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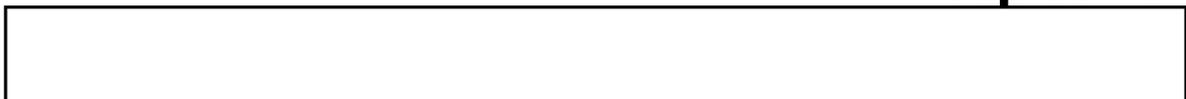


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State Dept. review
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CHINA

Chinese officials in Peking are attempting to put the best face on an obviously confused and heated leadership situation. For the first time since Teng Hsiao-ping came under attack, a party official in Peking has said Teng retains his job as party vice chairman and that he was not named premier because his party duties are so heavy.

Other Peking officials have already confirmed that Teng retains his government and military positions. Although these statements may be an attempt to quash speculation outside of China about Teng's status, it seems likely that the leadership has not yet made any firm decisions and that Teng does indeed retain all his posts—at least for now.

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The current status of Defense Minister Yeh Chien-ying, who, like Teng, was closely associated with Chou En-lai, is not clear. Peking reportedly issued a directive in early February announcing the replacement of Yeh on an interim basis because of his poor health. Neither the Chinese Foreign Ministry nor the Defense Ministry would confirm this story, however, and the Defense Ministry has said Yeh remains in his job. That Chinese officials have denied the story, despite the issuance of the directive, suggests the subject is very sensitive.

Rumors are circulating in China and in Hong Kong that Yeh actually resigned his post in protest over the treatment of Teng Hsiao-ping. Yeh's resignation on these grounds is not inconceivable because he threatened to resign during the Cultural Revolution over decisions he opposed. In any event, some Chinese officials obviously do not believe the official story that Yeh's health took a turn for the worse shortly after Chou En-lai's funeral.

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There are some tenuous signs in the propaganda that acting Premier Hua Kuo-feng may himself be under attack, presumably from the party's left wing. Hua seems to have some responsibility for science, and a propaganda debate over how to conduct scientific work may be aimed at him. An article in *People's Daily* attacking the Soviet security minister may also have been intended as an indirect attack on Hua, who is China's security minister. *People's Daily* has also attacked those who put three instructions from Mao on an equal footing, claiming that one is more important than the other two. In his speech last fall at an agricultural conference, Hua seemed to put equal emphasis on all three and could be a target.

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LEBANON

Syrian Foreign Minister Khaddam left Beirut yesterday after conducting the first round of bargaining among Lebanese Muslims and Christians to form a new cabinet. Creation of a coalition government that would include representatives of the Christian Phalanges Party and the large left-wing groups is a necessary first step toward implementing the reform program announced by President Franjiyah last weekend.

Khaddam, according to press accounts, is hoping to persuade Phalanges chief Pierre Jumayyil and Kamal Jumblatt, the principal spokesman for the left, to accept positions as senior ministers along with several other Muslim and Christian notables. A large cabinet made up of technicians would serve under them to deal with the problems of reconstruction. Muslims and Christians reportedly would have equal representation in the cabinet.

Jumblatt announced yesterday that his party would refuse to join a new government unless major adjustments favoring the Muslims were made in the reform program. He reportedly is also lobbying for the revival of the National Dialogue Committee, created during the early stages of the fighting last year. Leftists were over-represented in this extra-governmental body and prevented it from becoming an effective force for reconciliation.

Before leaving Beirut, Khaddam told reporters he hoped a new cabinet could be announced before the end of the month. Khaddam will probably seek permission from Damascus to put new pressure on Jumblatt. The Syrians have less leverage to use on Jumayyil, who also appears reluctant to be represented in the cabinet. Feuding between Jumblatt and Jumayyil was a major cause of the rise in tensions last year and could have a similar impact on the present situation.

