



DIRECTORATE OF
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INTERNATIONAL OIL: With a 3 February deadline for the general meeting of the Organization of Petroleum Exporting Countries (OPEC) approaching, oil companies and oil producing countries negotiating in Tehran are under extreme pressure to show some progress.

The differences in demands and counterproposals remain substantial. Another negotiating session is scheduled for today. The oil companies warn that a temporary production shutdown could occur to underscore OPEC demands. Outside the formal negotiations, members of the OPEC committee in Tehran, led by Iran, hint that an unfavorable company response might also be met by the producing countries legislating rather than negotiating higher tax rates and posted prices.

Libya appears to have put off any further talks until after the general OPEC meeting. Persian Gulf oil officials indicate that they would supply additional oil only if Libya were to shut down production because oil companies refuse to meet what Persian Gulf officials interpreted as "unreasonable demands."



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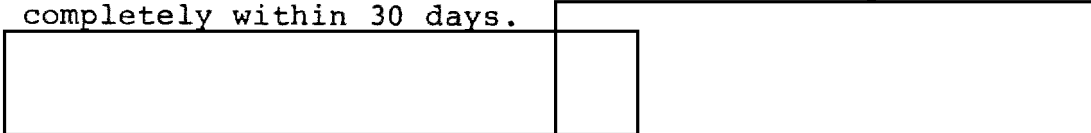
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USSR-IRAN: An obligation to supply natural gas to the USSR could be a factor restricting Iran's freedom of action to shut down Consortium oil operations.

Gas for the pipeline is derived from the crude oil produced by the Consortium. Moscow is known to be concerned about any halt in the flow of gas to its Transcaucasia region, which is becoming increasingly reliant on Iranian gas. Iran's contractual obligation could affect the Shah's initiative in the oil dispute. He has mentioned the possibility of shutting down Consortium operations as part of his effort to force the Western oil companies to meet demands of the Organization of Petroleum Exporting Countries now being negotiated in Tehran.

A mid-December explosion at the Bid Boland installation at the southern end of the Iran-USSR gas pipeline curtailed the flow of gas to the USSR for only a few days, although earlier reporting indicated that it might be suspended for as long as six months. The damage is now expected to be repaired completely within 30 days.



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EAST AFRICA: The overthrow of Uganda President Obote has severely strained relations with Tanzania and has imperiled the three-member East African Community.

President Nyerere has strongly denounced the new military government in Kampala and has asserted that Tanzania continues to recognize Obote as president. The Tanzanians apparently hope that their stand will encourage resistance to the take-over and will prevent General Amin from consolidating his position. Nyerere's close friendship with Obote and his strong aversion to military coups--he was almost the victim of one in 1964--probably influenced his decision to support his old ally.

Although neither government is likely for the time being to initiate the breakup of the East African Community to which they both belong, Nyerere's public denunciation will make its operations more difficult. The Community acts as a limited common market and provides many benefits, including air and mail service. The Kenyans, the other partner in the Community, or some other mediator may try to ease tensions, but Nyerere seems to have drawn the line too sharply for such an effort to stand much chance of success at this time.

Meanwhile, the friction between Tanzania and Uganda has placed Kenya in an awkward position. The Kenyans have had difficulties with Obote in the past--most recently when Uganda expelled several thousand Kenyan workers last year--and are not unhappy to see him go. On the other hand, they want to preserve good relations with Tanzania. Moreover, even though they have been only lukewarm toward the East African Community, the Kenyans recognize that its dissolution would involve costly disruptions in trade and communications.



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NOTES

PERU: The Communist-controlled General Confederation of Peruvian Workers (CGTP) scored a moral victory in forcing the government to grant it legal recognition. This public acknowledgement of the CGTP's growing strength, achieved by the threat of a general strike, comes after two years of government support to the group in order to weaken a rival labor organization. There is some evidence, however, that the Velasco government is becoming disturbed by the growing power of the CGTP. Its new legal status probably will result in increasing pressure on the government from Communist labor unions. [REDACTED]

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PERU-YUGOSLAVIA: The Velasco government is considering the offer of a Yugoslav firm to serve as general contractor and to arrange the financing for the \$63-million first stage of an irrigation project in northern Peru. The offer is attractive to Peru, which is eager to obtain foreign financing for major industrial projects. Peru could point to the contract as vindicating the government's nonaligned policies. The contract also could be a major breakthrough in Yugoslav attempts to expand its economic activities in Latin America, where past efforts have had minimal results. On 22 January, a Belgrade economic newspaper implied that negotiations are almost completed on this and another Peruvian irrigation project. [REDACTED]

