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Director of Central Intelligence

**Top Secret**



# National Intelligence Daily (Cable)

22 December 1978

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National Intelligence Daily (Cable) [Redacted]

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IRAN: Political Situation

*The political situation in Iran appears to be stale-  
mated. Both Ayatollah Khomeini and his mass following on  
one side and the Shah and the military on the other are  
beginning to show signs of strain. Thus far, however,  
neither side appears ready to back down.* [Redacted] 25X1

Khomeini and the opposition have been generally  
successful in paralyzing the country through strikes  
and work stoppages. Contrary to opposition hopes and as-  
sertions, however, large numbers of military personnel  
have not deserted their units during recent confronta-  
tions. [Redacted]

[Redacted]

The Army thus far has been firm in backing the Shah, al-  
though there have been morale problems and some incidents  
among military personnel. [Redacted]

The tactics of relative restraint demonstrated on  
both sides could change. Prime Minister Azhari has kept  
the military in check in Tehran, but many military of-  
ficers seem to be spoiling for a fight with the opposi-  
tion; local commanders in the provinces have already used  
excessive force against demonstrators. [Redacted] 25X1

[Redacted]

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OPEC: Effect of Oil Price Hike

*//The combined current account surplus of members of the Organization of Petroleum Exporting Countries next year could fall as low as \$3.5 billion, \$2 billion below the level of this year. We estimate that higher oil export earnings will be more than offset next year by rising expenditures for imports of goods and services related to internal development. Without the oil price rise the combined OPEC current account deficit would have been an estimated \$7 billion in 1979. The four-phased price increase announced by OPEC will produce an average 10-percent rise in 1979 when compared with the average price in 1978.//*

Although the details of implementing the price increase are not yet known, we assume that as in the past some cartel members will deviate from the percentage increase for Saudi benchmark crude when setting 1979 sales prices. So far, only the United Arab Emirates has announced a complete schedule of prices for 1979. The prices for its higher quality crudes have increased slightly more than for benchmark crude.

*//Our early projections indicate that the oil price increase coupled with a moderate increase in export volume will raise OPEC oil earnings by \$16 billion in 1979. We assume that demand for OPEC oil will grow 3 percent over the 1978 level. At the same time, however, OPEC's import costs will rise by an estimated \$16 billion and net payments for associated services will also increase.//*

*//The purchasing power of member countries will continue to erode. OPEC's supplier countries raised the prices of their exports less than 3 percent during 1978, but OPEC members were hit hard by the 12-percent decline in the US dollar.//*

MAURITANIA: Political Stability

*//The military regime that took power in Mauritania in July is divided on several issues, especially on how to end Mauritania's involvement in the conflict over Western Sahara. The tenure of President Mohamed Saleck seems tied to progress toward a negotiated settlement, but such progress is dependent on factors beyond his control. The presence of some 9,000 Moroccan military personnel in northern Mauritania virtually precludes a unilateral settlement and doubtless adds to military and civilian frustration over the conflict.//* [redacted]

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*//A French official recently told the US defense attache in Dakar that tensions within the ruling Military Committee are rapidly building toward a showdown. The official said the majority Arab group in the Committee has split into two factions. One favors reaching an early accommodation with the Algerian-backed Polisario Front guerrillas. The other faction recommends a more cautious approach of continuing to follow the lead of Morocco, which remains unwilling to consider significant concessions.//* [redacted]

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*//The six black members of the Committee constitute a third faction. Although they are said to be not taking sides in Arab wrangling over the Sahara issue, we believe they want a peace settlement and ultimately a greater share of the country's wealth for Mauritanian blacks, who may now outnumber the politically and economically dominant Arab portion of the population.//* [redacted]

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If no progress toward a settlement occurs in the next few months, President Saleck's position will become increasingly vulnerable. His chief rival seems to be Interior Minister Major Jiddou Ould Saleck, who wields considerable power behind the scenes. The Interior Minister is also thought to be suspicious of Morocco's long-term intentions toward Mauritania and to be a spokesman for the faction on the Committee that wishes to end his country's role in the dispute as soon as possible. [redacted]

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[Redacted]

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SOMALIA-KENYA: Possible Pact

*Somalia has been pressing the UK to act as an intermediary in improving Somali relations with Kenya. Somalia has evidently asked the British to prepare a nonaggression pact that Somalia and Kenya could sign.* [Redacted]

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The Somali move may be part of Siad's campaign to win greater Western political and military support for Somalia in its rivalry with Ethiopia. Siad has also called an extraordinary party congress to meet on 20 January apparently to reestablish a parliament and rewrite the country's constitution in a way that would play down Somali's irredentist designs on its neighbors. Siad or any other Somali leader would, however, have extreme political difficulties in renouncing support for ethnic Somalis living in Kenya, Ethiopia, and Djibouti. [Redacted]

