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EGYPT-PLO

Egyptian officials and information media this week launched a verbal counterattack on the Palestinians for their continued sniping at Egypt's Middle East policies and negotiating tactics. Cairo is apprehensive that the Palestinians--possibly with Syrian connivance--are making headway in their effort to stimulate wider Arab criticism of another Egyptian-Israeli agreement.

The Palestinians retaliated yesterday by recalling to Beirut the Cairo representatives of the Palestine Liberation Organization. A PLO spokesman had said earlier that PLO Chairman Yasir Arafat was not likely to make an anticipated early visit to Cairo.

President Sadat personally snubbed the Palestinians on Thursday by declaring himself unwilling to receive a delegation that the PLO had proposed sending to Cairo in an attempt to resolve the current Egyptian-Palestinian differences. Underscoring the organization's inability to speak with one voice, Sadat said in a statement released to the Cairo press that he would talk only with the PLO's entire governing executive committee.

This Egyptian move came in direct response to a communiqué issued by the PLO on February 26 that condemned what the Palestinians allege to be Cairo's preparations to abandon the Palestinian cause for the sake of limited territorial gains in the Sinai. Since Secretary Kissinger's latest trip to the area, the Palestinians have repeatedly charged that present settlement efforts are only a plot by the US and Israel to find a "partial solution" that will divide Egypt from Syria and the Palestinians.

Sadat's action is but one more step in his continuing effort to put his dealings with the Palestinians on a more formal basis. By so doing, he could spare himself some of the frustration of attempting to assuage Palestinian sensibilities on a day-to-day basis. Despite his statement on Thursday, Sadat really prefers to deal only with Arafat, who is among the more reasonable PLO leaders; he has insisted that Foreign Minister Fahmi deal with PLO political spokesman Qaddumi and with other lesser figures.

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The issue of UN resolutions was first raised by the Palestinians themselves in their propaganda assault on Sadat. The Palestinians are particularly upset over Sadat's recent expression of willingness to accept the internationalization of Jerusalem, which has been called for in UN resolutions and in which the UN would be heavily involved.

Hoping to create an additional problem for Sadat, pro-fedayeen newspapers in Beirut again raised the point that the PLO has denied it will participate in any Geneva talks based on Security Council Resolution 242, which refers to the Palestinians only as refugees. Spokesmen for the PLO are expressing increased apprehension that the organization will be called on to make fundamental policy changes--meaning the recognition of Israel's right to exist--as a condition for its attendance at the talks.

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The Palestinians' difficulties with Egypt, however temporary, are proving worrisome enough that the PLO is seeking support from other Arab leaders. PLO delegations have been dispatched to various Arab and other "friendly" capitals, and Arafat made a point of cabling congratulations to Syria's President Asad for delivering a strongly pro-PLO speech on February 26.

Asad, who in a more limited way shares the Palestinians' misgivings about the ramifications of another agreement between Egypt and Israel, affirmed his support for the PLO in unusually vigorous terms as part of his own effort to maintain Syrian influence with the Palestinians and put pressure on Sadat. Damascus would like to see some assurances for Syria and the Palestinians written into any new Egyptian-Israeli accord.

To keep the heat on Egypt, Syria and the Palestinians are also calling for a high-level meeting of Egyptian, Syrian, Jordanian, and Palestinian officials to be held prior to Secretary Kissinger's next trip to the Middle East. The Syrians and Palestinians consider that they could use such a meeting to force their demands on Cairo. Aware of this, the Egyptians would prefer to delay the quadripartite meeting still further; originally, it was to have been held in February at the foreign minister level.

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ISRAEL-LEBANON

The quiet situation along the Lebanese-Israeli border appears to be the result of [] agreement on steps to reduce the chances of major military operations growing out of fedayeen cross-border terrorist attacks.

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[]
Because the Lebanese army is ill-prepared to deter such operations on its own, continuation of the unofficial truce rests ultimately on the PLO's willingness and ability to control its own and allied guerrilla forces.

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Israeli sources have told US embassy officials in Tel Aviv that Israel suggested this "truce" and agreed to limit retaliation for minor border incidents, in return for a Lebanese commitment to exercise better control over the fedayeen. One Israeli cabinet minister told the embassy last week that Israel wanted to keep things cooled down, particularly in the present pre-negotiation period.

