

Turkey in the Aegean. As Andreotti commented on the need for further cooperation, "The only obstacle to this development now would be a repeat of the 1973 monetary crisis."

Proceeding to Rumania, Andreotti conferred with President Nicolas Ceausescu, who himself had just returned from Egypt. Both leaders agreed to work towards a Balkan nuclear-free zone, and *Il Giorno*, the Italian state-sector daily, wrote that Andreotti particularly sought leverage to secure peace for the deteriorating Middle East situation. Rumania is the only Warsaw Pact country which maintains diplomatic relations with Israel.

Just as this meeting concluded, Ceausescu invited Helmut Schmidt to pay him a visit as well. Schmidt has just departed for Yugoslavia with a delegation of trusted advisers, in order to hold six days of talks with President Tito and others. Reliable sources within the West German foreign ministry say the prospects are good for making Mediterranean security the focus of Belgrade. West German newspapers report that Tito is "leaving all doors open" to Schmidt, and hint that Schmidt, Tito, and Andreotti are working out a unified strategy.

These visits have been supplemented by a considerable number of secondary-level talks. Right before Andreotti's departure, his Foreign Minister Arnaldo Forlani returned from Spain bearing a pledge from the Spanish government to back the Italian position at Belgrade. Shortly before this, West German Economics Minister Hans Friedrichs also made a stop-over in Madrid on his way back from Tunisia. This diplomacy neatly coincides with a reported Soviet overture to Madrid: an offer to sell Spain oil in return for Spain's rejection of U.S. pressure to join NATO.

A number of top-level East bloc delegations are touring, or plan to tour, European capitals, Hungarian party chief Kadar, accompanied by his Foreign minister and Foreign Trade Minister, will arrive in June for talks in Bonn and Rome. This week West Germany hosted a Polish delegation led by Polithuro member Babiuch, and

Michael Solomentsev, chairman of the Ministerial Council of the Russian Soviet republic, who is meeting with top Ruhr industrialists.

Yugoslavia, in the meantime, is rebuffing the Carter Administration's attempts to make a mockery out of Belgrade. Last weekend, President Tito personally told U.S. Vice President Walter Mondale that Yugoslavia is not about to listen to lectures on "human rights" from anyone, particularly from the U.S. The host country's Foreign Minister Milos Minic told a West German interviewer that the Belgrade conference will concentrate instead on the international issue of nuclear energy development. The Yugoslav daily *Vjesnik* has criticized Carter for his "medieval crusade against nuclear energy and nuclear technology," which has "slammed the door in the face of the developing nations...and angered the United States' allies as well."

Carter has been trying to keep the Yugoslavs off balance though alternating "friendly" with menacing policy decisions and propaganda. Mondale informed the Yugoslavs that Washington has dropped restrictions which would have held up completion of a nuclear power plant under construction there by the Westinghouse Corporation. Aging Democratic Party Eastern Europe specialist Averell Harriman and the Second International's Willy Brandt have given interviews to the Yugoslav paper *Politika* in which they discuss scenarios for U.S. "support" to Yugoslavia in case of a "Soviet attack."

The U.S. has cleared the appointment of Lawrence Eagleburger as its ambassador to Yugoslavia. Eagleburger is a former aide to the detested Henry Kissinger. Eagleburger's close ties to Trilateral commission terrorist specialist Anthony Lake serve to remind Belgrade of the ever-ready threat of deploying Croatian "Ustashi" terrorists to destabilize the country.

The Yugoslav Interior Minister has responded to this latter threat by praising West Germany's efforts to root out the Ustashi networks in that country as a "positive contribution to Helsinki."

## Podgornyi Ouster Presages USSR Foreign Policy Shift

Yesterday's ouster of Soviet President Nikolai Podgornyi from the Communist Party Politburo without an official explanation signals that the biggest Soviet leadership struggle since the end of the Khrushchev era has begun.

While the dust has not yet settled from the surprise demotion, and news dispatches from Moscow report rumors of more leadership shuffles to occur there in short order, coinciding Soviet international moves indicate that Podgornyi's removal was part of a Soviet faction fight over major foreign policy decisions. The assertion of an "interventionist" foreign-economic-policy tendency is particularly strongly suggested.

Yesterday's *Financial Times* of London carried an interview with Janos Fekete, director of Hungary's Central Bank and a leading advocate of a gold-backed international monetary system — one capable of replacing the bankrupt dollar system. Fekete reported

an expansion of his bank's operations including the news that its deposits from Arab customers amount to \$30 million dollars. Fekete's reemergence is all the more significant because the Hungarian Communist Party leader Janos Kadar, accompanied by his Foreign Minister and Foreign Trade Minister, will begin a European tour in early June by conferring with Prime Minister Andreotti in Rome and Chancellor Helmut Schmidt in Bonn, the two foremost anti-dollar political leaders in Europe.

