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Weekly Summary

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No. 0046/75
November 14, 1975

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

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SPANISH SAHARA

MARCH CANCELED

On November 9, Morocco's King Hassan called off his "green march" into Spanish Sahara after receiving new proposals on the disposition of the territory from a high-level emissary sent by Madrid. The King's action relieved Spanish concern that the march would lead to hostilities between the two countries. If Rabat and Madrid have struck a deal that will transfer the territory to Morocco, they will still have to contend with Algeria, which opposes any direct annexation and insists that a self-determination referendum be held under UN auspices.

In a speech from Agadir that was studded with conciliatory remarks about Spain, Hassan stated that the mass march, which began on November 6, had "accomplished its mission." Hassan strongly implied that Morocco's claim to the territory would be successfully resolved through negotiations. His optimism was clearly based on talks he held with a senior Spanish official on November 8. Although Hassan did not reveal any specifics of an understanding or a framework for future negotiations, he had too much personal prestige at stake to have backed down empty-handed.

When Hassan called the marchers back, the main body of Moroccans had advanced only a few miles into a sector of the territory south of Tarfaya. A second column had crossed the border some 50 miles to the east. Spanish troops had pulled back from both areas.

The Moroccan marchers, who had been fired up for their venture by nationalistic and religious propaganda, reluctantly began to withdraw on November 10. In general, the Moroccan public has adopted a wait-and-see attitude toward the King's speech. He will be under mounting pressure, however, to demonstrate with more than implications that progress is being made toward a settlement favorable to Morocco.

On November 11, a Moroccan delegation led by Prime Minister Osman went to Madrid to nail down a firm agreement based on the apparent understanding reached between Hassan and the



King Hassan

Spanish emissary. The inclusion of the director of Morocco's national phosphate company suggests part of the talks will deal with arrangements to assure Spain a share in the profits from the rich phosphate deposits in northern Spanish Sahara. Mauritania, with which Morocco is willing to partition the territory, is also participating in the talks.

Both Rabat and Madrid are being tight-lipped about the new talks. Press reports from Madrid, however, suggest Spanish officials are less optimistic about hammering out a final agreement than are the Moroccans. Although Spain is eager to get out of the territory and willing to see it go to Morocco and Mauritania, Madrid still wants the UN to play a role—possibly by establishing a temporary trusteeship. Morocco, however, wants to negotiate a settlement first and then seek the UN's blessing.

Algeria, which condemned the Moroccan march as an aggressive act, has continued to lambast Hassan through its media. The Algerians have also been playing up and probably exaggerating clashes that have occurred this week in northeastern Spanish Sahara between Moroccan irregulars, reinforced by some army units, and guerrilla forces of the Algerian-backed Polisario

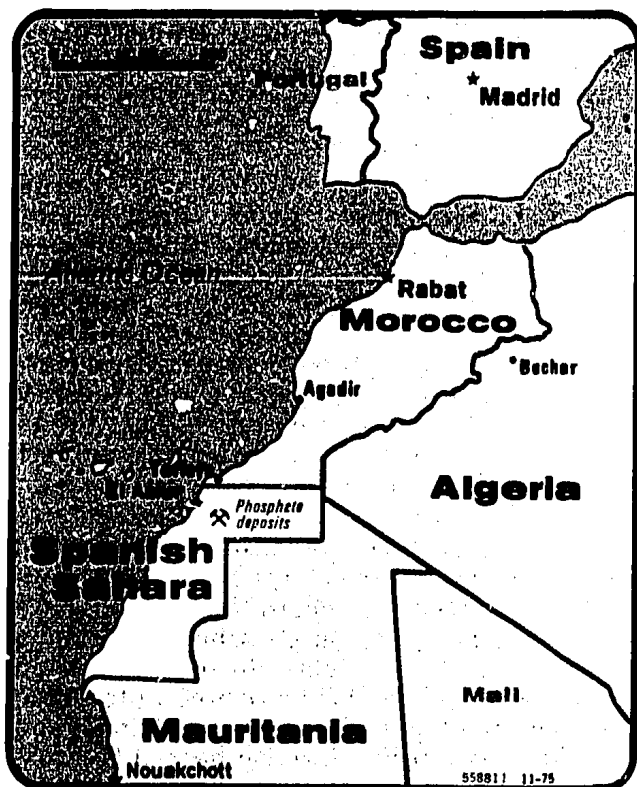
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Front. The Front, which has significant support among indigenous Saharans, demands independence for the territory. Spanish troops have pulled back to a defense perimeter that leaves the northeastern region bordering Morocco, Algeria, and Mauritania outside Spanish lines.

Algiers opposes a Spanish deal to divide the territory between Morocco and Mauritania and can be expected to remind Madrid of the Algerian position. During a round of talks in Madrid in late October, stern warnings against such a deal conveyed by an Algerian delegation helped persuade Spain's wavering government to stand by previous Spanish promises to seek a UN role involving a referendum for the disputed territory.

Meanwhile, President Boumediene is trying to persuade Mauritanian President Ould Daddah to accept Algeria's view. On November 10 the two leaders met at Bechar; two days later Ould Daddah flew to Morocco for further talks with King Hassan.



SOVIETS TILT TOWARD ALGIERS

Moscow's shift to a pro-Algerian position on the Spanish Sahara dispute has brought a deterioration in Soviet-Moroccan relations.

In the UN Security Council, the Soviets sided with the Algerian view that the Spanish Sahara question should be resolved by the colony's inhabitants. *Pravda* also weighed in on behalf of Algiers, pointing out that the General Assembly had twice approved self-determination for the territory's inhabitants and voicing Moscow's opposition to any effort to deny them this right. Soviet UN representative Malik—with an eye on King Hassan's mass march—urged restraint and moderation on the concerned parties.

Until a few weeks ago, the Soviets looked benignly on King Hassan's irredentism. They had tried to make a few points in Rabat by privately suggesting sympathy for Moroccan annexation. They had agreed in October 1974 to sell Rabat \$30 million in arms, even though they were aware that King Hassan would use the new equipment to bolster his territorial claims.

