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2007/10/23 :

CIA-RDP86T00608R000500030

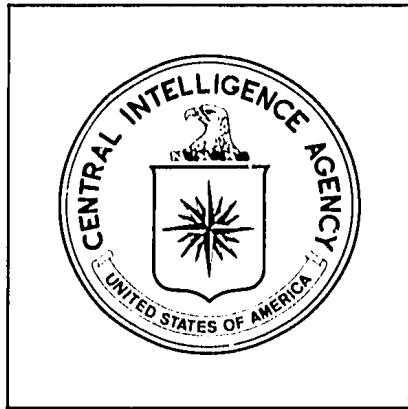
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# STAFF NOTES:

## **Western Europe Canada International Organizations**

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No. 0314-75  
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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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Japanese and European Shipbuilders Seek Solutions

Shipbuilders from Japan and Western Europe are meeting in San Francisco today to seek cooperative adjustments in the rapidly shrinking shipbuilding market. They hope to prevent cutthroat competition that would exacerbate the serious downturn in the industry during the next two years.

At the heart of the problem is a large and rapidly growing surplus of tankers which have been the mainstay of the shipbuilding boom in recent years. About 14 percent of the world tanker fleet is now idle and another 14 percent is in operation only because of the widespread practice of slow steaming, which can nearly halve fuel costs. The capacity of tankers on order--most of which is based on contracts predating the oil crisis--is equal to 45 percent of the existing tanker fleet. New orders for tankers, which comprise two-thirds of all ships on order, have decreased sharply and many earlier orders have been cancelled.

Acceptable programs to reduce the surplus and ease the impact on shipbuilders have eluded the OECD and various shipbuilder's associations. An earlier meeting in Tokyo of those expected at the San Francisco conference bogged down when the Japanese, who produced half the world's new ships last year, refused to accept a system of price agreement and market sharing. The Japanese are now willing to discuss price guidelines.

Price policy is a critical concern to Japan's competitors. Japanese shipbuilders have won nearly 75 percent of all new export orders this year,

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repeatedly underbidding European builders by 30 percent or more despite comparable labor costs. The Japanese have rejected charges of dumping, attributing their success to the efficiency of highly automated yards. European analysts suspect that the high degree of integration in Japan's steel and shipbuilding industries provides an exceptional advantage in material costs.

EC nations are insisting on action by industry and government to cope with the lean years ahead, although the Community remains committed to decreasing governmental subsidies. Individual governments appear prepared to abandon temporarily this policy if EC action to counter Japanese competition cannot be formulated.

At the EC heads of government meeting in Rome this week, the Dutch and Danes urged that the Community adopt procedures specifically aimed at aiding the shipbuilding industry, which they said was in urgent need of immediate assistance.

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King Juan Carlos Wins Initial Political Test in Spain

King Juan Carlos has won his first battle to put his own men in the Spanish government.

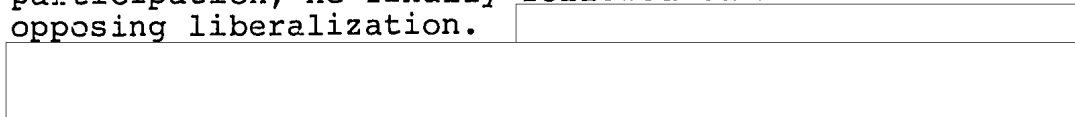
The Council of the Realm is said to have followed the King's expressed wish when it made Torcuato Fernandez-Miranda one of its three nominees for president of the Cortes. A struggle reportedly took place in the Council where militant rightists fought to renominate the conservative outgoing president whose term expired last week.

The King's decree naming Fernandez-Miranda President of the Cortes was issued yesterday. Fernandez-Miranda automatically becomes president of the Council of the Realm, the powerful body that will play a major role in future government changes.

Fernandez-Miranda is expected to be responsive to the King. A former professor of law and political theorist, he was the King's tutor in political theory when Juan Carlos was preparing for his present position, and they have maintained close ties. Fernandez-Miranda served as minister secretary-general of the National Movement, Spain's only legal political party, and deputy prime minister under the late Carrero Blanco. Although Fernandez-Miranda showed some signs of supporting moves to open the Movement to broader participation, he finally followed Carrero's lead in opposing liberalization.

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Fernandez-Miranda will play an important role in promoting the King's choice for prime minister, should Juan Carlos decide to replace Carlos Arias.

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As president of the Cortes and the Council of the Realm, it will also be Fernandez-Miranda's duty to countersign a number of executive decisions, which would give the King more freedom to act.

Meanwhile, the government faces its first confrontation with labor since Juan Carlos became King. A two-day strike in Madrid has been called by the clandestine Workers' Commissions to start in the building industry. The strike is being called ostensibly to protest the government's recently announced decision to limit wage increases to no more than 3 percent above the annual increase in the official cost-of-living index. The leaders of the Workers' Commissions--which are dominated by the Communists--reportedly want to see how much support the Madrid strike receives before deciding whether to call a general strike later.

