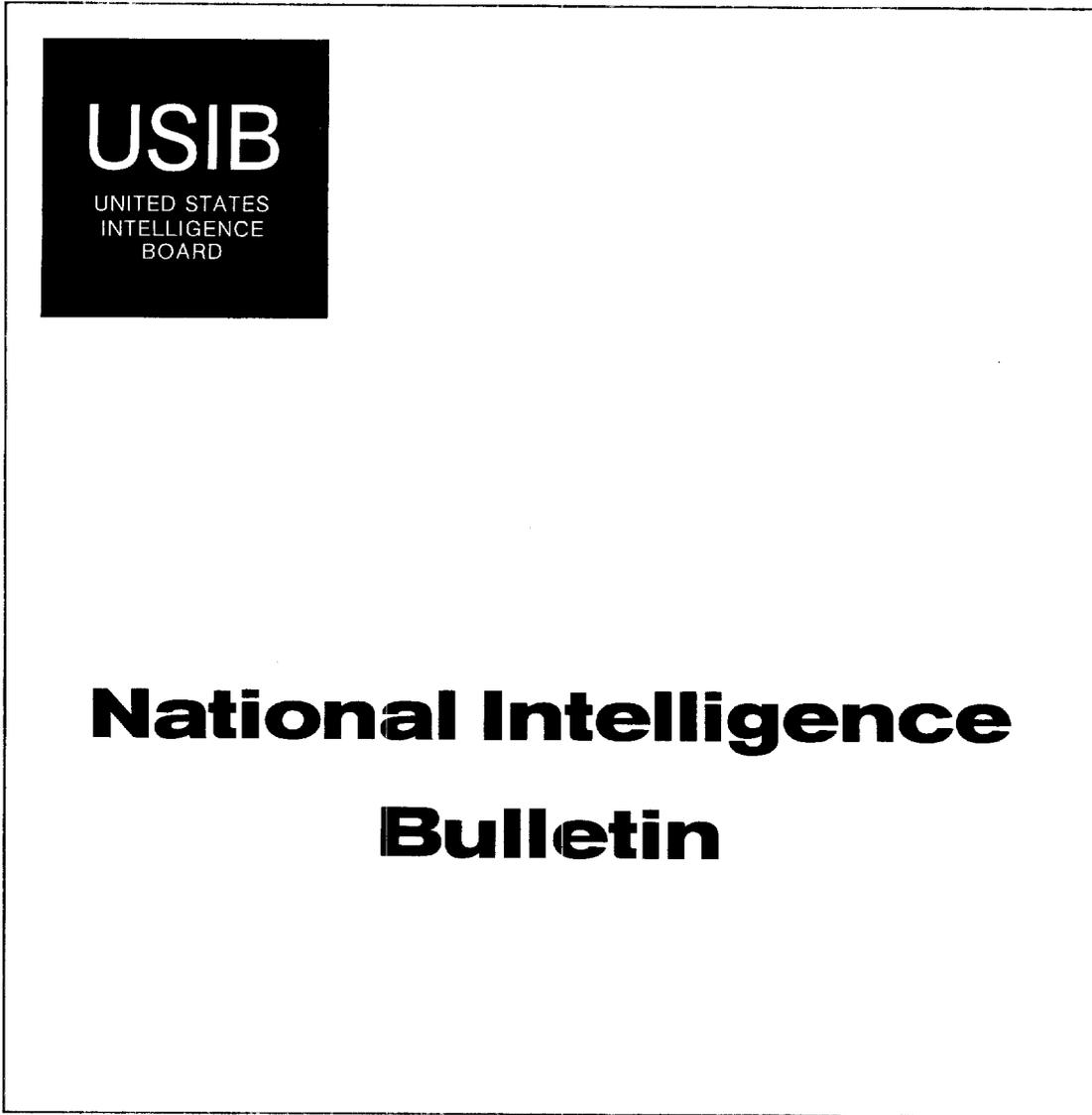


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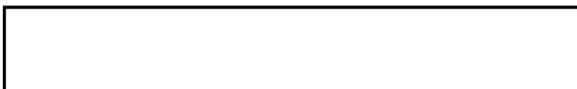
State Dept. review completed

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### LEBANON

Fighting spread during the weekend to virtually all sectors of Beirut, including the central hotel district, as leftist and Palestinian forces attempted to relieve the Christian blockade of two Palestinian refugee camps.