[] both Beirut and Tel Aviv are anxious to avoid a repetition of the series of violent incidents in January that culminated in a major Israeli military operation to drive the fedayeen from the southern Lebanese village of Kafr Shuba. Tel Aviv is said to be concerned that further incidents might cause Beirut to accept substantial military aid and cooperation from the other Arab states.

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The Lebanese government has, in fact, been under domestic and foreign Arab pressure to improve its military forces in the wake of the Kafr Shuba incident.

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Only one incident involving a fedayeen infiltration attempt from southern Lebanon has been reported since the "truce" went into effect on January 31.

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INDOCHINA

Troop infiltration to South Vietnam continued at a moderately heavy rate during the past month, with approximately 22,000 men starting the trek south.

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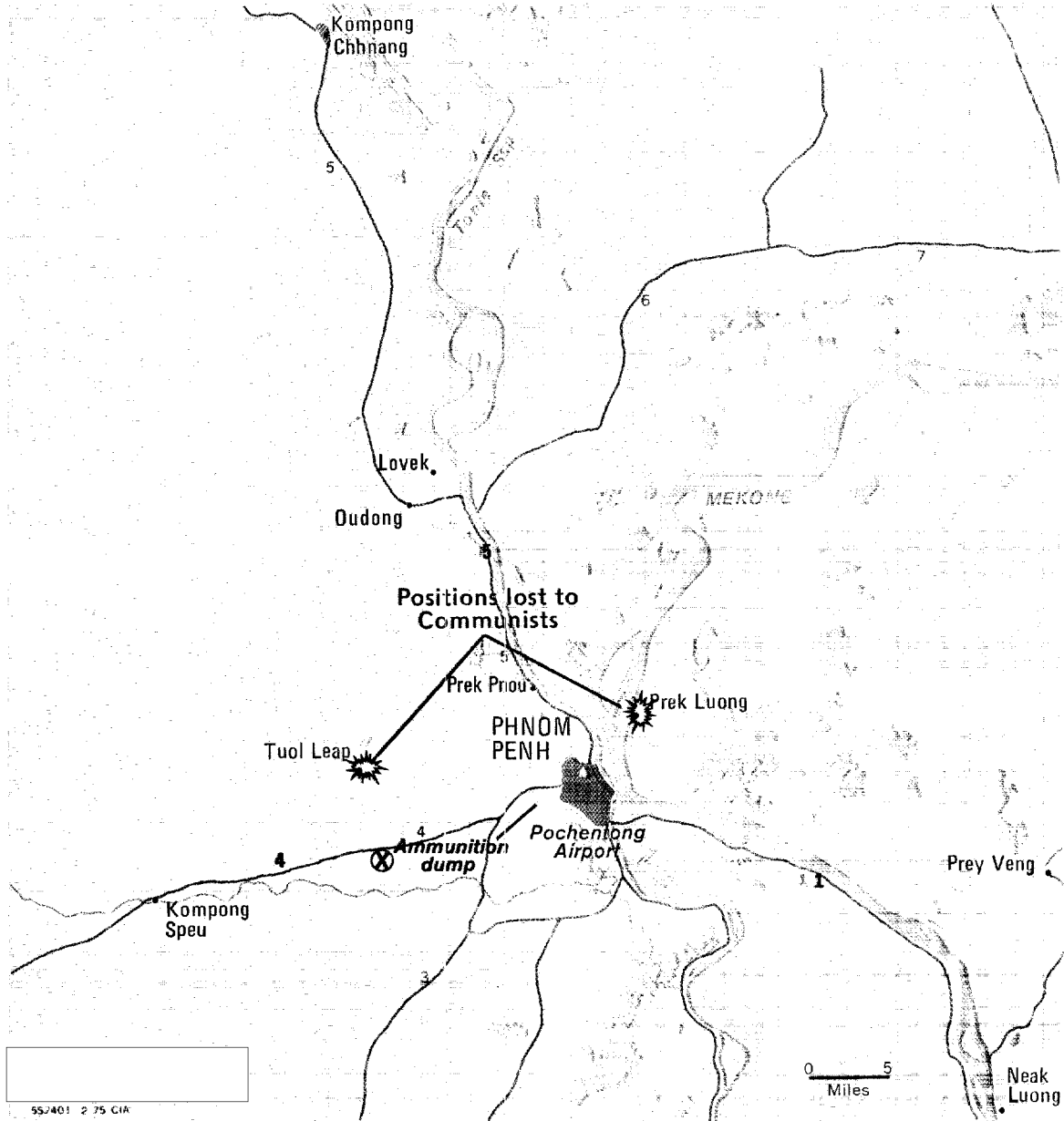
Since infiltration picked up in late November, some 60,000 troops have left North Vietnam.

