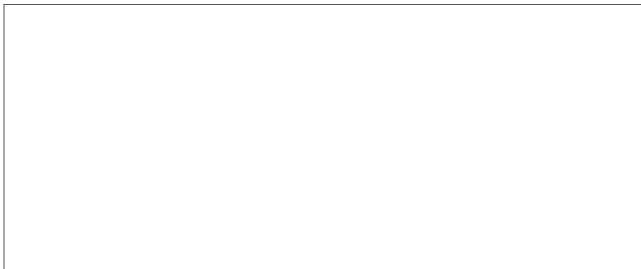
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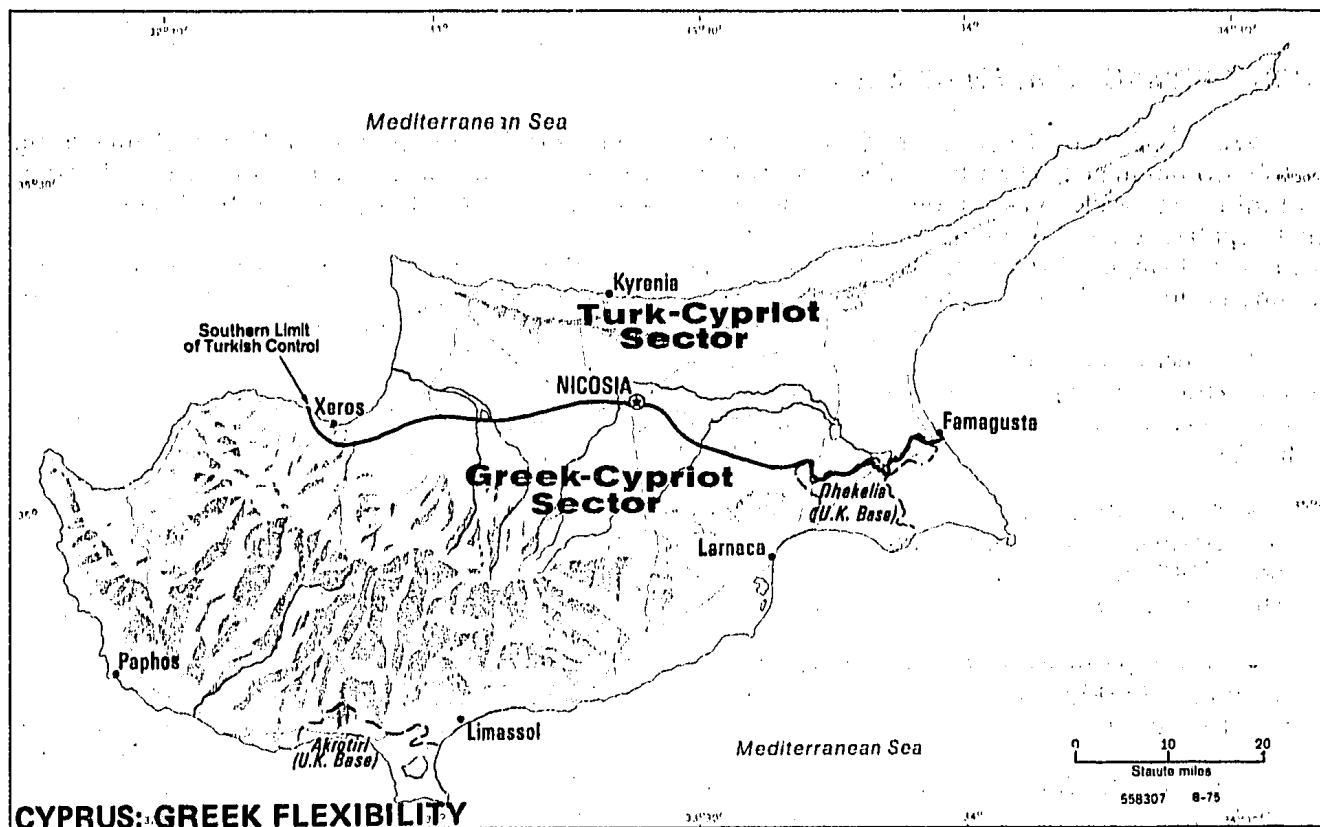
USSR-EGYPT: DEBT DIFFICULTIES

Egyptian Finance Minister Ismail returned home empty-handed on August 2 after extended negotiations with Moscow regarding Cairo's debt on military purchases from the USSR. The failure of the negotiations to make significant progress could lead Egyptian President Sadat to take further action against Moscow's remaining interests in Egypt. The Soviets are apparently trying to head this off by promising to hold more talks at an unspecified date in Cairo and holding out the prospect of additional development aid.

