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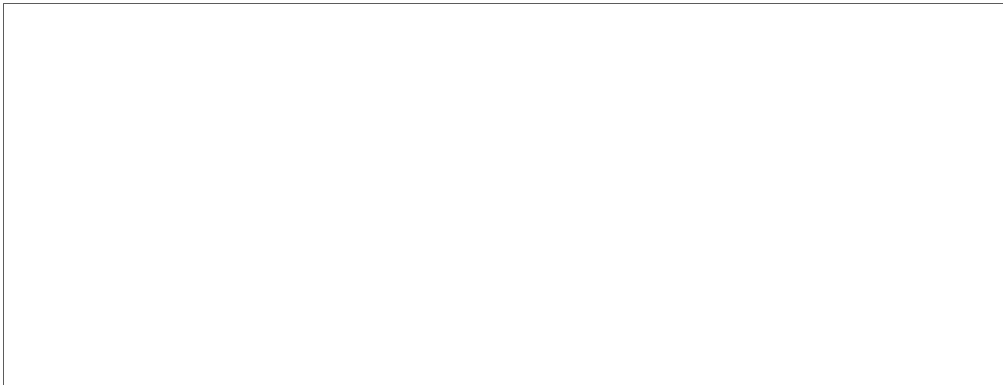
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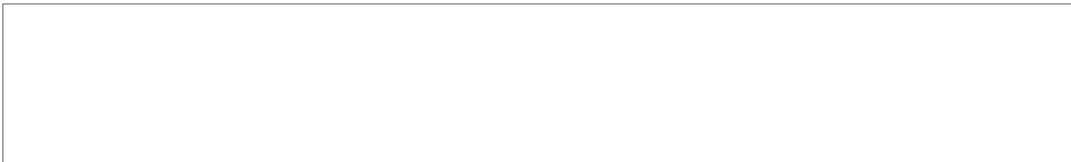
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SAUDI ARABIA - IRAN

Saudi Arabia and Iran plan to boost their take from oil sales, in conformity with recent OPEC decisions reached at Quito and Vienna.

Saudi Arabian Petroleum Minister Ahmad Zaki Yamani has notified the Arabian American Oil Company (Aramco) that his government will apply the Quito formula to all oil lifted since July 1 and the Vienna formula to all liftings since October 1. This move would increase the average cost of Saudi crude oil from an estimated \$9.47 per barrel to between \$9.85 and \$10.00 per barrel. At present production levels, Saudi Arabia's annual oil revenue would increase by \$1.2 billion to \$1.7 billion.

It is not clear whether King Faysal has approved the price hike. Minister of State for Foreign Affairs Omar Saqqaf, no friend of Yamani's, contended to a US official that the petroleum minister's action was unwarranted and illegal, having been taken without the knowledge of the Supreme Petroleum Council. Saqqaf said he would advise the King to rescind this increase.

Saudi Arabia had been expected to adjust prices eventually, in line with other oil-exporting countries of the region. Aramco has a long-standing agreement to provide most-favored-nation status to the Saudis on gulf oil prices. Nevertheless, this new adjustment flies in the face of Yamani's assertions that Saudi Arabia would like to see prices lowered.

Meanwhile, the National Iranian Oil Company has sent a letter to the consortium operating in Iran with its preliminary views on the implementation of the Vienna OPEC decision. The Iranian oil company is suggesting an average government take for Iranian light crude oil of \$9.92 per barrel, roughly \$1.10 per barrel more than Iran received for its oil in June.

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This move is not surprising, in view of the Shah's agreement with the consortium that guarantees him a per-barrel revenue equal to the rest of the gulf oil producers. A \$1.10 per barrel increase in prices would augment Iran's annual oil revenue by about \$2.2 billion.

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ISRAEL

Since Prime Minister Rabin returned from the US last month, he has made a series of public statements designed to open a new stage in Israel's approach to negotiations with the Arab states. His statements, often markedly softer than Israeli pronouncements made before his trip to Washington, have drawn sharp questions from moderate and right-wing commentators and forced the convening of a special session of parliament today demanded by the conservative opposition coalition.

Public attention has been focused primarily on Rabin's assertion, made first in a US television interview on October 1, that Israel is prepared to make territorial concessions to the Arabs, specifically Jordan, in return for a declaration of "nonbelligerency." Rabin has also pressed the argument--addressed as much to Arabs as to Israelis--that peace must be approached by stages in which each side offers portions of its ultimate peace package. He specifically said that Israel should be ready to give up parts of the West Bank in return for a Jordanian guarantee of nonbelligerency, but he acknowledged that this would involve risks for Israel.

