



Director of
Central
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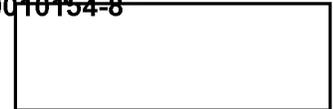
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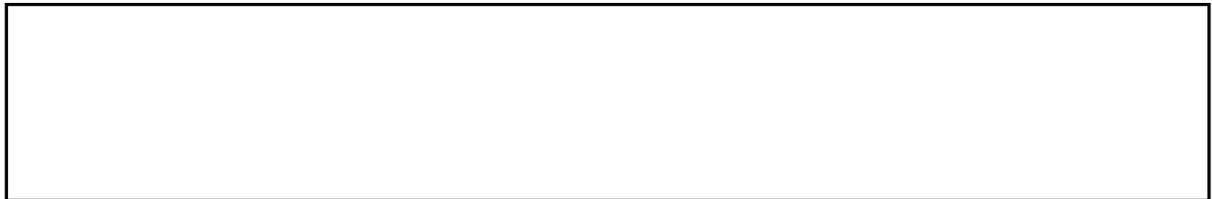
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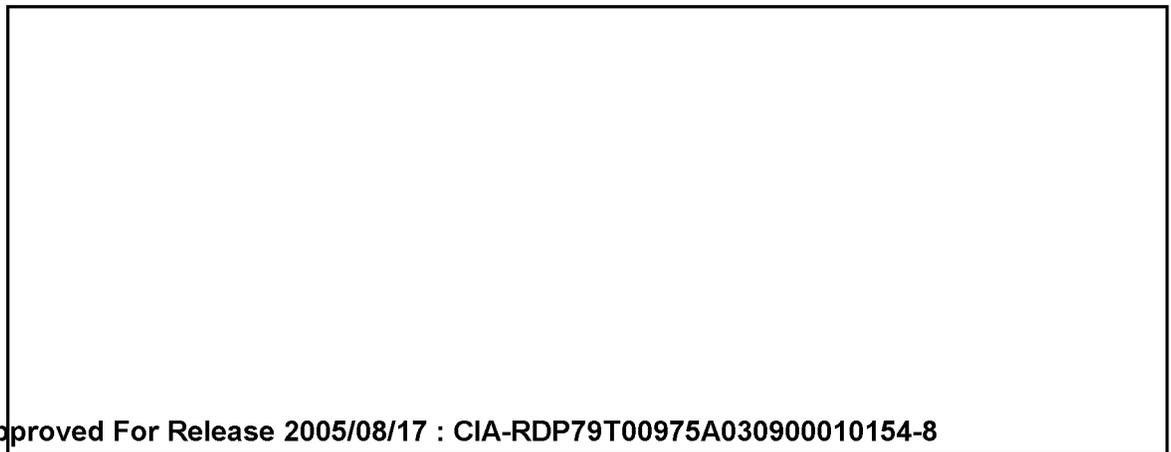
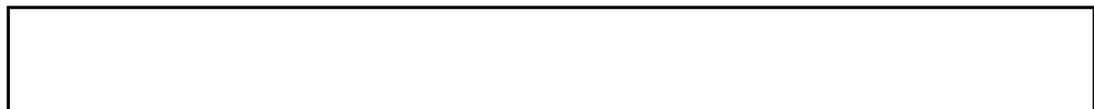
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[Redacted]

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IRAN: Oil Situation Report

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Despite exiled religious leader Khomeini's recent call to produce enough oil for Iran's domestic needs, oil workers are remaining away from their jobs. [Redacted]

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[Redacted]

Oil production has been below 300,000 barrels per day for the past five days and cannot be increased substantially for domestic use until workers return to the refineries now shut down by strikes. Normal production levels at these refineries could reportedly be reached within two weeks after workers return. [Redacted]

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A pipeline to Tehran from Abadan--site of Iran's only currently operating refinery--was damaged, presumably by sabotage, on Tuesday. The flow of refined products may be interrupted only temporarily; repairs reportedly are under way. [Redacted]

