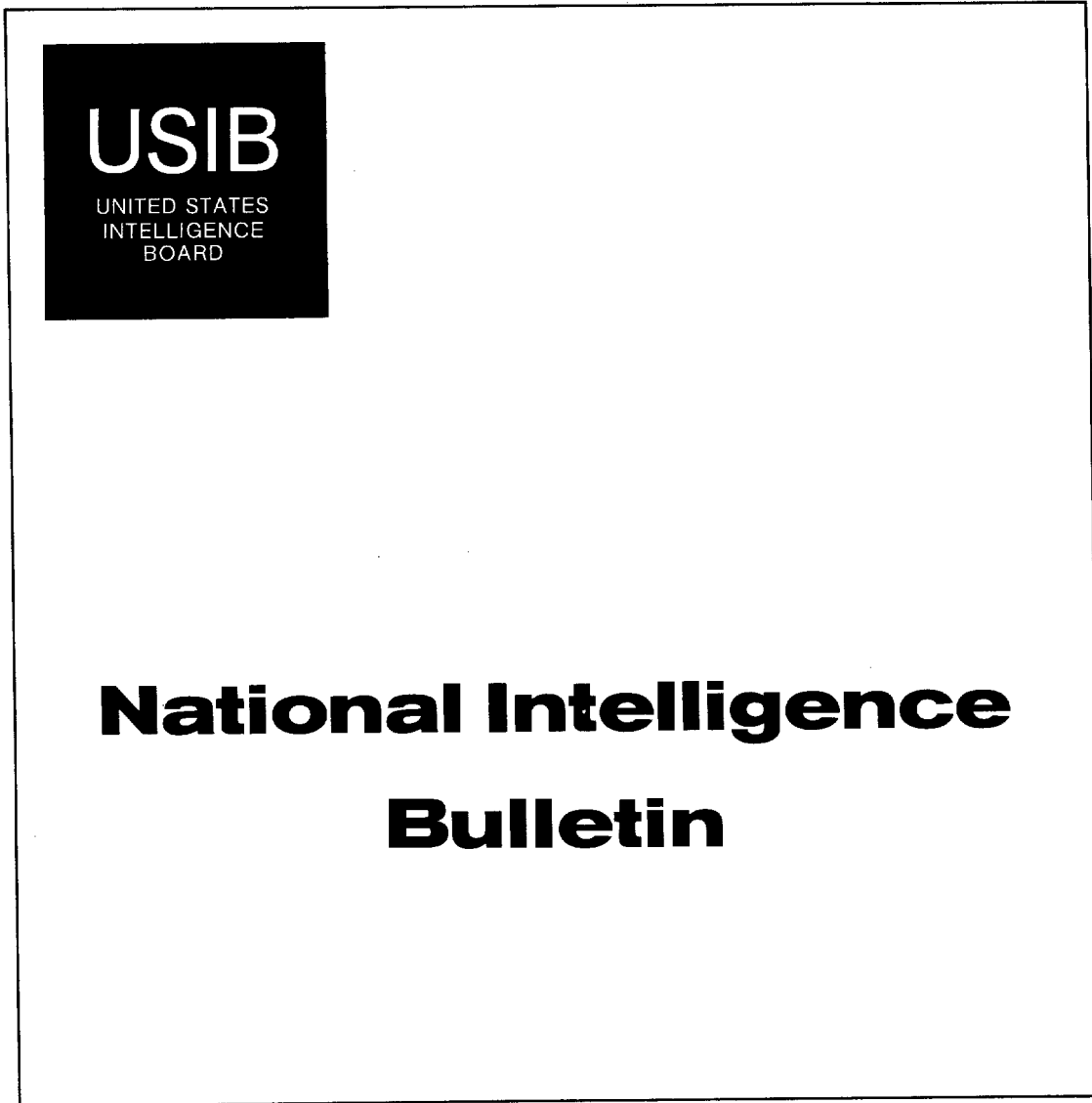
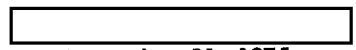


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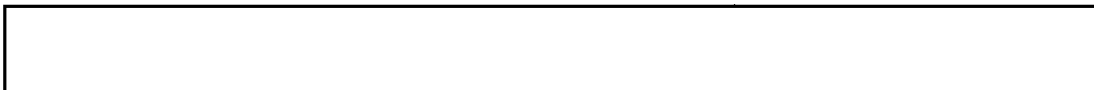
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SPANISH SAHARA

Algeria yesterday sharply denounced the recent Spanish-Moroccan-Mauritanian agreement on Spanish Sahara and set the stage for a full-scale UN debate on the future of the territory.

