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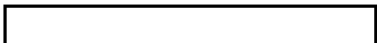
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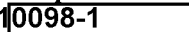
 IRAN: The Disparate Opposition

 INTERAGENCY MEMORANDUM

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IRAN: Atmosphere of Unease

25X1 [redacted] Moderate Iranian leaders have failed to find a political compromise. Wildcat strikes are causing some disruption in Tehran and are contributing to an atmosphere of unease. The Saudis are expressing acute concern about the situation in Iran.

25X1 [redacted] Members of the opposition believe there is little chance that a coalition government will be formed soon. None of the various opposition moderates has been able to devise a compromise acceptable to the Shah, who has insisted on the retention of the monarchy with substantial powers. The moderates had proposed that the Shah be retained, but they stipulated that he would have to turn over power to a regency council and abdicate after two years in favor of his son.

25X1 [redacted] Press reports indicate that Khomeini has called for a general strike on Saturday, and the US Embassy in Tehran reports that the overwhelming majority of Iranians are girding for a major confrontation.

25X1 [redacted] //A wave of politically motivated wildcat strikes has already resulted in an increase in tension in Tehran. Most of the city was without electric power for several hours Monday night. Workers at the national radio and television station, the Tehran oil refinery, and the pipeline that carries oil products from Abadan to Tehran walked out yesterday. The refinery at Shiraz remains closed. These labor actions have resulted in some fuel shortages; these have been aggravated by panic buying in reaction to rumors that a massive oil strike will occur during Moharram.//

25X1 [redacted] Saudi Foreign Minister Saud expressed serious concern about the deteriorating situation in Iran to US officials this week. Saud was worried that, if the Iranian military's loyalty falters, either the Soviets might exploit the situation or a radical Shia state might emerge led by Khomeini. Saud was particularly concerned that Iran's oil production may cease if the Shah's opponents destabilize the country next month.



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[REDACTED]

IRAN: Oil Production and Exports

[REDACTED] //Iran's oil production and exports are approaching prestrike levels, according to industry sources. The government will continue to face serious economic problems, however, and the most pressing will be rising inflation.//

[REDACTED] //Yesterday, crude oil output reached 5.9 million barrels and exports 5.2 million barrels, compared with figures of 6.1 million and 5.4 million barrels per day respectively in September. The current production level is some 600,000 barrels per day below prestrike sustainable capacity, however, and some oil industry observers believe that Iran will find it difficult to raise output to that level quickly because of technical problems caused by the shutdown. Even maintaining output at current levels may prove difficult.//

[REDACTED] //The labor situation both in the oilfields and at some refineries remains unstable, and many returned workers are reported to be nonproductive. There are reports that opposition leader Ayatollah Khomeini has called on his supporters to stop oil exports during Moharram, the month of mourning that begins on Saturday.//

[REDACTED] //A strike by employees of the Central Bank that began on 26 November is continuing, and confidence in the banking sector remains critically low. Despite the reduction in reserve requirements for banks and the massive issuance of new notes, banks are facing a liquidity crunch as depositors continue to keep their assets in cash.//

[REDACTED] //Some high-level Iranian economic officials are demonstrating a considerable lack of realism regarding the seriousness of the economic problems they face. They say the economy is returning to normal and that earlier industrial stockpiling of goods will have a beneficial effect by dampening inflation.//

[REDACTED] //In fact, resurgent inflation is the most critical near-term economic problem facing Iran. Unless the government can quickly meet increased demand for consumer goods generated by the recent round of wage hikes, inflation will eat up a large share of those increases, leaving workers with little real gain and raising the prospect of further labor unrest.//

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[REDACTED] //Because domestic industry will be hard-pressed to meet even a small portion of the additional demand for goods, sharply increased imports will be required. Financing such imports will not be a problem, but getting them to consumers on a timely basis may be. Much will depend on the government's ability to keep port and distribution facilities functioning smoothly.//

