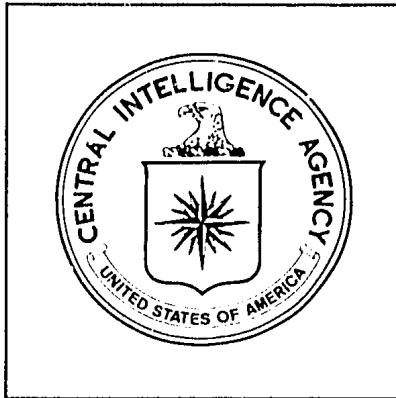


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Dutch To Cut NATO Forces

The Dutch government, under pressure to trim the budget, informed NATO last week that it plans to make further reductions in naval forces in order to reduce defense spending. The plan, if implemented, would significantly reduce alliance capabilities for sea surveillance and anti-submarine warfare by January 1976.

The Hague has agreed to consult with its allies before making any final decisions. US embassy officials in The Hague believe that the Dutch government may have advised NATO of the planned reduction in order to mobilize opinion within the alliance against such a step and strengthen the hand of key Labor ministers who feel strongly about The Netherlands' obligations to the alliance.

The Dutch notified NATO of their intention to retire 15 long-range Neptune patrol aircraft used in sea surveillance and anti-submarine duty and postpone the purchase of US-built Orion aircraft originally planned as replacements. In addition, the Dutch flagship, a guided missile cruiser, would be de-commissioned next month rather than in 1977 as planned.

The NATO military committee in Brussels is concerned that if the Dutch do reduce their forces, the surveillance of Soviet submarine activity in the Eastern Atlantic will be seriously hampered. The committee previously recommended speeding-up the Dutch replacement program and even suggested increasing the number of patrol aircraft.

In addition to serious budget difficulties stemming from inflation and unemployment, the

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government of Prime Minister den Uyl has been facing growing anti-militarism as well. Furthermore, the current atmosphere of detente has raised questions regarding Dutch participation in NATO.

Both den Uyl and Defense Minister Vredeling have displayed skill and flexibility in managing the Dutch defense effort over the past two years. Like other small NATO members, the Dutch have sought ways to stretch their budget to cover increasing defense costs. A ten-year defense budget plan extending through 1983 and approved by NATO reflects the den Uyl government's desire to maintain its commitment. Although the plan is less than two-years old, the government had earlier indicated that it was considering other measures to reduce government spending, in addition to the latest move affecting naval forces. Some government opponents also object to the extended time period covered by the plan which will commit future governments to these policies.

Earlier this year, the Dutch government agreed to purchase the US-made F-16 to replace the F-104 fighter aircraft. The government took this step despite some domestic opposition to the move. Den Uyl may hope to signal to the allies that he is in no position at this time to follow NATO suggestions to expand the Dutch defense effort, but, if prompted, might be able to keep the Neptunes in service if NATO strongly objects to their retirement. The draft defense budget for 1976 will be presented to parliament next month, with debate scheduled to begin in October.

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USSR Pessimistic About Situation in
Portugal

The Soviets yesterday published an authoritative article on the situation in Portugal. Unlike previous Soviet commentary, the Pravda article expresses Moscow's views directly, rather than putting them in the mouths of the Portuguese Communists or others.

The tone of the Pravda article is defensive and pessimistic. As the pressure on the Portuguese Communists has increased, expressions of confidence about the course of events have given way to increasing criticism of what the Soviets term "outside meddling."

The Pravda article draws the analogy between the situation in Portugal and events in Chile just before the overthrow of former president Allende that was first sounded by the Soviets in a broadcast to Hungary on Friday. Pravda goes on to criticize NATO, the Western press, Western economic organizations, and "international social democracy."

The Chinese also are dragged into the cast of evildoers; they are accused of cooperating with "international reactionaries" by fomenting discord in Angola and the Azores.