Palestinian forces suffered at least a temporary setback early Saturday morning when they had to withdraw from the Christian district of Horsh Thabet in an effort to break the Christians' encirclement of the camps. Although the Palestinians have apparently not reoccupied the positions, fighting in Horsh Thabet and neighboring areas continued throughout the weekend.

Saturday evening during a meeting with other Muslim leaders, Prime Minister Karami denounced the Christians' blockade. The Lebanese army later announced that it would escort a convoy of food and water supplies to the camps. The fighting prevented the convoy from moving on Saturday evening as scheduled, and it could not get past the blockade yesterday.



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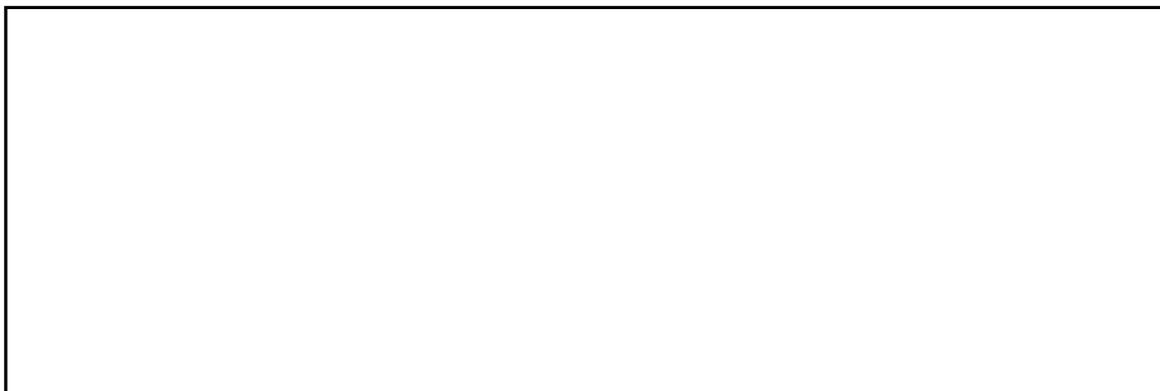
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### ECUADOR

A military triumvirate of armed forces chiefs has replaced President Rodriguez Lara, who resigned on January 11. This comes one month before the fourth anniversary of the coup that brought Rodriguez to power, when he was expected to step down.

The change in command is not likely to alter Quito's domestic and foreign policies, at least in the near term. In its initial communique, the triumvirate, which calls itself the Supreme Council of Government, declared that the country would be returned to civilian rule by the end of 1977. Such a plan, however, will do little to mollify the many civilian critics of military rule.

The Rodriguez government, during four months of political rumors and internal disorder sparked by the abortive September coup attempt, was able to maintain power because there was no unified opposition. Last week, the military heads—army General Duran, navy Vice Admiral Poveda, and air force General Leoro—in a united move insisted that Rodriguez be removed and internal stability restored.

The new leadership inherits a weakened economy and a fractionalized armed forces. The junta's success will depend in large part on its ability to present a cohesive front, already endangered by the rivalry between Duran and Poveda.

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### ITALY

The major Italian parties held strategy sessions over the weekend to prepare for the talks today with President Leone on how to replace the Moro government, which resigned last week.

Leone is likely to find that the major dispute among the parties remains the question of whether the Communist opposition should be consulted more by the next government. When the Socialist Party brought Moro down last week by withdrawing its parliamentary support, the party made its participation in government conditional on such a change of policy toward the Communists. Despite new signs of flexibility, the Socialists are not likely to drop the demand altogether.

The Christian Democrats have taken a position, however, apparently designed to encourage the Socialists to do just that. The Christian Democrats implied that they are prepared to give the Socialists a substantially larger role—such as more important ministries and more influence in economic and other policies—to lure them back into a coalition. At the same time, the Christian Democrats ruled out any arrangement to establish a formal consultative relationship between the government and the Communists.

