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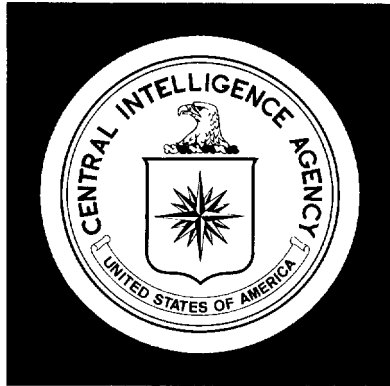
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Weekly Summary

Secret

14 December 1973

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CONTENTS (14 December 1973)

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and there-
25X1 published separately as Special Reports are listed in the contents.



1 The Middle East: Toward Geneva
5 Europe: Security Talks Recess
25X6

EAST ASIA
PACIFIC

7 Korea: Tensions Ease
7 Canton Fair: Good But Not Great
8 Cambodia: Another Governmental Shake-up
9 South Vietnam: More in '74
9 Laos: Marking Time
10 Sino-Japanese Trade Increases
25X6

EUROPE

12 USSR-China: Border Gambit Fails
13 USSR-France: Strains Are Showing
14 Soviet Auto Servicing Plan Falters
15 Soviet Leaders Gather
15 Communist Parties: Meetings Ahead
25X6
18 E.C.: Facing the Energy Shortage

MIDDLE EAST
AFRICA

21 United Arab Emirates: Second Anniversary
22 Election in Bahrain
22 South Africa: The Oil Boycott
23 Turkey: The Impasse Continues
25X6

WESTERN
HEMISPHERE

24 Venezuela: Landslide for Perez
25 Latin America: A United Stand
25 Chile: On Guard
26 Argentina: Protecting Foreigners
25X6



Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.
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The Middle East: Toward Geneva

1 [The Arab-Israeli talks on a peace settlement appear likely to begin in Geneva on 18 December as scheduled, although problems keep cropping up that could force a delay or impede the negotiations. As of Thursday, the two main Arab participants, Egypt and Syria, seemed set for the unprecedented encounter, having coordinated their strategy during President Asad's visit to Cairo early this week.]

1 [Egypt had been reluctant to start the talks before the troop disengagement issue was resolved, but finally decided to leave this to the Geneva discussions. Now, Israel is threatening to ignore the Syrians at the conference unless Damascus first releases a list of Israeli prisoners. Jordan remains undecided about whether to send delegates, despite the fact that in its initial stages the conference will not treat the Palestinian issue that the Jordanians find so troublesome. Many other details of the conference are still to be worked out, including the precise role of the UN, the composition of the various delegations, and, presumably the agenda.]

1 [As Secretary Kissinger tours the Middle East in the final days before the conference meets, all the parties are looking to him to resolve outstanding issues:

- Israel seeks some assurances on the return of prisoners held by Syria.
- Syria looks for some promise of progress toward a withdrawal from all Syrian territory occupied by Israel.
- Egypt wants a pledge that the troop disengagement called for in the cease-fire accord arranged in November by Secretary Kissinger will be the first item on the Geneva agenda.
- Jordan requires reassurance that the Jordanians rather than the fedayeen have the

right to bargain for the occupied West Bank of the Jordan River]

Egypt on the Eve...

2 [Egypt announced last weekend, after a series of meetings with the US and Soviet ambassadors, that it would go to Geneva despite the breakdown in the disengagement talks between Egyptian and Israeli military representatives at Kilometer 101. The announcement came in the course of a lengthy government policy statement delivered by Deputy Prime Minister Hatim before the People's Assembly.]

2 [Hatim cautioned, however, that the Egyptians will have their "fingers on the trigger" to prevent Israeli "procrastination" and "treachery." He outlined three principles that will guide Cairo's policy at the conference:

- Egypt will not permit the conference to degenerate into the deadlock that existed before 6 October.
- Egypt will not bargain over Israeli withdrawal from all occupied territories or over Palestinian rights.
- Egypt believes that Palestinian participation in the conference will be a "firm expression by the international community of their legal existence" and a recognition of their rights.]

1 [The statement is little more than a reiteration of long-standing Egyptian policy and, despite its tough tone, permits the Egyptians some latitude in their dealings at Geneva.]

1) 2 [Hatim devoted the majority of his address to domestic matters, adopting a business-as-usual attitude designed in part to redirect attention to the home front as Egypt begins a protracted period of negotiations. His presentation was probably also aimed at convincing the Egyptian people

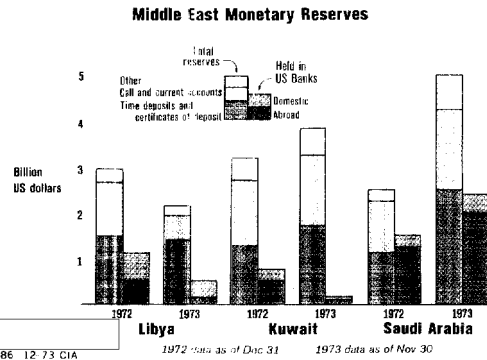
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ARAB DOLLARS (9-12)

Wealthy Arab states have not responded to the Arab League's call on 6 December to withdraw some of their holdings in US and West European banks to finance development projects in the Arab world. The bulk of Arab funds continues to be held in dollar-denominated deposits, primarily in Western Europe. Saudi Arabia, Kuwait, and Libya had failed to implement an earlier agreement to withdraw their assets from the US and to convert their dollar holdings to other currencies.

Arab reserve policies since the October war have been extremely cautious. To protect against a possible asset freeze by the US, the Arab states have shifted some funds to Western Europe without a loss of earnings. Kuwait and Saudi Arabia have reduced time deposit and bond holdings in the US as these investments mature. Sizable transfers in call account funds from New York banks to their European branches have also been noted.

Rhetoric to the contrary, Arab oil producers so far have not been willing to use money as a weapon. In fact, the strengthening



of the dollar since the war has resulted in some movement of Arab money from other currencies into dollars.

Despite cutbacks in oil production, Arab monetary reserves will continue to grow rapidly because of rising oil prices. Domestic investment opportunities in the Middle East will not be enough to absorb more than a small percentage of oil revenues. The growing strength of the dollar and the low prices of US securities will make the US market particularly attractive for Arab investors.

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that their economic grievances will not be forgotten while the government concentrates on military preparedness and diplomatic negotiations. Hatim touched on government plans for virtually every sector of the economy, from foreign trade to the production of "popular furniture" for local consumption. He reiterated the plans for "economic openness" and "flexibility" that Cairo had strongly emphasized in the months before the war as a means of moving away from Egypt's socialist, Nasirist economic policies.

On 12 December, Egypt conducted a major military shake-up, removing Chief of Staff Shazli.

He had been credited with masterminding the 6 October attack but more recently was increasingly criticized for failing to exploit Egypt's initial military successes. Shazli has been replaced by General Gamasy, Egypt's chief negotiator at the Kilometer 101 disengagement talks. Among others replaced in the reorganization were the commanders of the Second and Third armies, probably for permitting the establishment of an Israeli presence on the west bank of the Suez Canal. Their replacements had been regimental commanders and leaders of the successful Egyptian crossing of the canal on 6 October.

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...And Israel

1 Prime Minister Meir's government will attend the opening session of the Geneva talks in the shadow of its coming parliamentary elections. Not prepared to make substantive decisions, Tel Aviv may still hope to arrange for immediate bilateral talks with Egypt on troop disengagement and with Syria on POW releases.

2 The politically sensitive issue of Israeli POWs held by Syria is currently of great concern to Mrs. Meir and her associates. Defense Minister Dayan told the Knesset on 10 December that the government had decided to have no discussions with the Syrians at Geneva unless Damascus produces a list of prisoners and allows the Red Cross to verify that they are being treated in accordance with the provisions of the Geneva conventions. If Syria met these demands, Dayan continued, Israel would then insist that an exchange of POWs be the first item on the agenda.

