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### ARGENTINA

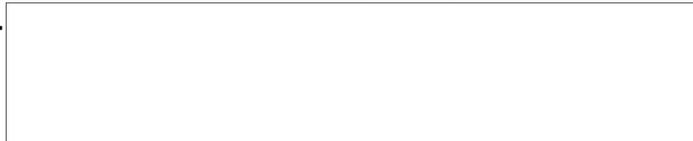
The Peron government yesterday sought to stave off a military coup by drawing up a new economic plan. The President has left the capital for what is billed as a four-day "vacation."



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The economic package includes a wage hike to offset the effects of runaway inflation and a three-month price freeze. The government is proposing this to appease labor, which in recent weeks has threatened to join the opposition. Moreover, labor is likely to look dimly on military intervention at a time when higher pay is in store.

The economy minister is also said to be planning reforms designed to shore up the country's fiscal image abroad. There is no indication that Peron intends to give up her controversial advisers, whose influence over her has been a chief source of the growing opposition to her rule.



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**USSR**

Discussion of Brezhnev's keynote speech to the Soviet party congress evidently will finish by early next week; the next major event, Premier Kosygin's report on the state of the economy and on the next five-year plan (1976-80), reportedly has been scheduled for Tuesday.

Most reporting has suggested that the party gathering, like the last congress in 1971, will run for ten days, closing next Friday. According to the US embassy, however, there are persistent rumors in Moscow that the meeting may be shortened. Although it is possible that the leadership may wish to telescope discussion of Kosygin's report, which will not contain good news, the congress should still run at least eight or nine days.

So far, speeches by regional leaders at the congress have not contained any surprises. Available excerpts indicate that all speakers endorsed Brezhnev's policies and lavished praise on the General Secretary.

Ukrainian First Secretary Shcherbitsky and his Belorussian counterpart Masherov—as they have been in the past—were the most cautious on foreign affairs. Neither criticized Brezhnev's foreign policy, but both warned that external enemies were using detente to subvert socialism. They also charged that "revisionist" influences were penetrating some foreign communist parties. Both gave Brezhnev high personal praise, but Shcherbitsky seemed to be a bit more generous in his evaluation of the General Secretary.

Russian Premier Solomentsev backed Brezhnev's foreign policy, seeing it as a fulfillment of the directives of the 24th party congress. He did not criticize Western communist parties but accused the Chinese of splitting the ranks of socialism.

As in the past, Kazakh First Secretary Kunayev was obsequious in his references to Brezhnev. Kunayev argued for greater flexibility in dealing with the Chinese—an unusual departure for him, but one that may be explained by the shared tribal population of his republic with that of the adjacent area of China. Leningrad party boss Romanov, by contrast, was highly critical of China and also lambasted all "reactionary anti-Soviet" forces abroad.

Moscow party boss Grishin gave a generally unexceptional address. He stressed Brezhnev's many virtues but also treated other members of the Politburo well. His remarks on foreign policy were limited to a recitation of the virtues of socialist democracy, apparently in response to Western criticism over the past several months.

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Meanwhile, sidelights of the congress gleaned by the US embassy illustrate the controlled, ritualistic, but festive character of the event. Each of the nearly 5,000 delegates reportedly is being paid 17 rubles a day for food, plus 13 rubles pocket money and free lodging. Nearly all delegates are quartered in Moscow's giant Rossiya Hotel; even those who are residents of Moscow were required to move into the hotel for the duration of the congress.

For many delegates, the congress evidently is their first visit to Moscow, and for some, to any large city. One Soviet source told the US embassy that many delegates from rural areas were paid for suitable new clothing and, in some cases, had to appear before a committee that passed on their sartorial elegance.

Foreign communists and others attending the congress, especially representatives of the larger West European parties, reportedly are lodged at guest houses away from the city center. This privileged treatment affords Soviet authorities better control, preventing contacts by Moscow dissidents with possibly sympathetic foreign delegates.

On the fringes of the congress, Moscow's Jewish activists say privately that they feel Brezhnev's remarks on domestic policies were less harsh than they had feared. The speech indeed gives no ground for expecting marked improvement in cultural, emigration, or religious policy, but neither does it presage a crackdown.