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//There have been only a few minor incidents of sabotage at oil facilities to date, and the Shah's opponents have not given any indication that they intend to inflict serious damage to the nation's most important industry.//

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[Redacted]

[Redacted]

[Redacted]

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CHINA: Leadership Shakeup

Vice Premier Deng Xiaoping (Teng Hsiao-ping) apparently has engineered a major shakeup of the Chinese Communist Party apparatus that makes his closest associate and protege Hu Yaobang (Hu Yao-pang) the most powerful official of the younger generation. Hu, 63, has inherited Deng's former job as secretary general of the party, the key official in the party who supervises all of its activities and has displaced an associate of Chairman Hua Guofeng (Hua Kuò-feng) as head of the party propaganda department. The move in effect informally designates Hu as Deng's successor.

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The post of party secretary general has been vacant since Deng lost the job when he was purged in the mid-1960s. The party leadership apparently had been unable to agree for more than a decade on a candidate to fill the powerful post. It probably selected Hu as secretary general of the central committee plenum last month; at that time the Chinese announced only that Hu was a new member of the ruling Politburo. Deng undoubtedly regards Hu's selection as secretary general as the best way to insure the continuation of his pragmatic policies.

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Hu's appointment as propaganda chief reflects Deng's evident dissatisfaction with some of China's main media, which have failed to endorse his campaign to move China away from rigid adherence to Maoist ideology. The former propaganda chief, who has longstanding ties to Chairman Hua, was recently attacked in posters for urging others not to go along with the desanctification of Mao. Hu, by contrast, has apparently written articles arguing that Mao was not a "god."

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Hu's career has paralleled Deng's since the two served together in the army in the 1930s. Both were transferred to Beijing (Peking) in the 1950s, when Deng became party secretary general and Hu became the head of the party's youth apparatus. Both were purged during the Cultural Revolution in the 1960s. Hu prospered again during Deng's first return to power in the mid-1970s but fell with Deng in 1976. He returned shortly before Deng in 1977 and was Deng's main lieutenant in the purge of followers of the fallen Gang of Four.

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Deng apparently was willing to make some compromises for Hu's elevation. For example, two former province chiefs who were harshly criticized and stripped of their posts recently at Deng's apparent instigation have since appeared in the capital in evident good standing. [redacted]

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An editorial in *People's Daily* published three days after the party plenum last month departed significantly from the communique issued by the plenum and seemed to represent Deng's "dissenting" views. The editorial, unlike the communique, explicitly endorsed the use of wall posters as a way for the people to express their opinions. In fact, the failure of China's three leading media organs to greet the conclusion of the plenum with a joint editorial suggests continuing disagreement within the leadership. [redacted]

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CUBA-US: Anniversary Speech

Cuban President Fidel Castro used his speech on 1 January commemorating the 20th anniversary of the triumph of the Cuban revolution to deliver his strongest condemnation of the US since the Carter administration took office. The harshness of Castro's language reflects his frustration over what he sees as Washington's failure to respond to his friendly gestures during the past several months and indicates that Castro has all but written off the possibility of improved relations in the near term. The Cuban President refrained from criticizing President Carter personally and was careful to leave the door open for an eventual normalization of relations.

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Castro has been aware for some time that Cuba faces a period of prolonged austerity unless it can sell its major export products--sugar and nickel--to the US. Cuba's hope that the economic embargo would be lifted to allow access to the US market has been the chief motive behind its recent gestures concerning human rights, and Castro was particularly bitter about the Carter administration's failure to respond positively.

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Castro's biting remarks about the decision to normalize US-Chinese relations arise from his awareness that China--toward which Cuba has long felt antipathy--now stands to take advantage of an economic relationship with the US that is denied to Cuba. Castro emphasized, however, that Cuba--unlike China--will not abandon its revolutionary principles to obtain the benefits of commercial relations with the US.

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The Cuban President apparently sees no possibility that local conditions will allow any lessening of Cuba's military presence in Africa in the near future. In fact, his remark that Cuba will be "unflinchingly loyal" to its "revolutionary obligations" implies that Havana will continue to stand ready to help its friends in Africa and elsewhere.