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[REDACTED] //The reordering of economic priorities and the elimination of many costly industrial, military, and nuclear projects will not fill short-term requirements for funds to pay workers or finance agricultural and rural development. Because many of these projects would not have begun before the 1980s, much of the savings will not be felt until then. In many cases, moreover, projects now being officially written off had already been deferred or reduced in scope--some as long ago as mid-1975.//

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[REDACTED] //The inability of Iranian planning officials to come up in advance with a development plan for the period from 1978 to 1983 suggests that economic officials are unable to devise either meaningful near-term spending plans or longer term goals. Even if a measure of political stability is restored, the Iranian leadership will have to cope with the same long-term economic problems--but these problems will have been made more complex by the events of recent months. [REDACTED]

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USSR: Defense Budget Announced

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[REDACTED] Soviet Minister of Finance Garbuzov told the Supreme Soviet yesterday that the USSR plans to spend 17.2 billion rubles on defense in 1979--the same figure he announced for this year and last year. We believe that this figure significantly understates actual Soviet expenditures for defense.

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[REDACTED] The announced defense budget has been relatively static since 1969--which is inconsistent with the changes that have occurred in the level of Soviet military activities. Our estimate--which is based on the direct costing of observed Soviet military programs--indicates that, since 1969, actual Soviet defense spending in rubles has risen at an average rate of 4 to 5 percent a year in real terms.

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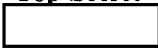
[REDACTED] In 1977, Soviet spending for activities that the US would define as defense probably totaled 53 billion to 58 billion rubles in constant 1970 prices--more than three times the announced figure. Using a broader definition, which includes additional costs the Soviets are likely to classify as spending for defense, estimated Soviet defense spending last year was 58 billion to 63 billion rubles. [REDACTED]

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[REDACTED]



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BOTSWANA: Guerrilla Activity

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//Several terrorist incidents late last month in northern Transvaal have prompted the South African press to express concern over the danger that Botswana may become a staging area for guerrilla activities in South Africa. The Botswanan Government, already nervous about Rhodesian accusations that it has aided the Zimbabwe African People's Union, has privately and publicly assured South Africa that its policy of denying guerrillas the use of Botswanan territory for transit or sanctuary remains in force.//

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//Botswana has recently taken measures to stop guerrillas from transiting the country.

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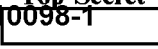
The government has closed a border post at Kazungula to holders of Tanzanian passports after learning that guerrillas who clashed with South African police last month may have traveled on Tanzanian passports. Botswanan authorities believe the South African guerrillas have received arms and assistance from ZAPU members active in Botswana, and perhaps as a result ordered the ZAPU representative in Francistown out of the country.//

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Because Botswana has only a meager security force, it is limited in its ability to prevent guerrillas from moving into and out of the country. South Africa seems to recognize Botswana's difficult position and has acted with restraint when border incidents have occurred.

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CHINA: Crude Oil Dribbles into US

[REDACTED] China's sale of 3.6 million barrels of crude oil to a US firm on the West Coast, which reportedly will process the crude into fuel oil, represents only a small expansion of Chinese exports that already total about 265,000 barrels per day. Chinese export crudes are desirable for fuel oil because of their low sulfur content. The large US market for fuel oil is along the East Coast, but Chinese oil cannot be shipped there economically because the Panama Canal is unable to accommodate super-tankers.

[REDACTED] Additional Chinese sales of crude to US companies are a reasonably good possibility; the amounts going to the continental US, however, are certain to remain small. Because of the oil glut on the US West Coast, US firms will continue to market most Chinese crudes in countries such as Japan, South Korea, and Australia.

[REDACTED] The sale to the US firm does not significantly improve China's oil export prospects. Our latest projections, through 1985, indicate that China will be able to increase exports only gradually. The Sino-Japanese Long Term Trade Agreement signed in February 1978 commits Japan to increase gradually its imports of Chinese crude through 1982. By that year, Japan will be importing 300,000 barrels per day of the 500,000 barrels per day that we expect China to have available for export.