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### LEBANON

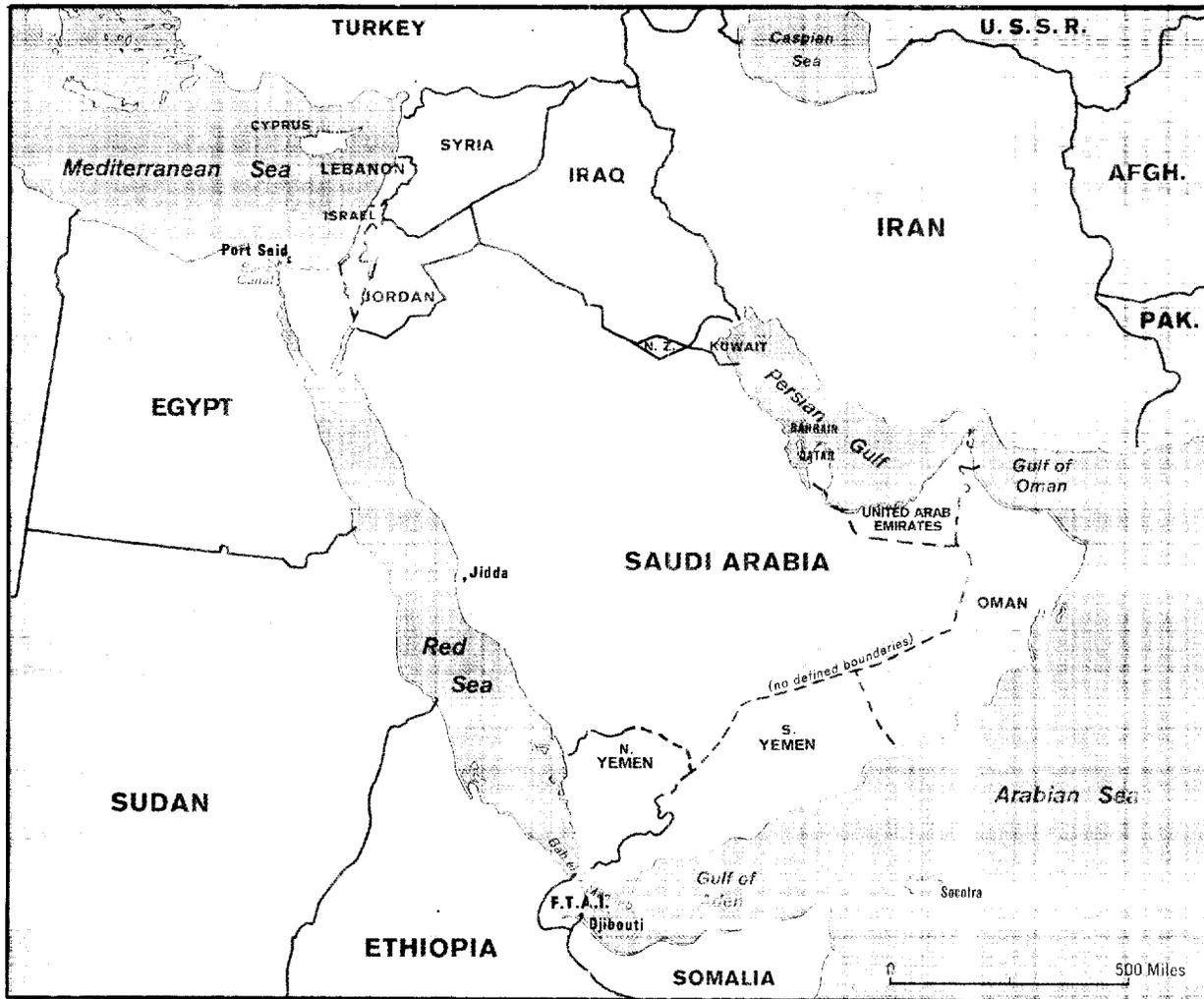
Even though political leaders have not decided how to reconstitute the Lebanese army, the army staff is reportedly studying a plan to consolidate its structure.

