



Director of
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USSR-US-CHINA: Brezhnev's Speech to the Military

President Brezhnev attacked US policies yesterday and indicated US pressures require Soviet countermeasures, including initiatives toward China. 



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The Soviet leader, in a speech to senior military officers, stressed the need for "even higher" combat readiness and also emphasized the need to keep pace with the US in weapons technology. In addition, he claimed "practical preparations" are under way for the deployment of intermediate range US missiles in Western Europe. 

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Regarding relations with China, Brezhnev said the USSR "sincerely" wants to normalize ties but that Moscow has seen no "radical" changes in China's foreign policy. He then noted--without explanation--that the USSR cannot ignore "the new things" that appear in Chinese policy. 

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Brezhnev's remarks came after  the US Embassy in Beijing had said that the Sino-Soviet talks, which reportedly ended on 20 October, resumed this week. According to the source, the Soviet delegation should return home tomorrow. 

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Comment: Brezhnev's emphasis on increased combat readiness and technological competition with Washington, as well as references to his personal role in formulating defense policy, probably were intended to reassure the military that the leadership shares its concerns about US strategic weapons developments. The speech, however, falls short of an explicit call for increased defense spending. 

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The President drew attention instead to shortcomings in the domestic economy. In highlighting the theme of economic self-sufficiency, he said the economy can rely "almost entirely" on its own economic resources and spoke of eliminating dependence on foreign grain "in the future." 

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//Brezhnev's reference to "practical preparations" for US missile deployments in Western Europe goes beyond the previous official formulation. In March, Brezhnev

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stated that Moscow's moratorium on deployments of "medium-range systems" would remain in effect until the US begins practical preparations for such deployments. Brezhnev's failure yesterday to mention the moratorium or Soviet countermeasures indicates the USSR is trying to increase anxieties in NATO about the consequences of initial US deployments scheduled for the spring of 1983.// [REDACTED]

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As was the case in March, Brezhnev's emphasis on the Soviets' desire for better relations with China was not accompanied by any sign that the USSR is prepared to make concessions. Nonetheless, the context of his remarks yesterday seemed intended to indicate that relations with China were a potential bright spot and could be used to counter the US. [REDACTED]

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By telling the commanders that Moscow "must not ignore" positive developments in Beijing, Brezhnev may have had one eye on preparing the military for any new initiatives toward China. Such initiatives might include a gesture of a token unilateral troop withdrawal from the Sino-Soviet border or a proposal for mutual withdrawals. According to diplomats in Beijing, the Chinese expect some initiative from the Soviets on the troop issue. [REDACTED]

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[REDACTED]

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[Redacted]

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USSR: Size of Grain Crop

//The grain harvest in the USSR is now virtually complete, and it still appears likely the crop for 1982 will total about 165 million tons.// [Redacted]

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[Redacted]

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[Redacted] Estimates by Soviet officials of the crop range from 140 million tons to 190 million tons.// [Redacted]

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//Since the beginning of July, the Soviets have bought 16.5 million tons of grain, mostly in the last six weeks. Canada and Argentina have sold them the largest amounts, and Moscow is negotiating with Buenos Aires for another 2 million tons.// [Redacted]

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Comment: *//Estimates of the grain harvest [Redacted] [Redacted] have been off by no more than 8 percent during each of the past four years. If the crop this year were to prove to be that much higher than the current estimate, it would total about 178 million tons.//* [Redacted]

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//The total amount of grain Moscow will import in the market year ending next June cannot be forecast with precision. Purchasing patterns to date have not been consistent with the roughly 45 million tons the Soviets are likely to need to maintain current consumption levels.// [Redacted]

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//Unless Moscow increases its orders from the US during the next six weeks, total imports this year will fall short of the 45-million level because of transportation constraints. The limited amount of grain available from other sources suggests the USSR would have to buy about 13 million tons from the US to reach the total of 45 million.// [Redacted]

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UK: Important Byelections

//The new political season in the UK, which could end with a general election, will be ushered in by two important byelections today.// [redacted]

