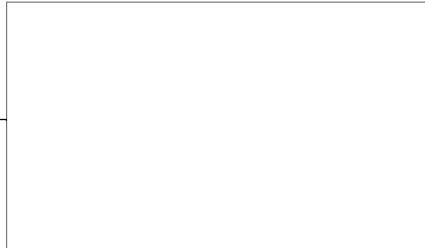




**Director of
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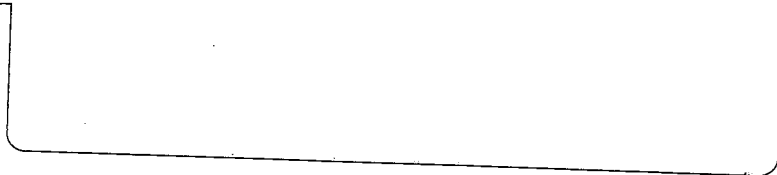
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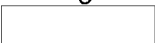
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EL SALVADOR: Military Reorganization

Defense Minister Vides has made sweeping changes in the Salvadoran high command, including the appointment of a new chief of staff. 

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Vides announced on Friday the appointment of Col. Adolfo Blandon as chief of staff and Lt. Col. Miguel Mendez as head of operations. Lt. Col. Domingo Monterrosa of the elite Atlacatl Battalion was named to head the 3rd Brigade, and at least nine other major field commands—including three of the four US-trained immediate reaction battalions—received new commanders. In addition, the Army's six military zones were realigned, placing the departments of San Miguel, Morazan, and La Union under the command of the 3rd Brigade. 

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Comment: The Defense Minister had been under growing pressure for over a month to make major command and institutional changes to improve the Army's conduct of the war. The appointments of Blandon and Mendez—both respected field commanders—almost certainly presage a substantial increase in the command and control authority exercised by the general staff. Monterrosa is considered the Army's most effective field commander, and the reorganization of the eastern departments under his leadership probably underscores the government's concern about recent guerrilla successes in that region.



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ROMANIA: Economic Problems

Bucharest is taking steps that will cause living standards for workers to become worse and could lead to widespread unrest during the coming winter. [Redacted]

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President Ceausescu announced Friday that the government has approved measures to cut by 50 percent all domestic energy consumption not directly tied to production. [Redacted]

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[Redacted]

Western press reports from Bucharest say the leadership has urged consumers to stop using vacuum cleaners, washing machines, and refrigerators in an energy-saving campaign unprecedented in postwar Romania. In addition, the regime reportedly will close all schools for the month of January. [Redacted]

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The government also intends to impose—sector by sector during the next several months—a complex wage system tying salaries more closely to plan fulfillment. [Redacted]

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[Redacted]

Comment: Ceausescu is shifting the burden to consumers in an attempt to protect Romania's shaky industrial sector and to repay hard currency debt as quickly as possible. Consumers, however, already are beleaguered by falling living standards, the worst food shortages since World War II, and earlier energy cutbacks and price hikes. The new energy measures will bring hardship to many Romanians, and the new wage program could result in take-home pay cuts for many as new groups of workers are added on the first of each month through the winter. [Redacted]

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The security forces have thus far been able to intimidate the disgruntled populace. Nevertheless, the new measures—particularly if they lead to severe dislocations—could provoke spontaneous protests that might be difficult to control. [Redacted]

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PHILIPPINES: Demonstrations Continue

Opposition leaders in the Philippines are planning a general strike for today as a conclusion to the protest activities of the last week. 


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The "Justice for Aquino, Justice for All" alliance, which the US Embassy reports has been heavily penetrated by Communists, is calling for a day of rest—a euphemism for a general strike—and urging everyone to remain at home. As many as 80,000 workers participated yesterday in an antigovernment demonstration in Manila commemorating the birthday of murdered opposition leader Benigno Aquino. 

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The rally was sponsored by the May First Movement, a radical labor organization previously believed to be on the fringe of the labor movement. Demonstrations elsewhere were smaller than the one in the capital, but they were more numerous than those that followed Aquino's funeral in September. 