The Egyptians wanted an extension of the ten-year moratorium, which expired in 1974, on its military debt to Moscow. The Soviets refused, insisting on payment of the \$200 million now overdue. This would require Egypt to divert large quantities of exports—mainly hard-currency earners—to the USSR and would impose additional strains on Cairo's balance of payments.

The Soviet position indicates Moscow is going to continue to play tough with Egypt, even at risk to its remaining privileges in Egypt. The Egyptians have already clearly linked their restrictions on Soviet naval access to Egyptian ports to Moscow's inflexibility on the debt and on the provision of military equipment. 25X1

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Prospects for a negotiated Cyprus settlement may have improved following a productive round of intercommunal talks in Vienna last week. The Greek side may now be willing to accept the Turkish demand for a biregional federation with a weak central government, albeit in return for significant territorial concessions.

In the most significant development to date in the talks, Greek and Turkish Cypriot negotiators agreed to the transfer of the 9,000 Turkish Cypriots in the south to the north and an improvement in the living conditions of an equal number of Greek Cypriots in the Turkish Cypriot zone. Some 800 Greek Cypriots expelled recently from the north will be allowed to return.

Greek Cypriot willingness to permit the departure of the Turkish Cypriots—a long-standing demand of the Turkish Cypriot leadership—represents a significant departure from President Makarios' past strategy, which used the presence of the Turkish Cypriots in the south as evidence of the feasibility of his multiregional federation scheme. Makarios now appears to have aban-

doned this idea. A plausible press report from Ankara states that Greek Cypriot negotiator Clerides agreed in Vienna to accept a biregional federation with a weak central government in return for territorial concessions. Greek Cypriots have demanded the return of the rich Morphou and Famagusta areas and have variously indicated a willingness to accept Turkish Cypriot control over as much as 25 percent of the island's land area. The Turks presently occupy 38 percent of the island.

Much depends on whether the Turks meet the territorial demands of the Greek Cypriots. In an apparent response to Clerides' consent to the transfer of the Turkish Cypriots from the south, Turkish Cypriot negotiator Denktash discussed all outstanding issues in Vienna last week. He promised to present concrete proposals—presumably including the territorial question—when he meets with Clerides in New York on September 8-9. The two leaders plan also to conclude their discussions on the powers of the central government, which took up much of their time last week.

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SECRET**WEST GERMAN - POLISH ACCORD**

West German Chancellor Schmidt and Polish Communist Party Chief Gierak agreed in Helsinki last week on economic aid measures and repatriation of ethnic Germans—two issues that have hampered relations since the bilateral reconciliation treaty was signed in 1970.

The agreement, initialed in Germany yesterday and to be signed formally when Foreign Minister Genscher visits Warsaw in October, provides for:

- A low-interest loan of \$400 million by West Germany and a lump sum payment of about \$500 million to a Polish pension fund, ostensibly as compensation for war losses;
- Polish permission for the repatriation of some 125,000 ethnic Germans over the next four years.

Much of the \$900 million could return to West Germany in the form of payment for exports. Poland has cut back on purchases of West German goods due to low hard currency earnings and the coolness in political relations. Bonn's decision to boost its payment to the pension fund was the key to the breakthrough.

Chancellor Schmidt held out against increasing the size of the low-interest loan that his predecessor Brandt initially offered the Poles.

West German officials have so far resisted demands from the Soviets and other East Europeans for government-subsidized credits. The only similar loan was to Yugoslavia under the guise of development aid.

Schmidt still must obtain Bundestag approval of the payment to the pension fund. Opposition Christian Democratic leaders are charging the Poles with extortion, claiming that the Brandt government had already made a political payment for the emigration of ethnic Germans by recognizing the Oder-Neisse line in the treaty of 1970.