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Military's Role in Portuguese Politics Could Become Source of Friction

The military's dominant political role in Portugal could become a source of increasing friction between civilian and military leaders.

The popularly elected constituent assembly took up the issue yesterday when it met for the first time since the failure of the leftist military rebellion last week. The assembly meeting coincided with the lifting of the state of emergency in the Lisbon area.

Military participation in the government was formalized before the constituent assembly elections last spring, when the leftist military leadership dominated by pro-Communist former prime minister Vasco Goncalves forced the political parties to agree to a continuing role for the military for a period of three to five years. Under the terms of the agreement, the military has the power to override an elected government, in addition to having veto power over presidential candidates and the selection of key cabinet ministers.

At the assembly session yesterday, the Socialist Party announced that it was prepared to participate in talks to renegotiate the pact. The party emphasized, however, that it was not prepared to call the agreement with the military into question on its own.

The Socialists' reluctance to challenge the military at this juncture is understandable. They have cooperated closely with the anti-Communist Antunes faction since the overthrow of the Goncalves government and hope to use their present favored position in the government as a springboard to power in the general election promised for next year.

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The other democratic parties, however, have shown no such reluctance and may be expected to press the Socialists now that the latter have opened the door. Francisco Sa Carneiro--head of the Popular Democratic Party, which also belongs to the present government partnership--on several occasions has called on the military to return to the barracks, and, more recently, urged the popular election of a civilian successor to General Costa Gomes as president. The Social Democratic Center, a center-right party that is not represented in the government but which does sit in the constituent assembly, can also be expected to throw its weight behind the proposal.

Popular sentiment for an end to military rule has been on the increase in Portugal, and there is support for such a move within the military as well. Although the present military leaders have promised at various times to respect the results of the election planned for next spring, they have given no indication that they intend to withdraw from politics completely.

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Iceland to Attend NATO Ministerial Meeting

Icelandic Prime Minister Hallgrimsson has assured the US Ambassador that Foreign Minister Agustsson will attend the December NATO ministerial meeting in Brussels despite the fisheries dispute with Britain. He said that there was little sentiment within the cabinet to withdraw from NATO or dismantle the Keflavik base manned by US forces.

Agustsson had intimated earlier that he would not attend the NATO meeting and suggested that Iceland's permanent delegation might be withdrawn. He also said that Iceland would withdraw from the alliance and dismantle the Keflavik base if the UK did not remove its frigates from Iceland's disputed waters. Hallgrimsson attributes the cabinet's decision to a realistic assessment of world conditions and to Reykjavik's desire to resolve the fishing dispute through negotiations.

The Foreign Minister's strong anti-NATO statements were designed to focus attention on the dispute with the UK, and to induce NATO, and especially the US, to persuade the UK to be more forthcoming. Reykjavik issued similar threats during an outbreak of the cod war in 1972-73, but did not carry them out.

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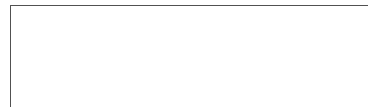
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Italian Communists Carry Moderate Labor Policy a Step Further

Since scoring unprecedented gains in nationwide local elections last June, the Italian Communists have made an increased effort to demonstrate that they take a responsible approach to the country's serious economic problems. A recent statement by a high-ranking Communist official shows the extent to which the party is willing to risk serious rank and file discontent in pursuit of that objective.

Communist Senator Colajanni, a member of the party's central committee and of parliament's commission on state industries, recently told an audience of textile workers in Piedmont that they should drop resistance to the closing of plant facilities deemed outmoded and inefficient by Montedison. Montedison, a huge petrochemical firm owned partially by the state, maintains that it must shut down several of its less productive facilities in Piedmont as part of a consolidation effort aimed at improving the company's deteriorating financial position.

Whether management has the right to take such actions is one of the major unresolved issues in current negotiations for the renewal of contracts involving about one-fourth of Italy's industrial work force. The initiative by the Communists, who have predominant influence in the labor movement, is thus seen by Italian industrialists as a possible turning point in the talks.

The Communists, however, may not be able to sell the new line to the rank and file. Most of the unions have reluctantly gone along with Communist recommendations to avoid excessive wage demands but have so far shown

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little inclination to go along with industry's plans to close plants and relocate workers.

The fact that the Communists made their move in Piedmont will aid their efforts to reassure non-Communist Italians--particularly in the business world--who are concerned by the party's increased influence. Prior to the June elections, the Communists were in the opposition in Piedmont, but the party now participates in the regional government and in the municipal government of Turin, the regional capital.

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