Rabin's proposal represents a further break with Israel's pre-disengagement position that each side's concessions must be negotiated fully and at length, after which a comprehensive peace treaty would be signed; only then would an actual surrender of territory take place. The opposition and even moderate commentators have charged that Rabin's formula makes interim concessions that no other Israeli leader had been willing to propose.

Rabin has retorted that "anyone with a head on his shoulders knows that Israel must make territorial concessions" and that peace is impossible on the present cease-fire lines. Reiterating the government's view that peace is equally impossible along the pre-1967 lines demanded by the Arabs, Rabin has said there is room for maneuver between the two positions.

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The degree of support in the cabinet for Rabin's formula is unclear, although Deputy Prime Minister Allon has recently spoken out strongly in favor of the non-belligerency proposal.

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The cabinet is scheduled to discuss Israel's negotiating position Friday, the day before Secretary Kissinger arrives in Tel Aviv.

Unlike his predecessor, Rabin is taking his case for a major shift in policy directly to the people, apparently in the expectation that his persuasiveness and his enhanced prestige resulting from talks in Washington will attract sufficient support to overcome the objections of political leaders.

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The US embassy, impressed with Rabin's display of independent leadership, believes he will weather both the parliamentary debate today and the cabinet session Friday, although not without sharp questioning. The core of resistance on the West Bank issue will come from the right wing of the opposition Likud and from the "youth wing" of the National Religious Party. Of the likely critics within the Labor Alignment itself, former defense minister Dayan is the key figure, and the embassy acknowledges that he remains an unknown quantity.

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GREECE

The Greek cabinet resigned yesterday to clear the decks for a caretaker government that will conduct parliamentary elections on November 17. Prime Minister Karamanlis and other key ministers, including Foreign Minister Mavros, will remain in the interim cabinet.

Principal competitors in the elections are Foreign Minister Mavros' Center Union and the New Democracy party headed by Prime Minister Karamanlis, who is still riding a wave of popular support generated by the recent return to civilian rule. Two left-of-center parties--the New Political Forces and the Democratic Socialist Union--have decided that they will align themselves with the Center Union for the election.

On the extreme left, "Democratic Defense," which was active in resistance efforts against the junta, has announced its support for Andreas Papandreou. Papandreou has been denouncing the elections as an "electoral coup" designed to deprive the left of enough time to organize an effective campaign. The Communist-front United Democratic Left received 11 percent of the vote in the last elections in 1964.

On the extreme right, former minister of defense Petros Garoufalias' newly formed National Democratic Union is expected to appeal to royalists, businessmen, and some members of the armed forces. The new party, although allegedly royalist, so far has avoided taking a stand on restoration of the monarchy.

In assessing the role of the armed forces, the US defense attaché in Athens notes that:

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--Karamanlis' recent suspension of officers who represented the hard core of Major General Ioannidis' power base in the army has done much to restore the chain of command and make the army more responsive to the government.

--The army has been involved in politics too long to be counted out. Many officers believe that politicians are unable to give Greece the stability they feel is necessary to avoid the threat of communism and anarchy. Should they perceive that Karamanlis is letting the left get out of hand, the army could be expected to intervene again.

--In the longer term, a stable and effective right-of-center government under Karamanlis could lead to neutralization of the army as a threat to parliamentary government.

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LAOS

Prime Minister Souvanna Phouma is tentatively scheduled to return to Laos on October 18, but some influential non-communist officials are not enthusiastic at the prospect of his early reappearance.

The non-communists have taken advantage of Souvanna's absence to delay action on a number of Pathet Lao policy initiatives, including dissolution of the National Assembly, Souphanouvong's 18-point political program, and recognition of Communist shadow regimes in South Vietnam and Cambodia. Most recently, they have blocked cabinet approval of an economic assistance agreement negotiated by Communist minister Soth Phetrasy with North Vietnam.

The non-communists, however, are clearly apprehensive that a physically weakened Souvanna will be more inclined than ever to accommodate to Pathet Lao pressures. This fear has been newly reinforced by Souvanna's reported approval of the controversial speech delivered by Communist Deputy Prime Minister Phoumi Vongvichit before the UN General Assembly. Phoumi's speech, which contained polemical language against Cambodia and South Vietnam and chastised "imperialism, colonialism, and neo-colonialism" everywhere, outraged the non-communists because it departed from a more moderate version approved by the coalition cabinet.

