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**Summary:**

A CIA summary of the North Korean smuggling scandal in Scandinavia.

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State Dept. review completed

DIA review completed.

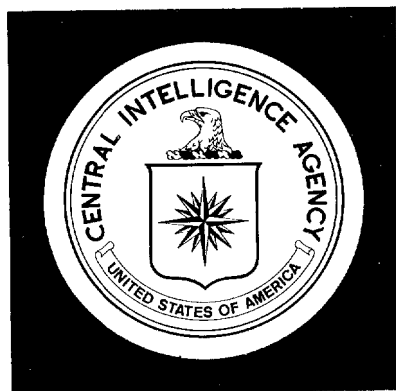
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# Weekly Summary

State Dept. review completed

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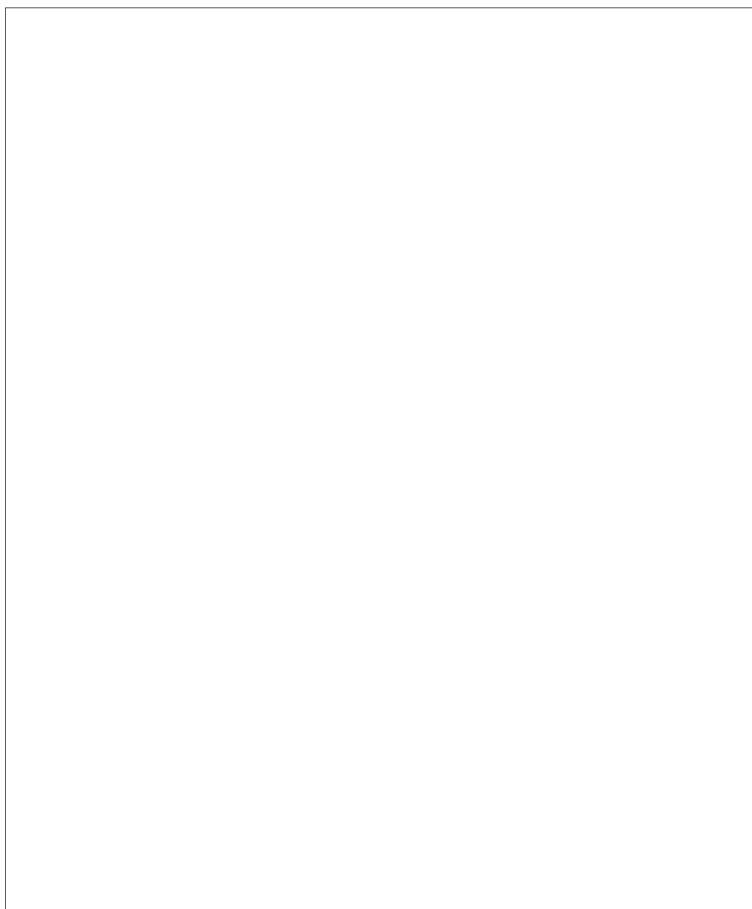


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November 5, 1976

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.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary,

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Europe

ITALY

1-3

Italian Prime Minister Andreotti has made a further compromise with the Communists on the formulation of economic policy by agreeing to formal bilateral consultations with them and the leaders of other parties on additional economic austerity measures.

The concession by Andreotti prompted the postponement of the cabinet meeting that had been slated to discuss the economic program in preparation for the parliamentary debate next week.

Communist Party chief Berlinguer had proposed last week that the government meet in a conference with all nongovernment parties, except the neo-fascist and

left-wing splinter parties, to discuss the proposed austerity program, which Berlinguer termed inadequate. The Christian Democrats rejected Berlinguer's formula—which would have been a long step toward the "emergency government" advocated by the Communists and Socialists—but the Prime Minister has sought to soften his party's action by offering to meet formally with the Communists.

The arrangement allows the Communists to present a victory of sorts to their rank-and-file, who continue to question whether the party is getting enough in return for its present cooperation with the government. This concession is not likely to satisfy the Communists for long, and further demands for tangible evidence of their influence on the government are almost certain.

The parliamentary debate on the austerity measures, which will begin on November 10, could be stormy. Two par-

ties are already preparing to challenge the economic program. The Socialists, feeling themselves badly outmaneuvered by the Communists, reportedly are preparing to submit their own alternative austerity program during the debate. The fiscally conservative Republicans apparently plan to offer suggestions designed to frustrate Andreotti's efforts to tread a fine line between the demands of the unions and those of the non-communist parties that continue to support his government through their abstentions.

[Redacted]

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4-7

FRANCE - WEST GERMANY

France plans to reduce the number of its troops in West Germany from 60,000 to 46,000, according to the US embassy in Bonn. French officials reportedly told the Germans that the withdrawals will be spread over the next two years and will be part of the overall reorganization of the French army.

A senior West German military official told the US embassy in Bonn that about 5,000 men will return to France this year as three artillery regiments are withdrawn. Two of these regiments will be re-equipped with Pluton tactical nuclear missiles and reassigned to units in northeastern France.

The other 9,000 men will return to France over the next two years as part of France's program to reorganize its 5 active divisions into 16 smaller divisions equipped with additional medium tanks and armored vehicles. The program, announced this spring, calls for a slight reduction in the size of the army and the elimination of some intermediate levels of command. The reorganization is designed to improve command and control of French forces and probably will enhance their mobility.

French and West German officials have been discussing the reductions since early this year, but the French only recently confirmed German estimates of how many troops are to be withdrawn. The



Prime Minister Andreotti



Communist Party leader Berlinguer

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NATO 11-12

French have assured the Germans that France's combat capability in West Germany would be unimpaired and would even be improved because a smaller, more mobile force will be better able to respond to a conventional threat and be more effective in combat.

The French government has denied press reports linking the reductions with a desire to emphasize France's nonparticipation in the force reduction talks in Vienna.

French attaches in Bonn told the US defense attache in August that France was considering an increase in the number of its divisions in Germany from two to three. The restructuring of French forces and the elimination of the intermediate commands will enable France to station three smaller divisions across the Rhine while reducing the number of troops there.

prepared to compromise on its proposal for a median line zigzagging between each country's Arctic islands, but the Soviets did not budge from their position favoring a straight sector line. The Soviets have underscored their position many times by firing missiles into the disputed area, an action they repeated earlier this week.

On Svalbard, where the Soviet colony ignores the Norwegian administration, the Soviets recently brought in five large, assault-type helicopters without requesting Norwegian permission. When Oslo protested, *Izvestia* charged Norway had violated the 1920 treaty by permitting its naval ships to visit Svalbard and by allowing military aircraft to land there.

Norway admitted that its military ships and planes had visited the islands since 1925, but denied that this violated the treaty. As Svalbard has no year-round commercial transportation links, military connections often provide the only contact the small Norwegian community has with the mainland. The Soviet charge, nevertheless, increases pressure on Norway and probably reflects Soviet determination to resist Norwegian intentions to promote economic development on Svalbard and adjacent off-shore areas in the far north.

NATO representatives have begun the search for agreement among themselves on how to approach the conference in Belgrade next summer that will review implementation of the Helsinki agreement on security and cooperation in Europe. The allies agreed to press for a "full and candid" assessment of the East's record of compliance. At the same time, they made clear their belief that US standards for measuring the East's performance are too rigid.

Western governments view recent domestic dissatisfaction with detente, coupled with the East's marginal record of compliance, as requiring a candid look at how the agreement is being implemented.

The allies expect the East, for its part, to try to play down the Belgrade conference and to make countercharges of its own. Accordingly, the allied representatives agreed that the West should seek to focus the conference on the East's deficiencies, while presenting new proposals to enable the West to retain the initiative.

While the Europeans agree that nothing should be done to alter the Helsinki agreement, they have nonetheless been trying since last spring to differentiate their stance from what they see as the US "all or nothing" approach to Eastern compliance.

The Europeans disagree with the view that communist initiatives should be rejected out of hand until the compliance record of the East improves. This is a reflection of the desire of the Europeans to maintain their independence in the face of what they view as a cooling of relations between the super powers and their determination to make the most of Soviet interest in expanding the dialogue with the West.

A report on allied preparations for the Belgrade conference will be presented to the NATO foreign ministers next month, and detailed preparations for the Belgrade meeting will continue through next spring.