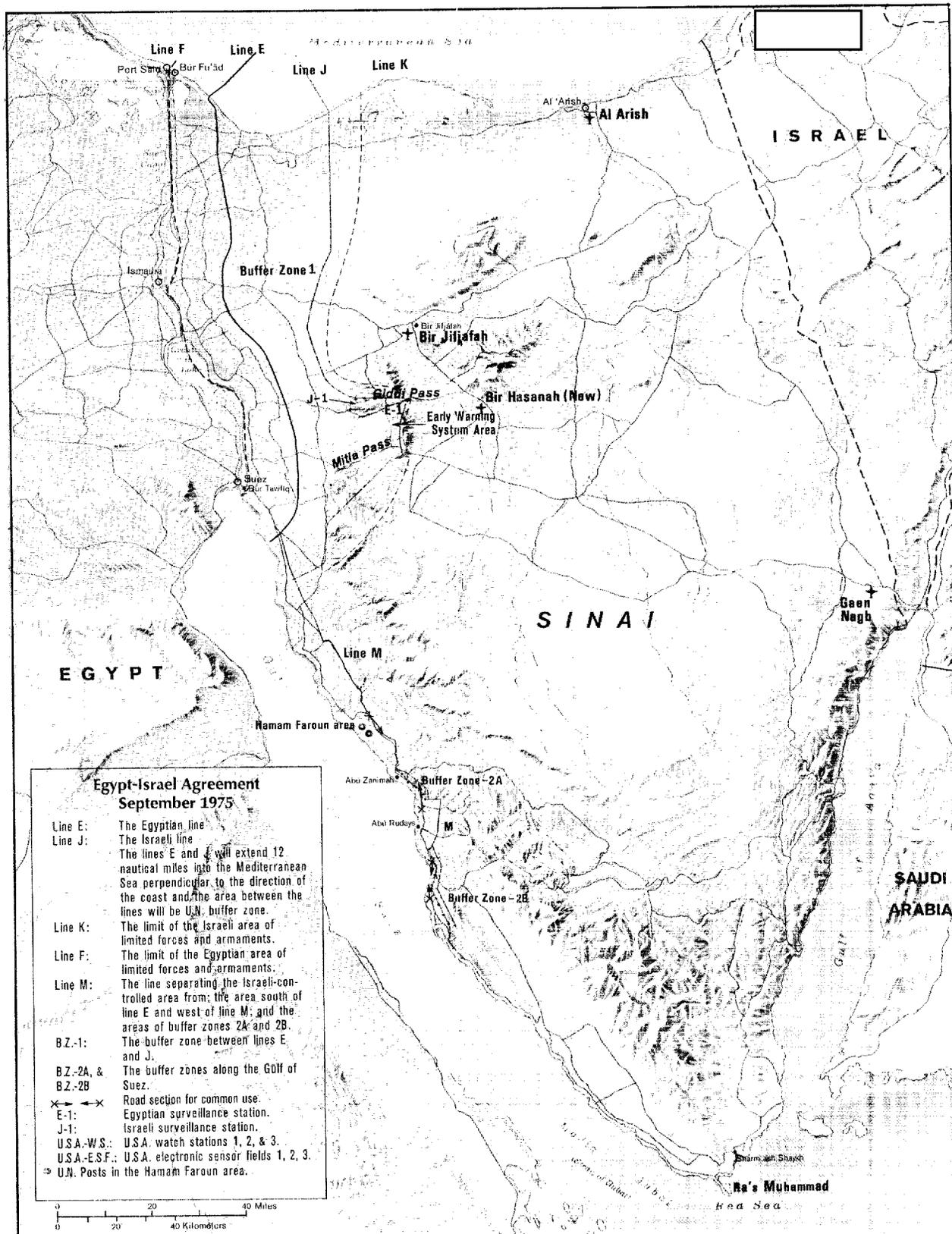
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EGYPT-ISRAEL

The final troop withdrawal and transfer of territory under the second Sinai disengagement agreement is scheduled to take place this weekend. By noon today, Israeli troops will have evacuated the Mitla and Giddi passes, and withdrawn to defensive positions to the east. Egyptian soldiers are to complete occupation of the former UN buffer zone by noon tomorrow, when the agreement takes full effect.

