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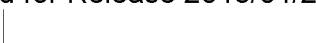
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EGYPT

The US embassy in Cairo reports that initial reaction in Egypt to President Sadat's abrogation of the 1971 Egyptian-Soviet friendship treaty is generally favorable, although Sadat apparently took the step against the counsel of some of his advisers.

The embassy said the abrogation surprised most Egyptians, who had noted the recent lull in Egyptian-Soviet polemics and who had believed Sadat wanted to maintain a semblance of balance in Egypt's ties with the USSR and the US. The embassy's impression is that large numbers of Egyptians welcome the step as "long overdue."

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there is no evidence to suggest that Sadat does not have the support of his government. Fahmi put the full weight of his support behind the treaty abrogation in a speech to the People's Assembly on Monday; as just grounds for the move, he catalogued a long list of Egypt's grievances with Moscow.

Most Arab states have ignored Sadat's announcement; some have reported it factually, but none has supported it. Virtually the only commentary has come from Jordan, where two newspapers criticized the abrogation as a move taken at the behest of the US. Both papers imply that the Soviet refusal to supply Egypt with arms has been Sadat's fault entirely and deride him for trading "thousands of tanks, planes, and rockets" for six US C-130 aircraft.

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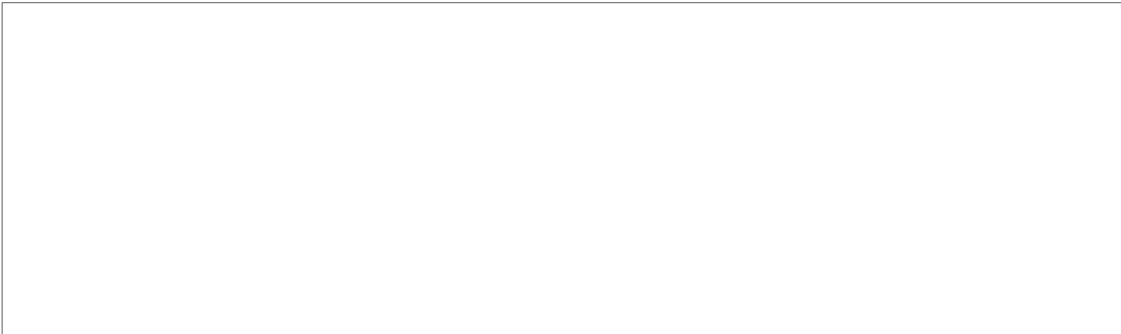


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WEST GERMANY

A smaller than anticipated wage increase accepted by 500,000 metalworkers last Friday will help ensure a continued upswing in the economy this year. The 5.4-percent wage boost probably can be offset by increases in labor productivity. The settlement establishes a pattern for the remaining 3.3 million metalworkers and will strongly influence pending wage agreements for 2 million public service workers.

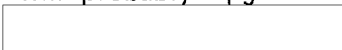
The wage settlement will be welcome news to Chancellor Schmidt and his government. Schmidt told a US official last week that he believed labor would seek a higher increase, and said that he would not be surprised if a series of strikes were staged during the coming months.



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Big business representatives as well as Bonn's economic spokesmen have argued that wage increases of less than 6 percent are necessary to allow profit margins to grow and to spur new investment. Investment is cited as the weakest element in the West German economy by most observers, and a strong improvement in this area will be crucial both for sustaining the recovery and reducing unemployment, which now stands at 1.3 million.

The favorable wage developments come on the heels of reports of increased demand for West German industrial products. In January, new orders rose about 5 percent in real terms from the previous month (seasonally adjusted), while industrial output increased 3 percent. In February, the number of workers on short time was reduced by 250,000, indicating that further production gains were probably registered. If the favorable trends continue, the still cautious business community will probably upgrade investment plans for later in the year.



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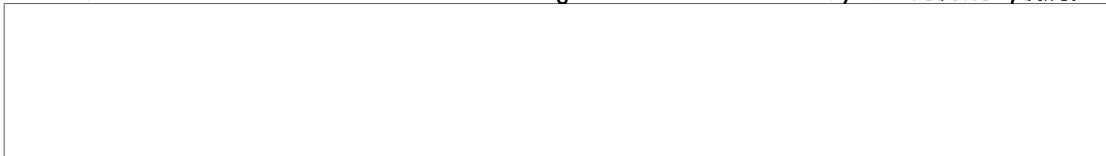
USSR

Moscow announced yesterday that Dmitry Polyansky has been dismissed as minister of agriculture. His replacement is Valentin Mesyats, a 48-year-old agronomist.

