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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
January 29, 1975

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MEMORANDUM

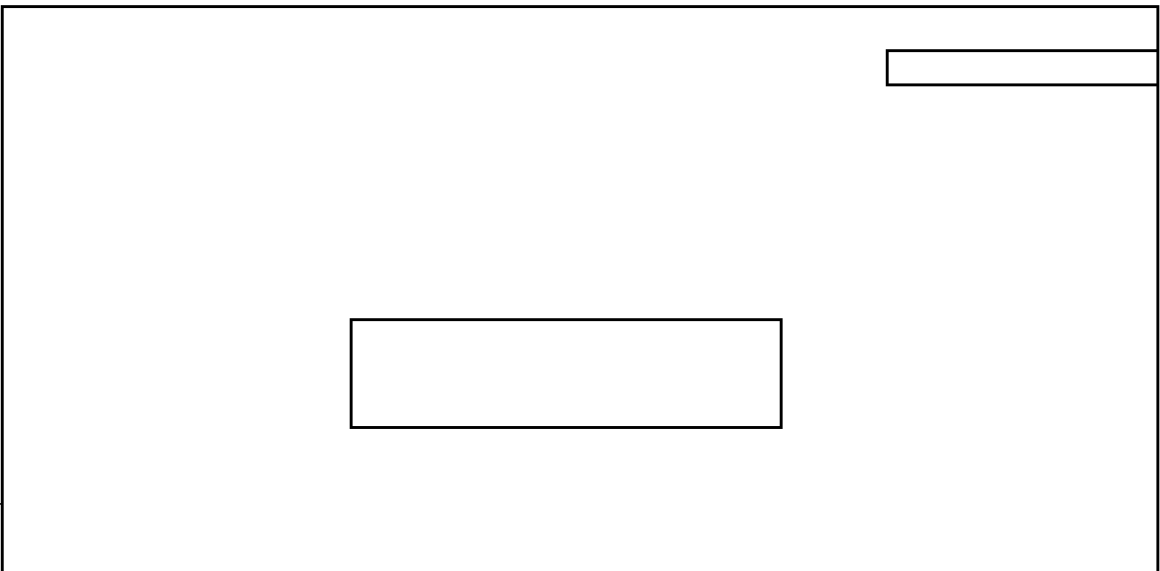
SUBJECT: Bhutto to Visit Washington

Zulfikar Ali Bhutto, the Prime Minister of Pakistan, will be in Washington next week to meet with President Ford. Bhutto's last visit here was in September 1973.

Bhutto has been in power since December 1971, when Pakistan's armed forces, which had ruled for 13 years, voluntarily turned the government over to him after suffering a humiliating defeat in a two-week war with India. That war climaxed a year of severe turmoil in Pakistan's eastern wing, which became the independent republic of Bangladesh at the end of the war.

A year earlier, Bhutto had firmly established himself as the most popular politician in the area that was then known as West Pak'istan and today comprises the entire country. His Pakistan People's Party won nearly 60 percent of the West Pakistani seats in elections for a constituent assembly then being planned by the military regime.

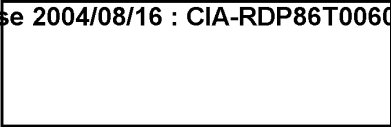
Bhutto today is firmly in control of his country. He is likely to remain in office at least until the constitutional deadline for the next national elections (1977) and perhaps a good deal longer. At 47 years of age, he appears to be in good health and has no serious rivals for power.



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A Strong Leader

Bhutto's position today is strong both because of what he has achieved for Pakistan since the troubles in 1971, and because of his adroitness as a politician. He has given the country a new constitution under which many democratic institutions have been restored. He has introduced a number of generally popular agricultural, industrial, labor, and educational reforms. His government has been vigorous, even if only partially successful, in combatting Pakistan's economic problems.

The Bhutto regime has also shown itself able to respond effectively to natural disasters such as severe floods in 1973 and an earthquake last December. In 1970, the military government's failure to initiate a large-scale relief effort after a cyclone had devastated part of East Pakistan contributed to the unrest that culminated in the war with India and the loss of the eastern province.

