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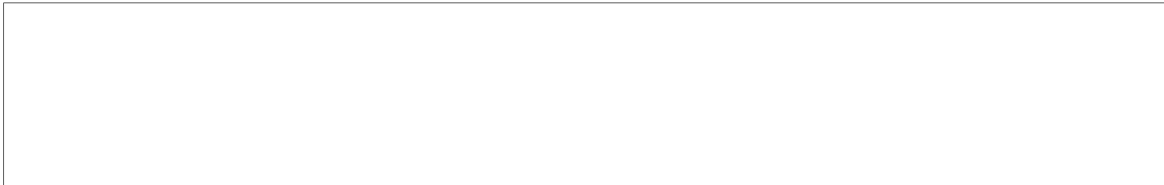
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LEBANON-ISRAEL-FEDAYEEN

Lebanese, fedayeen, and Israeli military action in southern Lebanon has remained at a very low level since late last week. Isolated incidents between the Lebanese army and the more radical fedayeen organizations persist, however, and have the potential to lead to wider fighting.

Spokesmen for the Palestine Liberation Organization have sought to protect that organization's recently improved international image by condemning the skirmishes with the Lebanese and the attack at Orly Airport Sunday. A Beirut newspaper has reported that PLO Chairman Yasir Arafat met with Lebanese Prime Minister Sulh shortly after the clashes in southern Lebanon in an effort to minimize the damage to Lebanese-fedayeen relations.

The US embassy in Beirut has suggested that last week's fedayeen-Israeli encounters may have been part of an effort by Arafat to elicit financial aid from Saudi King Faysal, who was visiting Damascus at the time. Arafat, according to a Lebanese army officer, ordered fedayeen units to harass Israeli patrols in order to bring on a heavy response and present the fedayeen as the sole, beleaguered defenders of southern Lebanon.

Although this certainly was not the only reason for the upsurge in fighting, the Israeli shelling of southern Lebanon last week was extremely heavy. Faysal reportedly did give the PLO \$8.5 million, although this amount was probably already allocated as Saudi Arabia's share of the Rabat Defense Fund.

Whatever the genesis of the recent hostilities, the Lebanese government is attempting to reduce domestic criticism by publicly calling for additional military and financial support from the other Arabs. According to press reports from Cairo, Beirut has called for a meeting of the Arab League Defense Council in Cairo on February 5 to consider how to strengthen Lebanon's defenses against Israeli attack.

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GREECE

A mass rally of students and youth organized by leftist groups will be held today in Athens. Student demonstrations are also planned in Thessaloniki and on Crete.

Although the avowed purpose of the demonstrations is to protest certain policies of the Karamanlis' government--insufficient "de-juntaization" and the new constitution--they are likely to take on an anti-UK, anti-US flavor, because feelings are still running high over the UK's decision to evacuate Turkish Cypriot refugees from the British base at Akrotiri. US officials have been assured that adequate security measures will be taken to protect American installations.

The demonstrators in Athens will march first to Constitution Square and then pass by the UK and US embassies. Leftist Andreas Papandreou has issued a statement warning that "Britain, the Pentagon, and NATO will reap the rage of both the Greek and the Greek Cypriot people." The British feel that police efforts to protect the British embassy during the demonstrations over the weekend were insufficient. Demonstrations continued yesterday at the British embassy, but a strong police cordon prevented the students from attacking the embassy.

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ISRAEL

Israel's Central Bureau of Statistics recently estimated that 15,000 to 20,000 Israelis emigrated last year. This is roughly double the estimated average rate of the last seven years. The highest previous totals, about 11,000, occurred in 1966, when unemployment reached 10 percent, and in 1973.

Approximately 32,000 new immigrants arrived in Israel last year, 46 percent fewer than in 1973. The drop in new arrivals, coupled with increased emigration, resulted in a net migrant growth of only 12,000 to 17,000. This is well below what the government considers necessary for the Jewish population to keep pace with the growth in the number of Arabs in Israel. Net immigration accounted for 39 percent of Jewish population growth in Israel in the 12 months ending last August.

The bureau's estimate has aroused intense concern in Israel. Even before the latest figures were announced, Jewish Agency Chairman Pinhas Sapir warned that the emigration problem is particularly serious because it involves not only recent arrivals but also first, second, and third generation Israelis. Sapir is directing a major campaign to attract more Jewish immigrants, particularly from Western countries.

Citing the bureau's figures, one of Israel's leading press commentators noted last week that Israelis are now openly discussing emigration. He claimed that more young, better educated Israelis are leaving. He attributed the high emigration to anxieties about Israel's security as well as to social and economic discontent. Another bureau report indicates that Israel's consumer price index rose 56.2 percent last year, more than double the 1973 figure. Food prices alone jumped 82.6 percent. Wage adjustments only partially affect these increases.