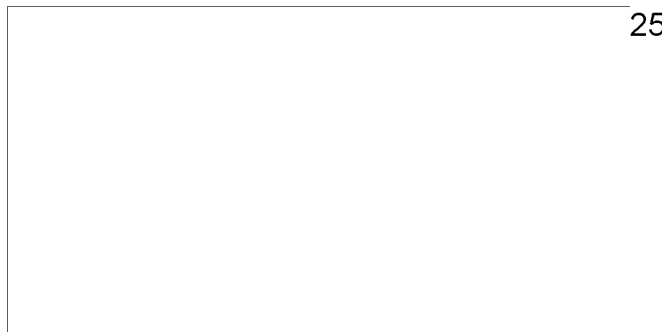
1 Israel holds 367 Syrian POWs and lists 102 Israelis as captured or missing on that front. Tel Aviv had earlier submitted formal complaints to the Red Cross alleging that Syria had murdered, tortured, or mutilated 42 Israeli POWs. This week, the Israelis submitted another formal complaint to the Red Cross charging Egypt with the murder and mistreatment of 28 Israeli POWs.

NO QUIET ON THE FRONTS

1 With diplomacy now in the forefront, talk of war has abated somewhat, but forces on both the Egyptian and Syrian fronts remain poised for action. Deliberate cease-fire violations are a daily occurrence. 2 For three days running, for example, Syria opened fire on Israeli engineering units reinforcing positions near the cease-fire lines.

2 Egyptian forces on both banks of the Suez Canal continue their attempts to improve and advance their positions. In an apparent effort to keep tensions at a high pitch in advance of the

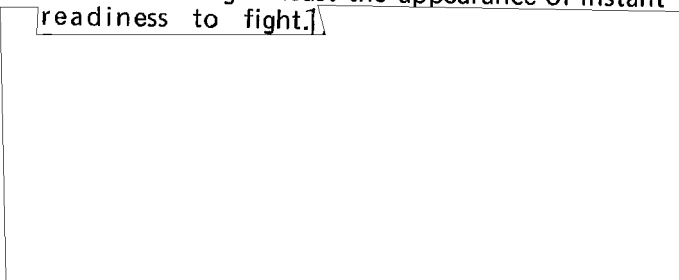
peace conference and to remind the Egyptian people that the army is still a viable force unwilling to let down its guard, Cairo media over the past week have even been repeating UN reports of Egyptian-initiated incidents in violation of the truce. These small-scale incidents are generating a daily influx to the hospital in Suez City of about 20 wounded Egyptian soldiers, most of whom are from the encircled Third Army.



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1 The Syrians and the Egyptians are keeping their options open on whether to renew hostilities if diplomatic efforts bog down; meanwhile, they are maintaining at least the appearance of instant readiness to fight.



5, 6 In Egypt, news commentators persist in their strident talk of the inevitability of further fighting if Israeli "stalling" does not cease. In an

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apparent effort not to seem to be softening, the Egyptian Government late last week deliberately suppressed a Western correspondent's interview with former chief of staff Shazli

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Meanwhile, on the West Bank of the Jordan, terrorism has increased markedly, and Israel has taken severe measures to counter the upsurge. The Israelis imposed a curfew in Nablus, the West Bank's major town, following an attack on the Israeli military governor. In addition, eight Arab residents of the West Bank—including a mayor—were deported to Jordan for alleged cooperation with Palestinian guerrillas. Demonstrations protesting the deportations have occurred in at least two villages during the week. On 12 December, the fifth terrorist incident in a week occurred in another major West Bank town, where a grenade exploded in a crowded market place.

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Europe: Security Talks Recess

17 19 Both the force reduction negotiations in Vienna and the Conference on European Security and Cooperation in Geneva recess on 14 December for the holidays. Discussions in both cities thus far have been mainly general; the difficult bargaining on specific issues will begin when the talks resume in January.]

18 19 Vienna In the force reduction talks, the Soviets and their allies have taken a serious approach and have shown a desire to negotiate a reduction agreement as quickly as possible. The Soviet goals clearly are to obtain an agreement calling for: equal percentage reductions, the inclusion of national—particularly West German—forces, and the inclusion of air forces and nuclear weapons. The Soviets and East Europeans have argued that any advantages they enjoy because of geography and the strength of their conventional forces are more than offset by Western superiority in air power and nuclear weapons. In addition, the Soviet delegates have claimed that Soviet security interests are more directly at stake than those of the US, and they have implied that these security interests justify keeping a larger Soviet military presence in central Europe—the area slated for reductions.]

18 19 The Soviets have maneuvered to minimize consideration of any “associated measures” and have indicated they prefer to verify any eventual agreements purely by national means. For their part, the Western allies this week indicated they wish to reserve for future discussion certain associated or “stabilizing measures” that would be applied to US and Soviet forces. These would include advance notification of major exercises and movements of forces into the area covered by the reduction agreement; limitations on the number and size of major exercises; and exchanges of observers at exercises.]

18 19 In formal plenary sessions, the Soviets and their allies have displayed little inclination to compromise, but during bilateral meetings the Soviets have demonstrated a certain amount of flexibility. Most importantly, they have indicated a willingness to explore the allied concept of a two-phased approach to negotiations, with the

focus of the first phase on US and Soviet ground forces. The Soviets have indicated, however, that Moscow will require at least a firm commitment that the two phases will be linked and that national forces will be reduced in the second.]

19 The Western allies have maintained a united front through this period of negotiations, but their cohesiveness has not yet really been put to a test and differences may still surface. The allies recognize that they will have to pay a price to get the Soviets to focus only on US and Soviet forces in the first phase, but it will be difficult to reach agreement on when concessions will be required. In addition, allied debate on a response to Soviet demands for reducing air forces and the number of nuclear weapons will probably be prolonged and difficult.]

Geneva The representatives of the 35 states meeting to discuss European security and cooperation have begun to focus on what should be included in final documents. Drafting is expected to begin when the talks resume next month. Very little progress has been made toward resolving major substantive differences, however, so that the drafting stage will be difficult. Moscow's long-standing goals for the conference have been to obtain a multilateral ratification of the post-war borders in Europe and to institutionalize a continuing Soviet voice in European developments through the adoption of some type of post-conference political machinery. The Western states, on the other hand, have sought to contain the first of these Soviet objectives by gaining recognition for the possibility of peaceful changes of borders and to obtain freer communication between East and West.]

17 Although the Soviet delegates have promised that they would be forthcoming on freer communication, they have asked in return that the Western allies agree to a declaration of principles that would emasculate any specific agreements on humanitarian cooperation. The key question in Geneva is whether Moscow's interest in obtaining a “successful” conclusion of the conference will lead it to make concessions on this issue. 25X1

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KOREA: TENSIONS EASE

(127-20)

The tensions stemming from North Korean naval activity in the Yellow Sea eased somewhat this week. A South Korean ferry and other naval vessels sailed without incident to islands in the disputed coastal waters, suggesting that Pyongyang does not—at least at this point—intend to enforce its territorial claims in the area by direct military action. Nevertheless, the possibility of a clash between opposing naval forces remains high.

“punishment” only to ships carrying out “reconnaissance and other hostile acts.” The statement seems to exclude general commercial traffic from hindrance, though its calculated ambiguity provides Pyongyang an opening for justifying action against any South Korean vessel in the disputed waters.

