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Weekly Summary

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No. 0044/75
October 31, 1975

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, 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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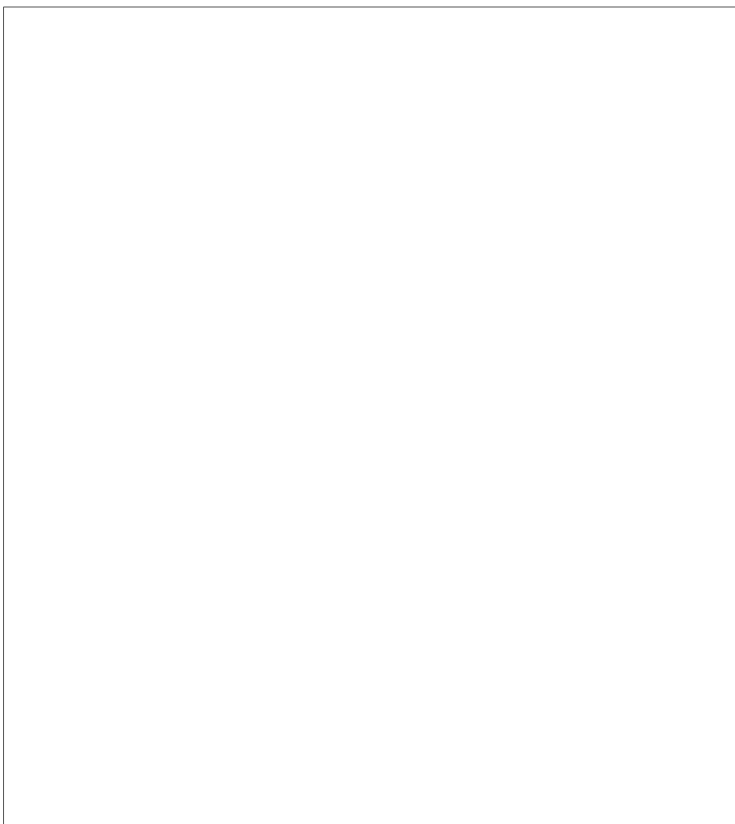
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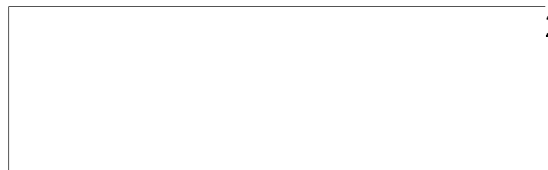
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SPANISH SAHARA: MARCH DELAYED

King Hassan has postponed his planned mass march into Spanish Sahara this week and is devoting increasing attention to talks with Spain that the King hopes will culminate in Madrid's agreement to turn over the territory to Morocco and Mauritania. Algeria, the fourth party to the dispute over the future of Spanish Sahara, opposes the talks and is continuing diplomatic efforts in support of self-determination for the territory.

Moroccan Foreign Minister Laraki went to Madrid on October 28 for another round of talks. He was accompanied by the foreign minister of Mauritania, which also claims part of the territory. On October 29, a senior Spanish official indicated that the talks were at an impasse because Hassan is refusing to call off the march. Spanish officials are divided on how to resolve the Saharan question, and the arrival of an Algerian delegation in midweek may have increased Spain's indecisive mood.

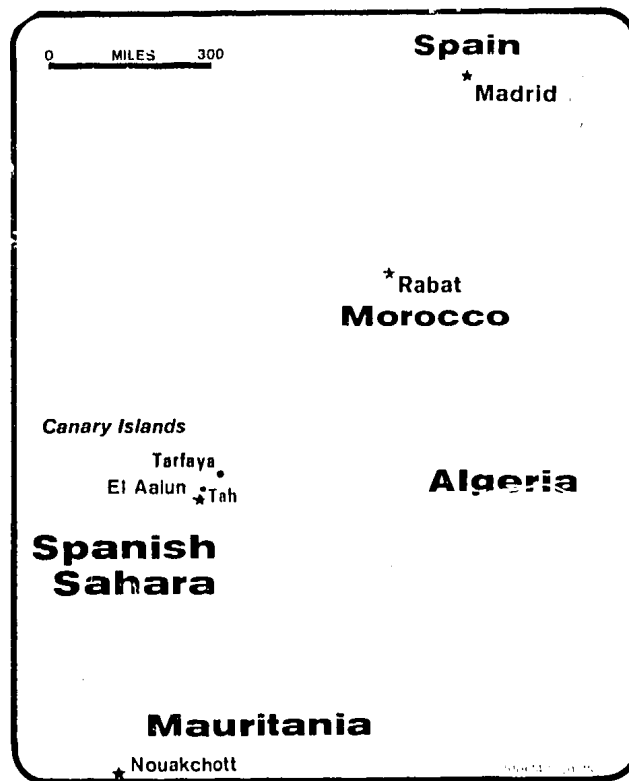
Morocco, Mauritania, and Spain all have reason to want the dispute settled quickly. The two African claimants would like a negotiated settlement to head off debate on self-determination in the UN General Assembly this fall. Spanish officials would like to settle this contentious issue to spare a new government under Juan Carlos an additional burden and avoid the problems they would face if Hassan's marchers crossed the border.

Concurrent with the quickening pace of diplomatic activity, Hassan is going ahead with preparations for the march. Nearly half the 350,000 Moroccan volunteers that have been selected are at Tarfaya, the final assembly point some 18 miles from the border. Hassan's target date for entering Spanish Sahara now appears to be sometime next week, but if Morocco and Spain reach an understanding, the trek may become a symbolic pilgrimage by less than 1,000 Moroccans. Even on that reduced scale, however, clashes are likely with indigenous Saharans, especially armed partisans of the Algerian-backed Polisario Front. Leaders of the Front, which wants independence for the territory, have said they will forcibly resist any "invading" Moroccans. Such clashes could bring Moroccan military intervention.

The King has received some international support for the march. Egypt, Saudi Arabia, Kuwait, and Gabon have verbally endorsed it, and Jordan has agreed to send a symbolic delegation. Algeria is lobbying hard to prevent Arab participation or other expressions of support and will probably succeed in most cases.

Algeria is also trying to return the problem to the UN General Assembly where it hopes to influence any decisions reached. Last weekend, Foreign Minister Bouteflika publicly endorsed UN Secretary General Waldheim's consultative mission to the four countries involved that ended on October 28. Bouteflika maintained, however, that Waldheim should confine himself to seeking a reduction of tension in the area and that decolonization measures should be left to the General Assembly. He added that these measures must be in accord with a recent UN report and an advisory opinion of the International Court of Justice, both of which upheld the Saharans' right to self-determination.