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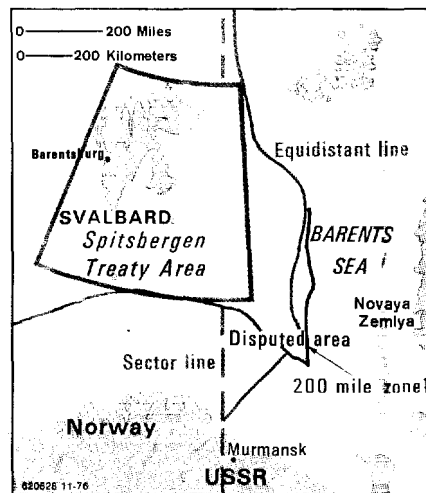
### NORWAY-USSR

The agreement last month by Norway and the USSR on a 10-year reciprocal fishing pact has raised hopes in Oslo for progress in talks later this year on the dispute over a demarcation line in the Barents Sea. The Soviets, however, show no sign of relaxing their position on issues relating to Norwegian administration of Svalbard. Last month, they accused Norway of violating the demilitarization provisions of the 1920 treaty that gave Norway sovereignty over the archipelago.

The fishing agreement does not include Soviet endorsement of the 200-mile economic zone Norway plans to declare on January 1, 1977, nor does it set an annual fishing quota. The Norwegians assert, somewhat lamely, that they did not ask for Soviet endorsement of the economic zone, and that the preamble of the agreement, in any case, implies de facto recognition.

Norway had hoped to settle the demarcation line issue before the fishing agreement, but the Soviets balked during the last round of talks in June. Norway was

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Prime Minister Soares

PORTUGAL

13-16

Portugal's two largest parties, the ruling Socialists and the Social Democrats—formerly the Popular Democrats—held party congresses last week.

The Socialists remain troubled by factionalism. An outright split between leftists and rightists was avoided, but the leftists did resist Prime Minister Soares' efforts to present a single slate for the 151-man national committee. The leftist slate made a strong showing and picked up one third of the committee positions.

By this action, the left wing has established itself as a force to be reckoned with, although it is still too weak directly to challenge the party's mainstream. Shortly after the congress, the long-rumored resignation of leftist Agriculture Minister Lopes Cardoso, who led the effort to set up the separate slate, was announced. Other leftist leaders may be maneuvered out of positions on the party secretariat.

The Social Democrats, in contrast, emerged from their congress a stronger and more unified party. In an effort to make the party more than the personal

vehicle of party head Sa Carneiro, the top leadership was expanded, and Sa Carneiro moved from the secretary-generalship to the party presidency. He will continue to dominate the party, but the shift will help to mollify party liberals and keep them from drifting toward the Socialists.

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N.S.

USSR

The Soviet news agency Tass announced on October 12 that General Anatoly Gribkov has been appointed chief of staff of the Warsaw Pact forces, filling the position left vacant by the death of Army General Shtemenko last April.

Gribkov will serve as a deputy to Warsaw Pact Commander Yakubovsky, who is said to be seriously ill, and will probably fill in for the commander when necessary. If past practice is followed, Gribkov will also be a first deputy chief of the General Staff of the Soviet Armed Forces.

The delay in naming Shtemenko's successor may indicate difficulty in finding someone with the proper military qualifications who was also politically acceptable.

Some Pact members probably pressed for an East European officer for the position. The recent "Shield-76" exercise in Poland may have given Defense Minister Ustinov an opportunity to discuss the issue with Pact representatives and perhaps settle Gribkov's nomination.

The 57-year-old Gribkov served as a major in the corps of General Staff officers who were sent to field units as representatives of the General Staff during World War II. He was elected to the Supreme Soviet of Armenia in 1967. Since 1973, Gribkov has commanded the key Leningrad Military District. In June, he directed the much publicized exercise "Sever"—the second Soviet exercise announced in compliance with the Helsinki accords. Late last month, Gribkov was promoted to General of the Army.

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General Gribkov

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During the 25th Party Congress earlier this year, Gribkov was elected a candidate-member of the Central Committee.

[Redacted]

EAST GERMANY

N.S.

In a major shake-up last week, East German party leader Erich Honecker assumed the position of head of state, further strengthening his pre-eminent status in the political hierarchy.

Prime Minister Horst Sindermann was replaced by Willi Stoph, the head of state since 1973. Sindermann was given the largely ceremonial post of president of parliament.

Honecker's predecessor, Walter Ulbricht, also held both the leading party and state positions. Honecker can also cite the examples of his East European colleagues who, with the exception of Hungary's Kadar and Poland's Gierak, also hold both posts.

Sindermann's dismissal seems to stem in part from East Germany's vexing economic problems. As the coordinator of the regime's vast administrative struc-

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*Party chief Honecker (l) is congratulated on his new appointment; Prime Minister Stoph looks on*

ture, Sindermann had considerable influence in the economic bureaucracy. Both Honecker and Stoph spoke critically last week of the performance of ministries in the economic sphere.

Stoph was prime minister from 1964 to 1973 and has served more than 20 years in high levels of both the party and the government. He has a reputation as an effective and conscientious party pragmatist. He has been in poor health for several years, however, and his appointment may be only temporary.

An exchange of jobs by two of East Germany's top economic officials just

after the leadership shake-up strengthens party control over the implementation of economic policies.

Guenter Mittag stepped down as first deputy chairman of the Council of Ministers and returned to the far more powerful post of party secretary for economic affairs—a job he held from 1963 to 1973. Mittag has long been acknowledged as the party's economic wizard. He is a prominent member of the group of younger technocrats that spearheaded East Germany's efforts to modernize industrial production and decentralize planning and administration.

Mittag's replacement on the Council of Ministers is Werner Krolikowski, who held the party secretariat position for economics after Mittag's departure three years ago. As party economic boss, Krolikowski was a tough taskmaster, but he probably lacked Mittag's broader managerial skills and energy, which apparently are now called for.

Both men retain their policy-making posts on the Politburo, where party chief Honecker may well want to take advantage of Krolikowski's tough approach to the resolution of conflicting economic interests.

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Asia

CHINA

23-24

The Chinese leadership issued a statement on November 2 that seemed designed to reassure both domestic and foreign audiences that recent changes in China do not signal a sudden break in policies at home or abroad.

On the domestic front, the statement may have meant to reassure those who sympathized to some degree with the ideology of the four fallen leftist leaders that the Maoist vision of a revolutionary society will not be abandoned. The statement, however, made no reference to two pet projects of the left—the need to preserve the policies of the cultural revolution and the campaign to criticize former vice premier Teng Hsiao-ping.

In the international sphere, the statement implied that current Chinese foreign policy is immutable. This seemed designed to scotch speculation that Chinese policy toward the USSR is now subject to change.

The statement, however, may have signaled some modification of China's attitude toward the Marxist-Leninist splinter groups that were sponsored by China in the early 1960s as a way to counter Soviet international influence. China lost interest in these groups in 1971, but the statement suggested Peking may now be prepared to resume its paternal relationship with them. If so, this may mean that the current Chinese leadership is somewhat skeptical as to the degree it can rely on the US connection to offset what it sees as worldwide Soviet pressure against China.

Recent events have given the leadership a number of personnel assignments to make. An official Chinese spokesman denied that Peking has named a new premier, a new de facto head of state, or a new defense minister. Assignments to some of these posts may be under con-

sideration, but it appears that no firm decisions have yet been made.

The regime has moved decisively, however, to fill the leadership vacuum in the leftist stronghold of Shanghai. The top three positions there were held by three of the four fallen leftists on the Politburo. Two alternate members of the Politburo and the party boss of a neighboring province have been sent to Shanghai to take over the top city jobs.



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NORTH KOREA

25-27

The North Korean regime is trying to limit the damage from the recent highly publicized expulsions of its diplomats from the Nordic countries for trafficking in drugs, duty-free liquor, and cigarettes. Since the issue came to the surface in mid-October, North Korea has:

- Acknowledged privately that some of its representatives were engaged in illegal activities.
- Withdrawn ambassadors and staff members as requested without a major public protest—an implicit admission of guilt.
- Avoided any retaliatory acts against Scandinavian officials in Pyongyang.
- Moved quickly to replace the ousted diplomats.