The recent Soviet tilt toward Algiers may have stemmed from:

- A Soviet decision to revert to their long-standing position calling for self-determination.
- A desire to utilize the crisis to mend their frayed ties with Algiers.
- Concern that endorsement of King Hassan's mass march might give ideas to countries—particularly China—with territorial claims against the USSR.
- Interest in forestalling a Moroccan stranglehold over the rich phosphate deposits in Spanish Sahara, which would give Rabat nearly 80 percent of the world export market for the rock.

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King Hassan has reacted strongly to the Soviets' actions. He canceled the visit of a Soviet delegation that was to put the final touches on a new agreement expanding the USSR's involvement in development of Moroccan phosphates. Hassan also has dispatched an emissary to Moscow to make his displeasure known.

Soviet diplomats in Rabat have displayed their discomfort and are trying to make amends. They are now suggesting that self-determination for Spanish Sahara does not necessarily equate with independence. The USSR will probably make further attempts to repair the damage so it can continue to buy Moroccan phosphates. The Soviets have been importing substantial quantities of this basic fertilizer ingredient in order to supplement their sagging production. Moroccan phosphates may take on even more importance to the USSR in view of the crop failures this year.

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INDIA: GANDHI EXONERATED

The Indian Supreme Court on November 7 overturned Prime Minister Gandhi's conviction last June by a lower court for relatively minor violations of India's election law during her 1971 campaign. Gandhi, now freed from the threat of being barred from office for six years, may soon take new political initiatives designed to consolidate her position further.

All five members of a Supreme Court panel that heard Gandhi's case upheld election law changes that retroactively eliminated the legal basis for her conviction. The changes were enacted by parliament in August after efforts by Gandhi's political opponents to capitalize on the lower court ruling had led her to impose a state of emergency on June 26.

In another decision, the Supreme Court

struck down a constitutional amendment that had exempted the election of a prime minister from challenge in the courts. This ruling, however, does not affect Gandhi's case, in view of the court's approval of the election law changes.

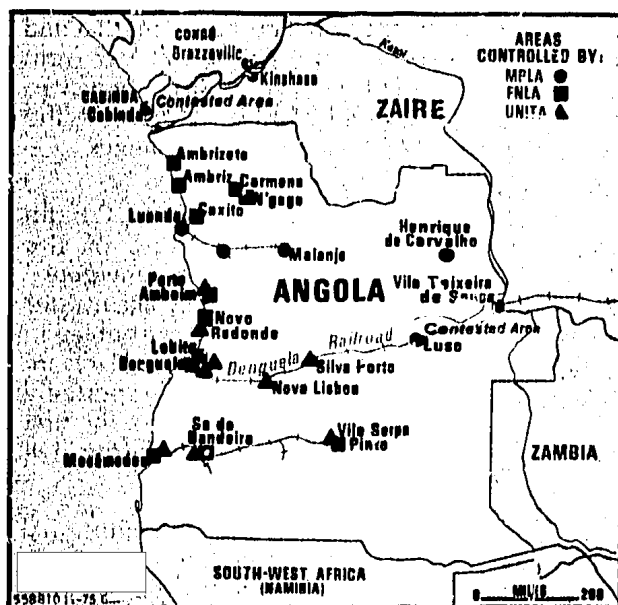
With her court case out of the way, Gandhi might decide to ease some aspects of the emergency, though she claims the emergency was decreed because of a conspiracy against her government and not because of her troubles in the courts. This week she released J. P. Narayan, one of her principal opponents, reportedly because of his failing health. Narayan is the first major political leader to be released from jail since the emergency began.

Gandhi may also make some constitutional changes to further strengthen her control. In recent months she has talked about reducing the powers of the judiciary and enhancing those of parliament, which her Congress Party dominates. Her interest in taking such action may have been heightened by a Supreme Court decision this week not to reconsider a ruling by the court in 1973 that barred parliament from amending the "basic structure" of the constitution. Parliament is expected to convene this month, and changes aimed at weakening the judiciary may be on the agenda.

Gandhi could also decide to call a general election when the present parliament's five-year term expires next March, although she can legally postpone the election under the state of emergency. Gandhi and her party would enter any election as heavy favorites. Most Indians appear satisfied with—or at least reconciled to—her authoritarian rule, largely because it has coincided with an improvement in the nation's short-term economic prospects caused by good rainfall this year. Moreover, the opposition parties, which in India's 28 years of independence have never done well enough in a national election to supplant the Congress as the country's rulers, have been further weakened by the government's repressive measures under the emergency. Whether the opposition leaders still in jail would be released in preparation for an election is not clear.

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ANGOLA

TWO REGIMES

After almost 500 years of Portuguese rule, 13 years of national insurgency, and more than six months of sluggish civil war, Angola drifted into independence on November 11 with the leadership of the state still being contested on the battlefield. The three warring liberation groups immediately set up two rival governments that are now vying for international recognition.

The Portuguese left without transferring sovereignty to any of the liberation groups, simply announcing that it was being turned over to the "Angolan people." The Popular Movement for the Liberation of Angola lost no time in asserting, from its Luanda stronghold, that it was the sole legitimate heir of the Portuguese. Movement leader Agostinho Neto was proclaimed president of the country. Simultaneously, the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola jointly announced the establishment of their own

government in Nova Lisboa, which they renamed Huambo.

Both sides have published constitutional structures for their governments. The National Front - National Union coalition has not officially released its leadership slate. There is friction between the two groups, however, and their partnership is not as firm as their joint announcement implied.

In the race for international recognition, the Popular Movement took an early lead by receiving almost immediate recognition from the Soviet Union, Cuba, and four African states—Mozambique, Guinea, Guinea-Bissau, and Congo—whose leaders have long had ties with the Popular Movement. A number of East European governments have expressed their "readiness" to establish diplomatic relations with the Neto regime. So far, the National Front - National Union regime has not been recognized by any country. Zaire, Holden Roberto's longtime backer, and the rest of Africa are observing the Organization of African Unity's request to remain neutral pending formation in Angola of a government of national unity.