The Socialists are feeling increasingly isolated. All of their traditional supporters—most important organized labor—have criticized their decision to topple the government and to force the Communist issue during the present economic slump. Such criticism probably accounts in part for Socialist leader De Martino's showing greater flexibility now than last week, when he argued that Communist "support" should be sought by any new government. De Martino now talks in terms of a Communist "contribution."

De Martino's shifting stance also reflects the differences in his party over how much leeway should be given to the Communists. When pressed to clarify the party's position, Socialist spokesmen give diverse interpretations, ranging from advocacy of more open dialogue with the Communists to general policy agreements between them and the government.

For their part, the Communists continued to emphasize their opposition to an early parliamentary election and to criticize the Socialists for precipitating a confrontation in the midst of efforts in parliament to deal with the country's severe economic problems. Nevertheless, the Communists' insistence that the next government will not be effective unless it gives more weight to their views may indicate a willingness to enter into some arrangement similar to that proposed by the

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Socialists. Although the Communists have agreed to an informal role in some of the regional governments that they do not control, the party has so far discouraged attempts to try the idea at the national level.

President Leone and the man he nominates as prime minister will thus be searching for some formula to reconcile the competing views of the Christian Democrats and the Socialists on the Communist question. One of the few concrete suggestions advanced so far has come from President Leone's domestic affairs adviser, who has suggested that Christian Democrats and Socialists collaborate in a government and negotiate a program acceptable to the Communists.

The difficulty of getting everyone to agree on such a formula, however, has kept alive talk of early parliamentary elections. Indeed, much of the flexibility shown by most parties in the last few days may reflect their wish to avoid being blamed by voters if early elections become the only way out.

Leone is reportedly still leaning toward Moro as his choice for prime minister, although Budget Minister Andreotti is being mentioned more frequently because of his close relations with one of the Socialist leaders whose support De Martino would need to lead his party back into the government.

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### ICELAND-UK

Iceland is threatening to break relations with the UK on Tuesday or Wednesday unless it gets some support in the special NATO meeting today.

Prime Minister Hallgrimsson told Ambassador Irving yesterday that the cabinet, after the latest ramming incident, instructed him either to break relations with the UK or suspend participation in NATO. Later information suggests Reykjavik may be prepared to take both these steps. Hallgrimsson said Iceland will act unless several NATO states express support for Iceland or the US makes a special plea.

Public pressure on the government to act decisively is increasing. The barricading of the US-manned base at Keflavik yesterday by Icelandic fishermen was the first such demonstration in the current dispute. A maritime court, boycotted by the UK, is expected to rule today that the British were at fault in the latest incident, a finding that will heighten public emotions.

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### SPAIN

The ending of the Madrid subway strike yesterday has done little to ease Spain's labor tension. The Communist Party and several illegal labor groups reportedly are already issuing appeals for a general strike this week.

Although a successful general strike continues to be unlikely, organizers will claim success because of the large number of workers on strike over contract grievances. The wave of strikes will test the government's desire to balance its response to labor with its need to control inflation and its determination to maintain order with a minimum of force.

The terms of the temporary settlement of the illegal subway strike seem to vindicate the government's handling of the dispute. The workers got a serious consideration of their grievances—which were largely monetary—and a promise of no reprisals. The wage settlement, reportedly proposed by the company and accepted by the workers, does not upset the government's austerity program, which calls for holding wage increases to no more than 3 percent over the cost of living increase.

The subway strike did serve as a catalyst; some 75,000 workers demanding higher wages were on strike throughout the country over the weekend, and five large factories in Madrid alone were closed.

Communist labor leader Marcelino Camacho, who was released in the November partial amnesty decreed by King Juan Carlos, has charged that the government is reverting to the old methods of the Franco regime. Camacho claimed that although workers who have been arrested were fighting for legitimate wage demands and had no interest in political subversion, it was inevitable that economic grievances would be linked with political demands.