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SOVIETS CRITICIZE SINAI II

The USSR chose the eve of President Sadat's arrival in the US to issue its strongest attack to date on Egyptian policies and on the second-stage Sinai disengagement agreement.

On October 25, *Pravda* published a lengthy article vehemently refuting Sadat's allegations that the USSR has been less than wholehearted in providing diplomatic, military, and economic support. The purpose of the article, which was signed "Observer,"—indicating top-level Kremlin endorsement—was apparently to discredit Sadat's arguments for dealing with the US.

Pravda was particularly incensed over Egypt's public criticism of the inadequacy of Soviet military aid. The article cited the extensive support Moscow provided Cairo during the Middle East wars of 1956, 1967, and 1973, and said it was "shameless distortion" to suggest that all the USSR had sent to Egypt during the October 1973 war were "several bagfuls of spare parts." In an apparent allusion to Sadat's plans to discuss US military assistance during his Washington visit, Moscow reminded the Egyptians that their experience with the West in the early 1950s demonstrates that "one would hardly expect imperialist states to show concern for building Egypt's military strength."

Pravda also went to great lengths to defend the Soviet record of economic assistance to Egypt, with emphasis on Aswan and Helwan. Those now criticizing Soviet aid, Observer noted, do so "by the light of electricity and eating bread produced because of Aswan."

In addition, the article demonstrated continuing Soviet nervousness about the future of the 1971 Soviet-Egyptian treaty of friendship and cooperation, contending that Sadat himself had requested the accord.

Pravda did not attack Sadat by name, however, and kept the door open for better Soviet-Egyptian relations. The article clearly put the burden on Cairo for initiating any such improvement, saying that cooperation is impossible

if one country follows policies that undermine the other.

In its denunciation of Sadat's reliance on Washington for a Middle East settlement, the article provided Moscow's most authoritative public exposition of its opposition to Sinai II. The statement, which echoes what the Soviets have been saying privately, is particularly critical of the provision for US observers in the Sinai, calling it "a new element fraught with far-reaching, dangerous consequences."

Pravda again declared that the Geneva conference was the relevant forum for resolving the Middle East conflict. It added that Moscow does not completely reject further partial steps toward a settlement as long as these steps are worked out within the framework of the Geneva conference. *Pravda* made clear, however, that Moscow adamantly opposes Washington's recent diplomatic initiatives in the Middle East.

Despite these strong words, the Soviets avoided a confrontation in the UN concerning renewal of the UN observer force mandate in the Sinai. Moscow approved the one-year extension with little fanfare and with no specific mention of Sinai II or of the stationing of US technicians in the Sinai.

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ANGOLA: FIGHTING INTENSIFIES

Fighting among Angola's three warring liberation groups has intensified as each tries to grab as much territory as possible before November 11, the scheduled date for independence. During the past week, the Soviet-supported Popular Movement for the Liberation of Angola has come under growing pressure from the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola. No political solution

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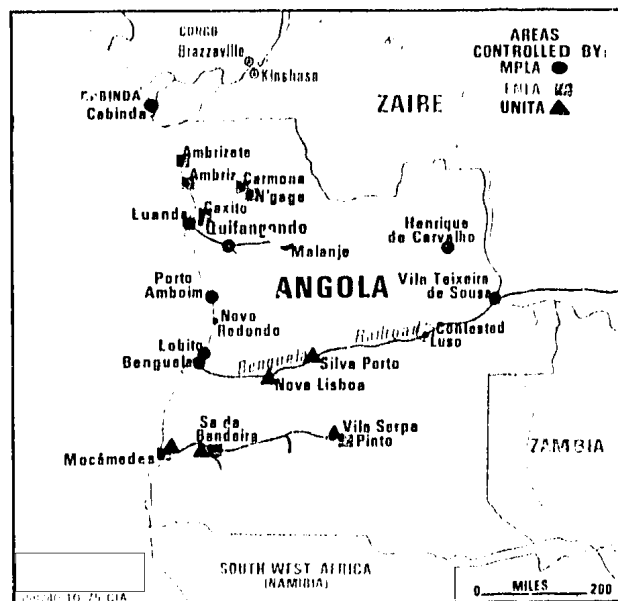
that would permit a peaceful transfer of sovereignty is in sight.

In the south, where the Popular Movement's forces are stretched thin, a combined force of the National Front and the National Union captured the important town of Sa da Bandeira last weekend. Early this week, the Popular Movement abandoned Mocamedes, Angola's third largest port, to advancing Front and Union forces. The occupation of Mocamedes gives the National Front and the National Union their first major resupply point in southern Angola.

The Movement probably withdrew from Mocamedes in order to bolster its defenses at Lobito, Angola's largest port, and at Benguela, an important rail junction. Recovery of the two cities before November 11 is a priority objective of the National Union and the National Front. The Popular Movement, meanwhile, claimed during the week to have made significant gains in its drive toward Nova Lisboa, Angola's second largest city and the National Union's headquarters.

In northern Angola, the National Front's advance towards Luanda—controlled since June by the Popular Movement—is stalled some 12 miles from the city near Quifangondo, site of the capital's vital water pumping station. Front forces apparently are unable to maintain a steady flow of supplies and may be further delayed by the Popular Movement's destruction of two bridges on the main road to Luanda. Since late September, the Front has been slowly recovering lost ground north and east of Luanda, meeting with less resistance than it expected. The morale of Popular Movement forces in Luanda reportedly is low, and many black residents are trying to flee to the countryside.

The Popular Movement, insisting that it is the only liberation group capable and deserving of governing Angola after independence, has launched a major propaganda campaign to discredit the other two groups as instruments of foreign powers and not true representatives of the Angolan people. Movement spokesmen are



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claiming that both Zaire and South Africa have sent troops to aid its rivals. The campaign is probably designed in part to set the stage for a unilateral declaration of independence on or possibly before November 11. At the same time, the Movement has ordered the mobilization of all men between 18 and 35 in an effort to lend a sense of urgency to the campaign—an order that has added to the restiveness in Luanda.

Portugal's latest—and possibly final—direct initiative to try to reconcile Angola's liberation groups collapsed this week when a high-ranking cabinet minister sent to Angola last week was unable to bring the top leaders of the three groups together for talks. Lisbon continues to insist that it will not hand over power at independence to any one group. It may simply transfer sovereignty to the "Angolan people," letting the three groups fight it out—as they will in any event.

Portugal's evacuation of white refugees from Angola continues; the airlift now operating only out of Luanda will be terminated after November 3. Approximately 194,000 Portuguese have been withdrawn to date and perhaps as many as 20,000 remain to be repatriated.

