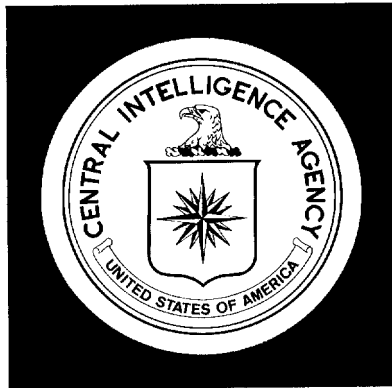


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Dept. review completed

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26 January 1973
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

CONTENTS (26 January 1973)

FAR EAST

- 1 Indochina
- 3 South Korea: Pulling the Strings
- 4 China-Japan: Trade Grows

EUROPE

25X1

- 5 Security Conference; Force Talks
- 6 Finland: Kekkonen Till '78
- 7 EC Nods Toward Far East
- 7 Belgium: New Coalition 25X1
- 8 UK: Beating Back Inflation

[Redacted]

- 9 Italy: Hurdles for Andreotti
- 10 West Germany: Temperate Talk 25X6
- 11 USSR: More Aircraft Deliveries

[Redacted]

- 12 Lira and Swiss Franc Afloat

WESTERN HEMISPHERE

- 13 Argentina: Campaign Tactics
- 14 Haiti: Troubled Dynasty
- 15 Mexico: Investment Climate
- 15 Peru: Tuna Offensive
- 16 Panama: A Range of Options
- 17 Chile: Soviet Support; Compromises and Campaigns

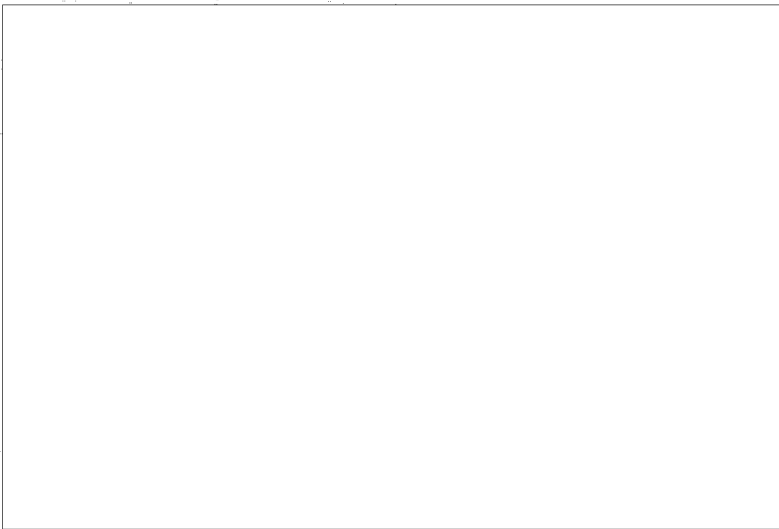
MIDDLE EAST AFRICA

- 18 Zambia-Rhodesia: Bargaining
- 20 Portuguese Guinea - Guinea
- 21 India: Unmaking of a State
- 21 Cyprus: Makarios vs. Grivas
- 22 Egypt: Students and Intellectuals
- 22 Syria: In Search of Help

SPECIAL REPORT

(Published separately)

Shah of Iran: Royal Revolutionary



Warning Notice
Sensitive Intelligence
Sources and Methods Involved

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INDOCHINA

BOTH VIETNAMS CLAIM VICTORY

On the eve of the signing of the Vietnam peace agreement, both Saigon and the Vietnamese Communists are claiming victory for their side, but both are also warning that an arduous struggle lies ahead. President Thieu told his compatriots on 24 January that the Communists had been forced to sign, and Premier Pham Van Dong spoke later the same day of the "great victory" achieved by the Communists. Dong went on to assert, however, that although his side would "seriously implement" the agreement, Hanoi was determined to step up the struggle. The Viet Cong's Madame Binh warned in Paris that Thieu's speech was not that of a man who intended to honor the agreement. For his part, Thieu called for watchfulness and unity, and pro-government papers in Saigon are saying that the cease-fire will be meaningful only if both sides observe it.

Peking and Moscow Approve

Both the Soviets and the Chinese are making it clear that they welcome the agreement. Peking has yet to comment authoritatively, but the foreign ministry's information department quickly issued a favorable statement, and further positive commentary is sure to be forthcoming. In Moscow, politburo member Kirilenko hailed the initialing of the agreement as an "important milestone," and a Soviet foreign ministry statement quickly echoed his remarks.

THE PRE-CEASE-FIRE PERIOD

Following Tuesday's announcement of an impending cease-fire, the Communists began to increase the shelling and harassment of government military and civil facilities. Although some battles developed, most of the fighting during this period appeared to have been precipitated by South Vietnamese operations. There are numerous indications that the Communists would like to launch some ground attacks immediately before the truce goes into effect on 27 January

(28 January, Saigon time) in an effort to expand their control of territory and people. These actions would be designed to inhibit South Vietnam's time to react and counter-attack. There have been a few reports that the Communists would continue military action after a cease-fire claiming poor communications, but many units have been ordered to stop fighting on time.

With most of the North Vietnamese major combat units already within South Vietnam—some in combat positions—there were few unit relocations noted during the week. One Communist regiment tried to slip across the Cambodian border into the delta, but was met by a South Vietnamese force. The bulk of the enemy formation was reportedly broken up in the ensuing battle. Most of the enemy's forces on the Quang Tri battlefield appear to be in primarily defensive positions, apparently anticipating South Vietnamese drives to recapture more of the province before 27 January.

There have also been reports of the massing of enemy units in northern Tay Ninh Province, possibly for a last-minute push against the provincial capital. On the other hand, the movements of enemy main force units throughout the country may represent only the final positioning of Communist forces into the positions they wish to occupy after the cease-fire.

South Vietnamese forces are on the alert nationwide to counter enemy combat action and most commanders are still confident that they can prevent significant Communist encroachments. By week's end, most government offensive operations had ended and military units were placed in defensive positions near population centers and along known corridors used by the Communists to move toward their potential target areas.

SAIGON PREPARES FOR CEASE-FIRE

The approach of the cease-fire and the recent presidential decree stiffening criteria for

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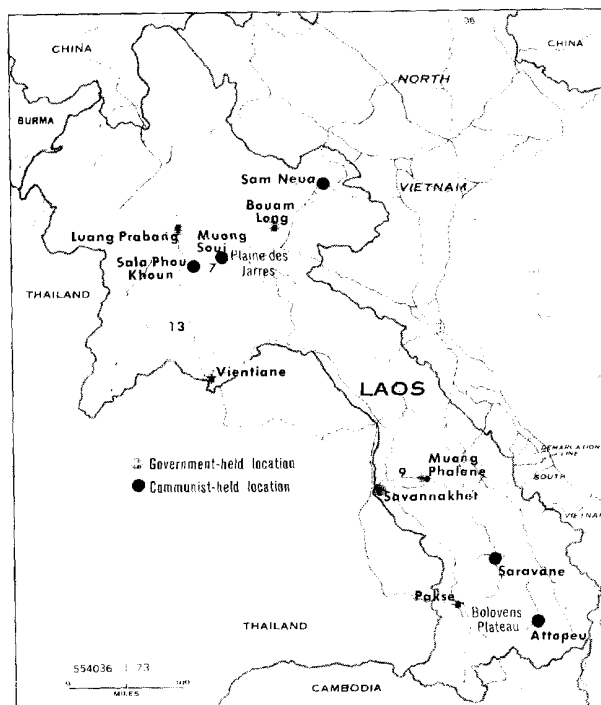
political parties have prompted South Vietnam's major political groups to seek out new alliances in an effort to strengthen their positions. Most independent and opposition elements still hope to operate legally as a government opposition, but at least some of them may be overestimating both the extent of their influence and their ability to cooperate with other groups. The pressure political confrontation with the Communists will bring could yet induce some of these groups to ally with the government, but unless President Thieu makes some conciliatory gestures, they may simply become more alienated.

Leaders of several Catholic factions now trying to set up a new political party are optimistic that they can meet the terms of the decree by bringing in non-Catholic groups, but many politically active Catholics have joined the government's Democracy Party. The largely southern-based Progressive Nationalist Movement wants to maintain a "constructive opposition role" and hopes to qualify for legal status by gaining the adherence of other groups.

The An Quang Buddhists continue to worry about Communist pressure after the fighting stops. One An Quang monk recently told US Embassy officers that the Viet Cong, expecting a cease-fire last October, had sent cadres to many pagodas, even in Saigon, to demand cooperation on pain of punishment. The monk said the Buddhists are accelerating efforts to tighten their organization to counter anticipated Communist subversion. Some An Quang leaders still favor cooperating with the government to meet the Communist challenge, but most remain unhappy over Thieu's recent decree on political parties.

MIXED MILITARY RESULTS IN LAOS

The back-and-forth nature of the war in Laos was evident again this week, as both sides jockeyed for position on several fronts. In the north, the government made the first tentative steps toward recouping its losses along Route 13 south of Luang Prabang, the royal capital. Two irregular forces, landed by helicopter in the hills



east of the Sala Phou Khoun road junction late last week, have now moved north to disrupt the flow of Communist supplies along Route 7. Government commanders hope that Lao Communist units along Route 13 will withdraw in reaction to this threat, and that Lao Army units will then be able to clear the road north and south of Sala Phou Khoun. Some enemy units are pulling back on Route 13, but harassing attacks kept government troops stalled well north and south of the road junction.

In the south, the North Vietnamese picked up the pace of the fighting around Muong Phalane. [redacted] captured in the central panhandle claims that elements of a new regiment have reinforced the North Vietnamese 29th Regiment east of Muong Phalane, and that troops from both regiments took part in recent attacks on government positions near the town and along Route 9 farther east.

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Near the Bolovens Plateau, troops of a 3,000-man government force made little progress in a planned counterattack against the provincial capital of Saravane. Lead elements of the force are still bogged down several miles south and west of Saravane.

On the Peace Front in Laos

With key members of the Lao Communist negotiating team still in Sam Neua for consultation, the session of the Lao peace talks in Vientiane this week produced only another round of polemics. Although the senior Communist delegates are scheduled to return to the Lao capital on 26 January, Prime Minister Souvanna Phouma apparently intends to leave on the following day for New Delhi. There he will seek Prime Minister Indira Gandhi's backing for an International Control Commission role in supervising the implementation of a Lao cease-fire. Souvanna will also spend several days conferring with Thai leaders in Bangkok before returning to Vientiane, but he should be back in ample time to orchestrate the government's response to any new Communist overtures presented at the 30 January session of the talks. [REDACTED]

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SOUTH KOREA: PULLING THE STRINGS

President Pak Chong-hui has few worries about his political future these days now that his government reform has put him firmly and indefinitely in control of the nation. The 55-year-old leader is, nonetheless, taking no chances that the last of these reforms—the election of a National Assembly late next month—creates difficulties. President Pak has the authority to appoint one third of the 219 members of the assembly, and he is concentrating on bringing into line the political forces that will contest the other

146 seats. His objective is to ensure that the new legislature, while exhibiting the trappings of democracy, does what he wants it to.

In a tough New Year's statement, Pak sharply criticized the inefficiency and corruption of earlier assemblies and served notice to all politicians that they will be vigorously punished for violating the restrictive election laws or for not living up to their responsibilities once in office. He is, in addition, bringing a variety of pressure to bear on the country's existing political parties. The ruling Democratic Republican Party, which is expected to win close to a third of the assembly seats, has not escaped. In early January, Pak amended the party constitution to tighten discipline. The amendments make individual candidates completely dependent on party support and establish an "inquiry committee" of men rigidly loyal to Pak. The committee is empowered to expel or punish any member who deviates from the Pak line.

The New Democrats are also being whipped into shape. Followers of the outspoken former opposition presidential candidate, Kim Tae-chung, have been arrested as a warning that the government will brook no opposition from that quarter. Pak has also moved to undermine even further the factionalized New Democrats. He has urged the creation of new parties to eliminate the "excesses" of the old two-party system. One opposition leader, probably with regime encouragement, has formed a new splinter party, and the remaining leadership gives every sign of being prepared to knuckle under.