Warsaw did allow over 50,000 to repatriate in the years immediately after the treaty but sharply curtailed emigration in 1973, when the Brandt government refused to meet its demands for credits and indemnification. The opposition's arguments, however, are unlikely to influence the final parliamentary vote, because the two coalition parties solidly support Schmidt's request.

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AUSTRIA: A NEW CHALLENGER

The death last month of Karl Schleinzer, the leader of the opposition People's Party, and his replacement by a political unknown diminish the party's prospects as it prepares for national elections on October 5.

At a special party congress last week, the executive committee unanimously agreed on 41-year-old Josef Taus as the new party leader and chancellor-candidate. Taus, the director of the Austrian savings bank system and a member of the party's labor league, met the requirements for a new, younger leader to challenge Socialist control of the government. Taus is the image of the self-made man of working class background. His banking experience may enable him to speak more authoritatively on Austria's economic issues than his predecessor.

Taus, nevertheless, will have difficulty outpointing the witty, urbane, and politically astute Chancellor Kreisky. The outspokenness of Kreisky has often involved him in unnecessary controversy, yet his stewardship coincides with a period of domestic political stability and prolonged economic prosperity.

Barring some dramatic event, such as a serious downturn in the economy or Kreisky's sudden physical deterioration, there seems to be little chance that the Socialists will fail to win a plurality next October.

The best chance for the People's Party to return to power would be to form a coalition with the small opposition Liberal Party. The problem with this solution is the ultraright-wing

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reputation of the Liberals. Kreisky may already be trying to head off such a move. Earlier this year, he gratuitously gave Liberal Party chair-

man Friedrich Peter considerable publicity by including him in a delegation to Bonn. [redacted]

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USSR: WORKERS OF THE WORLD

Moscow is using more foreign laborers to complete high-priority natural resource and tourism projects. It has established a new foreign trade organization to arrange agreements and coordinate work with foreign construction firms.

Most of the foreign laborers so far have come from Bulgaria, which began sending construction workers to the Soviet Union in 1968 to build camps and other facilities for the timber project in the Komi ASSR. Next came lumbermen, and now over 10,000 Bulgarians are at the project. Others have worked on a gas pipeline and various construction projects. As many as 45,000 Bulgarians are reportedly employed in the Soviet Union.

Finns have worked on projects near the Soviet-Finnish border. Finnish laborers helped build the Hotel Viru in Tallinn between 1969 and 1972. They are now on jobs such as the modernization of a pulp and paper complex near Leningrad, a logging project, and preparatory work on an ore concentration facility near the Soviet-Finnish border.

The gas pipeline from Orenburg to Eastern Europe will employ the most foreign labor. Five East European countries agreed last year to send workers to build segments of the pipeline for this CEMA project in partial payment for gas that these nations will receive beginning about 1979. Workers from Eastern Europe began entering the USSR in March and April; construction activity will be at its height in 1976.

Next year, 2,000 East European construction workers will join 26,000 Soviets working on another CEMA project—the Ust Ilim pulp complex under construction since 1973.

Western labor will be needed for the Soviets' hotel construction program. Last September a Moscow official put the city's total labor shortage at 120,000, noting that the construc-

tion sector, long blamed for shoddy workmanship and failure to complete projects on schedule, was particularly short. Soviet officials have said they will need at least 40 new hotels in time for the 1980 Olympics. A \$180-million agreement concluded in December calls for a French group to employ 800 workers to build three hotels in Moscow and one in Leningrad.

Another agreement with a Swedish construction firm and Intercontinental Hotels of the US for four hotels was signed in May 1974, although final approval of the deal has been stymied by Soviet refusal to allow Intercontinental a role in managing the hotels. The Soviets are discussing more hotel construction arrangements with firms from France, Finland, West Germany, Switzerland, Italy, Austria, the UK, and the US. Yugoslav construction firms are negotiating to build a \$500-million Olympic village in Moscow. Yugoslav firms are also building hotels in Sochi and Yalta.