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### EC-GREECE

EC and member-state officials are uneasy about the long-term economic, political, and institutional implications of Greece's bid for early membership in the Community and the precedents it may set for further expansion.

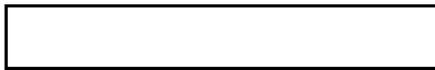
High-level political support for Athens' application has been strong within the EC, because of the stabilizing effect membership would have within Greece and also for European solidarity in the Mediterranean. Similar considerations argue for closer EC ties with Spain. Nevertheless, the Nine are aware that they may face increased commercial competition and greater demands for financial support. Moreover, a further enlarged Community could put new strains on the EC's decision-making process.

The EC Commission is now studying two alternative responses to Greece's request. The first calls for work to begin immediately on full accession. Even if this approach is adopted, serious negotiations would not begin until next fall.

Alternatively, the Commission is considering limiting negotiations to improving Greece's current association agreement with the EC, while leaving the door open for full membership at a later date. This second option would mollify the Greeks, who complain that they now must bear the costs of EC policies without a say in determining them. Greece would be permitted to participate in meetings of lower level committees dealing with matters of major importance to Greece but would be excluded from EC Council sessions.

The Greeks are, nevertheless, unlikely to respond positively to any proposal that does not call for full membership within the shortest possible time, particularly since West German Chancellor Schmidt enthusiastically and unreservedly endorsed early Greek entry during his visit to Athens two weeks ago.

Some EC officials, however, are mindful that a delaying formula for Greece would set a useful precedent that would give the Nine more time to await political developments in Spain and elsewhere before dealing with such bids for EC membership. Renegotiation of the EC-Spanish preferential trade accord will probably begin this spring, and EC officials expect the agreement could be concluded fairly quickly. This would then be followed by an "observation" period of at least one year before any new initiatives establishing closer ties to the EC would be contemplated.



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### EC-UNESCO

Most West European states will attend the January 26 UNESCO meeting charged with drawing up a definition of racism, even though the controversy over equating Zionism with racism is expected to surface. The UN experts of the EC Nine, who met this week in Luxembourg, have recommended that the EC member states attend the meeting. The US has stated that it will boycott it. Canada will probably follow the Nine's lead.

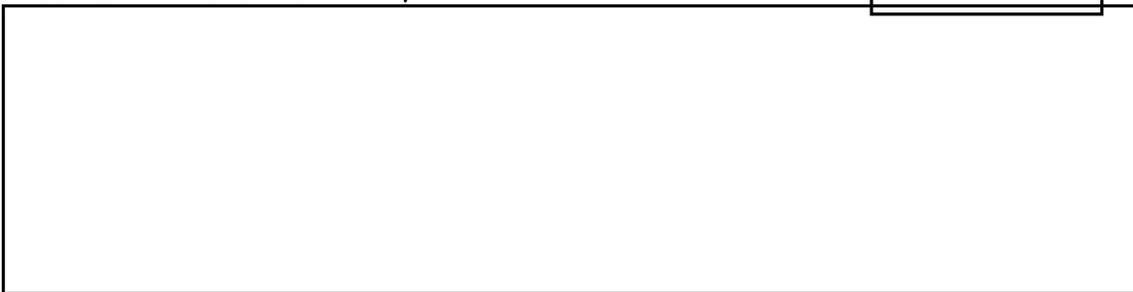
The Nine may make their attendance conditional on acceptance of the traditional UNESCO principle that decisions at such meetings require close to a majority. Last month, the US and most West Europeans walked out of a meeting when the Arabs and their supporters succeeded in inserting in another UNESCO declaration a reference to the UN resolution labeling Zionism as a form of racism. The EC justified its withdrawal by stating that the consensus principle had been shattered.

