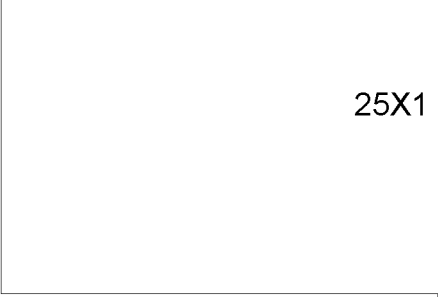
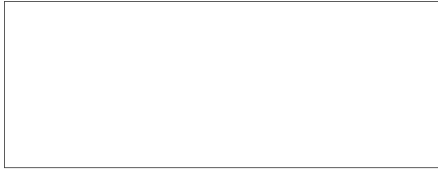




Director of
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JORDAN-PALESTINIANS: Hussein Ends Talks With PLO


Jordan's statement yesterday relinquishing responsibility for future peace negotiations to the Palestinians stems from King Hussein's frustration with PLO chief Arafat's refusal or inability to make a commitment. 

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The statement reviews the most recent meeting between Hussein and Arafat, which ended last Tuesday, and reports on the agreement they reached for Jordan to represent the Palestinians in expanded Middle East talks. Arafat reportedly decided against implementing the agreement, however, after encountering strong opposition from Fatah's Central Committee during three days of talks in Kuwait and from PLO leftist leaders. 




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Comment: Fatah's rejection of Hussein's proposal has left little room for compromise. Arafat might be able to get his colleagues to make some concessions, but he cannot give Hussein the degree of authority the King considers necessary for Jordan to participate in negotiations. 

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The PLO chief apparently had hoped Hussein would continue the dialogue until an Arab summit convenes, but the King—believing that he finally had an agreement—probably saw Arafat's backtracking as another attempt to stall. Hussein thus decided to stop pushing for a decision and to abide by the Arab consensus on negotiations, even though he may still eventually hope to obtain PLO and Arab support for his entry into talks under the US initiative. 

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Arafat will try to deflect blame for Jordan's decision by continuing to call for an Arab summit to decide the next move. The PLO chief would expect any resulting resolution largely to endorse his organization's position. 

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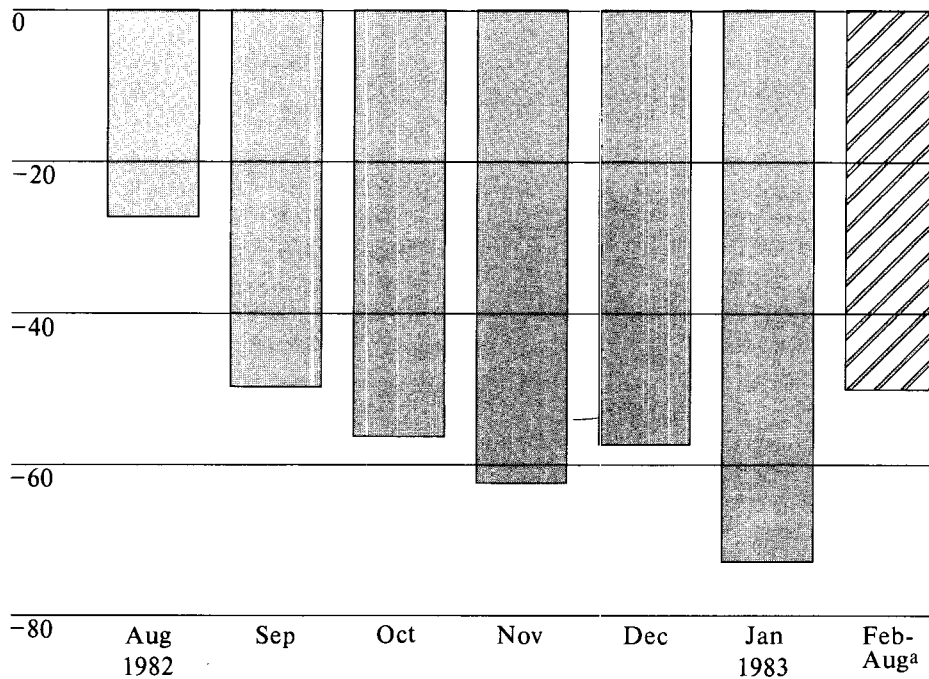
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Mexico: Import Plunge

Percent decline from year earlier



^aProjected for Feb-Aug 1983.