[REDACTED] China faces an uphill struggle to find markets for the rest and may resort to barter arrangements, such as the 1978 contract with Brazil to swap oil for iron ore. Even if China disposes of all its available oil through 1982, Chinese oil would still represent only 1 or 2 percent of the oil moving in international trade.

[REDACTED] The Chinese believe that they can use oil to help pay for their ambitious ten-year economic development plan. We believe Chinese supplies of oil for export will at best level off and possibly decline after the early 1980s. The economic development plan is spurring growth of domestic demand for all forms of energy. Onshore oilfield development promises to bring into production three or four large fields in the next few years, but much of their output will be used to compensate for a decline in the rate of growth of older fields.

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[REDACTED]

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25X1 [redacted] To use oil to pay for modernization projects, China will have to develop offshore oil fields faster than the CIA and the US oil companies now negotiating with Peking believe is likely. [redacted]

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USSR: Rising Mortality Rates

25X1 [redacted] *The Soviets have omitted age-specific death rates from the recently published 1977 Soviet statistical handbook, indicating the regime's sensitivity to the continued slow pace of Soviet population growth. Data by age group on births and deaths had appeared in every annual handbook since the 1970 census, and their omission this year is tacit acknowledgment that unfavorable trends are continuing or worsening.*

25X1 [redacted] The Soviet mortality rate rose from 6.9 per thousand in 1964 to 9.5 per thousand in 1976. Much of this increase is the rise in infant mortality, which jumped from 22.9 per thousand in 1971 to 27.9 per thousand in 1974, the last year for which these figures were released. More recent data for children under four indicate that this trend continues. More teenage brides, inferior prenatal care among Muslim minorities--which account for an increasing share of births--and the harmful effects of multiple abortions on later pregnancies probably contribute to the increase.

25X1 [redacted] The other major component in the increased mortality average is the rising death rate for 25- to 40-year-old males, probably because of increasing cardiovascular diseases, malignancies, and alcoholism. Life expectancy for males at birth dropped from 66 years in 1966 to 64 years in 1972, the most recent published data. [redacted]

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[REDACTED]

USSR: Continuing Slowdown

[REDACTED] Soviet orders for Western machinery and equipment have declined by 25 percent this year from last year's already depressed level and show no sign of recovering despite the improvement in the USSR's hard currency position. A sharp slump in equipment orders for the chemical and petrochemical industries more than accounts for this year's decline, but contracts for certain industrial sectors--notably oil and gas--are again on the upswing.

[REDACTED] The continuing slump in orders seems to reflect Soviet financial conservatism, Western distaste for compensation agreements, and problems in assimilating the machinery already purchased. A number of major industrial projects scheduled for the 1976-80 five-year plan--which presumably would have been backed by long-term credits--reportedly were postponed by the Chairman of the USSR State Bank until the next five-year plan.

[REDACTED] The Soviets have insisted on including compensation arrangements in major projects involving large purchases of Western equipment and technology, and this has led to a slowdown in new orders because Western firms are becoming reluctant to accept many Soviet products.

[REDACTED] The West European chemical industry, for example, is worried about absorbing large flows of Soviet chemical fertilizers and petrochemicals stemming from earlier compensation agreements. Such reluctance was not the case previously, when fuel and raw material shortages made long-term supplies of Soviet products attractive to Western firms.

[REDACTED] Serious bottlenecks have developed in the USSR as officials try to construct facilities needed to house Western equipment. The Soviets are also finding it difficult to supply manpower for new plants because of labor shortages and a lack of technically qualified workers.