As long as the OAU position remains unchanged, neither Angolan claimant seems likely to win enough support to gain general international acceptance. Soviet and Cuban recognition is important for Neto, however, since the two countries can now assist the Popular Movement directly and with greater ease and will not have to channel their military assistance through intermediaries such as Congo.

The three groups did not let independence ceremonies impede the military campaigns they have been pressing for some weeks. The Popular Movement dispatched troops and equipment southward to meet a combined National Front - National Union force advancing toward Luanda.

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The force is still some 300 miles from the capital, however. In the north, the National Front is still trying without success to break through Popular Movement defenses at Quifangando. This week Front troops may even have been pushed back a short distance.

In Cabinda, fragmentary information suggests that heavy fighting is taking place between the Popular Movement and forces of a Cabindan separatist group that have moved into the enclave from Zaire. The inability of the separatist group's troops to achieve a quick victory in what was supposed to have been a surprise attack suggests that the Popular Movement may well continue to hold the upper hand at the present time.

Neither the Popular Movement nor its adversaries are likely to win a decisive military victory any time soon. The fighting will probably settle into a seesaw war of attrition with the staying power of the opposing forces being determined by the amount of external military assistance each can obtain.

SOVIETS MOVE QUICKLY

The USSR, as expected, moved quickly this week to recognize its Angolan client—the Popular Movement—as the sole legitimate governing authority in the former Portuguese territory. A communique establishing diplomatic relations at the ambassadorial level between the Soviet Union and the "People's Republic of Angola" was issued in Luanda on Wednesday.

The move will almost certainly lead to more direct and overt Soviet military assistance to Agostinho Neto's forces. The USSR undoubtedly calculates that it could provide more effective and timely support for the Popular Movement—particularly in view of its client's sagging military fortunes—by direct flights to Luanda than by con-

tinuing to rely on the more cumbersome Congolese supply route.

Meanwhile, the Soviet press campaign on Angola continues unabated, with Moscow blasting "foreign interventionists" for their support of the Popular Movement's rivals—the National Front and the National Union. The most recent authoritative Soviet commentary appeared last weekend in a *Pravda* article signed "Observer," which indicates Kremlin endorsement.

The "Observer" article reserved its heaviest brickbats for the "racist" regimes of South Africa and Rhodesia, apparently as part of an intensive effort to elicit additional support for the Popular Movement from other Black African states. This effort apparently is needed because in other areas of Africa, heavy-handed Soviet involvement with the Popular Movement has backfired. In addition to the break in diplomatic relations with Uganda, Nigeria has publicly criticized the Kremlin's "flagrant interference" in the affairs of Angola.

"Observer" also made the usual charges against the Chinese but, in contrast to earlier Soviet commentary, did not directly mention US support for the Popular Movement's opponents. This could mean that Moscow intends to play down its earlier line that the US and China are supporting the same side.

Despite the Soviets' strong military and diplomatic support for the Popular Movement, they are apparently not closing their Angolan options. The "Observer" article, like other recent Soviet commentaries, suggested growing nervousness in the Kremlin over the deteriorating military position of Neto's forces. Moreover, in a recent conversation with US embassy officials, the Angolan desk officer of the Soviet Foreign Ministry refused to rule out the possibility of relations with the Popular Movement's adversaries if they ultimately prevail in the current struggle.

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BANGLADESH: ANOTHER COUP

In the second violent change of government within a week, enlisted men loyal to Major General Zia ur-Rahman on November 7 overthrew the five-day-old regime of General Musharraf and made Zia the country's new strong man. Zia appears to have a better chance of stabilizing the situation than did his predecessor, but discipline has not yet been completely restored in the army's enlisted ranks, and he could face a challenge from some other officer seeking to take advantage of the delicate balance of power in the military. The continuing instability in Bangladesh has deepened concern among Indian officials who are keeping a vigilant watch on the situation.



Major General Zia ur-Rahman

Musharraf early last week antagonized Zia's many supporters in the army by displacing Zia as chief of staff and having him arrested. Widely circulating allegations that Musharraf was pro-India and that New Delhi had supported his bid for power also probably played a part in spurring the enlisted men to action; anti-Indian sentiment runs deep among the ranks. There is no evidence available to confirm either allegation.

On gaining power, Zia reclaimed the position of chief of staff. He retained President Sayem, the former chief justice who was appointed president by Musharraf, and turned over to him the title of chief martial law administrator. Zia and the other service chief are to act as deputy martial law administrators, but real power apparently will remain in Zia's hands.

Since becoming the new Bengalee leader, Zia has had to cope with a mutiny that broke out on November 8 among enlisted men in the main Dacca base. The troops sought to take advantage of the confused situation following the second coup to settle old scores with their officers or demand redress of various grievances. Several officers and dependents were killed and others detained.

As the mutiny unfolded, it became evident that a far-left political group, the National Socialist Party, had become a force among the enlisted men. The party, which never developed much support among civilians, seems to have been able to capitalize on the grievances of the troops.

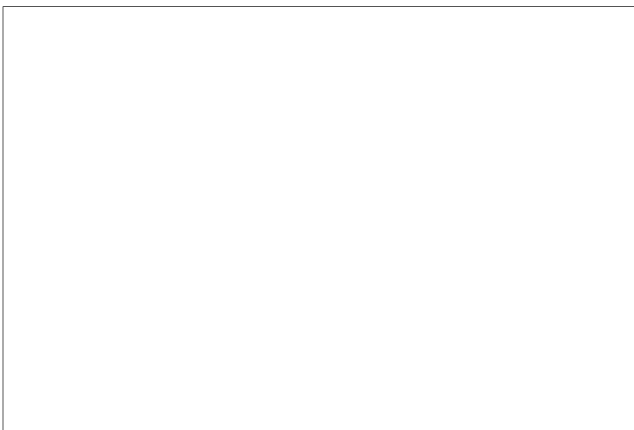
By midweek the revolt appeared to have abated. Most of the arms held by the rebels had been returned to the base armory, and a majority of the mutineers had rejoined their units. Officers at the base apparently persuaded the noncommissioned officers to join them in efforts to restore discipline. Their effort is complicated by contention in the officer corps between those who fought in the 1971 war of independence and those who were held in Pakistan until 1973.