With the situation so well in hand, Pak has relaxed the rigid press censorship in force since martial law was instituted last October. The government is permitting some carefully modulated criticism to appear in the press and is pointing to the criticism as evidence that democratic institutions are not dead in South Korea.

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CHINA-JAPAN: TRADE GROWS

The recent visit to Peking of Japanese international trade minister Nakasone was low-keyed. Agreement was reached to hold economic talks on a regular basis and to step up preparations for the conclusion of a trade pact between the two countries. Even without such a pact, Tokyo some time ago regained the position it held before World War II as China's leading trade partner. Furthermore, Japan has become the chief source of foreign technology and may be the first to benefit from a shift in China's policy on accepting foreign credit to finance plant purchases.

Sino-Japanese trade has increased sharply in recent years and probably topped \$1 billion last year. Although the China market is small from the Japanese Government's point of view, exports last year of over \$600 million were concentrated in items important to several Japanese industries. For example, 60 percent of Japanese chemical fertilizer exports are sent to China. Peking's deliveries to the Japanese last year probably exceeded \$400 million.

Japan has been willing to cooperate with China in reducing the trade imbalance, and Peking may have had this in mind when it recently announced its readiness to deliver 200,000 tons of low-sulfur crude oil to Japan this year. Japan is anxious to secure long-term commitments of oil and is a likely market for a major share of the 10 million tons China is expected to have available for export annually within the next five years. This, of course, is only a drop in the bucket for Japan, which imports a total of 200 million tons of oil a year.

Peking has given some indications, first in discussions with the Japanese and more recently with Western Europeans, that it may make some major purchases on credit; it would be the first time Peking bought industrial plants on credit since before the Cultural Revolution. In discussions last year with the president of Nippon Steel, Chou En-lai indicated that Peking's current trade deficit with Japan could be reduced by "deferred payment arrangements." Similarly, China's minister of foreign trade, Pai Hsiang-kuo, reportedly told his British hosts during a recent visit that



British Minister without Portfolio Lord Drumalbyn greets Chinese Foreign Trade Minister Pai Hsiang-kuo.

Peking would be making "deferred payments" for industrial plant purchases instead of conducting virtually all of its trade in cash.

China has, in fact, nearly concluded negotiations for the purchase of an ethylene plant from Japan on credit. The negotiations had been hung up for some time over Chinese demands for a low interest rate. The Japanese reportedly have now agreed to provide a combination of 80-percent Export-Import Bank and 20-percent commercial financing at an average rate of 6 percent for five years. Because of the prevailing higher commercial rate, the Export-Import Bank will have to provide financing below 6 percent.

Peking's willingness to purchase plants on credit would open up possibilities for some trade expansion. Peking, however, has shown no sign of a real change in the basic policies of self-sufficiency and conservatism in financial matters that it has pursued since 1949. In any case, China is likely to monitor closely the use of credit. China's debt to the non-Communist countries through the 1960s never exceeded \$500 million, of which about \$200 million were medium-term credits for whole plants and the remainder short-term credits for grain and fertilizer.

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EUROPE

THE SECURITY CONFERENCE

Now that the Soviets have made new submissions, all elements—East, West, neutral, and nonaligned—have indicated what they want on the agenda for a Conference on Security and Cooperation in Europe this summer. The Helsinki conferees must now sort out the mass of proposals and begin to construct the actual agenda.

Several agenda revisions introduced by the Soviets on 22 January are designed to appeal to Western and neutral participants in the preparatory talks. For the first time, Moscow indicated that it would be willing to accept a reference to "confidence-building" measures in the agenda item on security. Though these measures were not spelled out in the proposal, one of the chief Soviet delegates said privately they might include advance notification of military movements and exchanging observers at exercises.

In a bow toward Western interest in freer exchanges of people and ideas, the Soviets accepted a separate agenda item on "contacts between organizations and people." Previously they wanted to lump this item together with economic and scientific matters. A wide gap still exists between the East and West on this item, as the Soviets have made clear.

The Soviets also amended their proposal for a permanent organization to be established by the conference, suggesting that the organization be called a "consultative committee." Romania's insistence on a strong permanent body may have helped convince the Soviets that a simpler consultative body would be more advisable.

By adjusting its proposals, Moscow was trying to discourage the West from pushing for detailed agenda mandates. The Soviets are concerned that negotiation of such mandates for each agenda item could drag out the preparatory talks into a "pre-conference."

Last week the West made its case for its preferred agenda items. These were:

- on security, including principles to govern relations among states and certain military aspects such as advance notification of maneuvers;
- on human contacts, i.e., freer movement going beyond cultural exchanges;
- on cooperation in economic and environmental matters.

The allies still oppose any agenda item on post-conference machinery. If the conference does create some new bodies, the allies want them limited in scope.

The neutral and nonaligned participants have generally subscribed to Western positions, and some of their ideas have gained favor; some have not. The larger Western countries, as well as the Soviets, strongly oppose the Austrian proposal to add the Middle East to the agenda. The Austrian idea has backing from Spain, Yugoslavia, Switzerland, Malta, Greece, and Turkey. Most of the Western powers have reservations about the Swiss proposal to establish a system for peaceful settlement of disputes. All the neutrals want to increase the security content of the conference, and most of them support the Dutch suggestion that declarations on force levels and troop reductions be considered. The Swedes have proposed that the conference address broader disarmament questions.

After a week or two of further debate on the various agenda proposals, the talks will recess again, this time for about ten days to allow for behind-the-scene consultations. If the participants continue to share a general will to hold the conference, they should be able to mold an agenda out of the proposals now on the table.

FORCE REDUCTION TALKS

The Soviet and East European responses to the Western invitations to begin force reduction talks in Geneva on 31 January have raised difficult questions.

In notes delivered on 18 January, the Warsaw Pact countries, while accepting the list of

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participants and starting date proposed by the West, added that "other European states who indicate an appropriate interest should have the right to participate." Subsequent statements have made it clear that this formula could include neutrals. The Pact countries proposed Vienna as the site for the preparatory talks.

A variety of factors probably influenced the Soviets. Annoyed by the slow going of security conference preparations at Helsinki, they may have hoped to delay force reduction talks so that they would not get ahead of the Helsinki deliberations. Moscow probably was also sensitive to Romanian insistence that force reduction talks should not be on a bloc-to-bloc basis. Besides placating the Romanians, the Soviets could anticipate that the proposals would score points with the neutrals. The responses were also designed to appeal to French sensitivities and leave open the possibility of eventual French participation in force reduction talks. In addition, Moscow may have felt that opening force reduction talks to all security conference participants would reduce the likelihood of a debate over military security at Helsinki.

It is doubtful that the Soviets sought to sabotage the talks. While they have always been lukewarm on force reductions, neither of the Pact proposals was stated as a precondition to talks. In particular, Pact media have not touted the proposal of Vienna as a site, a tactic suggesting that this is not a rigidly held position.

The Eastern response occasioned a lengthy and, at times, acrimonious debate in NATO. The

US proposed that the West reluctantly accept Vienna and attempt to put off debate with Moscow over participation until after the initial talks are under way. Most of the allies agreed that Moscow should be held to its agreement to open talks on 31 January, but argued strongly that the initial Western response continue to favor Geneva and clearly oppose broadened participation.

Many of the allies—in particular the Dutch—suspect that the East's proposals were designed to delay or disrupt the negotiations. US willingness to agree to Vienna led the Dutch to suggest darkly that Washington and Moscow had worked out a prior agreement to locate the talks there. Some allies also felt that the Austrians, in their eagerness to host the meetings, had damaged their impartiality. Nevertheless, the allies finally agreed to a response that did not rule out Vienna and suggested that additional participation could be discussed after NATO and Warsaw Pact delegations begin the initial talks.

Moscow's response on participation now is the key to whether the discussions open on time. The NATO allies would rather delay the talks than have neutral and nonaligned states attend. The allies are willing to let Romania and Bulgaria attend. If Moscow thinks that it has scored sufficient points with the neutrals and is willing to back off, the negotiations could get back on course. If not, a number of NATO allies will press again for linking progress on force reductions to the security conference. [redacted]

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FINLAND: KEKKONEN TILL '78

Recent parliamentary approval of special legislation extending President Kekkonen's term four more years should enable Finland to sign a free trade agreement with the EC. The current presidential term was to have ended on 1 March 1974. Kekkonen, in office since 1956, will be 77 when his extended term expires in 1978.

Opponents of the presidential legislation, although outvoted in parliament, have not

been silenced. They feel that the move is blatant appeasement of Moscow, which wants Kekkonen to remain in office as a guarantee of continuing close bilateral relations. While the obvious coupling of the President's term with EC signing does tend to corrupt Finnish "neutrality," the extension of his term will put Helsinki in a better position to maintain strong economic links with Western Europe after Kekkonen departs the political scene. [redacted]

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The EC states, which have managed to speak with one voice at the Helsinki talks, are about to branch out in other directions. As if in response to China's enthusiastic boosting of the EC, the EC decided last week to set up a Far East working group in the context of their political consultations. This move by the political committee, long advocated by West Germany, was, in fact, precipitated by the anticipated visit next month of China's foreign minister to Western Europe and by the Europeans' desire to coordinate what they say to him. Except for Ireland, the Nine recognize China, and their ambassadors will now be encouraged to confer regularly in Peking.

The new working group is charged also with considering "questions posed by the relations of the member states with North Vietnam and the contribution that Europeans could make on behalf of all of Vietnam once hostilities are over." The Europeans probably see a general opportunity for a larger role in Indochina and may, in particular, want to concert efforts in order to compete with Japan in the area. A precedent for a community aid program not linked to association arrangements with the EC exists in the aid to Palestinian refugees.

The introduction of Indochina into the political talks would be linked to the EC's deliberations on commercial policy. The community, desiring to encourage a regional rather than a country-by-country approach, established machinery last year for periodic trade consultations between the EC and the five countries forming the Association of Southeast Asian Nations—Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Some EC circles envisage eventual enlargement of these consultations to include at least some of the Indochina states. These consultations may also be balanced by trade arrangements—also non-preferential—with India that might also apply to Bangladesh, Pakistan, and Sri Lanka. With Britain in the EC, India now has an advocate analogous to the Netherlands' brief for Indonesia and France's for Indochina.

Interest in having the new working group discuss the EC's relations with Japan has also been expressed, in particular by Britain. Such consultations would presumably furnish a political context in which to explore the thorny commercial problems characterizing EC-Japanese relations. The member states are in complete discord over the best way to protect themselves against mushrooming Japanese exports, and the EC Commission faces an uphill fight in trying to establish control over the various protectionist devices that each now uses.

These departures in the EC's foreign policy discussions are in line with the wishes of the new members, especially the UK, to concentrate on areas where a common position is both "possible and desirable." Since there is little basis for any new initiatives in the Middle East, this area has for the time being been dropped from the agenda. Although the opportunities for cooperation with China may only be marginal, the Europeans may hope that the prospect of a community role vis-a-vis Peking might stimulate Moscow to take more favorable attitudes toward the EC.

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BELGIUM: NEW COALITION

The nation's three largest parties have agreed after five weeks of difficult negotiation to form a broad coalition government. The compromises needed to reach the agreement are so delicate that they probably will not long withstand continued intercommunal and intra-party stresses.

The key issues addressed by the three parties—the Socialists, Social Christians, and Liberals—are those which brought down the Social Christian - Socialist coalition of Prime Minister Eyskens two months ago. The issues are the delimitation of linguistic boundaries between Flemings and Walloons, implementation of decentralizing reforms, and the relationship between state and church school systems.

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The compromises have alienated powerful elements in all three parties, casting doubt on the long-term viability of the new coalition. The greatest concessions appear to have been made by the Socialists, doubtless under prodding by their ambitious and pragmatic leader, Edmond Leburton, who will be prime minister in the new coalition. Many Socialists believe they yielded too much on public financing of Catholic schools and on government participation by the conservative Liberals. Dutch-speaking Social Christians remain wary of Leburton, while many French-speaking Liberals are fearful of the restrictions that may be put on the predominantly French-speaking Brussels area.

