

# International Intelligence

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## EUROPE

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### *Schmidt politely avoids endorsing Carter policies*

West German Chancellor Helmut Schmidt, addressing a Washington luncheon of the Foreign Policy Association March 6, vowed "undying friendship" toward the United States and President Carter personally, but firmly refused to endorse any single Carter policy initiative. A day earlier Schmidt had met with the present for a series of discussions which West German press earlier billed as "giving the American President advice" on what to do about inflation.

At the March 6 luncheon, the Chancellor fielded questions from his audience read by moderator John Chancellor of NBC news. To a query concerning Carter's call for more general Western sanctions against the Soviet Union over the Afghanistan situation, Schmidt declined to commit Germany to any action of that sort, enumerating the importance of trade with the East bloc for his nation. He also said that the sanctions were not very much of an issue, because after all, the nations of the Western alliance were only in the "first phase" of discussing such action.

When asked whether he would boycott the Olympics as Carter has requested, Schmidt again refused to commit himself. "Now if what I have said is vague," he added, "if this sounds to you like I am being vague ... you are right. It is not meant to be a clearcut answer...."

At one point, Schmidt was asked if "uncertainty" characterized Jimmy Carter's relations to West Germany. In a response all the more biting for its diplomatic tones, Schmidt said that he would be more polite than the person who had asked the question by refusing to answer it. "I don't want to say anything impolite about my host."

Schmidt did indirectly take issue

with the American administration on the question of the Middle East. The Palestinian issue is the major threat to stability in the Persian Gulf, he stated, as most Arabs believe. The Camp David process having broken down, the West is now operating in the area a great handicap because it has yet to produce "an adequate global answer" to the Palestinian problem.

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### *Italian ruling party near split in battle for government*

The Italian Christian Democracy, the ruling party throughout the post war period, is nearing a split after this week's National Committee meeting reviewed the outcome of the recent party congress. Two sides have shaped up, one group gathered around former premier Giulio Andreotti and Benito Zaccagnini, with 42 percent of the party members' votes, and the other grouped around Amintore Fanfani and former foreign minister Forlani, which maintained its majority in support of the current government of Cossiga.

The Fanfani faction, with strong backing from Jesuit forces in the Catholic Church, forced through the election of its own forces to top party leadership positions. The Andreotti faction responded in unprecedented fashion, by abstaining from the vote completely, initiating what the Communist Party newspaper *Unità* termed an "all-out factional battle."

Observers say it is the first time in memory that a "back room compromise" has not been reached. The Andreotti-Zaccagnini forces refused to follow "normal mafioso procedure" by making a deal, instead waging a battle over political principles.

Against the Cossiga government's pro-Carter policies, Andreotti stands for a new Italian government allying with

France and West Germany in pursuit of detente and international monetary reform. That government, Andreotti has stated, will be a joint government with the Italian Communist Party—Italy's second largest.

The Andreotti faction now appears bent on a confrontation with the majority faction, with help from the Communists. *Unità*, the Communist paper, gave front-page headlines to Andreotti's speech at the Christian Democratic Congress, when he said that he had been "profoundly transformed" by his experience of collaboration with the Communist Party, and intends to continue that collaboration in the interests of Italian stability and world peace.

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## MIDDLE EAST

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### *Iraq calls Arab economic summit*

Iraqi President Saddam Hussein said this week that Iraq had received backing from most Arab states, including Saudi Arabia, for the convening of an Arab economic summit within two to three weeks, to be held in Amman. The summit will discuss Iraq's call for a Pan-Arab Charter to strengthen the Arab world's neutrality and nonalignment.

In an interview published in Beirut, Hussein said, "Iraq wants a strong Arab nation. It wants Yemen, for instance, to be on a par with Iraq, and Iraq and Saudi Arabia to be on a par with the 15 most advanced countries in the world." The Iraqi president stressed the singular importance of economic development: "The confrontation with Israel is a cultural one. What the Zionist entity fears is a scientific mind and an economic base behind the tank and a scientific and cultural base behind the gun and the plane."

## Briefly

He added, "The Zionist enemy has sabotaged Lebanon because it is an example of an advanced Arab state that constitutes a cultural challenge to Israel."