The plan basically calls for reducing the number of battalions and redistributing the personnel among those remaining. Infantry battalions would be reduced from nine to six, tank units from three to two, and field artillery formations from four to two. This would result in achieving 85 to 90 percent of authorized strength instead of the present 50 percent. The planned cut is said to be an interim measure to create a healthy base upon which to build later.

Meanwhile, President Franjyah is said to have ordered implementation of the conscription law, with the first call-up of 6,000 men to occur in April or May. Christian and Muslim conscripts probably will be integrated only for processing and then separated for basic training in their assigned unit.

Reduction of battalions should help improve efficiency by strengthening the number of personnel and equipment per unit. During the recent fighting, overall strength fell from 17,300 to an estimated 14,000. The conscripts should help compensate for this as well as the loss of men through normal attrition. Later, draftees would quite likely be slotted to man an expanded army, envisioned at 24,000, should political leaders so decide.

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### FRANCE

France is sending two more surface warships—a destroyer and a destroyer escort—to the Indian Ocean. Both are scheduled to arrive in a few weeks at Djibouti, France's naval base in the Territory of the Afars and Issas.

Although the movement of these ships appears to be part of a regular transfer of forces and almost certainly was scheduled before the recent border incident involving French and Somali troops, the French government has done nothing to discourage reports that the transfer is related to current tensions in the area. Paris probably views deployment of the ships as a convenient means of underscoring its determination to protect its interests there.

According to French press reports, the destroyer escort will arrive in Djibouti on March 11. After a short stay, the ship is expected to continue on to French Polynesia.

The destroyer, according to French naval officers, will reach Djibouti in early April. The destroyer will probably become part of France's Indian Ocean task force, replacing two other surface vessels scheduled to depart in March.

France currently has 12 ships in the Djibouti area: two submarines, a helicopter carrier, a destroyer, a destroyer escort, and several smaller patrol and support craft.

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## EGYPT

Egypt's naval modernization program calls for the acquisition of missile patrol boats, submarines, and frigates, [redacted]

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[redacted] The UK probably will be the primary source for the new craft.

The Egyptian navy is giving top priority to acquisition of missile boats. During the October 1973 war, Israeli Saar boats equipped with the Gabriel antiship missile inflicted heavy losses on the Egyptian and Syrian navies. Current plans call for the purchase of nine of these boats with British-built hulls mounted with the French-Italian Otomat antiship missile.

Submarines are Cairo's second priority. Three attack submarines and three smaller submarines designed for special forces operations are expected to be purchased from the UK. Egypt is also negotiating for four new British multipurpose frigates with antisubmarine, air defense, and helicopter capabilities.

All ship procurements appear to have been delayed by the need for a third-country payment guarantee. Funding for the naval craft will probably have to come primarily from oil-rich Arab states, particularly Saudi Arabia.

The Soviets have not signed a new military agreement with Cairo since 1973. Major Soviet equipment deliveries to Egypt were suspended in mid-1975. The stalemate with Moscow has accelerated contacts with Western sources for air, ground, and naval equipment. Meanwhile, the transition from communist to a mix of communist and Western military inventories will continue to impair Egypt's immediate military readiness. [redacted]

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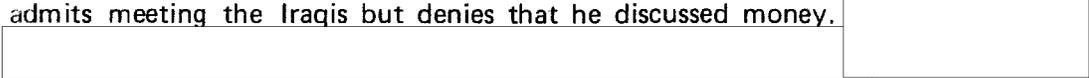
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## AUSTRALIA

Charges that former prime minister Whitlam sought foreign contributions for the Labor Party campaign in last December's elections are jeopardizing his continued leadership of the party.

According to the Australian press, Whitlam and the party secretary met with two Iraqi diplomats just before the elections to discuss a \$500,000 contribution, in return for Labor's taking a pro-Arab position on foreign policy questions. Whitlam admits meeting the Iraqis but denies that he discussed money.