The territorial issue has developed new political wrinkles. In stating its position on 1 December, Pyongyang seemed to be asserting a right to control the access of any vessel to the South Korean islands within North Korea's claimed 12-mile limit. In a commentary issued on 8 December, however, only hours before the South Korean ferry sailed, Pyongyang threatened

Propaganda from both sides has intensified. Both capitals have issued statements accusing the other of violations of existing North-South accords. Both are pressing for a resumption of their dialogue, but only on their respective terms. A preliminary meeting of the South-North Coordinating Committee is set for next week, and the issue of shipping in the disputed seas and the status of the islands there is likely to be raised.

[Redacted]

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CANTON FAIR: GOOD BUT NOT GREAT

(45-47)

The Canton Fair this fall may have failed to meet China's high expectations. Although total transactions probably reached \$1.4 to \$1.5 billion, an increase over the record spring fair, this was largely the result of higher prices. Attendance was down slightly from the spring fair, at which a number of traders had been disappointed by sharp increases in Chinese prices. Traders at the fall fair encountered some shortages of Chinese goods, and Peking again rationed available supplies among potential buyers. In an effort to boost sales, the Chinese were unusually receptive to buyers' requirements on labeling and packaging.

[Redacted]

US attendance and the amount of business transacted reached a new high. Almost 250 Americans representing over 100 firms purchased more than \$25 million worth of Chinese goods and sold almost \$15 million. Major US purchases included gum rosin, fireworks, and cotton textiles. Wood-pulp and paper, tallow, and petrochemicals made up the largest US sales. The Chinese continued to express interest in American equipment and technology—especially oil drilling and other petroleum industry equipment. A number of US25X1 firms were invited to Peking after the fair to continue discussions on the sale of plants and equipment.

[Redacted]

[Redacted]

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CAMBODIA

Another Governmental Shake-up

28 Prime Minister In Tam, who has been unhappy about his lack of authority since taking office last May, resigned this week. He also withdrew from the ruling High Political Council, which will continue to function as a triumvirate. Lon Nol and the two other council members undoubtedly were not sorry to see the temperamental In Tam depart.

29 Lon Nol was quick to designate a replacement. Foreign Minister Long Boret

Boret's lack of an independent political base probably will make him acceptable to the country's two major political parties.

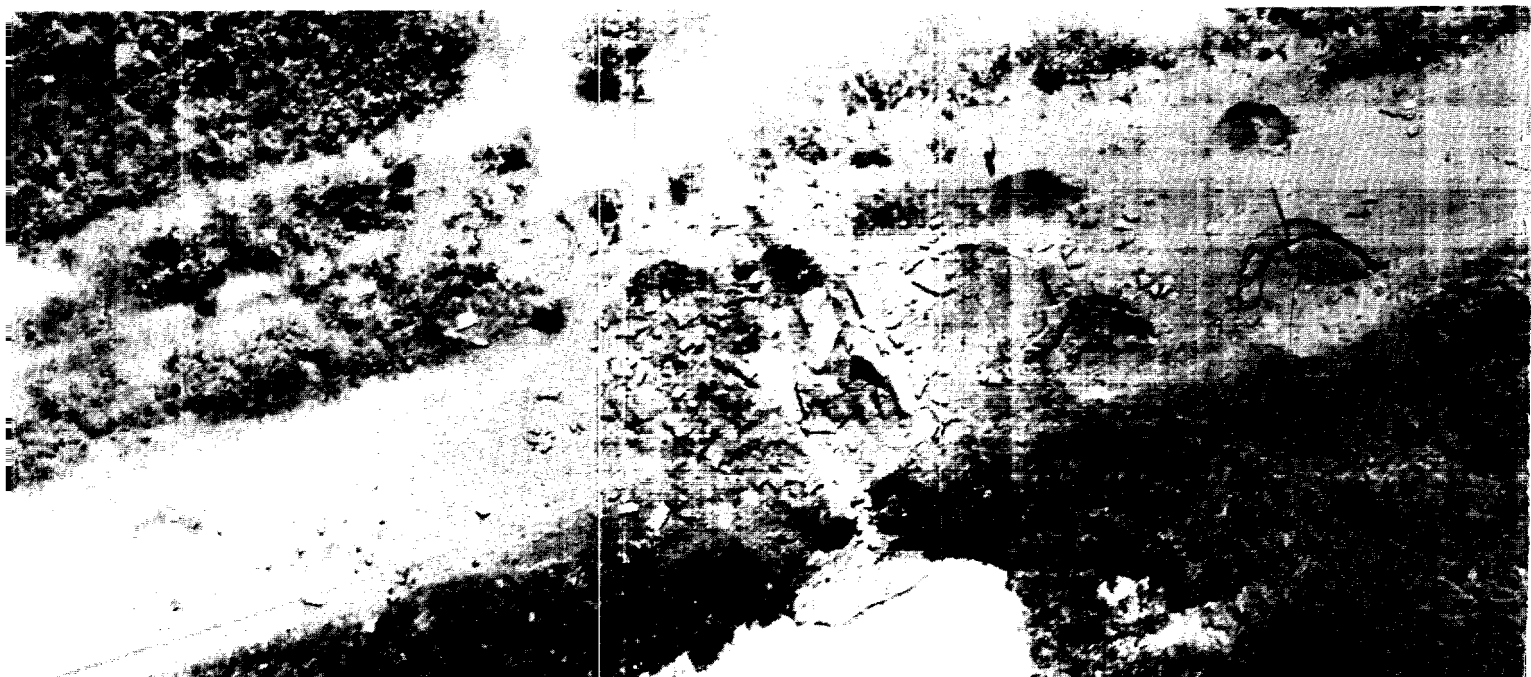
30 The 40-year-old Boret has held several important government positions, but his talents have been particularly suited to his Foreign Ministry assignment. He has won high marks from Lon Nol for his recent successful efforts to stave off Sihanouk's challenge at the UN. An early test for the new government appeared in the making late in the week as Phnom Penh's secondary school teachers began walking out in protest over rising prices and low salaries.

The Military Situation

31 The first heavy fighting of the dry season remains centered on Route 4 near the provincial capital of Kompong Speu, 25 miles west of Phnom Penh. Elements of a 4,000-man Cambodian Army task force operating just southwest of Kompong Speu made some progress early in the week in clearing Khmer Communist troops from roadside villages. At mid-week, however, the Communists blew up a bridge midway between Kompong Speu and the seaport of Kompong Som, thereby isolating a smaller government force trying to advance up the road from the south. Since the road-clearing operation began on 22 November, approximately 500 government soldiers have been killed or wounded. Kompong Speu City has been the target of increasingly heavy Communist shellings and ground probes since late last week.

32 Communist units on 10 December cut Route 5 in a new location only ten miles north of Phnom Penh. Government reinforcements have been sent in an attempt to prevent the insurgents from moving closer to the capital. South of Phnom Penh, the isolated provincial capital of Takeo remains the target of daily attacks. The Communists' interdiction efforts have left the Mekong River as Phnom Penh's only supply line. The Communists still have not made any major efforts against ship convoys plying the waterway.

Craters from demolition charges on Route 4



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SOUTH VIETNAM: MORE IN '74

35 [Communist military strategy for 1974 reportedly calls for some fairly intense attacks but no major country-wide offensive.]

25X1 [redacted] goals set forth in a new COSVN directive issued in December are an unhindered border supply route from North Vietnam to the Mekong Delta and more attacks on selected targets in government-controlled areas. The directive says that an offensive like that of Tet '68 would be "politically unfavorable," but claims that continual harassment of the government's base areas and communications lines will gradually erode its strength, "tilting" the political and military balance toward the Communists.]

36 [The Communists already appear to be putting this strategy of increased but limited military pressure into effect. Their recent attacks against border outposts in Kontum, Pleiku, and Quang Duc provinces have brought some temporary successes in consolidating supply lines farther south. The Communists may now be stepping up action in the delta near the Cambodian border and elsewhere.]