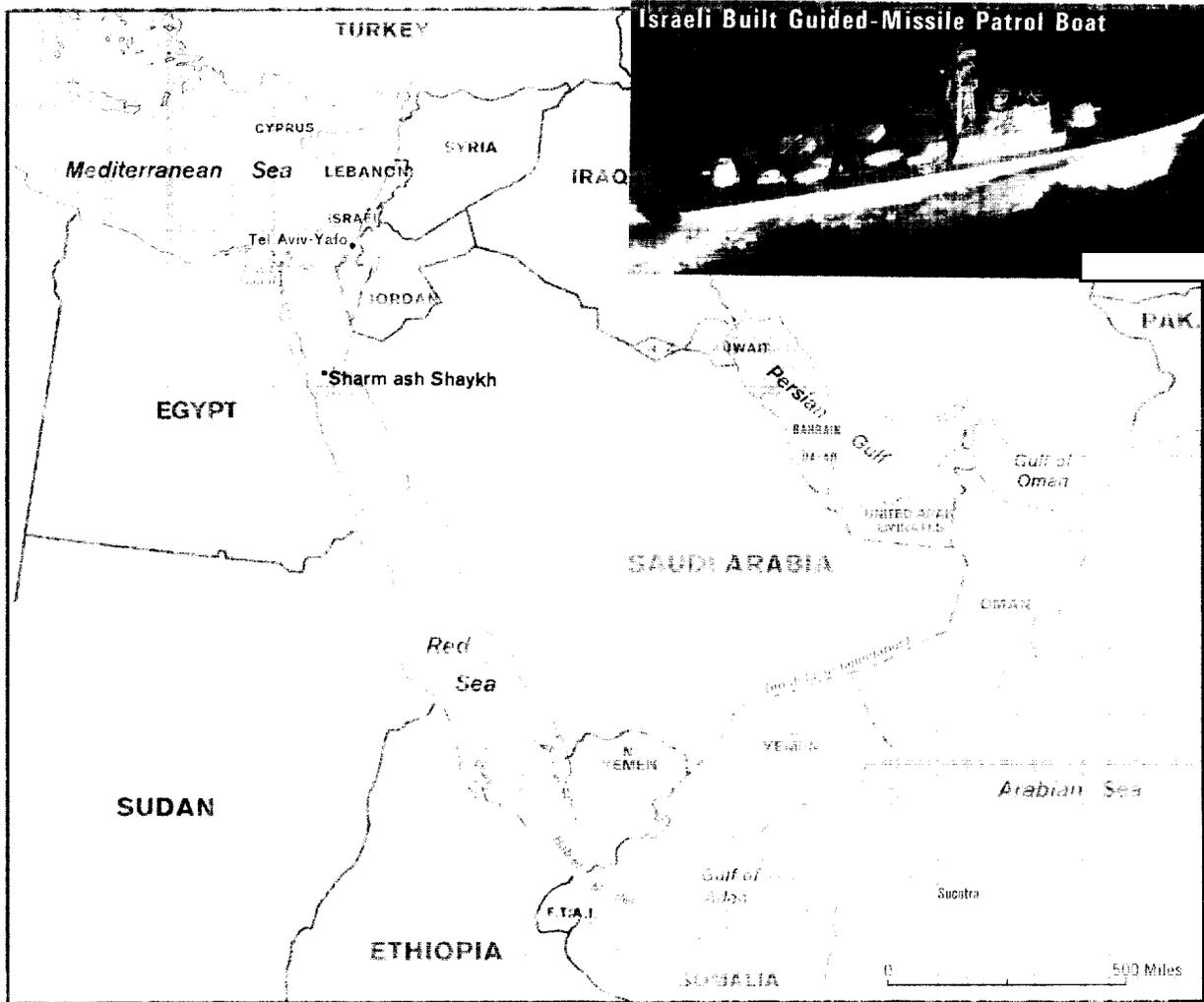
The US and West Europeans have urged UNESCO's director—a black African—to cancel or to postpone the meeting. Although he is sympathetic, he cannot legally cancel the meeting on his own initiative. He apparently has not yet made a final decision on postponement, but fears that this course could leave him open to Arab charges of capitulating to Western pressure.

If the meeting is held, the EC Nine political directors will have to meet next week to work out a common position on the racism-Zionism issue.

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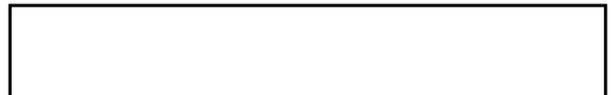
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