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Comment: The opposition's success in organizing large demonstrations yesterday—more than three months after Aquino's assassination—confirms that the breach between Marcos and the people is deep and possibly irreversible. In addition, the apparent ability of the May First Movement to stage a large rally suggests that the economy has become a critical political issue. Extensive participation in a general strike today would indicate that the opposition might sustain momentum through National Assembly elections in May. 

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[Redacted]

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USSR: Commitment To Improve Consumer Goods

The leadership has shown increasing interest in strengthening the sagging consumer goods sector with help from the West. [Redacted]

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The Politburo in September approved the inclusion of the consumer goods program in the Five-Year Plan for 1986-90. Soviet media recently announced that a Politburo commission for overseeing development of this program had met to discuss the provision of goals and services in the consumer sector. The commission stressed the need for more raw materials for consumer goods production. [Redacted]

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[Redacted]

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Comment: The consumer goods program—one of several long-term plans under discussion since 1979—has received less emphasis than the food and energy programs. The leadership has been conspicuously vague in some of its statements, and it is not clear to what extent the recent actions will be backed up by substantial increases in investment or by an increased commitment in heavy industry to produce more consumer goods. General Secretary Andropov has hinted that consumers should not expect too much. [Redacted]

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CHINA-US: Problems in Relations

Beijing has formally protested two recent moves by the US Congress regarding Taiwan on the grounds that they violate earlier US commitments to a one-China policy. [redacted]

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The Chinese Foreign Ministry called in the US Ambassador twice in the past week to protest two congressional resolutions dealing with Taiwan. The Chinese claim that the first, approved by the Senate Foreign Relations Committee last week, supports an independent Taiwan and is "deliberate interference in China's internal affairs." The second protest complains that language attached to a funding measure for regional development banks, which refers to Taiwan as the "Republic of China," is an attempt to pursue a two-China policy.

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After delivering the protest notes, Chinese officials suggested that visits next year by Premier Zhao to the US and by President Reagan to China had been jeopardized by the congressional moves. In the second note, Beijing called for the US to take "immediate, concrete measures." [redacted]

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Chinese media are replaying the protests along with critical commentary. Beijing has also complained about remarks purportedly made by President Reagan in Tokyo about US relations with the "Republic of China," which the media said were in contravention of various US-Chinese communiques. [redacted]

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Comment: Despite the protests, the Chinese are continuing preparations for the exchange of top-level visits. The Chinese are concerned, however, that Premier Zhao could be embarrassed if his visit coincides with the introduction of the Taiwan resolution to the full Senate. They appear to be seeking a high-level public reaffirmation of the US commitment to a one-China policy. [redacted]

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The domestic political atmosphere in China, particularly the campaign against Western cultural and intellectual influences, may be affecting the tone of China's complaints. Even more than usual, no one in the leadership can afford to be perceived as too compromising on the question of Taiwan. [redacted]

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LIBERIA: Coup Plot Developments

The government suspects former armed forces commander Quiwonkpa of involvement in recent coup plotting and has given him until today to surrender for questioning. [Redacted]

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Security officials yesterday publicly called on Quiwonkpa to turn himself in within 48 hours. Liberian troops have surrounded him and some of his followers in a village in his tribal homeland. [Redacted]

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The government is giving wide publicity to statements made by seven alleged coup plotters it has in custody. All admit to being colleagues of Quiwonkpa as well as members of his Gio or the related Mano tribe. Some of the detainees claim that Quiwonkpa was directly involved in the plot, in which Gio and Mano soldiers in Monrovia were to rebel at the same time that other plotters mounted a small-scale raid against a mining town in which some of Head of State Doe's Krahn tribesmen were killed. [Redacted]

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The US Embassy reports that many Liberians still are not persuaded of Quiwonkpa's involvement. They suspect the charges against him have been concocted to frame him for political reasons. [Redacted]

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Meanwhile, the Soviets have expelled Liberia's Ambassador in retaliation for the earlier ejection of the Soviet Ambassador in Monrovia for alleged involvement in the plot. There is no sign, however, that either government is considering breaking diplomatic relations. [Redacted]

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Comment: Events could easily degenerate into strife between the Gio and Mano tribes and Doe's politically dominant Krahn if Quiwonkpa comes to harm or if the former general is not seen as receiving fair treatment in any future trial. Although it is doubtful that the Gio and Mano are sufficient in number to bring down the regime, dissidence on their part could slow progress toward a return to civilian rule by 1985. Doe publicly maintains that internal tranquillity and economic progress are preconditions for the military's return to the barracks. [Redacted]