In order to reach agreement at all, particularly contentious matters were relegated to a parliamentary commission with the understanding that they be resolved by 15 July. Should the commission fail, a distinct possibility, elections in the fall would probably be inevitable despite the shared aversion to early elections which has been acting to bring the coalition partners together.

Party leaders expect to complete formation of the new government by the end of the month. The Leburton cabinet is unlikely to seek major departures from recent Belgian foreign policy.

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UK: BEATING BACK INFLATION

The Heath government's sweeping Phase-II program to halt rampant inflation over the next three years enjoys broad support from the public and is almost certain to receive parliamentary approval. Although the Prime Minister would have preferred to rely on voluntary controls to curb inflation, he is well aware that his continuance in office will depend in large part on whether the government keeps price and wage increases within reasonable bounds.

The total wage-price freeze, in effect since November, will be extended for another two to three months. The freeze was prompted by a 7-percent rise in consumer prices and an 11-percent rise in wages and salaries over the first ten months of 1972, coupled with the collapse of

attempts by the government, business, and labor to arrive at voluntary controls.

Under Phase II, the government will replace the freeze with a system permitting limited increases in wages, prices, and dividends. The government now intends to keep pay increases this year to a pound (now worth \$2.35) a week plus 4 percent over the previous year's base pay and allow manufacturers to raise prices only enough to cover unavoidable cost increases. Increases in dividends are to be limited to 5 percent a year, and profit margins on domestic sales will not be permitted to exceed the average percentage in the best two of the previous five years. Heath's decision to formulate a tough Phase-II program stems from a worsening trade balance in recent months, heightened fears of greater European competition as UK-EC tariffs are dismantled, and price increases resulting from Britain's implementation of the value-added tax and adherence to the EC's common agricultural policy.

The business and industrial community generally approves the program, despite some reservations regarding price and dividend controls. The Labor Party has been critical, but relatively restrained in its initial comments. Only the trade unionists have reacted with bitter hostility.

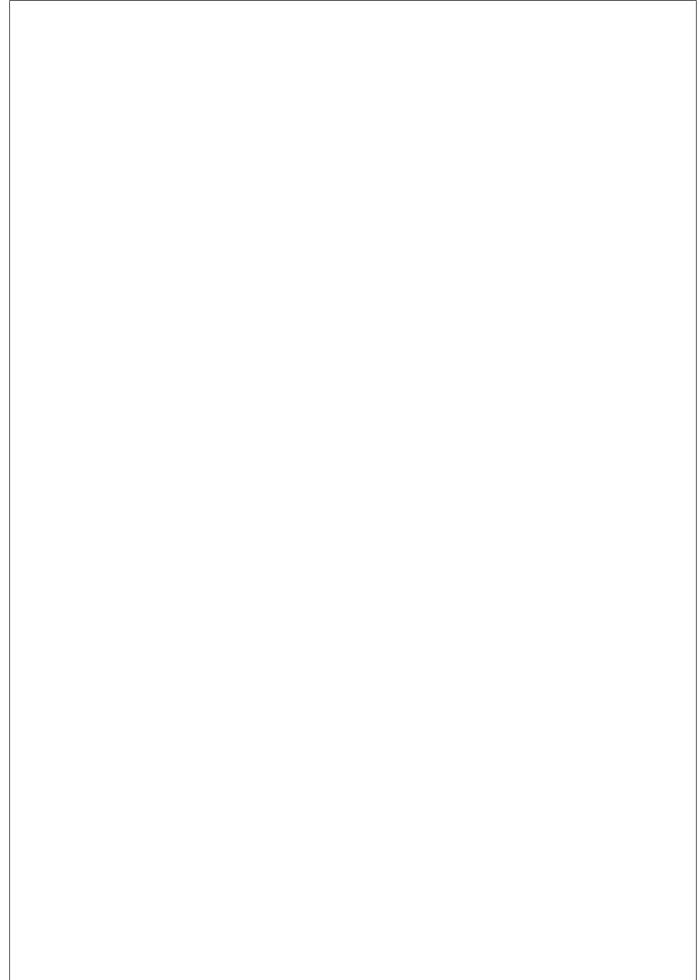
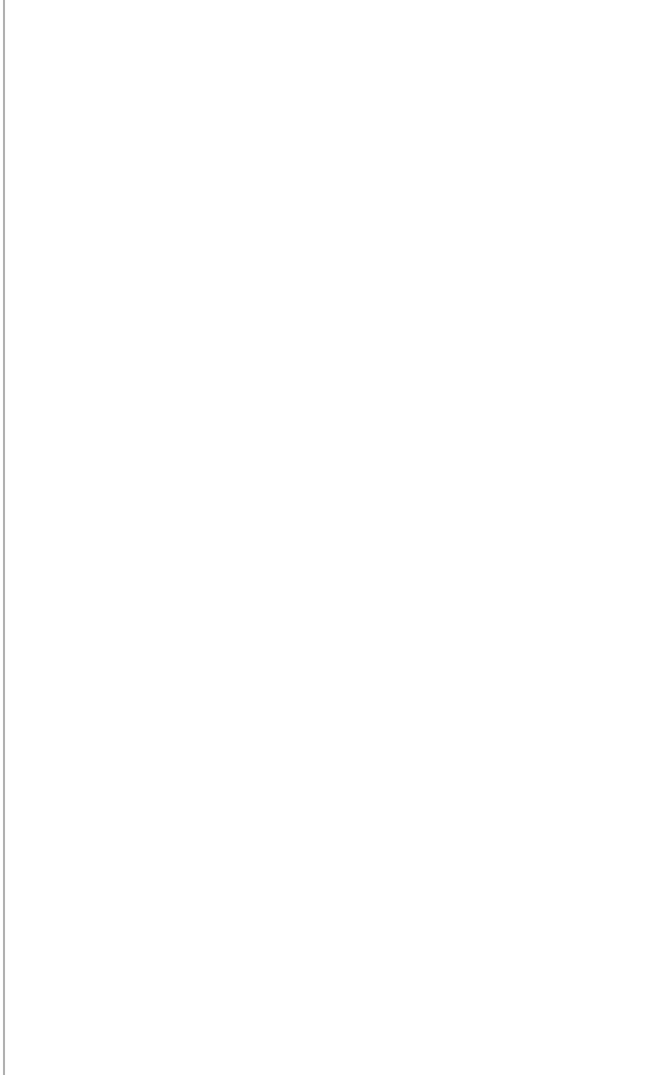
Although the government failed to obtain a pledge of cooperation from the unions, they are unlikely to wage the type of all-out opposition that could paralyze the economy and precipitate a political crisis. Trades Union Congress General Secretary Victor Feather condemned the anti-inflation plan, asserting that it is "slack on prices," provides inadequately for low paid workers, and is likely to prove ineffective. Moreover, spurred by more radical elements, the Trades Union Congress' economic committee has recommended total opposition to the Phase-II proposals. The congress itself has not, however, called for general strikes, probably because many member unions are financially strapped after several years of paying out heavy strike benefits. This does not, of course, rule out industrial actions by militant affiliates. Workers already have staged a half-day protest walkout at one Ford plant where unions are demanding pay hikes far exceeding the government's proposed ceiling.

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problems, although no key figure is openly seeking an immediate change of government.

ITALY: HURDLES FOR ANDREOTTI

Parliament has reopened, confronting Italian Prime Minister Giulio Andreotti with a series of new problems to go along with his old ones. The restiveness of rival leaders in his Christian Democratic Party complicates the Prime Minister's

In the next week or two, the government will have to do battle in the Chamber of Deputies over a controversial bill on agrarian rents. Earlier legislation in this area contributed to the spectacular neo-fascist gains and Christian Democratic losses in the local elections of 1971. Consequently, political leaders are especially jumpy—and some are stubborn—about the shape and impact of this bill.

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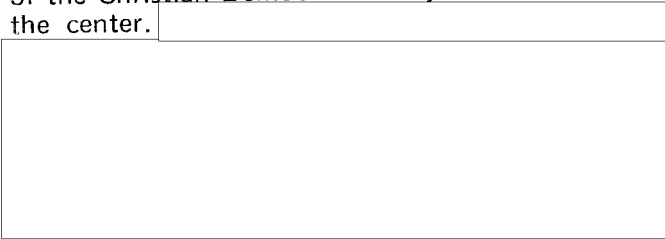
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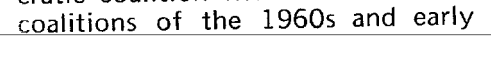
resignations at the highest levels of the bureaucracy are stirring up controversy over replacements. The appointment last week of a suspected member of the Mafia to a government anti-Mafia commission is especially subjecting the government to attack.

Economic conditions provide no cushion for the Andreotti government. The rise in Italian consumer prices has been one of the highest in Western Europe. Year-end figures on the economy showed a growth rate of 3 percent, a considerable improvement over 1971, but still well below Italy's postwar average. The imposition of a two-tier exchange system to stem capital flight points to widespread uncertainty about the economy. Official reserves as of mid-November stood more than 12 percent below those of a year earlier.

The principal figures waiting for Andreotti to stumble on one of these hurdles are ex - prime ministers Rumor, Amintore Fanfani, and Aldo Moro. Of the three, Rumor is in the best position tactically at this time because he and his faction of the Christian Democratic Party seem closest to the center.



Rumor envisages resumption of a Christian Democratic coalition with the Socialists similar to the coalitions of the 1960s and early 1970s.



WEST GERMANY: TEMPERATE TALK

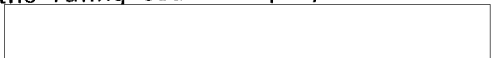
In his inaugural address on 18 January, Chancellor Brandt promised no major changes in the foreign and domestic policies of his first administration. His business-as-usual generalities

contrasted with his 1969 inaugural promises of sweeping reforms. Those unkept promises had caused much strife in the Brandt coalition along with some public embarrassment. Social Democrat Brandt and the Free Democratic leaders have obviously failed to resolve differences on several issues, such as worker participation in industry; this may have prevented the Chancellor from making specific commitments.

Brandt, despite strong pressure to criticize the US bombing in Vietnam, said that he did not consider it right to join the vociferous protests because they had "a false ring about them." He did promise that his government was prepared to grant aid for the reconstruction of both Vietnams. On other foreign affairs issues, Brandt said that the essential conditions for detente had been established and that, with "tenacity and a sense of purpose," detente would become a reality. He said Bonn would continue to seek improved relations with the Bloc countries. Citing the treaties signed with East Germany during his first administration, he noted that relaxed travel restrictions between East and West Germany had eased frustrations, but that the road ahead would be "long and stony."

Brandt emphasized the need for better relations with Western Europe and said that a primary goal was the establishment of a full European political union. He gave the usual endorsement to the Western Alliance and reiterated West European dependence on the US for its security. He promised that West Germany would continue to do its part in defending Western Europe.

Brandt's moderate address received an equally temperate rebuttal from Christian Democratic leader Barzel. Aside from Ostpolitik, he approved of the government's foreign policy. The opposition leader criticized the government's willingness to negotiate with East German tyranny; he warned that the result of Ostpolitik could be a West less free and humane rather than an East more so. Barzel criticized the lack of specifics in the government's domestic program. Christian Democratic moderation could well continue as long as the ruling coalition proposes no major changes.



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USSR: MORE AIRCRAFT DELIVERIES

Moscow continues to be a major supplier of military aircraft to Third World countries. Last year, 309 aircraft—including 60 turned over to Egypt when the Soviets were expelled—were shipped, compared with 257 the previous year. The value of the aircraft delivered in 1972 is estimated at more than \$300 million. Most of the deliveries consisted of jet fighters, including the first SU-17 swing-wing jet fighter-bomber exported to a developing country.

The Middle East, as usual, received the bulk of Soviet aircraft deliveries; Cairo alone obtained almost half. Egypt became the first non-Communist country to receive the SU-17 (Fitter B); at

The Fitter B can take off and land in less space and is more maneuverable at low speeds than the Fitter A, but it does not have a significantly greater combat capability. Egypt also acquired 64 MIG-21 Fishbed Js, the current export model and nine SU-7s; in addition Egypt got the 60 MIG-21s that had been flown by Soviet pilots until they returned to the USSR. Helicopter deliveries consisted of five 65-passenger MI-6s and one 24-passenger MI-8.