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Hanoi's infiltration effort is running substantially higher than a year ago. During the first three months of the current dry season, the North Vietnamese concentrated on moving manpower to the provinces around Saigon and to the highlands. Since mid-February, troops have been going to the north-central coast for the first time since last summer. As the current dry season progresses, it is likely that Hanoi will diminish its troop flow to the southern areas and send an increasing number to the northern provinces. Last year, Hanoi stopped sending troops to the highlands and the provinces around Saigon in April.

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CAMBODIA: Phnom Penh Area



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Much of the manpower has probably arrived, and other troops in the pipeline should reach their destinations over the next few weeks. The new troops appear to be more than sufficient to replace Communist losses and strengthen units in preparation for the next round of fighting.

CAMBODIA

The capture of Tuol Leap by the Khmer Communists yesterday gives them control of key terrain on the approach to the ammunition dump at Kantouk, as well as to Pochentong airfield. It also will facilitate attacks against government units to the north.

Units of the Cambodian army's 1st and 2nd divisions have been deployed from southeast of Phnom Penh to reinforce the 23rd Brigade in its efforts to retake Tuol Leap.

The situation southwest of the capital apparently has improved somewhat, and elements of the 3rd Division are moving forward to reinforce some positions that have been holding out despite repeated Communist attacks and high casualties since early this week. The division is still maintaining its primary defensive line.

Northeast of Phnom Penh, government forces have abandoned Prek Luong and have evacuated some 300 troops to the capital. This places the Communists much closer to Phnom Penh, and increased rocket attacks against the capital can be expected.

Cambodian army clearing operations on Route 1 along the Mekong River have made little progress. A primary objective of other army units is to retake the island north of Neak Luong that was recently lost to the Communists.

The present situation in this area, with the Communists in control of strategic narrows along the river, has prompted the Cambodians to postpone the next river convoy indefinitely.

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INDONESIA

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Lurid accounts of a supposed "hate Indonesia campaign" are now appearing in bulletins circulated by the Indonesian government news agency. The most recent story claims that conditions on Timor are moving toward a "sensitive and explosive stage" because of efforts to "drag the Timorese into the communist orbit." It further alleges that key positions in the Timorese government have been taken over by leftists and that the Portuguese governor of the province is a member of the Communist Party. The allegations are untrue, but the stories create an atmosphere in which Jakarta would feel justified in taking some action against Timor.

President Suharto is obviously concerned about the possible threat posed to Indonesian security by an unstable Timor, but he also is worried that overt moves against the colony would open Indonesia to world condemnation. He apparently still hopes to avoid taking direct military action against the colony.

Australia, which has very close relations with Indonesia, has already publicly indicated its concern about Indonesian intentions toward Timor. Portuguese officials in Lisbon have told the US and Australian ambassadors that Portugal does not plan any precipitous action regarding Timor's future and intends to keep Indonesia informed about its planning. The Portuguese currently envision a lengthy transition government under their tutelage and would like Australian and Indonesian financial assistance during the transition period.

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Jakarta's concern at what the Indonesians perceive as growing leftist influence in the Portuguese government strengthens the hand of those in Suharto's government who favor early military action. Last fall, the Indonesians would have been reassured by Portuguese promises to remain in Timor, but now they are less certain. Portuguese officials are attempting to arrange consultations on this problem--perhaps as early as this weekend--with Indonesian representatives in Paris.

In any event, Portuguese officials told the US embassy that they would not resist an Indonesian invasion of Timor. They also said they will begin training Timorese to take the place of metropolitan Portuguese in the civilian bureaucracy of Timor. The commander of the Portuguese forces in Timor said in a press interview in January that most of the 1,000 Portuguese troops now stationed there will be repatriated by Easter.