The North Koreans are anxious to forestall any move to use the smuggling scandal as a pretext for terminating several incomplete and financially troubled industrial development projects in North Korea. The Danes and Japanese are jointly constructing a large cement plant, the Swedes are building an ore-processing facility, and the Finns have supplied equipment for a paper mill.

The illegal actions in Scandinavia were part of a systematic effort by the North Koreans to exploit their diplomatic status for profit. Similar activities—although not on the same scale—have been reported in Burma, Nepal, Malaysia, Switzerland, Egypt, and Argentina.

The illegally acquired funds are used to help defray operating expenses for North Korea's embassies and trade missions as well as to finance intelligence and propaganda activities abroad. Plagued with an acute shortage of foreign exchange, North Korea in the past year or so has been cutting back some of its larger overseas staffs in an apparent effort to reduce expenses.

So far, none of the countries in which North Korea abused its diplomatic privileges has indicated it will break diplomatic relations. The Scandinavian countries, for example, all have noted that they do not wish the expulsions to disrupt relations with Pyongyang further, and none of them has yet ordered the closure of a North Korean mission



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Replacements for the expelled North Korean diplomats arrive in Helsinki

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INDIA

2430

On November 2, Prime Minister Gandhi's large majority in the lower house of Parliament cleared the way for creating a permanent basis for the unprecedented power she now holds. The upper house and at least half of the 22 state governments must also approve Gandhi's broad constitutional amendment, but the party's majority in the upper house and its control of most state governments make these steps assured.

The amendment unequivocally establishes the prime minister as the supreme authority in the government and institutionalizes many repressive measures in effect since Gandhi imposed a national emergency in June 1975. The amendment sharply curtails the power of the judiciary to challenge legislative and executive actions and to safeguard civil liberties. It also enables the government to ban groups and activities it considers "antinational."

During the next two years, Gandhi is authorized to make additional constitutional changes in order to remove any "difficulties" that stand in the way of implementing the new amendment. For more than a year, she has asserted that revisions in the 26-year-old constitution are needed to speed important social and economic changes.

Many features of the amendment, however, indicate that Gandhi's chief aim is to retain the vast power she had held on a temporary basis since June 1975. Her performance during a decade of rule suggests she is unlikely to impose any far-reaching policies aimed at redressing the basic inequities in Indian society.

Parliamentary action on the amendment was preceded on October 30 by a government announcement that the life of the present legislature will be extended at least until March 1978. The present term—already extended for one year—was to expire next March. The move was denounced by the opposition parties, most of which are boycotting the current session.

Public support for Gandhi has remain-

ed generally high under the emergency, and she seemed a sure bet to win another parliamentary majority if an election was held next year. Gandhi, however, apparently wants time to make additional changes in India's governmental system and to deal with such matters as scattered opposition to the government's family planning program, restlessness in organized labor, and organizational problems within the Congress Party.

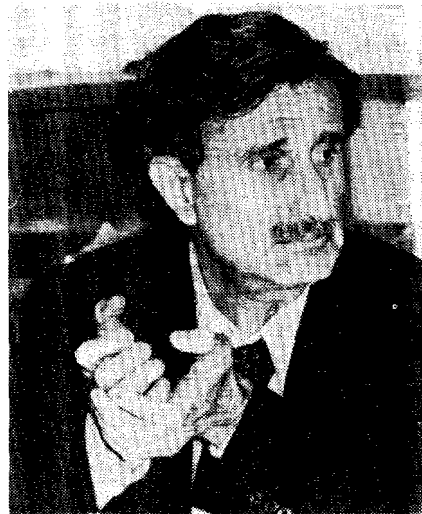
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LEBANON

21-32

Lebanese President Sarkis and General Ghunaym, the Egyptian commander of the Arab League peacekeeping force, spent much of this week trying to work out arrangements for implementing the provisions of the cease-fire accord approved by key Arab leaders in Riyadh last month. Sarkis is expected to unveil a plan by this weekend, but he is said to be pessimistic that it can be put into effect peacefully.



Kamal Jumblatt

Some additional slippage in carrying out the Riyadh agreement seems inevitable. New contingents for the League force have been slow in arriving in Lebanon

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Christian objections to the stationing of Muslim peacekeeping troops on their side of the cease-fire lines may have been overcome by a reported plan that would entrust the task to Christian soldiers formerly with the regular Lebanese army. In a sudden about-face, hard-liner Camille Shamun joined Phalanges leader Jumayyil this week in publicly praising the efforts of Arab League negotiators and expressing optimism about the prospects for peace.

If such an arrangement has been worked out, leftist leader Kamal Jumblatt can be expected to refuse to withdraw his forces from their positions unless similar arrangements are made for policing areas now under leftist control. In a transparent attempt to gain some leverage, Jumblatt this week raised new and patently impossible conditions for his cooperation by insisting that Egyptian troops be added to the peacekeeping contingent and that the entire Arab force be restricted initially to between 8,000 and 10,000 men.

Thus far, only the Palestinians have begun to withdraw at least in limited numbers from central Lebanon. A senior Syrian officer acknowledged this week that Palestinian forces were moving back into the Arqub region and elsewhere in southern Lebanon. The Syrians' willingness to facilitate this movement, however, does not indicate that Damascus plans to encourage a resumption of fedayeen cross-border operations into northern Israel or has abandoned its efforts to bring the guerrillas under more effective control.

The Syrians are well aware of Israeli sensitivities and would doubtless prefer to keep the threat of renewed guerrilla activity in reserve in order to increase Syrian leverage in future negotiations with the Israelis.

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EGYPT-USSR 36, [redacted]

The joint statement issued following the talks between the Soviet and Egyptian foreign ministers in Sofia, Bulgaria, on November 3 and 4 is terse and suggests that both sides remain wary of each other.

The statement notes that:

- The situation in the Middle East received "primary attention."
- The two sides agreed to "quick resumption" of the Geneva Middle East peace conference.
- They exchanged views on the present state of relations and the "dimensions for their development."

There was no sign of progress toward solving such problems as rescheduling the Egyptian debt to the USSR and supplying Egypt with Soviet military equipment.

The two sides agreed to continue discussions on bilateral issues. The next opportunity to do so will be when a Soviet trade delegation arrives in Cairo later this month.

The decision to continue talking is all

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that can be expected at this stage of the Soviet-Egyptian impasse. Egypt is primarily interested in its relations with the USSR as a way to sustain US interest



Egyptian Foreign Minister Fahmi

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in developments in the Middle East. The USSR is similarly trying to impress the US that the USSR has a role to play in the Middle East negotiations and is a potential guarantor of any eventual agreement.

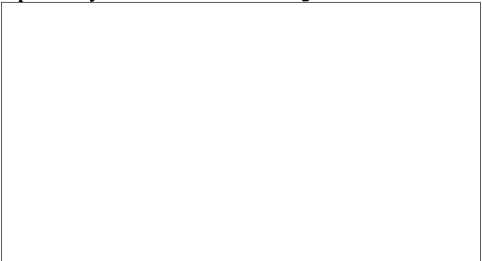
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RHODESIA 28-40

Rhodesian security forces struck at several guerrilla camps in both southeast and northeast Mozambique on October 31 and November 1. They seized large quantities of arms and supplies and apparently killed a number of guerrillas.

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The Rhodesians expect an upsurge of activity as the rains produce better cover and concealment for guerrilla movements.

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The number of white civilians killed in encounters with the insurgents increased last month to an all-time high. Two incidents involved tourist facilities in the western part of Rhodesia, an area that has had little rebel activity to date.

The insurgents are also continuing to have some success in recruiting in Rhodesia. Several hundred teenage school children recently disappeared from mission schools in the Mozambique border area, presumably to join the insurgency.

In general, however, insurgent activity has not increased significantly in the six weeks since Prime Minister Ian Smith announced his acceptance of black majority rule within two years.

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**BURUNDI** 41-44

Burundian military officers deposed President Michel Micombero on November 1, a few weeks before the 10th anniversary of his own seizure of power in the former Belgian colony.

The officers said they had taken over because Micombero had assumed excessive power and had failed to address the country's pressing political and economic problems and because corruption was rife.