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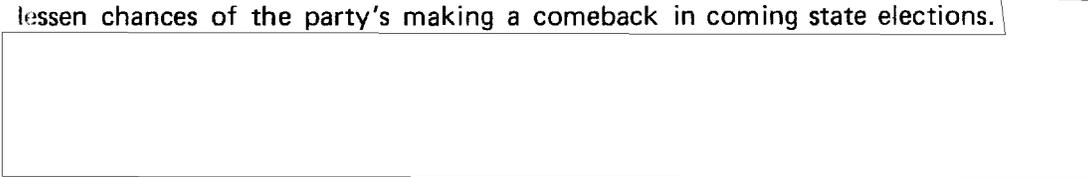
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Whitlam was reconfirmed as party leader last month, in spite of efforts to make him a scapegoat for Labor's disastrous defeat in the December elections. Party leftists, whose standing in party councils was strengthened by the defeat of many party moderates in the elections in December, have been looking for an occasion to dump him. Although the moderates backed Whitlam in his leadership fight last month, some of them now say they believe he is guilty of wrongdoing.

The consensus in Canberra is that Whitlam will be sacked within the next few weeks. A rumored successor is Kim Beazley, who is considered a moderate but has taken positions in recent weeks to the liking of the leftists. His accession to office could give impetus to a leftward drift in the party.

The scandals that cropped up during the Labor government's three-year tenure contributed to its defeat in December. Whitlam's removal for malfeasance would lessen chances of the party's making a comeback in coming state elections.

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### JAPAN

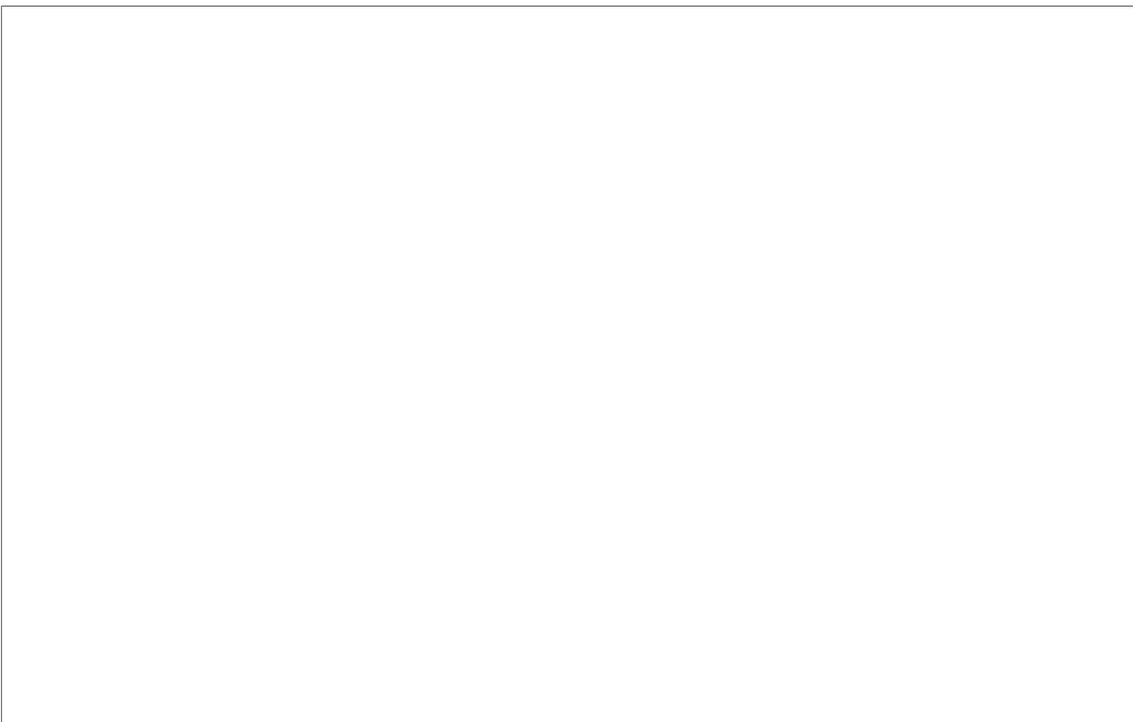
Japan has for several years been embarking on an ambitious program to expand its nuclear capability in support of its growing power needs. To this end, it has stepped up its search for sources of uranium overseas and is planning a plutonium conversion plant as part of a pilot nuclear fuel reprocessing complex recently completed at Tokai Mura, near Tokyo.