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LEBANON: CRISIS DEEPENS

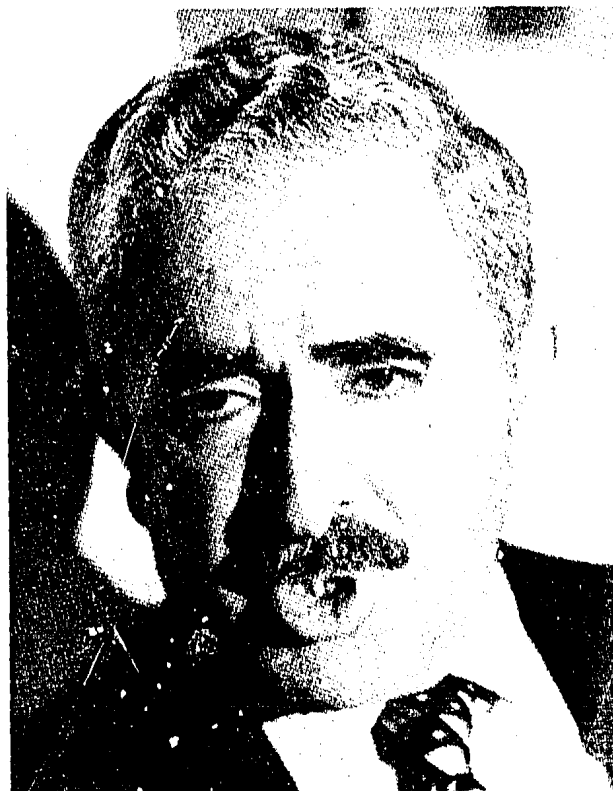
The fighting in Beirut reached a new level of intensity this week, and for the first time threatened to draw in large numbers of commandos from the major fedayeen organizations. Prime Minister Karami has had little success in finding a political solution to the crisis and toward the end of the week was threatening to resign if his calls for a cease-fire were not heeded.

The fighting entered a new stage last weekend, when Christian and Muslim extremists for the first time engaged in sustained battles for control of the heretofore neutral Qantari and Ras Beirut districts in the central and western parts of the city. Previously, the two sides had stayed generally within their respective enclaves, shelling nearby areas controlled by their opponents and venturing out only for hit-and-run bombing attacks in commercial areas of the city.

The expanded fighting led to involvement by some units of Fatah and Saiqa. Until now, these groups had stayed on the sidelines, limiting their activity to supplying arms to Lebanese leftists. Saiqa head Zuhayr Muhsin said in Damascus that the Fatah and Saiqa units had not "participated in full," implying that the action would not lead to large-scale fedayeen involvement if the Phalangists could be forced back into their traditional strongholds.

The Lebanese army remains mostly on the sidelines, although Karami and Interior Minister Shamun apparently continue to argue about whether to allow it to play a more forceful role. So far, the army has been used only to secure the road from the city center to the international airport, to control selected government buildings and installations in Beirut, and in a very limited way to replace internal security service units on the periphery of the city.

In an attempt to find a political solution to the fighting, Karami on October 28 announced formation of a ten-man "security committee" to put into effect the cease-fire that he called last weekend. Karami said that the group, which in-



Prime Minister Karami

cludes the country's major political leaders, would meet in his office until the fighting stops.

Socialist leader Kamal Jumblatt quickly dismissed the new committee as an outdated attempt at "tribal reconciliation" and insisted that Lebanon's problems must be solved through fundamental reforms initiated by the now inactive national dialogue committee. Jumblatt later grudgingly agreed to participate, apparently at the urging of Palestinian leader Yasir Arafat. Shamun and Phalangist leader Pierre Jumayyil, the two most important Christians named to the committee, also initially balked at participating, but later seemed likely to go along.

Karami apparently plans to assemble the committee, then ask religious and Palestinian leaders to join it in a "summit conference" to

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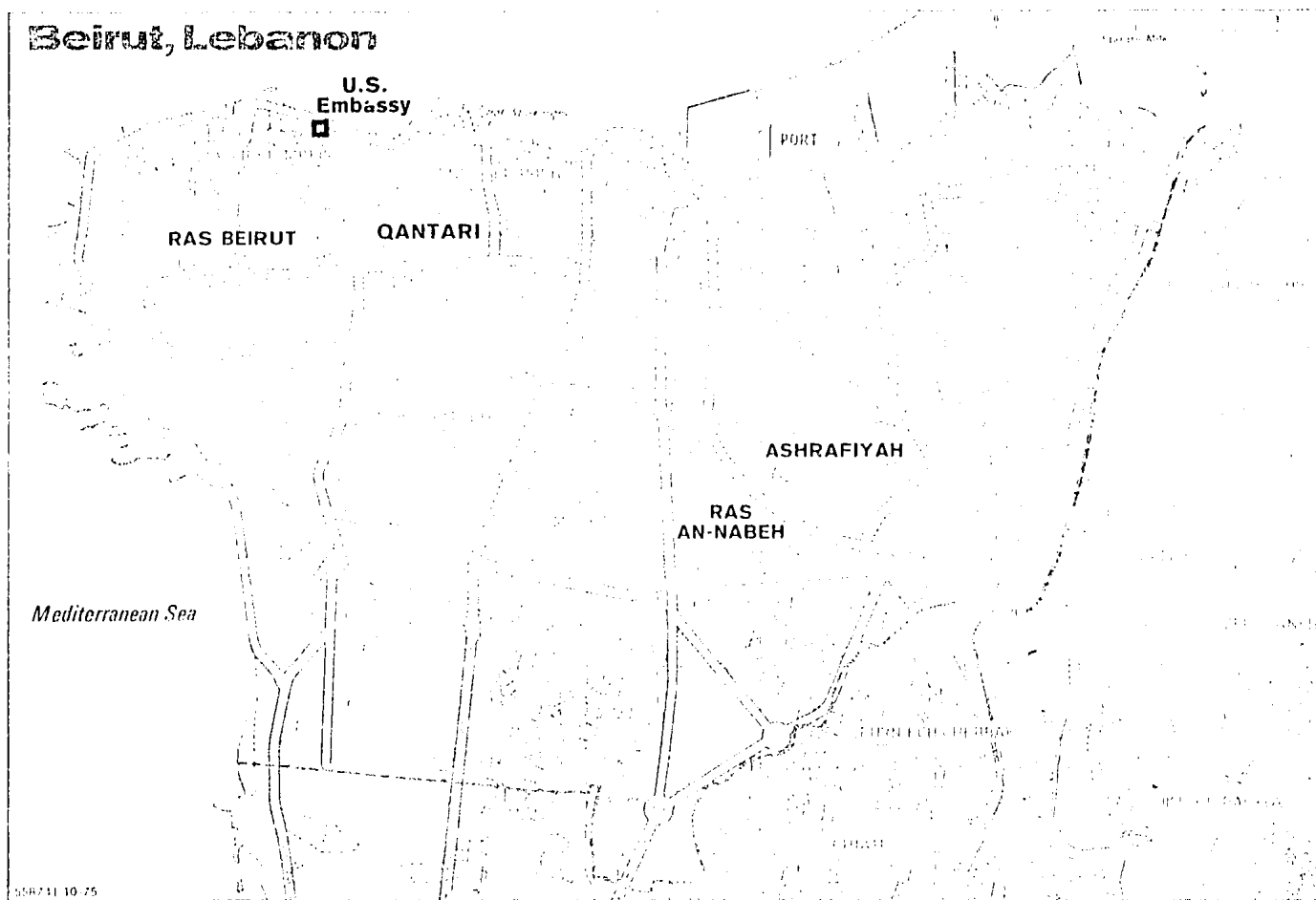
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hammer out a political agreement. Karami is known to believe this approach is essential to solving Lebanon's problems.