[REDACTED] The slowdown in orders should have a mixed impact on prospective US equipment sales. The USSR prefers US-produced oil and gas equipment, and Soviet orders for such products are on the rise. The lack of US Government-backed credits and US export licensing requirements, however, will continue to limit such sales to key items. Soviet orders for nonenergy equipment are likely to remain depressed. [REDACTED]

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[REDACTED]

USSR: Oil and Gas Production

25X1 [redacted] //The USSR, in an effort to speed offshore oil and gas discovery and production, has established a Main Administration for Exploration and Development of Offshore Oil and Gas Fields in the Ministry of the Gas Industry. The new organization will be responsible for all offshore exploration, construction, drilling, and production activities. These functions were previously fragmented among several ministries.//

25X1 [redacted] Centralization of offshore operations reflects Soviet concern over the slow progress in developing offshore hydrocarbon resources. Growth potential for Soviet oil production beyond the mid-1980s rests largely in the Arctic offshore regions and in deep structures in the Caspian Sea. Timely development of these areas will require effective internal planning and administration, as well as incorporation of Western technology, equipment, and services.

25X1 [redacted] //The new administration will be headed by Yuriy Zaytsev, an engineer with a strong technical background in petroleum exploration and production. Zaytsev has experience both in the Oil and the Gas Ministries and will control an organization of about 80,000 workers.//

25X1 [redacted] //The restructuring of offshore oil and gas responsibilities has been in the works for about a year and has apparently involved considerable internal politicking over who should head the new organization and how much autonomy it should have.//

25X1 [redacted] //The decision to place the new agency in the Gas Ministry--which has done no offshore work--rather than in the more experienced Oil Ministry appears politically motivated and a vote of confidence for Sabit Orudzhev, Minister of the Gas Industry. [redacted]

[redacted]

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[REDACTED]

INTERNATIONAL: Bumper Grain Crop

[REDACTED] //CIA forecasts a rise in world grain production for 1978-79 to a new high of 1,160 million tons, 80 million tons more than last year and 38 million tons above the previous record set in 1976-77. Production is likely to equal or exceed last year's in every major region of the world; the EC and USSR will register the largest gains.//

[REDACTED] //This optimistic global production forecast takes into account the fact that very favorable growing conditions existed this year and the fact that grain farmers planted larger areas than usual. Although the estimates concerning Northern Hemisphere crops are relatively firm, those for Southern Hemisphere producers are still tentative.//

[REDACTED] //Plentiful grain supplies, rising incomes and population in developing countries, and expanding livestock programs will push consumption of both wheat and coarse grain to new highs in 1978-79. Consumption will still be less than production, particularly for coarse grains, and stocks in non-Communist countries will increase for the sixth consecutive year. It is also possible that the USSR will significantly increase its wheat stocks and that China may add a small amount to its stocks, if their imports approximate our forecast. The US share of stocks of all grains in the non-Communist world will stay at 40 percent.//

[REDACTED] //Despite the outstanding production year, we forecast that global grain trade in the current marketing year ending 30 June 1979 will be slightly above the previous high of 156 million tons set in marketing year 1978. Although US exports will face stiffer competition, the US share of the world wheat market is likely to hold at about 45 percent. Foreign demand for US wheat, currently stronger than a year ago, can be expected to slacken by early next year as larger Southern Hemisphere supplies become available and the EC continues to subsidize wheat exports.//

[REDACTED] //Total world trade in corn during marketing year 1979 will probably be up slightly; lower Soviet imports will more than offset larger Chinese purchases. The US will probably be able to export 45.4 million tons of corn in marketing year 1979. It exported slightly more the previous year. [REDACTED]

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[REDACTED]

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BRIEFS

West Germany

[redacted] The economic stimulation package promised by Chancellor Schmidt at the economic summit in Bonn in July has now been passed by both legislative houses. [redacted]

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[redacted] The stimulation program had been stalled since September by demands from the opposition parties, which control the upper house, for additional social expenditures and more tax relief both for individuals and for businesses. State governments also objected to the program because it cancels some taxes that have provided revenues to the states. In the end, 1979 outlays were raised \$400 million beyond Schmidt's original proposal.