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Somali eagerness for reconciliation will probably not be fully reciprocated by Kenya, which has long considered Somali irredentism the most serious threat to its national security. President Moi's government is much more flexible than was former President Kenyatta's, however, and it might be willing at least to enter into negotiations with Somalia. [Redacted]

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Moi, meanwhile, has begun to extend government-sponsored development projects into long-neglected parts of the country with non-Kikuyu populations. If this policy is applied to the area inhabited by ethnic Somalis, local demand for Somalia's protection against alleged Kenyan discrimination could decline appreciably. [Redacted]

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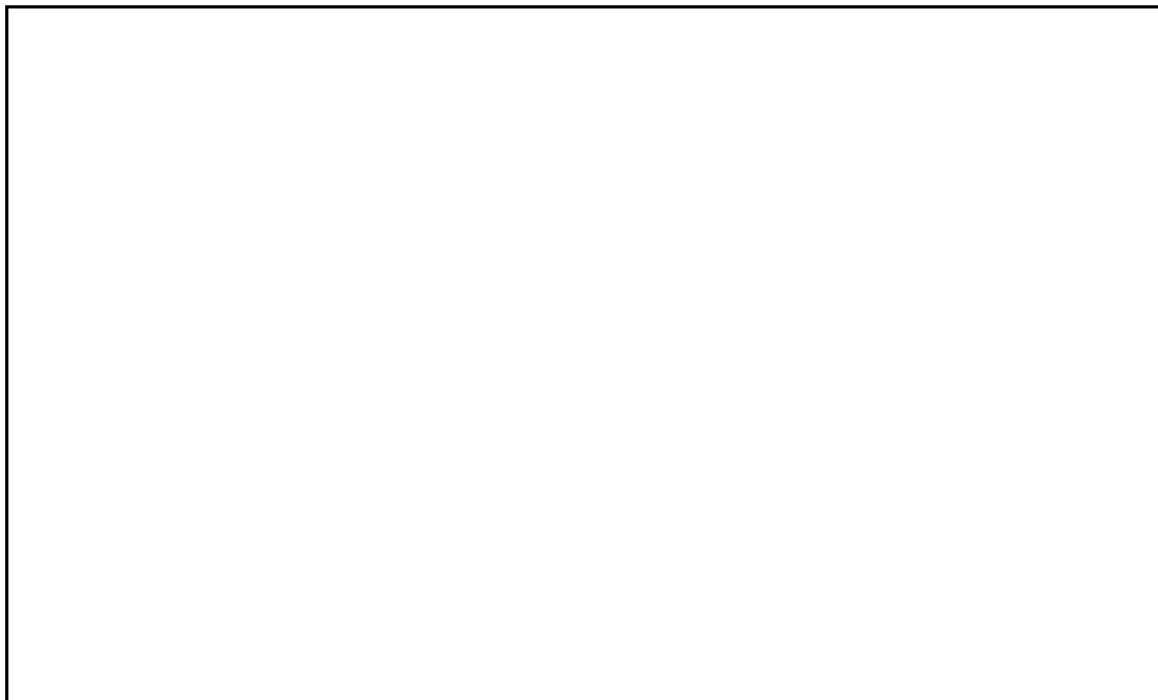
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Ecuador

//The Ecuadorean Government's replacement on Wednesday of General Bolivar Jarrin as Minister of Government with Admiral Hugo Garces, a moderate and highly respected military officer, is a further sign that the government will hold democratic elections next spring. Jarrin had been a close collaborator with another general, Supreme Council member Duran, in attempting to tamper with the election process.//

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//Jarrin's inept handling of the official investigation of the assassination last month of a national political leader precipitated his downfall. Jarrin's criticism of a private investigation of the suspicious circumstances surrounding the murder prompted harsh complaints from his military colleagues and a public call for his dismissal by leading presidential candidate Jaime Roldos.//

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[Redacted]

Greece-EC

//Negotiations between the European Community and Greece that will lead to Greek accession as the 10th member of the EC were all but completed in Brussels yesterday. The success of the talks will boost the popularity of Prime Minister Karamanlis' government, which has staked much of its prestige on the EC issue.// [Redacted]

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//The agreement calls for a five-year transition period before most Greek agricultural products are treated equally with those of other EC members, and for a seven-year transition period before free movement of Greek workers throughout EC states is permitted. Initially, the French and Italians had sought an eight-year transition period for most Greek agricultural products that are competitive with theirs; the West Germans held out for a equally long period for the free movement of Greek workers. The Greeks had called for maximum transition periods of five years in both areas.// [Redacted]