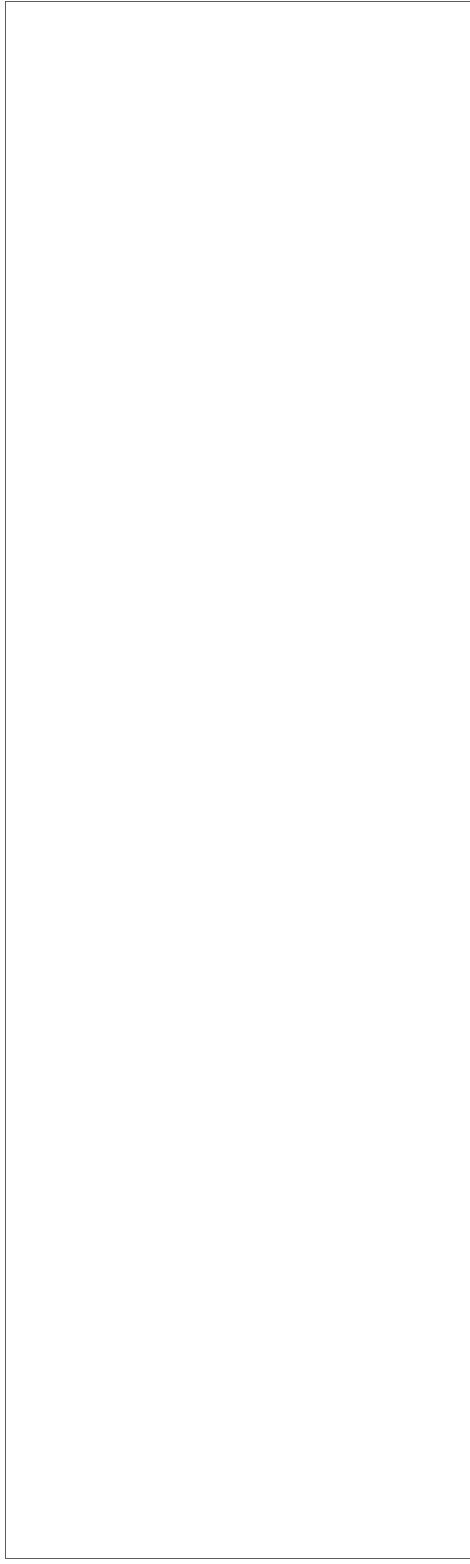
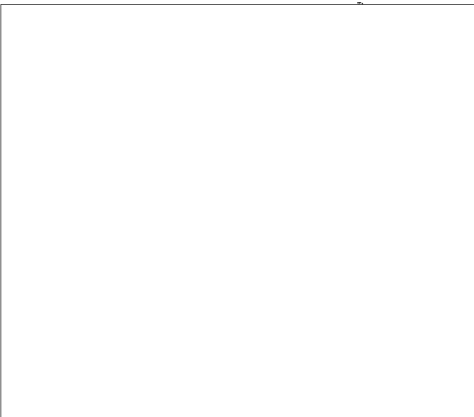
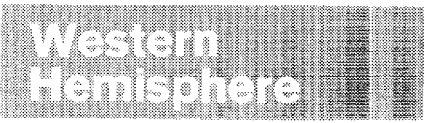
The officers set up a 29-man Supreme Revolutionary Council to run the country. The chairman of the council and new chief of staff of the armed forces is Colonel Jean Bagaza, who apparently led the takeover.

Colonel Bagaza attended the Belgian Royal Military School in 1971 and served as deputy chief of staff from 1972 until the takeover. In that position he paid official visits to China and the USSR to arrange for limited military assistance and training.

Burundi, situated between Zaire and Tanzania, was the scene of violent tribal feuding in 1972 that resulted in approximately 200,000 deaths. We see no indications that this week's change of government will trigger any new outburst of violence.

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**PERU** 51-57

The Peruvian government has again extended the state of emergency imposed in July. Though Interior Minister Cisneros asserted that special powers are needed to control subversive groups, in fact the emergency decree has been used primarily to clamp down on labor unrest. On October 13, the government moved against municipal workers who were trying to launch the first nationwide strike since June. At the same time, a police dragnet swept Lima's low-income neighborhoods to round up radicals as well as criminals.

A more serious challenge to the government was a strike by fishermen on October 18, the day the second phase of the anchovy season was to begin. The fishermen hoped to delay denationalization of the fleet, which they saw as reducing the number of jobs and eliminating guaranteed salaries. Pescaperu, the state-owned fishing enterprise, responded by revoking labor contracts and rehiring

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KEYSTONE

those fishermen who agreed to cooperate. This procedure allowed removal of union activists and reduction of the work force.

By October 28, Pescaperu had a sufficient number of men to operate the fleet, but many remained on strike and the government sent patrols into fishermen's neighborhoods and imposed a curfew in two ports. Violence and as many as 20 deaths have been reported as the fishermen attempted to enlist the support of other workers' groups.

As the strike entered its third week, the government had lost as much as \$40 million, but its firm action seems to have kept the demonstrations from spreading to other unions. The government will continue its tight rein under the state of emergency decree, and the resulting irritation, in combination with the economic austerity measures and reports of pay raises for the military, could provoke a general labor protest in coming weeks.



President Morales Bermudez

The SU-22 is likely to be comparably priced to the SU-20—\$3.5 million per aircraft, plus parts and technical assistance.

[Redacted]

Reports of the pending purchase have circulated for months, but in the past two weeks the Morales Bermudez administration has endeavored to reassure its neighbors that they have nothing to fear from Peru's acquisition of high performance aircraft.

[Redacted]

In addition, Peru has sought to mollify the US by asserting that the purchase has no political implications and that the Soviet role would be limited to pilot training and advisory teams. The purchase is nonetheless likely to open wider the door to Soviet influence in Peru.

[Redacted]

BRAZIL 67-69

Brazil is planning to cut public investment growth next year in a major effort to curb inflation. Price increases are likely to exceed 50 percent this year, compared with 30 percent in 1975. Prices

have risen despite a tight money policy, soaring interest rates, and a ceiling on wage increases.

Although details still are being worked out, the investment cuts apparently will affect key areas in which the public sector is deeply involved—energy, iron and steel, chemicals, and mining industries, as well as transportation and other services.

The private sector, which accounts for more than 80 percent of total fixed investment, has been bearing the brunt of austerity measures. Tax and credit incentives to private investors have been selectively reduced since last year. The state-owned National Economic Development Bank has cut back loan disbursements to private development projects, originally slated to reach nearly \$4 billion this year.

These measures are beginning to slow excess demand, but stiff import controls that limit the supply of goods and sharply increase the cost of imports continue to fuel inflation. Raw material shortages are becoming severe and black markets are appearing in some industrial raw materials.

Brazil, nevertheless, intends to maintain import controls for at least another year and may even tighten them further in an attempt to reduce the current-account deficit. The deficit is now expected to exceed \$6 billion this year, down a little from \$6.8 billion in 1975.

The proposed investment cuts, along with the previous controls, probably will hold real economic growth to less than 5 percent in 1977. By delaying the completion of plants that are to produce import substitutes, the cuts would also help prolong Brazil's dependence on imported goods.

The government's critical review of public investment programs has already heightened tension within the cabinet and probably is largely responsible for a recent spate of rumors of an impending shake-up. Ministers responsible for running state enterprises will continue quiet lobbying to forestall budget cuts until final decisions are made.

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*Soviet leaders clearly have their minds on the problem of preparing for the succession to top party and government jobs. Their actions at present, however, are taking them further away from a long-term solution to the question.*

## USSR: Politics and the Succession Issue

CAMERA PRESS



Kirilenko

full-time government job as defense minister.

### Contenders Blocked

Any serious candidate for the principal succession prize, Brezhnev's job, would undoubtedly have to be a member of the secretariat. The appointments to the secretariat of Brezhnev's protege Chernenko and Kirilenko's protege Ryabov block the way for more qualified candidates.

Seemingly obvious candidates, such as Leningrad party chief Romanov and Ukrainian first secretary Shcherbitsky, have still not been transferred to jobs in the capital. The unusual retention of Ustinov may result from the game of secretariat politics now being played.

One Moscow job, chief of the trade unions, remains open after a year and a half—even though a trade union congress has been announced for next March. Part of the difficulty in filling the vacancies may be that ambitious younger persons are unwilling to take unpromising assignments when a generational change seems likely soon to offer better prospects.

