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~~Top Secret~~



# Weekly Review

~~Top Secret~~ 25X1



23 August 1974

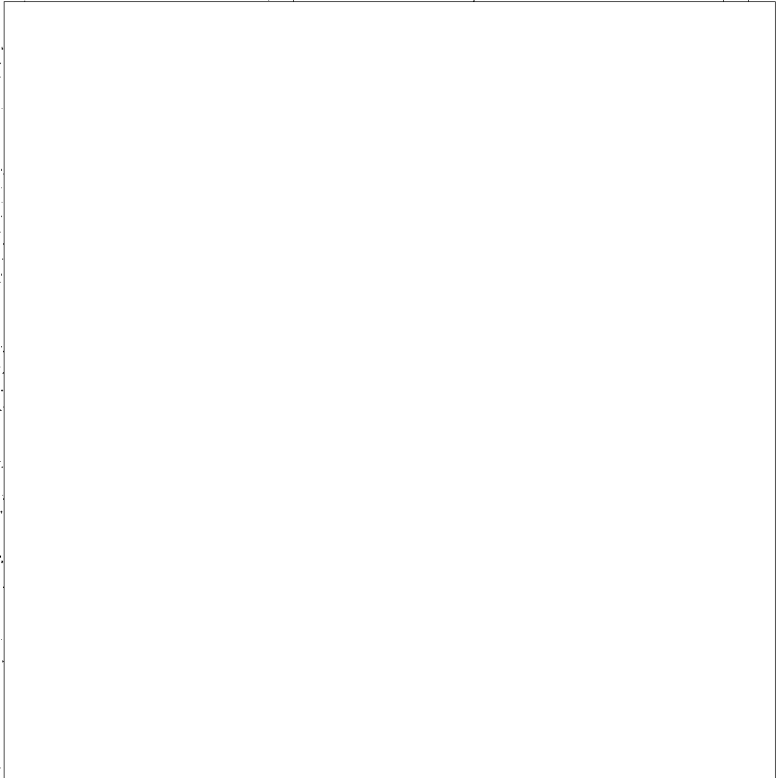
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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of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



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# CYPRUS

The fighting on Cyprus wound down this week following a cease-fire—declared on August 16—after Turkish forces had succeeded in gaining control of the northern third of the island. Efforts to reopen the Geneva peace talks have proved fruitless so far, but Greek and Turkish Cypriot leaders have agreed to talks on humanitarian issues that could be expanded to cover political topics. The Karamanlis government in Athens has refused to negotiate unless Turkish forces return to the positions they held on August 9—before the second round of fighting. Meanwhile, Turkish military successes have set off a wave of anti-Americanism in Greece and Cyprus, where it is believed that the US could have blocked the Turkish action. US Ambassador Davies was killed during a demonstration at the US embassy in Nicosia on August 19.

## Status of Negotiations

The scheduled meeting between President Clerides and Turkish Cypriot leader Rauf Denktash is the first sign of diplomatic progress after a week of stalemate. The two leaders have agreed to discuss urgent humanitarian issues—such as the massive refugee problem—arising from the Cyprus conflict. Clerides has said that he will not negotiate on the broader political issues until the matter of returning refugees to their homes is resolved, but any indication of flexibility on the part of the Turks could give the Greek Cypriot leader the room he needs to broaden the talks.

It is generally considered by diplomatic observers that any breakthrough will have to come as a result of negotiations between the two Cypriot communities. Athens has rejected all suggestions that peace talks resume between Greece and Turkey, saying it cannot talk in the face of a "fait accompli." The Greeks could probably accept any reasonable settlement made by Clerides, but to make major concessions in direct talks with the Turks would be politically unacceptable for the Karamanlis government.



Cyprus President Clerides and  
Vice President Denktash



For their part, the Turks seem prepared to wait out the Greeks for as long as necessary. Turkish military moves south of the so-called "Attila Line"—which delimits the northern third of the island claimed for a Turkish Cypriot autonomous area—were probably designed, at least in part, to force the Greeks to the conference table. The failure of this gambit has led the Turks to take initial steps toward establishing an autonomous Turkish administration in northern Cyprus. The Turks have indicated a willingness to negotiate on the area of Turkish control west of Morphou and to make minor adjustments in the "Attila Line" elsewhere, but the longer talks are delayed, the more difficult it will be for the Turks to consider moving out of areas presently under their control.

### Greek Reaction

The Karamanlis government has remained firm in its intention to withdraw from military participation in NATO, although it has not yet taken any steps to make the withdrawal official. According to NATO Acting Secretary General Pansa, the Greek Defense Ministry has instructed its representative on the NATO military committee that a 15-day withdrawal notice for Greek military personnel will become operative on the date Athens actually issues the recall order. NATO authorities are somewhat encouraged by the fact that Greek officers so far have only received readiness orders, indicating that Athens may be having second thoughts.

The future status of US military forces in Greece is even more unclear. There have been hints that the Karamanlis government will order US forces to leave the country, but government spokesmen continue to deny that such a decision has been made. Restrictions have, however, been placed on US access to certain facilities, and limitations have been placed on US military flights into and out of Athens.