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ARGENTINA

Terrorist groups in Argentina may be planning further abductions of US citizens, following the killing yesterday of the US honorary consul they kidnaped on Wednesday.

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A press dispatch on Thursday reported that leaflets distributed by the consul's kidnapers stated that their victim was "the first on a long list of servants of imperialism in Argentina" who will have to "render accounts."

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The government may have been able to produce one of the four prisoners the guerrillas had demanded to be shown. Two others reportedly were dead, and the third had undergone such harsh treatment during interrogation that authorities did not want to admit holding him.

Shortly after the deadline set by the guerrillas last evening, Foreign Minister Vignes announced that the government would not deal with extremist groups. The official statement came after Vignes and Interior Minister Rocamore met with President Peron to discuss the government's position.

The consul's murder will be an acute embarrassment to Mrs. Peron's government, which recently has been trying to play down the terrorist problem, particularly in discussions with potential foreign investors.

Yesterday, the terrorists also struck in and around the capital. The chief justice of the Buenos Aires provincial supreme court was kidnaped and, in two separate incidents, three policemen were machine-gunned to death, one terrorist killed, and another wounded in a shootout.

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WEST BERLIN

With only one day before the state election, the Social Democratic government in West Berlin is taking steps to meet the ransom demands of the anarchist group that kidnaped the opposition's mayoral candidate, Peter Lorenz. Local officials are requesting allied support to find a way for the terrorists to leave West Berlin through the air corridors sometime tomorrow.

The kidnapers, who call themselves the June 2 Movement, have demanded the release of six imprisoned anarchists, some of whom have been closely associated with the Baader-Meinhof gang. They have also demanded that a Boeing 707 be made available to them and that former West Berlin mayor Heinrich Albertz accompany them as a hostage.

West Berlin authorities this morning met the terrorists' first demand by releasing two radicals arrested in demonstrations last November following the assassination of the city's chief magistrate. They plan, with cooperation from Bonn, to turn over the six anarchists to the kidnapers later today.

Transporting the anarchists through the air corridors presents serious problems. The corridors are restricted to use by the three Western allies who are being pressured to provide either a military or civilian aircraft to fly the terrorists and presumably Albertz out of West Berlin. Local officials have so far received no positive replies, although Paris may urge Air France to make a plane and crew available to the terrorists.

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SPAIN

Prime Minister Carlos Arias continues to mix promises for the gradual introduction of new freedoms into society with stern warnings that his government will crush any attempts to disrupt public order.

In his first televised press conference earlier this week, Arias attempted to give the impression that his liberalization program is proceeding smoothly. He admitted that his labor minister had resigned, but he did not address the issue--a conflict within the cabinet over a right-to-strike law--which led to the resignation. Arias dismissed the rightist criticism that has caused his program to be watered down as "pinpricks from a minority."

Despite this rhetoric, the actions of the government indicate that Arias is responding to pressure from the right. On Wednesday, police dispersed students in Madrid, Bilbao, and Barcelona who were protesting the closure of the University of Valladolid. On Thursday, they broke up a sit-in at the Madrid cathedral by arresting about 300 students. This led to a protest by church authorities over the unauthorized entry into the cathedral by the police.

The government has also stepped up action against labor dissidents. Even white-collar demonstrators have been arrested, and there are indications that the government will bring to trial a number of labor leaders charged with subversion. The police have moved to cancel a number of public meetings--even those having prior approval--if they suspect the meetings may become politically disturbing.

Authorities have also been cracking down on the press. Several publications have been censored, and a number of journalists arrested or fired from official posts because of their candid coverage of strikes or their criticism of the government.

In his press conference, Arias said the government would vigorously attack subversion but support legally acceptable protests. By its action, however, the government is clearly having difficulty distinguishing between subversion and legitimate dissent.

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TURKEY

Civil disturbances in Turkey's eastern provinces are increasing the pressure on President Koruturk to take new action to break the political deadlock that has left the country under interim rule for more than five months.

At the same time, the clashes between right- and left-wing political factions have resulted in a deepening of political differences on the national level. The conservative Justice Party has accused former prime minister Ecevit's left-of-center Republican People's Party of encouraging the incidents. Ecevit has hurled similar charges at the Justice Party.