Parliament tried several times during the week to convene, but failed for lack of a quorum. Many members stayed away because of the security problem, others to forestall a widely anticipated public split between Karami and Shamun. The Prime Minister has been inching toward an open challenge to Shamun and President Franjiah, and any wide-ranging parliamentary debate could end in a vote of confidence in Karami or introduction of a motion demanding Franjiah's resignation.

Karami probably is prepared to gamble that he could win a confidence vote and at the same time force critical Muslims and leftists, including Jumblatt, to rally behind him. He may also see this as a way to force moderate Christians indirectly to criticize President Franjiah by acknowledging that Karami is preferable to any likely alternative. Karami, despite his inability to end the fighting, has steadily gained political strength at the President's expense. Muslim and leftist leaders are again raising calls for Franjiah's resignation, and some of his Christian supporters appear to be moving toward the view that Franjiah's departure would be an acceptable price to pay for peace.

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Newsman gather outside Pardo Palace to await news of Franco's condition

SPAIN: PROBLEMS OF THE TRANSITION

The Spanish government, faced with the problem of how to transfer power from the failing General Franco, continues to hold off from declaring him incapacitated in the hope that his death will make it unnecessary to resort to this potentially controversial course of action. Many Spaniards believe such a declaration would mark an ignominious end to the career of a leader who has ruled Spain for 39 years. In addition, there is considerable doubt that the staunchly right-wing Cortes would ratify this step.

Franco is unwilling or possibly unable to agree to the transfer of power. There is, however,

strong sentiment against leaving Spain leaderless for an extended period, and this attitude may bring action if Franco lingers on. A temporary transfer of power to Prince Juan Carlos would appear less demeaning to Franco and may be the next move, although the Prince earlier refused to accept such a solution.

Meanwhile, plans are under way for the ceremony to swear in Prince Juan Carlos, and attention is shifting to the post-Franco period. Various opposition groups, which have been illegal under Franco but expect to play a role after his departure, have indicated they will avoid

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direct challenges to Franco's successors, at least during the initial phases of the transition period. A leading official of the Communist-dominated Workers' Commissions told the US labor attache that the commissions have advised their members to avoid strikes and other protests during the transition.

Felipe Gonzalez, secretary general of the Spanish Socialist Workers' Party, told Ambassador Stabler that his party will give the Prince a chance "to open up" the political system. A Basque Socialist Party official echoed these sentiments, and according to Gonzalez, Spanish Communist Party leader Santiago Carrillo also supports this attitude, despite the contradictory statements made by Communist Party officials. An intimate of Enrique Tierno Galvan, leader of the Popular Socialist Party and a rival of Gonzalez, claims that his party will not make trouble for Juan Carlos, at least initially.

These comments strongly suggest that a majority of political groups believe full-scale opposition tactics at this time would only prejudice their long-term interests and invite repression. Their future course will, of course, depend on the performance of Prince Juan Carlos and his government.

The first clues to Juan Carlos' intentions should appear in the nationwide speech he is expected to make after he is sworn in as king. He hopes to form a new government, and its composition will be used by opposition groups to measure how far and how fast Juan Carlos is prepared to press for reform.

The new king will not be able to satisfy all shades of political opinion, but he has a good chance of winning support of a commanding majority if he develops policies that clearly depart from the tenets of Franco's rule without abruptly discarding all that has been inherited from the Franco era.

There is likely to be some trouble regardless of how skillfully Juan Carlos and his government manage the transition. Fifteen alleged members

of the far-left terrorist Antifascist and Patriotic Revolutionary Front were arrested a week ago; this group will continue, and may intensify, its terrorist campaign. This week 20 more alleged Basque terrorists were arrested in a continuing crackdown.

Violence from the extreme right may also increase. Earlier this week a right-wing group called the Death Commandos publicly ordered 17 prominent Catalans associated with leftist political groups to leave the country 24 hours after Franco's death or face death themselves.

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PORTUGAL: SEIZING THE REINS

The Portuguese government is gradually asserting its authority in the face of determined efforts by the far left and the Communists to render it ineffectual.

Last week it replaced the leftist civil governors in key cities in each of the four military regions, an apparent signal to opponents that it is capable of enforcing its will anywhere in the country. A subsequent attempt by a leftist mob last weekend to reinstate the pro-Communist governor in the southern resort city of Faro was foiled when Socialists and Popular Democrats, with belated support from the military, succeeded in recapturing the civil governor's offices.

In his most effective action so far to restore military discipline, Prime Minister Azevedo paid a special visit to Porto, where earlier this month rebellious troops instigated a serious anti-government demonstration that led to bloodshed. Azevedo was well received, and his appearance there gave badly needed support to Brigadier Pires Veloso in his efforts to restore order. Azevedo said that this was the first in a series of visits to various parts of the country, presumably in a bid to rally popular support.

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Prime Minister Azevedo

Last Friday the government took steps to ensure the loyalty of the Republican National Guard and the civil police by replacing the commanders of these two security units.

The government has also made it clear to the Communists that their illegal seizure of over 500,000 acres of privately owned farmland has not gone unnoticed. Last weekend a unit from the Santarem Cavalry School arrested a group of Communist-inspired farm worker squatters. They will be tried for illegal possession of military firearms. Earlier this week, military units elsewhere intervened effectively to maintain public order.