The announcement of military withdrawal from NATO, which was extremely popular in Greece, has strengthened Prime Minister Karamanlis' hand for the time being. He has further

consolidated his control by reshuffling the top echelons of the army and installing military leaders he trusts in the top positions. On August 19, Karamanlis ousted the armed forces chief, General Bonanos, and the army chief, General Galatsanos, as well as several other senior military officers identified with the previous regime. General Arbouzis, who commanded the Greek army contingent in Korea, was called out of retirement to replace Bonanos, and General Davos, former commander of the army corps on the Greek-Turkish border and a critic of the last junta, was named army chief. Former Greek strong man General Ioannidis was not included in the purge, but there is speculation that he will be forced to retire by being passed over in the next round of military promotions.

### Anti-US Sentiment

Turkish military successes on Cyprus have sparked an upsurge in anti-American sentiment in both Greece and Cyprus. Demonstrations have now been banned in both countries, but not before US Ambassador Davies' life was taken in an attack on the US embassy in Nicosia and serious threats were made against the security of the US base on the Greek island of Crete.

The attack in Nicosia was apparently planned—possibly by the right-wing EOKA-B terrorist group—and there are indications that one purpose of the violent demonstration was to kill Ambassador Davies. While marine guards and local security forces confronted demonstrators who set a fire within the compound, a machine gun located in a building across from the embassy raked the ambassador's office. The ambassador and a secretary were killed in a corridor outside the ambassador's office where they had sought refuge.

### Soviet Political Reaction

The Soviets are trying to square their interest in a unified and independent Cyprus free of NATO links with their desire to avoid alienating Turkey. As a result, they have not committed themselves to meaningful support for any of the contending parties.



**Demonstrators hurl objects at embassy building**

Moscow has not openly criticized Ankara because it does not want to risk damaging its longer term interests in Turkey: unhindered passage through the straits, weakening of Turkey's ties with NATO, and a decline of US influence there. The Soviets have told the Turks that they have three basic interests in the final settlement for Cyprus:

- no US military bases to be allowed on the island;
- no partition of Cyprus;
- continued Cypriot independence, whatever the form of government.

The imprecision of the third stipulation appears designed to appeal to Ankara. Some form of federation and a continued Turkish military presence are not ruled out. In addition, Moscow's public support for Makarios, whose return is

unacceptable to the Turks, has diminished considerably during the last few weeks.

The Soviets have been chary about courting the new regime in Athens. Rumors of Soviet-Greek military cooperation notwithstanding, Moscow has failed to give the Greeks any significant support. The Soviets are, nevertheless, still intrigued by the turn of events in Greece. They have applauded Athens' decision to pull its troops out of NATO, and over the longer term will encourage its drift away from the US.

Moscow has been frustrated by its exclusion from all significant diplomatic efforts to solve the crisis. The Soviets have attempted—without notable success—to get more involved through the UN. Soviet press articles continue to demand a greater role for the UN and to say that NATO had failed to settle the Cyprus problem because of "ulterior motives." Soviet criticism of NATO will

probably increase as the attempts to reconvene the Geneva peace talks proceed.

Still, the Soviets can take heart from some favorable developments, such as the fall of the Greek military junta and the withdrawal of Greece from NATO, which have been achieved at no cost to them.

### Military Situation

After a four-day Turkish advance across Cyprus, both Greek and Turkish forces on the island agreed to a cease-fire on August 16. The Turks, however, continued their advance until August 18 and took an area of high ground near the Nicosia-Larnaca road, which they had declared as an "ancillary objective." Since then, the cease-fire has held with a few minor exceptions.

The major Turkish objective of seizing the northern third of Cyprus—along a line running generally from Lefka through Nicosia to Famagusta—was achieved shortly before the cease-fire was implemented. The Turks' advance had been expected to stop when it reached the southernmost of the two major roads between Nicosia and Famagusta on August 16, but their forces continued toward the besieged Turkish Cypriot enclave at Melousha. By August 18, the Turks had captured the village of Pyroi, thus gaining control of the important Nicosia-Larnaca road. The southward advance finally stopped at the village of Troulli just west of the British base at Dhekelia.

Prior to the cease-fire, the heaviest fighting on Cyprus was north of the Nicosia airport, where Turkish troops attempted to overrun the camp of a 950-man regular Greek army contingent. The Greeks repulsed the numerous attacks despite heavy Turkish air and artillery strikes. Since the cease-fire, there have been no reports of attacks on the Greek camp.

On the mainland, the US defense attache in Ankara reported that a convoy of at least 500 military vehicles moved southwest from Adapazari toward Bursa on August 19. Some of the