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CHAD: Efforts at Reconciliation

Obstacles remain in the way of successful OAU-sponsored reconciliation discussions tentatively set for late December in Addis Ababa. [redacted]

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The US Embassy in Lagos says a Nigerian delegation that recently returned from Tripoli following talks there on Chad reports that Libya still objects to President Habre's continuing as chief of state. Rebel leader Goukouni issued a statement in Tripoli last Friday "welcoming" the OAU initiative and talks with Habre's "faction." According to the US Embassy in N'Djamena, Habre's agreement to participate is contingent on his treatment as Chad's legitimate head of state. [redacted]

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Meanwhile, Habre reached a tentative agreement last week with a group of southern dissidents—now numbering almost 1,000 men—that plans to rally to the government. The US Embassy reports that Habre has granted the ralliers freedom to circulate in their district and has given them some limited administrative responsibilities. Chadian officials indicate, however, that dissident activity continues unabated elsewhere in the south. [redacted]

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Comment: Although Libya appears to have agreed to send the Chadian dissidents to the conference in Addis Ababa, Tripoli almost certainly hopes to bargain for a compromise candidate to replace Habre as Chad's president. Habre's agreement to go to the negotiating table probably reflects increasing French pressure on his regime after a cease-fire lasting almost four months, but it represents little progress toward a settlement. A successful conclusion to talks with southern dissidents would probably enhance Habre's image as an effective leader and thereby strengthen his bargaining position in Addis Ababa. [redacted]

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ROMANIA-USSR: Discord on INF

Romania broke ranks with its Warsaw Pact allies Friday, calling on both the US and the USSR to reconsider plans to deploy new nuclear missiles in Europe and to return to the Geneva arms talks. Criticizing both sides for taking unjustified measures that are pushing the world toward nuclear war, Bucharest suggested that Washington halt INF deployment and reduce the number of air- and sea-borne missiles "oriented toward Europe" and that Moscow withdraw and dismantle all medium-range missiles in the European USSR. Romania also called for meetings this year between Secretary of State Shultz and Foreign Minister Gromyko and early next year between President Reagan and General Secretary Andropov. The statement further advocated that a "consultative conference" of NATO and Warsaw Pact states be held concurrently with the Geneva talks to discuss the respective Soviet and US proposals. [redacted]

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Comment: While the statement contains little that is new, its more evenhanded criticism of the US and the USSR will irritate the Soviets and further damage already strained Soviet-Romanian relations. It is unlikely, however, to have any impact on Moscow's countermeasures strategy. [redacted]

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JAMAICA: Seaga Calls Election

Prime Minister Seaga, using the opportunity provided by an opposition demand that he resign as minister of finance, has announced a general election to be held on 15 December. The opposition People's National Party had threatened to bring about a constitutional crisis if an early election were called that required the use of outdated voting lists. The demand for Seaga's resignation came after he announced in the parliament last week a currency devaluation, a new agreement with the IMF, and other economic reform measures. [redacted]

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Comment: Opposition leader Manley's party committed a major tactical blunder by enabling Seaga to call elections at a time when events in Grenada have moved the ruling Jamaica Labor Party to a 7-percent lead in public opinion polls. Seaga is likely to receive a new five-year mandate because his party faces an ill-prepared opposition party that reportedly is divided over whether to contest the election. Moreover, the Prime Minister's prospects will be helped by the private sector's response to the devaluation, which thus far has been positive. [redacted]

