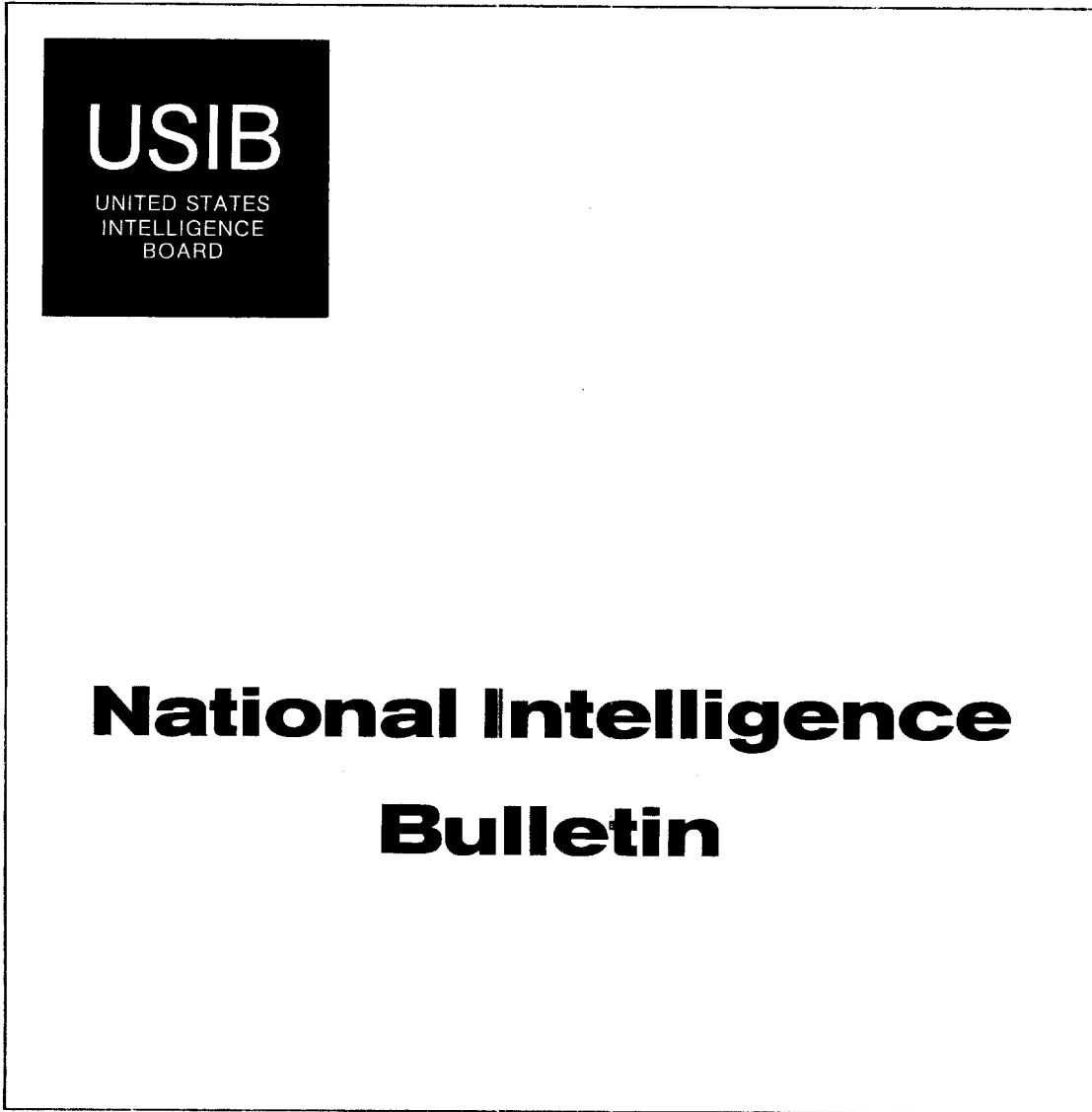


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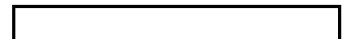
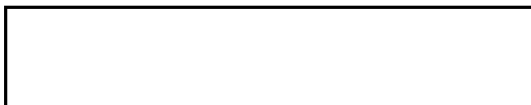
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State Dept. review completed

DIA review(s) completed.