[redacted] The approved package will provide net stimulation of about \$7 billion in 1979, equal to just over 1 percent of GNP. For next year, the program apparently embraces a \$5.5 billion reduction in personal income taxes, a \$3 billion increase in government expenditures, and an offsetting \$1.4 billion increase in the value-added tax. The plan also includes adjustments to offset state revenue losses caused by canceled federal taxes. Additional tax cuts and spending increases will be effective in 1980 and 1981. [redacted]

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East Germany

[redacted] The series of new economic agreements between East Germany and West Germany will boost transfer payments to East Germany by 60 percent. The East Germans will be able to reduce substantially their current account deficit with West Germany and avoid contemplated cutbacks in sorely needed imports from the Federal Republic.

[redacted] Beginning in 1980, these payments--which consist mainly of transit fees and payments for construction services--should provide East Germany with about \$400

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[REDACTED]

25X1 million in hard currency annually, equivalent to 18 percent of East Germany's present imports from West Germany. Other direct West German payments to East Germany should bring in at least another \$200 million annually over the life of the new agreements.

25X1 [REDACTED] During the first half of 1978, the East German trade deficit with West Germany was about \$200 million, largely because of a continued rise in imports and a leveling off in exports. The poor quality of East German products and increasing East German export commitments to trading partners in the Council for Mutual Economic Assistance have been holding back East Germany's exports to West Germany. As a result, West German transfer payments have become increasingly important as East Germany attempts to maintain a reasonable balance in inter-German trade. [REDACTED]

25X1 Turkey-USSR

25X1 [REDACTED] Two Soviet naval vessels visited Istanbul from 16 to 20 November. The visit was in keeping with an agreement made by Turkish Prime Minister Ecevit during his visit to Moscow in June and was the first to a Turkish port by Soviet warships in 40 years. Two Turkish naval vessels will visit the Soviet port of Odessa next month.

25X1 [REDACTED] Alpaslan Turkes, chairman of the neofascist National Action Party, condemned the visit: other political leaders and the media, however, were silent. An unruly crowd, organized by the Maoist Turkish Worker-Peasant Party, caused some damage at the Soviet Consulate General while protesting the ships' presence, but several hundred heavily armed militia prevented violence at a mass demonstration sponsored by the Maoists in Istanbul's Taksim Square. [REDACTED]

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[REDACTED]

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[redacted]

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FEATURE ARTICLES

IRAN: The Disparate Opposition

25X1 [redacted]

25X1 [redacted] *The opposition to the Shah of Iran is a complex movement composed of many disparate individuals, groups, and political philosophies. The opposition shares only one common goal--the removal of the Shah from a decision-making position. Extremists on both the left and the right are determined to oust the Shah; moderates would like to find a compromise that limits his power, but they feel intimidated by the radicals.*

25X1 [redacted] Although exiled Muslim fundamentalist Ayatollah Khomeini is the most influential opposition voice, there is no single leader of the movement that has shaken Iran since the trouble began in January. Nor is there any overall organization of the anti-Shah forces. The real strength of the opposition is the widespread popular sentiment in Iran that things must be changed and changed quickly. While there are widespread differences over what type of government should replace the present one, there is almost a national consensus that a new order is essential.

25X1 [redacted] Iran's Shia clergymen who have spearheaded the unrest this year are divided between moderates and extremists, but the moderates now appear unable to resist Khomeini's hardline views.

25X1 [redacted] The majority of the clergy is responsive to Khomeini's adamant line that the monarchy must be abolished. It is Khomeini who rallies the greatest number of supporters among the lower classes--a reflection both of the clergy's longstanding animosity toward the Shah and the ability of the clergy to disseminate propaganda, relay instructions, and provide a place for meetings in the mosques.

25X1 [redacted] The Islamic terrorist group, the People's Strugglers, has long had ties to Khomeini. There has been some limited cooperation between the Strugglers and Marxist terrorists.