So far, Morocco, Algeria, Tunisia, Libya, Jordan, Saudi Arabia, Kuwait, Qatar, Bahrain, the United Arab Emirates, Yemen, the PLO, and the Arab League have endorsed Iraq's call. Syria, and its protectorate Lebanon, have not, and the Camp David party—Egypt, Sudan, and Oman—will not attend.

The Iraqi summit, according to the French press, has been closely coordinated with the ongoing French diplomacy in the Middle East, and Baghdad expects to serve as a "bridge between Europe and the Arab world," said *Le Figaro*.

### **Hard line to emerge from Israeli cabinet**

Israeli foreign policy will undergo a decisive hardening in the next days following the March 6 agreement by the Liberal Party component of the ruling Likud coalition to support Yitzhak Shamir as Israel's Foreign Minister. Shamir, the man appointed by Prime Minister Menachem Begin to succeed the pragmatist Moshe Dayan, is a former assassination expert of the 1940s extremist Stern Gang who can be expected to push a no-compromise line on Israel's occupation policy toward the West Bank.

As Shamir's appointment is firmed up, Israel has announced that it will increase the budget amounts earmarked for the expansion of settlements in the West Bank; most of these settlements are inhabited by the Gush Emunim movement. This is creating a new political crisis in Israel, since simultaneously the budget as a whole is being slashed by 6 percent. Israel's austerity czar, Finance Minister Yigal Hurwitz, is trying

to sweeten the bitter pill of austerity by stating that the recent re-naming of the Israeli currency, now the "shekel," will "reinforce the population's connection to our biblical past."

The victims of the austerity are not buying this. Twenty thousand farmers this week tried to storm the Israeli Knesset in protest against the country's 111 percent inflation rate. Signs were carried reading, "We are starving to death." Knesset sources called it the "biggest and wildest" demonstration the country had ever seen. Calls were issued for the firing of Agricultural Minister Ariel Sharon, who was accused of diverting funds originally earmarked for agriculture to building up the West Bank settlements.

### **Saudi Arabia launches regional development push**

The kinds of historical breakthroughs being achieved by French President Giscard during his current swing through the Arab Gulf are seen in the newly announced plans of Saudi Arabia, France's key ally in the region, to launch an unprecedented drive for economic development.

The Saudis have revealed that, contrary to reports that they were cutting back on their five-year development program, they are *doubling* that program to a capital investment level of \$270 billion, including large-scale city-building programs centered around petrochemicals, pipelines, and oil refineries.

Twenty billion dollars is being invested solely in expanding oil-production capacity to reach an immediate level of 10.5 million barrels per day, a one million rise over current levels. Together with new announcements of production rises by Iraq, this Saudi increase will give the two countries, in combination, one-half of total OPEC exports by the end of this year.

● **YIGAL ALLON**, the former Israeli deputy prime minister who died last week, told the Egyptian Defense Minister Hassan Ali two days before his death that Israel does not need its settlements on the West Bank. "There is no reason for Israeli settlements in the West Bank and Gaza," said Allon. "They have no military significance, and they do not provide Israel with security." Allon repeated his remarks in speeches to the Knesset, Israel's parliament, and to Jerusalem University.

● **OPIUM** has become the leading export of Ayatollah Khomeini's Iran, reports the *New York Post*. When Iranian production and export of opium is combined with those of Afghanistan up to the point of the Soviet invasion, and Pakistan, another "Islamic fundamentalist" ruled nation, the volume dwarfs the drug output of even Asia's "Golden Triangle" region. Compared to an estimated 160 tons of opium produced in the Golden Triangle, the triangle of Afghanistan (300 tons), Pakistan (700 tons) and Iran (600 tons) currently produces a staggering 1,600 tons of raw opium.

● **AGA SHAHI**, Pakistan's foreign minister, told an audience in his country that the government had officially "conveyed to the U.S. that we are not interested in the aid package as proposed...He left the door open to the United States for a bigger aid package, but also to talks with the Soviet Union. "The Soviet Union," he said, "is capable of playing an important role in insuring peace and stability in our region..." He said Pakistan "is determined not to allow itself to become a conduit for the flow of arms into Afghanistan," which one Asia hand called "a lie, but a very interesting lie."