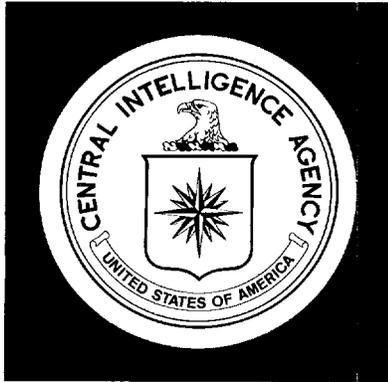


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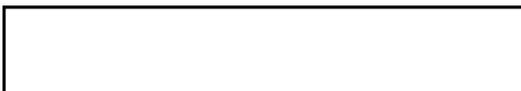
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FRANCE: The proffered resignation of Pompidou's closest political adviser, Pierre Juillet, is another symptom of the widening gap between the President and the orthodox Gaullists.

25X1 [redacted] Juillet, a conservative Gaullist, submitted his resignation after the elections in March, but Pompidou has refused to accept it. Juillet reportedly thinks Pompidou has gone too far in showing favor to the Independent Republicans and Centrists within the government. He believes that Prime Minister Messmer made poor choices in forming his government, and he may particularly resent the appointment of his former rival in the Elysee, Michel Jobert, as foreign minister.

Although Pompidou has not abandoned the basic tenets of Gaullism, he has become more independent and obviously intends to continue in that direction. Examples of this are the departure of some of the more orthodox Gaullists from the cabinet, efforts to include Centrist leader Lecanuet in it, and the proposal for a broad domestic reform program. [redacted]

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LIBYA: The government has given Western oil companies until 17 May to accept its demand for complete control or be nationalized. The companies may counter by offering to participate with Tripoli in a 50-50 joint operating company. They are also offering substantial financial support for new exploration activities. These proposals probably will not satisfy Tripoli's goal of achieving a better settlement than the Persian Gulf countries, but they may buy more negotiating time. The Libyans are probably not prepared for a total nationalization of the industry, but could take over one company at a time.

The companies' prospects in the coming negotiations will depend in part on their ability to present a unified position. Several of the companies--Continental, Marathon, Occidental, and Bunker-Hunt--have little or no foreign oil production outside of Libya and are likely to bend to Libyan demands. Other companies with significant foreign holdings, such as Exxon, Texaco, and Standard Oil (California), will be reluctant to allow Libyan gains to set a precedent that might prompt the Persian Gulf oil producers to demand renegotiation of their agreements.

Libyan oil minister Mabruk said he was making no new demands on the Bunker-Hunt oil company because "we're taking them over anyway." The decision to nationalize Bunker-Hunt may be a concession to the recent fedayeen challenge to Qadhafi that he nationalize the entire oil industry. Although Qadhafi in an interview this week stated that he will not take such action unless other Arab oil producers follow suit, he probably is willing to nationalize Bunker-Hunt since such a move would enhance his revolutionary image and would not be a serious economic burden. Bunker-Hunt has been operating without a formal agreement since its former partner, British Petroleum, was nationalized in late 1971. The company is attempting to pursue its case through arbitration, but is unlikely to be successful.

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Chile: The government has hardened its stand against strikers who have paralyzed the giant El Teniente copper complex for nearly four weeks in a demand for wages that Allende considers excessive. A state of emergency was imposed in the area on 10 May after police and pro-government workers clashed with the largely opposition-led strikers. [redacted]

Chile: The crackdown on the extremist Patria y Libertad group ordered on 11 May will worsen an already tense situation, but few Allende government opponents, either civilian or military, will want to take action in support of this ultra-right organization. [redacted]

China-Japan: Japanese business leaders reportedly will ask Peking to consider the possibility of exporting natural gas to Japan. [redacted]

Sierra Leone - China: The Chinese have delivered two gunboats promised by Peking when diplomatic relations were established in July 1971. [redacted]

**These items are prepared overnight by CIA without coordination.*

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