The government has moved slowly in fulfilling its promise to guarantee pluralism in the media, which have been heavily infiltrated by the Communists and other leftists. Legal action is now being taken against *Republica*—which is controlled by leftist workers—for vilifying the chief of the new military intervention force. On his trip to Porto, Azevedo promised the return of Radio Renascença to church authorities, and the government has dropped several hints that Portuguese newspapers—many of which are losing money—cannot expect financial support if they continue to attack the government.

On the economic front, where government progress has been even slower, a series of measures has been announced to stop the flight of capital and to strengthen the escudo.

A new problem—and perhaps the gravest the government will have to face—emerged this week when a group believed linked to the Angolan refugees attacked the leftist Angolan Cultural Center. The refugees, mostly destitute and embittered over Portuguese policy in Angola, reportedly have been biding their time for fear of reprisals against friends and relatives still in Angola. With the Angola airlift due to end soon, the refugees may now translate their frustration into political action and perhaps resort to dramatic measures to call attention to their plight.

Although there are now signs that the Azevedo government is beginning to act with some assurance, it still has much to do if it is to last until general elections can be held next year. It seems likely that Azevedo will have to take some action against Revolutionary Council members Carvalho, Fabiao, and Rosa Coutinho, who have made divisive public statements and failed to support the government on key issues. In addition to dealing more forcefully with the economic situation, it also must continue its efforts to purge the Communists from key ministries, restore military discipline, and wrest control of the media.

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YUGOSLAVIA: STALINISTS IN THE DOCK

Belgrade's strongest move against pro-Soviet subversives in at least four years is rapidly gaining momentum. Reportedly 123 Cominformists are now in jail awaiting trial.

Denunciations of the Cominformists—who are named after Yugoslavs who supported Stalin's attempts to overthrow Tito—are pouring in from every corner of the country. The party weekly *Komunist* raised the anti-Stalinist campaign to a new and implicitly anti-Soviet level two weeks ago with a stinging attack on "counter-revolutionaries and traitors" who covertly undermine the country's independence and social system.

Top-level party and government spokesmen have followed up with specific accusations that the subversives want to bring Yugoslavia into the Soviet "camp." Many of these reflections of suspicion about Moscow's intentions toward the Tito regime have been broadcast to the USSR.

The hue and cry derives from Belgrade's awareness that the country's faltering economic performance this year could create a good opportunity for a small but highly organized group—like the Cominformists—to undermine the Tito system. Wary that the group might be gathering strength for a strong bid for power once Tito is gone, the regime appears determined to imprison all the potential Stalinists it can find.

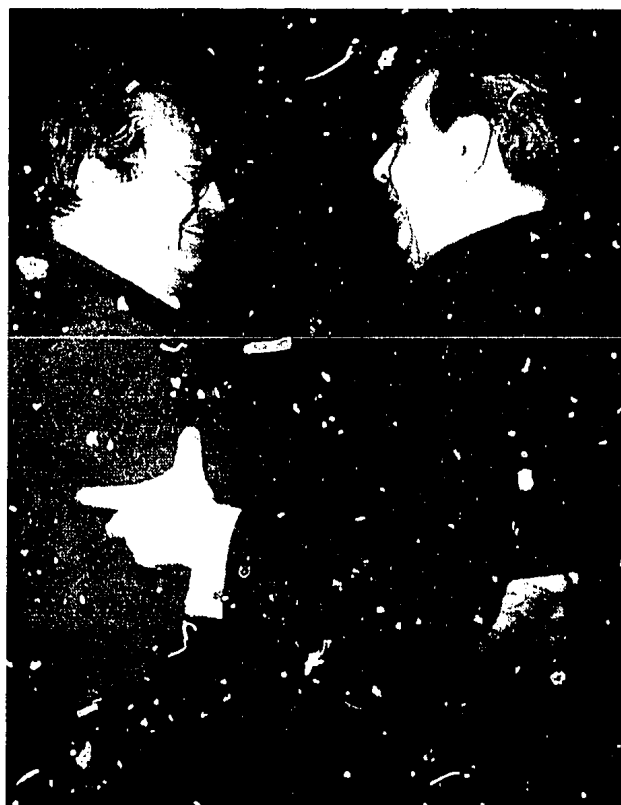
Behind this passionate reaction lies a deep-seated fear that Moscow's benevolence over the past few years only masks a plan to restore Yugoslavia, by whatever means, to the Soviet orbit. Sometimes, however, the masses have apparently over-reacted to the current easing of Belgrade's usual strictures against anti-Soviet propaganda. Last Friday, *Komunist* sternly warned against "slandering" honest Communists as "Cominformist," because only the subversives stand to gain from the spread of doubts about the leadership.

Until recently, the details of the conspiracy and plans for trials were kept under wraps, but

the media are now promising that some sentences will soon be handed down. Although there are occasional rumors of a public show trial, insiders are suggesting that the trials will be held in camera, with the results carefully used to fuel the current campaign.

According to the US embassy, the Belgrade diplomatic circuit is abuzz with speculation about a new decline in relations with Moscow. While relations between the two countries are somewhat clouded by the turn of events in Yugoslavia—as well as by disagreements over inter-party affairs and China—a complete breach is not likely. So long as Belgrade restrains itself from explicit attacks on the current Soviet leadership and Moscow controls its anger, proper, though uneasy, relations will continue.

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Tito and Brezhnev at CSCE

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ICELAND: TALKING ABOUT FISH

Iceland and the UK have held two fruitless rounds of talks on a fishing agreement to replace the pact that expires on November 13. London is urging Reykjavik to exercise restraint and not harass British fishermen while negotiations are in progress, but Iceland will have to begin enforcing its sovereignty if there is no sign of a break in the stalemated talks. Iceland also began talks this week with the West Germans..

Iceland unilaterally extended its fishing limit to 200 miles on October 15, but the key issue remains how much, if any, foreign fishing to allow

USSR: SPACE SUCCESSES

Years of Soviet investment in planetary research have finally begun to pay off. Venus 9 and Venus 10—launched in June—reached the planet last week and constitute the most successful and spectacular Soviet planetary exploration efforts in 15 years.

The landers of both spacecraft survived on the planet for about an hour, transmitting unique pictures of the Venusian surface and data on physical and chemical properties of the surface and atmosphere. The orbiters of each probe served as relays for their landers and are still transmitting ultraviolet images of the Venetian atmosphere back to Earth.

