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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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February 2, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ZBIGNIEW BRZEZINSKI

SUBJECT:

Information Items

Growing Signs of PRC Debate on Defense: According to a State Department analysis, there are signs in recent PRC public statements which could indicate a growing debate in Peking over the correct approach to military modernization. This could be the first major issue since last year's purge of top leftists to disrupt leadership consensus on broad economic priorities. If this debate develops, Chairman Hua Kuo-feng may be caught between the desire of China's military for a steady or increased flow of funds and the arguments of those who favor increased civilian investment and efforts to boost the standard of living.

The issue of defense spending may also bear on the argument over when and how to rehabilitate Teng Hsiao-ping. In mid-1975 Teng launched a major defense modernization program and it could well be that those arguing for maintaining or enlarging defense capabilities are also seeking Teng's rapid return to support their cause. Open debate over defense issues is rare in the PRC and it may be some time before its full dimensions -- and their possible relationship to the struggle over Teng's comeback -- become known.

Cyprus -- EC Anxious for U.S. Initiative: Embassy Brussels reports that former Cypriot President Clerides recently told Belgium Foreign Minister Van Elsslande that Greeks, Turks and Cypriots would welcome a new U.S. initiative on Cyprus. Clerides allegedly prefers a U.S.-EC approach to a U.S.-French-West German effort. The embassy also learned that the EC is anxious to associate itself with a U.S. proposal. At their London meeting, the Political Directors agreed, among other things, to offer their cooperation with the U.S. on Cyprus.

State Department review completed

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Oil Price Compromise Picks up Support: Indonesia's ambassador to Qatar and Kuwait recently told Embassy Doha that his government will back Qatar's proposal for an oil price compromise based on a uniform increase of ten percent. He said Indonesia would be willing to forego the additional five percent hike scheduled for July 1 if Saudi Arabia and the UAE would agree to a flat ten percent. The ambassador added that other OPEC members he had contacted had voiced similar support for a compromise and that Djakarta hoped to reach such a compromise without an extraordinary OPEC session.

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