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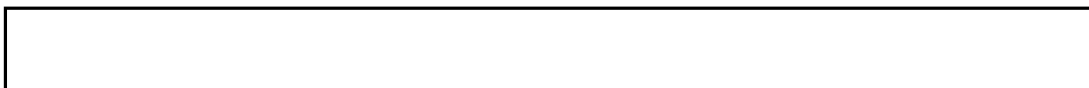
No. 0190/71
10 August 1971

Central Intelligence Bulletin

CONTENTS

INDIA-USSR: The friendship treaty. (Page 1)

CHILE: The resignation of four ministers. (Page 2)



25X6

ITALY: Housing and tax reform. (Page 4)

AFGHANISTAN: Appeal for emergency relief aid.
(Page 5)

SECRET

SECRET

INDIA-USSR: Moscow's purpose in signing the Soviet-Indian "friendship treaty" is to forestall precipitate Indian action on the East Pakistan question.

The 20-year Indo-Soviet treaty signed yesterday in New Delhi reflects both Soviet willingness to support India and the limited nature of Moscow's commitment. The two countries agreed on consultations with a view toward taking "appropriate effective measures" if either were attacked and to cut off assistance to the aggressor.

Heightened tensions on the subcontinent appear to have overcome Mrs. Gandhi's dislike of an agreement that conflicts with India's nonaligned posture. For their part, the Soviets apparently believed such a treaty was necessary to prevent India from taking more drastic action in East Pakistan.



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25X1 [According to press reports, Gromyko has also been invited to visit Islamabad.]

25X1 In the meantime, Islamabad has announced that the treason trial of East Pakistani leader Mujibur Rahman will begin tomorrow. If he is given a death sentence, pressure for intervention will increase in India. [redacted]

10 Aug 71

Central Intelligence Bulletin

1

SECRET

SECRET

CHILE: President Allende's delay in acting on the resignations proffered by four ministers on 6 August reflects an intensification of conflicting pressures on him.

The resignations were offered by three ministers of the Radical Party (PR) and one former member of the Unitary Movement of Popular Action (MAPU) following recent moves by both parties to adopt Marxist credentials. Allende wishes to avoid alienating either these governing coalition parties or the less extremist dissidents who resigned in protest. Allende values the non-Marxist window dressing the PR provides his government and he refused the resignations of the same PR cabinet ministers in April following their party's poor electoral performance.

Cabinet changes would also be unwelcome to Allende in that they could trigger other readjustments unsettling to his uneasy coalition. For similar reasons he prefers not to accept the fourth resignation, from Agriculture Minister Chonchol, who has left the MAPU to join the new Christian Left movement, which does not belong to the coalition.

Allende is also under pressure in the economic field. If he meets the demands of striking copper workers at one mine, it would set an expensive precedent when Chile urgently needs every penny from its major export because of its mounting economic problems. These problems also make Allende and the pragmatic Communists reluctant to threaten Chile's international economic standing by a flat refusal to compensate the US copper companies. Allende's Socialist colleagues are pressing for such a refusal in the conviction that a confrontation with the US would mobilize the Chilean masses behind the President and enable him to move faster toward socialization.

25X1

10 Aug 71

Central Intelligence Bulletin

2

SECRET

25X6

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ITALY: Senate approval of crucial bills on housing and tax reform gives some respite to the government, but internal tensions among the governing parties are still acute.

Because the two bills--and particularly the housing measure--had been the object of much controversy among the Socialists, Social Democrats, and Christian Democrats, the fact that the government majority remained basically intact is a distinct plus for Premier Colombo. Prior to the vote, he reportedly made clear to Socialist Party leaders that he would quit rather than accept their proposal to postpone the housing vote until autumn. Both bills are expected to pass the Chamber of Deputies with relative ease this autumn.

The housing bill, aimed at easing the shortage of low-cost housing, provides for increased public housing expenditures, expropriation of private urban land, and aid to private builders. The tax bill is intended to simplify the tax structure and collection as well as cut down on evasion. A single progressive tax will replace 16 different taxes and surcharges on personal income and a standard tax on company profits will replace all current corporate levies. The tax on production will now be on the value added at each stage of production, as is demanded by European Community rules.

Despite the cohesion evidenced by the coalition in Parliament on the bills, the indication in local elections last June that the electorate had moved right is having continuing repercussions within the coalition in local and regional government matters. As the Christian Democrats give slightly more emphasis to conservatism, more municipal and provincial coalition governments are being formed without the Socialists. In Genoa and the province of Liguria, moreover, Social Democratic members of the center-left administrations resigned in what may be a test of an over-all strategy to promote the formation of centrist administrations on local and regional levels without the Socialists. [REDACTED]

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10 Aug 71

Central Intelligence Bulletin

4

SECRET

25X1

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AFGHANISTAN; The government, faced with a critical situation because of prolonged drought, is appealing for emergency relief aid.

Unless extraordinary relief measures are undertaken, two consecutive years of drought are expected to culminate in a shortfall of about 25 percent in the country's wheat crop and the death of up to 70 percent of its sheep. In the barren northwest livestock losses may be total, and widespread famine has been predicted.

A major price depression in the sheep market already has resulted from the dumping of animals by owners in an attempt to avoid total loss. In addition, the grain shortage has driven the price of domestic wheat to 300 percent of its pre-drought value. Since wool, rugs, and related materials produce more than one third of total export earnings, Kabul's already serious balance-of-payments difficulties are being compounded.

The new government, which took office in late July and is headed by Prime Minister Abdul Zahir, has so far shown considerably greater speed and resolve than the previous administration in attempting to deal with the economic crisis. It has instituted a series of specific steps aimed at lessening crop and livestock losses and is seeking domestic support and foreign assistance. Additionally, in a meeting with the US ambassador, the new deputy prime minister indicated that the government will request a short-term debt moratorium from all creditors on \$18 million due through next March.

[REDACTED]

10 Aug 71

Central Intelligence Bulletin

5

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