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I GENERAL VIEW OF THE REGION

This region, of great and growing strategic significance, (oil, lines of communications, access to seas and real estate), is beset by actual and potential conflicts. Our interests require that we try to end actual conflicts and prevent latent instabilities from threatening general order in the ~~region~~ ^{AREA.}

[^] Lying at the geographic center of the region, Iran is an increasingly powerful bastion, which shares our concerns about most regional problems.

The Soviet Union, on the other hand, seeks to exploit areas of conflict or potential conflict in the ~~region~~ ^{AREA} to enhance Soviet interests, weaken those of the United States and outflank China from the South. Supporting radical regimes in Iraq and South Yemen, the Dhufari rebels, a ^{2 101} revolutionary new regime in Afghanistan and an India which constitutes a latent threat to Pakistani security, the Soviet Union either foments instability or tries to increase its potential for doing so. However, the Soviets seem unlikely to pursue their goals in the region so vigorously as to destroy detente with the United States.

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in the region, even if Peking's constructive role here is more a factor of its fear of the Soviet Union than of anything else. Chinese policies have already reinforced our position in the area and can reinforce our interests even more if U.S.-Chinese relations can be further improved.

China has publicly endorsed the Iranian position that Iranian military strength is essential to protect the Gulf from foreign interference, especially from the socialist imperialism of the Soviet Union.

II. THE GROWING INFLUENCE OF IRAN

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Stability in Iran depends on the survival of the Shah, who is the directing force of the Iranian renaissance. The tribes and the landlord class are spent as political forces, and urban terrorists are only a nuisance. From a stable base Iran, with our encouragement, is helping to control the Omani rebellion, and is assisting Jordan and other moderate area regimes. It is working, with considerable success, to reinforce its diplomatic, cultural and trade relations with Arab states touching the Persian Gulf. The U.S.-supported buildup of the Iranian Armed Forces strengthens

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the Shah and creates a force which will help to prevent area conflicts from being exploited to the advantage of regimes favorable to the Soviet Union.

III. AFGHANISTAN AND PAKISTAN

The republican regime in Afghanistan is seen by the Shah as potentially, if not actually, serving Soviet interests in gaining access to the Indian Ocean. Even if Daud survives and tries to keep the Soviets from dominating his country, he seems likely to continue to agitate the sensitive Baluchistan and Pushtoonistan issues against the territorial integrity of Pakistan. If Daud is ousted by the young officers, Afghanistan may move even closer to the Soviet Union. Since Baluchi separatism poses a threat to the eastern province of Iran, the Shah will use force if necessary to combat it. The Chinese see a Russian hand behind the Afghan coup and align with the Iranians and Pakistanis in distrusting the new regime in Kabul.

The recent floods dealt a serious blow to Pakistan, already weakened by the military disaster of 1971 and by Pashtu and Baluchi separatism and political factionalism.

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The visit to Washington of Prime Minister Bhutto improved his internal position and self-confidence. Bhutto realizes that good relations with India are necessary for Pakistan's security and stability. The release of Pakistan POW's should improve the situation in Pakistan. Iran's moral and financial support will also help. The Shah has said he will not stand by to permit the dismemberment of Pakistan. Should this process begin he would likely occupy Pakistani Baluchistan adjacent to Iranian Baluchistan.

IV. THE ARABIAN PENINSULA, PERSIAN GULF AND JORDAN

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The Arab mini-states of the Persian Gulf have proved to be more stable than some expected. With our encouragement, Iran has now exchanged diplomatic representation with all Arab political entities touching the Gulf. Iranian, Jordanian, British and Saudi military-economic assistance to the Sultan of Muscat has at least contained the Dhufari rebellion and kept it from extending to the Gulf itself. Iran is still seeking to soothe King Faisal's resentment over the Iranian seizure of Abu Musa and the Tunb islands. While Faisal remains obdurate on this issue, he is not expected to do anything to disturb his basically good relations with the

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Shah. The dominant military position of Iran in the Gulf insures that the waterway will be secure for oil shipments to the world, provided the producing countries of the Gulf are willing to sell it.

Elsewhere in the Arabian Peninsula, the Soviet-supported People's Democratic Republic of Yemen centered in Aden continues to be a problem. The Chinese should be wary of further support to this regime which serves Russian interests. Saudi Arabia is working for stability in Oman, supporting North Yemen against the radical Aden regime and continuing to give important financial aid to King Hussein of Jordan. Current Arab-Israeli hostilities throw many wild cards into ^{b 101} the game in the Arabian Peninsula. The USG must find some position which will appear sufficiently even-handed to allow friendly Arab regimes to continue exporting oil through American companies without being overthrown by their populations as betrayers of Arab interests.

V. SOVIET, CHINESE AND INDIAN ACTIVITIES IN THE REGION

The complex rivalries and overlapping ambitions of these three powers have great impact in the region. China

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fears Soviet encirclement and eventual nuclear attack.

In pursuit of its own interests, the Soviet Union is supporting India, Afghanistan and Iraq and maintaining a sizeable naval presence in the Indian Ocean. China joins Iran in supporting the integrity of Pakistan and opposing the expansion of Soviet influence in the Middle East and South Asia.

In this context, China's efforts support stability while Soviet assistance to Afghanistan, India, Iraq and the PDRY has a destabilizing influence in Pakistan, the Arabian Peninsula and the Persian Gulf. China has discontinued its active support for the Dhofari rebels, suggesting that Peking recognizes that the Dhofari revolt serves mainly Soviet interests. When PRC Foreign Minister Chi visited Iran some months ago he publically supported Iran's policy of strength in the Persian Gulf and the Iranian doctrine that the area's defense is a matter for the littoral powers alone.

India's pursuit of a secure supply of oil and its suspicion of the Pakistani-Iranian axis, causes it to support the radical Iraqi regime which has oil, fears Iran, and could use Indian military technicians. In the system of

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interrelated suspicions and rivalries among India-Pakistan-Afghanistan-Iran and Iraq, we have tried to influence all parties from over-reacting to one another and by their over-reactions, escalating the level of mutual suspicions and rivalries. In this we have had only limited success. We should try to convince the Chinese that our own objectives in the area are parallel to their own, especially in opposing the extension of Soviet control either directly or by Soviet surrogates. While the Chinese have limited power to act directly in the area, their prestige as a major power and their position as the socialist bloc challenger to Soviet hegemony can make them useful adjuncts to our own efforts to contain the Soviet thrust into the region.

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