//The contests are in Labor-held Peckham, near London, and Tory-held Birmingham Northfield in the industrial midlands. Both districts are economically depressed and in the past have been Labor strongholds.// [redacted]

Comment: //Labor needs victories in both contests to maintain credibility as the major opposition to Prime Minister Thatcher. Labor moderates, who strengthened their position at the party conference in September, would like to point to wins as proof that the party has to reverse its leftward drift if it is to regain power.// [redacted]

//Victory in Birmingham, where polls show a close race, would be particularly satisfying. Labor has not been able to win a byelection in a Tory-held seat since 1971, and its candidate is a moderate who told leftwing spokesman Tony Benn to stay out of the campaign.// [redacted]

//The Tories are hoping for strong second-place finishes, particularly in Birmingham, which has many of the skilled working-class voters who helped the Conservatives win the general election in 1979. Third-place finishes would revive fears the recession could bring about a defeat in the next general election.// [redacted]

//On the other hand, a Tory victory in Birmingham would increase party pressure on Thatcher to call new elections this spring. It also might encourage her to proceed with a cabinet shuffle later this year.// [redacted]

//The Social Democratic - Liberal Alliance also is hoping for good showings in order to regain media attention. One of the more prominent Social Democrats is running in Peckham.// [redacted]

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[redacted]

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MEXICO-GUATEMALA: Border Problems

//Guatemalan troop incursions, insurgent use of Mexican territory, and refugee flows have become national issues in Mexico, despite the government's efforts to play down border tensions.// [redacted]

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The government recently sent a federal security team to the south to investigate alleged border incidents, but--in keeping with its policy--it has not made the team's findings public. [redacted]

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Mexican press coverage of the border has increased substantially in recent weeks. The governor of Chiapas recently told senators of the dangers of cross-border incidents and called for greater federal attention to the area. [redacted]

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The government has responded to the publicity by creating a national commission to investigate incidents along the border. Defense and internal security officials also have tried to ease public concerns by maintaining the situation is under control. In diplomatic channels, Mexico has assured international relief agencies it is sympathetic to the needs of Guatemalan refugees and has urged the Guatemalan Government to restrain its troops operating along the border. [redacted]

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Comment: //Mexico so far has ordered Army units in the border area not to move against the insurgents and has avoided antagonizing domestic leftists sympathetic to the guerrilla cause. Nonetheless, the focus of national attention and the expected continuation of the Guatemalan counterinsurgency near the border will aggravate tensions. As a result, President-elect de la Madrid's administration may be forced to expand refugee aid programs and security measures in the area.// [redacted]

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[redacted]

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NORWAY: INF Funding Issue

//A political dispute is developing in Oslo over funding INF missile sites.// [redacted]

Comment: *//The minority Conservative government may force a vote on Norway's \$6.8 million contribution for new medium-range nuclear missile sites in other NATO countries during the budget debate next month despite the opposition Labor Party's call for a delay. With similar decisions still ahead in Denmark and perhaps the Netherlands and Belgium, Labor Party leaders want to avoid appearing to take the lead in funding a project that they believe is increasingly in jeopardy. Prime Minister Willoch has rejected the request for delay and has implied he would be willing to face a vote of confidence on the issue.//* [redacted]

//The government evidently believes that anti-INF groups in Norway will gather strength and that it is prudent to seek passage of the funding soon. Nonetheless, many politicians probably dislike this departure from the usual consensus approach to decisions on security issues.// [redacted]

//The antinuclear movements seem likely to secure some defections from the Center and Christian People's Parties, on which the minority government relies for support. The voting outlook is further confused, however, by the possibility that moderate members of the Labor Party will abstain.// [redacted]

//The debate in Norway has not spread to the Netherlands and Belgium. Unless the funding issue prompts interest among INF adversaries and the public in the status of site preparations, it is unlikely to contribute to delay in missile deployments. The Norwegian debate, however, may be a prelude to intensified activity by opponents of INF throughout Western Europe in anticipation of scheduled missile deployments late next year.// [redacted]

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NICARAGUA: Pressure on Foreign Banks

The Sandinista government has indicated it may refuse to honor its foreign debts of over \$1 billion if its creditor banks do not soon extend a sizable new loan. Nicaragua is seeking a short-term credit of \$68 million to cover both its next installment in December and imports of agricultural supplies. Despite a disposition to help Managua avoid default, foreign banks reportedly are reluctant to agree to such a large loan for fear of losing more money.

