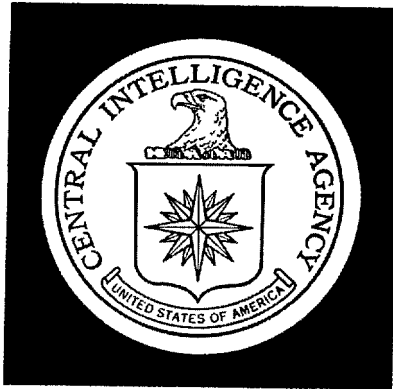


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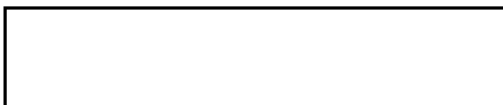
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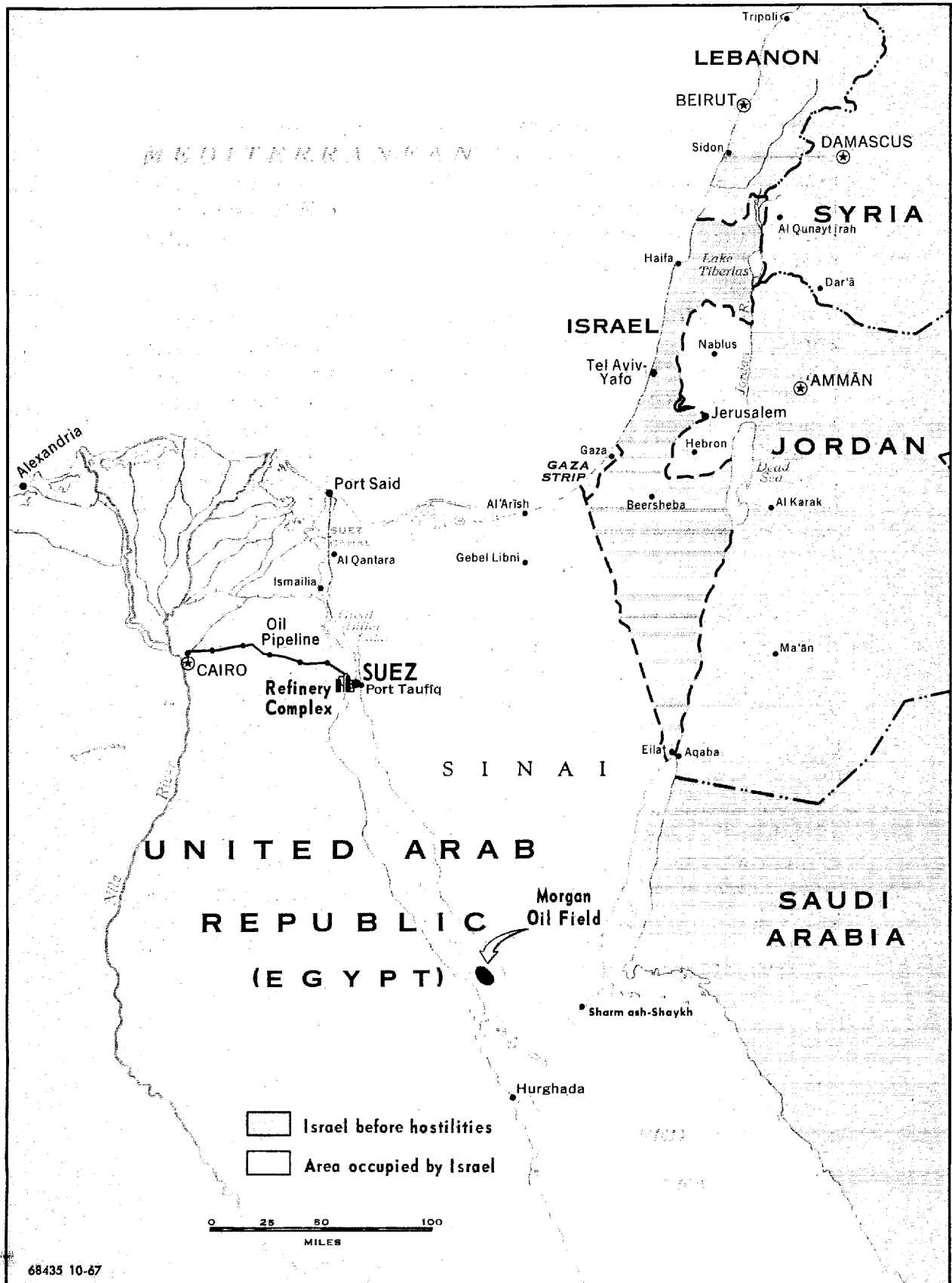
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Egypt-Israel: The extensive damage done by the Israeli shelling to the two refineries at Suez is a major blow to the Egyptian economy.