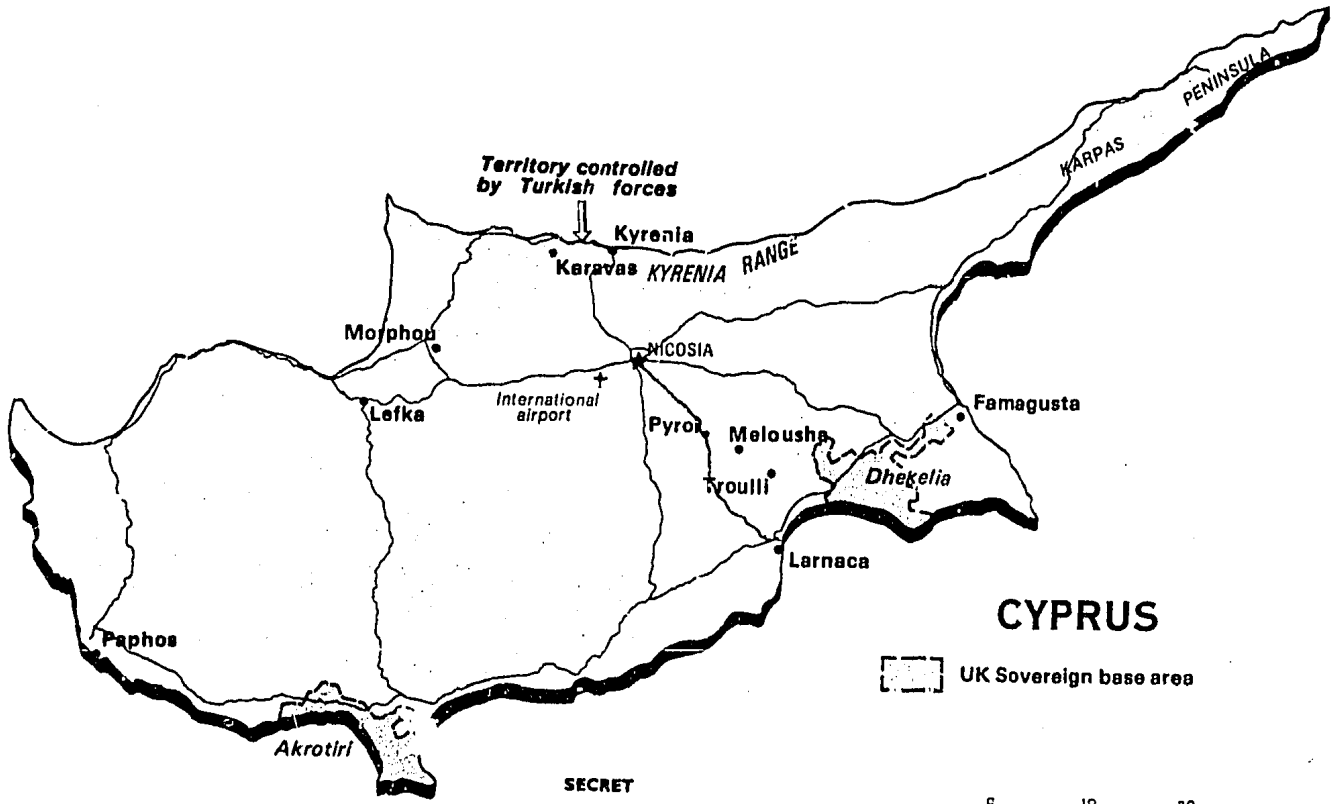
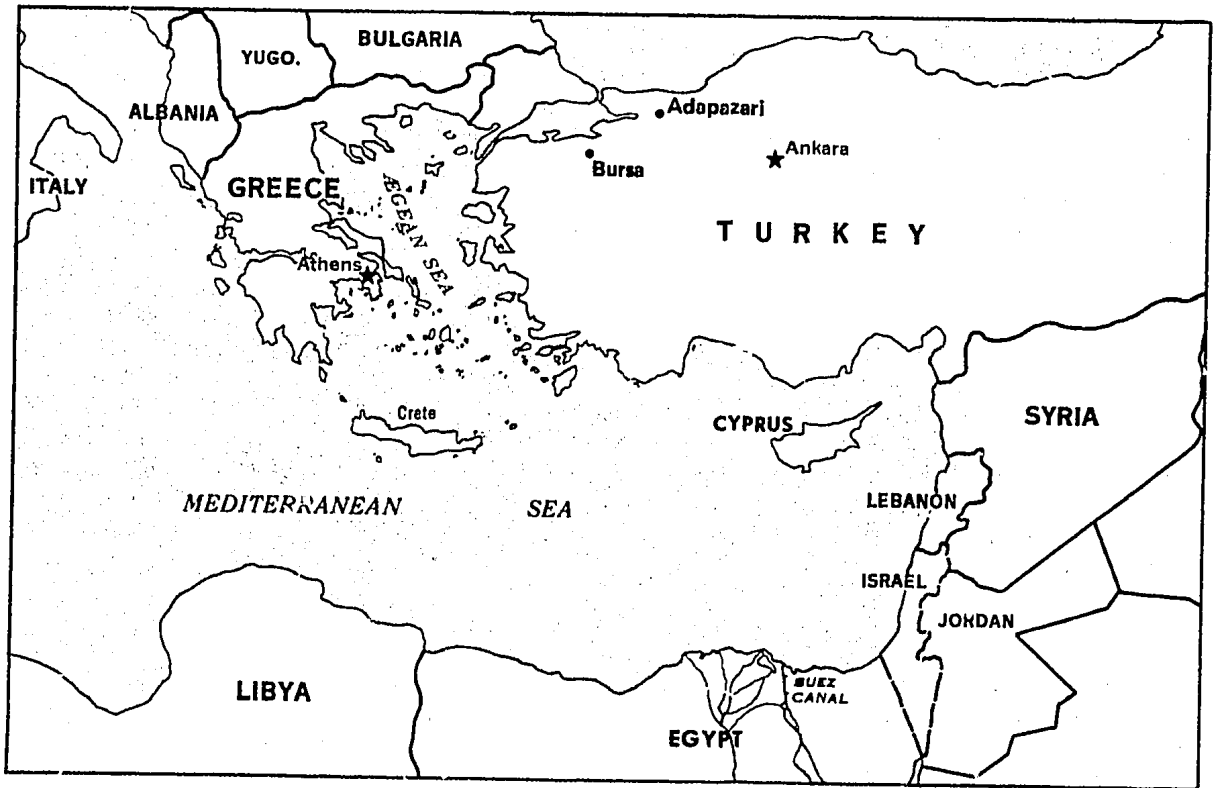
trucks carried troops in battle dress, and others were towing artillery pieces and transporting supplies. The destination and purpose of the convoy has not been determined.