LAOS: MARKING TIME

37 [Government leaders are growing increasingly pessimistic about the prospects for an early formation of the new coalition government.] The Joint Central Commission to Implement the Agreement has met several times in plenary session since it was formally convened on 23 November, but has dealt only with minor procedural questions. There has been no progress in resolving such fundamental issues as the neutralization of Vientiane and Luang Prabang. Lao Communist strong man Prince Souphanouvong this week reinforced Sam Neua's previous position that there could be no new government until the two capitals are effectively neutralized.]

[redacted] 25X1

38 [The government's chief delegate to the Joint Commission estimates that it will be at least three months before the new coalition can be established. Souvanna, who has been maneuvering behind the scenes to engineer a rapid formation of the new government, is even more gloomy in his predictions. He recently expressed discouragement to the US ambassador over the upsurge of Communist offensive activity in South Vietnam, concluding that Hanoi would require use of the Ho Chi Minh trail network until the monsoons begin again in late spring. The Prime Minister expects Lao Communist negotiators to stall until then on the formation of a coalition government and, hence, on the withdrawal of North Vietnamese forces.]

[redacted]

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SINO-JAPANESE TRADE INCREASES

Economic ties between Japan and China are expanding rapidly, led by a near doubling in trade this year. Tokyo's growing exports to the mainland, especially of steel products and machinery, have helped strengthen its position as China's leading trade partner. During the first three quarters of the year, sales grew by 64 percent over the same period last year, reaching \$712 million.

Japan has also become China's leading supplier of whole plants, capturing over 40 percent of China's purchases of such facilities since last December. In that time, China has purchased 15 complete plants from Japan valued at over \$400 million. Petrochemical installations have headed the list, although two thermal power plants were purchased in September. Negotiations are now under way for the largest purchase to date, a \$400-million steel mill complex.

Japan has granted China favorable credit terms for these plant purchases—five-year deferred payment at 6 percent interest. In most cases, China puts 10 percent down when the contract is signed and pays another 10 to 15 percent when final shipment is made. As a result, payments are stretched over seven or eight years from the date of the contract. Some Japanese

banks are also considering obtaining Eurodollar loans for two to three years to re-lend to China.

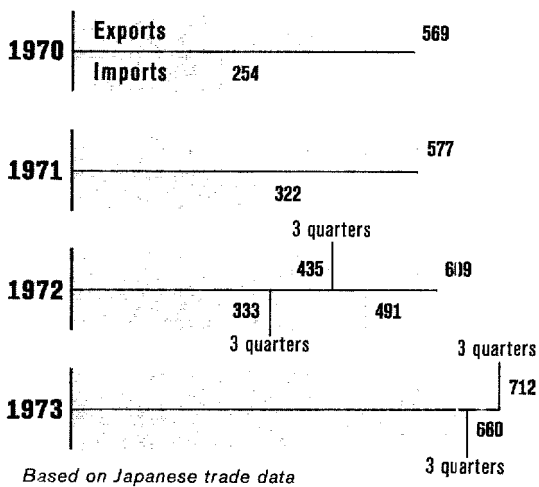
To hold down their trade imbalance, Tokyo has been encouraging imports from the mainland. Imports from China during the first three quarters of the year reached \$660 million, nearly double the same period last year. China has made notable inroads in the Japanese textile market, especially in silk fabrics. Textile sales to Japan recorded a 240 percent increase in the first eight months of this year over the comparable period last year, growing from \$36 million to \$121 million. China, which began its first exports of oil to Japan this year, is being provided by Tokyo with technology and equipment for oil extraction, transportation, and processing.

The prospects are favorable for continued improvement in the two countries' economic relations. Trade should approach \$2 billion this year, and a further strong advance in 1974 is likely when plants already purchased are delivered. Increased trade will necessitate additional financial links between the two countries. China's need for technical assistance in developing her oil resources and Japan's need for such oil could lead to further cooperation in resource development. A trade agreement granting mutual most-favored-nation status has been initialed and is nearing formal signature; more exchanges of business missions seem likely.

In contrast to the gains in the economic field, political rapport has lagged. The agreements endorsed at last year's Tanaka-Chou summit meeting still await signature. The aviation agreement, the first topic to be taken up, has remained stalemated since last March over the Japan-Taiwan air link. China has demanded that its aircraft not encounter planes or flags of Nationalist China (Taiwan) at Japanese airports. Japan, on the other hand, wants to maintain its profitable Taiwan route as well as placate the pro-Taiwan members of Parliament. Although both sides are anxious to reach an agreement, neither seems ready to make the necessary compromises.

Japanese Trade With China

(Million US \$)



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USSR-CHINA: BORDER GAMBIT FAILS

(37452)

[Soviet and Chinese officials have recently confirmed that Peking rejected a Soviet proposal made in March to settle the border dispute east of Mongolia.

Mikhail Kapitsa, chief of the Soviet Foreign Ministry's Far East Division, told the US charge in Moscow on 7 December that the Soviet proposal envisaged the main navigation channel of the Amur and Ussuri rivers as the Sino-Soviet boundary in the east. Kapitsa indicated that the only exception to this rule was the Soviet-held island of Hei-hsia-tzu (called "Big Ussuri" by the USSR) opposite Khabarovsk. If the main navigation channel became the boundary here, the island would come under Chinese control.

der—including the area west of Mongolia—should be negotiated as a single package. The Chinese, however, have never appeared interested in genuine negotiations on the border problem, preferring instead a unilateral Soviet withdrawal of forces that would effectively yield such key areas as Hei-hsia-tzu to Peking.

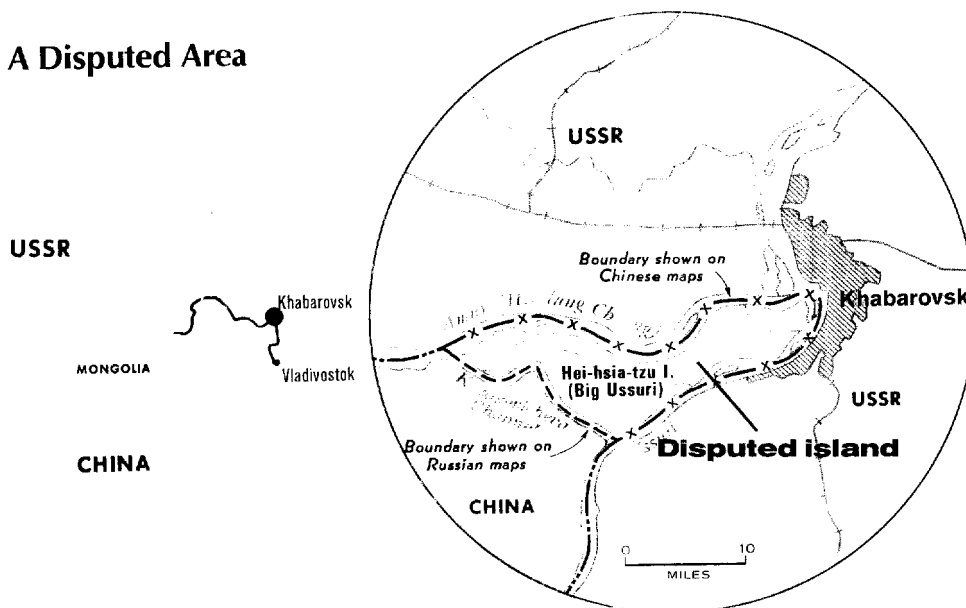
This island has been the focal point of the Sino-Soviet border dispute for the past several years. It is important to the defense of Khabarovsk—the headquarters of the Soviet Far East Military District—and the Soviets naturally do not want to bring the border any closer to the city. The disposition of the island has caused the failure of the last three annual sessions of the Sino-Soviet river navigation committee, and has hindered progress in the higher level border talks in Peking.