Moscow is not doing any favors for the countries that send workers to the USSR. The CEMA countries have complained that their commitments to Orenburg will exacerbate their own labor shortages and interfere with fulfillment of their production plans in some sectors. As a result, the number of East European laborers expected to work on the project has been reduced to about half the originally planned 25,000. Hungary, Czechoslovakia, and East Germany have halved their labor commitments since June, and Bulgaria has bowed out altogether. Only Poland is likely to provide the 4,000-4,500 workers announced last year.

Foreign labor will also be expensive; workers reportedly will continue to receive full pay from their home jobs, as well as a second salary from the pipeline job. The workers are also promised living standards comparable to what they are accustomed to at home, a policy which could create morale problems for the workers on the project. [redacted]

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SECRET**NORTH VIETNAMESE ARMED FORCES****Three Months After Victory**

During a few dramatic weeks characterized by the rapid demise of the South Vietnamese government and the capture of massive amounts of US-made equipment and munitions, Hanoi emerged with the second strongest military establishment in East Asia. This sudden military dominance has not been lost on neighboring Thailand, Malaysia, Indonesia, and the Philippines. There is apprehension in these countries that Hanoi, now fat with success and the spoils of war, might be tempted to increase assistance to the insurgencies with which these countries have to contend.

Just what the communist leadership is thinking in respect to the use of its military capability is unknown. One thing Hanoi will do is keep a strong force in the South as long as it is needed.

Foremost among Hanoi's concerns is maintaining internal security, while the communists grapple with economic, administrative, and political problems.

Occupation Army

The mission of most North Vietnamese army units in the South is that of an occupation army. Their duties now consist of providing security, mopping up holdout remnants of former South Vietnamese units, and assisting in restoring and maintaining general law and order. They also have administrative, engineering, and agricultural tasks.

A high communist official recently confirmed that security remains the major problem in the South. Although the resistance appears to have little hope, harassment attacks are wide ranging enough to require extensive counterinsurgency efforts from the communists. The South Vietnamese diehards have to a degree reversed the tables on the communists, who now station relatively large numbers of troops along

highways, near bridges, and at remote outposts to fend off small attacking forces armed with light weapons.

North Vietnamese forces have had to take up positions along the ill-defined border with Cambodia. Numerous small clashes have erupted as Khmer communists and Vietnamese communists dispute territory. The Vietnamese moved quickly to assert claims to several offshore islands in the Gulf of Thailand earlier this summer, and they are not likely to cede any property to their weaker communist neighbor.

Communist forces in the South also have been heavily engaged in clearing the countryside of the dangerous relics of war. Both Hanoi and Saigon have announced that engineer units have cleared large numbers of unexploded bombs, shells, and mines, and removed derelict military vehicles from farmlands. They state that large parts of the country have been restored to agricultural production and that new farming areas will open.

Communist military personnel are spending considerable time identifying, cataloging, and storing the large quantities of US equipment and munitions captured last spring. The North Vietnamese have already made use of some of the equipment, including US aircraft, in the delta and against the Khmer communists on some offshore islands. The eventual disposition of much of the captured equipment probably has not yet been decided. So far there has been no evidence that Hanoi is offering surplus arms to insurgents in other countries, although that possibility worries neighboring capitals.

The shortage of qualified civilian administrators has forced the communists to use military personnel in a variety of government jobs, mostly at the lower levels. Some military cadre have been filling in as civil servants and helping with the "re-education" of former government civilians and military personnel. As more and

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more civilian technicians and administrative cadre arrive from the North and additional former South Vietnamese government personnel

are "re-educated," the military is expected to restrict its involvement more and more to purely defense matters. [REDACTED]

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VIETNAM

LE DUAN VISITS PHNOM PENH

Phnom Penh and Hanoi announced this week that North Vietnamese party chief Le Duan, responding to a Cambodian invitation, had just concluded talks with Khmer leaders in the Cambodian capital. Neither announcement gave any details of the discussions, the participants involved, or the dates, but the meeting probably took place sometime between July 7 and 22. During that time, no member of the North Vietnamese Politburo was seen in public, and there was speculation that Politburo members were in South Vietnam attending a party plenum. It is possible that Le Duan and others made a side trip to Cambodia.