Earlier, the USSR had launched eighteen spacecraft to explore Venus, but nine failed completely and, except for Venus 8, the remainder had only limited success. The achievements of the two recent probes are being hailed by the international scientific community. The Soviets will probably continue to release data from the spacecraft and try to keep world attention focused on their accomplishments.

within the old 50-mile area, where the richest fishing grounds are located. There is strong domestic pressure to exclude foreign fishing entirely in this belt, even within the coalition Independence and Progressive parties. An independent research institute reported last week, furthermore, that all foreign fishing must stop if declining fish stocks are to be conserved.

The major stumbling block last week was the size of the catch. The British stuck by their proposal to keep it at 130,000 tons a year, the figure in the old agreement. They argued that the Icelandic counterproposal, to limit the take to 50,000 tons, would effectively end British fishing in the area. Neither side evidently was ready to bargain, although the British earlier hinted they could settle for some cuts, and there were press reports suggesting that Iceland might agree to 90,000 tons.

Other troublesome issues have been scarcely broached. Still to be discussed are the number and location of fishing "zones" around Iceland, the length of the fishing "seasons," and the number of trawlers to be permitted.

Iceland will also have to sell essentially the same terms to the West Germans, so its talks with Bonn will probably not move much beyond the more important UK negotiations. An additional problem with Bonn is freezer trawlers, which Iceland has adamantly refused to allow to operate in its waters. In recent years, the West German fishing fleet has largely converted to these modern, efficient vessels.

Fishing provides about 75 percent of Iceland's export earnings, and the specter of depleted fish resources arouses deep concern among Icelanders. Leaders of the Reykjavik government warn privately that they cannot defend continued membership in NATO if their allies do not support them. Although largely pressure tactics at this point, such statements may become significant if the talks drag on and resulting incidents at sea embitter Iceland's relations with Britain, West Germany, and its other NATO allies.

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THAILAND-INDOCHINA: NEW REALITIES

With the end of the war in Indochina, the Thai have been forced to begin building new relationships with their victorious communist neighbors. So far they have encountered only hostility from the Lao and the Vietnamese. This week Thai leaders are accorded red carpet treatment to visiting Cambodian leader Ieng Sary in the hope that Phnom Penh will prove more flexible and reciprocate Bangkok's desire to develop relations.

The Issues

The question of the disposition of Lao refugees and former Lao military equipment in Thailand has stymied efforts to build rapport with the new communist regime in Laos. The Thai are unwilling to meet recent Lao demands that they repatriate or expel the numerous Lao politicians, military leaders, and others who fled across the Mekong following the communist take-over in May. Bangkok also will not agree to Lao demands for the return of the small amount of military equipment that was in Thailand at the collapse of the coalition.

Vientiane's position, particularly on the issue of the return of military equipment, almost certainly reflects Hanoi's influence on the Lao communists. The North Vietnamese have been citing the Thai refusal to return Vietnamese equipment as a major stumbling block to improved relations with Bangkok, and progress on Lao-Thai relations will probably have to await a resolution of the impasse between Bangkok and Hanoi.

The Cambodians, who do not march to Hanoi's tune, have not yet revealed whether they will make resolution of the question of Cambodian refugees and equipment in Thailand a prerequisite for the development of relations. Bangkok would find itself in an awkward position if Phnom Penh should make a serious demand for the return of military equipment because Bangkok can hardly accede to a Khmer request while continuing to resist similar demands from Hanoi and Vientiane. The Thai foreign minister has said publicly that Thailand is willing to return



Ieng Sary

Cambodian refugees, [redacted]

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[redacted] Although the issue is potentially troublesome, Bangkok is hopeful that it will not become a major stumbling block.

Hosting Ieng Sary

Ieng Sary's current visit to Bangkok and the absence of anti-Thai propaganda in the Cambodian media have no doubt encouraged Thai leaders, who have publicly expressed their desire to establish diplomatic relations with Cambodia. Bangkok clearly attaches considerable importance to Sary's visit.

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heng Sary's agenda for the talks is open to conjecture, but the Cambodians almost certainly are interested in regularizing border trade with Thailand, especially in rice and petroleum. The Cambodians may also be receptive to any economic concessions the Thai may offer.

Shooting Along the Mekong

Although Bangkok may have some reason to be hopeful on the Cambodian front, its prospects for better relations with Laos appear bleak. Since the collapse of the Lao non-communists in May, communist troops have been involved in numerous skirmishes with Thai security forces all

along the Mekong border. The most serious occurred on October 12 when Thai aircraft intervened to assist patrol boats under fire about 30 miles south of Savannakhet in south Laos. The Lao rejected out of hand a Thai proposal for joint river patrols to assist in preventing clashes along the border and launched a more intense propaganda campaign berating Bangkok for its failure to meet Lao conditions for improved relations.

The Thai, by reducing the frequency of patrols and issuing strict rules of engagement, hope to prevent the situation from getting out of control along the Mekong. Lao refusal to participate in joint efforts to ease tensions or to restrain troops on its banks, however, will ensure continuing trouble along the border.

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CHINESE EXPAND OIL PRODUCTION

China's oil production is not likely to become an important factor in the international oil market during the next five years. Peking's own energy requirements will constrain petroleum exports, even as crude oil production is growing. Oil earnings nonetheless will be important to Peking's economic development plans.

China ranked fifth as a producer of energy in 1974, behind the US, the USSR, Saudi Arabia, and Iran. Propelled by a 23-percent average growth in crude oil production, overall energy output has grown by 6 percent a year since 1965. Despite the growing importance of oil, coal remains the dominant source of energy in China.

China is the world's fourth largest user of energy. Overall energy consumption has grown at an annual rate of 8 percent since 1965. The growth has been largely caused by in-

dustry, where consumption has grown by 11 percent annually.

Until recently, Chinese energy exports consisted almost entirely of a few million tons of coal. By 1974, petroleum exports had grown to 120,000 barrels per day, worth \$450 million a year. These exports were particularly important since the demand for China's traditional exports had slackened. Petroleum exports this year will reach an estimated 200,000 barrels per day—12 percent of oil output and less than 3 percent of total energy production.

In the likely event that China's energy supply and demand continue to grow at nearly the same rate, oil exports would reach about 600,000 barrels per day by 1980. If Peking insists on exporting one million barrels per day by 1980, as discussed with the Japanese, domestic economic growth will suffer.

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Party chief Brezhnev welcomes Le Duan

VIETNAM-USSR: LE DUAN IN MOSCOW!

Le Duan, North Vietnamese party chief, arrived in Moscow on Monday, undoubtedly to seek long-term Soviet economic aid for Vietnamese development and reconstruction. He is the first high Vietnamese official to visit the Soviet Union since the communist victories in Indochina last April.