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This week's events in Dacca may have increased chances that India will try to influence the situation in Bangladesh. New Delhi's uneasiness was probably heightened by the fact that it was once again caught off guard by a change of government in Bangladesh and by anti-Indian demonstrations that accompanied Zia's assumption of power.

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ISRAEL: ECONOMIC PROBLEM EXAGGERATED

Public pronouncements in Israel in recent weeks lamenting Tel Aviv's deteriorating trade situation and sounding the need for further belt-tightening exaggerate the country's short-term difficulties. The government's austerity program, implemented in the summer of 1974, has achieved its goal of lowering consumption in the civilian sector. The still sizable current-account deficit is being covered by substantial assistance from the US and by other capital inflows.

Since the austerity program was implemented in mid-1974, Israel has devalued the Israeli pound by 40 percent, cut back nonessential budget outlays, and instituted wage and tax reforms. As a result of these policies, together with the worldwide recession, Israel's real gross national product fell 6 percent during the first half

of 1975 compared with the same period in 1974, the first such decrease in nine years. Private per capita consumption fell 5.5 percent, industrial output 3 percent, and investment 11 percent.

The consumer price index cooled to a 12-percent annual rate during the first nine months of the year, compared with 30 percent in the same period in 1974. Despite the economic downturn, the unemployment rate at midyear was only 3.5 percent, compared with 3 percent at year-end in 1974. Increased emigration and frequent military callups have limited the number of workers looking for jobs.

Israel's current-account deficit this year, while manageable, is likely to reach a record \$3.7 billion. Exports, hindered by sluggish US and West European demand, should grow only 5 percent. A good harvest, which permitted expanded food exports, will keep the increase from falling even lower.

Israel will import \$2 billion in defense goods in 1975, 18 percent above the level in 1974 and four times the 1973 prewar rate. At the same time, the economic slowdown has cut back growth in civilian imports. Israel officials are forecasting a 4-percent increase in the value of these imports, or a real drop of 5 percent.

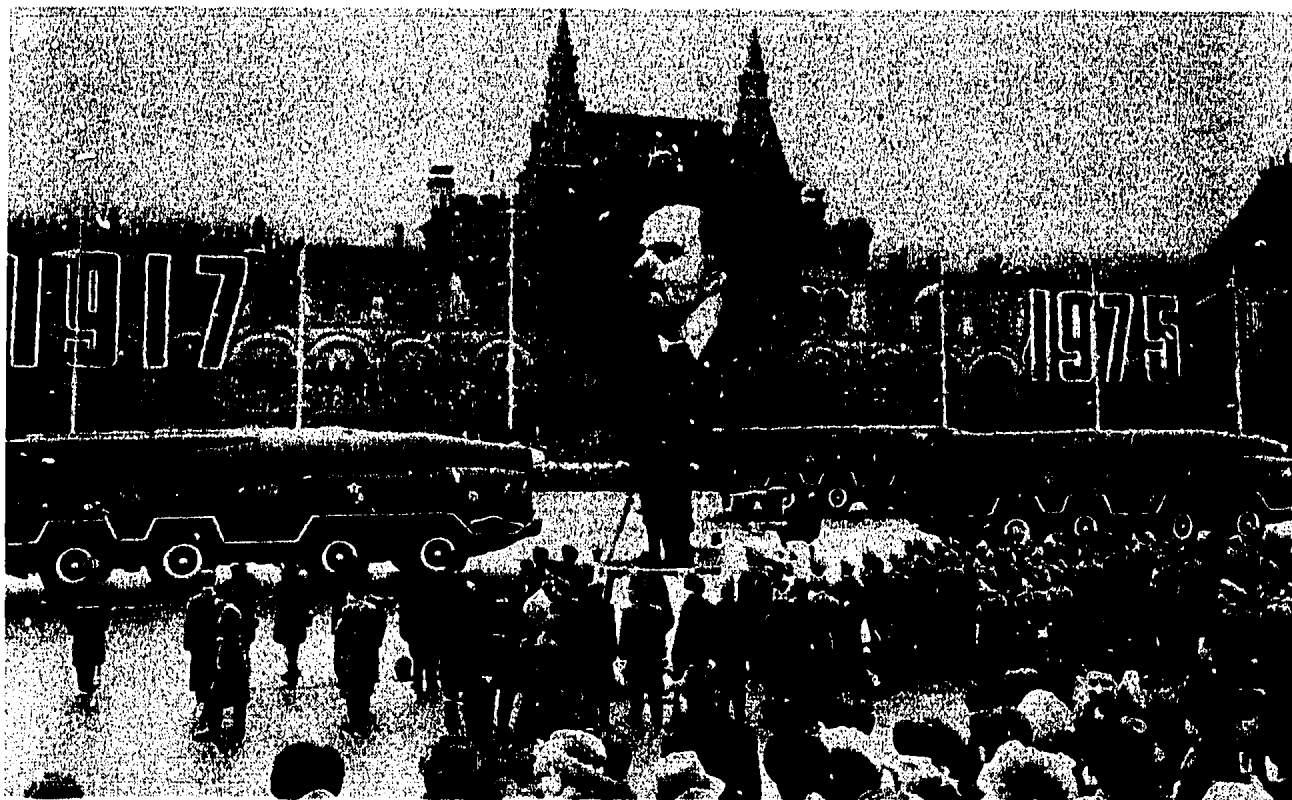
The trade deficit is likely to increase by \$800 million in 1976, mainly because of higher military imports. This estimate assumes that nonmilitary consumption will continue to be curtailed by Tel Aviv's restrictive policies. Civilian imports are likely to rise only 5 percent. Transfers and capital receipts, including US assistance, will also increase so that Israel will not need to draw down its foreign exchange reserves.

