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GENERAL

1. Australian attitude toward Pacific defense pact--US Embassy  
 Canberra has been informed by Australian Minister of External Affairs Spender that his government desires to do everything possible to promote a Pacific pact which would include military commitments. In Spender's view, however, no Pacific nation or group of nations can be expected to embark on a course which without US backing might prove "futile and even disastrous." Spender believes that discussions at the forthcoming Baguio Conference (called by the Philippine Government) will be futile, because of the lack of support by Asian countries themselves and the absence of support from the US.

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EUROPE

2. GERMANY: Reform of German interzonal trade set-up urged--  
 The Berlin branch of the US High Commission in Germany believes that "the time has come for the Bonn Government to clean house" and remedy the unsatisfactory situation regarding German interzonal trade. The Berlin branch recommends that the Federal Republic's interzonal trade negotiator be replaced and that more adequate customs supervision be established on the Soviet Zone border; the branch also suggests that preparations for sanctions which could be applied to the German Democratic Republic whenever it departs from the interzonal trade agreement should be completed. The branch proposes to ban at once iron and steel shipments and 40 percent of other shipments to East Germany until the present trade unbalance ends.

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NEAR EAST-AFRICA

3. IRAN: US views on recent developments--The Department of State, in connection with the Shah's recent appointment of Ali Mansur as prime minister and his reported statement that

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- 1 -

State Dept. review completed

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**T O P   S E C R E T**

the "fight against corruption" must be postponed, has authorized US Ambassador Wiley to impress upon the Shah the need to bring forward "less questionable" political leadership without too much delay. The Department adds that unless key officials who symbolize policies of progress and reform are named in the near future, the effect will be to disappoint the US Government and people and to discourage Iranians sincerely working for the benefit of their people. Wiley is also authorized to ask the Shah about the truth of reports that secret Irano-Soviet negotiations are being carried on, supposedly because Iran failed to receive what it considered adequate US assistance.

**F A R   E A S T**

4. **MALAYA: US aid for Malaya recommended**--US representative Griffin, in continuing the analysis of prospects for US assistance to various Southeast Asian countries, concludes that Malaya's strategic, political, and economic importance justifies a small but urgent US aid program. Griffin believes that Malaya's long-run political orientation is at stake and suggests the extension of immediate US assistance to provide: (a) communication equipment for civil police; (b) earth-moving equipment for the clearing of jungle roads, resettlement areas, and airstrips; and (c) educational personnel to assist in reorienting the present pro-China and pro-Communist teaching in Malaya's Chinese elementary schools.

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- 2 -

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