### Kirilenko Gains Ground

Last week's plenum demonstrates that not bringing leaders such as Romanov and Shcherbitsky to Moscow helps those who, however deficient in qualifications for a top post, are already on the scene. The 70-year-old Kirilenko was the notable beneficiary.

Kirilenko's blatant self-promotion at a ceremony on October 14 naming him a Hero of Socialist Labor appears to have

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Soviet party secretary Kirilenko, by placing a protege on the secretariat at the Central Committee plenum last week, improved his status and advanced his claim to be next in line for the post of party leader. The absence of moves enhancing the positions of younger leaders amounts to a net loss in their standing in the succession lineup.

### Focus on Succession

The Soviet leadership is now approaching all key personnel changes with an eye to their effect on the succession. During the early 1970s when General Secretary Brezhnev's authority was being reinforced, younger opponents were eliminated and efforts were made to maintain a balance among Brezhnev's colleagues within the collective leadership.

Submerging the succession issue during these years has made it all the more troublesome now, when there is a clear need to fill vacant jobs and to decide questions of protocol precedence. The stalemate that persists at present seems to reflect the balance of power and rivalry among the senior leaders and also their fears for their own positions if successors are designated.

Premier Kosygin's extended illness last summer, which raised the possibility that he would have to relinquish his post, must have forced the Politburo to concentrate more sharply on the succession. As the focus of politics has changed, the arena has shifted from the Politburo to the secretariat—the executive arm of the Cen-

tral Committee.

Between 1968 and this year, only one new party secretary was appointed and only one was dropped. At the party Congress earlier this year, however, two new secretaries were appointed—*Pravda* chief editor Zimyanin and the head of the Central Committee's general department, Chernenko. Also this year, the Politburo dropped Agriculture Minister Polyansky and added two new full members, Defense Minister Ustinov and Leningrad party chief Romanov.

The plenum last week made no changes in the Politburo. It elected another secretary—Ryabov—and retained Ustinov on the secretariat despite his new,

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been a critical point in the pre-plenum maneuvering. He may have been making a plea finally to be recognized as the party's second secretary and heir to Brezhnev.

Brezhnev did not repeat at the plenum his success at the Congress, when he brought his crony Chernenko into the secretariat. For the first time since he has been General Secretary, Brezhnev accepted an obvious client of another leader into the central councils. His own man, Tikhonov, did not make it.

#### Brezhnev Acclaimed

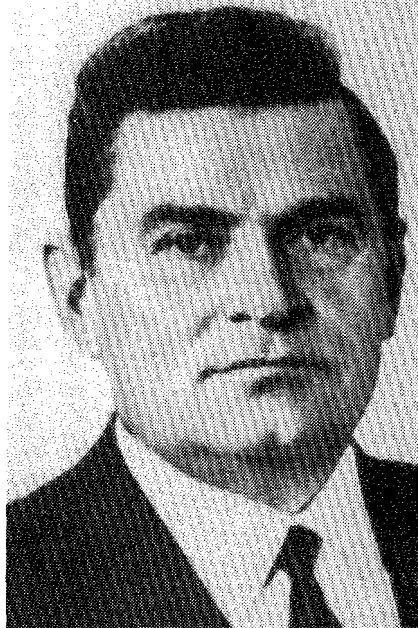
Brezhnev nevertheless has enjoyed a wealth of new honors and acclaim this year, and still more adulation is probably in store on the occasion of his 70th birthday in December. Kirilenko, while pushing himself forward, went to unusual lengths at the award ceremony to praise Brezhnev. He referred to Brezhnev as "vozhd," a term for leader rarely used since Stalin.

Publication of Brezhnev's plenum speech, which does not conform to the usual practice since Brezhnev became General Secretary, is also a plus for him. Brezhnev normally delivers the main report at plenums, but withholding publication of the proceedings has been a means of protecting the image of collective leadership.

In the foreign affairs section of his speech, Brezhnev dwelt on the steadfastness of the policy of detente and on his personal role in conducting foreign policy, including plans to visit West Germany and France. This is the policy area and role that has done the most to enhance Brezhnev's leadership position. The success of his policies abroad will probably continue to affect Brezhnev's influence within the leadership.

#### State of Play on Succession

Kirilenko's recent behavior breaks with the gray, subservient image that he has maintained for over a decade as Brezhnev's deputy. In arranging the appointment of Ryabov to the secretariat he has elevated an unmistakable protege; Ryabov, first secretary of the Sverdlovsk region, began his party career there under



Mazurov



Tikhonov

Kirilenko.

Kirilenko seems to have been active in pushing himself and Ryabov forward even before Kosygin fell ill. On June 23, *Pravda* ran a lengthy interview with Ryabov and followed it three days later with comments on the interview from Sverdlovsk.

On July 14, Kirilenko took the unusual step of participating in a session of the Council of Ministers that reviewed the five-year plan and the 1977 plan and budget. Recent Moscow gossip alleging that the other senior secretary, Suslov, is a has-been and spends little time at the office may have been inspired by partisans of Kirilenko.

Suslov has not been inactive. The promotions of Romanov and Zimyanin this year were probably congenial to him. Although Romanov seems to have good relations with many of the senior leaders, Suslov appeared to be championing Romanov's interests as his own during his trip to Leningrad in September.

As long as Kosygin is able to carry on, the senior leaders will probably be inclined not to make a change in the premiership. It is not clear whom Kosygin sees as his successor, although

presumably he would favor his long-time first deputy, Mazurov. Brezhnev's protege Tikhonov was probably not Kosygin's choice for promotion to first deputy premier in early September.

Both first deputies were slighted at the plenum. Tikhonov failed to get on the Politburo, although the position he holds has usually merited this status and a press picture last month showed him standing with the full members of the Politburo. The designation of Gosplan chairman Baybakov to substitute for Kosygin in delivering the report on the five-year plan to the Supreme Soviet last week denied Mazurov a public sign that he is in line for the premiership.

The problem of succession will continue to cause maneuvering and tension. Kirilenko, for example, may now be in a somewhat exposed position that could prompt countermoves by others. Much depends on whether Brezhnev decides to try to line up his own successor. The history of Soviet leadership politics and the developments last week suggest that he and the other seniors will act cautiously and slowly on the issue.

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*Prospects are good that the USSR will be able to reduce its hard-currency trade deficit this year, but Poland, Czechoslovakia, and East Germany will probably go further in debt.*

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## **Soviet, East European Trade Deficits**

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Efforts by the USSR and the East European countries to reduce their hard-currency trade deficits this year have produced mixed results.

Because of improving trade, the USSR's hard-currency trade deficit for 1976 will probably be about \$5 billion—down from \$6.3 billion last year.

Soviet hard-currency imports in the last half of 1976 should be well below the \$7.9 billion recorded from January through June. Grain imports are likely to fall from \$2 billion to about \$1 billion. Other imports should continue to rise slowly—about 10 percent above the first half. Soviet exports should be 28 percent

above the January to June level of \$4.5 billion. In addition to the traditional Soviet fourth quarter export spurt, exports are likely to be bolstered by Western economic recovery.

Up to 60 percent of the Soviet deficit this year probably will be covered by largely government-backed medium- and long-term credits. The balance will be covered by general purpose borrowing on the Euromarket, a drawdown on cash reserves, and gold sales.

The USSR apparently has not obtained large amounts of untied credits on the Eurodollar market this year. Because the Soviets borrowed more than \$4 billion in 1975, many Western banks are near or at their lending limits to the USSR. The

Western banking community in general has become far more selective about additional lending.

To protect its credit rating and remaining borrowing capacity on the Eurodollar market, the USSR has taken several steps to reduce its dependence on this type of financing. It has:

- Tightened controls over foreign exchange expenditures, including deferment of cash down-payments on some orders until 1977.
- Made greater use of promissory note financing for equipment imports.

As a result, Soviet gross liabilities increased over the first quarter at half the rate of the preceding quarter.

Poland probably will not reduce its

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trade deficit with the West from last year's \$3 billion level. In the first half of this year, despite some recovery in exports, Poland incurred a deficit of \$1.5 billion—the same as in the first half of 1975. Large imports of grain and fodder and the delivery of machinery and equipment ordered far in advance will continue for the balance of the year.

Poland is finding it difficult to arrange for Western loans to cover its trade deficits and repayments on existing debt. Most Western lenders are willing to participate only in loans tied to Polish imports of Western equipment. During the first half of the year Poland apparently borrowed \$2 billion, less than half backed by Western governments. Most of the remainder was Eurocurrency borrowing.