During recent cabinet-level deliberations on the fiscal budget for 1976, Finance Minister Rabinowitz took a tough stand on the need for increased austerity measures. This has led to rumors of more devaluations, reductions in government services, and new taxes. Major new measures will not be required if the pending US aid bill is funded at close to requested levels.

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The 58th anniversary parade passes through Red Square

USSR: THE ANNIVERSARY WALTZ

The USSR observed the 58th anniversary of the Bolshevik Revolution last week in ways that seemed designed to avoid giving meaningful political signals. All the Moscow-based Politburo members turned out for the festivities except F. D. Kulakov, party secretary for agriculture and widely regarded as a political comer. Kulakov, who also missed last year's observance, may have been ill last week.

The Politburo chose Arvid Pelshe, the oldest (76) and one of the least influential Politburo members, to deliver the principal address on the eve of the holiday. It clearly would be hard for any observers, inside or outside the USSR, to build persuasive or tantalizing political hypotheses around the figure of Pelshe.

An effort was made to suggest that all is well with General Secretary Brezhnev. On several occasions Pelshe paid homage to Brezhnev, and these references were greeted with "thunderous applause." The television cameras repeatedly focused on Brezhnev during Pelshe's speech, apparently to show that he is still in charge and to allay suspicions about his physical and political well-being. Brezhnev also had well-publicized meetings with the heads of the Uruguayan and Argentine Communist parties and this week added West German President Scheel to his list of visitors.

As to the substance of Pelshe's speech, the only noteworthy item on the domestic side was his gloomy statement on agriculture. He reported that since the revolution agricultural production

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had not increased as rapidly as industrial production and admitted that difficulties still have to be overcome in the agricultural sector. Pelshe did not give a harvest figure nor did he mention Soviet grain purchases abroad. In his speech, Pelshe also defended the Soviet record on human rights and criticized "illusory and unreal" democratic rights in the capitalist world.

The foreign policy portion of Pelshe's address was a notably restrained recitation of familiar Soviet themes. Detente received Pelshe's un-inspired endorsement, together with the ritual warning that its opponents—notably political spokesmen for the "military-industrial complex"—remain active. He made no prediction, as Foreign Minister Gromyko has recently, that the 25th party congress will reconfirm Moscow's current foreign policy line.

In contrast to Gromyko's anniversary address last year, Pelshe accorded relations with the Western powers perfunctory treatment. The US received only one brief, albeit favorable, paragraph; relations with Western Europe and Japan were assessed in an additional three sentences.

Pelshe referred to "realistic trends in the ruling circles" of the leading capitalist states, but said nothing about the contribution of summitry to US-Soviet relations nor did he allude to Brezhnev's next visit to Washington. He endorsed further progress at SALT but, in a departure from the usual order, mentioned both MBFR and Soviet UN arms control initiatives before SALT.

Pelshe devoted considerable attention to the world communist and "national liberation" movements, including some warm words for visiting North Vietnamese party chief Le Duan. Pelshe's castigation of China's "Maoists" evoked from his audience the only real enthusiasm generated by the speech. He warned Peking about "encroachments" on the "interests" of the USSR and, in a new addition, its "friends."

The amount of military equipment displayed during the Moscow parade was well below that exhibited last year. Only 151 vehicles participated,

compared to about 300 last year. The military parade in Leningrad was similarly curtailed, confined to a march-by of troops with no large items of military equipment. In a break with previous years, the Moscow parade did not include strategic missiles, tracked vehicles, or new equipment of any kind. The Soviets did display the SA-8 and SA-9 surface-to-air missiles, indicating their growing interest in tactical air defense.

Defense Minister Grechko's brief address in Red Square on November 7 contained the usual invidious comparisons of communist and capitalist societies. He expressed satisfaction, however, with the trend toward a relaxation of world tension and toward cooperation among states with different social systems. While Grechko warned of "aggressive imperialist forces," he singled out for specific criticism only "Peking's leaders" and their "provocative policy." He added that the party and government are working to strengthen Soviet "economic and defense capacity."

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Soviet leaders observe the parade

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SECRET**ECONOMIC SUMMIT****Seeking Political Dividends**

At the economic summit in Paris this weekend European and Japanese leaders—accompanied by their foreign and finance ministers—will all be looking for results they can use to bolster their national and international positions. The US will be importuned by the French to return to international monetary "stability" and by others to give priority to the harmonization of economic policies. US support may also be sought in the dispute over a separate seat for Britain at next month's conference of developed and developing states. The developing states will probably look at the summit results as indicating the degree of solidarity existing among the developed countries as the December conference approaches.

The French have been seeking a return to fixed—later amended to "stable"—currency exchange rates since President Giscard first called for the conference. West German, British, Italian, and Japanese leaders, at first reluctant to participate in such a forum, have come to recognize



Chancellor Schmidt

their stake in successful talks on this or other issues. The summit will therefore cover a broad range of issues. In addition to a discussion of monetary problems, the agenda has expanded to include economic policy coordination against recession, trade in raw materials, development problems, and East-West trade. In addition, the leaders may discuss the threat of trade protectionism and the status of the Multilateral Trade Negotiations in Geneva.

Giscard's Stake

Of all leaders at the conference, Giscard has the greatest political stake in demonstrating some visible progress. A successful summit would help restore a sense of dynamism to French foreign policy in the wake of the snub delivered to Giscard during his recent visit to Moscow. Another consideration, which the US embassy in Paris says is not being discouraged by French officials, is that the summit represents a success for the French aim to participate in an exclusive group that would lead the other industrialized democracies. Seeing no chance for an early agreement to return to fixed exchange rates, Giscard professes this is only a long-term goal; now he wants a commitment to work towards less flexible, "viscous," exchange rates.

In addition to its interest in monetary affairs, Paris will urge acceptance of the French view in favor of establishing worldwide price agreements on raw materials. The French will push this argument in relation to trade with the developing world and trade in agricultural goods—particularly grains.

Schmidt's Aim

West German Chancellor Schmidt's principal aim at the summit will be to push his views on greater coordination of economic policies among industrialized states. Germany faces national elections next fall, and success in making his views felt would reinforce Schmidt's international and domestic standing.

