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CFR REPORT, INFORM CONSULS, CINC/SHAPE/MAC FOR POLADS ONLY

E.O. 11652: GDS

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1. EUR - SVALBARD AND THE NORTHERN REGION (SECRET)

A NEW, HARD-LINE SOVIET POLICY IN THE NORTHERN REGION HAS EMERGED IN RECENT MONTHS ESPECIALLY WITH RESPECT TO SOVIET-NORWEGIAN BILATERAL ISSUES. NOT ONLY HAVE THE SOVIETS REFUSED TO GIVE GROUND IN THEIR OFFSHORE BOUNDARY NEGOTIATIONS WITH NORWAY, BUT THEY HAVE TESTFIRED MISSILES ON SEVERAL OCCASIONS DIRECTLY INTO THE DISPUTED ZONE IN THE BARENTS SEA. EACH NORWEGIAN PROTEST WAS REJECTED WITH THE SOVIET STATEMENT THAT THIS AREA IN THE BARENTS SEA IS SOVIET, NOT DISPUTED TERRITORY.

THE HARD-LINE PATTERN OF SOVIET BEHAVIOR HAS CONTINUED TO DEVELOP ON SVALBARD. THE SOVIETS HAVE CONSISTENTLY IGNORED NORWEGIAN EFFORTS TO EXERCISE SOVEREIGNTY IN ACCORDANCE WITH THEIR LEGAL RESPONSIBILITIES UNDER ARTICLE 11 OF THE SPITZBERGEN TREATY OF 1920. RECENTLY THE SOVIETS CONSTRUCTED A HELIPORT AND REPLACED SMALL, AGING HELICOPTERS WITH FIVE NEW 30-MAN HELICOPTERS OF THE MI-8 TYPE. IN ACCOMPLISHING THIS THE SOVIETS MADE NO MOVE TO INFORM THE NORWEGIANS OR TO COMPLY WITH ROUTINE ADMINISTRATIVE PROCEDURES.

THE NORWEGIAN REACTION THUS FAR HAS BEEN DISAPPOINTING: THEY ARE UNDER STRONG DOMESTIC POLITICAL PRESSURE TO ADOPT A FIRM LINE TOWARD THE USSR YET PREOCCUPIED WITH THE STABILITY OF THE NORTHERN REGION AND FEARFUL OF POSSIBLE SOVIET REACTIONS.

US POLICY IS PRESENTLY FORMULATED ON THE FOLLOWING ELEMENTS:

- THE NORTHERN AREAS, INCLUDING SVALBARD, ARE OF PARTICULAR STRATEGIC IMPORTANCE, BOTH TO THE USSR AND TO NATO.
- THE CLAUSE IN THE SPITZBERGEN TREATY THAT SVALBARD NOT BE USED FOR WAR-LIKE PURPOSES HAS BEEN AND CONTINUES TO BE AN EFFECTIVE RESTRAINT IN THIS AREA.
- THE EFFECTIVE ADMINISTRATION OF THE SVALBARD LAND AREAS UNDER NORWEGIAN SOVEREIGNTY IS AN IMPORTANT GUARANTEE THAT ALL PROVISIONS OF THE SPITZBERGEN TREATY WILL BE RESPECTED AND THUS CONTRIBUTES TO THE MAINTENANCE OF STABILITY IN THE NORTHERN AREAS.
- THE US DOES NOT WISH TO SEE ANY DESTABILIZING FACTORS INTRODUCED INTO THIS AREA.
- WE MAINTAIN OUR RESERVATION WITH RESPECT TO MINERAL RIGHTS ON THE CONTINENTAL SHELF AROUND SVALBARD.

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2. EUR - NON-SOCIALIST GOVERNMENT IN SWEDEN AFTER TWO MONTHS (CONFIDENTIAL)

AFTER TWO MONTHS IN OFFICE, IT APPEARS THAT THE NEW SWEDISH GOVERNMENT HEADED BY PRIME MINISTER THORBJORN FALLDIN--THE FIRST NON-SOCIALIST GOVERNMENT IN SWEDEN IN 44 YEARS--WILL CONTENT ITSELF, AT LEAST IN THE NEAR TERM, LARGELY WITH PRESERVING THE STATUSQUO BEQUEATHED TO IT BY THE SOCIAL DEMOCRATS. THERE IS A GENERAL SWEDISH PUBLIC EXPECTATION

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THAT THE FALLDIN GOVERNMENT WILL NOT ENTER THE HISTORY BOOKS AS AN ACTIVIST OR ESPECIALLY INNOVATIVE GOVERNMENT, BUT THAT IT WILL BE RECORDED AS HAVING STOPPED, AT LEAST TEMPORARILY, SOCIAL DEMOCRATIC PLANS FOR THE FURTHER SOCIALIZATION OF SWEDISH SOCIETY.