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Castro used highly pejorative language in contrasting his government's domestic accomplishments with what he asserted was the failure of US-supported regimes in Latin America to overcome their social problems.

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The Cuban armed forces parade Tuesday emphasized weapons that contribute both to Cuba's defense and to its military commitments abroad and the increasing mobility of the armed forces. The Cubans showed amphibious weapons, engineering equipment, personnel transports, and--in their first public display--armed MI-8 helicopters and a unit of naval infantry. [REDACTED]

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A television documentary shown Tuesday pointed out that the USSR has provided Cuba all its military equipment free of charge; the commentator put the value of this equipment since 1959 at several billion dollars.

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BRIEFS

Spain

The assassination yesterday of the military governor of Madrid and the killings on Tuesday of an Army and a police officer in the Basque country were probably part of the campaign by the Basque terrorist group ETA to provoke the Spanish Government to impose martial law. Major General Constantino Ortin Gil was the sixth and highest ranking military officer to be killed since November 1977 by the terrorists. [REDACTED]

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ETA apparently hopes that the killings will provoke the military to press the government to impose martial law. Such a move would draw the military into violent clashes between security forces and civilians and provoke further resentment in the Basque area. ETA hopes that such resentment will make it impossible for the moderate Basque Nationalist Party to reach an agreement with the central government on the final form of the autonomy statute for the Basque area. ETA may also be reacting to the government's recent step up in arrests of suspected ETA terrorists. [REDACTED]

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The government is unlikely to resort to martial law except in an extreme emergency. Although military leaders may advise the government to crack down harder on Basque terrorists, most generals reportedly do not favor imposing martial law. [REDACTED]

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China

China's massive modernization efforts have already created construction material shortages and bottlenecks. In anticipation of even larger shortages, the Chinese have contracted with Japan to deliver 1.5 million to 2 million tons of cement this year. This contract is the largest cement contract the Chinese ever signed with the West. [REDACTED]

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China has traditionally been a cement exporter but bought nearly 200,000 tons of cement from Japan last year.

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The Chinese are importing cement despite their claims that they produced 67 million tons in 1978--nearly 21 percent over 1977 production. [REDACTED]

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Imported cement is undoubtedly destined for the 120 major projects China plans to complete by 1985. The government is planning a rapid expansion of urban construction, including a doubling of housing in some of the major cities and several tourist hotels designed by Western architects. [REDACTED]

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FEATURE ARTICLE

TURKEY: Prospects for Ecevit

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[REDACTED]

The coming months will test the cohesiveness of the left-of-center government of Turkish Prime Minister Ecevit and the resilience of Turkey's democratic institutions. The declaration of martial law in 13 provinces late last month has cost Ecevit much of his remaining political capital in his party, given new opportunities to the opposition, and limited further Ecevit's ability to risk the hard decisions needed to rescue the economy. It has also reopened the possibility of a political role for the military. Should Ecevit's precariously poised government fall, it is unlikely that a government would emerge that would be more able and willing to confront Turkey's domestic and foreign policy problems.

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[REDACTED]

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The majority in Ecevit's Republican People's Party who supported martial law hope it will suppress political violence, free the government to deal with the economy, and permit Ecevit and the party to emerge with a healthier image. The 63 members of the party's increasingly truculent left wing who opposed martial law remain concerned that it will fall heaviest against the left and will ultimately fortify the right. Ecevit will find it difficult to cope with the conflicting pressures from within his party, which have already compelled him to sack his interior minister.

[REDACTED]

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The opposition parties, despite having unanimously approved martial law in parliament, have portrayed Ecevit as a weak and vacillating leader who allowed events to get out of hand. Recognizing that the issue of civilian-military relations is a sensitive one within Ecevit's party, the opposition parties have taunted the Prime Minister for not increasing the prerogatives of martial law authorities. Suleyman Demirel, a former Prime Minister and leader of the principal opposition party, the Justice Party, has introduced a motion of censure in parliament and announced that he is placing his trust in the armed forces.