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Schmidt will ask that the US review its economic policies with an eye to helping lead other countries out of recession. Schmidt may raise the issue of harmonization of export credit policies but is not likely to get a favorable hearing from Giscard on this.

Schmidt will also support moves to develop a common strategy for the developed countries at the Conference on International Economic Cooperation next month. This conference will bring together ministerial-level representatives from 27 industrialized, oil-exporting, and poor developing states to discuss energy, raw materials, development, and related financial issues.

Flexible exchange rates have generally favored the UK, and London initially was among the most reluctant to accept Giscard's invitation to discuss their abolition. Prime Minister Wilson's foremost concern will be to secure cooperation from the other participants to help the UK meet its current economic problems. He will probably not ask directly, however, that the US and Germany expand their economies at a faster rate. Faced with increased demands at home to impose barriers to imports, Wilson may seek understanding from other leaders of pressures that could push him to move toward protectionism.

The West Germans and French could seize on these British requests to get London to soften its stand on separate representation at the December conference. The British move has stymied efforts by the industrialized states in the Organization for Economic Cooperation and Development to select their eight representatives for the conference. The original plan called for single representation of all the EC members, but Britain has insisted that its interests as an oil producer and a financial center cannot be adequately represented by the EC. Giscard and Schmidt may use the opportunity to point out the inconsistency of British claims to independence on energy matters with London's pleas for recognition of its dependence on other economic issues.

Italy, not invited to the summit at first, will have in many ways fulfilled its major goal simply by attending. Rome will also be looking for help,



Prime Minister Wilson

however, in reflating its economy, but the relatively minor role Prime Minister Moro and his advisers are likely to play in other areas will, in some ways, only serve to re-emphasize Italy's junior-partner status.

Italian participation will also highlight the frustration of the smaller EC members and other Europeans who are not participating in the summit. These states, who are resigned to, but not pleased with, their exclusion would prefer utilizing already established international forums where they are represented. The small EC states in particular will question whether the summit approach can do anything but hinder EC efforts to coordinate economic and financial policies. Canada is particularly displeased with Paris' adamant refusal to consider participation by Ottawa in the face of statements of support from the US and other participants. Paris will apparently try to make amends by pushing Canada as one of two co-chairman of the Conference on International Economic Cooperation.

The summit is a particularly important political event for Japan: it is the first time Tokyo has participated in such a meeting since before the war. Tokyo still feels unsure of its position, however, and may wonder whether it has in fact been in on all of the advance work between other participants.

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MBFR: PROBLEMS FOR THE WEST

The force reduction talks in Vienna have marked time since the seventh round began in mid-September, awaiting the introduction of the West's nuclear proposal. Differences among the Western allies make it uncertain, however, whether the proposal will be tabled before the round ends in December.

The West's nuclear proposal would add to the basic allied negotiating offer a willingness to withdraw some US nuclear warheads and delivery systems from Europe. It also would offer to include discussion—but not reduction—of air force manpower levels in the negotiations. The proposal is designed to obtain Soviet withdrawal of a tank army and agreement to a common manpower ceiling in order to arrive at the overall numerical equality of forces that NATO is seeking. The Soviets have been insisting that the reductions include Western nuclear and air forces, which they contend make up for the Soviet advantage in ground manpower and equipment.

Substantial progress has been made in allied negotiations on how and when to table the nuclear proposal. The few issues that now remain, however, are especially difficult. Expecting that the negotiations will move forward once the proposal has been introduced, and believing it the biggest bargaining chip the West is likely to play, some European allies—notably the British and the Germans—seek to ensure that the proposal is not presented until the allies decide among themselves how to respond to Soviet demands for European force reductions.

The Europeans are especially concerned that the allies not signal any willingness to reduce or limit European—as opposed to US—arms and equipment. The Germans, whose large army is of special concern to the Soviets, are arguing for a collective allied reduction commitment to avert the possibility that Germany will be singled out to take all or most of the European reductions. Apart from the immediate desire of the Germans to avoid individually any diminution in their own security, the more general European interest is to

avoid commitments to the East to discuss matters that would give the Soviets a voice in West European defense discussions and limit allied military flexibility.

As a result of these anxieties, there have been several discussions in the EC in recent months on the Vienna negotiations, largely at the insistence of the Germans. Bonn has argued that these discussions are designed merely to define distinctly European interests in a force reduction agreement. They have thus sought to involve the French, who do not participate in the Vienna talks, both in order to neutralize the effect of French opposition to the force reduction talks on the German domestic scene and to draw Paris into discussions of European security.

While enthusiasm for the discussions in the EC appears to have waned in recent weeks under the twin burden of intra-European differences and strong opposition from NATO, the discussion participants continue to resist invitations from NATO to report in detail on their deliberations, and the talks are likely to continue in a variety of alternative forums.

Bonn and London have suggested another trilateral meeting of the US, German, and British representatives to work out allied differences over the nuclear proposal. The US has resisted this bid on the grounds that such a meeting would make it impossible to table the nuclear proposal before the end of the present round. Because it is assumed that the allies basically favor an agreement, there is some reason to think that the remaining differences can be worked out in bilateral sessions. Presentation of the nuclear proposal during the present session is nevertheless in doubt.

Aware that the West hopes to table the long-awaited proposal during the present round, the Soviets reacted initially by disparaging the military significance of the proposed nuclear withdrawals and demanding that the offer also respond to their desire for reductions in West European forces that the West has reserved for a

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later phase. This denigration of the Western proposal is mainly tactical in nature, intended to show that the Soviets do not regard it as a panacea. The Soviets will probably be receptive to the proposal if and when it is tabled. Ever since the start of the negotiations the Soviets have insisted that nuclear elements be included in the reductions, and they can scarcely reject a proposal in which NATO finally moves toward acceptance of their position. While the Soviets will thus probably agree to incorporate the nuclear proposal as an element in the negotiations, this does not mean that they will accept all of its specifics or that a meaningful agreement will quickly follow.