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//Negotiations are expected to be completed formally by next June, and the agreement will then be submitted to the parliaments of current EC members for ratification. This process could take as long as 18 months and Greece may not become a full member until early 1981.// [Redacted]

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[Redacted]

FEATURE ARTICLE

ANGOLA: Current Perspectives

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[Redacted]

*//The recent changes in the Angolan Government have clearly strengthened the hand of President Neto, but they have also highlighted the dependence of the regime on his strong hand. Although Neto appears firmly in control of the party and government, he could be undermined at almost any time by Angola's serious economic and social problems, the government's dependence on Cuba to maintain internal security, or his uncertain health. If Neto left office, the manner of his departure would greatly influence who and what type of regime succeeded him. The more gradual and predictable the transition, the better the chances that a mulatto-influenced faction would retain power and govern--at least initially--in much the same way as Neto. If Neto left office suddenly, the trend toward a more nationalist, black-dominated, and possibly more radical state would be accelerated--perhaps dramatically. //* [Redacted]

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*//Most of the regime's decisions are made by Neto and a small group of close advisers including party foreign affairs spokesman Pascual Luvualu, internal security director Rodrigues Joao Lopez, and Political Bureau members Lucio Lara and Jose Eduardo dos Santos. While Neto's inner circle has long been dominated by mulattoes, those advocating a stronger role for blacks and for the military are gaining influence.//* [Redacted]

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Two longstanding members of the inner circle--former Prime Minister Lopo do Nascimento and former Second Deputy Prime Minister Carlos Rocha--were removed from their government and party posts earlier this month. Their dismissals probably reflect both Neto's efforts to concentrate more power in his office of the presidency and the growth of black nationalist sentiment in the only legal party--the Popular Movement for the Liberation of Angola-Labor Party. It might also signal an attempt by Neto to keep Soviet and Cuban influence in check; Nascimento and Rocha had strong ties to both the USSR and Cuba. [Redacted]

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Since Neto assumed the presidency in 1976, there have been continuing reports that he was suffering from heart problems, alcoholism, and other ailments. Neto's ability to govern, however, has apparently never been impaired by such problems. Several persons who recently observed Neto say that he appeared in good health and was intellectually sharp, although he did tire easily.

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Most members of Neto's inner circle--particularly the mulattoes--want Neto to remain in office as long as possible because they owe their positions to him and would lose influence if he stepped down. If his health problems became debilitating, Neto would be under strong pressure to name a black successor, presumably from the inner circle.

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//Luvualu, a black, has gained considerable exposure and responsibility over the past year, but the party may hesitate entrusting the top position to someone whose tribal origin differs from that of most of the leadership. Lopes appears to be on good terms with Neto and enjoys the support of many blacks in the party and military. Dos Santos is very bright and some reports say he is one of the Soviets' prime candidates to succeed Neto.

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If Neto dies soon of natural causes or were assassinated, a major power struggle would almost certainly break out. A new black-dominated regime, directed if not controlled by the military, probably would emerge. The outcome would be dictated in large part by the extent to which the military and the party's rank and file became factors in the struggle.

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//At the party congress last December, the military was given more than 40 percent of the seats in the Central Committee and about a third of those in the Political Bureau. This probably had a politicizing effect on the military, but information is unavailable on the political strengths and allegiances of the various military commanders or on any factions or alliances that may have emerged.

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//Neto's sudden departure would place many high-ranking mulattoes, including Defense Minister Carreira and Foreign Minister Jorge, in highly vulnerable positions. Although some mulatto officials would flee the

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country, many probably would be allowed to remain if they agreed to step into less visible advisory positions. A few mulattoes--Antonio dos Santos Franca and Henrique do Carvalho Santos--might even emerge in stronger positions because of their good ties to the military.//  
[redacted]

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It is also possible that Neto's death will be followed by a period of political chaos and disorder that would spark a succession of unstable regimes or a quick assertion of military control. Although Cuba and the USSR are in strong positions to influence events, there is no information on how much either country could become involved in a succession struggle or whom they would support. [redacted]

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If Neto is succeeded by someone from the inner circle, domestic and foreign policies would be little changed, at least initially. Efforts to transform Angola into a Marxist-Leninist state would continue, but with no greater intensity. Over time, pressures from radicals in the party and military might force a shift to a more nationalistic policy. [redacted]

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Angola would maintain its close ties with the USSR and Cuba, but economic needs plus the desire to establish the political legitimacy of the succession regime would argue for continued efforts to improve relations with the West and Zaire. [redacted]

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If Neto died suddenly, the black-dominated regime that would probably come to power might seek stronger ties with the USSR, Cuba, and other Communist states, but the West probably would still be given some role, particularly in economic development. Such a regime also would be more enthusiastic in its support of the various southern African liberation groups conducting operations and training from Angolan bases. [redacted]