The US embassy in Tel Aviv comments that despite difficulties in making reliable estimates on the number of Jews permanently leaving, the magnitude of the 1974 estimate is likely further to erode public morale and will be read as a setback to Israel's efforts to attract more immigrants from the West and the USSR.

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MEXICO

President Echeverria, meeting on January 18 with some 30 leading US businessmen, stressed the theme that Mexico welcomes new foreign investment and provides stable economic, political, and social conditions for the investor.

In an effort to underscore the importance he attached to the occasion, Echeverria included his secretaries of foreign affairs, industry and commerce, and treasury in the discussion. All of these officials depicted the government's attitude toward investment as flexible and constructive.

Echeverria defended his UN Charter of Economic Rights and Duties of States. He admitted that the charter is partial to poor nations, but he said that it protects rich nations as well by giving an alternative to communist-inspired "people's revolutions," which he said offer false cures for economic and political problems. The charter, passed overwhelmingly by the UN General Assembly in December, is a set of progressive principles intended to correct what most developing nations see as inequalities and injustices that obstruct their economic relations with industrial nations.

Mexican business leaders who attended the meeting were relieved to hear Echeverria's positive remarks on the role private investment plays in Mexican development. Echeverria's reassuring words will ease their concerns over the administration's inclinations toward economic nationalism.

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CANADA

Despite the optimistic tone of Defense Minister Richardson's speech on January 17 announcing the long-awaited defense budget decisions, the budget will do little to improve the capabilities of the Canadian armed forces.

Richardson said the fiscal year 1974-75 defense budget would increase by \$275 million to about \$2.5 billion and the following year's budget would rise by an additional \$300 million. He also reiterated Canada's commitment to the four basic defense missions of protecting the state, participating in NATO, cooperating with the US in North American air defense, and supporting UN peacekeeping operations. Regarding the latter, however, the Canadians plan to reduce their UN contingent on Cyprus from 750 to 450 by June for reasons of economy.

The defense minister also advised his audience that overall spending for capital improvement programs would increase by about 30 percent over this year's level. The additional funds will be used to acquire maritime long-range patrol aircraft, C-130 aircraft, Blow Pipe surface-to-air and Tow antitank missile systems, and more modern communications.

Although Richardson emphasized that the changes will strengthen the Canadian armed forces, the total impact will be barely to maintain the status quo. Modernization of the tank forces and naval combatants, both major programs, have been given a low priority. Furthermore, the budget increase of almost 12 percent will barely keep up with the current rate of inflation and will not permit solution of the personnel shortfall problem presently plaguing the 80,000-man armed forces.

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PHILIPPINES

President Marcos has announced a national referendum for February 27 to evaluate martial law and to determine the future form of local government.

Marcos has been promising a new referendum on martial law since last August, but two previous dates were subsequently canceled. He had originally planned to ask the voters if they wanted him to establish an interim national assembly as called for in the constitution ratified in 1973. He dropped this question in the latest announcement, apparently because he is not ready to consider even a token legislative body and therefore does not want to encourage speculation on the issue.

Voters, convening as members of village-level citizens' assemblies, will be asked if they approve of martial law and wish it continued. They will also be asked whether they want the President to appoint local officials to replace the present ones, who were elected before martial law was declared and whose terms expire at the end of 1975. Marcos has promised to allow free public debate prior to the voting, but past practice suggests that severe criticism of his regime will not be tolerated and that voters will be expected to express overwhelming approval of his actions.

The referendum is the latest in a series of well-publicized events designed to improve Marcos' image abroad and mask the authoritarian aspects of martial law. His referendum has already come under public fire from a group of liberal Catholic priests who are calling on the people to boycott the vote because it is a "mockery of democracy." The Catholic hierarchy has not supported the proposed boycott, but, inasmuch as President Marcos only recently patched up a serious public split with the church fathers, he will have to treat the boycott group carefully in order to prevent another church-state confrontation. Catholic priests have been an important focal point for anti-Marcos opposition since the declaration of martial law in September 1972.

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ANGOLA

The military provisions of the recent accord looking toward Angolan independence by next November call for a delicate balance of troops that may be hard to maintain.

The agreement, completed on January 15, calls for the phased buildup of a mixed military force under a joint defense commission, with 8,000 troops from each of the three liberation movements and a Portuguese contingent of 24,000 men. The complicated arrangements for achieving such a force are largely the result of differing stages of training, the immediate availability of troops among the liberation movement armies, and their overall inferior strength to the Portuguese military in Angola.

At the start of 1975, the National Front for the Liberation of Angola was the largest of the freedom groups, with a force of some 15,000. The Popular Movement for the Liberation of Angola under Agostinho Neto, numbered some 8,500 members, and a splinter group under Daniel Chipenda totaled about 1,500 troops. The National Union for the Total Independence of Angola, based in eastern and southern Angola, had only about 1,200 trained personnel.