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Turkish Chief of Staff Sancar  
*We are in full control*

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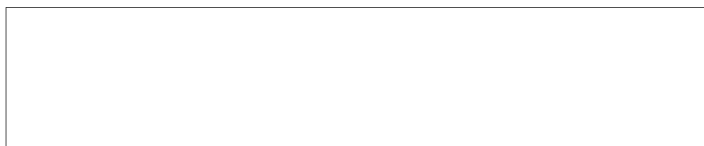
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## ARAB STATES - ISRAEL: GROPING THEIR WAY

Syrian Foreign Minister Khaddam's visit to Washington this week underscores Syria's interest in continuing to pursue its objectives, for the present at least, through negotiations rather than war. President Asad put the Syrian army on a precautionary alert, but otherwise Damascus' reaction over the past month to Israeli military maneuvers and talk of war has been unusually restrained.

While in Yugoslavia last week, Asad accused the Israelis of raising tensions in the Middle East in an attempt to stall negotiations and warned that Syria was ready to rebuff any Israeli military attacks. Asad said that Syria might again have to resort to force if Israel continued to throw "obstacles in the path to peace," but in the joint communique issued at the end of Asad's visit the Syrians implicitly stressed the need to continue efforts to find a peaceful solution.



There is always the danger, of course, that the Syrians might become disenchanted with the peace talks. But they do not appear anywhere near that point now. Without Egyptian support or the element of surprise, moreover, the Syrians know they would risk a military disaster by carrying out a large-scale attack against Israel.

Right now, President Asad seems mainly preoccupied with sorting out his relations with Egypt, Jordan, and the Palestine Liberation Organization in preparation for the next stage of the Geneva talks. He met with PLO chief Yasir Arafat earlier this month. The two men reportedly agreed to work more closely together to bolster the moderate faction of the PLO against the "rejection front," which has demanded that the organization refuse to attend the Geneva conference.

Although still distrustful of Sadat, Asad is said to have told Arafat that Syria as well as the PLO must continue to cooperate with Egypt. Asad also said he was unwilling to risk a complete

breach with Jordan as long as the threat of war with Israel remained, but he promised to try to bring about negotiations between Jordan and the PLO on an equal basis. Asad would like to see some sort of compromise between the PLO and Jordan to enable the Arabs to get on with formulating a coordinated strategy for the peace talks.

Egypt, meanwhile, is continuing preparations for a tripartite meeting with Syria and the PLO possibly to be held at the conclusion of Syrian Foreign Minister Khaddam's visit to Washington. The primary purpose of the meeting will be to urge compromise on the Palestinians. Egypt will try to persuade both Syria and the PLO that, while Cairo is not abandoning the Palestinian cause, any hope at this point for the eventual establishment of a Palestinian state requires that the PLO first acknowledge Jordan's right to negotiate for the return of the Israeli-occupied West Bank.

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Asad



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Egyptian Foreign Minister Fahmi's recent statements in Washington seem to lean heavily in Jordan's direction. He told a television interviewer last week that Jordan might represent West Bank Palestinians "temporarily," if this were necessary to induce an Israeli withdrawal from the territory. In the US-Egyptian communique at the conclusion of his visit this week, Fahmi agreed that the attendance of "other parties" at the Geneva conference would be decided only when the conference reconvenes. He thus implicitly acknowledged the Palestinians' exclusion from the next round of negotiations.

Israel's largest daily criticized the invitation as an attempt to dictate a timetable to Israel in an effort to maintain the diplomatic momentum of the negotiations. Another influential journal, however, claimed that Rabin may actually prefer an early trip to Washington in order to press for negotiations with Egypt rather than Jordan as the next step. One English-language daily argued that references to a disengagement agreement, with its buffer zones and UN controls, only serves to separate the West Bank from Jordan. Israel is anxious to prevent the creation of a separate Palestinian state and will try to ensure that any West Bank territory it might agree to give up reverts only to Jordan.

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Statements by government officials reflected some of the same unhappiness evidenced by the press as well as a desire to slow the pace of negotiations. Prime Minister Rabin told a paramilitary youth group on August 19 that there would be no more disengagement pacts such as those with Egypt and Syria, but only talks pointed toward achieving substantive peace agreements. The same day, a high Israeli official told Ambassador Keating that he assumed there was no pressing reason for Rabin to go to Washington before October. The official also scoffed at an initial disengagement accord with Jordan that would involve Israeli troop withdrawals.

The government's go-slow attitude toward the negotiations with Jordan stems in large part from its self-imposed commitment to call for new national elections before agreeing to any West Bank settlement involving Israeli territorial concessions. An interim agreement with Jordan presumably would trigger such elections at a relatively early date. Rabin reportedly prefers to go before the electorate only on the basis of an overall, final peace settlement with Jordan in order to increase the government's chances of success and to avoid opposition charges that he succumbed to US pressures for a partial settlement without knowing the content of the final package.