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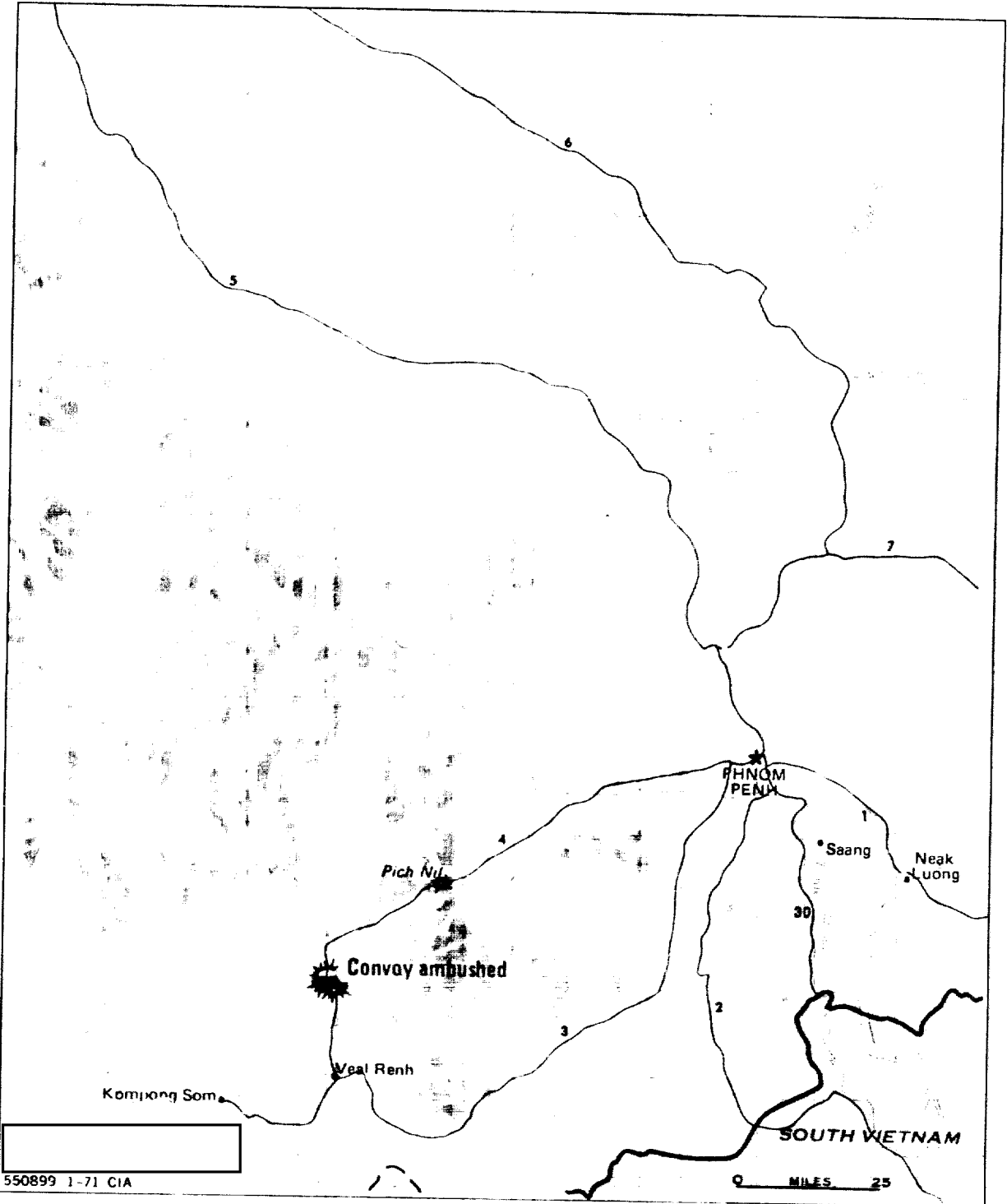
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CAMBODIA: Current Situation



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ECUADOR-OAS: The weekend special meeting of OAS foreign ministers considering the US-Ecuador dispute approved by a vote of 19-0 an even-handed resolution calling on both parties not to aggravate the situation. It also suggested that the disputants use the quadripartite fisheries talks between the US, Ecuador, Peru, and Chile to find a solution. Although Peru and Chile abstained from the vote because the resolution did not condemn the US as an aggressor, Ecuador's affirmative vote should end OAS formal consideration of the issue. Member states will again concentrate on efforts to forge a unified hemispheric stand on terrorism when the OAS deliberations resume today. [REDACTED]

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CAMBODIA: Military activity over the weekend consisted primarily of scattered enemy harassing attacks against government positions. There has been intermittent fighting around the town of Saang, about 14 miles south of Phnom Penh. According to a press report, a government battalion with air support is attempting to dislodge dug-in enemy troops who have interdicted Route 30 north of the town. Meanwhile, efforts at resupplying Phnom Penh with petroleum have met with mixed success. A large truck convoy from Kompong Som was ambushed by the Communists on 30 January about 20 miles north of Veal Renh along newly reopened Route 4. As many as ten vehicles were destroyed or set afire and the remainder of the convoy returned to Kompong Som. On the previous day, however, a riverine convoy from South Vietnam delivered over one million gallons of petroleum to the Cambodian capital; it was the first such resupply mission to reach Phnom Penh since 17 January. [REDACTED] (Map)

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