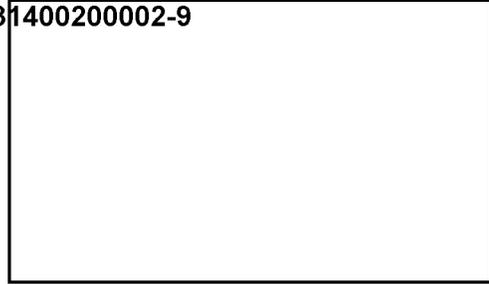




Director of
Intelligence

Approved For Release 2004/05/22 : CIA-RDP79T00975A031400200002-9
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Top Secret



National Intelligence Daily (Cable)

23 May 1979

Top Secret



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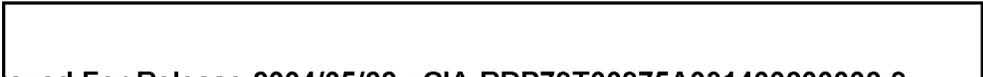
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BRIEFS AND COMMENTS

YUGOSLAVIA-USSR: Summit Results

On the basis of official statements and media reports, it appears that the talks in Moscow last week between Presidents Brezhnev and Tito did little more than restore a veneer of friendship to a troubled relationship.

[REDACTED]

Upon his return to Belgrade on Monday, Tito described his exchanges with the Soviet leader as "exhaustive, friendly" and taking place in an "atmosphere of full openness and mutual respect," formulations that suggest the two men discussed contentious topics. Tito probably expressed concern over Soviet attempts to manipulate the Nonaligned Movement, and Brezhnev probably reiterated Soviet displeasure over improving Sino-Yugoslav relations.

[REDACTED]

The media in both countries have referred to a communique, but a text apparently has not yet been published--indicating that language is still being negotiated. On Saturday, *Pravda* did publish an article that read like a communique and described the talks as "friendly and frank." The last time either side described top-level talks as "frank" was in 1971, when Tito and Brezhnev met for the first time after the Soviet-led invasion and occupation of Czechoslovakia.

[REDACTED]

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IRAN: Problems In Khuzestan

The government of Prime Minister Bazargan is concerned there may be serious labor disruptions in Khuzestan Province, Iran's oil-producing region. Worker dissatisfaction, however, has not yet affected oil production. The situation has been worsened by continuing violence among rival militia groups and by demands for autonomy by Arabs in the region. [REDACTED]

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The government has sent an official delegation led by Hassan Nazih, managing director of the National Iranian Oil Company, to the region to resolve workers' complaints and demands. The management of the company, including Nazih, is not popular with the oil workers, who have formed committees to negotiate salaries and select supervisors. Leftist and Communist workers, who exercise considerable influence over other oilfield workers, intend the committees eventually to replace the workers' syndicates present in the days of the Shah. Nazih is likely to have a difficult time with the negotiations.

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[REDACTED]

Local violence and the Arab population's desire for autonomy have added to the potential for labor unrest. An uneasy truce is in effect in Khorramshahr where fighting between Arabs and non-Arabs erupted last week. Ayatollah Khagani, the spiritual leader of Iran's Shia Arabs, has again threatened to leave the country unless the government controls the local revolutionary committees. The Governor General of Khuzestan Province last week ordered all unauthorized members of local revolutionary committees to disarm, but Arab committeemen who have been calling for regional autonomy have rejected his demands. [REDACTED]

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Problems in Masjed-e Soleyman last weekend appear to be related to the unrest in Khorramshahr. Following the purge of the local revolutionary committee, dissidents attacked the police station and armory before being driven off. [REDACTED]

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The situation in Khuzestan is confused by rivalries among the various revolutionary committees and within the committees. The groups are heavily armed and, because there is little chance they will disarm, the potential for labor unrest and violence will remain high. [REDACTED]