Powerful right-wing Finance Minister Ngon Sananikone, who was in Washington last week for meetings of the International Monetary Fund and World Bank, privately stated to US officials his view that the coalition government--meaning the non-communist side--was doing better without Souvanna, "who gave in too much" to Communist demands. Ngon added that, during a stop-over in Paris en route to Washington, he had urged Souvanna to extend his convalescence abroad, ostensibly because the mass of decisions awaiting him in Vientiane was likely to endanger his health again.

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Tianethone Chantharasy, the coalition's highly regarded non-communist deputy minister of foreign affairs, recently echoed Sananikone's fears, warning that if the Prime Minister's propensity for accommodation continues, the Pathet Lao will outmaneuver the non-communists on every major political issue.

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The left-leaning Armed Forces Movement appears to have strengthened its hold on the Portuguese government by naming two of its members to fill vacancies on the seven-man junta.

Brigadier Carlos Soares Fabiao and Lieutenant Colonel Lopes Pires will fill vacancies created by the departure of President Spinoza and his conservative supporters. Two air force officers will also be selected for the junta, but no names have yet been released. The Council of State is expected to meet next week to approve the appointments.

The selections are likely to cause some ill feeling within the military by officers who resent relatively junior officers being propelled into top positions. Little is known of the political views of the men selected, but they were chosen by some 150 fellow officers who reportedly respect their intelligence and efficiency. The grumbling therefore is likely to remain at a low level, although it could precipitate the voluntary retirements of additional conservative army officers.

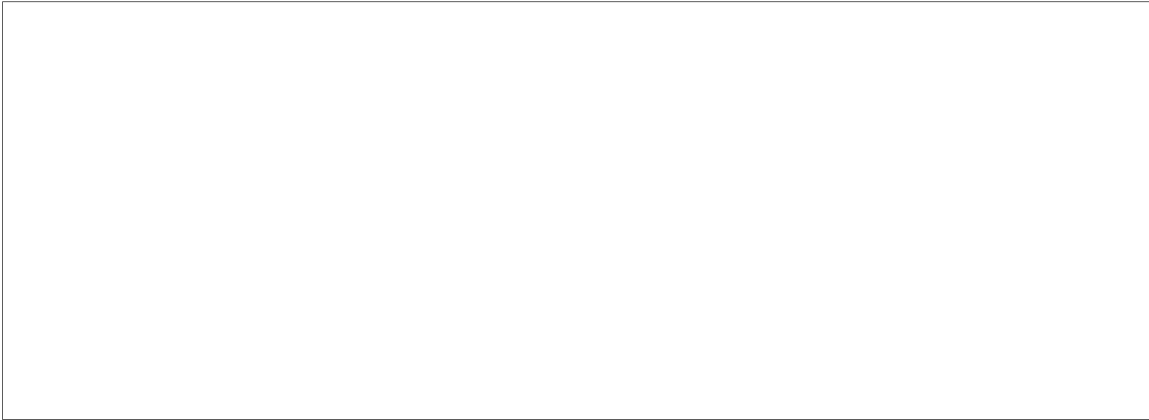
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ETHIOPIA

There have been no further outbreaks following a skirmish on Monday between government troops and dissident units.

The clash was touched off by the arrest of leftist elements in the army engineering and aviation battalions opposed to the Armed Forces Coordinating Committee. Combat patrols are still in place around the engineer unit's compound and the aviation battalion's headquarters. None of the committee's opponents have so far shown any sign of organizing resistance to the arrests.

Further arrests of civilian and military opponents of the committee are expected shortly, and more violence is possible.

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CHILE

Miguel Enriquez, leader of the Movement of Revolutionary Left (MIR), was killed on October 5 by Chilean security forces during a two-hour gun battle in Santiago. As many as nine other persons were detained, and a significant arsenal

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The police action came on the heels of a bank robbery on October 1. Police reportedly recovered nearly half of the stolen money from the house where Enriquez was killed, apparently tying the MIR to the robbery.

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His death is a serious blow to the group, whose leadership now passes to untested second-echelon members.

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ARGENTINA

The Marxist People's Revolutionary Army has proposed a truce with the government in return for legal recognition, a repeal of "repressive" legislation, and the release of all "political" prisoners. The petition, which coincides with a meeting between President Peron and key political leaders, appears to be a well-timed psychological maneuver to cause further political dissension between the Peronists and opposition parties.