FALLDIN IS NOT DISRUPTING THE VAST SWEDISH SOCIAL WELFARE SYSTEM OR CHANGING FOREIGN POLICY IN ANY BASIC WAY. GOVERNMENT SPOKESMEN PUBLICLY AND PRIVATELY HAVE STRESSED THE CONTINUITY OF SWEDISH FOREIGN POLICY:

- NON-ALIGNMENT AND STRONG DEFENSE;
- CLOSE COOPERATION WITH THE SCANDINAVIANS AND WESTERN EUROPE;
- EXTENSIVE SUPPORT FOR THE UN, PARTICULARLY IN THE DISARMAMENT AND NUCLEAR NON-PROLIFERATION FIELDS;
- MORAL AND FINANCIAL SUPPORT FOR THIRD WORLD DEMANDS AND LIBERATION MOVEMENTS IN SOUTHERN AFRICA;
- AND THE MAINTENANCE OF A HIGH STANDARD OF LIVING IN SWEDEN.

US INTERESTS REMAIN LARGELY UNAFFECTED BY THE CHANGE IN GOVERNMENT. NEVERTHELESS, OUR ABILITY TO CONSULT AND COOPERATE WITH SWEDEN IN IMPORTANT AREAS OF FOREIGN AND INTERNATIONAL ECONOMIC POLICIES HAS BEEN SOMEWHAT ENHANCED BY THE LESS DOCTRINAIRE APPROACH OF KEY OFFICIALS IN THE NEW GOVERNMENT.

3. OES - US-USSR FISHERIES AGREEMENT (CONFIDENTIAL)

ON NOVEMBER 26, THE USSR SIGNED A GOVERNING INTERNATIONAL FISHERIES AGREEMENT AT THE DEPARTMENT. UNDER THE FISHERIES CONSERVATION AND MANAGEMENT ACT OF 1976, ALL FOREIGN NATIONS WHICH WANT TO CONTINUE FISHING WITHIN OUR NEWLY PROCLAIMED 200 MILE LIMIT AFTER MARCH 1, 1977 MUST HAVE SIGNED SUCH AN AGREEMENT. US NEGOTIATORS EXPERIENCED LITTLE DIFFICULTY IN REACHING THE AGREEMENT, ALTHOUGH THE USSR HAS TRADITIONALLY OPPOSED EXTENSION OF ANY KINDS OF NATIONAL MARITIME JURISDICTIONS. A RECENT RUSSIAN NOTE HAD REITERATED THAT VIEW.

THEIR WILLINGNESS TO SIGN A GIFA WITH US SUGGESTS A NEW SOVIET POLICY AND THE LIKELIHOOD THAT THE USSR WILL ITSELF DECLARE AN ENLARGED FISHERIES JURISDICTION. THE NEW AGREEMENT WILL PROBABLY PROVIDE AN INCENTIVE FOR JAPAN, WHICH HAS ALSO OPPOSED US UNILATERAL EXTENSION OF FISHERIES JURISDICTION, TO REEVALUATE ITS POSITION. IT ALSO MAY ASSIST US IN OUR CURRENT FISHERIES NEGOTIATIONS WITH SPAIN. FOR BOTH COUNTRIES REDUCED CATCH LEVELS WILL BE ECONOMICALLY DIFFICULT AND POLITICALLY SENSITIVE.

4. PA - AMERICANS SPLIT ON COMMUNISTS IN ITALIAN GOVERNMENT (UNCLASSIFIED)

1. THE AMERICAN PUBLIC DIVIDED FAIRLY CLOSELY WHEN ASKED IF IT THOUGHT THE ENTRY OF COMMUNISTS INTO THE ITALIAN GOVERNMENT WOULD MAKE IT UNLIKELY THAT ITALY AND THE U.S. COULD MAINTAIN THEIR PRESENT RELATIONSHIP. A SMALL PLURALITY (46 PERCENT TO 34 PERCENT) TOOK THE VIEW THAT RELATIONS BETWEEN THE TWO COUNTRIES NEED NOT RPT NOT, NECESSARILY, BE DAMAGED.

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2. A NATIONAL SAMPLE RESPONDED TO THIS QUESTION:

"DO YOU FEEL THAT OUR RELATIONS WITH COUNTRIES SUCH AS ITALY WILL BE THREATENED IF THE COMMUNISTS BECOME PART OF THE COALITION GOVERNMENT THERE, OR THAT WE WILL STILL BE ABLE TO DEAL WITH THEM AS ALLIES?"

-	STILL ABLE TO DEAL AS ALLIES	46 PERCENT
-	THREATENED BY COMMUNISTS IN	
-	GOVERNMENT	34 PERCENT
-	NOT SURE	20 PERCENT

3. THIS DATA WAS GATHERED BY THE YANKELOVICH POLLING ORGANIZATION LAST APRIL, BUT HAS NOT BEEN PUBLISHED. HOWEVER, THE BASIC FINDING WAS RECENTLY REPORTED IN AN ITALIAN NEWSPAPER FOLLOWING ITS OFF-THE-RECORD PRESENTATION BY DR. YANKELOVICH AT A CONFERENCE HELD IN BOLOGNA LATE IN NOVEMBER.

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4. IT IS HARDLY LIKELY THE ISSUE OF COMMUNIST MEMBERSHIP IN AN ITALIAN CABINET HAS BEEN GIVEN CLOSE ATTENTION BY THE GENERAL PUBLIC. THEREFORE, EVEN THOUGH THE QUESTION CITES ITALY SPECIFICALLY, IT PROBABLY TAPS A GENERALIZED ATTITUDE TOWARD SOME RPT SOME DEGREE OF COMMUNIST PARTICIPATION IN WESTERN EUROPEAN GOVERNMENTS.