Pravda charges that leaders of the Portuguese Socialists are providing a rallying point for reactionaries by attacking the Communists, but Moscow was more critical of the Socialists just after they left the government. Indeed, Pravda again calls for concerted action by the Armed Forces Movement, the Communists, Socialists, and other left progressive forces.

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Prayda offers no practical advice and provides no clues about what, if any, action the Soviets themselves might take in support of the Portuguese Communists.

Moscow would clearly like to see the Portuguese Communists recover from their present isolation, but there is little indication the Soviets believe their exhortations will have much practical effect.

They may, in this article, be preparing an explanation for an eventual collapse of the Communist position in Portugal, placing the blame primarily on the Socialists and the West.

Privately, the Soviets may already have advised the Portuguese Communists to prepare for a return to a clandestine status, as Lisbon's ambassador to Moscow alleged recently.

Hungarian Statement

The Hungarian party yesterday issued a short statement that had been clearly coordinated with Moscow. In the statement, the Hungarian party:

- Expressed shock at the increasingly organized attacks against "democratic" developments in Portugal.
- Cited cooperation of all "democratic and anti-fascist forces" as the best defense.
- Assured "the Portuguese Communists and the anti-fascists" of Hungarian solidarity.

Statements such as this provide a cheap and easy way for the Soviet and the East European parties to display their support of the Portuguese Communists; the Hungarian statement will probably be followed by others from Eastern Europe.

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General Franco's Meeting with Juan Carlos
Could Portend Policy Moves

The meetings which General Franco is holding this week with his designated successor Prince Juan Carlos have sparked speculation that an important political announcement is pending. It could come at a cabinet meeting scheduled for Friday.

Speculation stems from the unexpected nature of Juan Carlos' sudden visit to Franco at his vacation retreat in northwest Spain. Franco customarily meets with his cabinet several times during his long summer vacation, but this is the first time Prince Juan Carlos has interrupted his own vacation to join Franco at La Coruna. The prince, who just visited Franco there last month, is scheduled for three days of talks with Franco, but government officials refuse to disclose any details.

Franco has given no indication that he is ready to turn over his powers to the prince, although there has been speculation that such a move could come as early as October. Such rumors crop up periodically, but there is a wide range of possible topics for the talks--many of which will reportedly be taken up at the cabinet meeting.

--Possible cabinet changes; rightists have reportedly been pressing Franco to replace Prime Minister Arias. Arias has been undercut by Jose Solis Ruiz, Franco's recent appointment as minister secretary general of the National Movement.

--Base negotiations with the US; Spanish negotiators have taken a hard line in the ninth round of talks that began this week. The possibility has been raised of asking the US to withdraw

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from all its facilities in Spain except the naval base at Rota if Spain's desire for a NATO connection cannot be met.

--Counter-terrorist measures; tough new regulations are planned that are likely to draw a hostile reaction from Spain's European neighbors.

--The recent military arrests; Franco may want to sound out Juan Carlos on the handling of the officers arrested for their political activities. Some of those arrested were reportedly classmates of the prince at the military academy.

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Buy British Campaign

A recent series of appeals to "Buy British" by Trade Minister Peter Shore reflect growing pressure on the government to protect British jobs from foreign competition.

Shore is concerned about increasing imports of goods that directly compete with those produced domestically. He has promised to look into allegations that foreign goods are being "dumped" into the UK and to take action where charges can be confirmed.

The trade minister has been careful to balance his views by reiterating the government's opposition to import controls. The success of Labor's economic policy rests heavily on an export-led recovery and import controls would risk damaging retaliation from abroad. There have been reports that Shore is considering the merits of an official advertising campaign urging consumers and industries to use more British-made goods. The government may look on such a campaign as a way of reducing political pressure for the imposition of selective import controls.

Trade unions and left-wing Laborites favor the use of import controls to curb unemployment which is already at a record level. Last week the economic committee of the Trades Union Congress recommended that the government be pressed to adopt selective controls as soon as possible. The unions are especially concerned about the effects of imports on the textile, automobile, television tube, and electrical appliance industries.