Bhutto has also enjoyed important foreign policy successes. He has maintained Pakistan's friendly ties with the US, China, the Arab world, and neighboring Iran--all of which had sympathized with Pakistan during the troubles with India in 1971--and has obtained considerable material assistance from all of them. He has even made a start, together with Mrs. Gandhi, toward resolving some of the differences between Pakistan and India.

All this activity has had an important psychological impact on the Pakistani people. The Bhutto regime's achievements have helped restore a national sense of purpose and self-confidence that had been shattered by the debacle of 1971. Bhutto is given wide credit among Pakistanis for having revived the country.

In domestic politics, Bhutto has outflanked all his opponents. Opposition parties, weak and divided, have not been able to mount a serious challenge.

Bhutto's party enjoys a commanding majority in the national legislature and dominates political life in the two most populous of Pakistan's four provinces. Even in the other two provinces, where the party is relatively weak, it has managed

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to retain control of the provincial governments. Bhutto has kept his opponents in these provinces on the defensive through political maneuvering, government spending, and occasional strong-arm tactics including jailings of opposition politicians. In one province, Baluchistan, the army has recently succeeded in bringing a stubborn tribal insurgency under control.

The armed forces, which have ruled Pakistan during nearly half its life span as an independent nation, remain the ultimate arbiter of power in the nation. But Bhutto does not appear to be under any threat from that quarter.

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Relations with the US

Bhutto's friendliness toward the US contrasts with his much more critical attitude when he served as Pakistan's foreign minister in the mid-1960s. This change is due to several factors:

- US sympathy and support for Pakistan in 1971. Most of the world sided with India and Bangladesh.
- The US detente with China, Pakistan's northern neighbor and longstanding ally.
- Bhutto's own proven ability to modify his positions sharply when circumstances require.
- The attention the US has continued to show to Pakistan and to Bhutto personally. Although unhappy over restrictions on the sale of US arms to Pakistan, Bhutto views Washington's response in recent years to Pakistan's economic assistance needs as rather generous. He is also aware that relatively few foreign leaders have been invited, as he has, to visit Washington twice in less than 18 months.

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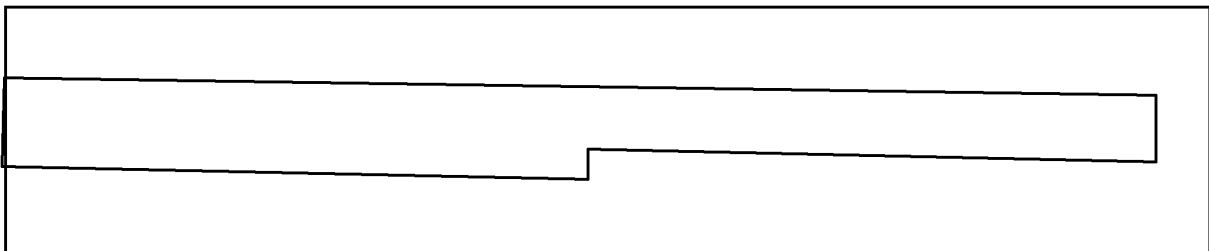


-- Pakistan's lack of satisfactory alternatives to friendship with the US. The Soviet Union, for example, is unlikely to jeopardize its close relationship with India by embracing Pakistan. Bhutto does not view Chinese, Arab, and Iranian support as adequate substitutes for US backing, especially in view of the extensive Soviet assistance to India.

The only issue on which Bhutto has been seriously unhappy with the US is arms supply. He has argued forcefully for an easing of the embargo on US arms sales to India and Pakistan, which has been in effect in one form or another ever since the Indc-Pakistani war of 1965.

India opposes any relaxation of the arms embargo. Bhutto is concerned that continuation of the embargo, along with recent improvements in US relations with India, may signify a lessening of US interest in Pakistan.

At times Bhutto has hinted that Pakistan might withdraw from the Central Treaty Organization--a 20-year-old alliance between the US, Britain, Iran, Turkey, and Pakistan--unless the US "puts teeth" into the alliance by supplying arms to Pakistan. So far, however, he has been unwilling to break with the organization. He knows that such a move would be widely viewed internationally as a loosening of Pakistan's ties with the US and would be particularly disturbing to Iran, one of Pakistan's most important allies.