The outbreak of demonstrations and rioting in mid-February reportedly torpedoed negotiations that were close to achieving an agreement between these parties--Turkey's two largest--to form a coalition government. Both sides apparently saw the breakdown in public order as an opportunity to make political gains.

The riots initially were sparked by rightist efforts to break up demonstrations organized two weeks ago by leftist teachers' associations to protest "rising prices and fascism." Since then, disorders have occurred in several towns in eastern Turkey, but these have often been motivated as much by disagreements between rival Muslim sects as by political differences.

Turkish security forces are concerned that they will be unable to prevent such disorders from spreading, especially after the universities reopen this month. The demonstrations have been targeted against domestic issues so far, but if they continue they may well take on an anti-American cast as extremists seek to capitalize on the wounding of nationalist pride caused by the cut-off of US military aid.

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This breakdown of public order--as well as the problems caused by the aid cutoff--has reinforced the growing feeling that the caretaker government of Prime Minister Irmak has outlived its usefulness. President Koruturk probably still would prefer to turn again to Ecevit to form a government, but he may decide that Suleyman Demirel, the Justice Party's leader, has the best chance of success. Demirel's four-party Nationalist Front falls just eight votes short of the 226 needed for a majority in parliament.

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EC-UK

The EC Council, which meets in Brussels on March 3 and 4, hopes to complete Britain's ten-month-long renegotiation of its EC membership terms. Unless unforeseen problems arise, final agreement should be ready for the approval of the nine EC heads of government when they meet in Dublin on March 10 and 11.

Britain's EC partners, including France, are aware that the British public remains sharply divided over the question of continued membership, and they recognize that the Community would suffer a sharp setback if Britain were to withdraw. As a result, they have tried to accommodate London's demands and have expedited their deliberations to permit the Wilson government to hold to its timetable for a national referendum in late June.

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On the basis of recent conversations with leading government and political personalities, the US embassy in London concludes that the Wilson government expects to be able to announce that its demands have been met and thus to recommend continued membership.

The chief problems still to be resolved are the establishment of guidelines for an EC regional development fund and a new formula to determine the contributions of members to the Community budget. It appears that all members are willing to accept the Commission's proposals with some technical modifications.

The EC agricultural ministers are also meeting on March 4 to receive the Commission's "stocktaking" report on the Common Agricultural Policy. Although EC agricultural policy has been a subject of prime concern in Britain, London is probably prepared to live with the limited modifications already adopted.

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USSR-YUGOSLAVIA

The Soviets have recently made new military deliveries to Yugoslavia, apparently in an effort to allay Belgrade's suspicions of Moscow's intentions.

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Since November 1973, when General Secretary Brezhnev and President Tito met in Kiev, the Yugoslavs have been seeking sophisticated weapons to modernize their defenses.

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The discovery last April of the Soviet-supported Cominformist organization in Yugoslavia delayed delivery of the arms.

Last fall, Tito decided to ease up on his exploitation of the subversive affair, in part presumably to pursue a rapid modernization of his armed forces. Yugoslav insecurity in the wake of the Cyprus crisis was probably a factor.

Moscow undoubtedly considers Tito's waning years the appropriate time to enhance its influence in Yugoslavia, particularly with the powerful Yugoslav military.

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IRAN-FRANCE

Tehran reportedly has recently completed negotiations, begun last year, for a long-term loan of \$1 billion to France in return for part interest in a uranium-enrichment gaseous-diffusion plant. The plant, now under construction in France, will be operated under the auspices of Eurodif, a French-led multinational consortium.

The agreement calls for the formation of two joint companies. The first will own 25 percent of Eurodif stock, of which two fifths will belong to Iran. The other company reportedly is to study the feasibility of constructing a second gaseous-diffusion plant at an undetermined location, with Iran acquiring a 20-percent interest.

These arrangements will ensure a steady supply of enriched uranium fuel for Iran's ambitious nuclear power and desalination program. Letters of intent have already been signed for the purchase of two large power reactors from West Germany and two others from France. Other nuclear power stations are in the planning stage. The Iranians have also been exploring the possibility of obtaining assistance from other countries to aid in their program.

