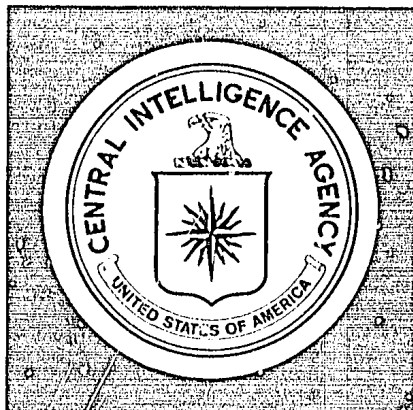


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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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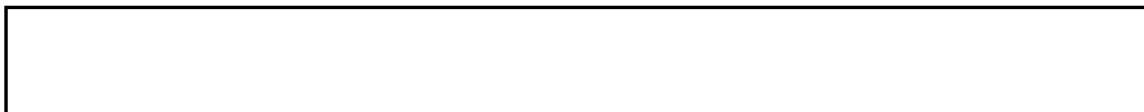
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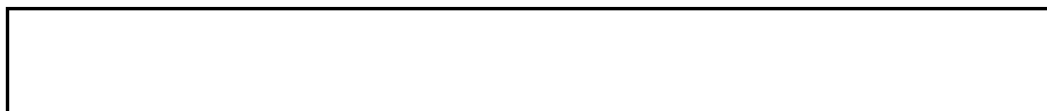
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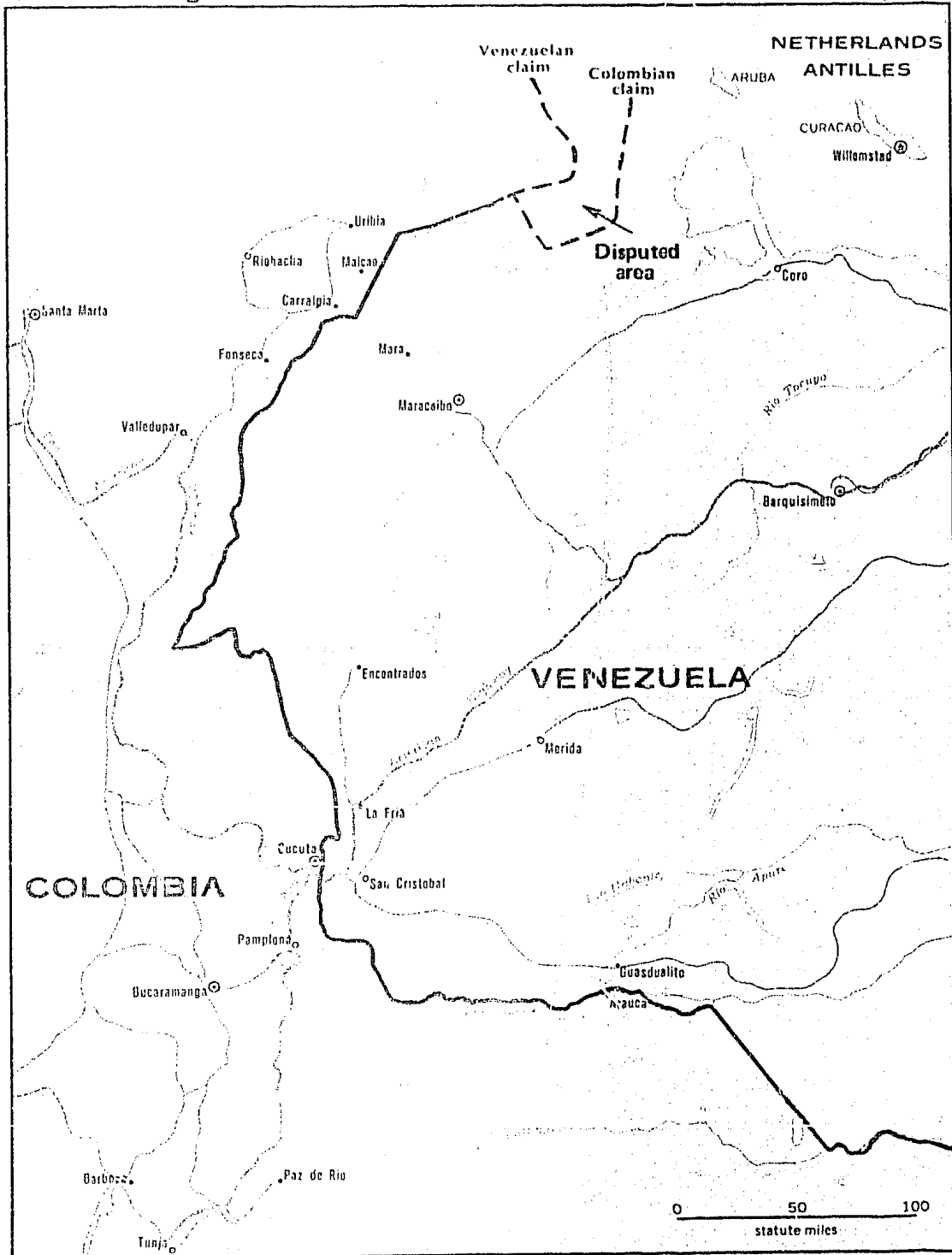
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### Northern Segment of the COLOMBIA-VENEZUELA Boundary



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VENEZUELA-COLOMBIA: Talks will resume in Rome on 4 October on the boundary dispute in the oil-rich Gulf of Venezuela.