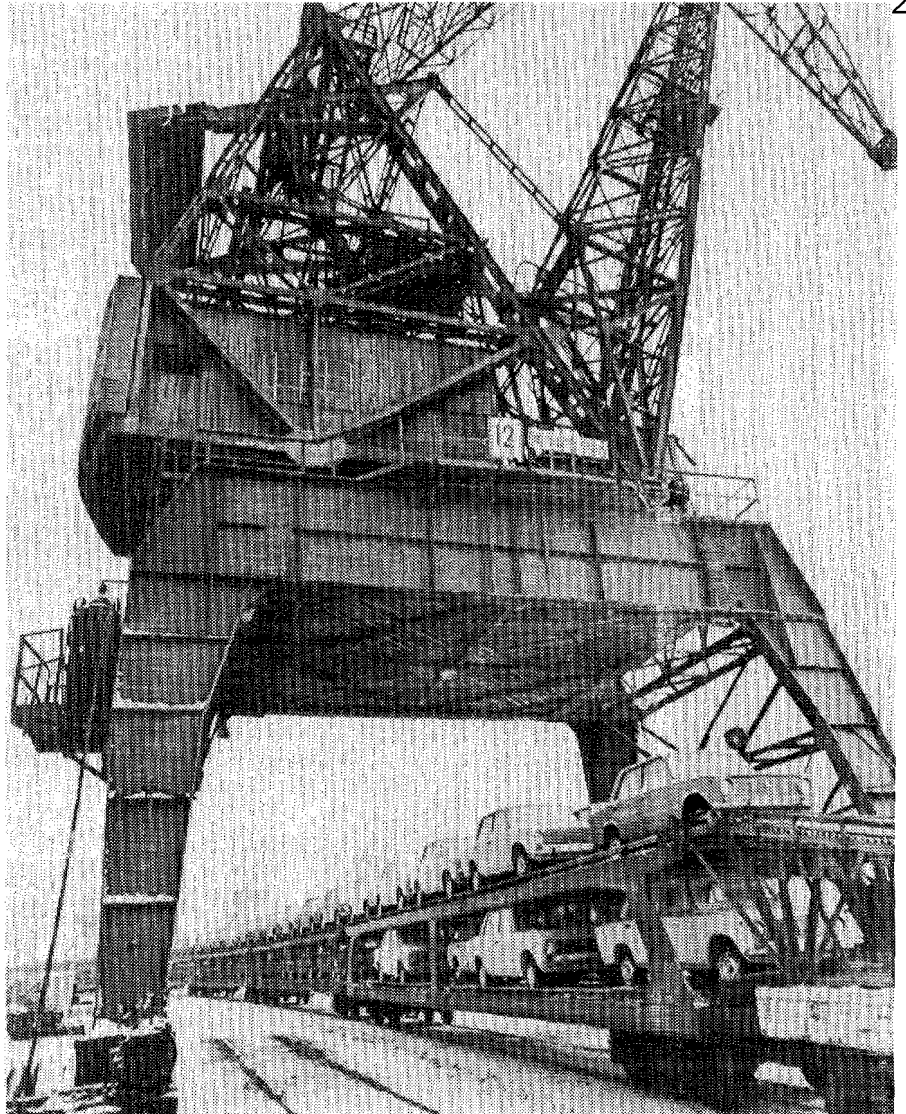
The East Germans borrowed about \$600 million on the Euromarket in the first quarter of the year and are now seeking another \$400 million to finance large imports of grain and fodder. Unlike Poland, Czechoslovakia and East Germany are finding Western bankers receptive.

Bulgaria and Romania, already carrying extremely heavy debt burdens, and Hungary—usually a cautious borrower—have taken stringent measures

to bring their trade deficits into line. The Romanians brought their first half of 1976 trade almost into balance; Bulgaria and Hungary also kept down their new borrowing.

All three countries are likely to hold imports down for the remainder of the year. The Bulgarians may in part be reacting to Soviet displeasure over Bulgarian plans for imports from the West and for economic growth.

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*Soviet-built automobiles awaiting export to Scandinavian countries*

#### **Czechoslovakia, East Germany**

Czechoslovakia and East Germany also failed to reduce their trade deficits in the first half of 1976 compared with the first half of 1975 and are not likely to do better for the remainder of the year. Although Czechoslovakia permitted little growth in imports, its deficit grew as exports continued to stagnate. The East Germans managed to boost exports by about 5 percent, but imports from the West also rose slightly.

Czechoslovakia is borrowing more in the Eurocurrency market than in the past. It recently received a \$200-million loan from a consortium of four West German banks. It has previously relied mainly on government-guaranteed credits, but its hard-currency needs have apparently become too large to be covered by these sources.

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*Thailand's new military government has yet fully to sort out its domestic priorities. In foreign affairs, it is showing interest in better relations with the US, and the momentum toward closer ties with communist Indochina has slowed.*

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## Thailand: Back to Square One

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[redacted]  
In some respects, politics in Thailand has come full circle since 1973 when student demonstrations forced a military strongman into exile. The military have now resumed a direct political role. They have quickly produced a constitution to make their authority legitimate and are selecting a "legislature" to rubber stamp the decisions of the executive—common characteristics of past military governments in Thailand.

In other respects, the new administration is atypical. The selection of a civilian prime minister and cabinet and the promise of a phased return to representative government—however remote—reflect an appreciation of the public's continuing regard for democratic institutions despite disappointment with their frailties in Thailand.

The weaknesses of parliamentary democracy in Thailand were made palpable by the growing polarization of Thai political forces and the frequent unrest generated by protest politics since 1973. The return from exile of former military strongman Thanom Kittikachorn generated the turmoil that led to military intervention, largely by bringing to a head a number of disruptive problems.

Thanom's presence energized a divided and languishing student movement. It provided right-wing groups—eager for a showdown with leftist students—an opportunity to marshal their forces. And it highlighted the government's inability to deal effectively with a crisis, putting further pressure on a coalition already weakened by the jockeying for advantage

among coalition leaders and by the deepening divisions in Prime Minister Seni's Democratic Party.

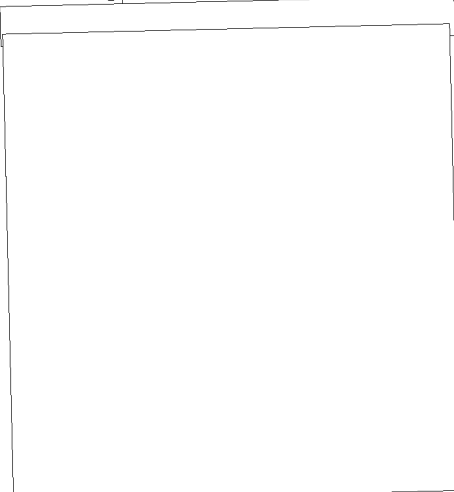
Deputy Prime Minister Praman Adereksan had been pressing Seni hard for the Defense Ministry portfolio, a position that would have permitted him to strengthen his political base in the army and one that Prime Minister Seni was determined to deny him. Praman's party was rumored to be financing both right- and left-wing protest groups, hoping the ensuing unrest would force a cabinet reorganization that would strengthen his position.

Threatened by Praman and repudiated by the liberals in his own party who were demanding Thanom's expulsion, Seni could see nothing ahead but a worsening political crisis, a prospect that left him no alternative but martial law to re-establish stability and direction to the Thai government.

Even so, the government might have survived if reports that students had offended the royal family with a mock hanging of the crown prince had not inflamed public sentiment, removed any restraint on right-wing reaction, and led to violence and unprecedented brutality on the Thammasat campus. The bloodshed at Thammasat and the continuing right-wing demonstrations against the government convinced the military that the time had come to step in.

The military did not need much convincing. They were never comfortable with the free-wheeling political atmosphere of the "democratic experiment" or with their relegation to the sidelines. But the

military's impatience to intervene was held in check by the threat of bloody student resistance and by the opposition of the King, [redacted]



### The New Regime

Admiral Sa-ngat, Air Chief Marshal Kamon, and General Soem, commander of the Royal Thai Army—the leaders of the National Administrative Reform Council established on October 6th—represent the more professional and apolitical elements of the Thai armed forces. Sa-ngat pressed vigorously for the rapid formation of a new civilian administration—largely a facade for the military's continuing domination of government policy, but one he hopes will permit the military to lower its visibility and gradually reduce its involvement.