Le Duan's visit has provided Moscow with an opportunity not only to issue reminders to its domestic and international audiences that it has provided substantial support to Hanoi but also to stress the need for international communist unity. The Soviets are glad to display a counterpoint to their more prominent theme of detente.

Moscow is undoubtedly seeking to capitalize on the differences that emerged between Le Duan and the Chinese leaders when he visited Peking late last month. The Soviets are convinced that North Vietnam is closer to the USSR than to China on most world issues and will surely try to strengthen the already good relations that exist between Moscow and Hanoi. Nevertheless, they seem to have a realistic appreciation of the constraints under which Hanoi operates. Mikhail

Kapitsa, a leading Soviet Foreign Ministry authority on Asia, recently told US officials that he expects Hanoi to continue to maintain a balance between Moscow and Peking.

The Soviets will probably try to match the generous economic assistance China has already pledged to Vietnam. A large majority of the Vietnamese delegation are economic specialists, which suggests that Hanoi sees a major economic agreement as the most important outcome of the visit.

Moscow may have to question Le Duan discreetly on the future of US-Vietnamese relations, including the specific question of American prisoners and MIAs in Indochina. In recent conversations, Soviet officials have suggested that Moscow will not press Hanoi on these issues, indicating instead that the US must take the initiative to improve ties with North Vietnam. The Soviets have, nevertheless, made plain their hope that the US will maintain a role in Southeast Asia sufficient to counter what they see as Peking's growing influence.

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ARGENTINA: THE SEARCH FOR CONSENSUS

The administration, trying to buy time while it gropes for solutions to the nation's economic problems, has announced an accord recently worked out with segments of the labor and business communities. Termed the "social truce," the document is a pledge to approach disputes by means other than outright confrontation. It seeks to revive the Social Pact hammered out in 1973 by the late Juan Peron, which committed labor and business to limiting their demands in the interest of social peace and national development.

The new accord comes amid a wave of protest strikes and increased tension among workers, following President Peron's recent announcement that there will be no new wage hikes. Workers for some time have been complaining that even the huge increases they wrested from the government last June have been eroded by rampant inflation. Thus far, there have been five walkouts at major auto plants in Buenos



Economy Minister Cafiero

Aires and volatile Cordoba, and bank workers are out as well.

The truce seeks to stem the tide of strikes—and thus end the almost constant disruption of production—by offering job guarantees to those who agree not to strike. Workers, however, are likely to see this clause as an intolerable infringement of their rights.

Union leaders, fearful of losing the support of the rank and file, generally echo the workers' sentiments on the pay issue, but have so far avoided a major confrontation with Economy Minister Cafiero. He publicly advocates holding the line on wages and seeks to tie future increases to greater productivity. Cafiero, despite his strong Peronist credentials and long association with labor, cannot survive indefinitely without giving the powerful workers at least some of what they want; indeed, he has already compromised somewhat by increasing family allowances.

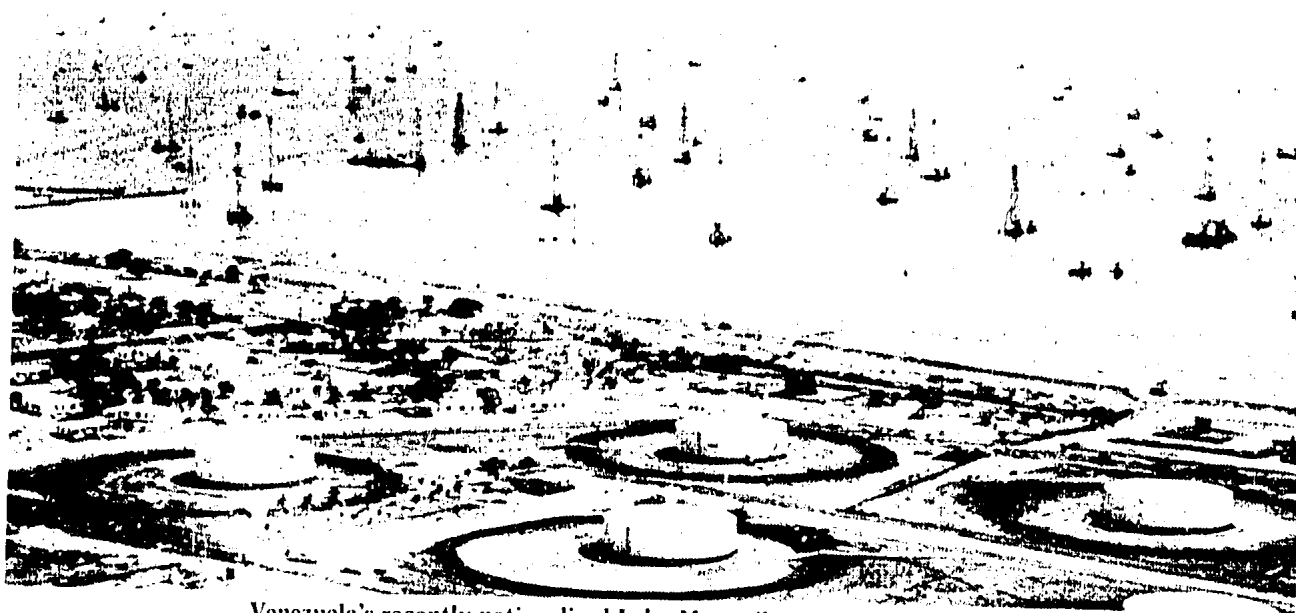
Those labor leaders still committed to Peron's presidency eventually could break with her if worker pressure becomes too heavy. In that event, the administration would be deprived of most of its few remaining active supporters. Some government critics, particularly among the military, may well hope for such an occurrence as further proof of the administration's weakness and the need to replace it. While some officers undoubtedly feel this way, others fear the emergence of an undisciplined, leaderless labor movement that would, at the very least, greatly complicate any military attempt to govern.

The Peron administration also continues to encounter problems in congress, where opposition leaders are pushing for an investigation of alleged high-level corruption. Peronist politicians, while trying to steer the investigation away from the President herself, have reversed their earlier position and voted to pursue the matter. Presumably, they consider the investigation inevitable and hope to lessen the potential for damage by insisting that it be conducted in private.

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Venezuela's recently nationalized Lake Maracaibo oil production facilities

OIL: GOVERNMENT OWNERSHIP GROWS

Government ownership of world oil production and refining, begun well before the Arab oil embargo in 1973, is still increasing. The most important changes in ownership patterns have been in states belonging to the Organization of Petroleum Exporting Countries, where the goal is 100-percent national ownership of local facilities and eventual participation in downstream activities.