5. QUITE LIKELY, A GOOD DEAL OF OPINION ON BOTH SIDES OF THE QUESTION IS "SOFT" AND COULD SHIFT IN RESPONSE TO SPECIFIC CIRCUMSTANCES. THE PROPORTION WHO ANSWERED "NOT SURE" (20 PERCENT) WAS LARGER THAN THE MARGIN OF DIFFERENCE BETWEEN THOSE WHO OFFERED OPINIONS (12 PERCENT). REPORTEDLY, YANKELOVICH'S INTERPRETATION OF THE DATA IS THAT THERE IS LEEWAY FOR POLICY-MAKERS TO SHAPE A MAJORITY OPINION ON EITHER SIDE OF THIS ISSUE.

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5. ARA - VENEZUELAN PRESIDENT MAKES WAVES IN EUROPE (CONFIDENTIAL)

VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ (CAP) WAS A DEFINITE MEDIA EVENT DURING HIS SIX-NATION EUROPEAN TOUR, CHAMPIONING THE THIRD WORLD, OPEC, AND VENEZUELAN DEMOCRACY. OF SIGNIFICANCE IN A WAKE OF PRONOUNCEMENTS AND AGREEMENTS WERE:

-- LINKAGE OF AN OPEC PRICE INCREASE TO PROGRESS IN THE NORTH-SOUTH DIALOGUE;

-- A PROPOSED OPEC FUND FOR OIL-LESS LDC'S, AND

-- A QUADRILATERAL OIL DEAL INVOLVING CUBA, THE USSR, WESTERN EUROPE AND VENEZUELA.

CAP'S PERFORMANCE -- ENERGETIC, OUTSPOKEN, AND HECTIC-- WAS BEST SUMMED UP IN MOSCOW. THERE, HE SIGNED OR DISCUSSED SEVERAL AGREEMENTS, CHIDED HIS HOSTS PUBLICLY FOR NOT PARTICIPATING IN THE NORTH-SOUTH DIALOGUE AND LEFT TOWN EARLY, POSSIBLY MIFFED OVER RECEIVING "STANDARD" SOVIET TREATMENT FOR DEVELOPING NATION LEADERS. SMALL WONDER THAT THE RUSSIANS REFERRED TO THIS FIRST VISIT OF A VENEZUELAN LEADER AS "BUSINESS-LIKE AND FRIENDLY," LANGUAGE A HALF-STEP DOWN FROM THAT USUALLY EMPLOYED.

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AS THE OIL DEAL IS EVIDENTLY SMALL, NOT FINALIZED, AND SYMBOLIC, THE REAL IMPORTANCE OF THE TOUR RESTS WITH PEREZ' SPLASH ON THE WORLD SCENE, WHICH NO OTHER LATIN HAS DUPLICATED. OUR TURN MAY COME NEXT SPRING, WHEN PEREZ SEEKS A STATE VISIT HERE AS PART OF YET ANOTHER WORLD SWING.

6. ARA - INAUGURATION BRINGS A MEASURE OF CALM BUT NO PANACEA TO MEXICO (CONFIDENTIAL)

THE DECEMBER 1 INAUGURATION OF PRESIDENT LOPEZ PORTILLO BEGAN THE DIFFICULT PROCESS OF RESTORING CONFIDENCE IN GOVERNMENT. HIS INAUGURAL SPEECH REPEATEDLY REFERRED TO MEXICO'S MANY PROBLEMS AND CURRENT FINANCIAL CRISIS AND STRESSED THE NEED TO FACE THE TRUTH. HE DID NOT OUTLINE SPECIFIC REMEDIES, BUT THE SPEECH AND THE GLAMOUR SURROUNDING THE INAUGURATION CONTRIBUTED TO THE RETURN OF MEXICAN PRIDE AND SELF-CONFIDENCE. BY DECEMBER 6, THE MONEY MARKET WAS RELATIVELY STABLE.

THE CHOICE OF KEY CABINET MINISTERS AND ECONOMIC OFFICIALS GAVE NO STRONG INDICATION OF WHAT THE POLITICAL DIRECTION OF THE NEW ADMINISTRATION MIGHT BE. AS A GROUP THEY ARE COMPETENT AND REASONABLY STRONG CHOICES. THE BUSINESS COMMUNITY DID NOT SEEM PARTICULARLY UNHAPPY WITH THE CHOICES AND A MEASURE OF CALM HAS BEEN RESTORED. NOW THE NEW GOVERNMENT MUST BEGIN TO ADDRESS THE DIFFICULT LONG TERM PROBLEMS OF INFLATION, POPULATION GROWTH, MASSIVE MIGRATION FROM THE COUNTRYSIDE AND AGRARIAN REFORM.

MEXICO'S CURRENT CRISIS POINTS UP THE INTER-RELATIONSHIP OF OUR ECONOMIES. A PROLONGATION OF MEXICO'S DIFFICULTIES WILL CAUSE PROBLEMS FOR THE U.S. BANKING COMMUNITY, WHICH HAS LENT HEAVILY TO MEXICO, INCREASE THE ALREADY HEAVY FLOW OF ILLEGAL IMMIGRATION TO THE U.S., AND BRING ABOUT SEVERE ECONOMIC PROBLEMS FOR THE

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U.S. BORDER CITIES WHO DEPEND ON MEXICAN PURCHASES OF U.S. GOODS.