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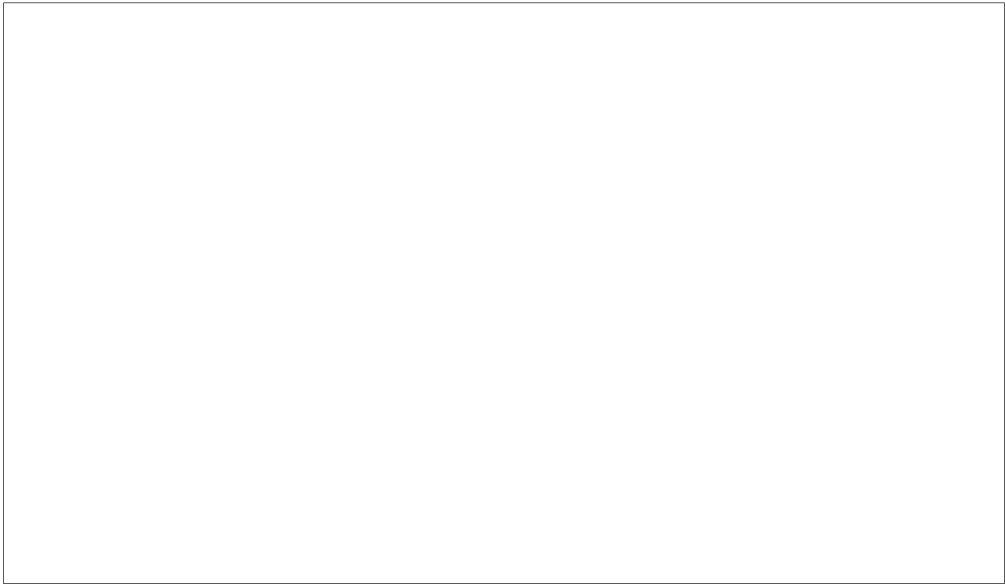
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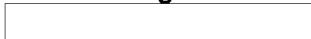


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MALAYSIA: Prime Minister Challenges King's Authority

Prime Minister Mahathir's effort to reduce the King's authority by a constitutional amendment calling for an end to royal assent on legislation is developing into a political crisis. The amendment is opposed by the King and the nine state sultans, who are supported by the ruling party's old guard, which believes Mahathir is ignoring its interests. The US Embassy reports that rumors are circulating that Mahathir has threatened to resign if the move to amend the constitution fails. 

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Comment: Mahathir is unlikely to resign. He and his party colleagues place great emphasis on maintaining Malay unity, and neither the Prime Minister nor the sultans have ruled out a compromise. Maneuvering on a possible compromise formula 
 could produce results at the meeting of the ruling party's Supreme Council on 3 December.


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ARGENTINA: Drug Trafficker Released

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the Argentine military junta has released former Bolivian Minister of Interior and drug trafficker Luis Arce Gomez, who was in custody pending resolution of a US extradition request. Arce ran his own cocaine trafficking network in Bolivia from July 1980 to March 1981 and was the symbol of corruption in the Garcia Meza administration.

[Redacted] the junta detailed a contingent of military and federal police to protect Arce until he leaves the country. [Redacted]

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Comment: The junta had hoped to exchange Arce for a US citizen who they believe was involved in the assassination in Argentina of Chilean General Carlos Prats in 1974. When the Argentine extradition request was denied by the US, Arce's detention apparently was no longer considered necessary. Helping Arce get out of the country, moreover, would remove a possibly embarrassing problem for the civilian government scheduled to take office early next month. [Redacted]

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Special Analysis**PLO: Arafat's Political Prospects**

The assault on Yasir Arafat's forces in Tripoli has gained him increased sympathy among Palestinian moderates. Even if Arafat extricates himself from Tripoli, the military defeat he has suffered will leave him with little leverage in Middle East politics. He probably will try again for a role in the peace process, but under conditions that the other participants will find difficult to accept. The PLO radicals and the Syrians have the upper hand over Arafat and the moderate Arab states, and are likely to remain the dominant Arab voices on the Palestinian issue.

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The successive political and military defeats Arafat has suffered since the evacuation from Beirut have irreparably damaged his authority. The split in Fatah and the bleak prospects of the forces that remain loyal to him have deprived him of his base of power.

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Arafat's chief political asset is his continuing popularity among most Palestinians. Moderates usually critical of his vague and shifting diplomacy and leftists long hostile to his pursuit of a political compromise with Israel have rallied behind him.

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The PLO chief's only hope for political survival is to create a new organization around the moderate Palestinian supporters. He will have difficulty, however, translating his popular support into political power. Most Palestinians are far removed from the main arena of conflict with Israel, and they lack political organization.