The Soviets still appear to be interested in making progress in the negotiations and have offered a modification of their approach to the question of defining whether intermediate types of forces fit into air or ground categories. It appears that the Soviets are toying with ways to juggle force figures in such a way that the appearance of a common ceiling will be created. This approach will probably be unacceptable to the West because the underlying disparity would not be affected, but the Soviet move could foreshadow greater willingness to meet Western

concerns once the nuclear proposal has been formally presented.

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EC: FARM POLICY WORRIES

The EC has begun a thorough review of the common agricultural policy that will receive high-level attention when the nine heads of state and government meet in December. Last year, Bonn made the review a condition for West German consent to an increase in farm support prices. Despite the polemics during the past year over EC farm policy, attention is now focused on several modest reforms. The Nine presumably have realized that the common agricultural policy already represents so many carefully worked out compromises that radical changes are politically impossible.

During its initial months, the review was hampered by the campaigning before the June referendum on continuing British membership in the EC that made an oversimplified reform of

FINLAND: NEW GOVERNMENT LIKELY

The prospects for the formation of a new majority coalition government, needed to deal effectively with Finland's difficult economic problems, were enhanced last week by the victory of the Social Democrats in a hard fought election for control of the Metalworkers' Union, Finland's largest and most influential union. Following inconclusive parliamentary elections in September, most party leaders were unwilling to talk seriously about the makeup of the next government until after the Metalworkers' election. A Communist victory would have further complicated efforts now under way to form a government and raised doubts about the ability of the next government to come up with strong economic measures.

The Social Democrats captured 259 of the 506 seats to the Metalworkers' convention on December 14. The Communists won 240 seats, while the Center Party took 7 seats. Earlier predictions of a close tally that would have enabled the Center Party to cast the deciding votes did not pan out.

The Social Democrats now have the upper hand in charting the course of the union for the next four years. Although the margin of victory was slim, the Social Democrats' morale will get a boost from their election showing. Their discouraging performance in the parliamentary elections and a scandal involving the smuggling of funds from West Germany and Sweden to aid in the Metalworkers' election had seriously dampened party enthusiasm.

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agricultural policy an issue. Since then, the British have had little to say, but the West Germans, the French, and the Italians have contributed acrimoniously to the debate.

Chancellor Schmidt, a former finance minister and the first postwar chancellor to have few inhibitions about seeking political influence commensurate with West Germany's economic strength, has long made political hay out of his criticism of waste and inefficiency in the Brussels bureaucracy. With an eye to stringent budget pressures in Bonn and close national elections next year, Schmidt has been especially critical of any moves to raise community expenditures for agriculture.

In France, rivalry between President Giscard d'Estaing and Prime Minister Chirac has added to the difficulty over EC farm policy. Chirac made his national reputation during 1972-1974 as an agriculture minister who advanced the interests of the French farmers through theatrical tactics in Brussels. At Chirac's insistence, Paris contravened EC regulations this fall with a tax on Italian wine shipments.

Italian Agriculture Minister Marcora has been particularly aggressive in promoting Rome's point of view. He has emphasized that the Community allocates a larger share of its resources to support the prices of agricultural commodities produced in northern rather than southern regions, and he asks corrective action. Marcora, who owns a livestock and dairy farm in Italy's Red Belt, operates from a strong position in Rome as a leader on the rise in the newly influential left wing of the Christian Democratic Party.

Reform Review

Implementation of several reforms suggested by the EC Commission would greatly extend the scope of the Community's common farm policy, but such steps are likely to face stiff opposition in the member countries. The changes are aimed at overcoming some of the long-standing problems associated with the common agricultural policy, especially with regard to surplus production, but implementing the changes would require ad-

ditional expenditures—a step certain to be criticized in a time of economic difficulty.

The member states are nevertheless getting down to considering politically feasible reforms. Some members hope to clear up misunderstandings about the program and prove that the common farm policy is not the drain on EC resources that its critics allege.

Future debate will take place at several levels, with Commission and national officials working closely with representatives of farm organizations. The EC heads of government, however, will probably have to establish guidelines for farm policy reform when they meet in Rome at the beginning of December.

Within the next few months, the EC is likely to endorse Commission suggestions for more stockpiling of farm products, long-term contracts for overseas sales of food, and the adjustment of grain price ratios to encourage use of surplus low-grade wheat as a feed grain. The EC is less likely to accept Commission proposals looking toward greater producer responsibility in avoiding surpluses, increased farm size, more use of direct payments to farmers as a substitute for price supports, and extension of the common agricultural policy to more products.

Nearly three fourths of the EC's budget is spent on agriculture, with dairy support the largest single item. National critics find Brussels an easy target for the planning that leads to surpluses of milk, butter, beef, and wine.

The member governments nevertheless recognize that the large proportion of the Community's budgetary outlays devoted to agriculture is necessary because Brussels has assumed budgetary responsibility from national governments. Moreover, more EC farmers are involved in the troublesome dairy sector than in any other. Even at the height of bitter debate during the past year, none of the EC members has spoken out in favor of dismantling the Community's agricultural program and returning to national farm policies.

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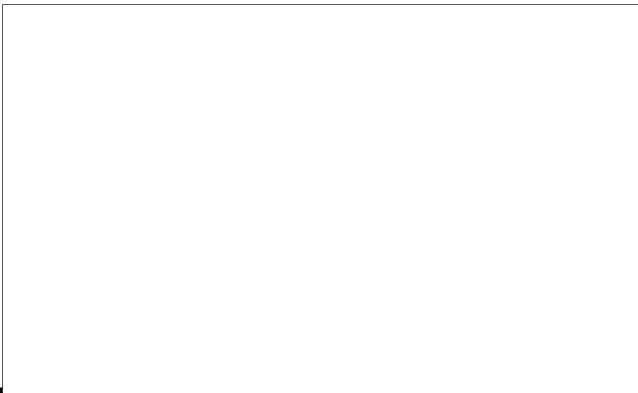
ARGENTINA: IMPEACHMENT MOTION

An impeachment motion against President Maria Estela Peron, introduced late last week, is gaining support in congress. The motion charges gross incompetence as well as large-scale misuse of public funds.