Polyansky's dismissal was foreshadowed by the loss of his Politburo seat at the party congress less than two weeks ago. Polyansky may not, however, be headed for complete obscurity. He was re-elected a full member of the 287-person Central Committee, and yesterday's announcement stated that he has been assigned other duties. The announcement did not elaborate on what Polyansky would be doing, but there has been speculation that he may be slated for a diplomatic post.

For the past five years, Mesyats has been serving as second secretary of the party organization in Kazakhstan under General Secretary Brezhnev's protege, Kazakh party boss Dinmukhamed Kunayev. Before that, Mesyats served for a number of years as deputy minister of agriculture in the Russian republic. He began his career in the Moscow region, where he held a number of party posts dealing with farm affairs.

Mesyats may owe the appointment to his good political connections as well as to his record of neutrality on controversial agrarian issues. Very little is known about his views on agricultural policy. He seems to have avoided involvement in any of the debates that have divided the agricultural bureaucracy in recent years.



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BRAZIL-POLAND

Brazil's decision to sign a four-year bilateral trade agreement with Poland, involving \$3.2 billion, is a dramatic expression of Brazilian intentions to improve ties with the Soviet Union and East European states.

The agreement constitutes a major development in Brazilian foreign economic policy. Until last year, Poland had been virtually excluded from Brazil's markets. Poland now will become one of Brazil's important trading partners.

The agreement covers a wide range of matters: long-term contracts for raw materials and agricultural products; industrial cooperation in manufactured goods; and "integration" in the fishing and ship construction industries. Most important, it will facilitate an exchange of the two countries' major export commodities, incorporating an accord signed last year providing for a ten-year barter of Brazilian iron ore for Polish coal.

Diplomatically, the new relationship is in line with Brazil's efforts to expand foreign markets and strengthen economic relations with the Soviet Union and Eastern Europe. It doubtless will give impetus to lobbying efforts by other communist countries in Brasilia. The agreement also boosts the image of Foreign Minister Silveira, who has staked his reputation in large measure on the success of his strategy of developing independent and pragmatic foreign policies for Brazil.

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INDONESIA

The report on the UN investigation of the situation in Timor should cause Jakarta few problems.

It states that an accurate assessment of the situation as a whole "remains elusive," but makes no judgments on Fretilin accusations of intervention by Indonesian armed forces. It contains a straightforward account of the UN representative's trip to Timor and restates the positions of the various Timorese factions and interested countries. The report concludes that all the parties and countries concerned agree that the people of eastern Timor should determine their own fate, but notes that they disagree on how this should be accomplished.

No date has been set for Security Council consideration of the report, and there appears to be little sentiment to renew debate on Timor. The Indonesians are anxious to avoid debate as long as possible in order to allow time for carefully managed elections to choose a Timorese delegation that would visit Jakarta and "appeal" for incorporation into Indonesia. The Indonesians have even proposed that Secretary General Waldheim's envoy return to Timor to visit previously contested areas to obtain a more comprehensive view of the situation.

Indonesian forces now control all significant population and military installations in the Portuguese half of the island, but Fretilin forces are still active in the rugged hinterlands and have frustrated the Indonesian advance in the past few weeks with hit-and-run attacks. Although morale among Indonesian troops reportedly is deteriorating, Fretilin appears incapable of seriously disrupting Jakarta's plans for eastern Timor.

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ZAIRE

Zaire reportedly has begun discussions with ambassadors of creditor countries in Kinshasa on rescheduling its foreign debt, the latest in a series of steps taken this year to cope with the country's debt crisis.

President Mobutu requested new funding from the International Monetary Fund last month, agreeing to conditions set by a Zairian government commission for curbing government spending and reversing nationalization measures enacted in 1974. He also devalued the currency by 40 percent to improve the trade balance.

Zaire's foreign debt is now close to \$3 billion, about 75 percent of it held by private banks and suppliers in the US, Canada, and Western Europe.

Already in default on repayments scheduled in 1975, and faced with low copper prices again this year, Zaire would need an estimated \$700 to \$800 million in new foreign loans to meet foreign exchange requirements for its current-account deficit and payments on principal.

The International Monetary Fund reportedly will recommend that Zaire's debt be renegotiated sufficiently to halve Zaire's ratio of debt service payments to exports, now at about 25 percent. Debt renegotiations, anticipated loans from the Fund and Western governments, and efforts to curb foreign exchange spending should enable Kinshasa to cope with its foreign exchange needs for the rest of the year.