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[REDACTED]

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[REDACTED] The organized political opposition to the Shah is centered around the National Front--a coalition established by former Prime Minister Mossadeq in 1949 on a program of opposition to Britain's exploitation of Iran's oil. After the Shah removed Mossadeq from power in 1953, the Front went into a long decline. It existed tenuously with parts of it splitting off only to rejoin later. It has reappeared in the last year as a loose association of intellectuals and political activists.

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[REDACTED] The Front includes a wide range of parties from moderate to radical leftist, but not Communist. The Front's political and economic theory is fuzzy; ideological differences and personal feuds, some of them decades old, weaken its cohesion.

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[REDACTED] The National Front has not put forward a program other than its call for a return to the 1906 constitution. This means that the Shah's powers would at a minimum be greatly reduced. The demands of the various components of the Front have vacillated between abolition of the monarchy and acceptance of a figurehead monarch. Since early November, some leaders in the Front have moved closer to the views of Khomeini.

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[REDACTED] Among the many men associated with the National Front the following are noteworthy:

- Karim Sanjabi, who was arrested earlier this month as he prepared to issue a statement calling for the end of the monarchy, has long been a middle-of-the-road critic of the Shah. Until his arrest, Sanjabi acted as the principal spokesman of the Front.
- Darioush Foruhar, recently re-arrested, has spent 15 of the last 20 years in jail. He is connected with the right wing of the Front, has espoused a militantly nationalist viewpoint and is strongly anti-Communist.
- Shahpur Bakhtiar, a moderate who favors a non-aligned foreign policy, is close to students.
- Muhammad Beheshti, the Front's principal contact with Khomeini, is generally considered to be in the left wing of the Front.

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[REDACTED]

-- Mehdi Bazargan, also said to be in touch with Khomeini, leads the Iran Liberation Movement. He has often been accused of having secret ties to the Shah.

25X1 [redacted] The ultraleft in Iran is composed largely of disaffected students. It has highly dedicated and in some cases well-organized clandestine groups. Marxist and even Maoist in orientation, some of the radical leftists have trained with the Palestinians.

25X1 [redacted] There is no one organization of the left, and its leadership is largely anonymous. At least one terrorist group--the People's Sacrifice Guerrillas--draws some support from leftists on campus.

25X1 [redacted] It is unclear how much support the Communist Tudeh Party has. Illegal since 1949, the party has worked hard at developing a covert apparatus inside Iran. Tudeh publications are reported to have surfaced at all the major universities in recent months. The leadership has been in exile in Eastern Europe and Moscow for years. Party leader Iraj Eskandrai has publicly supported the current unrest against the Shah and called for collaboration with Khomeini.

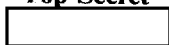
25X1 [redacted] There is a large uncommitted opposition in Iran composed of intellectuals and middle-class groups. Essentially moderate and concerned about the drift of recent events, this opposition wants an end to the past abuses of the monarchy but it is inarticulate, leaderless, and unclear about its specific demands.

25X1 [redacted] It is probably safe to assume that many in the opposition are willing to reach an accommodation with the Shah but are intimidated by Khomeini. There seems little likelihood that the moderates can organize an independent power base or form a coherent political organization in the near future.


25X1 [redacted] The opposition groups, especially the student militants, apparently are obtaining more arms. Pamphlets on building Molotov cocktails are circulating widely. Even more violent demonstrations are thus possible.


25X1 [redacted] The disorganized opposition movement is probably incapable of putting together a durable government if the Shah falls or abdicates. The differences within the movement would almost certainly tear it apart. [redacted]


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INTERAGENCY MEMORANDUM

 //The Daily prints the key judgments of an interagency intelligence memorandum, "Sino-Soviet Competition in Indochina."//

 //Indochina today is divided into two camps, with the USSR backing Vietnam and Laos, and China backing Kampuchea (Cambodia). This development is largely the result of the conflicting national ambitions of China and Vietnam, each of which wishes to exercise paramount influence in the area. This competition, although muted during the Vietnam war, has deep roots and is likely to intensify.//

 //The immediate cause of the present Sino-Vietnamese confrontation is the escalating border war between Vietnam and Kampuchea. China believes Vietnam is determined to replace the Pol Pot government with one responsive to Hanoi's direction. Although China is unhappy with some of the policies of the present Khmer regime, it considers an independent Kampuchea allied with Peking an essential buffer against the expansion of Vietnamese, and by extension Soviet, influence in the area.