At least three opposition political groupings have already lined up behind the motion, and the largest opposition group, the Radical Civic Union, seems to be moving in that direction. Parties allied with the Peronists in the governing coalition are said to favor impeachment also, at least unofficially.

Recent schisms within the Peronist party may provoke defections that could ensure passage of the motion. Late last week, the party formally expelled Buenos Aires Governor Victorio Calabro, a prominent unionist and spokesman for those Peronists who oppose the President. The US embassy reports that his ouster could well provide the 20 or so Peronist votes needed for passage of the measure.

Peron's recent actions have led some to speculate that she is deliberately seeking to provoke a military coup and thus achieve a kind of martyrdom. She remains isolated in her hospital room, taking counsel only from a small clique of followers of ousted Lopez Rega. During the period of her hospitalization, Peron has ignored requests from cabinet members that she meet with them to discuss government business.



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President Peron following her recent resumption of the presidency

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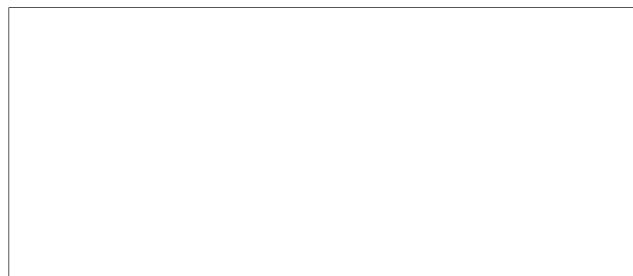
ECUADOR: A SHAKY PRESIDENCY

President Rodriguez continues to hold on to the presidency, but only because the military is disunited and unable to agree on a successor. Despite his best efforts, Rodriguez has not been able to gain the support of the military, and his regime still is plagued by discontent, economic problems, charges of corruption, and plotting.

The President's intention in the long term to restore civilian control of the government has suffered a setback. Last month's cabinet changes, which removed two civilians from their posts, increased the military's dominance. Rodriguez' re-

cent signing of a bill making journalists "liable for crimes against the state," plus the arrest of former Ecuadorean president Arosemena and conservative leader Trujillo, may be evidence of a decrease in civilian influence.

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The President's inability to deal with economic problems has added to public discontent. Popular economic measures, such as the recent reduction in import tariffs, have been overshadowed by persistent problems in labor, industry, and agriculture. The labor unions appear to be Rodriguez' most immediate problem.

The President's reaction may well be a factor affecting his longevity as the nation's leader.

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President Rodriguez

President Rodriguez is also faced with making a decision on oil policy, which will affect all areas of the economy. He will have to decide how to adjust the price of Ecuador's oil in light of the recent OPEC increase. If the selling price is forced up, Ecuador's oil will no longer be competitive and significant oil revenues will be lost. Even if the oil remains competitive because of market fluctuations, a price hike without tax relief for the oil companies will reduce the already lagging incentive to exploit existing sources of oil, upgrade facilities, and undertake further exploration.

Despite all the problems the President faces, there is still no coordinated movement to replace him. Opposition to his regime, however, is increasing, and his future is put in doubt by eroding military support and increasing political and economic pressures.

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GUATEMALA-BELIZE

Seeking a Compromise

Guatemalan leaders are looking for ways to defuse the volatile Belize issue, but time and political considerations stubbornly held by the three parties involved in the dispute may be working against a peaceful settlement.

The reinforcements sent into Belize last week by the British in response to a buildup of forces on October 31 on the Guatemalan side of the border have convinced the Guatemalans that London is determined to defend against an invasion. British forces in Belize, now about 1,100 troops plus six Harrier attack aircraft—which are vastly superior to any airpower Guatemala has—have the capability of defending all but remote jungle areas of Belize. Faced with the strong probability that a military action with even a limited objective would fail, the Guatemalans are seeking to find a solution through negotiations with the British.

Guatemala has accepted as a foregone conclusion that the British-sponsored resolution on Belize will be adopted by a large margin in the UN. Guatemalan leaders then will have to carry through on their threats to respond with military action, or risk losing face.

Not yet willing to foreclose all options short of war, a Foreign Ministry official this week held the door open to the possibility of renewed negotiations with the British. He said that there can be many ways to resolve the issue peacefully, such as the International Court of Justice, arbitration, or a friendly mediator. The implication is that Guatemala very much wants the US to take on this role—and, of course, to favor Guatemalan interests. In another attempt to reach a solution through diplomacy, Guatemala this week laid the groundwork for intervention by the OAS. The OAS played a major role in calming the last flare-up of the Belize dispute in 1972.

The reaction to the British reinforcements has thus far been restrained, although the Guatemalans are concerned that incidents with British forces patrolling the border could occur and lead to a clash of serious proportions. Mexico has proposed a compromise resolution that calls for the parties involved to refrain from any action that would delay negotiations or jeopardize harmony in the region. Guatemala seems willing to accept the Mexican proposal, but feels that it has come too late in the game and has no real possibility of acceptance in the UN.

Domestic Reaction

What the Guatemalans are really looking for is some gesture from the British indicating that meaningful negotiations are a distinct possibility. President Laugerud will need something to offset the domestic reaction, both from the public and from the hawks in the military, that seems certain to follow passage of the British resolution.

A public announcement before the UN acts on the resolution, coupled with a private approach by the British to give Guatemala some clear indication of what London has in mind to settle the dispute, would probably be enough to prevent, or at least forestall, an outbreak of hostilities. If the British do not offer a face-saving device, the risk of a military conflict will increase.

Still, there is no guarantee that London would be able to persuade Belize to agree to Guatemala's very exacting demands. Guatemala has in the past insisted on a sizable chunk of Belizean territory, in addition to satisfying economic and security concerns, before it would relinquish its claim. The Belizeans are hardly likely to agree to any significant territorial concessions. Guatemala would have to scale down its demands considerably in order to make headway on a settlement. At this point, there are few signs that either side would be willing to back down.

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