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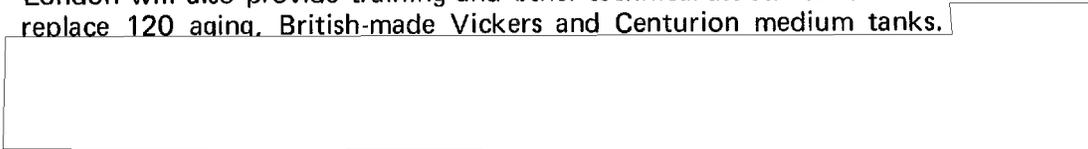
FOR THE RECORD



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**KUWAIT:** The Kuwaitis have purchased 165 Chieftain medium tanks and associated ammunition from the UK for \$205 million. The first tanks will be delivered late this summer, and the last units are scheduled to arrive during 1979. London will also provide training and other technical assistance. The new tanks will replace 120 aging, British-made Vickers and Centurion medium tanks.

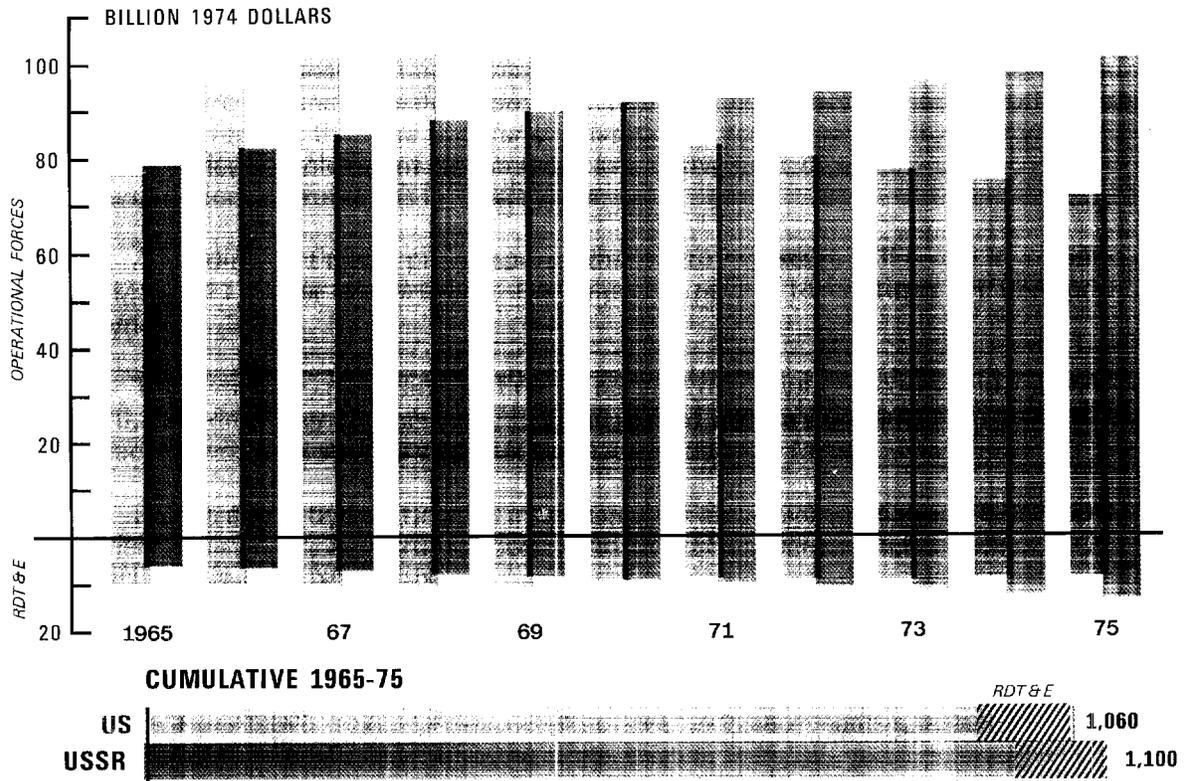


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### US Expenditures and Estimated Dollar Costs of Soviet Defense Programs

Figure 1



NOTE: The US defense expenditure series is based on Total Obligational Authority (TOA) data from *The Five-Year Defense Program*, January 1976 (Department of Defense).