Sa-ngat and his like-minded colleagues clearly do not believe that Thailand can or should turn the clock back to the days when the generals ran the country for per-

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sonal economic advantage and the professional caliber of the armed forces suffered from the political preoccupations of its leaders.

Sa-ngat's leadership and policy of a restrained military role have not gone unchallenged, however. The ambitions of General Yot, army deputy commander and recent commanding officer of the First Army, are already threatening the stability of the military council. Yot is trying to exploit his residual influence in the First Army to build a dominant position from which he could challenge Sa-ngat and his more moderate colleagues. The First Division of the First Army is the Bangkok garrison that has often led coups.

Yot's maneuvering has been balanced by the opposition of the majority of the council who have thrown their weight behind Sa-ngat. If the new First Army commander begins to assert himself, Yot's influence may diminish. Nonetheless, the absence of strong army leadership—General Soem, the army commander, has little following in the army—bodes ill for the future stability of the present government.

Sa-ngat is defense minister in the new cabinet—a post he held for the last day of

the Seni government and one that should strengthen his hand against Yot. Kamon is chairman of the new Prime Minister's Advisory Council, a truncated version of the National Reform Council intended to represent the military's interests in the government, although the full Council reportedly will continue to operate behind the scenes at least until a national assembly is selected. General Kriangsak, who built a reputation for skillful handling of the US military presence in Thailand, is the Vice Chairman of the Advisory Council and concurrently Secretary General of the full Council; he is emerging as one of the principal figures of the new regime.

The civilians are expected to be thoroughly dominated by the military, although Prime Minister Thanin Kraiwichian reportedly was the personal selection of the King. If true, that connection would give Thanin added strength in dealing with the generals. Thanin's strong anti-communist sentiments and his reputation as a counterinsurgency specialist (which made him an attractive choice for the King) reflect a basic compatibility with the military.

Thanin's views—reformist to the point of puritanical—are out of character for

Thai political leaders and may strike the easy-going Thai as extremist. The Thai, thoroughly sick of protest politics, are looking for a firm hand on the tiller. Thanin's concern about the communists, which apparently borders on an obsession, runs the risk of going too far and generating an atmosphere of repression that could cause a backlash against the government.

Although most of those arrested on October 6 in connection with the Thammasat riots have now been released, another 3,000 persons, including 1,000 Vietnamese, have been picked up since then. Initial public reaction to the anti-communist campaign was one of smug approval, but the scope of arrests and reports of abuses have already produced signs of some disquiet.

#### Prospects for Stability

The King is clearly a stabilizing factor. His support for the new administration should give ambitious army generals pause; his open opposition would halt any countercoup plans. Even so, fissures in the military will be a continuing source of tension. There appears to be a basic division between the reformists led by Thanin and Sa-ngat and the more typical wheeler-dealers led by Yot who have come up the traditional military ladder to power and no doubt are eager for the lucrative rewards that usually have accompanied senior military positions. The government's appeals against corruption and the stern admonitions for a more austere life style for the military will probably be ignored but if pushed seriously could be an irritant.

Threats from the "outs" do not yet appear serious. The Praman clique is frustrated by its sudden exclusion from power but lacks the requisite military muscle for a serious challenge. The urban left has gone underground, its cadre either lying low or vanished into the jungle redoubts of the Communist Party of Thailand. Most of the students attracted by the excitement of protest politics are now trying to clear themselves and return to school, and it is unlikely that more than the hard core of the radical movement will



*Admiral Sa-ngat (center) and two cabinet members at a Buddhist temple*

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opt for the rigors of the jungle.

It is too early to assess the impact of the return to authoritarian government on the communist insurgency. The current flurry of military activity in the northeast is in an area of frequent unrest and may reflect more aggressive activities by the Thai army than a new stage of communist operations. The Communist Party has always subordinated its urban operations to its activities in the countryside, and with the departure of its urban assets is probably not likely to undertake a program of urban terrorism in the near future.

#### Foreign Policy Implications

The Thai military were never comfortable with the constitutional government's post-Vietnam war approaches to its communist neighbors, and the new leaders are now drawing back from what they think was a policy of over-anxious accommoda-

tion. Relations with Hanoi have shifted into acrimonious exchanges. The Thai initially insinuated that Vietnam was involved in the student demonstrations, and the Vietnamese became exercised over the large-scale arrests of Vietnamese residents in Thailand and concerned about the implications of closer Thai-US relations.

Vietnam has kept up a drumbeat of hostile rhetoric against the new regime and canceled plans to open an embassy in Bangkok. Nevertheless, the Vietnamese on October 13 released 53 Thai fishermen who had been taken prisoner two months earlier, and the government of Laos, frequently a stalking horse for Vietnam's policies, seems to be softening its initial hostility.

Neither side has completely repudiated previous policies of accommodation, and the Thai clearly want to avoid a confron-

tation with the Indochinese communists. Even so, the momentum toward closer Thai relations with communist Indochina has been significantly slowed.

At the same time, Bangkok is eager to restore a special relationship with the US—acknowledging that US forces are probably gone for good, but hopeful that a generous military and economic aid program can be re-established.

A number of steps have been taken with an eye toward wooing the US—the appointment of recent ambassador to the US Upadit Pacnariyangkun as foreign minister, the announcement of a narcotics suppression campaign, and the sacking of the Permanent Secretary for Foreign Affairs, Anan Pan-yarachun, who was active in negotiating the expulsion of US forces from Thailand in recent talks with Vietnam.

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*Overpopulation, unemployment, and racial antagonisms make for a bleak future as the English-speaking mini-states in the Caribbean rush toward independence.*

## Prospects for Caribbean Mini-States

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A number of the island mini-states of the English-speaking eastern Caribbean appear to be moving swiftly toward independence. Three have already cut their ties with the UK—Trinidad and Tobago in 1962, Barbados in 1966, and Grenada in 1974. The five West Indies Associated States—Antigua, St. Kitts-Nevis, St. Vincent, St. Lucia, and Dominica—are likely to follow suit within the next few years.

With a total population of about

450,000 and a land area of less than 2,600 square kilometers (1,000 square miles), the five will have severe economic problems. Some also seem destined, like Grenada, to drift toward domination by autocratic leaders.

Leaders in some of the smaller states seem increasingly attracted to Cuban or Guyanese models as possible solutions to their problems. The growing tendency toward leftist authoritarianism, however, appears largely a consequence of mount-

ing economic and social ills rather than a direct effect of Cuba's efforts to extend its influence. The two larger and more stable countries in the area—Trinidad and Tobago and Barbados—have shown little susceptibility to radicalism.

#### Overpopulation and Unemployment

Population densities of the English-speaking states are among the highest in the Western Hemisphere, averaging almost 550 persons per square mile. The shortage of land is acute. The

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migration from rural areas to urban centers with the consequent increase in poverty and overcrowding has increased crime and spawned other social ills.

The economies of most of the islands are heavily dependent on one- or two-crop agriculture and tourism. Development of industry is hampered by small internal markets, high wage demands, and political and economic uncertainties that discourage foreign investment. Mineral resources, with the exception of the oil fields of Trinidad, are generally lacking. In the past two years, rising fuel prices, a drop in banana and sugar production, and a decline in tourism have added to the already serious economic problems.

Unemployment is now estimated at over 20 percent among adults in Barbados and Trinidad and considerably more in the smaller islands and among young people. Emigration is becoming less feasible as the UK and Canada have limited the influx of migrants, and only the US continues to absorb them in significant

numbers.

The inhabitants of the eastern Caribbean islands are becoming increasingly militant as a result of rising expectations for employment, housing, and education. The better educated younger people are becoming aware of long-standing social and racial inequities. Many regard foreign investment and expatriate ownership of desirable land as an extension of colonialism and see their own poverty as a product of racism.

The blacks' hostility toward whites and lighter skinned peoples is a major factor in political alignments. In Trinidad, for example, the dominant People's National Movement is largely the party of the blacks while the allegiance of the East Indians, who are almost as numerous as the blacks, is divided among minority parties.