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Arafat's backers in the West Bank are politically cautious. They also are divided by local and ideological rivalries and recognize that their future depends as much on decisions made in Israel as on their support for Arafat. Many have serious reservations, moreover, about some of Arafat's specific policies and his capacity for creative leadership.

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Arafat's Alternatives

If Arafat can get out of Tripoli, he probably will consider reviving his efforts to work with Jordan's King Hussein toward expanding the Middle East peace talks. Despite a need to show some quick results, he is likely to move cautiously. Arafat probably would demand that negotiations have to lead to the establishment of a Palestinian state, or that the talks at least not rule out such an outcome.

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At a minimum, Arafat is likely to insist that any endorsement given to Jordan to negotiate Palestinian issues with Israel be contingent on Tel Aviv's halting settlement activity in the West Bank. He will seek assurances that the US will press Israel for concessions in the West Bank and Gaza. He also might insist that, if he renounces terrorism and armed struggle, Israel accept him as a direct participant in any negotiations. [redacted]

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Even if Arafat achieves some early success, however, PLO radicals and the Syrians have at least an even chance of blocking his initiatives. They are prepared to use terror to intimidate his Palestinian and Arab supporters. [redacted]

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The radicals also will bid for Palestinian support by claiming that Arafat is pursuing the same bankrupt policies that undermined his support in the PLO. They will claim that he is now much weaker politically and that he thus is less able to secure a settlement favorable to the Palestinians. [redacted]

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Supporters of the Fatah rebels are already working to win adherents in the West Bank. Some moderates there believe time is on the dissidents' side, especially if Arafat fails to make political progress. The rebels' call for armed struggle against the Israeli occupation appeals to many West Bank hardliners, especially the volatile students, no matter how self-defeating such action might be. [redacted]

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The Legitimacy Issue

The dissidents' immediate goal is to gain recognition as the legitimate leaders of the PLO and assume the Arab League's mandate to act as the sole representative of the Palestinians. They would prefer to remove Arafat and his loyalists through nominally legal methods. [redacted]

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With Syrian support, the rebels probably will convene a Fatah general congress and manipulate it to replace Arafat. It will be more difficult, however, to remove him as PLO chairman. [redacted]

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Arafat's supporters apparently still command a majority on the 380-member Palestine National Council, which elects the PLO's 15-member Executive Committee. Its members are scattered throughout the Arab world, and the dissidents currently would be hard pressed to convene a quorum without Arafat's approval. [redacted]

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Arafat also is aided somewhat by the continued support he receives for his legitimacy as PLO leader from the Popular Front for the Liberation of Palestine and the Democratic Front for the

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Liberation of Palestine, which, after Fatah, are the two most important PLO groups. Syria's moves against Arafat have seriously strained its relations with these two Marxist groups. Their leaders have no alternative to maintaining a presence in Syria, however, and they thus are forced to accept domination by Damascus. [Redacted]

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Over time, Arafat's majority on the National Council is likely to erode unless he achieves some political breakthrough for the Palestinian cause. The National Council will become irrelevant to the Palestinian cause, moreover, if its only function is to keep a politically weak Arafat formally in power. [Redacted]

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King Hussein will be disinclined to revive his talks with Arafat as long as the issue of PLO legitimacy remains unresolved. Even if Arafat manages to stay on as PLO chairman—and the odds are against him—Hussein will want assurances that Arafat will not back out again and that Saudi Arabia and the moderate Arab states will firmly back Jordan's move. [Redacted]

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In the moderates' view, talks between Hussein and Arafat are unlikely to succeed until the US forces Israel to cease settlement activity or to make some other gesture of flexibility. If the Arab states are dissatisfied with the US and Israeli response, they would be reluctant to support talks between Arafat and Hussein. [Redacted]

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Outlook

If Arafat leaves Tripoli, he will be able to join Hussein in support of the Middle East peace process only if he demonstrates quickly that the political option can achieve results favorable to the Palestinians. He is unlikely to succeed. His minimum demands probably will continue to exceed the maximum concessions that Israel will offer. [Redacted]