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MEXICO: Cutback in Imports

A steady reduction in imports has slashed industrial production, causing bankruptcies to increase, unemployment to grow, supplies of goods to dwindle, and inflation to remain high. [redacted]

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Imports in January dropped 73 percent from the same time last year. The moratorium announced last August on repayment of principal disrupted credit and forced Mexico to import only what it could pay for in cash or by barter. [redacted]

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Mexican business and government officials do not expect a quick rebound in imports, despite the \$5 billion commercial credit signed last month. Most of the initial installment of \$1.7 billion is being used to repay a \$434 million loan, to catch up on government and private interest obligations, and to help rebuild reserves. [redacted]

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Shortages of imported raw materials have caused manufacturers to shut down numerous factories, and many industries report that production is off as much as 65 percent. As a result, the private sector estimates there is 20-percent unemployment. [redacted]

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The pharmaceutical and automotive industries are especially hard hit. One large plastics maker reports that his product line has shrunk from more than 200 items to just 20, despite high demand and vanishing inventories. [redacted]

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Comment: With no quick end in sight for the debt moratorium or capital flight, imports will remain drastically reduced for at least the next five months. Some relief will come, however, from \$2 billion in officially arranged supplier credits, such as US agricultural credits. [redacted]

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President de la Madrid probably will seek additional commercial borrowing—not now permitted under Mexico's IMF stabilization program—or a reduction in interest payments to offset domestic criticism and reduce the likelihood of demonstrations. If bankers and the IMF do not show some leeway, pressure could grow for Mexico to extend its debt moratorium to include interest payments. [redacted]

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IRAN: Policy on Oil

Iran currently is abiding by its OPEC production quota of 2.4 million barrels per day, but sales may decline during the next few months unless Tehran offers discounts. [Redacted]

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[Redacted]

[Redacted] Tehran recently cut its official crude price to \$28 per barrel for Iranian Light—only \$1 below the Arab Light benchmark, in contrast to the \$3-per-barrel discount offered before the OPEC agreement. [Redacted]

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Comment: At the new price and production level, Tehran's oil revenue will total \$1.6 billion per month. Although this is about \$500 million per month less than Iran was receiving before the agreement, it is still slightly more than needed to maintain current import levels. [Redacted]

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Iran is likely to abide by OPEC production guidelines during the next few months and maintain a tough line on prices. It probably will grant small discounts, however, to compensate for high freight and insurance rates in the war zone. The Iranians recognize the risks of a downward price spiral if members fail to adhere to the agreement. [Redacted]

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GHANA: Radical Influence Increasing

Radical leaders in the government are continuing to increase their power at the expense of Head of State Rawlings. [Redacted]

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Leftist leader Tsikata has been denouncing alleged US subversion, while Rawlings has been making some overtures toward moderate Ghanaians and the West. [Redacted]

[Redacted]

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Leftists made further gains in the cabinet reorganization announced last week, including the reinstatement of the radical Secretary of Trade who had been dismissed for incompetence. In addition, the radical faction continues to control government media outlets despite public condemnation by Rawlings last month of radical excesses in the press. [Redacted]

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Ghana has obtained \$350 million in new credits from Libya in a deal arranged by Tsikata. The credits are to be used to finance oil imports for the year beginning 1 May. [Redacted]

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Comment: [Redacted]

[Redacted]

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The strength of radical influence is likely to blunt any future moves by Rawlings to follow a more moderate course. A further consolidation of power by the radicals—with or without Rawlings—probably will aggravate Ghana's already desperate economic situation. The Libyans presumably hope the recent oil agreement and past arms deliveries will strengthen the leftist faction sufficiently to prevent further moves to develop better relations with the West. [Redacted]

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PALESTINIANS: Murder of PLO Official

The radical Black June organization led by Abu Nidal claimed responsibility in Damascus for the shooting yesterday of Issam Sartawi, a PLO official attending the Socialist International Congress in Portugal. Sartawi was a moderate committed to maintaining a dialogue between Palestinians and Israel. [Redacted]

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Comment: Abu Nidal's group, which rejects any negotiated Palestinian settlement, to date has claimed responsibility for killing at least six moderate PLO representatives. Past operations have coincided with the interests of Iraq or Syria, where the group maintains offices, and have been both warnings to the PLO and attempts to undermine PLO leader Arafat's diplomatic initiatives.

[Redacted]

[Redacted] Sartawi's death may be an indirect warning to Arafat to keep any Middle East negotiations in line with Syrian interests. [Redacted]

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