The North Vietnamese visit to Cambodia is the first publicly announced visit by a high-level foreign delegation since the communists assumed control in mid-April, and it may have been an effort by Phnom Penh to introduce some balance into the Peking-Hanoi competition for influence. Peking has yet to dispatch a delegation of equivalent rank, although Chinese representatives have been in Phnom Penh since shortly after the collapse of the Lon Nol government, and China has been by far the largest source of aid to the new regime.

Probably aware that the North Vietnamese visit would touch Chinese sensitivities, Radio Phnom Penh on the same day broadcast a message to China's defense minister commemorating the anniversary of the Chinese army. The message warmly thanked the Chinese for their support during the five-year war and noted that this support has continued in the "new phase of the Cambodian revolution."

FOOD SHORTAGES CROP UP

Communist officials are preparing the people in South Vietnam for possible food shortages later this year and next. Recent propaganda broadcasts have stressed that "famine," caused by the old capitalist-oriented agricultural system, "will continue to wreak a disastrous impact for a long time to come as it cannot be overcome immediately."

Rice stocks are probably large enough to last until the autumn harvest. There are localized shortages, but these reflect distribution problems rather than a lack of rice.

Rice output this autumn, however, will be lower than last year's record crop of 7 million tons. The profit-oriented production and marketing system of the past has been upset, and farmers face reduced supplies of fertilizers, fuel, machinery, and spare parts—all of which must be imported and most of which were previously financed by foreign aid. Communist officials hope to compensate partially for production shortfalls by expanding farm acreage in formerly insecure areas and increasing rural labor. Urban residents are being encouraged to move out of the cities by offers of free land, transport, seeds, and tools. Since April, several hundred thousand people have reportedly been resettled.

The communists have thus far avoided a rush to collectivize the agricultural sector. They probably recognize that such a move would disrupt production even more. Instead, communal farming has been introduced only in previously settled communist areas, refugee resettlements, and on newly opened farmlands provided to urban emigrants. [REDACTED]

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The additional tanks give North Korea a strong mobile armored force capable of offensive as well as defensive operations. The new division, which was formed by mid-1974, is located near Koksan within a day's march of the Demilitarized Zone. Either division could easily move down the Kaesong or Chorwon invasion corridors into South Korea.

To oppose these forces, the South Koreans have some 300 US-built medium tanks and substantial numbers of crew-served anti-tank weapons, but no anti-tank guided missiles. There are also 100 M-60 medium tanks assigned to US forces in South Korea.

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NORTH KOREAN ARMORED FORCE

Pyongyang has substantially increased its armored force over the past few years. Since 1971, it has put between 900 and 1,100 additional medium tanks in active service, permitting the formation of a second armored division, the upgrading of other units, and the partial replacement of older and less effective armored vehicles.

The North Koreans now have between 1,500 and 1,700 medium tanks and 60 to 100 assault guns. The additional tanks include both Soviet T54/55s and the Chinese-produced counterpart, the Type 59. Because China now is North Korea's principal supplier of ships and aircraft, most of the new tanks may be the Chinese Type 59.

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SECRET**ARGENTINA: THE "MINI-CABINET"**

Although President Peron's return to work after weeks of illness was the publicized highlight of the past week, of far more consequence is the growing prominence of a small group of cabinet ministers who are assuming the day-to-day direction of the government.

Dubbed the "mini-cabinet," the group is led by Interior Minister Benitez and includes Justice Minister Corvalan and Defense Minister Garrido. For the time being, these three remain politically acceptable to labor and the military because, unlike other ministers, they have no links to the ousted Lopez Rega.

Since the emergence of the "mini-cabinet," the government appears to have overcome some of its paralysis. Recent actions include:

- Tightening of controls on imports, to ease the balance-of-payments situation, and naming of a new central bank president.
- Intervention in the National Grain Board, following revelation of high-level bribery cases there.
- Easing of press restrictions that had been clamped on during the ascendancy of Lopez Rega.
- Granting of massive wage increases to public employees, following many weeks of indecision on that matter.
- Release of a number of political prisoners, on condition that they leave the country.