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### ANNEX

#### SOVIET DEFENSE COSTS

This study presents the results of CIA's latest "dollar cost" comparison of Soviet and US defense activities. This comparison provides a general appreciation of the relative size and trends of the defense programs in the two countries during the past decade.

The approach is to estimate how much the individual Soviet military programs would cost in dollars if they were reproduced in the US, and then to compare these estimates with US defense expenditures. All values are given in constant 1974 US prices, to cancel out the effect of inflation and show magnitudes and trends in real terms.

A note of caution: This cost analysis does not measure actual Soviet defense expenditures or their burden on the economy. These questions are addressed by different analytical techniques yielding estimates of the ruble costs of Soviet military programs. Also, dollar cost figures alone are not a valid index of military capabilities.

The overall trend in recent years, as illustrated in Figure 1, is a widening gap between the growing dollar costs of Soviet programs and diminishing US defense authorizations. The estimated dollar costs of Soviet defense programs have increased continuously at an average rate of about 3 percent per year over the period 1965-1975. The US, in contrast, has experienced a decline in defense authorizations (expressed in constant dollars) since the peak of 1968, and in 1975 they were lower than they were a decade earlier.

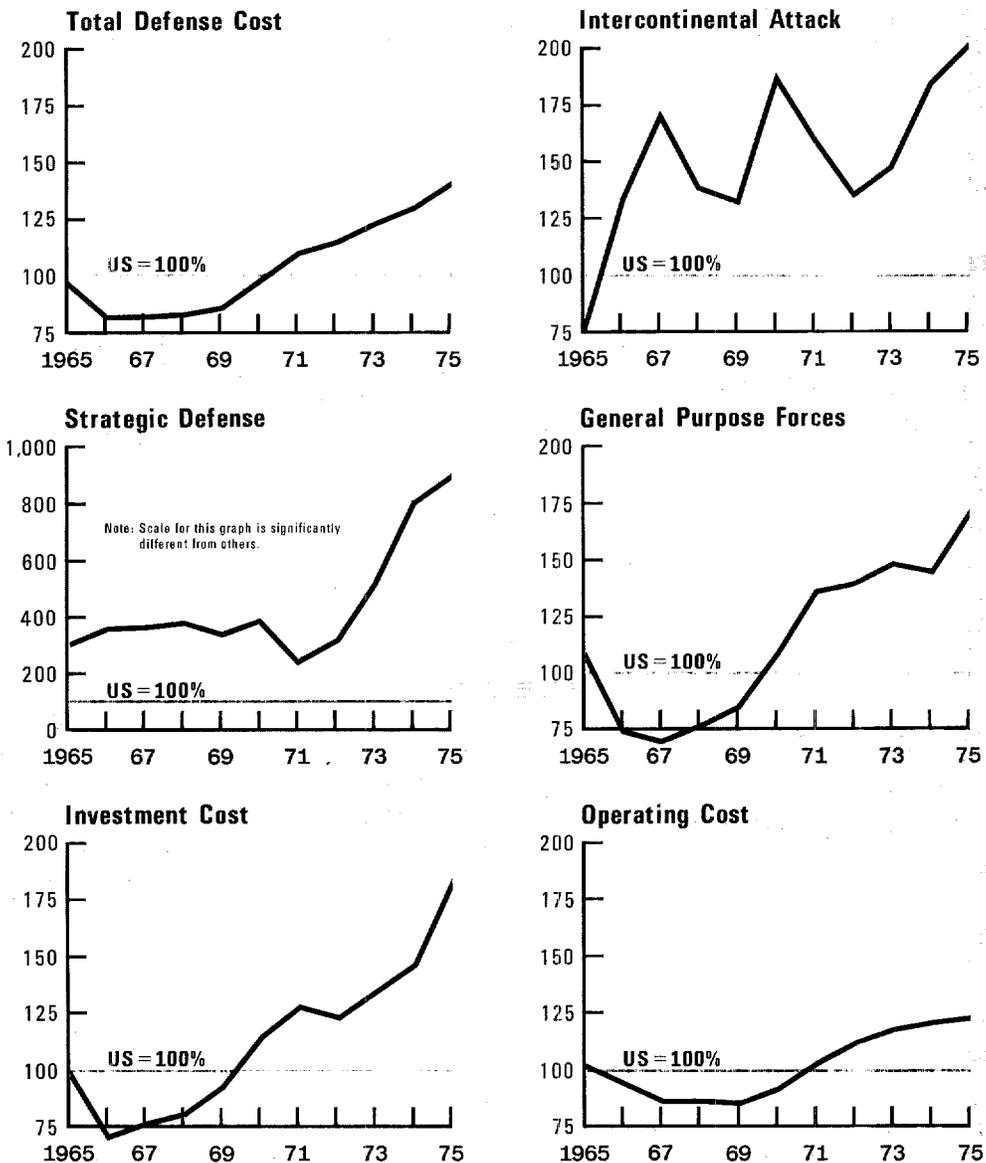
The crossover point was in 1970, when the estimated dollar costs of Soviet defense programs were about equal to US defense authorizations. After that the Soviet total moved increasingly into the lead, and by 1975 it was more than 40 percent higher than the comparable US authorization. (If the costs of pensions were subtracted from both sides, the gap would be closer to 50 percent.) Because of the initial US lead reflecting large Vietnam costs, however, the estimated dollar costs of Soviet defense programs for the entire period are not significantly different from the cumulative US total.