In a formal note attached to UN Secretary General Waldheim's latest report on Spanish Sahara, Algeria declared the tripartite agreement null and void and attacked Spain for not fulfilling its responsibilities as the administering power of a non-self-governing territory. Algiers argued that Spain could transfer administrative responsibilities only to the Saharan people or, failing that, to the UN itself.

Spain, however, claims to have acted in accordance with UN directives. The Spanish have rationalized their decision to transfer administration of the territory to Rabat and Nouakchott by asserting that the question of sovereignty is a separate issue that only the UN can resolve.

Algeria also insisted that Morocco and Mauritania do not have the right to exercise authority in the territory unless the General Assembly officially recognizes that their claims take precedence over self-determination. The Algerians have been trying to return the Saharan problem to the General Assembly, which in past resolutions has strongly supported the principle of self-determination.

In the middle of a wide-ranging conversation Wednesday with US Ambassador Parker, Algerian President Boumediene reiterated that he had not been consulted about the deal worked out in Madrid and that he does not intend to accept it. He accused the US of putting pressure on Spain to accede to Morocco's demands. Boumediene stated that partition of the Sahara in defiance of the popular will would upset the power balance in the region and, if it came to that, Algeria would have to reappraise its policy of peaceful co-existence with its neighbors.

Boumediene's remarks, coupled with Algerian press statements, suggest Algiers is willing to support a struggle by the Polisario Front, a pro-independence Saharan guerrilla movement that Algiers backs. A recent article in *Al-Shaab*, a daily newspaper that usually reflects the views of the Boumediene government, declared the best response to the tripartite deal was the determination of the Saharan people to resist the Moroccan-Mauritanian "invaders." The article added that Algeria, as a matter of principle, would support Saharans struggling to liberate their territory.

Algeria is unlikely to initiate direct military intervention, but it will continue to supply arms, a sanctuary, a propaganda outlet, and possibly some "volunteers" to the Polisario Front.

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The Polisario Front is quietly acquiring a foothold in the Sahara. A French official recently told US Ambassador Handyside in Nouakchott that units of the Polisario Front have taken over the southern Saharan town of Guera and have established themselves along the Mauritanian-Saharan border in an attempt to fill the vacuum created by Spain's withdrawal from two thirds of the territory. The Front has declared it will forcibly resist the agreed-upon Mauritanian-Moroccan administration of the region.



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CYPRUS-UN

The UN General Assembly last night voted overwhelmingly for a resolution supporting the Greek Cypriot case against Turkey.

The outcome will make the Greek Cypriots more amenable to resuming intercommunal talks with the Turkish Cypriots. The Turks, smarting from this rebuff by the UN, will probably hesitate to resume negotiations.

Greek Cypriots were determined to secure passage of a resolution blaming the Turks for not implementing last year's General Assembly resolution, which called for withdrawal of foreign troops from Cyprus, return of refugees to their homes, and negotiations on an "equal footing."

The Turks and Turkish Cypriots were determined to oppose even a reaffirmation of last year's resolution. Their second objective was to gain equal status in the UN for the Turkish Cypriot community by insisting that Turkish Cypriot leader Denktash be allowed to address the assembly. This failed, also.

The resolution that was passed last night affirmed last year's resolution and condemned Turkish colonization of Cyprus. It received 117 votes, with 9 abstentions and 1 negative vote by Turkey.

Greek Cypriots will call the assembly's action a victory. For the Turks, the vote dramatizes their increasing isolation even from the Muslim states, on whose support they had counted. Although this may increase their flexibility in the long run, for the time being they are likely to take a tough line. They may delay the resumption of negotiations until after the start of the new year, and may begin to talk again of a unilateral declaration of independence for the Turkish Cypriot zone.

At the same time, the Turks are mindful that the question of military aid will again come before the US Congress next month. This could prompt a unilateral gesture, such as the withdrawal of more Turkish troops from Cyprus. Such a move could easily be justified to the Turkish public as a money-saving action rather than a concession to the Greeks.