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Given the long-standing Soviet and pre-revolutionary Russian contention that the river border follows the Chinese banks of the Amur and Ussuri, the Soviet proposal represents a concession. Nevertheless, the Chinese rejection could come as no surprise to the Soviets who are well aware of Peking's contention that the entire bor-

By disclosing the border offer, as well as the proposal of a nonaggression pact to Peking last June, the Soviets are trying to persuade an international audience of Moscow's interest in reaching a boundary settlement. The Soviets have been revealing some of the details of the border talks over the past two years in order to contrast

Sino-Soviet Border: A Disputed Area



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their own conciliatory stand with the alleged intransigence of the Chinese. Chinese claims to Soviet border areas—that were never under Chinese Communist jurisdiction—have been a serious source of embarrassment to the Soviets, particularly in the third world and among other communist parties. The USSR has always found it difficult to cope with the Chinese charge that by virtue of the Soviet troop build-up on the Sino-Soviet border, Moscow has been conducting negotiations while holding a gun to Peking's head. [redacted]



Brezhnev and Pompidou at talks in June 1973

USSR-FRANCE: STRAINS ARE SHOWING

(5-3-61)
Despite Moscow's disclaimers, Franco-Soviet relations have deteriorated badly since the Middle East war. The immediate cause is French displeasure with Moscow's "failure" to consult during the war, but Paris' emphasis on a Europe independent of the super powers lies at the heart of the issue. Soviet assertions that consultation was indeed adequate have only made matters worse.

Paris felt strongly enough about Moscow's alleged delinquency during the October war to send a written protest to the USSR. Soviet Foreign Minister Gromyko and Soviet Ambassador Chervonenko, who has never cut much of a figure with the French, both tried to soothe Gallic nerves, but without much success. Last month, Paris indicated in unmistakable terms that its quarrel with the Soviets had important policy ramifications. Foreign Minister Jobert made several forceful speeches alleging that during the Middle East crisis a US-Soviet "condominium" had been revealed more clearly than ever before. Jobert suggested that the West Europeans must quickly upgrade their own political and defense cooperation.

Not surprisingly, the Soviets expressed considerable apprehension over the developing French EC policy and its military implications, especially Jobert's advocacy of a common European defense. Moscow sent a strong warning in the guise of a public letter by French Communist leader Marchais. The letter which appeared only a few days after Marchais had conferred with Brezhnev in Moscow, attacked President Pompidou by name (a rarity) for moving toward "a sub-bloc dependent on the Atlantic bloc." Soviet media have been more discreet, primarily acknowledging "certain differences" in bilateral relations; they have condemned what is viewed as a call for new military groupings in Europe.

Despite these [redacted] grumblings25X1 each side has a considerable stake in maintaining at least the appearance of special ties. The fourth Pompidou-Brezhnev summit is still likely to occur, though probably in March in the USSR rather than January as earlier reports had indicated. Given the unpleasantness of the past two months, the dialogue will be even franker than those of the earlier summits (October 1971, January and June 1973). Neither side is anxious to cut off these high-level exchanges, but there will be25X1 no easy solutions to the recent problems. The French appear set on a "European" course that the Soviets will find unpalatable. [redacted]

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SOVIET AUTO SERVICING PLAN FALTERS

The USSR's entry into the automotive age faces serious difficulties because essential repair and service facilities are lagging far behind production of civilian cars. Output of European-style cars probably will reach the planned goal of 1.3 million annually by 1975, but the planned consumer-oriented service system is drastically behind schedule.

At the outset of the ninth Five Year Plan (1971-1975), the service network for privately owned passenger cars was totally inadequate. Private cars had to compete for gasoline and oil with state-owned cars and trucks at 2,000 small, congested, and poorly located service stations—one for every 800 cars in use. Repair facilities that admitted private cars were also unbelievably scarce—about 370 nationwide, or one for every 2,200 cars compared with one repair and one gas station for each 400 cars in the US. All repair and service facilities were set up to serve the government-owned fleet, and private owners were treated as second-class customers. The Moscow city directory listed only 12 repair garages and 100 gas stations, and even many of these facilities were for the exclusive use of government vehicles. Thus, the repair of private cars by owners themselves—sometimes requiring the fabrication of spare parts—became a way of life.

The ninth Five Year Plan called for a substantial investment—on the order of 500 million rubles—to create an auto repair and service system designed to serve the rapidly increasing number of private owners. The backbone of the new network is to be a chain of large, Fiat-designed sales and service centers in 33 key cities. The repair shops at these centers would account for about

one fifth of all the service bays to be built during 1971-1975, nearly doubling the total number of bays available for servicing private cars in 1970. Although designed mainly to provide warranty and repair service for the Zhiguli, the Soviet-made Fiat, the centers will service other cars as well. This entire program is in disarray, however, with only three of the planned centers in operation—one on the Warsaw highway near the Moscow beltway, one in Tbilisi, and one at Tolyatti.

Until the Zhiguli service network is completed, interim steps are being taken to meet immediate automotive servicing needs. Some existing garages are providing factory authorized service on new Zhigulis, and temporary service shops are being set up in other areas. In Moscow, at least half of the official repair stations for government-owned vehicles are now accepting private cars, and most of Moscow's official gas stations probably are selling to private owners.

A major factor retarding progress is the government's failure to authorize the expenditure of scarce foreign exchange earnings for needed equipment and machinery. The USSR is importing some items such as gasoline pumps and garage equipment (hydraulic lifts, diagnostic machines, and repair tools) from Austria, Italy, and Eastern Europe, and now is interested in importing complete stations. Last summer, Moscow invited Western firms to display their equipment and technology at Moscow's Avtoservis-73 trade fair, but sales were small, and US firms were disappointed at prospects for future business.

Time is now running out on the Soviet program to meet the needs of the motoring public. Car output is growing at an annual rate of 28 percent, and the giant Tolyatti plant, now operating at about 90 percent of capacity, is producing about 1,800 Zhigulis daily. Even the modest service goal set for 1975—to meet 70 percent of the private owners needs—would leave some areas with inadequate service. As matters now stand, no more than half of the planned key centers will be operational by 1975, but the number of cars will have nearly tripled.

Availability of Service		
	1970	1975 Plan
Facilities Open to the Public		
Filling Stations	2,000	6,000
Repair Stations	370	970
Number of Private Cars	800,000	3,000,000
Total Number of Cars	1,700,000	4,700,000

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SOVIET LEADERS GATHER

The Soviet party's Central Committee and the Supreme Soviet met this week to approve the economic plan and budget for next year. The party plenum heard a report by Brezhnev on domestic and foreign affairs. The speech is unpublished but, among other things, he probably took credit for the record harvest this year and gave an accounting of the leadership's handling of the Middle East crisis.

Speaking to the Supreme Soviet, planning chief Baybakov said the grain harvest this year had reached more than 220 million tons, some 5 million tons above the optimistic total predicted by Brezhnev at the end of October. This amount, however, must be heavily discounted for excess moisture and extraneous material. The harvest has allowed the leadership to bring 1974 goals closer in line with the over-all 1971-75 targets and to highlight the Five Year Plan's commitment to consumer welfare.

A defense budget of 17.6 billion rubles was announced for 1974—a decrease of about two percent from the 17.9 billion rubles announced for each of the last four years. Published defense figures are not regarded as true measures of defense spending because they exclude a variety of items, most notably military research and development. The official figure usually serves a political purpose, and the decrease this year is intended to reflect the leadership's commitment to detente.

COMMUNIST PARTIES: MEETINGS AHEAD

The odds are getting better that there will be two, possibly even three, Communist party conferences next year. A meeting of West European parties is already scheduled for early 1974 in Brussels, and Moscow seems to have enough support for an all-European meeting later in the year. If these take place without a hitch, and if the Soviets continue to give assurances that they will play down the China question, Moscow may also

be successful in organizing an international Communist conference in 1974 or early 1975.