Implementation of the military protocol to the cease-fire has proceeded smoothly, despite a slight delay by the Israelis while awaiting US Congressional approval of the agreement. Subsequently all withdrawals and transfers have been on time and without incident. Minor problems arising over location and configuration of early warning stations have been resolved by the joint Egyptian-Israeli-UN commission.

To the east, in Israeli-occupied Sinai, a new airfield is nearing completion at Al Arish and facilities at Gaen Nagb airfield are being expanded. In the meantime, operational use of Bir Jifjafah and Bir Hasanah (New) airfields near the present disengagement line has declined and improvements at these facilities have not been noted. According to the Israeli press, Prime Minister Rabin has stated that Israel may be willing to withdraw to a line running from Al Arish to R'as Muhammad in return for the end to the state of belligerency with Egypt.

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ASEAN

After almost nine years of halting development and slow progress toward a summit meeting, the Association of Southeast Asian Nations (ASEAN) will hold its first summit in Bali next week.

The agreement of the five leaders from Malaysia, Singapore, Indonesia, the Philippines, and Thailand to meet together and to issue a common declaration is itself a major achievement, considering the conflicting national outlooks and the personal animosities that exist between some of them. The brief history of the Association has been marked by frequent indifference on the part of some members to the concerns of the others, and a common view of regional cooperation has been slow in developing. The need to hold six preparatory meetings testifies to the difficulty of achieving common policy views.

Members of ASEAN have had different reactions to the fundamental political and social changes that have occurred in the region over the past few years. Well before the end of the Indochinese war, Malaysia took steps to open relations with China and called for the neutralization of Southeast Asia. Malaysia and Singapore opened relations with North Vietnam, and Thailand appeared to be moving toward a more evenly balanced foreign policy. With the fall of Vietnam, both Thailand and the Philippines accelerated their moves to open relations with China, and Thailand and Malaysia advocated the expansion of ASEAN to include Cambodia, Laos, and Vietnam.

Indonesia and Singapore, on the other hand, have been apprehensive about further communist expansion in the region. Jakarta was unhappy with the decisions by Malaysia, Thailand, and the Philippines to establish diplomatic relations with China and has resisted any suggestions that ASEAN'S doors be opened to the Indochinese states. Instead, Jakarta, with little regard for Thai and Malaysian sensitivities, has been pressing proposals for mutual security understandings within the ASEAN framework that would inevitably carry anti-communist connotations.

Singapore, with support from the Philippines, has been actively promoting increased economic ties among the ASEAN nations and has recently stepped up efforts to form an ASEAN free trade area. Indonesia, the most populous and economically backward of the ASEAN states, views Singapore's motives as self-serving and argues that a tariff-free arrangement would lead to Singaporean domination of area markets for a wide range of consumer products.

The Philippines' promotion of a treaty of amity, which would establish machinery to mediate disputes between member states, is viewed by Malaysia's new Prime Minister Hussein Onn with extreme distrust as a device that could allow

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Manila to revive its claims to the East Malaysian state of Sabah. Hussein Onn views Phillipine President Marcos with extreme distaste as a grandstander capable of twisting anything Hussein says to imply Malaysian acknowledgment of Manila's claim to Sabah.

With little more than a week to go, these issues were still unresolved, and representatives from the five ministries of foreign affairs met this week in a crash effort to paper over differences and secure the compromises needed to make possible a joint declaration.

To ease Thai and Malaysian concern over the issue of ASEAN's proper role, Indonesian Foreign Minister Malik has publicly disavowed any intention to make ASEAN a military bloc and has affirmed that the present bilateral security arrangements between members are the most practical approach. Malaysia and Thailand, at least for the time being, appear to have dropped their proposal for Indochinese entry into ASEAN. The members apparently have decided against any public statements about the security implications of the communist take-over in Indochina at the summit in order not to provoke a communist reaction.

Although Singapore and the Philippines are annoyed by what they regard as Indonesia's negative attitude toward a free trade area, they apparently will drop the proposal for now and will raise the concept only as a long-term goal. Some positive steps toward greater regional economic cooperation, however, are likely to be endorsed, including giving the member states priority access to food and energy supplies available in the region.

