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EGYPT: President Sadat's "new economic look," announced in his mid-September speech, shows some promise of accelerating Egyptian economic growth with increased foreign investment.

Foreign capital will be sought to create new industries in "free zones" where many of the multitudinous financial regulations in force elsewhere will not apply. Such investments will be channeled through a semiautonomous financial institution, created at least in part to disassociate "free zone" activity from the Egyptian Government's generally poor international financial reputation. New capital is expected to come, at least initially, mainly from wealthy Arab states, but an investment guarantee law now being drafted may be sufficiently strong to attract Western investors as well. A second feature of Sadat's program is decentralization of the state industrial bureaucracy and provision of a system of incentive payments for both workers and managers, moves which are expected to raise productivity in existing facilities. To a large extent the success of both measures of the program will depend on the ability of Egyptian managers to function outside the conventional bureaucracy.

The utility of other features of Sadat's new economic program is more doubtful. A scheme to revitalize the ailing land reclamation program with on-farm food processing probably will create inefficient processing operations remote from markets. In the industrial sector, a new round of wage increases has been decreed following recent worker protests at Helwan. This move could prove seriously inflationary.

The outcome of Sadat's efforts to develop domestic and foreign confidence in Egypt's long-term economic stability is problematical. Much as the country needs foreign investment capital, emotional fears of "foreign capitalistic exploitation" added to uneasiness about his political dealings with the US could be exploited by Sadat's opponents.



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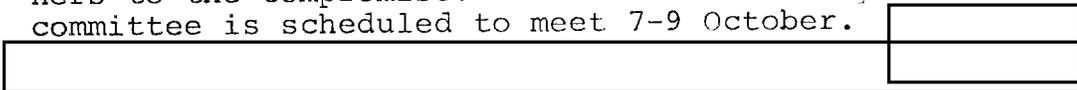
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ITALY: A compromise at a Christian Democratic Party meeting this week balanced near-unanimous approval of the program with a structural change apparently favoring Senate President Fanfani and his allies.

The party decided to reduce the number of factions participating in various national and local party organs by half. The changes do not take effect until next year, but the action is nevertheless an advantage for the centrist factions and a setback for the party's left wing, which had opposed the change. The new statutes, when in effect, seem likely to give the party greater coherence and allow it to be more decisive in its leadership of the government.

Party leaders now will be particularly concerned with the reaction of their Socialist coalition partners to the compromise. The Socialist Party central committee is scheduled to meet 7-9 October.



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**Percentages of Strength in the
Christian Democratic Party Held
by the Various Factions**

New Force	9.0
New Left	2.6
Base	11.0
Moro	12.0
Taviani	8.5
Fanfani	16.0
Andreotti-	
Colombo	16.5
Piccoli-	
Rumor	21.5
Scalfaro	2.9

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MAURITIUS: A recent success of the major opposition party, the Mauritian Militant Movement (MMM), emphasizes the continuing lack of confidence in the coalition government of Prime Minister Ramgoolam.

Dockworkers in Port Louis have voted overwhelmingly to have the pro-MMM trade union replace the government-backed organization as their bargaining agent. Union representation was the key issue behind the dockworkers' strike, led by MMM leader Paul Berenger, that paralyzed Port Louis for two weeks last month.

Under Berenger's leadership the leftist MMM had already become a potent force in Mauritian politics, winning a series of electoral victories over the past two years. Because there have been no general elections since independence in 1969, the MMM holds only one seat in the Legislative Assembly, won in a by-election last year.

Ramgoolam displayed his characteristic indecisiveness during the strike, which also provoked a cabinet split. The only government minister to emerge with an enhanced reputation was Finance Minister Veerasamy Ringadoo, who made the important decision to require arbitration of the strike, and who many now believe should replace the aging Ramgoolam.

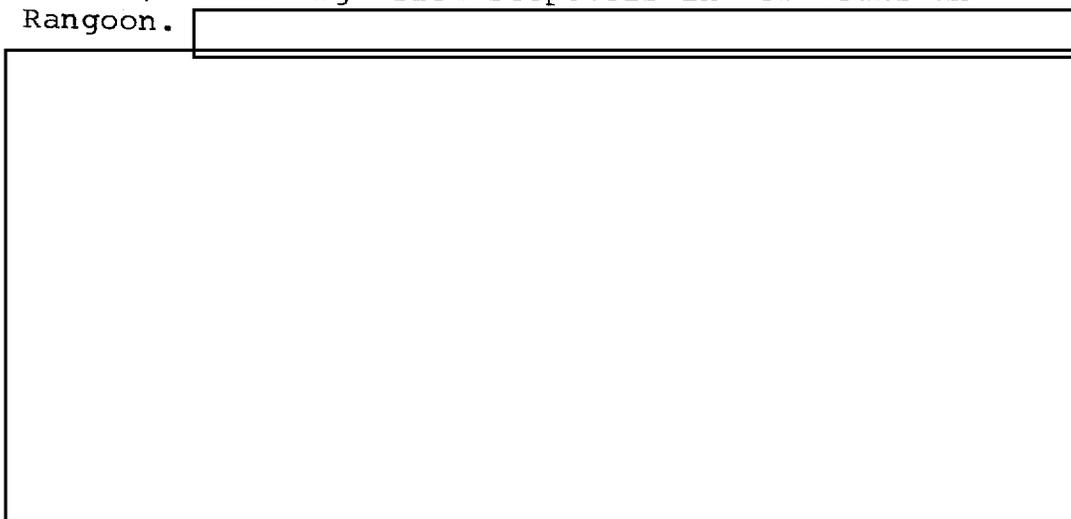
The government's poor performance reflects a deeper malaise within coalition ranks. The government has achieved almost no progress toward solving the island's pressing problems of poverty, overpopulation, and unemployment. As a result there is growing support for Ramgoolam's resignation, even within the Labor Party. With this labor victory behind him, Berenger is almost certain to press harder for general elections far in advance of 1976 when they are required.

