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SECRET

6 June 1979

MEMORANDUM FOR THE RECORD

Staff Meeting Minutes of 6 June 1979

The Director was at his EOB office; Mr. Carlucci chaired the meeting. [redacted] 25X1

Lehman said his earlier (4 June) report that the coup in Ghana had apparently aborted was obviously in error; the coup has succeeded. He noted that remarks by the coup leader, Flight Lieutenant Jerry Rawlings, suggest developments underway to which we should give extra attention, e.g., the possibility of a growing nest of Cubans in Ghana. [redacted] 25X1

McMahon reported that, in a Lisbon stopover return from Vienna on 18 June, Secretary Vance is expected to secure a renewal agreement from the Government of Portugal on the U.S. base at Lajes in the Azores. [redacted] 25X1

Mr. Carlucci reported that he is honoring Ambassador Bowdler's (INR) request to meet today regarding results of the Interagency Working Group's effort on standards for sensitive collection. He briefly discussed with McMahon and Silver the best approach to be taken at this meeting. Silver advised that because State members of the Working Group had not fully coordinated with us on issues for which they were responsible, we should disregard today's deadline for a CIA position and take the necessary time to be clear on all the issues involved. [redacted] 25X1

Taylor advised, in regard to protecting sensitive collection categories, that we take into account the potential of disclosure as a result of different sets of rules among Congressional committees for reporting. [redacted] 25X1

Hetu said he has been unable to determine the source of attribution to CIA in a 5 June Washington Post article, "CIA Projects Huge Increase for OPEC Cash Accounts," (attached). He said that it is a leak of what he believes is unclassified information. [redacted] 25X1

Hitz reported on the Director's 5 June meeting with Senators Bayh and Goldwater regarding the protection of sources and methods needed during Congressional debate on SALT. He noted that neither Senator seemed to have been well briefed beforehand. Also discussed was the Interagency Intelligence Memorandum: Monitoring a SALT II Agreement and the SSCI approach for protecting against disclosures of sensitive intelligence collection systems. [redacted] 25X1

Hitz asked [redacted] for an update on what is to be discussed in a scheduled meeting by the President on 7 June with Hill leaders concerning budget issues. [redacted] responded that at this point things are still uncertain but that he would keep Hitz informed. Hitz said that he needs the results of that meeting in order to proceed with the Hill on issues. [redacted] 25X1 25X1 25X1 25X1

[redacted]

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[redacted] reported on the 5 June OMB meeting with the President where discussion centered on the shuttle and space systems problems. [redacted] said that the President seemed to imply that the OMB guidance figure for the NFIP is a base figure but that no higher figure was mentioned. [redacted] will check with Randy Jayne (OMB) to see if a memo will be forthcoming to reflect decisions resulting from the meeting. [redacted] opined that the meeting seemed wasteful of the President's time. [redacted] 25X1 25X1 25X1 25X1 25X1 25X1

[redacted] 25X1

Mr. Carlucci reported on progress (5 June) of the Political Intelligence Working Group. He said that the group had reviewed the responses to the State cable requesting the identification of reporting gaps in the field. State will take the lead, supported by NFAC, in further analysis of reporting deficiencies in some 16 selected countries. Further, additional detailed analysis will begin on countries to be identified by Bob Gates. Shackley asked that CTS be provided with the list of 16 countries. Mr. [redacted] 25X1

[redacted] remarked on the current Aviation Week report on national reconnaissance programs. This precipitated discussion on the continuing problem of leaks and in this instance the nearness to fact. [redacted] suggested that Hicks look into an article on SALT appearing in the current issue of the Armed Forces Journal. Mr. Carlucci commented that such articles are a harbinger of things to come during the SALT debate. [redacted] 25X1 25X1 25X1

Mr. Carlucci said that he would be meeting with Vice Admiral Inman this morning on APEX (he asked that [redacted] sit in) and that Silver provide him with a paper being prepared for this meeting. [redacted] 25X1 25X1

Taylor announced that Nannette Blandon, who has been handling the CIA budget account for OMB, has resigned to take a position with the Department of Labor's new Inspector General office. [redacted] 25X1 25X1

[redacted]

Attachment

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CIA Projects Huge Increase For OPEC Cash Accounts

By J. P. Smith
Washington Post Staff Writer

Continuously soaring world oil prices will raise current cash accounts of Organization of Petroleum Exporting Countries (OPEC) to $29 billion—a twentyfold increase—by the end of 1979, according to Central Intelligence Agency projections.