Syria received 37 jet fighters, three AN-12 transports, and nine helicopters ordered under arms accords signed in late 1971 and May 1972. Iraq received 15 MI-8 helicopters and a small number of fighter aircraft under a 1971 arms agreement. More fighters, possibly even including the Fitter B, are probably scheduled for delivery this year. Moscow supplied Yemen (Aden) with four IL-28s, its first light jet bombers. Aden also received four MI-8 helicopters and two KA-26 multipurpose helicopters; it was the first Arab country to get the latter.

Besides aiding New Delhi's indigenous MIG-21 production program by shipping subassemblies and parts, Moscow delivered 23 MIG-21s to replace losses in the 1971 Indo-Pakistani War. India received 33 MI-8 helicopters, ordered last year to provide increased mobility for the army. Four helicopters were delivered to Afghanistan.

Guinea and Somalia were the primary African recipients of Soviet aircraft. Guinea, in addition to receiving four MIG-17 jet fighters, became the first black African country to receive an AN-12 transport. Deliveries to Somalia included two MIG-15s, three MI-4 helicopters, and one AN-26 transport

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Soviet Military Aircraft Deliveries To Third World Countries

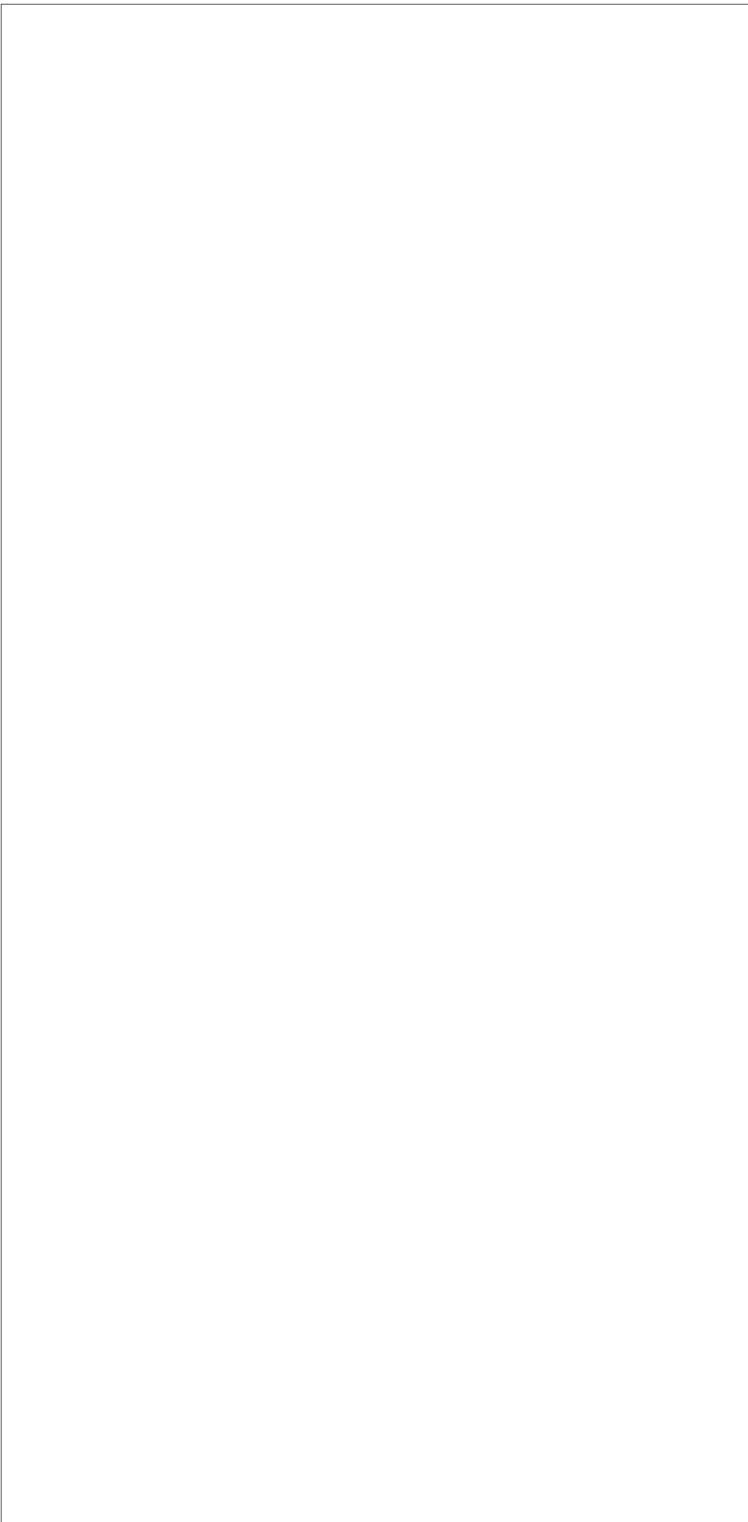
Type	Units	
	1971	1972
Bombers		
TU-16 medium jet	10	---
IL-28 light jet	---	4
	10	4
Jet Fighters		
MIG-21	122	185
MIG-15/17	24	13
SU-7A	24	10
SU-17	---	12
	170	220
Transports		
AN-12	2	5
AN-26	---	1
	2	6
Helicopters		
MI-8	68	57
MI-6	5	5
MI-4	---	15
KA-26	2	2
	75	79
TOTAL	257	309

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LIRA AND SWISS FRANC AFLOAT

The international currency markets were shaken last week by the float of the Swiss franc and the introduction of a two-tier foreign exchange system by Italy. Bern and Rome moved for different reasons: the Swiss were concerned with a large accumulation of dollars; the Italians with capital leaving the country. Rome is supporting the lira in trade, tourism, and other current account transactions, but not in capital transactions. France and Belgium have similar arrangements. Including the pound sterling and the Canadian dollar, there are now six major currencies at least partially afloat.

The Italian move illustrates the difficulties surrounding EC efforts to move toward economic and monetary union. Italy's continued support for the commercial lira maintains the integrity of the community's Common Agricultural Policy, which depends on fixed commercial parties for trade. The float of the financial lira, along with that of the financial French and Belgian francs, however, increases the difficulties facing an attempt to unify the EC capital markets. Ironically, the latest floats occurred as currency reform negotiators—the Committee of Twenty Deputies—met in Paris to discuss long-term world monetary stabilization.



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SECRET**ARGENTINA: CAMPAIGN TACTICS**

The official campaign for the elections on 11 March is just getting started, and already tensions are rising. Abandoning the rhetoric of cooperation, the Peronists have challenged President Lanusse and the military in so unbridled a fashion that they are open to charges of trying to sabotage the elections. At the same time, Ricardo Balbin, the Radical Party candidate for president, is seeking to put distance between himself and the government in an attempt to attract anti-government votes that would otherwise go to the Peronists. For their part, the armed forces are reassessing the electoral prospects with a view toward taking action to prevent a Peronist victory.

The Peronists have been ruthless in re-imposing party discipline after the infighting over the naming of candidates. Dissident political and labor leaders have been threatened with the loss of their posts. Indeed, one of them, Rogelio Coria, was ousted as chief of the construction workers' union after his withdrawal from the Peronist union bloc. Several dissident Peronists have also been the targets of assassination teams, presumably drawn from Peronist-oriented terrorist groups. As a result, many Peronist leaders have swallowed their objections and are following the party line. The most prominent defector, Raul Matera, has been brought back into the fold.

Juan Peron, who carefully watched his words while in Argentina, opened up on Lanusse and the military after returning to Madrid. He accused the government of setting a trap with elections that will be "the most fraudulent in Argentine history." He seemed to exhort youth to violence when he said that if he were 50 years younger, he might be planting bombs. Hector Campora, the Peronist presidential candidate, has continued in the same vein with a campaign speech that directly challenged the armed forces. The military has insisted that it must retain control of the anti-subversive effort under the new government, but Campora said he would end this role and free all political prisoners.

The military has forbidden radio and television to carry any further statements made by



Hector Campora, (l) With Running Mate Vincente Lima

Peron in Spain and has initiated criminal proceedings against him for inciting violence. The charge could mean a jail sentence for Peron if he attempts to keep his promise and come back to Argentina to campaign. This could, in fact, have been one purpose behind Peron's statement. With criminal charges outstanding, he could excuse himself from returning and risking his prestige. The military, believing that it has nothing to gain and everything to lose from another Peron visit, appears ready to oblige him.

The solidifying of Peronist support for Campora and the belligerence that is accompanying it has caused a resurgence of the long-held military fear of a Peronist return to power. Rumors have circulated widely in Buenos Aires that President Lanusse will resign and that elections will be canceled. Fear of a "leap into the void" is rapidly gaining strength in the military, but it seems likely that the generals will seek other ways of assuring a favorable outcome before abandoning the elections they have worked so hard for since Lanusse took power in March 1971.

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HAITI: TROUBLED DYNASTY

President Jean Claude Duvalier's 21-month-old regime had to cope with its biggest international incident early this week when gunmen seized the US ambassador and US consul and held them hostage for the release of a number of political prisoners. There was considerable backing and filling by the Haitian Government during the incident. It opens the government to criticism by disgruntled elements for its handling of the incident. They will blame the incident on the growing state of permissiveness that has arisen as a result of squabbling within the Duvalier family.

Pulling and hauling between the President and Madame Duvalier, his powerful mother, for supreme authority have produced a new series of high-level personnel changes. More officials are likely to be replaced before a new power balance is achieved, and in the current fluid political atmosphere there is a risk that governmental stability will become seriously and perhaps critically strained.

The round of changes began on 16 January with the replacement of Roger Lafontant as minister of interior and defense. Lafontant's appointment in mid-November as Cambronne's successor was opposed by Madame Duvalier, who was on a visit to the US when Cambronne—long a favorite of the elder Duvaliers—was fired. Lafontant's subsequent efforts to influence the President to rid his administration of the corrupt officials and sycophants left over from his father's regime were too much for Madame Duvalier. She moved decisively to oust Lafontant from the cabinet. He was named ambassador to Brazil, evidently to get him out of the country so he could no longer influence Jean Claude. The new interior minister is Breton Nazaire, an old Duvalierist political hack.

Madame Duvalier clearly has the upper hand at the moment. She seems to be making the key political decisions, but her control is far from consolidated. Indeed, there are powerful forces that might in some circumstances be arrayed against her. Not the least of these is her son, who



Jean Claude and Madame Duvalier

despite his youth (22), his apparent weakness as a leader, and his lack of interest in statecraft, does have the title of president and occasionally attempts to act the role. In a showdown with his mother or other old-guard Duvalierists, Jean Claude would probably receive support from younger elements in the military and other groups who might find him a convenient figure around whom to rally in the quest for change.

Important elements within the military are watching current political developments with considerable misgiving. Some fear the consequences should the intra-family squabble over power continue much longer. Others oppose the return to the status quo ante for which Madame Duvalier seems to be striving. [redacted]

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[redacted] was becoming increasingly irritated with Madame Duvalier's efforts to persuade her son to permit the widely disliked Cambronne—now in self-assumed exile in the US—to return to Haiti. [redacted] a number of other military officers detest Cambronne, and his return—or that of the President's controversial sister, Marie Denise Dominique—to an influential role in the government could provoke considerable turmoil. [redacted]

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SECRET**MEXICO: THE INVESTMENT CLIMATE**

Despite an upsurge in government criticism of foreign investors last year, foreign firms continued to find Mexico highly attractive. Plant and equipment expenditures by US firms climbed a healthy 26 percent in 1972, and Japanese investors are displaying increased interest in the country. There is considerable concern, however, about two bills on foreign investment law and foreign technology, both of which will probably be enacted sometime early this year. The measures as written would limit foreigners to less than majority interest in new ventures and institute new controls over the flow of modern technology from abroad. This could dampen foreign enthusiasm for Mexico's investment. In practice, however, the climate will be kept sound by continuing assurances from the government that the new laws will be interpreted "flexibly" and by the basic strength the economy is showing.