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7. ARA - FIDEL CELEBRATES 20TH ANNIVERSARY (LIMITED OFFICIAL USE)

CUBA MARKED THE 20TH ANNIVERSARY OF FIDEL CASTRO'S RETURN FROM EXILE WITH THE INSTALLATION ON DECEMBER 2 OF THE NATIONAL ASSEMBLY OF POPULAR POWER. THIS ACT WAS DESCRIBED AS THE CAPSTONE OF AN INSTITUTIONALIZATION PROCESS UNDERWAY SINCE THE FIRST CUBAN COMMUNIST PARTY CONGRESS LAST DECEMBER, INCLUDING THE APPROVAL IN FEBRUARY OF THE NEW SOVIET-STYLE SOCIALIST CONSTITUTION.

ONCE INSTALLED, THE ASSEMBLY APPROVED A COUNCIL OF STATE TO WHICH FIDEL CASTRO, AS EXPECTED, WAS NAMED PRESIDENT. DESPITE THE NEW ASSEMBLY, THE TOP STATE AND GOVERNMENT POSITIONS CONTINUE TO BE HELD BY THE PARTY LEADERSHIP, AND WE EXPECT NO NEAR-TERM DIMINUTION OF CASTRO'S DOMINANT ROLE.

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IN A SPEECH TO THE ASSEMBLY, CASTRO EXTOLLED THE INEVITABILITY OF SOCIALISM AND SINGLED OUT OPEC AND THE PRC FOR VERBAL ABUSE. THE SUBJECT OF U.S.-CUBAN RELATIONS WAS RESERVED FOR HIS BROTHER RAUL WHO, AT A DIFFERENT CEREMONY, SAID CUBA WOULD BE WATCHING FOR SIGNS OF U.S. "REALISM AND SANITY" AND A "DEFINITE END TO ALL ACTS OF HOSTILITY AND AGGRESSION" AGAINST CUBA AS THE BASIS FOR ANY TALKS WITH THE U.S.

8. 10 - WALDHEIM REAPPOINTED AS UN SECRETARY GENERAL (UNCLASSIFIED)

AT A CLOSED MEETING ON DECEMBER 7 THE SECURITY COUNCIL AGREED ON THE SECOND BALLOT TO NOMINATE KURT WALDHEIM OF AUSTRIA FOR ANOTHER 5-YEAR TERM AS UN SECRETARY GENERAL. THE ONLY OTHER CANDIDATE WAS LUIS ECHEVERRIA, FORMER MEXICAN PRESIDENT, WHO RECEIVED ONLY 4 AND 3 VOTES, RESPECTIVELY, ON THE TWO BALLOTS. ON DECEMBER 8 THE GENERAL ASSEMBLY BY ACCLAMATION CONFIRMED WALDHEIM'S APPOINTMENT, WHICH WILL RUN THROUGH DECEMBER 31, 1981.

9. 10 - UN GENERAL ASSEMBLY ADOPTS RESOLUTIONS ON US TERRITORIES (UNCLASSIFIED)

ON DECEMBER 1 THE ASSEMBLY ADOPTED RESOLUTIONS ON AMERICAN SAMOA, THE US VIRGIN ISLANDS, AND GUAM--THE FIRST TWO BY CONSENSUS AND THE THIRD BY A VOTE OF 61 TO 22 (US), WITH 42 ABSTENTIONS. IN GENERAL THE RESULTS WERE BETTER THIS YEAR THAN LAST. THE RESOLUTIONS ON SAMOA AND THE VIRGIN ISLANDS WERE GENERALLY NONCONTROVERSIAL AND THAT ON GUAM--WHILE OFFENSIVE AND UNACCEPTABLE--HAD FEWER STATES SUPPORTING IT THAN THE TOTAL OF THOSE OPPOSING OR ABSTAINING. A RESOLUTION WITH IDENTICAL LANGUAGE ABOUT US MILITARY BASES ON GUAM WAS ADOPTED IN 1975 BY 89 TO 6, WITH 32 ABSTENTIONS.

THE RESOLUTIONS ON SAMOA AND THE VIRGIN ISLANDS APPROVED THE RELEVANT CHAPTERS OF THE ASSEMBLY'S COMMITTEE ON DECOLONIZATION, ASSERTED THE RIGHT OF THE TERRITORIES TO SELF-DETERMINATION IN ACCORDANCE WITH THE 1960 DECLARATION ON DECOLONIZATION, URGED US TO SAFEGUARD THE RIGHT OF THE LOCAL PEOPLE TO THE ENJOYMENT OF THEIR NATURAL RESOURCES, REQUESTED US TO CONTINUE USING THE ASSISTANCE OF THE UN SPECIALIZED AGENCIES TO ACCELERATE PROGRESS IN THE TERRITORIES, AND REQUESTED THE COMMITTEE TO CONTINUE ITS CONSIDERATION OF THESE TERRITORIES.