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#### ISRAELIS IN NO HURRY

In Israel this week there were signs of concern that Washington may be pressing Tel Aviv to step up the pace of peace negotiations and that the US may be supporting Jordan's efforts to secure a troop disengagement agreement on the Israeli-occupied West Bank. Press commentaries reflected alarm over the US-Jordan statement issued at the conclusion of King Husayn's visit to Washington on August 18, which referred to such a military separation, and over Secretary Kissinger's announcement the following day that Prime Minister Rabin had been invited to visit the US in early September.

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## EGYPT-LIBYA: MEETING PRODUCES LITTLE

The meeting between presidents Sadat and Qadhafi last weekend in Alexandria resulted in little more than a papering over of their much publicized feud. Both leaders agreed to quiet down acrimonious press exchanges and to send representatives to another round of talks in early September. The dismantling of their once cooperative alliance, however, will continue.

Although Qadhafi had long been eager for such a meeting, Sadat apparently went along with the mediation effort largely because it was arranged by United Arab Emirates President Sheikh Zayid, one of Cairo's wealthy benefactors. The meeting received scant coverage in the Egyptian press, and Sadat only half-heartedly offered to

send an emissary to Tripoli to carry on the dialogue.

Neither Sadat nor Qadhafi seems convinced that a true reconciliation is possible, and their agreement to muffle differences may not survive the current withdrawal of the Egyptian military mission from Libya. Each side has agreed publicly to return military men and equipment on loan to the other, but differences could arise over whether equipment was "given" or "loaned." Moreover, Tripoli reportedly intends to hold some Egyptian aircraft and support personnel until Cairo returns a squadron of Libyan Mirages. If either side begins to suspect the other of renegeing on the agreement, recriminations could quickly flare up again.

Sadat would like to avoid such an incident, if only to keep himself free to deal with the broader issue of peace negotiations. The Egyptian leader, however, has little tolerance for Qadhafi's antics, and if provoked he might renew his subtle appeal to other members of the Libyan leadership to challenge Qadhafi's authority.



Qadhafi and Sadat  
*Friends in public*

Although Qadhafi and his colleagues remain publicly united, the Libyan leader cannot afford to ignore the possibility of Egyptian trouble-making. The rift with Cairo has probably aggravated private differences between Qadhafi and his subordinates, who have for some time questioned the wisdom of their leader's policies toward Egypt. There is no evidence that other members of the regime are sympathetic to Egypt's position, but several are thoroughly disgusted with Qadhafi's arbitrary behavior, and urgings from Cairo may encourage them to stronger expressions of dissent with Qadhafi.

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## ARABIAN PENINSULA: RADICAL SHIFT

The recently announced reorganization and change in name of the Aden-based Popular Front

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for the Liberation of Oman and the Arab Gulf—an organization of area radicals dedicated to the overthrow of local conservative governments—suggests an early effort by the Marxist regime in South Yemen to establish diplomatic ties with the conservative gulf states. There are no signs, however, that the Front, which has long been conducting the guerrilla war in Oman's Dhofar Province as well as organizing cells in the gulf states, intends to modify its effort to bring down the government of Sultan Qabus by force.

In early August, Aden radio announced that the "second general conference" of the radical organization had adopted, sometime in July, a plan whereby the Front's various national units in Oman and in the gulf states would become independent and free to draw up their own action programs designed to fit local political situations. On August 7, Aden radio indicated that "Arab Gulf" had been dropped from the organization's name and that the resulting Popular Front for the Liberation of Oman embraced only the Dhofari rebels.

The statements coming out of Aden attribute the break-up of the old Front to the need to "mobilize," to "put secondary contradictions aside," and to create an organizational form that will enable the Dhofari rebels to concentrate on finally putting down the British and Iranian "invasion" of Oman. At no point in the statement on reorganization was there any indication that the rebels intend to withdraw their guerrilla units from Dhofar. In fact, a later statement reiterated their commitment to continue the "armed struggle."

The name change and modification of the Front's structure and focus were probably undertaken at the behest of Aden. The South Yemenis reportedly are interested in improving relations with the gulf states. For Aden to continue to be identified as the primary backer of an organization overtly committed to the "liberation" of those very governments would certainly not make



Sultan Qabus

the establishment of diplomatic relations an easy task. At the same time, South Yemen can be expected to continue its ties, on a covert level, with the gulf radicals.

Meanwhile, Omani officials are reacting warily to recent proposals being floated by officials of some moderate Arab states that an Arab military force be sent to Dhofar. As yet, the Omanis are not certain what the proponents of the plan have in mind, but Sultan Qabus is not likely to be receptive to any proposal that would replace the 1,400-man Iranian force already there with an untried Arab contingent. Omani Foreign Minister Zawawi has speculated, however, that an Arab peacekeeping force along the Oman - South Yemen border might be appropriate after the Dhofar conflict ends.

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## IRAN-IRAQ: TENSIONS RISE

Tehran this week placed its border guard units and army divisions near the border with Iraq on full alert in response to minor border incidents and increased Iraqi military action against the Kurds. The new Iraqi campaign against the Kurds—which seeks to cut rebel supply lines to Iran and to isolate Kurdish forces—increases the likelihood of violations of Iranian territory. Iraqi aircraft that strayed across the border reportedly bombed one Iranian village, and another village was shelled.