The release of the prisoners, aimed at easing tensions, changing the rightist image of the government under Lopez Rega, and ridding the country of some key dissidents, began even before last week's truce offer by the leftist People's Revolutionary Army in exchange for certain concessions, including release of all political prisoners. That group also wants the government to end the state of siege and rescind all

"repressive" measures, including the ban on its activities. Although the group realizes there is no chance that these demands will be met, the publicized offer is probably designed to enhance its image by displaying a willingness to be conciliatory and to highlight what it sees as government repression.

Cabinet ministers who have ties to Lopez Rega continue to be attacked politically and have been rendered ineffective. Foreign Minister Vignes and Labor Minister Conditti reportedly have offered their resignations.

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BRAZIL: TIME FOR RETRENCHMENT

President Geisel has responded to a resurgence of criticism from military conservatives by defining the goals of his administration in a way that de-emphasizes the importance of political liberalization. Last week, in a lengthy and rather detailed speech, Geisel instead stressed his concern with social progress and called attention to recent economic gains.

Asserting that economic growth will continue Geisel outlined government efforts to stimulate development, retard inflation, and reduce Brazil's balance-of-payments deficit. The major portion of his speech was concerned with social programs. At the conclusion he made some highly significant comments regarding politics.

Geisel made it clear that he does not intend to promote a return to democratic rule. On the contrary he stated his intention to retain special decree powers and alluded to the necessity for vigilance against communist infiltration and subversion. He said "a lot has been published and said about political relaxation...none of which corresponds to reality." He then referred to "relaxation" in terms of technical social programs that provide low-cost housing and free medical care to the needy.

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Just before the speech General Golbery, Geisel's political adviser, formally resumed his official duties after a long illness, but the President's remarks suggest that Golbery, the advocate of political liberalization, is unlikely to regain the influence he previously exercised

within the government. Instead it appears that Geisel intends to preserve the greater political freedom granted thus far, and to protect his own authority by adopting a more conservative political posture. [redacted]

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SELA INCHES FORWARD

The Latin American Economic System (SELA) remains a disembodied spirit following the conference in Panama, where advocates had hoped to establish this new Latin/Caribbean association. A second try at creation is scheduled for October 15. Venezuela, Mexico, and Panama, the leading proponents of a broad new hemispheric organization excluding the US, will probably lobby intensively for a more fruitful second session.

Both the promoters and the demurrers feel that they achieved something at Panama. The originators of the notion take pride in having attracted delegates from 25 governments- all the invitees but the Bahamas and Surinam. Moreover, they wrung a unanimous resolution out of the conference favoring the establishment of SELA despite grave reservations on the part of many countries.

The opponents of SELA came reluctant but resigned to the need to maintain public solidarity, and found solace in having forced a delay while a working group drafts a more specific definition of the organization's goals and structure. The fundamental concern of those opposed is that SELA's principal goal is precisely what the would-be founders insist that it is not: to put pressure on the US.

Critics of SELA also managed to raise the many practical problems that Venezuela and Mexico have tried to ignore. The vague principles proposed for SELA take no account of

the many political and economic differences that divide the countries of the area, and they fail to clarify the relationship with the various economic pacts and federations already in existence. The small countries are voicing their concern over prospects of being dominated by the much larger economies of such countries as Brazil and Mexico. Also, the SELA documents do not address the question of who would bear the burden of granting special treatment for the least developed areas.

One potential point of controversy never developed. The SELA meeting provided a kind of debut for Cuba in the Latin/Caribbean brotherhood, following the recent lifting of the OAS sanctions against Havana. Continuing Cuba's role as behind-the-scenes sponsor of SELA, Cuba's delegation worked unobtrusively and evidently took pains not to give offense. The Cubans will be elated at the founding of an all-Latin system, but clearly do not intend to trumpet SELA as an anti-US victory, at least for the time being.

SELA's promoters will have to take some note of the concerns that have been raised, but probably count more on the momentum of the swing toward solidarity in getting the union established. Whether SELA ever really promotes economic development is most likely of relatively little importance to Mexico and Venezuela. They would take satisfaction in producing a paper organization that leaves out the US and that serves as another platform from which they can plead the case for a "new world order" more beneficial to their own interests. [redacted]

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