

ROUTING

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday June 25, 1977

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National Intelligence Daily Cable for Saturday June 25, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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ITALY: Political Accord Developments

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[redacted] //Italy's major parties are cautiously optimistic as they head into the final phase of negotiations on the content of Prime Minister Andreotti's government program.//

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[redacted] For two months, Andreotti's Christian Democrats have been holding bilateral talks with the Communists and the four other parties, which support the government indirectly by abstaining on key parliamentary votes. Party technical experts believe that they have gone as far as possible and that the time has come for the six party leaders to begin collegial sessions aimed at ironing out remaining differences.

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[redacted] These roundtable meetings are likely to start today or early next week. The convening of such meetings, which are certain to receive extensive publicity in Italy, has been a major Communist objective in its talks with the Christian Democrats. The Communists believe that party chief Berlinguer's participation around the same table with the other leaders will vividly underline the political significance of an accord in which the Communists are formally included.

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[redacted] Among the contentious issues up for consideration by the party leaders are restraints on wages, police unionization, and the organization and management of key state enterprises.

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[redacted] the Socialists--who have been pressing for a more comprehensive accord involving a change of government--now seem inclined to accept a limited program agreement. The sharpest comments at this stage are coming from the smaller parties, such as the Republicans, who charge that the agreement will reflect a consensus by the Christian Democrats, Communists, and Socialists to treat economic problems in such general terms as to render the accord meaningless in substantive terms.

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[redacted] If the six party leaders succeed in nailing down an agreement, it will still have to be approved in separate meetings of the respective party directorates. The Christian Democrats and Communists at least are optimistic that the process can be completed by the end of the month or the first week in July. [redacted]

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EAST GERMANY: Consumer Unrest

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[redacted] East Germany's debt service ratio has risen rapidly and in 1976 was 35 percent of its exports to the developed West. Its hard-currency debt jumped from \$2.8 billion at the end of 1974 to \$4.8 billion at the end of 1976; a rising debt and debt service is likely over the next few years if exports are not expanded more rapidly than in the past or if imports are not curtailed.

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[redacted] The West's lagging economic growth, meanwhile, has dampened demand for East German goods. The inability to divert goods from the domestic consumer to exports will only aggravate this problem. Meat, live animals, and other consumer goods are important hard-currency earners and are among the more promising

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of East German exports. Attempts to expand exports of machinery and equipment, on the other hand, are apt to meet with Western resistance.

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[redacted] Because East German economic growth is heavily dependent on imports, a curtailment of imports could impinge on the ability to export and might eventually affect the availability of consumer goods if economic growth slows down.

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[redacted] The East Germans could continue to borrow heavily in the West to finance increased imports. To do so, however, would lead to a faster growth in debt than the planners apparently feel is wise. Nonetheless, Honecker might well opt for this alternative rather than chance a reduction in the personal consumption plan.

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[redacted] Presumably, the East Germans could borrow what they need at least in the short-run. Most Western lenders apparently still consider East Germany a good credit risk. This picture could change, however, if the East Germans fail to demonstrate some intention of keeping the debt within manageable bounds.

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[redacted] The debt situation could force the East Germans to seek Western assistance. The most likely source would be West Germany, which holds one fourth of East Germany's debt to the West. If approaches to West Germany fail, other sources of Western financial assistance might have to be tapped. [redacted]

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IRAN: Human Rights Reforms

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[redacted] //The Shah is moving steadily, if deliberately, in his effort to improve Iran's poor international reputation on the issue of human rights. At the same time, he is at pains to dispel any impression that proposed judicial reforms are, in fact, capitulation to pressure from Western critics of Iran's handling of the detention and trial of terrorists.//

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[redacted] //Last week, the government submitted for essentially pro forma parliamentary approval a bill that calls for reform of penal codes under which civilians are charged

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and tried, usually in closed sessions, by military tribunals. The amendments would go a long way to meet the demands of those in Iran and abroad who have criticized the lack of due process in the trials of terrorists by military tribunals. The new regulations would grant defendants charged with violations of national security most of the rights now available in civil courts and would provide for:

--The charging or release of detainees within 24 hours.