Previously, a handful of major Western international companies had dominated the world oil industry, controlling supply and setting prices. Although the oil companies find their participation increasingly constricted, they continue to play a vital role, notably in exploration, refining, marketing, and technical services.

Private ownership of the production stage of the industry was already declining rapidly by late 1973. At that time, the international companies had equity interests outside the US and Canada equaling about 56 percent of free world production, compared with an average of 87 percent in 1972. Iran had nationalized the properties of the consortium of operating companies, allowing members access to crude for a 20-year period.

Other Gulf states, led by Saudi Arabia, had negotiated 25 percent participation arrangements with the foreign producers in December 1972. Algeria had taken 77-percent participation interest in crude production, Libya 51 percent, and Nigeria 35 percent.

In the two years since the embargo, the private share of free world production has fallen to 40 percent, largely because of new participation arrangements worked out by OPEC states. Iraq nationalized US and Dutch interests in the Basrah Petroleum Company and now owns 85 percent of its production.

Kuwait contended that under the most-favored-nation provision in its contracts with the companies it was entitled to majority control. In a new participation arrangement worked out with Gulf Oil and British Petroleum in January 1974, Kuwait took 60-percent ownership in their operations—including production and export facilities, a refinery, and a liquefied gas plant—and retained complete title to all natural gas output. The Kuwait formula became a model for several other OPEC states.

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Kuwait is unique among those countries opting for an increased equity share. Most other states have been satisfied to sell crude back to the operating companies; Kuwait has sought to expand direct government sales to third parties. In the past two years, it already has signed medium- and long-term contracts with third parties, covering more than one-fourth of national oil production, thus further reducing the marketing role played by the operating companies.

At least three OPEC states are close to their 100-percent participation goal:

- VENEZUELA, which had not previously taken any ownership of production, will assume total control on January 1, 1976 under legislation already enacted. The companies are to receive compensation in the form of long-term government bonds.
- KUWAIT has nearly completed talks with the operating companies to arrange a 100-percent take-over. Negotiations center on the issues of company margins and guaranteed volumes of company liftings.
- SAUDI ARABIA is engaged in similar talks with its partners in Aramco.

In non-OPEC countries of the free world, excluding the US and Canada, 28 governments have ownership of crude production. The total volume of output in these countries is less than 5 million barrels a day. The share of equity held by the governments crept up from 54 to 58 percent in the past two years, primarily because of a sharp rise in Mexican production, which is entirely state owned.

The shift to increased government ownership of free-world refining has been far less pronounced. The government share of ownership of refining capacity in OPEC countries expanded moderately—from 42 to 55 percent—in the past two years.

During the same period in non-OPEC countries, which account for 92 percent of total free world refining capacity, the government share remained at 13 percent. Overall, government control of total free world refining capacity is now 16 percent, compared with 15 percent in early October 1973.

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OPEC AID TO DEVELOPING COUNTRIES

OPEC has become a major source of economic assistance for non-communist developing countries. Since October 1973, more than \$21 billion in aid has been pledged by member states bilaterally and through a special fund of the International Monetary Fund, and almost half of this amount has already been paid out. Total OPEC disbursements this year, estimated at some \$6 billion, will amount to one third of all official aid going to the developing countries.

OPEC aid is highly skewed in favor of Muslim countries. Half the aid of the past two years has gone to Egypt and Syria, both net oil exporters, to help them recover quickly from the 1973 war and to assist their ambitious development programs. Another 20 percent has gone to other Muslim states, leaving only about 30 percent for non-Muslim countries.

Almost all oil-importing Muslim countries have been able to cover the increase in their oil outlays through OPEC aid. India, a major non-Muslim recipient, received 46-percent, but as a group the non-Muslim developing countries have been able to meet only 15 percent of the increase from this source. For the largest oil importers, such as Brazil, South Korea, and Taiwan, OPEC assistance has barely made a dent in their skyrocketing petroleum bills.

Saudi Arabia and Kuwait have pledged almost two thirds of the OPEC aid so far this year,

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compared with about half in 1974. New assistance from other OPEC states has fallen off. Iran, Libya, Qatar, and Venezuela, for example, have reduced their aid by roughly half. Abu Dhabi, hit by balance-of-payments problems last year, has cut back its aid 65 percent.

All OPEC countries, even Saudi Arabia and Kuwait, have begun to switch more heavily this year to credits. Grant aid, which represented 40 percent of pledges in 1974, has been lowered to 25 percent. Iran continues to demand the stiffest terms—repayment in 5 to 10 years, sometimes with near market interest rates. Only 1 percent of Tehran's aid has been outright grants.

In contrast to 1974, more than half of this year's total aid has been targeted for project assistance—often to assure raw material supplies for new OPEC countries. Lacking the institutional structures to direct project aid, OPEC has channeled funds through regional development

banks, used multilateral institutions to oversee project implementation, and entered into tripartite arrangements with Western countries.

Economic assistance from OPEC will probably level off or decline next year. Much will depend on the extent to which OPEC Arab states underwrite the Egyptian and Syrian current-account deficits. Even a moderate cut in aid to these two recipients would more than offset expected increases in disbursements to other countries. The greater importance of project aid will tend to slow down the tempo of disbursements.

A proposed \$1 to \$2 billion multilateral fund for offsetting the recent further hike in oil bills for the developing countries is now under discussion. Such a fund would have little immediate impact. Only four of the six OPEC multilateral aid agencies created since 1973 have begun operations, and they have disbursed negligible amounts of aid.

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UN: THE KOREA VOTE

The UN General Assembly's Political Committee this week passed conflicting resolutions on Korea, thus setting the stage for hard bargaining to get around the impasse when the General Assembly's plenary session considers the Korean issue early next month.

The pro-Seoul resolution—emphasizing the need to maintain the Korean Armistice Agreement and Seoul's right to participate in future security arrangements—passed by a vote of 59 to 51, with 29 abstentions. The pro-Pyongyang draft—featuring a call for unconditional dissolution of the UN Command and withdrawal of all "foreign" forces—passed 51 to 38, with 50 abstentions.

The North Koreans, not unexpectedly, proclaimed a major victory. The vote reflected

their growing diplomatic support in Southeast Asia and among the nonaligned countries. Lobbying on both sides was intense; Pyongyang, for example, threatened to break relations if Australia voted against their draft. Australia along with the Philippines, Turkey, Greece, Brazil and several other countries shifted from votes against the pro-Pyongyang draft last year to abstentions.

Having for the first time won a UN endorsement—however ambiguous—of their views, the North Koreans will strongly resist abandoning their major positions. There will be strong pressures at the plenary session for a compromise, but the only viable formula may be one that avoids addressing the major Korean security issues.

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