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Comment: Nicaragua faces a severe foreign exchange shortage as a result of declining export earnings, capital flight, and falling foreign aid receipts. The Sandinistas thus far have avoided defaulting on foreign debt payments, but meeting the payment in December will be especially difficult. Both sides have an interest in reaching accommodation, however, and the banks probably will be willing to come up with a small credit if the Sandinistas can offer assurances of future steps toward austerity.

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OMAN: Aid for Arms Modernization

An Omani source has told the US Embassy the Defense Ministers of the Gulf Cooperation Council will recommend \$1.2 billion in military aid for Oman at the Council summit next month. The funds would be allocated over six years for specific equipment purchases. In addition, Saudi Arabia reportedly may provide a grant of \$300 million for military projects. Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar have provided Oman with \$1 billion for arms purchases since the mid-1970s.

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Comment: If confirmed, the new funds will be the first extension of military financial aid by the Council to a member state. They may be intended to ensure future Omani arms purchases are compatible with the Council's goal of integrated weapons inventories. Although the British have the inside track for sales of interceptor aircraft and other modern military equipment to the Omanis, the US may be asked to provide weapons the UK cannot furnish. Muscat may use the aid from the Council as leverage in negotiating terms of its access agreement with the US.

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SEYCHELLES: New Coup Plot

President Rene's distrust of Western intentions toward his regime will be deepened by press reports of a new plot in London, apparently involving the same exile group that was behind the attack by mercenaries last November. [REDACTED]

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Comment: //Growing factionalism in the government, Rene's loss of popularity following the harsh repression by Tanzanian troops of the Army mutiny in August, and a rise in black nationalism are weakening the regime. Rene probably is desperate enough to seek help from any quarter, especially if he doubts Tanzanian willingness to continue propping up his regime. Rene is not likely to move against the US satellite tracking station at this time, but his increasing dependence on outside support may result in a larger role for anti-Western powers.//

[REDACTED]

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CHINA: Census Results

The census figures announced yesterday are substantially lower than figures circulated earlier by some Chinese officials, but the new total of slightly over 1 billion still confirms an increase in the rate of population growth. The officially reported population has increased by 314 million since the last count in 1964. The growth rate for 1981 is given as 1.45 percent, up from 1.2 percent for 1979. [REDACTED]

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Comment: The census depends heavily on registration tabulations of households, posing the danger that incomplete registration data has lowered the count. With government encouragement of family planning undermined by rural policies rewarding larger families, Beijing will find it difficult to limit the growth rate. [REDACTED]