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//Although there are occasional, unconfirmed reports of plotting against the government in the military, the party, and the urban slums, Neto so far has kept dissident activity in check. A coup most likely would be attempted by a black power faction that is gaining support in the party and possibly within some military circles. Neto appears to have this group well under control, but

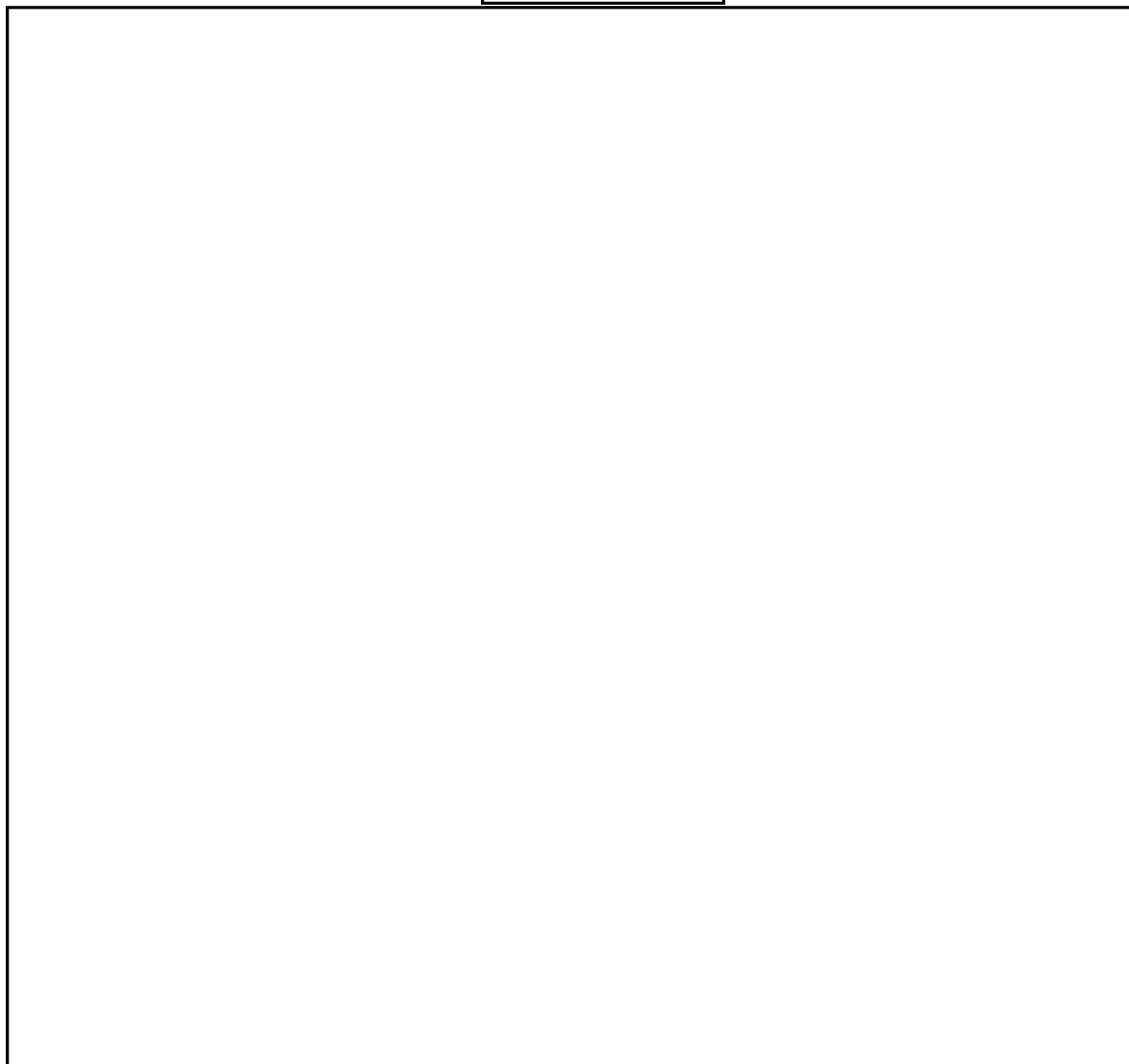
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it could pose a serious threat to the regime if it gained the support of key people in the military and the internal security service.// [redacted]



If the faction took power, most high-ranking mulattoes and many nonblack foreign advisers, such as the Portuguese and possibly even the Soviets, might be asked to leave the country. Although such a regime probably would still be dependent on the Cubans to provide security, it might insist that Cuba remove all nonblack advisers.

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[redacted]

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