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DIRECTORATE OF
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USSR: Reports presented at yesterday's meeting of the Supreme Soviet show no increase in the published 1971 defense budget, but do indicate continued growth in military research and development. Industrial production is to grow at a moderate rate.

Finance Minister Garbuzov announced a defense budget of 17.9 billion rubles for 1971, the first year since 1965 that the Soviets have not announced an increase in military appropriations. Presumably Moscow's aim is to project an image of moderation, particularly while the Strategic Arms Limitations Talks are under way. This impression is strengthened by Garbuzov's claim that the 1971 budget is one "of peaceful economic and cultural development."

The published defense budget, however, excludes most spending for military research and development and for the space program. These programs are largely financed by the science budget. While total science expenditures for 1971 were not explicitly identified, the reports referred to a growth rate of 8.3 percent for "overall state expenditures on research."

The leveling off of the published defense budget is also consistent with intelligence estimates of the Soviet defense effort. These estimates project total Soviet defense expenditures in 1971, including military R&D and space, at about 23 billion rubles--or the equivalent of about \$68 billion if measured in US costs--an increase of between one and two percent over 1970. The estimates attribute most of the increase to expanded military research and development. State planning chief Baibakov revealed no information on the 1971-75 plan but promised that it would be ready for presentation at the 24th Party Congress in March of next year. The 1971

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goals for industry and agriculture reflect a more sober assessment of the potential of the economy, which has been a disappointment to the leadership during the last several years.

Baibakov proposed a growth rate of 6.9 percent for industrial production in 1971, considerably lower than the annual average of 8.6 percent planned for 1968-70. Agricultural production is expected to grow by only 5.5 percent in 1971 compared with this year's target of 8.5 percent. The production of consumer goods is slated to grow at a higher rate than producers goods in 1971, for the fourth consecutive year. This target, in conjunction with a modest rate of growth planned for wages, indicates that an attempt is being made to ease inflationary pressures.

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CUBA: Fidel Castro has decreed that Christmas be shifted to July to permit unbroken concentration on the sugar harvest.

In a speech Monday night, Castro set a production target of seven million metric tons of sugar for 1971. He called the goal the minimum necessary to meet obligations arising from Cuba's large trade deficit with the Soviet Union and to maintain the present level of economic development. He noted that the harvest, which recently got under way, is already behind schedule.

Although the goal is 1.5 million tons below last year's output, it may be beyond reach. The island experienced drier than normal weather during the growing season and has not solved its perennial labor and transportation problems. Even if the goal is reached, Cuba will be unable to export enough to reduce its trade deficit with the USSR, which is expected to approximate \$200 million this year.



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COSTA RICA: President Figueres has legitimized Communist union gains by participating in a labor rally.

Figueres and Labor Minister Jimenez pledged to support a Communist union's fight to organize at a United Fruit operation, and Jimenez agreed to present the union's grievances to the company. The President admitted that he and his National Liberation Party had worked against unionism in the past, but assured the assembly that his government is on the side of the workingman. Figueres indicated that he would support the Communists only so long as their demands are reasonable.

Less than two months ago the Communists scored a major labor breakthrough at Standard Fruit by signing Costa Rica's first agricultural collective bargaining agreement. If the Communists can work a similar agreement with United, they will control the labor force of almost the entire banana industry. A company spokesman has indicated that United Fruit will stall. The arrangement urged by Figueres would not be costly to the company, however, and it will likely be adopted in time.

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[JORDAN: Fighting has diminished to a few small skirmishes, but tough tactics of army commanders may stir further trouble.

Jarash is reported to be completely under army control with many troops evident in the city. Damage to buildings was apparently light and casualties few. Townspeople are said to be pasting pictures of the King on their walls, perhaps as insurance against army action. Nevertheless, travelers were prevented from entering Jarash yesterday because--press reports say--some shooting was still taking place. Other small clashes occurred in the area west of Jarash, but none developed into a serious incident.

Late yesterday afternoon the Higher Military Committee met for the second time in two days. The conferees agreed to draw up a timetable to complete implementation of the provisions of the several cease-fire agreements and to eliminate all violation of these agreements. The arrival of truce supervisor Bahi Ladgham, scheduled last night, should serve to bolster the efforts of the truce committee in restoring the cease-fire.

Fedayeen propaganda media, such as the Fatah clandestine radio, continue to accuse Prime Minister Wasfi Tal of instigating the army to wage a "war of extermination" against the commandos. Tal has not been linked with such a plan, but there is growing evidence that army officers may be taking a hard line in dealing with the fedayeen. The US defense attaché in Amman reports that procrastination and moderate policies by the Jordanian General Staff in handling the problem of the armed commandos have pushed a number of unit commanders to the point of taking independent action against the fedayeen. At the same time troops of the Popular Resistance, the Jordanian militia that often serves villages as a local guard unit, are becoming increasingly belligerent in their behavior toward the fedayeen and clashes are now a daily occurrence.]

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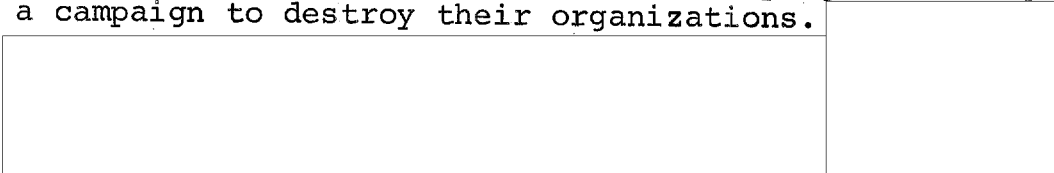
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【 As the Jordanian Army slowly tries to maintain control of the countryside, the danger of large-scale clashes will increase, particularly as long as the commandos view the pacification program as a campaign to destroy their organizations.