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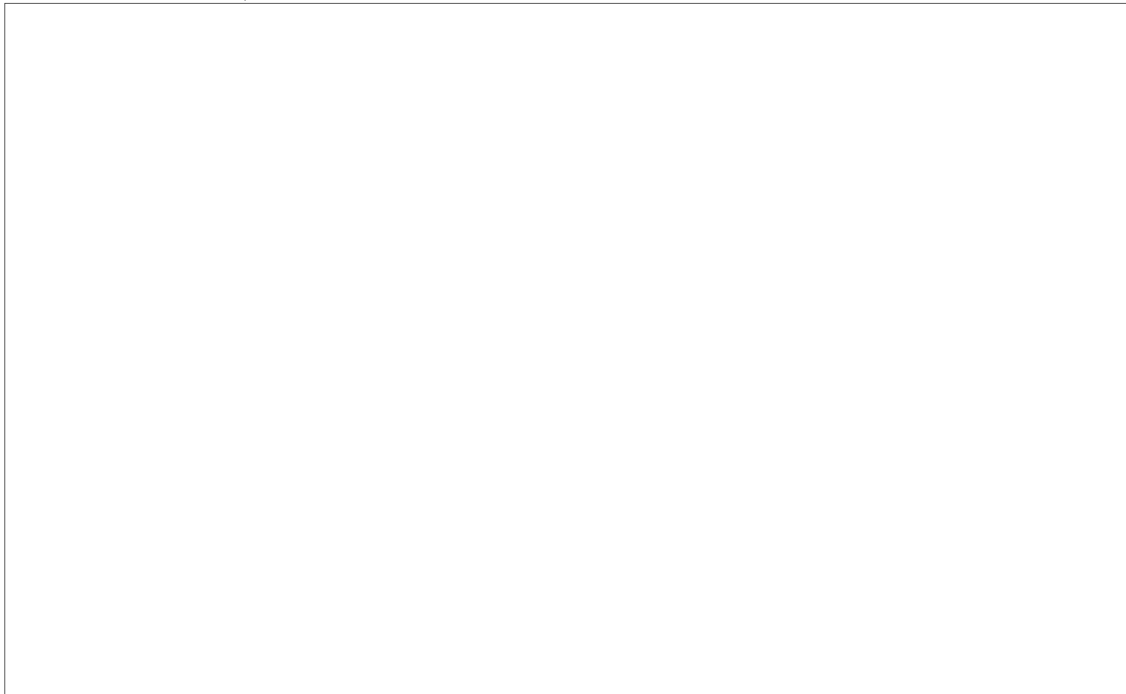
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SRI LANKA: President Plans Referendum

President Jayewardene has announced plans to hold a national referendum on extending the existing parliament until 1989 in lieu of the parliamentary election due next July. The referendum is legal under the constitution of 1978. It reportedly may be held as early as mid-December. Before the vote, Jayewardene plans to shore up the popularity of his United National Party by asking all its members of parliament to resign so that he can get rid of corrupt members. [Redacted]

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Comment: The President views his own reelection last week as a popular mandate to continue his pro-Western government's market-oriented economic policies, and he is gambling his victory will ensure a positive vote on the referendum. Bypassing the election in 1983 would prevent opposition parties from eroding the United National Party's unusually large majority in the current parliament and would prolong its ability to amend the constitution. The referendum, however, also may allow the disparate and demoralized opposition parties to portray the President's party as afraid to face the electorate. Such an issue might enable them to muster a majority against the referendum. [Redacted]

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[Redacted]

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FRANCE: Planned Cutback in Nuclear Power Program

The government plans to reduce France's domestic nuclear power program because of a slowdown in the growth of electricity demand, and it will put more emphasis on exports. Beginning in 1984, the National Electric Company will slash its current order rate of three reactors per year by as much as 50 percent. Plants under construction are not affected, however, and France will complete 30 nuclear power reactors by 1989.

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Comment: Scaling down the program will be difficult. Labor unions, nuclear power advocates, and opposition parties are against the proposed cutback. The projected reductions will not solve the problem of excess nuclear power capacity by the end of the 1980s unless plants already under construction also are delayed. To counter its critics and reduce the damage to the nuclear industry, the government probably will become even more aggressive in the international nuclear reactor market.

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KUWAIT: Stock Market Crisis

A sharp decline in stock prices in Kuwait over the last several months is damaging the economy. Retail activity is down, land prices have dropped, some contractors and private sector employees have not been paid, and bankers fear a run by depositors. The government has purchased \$90 million worth of stock to help support share values and has deposited \$350 million in commercial banks to improve liquidity. The cabinet on Sunday proposed a special government fund that would be available to traders unable to meet their commitments.

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Comment: Postdated checks are commonly used in Kuwait to pay for stocks, leaving investors overextended when prices subsequently drop. The crisis developed when many investors were caught short. The regime is reluctant to antagonize speculators--some of whom reportedly are members of the royal family--or bankrupt small investors. As a result, government expenditures to cover market liabilities almost certainly will increase substantially over the next few years.

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