- China hopes to thwart Vietnamese ambitions by providing strong support for Kampuchea while undertaking a diplomatic and propaganda campaign to portray Vietnam as a Soviet cat's-paw and arouse suspicions about Hanoi among non-Communist Southeast Asian states.
- China is the principal source of military and economic aid to Kampuchea. It has several thousand advisers in Kampuchea and has increased military aid since the escalation of the Kampuchean-Vietnamese border war. China's termination of all aid to Vietnam earlier this year will trouble but not cripple the Vietnamese economy because Chinese aid had already been reduced after the end of the Indochina war. China also supplies economic aid to Laos. Northern Laos has been a Chinese sphere of influence for many years as the result of a roadbuilding project in the area.

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-- China is trying to encourage the Pol Pot government to moderate its domestic and foreign policies in order to improve its international standing.//

25X1 [] //Vietnam over the long term would like to establish a special relationship with Kampuchea similar to the one Hanoi has with Laos. Over the short term, however, Vietnam could tolerate a government in Phnom Penh with close ties to China so long as it ceased provocative actions along the Vietnamese border.

-- Vietnam is unlikely to launch an all-out invasion of Kampuchea, although it might be tempted to move if there were an open breakdown of political order in Kampuchea. In the event of such a Vietnamese attack, China would have only limited ability to aid the Phnom Penh regime. Despite the excesses of the Pol Pot government, few Khmer would welcome Vietnamese intervention, and Vietnam would probably become bogged down in a guerrilla war.

-- Vietnam is more likely to pursue its present policy of trying to secure its borders against Kampuchean attacks while seeking to raise an antigovernment insurgent movement inside Kampuchea.//

25X1 [] //The USSR is the most likely to benefit, at least over the short term, from the developing situation in Indochina. The Soviets will take advantage of the opportunity to try to make Vietnam dependent on Moscow, thereby establishing a sphere of influence on China's southern boundary.

-- Laos and Vietnam are the only countries in Southeast Asia to allow the Soviets more than a token presence. The Soviets probably hope that their position in Vietnam will aid them in extending their influence elsewhere in the area. If the Southeast Asians believe that Vietnam is acting as a Soviet stalking-horse, however, it will harm rather than help Soviet interests.

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-- Vietnam has already moved closer to Moscow by signing a friendship and cooperation treaty and joining the Council for Mutual Economic Assistance. The Soviets are the major source of aid to Vietnam, but most of it is still economic. Soviet military shipments do not appear to have increased since the confrontation with China, but this may change in the near future. The Soviets will take over some of the formerly Chinese aid projects.

-- The USSR may hope eventually to obtain access to Vietnamese military facilities. Vietnam is unlikely to grant the Soviets formal base rights but might permit the Soviets access to air or naval facilities under certain circumstances.//

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[REDACTED] //The non-Communist states of Southeast Asia are concerned about the consequences of intensified Sino-Soviet competition in the area, although they draw comfort from the prospect of Communist countries fighting among themselves. Thus far the main impact on the countries in the Association of Southeast Asian Nations has been an intensive diplomatic campaign to court their favor by all sides. Since September a top official from each of the four major parties to the dispute has visited Southeast Asia.//

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[REDACTED] //Vietnam's deteriorating relations with China have increased Hanoi's interest in establishing diplomatic ties with the US. Vietnamese leaders believe an American embassy in Hanoi would serve as a symbol of Vietnam's international acceptance. Vietnam is also seeking aid and foreign investment from the West to help balance aid from the Soviet bloc. [REDACTED]

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