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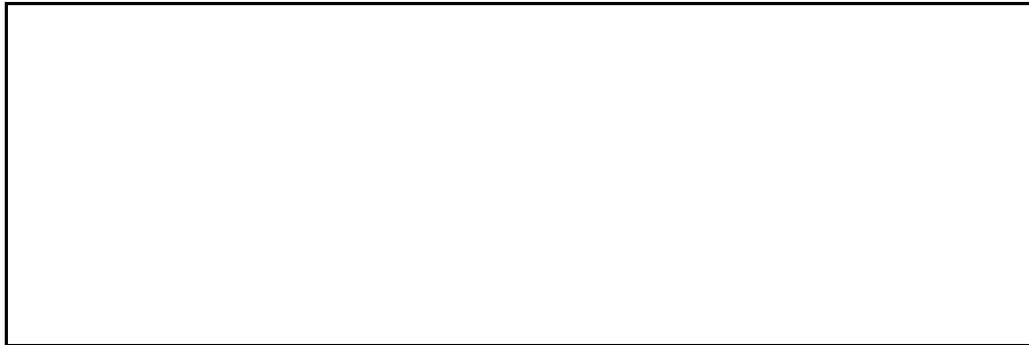
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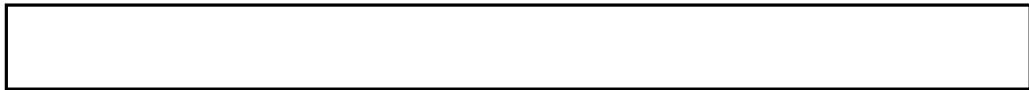
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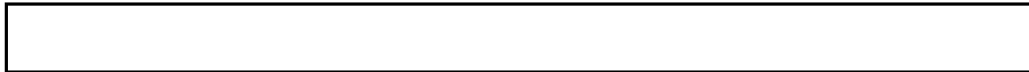
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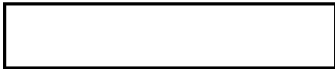
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LEBANON

Fighting diminished in most parts of Lebanon yesterday after the newly created Syrian-Lebanese-Palestinian "peace commission" called for a cease-fire.

Fedayeen forces have been ordered to halt all attacks on government troops and installations. A Christian spokesman said the large Phalanges Party militia would respect the truce.

Leaders of the warring parties reportedly have agreed to withdraw their forces and barricades over the next four to seven days while political negotiations proceed. This approach is designed to avoid the usual sterile debate between Christians insisting that peace must come before political reforms, and Muslims demanding that reforms must come before peace.

President Franjyah is still trying to elicit wide Christian backing for a comprehensive political settlement. Although he could easily slip back into a less conciliatory position, the President for now apparently is convinced that the Christians, by making modest concessions, can forestall a more serious erosion of their power later.

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GREECE

Prime Minister Caramanlis' belief that the far right poses a greater short-term threat to his government than the far left was underscored recently by the arrest of one of Greece's most prominent rightists.

Savvas Constantopoulos, owner and editor of the only Athenian newspaper sympathetic to the former junta and a sharp critic of the government's alleged permissiveness toward the left, was sentenced on Wednesday to 14 months in prison. Constantopoulos and an assistant were found guilty of showing "disrespect" for authority and "spreading false rumors." The paper had published an editorial charging that the government and opposition were collaborating in a campaign against the armed forces. The editorial was immediately condemned by Defense Minister Averoff, who charged that it was designed to shake the military's confidence in democracy and instill it with a "juntaist" mentality.

The speed and severity of the response demonstrates the government's continued sensitivity about its relations with the military and was probably intended as a warning to conspirators on the right.

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No combination of the various pro-junta or monarchist groups appears to have sufficient backing to pose a serious threat to the government.