Mexican leaders feel they must react to domestic political pressures by denouncing foreign economic influence. The government is well aware, nonetheless, that it must not seriously impede the capital from abroad that contributes greatly to economic development and helps finance Mexico's substantial trade deficit. The government is vigorously soliciting new investment by firms that promise to spur exports—or otherwise help to further national development priorities. It has even been willing to allow 100-percent foreign ownership in some cases. In 1972, the government also moved to expand the highly successful Border Industry Program, which will be exempt from the proposed restrictions.

Aiding last year's strong investment performance was the good showing of the economy as a whole. Mexico's real gross domestic product rose by an estimated 6.3 percent, considerably above the 3.7 percent registered in 1971, while inflation was held under 2.5 percent. A 25-percent gain in exports, due in large part to sales of manufactured goods, was particularly encouraging. Even though the trade deficit rose to slightly over \$1 billion, up \$100 million over 1971, it remained below the record deficit reached in 1970.

The outlook is good for continued growth in 1973. Demand for new construction and consumer durables will provide a strong stimulus to the economy as will an expansionary government spending policy. The federal budget calls for a 26-percent rise in expenditures, mostly for development projects. Echeverria is firmly convinced that economic growth rather than income redistribution is the best way to satisfy the needs of his people. 25X1

PERU: TUNA OFFENSIVE

Peruvian naval patrols once again are arresting US tuna boats operating within Peru's claimed 200-mile territorial sea without Peruvian licenses. At least 19 vessels have been apprehended since 12 December. Fines and license fees—for which the boat owners will be reimbursed under the US Fishermen's Protective Act—are over the half million dollar mark.

Peru ignored the US tuna fleet during the 1971-72 fishing season, but the passage last fall of a largely procedural amendment to the Fishermen's Protective Act focused Peruvian attention on the sensitive issue of maritime sovereignty. There was much official invective and anti-US demonstrations sponsored by the government. When Peruvian fishermen spotted US competitors offshore, they demanded action. The Peruvian Navy responded, but it would not have done so without a prior decision at the highest levels of the Velasco regime. The military government does not allow popular demands—least of all those created by its own actions—to dictate foreign policy.

The prospect of US military sales being interrupted just as Peru was on the verge of its first major purchase (\$20 million worth of A-37B aircraft) since the expiration of a previous sales suspension, as well as incipient negotiations with the US on new fishing rules, failed to serve as a

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deterrent. On the contrary, these factors may have helped bring about the renewal of seizures. Lima may have reasoned that the seizures will make the US more amenable to a compromise close to Peru's expectations. Peru could well be convinced that the US will not allow the fisheries issue or the boat seizures to interfere with its wider political and commercial interests.

As far as military equipment is concerned, however, Peru believes it is in a buyer's market, and Lima wants to be sure Washington knows this. There has been no attempt to conceal the fact that the Soviet Union is under active consideration as an alternative source of supply, and there have been hints that credit and legal restrictions make the US an undependable seller in Peruvian eyes.

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PANAMA: A RANGE OF OPTIONS

The initial euphoria in government circles over getting the UN Security Council to meet in Panama City in mid-March is being tempered by indecision over what tactics to follow on the canal issue during the sessions.

The Council will be meeting to consider "measures for the maintenance and strengthening of international peace and security in Latin America in conformity with the provisions and principles of the UN Charter." This formulation is so general that it will allow the introduction of a wide variety of topics. Panama has already suggested that the Council discuss the idea of a Latin American Nuclear Free Zone, remnants of colonialism in Latin America, and national control of natural resources. These subjects would permit a number of Latin American countries to air their bilateral problems with the US.

Panama is, of course, most concerned about the canal issue. It has been vacillating about the kinds of pressure that should be put on the US during the week-long meeting. Recent reports have indicated that Torrijos may be receiving contradictory advice on this point.

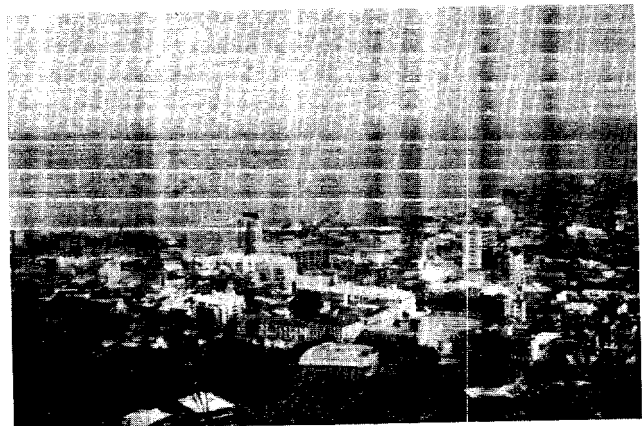
Some of his aides apparently believe that Panama should conduct itself with maturity and refrain from using the meeting to create "an international scandal for the US." Others are urging that the government make full use of the meeting to denounce the "colonialist enclave in the Canal Zone." Torrijos reportedly would like to combine the two—a vigorous presentation of Panama's case against Washington on the Canal issue "in an atmosphere of dignity and tranquility."

The government-controlled media are likely to continue the propaganda campaign against the US, but it may be modulated from time to time. Last week some of the language in the press and on the air—"Yankee imperialist aggression," "US plundering and trampling"—sounded straight out of Radio Havana. After US officials objected, the language was toned down, but the softer tone may not last long.

Just how far Torrijos will go in confronting the US in March will depend in large part on the amount and type of foreign support that Panama receives, particularly from Latin American governments. Panama has invited the foreign ministers of all Latin American nations to attend the Council meeting. The presence of the foreign ministers would not only lend prestige to the Council session, but it would also encourage Panama to interpret their presence as solidarity with its position on the canal issue.

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Panama City

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CHILE

SOVIET SUPPORT LIMITED

The USSR apparently made it clear when President Allende was in Moscow in December that it would not pick up the \$450-million tab for food imports in 1973. On the contrary, the USSR reportedly urged Chile to mend its fences with the West and thus strengthen its credit rating. The only new aid the Soviets offered seems to have been \$30 million worth of commodities, mainly foodstuffs.

Although Moscow is chary of taking on another Cuba, it has extended Chile \$238 million in long-term aid, all but \$56 million since Allende came to power in November 1970. Little of this aid has been used, and during Allende's Moscow visit, contracts were signed allocating earlier credits to specified projects. The Soviets also agreed to examine new projects and eased the terms of some previously extended aid. The Chilean Senate was told that Soviet aid will be used primarily to develop fishing, the iron and steel industry, rail and port facilities, and power plants. Although there are at least 140 Soviets in Chile looking into project and technical assistance, only one project—a pre-fabricated housing plant—is under way.

During the year, Allende will be hard pressed to find enough short-term commercial credits for essential imports, and he will continue to use a \$50-million commercial line of credit held at three Western-based Soviet banks. In July 1972, Moscow agreed to supply Chile with an additional \$20 million in commercial credits, and \$7 million for each of three years beginning in 1973. Allende tried unsuccessfully to have the credits increased last month. The three Soviet banks are unlikely to help Chile out on their own since they have complained that the Chileans abuse the terms of the credit line.

Trade between Chile and the USSR is conducted within the framework of an agreement concluded in 1967. A protocol signed last June set total annual trade at approximately \$170 million. Chile, however, does not have sufficient goods available to sell to Moscow and presumably could not meet its export commitment this year

Soviet Economic Relations with Chile (as of 31 December 1972)		
Long-Term Economic Aid (Credits and grants with repayment over five years or more) (in Millions US \$)		
Date Extended	Projects	Amount
1967 Jan	Credits for machinery and equipment —tractors	13.5
1967 Jan	Credits for Industrial Plants: —port development (\$10) —lubricants plant (\$15) —pre-fabricated housing plant (\$3.5) —flour mill, Valparaiso —artificial insemination center (\$5)	42.0
1971 Jul	Credit (added to 1967 credit for machinery and equipment)	36.0
1971 Sep	Grant (pre-fabricated housing plant)	2.5
1972 Jul	Credit (added to 1967 credit for machinery and equipment)	54.0
1972 Jul	Credit (added to 1967 credit for industrial plants): —thermal power plant, Tecopilla —cement plant —assembly and repair plant for agricultural machinery	60.0
1972 Dec	Commodity credit —wheat (100,000 tons) —pork —cotton —butter	30.0
	TOTAL	238.0

except by exporting copper or other minerals. Until now, Chile has resisted exporting copper to the USSR because copper is still Chile's major hard currency earner.

COMPROMISES AND CAMPAIGNS

Military leaders' concern over the government's politically slanted plan for distributing basic commodities has been allayed by a typical Chilean compromise. As a result, the military will reportedly remain in the cabinet at least through the congressional elections set for 4 March. Under the compromise, ranking officers from the three

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military services and the national police have been involved in the new distribution secretariat under Economy Minister Millas, a Communist leader who was recently impeached as finance minister. Interior Minister General Prats has rejected opposition claims that the government-sponsored neighborhood supply boards are illegal political instruments and has instructed police to back up the authority of the boards over food distribution. This is in line with the demands of the extremist Socialist administrative chief of Santiago, whose replacement allegedly was one of the military ministers' demands on Allende.

The President rebutted the complaints of the military leaders over their circumscribed role since joining the cabinet in November by reminding them that they had been well aware then that his was a Marxist government. [redacted]

[redacted] His qualified concessions to military objections were good politics; at one and the same time they reassured the armed forces and put experienced supply officers in the highly sensitive food distribution business. He also made two speeches, widely publicized, that criticized the inefficiency and self-interest of his followers and his bureaucracy. He established presidential offices in a textile mill in the Santiago slums, one of several gestures meant to emphasize to the military his strong support among the lower

classes. He has also told his political colleagues that they must improve the performance of lagging nationalized industries or suffer the political consequences.

The prescribed 45-day campaign period for the elections began last week with government and opposition accusing each other of inciting violence for political advantage. Allende's Popular Unity coalition charged that rightists are stirring up labor unrest—like the recent costly copper strike—and planning a “managerial strike” similar to the massive shutdown last October. The opposition Democratic Confederation coalition claims that the Popular Unity wants violence as an excuse to force cancellation of elections it is sure to lose. Although polling is a more uncertain art in Chile than elsewhere and is especially vulnerable to purposeful distortion, the Communists' own polls to date have twice led them to conclude that the elections will not constitute a repudiation of the Allende government. The Christian Democrats' surprisingly good showing in this week's election among national health workers raised opposition hopes of a greater share of union votes in March and will probably spur the Communists to step up their already vigorous campaign activity. [redacted]

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Zambia-Rhodesia**HARD BARGAINING AHEAD**

Late last week Zambian President Kaunda made an overture in private to Rhodesia that could be the first step toward easing the stalemate between the two countries. According to the British, Kaunda on 18 January forwarded an urgent message to Prime Minister Smith via the British high commissioner in Lusaka.