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NOTES

USSR - NORTH VIETNAM: Soviet President Podgorny is traveling to Hanoi with senior officials from the party and military, the Foreign Ministry, and both aid and trade departments. The composition of the delegation indicates that Moscow seeks to impress the North Vietnamese with the reliability of Soviet support. To set the mood further for a successful visit, TASS yesterday took belated notice of recent US bombing raids in North Vietnam and issued a strong statement condemning the raids and reiterating Soviet support for Hanoi. The Russians had hoped to exploit Sino-Vietnamese strains over President Nixon's trip to Peking, but the recent visit to Hanoi by a high-level Chinese delegation may make Podgorny's task more difficult. Podgorny will arrive in Hanoi tomorrow, following brief stopovers in New Delhi and Rangoon.



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JORDAN: The border closure with Iraq and Syria, now in its third month, continues to hurt Jordan's economy significantly. Exports are down about \$1.4 million a month, or about one third of the average monthly rate. Tourist income has been reduced about \$1 million a month. The government is said to be losing about \$1 million monthly in revenue--primarily customs duties--at a time when income is sorely needed.



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YUGOSLAVIA: Belgrade has announced that a major Yugoslav army and territorial defense forces exercise would be held from 2 to 9 October. The Yugoslavs announced earlier this summer that large-scale exercises would be held in the fall. According to the latest announcement, exercise activity generally will take place in the northwestern regions of the country removed from Yugoslavia's borders with its Warsaw Pact neighbors. Foreign military observers have been invited to attend the maneuvers. [REDACTED]

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UK-MALTA: The Maltese have adopted a tough stance in the new round of bilateral talks with the British aimed at a new defense agreement. Financial considerations were not discussed directly, according to a UK Foreign Office spokesman, but almost every topic raised by Malta's delegation had a money angle. The Valletta government wants higher wage scales for British-employed Maltese laborers and assurances that there will be no layoffs at any UK bases on the island. London and those of its NATO partners who are contributing to the package for Valletta could find the new agreement costing considerably more than the original cash and aid offer of around \$24 million plus bilateral aid. [REDACTED]

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LEBANON: President Franjiyah has weathered his first political crisis since his inauguration a year ago by revoking the recently imposed tariff on luxury goods. The government has suffered a loss of prestige as a result of the controversy, however. It capitulated because of a merchants' strike which lasted ten days and the threat of a no-confidence vote in parliament. [REDACTED]

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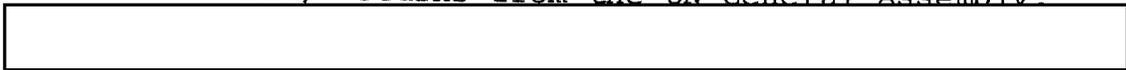
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BURUNDI - NORTH KOREA: President Micombero apparently has decided to break diplomatic relations with Pyongyang, although the decision to expel the North Koreans reportedly has been delayed by Information Minister Yanda, a steadfast Pyongyang backer. Micombero has been irritated with the North Koreans because of their aggressive cultivation of leftist youth, and he has refused to accept the credentials of the new Korean ambassador for the past five months. It is unlikely that Yanda can delay the expulsion indefinitely, although he will probably try to hold out until Foreign Minister Simbananiye, who is another strong supporter of Pyongyang and who also is close to Micombero, returns from the UN General Assembly.



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MALAYSIA - NORTH KOREA: Malaysia's state trading organization has signed a small barter agreement with a visiting North Korean trade delegation but the government refused to allow Pyongyang to set up a permanent trade mission in Kuala Lumpur. The Malaysians, who received the North Korean delegation despite strong South Korean protests, want to expand trade with Asian Communist countries. They are likely to move slowly in developing formal relations with the North Koreans until they sort out their relations with Peking. Pyongyang can be expected to press its case because it is particularly interested in extending its presence to countries like Malaysia where South Korea is represented.



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