ALTHOUGH NOT BLOCKING CONSENSUS APPROVAL OF THE RESOLUTIONS WE EXPLAINED THAT THEY DID NOT PRECISELY REFLECT OUR VIEWS AND EMPHASIZED THAT INDEPENDENCE IS ONLY ONE POSSIBLE RESULT OF AN ACT OF SELF-DETERMINATION AND THAT THE PEOPLE OF THE TERRITORIES WISH TO MAINTAIN THEIR TIES WITH THE US.

WE VIGOROUSLY OPPOSED THE GUAM RESOLUTION WHICH DEPLORED OUR POLICY IN CONTINUING TO MAINTAIN MILITARY INSTALLATIONS THERE "IN CONTRAVENTION OF THE RELEVANT RESOLUTIONS OF THE GENERAL ASSEMBLY" AND "STRONGLY DEPRECATED" THE ESTABLISHMENT OF SUCH INSTALLATIONS AS INCOMPATIBLE WITH THE UN CHARTER AND THE DECOLONIZATION DECLARATION. WE POINTED OUT THAT GUAM IS PART OF THE US AND THAT WE HAVE EVERY RIGHT UNDER THE UN CHARTER TO ESTABLISH SUCH BASES ON OUR TERRITORY AS WE CONSIDER NECESSARY FOR OUR OWN DEFENSE.

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10.10 - RESULTS OF UNESCO GENERAL CONFERENCE (CONFIDENTIAL)

THE DEPARTMENT BELIEVES THE RESULTS OF UNESCO'S 19TH GENERAL CONFERENCE ARE POSITIVE ON BALANCE AND BETTER THAN WE HAD ANTICIPATED, THANKS LARGELY TO THE DEFT LEADERSHIP OF DIRECTOR GENERAL M'BOW WHO MOBILIZED SUPPORT AMONG AFRICANS AND OTHER MODERATE DEVELOPING STATES AGAINST SOVIET AND RADICAL ARAB OPPOSITION TO KEEP THE CONFERENCE FOCUSED ON SUBSTANTIVE ISSUES.

ON THE PLUS SIDE, THE CONFERENCE: (1) ACCEPTED BY A VOTE OF 70 TO 0, WITH 17 ABSTENTIONS, THE EXECUTIVE BOARD RECOMMENDATION THAT REGIONAL VIEWS SHOULD PREVAIL IN MAKING COUNTRY ASSIGNMENTS, THUS REVERSING THE 1974 CONFERENCE'S REFUSAL TO PERMIT ISRAEL TO JOIN THE EUROPEAN GROUP--A KEY FACTOR IN THE CONGRESSIONAL CUT-OFF OF US FUNDS FOR THE ORGANIZATION; (2) AGREED BY ACCLAMATION TO POSTPONE ACTION ON THE ISSUE OF A MASS MEDIA DECLARATION, REMANDING FOR FURTHER STUDY (ALONG WITH OTHER, MORE POSITIVE APPROACHES) THE SOVIET-SUPPORTED DOCUMENT THAT WE FOUND TOTALLY UNACCEPTABLE BECAUSE OF ITS ENDORSEMENT OF THE CONCEPT OF STATE CONTROL OVER THE MEDIA, AS WELL AS OF THE ZIONISM/RACISM EQUATION; AND (3) THWARTED THE EFFORTS OF THE RADICAL ARABS TO HAVE THE ZIONISM/RACISM EQUATION ENDORSED IN OTHER DECISIONS AND TO DIRECT OTHER PROCEDURAL OR SUBSTANTIVE CHALLENGES AT ISRAEL.

ON THE MINUS SIDE, THE CONFERENCE (1) REAFFIRMED THE 1974 ATTACK ON ISRAELI EDUCATIONAL AND CULTURAL POLICIES IN THE OCCUPIED TERRITORIES PRIOR TO ANY INVESTIGATION OF THE FACTS; AND (2) CRITICIZED ISRAEL FOR ITS ARCHAEOLOGICAL DIGS IN JERUSALEM AND FOR ALTERING THE HISTORICAL CHARACTER OF THE CITY, AND EXTENDED THE 1974 CUT-OFF OF UNESCO PROGRAM AID TO ISRAEL UNTIL THE OFFENDING ACTIVITIES ARE HALTED. EVEN IN THESE CASES, HOWEVER, THERE WAS AN ELEMENT OF MODERATION: ARAB HARD-LINERS WERE UNSUCCESSFUL IN PUSHING HARSHER RESOLUTIONS WHICH WOULD HAVE EXPANDED THE SANCTIONS AGAINST ISRAEL AND CONDEMNED IT FOR THE "JUDAZATION" OF THE ARAB POPULATION IN THE OCCUPIED TERRITORIES

WE ARE NOW ASSESSING WHETHER ON THE BASIS OF THESE RESULTS WE SHOULD RECOMMEND TO THE PRESIDENT THAT HE PROVIDE THE CERTIFICATION REQUIRED BY CONGRESS IN CONNECTION WITH THE RESUMPTION OF US FUNDING TO UNESCO.

11. EB: UNCTAD: FIRST COMMON FUND PREPARATORY MEETING ENDS (LIMITED OFFICIAL USE)

THE FIRST PREPARATORY MEETING ON UNCTAD'S PROPOSAL FOR A COMMON FUND TO FINANCE BUFFER STOCKS TOOK PLACE IN GENEVA NOVEMBER 29-DECEMBER 3.