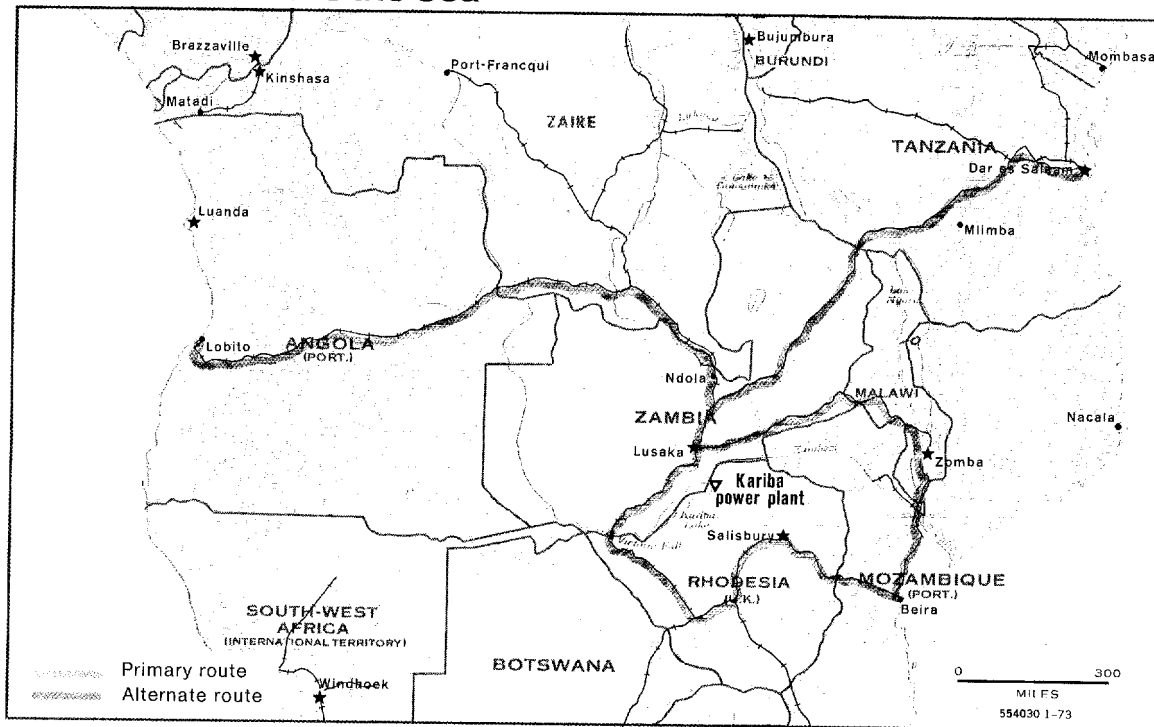
In the message, Kaunda disavowed support for the current upsurge of terrorism in northeastern Rhodesia and offered to restrain black Rhodesian paramilitary preparations in Zambia if Smith would call off his blockade. Kaunda apparently made his approach in the belief that Smith was about to announce a military mobilization

against Zambia and cut off a major source of hydroelectric power for Zambia's copper industry. The power comes from the jointly owned Kariba Dam, the generators of which are on the Rhodesian side.

The Zambians may have panicked. There was some minor subversive and sabotage activity along the border shortly after the blockade began, and the Zambians seem to have concluded that these incidents were a prelude to a serious Rhodesian military and paramilitary campaign against them. They feared the Rhodesians might be able to enlist members of an opposition political party

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Zambian Access to the Sea



outlawed last month when Zambia became a one-party state.

In a radiobroadcast after receiving Kaunda's message, Smith reasserted his determination to maintain the blockade until the Zambian Government dissociates itself "from the indiscriminate warfare being waged against us from Zambian soil." He made conciliatory gestures, however, including implicit assurances that he would not cut Zambia's share of power from Kariba. Smith also disavowed Rhodesian complicity in recent land mine explosions in Zambia, offered direct negotiations with Lusaka, and said that a crippled Zambian economy would be a liability for Rhodesia also. Smith recalled that it was Kaunda who had decided to stop Zambian copper shipments through Rhodesia, which sharply increased the costs of the blockade to both countries.

Smith presumably recognizes how difficult it would be for Kaunda to renounce publicly Zambia's support for Rhodesian "freedom fighters."

The Rhodesian representative in Pretoria reportedly implied to a British diplomat that Smith might accept "half assurances" that Kaunda would attempt to restrain guerrilla incursions. This approach, like Smith's speech, reflects Salisbury's desire to regain the foreign exchange earnings it forfeits by maintaining the blockade.

On the other hand, Smith's broadcast stressed that the small guerrilla bands currently active in Rhodesia are getting significant support from local tribesmen. New regulations authorizing stiff fines for whole villages when an inhabitant is suspected of aiding guerrillas indicate a belief among white Rhodesians that they face a serious insurgency. Such considerations could compel Smith to maintain the blockade, regardless of cost, as long as guerrilla incursions persist. Although no early end of the blockade is in sight, both Smith and Kaunda seem ready for private talks aimed at an eventual, if limited, accommodation.

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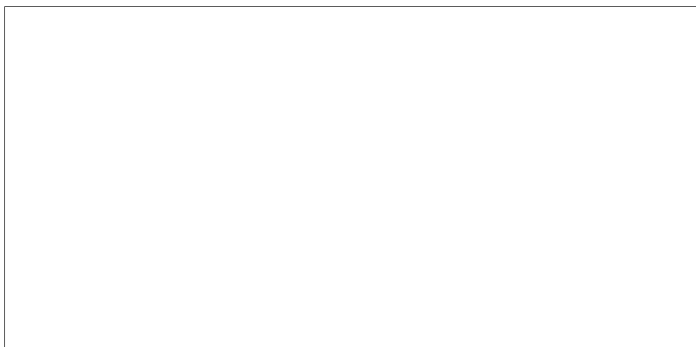
Portuguese Guinea - Guinea
REBELLION IN ABEYANCE

Amilcar Cabral's assassination in Conakry on 20 January has almost certainly stalled the anti-Portuguese insurgent movement he headed. It also has plunged nervous President Toure into a new frenzy of defensive activity motivated by concern both for the rebel movement and his own regime.

Toure, who had given the insurgent forces under Cabral wide latitude in Guinea, has acted quickly to control the situation. While Toure rai's against imperialist plots, the Guinean military has moved to disarm insurgent elements throughout Guinea and taken control of the Conakry installations of Cabral's organization. Rebel personnel in the capital reportedly have been divided into small groups and placed under the control of Toure's party.

No conclusive evidence identifying Cabral's killers is available as yet, although Toure has announced that the commander of the rebel "navy" has confessed. Toure predictably has placed basic responsibility on the Portuguese, who have, just as predictably, denied all responsibility. In a radio interview on 22 January, Toure charged that most of the assassins were members of the Portuguese colonial army who had pretended to desert to the rebels. On 23 January, Toure claimed the commander and "others" had been captured by the Guinean Navy the day after the assassination while fleeing to Portuguese Guinea in commandeered rebel boats. Toure claimed they had several hostages, including a top Cabral aide, Aristide Pereira. Toure also has asserted that a move is under way to "uproot" a "fifth column" within the rebel organization.

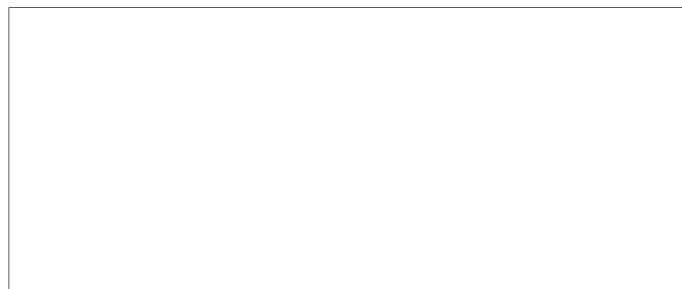
Toure's public treatment of the affair is intended, above all, to refute the damaging explanation, offered by Lisbon and widely accepted in press accounts, that Cabral's murder resulted from factionalism within the rebel movement. In fact, available evidence points in that direction and also suggests that Toure's prompt control measures were motivated by concern that warfare might break out between the factions, presenting a security hazard to his own regime as well as further weakening the nationalist cause.



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Toure's take-charge attitude, plus rebel dependence on the Guinea base, means that the Guinean President will have a strong say about the insurgents' future leadership and direction. No successor to Cabral has emerged, and Toure is in command. The two most likely successors are Luiz Cabral, Amilcar's brother, and Pereira. Luiz headed the rebel office in Dakar and Pereira the Conakry office. Toure's restrictions on the insurgents during the sorting-out period makes rebel military initiatives unlikely and can only adversely affect their stated intention to declare an independent rebel government.

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Meanwhile, Toure, despite his concern over the various problems raised by the assassination, is clearly bent on exploiting the event to propagate the nationalist cause and enhance Guinea's prestige. He evidently intends to stage another spectacular funeral like the one he put on last year for Nkrumah.

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SECRET**INDIA: THE UNMAKING OF A STATE**

A common language may not be enough to hold together the southeastern state of Andhra Pradesh. Ironically, the Telugu speakers in this area provided the impetus for a massive reorganization of India's states along linguistic lines in 1956. Today in Andhra Pradesh, economic grievances have led to a bloody dispute between the comparatively well-off inhabitants of the coastal Andhra region and the residents of Telengana, the poorer interior part of the state.

The latest outburst was touched off by a Supreme Court ruling in early October upholding the constitutionality of employment regulations (the Mulki Rules) that have reserved a vast number of civil service jobs for the Telengana minority since 1918, when Telengana was part of the princely state of Hyderabad. The Andhrans had gone along with the preferential scheme for a number of years but, hard hit by rising unemployment, their resentment of the Telenganans' monopoly of government jobs has been rising, particularly in the state capital, Hyderabad City.

Prime Minister Gandhi tried to lower tempers by proposing an extension of the Mulki Rules on a limited scale, but neither side was satisfied, and the drive for separation grew more virulent, particularly in Andhra. Rioting, the destruction of government property, especially railway stations and trains, and some 30 fatalities finally led New Delhi on 18 January to suspend the state assembly and impose President's Rule.

Political and caste considerations enter into the dispute. The formerly dominant Reddy caste, which includes ex - chief minister Brahmananda Reddy and various political parties, whose power was sharply trimmed by Mrs. Gandhi's election successes, discovered they had something in common. They succeeded in bringing about the resignation of Chief Minister P. V. Narasimha Rao, her hand-picked replacement for Reddy. As a result, Mrs. Gandhi's image as a skilled political manipulator has suffered, raising doubts about the future of her appointed lieutenants in other states. Many of them face difficult economic and political problems, lack personal power bases, and are resented locally. New Delhi is concerned that the situation in Andhra Pradesh may set an

unhealthy precedent for other states afflicted with similar tensions.

The breathing spell provided by President's Rule could allow cooler heads in Andhra Pradesh to look squarely at the long-term economic disadvantages of separation. At this juncture, however, the betting favors the formation of two separate states and perhaps more changes in India's internal boundaries in response to a constantly varying mixture of linguistic, ethnic, and economic pressures.

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CYPRUS: MAKARIOS VS. GRIVAS

Divided loyalties within the Greek Cypriot community have led to open strife between the supporters of President Makarios and General Grivas. Bombings, student demonstrations, attacks on the police, and thefts of weapons and explosives have heightened tensions.

In calling presidential elections for 18 February, Makarios was aware that Grivas would cause trouble, but the President wanted to renew his mandate from the Greek Cypriot community. A new mandate would, he thought, help him cope more effectively with his critics and strengthen his hand in the current intercommunal talks.

Grivas has opposed the elections for the same reason. Grivas fears, in particular, that if the Archbishop is overwhelmingly re-elected, he will feel free to accept an intercommunal settlement that would foreclose Grivas' major goal—union of Cyprus with Greece (enosis). It appears likely that recent outbreaks were not isolated incidents but a calculated campaign by Grivas aimed at undercutting Makarios and demonstrating pro-enosis sentiment among the Greek Cypriots.

No candidate has yet appeared to challenge Makarios. If an opponent comes forward by the 8 February filing deadline, Grivas probably hopes his terrorist tactics will deprive Makarios of a large affirmative vote by discouraging voters from going to the polls. Makarios seems confident that he can contain the Grivas forces even though the General's followers are capable of even more serious attacks.

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EGYPT: STUDENTS AND INTELLECTUALS

The government's decision to keep the nation's universities closed until 3 February reflects its continued uneasiness over student unrest.

Following student demonstrations in early January, all Egyptian institutions of higher learning were closed a week ahead of the normal mid-year break. Classes were originally set to resume on 27 January, but the regime needed more time to cool the situation.

Student grievances are still alive. Some students remain under arrest, one of the reasons for the earlier protests, and little has been done to answer other student complaints. For example, the students wanted more done to prepare for the battle with Israel. President Sadat has made a show of further preparations, but his efforts probably will not mollify the students.

Support for the students reportedly has come from a group of prominent Egyptian intellectuals who privately sent a petition to Sadat calling for leniency for students held by the government. The intellectuals pointed out that the demonstrations, far from being the handiwork of a small group of agitators as the government has claimed, stemmed from the broad discontent that exists at all levels of Egyptian society. The signatories represented a broad ideological and philosophical spectrum, and the request is an unusual manifestation of unhappiness with the regime from the nation's intellectual community.