Pressure from the labor movement to buy British could have an effect in the selection of

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certain weapon systems. The British army, for example, would probably like to purchase the helicopter mounted Franco-German anti-tank guided missile, Hot. Instead the army could end up purchasing the inferior British Aircraft Corporation (BAC) Hawkwing missile because of union pressure and the government's desire to set an example to buy British. Furthermore, an unequivocal recommendation by a bipartisan parliamentary committee that the army purchase another Franco-German anti-tank missile--the Milan--may run into opposition from the politically powerful unions. Workers at one BAC plant recently recommended that the company produce a modified version of an existing British missile for the army to buy in place of the Milan.

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Greek Navy Increases Firepower

The Hellenic Navy, which has had chronic materiel problems, is presently being modernized and revitalized.

In the past, the Hellenic Navy's principal deficiencies were insufficient numbers of surface combatants, poor antiaircraft capabilities, and inadequate long range antiship firepower. To correct those deficiencies, the navy has, during the past year:

- Requested transfer of one destroyer and two nonmissile patrol boats from the US navy, and ordered four guided-missile patrol boats from France;
- Requested transfer of seven used non-missile patrol boats and started negotiations for purchase of four submarines, all from Germany;
- Received two small patrol boats from a private Greek shipyard;
- Undertaken overhaul of destroyers to improve sonar and fire-control systems and of the sonar systems in the older submarines;
- Ordered modern antiaircraft guns and surface-to-air missiles for ships;
- Improved operational coordination procedures with the Hellenic Air Force; and
- Trained the first group of naval helicopter pilots.

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New surface combatants which the Greeks hope to add to the fleet during the next two years will mean a major increase in overall firepower.

	<u>1975</u>	<u>1977</u>
Destroyers	11	12
Missile Patrol Boats	4	8
Nonmissile Patrol Boats (esimated)	20	30
Submarines	8	8*

The additional destroyer will add to the number of large guns available to the fleet. The armament of the four new missile patrol boats--to be delivered by France by 1977--will at least double the number of long range antiship missile launchers in the fleet and, if the latest French missile launcher is purchased, could quadruple the number. The increase in nonmissile patrol boats will give the navy a better convoy escort capability and make more fast craft available to support raiding force operations.

If Greece receives four submarines from Germany, the navy's capability for antisubmarine warfare and surface shipping interdiction would be upgraded. The new submarines are quieter, easier to maintain and have more effective electronic equipment than the four American submarines which they are scheduled to replace.

Improvements which are being made to the 11 destroyers will significantly increase the Greek Navy's staying power during any future sea campaign.

**There are indications that the four US submarines now in service may not be retired when new submarines are commissioned; thus, the number of submarines in two years would be 12.*

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The fire-control system is being improved to provide more effective firepower against surface ships and coastal targets, and improved sonars will enable the main arm of the fleet to defend itself better against submarines.

The self-defense capability of the fleet also is being improved by the addition of new anti-aircraft weapons. During 1975, the navy hopes to put large calibre anti-aircraft guns on three and perhaps seven of the destroyers and equip the destroyers and destroyer escorts with an effective surface-to-air missile system. Some of the anti-aircraft machineguns and small man-portable anti-aircraft missiles being purchased by the Greek government will probably be carried on small ships. Although these weapons will not completely end the navy's requirement for land-based air support, they will significantly increase the fleet's ability to operate effectively without constant air cover.

The navy command is emphasizing training and coordination--both within the navy and between the navy and air force--to increase the fleet's wartime effectiveness. Increased emphasis on aerial support is also demonstrated by the first group of navy pilots being given helicopter training. Formerly, navy sonar operators have performed antisubmarine warfare training in helicopters flown by air force pilots.

The overall improvements the Hellenic Navy is making in materiel and training should significantly enhance its effectiveness. Effectiveness also should be increased by what is almost certain to be an improvement in the navy's morale as it receives equipment priorities which are not less than those afforded the army or air force.