However, senior Department of Energy officials said the CIA's estimates being circulated in the administration may be too low if OPEC raises its prices from an average price of $17.11 for a barrel of crude oil to $20 across the board.

The CIA's projection of a sharply improved financial outlook for the oil cartel comes at a time when fears are being expressed in the White House and in oil industry circles that the end to oil price hikes still may not be in sight.

The prospect of world oil prices pegged at $20 a barrel—a price that for years many international oil analysts believed was unlikely—has gripped the world oil market. Four of the cartel's producers, Algeria, Nigeria, Libya and Ecuador, now are selling oil at an "official" posted price of $20 or more a barrel. Libya charges $21.31 for its premium crude oil.

Other exporters outside the cartel, including Malaysia and England's British National Oil Corp., also are charging more than $20 a barrel, and analysts say that Mexico and Norway soon will follow suit.

One oil analyst, William Randall of Blyth Eastman Dillon, offers this outlook: "At an absolute minimum OPEC will raise prices to over $17 a barrel, and that means it for sure is headed for $20 by the end of the year."

Fahdil Chelabi, OPEC's deputy secretary general, recently offered a similar view, suggesting that $19.50 a barrel was "a rational price" for oil.

Meanwhile, the cartel's benchmark price of $14.55 a barrel for Saudi Arabia's light oil—once considered the standard index for world oil prices—bears virtually no resemblance to oil prices anymore.

World oil prices have risen a total of 51 percent since the 13-member cartel met in Abu Dhabi last December, according to Treasury Secretary W. Michael Blumenthal, and further increases are likely.

What disturbs senior administration officials are the increases in the prices for oil sold on contract, not in prices in the volatile spot market, where almost an half-million barrels of Ecuadorian oil was sold recently for $36 a barrel.

As for the possibility of a slowdown in the oil price rises, State Department officials say they see little prospect that Saudi Arabia will increase production enough to moderate prices.

"Unless the Saudis use their spare capacity, their talk of moderation simply can't be taken seriously, particularly after they made the decision to cut back production earlier this year," according to one administration official.

According to Bankers Trust Co., this move was already in place long before the Iranian oil shutdown. "Saudi announcements and action over the past year suggest the kingdom is unlikely to reemerge as a champion of low prices even if conditons later permit," Banker Trust said in a recent report.

In addition to Saudi Arabia's reluctance to increase its production, now about 8.5 million barrels a day, prospects for higher world oil prices are fed by the OPEC nations rising internal financial demands.

Last year some cartel members, including Saudi Arabia, its richest member, had financial difficulties.

The CIA analysis says, "The current account of all the member countries will improve, easing many of the financial burdens plaguing the cartel." Even with higher oil prices, however, the CIA says that three cartel members—Algeria, Ecuador and Venezuela—will have deficits in their current accounts this year.

The current account is a measure of a nation's income after totaling earnings and payment for trade, services, tourism and earnings on foreign investments.

The CIA's projection of a $29 billion current account surplus for OPEC members assumes that Iran's spending on imports this year will drop to $11 billion, 55 percent below last year's level.

Individual current account balances are expected to range from a projected deficit of $4.2 billion in Venezuela to a surplus of $10.2 billion for Kuwait.

Meanwhile, Saudi Arabia's import expenses for 1979 are expected to rise at only half the rate they did in 1978.

As a result of the sharply higher oil prices, the International Monetary Fund says that the less developed oil importing countries will pay $45 billion, instead of the earlier projected $34 billion, for OPEC oil this year.

As for the United States, Treasury officials say that the nation's oil import bill will rise from $42 billion last year to $52 billion or perhaps $55 billion this year.

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