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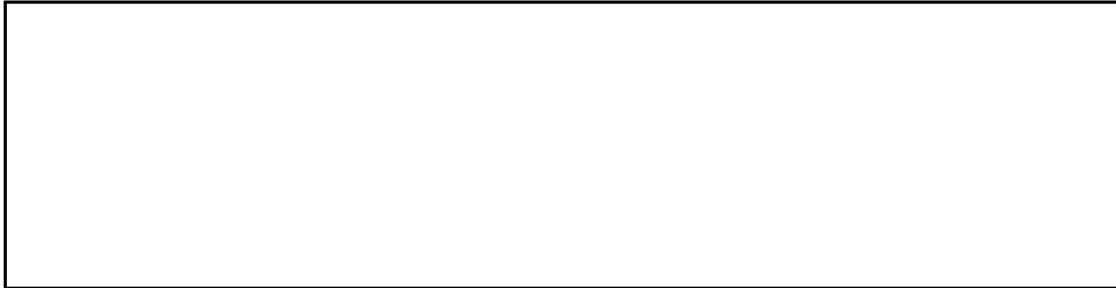
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USSR

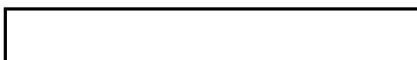
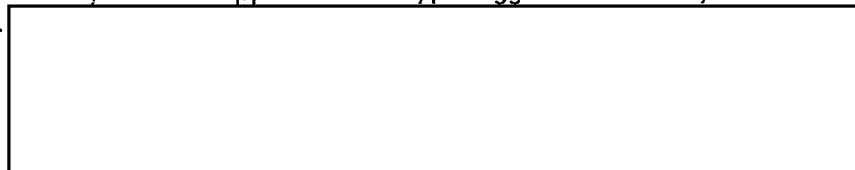
Moscow is beginning to give the public some idea of the dimensions of last year's harvest disaster. There are a growing number of reports, meanwhile, of food shortages in rural areas.

Party propagandists in Leningrad recently acknowledged the "bad" harvest but claimed it was "no catastrophe since we will be buying more grain abroad." While stressing that there would be enough grain for human consumption, they admitted that "we do not have enough feed grain."

For the first time, the lecturers revealed details of the US-USSR grain agreement and also stated Soviet intentions to buy grain from Australia, New Zealand, and Canada. They estimated total new grain purchases this year at 15 or 16 million tons and grain exports at 4 million tons. Barring another harvest disaster, these numbers sound reasonable.

Scattered reports from the Soviet countryside indicate a deteriorating situation. In one area of drought-stricken Kazakhstan more than enough fresh meat is available now, but future supplies are in doubt because "all the livestock had to be liquidated." Other parts of Kazakhstan report little or no meat, no butter, no potatoes, and "barely enough bread." An elderly woman from a village north of Moscow told an embassy officer that a daily bread ration of 800 grams per person, about 1-3/4 pounds, had been in effect in her village for several months. This ration, however, may be more an attempt to restrict the use of bread as livestock feed than to curtail human consumption.

Food conditions in urban areas present a strong contrast. Embassy visits to cities as diverse as Tallinn, Odessa, Irkutsk, and Nakhodka found adequate supplies of bread and most other basic foods. Not all cities had all types of fresh meat, but each had at least relatively limited supplies of one type. Eggs were the only food not generally available.



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UK

The sharp rise in the number of unemployed during January is certain to increase trade union pressure on the Labor government to deal forcefully with the highest jobless total in 25 years.

Recent government measures to alleviate unemployment have been largely cosmetic. Prime Minister Wilson and Chancellor of the Exchequer Healey both believe that inflation must be brought under control before measures are taken to reflate the economy. This order of priorities means that the government—with the tacit agreement of many union leaders—is willing to let unemployment rise.

Although the seasonally adjusted rate for January rose only slightly, the overall jobless figure jumped by 219,000 over December bringing the total number of Britons out of work this month to 1.43 million. Trade union leaders as well as Labor's left wing are likely to gloss over the seasonally adjusted rate and concentrate on the higher overall figure in attacking the government's economic policies.