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ITALY

The Italian government will introduce today a medium-term economic plan involving \$50 billion in investments. Prime Minister Moro undoubtedly hopes the draft plan will disarm his critics on the left, who want a coherent investment policy to ensure long-term employment.

The proposed program is not a formal five-year plan but is designed as a guide for public and private investment decisions. Debate on the plan is expected to be prolonged, and its implementation is doubtful.

No new sources of financing are identified, and only a small part of the proposed investments are already funded. The government, meanwhile, is trying to limit the budget deficit to help control inflation. At the same time, a profit squeeze has reduced the self-financing ability of private companies.

The plan is most useful as an indication of Italy's basic targets. Its principal focus is on redirecting, through a new Fund for Industrial Reconversion, the structure of industry in order to increase competitiveness. A commission representing labor, business, and government is to be established to oversee the public and private industrial sectors. The draft also outlines investments for energy, development of southern Italy, export promotion, construction, agriculture, and transportation.

Some measures in the plan incorporate proposals from the anti-recession package ratified by parliament last month. An expanded version of the energy plan, still being debated in parliament, is also included, as well as a proposal for increasing capitalization of public enterprises.

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INTERNATIONAL ECONOMIC SUMMIT

Reaction to the economic summit last weekend at Rambouillet, France, has been generally favorable, but many countries want to know more details.

The break in the French-US impasse on exchange rates and the renewed determination of the assembled leaders to move forward on multilateral trade negotiations have been favorably received. Many, however, deplore the failure to adopt common policies on energy, relations with the Third World, and cooperation to end the recession. Some observers lament the apparent lack of progress toward strengthening the industrialized countries' position against the oil producers.

Most governments have commended the French-US monetary agreement, although the UK and Japan may voice some objections to the accord if it places limits on their ability unilaterally to decide exchange rate practices.

Other countries have generally reacted favorably either because a compromise agreement on the exchange rates reflects their own positions or because it will mean that the International Monetary Fund can now proceed with an overall monetary reform package.

Paris is playing up the importance of the monetary accord. Finance Minister Fourcade said in a press interview that the agreement will lay the groundwork for a system of stable but adjustable exchange rates. Paris—seeking to protect its competitive position abroad—is currently attempting to buoy the dollar's value by intervening heavily in the exchange market and by lowering domestic interest rates.

The pledges to avoid trade controls and to move forward in multilateral trade negotiations have received favorable press comment. Some observers are assuming that there was an agreement in principle to defuse the EC-US controversy over how to handle agricultural trade in the negotiations; they will be watching closely for signs of progress. The British press is reporting that Prime Minister Wilson received at least tacit approval to apply trade controls covering two or three industries.

The promise to work jointly for economic recovery while continuing to battle inflation has been greeted with general skepticism. Press reporters note that the European countries had failed in several past attempts to improve economic policy coordination, and they hold out little hope for change.

The disavowal of any intention to create new international institutions has tempered criticism of the summit forum in EC countries that did not attend. The French are taking much of the credit for channeling future cooperation through existing international organizations.

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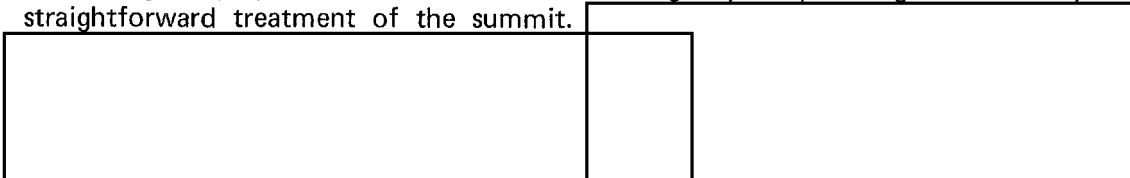
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EC finance ministers and central bank governors, at an EC Council meeting on Tuesday, were briefed in general terms by Italian Treasury Minister Colombo. Although none of the ministers at the Council meeting expressed dissatisfaction at being left out of the summit, the Dutch have shown displeasure at not being invited.

The EC will now intensify its own consultations prior to a meeting next week of the Group of Ten—the leading industrialized countries—and the January session in Jamaica of the IMF committee examining international monetary reform.