Although Iran in the past has dealt with Iraqi border violations in a low-keyed manner, the Shah evidently has now decided to meet with force any Iraqi operations against the Kurds that spill over into Iran. He has ordered at least three army brigades and supporting units to move closer to the border to back up the gendarmerie.

Baghdad and Tehran have been exploring the possibility of talks since last May, when the UN Security Council adopted a resolution calling for an end to the occasionally violent border dispute and for another effort at a negotiated settlement.

Discussion at the foreign ministers' level depends, however, on whether both sides can keep border incidents triggered by Iraqi-Kurdish fighting from getting out of hand. A senior official in the Iranian Foreign Ministry has told the US embassy that Iran expects to make little headway in the Istanbul talks in view of what Tehran calls continuing Iraqi border provocations. Khalatbari announced on August 14 that he had instructed the Iranian delegate in Istanbul to make representations to his Iraqi counterpart about the "border aggression." 25X1 25X1

The Iranian moves were probably responsible for an Iraqi decision to conduct a military exercise near the Iranian border as a show of force. On August 20, armored units not involved in the Kurdish fighting held maneuvers within a few kilometers of the border.

Despite the increasing tension along the border, Baghdad and Tehran apparently intend to proceed with talks that began last week in Istanbul. These talks are aimed at preparing an agenda for possible discussions by the Iraqi and Iranian foreign ministers. Iranian Foreign Minister Khalatbari left for Istanbul on August 20 to ascertain whether or not the preliminary talks have made enough progress to justify a meeting with his Iraqi counterpart.



## PORTUGUESE AFRICA: UPS AND DOWNS

Lisbon's decolonization process in Africa, well advanced in the case of Guinea-Bissau, may soon move forward in Mozambique. Angola, however, continues to pose major problems for the Spinoia government.

Foreign Minister Soares returned to Lisbon last weekend following talks in Dar es Salaam with leaders of the rebel Front for the Liberation of Mozambique. The talks resulted, according to Soares, in tentative agreement on a plan that calls for the formation of a provisional government with "substantial" rebel participation. The provisional government, to be headed by a "high Portuguese official," would run the territory for a transitional period of one year, after which power would be transferred to the Front.

Soares indicated that the plan is now being studied by President Spinoia. If it is finally accepted by both sides, further talks to work out details, such as the extent of rebel participation in the provisional government, could take place in the near future.

Lisbon clearly remains in a quandary over Angola. It wants desperately to talk with the rebels there, but has been frustrated by rivalry among the three rebel groups as well as by factionalism within one of them—the once-dominant Popular Movement for the Liberation of Angola. Moreover, racial antagonisms are more deeply rooted in Angola than in the other territories, and Lisbon cannot show itself too ready for accommodation with the insurgents without risking a backlash from the territory's sizable white minority. Racial violence has flared up on numerous occasions since the coup in Lisbon last April, and it could quickly break out again.

In the absence of talks with the rebels, President Spinoia is scheduled to meet with Zairian President Mobutu, possibly this weekend, to discuss the Angolan problem. Lisbon is well aware that Mobutu is an influential figure in the African liberation movement, and that he has his own stake in securing a peaceful transition and stable government in Angola. Mobutu, for his part, will test Lisbon's attitude toward the Zairian-based



Angolan rebel  
*Still a problem*

National Front for the Liberation of Angola, which he is trying to boost into the dominant negotiating position with Lisbon.

Both the National Front and the Popular Movement—the two leading rebel groups—have publicly rejected the offer Lisbon made last month to establish a provisional coalition government that would include representatives of the rebel organizations and of the white and mestizo communities in Angola. At the present time, neither rebel group is eager to share power with the other. The Popular Movement is currently preoccupied with a congress taking place in Zambia to try to resolve a two-year-old leadership dispute. The National Front, long the junior of the two groups, does not have as wide a following within Angola. Until the Popular Movement's leadership crisis is resolved and some sort of united front established between the two rival organizations, there seems little chance that Lisbon's program for decolonization will make any headway in Angola.

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### CAMBODIA: NEW UN TACTICS

Following a brief swing through several Asian capitals, Prime Minister Long Boret is back home with a new strategy for defending Phnom Penh's seat at the UN. Boret enlisted the help of Indonesian Foreign Minister Malik in developing a new approach that hopefully will appeal to potential abstainers and possibly even to some delegations that voted against Phnom Penh last year.

A pro-Sihanouk resolution will almost certainly be inscribed on the General Assembly agenda this fall. Boret's plan is to offer an amendment to the resolution calling for the establishment of a UN fact-finding team to investigate the situation in Cambodia and requesting that no further action be taken on the Khmer issue until the team submits its report to the 1975 General Assembly.

Although the maneuver is essentially a new twist on the old delaying action of last year, it has a reasonable chance of success. Jakarta has apparently promised to lobby hard for the amendment. The support of the Philippines, Australia, and Japan also seems assured. Malaysia, Singapore, and Thailand have so far shown little enthusiasm for Phnom Penh's UN cause, but will probably fall in line. Strong Asian support for the amendment could attract the votes of delegations

hitherto reluctant to involve themselves in what they have considered essentially a regional issue. In any case Boret's amendment would improve Phnom Penh's bargaining position at the General Assembly and place Sihanouk's backers on the defensive.