Leaders of the opposition are increasingly concerned over President Peron's failure to keep them abreast of major decisions. Last week they issued a public declaration calling for a renewal of the dialogue generated by late president Juan Peron. Their criticism of the government was muted, however, because Mrs. Peron, in a pre-emptive move, had already scheduled a broadly based conference with representatives from the political parties, the church, the military, and business.

The move by the guerrillas could hinder Mrs. Peron's efforts to promote a consensus, since several political leaders are sympathetic to some of the guerrilla demands. There will undoubtedly be an attempt by a few conferees to negotiate on behalf of the terrorists, but with extremist violence at an all-time high, the government is not in a conciliatory mood. In a strongly worded speech yesterday, President Peron stated that her government will press ahead vigorously with anti-terrorist measures. The President's remarks implied a rejection of the proposed terrorist truce.

Debate on the guerrillas' petition could still keep the meeting from concentrating on major political disagreements such as the government's sanction of right-wing death squads, the new penal reform law, official use of the media for the Peronists' own political purposes, and the closing of the national university.

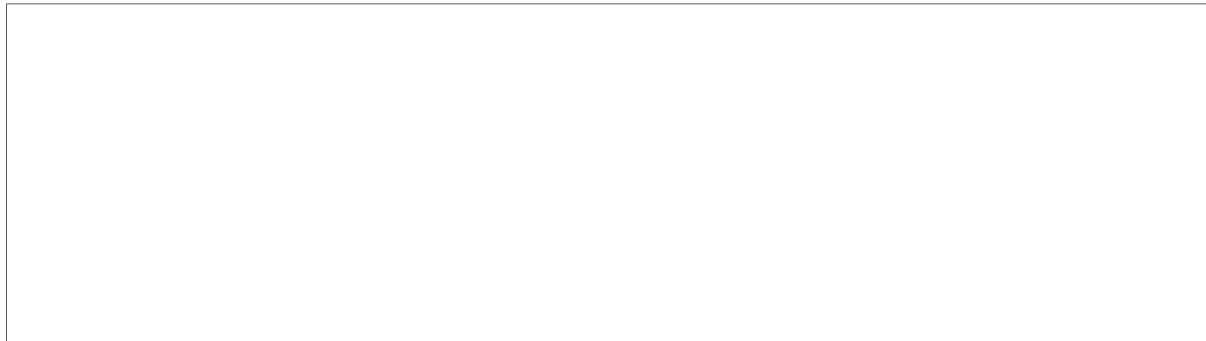
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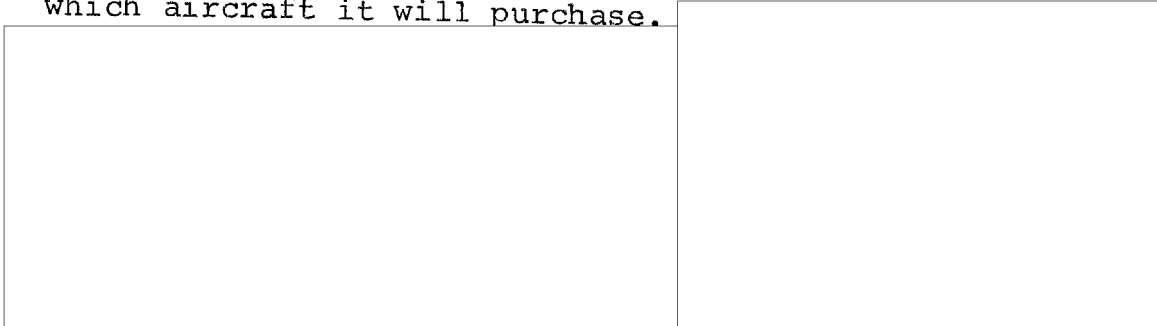
Turkey: President Koruturk met yesterday with political and parliamentary leaders in an effort to reach agreement on forming a nonpartisan government of "national unity." There has been no official announcement on the results of the meeting, but the comments of party leaders indicate that Koruturk's effort was unsuccessful. The President may make further efforts to form a broadly based coalition, but it seems likely that he will again turn to Prime Minister Ecevit if agreement cannot be reached on a nonpartisan government to lead the country into elections. If given the nod, Ecevit might try again to form either a coalition with the conservative Democratic Party or a minority government.

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West Europe: The consortium of European countries seeking a replacement aircraft for the F-104--Belgium, Norway, the Netherlands, and Denmark--decided on October 7 to postpone its decision for at least two months. The postponement indicates that the consortium intends to make its choice only after the US air force has decided which aircraft it will purchase.

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