Tehran's nuclear program apparently is directed toward peaceful purposes. Iran is a party to the Non-Proliferation Treaty, and the nuclear facilities it acquires will be subject to international safeguards.

Although the Shah has exhibited an interest in declaring the Indian Ocean area a nuclear-free zone, he probably would not hesitate to launch a nuclear weapons program should other countries in the area emerge as nuclear powers.

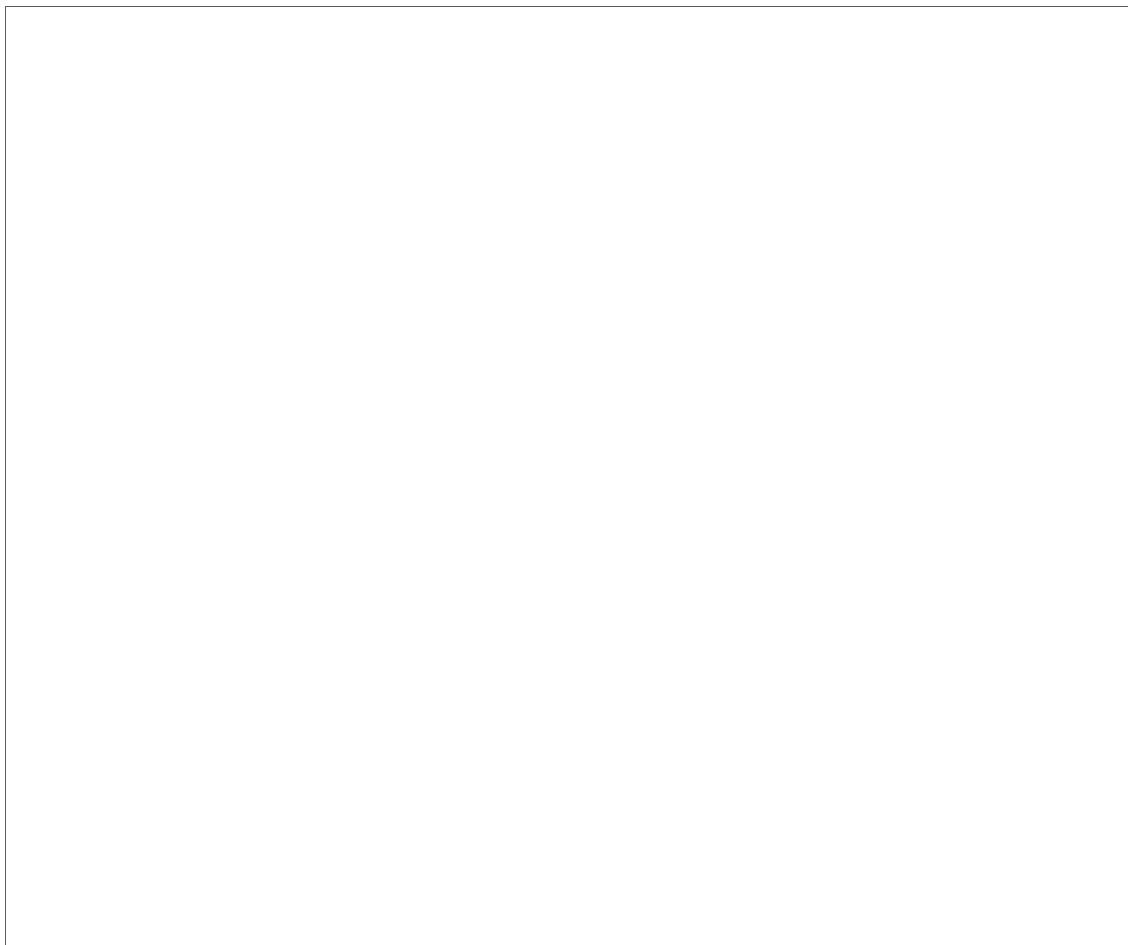
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FOR THE RECORD



West Germany - China: West German Chancellor Helmut Schmidt has postponed his visit to China, scheduled for late March, on the advice of his physicians. Schmidt, who has been slowly recovering from pneumonia and pleurisy, has been absent from his official duties for nearly two weeks. The visit to Peking will be rescheduled for later this year.

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