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PLO radicals will not for some time, if ever, acquire the breadth of support enjoyed by Arafat. Nonetheless, they probably will be able to veto any move by more moderate Palestinians to reach a settlement with Israel that the radicals and Syria oppose. The Jordanians and the Israelis, meanwhile, will be wary of accepting Arafat as a partner in negotiations while the Palestinians are divided into warring camps and Arafat can no longer claim to represent a Palestinian consensus. [Redacted]

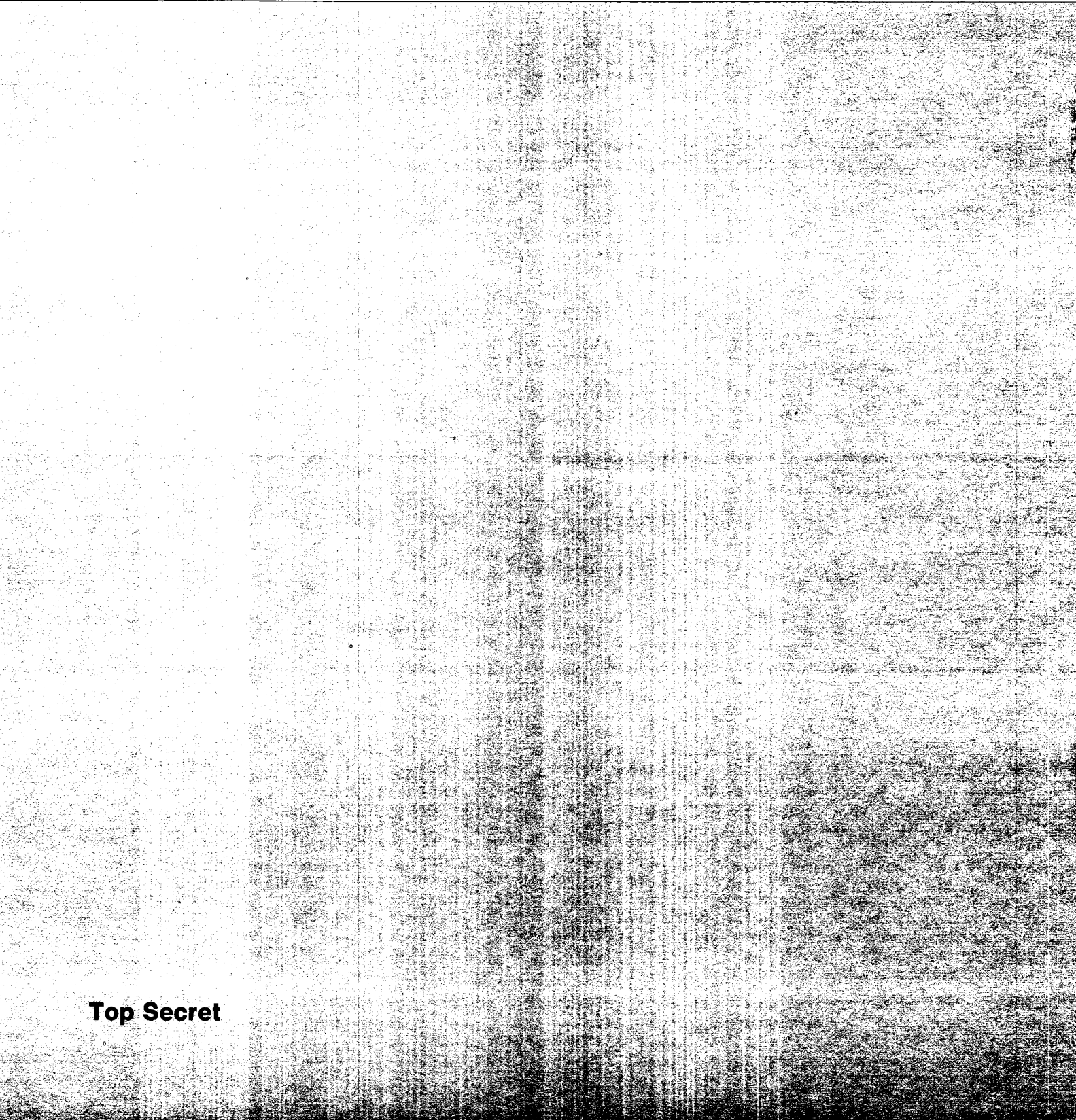
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