The navy's missions, both national and in support of NATO, are expected to be centered in the Aegean and Sea of Crete. (Although Greece no longer commits

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naval forces to NATO, the fleet would probably be made available to NATO during any confrontation with the Warsaw Pact.) In the event of war with Turkey, assigned missions include convoy escort and mine warfare operations to support Greek forces on the Aegean islands. The navy would also be responsible for interdiction of Turkish shipping and supporting commando raids on the Turkish coast. In case of war between NATO and the Warsaw Pact, the navy would conduct antisubmarine and patrol operations to assist NATO's defense of the Dardanelles and Italian naval operations in the Ionian Sea.

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The Bavarians Know What Is Really Important

Bavarian Interior Minister Bruno Merk has requested the West German ministry of the interior not to go through with plans to schedule next year's Bundestag election on either October 3 or October 31.

Merk's objection to the first date is that it falls within the three week period when Munich hosts the world's biggest beer-bust, the "Oktoberfest." Merk believes--and he is probably correct--that many thousands of people will be traveling to or from the Oktoberfest on October 3, and might not vote.

The Bavarian official objects to the second date because November 1 is a legal holiday in many parts of West Germany, and tens and even hundreds of thousands of West Germans will take advantage of a three-day weekend to travel. Again, they might not vote.

One would not be surprised if the federal authorities see the merits of Merk's arguments, and schedule the election sometime between October 3 and 31.

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Communist-Socialist Collaboration at Center
of Italian Political Debate

Italian government and party leaders are still grappling with the consequences of the Communist Party's unprecedented gains in the June regional and local elections. The main controversy centers on the continuing trend toward closer relations between the Communists and the Socialist Party, which is pledged to support the Moro government in parliament.

Since the elections, the Socialists have shown a clear preference for alliance with the Communists in the new regional and local governments. The Socialists, who gained moderately in the elections, now share power with the Communists in most major Italian cities, 5 of the 20 regions and nearly a third of the 94 provinces.

Socialist leader De Martino has rebutted criticism from partners in the national government--the Christian Democrats, Social Democrats, and Republicans--by maintaining that he is against a Socialist-Communist coalition at the national level. Such an alliance would not control a majority in the present parliament, but that could change after the next national elections which must be held no later than 1977.

De Martino drew additional fire from the other governing parties last week by signing a joint communique with Communist chief Berlinguer on the situation in Portugal.

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The communique called for a political agreement in Portugal between the "democratic" parties--including the Communists--and the Armed Forces Movement.

It was the joint signature by De Martino and Berlinguer, more than the document itself, that drew criticism. Although the Communists and Socialists have consulted discreetly on policy matters in recent years, they have not issued joint communiqués since the dissolution of their common "front" in 1957.

Berlinguer scored a major plus by persuading one of the governing parties to sign the communique. That will help him deflect the renewed criticism he has come under as a result of his party's recent signing of a joint communique on Portugal with the Soviets. The communique seemed to give stronger support to the Portuguese Communists than Berlinguer has in the past. On many occasions, he has publicly stated his disapproval of Portuguese Communist strategy.

De Martino, on the other hand, will be able to point to the less-than-revolutionary language in the document he signed with Berlinguer to bolster his argument that Italy's Communists are developing into a legitimate national party. The Socialists have used this line to help justify growing collaboration with the Communists.

The Socialists, meanwhile, have spelled out what they regard as a suitable successor to the Moro government, which is almost certain to be replaced before the end of the year. Although still opposed to giving the Communists any cabinet positions, the Socialists desire an arrangement that would allow the Communists to participate indirectly.

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Last week, the Socialists pointed to the regional administrations in Lombardy and Campania as models for the next national government. Although the Communists are excluded from the center-left governments formed by the Christian Democrats and Socialists in those areas, the two parties have agreed to negotiate formally with the Communists on the regional legislative program.

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