Thus far it has been primarily the communists in Western Europe who have responded negatively to the summit, which they have characterized as a US victory. In Italy, a communist newspaper said it is a "sin" that the US was able to achieve its aim of retarding the process of European unification by dividing the EC into participants and nonparticipants. The French communist press stressed the continued "supremacy" of the dollar.

Soviet commentary has emphasized that the summit constituted a Western attempt to form a united front against developing countries and that, for the industrialized states, the summit only confirmed capitalist difficulties without resolving any problems. A Chinese news agency dispatch gave relatively straightforward treatment of the summit.



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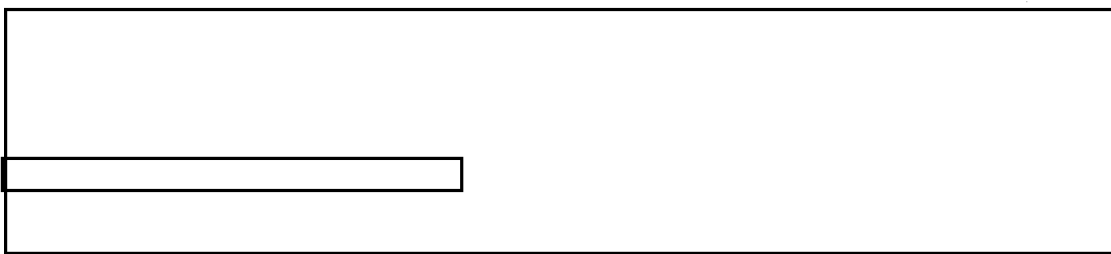
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CHINA

After years of inner party wrangling over educational policy, Peking has apparently secured Mao's endorsement for policy changes that would raise the level of academic training in China's universities.

The renewed concern for academic quality, in line with China's drive to modernize the economy by the end of the century, would in effect reverse the educational policies adopted during the Cultural Revolution of the mid-1960s. Those policies, which put primary emphasis on politics rather than on scholastic achievement, were staunchly defended by the party's left wing and have rendered China's universities virtually ineffective as institutes of higher learning.



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During the Cultural Revolution, party leftists dismissed the study of basic scientific theory as unnecessary and promoted the notion that students were on a par with their teachers. They also advocated that universities devote most of their time to teaching politics, which consisted mainly of Mao's writings.

In their attacks on the educational system and on teachers in particular, the leftists were in fact echoing Mao's own sentiments at the time. His recent repudiation of these policies, however, makes it impossible for party leftists to contend that they are acting on behalf of Mao in their opposition to higher educational standards. The Chairman's turnabout on this issue is the latest and most startling confirmation that he has now abandoned some of his visionary ideas of the late 1950s and 1960s and that the party left wing is currently in eclipse.

Possibly emboldened by Mao's show of support for the new educational policies, the minister of education made a speech in September strongly criticizing the educational policies of the Cultural Revolution. The minister claimed that the goal of education is not to send students to the rural areas to work as common laborers but to equip them with fundamental knowledge that they can apply to their field of work. He specifically criticized Peking University for failing to educate its students properly.

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Peking is not likely in the short term to abandon its policy of sending the majority of university graduates to the countryside, where they are most needed. Whatever changes may occur in this policy over the longer term are likely to be gradual.

As a result of the minister's speech, Peking and Tsinghua universities, two of China's best, announced that current curricula will be revamped, that science and research will be emphasized, and that entering students will be required to take examinations. Entrance examinations have been a particularly contentious issue since 1973, when a coalition of party leftists and some military men opposed their use and forced Peking to put less emphasis on them.

China's intellectuals reportedly have been reluctant to help the universities improve their curricula for fear that educational policy will suffer yet another reversal. Despite their misgivings, it appears that the majority of China's political leaders are intent on improving the educational system as the first step toward modernizing science and technology.

Although Premier Chou En-lai complained as early as last January that the current educational system is not adequate for China's economic needs, it was apparently not until Mao's approval of changes was made known in June that educators began making improvements. Mao's recent statements on education, his first since the Cultural Revolution, have been the missing ingredient in the long-standing efforts of people like Chou En-lai and Teng Hsiao-ping to make much-needed changes in the universities.

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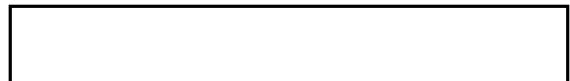
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