--Selection of a civilian defense lawyer from qualified members of the bar.

--Open trial, presumably including permission for foreign observers to attend.//

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[redacted] //A final assessment of the reforms, which should come into effect this summer, will have to await their actual implementation. The new trial practices do give the government flexibility by allowing special handling of particularly violent terrorist acts. The provision for open trial, for example, can be waived if the tribunal rules that it would damage "the best interests of state or moral standards."//

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[redacted] //The Shah has been chafing under foreign criticism of the government's handling of security-related cases. He realizes that Iran cannot afford to be indifferent to the commentary of foreign news media on Iran's human rights performance, if only because of media influence on Western governments.//

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[redacted] //In the past few months, the Shah has launched a counterattack against his human rights critics by conducting a public trial of terrorists in April, opening prisons to outside observers, and responding personally to requests from media representatives for information on Iran's posture on human rights. Empress Farah Diba and the Shah's sister, Princess Ashraf, have joined him in making public statements aimed at discrediting foreign critics and defending Iran's overall record in human rights.//

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FRANCE: Socialist Party Meeting

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[] The French Socialist Party congress last weekend confirmed and strengthened party leader Francois Mitterrand's complete control of his party. His authority is now overtly unchallenged, even by the party's recalcitrant left wing, which has made the symbolic gesture of renouncing its role as an "organized faction." By demonstrating his dominance of the party, Mitterrand has disarmed some of his right-wing critics who are wary of left-wing extremism. He has also warned his Communist allies that they cannot count on the left wing to exert pressure on their behalf from within the party.

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[] The congress was billed as the final pre-election test of strength between Mitterrand's majority faction and the dissident Center for Socialist Studies, Research and Education; the CERES faction has been critical of party policies and of what it describes as Mitterrand's "monarchic" style of leadership. Mitterrand arrived at the congress with a key advantage; his faction had increased in strength from 68 to 75 percent of the party in the past two years, whereas CERES had stagnated at around 24 percent. Mitterrand thus had a comparatively free hand and events apparently played themselves out as he wished.

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[] CERES capitulated to party discipline fairly quickly, agreeing to disband its formal organization, end its independent financing, and refrain from criticism of the party. Mitterrand offered nothing in return. He rejected a compromise "synthesis" motion that would have integrated CERES' differing policy views into the party platform, and--more important--would have brought CERES back into the party's secretariat, from which it has been banished since 1975. Mitterrand did this, despite his realization that there was extensive support among the party rank and file for a "synthesis" compromise and a show of party unanimity.

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[] Mitterrand was undoubtedly aware that CERES had grown when it was in the party leadership from 1971 to 1975 and stagnated when it was not.

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[] Mitterrand's major objectives are for the Socialists to win, the next election and enter the government with a

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fairly homogeneous team. Too many CERES militants in the party leadership or in parliament, where they could be expected to side with the Communists, could kill his chances for success. Mitterrand has believed for some time that the period of protracted philosophical and theoretical debate dear to the heart of CERES is over and that energies should be turned toward the real problems of governing.

25X1 [redacted] It is likely that Mitterrand went out of his way to make it difficult for CERES to agree to a compromise on the political options, such as European relations and a market economy, on which it disagrees with the majority. The presence in the party of both a majority and an opposition is probably acceptable to him, as long as the opposition confines itself to debates and the majority make the decisions.

25X1 [redacted] CERES, for its part, agreed to an at least temporarily bad bargain because it is committed ideologically to socialism. The CERES leaders, among the most dynamic and dedicated in the party, were convinced socialists long before Mitterrand took up the cause. CERES also pragmatically had little choice; much as it decries the "cult of personality", it realizes that without Mitterrand and his party CERES would count for little.

25X1 [redacted] During the congress, Mitterrand gave short shrift to his Communist allies. Although stoutly defending his intention to share power with them, he noted that if the mid-July deadline he has set for updating the common program of the left is not met, the Socialists would simply consider themselves bound by the common program as it now exists. [redacted]

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