With Indonesia taking the lead in working out the compromise, Malaysia appears resigned to the amity treaty but with the proviso that the mediation provision will require the unanimous consent of all five member states before it is employed. Philippine President Marcos may, however, refuse to accept such a proviso.

Malaysia has for some years been interested in establishing a zone of neutrality in Southeast Asia, but it has received little encouragement from the other members and has not pressed this proposal in recent months. Earlier ASEAN foreign ministers' conferences have voiced support for neutrality as a desirable goal for the longer term, however, and the Bali summit will probably reaffirm this support.

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EGYPT

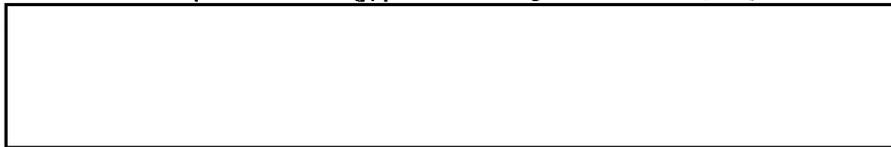
The US defense attache in Cairo reports that President Sadat informed the US ambassador on February 18 that Egypt has signed a contract with Rolls Royce to overhaul MIG-17 and MIG-21 aircraft engines. The work is to be conducted in Egypt, presumably at Egypt's Helwan aircraft plant located about 15 miles south of Cairo.

The Egyptians have been working hard to improve their aircraft maintenance capability, particularly with respect to Soviet engines. Currently they are credited with the ability to overhaul the Soviet RD-11 engine which powers early model MIG-21s. The British would presumably perform overhaul on the later model MIG-21 Js equipped with the RD-13 engine. This model accounts for almost two thirds of Cairo's 210 MIG-21 inventory.

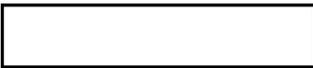


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Although Egypt has been rumored to be seeking help both for spare parts and in maintaining its Soviet aircraft for some time, Egypt's decision to have Rolls Royce assist in maintaining its MIG aircraft was undoubtedly prompted by Moscow's decision in January to cancel Egypt's MIG engine overhaul program in the Soviet Union.



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WESTERN EUROPE

West German Chancellor Schmidt, in his talks earlier this month with Prime Minister Wilson and President Giscard, reviewed progress on matters related to West European cooperation, as well as certain bilateral issues.

The talks between Schmidt and Wilson appear to have been particularly frank and fruitful, a sign that the two men have patched up their personal relationship that was damaged when Wilson demanded a separate seat for the UK at the Conference on International Economic Cooperation at Paris last December.

The talks ranged from a discussion of the election of a European parliament to prospects for Greece becoming a full member of the EC as soon as possible. Subsequently, the EC Council endorsed the Greek membership bid.

The key topic in London was the question of renewing the five-year bilateral military offset agreement that expires on March 31. Wilson presented his position forcefully, arguing that cuts in the British defense budget might have to be deeper if Bonn does not increase its offset payments above the present annual level of \$40 million. Despite his reservations on the subject, Schmidt agreed to begin negotiations before the current agreement expires.

Schmidt's talks with Giscard devoted more attention to the larger European issues. The two probably discussed Belgian Prime Minister Tindemans' report on the future of Europe, released in early January, and the proposal to create a new and more restricted executive body for the EC—the so-called Directorate—that French journalists have attributed to the French President. Press commentary suggests that the Chancellor, who fears institutional distinctions between the economically strong and the weak within the Community will alienate the British, rejected the Directorate concept. The less-controversial Tindemans Report, however, received serious attention and will again when Schmidt and Giscard, along with Wilson, meet at the next European summit in Luxembourg on April 1-2.

The problem of stabilizing exchange rates received the most publicity. Both leaders publicly stated after the conference that no change in the official value of either national currency was necessary and that the central banks were authorized to intervene in money markets to maintain parity rates within the limits established by the joint float of EC currencies. The financial markets calmed down this past week, perhaps in reaction to this official announcement.