A fact-finding committee appointed by the government is to present a report on the recent troubles to the legislature, but the report is not likely to assuage student grievances. More warnings on the need for national solidarity will be issued, but Egypt's security forces will have to be on the alert for further trouble when the universities do eventually reopen. [redacted]

SYRIA: IN SEARCH OF HELP

For the past two weeks, Syrian leaders have been engaged in a major diplomatic campaign to point up to their Arab brothers that Syria is fighting Israel alone and needs tangible as well as moral support. At the same time, the Damascus radio has been calling on the "Arab masses" to join the battle and for Arab armies to "take their natural position" on the front line. The intensive campaign was doubtless prompted by the recent disastrous Israeli attacks on Syria, which resulted in hundreds of casualties and heavy damage to key military installations and equipment.

Damascus' appeal for help has been spearheaded by Foreign Minister Khaddam, who toured the Maghreb states, and by Deputy Prime Minister Haydar, who visited eastern Arab nations. The seriousness of the Syrian appeal was underscored by the personal letters they carried from President Asad. The concurrent, sustained press campaign contains the implicit reminder to Egyptian leaders that they could renew hostilities along the Suez Canal. At the very least, the Syrians may hope to generate greater financial assistance. Reports that Syria might withdraw from the Confederation of Arab Republics unless more aid is forthcoming have been denied.

Although the initial public response has been accompanied by expressions of praise and pledges of support, there has been little evidence that significant tangible aid is currently being considered. The naming this week of Egyptian War Minister Ahmed Ismail as commander in chief of the Syrian, Egyptian, and Libyan armies, like similar steps in the past, is intended to create an impression of greater Arab unity. In another probably futile effort, Arab defense ministers are scheduled to meet in Cairo on 27 January to discuss common defense plans. But, despite assurances that they are behind Damascus all the way, none of the other Arab states seems ready to join Syria in another "war of attrition" against Israel. [redacted]

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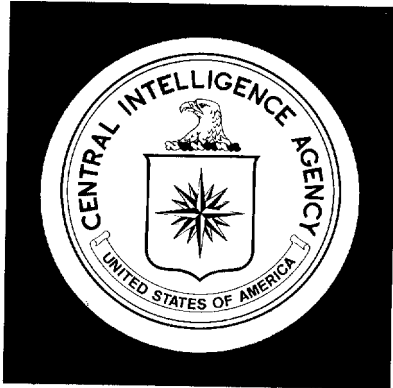
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY
Special Report

Shah of Iran: Royal Revolutionary

Secret

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Shah of Iran

ROYAL REVOLUTIONARY

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Five thousand representatives of Iranian organizations gathered in Tehran this week for a national congress marking the tenth anniversary of the White Revolution, the device by which the Shah has brought Iran into the 20th century. The celebration is referred to locally as the sixth of Bahman, the date on the Iranian calendar when in 1963 the Shah's package of land reform and other related programs was endorsed in a referendum.

In the intervening ten years, the Shah has grown into a supremely self-confident ruler, who has to his credit an impressive list of successes. Although Iran is theoretically a constitutional monarchy, in practice all branches of the government are dominated by the Shah, who holds absolute power and makes all decisions. The right to form political parties and hold free elections has been narrowly circumscribed by the Shah, who closely controls even the most parochial of political processes.

Conscious of his own mortality, the Shah is in a hurry to establish Iran economically, politically, and militarily as the most powerful and prestigious country in the Middle East. Virtually every thing that has been achieved in Iran is directly attributable to the Shah's dynamism and his taking "this king business" seriously. This is both a major strength and weakness. The Shah alone supplies direction and coherence to the government. As long as he reigns and remains flexible enough to make necessary changes, Iran should thrive. Without him, the stability and prosperity he has established will become extremely vulnerable.

Ten Years of Social and Economic Progress

Mohammed Reza Shah Pahlavi was only 21 when British and Soviet forces occupied Iran in 1941 in order to open transit routes for war materiel. This move by the wartime allies forced his father's abdication and his own accession to the throne. At first, the new monarch seemed a pale reflection of his tough, aggressive parent, and for almost 15 years his rule was in many respects secondary to that of the old time politicians competing for personal political power. Not until the mid-1950s, following the overthrow of the erratic nationalist Mohammed Mossadeq, did the Shah begin to tighten his grip on the power structure. By the end of the decade, he had brought the government entirely under his authority, but in the process he suffered a sharp decrease in personal prestige. The Shah was blamed for the persistence of near feudal economic and social conditions. Similar regimes were collapsing elsewhere in the region, and few observers believed the Shah was capable of the reforms needed to save the monarchy.

That the Shah and the monarchy did survive was due to a fortunate confluence of circumstances, the force of his personality, and a fair measure of luck. Since 1963, the Shah has transformed his image. The reactionary conservative has blossomed into a royal revolutionary and social reformer. The vehicle for this transformation has been his White Revolution, which began in 1963 as a reform program designed to undercut his opposition and gain support from the people.

The Shah recognized from the start that major reforms would be risky, but he correctly reasoned that the support of the traditional aristocracy alone was of diminishing importance. It could be replaced by a new elite that included, in addition, the growing middle class. He saw much to be gained from establishing a public image as a progressive ruler both at home and abroad, but he was also moved by a genuine concern for the average Iranians' well-being.

Only two aspects of the program have met active opposition: land reform—the most

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significant element of the original program—and giving women the vote. Opposition to these proposals culminated in riots in Tehran in June 1963, but by that time the Shah was too committed to back down. If anything, the disorders strengthened his resolve to press forward, though sometimes at a pace and in a manner more tailored to the sensibilities of those affected.

Reform and Development

3 In general, the White Revolution has been more a political than an economic success, and this is true of land reform in particular. Virtually without bloodshed, nearly all of the 90,000 square miles of arable land formerly owned by the Shah, the state, and landlords (constituting about 1 percent of the population) has been transferred to the ownership of the peasants (about 45 percent of the population). The only exception was a small percentage of land farmed mostly by machinery and some orchards.

3 Although many problems are still to be smoothed out, the agricultural economy did not suffer during the transfer, and the new peasant owners work the land more productively than before the revolution. The annual growth rate of agricultural output is about 3 percent, an achievement that many developing countries would envy, but short of the 4.4-percent goal set by Iran's planners. Land reform provided very little for the large numbers of laborers employed on the farms.

3 The reform movement, in general, has maintained its momentum even though some specific programs have lagged. The bolder and more imaginative programs have periodically given fresh stimulus to the movement as they entered new stages; land reform, for instance, has gone through three such phases. The Literacy Corps, the Health Corps, and the Extension and Development Corps were designed to bring groups of draft-age Iranians to the countryside to improve education, health, and living standards. These groups have been able to work effectively in a rural environment and have benefited from the changing landlord-peasant relationships. These programs are expanding.

The White Revolution

On 26 January 1963, the initial six points of the Shah's program for reform and development—the White Revolution—were approved by popular referendum. They included land reform, electoral reform, the Literacy Corps, the sale of government factories, nationalization of forests, and workers' profit sharing. Three more were added in 1963: the Health Corps, the Extension and Development Corps, and the village court system. Two years later the list was increased to 12 with the addition of a program of administrative and educational reform, a program to promote regional development, and the nationalization of water resources.

Land reform and the Literacy Corps have undoubtedly had the most impact and have been the most successful programs. The Health and Extension Development Corps have also enjoyed some success, not the least of which has been the establishment of a government presence and channels of communication in remote villages usually ignored by Tehran. At least 3,500 Houses of Equity and nearly 200 Arbitration Councils have been opened as part of the modernization of the village court system to accelerate the settlement of cases.

Other parts of the 12-point program have had less impressive results. The nationalization of forests and water, relatively unspectacular and implemented fairly slowly, has made little impression. The sale of government factories did not generate much enthusiasm and, despite continuing government efforts to sell off some of its uneconomical factories, it has had little success. The workers' profit-sharing program, still very much publicized, is unlikely to meet its lofty goal. Election law reform has streamlined the mechanics of holding elections, reducing to one day a process that at times had taken more than a week, but has not resulted in the development of any real political contests. Any advances under the program of administrative reform, which is still viewed with skepticism, have been marginal and often coincidental. The Iranian bureaucracy has an almost legendary ability to absorb the waves of reform and the cries of outraged citizenry while still continuing as before.

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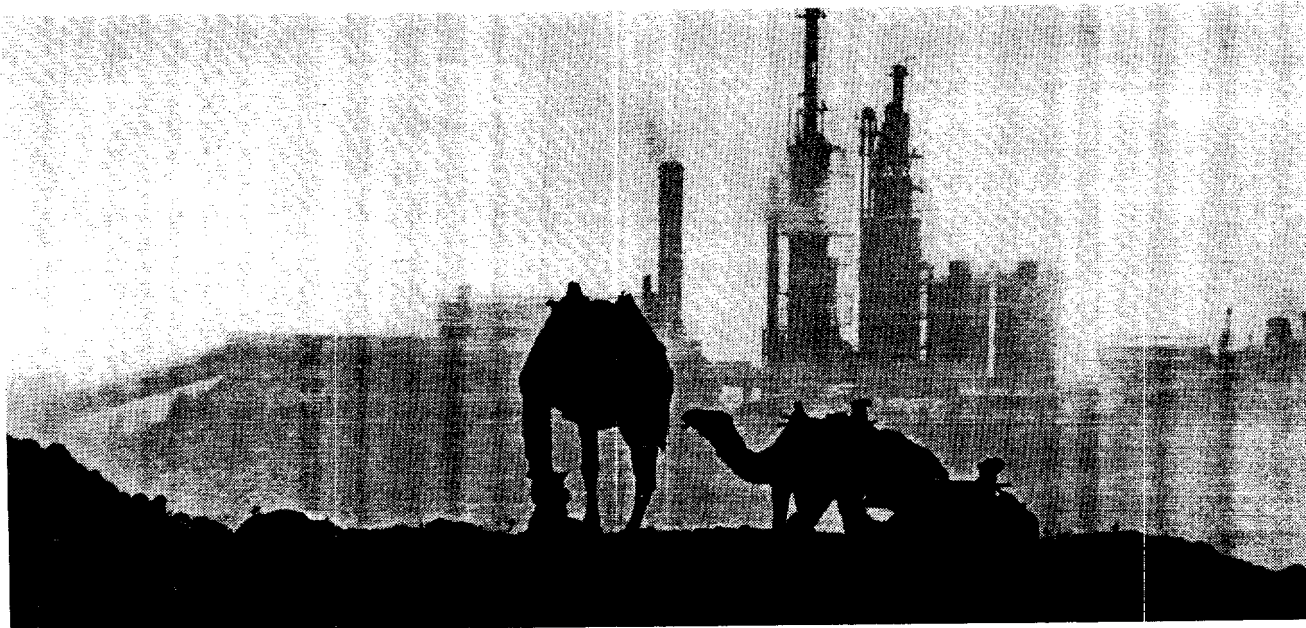
The reform movement has had its greatest impact in rural areas. Despite the Shah's efforts to convey the impression of a social revolution changing both rural and urban Iranians, the benefits accruing to the urban population, with some exceptions, have been more the result of the country's economic progress than of specific reform programs. The key to that economic progress has, of course, been the substantial increase in Iran's income from oil revenues and the skillful handling of foreign credits.

Iran has developed to the point where it has the largest gross national product in the Middle East, more than twice that of either Egypt or Israel, and is growing at a faster rate than that of any country in the region. Since 1964, Iran has enjoyed an average annual growth in real Gross National Product of 11 percent, a rate approached only by Israel in the Middle East. This growth rate is the result of large-scale public and private investment, supported by increasing amounts of foreign financial and technological assistance.

Iran's rapid economic expansion is heavily dependent on oil revenues which, at \$2 billion in

1971 and an estimated \$2.4 billion in 1972, account for 85 percent of export earnings and about 60 percent of annual government receipts. The importance of oil to Iran's economy is demonstrated by the fact that the Shah takes personal charge of negotiating all oil agreements. He has repeatedly pressed the consortium—a group of Western companies that extracts and markets roughly 90 percent of Iran's oil—for more rapid growth in production and for higher revenues. Last June, after hard bargaining, the Shah tentatively extended the consortium's concession to 1994 in exchange for its nearly doubling production and transferring some of its assets to the government-owned National Iranian Oil Company. He changed his mind when neighboring Persian Gulf countries subsequently received what the Shah considers to be better terms from their concessionaires. He is now renegotiating his earlier agreement.

