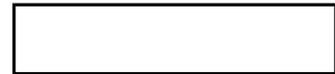


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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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**PAKISTAN:** Z. A. Bhutto's first speech to the nation as President indicates that initially he will place the major emphasis on domestic affairs.

Bhutto faces potential threats from several quarters and may move first to consolidate his position. His promise to restore democracy and to present a constitution for popular approval is presumably sincere, and as leader of the country's largest political party he would be the main beneficiary of popular rule.

The main threat to the newly installed President comes from the senior military officers, many of whom distrust him. He indirectly criticized them in his speech by placing part of the blame for the country's plight on the past authoritarian methods of government. Although he heaped praise on the military, it was directed at "my young friends in the armed forces," presumably the junior officers and enlisted men who reportedly support him.

Several high-ranking officers--reportedly including former president Yahya Khan and Chief of Staff Hamid Khan--have been retired, and Gul Hassan, the former chief of the general staff, has been named army commander. Although Bhutto can probably rely on Gul Hassan for a time, the alliance with the ambitious general is presumably one of convenience for both parties.

The Pakistani public has not yet recovered from the shock of losing East Pakistan, and there have been demonstrations in favor of continuing the war or trying the generals responsible for losing it. Bhutto, in vowing to fight on and in refusing to recognize the independence of Bangla Desh, probably was attempting to satisfy the people without actually risking a renewal of hostilities. He said that East Pakistan must remain in the framework of a united country "no matter how loose that framework."

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\*INTERNATIONAL MONETARY DEVELOPMENTS: Many countries announced new "central rates" of exchange yesterday in the wake of the currency realignments reached at last weekend's Group of Ten meeting.

The central rates, which have been approved by the International Monetary Fund, are temporary pending the assumption of effective par values following US congressional action on the dollar/gold parity. The Group of Ten central banks today may begin to enter the foreign exchange markets at the new intervention points of plus or minus 2.25 percent around the central rate.

Thus far, the developing countries are following one of two courses. Some are maintaining previous rates with respect to gold and sterling, while others are devaluing by an amount equal to the US dollar. Hong Kong, Rhodesia, Malaysia, Singapore, and Saudi Arabia will stay with their previous gold parities, while Mexico, Brazil, Taiwan, Thailand, and Indonesia have opted to devalue with the dollar. Many African, Asian, and Latin American countries are expected to follow the dollar down, thus gaining an advantage for their export industries. Australia, Spain, and South Korea have not yet reached a decision on new rates, but Sweden, Norway, Denmark, and Finland have revalued by 7.5 percent relative to the dollar. Greece and Israel have decided to follow the dollar down.

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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WEST GERMANY: The government and the opposition have agreed on a five-month timetable for parliamentary consideration of Bonn's Eastern treaties.

Under the agreement reached last week, the ratification process for the Soviet and Polish treaties will commence the first week of January and conclude no later than early June. There will be three readings in the lower house (Bundestag) and a vote by 4 May. On 19 May there will be a reading and a vote in the upper house (Bundesrat). In the event of a Bundesrat veto, a joint committee would consider the treaties on 24-25 May. If necessary, a Bundestag meeting to override such a veto would be held on 7 or 8 June.

Ratification of the Soviet treaty has become the pivot of Chancellor Brandt's Ostpolitik, and the debate over it will be his most serious test with the Christian Democrat opposition to date. If there are no further defections of Brandt coalition deputies, the government should have a four-vote margin in the Bundestag. In the Bundesrat, the coalition may not have a majority in the reading on 19 May because West Berlin deputies--all of whom are Social Democrats--cannot vote on substantive issues.

The tactics of the government and the opposition are not yet completely clear. Brandt has been contemplating an open vote in hopes that if the opposition allows one, he will pick up more opposition votes than he might lose from his own ranks. The opposition forces, vowing a unanimous fight, are expected to stress the alleged inadequacies of the treaties. Following his return from Moscow last week, CDU chairman Barzel indicated that he still sees no circumstances which would cause him to change this position.

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COMMUNIST CHINA - SUDAN: Peking has extended more than \$190 million in economic aid to Khartoum, according to a French news report supposedly based on a message to President Numayri from his defense minister who is now in China.

This would be the largest single economic credit ever received by Sudan and one of the largest single credits extended by Peking. The composition of the two sides in the talks, however, suggests that the agreement also may include the first Chinese military aid to Sudan as well. Sudan received a credit of almost \$42 million last year from the Chinese, but it has not used much of this aid. The French news item also said that Peking has agreed to cancel Sudan's trade deficit of more than \$15 million and the two sides committed themselves to increase trade.

Since the abortive coup attempt by leftist elements against Numayri last July, there have been reports of Peking's interest in supplanting Soviet influence in Khartoum. At the same time, however, Numayri has been courting the US and other Western countries for closer relations.



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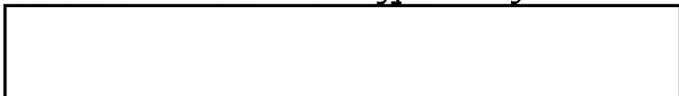
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TURKEY: Parliament probably will approve the new government and its program by a comfortable majority by the end of the week; military reaction remains mixed.

The new government appears to be more conservative than its predecessor, and its program, presented to Parliament on 16 December, represents a shift to the right. The private sector of the economy is to be actively encouraged, and there is no reference to nationalization. The government remains committed to reforms, but their pursuit will be more deliberate and business-like. The element of urgency, which previously characterized the reform program, is now missing. Prime Minister Erim also promised close cooperation with the universities in framing university reform legislation and reaffirmed his intention to proceed with opium poppy eradication.

Erim indicated that no change is contemplated in foreign policy. He spoke favorably of the projected expansion of the Cyprus talks which he said would help to end the current impasse. Erim also voiced strong support for Pakistan, and will probably continue to speak out publicly and in diplomatic circles on behalf of Islamabad. No major Turkish involvement in the controversy is expected, however.

Although the top military leaders continue to support Erim, some military officers are reported to be dissatisfied with what they see as his deference to the conservative Justice Party and an apparent weakening of his commitment to reforms. Others appear relieved that the military will not have to intervene, but they are not convinced that Erim will now be able to solve Turkey's problems. There appears to be growing concern in some military circles over the alleged spread of leftist ideology among junior officer ranks.



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NOTE

NIGERIA: After more than a year of negotiations the government has signed two more agreements for offshore oil concessions similar to the one concluded with Occidental Petroleum in October. The agreements with the West German firm Deminex and the Japan Petroleum Company give the Nigerian Government 51-percent participation in the concessions once oil is found in commercial quantities. There is no indication whether the remaining two offshore bidders with tentative contracts are prepared to conclude similar agreements.



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