The West European gathering will mark a qualified victory for the notoriously independent Italian party. The Italians want the conferees to adopt a coordinated strategy on European social and economic issues, and to set up a new mechanism to exert pressure on the EC. Preparatory sessions for the meeting appear to have gone fairly well, although discussion on the issue of greatest concern to Moscow—cultural freedom—has not yet been held. The USSR is keenly sensitive to any moves that might challenge its leadership of the Communist movement, and the Soviets appear to be counting on the French Communists to keep the Italians in line.

The Soviets have taken the lead on an all-European conference, partly because they are anxious to get Brezhnev's detente policy endorsed before the conclusion of the European security talks in Geneva. The timing is not yet set, but a knowledgeable Italian journalist has said that all European parties, including the Romanians and the Yugoslavs, have agreed to attend. Both Bucharest and Belgrade boycotted the last all-European party meeting in 1967.

Planning for a world-wide Communist conference is not as far along, but East European party bosses Zhivkov and Kadar last week became the first prominent leaders to publicly advocate such a meeting. Further endorsements, both East and West, appear likely this month.

The Soviet party apparently has assured the Italian Communists that China will not be the focus of either the all-European or the international conference.

The Soviets apparently believe that they can score points against the Chinese—who would almost certainly not attend—even within the constraints imposed by the Italians and others.

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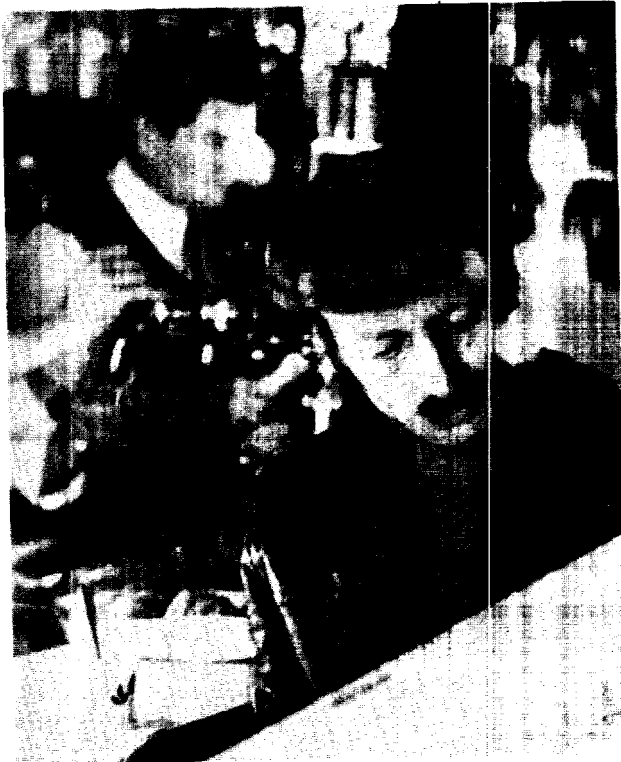
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EC: FACING THE ENERGY SHORTAGE

(177-18)
When the leaders of the Nine meet in Copenhagen on 14-15 December, energy problems will demand most of their attention. The EC Commission has forecast—in a paper it says may be too optimistic—that the energy shortage will lead to a drop of 2-3 percent in real GNP for the EC in 1974, and an increase in unemployment of 2-4 percent. This would be the most serious economic reversal suffered by Western Europe since the end of World War II. Even the French and the British, notwithstanding their "favored" position with the Arabs, face economic dislocation. The other EC members, are increasing pressure on London and Paris to join in a common effort to cope with the crisis. The French and, perhaps even more so, the British fear adverse political effects on the Arabs from any public declaration of EC solidarity.

EC Commission officials are worried not only over the economic consequences of the oil



Parisian reads by candlelight because of power cutback

shortage but also about the disruptive effect on EC unity. In light of the lack of any movement on energy policy at the council meeting on 3-4 December, the commission has requested the Nine to approve "political" guidelines for an energy policy. The commission proposes:

- it be empowered to obtain information on the movement of oil within the community;
- member states be forbidden to apply export controls within the community without commission approval;
- an energy-sharing agreement to be worked out on a community basis and then coordinated within an OECD program;
- transforming national conservation measures into a community-wide program;
- harmonizing petroleum price-control actions on a community basis.

While the French and the British have been negative to proposals for sharing oil, France's search for support of its new uranium enrichment plant and Britain's pressing need for funding of the regional development policy may provide leverage for German and Dutch insistence on a show of "community solidarity" on the oil question. If agreement cannot be reached on common energy measures, the Dutch—as well as the Germans, Belgians, and Danes—may seek US assistance.

The shakiness of EC solidarity is further demonstrated by the efforts of individual members to strike bilateral deals with Arab producers: oil in exchange for the industrial development aid the Arabs are increasingly demanding. The commission has long proposed putting such producer-consumer cooperation on a community basis, but it is not clear that the Nine will be willing at this time to make other than a very general commitment to such a joint approach.

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United Arab Emirates
SECOND ANNIVERSARY

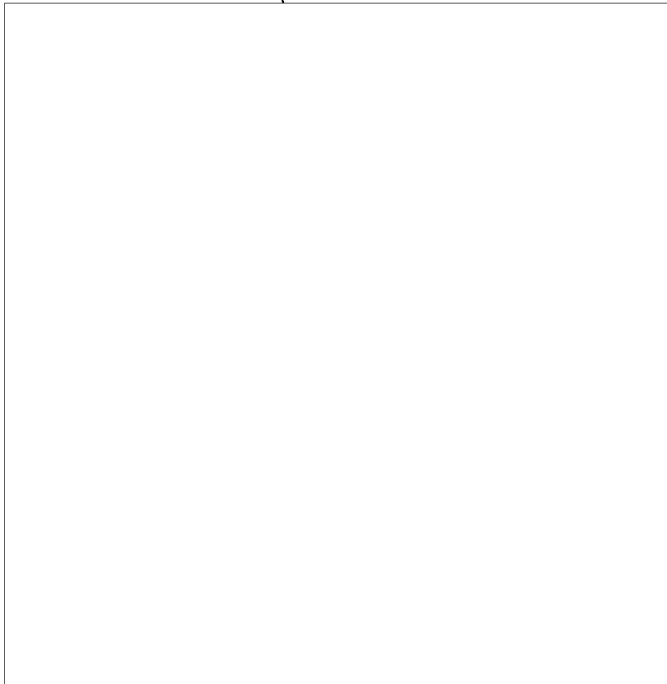
91) [Now two years old, the United Arab Emirates is still plagued by leadership rivalries and organizational problems. Because of his oil wealth, Sheik Zayid, ruler of Abu Dhabi and president of the federation of seven largely autonomous sheikdoms, has been the dominating personality in the union—much to the annoyance of the other rulers.]

92) [Zayid has also been looking for an opening to make a name for himself in the Arab world, and he seized upon the October war as his opportunity. He was out in front of the other Arab oil producers in declaring the embargo on shipments to the US, and for a while he took a threatening line toward other US interests in Abu Dhabi. Sheik Zayid has also been spending heavily—perhaps as much as \$200 million—on behalf of Cairo and Damascus.]

torial dispute that involves, among other things, the Saudis' claim to a big chunk of Abu Dhabi. Under these circumstances, Zayid considers Saudi funding of Saqr both a slap at him and a threat to the federation's integrity.]