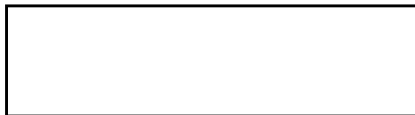
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Bhutto also hopes the US will grant Pakistan additional wheat this year under the PL-480 program, beyond the 100,000 tons already promised.

Bhutto believes Pakistan's proximity to the Persian Gulf oil region, and its warm relations with Arab governments,

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enhance Washington's interest in maintaining close ties with Islamabad. He has said he might be willing to let the US establish an air and naval base in Pakistan on the Arabian Sea, which adjoins the Gulf area.

Other Friends...

Pakistan's closest major power ally is China, which has been the leading donor of arms to Pakistan since 1965. Peking and Islamabad have long had in common a wary attitude toward both India and the Soviet Union.

Pakistan's ties with the Muslim countries of the Middle East have expanded under the Bhutto regime. The trauma of defeat by India in 1971, magnified by the Indian nuclear blast last May, led Bhutto to cast about for new support. The Muslim oil-producing countries were natural allies.



...And Foes

Pakistan and India remain deeply suspicious of each other. Many Pakistanis believe India wants to dominate its South Asian neighbors.

Yet the two countries have made considerable progress since 1971 in resolving problems peacefully. In 1972, Bhutto and Mrs. Gandhi signed an agreement at Simla, India, in which they promised to settle their differences through negotiation. Since then they have resolved many problems left over from the 1971 war, such as the withdrawal of troops and the exchange of prisoners of war and stranded civilian minorities. They have also agreed to restore trade, shipping, travel, and communications links, although diplomatic relations remain suspended. They continue to differ strongly over the status of Kashmir.

Pakistan's relations with another neighbor, Afghanistan, have been strained since mid-1973, when a military coup



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returned Mohammad Daoud to power in Kabul. The Daoud regime has supported political dissidents in Pakistan's two frontier provinces, which border on Afghanistan.

These dissidents are seeking provincial autonomy. They have occasionally resorted to violence, but the Bhutto regime has been able to contain them. Bhutto has accused the dissidents and their Afghan supporters of seeking the breakup of Pakistan, but both countries have been careful to avoid a major confrontation.

Pakistan's relations with Bangladesh are stalemated over how to divide the assets and liabilities of pre-1971 Pakistan, and over how much of Bangladesh's unwanted, pro-Pakistani "Bihari" minority group Pakistan will absorb. Bhutto apparently feels no urgency about establishing diplomatic, trade, or other ties with Pakistan's desperately poor and violence-ridden former eastern wing.

The Bhutto government is suspicious of the Soviet Union, which has been a strong backer of India, Afghanistan, and Bangladesh. Bhutto has visited the USSR twice since he came to power and has made some modest progress in improving relations with the Soviets. He knows, however, that Pakistani-Soviet ties are limited by Moscow's emphasis on India as the key country in South Asia, and by Pakistan's own dependence on China, the US, and anti-Communist Middle Eastern rulers such as Saudi King Faysal and the Shah of Iran.

Economic Problems

Bhutto's most difficult challenges are economic. Pakistan's economic problems are much less pronounced than those of neighboring India and Bangladesh, but they are nonetheless substantial. They could eventually lead to serious unrest.

Pakistan's modest economic growth in 1974 was largely offset by the three percent yearly increase in its population, which now totals between 65 and 70 million. The annual inflation rate is running at around 25 percent, and unemployment and underemployment are increasing. Inflation and balance of payments troubles have been exacerbated by rising world fuel prices. A shortage of water for irrigation and power currently is hampering agricultural and industrial production, although not to such an extent as to threaten a famine.



A lack of private investment also has helped hold the economy back. The early days of the Bhutto regime were marked by extensive nationalizations and other economic reform measures unpopular among private businessmen. More recently Bhutto has been moving toward moderate economic policies, but for political reasons he has not abandoned socialist rhetoric, and the private sector has remained wary.

Pakistan's economic difficulties are not likely to ease this year, but over the longer run the country's future is brighter. Pakistan is not overpopulated. It has the potential to expand production and exports, and to become self-sufficient in food. Economic prospects have been further brightened by the massive aid that has begun to arrive from Iran and the Arab states.