#### Arab Dividends

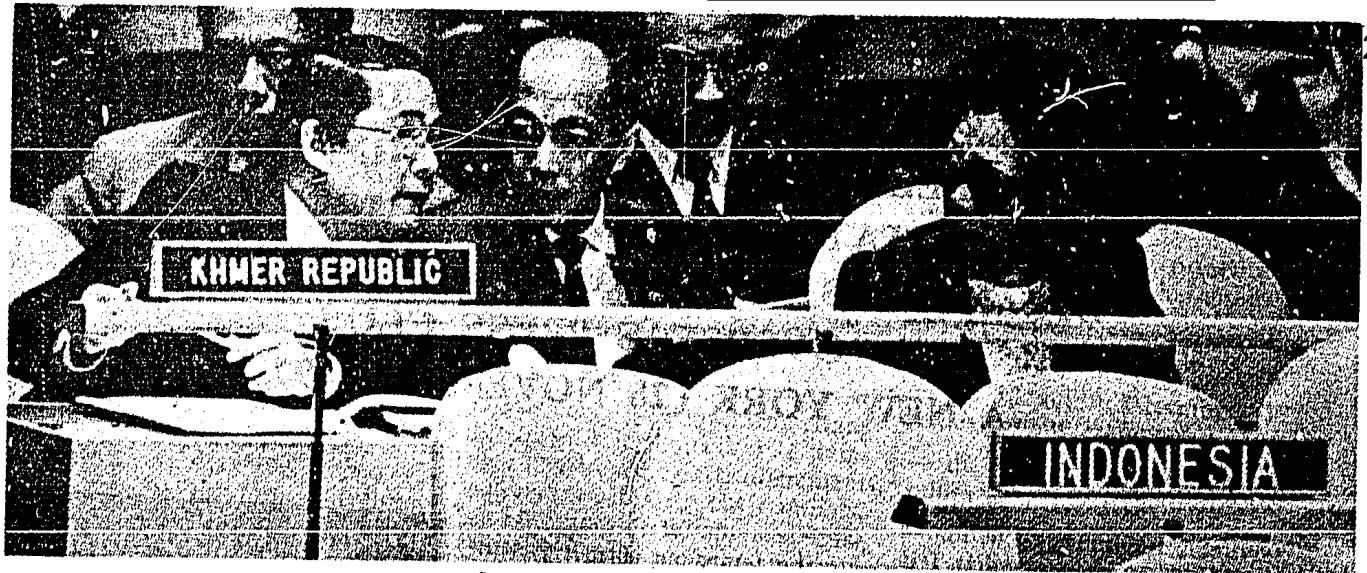
Phnom Penh may also be on the verge of an important breakthrough in its efforts to gain increased international recognition on the eve of the UN battle.

King Faysal has agreed to receive Prime Minister Long Boret in Jidda during the last week in August, and a formal announcement of Saudi recognition is expected at that time.

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The Lon Nol government had been courting the Saudis with little apparent success for most of the summer. Jidda was slow to approve the visit of an unofficial Cambodian delegation, and few in Phnom Penh expected that Saudi recognition could be obtained. Increased Arab support—even Jidda's alone—could create favorable conditions at the UN for Long Boret's planned new initiative.

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Long Boret at an earlier UN session

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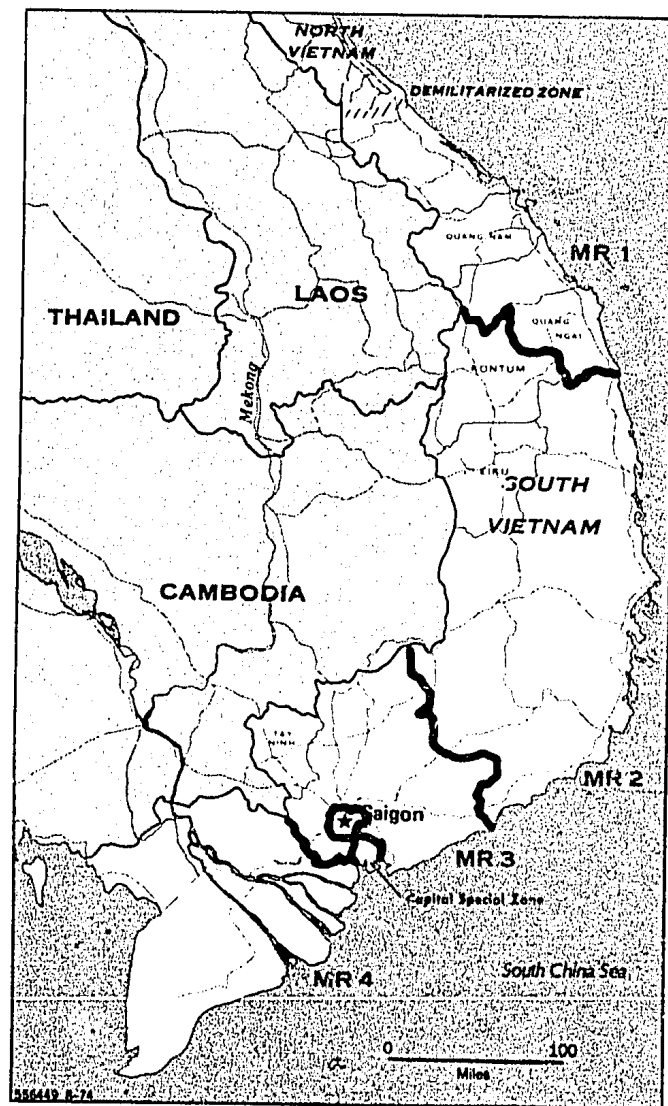
## Vietnam: COMMUNIST PRESSURE CONTINUES