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PAKISTAN: Sweeping election victories in West Pakistan by supporters of former foreign minister Bhutto and in East Pakistan by advocates of provincial autonomy are almost certain to cause the military concern.

Mujibur Rahman's Awami League (AL) seems likely to capture almost all of the 153 seats being contested in East Pakistan, and consequently--with 22 other seats yet to be filled--will almost certainly have an absolute majority in the 313-seat National Assembly which is to write a new constitution. The AL has demanded much greater autonomy for East Pakistan, but with a good prospect of controlling any future government it may moderate its stand. If it does not and instead chooses to force through strong autonomy measures, the AL could find itself in direct confrontation with the military.

The military will also not be happy with results from West Pakistan, where Bhutto's Pakistan People's Party (PPP) will apparently hold over 80 of the 138 contested seats. Bhutto is very unpopular with many high-ranking officers, and his strong showing may well make them more prone to consider intervening again in the political process. The military will be reluctant, however, to risk the popular reaction--especially in East Pakistan--that might follow any overt interference.

The two parties may be able to work together in the National Assembly. Although the AL is considerably more moderate regarding economic reforms, there is no major ideological gulf between the two on domestic issues. The PPP, moreover, has taken no firm stand on provincial autonomy.

On the other hand, foreign policy could cause problems. Bhutto has long been critical of US policies and has advocated closer relations with China

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against India. The AL's Mujib, however, favors better relations with India, while vaguely calling for greater independence in foreign relations. In any case, the military will continue to control such matters until an acceptable constitution is written, and any future government will have difficulty finding an alternative to the present policy of trying to balance relations with the US, USSR, and China.



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INDIA: The Organization Congress Party, Prime Minister Gandhi's strongest political rival, is attempting to unify all "democratic parties" opposed to the present government.

Fearful lest the prime minister call a snap general election before the February 1972 deadline, the Organization Congress is searching for allies. At its annual convention on 5-6 December, the party resolved to "achieve maximum understanding" and work for "electoral adjustments" with other political groups. Not all convention delegates agreed, however, and some may bolt the party.

In Gujarat and Mysore, the two states where Organization Congress governments are in power, local leaders are reluctant to agree to alliances with their traditional rivals for state control. Moreover, they are not anxious to identify themselves with the Hindu nationalist and right-wing parties that form the core of the Organization Congress' natural support. Since the Congress Party split in November 1969, Mrs. Gandhi's Ruling Congress has seized the initiative in projecting a more "progressive" image than its principal rival.

Mrs. Gandhi's political opponents have been making various attempts to coordinate their anti-administration activities for some months. So far, petty political feuds and ideological wrangles have prevented them from achieving a unified position, but as national elections approach there will be mounting pressure to agree on some measure of coordination. Conditions peculiar to individual states, such as Gujarat and Mysore, will continue to hamper the effectiveness of any agreement made at the national level, however,

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GUINEA: A special session of the Organization of African Unity (OAU), prompted by the recent Portuguese attacks on Guinea, convenes today in Nigeria.

In addition to joining in virtually unanimous denunciations of Portugal, some members may attempt to link Lisbon's NATO partners with the attacks, a position being pushed by the OAU's militant secretary general. Guinea may push for greater support for African liberation movements, and particularly for the African Party for the Independence of Guinea and the Cape Verde Islands, the Guinea-based organization opposing Portuguese rule in Portuguese Guinea.

It is unlikely that the OAU will seriously consider sending a military force to Guinea. Long-standing proposals for extensive mutual security arrangements, including the creation of an "African High Command," may be revived, but the majority of African governments remain opposed to such far-reaching measures.

Meanwhile, the UN Security Council yesterday voted to condemn Portugal for the attacks on Guinea and threatened to invoke sanctions against Lisbon in the event of another attack. The Western powers abstained in the 11-0 tally, a position certain to be criticized at the OAU session. The Western powers maintain that the resolution went much too far toward committing the Council in the direction of mandatory diplomatic and economic sanctions, including the possible use of force by the UN.

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NOTES

CHILE-CUBA: A Chilean delegation has arrived in Havana to discuss establishing regular commercial flights between Chile and Cuba. LAN-Chile, the government airline, is considering a route with Havana as a terminal point rather than as an intermediate stop on a route to the US. The Chilean state maritime enterprise reportedly is considering setting up a regular shipping service to Cuba, particularly for transporting agricultural products. Trade in Chilean products began earlier this year.

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VENEZUELA: The government, under attack from opposition parties that strongly favor higher levies on the oil industry over other measures to increase taxes, has informed petroleum companies that it wants to raise reference prices used in calculating their income taxes. By this approach, Caracas believes it could obtain some \$110 million more in revenues in 1971. The oil companies protest that the change would violate a five-year agreement running through 1971.

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UN-CYPRUS: [The Security Council is expected to meet soon to extend the mandate of the UN force in Cyprus (UNFICYP) for another six months. UNFICYP has been in existence since 1964, and its role in resolving recent incidents between Greek and Turkish Cypriots indicates that it continues to perform a useful function. The revamping of UNFICYP earlier this year--designed to provide greater efficiency at lower cost--included a significant reduction in the force. Although the UN effort on Cyprus continues to cost more than the reimbursement to the seven nations contributing troops, these countries do not appear inclined to withdraw their contingents because of the financial problem.



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