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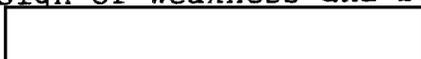
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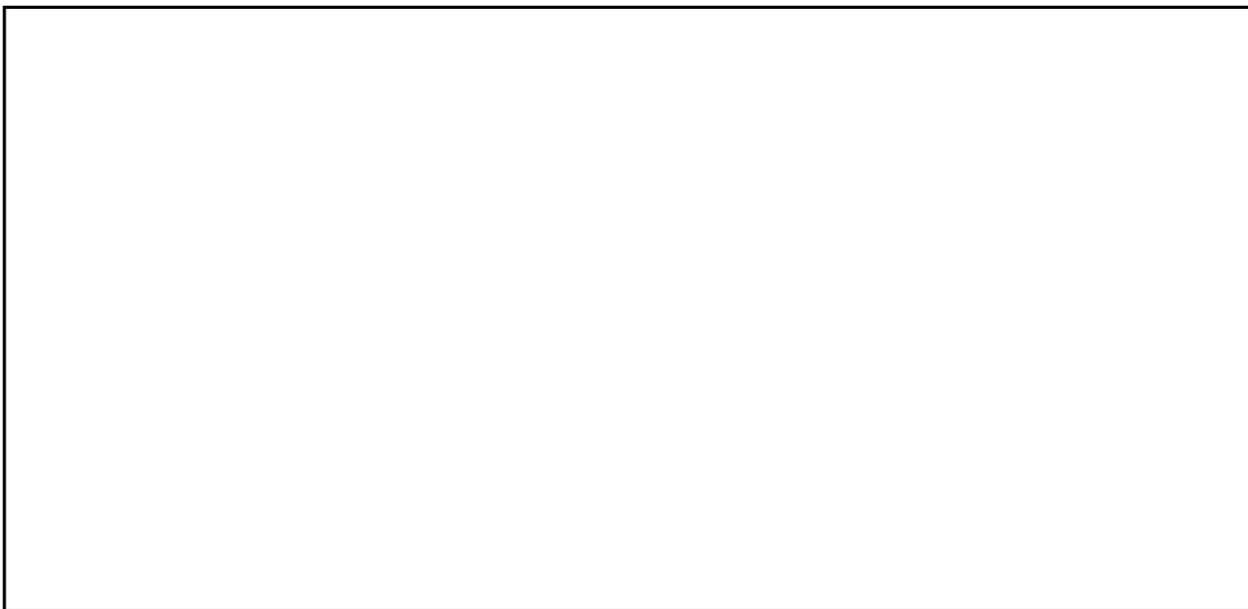
NEPAL: Concessions to Students

Faced with spreading violence by separatists and political extremists in the south and east, the Nepalese Government has conceded to all demands of striking students who touched off the current wave of unrest over a month ago. On Monday, Prime Minister Bista granted student demands for educational reforms and, in a broader conciliatory gesture, also acknowledged the government's need to address deeper social, political, and economic problems--such as the unpopular land development tax--that underlie the present disturbances. Upon hearing the government's concessions, most student leaders called for an end to the strike. The students, as well as most leaders of Nepal's banned political parties, are not antimonarchy and may see the concessions as a sign that King Birendra will liberalize the political system. The monarchy's more radical opponents, however, may take the concessions as a sign of weakness and be encouraged to further violence.

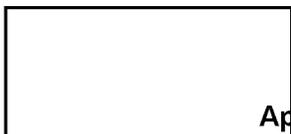


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SPECIAL ANALYSIS

IRAQ: New Prominence in Arab World

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[REDACTED]

Iraqi leaders have skillfully exploited Arab opposition to Egyptian President Sadat's peace initiative and have moved rapidly from political isolation to a leadership position in the Arab world. Iraqi influence has been enhanced by Syria's need for a military ally to replace Egypt, the collapse of Iranian power in the Persian Gulf, perceived Saudi weakness in handling the dispute between North and South Yemen, and relative stability and prosperity at home. Baghdad has been able to exploit these opportunities because it has muted the heavy-handed, ideological approach that characterized its relations with other Arab states in the past. There is little doubt, however, that Iraq will again resort to threats and subversion if its new-style diplomacy proves ineffective.

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[REDACTED]

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Iraq's outwardly cooperative, pragmatic approach to its relations with the other Arabs has been unfolding since the sudden rush of oil wealth and the end of the latest revolt of Iraqi Kurds in the mid-1970s. These events gave the Baathist regime an economic independence and internal security it had lacked. Baghdad could turn to improving relations with its neighbors in the Persian Gulf. Subversion of nearby governments was put aside for the moment in favor of cooperation in noncontroversial areas such as mining, agriculture, banking, shipping, and health care. These projects helped build an image of respectability and established a base for additional cooperation. Increased oil revenues enabled Iraq to expand economic contacts with the West and to purchase Western arms.

[REDACTED]

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The shock of President Sadat's visit to Jerusalem in November 1977 probably strengthened Iraq's determination to forge a more cooperative relationship with its neighbors. It was the Camp David accords, however, that galvanized the Iraqis into action. Some Iraqi leaders, their viewpoints distorted by suspicion and Baathist

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ideology, may have seen the accords as the first step in a process whereby Israel would come to terms with its enemies and leave rejectionist Iraq isolated in the Arab world. More imaginative Baathists saw in the accords an opportunity to exploit widespread Arab opinion that Egypt had made a bad bargain. The damage to Egypt's Arab image opened the way for Iraq to bid for leadership.