In Figure 1, the costs of research, development, testing, and evaluation (RDT&E) are segregated from those of other programs because the analytical problems involved in estimating the dollar costs of Soviet RDT&E are much more difficult than for the other elements of Soviet defense, and consequently the uncertainty in these estimates is substantially higher.

**Dollar Cost of Soviet Programs as a Percent of US Defense Expenditures \***

Figure 2

1974 DOLLAR VALUES



\*Department of Defense Total Obligational Authority data have been adjusted to attain comparability with the Soviet data.

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Comparisons have also been developed between the dollar costs of Soviet and US defense programs by military missions and resource categories. Figure 2 shows the Soviet figures as percentages of comparable US expenditure authorizations for each year. It should be noted that the individual missions or categories do not weigh equally in the comparison of total dollar costs.

### Comparisons by Mission

*Intercontinental Attack.* The estimated dollar costs of Soviet intercontinental attack programs, excluding RDT&E costs, have exceeded the US figures since 1966, when deployment programs for most of the current US systems had been completed. This trend reflects the ambitious Soviet programs for fielding new strategic missile systems which began in the mid-1960s and have continued unabated to the present. For the 1965-75 period as a whole, the estimated dollar costs of these Soviet programs were about 50 percent greater than the US level and in 1975 were twice as large.

Most of this disparity is accounted for by the heavy and continuing Soviet emphasis on ICBMs. Over the entire period Soviet ICBM program costs, expressed in dollar terms, were more than four times higher than the comparable US figure, and in 1975 they were seven times the US level. In ballistic missile submarine programs, estimated Soviet dollar costs began to exceed US totals in 1968, and in 1975 they were 30 percent greater.

The estimated dollar costs of Soviet intercontinental bomber programs, on the other hand, have averaged only about one fifth the US authorizations for this purpose during the entire period.