IT SEEMS CLEAR FROM THE MEETING THAT PROSPECTS FOR A SERIOUS APPRAISAL OF COMMON FUND ISSUES ARE INCREASINGLY REMOTE AND THAT THE COMMON FUND HAS BECOME AN ESSENTIALLY POLITICAL ISSUE IN NORTH/SOUTH RELATIONS. CITING WHAT THEY BELIEVE TO HAVE BEEN A "COMMITMENT" TO THE COMMON FUND UNDERTAKEN BY PARTICIPANTS AT UNCTAD IV, THE G-77 REFUSED TO DISCUSS ALTERNATIVES--SUCH AS A CLEARING HOUSE OR POOLING OF BUFFER STOCK FUNDS--TO THEIR VERSION OF THE COMMON FUND. THEY ALSO REFUSED TO CONSIDER ALTERNATIVE APPROACHES TO COMMODITY PROBLEMS, EXCEPT AS SUPPLEMENTARY TO BUFFER STOCK FINANCING THROUGH A COMMON FUND.

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G-77 INSISTENCE THAT AGREEMENT BE REACHED ON GENERAL PRINCIPLES AND THE LARGER ISSUES PRIOR TO DISCUSSION OF THE DETAILS HELPED THEM TO MASK THEIR DIFFERENCES. THE DEVELOPED COUNTRIES REMAIN SPLIT AMONG THOSE WHO SUPPORT THE PRINCIPLE OF A COMMON FUND (THE SCANDINAVIANS, THE NETHERLANDS), THOSE WHO ADVOCATE A COMMON FUND AS A POOL OF FINANCE (FRANCE) OR OTHER VARIANTS, AND THOSE WHO OPPOSE IT IN PRINCIPLE AND ON PRACTICAL GROUNDS (U.S., FRG).

TWO MORE COMMON FUND PREPARATORY MEETINGS ARE SCHEDULED FOR JANUARY AND FEBRUARY NEXT YEAR PRIOR TO ACTUAL NEGOTIATIONS ON THE PROPOSAL MARCH 7-APRIL 1. THE U.S. HAS NOT DECIDED WHETHER TO PARTICIPATE IN THE MARCH NEGOTIATIONS.

12. EA - INDONESIA RELEASES POLITICAL PRISONERS

THE GOI HELD A CEREMONY ON DECEMBER 1 TO MARK THE RELEASE

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OF ABOUT 2,500 OF THE PRISONERS REMAINING FROM THE 1965 PRO-COMMUNIST COUP ATTEMPT. AT THE CEREMONY AND A SUBSEQUENT PRESS CONFERENCE, KOPKAMTIB CHIEF ADMIRAL SUDOMO ANNOUNCED A SCHEDULE FOR THE RELEASE OF THE REMAINING 30,000 OR SO PRISONERS, WITH 10,000 TO BE FREED IN 1977, ANOTHER 10,000 IN 1978 AND THE REMAINDER IN 1979. THE ONLY EXCEPTIONS WOULD BE THOSE CLASS A PRISONERS SLATED FOR TRIAL, ABOUT 900.

THERE WAS A NOTE OF AMBIGUITY IN THE ANNOUNCEMENT WHEN SUDOMO OUTLINED THE RESTRICTIONS UNDER WHICH THE RELEASED DETAINEES WOULD LIVE: THOSE FROM THE OUTER ISLANDS APPARENTLY WOULD BE PERMITTED TO RETURN TO THEIR HOMES, BUT THOSE FROM OVERPOPULATED JAVA (PROBABLY A MAJORITY) WOULD NOT. INSTEAD, THEY WOULD BE RESETTLED AT GOVERNMENT EXPENSE IN OTHER AREAS -- INCLUDING THE DETENTION ISLAND OF BURU. THE INDONESIAN GOVERNMENT, REMEMBERING THE REMARKABLE COMMUNIST PARTY (PKI) COMEBACKS FROM PREVIOUS ATTEMPTS TO SEIZE POWER IN 1926 AND 1948 AS WELL AS THE CLAIMED 1965 PKI STRENGTH OF 3,500,000 MEMBERS AND MORE THAN 20 MILLION FRONT GROUP ADHERENTS, HAS BEEN CAUTIOUS ABOUT RELEASING PEOPLE ON WHOM IT HAS NO EVIDENCE OF SPECIFIC INVOLVEMENT IN THE ACTUAL COUP ATTEMPT BUT WHO COMPRISED THE CADRE STRUCTURE OF THE PARTY. THE GOVERNMENT ALSO FEARS THAT MASS RETURN OF THE PRISONERS TO THEIR ORIGINAL JAVANESE VILLAGES WOULD REKINDLE OLD HOSTILITIES WHICH IT PARTICULARLY WOULD LIKE TO AVOID ONLY 5 MONTHS BEFORE THE ELECTIONS. GOVERNMENT POLICY IS ALSO INFLUENCED BY THE PROBLEM OF MASSIVE OVERPOPULATION ON JAVA AND ITS OWN POLICY OF TRANSMIGRATION TO THE THINLY-POPULATED OUTER ISLANDS.