FOR THE RECORD

AFGHANISTAN-USSR: A Soviet military delegation is expected to arrive in Kabul this week, most likely to formalize protocols negotiated last year. The emphasis of this agreement reportedly will focus on armor, especially armored personnel carriers, for Afghanistan's three armored divisions, possibly to implement an armor reorganization. The Afghan army will be able to absorb more equipment into existing units, but it is doubtful that its capabilities will be significantly increased. It suffers from a rudimentary logistic system and a shortage of skilled manpower.

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ANNEX

Southern African Leaders' Views on Rhodesia

The African leaders—presidents Kaunda of Zambia, Nyerere of Tanzania, and Machel of Mozambique—who have been working hard to bring about a negotiated settlement in Rhodesia fear that Cuba and the USSR may become excessively involved in the effort to end white rule in southern Africa. In their view, direct Cuban and Soviet involvement such as occurred in Angola would transform an African problem into a US-Soviet confrontation.

Basically, the three African leaders would prefer a negotiated settlement pressed on the Smith regime through economic sanctions and the threat of war, rather than a solution imposed by use of force. Their preference is based in part on a realistic appraisal of the limited capabilities of the Rhodesian insurgents and the serious economic dislocations, particularly to Zambia, that would ensue from a full-blown insurgency. They are especially sensitive to the possibility that a sudden escalation of guerrilla warfare against Rhodesia could result in the Cubans assuming an ever-increasing share of the fighting.

The Zambian View

Among African leaders, Zambian President Kaunda has taken the strongest stand against Cuban involvement. Kaunda has tied his prestige to a peaceful settlement of the Rhodesian problem.

When the talks between Rhodesian Prime Minister Smith and nationalist leader Joshua Nkomo began late last year, Kaunda only reluctantly agreed to support preparations for expanded insurgency, hoping that the threat of insurgency would be enough to convince Smith to accept a settlement. Since then, however, the Zambian leader has become less sanguine that an insurgency can be avoided.

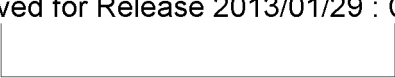
Kaunda viewed the Cuban role during the civil war in Angola as a dangerous precedent for the Rhodesian problem.

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Kaunda's foreign affairs adviser recently told the US ambassador that preparations for guerrilla war were well-advanced and that time has virtually run out for the Smith regime. The adviser's comments were clearly designed to impart a sense of urgency to the guerrilla threat and to prod the US into supporting Kaunda's policies. A recent editorial in the newspaper of Zambia's ruling party charged that US policy on Rhodesia might cause Washington to intervene on the side of the white Rhodesians as a counter to what it may see as the threat of Soviet and Cuban expansion in southern Africa.

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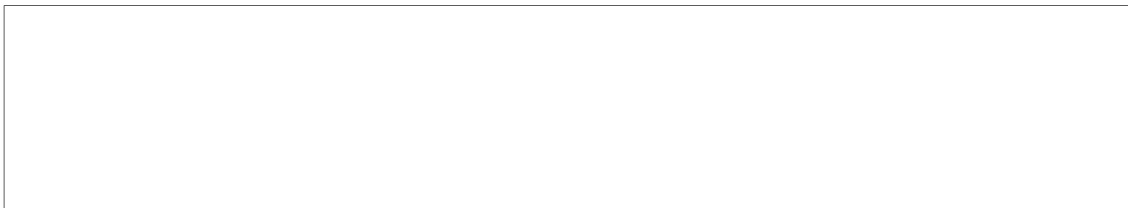
Kaunda and Nyerere fear that during an intensified insurgency guerrilla leaders with no political savvy will push aside black Rhodesian political leaders, making it more difficult for the African leaders to exert their influence over a black Rhodesian government.

Tanzania and Mozambique

Nyerere and Machel have long believed that Nkomo's talks with Smith would fail and that full-scale insurgency would be required to bring down the Smith regime. Both are willing to accept Cuban advisers and Soviet arms. They do not want to be pushed too far too fast, however, and they want assistance funneled through such established channels as the African Liberation Committee of the Organization of African Unity.

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 Nyerere and other Tanzanian officials do not want Rhodesia to become another Angola, complete with competitive Soviet and Chinese arms supplies, Cuban intervention, support from the West for "their friends," and South African military operations.



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The Soviets—judging from the mild tone taken toward the southern African problem at the recent party congress—apparently are sensitive to African feelings and are willing to sit tight for the time being. If the Smith-Nkomo talks fail, however, both Havana and Moscow are prepared to provide whatever assistance is asked of them.



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