94) [None of the federal partners is very happy about the structure of the United Arab Emirates, whose rudimentary central government has not functioned very effectively. For the past six months or so, the seven rulers have been consulting, largely under Zayid's goading, about the reorganization of the federation, and a formal proposal may be forthcoming by late December. Ultimately, a strengthened central government apparatus may emerge, which would mean less authority for the sheikdoms.] [This might give some satisfaction to those rulers who feel that the central ministries have played a poor second fiddle to the Abu Dhabi government. In the end, however, Sheik Zayid's purse will enable him to continue dominating the union.]

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United Arab Emirates



91) [The Saudis, however, have never given diplomatic recognition to the emirate union. Faysal and Zayid have long been at odds over a terri-

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ELECTION IN BAHRAIN

An all-male electorate distributed its votes widely across the political spectrum last week in the first parliamentary election on the Persian Gulf island ruled by Amir Isa al-Khalifah. No faction emerged with a dominant position in the National Assembly, although the left did far better than the ruling family had anticipated. The government, which will continue to be headed by a member of the Khalifah family, will probably have a majority on most issues.

Opposition forces in the new assembly probably will strongly resist any move by the government to review its decision, announced during the Arab-Israeli conflict, to cancel the arrangement under which the US Navy's Middle East Force maintains a station on the island. Some Bahrain officials had recently hinted to the US Embassy that the government would like to reconsider the cancellation.

All of the 115 candidates for the 30 deputy seats ran without political labels because the government would not permit political or religious groups to sponsor candidates. Of those elected, eight are members of the extreme leftist Peoples Bloc and eight are from the Baathist-dominated Nationalist Bloc, which has often opposed the government. Against these elements, the government will probably have the support of six religious deputies, who are believed to have the quiet backing of the Khalifah family, and most of the eight independents. The government can also count on the 14 members of the Council of Ministers, whom the ruler can name as voting members of the assembly under the new constitution signed on 10 December.

The Peoples Bloc will be the most vocal opposition force in the assembly. Formed in mid-1973, it is led by a communist, Abd al-Hadi Rasul Khalaf. Although the Peoples Bloc campaigned on bread-and-butter issues, it is expected to take a much more ideological line in parliament, which could be a source of increased political instability in the country.

SOUTH AFRICA: THE OIL BOYCOTT

Pretoria's restrained reaction to its recent inclusion in the Arab oil embargo reflects its confidence that the loss will cause no serious problems, at least for some time. A large portion of the shortages that are being imposed on South Africa probably can be passed on to neighbors and Western trading partners.

Prime Minister Vorster's low-key statements concerning the boycott implied that South Africa would be able to avert serious economic dislocations because of its long-time efforts to achieve self-sufficiency as a precaution against possible UN sanctions. Moderate gasoline conservation measures were adopted in mid-November, however, and the government is prepared to ration gas if necessary.

Vorster also implied that the neighboring states that normally import petroleum products from South Africa would have to share whatever privations might occur. Botswana, Lesotho, and Swaziland depend primarily on South Africa for petroleum products, while Rhodesia and Malawi also import some petroleum products through South Africa.

South Africa has no domestic source of petroleum, but its abundant coal reserves meet at least 75 percent of normal needs. An effective Arab oil embargo would cut up to half of South Africa's normal imports, but the net impact probably would not compel more than a 10-percent reduction in energy use. Even this impact could be softened by drawing on emergency stockpiles of crude oil; local refinery capacity is well above normal domestic requirements.

The government, however, is determined to apply drastic conservation measures in order to avoid tapping emergency stores. Before severe domestic restrictions are imposed, normal exports of refined petroleum products and bunkering of foreign ships would be stopped. In any event, tight rationing appears likely for bunkering, which usually consumes at least 15 percent of all the refined petroleum available in South Africa. The government's recently established oil priorities give low precedence to the approximately 3,000 ships per year that normally are fueled while rounding the Cape.

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TURKEY: IMPASSE CONTINUES

(10-11-73)

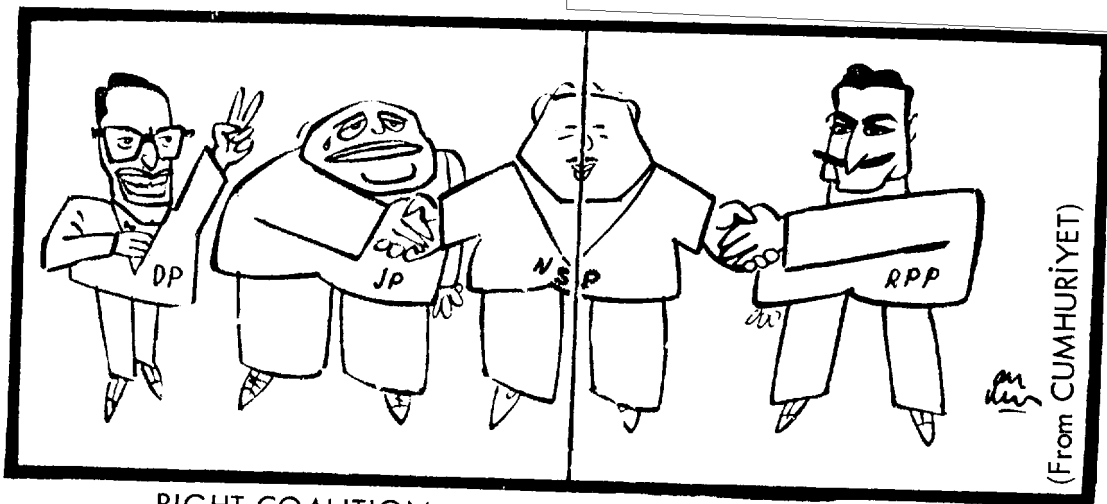
The longest political stalemate in Turkish history dragged on this week, with political leaders still unable to form a government after nearly two months of trying. On the basis of preliminary results, the municipal elections on 9 December will not break the deadlock, as the major parties had hoped. The Turkish Army, which takes seriously its role as guardian of the nation's institutions, is concerned but apparently still willing to give the politicians more time to work things out.

The left-of-center Republican Peoples Party, which won a plurality in the inconclusive parliamentary elections in October, had hoped for a strong showing in the local elections. It would then have been able to claim nationwide endorsement and been in a better position to go on and form a government—if necessary, a minority one. The party did well in the cities—taking the mayor's office in Ankara, Istanbul, and Izmir away from Justice Party incumbents—and also won in nearly all the smaller industrial centers. It received only 37 percent of the over-all popular vote, however, to the Justice Party's 33 percent—the same margin that resulted from the elections in October.

The newly formed right-wing Islamic National Salvation Party, which could play a key role in either a right or left coalition, is not well

organized on the local level and emerged with only 5 percent of the vote. It had taken 11 percent in October. Another rightist group—the Democratic Party—held its own with 11 percent, but the centrist Reliance Party dropped to less than 3 percent of the vote. Independent candidates got 7 percent of the vote and the remainder was split into small increments.

Under President Koruturk's prodding and hints of military impatience, the politicians may now be more willing to abandon their partisan positions and form some kind of coalition. Such a government would be unlikely to take new initiatives, but it should be able to carry on routine activities until new elections are held, possibly next spring or summer.



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RIGHT COALITION

LEFT COALITION

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VENEZUELA: LANDSLIDE FOR PEREZ

107 Carlos Andres Perez has won a landslide victory that may bring his Democratic Action Party a majority in congress. His election is not likely to result in any major shifts in domestic or foreign policies.

108 Perez is expected to continue President Caldera's firm nationalistic stance on economic matters, particularly the complex petroleum problem. He will press for an early take-over of foreign petroleum concessions, but he will also try to attract new private investment to join with state enterprises in developing the country's vast unexploited energy resources.