In preparation for a meeting of the CMEA's permanent currency and financial commission this week, Hungarian Finance Minister Lajos Faluvergi issued an article in the Hungarian party daily *Nepszabadszag* calling for upgrading and streamlining the functioning of the transfer ruble within the CMEA countries. The Hungarians have consistently been the major spokesmen in favor of extending the transfer ruble for use as credit out-

side the bounds of CMEA.

Moscow also took unusually bold initiatives this week in the Mediterranean and Africa, using the clout of potential economic development as political leverage. To Spain, the Soviets reportedly offered to sell a million tons of oil per year at fixed prices, if Spain would stay out of NATO. To Morocco, Moscow proposed economic development projects if that country would cease to be part of the Carter Administration's NATO-French force now intervening in Zaire and threatening socialist Angola.

The purge last weekend of two "super-radical" Angolan leaders, who had taken the provocative line that Angola was "not black enough" and should cut all relations with Western nations, conforms to a pattern of the USSR turning to seek broad international alignments for economic cooperation.

The Foreign Ministers of the Warsaw Pact nations met in Moscow today, where the Soviet Minister Andrei Gromyko was scheduled to give the USSR's closest allies a full briefing on his direct dealings with the Carter Administration at the Strategic Arms Limitation Talks (SALT) and the Kremlin's estimation of Carter's overall policy tending towards war. The meeting is then expected to deliberate on the specific crisis situations in the Middle East and Africa, as well as Carter's "Second Front" policy of bolstering China as a military deployment against the USSR.

Well-informed sources today reported that disputes over inadequacies in Soviet Middle East and China policy were a factor in the dismissal of Podgorny. Already there have been signs of action to rectify the China problem. The Soviet Foreign Trade Minister Nikolai Patolichev arrived in Tokyo on a long-postponed trip which marks a stabilization of Soviet-Japanese relations and a top-level Soviet decision to disrupt Carter's "Second Front" China policy which would have relied on a Peking-Toyko axis.

In this, the Kremlin is acting in de facto alignment with United States military and conservative circles who are now openly attacking the China and Korea policies of Carter and his energy czar, James "limited nuclear war" Schlesinger.

#### *Marshal Brezhnev*

Podgorny as President, short for Chairman of the Presidium of the Supreme Soviet, was not a powerful man in the recent period, although he represented the USSR on a tour of African countries in March...and was criticized at that time by Tanzanian President Julius Nyerere for relaying insufficient Soviet support for a new world economic order to replace the dollar.

Although the United States press has portrayed the ouster of Podgorny as a move by Brezhnev, the European press sees the matter differently. *Die Welt* identified Podgorny's removal as a result of his opposition to "over-engagement in world politics," and the Italian Communist Party paper *Paese Sera* called the move a victory for Soviet hardliners and cited sources predicting that Brezhnev and Kosygin will not remain in their party positions for long.

The next days will reveal Podgorny's successor to the presidency.

One possibility is that the Communist Party chief Leonid Brezhnev will get the post, either being "kicked

upstairs" into it, or adding its prestige to his duties as party General Secretary. Evidence for the latter includes the fact that Brezhnev appears to have dominated the Central Committee plenum proceedings, announcing the draft of a new USSR Constitution — a long-standing project of Brezhnev's to replace the 1936 Constitution.

But a failure of Brezhnev to follow Podgorny into oblivion or be kicked upstairs will by no means indicate affirmation of his soft detente policies, in the context of which he has at times appeared willing to deal away the Soviet capability for marginally superior military technology in exchange for meaningless peace guarantees from Carter.

There appears, rather, to be a "Marshal Brezhnev" option developing, whereby Brezhnev would be tied to the opposing faction's strategy of "interventionism" and tough war preparedness. A lengthy article in the military daily *Red Star* May 19, which stressed military importance of technological advance and the unity of political, economic and military leadership, referred to Brezhnev with his military rank of Marshal and in his rarely mentioned capacity as chairman of the USSR Military Council.

#### *East Europe Repercussions*

The Soviet shifts are interrelated with Eastern European and will have repercussions there. The Polish Party has announced a Central Committee plenum for June 8. The East German party is currently holding a central Committee conference on party propaganda work, where Politburo member Werner Lamberz — a recent visitor to Moscow — urged efforts to prevent a world war in which people in the West would pay "the most terrible tax in blood."

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*"The Immutable Basis of Military Construction," by K. Vorob'ev appearing in Red Star, May 19:*

In its multi-faceted work to consolidate the country's defense, the CPSU ensures the unity of political, economic and military leadership.... It constantly analyzes the development of the international situation and the constellation of military-political forces in the world and formulates requirements for the organization of the country's defense, taking into consideration the laws of social development and the achievements of scientific and technological progress....