THE US HAS MADE QUIET DIPLOMATIC REPRESENTATIONS TO INDONESIA ON HUMAN RIGHTS, PARTICULARLY OVER THE LAST TWO YEARS, AND WE BELIEVE THAT THIS, TOGETHER WITH THE INTEREST OTHER COUNTRIES HAVE SIMILARLY EXPRESSED! HAS PLAYED AN IMPORTANT ROLE IN BRINGING ABOUT THIS SIGNIFICANT POSITIVE DEVELOPMENT. MARKING INTERNATIONAL INTEREST IN THE PRISONER SITUATION, DIPLOMATIC REPRESENTATIVES FROM AT LEAST SEVEN COUNTRIES, INCLUDING THE US, WERE PRESENT AT THE CEREMONY.

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13. EA - JAPANESE ELECTION SHAKES LDP (CONFIDENTIAL)

AS A RESULT OF THE DECEMBER 5 LOWER HOUSE ELECTIONS IN JAPAN, THE LIBERAL DEMOCRATIC PARTY (LDP) OBTAINED ONLY 249 SEATS TO FALL BELOW A MAJORITY (256) FOR THE FIRST TIME IN POST WAR HISTORY (THE LDP HAD 271 SEATS AFTER THE 1972 ELECTION). THE QUICK AFFILIATION OF 8 DEPENDENT CONSERVATIVES HAS GIVEN THE LDP A SHAKY MAJORITY AND WILL ALLOW IT TO CONTINUE TO GOVERN.

THE MORE MODERATE OPPOSITION GROUPINGS WERE THE BIG GAINERS, INDICATING THAT THE FUNDAMENTALLY CONSERVATIVE INCLINATIONS OF THE JAPANESE ELECTORATE REMAIN INTACT. THE NEW LIBERAL CLUB (NLC) TOOK 17 SEATS OUT OF THE HIDE OF THE LDP; THE DEMOCRATIC SOCIALISTS INCREASED THEIR NUMBER BY TEN SEATS TO 29; AND THE CLEAN GOVERNMENT PARTY EXPANDED FROM 30 TO 55. ON THE FAR END OF THE SPECTRUM, THE JAPAN SOCIALIST PARTY (JSP) GAINED ONLY 5 SEATS FROM THE PREVIOUS ELECTION TO 123, AND THE JAPAN COMMUNIST PARTY (JCP) LOST A CRUSHING 22 SEATS, MAKING ITS CURRENT TOTAL 17.

THE LDP'S INABILITY TO DEVELOP A FRESH CAMPAIGN STRATEGY AND TO RESOLVE A LONG TERM LEADERSHIP STRUGGLE WERE MAJOR FACTORS IN ITS DEFEAT. THE LOCKHEED SCANDAL, SEEN AS REPRESENTATIVE OF THE LDP'S CORRUPTION, WAS ALSO OF CRUCIAL IMPORTANCE, EVEN THOUGH ALL BUT ONE OF THE LOCKHEED-IMPLICATED POLITICIANS WERE REELECTED AND THE JUSTICE MINISTER WHO PROSECUTED LOCKHEED BARELY ESCAPED DEFEAT.

MIKI HAS ANNOUNCED HIS INTENTION TO RESIGN AS PRIME MINISTER TO ASSUME RESPONSIBILITY FOR THE OVERALL LDP LOSS. LONG TIME ASPIRANT, TAKEO FUKUDA, WILL PROBABLY REPLACE HIM. THE FINAL DECISION WILL BE MADE IN AN LDP CAUCUS LATER THIS MONTH.

US INTERESTS ARE NOT DIRECTLY AFFECTED. IT IS LIKELY, HOWEVER, THAT IN THE IMMEDIATE FUTURE THE GOJ WILL BE EVEN MORE CAUTIOUS AND TENTATIVE AS IT ADJUSTS ITS

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TACTICS TO COPE WITH THIS SHOCK TO ITS POLITICAL SYSTEM. THE LONG TERM EFFECT OF THE REALIGNMENT OF CONSERVATIVE FORCES COULD BE TO GIVE GREATER BALANCE AND STABILITY TO THE JAPANESE POLITICAL SYSTEM, IN TURN ENHANCING JAPAN'S ABILITY TO PLAY A CONSTRUCTIVE INTERNATIONAL ROLE.

14. INR - THE EUROPEAN PROGRAM GROUP: THREAT OR OPPORTUNITY? (SECRET/GDS)

CURRENT EFFORTS AT SYSTEMATIC WEST EUROPEAN DEFENSE COLLABORATION HAVE REACHED THEIR FIRST WATERSHED SINCE BEING LAUNCHED IN NOVEMBER 1975. THE EUROPEAN PROGRAM GROUP (EPG), AN INDEPENDENT FORUM OUTSIDE THE INTEGRATED STRUCTURE OF NATO THAT WAS MANDATED TO RATIONALIZE THE EUROPEAN DEFENSE BASE, CONVENED ON NOVEMBER 22-23, 1976, TO REVIEW PROGRESS AND CHART FUTURE ACTIVITIES. THE 12 MEMBER STATES (BELGIUM, DENMARK, FRG, FRANCE, GREECE, ITALY, LUXEMBOURG, NETHERLANDS, NORWAY, PORTUGAL, TURKEY AND UK) AGREED THAT THE EPG SHOULD BE THE FOCAL POINT FOR THEIR JOINT EFFORT IN THE DEFENSE EQUIPMENT FIELD AND PROPOSED A MECHANISM FOR INITIATING A TRANSATLANTIC DIALOGUE ON DEFENSE PROCUREMENT.