A regional breakdown shows that Wales, Scotland, Northern Ireland, and the north of England posted substantial increases in unemployment last month. Unemployment rates in these regions have been running 1 to 2 percent above the national average. With layoffs planned in the steel and auto industries, and possibly the offshore oil equipment industry as well, the situation is unlikely to improve in the near term.

In addition to the announced increase in unemployment, there was also a decline in the number of job vacancies last month. The seasonally adjusted number of vacancies totaled 109,200—down slightly from the preceding month.

Strong union pressure for the government to boost employment was evident even before the new statistics were released this week. Key union leaders have urged the government to initiate measures "to prevent a rapid drift into really massive unemployment." These actions include selective import controls, manpower retraining programs, employment subsidies to hard hit firms, public works projects, and reduced taxes on certain consumer goods in order to spur the sales of products made in Britain. The general secretary of the Labor Party has renewed demands for widespread import controls.

Wilson and his senior economic advisers have thus far given no indication that they have dropped their opposition to additional import controls or that they plan to take major reflationary measures before getting inflation under control. The government could change its position, however, in the face of an unemployment situation that seems certain to get worse before it gets better.

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The key to whether the government will be able to stay the course lies with the position taken by union leaders, such as Jack Jones, a moderate and leader of the country's largest union. The middle-of-the-road union leaders have been gaining strength and influence in recent months at the expense of more radical spokesmen. Nevertheless, many union leaders are becoming restive over the level of unemployment and reportedly fear that opposition to cooperation with the government will emerge at union conventions this summer, setting the stage for a confrontation with the government at the annual Trades Union Congress in September.

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ICELAND-UK

Icelandic Prime Minister Hallgrimsson arrives in London on January 25 for two days of talks with British Prime Minister Wilson in an attempt to resolve the fishing dispute between the two countries.

Although the two leaders may merely agree to resume negotiations at a lower level, Hallgrimsson is ready for hard bargaining. He has not commented publicly on his negotiating position, but his party's newspaper warned that Iceland's dependence on fish calls for a short-term agreement and a "very limited" quota for British fishermen. Iceland originally proposed limiting Britain's annual catch to 50,000 tons, but raised the figure to 65,000 tons before talks broke off in November. Wilson is now probably prepared to go most of the way toward the Icelandic position, but cannot accept for political reasons the last offer. At the same time, hardened anti-British sentiment in Iceland is pressuring Hallgrimsson to revert to his first position.

Despite expressions of hope on both sides with the resumption of the talks, Icelandic harassment of British trawlers remains a threat and could force London to order its frigates back into the disputed zone. London withdrew the frigates on the tacit assumption that Reykjavik would not harass trawlers, but Hallgrimsson told newsmen pointedly that Iceland will continue to enforce its laws.

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EC-SPAIN

Spanish Foreign Minister Areilza's visits to Bonn, Luxembourg, and Paris earlier this month launched Spain's drive for eventual full membership in the EC. He plans to tour the remaining EC capitals by the end of March, visiting Brussels in mid-February.

Areilza singled out EC membership as Madrid's number one priority in Europe and gave assurances that Spain will follow a definite timetable toward democratization. In a television interview in Madrid last weekend, he affirmed that negotiations could lead to membership by 1980, if not before.

Although the French and Germans were receptive, they made it clear that Madrid would first have to prove that it is liberalizing before the Nine would act favorably on an application. In the meantime, they agreed to recommend to the Council that trade talks—broken off by the EC last fall—be resumed.

Subsequently, however, Spain asked the EC not to announce its readiness to reopen trade negotiations. The Spanish spokesman cited the uneasy domestic labor situation and the continuing reserve of Spanish industrial circles as the reasons for requesting the delay. It is also probable, however, that Spain may have decided to evaluate the results of Areilza's tour before pushing ahead, particularly since the remaining capitals he intends to visit include those coolest toward Madrid. Another factor explaining Spain's reluctance to resume trade talks is its view that, as it is now looking toward EC membership, the basis for negotiations has changed.