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the entire production capacity of 140,000 barrels per day is out of commission, at least temporarily. In addition, up to half of the country's oil storage capacity has been destroyed or damaged, along with the contents of the tanks.

Rebuilding of the refineries may take up to two years from the start of construction. Since petroleum products provide about two thirds of Egypt's total energy requirements, a very large share of the remaining industrial production may be curtailed by an oil shortage.

In order to maintain its present level of consumption, Egypt would have to import about \$5 million of refined products per month. The domestic pipeline terminal at Suez probably has also been damaged seriously. This would complicate the problem of distributing any refined products Egypt may be able to import.

Finally, limited storage capacity could force Egypt to close down production at the Morgan oil field in the Gulf of Suez within a few days. [Redacted]
(Map)

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USSR: A meteorological satellite launched from Plesetsk on 24 October should enable the Soviets to resume transmission of satellite weather data to the US.

Moscow stopped sending such data in mid-September, probably because the quality of its information deteriorated below the level required by the Soviet-American agreement of 1962. The Soviets are receiving sporadic weather data from their "Meteor" system, two satellites launched in February and April. These satellites are large, but have a useful lifetime of only about six months. Smaller US systems have returned high quality data for periods in excess of a year.

The Soviet weather satellite performance has never fully satisfied the terms of the agreement. The first Soviet satellite to operate satisfactorily was not launched until June 1966, one year after the exchange of data was to have begun. Moscow did not send any data at all until September 1966, and the usefulness of the information passed has been limited because the Soviets have failed to transmit it within the six-hour time limit specified in the agreement. [REDACTED]

European Communities: This week's meeting of the European Communities' Council of Ministers left the Six as sharply divided as ever over opening negotiations with London on British membership.

Some observers believe that the French, at the meeting, came as close to vetoing negotiations as possible without actually doing so. Foreign Minister Couve de Murville stated categorically that the restoration of equilibrium in the UK's balance of payments and the "adaptation" of sterling's role from that of an international currency were "necessary preconditions" to negotiations. He again pointed to the possible dangers involved in enlarging the community.

The French may have left themselves a way out in the event they find it expedient to soften their position. Couve claimed that France had no objections "in principle" to new members and noted that negotiations should begin only if it were clear they could succeed. Otherwise, they would once again run the risk of breaking down.

All of the Five spoke in favor of British entry. The Benelux countries apparently were firmest in stressing the need for immediate talks with London. West German Foreign Minister Brandt stated that the problem had to be treated right away among the Six and "soon" with the candidates for entry. At the next Council meeting on 20 November the ministers presumably will discuss in more detail Britain's economic and monetary problems.

British Prime Minister Wilson's initial response to the meeting this week leaves little doubt that London will continue to press its entry bid. The British probably reason that the only way to force a showdown is to pursue an active campaign for UK membership. [REDACTED]

Peru: President Belaunde has told the US ambassador in Lima that Peru's decision to purchase Mirage-V supersonic aircraft cannot be reversed.

Belaunde emphasized it would be a waste of time to discuss further the US offer of F-5 aircraft as a substitute for the Mirage. When he was warned that this decision would imperil the pending US program loan, he said that if this meant the end of economic relations between Peru and the US, the sooner he knew it the better.

The ambassador noted that Belaunde seems harassed by urgent problems arising from the generally tense situation in the country. Specifically, Belaunde is worried about the disturbances in Lima-Callao and the general strike in Arequipa, which he fears may spread to other cities.