[REDACTED]

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[redacted]

The neofascist National Action Party, which is behind most of the rightist-inspired violence, has pointed out that the government has not imposed martial law in leftist-dominated provinces. The party has called for martial law in seven more provinces. Alpaslan Turkes, leader of the party and a major participant in the 1960 military intervention, has made no secret of his desire for another military takeover to stop the alleged drift of the government and Turkish society toward Communism.

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[redacted]

Only Necmettin Erbakan's Islamic-oriented National Salvation Party, which is leaving open the possibility of again joining in a governing coalition, has hedged its criticism of the Prime Minister. Although the opposition parties may not be ready to return to power during this troubled period, their effort to bring Ecevit down is unlikely to abate.

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[redacted]

Ecevit's continuation in office depends on the evolution of civilian-military relations and the military's effectiveness in reducing violence. Recognizing this, Ecevit has sought to assure civilian supremacy by utilizing such devices as daily meetings with General Staff Chief Evren, formation of a cabinet-level martial law coordination board, and weekly meetings with provincial martial law commanders. Ecevit hopes to prevent military excesses and mollify those in his party who distrust the military as well as to discredit opposition charges that he is weak.

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[redacted]

The prospects that martial law will quell political violence in Turkey are considerably more favorable than they are in neighboring Iran. Having intervened twice before in the political process--in 1960 and in 1971--the Turkish military has had substantial experience in crowd control methods and law enforcement.

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[redacted]

Turkish extremists of the left and right are feuding and their activities are chiefly aimed against each other rather than at the government. The extreme left is divided, and Islam is not as strong a political force in Turkey as in Iran despite the resurgence of the antisecular sentiment in Turkey. Turkish extremist leaders have so far been unwilling openly to incite their followers

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[redacted]

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to commit acts of violence. Perhaps the most important difference between Turkey and Iran is that Turkey's democratic institutions are better able to channel most discontent into constructive give-and-take. [redacted]

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The causes of political violence in Turkey will remain, however, even if the military is able to limit the number of killings and demonstrations. Ecevit will also find it difficult to end martial law and thus will have another problem to face. Others include the worsening economy, the budget debate in late February, his party's convention in April, and the senatorial election in June. [redacted]

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Although martial law will sharply reduce the level of violence where it is in force, there is always a danger that an incident could trigger mass rioting. Violence might also increase in areas not covered by martial law. Pressure for an expansion of the area covered by martial law combined with the continuing downslide in the economy could well cause Ecevit's government to fall. [redacted]

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The combination of the Ataturk tradition and its earlier unhappy attempts to govern the country thus far has inclined the military to stay out of politics. Military leaders, however, have been deeply concerned over the growing economic and internal security crisis, which threaten both military values and its corporate and individual economic interests. Even before the martial law decision, however, the military declared its intention to "go public" with its many economic and morale problems, in part because of concern that Ecevit's "New Defense Concept" will entail a sharp reduction in next year's defense budget. [redacted]

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In a manner reminiscent of the period before the 1960 intervention, General Staff Chief Evren criticized the parliament for hastily enacting legislation adversely affecting the morale and economic well-being of his officers. [redacted]

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Such sentiment and the expected civilian-military strains if political violence is not quelled could impel the military to be more assertive. Should the Ecevit government fall, the military might decide to play at least a behind-the-scenes role in putting together a successor government. Should that prove impossible, the military could again seize power. [redacted]

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[REDACTED]

25X1 The outlook for the Ecevit government is not promising, and prospects that Turkey will be able to solve its mounting problems without at least some indirect involvement by the military are only slightly better. Forced by events to spend a good deal of his remaining political capital to curb political violence, Ecevit will be less willing and able to take the measures necessary to stop the related problems of stopping the economy's downward slide and ensuring needed international assistance. The same holds true for confronting the quarrels with the Greeks over Cyprus, the Aegean, and NATO. Such immobilism will further aggravate the economic situation and may also deter an adequate international rescue effort. [REDACTED]

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