The Council, at its meeting this week, accordingly announced only that the situation in Spain "no longer precluded the resumption of contacts on trade." The matter will be taken up again at next month's Council, but further movement is unlikely until after Areilza's tour is completed.

A formal Spanish request to begin negotiations for membership would probably prove premature anytime soon. EC External Affairs Commissioner Soames, for example, thinks that Madrid may be over-optimistic on its timing, and that even after Spain has demonstrated that it has initiated democratic reforms, there are other issues to be settled before Madrid could apply.

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PANAMA

The Torrijos government's widespread crackdown on opponents—as many as 140 individuals may have been arrested—is an effort to stifle domestic criticism and allow him to negotiate a canal treaty without political harassment.

Wholesale arrests apparently accompanied the exiling of at least ten prominent individuals on Tuesday.

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The government probably moved not because of serious concern about plotting, but because of extreme sensitivity to public criticism of its economic policies and canal treaty negotiating stance. Public complaints about government policies at a recent meeting of regional agricultural specialists may have been the final straw. Torrijos and his advisers are seriously concerned about Panama's economic slump and want no airing of such grievances. Torrijos also used the roundup as a pretext to close the country's only opposition radio station and exile its nationalistic owner—a vocal critic of Torrijos' negotiations policies.

Allegations by the government that former president Arias was behind the plotting seem an excuse rather than an explanation for the crackdown.

Torrijos may have believed that he was in a good position to move and shut off criticism. He may have calculated that his left flank is reasonably secure following Castro's public endorsement of his policies. Several recent moves to mollify the conservatives, and the threat of further intimidation, could be counted on to keep some of the right in check.

If intimidation is Torrijos' primary aim, he could probably accomplish it without any more drastic measures. He was conveniently visiting Colombia during the arrests and initial expulsions and could call off the purge now that he has returned home. Intimidation rather than widespread jailings and expulsions has been his tactic in recent years.

Rightist business organizations are promoting a national strike—which the government has declared illegal—to protest the government's action and attempt to bring down Torrijos. The government has definitely overreacted, but unless it provides the opposition with a martyr or a groundswell of labor support develops, the right will not be able to threaten Torrijos seriously.

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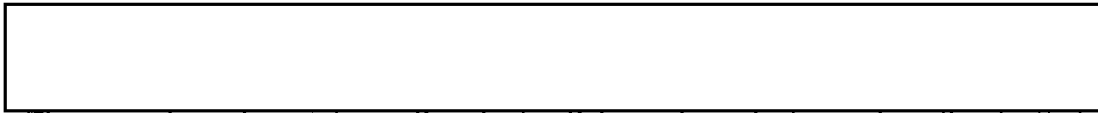
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CHILE

The Pinochet government has decided to step up its campaign against the frequently critical Christian Democratic Party.



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The party's radio station, Presidente Balmaceda, which continually faulted government policy and read lists of missing leftists over the air, was closed this week for the second time in a year.

The station's censorship comes at a time when the party has been making changes in its staff to bring it more into line with party policies and ease the strident tone of its broadcasts. A party magazine was also forced to stop publication late last year.

Another move suggested to impugn the party is the translation and wide dissemination of the Senate Intelligence Committee's report on US clandestine activities allegedly involving the acquiescence of the Christian Democrat Party. If carried out, it might be equally damaging to the current government.

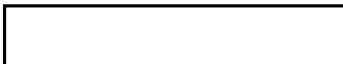
Pinochet has already issued a stern warning to politicians and "Kerenskys" who seek "to divide the armed forces and destroy the government." He was apparently referring to a booklet authored by Frei, attacking the performance of the Pinochet regime. Copies are circulating privately in Chile and have been publicized abroad.

The effect of a campaign against the Christian Democrats will almost certainly be to increase international criticism of the Pinochet government.



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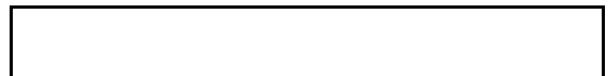
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