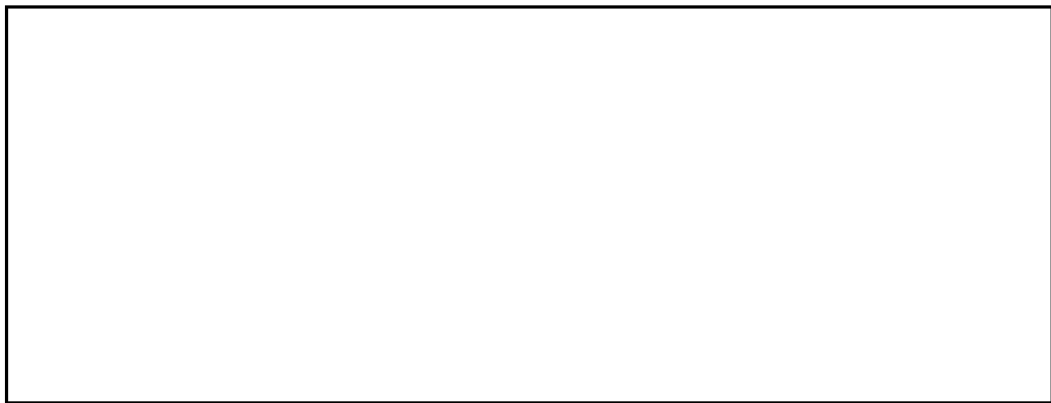
Peruvian military leaders are known to be concerned over the growing unrest within the country and may eventually intervene if the government appears unable to handle the present situation.

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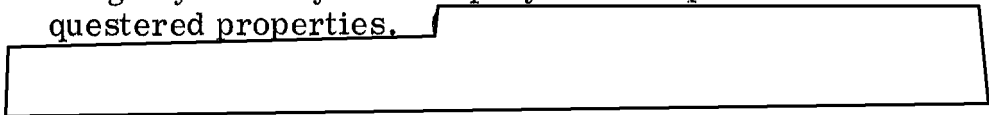
Peru: The future of US-owned businesses in Peru may be adversely affected by a new dispute between the International Petroleum Company (IPC) and the government.

Since Peru devalued its currency on 1 September, IPC has suffered heavy financial losses because of the government's insistence that it maintain predevaluation prices for the refined petroleum products it brings into the country. President Belaunde has promised some relief after the congressional elections on 12 November, but has refused to say just what will be done. As a result, IPC has been deliberately holding back on imports.



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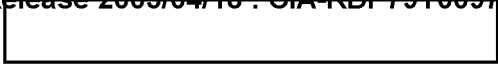
The present dispute will make it more difficult to settle other points at issue between the company and the government, especially the thorny problems of back taxes allegedly owed by the company and compensation for sequestered properties.



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Congo (Kinshasa): US officials in Kinshasa are becoming concerned about the lengthy delay in evacuating mercenaries and Katangans from the eastern Congo. The International Red Cross, which is to supervise the operation, has run into a number of bottlenecks, and it is not entirely certain that Schramme remains willing to leave. Other mercenaries in Angola may get their "invasion" under way before the Schramme forces can be evacuated, although there have been no firm indications yet that the Angola plotters are ready to move right now.

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Chile: Anti-American demonstrations probably will occur in Santiago during the three-day Continental Youth Solidarity Conference on Vietnam that begins on 30 October. The conference is being organized by the youth groups of the Communist and Christian Democratic parties, assisted by the first secretary of the Communist World Federation of Democratic Youth, who arrived in Santiago on 20 October.

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Communist China - Hong Kong: The Chinese Communists have proposed talks between Chinese and Hong Kong border authorities on the question of the British police inspector abducted on 14 October. The Chinese apparently are attempting to place the British in a poor initial negotiating position, however, by insisting that the talks be held exclusively on Chinese territory. Although the British have responded favorably to the idea of talks, they have balked at this condition, fearing that such a move would look like a Macao-type "capitulation" and help erode public confidence.

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