AT THIS TIME, THE EPG APPEARS UNLIKELY TO EMERGE AS A POTENT INSTRUMENT ABLE TO ORDER PRIORITIES, FORCE HARD CHOICES, AND SPEED RATIONALIZATION WITHIN NATO; ONLY IF ITS MEMBERS CONCLUDE THAT US REACTIONS TO IT ARE OVERLY NEGATIVE OR OVERLY ACCOMMODATING IS THE EPG LIKELY TO BECOME A LIABILITY TO ATLANTIC DEFENSE PREPAREDNESS:

-- A HOSTILE AMERICAN REACTION COULD SPUR THE EUROPEANS TO DESIGN THEIR OWN COLLABORATIVE EFFORT IN OPPOSITION TO WASHINGTON.

-- AMERICAN CODDLING OF A WEAK EPG COULD CAUSE DELAYS IN THE ACHIEVEMENT OF ALLIANCE-WIDE ARMS STANDARDIZATION AND LEAD TO US SUBSIDIZATION OF INEFFICIENT EUROPEAN DEFENSE INDUSTRIES.

IN THE LONGER TERM, EFFECTIVE WEST EUROPEAN DEFENSE COOPERATION, ALONG THE LINES OF THE EPG, COULD RAISE THE LEVEL OF THE ALLIANCE'S MILITARY PREPAREDNESS. THE EUROPEANS WOULD ARGUE, HOWEVER, THAT THE IMMEDIATE BENEFITS THAT THE US WOULD RECEIVE FROM ADOPTING A RECEPTIVE ATTITUDE TOWARD THE EPG WERE ESSENTIALLY POLITICAL IN NATURE:

-- TIES BETWEEN THE FRENCH AND OTHER WEST EUROPEAN DEFENSE ESTABLISHMENTS WOULD BE STRENGTHENED.

-- THE CREDIBILITY OF US LEADERSHIP IN THE ALLIANCE WOULD BE REINFORCED BY DEMONSTRATING UNDERSTANDING FOR WESTERN EUROPE'S QUEST FOR A GREATER MEASURE OF REGIONAL IDENTITY.

NOT RELEASABLE TO FOREIGN NATIONALS

15. INR - PRC: NEW FOREIGN MINISTER APPOINTED
(CONFIDENTIAL/GDS)

THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS ON DECEMBER 2 NAMED THE PRC'S UN AMBASSADOR, HUANG HUA, TO REPLACE CH'IAO KUAN-HUA AS FOREIGN MINISTER. CH'IAO'S DISMISSAL FOLLOWED WALLPOSTER CRITICISM THAT HE HAD BEEN TOO CLOSE TO CHINA'S OUSTED "GANG OF FOUR." CH'IAO'S ALLEGED INVOLVEMENT WITH THE RADICAL LEFTISTS WAS PROBABLY BASED ON "OPPORTUNISM" RATHER THAN IDEOLOGY, SINCE HE WAS A PROTEGE OF CHOU EN-LAI AND HAD PREVIOUSLY BEEN SEEN AS A MODERATE.

HUANG, AGED 63, IS CHINA'S TOP-RANKING EXPERT ON THE US. LIKE CH'IAO, HE HAD CLOSE LINKS TO CHOU, EXTENSIVE EXPERIENCE WITH FOREIGNERS, AND A REPUTATION AS A CONVIVIAL, COMPARATIVELY BROADMINDED, BUT TOUGH AND COMPETENT DIPLOMAT. AS A STUDENT AT HARVARD-AFFILIATED YENCHING UNIVERSITY IN PEKING IN THE 1930'S, HE MET EDGAR SNOW AND BECAME SNOW'S INTERPRETER DURING HIS VISIT TO COMMUNIST-HELD AREAS. HE WAS A RED ARMY LIAISON OFFICER TO THE AMERICANS DURING WORLD WAR II AND WAS PART OF THE CCP CONTINGENT DEALING WITH THE MARSHALL MISSION IN 1946. IN 1953, HE WAS THE CHIEF PRC REPRESENTATIVE AT PANMUNJOM.

IN THE 1960'S, HUANG WAS AMBASSADOR TO GHANA AND THEN TO
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EGYPT. HE WAS ASSIGNED TO NORTH AMERICA IN JULY 1971 AS THE PRC'S FIRST AMBASSADOR TO CANADA AND BECAME THE FIRST PRC AMBASSADOR TO THE UN IN NOVEMBER 1971. HUANG'S APPOINTMENT AS FOREIGN MINISTER SUGGESTS THAT CH'IAO'S DOWNFALL WAS NOT RELATED TO HIS DIPLOMATIC POLICIES OR STYLE AND THAT PRC FOREIGN POLICY WILL CONTINUE ALONG THE LINES SET BY CHOU AND APPROVED BY MAO.

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