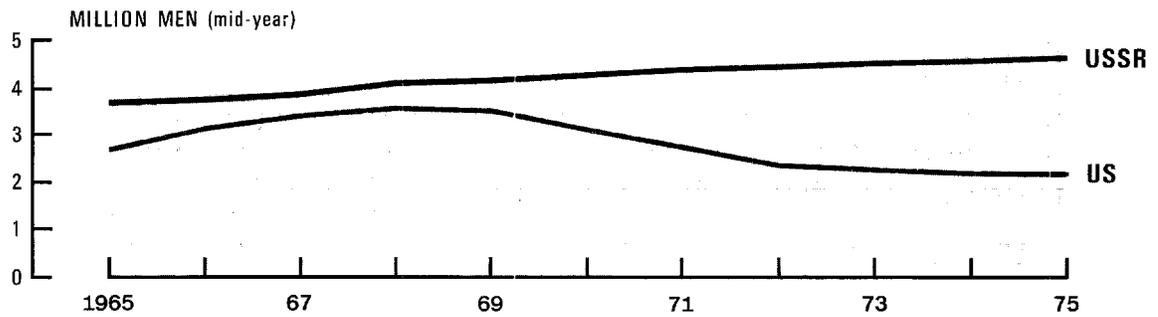
*Strategic Defense.* The Soviet Union has traditionally maintained much larger strategic defense forces than the US. The cumulative dollar costs of Soviet programs over the 1965-75 period were four times the US figure, the biggest difference being in surface-to-air missile and fighter-interceptor programs. By 1975, the ratio reached approximately nine to one.

*General Purpose Forces.* The estimated dollar costs of Soviet general purpose forces surpassed the level of the US in 1970. In 1975 they exceeded the US by 70 percent. The US level grew rapidly during the Vietnam involvement but by 1971 had declined to the 1965 level.

Among the factors that account for this disparity, the most significant is the much larger size of Soviet ground forces—particularly in manpower. The estimated dollar costs of Soviet ground forces were three times the US figure in 1975. In

Figure 3

### US and Estimated Soviet Active Military Manpower



NOTE: The manpower series for the USSR includes border guards, internal security troops, and construction troops, for which the US Armed Forces have no counterpart.

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general purpose naval forces, the 1975 figure for the Soviets is about 25 percent higher than for the US. Soviet tactical air forces have grown rapidly since 1970, but their estimated dollar costs were still less than three quarters of the US level in 1975.

*Command, Support, and Other.* This covers activities involved in command and general support, as well as all other activities—except RDT&E—which cannot be allocated among combat missions. It also includes nuclear weapons programs. The trends in dollar costs for this category parallel those of the combat missions, and in 1975 the dollar costs for Soviet programs were slightly higher than those of the US.

### Comparison by Resource Category

Dollar costs of military forces can also be expressed in terms of investment and operating cost.

*Investment.* It is in this category, involving investment in new military equipment and facilities, that Soviet and US dollar-cost trends have diverged the most sharply. The estimated dollar costs of Soviet military investment programs (excluding RDT&E) have exceeded the US level for comparable programs since 1970. The dollar costs of Soviet investment have risen rapidly, beginning in 1973. US authorizations have declined sharply since the end of the US involvement in Vietnam. The estimated costs of Soviet investment programs in 1975 exceeded the 1972 level by 15 percent, while US authorizations in 1975 were nearly 25 percent less than in 1972. In 1975, the estimated investment costs of Soviet programs were 85 percent greater than those of the US.

One of the key factors here has been the procurement of new-generation Soviet ICBMs beginning in 1973, while US procurement of missiles has declined. The estimated dollar procurement costs for Soviet missile systems in 1975 were about three and a half times higher than those of the US. Similarly, the dollar costs of Soviet aircraft procurement have remained high, while those of the US have dropped, and in 1975 the Soviet figure was 30 percent higher than the US total. In the procurement of naval ships, the dollar-cost estimate for the Soviets in 1975 was 90 percent higher than for the US.

*Operating Costs.* The major component of operating costs is the cost of military personnel. The estimated level of Soviet military manpower has exceeded that of the US in every year from 1965 to 1975 (Figure 3). Soviet military manpower grew about 1 million men during the period. Most of this increase has been in the ground forces, although there were some increases in strategic forces as well. On the other hand, US manpower in 1975 was below its 1965 level.

The Soviets have historically maintained a large military force with a broader range of responsibilities than the military has in the US. The Soviet manpower total

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includes border guards, internal security troops, and construction troops—activities for which the US has no counterparts. Even if these forces are excluded, however, the Soviet manpower total is higher than that of the US throughout the period.



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