109 Perez's basic pragmatism and lack of ideological restraints indicate that he will be a hard but practical bargainer in dealings with the US and the oil companies. Further indicators of Perez' intentions will be his appointments to handle oil matters and his willingness to move forward on a long-term agreement to provide the US with a guaranteed supply of petroleum in return for access to US markets for Venezuela's non-oil exports.

110 In his first press conference as president-elect, Perez stated that his administration would not be influenced by US or other foreign oil companies. While offering friendship to Washington, he made it clear that he would use petroleum resources as a lever to get better treatment for his country. Although Perez is believed to support oil conservation measures, he has not called for a cutback in production.

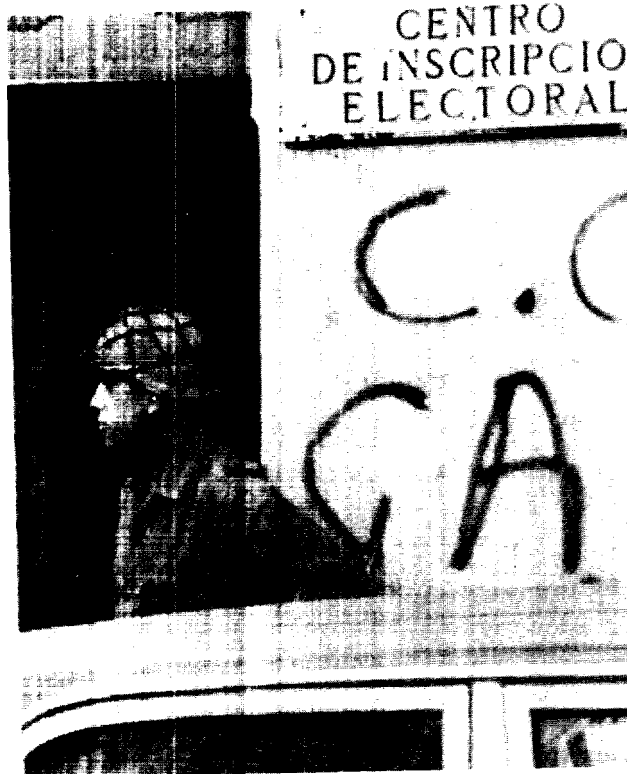
111 Perez's victory over the governing Social Christians apparently has also carried his party to majority control of the legislature, an unprecedented event in Venezuelan parliamentary history. The strong backing for the moderately nationalistic policies of both major parties, which together received about 85 percent of the presidential votes, points to the possible emergence of a two-party system and an increasing political stability for the country.

112 In an attempt to salvage what remains of their influence, several leftist political leaders are urging the formation of a united front of all

leftist parties. This has been tried many times during the past fifteen years, but it has failed because the parties and leaders were unable to resolve personal and ideological differences. The success of this latest proposal will depend on the degree to which the marxist Movement to Socialism—now the most prominent leftist force in the country—will join or lend its support. Already, some leftists are divided over the unity proposal, and a few extremists are calling for a campaign of vigorous opposition to the new administration.

113 While the cause of leftist unity may strike a responsive chord among some Social Christians, President Caldera and other moderate party leaders probably will conclude that the party's best chance lies in assuming the role of "loyal opposition" in the new congress. Before the new president-elect is inaugurated next March, there will be time for both parties to explore the grounds for cooperation.

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Soldier guards voting center

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LATIN AMERICA: A UNITED STAND

(112 FIL)
The third round of talks on the reorganization of the inter-American system concluded in Lima with few solid accomplishments, but with the Latin Americans united to an unusual degree on issues concerning relations with the US. Representatives of the 23 OAS member states agreed on recommendations for a few superficial revisions in the organization's charter and in the Rio Treaty, but the sweeping reforms advocated by some of the more radical delegates were defeated.

A majority apparently favored expanding the terms of the Rio Treaty to provide for collective security against "economic aggression"—an addition intended to limit the influence of the US and multi-national corporations—but the delegates were unable to agree on specifics. This and other unresolved matters will be ironed out by OAS ambassadors in Washington so that final proposals can be submitted to the OAS General Assembly in Atlanta next April.

Unlike the earlier, more contentious phases of negotiations, the latest talks in Lima were characterized by unusually successful collaboration among the Latins. On primarily economic issues involving the US, they voted in a bloc. High on their agenda for future talks with the US are such topics as the Law of the Sea, the role of international lending agencies, and the right of the Latin Americans to control foreign interests and their own natural resources.

A number of recent developments have prompted the Latins to seek joint positions in their relations with the US. The changes of government in Chile and Argentina in September brought new attitudes in those countries, and the coup in Chile also caused a few other governments to moderate or reappraise some of their policies, at least temporarily. Also, with the Panama Canal negotiations under way once again, the Torrijos government is now anxious to maintain the best possible relations with the US.

These shifts, plus Secretary Kissinger's stated desire for increased high-level collaboration in the hemisphere, have raised Latin American expectations for a general improvement in relations with the US. At a meeting of foreign ministers in Bogota last month, the Latins forged joint positions that will be discussed with the Secretary at a

conclave early next year in Mexico. Although the Bogota meeting overshadowed and tended to supersede the proceedings of the OAS commission, both groups of negotiators reached similar conclusions. Many Latin American governments now seem to look toward the foreign ministers' meeting with the Secretary as well as the OAS assembly next April as significant opportunities to press their nationalistic lines.

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CHILE: ON GUARD

(114 thru 119)
The junta appears to have the security situation well in hand, but it is concerned over the possibility that its opponents will attempt to refocus international attention on Chile with headline-making activity during the Christmas holidays.

Extremists still are far from ready to launch a concerted terrorist campaign, but probably could carry out a few spectacular operations. Strict security measures remain in effect nationwide, and the regime has been trying to counter rumors of a "black Christmas" with assurances that the armed forces "will guarantee tranquility and see to it that every child has a toy."

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The junta apparently has also decided to end the exodus of dissidents. Safe-conduct passes out of the country will not be granted to persons seeking asylum in European embassies after 11 December. Asylum can still be secured at Latin American embassies, but these remain closely watched and several people have recently been caught trying to scale the walls. The regime has struck back at its disaffected diplomats and other opponents outside the country by withdrawing their citizenship.

The current wage-price squeeze, putting the traditional holiday amenities out of the reach of many, may cause heightened resentment against the regime and its economic policies. This dissatisfaction could have more serious consequences than the threat of leftist violence.

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Troops guard Ford plant near Buenos Aires

ARGENTINA: PROTECTING FOREIGNERS

120 President Peron's nationwide mobilization of police to protect foreign companies and their personnel has had no immediate effect, and US businessmen continue to be a major terrorist target. Following his assurances last week to top executives of the Ford Motor Company that the government could cope effectively with terrorism, members of the Peoples Revolutionary Army handily snatched an Esso representative in Buenos Aires. Anonymous threats have also recently been made against the Chrysler plant.

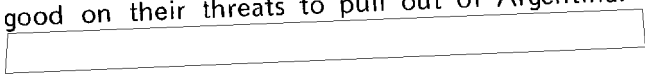
spokesman later commented that the company plans to bring its people back to Argentina eventually.



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124 Peron ordered strong measures to fight violence when Ford officials moved all their US personnel out of Argentina and warned that they might close down operations. The company was reacting to an attempt by a left-wing Peronist group to extort \$4 million by threatening to kill Ford's US employees. This threat followed the assassination of a Ford executive in Cordoba last month.

124 After at least 27 political kidnappings this year, it is apparent that providing additional bodyguards for potential victims is no deterrent to well-armed groups and may only heighten the chances of bloodshed. The government's efforts to fight these groups on their own ground by increasing support for counter-terrorist organizations could prove more effective. Peron, however, may ultimately be forced to make deals with the terrorists or suffer major losses of foreign investment as multinational companies make good on their threats to pull out of Argentina.



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