The National Front appears to be in the most favorable short-term position to undertake any unilateral activity. Over the longer term, the Popular Movement will recruit additional forces, and its size is likely to rival National Front forces. The Popular Movement is widely accepted among the indigenous urban population and could seek military gains to match its political strength.

The independence agreement does not make provision for troops who are not assigned to the mixed military force. Neither does it specify the locations in or out of Angola where forces not integrated into the army may be maintained.

Peace over the next several months is likely to be observed, but as independence grows near, one or more of the liberation groups may attempt to improve its military position, especially should the political situation seem to jeopardize equal participation. In that event, civil war could result.

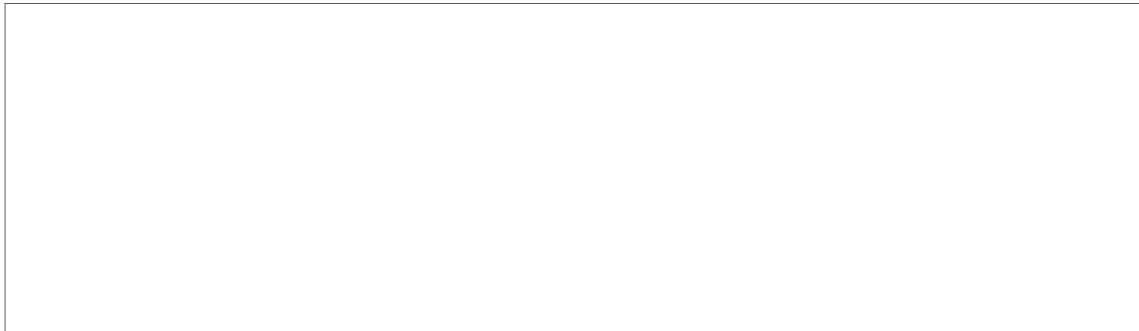
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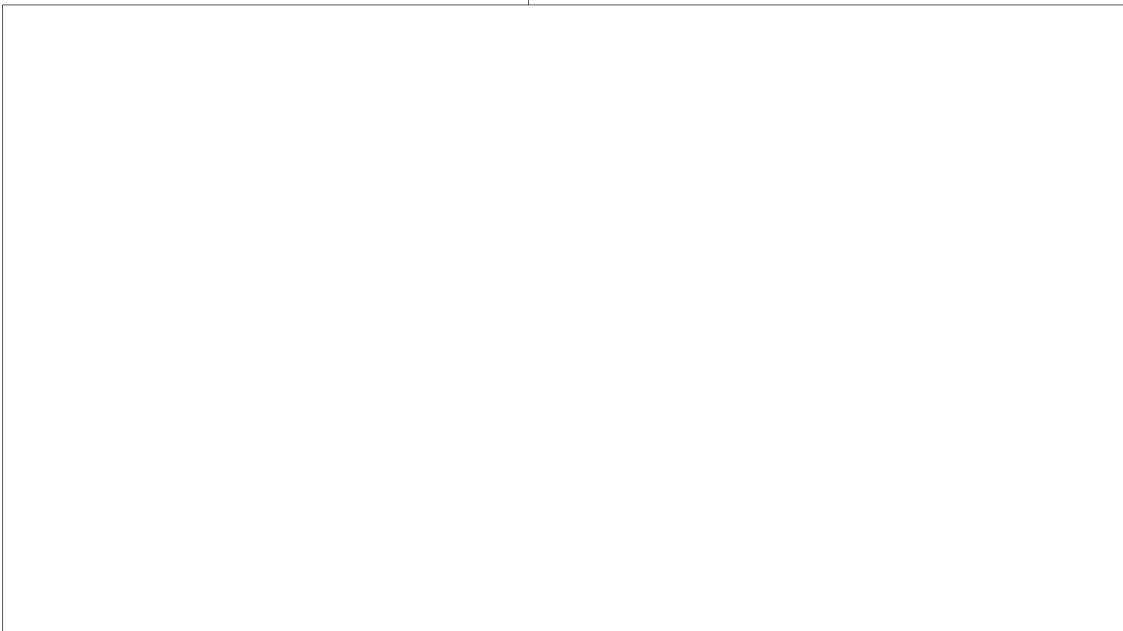
FOR THE RECORD



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Pakistan: Wheat purchases negotiated by Pakistan last week--100,000 tons from Australia and 150,000 tons from Europe--raised the delivered and scheduled fiscal 1974-75 wheat imports to at least 1,225,000 tons, only 325,000 tons short of its announced import goal. Arrangements to date for commercial and concessional US wheat total 575,000 tons.

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