Race is also a factor in the region's policy definition. Prime Minister Eric Williams of Trinidad recently said racial considerations were responsible for "abandonment" of the Caribbean by

whites and that the welfare, if not the survival, of black societies depends on their alignment with the third world.

#### Toward Independence

Increased political consciousness, strongly influenced by the rising wave of nationalism throughout the world, has stimulated the five remaining West Indies Associated States to seek full independence from the UK. Two probably will be independent within the next year or so.

Last April, Premier John Compton of St. Lucia declared that his island would become independent in December, but foot-dragging by the main opposition party is likely to delay independence. In August, Premier Patrick John of Dominica stated that his island state would become independent in 1977, a move that could occur as early as February.

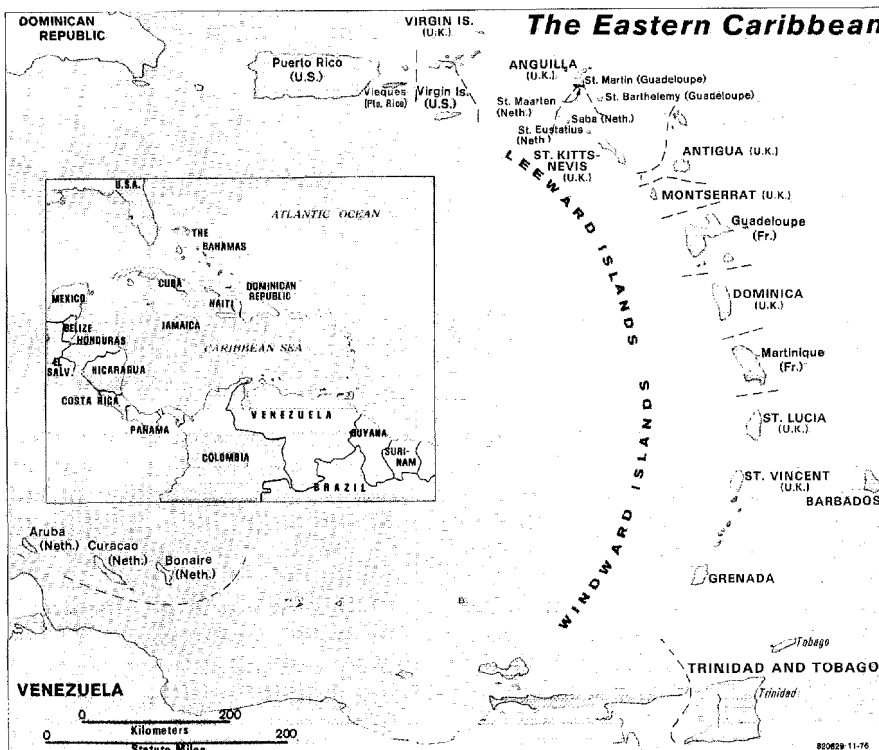
Premier Robert Bradshaw of St. Kitts-Nevis has pressed the UK to establish a timetable for independence, but the prospect that Nevis might secede probably will deter Bradshaw from moving quickly. If Bradshaw should declare independence unilaterally and try to control Nevis by force, the Nevisians would probably resist.

Until early this year, Antigua appeared likely to be the first to declare independence. That prospect has been set back several years, however, by the upset election victory in February of Vere Bird, who has indicated that he does not favor immediate independence.

Premier Vincent Cato of St. Vincent has also publicly endorsed the principle of independence, but he has privately indicated that he believes it would be unwise to seek independence alone.

An Associated State can achieve independence by a two-thirds vote in a referendum or by persuading the UK of overwhelming popular sentiment for independence. According to John and Compton, however, independence would not require either a referendum or a general election.

The British representative to the Associated States believes that if any



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Associated State leader unilaterally declares independence, the UK will do nothing. The British would like to end the financial drain, some \$10 million annually, imposed by the Associated States.

Other British colonies in the eastern Caribbean could follow the Associated States into independence. Chief Minister Willard Wheatly of the British Virgin Islands recently predicted autonomy by 1980 and full independence shortly thereafter.

Officials in both colonies, however, had earlier told US embassy officers that they had no desire to change their status. Anguilla, another British colony in the eastern Caribbean, also has indicated its clear preference to retain its ties to the UK.

**Barbados and Trinidad**

Recent elections in Barbados and Trinidad—where the citizens are better educated and more sophisticated and prosperous—provide a contrast to the



Prime Minister Williams

PICTORIAL PARADE

leftward movement in some of the smaller Caribbean countries. The victory of "Tom" Adams and the Barbados Labor Party in the general election on September 2 was a setback for Cuban ambitions in the Caribbean.

Adams has categorically stated that he did not believe the charges of "destabilization" made against the US by his predecessor, and it seems evident that he will not cooperate extensively with Cuba. Although the Adams government did not reverse a decision made in August to allow the Cubans to use Barbados as a stopover for regularly scheduled Cubana flights to Africa, it has made clear its opposition to the resumption of Cuban military flights to Africa that use Barbados as a stopover.

In Trinidad, Prime Minister Williams' largely black-based People's National Movement was returned to office on September 13. As long as Williams is in control, Cuba's chances of developing closer ties with Trinidad will be limited. Williams apparently views Cuba's Castro as a young upstart and rival. In addition, the essentially democratic character of the Movement has tended to preclude the appeal of radical socialist ideology.

**Outlook**

Racial tensions and bleak economic prospects in most of the islands are likely to result in serious political turmoil and some violence. As they gain independence, the islands are likely to move toward repression and dictatorial rule by one person or one party.

Prospects for a federation of newly independent eastern Caribbean states seem poor. All past efforts to federate have failed, and local leaders view federation as a threat to their own positions. Regional economic cooperation, such as the Caribbean Community, has fared somewhat better. Because the economies of the island states are largely competitive, however, actual economic benefits have been small and unequally distributed.

Given the likelihood that some of the smaller states will indeed opt for radical



Prime Minister Adams

solutions, Cuban assistance to and influence in those states will develop more rapidly. Dominica and St. Lucia, in particular, may establish close ties with Cuba.

Cuba's influence over the short run in Barbados and Trinidad is unlikely to increase substantially. Should high unemployment continue for several years, however, the commanding positions of moderates in both countries could be weakened.

In Trinidad, Williams has not tapped a successor, and his death would leave the People's National Movement seriously split. This could open the way for leftists to gain strength and possibly even eventual control of the government.

Cuba's approach to the eastern Caribbean states probably will be similar to its approach in Jamaica and Guyana: increased personal contacts between Cuban leaders and local political leaders; offers of security assistance; increased contacts between youth and labor organizations; and offers of technical aid.

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Central Intelligence Agency

Weekly Summary

Secret

CI WS 76-045

No. 0045/76

November 5, 1976

[...]

#### NORTH KOREA

The North Korean regime is trying to limit the damage from the recent highly publicized expulsions of its diplomats from the Nordic countries for trafficking in drugs, duty-free liquor, and cigarettes. Since the issue came to the surface in mid-October, North Korea has:

- Acknowledged privately that some of its representatives were engaged in illegal activities.
- Withdrawn ambassadors and staff members as requested without a major public protest-an implicit admission of guilt.
- Avoided any retaliatory acts against Scandinavian officials in Pyongyang.
- Moved quickly to replace the ousted diplomats.

The North Koreans are anxious to forestall any move to use the smuggling scandal as a pretext for terminating several incomplete and financially troubled industrial development projects in North Korea. The Danes and Japanese are jointly constructing a large cement plant, the Swedes are building an ore-processing facility, and the Finns have supplied equipment for a paper mill.

The illegal actions in Scandinavia were part of a systematic effort by the North Koreans to exploit their diplomatic status for profit. Similar activities-although not on the same scale-have been reported in Burma, Nepal, Malaysia, Switzerland, Egypt, and Argentina.

The illegally acquired funds are used to help defray operating expenses for North Korea's embassies and trade missions as well as to finance intelligence and propaganda activities abroad. Plagued with an acute shortage of foreign exchange, North Korea in the past year or so has been cutting back some of its larger overseas staffs in an apparent effort to reduce expenses.

So far, none of the countries in which North Korea abused its diplomatic privileges has indicated it will break diplomatic relations. The Scandinavian countries, for example, all have noted that they do not wish the expulsions to disrupt relations with Pyongyang further, and none of them has yet ordered the closure of a North Korean mission [redacted 25X1].

[...]