The major stumbling block is the definition of the territorial sea and continental shelf boundaries. Caracas maintains the entire gulf is its own inland water, and that the boundary line should be a projection of the land border. Bogota takes the position that the boundary should be drawn into the gulf at a right angle to the northern shore. Both sides believe that the seabed in the disputed area contains substantial oil deposits.

Other irritants on the agenda include the illegal immigration of hundreds of thousands of Colombians whom Venezuela considers a potential fifth column, and substantial contraband operations along the border.

One of the Venezuelan negotiators told a US Embassy official recently that Caracas views this session as crucial because failure now would delay agreement for years because of the coming elections in both countries. During previous sessions, both sides held rigidly to their positions and chances of a settlement this time appear slight.

President Caldera is under heavy pressure from nationalist and military groups to maintain a hard line. A concerted media campaign reportedly will be launched soon to head off any agreement that would give up any of Venezuela's territory or its potential petroleum resources. In this pre-election period, it will be extremely difficult for Caldera to soften Venezuela's position to the extent necessary for agreement with Colombia and, at the same time, retain the military support on which his government depends. (SECRET)

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THE NETHERLANDS: With elections only two months off the prospects of Prime Minister Biesheuvel's coalition are increasingly gloomy.

On the labor front, several hundred Dutch workers have seized a factory in Breda to protest management plans to close several plants and dismiss some 2,200 employees. The workers' unprecedented action won the immediate backing of three national unions and sparked a sympathy strike in a German subsidiary of the same multi-national corporation.

The government, having failed in desultory efforts to head off this long-brewing crisis, has not yet decided on a suitable response. The Liberal (conservative) minister of economic affairs has criticized the workers' action, while the Anti-Revolutionary Party (ARP) minister of social affairs has termed the union position regrettable but understandable. The ARP and the two additional confessional parties, which together with the Liberals comprise the governing coalition, will be hesitant to accede to anticipated Liberal demands for further government intervention. The confessionals are mindful of the possibility of a post-election coalition with the Labor Party and are thus reluctant to antagonize the left.

Meanwhile, a dispute in the Defense Ministry has provided the opposition with additional ammunition should they choose to exploit it. Defense State Secretary Van Es resigned on 15 September in a disagreement with Defense Minister De Koster over organizational matters. Although the controversy primarily reflects personal rather than party differences, it further tarnishes the government's image and makes the controversial subject of defense policy increasingly vulnerable to politically inspired forays.

Both incidents point up the increasing disarray within Biesheuvel's coalition. In its weakened condition the government can expect to achieve

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little more than the caretaker status the opposition demanded it assume last month. The price of government impotence, however, is continued economic malaise and the consequent disaffection of more Dutch voters. Barring an uncharacteristically adroit performance by Biesheuvel during the coming months, the widely anticipated turn to the left in November could prove still sharper. (CONFIDENTIAL)

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NOTES

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USSR: Soviet gold sales on the international market are continuing apace. [redacted]

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[redacted] Russian officials have stated that proceeds from the sales help defray the cost of grain and other purchases from the West. Reports this week of Soviet gold shipments to Zurich probably represent delivery of gold sold recently and were responsible for some fluctuation in gold prices. The Soviets are reported to have sold some 30 to 35 tons in the first quarter of this year, and sales probably have continued at least at this level. Discreet handling by the USSR and by bankers probably will continue to prevent any sharp reaction in the gold market. (SECRET NO FOREIGN DISSEM)

(continued)

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CHILE: The 23-percent jump in the consumer price index in August was higher than expected, and brings the total price rise for the first eight months of the year to almost 64 percent. The August increase, which was larger than the rise during all of 1971, was due largely to higher food costs, although prices of most other items also increased. Because prices are continuing to rise rapidly this month, the cost-of-living wage adjustment promised by Allende for October could be as high as 80 percent. This will further boost the government's enormous budget deficit, which is financed almost entirely by printing new money. This deficit financing, together with refueled consumer demand, will result in formidable inflationary pressures in the months ahead. (CONFIDENTIAL)

\* \* \* \*

CHILE: The government is banning beef imports until Christmas because of a severe shortage of foreign exchange. The economics minister has stated that Chile cannot afford further beef imports, which have cost the country more than \$90 million so far this year. Imports of all agricultural products during 1972 are expected to absorb almost one half of Chile's export earnings. Foreign reserves have continued to decline this year, following a \$304-million drop in 1971, and by June were \$80 million in the red. The beef ban will fuel consumer discontent, already high because of spiraling prices and spreading shortages. President Allende can be expected, however, to apply whatever cosmetic measures he can to improve consumption just prior to the important congressional elections scheduled for March. (CONFIDENTIAL)

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