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Central Intelligence Bulletin

Secret

№ 040

15 May 1973

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Approved For Release 2003/08/27 : CIA-RDP79T00975A024400110001-8

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INTERNATIONAL MONETARY DEVELOPMENTS: Pressure on the dollar intensified in European currency markets yesterday. The dollar, off sharply in active trading, is now at its lowest levels relative to the mark and to the French and Swiss francs since early March. The pound is at its highest level since it was floated last June, and the free market price of gold has topped \$100. Yesterday's only reported intervention in support of the dollar was in London, where the Bank of England made light purchases in the morning.

There are no clear reasons for the new pressures on the dollar. European traders cite political uncertainty in Washington, the New York Stock Exchange's poor performance, worries about the US balance of payments, and the rising gold price. Although none of these factors has emerged suddenly, the political problems especially have added to an already pervasive uncertainty about the dollar in the wake of two devaluations. Many who hold dollars tend to sell them at the first sign of market weakness; thus a slight pressure on the dollar can rapidly become self-sustaining and large-scale. Indeed, major international banks reported yesterday that multinational and other companies were accelerating their sales of dollars.

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CSCE: The preparatory talks in Helsinki are likely to wind up by the end of the month, enabling the first formal stage of a Conference on Security and Cooperation in Europe to begin in late June.

The negotiators are trying to finish "mandates" that will define the conference agenda. A mandate must be prepared for each of the general agenda categories: security, economic cooperation, human contacts, and possible follow-on machinery to the conference.

Agreement on the human contacts mandate is the key remaining problem. The majority of NATO allies and most of the neutrals have agreed to include a reference to the principle of "national sovereignty," to calm Soviet fears that Eastern systems might be adversely affected by increased contact with the West, and at the same time to refer to "human rights" to satisfy Western delegations. The Soviets are still holding out for a more specific reference to "non-interference in internal affairs." A Soviet delegate suggested recently that the whole problem might be solved by referring to the UN Charter instead of individual principles.

If the impasse on the human contacts mandate can be broken, the allies will be ready to go along with a compromise on the treatment of one of the principles in the security mandate, "inviolability of frontiers." This is perhaps the most important conference topic in Moscow's view. The compromise would consist of listing the principle separately, as Moscow wishes, but placing it after the principle of the "non-use of force" and in a context implying that the two principles are linked, as the West prefers.

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These items will probably be settled before long and the other mandates handled with less difficulty. The Soviets, long champions of CSCE, have a clear interest in seeing the conference start on schedule. A Soviet spokesman has suggested that, if CSCE preparations get bogged down, MBFR might be held up.

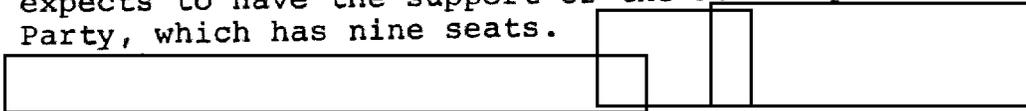
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NORWAY: The Labor Party may overthrow the "mini-coalition" of Lars Korvald before parliament recesses on 8 June. With the latest poll showing Labor support at its lowest point since 1945, party chairman and former prime minister Trygve Bratteli reportedly believes his party's chances for winning in the September elections would be enhanced if the party returned to power soon.

Bratteli resigned last October following the defeat of the referendum on membership in the European Communities (EC). Korvald's coalition took in politicians who had opposed Norway's entry into the EC. The Korvald government negotiated a free-trade agreement with the EC that the Storting is scheduled to ratify late this month. With the EC issue thus out of the way, the Labor Party would see no obstacle to returning to power and much to be gained as the incumbent in the fall election campaign. Labor controls 73 of parliament's 150 seats, and Bratteli expects to have the support of the New People's Party, which has nine seats.



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