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Immediately after the signing of the Camp David accords last September, the Iraqi leaders set about organizing an Arab consensus against the framework agreements Sadat had accepted. As a first step, the Iraqis moved to patch up their longstanding quarrel with the rival Baathist regime of Syria. This rapprochement, now six months old, has not achieved the proclaimed goal of political union, but it has produced benefits for both nations. Mutual subversion has diminished, Iraq has resumed pumping oil through the pipeline across Syria to the Mediterranean, Syria's military credibility has been enhanced and the two countries have effectively coordinated diplomatic efforts aimed at developing a united Arab front against the Egyptian-Israeli peace treaty. At the same time, Iraq improved its relations with Palestinian moderates led by Yasir Arafat and with King Hussein of Jordan.

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Better ties with Syria and the Palestine Liberation Organization helped lay the groundwork for Iraqi domination of the Arab summit in Baghdad last November and the ministerial meeting in March after the Egyptians and Israelis signed their treaty. Iraq's tactics at these conferences--an adroit mixture of flexibility, adamancy, and threats--produced, with minimal retreat from Iraq's rejectionist stance, a marked shift of the Arab center toward a hard line on the peace process.

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Since the March meeting, the Iraqis have worked hard to prevent other nations from backsliding from the anti-Sadat sanctions they adopted and have sought as well to punish Sudan and Oman for their support of Egypt. They have subjected Sudan to political and economic reprisals, including threats to topple President Numayri. Oman has so far been treated in low-key fashion, probably because the Iraqis do not want to risk a backlash from other

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Arabian Peninsula governments or prompt a Western response that might include an increased presence. Baghdad may also fear that the overthrow of Omani Sultan Qabus would provide an opportunity for South Yemen and the USSR to extend their influence into the mouth of the Persian Gulf, an area of strategic concern to Iraq. [redacted]

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The diminished stature or special problems of Iraq's major neighbors--Iran, Saudi Arabia, and Syria--have enhanced Iraq's regional influence. The revolution in Iran radically altered the regional power balance to Baghdad's advantage by neutralizing Iran's strong armed force and ending Tehran's role as a bulwark in the Persian Gulf area against the radical forces long backed by the Iraqi Baathists. As a consequence, Arab states of the Arabian Peninsula now have to be more attentive to staying on good terms with the Iraqis. The new Iranian rulers' adoption of an all-out pro-Palestinian position and their clear lack of interest in restraining oil prices have also served Iraqi interests. [redacted]

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The Shah's downfall does have some potential negative consequences for Iraq. The Baghdad government, dominated by Sunni Arabs, could have major problems if the success of Ayatollah Khomeini's Shia Muslims were to inspire increased restiveness among Iraq's large Shia population or if the unrest among Iranian Kurds were to spread to fellow tribesmen in Iraq. So far, Iraqi Kurdistan has remained relatively quiet, but Baghdad is wary. Many Iraqi Communists have gone underground in Kurdistan to escape government persecution, and they can be expected to try to exploit local circumstances. [redacted]

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The Saudis, put on the defensive by Sadat's activities and deprived of their tacit alliance with the Shah, clearly feel more vulnerable than ever to Iraq and have reacted by seeking accommodation. The Saudi inability in March to settle the Yemeni war without Iraqi and Syrian aid further enhanced the Iraqis' stature in the Arabian Peninsula, especially to the rulers of the small states that have long followed the Saudi lead. As for the Syrians, their extensive military involvement in Lebanon leaves them in need of a partnership with Iraq to give them military strength and negotiating leverage. [redacted]

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At present, the Iraqis are moving to consolidate their newfound influence in the Arab world as they push to the limit the anti-Sadat, antitreaty drive. The Iraqis will continue to follow their basic program-- rejection of any peace settlement with Israel and promotion of their Baathist brand of Arab radicalism in Iraq's conservative-ruled neighbors. At the same time, they will continue to try to minimize the military presence of the US and the USSR in the Middle East. [REDACTED]

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The current Iraqi leadership role could diminish if some of the key conditions that fostered Baghdad's prominence were to change. If Iranian unrest infects parts of the Iraqi population, it could undermine the internal stability that gave the Baathists the self-confidence to turn their attention to foreign affairs. Domestic disturbances, especially if seen to be inspired by foreign forces, would invite a speedy return to more caustic forms of Iraqi behavior toward the outside world. Iraq's status could also slip if the Egyptian-Israeli negotiations on the future of the West Bank and Gaza produce an agreement acceptable to most significant Palestinians.

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