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PORTUGAL

Disagreement over the scheduling of presidential and legislative elections in Portugal is still delaying completion of the pact between the political parties and the military on the country's future political structure. The Lisbon press is now speculating that the agreement probably will not be signed before early next week.

The center-left Popular Democrats are holding out against the military's suggestion that presidential elections be held six months after legislative balloting because they want President Costa Gomes out of office as quickly as possible. The party prefers simultaneous elections, or at least only a slight delay between the two votes, with the president holding limited powers in the interim.



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 The Council is scheduled to take up the pact again on Monday.

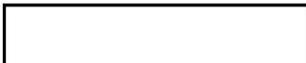
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The stalled negotiations have delayed completion of the new constitution, which must incorporate the pact's provisions. The Revolutionary Council has extended the mandate of the constituent assembly until the end of April. The delay also appears likely to push back by a few weeks the April 25 deadline for the legislative election previously set by the Council.

The Revolutionary Council will also consider the implementation of autonomy measures for the Azores and the Madeira Islands at the Monday session. The Azorean regional council submitted its proposed autonomy statute to Prime Minister Azevedo last week and is hoping for quick approval by the Revolutionary Council.

The decision to grant autonomy to the Azores has already improved relations between the islands and the mainland. The autonomy process has only just begun in the Madeiras, however, and resentment toward the Lisbon government remains. Shortly after the Prime Minister arrived in the Madeiras on Thursday to swear in a regional council to govern the archipelago, a bomb exploded on a major highway where his motorcade was expected to pass.

The bombing may well have been the work of the right-wing Front for the Liberation of the Madeiran Archipelago, which demands total independence. The organization had exhorted Madeirans to boycott Azevedo's visit and threatened to organize separatist demonstrations.



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Azevedo plans to cut short his stay on Madeira to return to Lisbon for a special government meeting today on whether to recognize the Popular Movement for the Liberation of Angola.

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KENYA

President Kenyatta at public rallies has displayed extreme indignation over the claim, apparently contained in a message from Ugandan President Amin to the British High Commission in Kampala, that a portion of Kenya belongs to Uganda.

Kenyatta is painfully aware of his country's inadequate military strength and will probably use the Amin claim as a pretext to renew his arms purchases request to the US and Britain. Kenyatta has been dissatisfied with the results of earlier aid discussions but he may reason that Amin's latest outburst could induce Western aid donors to be concerned over the possibility of offensive action by the Soviet-armed Ugandan forces.

Amin for his part may be concerned by the continuing severity of economic dislocations at home. He therefore may have revived the issue as a means of focusing a disgruntled public on an external situation.

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COLOMBIA

There is no sign of a slackening in the wave of strikes, civil disorders, and kidnappings that have plagued the government and caused President Lopez to postpone indefinitely plans for lifting the nine-month-old state of siege before the April mid-term elections.

The disorders, springing from a variety of grievances, come at a particularly embarrassing time for Lopez as government leaders are preparing a warm welcome for Secretary Kissinger when he arrives in Bogota on Sunday. The government may also have to contend with demonstrations against the visit specifically targeted by leftist groups eager to cash in on the publicity.

The disorders now affect vital sectors of the economy. Not only is the government plagued by student strikes and clashes with police but a work stoppage in Buenaventura, Colombia's leading Pacific port, has severely crippled commercial activity. Civil strikes in several cities protesting deficient public services and wildcat strikes by bank employees and Finance Ministry tax collectors serve only to confirm the general public impression that the government is not responding.

Adding to the deteriorating situation is the kidnaping last weekend of the veteran head of the Colombian Workers Federation. His abductors are claiming that he will be "tried" for crimes against the working class. According to the US embassy, labor union officials and police fear that the official may now be dead. The Federation has threatened a massive strike by its members to protest the kidnaping, raising the threat of further disorders.

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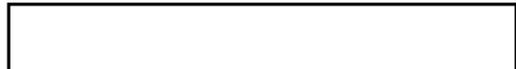
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