Iran's economic successes have not been an unmixed blessing. Rapid growth has given rise to a number of economic and social problems. Massive population shifts have strained urban community services. There is unemployment and underemployment on a wide and visible scale.

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The country's new-found wealth has been unevenly distributed; upper and middle income groups have benefited enormously while some lower income groups have benefited slightly. Economic planners have had to cope with inflation and with shortages of trained personnel to manage and man expanding industries. These problems will have to be addressed if the Shah is to sustain the image of Iran as a reforming as well as a prospering country.]

The Shah and the Government

14] The Shah dominates Iranian political life. His successes over the past decade, and particularly the country's extraordinary economic growth, have made him a supremely self-confident ruler. He considers himself the best informed man in Iran, but has a voracious appetite for more knowledge. He surrounds himself with loyal, educated, and politically sophisticated advisers whose talents he uses to manipulate the national and local bureaucracies and the legislature. To oversee the entire system and maintain control, the Shah employs an omnipresent security network.]

5] The Shah usually works seven days a week, spending from about 0900 to 1330 and from 1600 to 1930 in his office. During these hours, he receives a steady stream of visitors, including top officers of the Iranian Government and the armed forces. Although most important officials see the Shah on a fairly regular basis, there are a few that enjoy a much readier access to the monarch—these are the 10 to 15 most important court, government, military, and security officials.]

5] The Shah's work schedule is somewhat less rigorous than in the past, but he still turns over only the less important business to subordinates. On routine Pahlavi Foundation matters, for example, he is more likely now to turn to its administrator, Senate President Sharif-Emami, than he would have done in the past, when he personally used to approve or disapprove applicants for the 3,000 scholarships administered by the foundation. On more weighty matters, he has not lost his taste for detail. He directs or at least reviews all significant actions by the ministries, he

personally appoints a host of civilian officials and all military officers down to the rank of major, he parcels out diplomatic assignments, and he passes on individuals running for legislative seats.]

10] It is a taut system the Shah has established. He delegates little, and his awesome personality inhibits his advisers, who may tell the Shah what they think will please him instead of what they believe to be the truth. The Shah recognizes this and frequently zeroes in with astute questions. In recent years, the Empress, who has a reputation for candor, has been used by some to reach the Shah with unpleasant news. She is reportedly not afraid to criticize if she feels criticism is necessary.]

7] The most prestigious position next to the Shah is that of minister of court, who serves as director of the Shah's executive office and may be used by him for unofficial and unattributed activities. The incumbent, Amir Assadollah Alam, is especially close to the Shah and has been since they were schoolboy chums. Alam has served the Shah effectively in a wide variety of important posts and was prime minister at the inception of the White Revolution.]

7] The current prime minister, Amir Abbas Hoveyda, is a close adviser to the Shah by virtue of his office. He has held the post for a record seven years. Not all prime ministers have had the confidence of the Shah, but Hoveyda has; and the position is, therefore, one of real influence. Hoveyda's blend of humility, tact, and affability has made him an important asset. Nonetheless, Hoveyda has made it clear that he acts only at the direction of the Shah. The prime minister knows that he, like other officials in the cabinet, serves only at the monarch's pleasure, and that any lapses—or any success in building a personal following—would cost him his job.]

The Shah and the Military

7] The military is central to the Shah's plans for his country. He wants to make Iran the most powerful and prosperous Middle East country and bring it significant influence on the world scene, and he believes the military must play a key role

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in this endeavor. He has lavished money on his armed forces—already stronger than any Arab neighbor—in an effort to provide the latest, most sophisticated weapons and the trained men to operate this equipment. Not surprisingly, in view of the military's historic leadership of coups in these countries, the Shah holds this increasingly well armed force under close control. Since much of his own education and training was oriented toward the military, the Shah is commander in chief in fact as well as in name. As with the cabinet, military officers have been arbitrarily moved around and dismissed to keep any one man from becoming a rival. Meanwhile, the Shah makes certain that military pay and perquisites are generous.]

✓ Military officers head the security networks fundamental to the Shah's control. The National Intelligence and Security Organization (Savak) has permeated every facet of Iranian life. From its headquarters in Tehran, it monitors developments throughout the country by means of a field organization paralleling that of the provincial bureaucracy. Not only does Savak collect intelligence on political opposition, suspect firms and organizations, students, foreigners, tribes, and minority groups, but it also investigates and approves candidates for election and scrutinizes government implementation of the Shah's programs. Savak's methods are often ruthless and include harsh interrogation, indiscriminate search and seizure, and prolonged imprisonment of suspects without hearings—all of which arouse popular resentment. It is run by General Nasiri. His reputation for ruthlessness was probably the reason he was appointed to replace General Pakravan, after the assassination in 1965 of Prime Minister Mausur. Nasiri's appointment also served notice that the Shah would brook no opposition.]

General Nasiri's deputy at Savak, Lieutenant General Hossein Fardust, heads the Special Intelligence Office, established in 1959 as the Shah's personal security and intelligence network. Although Nasiri is one of the Shah's important advisers, Fardust is even closer to the monarch. He is empowered to conduct special investigations. He screens the press and monitors broadcasts, controlling the content of all public infor-

mation media as necessary. His power derives not from his position as Savak deputy but from his long and loyal friendship with the Shah.]

The Shah and the Legislature

¶ Historically, parliament in Iran is opposed to the monarchy. The Shah, like his father, has, therefore, found it necessary to keep both houses, the Majlis and the Senate, under tight control. The Shah approves all candidates for parliament, and in some cases he specifies who is to win. The constitution requires him to appoint half of the Senate. By these means, the Shah is assured of a legislature that will be responsive to his wishes. He is also able to ensure that a cross section of Iranian life, including representatives of groups such as women, make it into parliament.]

¶ Given this tight control, it is not hard to see why parliament's performance often lacks conviction. Most bills are dutifully approved by both houses with little more than a semblance of debate. Occasionally, there are sparks of life, for



Women were given the vote in 1963.

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instance, when the Shah's position on draft legislation is not clear beforehand, but these are few and far between. Little legislation gets that far without the Shah's imprimatur.]

107 [Even so, the Shah does not ignore the legislature, and on occasion has mollified the Majlis by amending some provisions of draft legislation found by the Majlis to be offensive. In this sense, the legislature serves as a sounding board for proposals that might be badly received by the populace. In 1969, for example, a land-reform bill requiring small landlords to sell rather than lease their land caused considerable dissatisfaction among the large number of small landholders. The bill was criticized in the Majlis. The Shah agreed to allow the landholders more latitude in exchanging the vouchers they received for their land, but maintained the essence of the legislation—that the land had to be sold. More frequently, however, when Majlis deputies object to proposed legislation or the way it is presented, they will debate and delay until the clear intent of the court is made known. Once that is done, they quickly succumb, cease further discussion, and approve the bill.]

The Shah and the People

11 [The Shah pays lip service to the philosophy that Iran needs a real constitutional monarchy in which the people participate in national affairs through their political parties. For the present, however, the Shah, in his paternalistic treatment of the people and in his manipulation of the election process, gives no sign that he plans to move in a democratic direction. He is probably sincere about the need for a functioning constitutional monarchy in the distant future, but he is so confident that he knows what is best for Iran that he himself is unlikely to relinquish any of his authority.]

9 [In fact, the Shah's relationship with his people is a one-sided affair. He tells them what he thinks is best for them, working through an elaborate provincial government organization. It is, however, a paternalistic system, one in which the lines of authority do not always correspond neatly to the formal organizational charts. Some

senior officials in Tehran have preserved links with their home areas and, in some cases, the local Savak chief wields more power than the provincial governor-general. Occasionally, the various councils and officials also pass back to the Shah the wants and needs of the people, but this is not their primary mission.]

When the Iranians learn to behave like Swedes, I will behave like the King of Sweden. The Shah in answer to a query as to why he did not become a constitutional monarch.

12 [Elections are a good example of the way Tehran manipulates the people's participation in government. Publicly, officials describe the process as a training exercise to aid the people to make the transition from a basically feudal society to a modern constitutional monarchy. Privately, officials admit that a facade of democracy has been deliberately constructed, based on a number of elaborate laws honored only in the breach and on a two-party system that is completely artificial. For example, in elections for city, district, and regional educational councils in October 1972, the vast majority of votes were cast by messengers who collected signed blank ballots from voters and delivered them to party workers who marked them as instructed before depositing them in the ballot box.]

12 [Iranian political parties, subject to the Shah's absolute control, have the form but not the function of Western political parties. Iran Novin, the ruling party, owes its position to imperial favor and continued "massive victories" at the polls. The Mardom Party, a poor second, has no real standing even among its own members. Election results, even the party breakdown in the Majlis and in provincial councils, are all preordained by the Shah.]

13 [In addition to controlling the political parties and elections, the Shah's government maintains tight control over the media. Every morning, representatives from the prime minister's office, the Ministry of Information, and other ministries wait at the newspaper offices for the first copies of the papers, which they take to their superiors for perusal. If these officials find

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anything objectionable, they can order the presses stopped and prevent distribution of copies already printed. Writers of material deemed offensive may find their jobs in jeopardy. Two reporters were recently suspended because of a story that upset the Shah by depicting a terrorist sympathetically.

The people's direct contact with the Shah is necessarily limited. Most hear about his programs through local bureaucrats or from the press or radio. Although pictures of the Shah abound—either alone or accompanied by Empress Farah or sometimes the crown prince—relatively few people get to see him in person. Several times a year he will visit various parts of the country, but these are largely ceremonial occasions and involve mostly government officials. Prime Minister Hoveyda and other functionaries make many trips on the Shah's behalf, however, and, occasionally, Empress Farah has gone into the country to represent him.

Despite the fact that the Iranian system allows a minimum of popular participation, the people appear reasonably satisfied. With material conditions steadily improving, the Shah's manipulation of the political process produces more apathy than resentment. Groups that might otherwise have reason to be unhappy, such as dispossessed landlords, have made money elsewhere, and the burgeoning economy has opened up opportunities for a new managerial elite. There is evidence, however, of a growing hostility among intellectuals. Sporadic acts of terrorism and occasional student disorders attest to the existence of pockets of discontent. This could increase if unemployment rises.

Outlook

The prospects for Iran's continued economic progress are good as long as the Shah remains in power. Oil production is expected to grow considerably and, whatever the details of the settlement with the consortium, Iran will receive substantially more of the earnings than in the past. These large increases will not be enough, however, to cover Iran's ambitious public expenditures, and

continued external financing will be necessary for the next few years.

Although the Shah in the past decade has concentrated his efforts and those of the government on improving the domestic situation, he seems now to be developing an international policy aimed at increasing Iran's importance in the Middle East and the world. In the last year, the Shah has visited or been visited by the chiefs of state of the UK, US, and USSR; in September, the Empress paid a highly publicized visit to China. In line with his expanding view of Iran's defense responsibilities, the Shah has dramatically increased his air and naval weapons procurement, with some emphasis on developing longer range military capabilities.

There is little chance of a coup d'etat, and the Shah appears to be in good health. He is, however, known to be careless of his personal security. Should he be removed from the scene, there is some doubt that the succession mechanism would work to assure the accession of 12-year-old Crown Prince Reza Cyrus Ali. Moreover, Regency is untried in modern Iran, and in this case the regent would be the Queen—a choice only recently sanctioned by law but long forbidden by Iranian custom. It is doubtful that the Empress would be the paramount power in any post-Shah government, however, because she cannot count on the permanent allegiance of the coterie that has built up around her and because she has not so far been involved in major policy decisions. Her present power is hers as the wife of the Shah, not as a person of influence in her own right; still, her challengers would have to reckon with her wide popularity and her constitutional position.

Assuming the Shah remains in power for a good many years, and that is the likelihood, little will change in the way the country is run. There is always a possibility of terrorist disturbances, though, and occasions such as the sixth of Bahman celebrations provide a natural stage for such activities. Nevertheless, the Shah has been able to control dissent in the past, and he should be able to do so in the future.

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