Questions of strengthening the country's defense occupy a great place in the activity of the Central Committee of the Party and its Politburo. The life and activity of the army and navy, and the training, teaching and political education of the personnel are under the unflagging attention of the Defense Council of the USSR, headed by General Secretary of the CC CPSU, Marshal of the Soviet Union L.I. Brezhnev. 'To continue to maintain the armed forces of our country on a high level,' said comrade Brezhnev at the October 1976 plenum of the CC CPSU, 'so that Soviet soldiers always have the most modern weapons, with which the imperialists cannot fail to reckon — this is our sacred duty to the peoples and we will fulfill it.'

The constant improvement of defense is an objective

necessity....

It is known that the appearance of nuclear missile weapons and other means of attack creates the real danger of their sudden use by an aggressor. Also, the rate of qualitative improvement of weapons grows.... The party develops and implements a realistic and far-sighted military-economic and military-technological policy.... On a strictly scientific basis, it coordinates the activity of industrial enterprises and scientific research institutions and organizations, directs the work of the defense industry and ensures the necessary conditions for it to function. Thanks to the concern of the party, the Soviet economy, science and technology are on a level sufficient to create, if necessary, in the shortest period of time, any type of weapon which the enemies of peace might want to place their stake on.

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## East-West Trade Activities

*The following is a grid of East-West trade and trade-related diplomatic visits occurring over the last two weeks.*

### West Germany

**May 19:** Soviet Ambassador to West Germany Valentin Falin addressed the Duesseldorf Chamber of Commerce, calling for a doubling of Soviet-West German trade to 22 billion deutschemarks by the end of this year. Falin reported that 1500 West German firms now carry on trade relations with the Soviet Foreign Trade Organization.

**May 25:** The Dresdner Bank announced that a standing loan to the CMEA International Investment Bank of \$400 million will be increased by \$100 million. This constitutes the largest Western loan to a Soviet banking authority ever.

**May 26:** West German Chancellor Helmut Schmidt arrived in Belgrade, Yugoslavia for scheduled talks with President Tito. Leading subjects will be nuclear power development as an agenda item for the Belgrade international conference.

### Italy

**May 19:** An East German bankers delegation headed by the president of the DDR's Export Bank arrived at Rome to meet with bankers before going to Milan. The DDR Export Bank announced plans to open up a subsidiary in Italy.

**May 20:** Italy signed a ten-year research agreement with the Soviet Union which includes research on the following areas: light industry, peaceful use of energy, and food industry.

**May 25:** Italian Premier Giulio Andreotti and Foreign Minister Arnaldo Forlani arrived in Rumania for an official visit.

— It was announced in Italy that a top level Hungarian delegation, including the Foreign and Trade ministers will visit Italy June 7-9.

— Italian Transport Minister arrived at Moscow for talks with the Soviet Transport Minister.

## Britain

**May 13:** British Energy Secretary Anthony Wedgewood Benn is in Moscow for discussions on possible joint projects and energy-related trade deals. According to the *Financial Times*, Benn called for a "joint European approach" to energy policy, and specifically called for the study of possible Soviet link-up into a European electricity grid.

**May 18:** The largest-ever Anglo-Soviet trade deal, worth £147 million (\$250 million), is announced involving the construction of two methanol plants in the Soviet Union by Davy Powergas, a subsidiary of Davy International.

**May 17:** Gordon Richardson, chairman of the Bank of England is in Moscow for a three to four day visit, returning the visit to London of the head of the Soviet Gosbank earlier in the year.

**May 23:** Trade Secretary Edmund Dell is in Moscow for the sixth annual meeting of the Anglo-Soviet Trade Commission. According to the *Financial Times*, Dell, who is urging the Soviet government to make full use of the still-outstanding £600 million worth of credits extended to them by the British in 1974, will be following up on energy-related trade deals discussed during Energy Minister Benn's earlier trip. Representatives of ICI and British Petroleum will be meeting with Soviet officials to discuss specific projects. In particular, BP is believed to be discussing possible oil explorations in the Barents Sea with the Soviets, as well as a contract for an oil-rig fabrication yard for oil exploration in the Caspian Sea.

## Finland

**May 18:** Agreement has been reached between Finland and the Soviet Union, in which thirteen Finnish companies will join in building the first phase of an iron plant in the USSR near the Finnish border. This iron plant will produce three million types of iron pellets per year and housing for 9,000 Soviet workers. The plant will provide jobs for 5,000 Finnish workers and will cost \$900 million.

One-third of the plant's output will be used in Finnish steel mills. The Soviets anticipate that the project will function at an eventual 26.5 tons capacity.