The Communists' summer campaign is now in its fifth week, and although the Communists have not made any further significant gains into the populated sectors of southern MR 1, they are continuing the pressure against several outlying district towns. In Quang Ngai Province, North Vietnamese forces captured the second district capital in as many weeks and overran a South Vietnamese outpost in Kontum Province. Another outpost in Pleiku Province is under attack, and the government has lost three isolated government positions in southeastern Tay Ninh Province.

Both government and Communist losses have been substantial, but the government's defense effort has not been crippled in any of the regions. South Vietnamese commanders are still expressing confidence that they can contain the attacks and eventually recapture most lost positions. In September, bad weather will begin to set in over much of the country. The government is hopeful that the pressure in the northern provinces will then ease sufficiently for them to begin retaking some of the lost ground. Military officials are cautious in their appraisals, however, and apparently are reconciled to some fairly intense fighting and further losses through the end of the year. Prime Minister Kiem, for example, already has directed General Truong in Military Region 1 to begin drawing up a plan to consolidate his forces on the periphery of the region's major population centers. Kiem acknowledges that such a plan could mean additional loss of land and people, but he is unwilling to accept the heavy casualties and equipment losses that would be involved in trying to defend remote and strategically unimportant positions.

Although government military commanders are generally satisfied with the performance of their units, they also are complaining of shortages of ammunition, helicopters, and combat equipment. Government commanders are also pointing to the large amounts of ammunition and equipment the Communists are using in their current campaign as an indication that the Communists have sufficient materiel resources to back their campaign for the next several weeks.

Despite this apparent Communist logistic advantage, senior government commanders in Military Region 3 are finding some shortcomings in the enemy's performance. They claim that the Communists have used poor infantry tactics, have unnecessarily exposed artillery and heavy equipment to air strikes, and have displayed a general lack of aggressiveness on the ground. Communist main forces in the region, they feel, are not as strong, well-trained, or well-led as originally estimated.





## JAPAN: TANAKA'S POLITICAL OUTLOOK

Three months ago, Prime Minister Tanaka was looking ahead to this summer as recompense for a year of political setbacks. A slight easing of the inflationary spiral, together with the disarray of the opposition parties, augured well for the chances of his Liberal Democratic Party in the Upper House elections scheduled for July. Tanaka saw in the anticipated victory an opportunity to weaken both the left in parliament and his rivals within the ruling party, thus setting the stage for his own re-election in 1975 to a second term as party president and prime minister.

The election, far from fulfilling Tanaka's hopes, reduced Liberal Democratic strength to a three-seat majority in the Upper House, sufficient to pass legislation but not to fully control the flow of committee business. The setback produced a flood of intraparty recrimination, almost all of it directed against Tanaka personally. Two cabinet members (Deputy Prime Minister Miki and Finance Minister Fukuda) resigned immediately in protest over the Prime Minister's high-handed campaign tactics.

Just last week, Keidanren, the influential umbrella organization of the nation's business leadership, announced that it will no longer serve as a collection agency for the ruling party. Keidanren's action followed growing public criticism of the intimate government-industry relationship—in particular Tanaka's excesses in squeezing campaign funds from the business community. Corporate donations will not end, but the Liberal Democrats will now have to rely upon voluntary contributions in place of the assured monthly income that Keidanren provided in the past.

The six weeks since the election have been a time of political retrenchment. The defection of Miki and Fukuda is certainly not a crippling blow to Tanaka—he remains very much in charge—but it compels him to woo more actively the key politicians of the intraparty opposition. In this



Tanaka

effort, he has all the tactical advantages of an incumbent—most importantly, the power of appointment, and control of the party's vast cash reserves.

Tanaka's cause, moreover, is aided by the basic political unattractiveness of his challengers. Fukuda, the only serious contender at this point, will probably find little profit in his self-imposed cabinet exile. He is nearly 70, with an image of excessive conservatism; his succession hopes are, perforce, tied to the possibility of filling in for a politically crippled Tanaka.

Public support for Tanaka may dip again this fall as the government is forced to choose between either continued fiscal and monetary restraints to counter inflation, or stimulation of the economy to ease the recession. Barring an acute slump in the economy, however, or the emergence of some major political scandal tied to the Prime Minister, Tanaka will likely complete his first term and go to his party's convention in mid-1975 favored to win another three years in office.

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## Korea-Japan: ASSASSINATION AFTERMATH

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The August 15 attempt to assassinate South Korean President Pak Chong-hui—which resulted instead in the death of his wife and a teenage bystander—will have a major political impact because of the gunman's background and the way authorities in Seoul have chosen to represent his actions.

South Korean authorities claim that assailant Mun Se-kwang confessed under interrogation that his effort to kill President Pak was ordered by North Korean President Kim Il-song.

The official South Korean version of the assassination plot is that Mun, an anti-Pak activist among Koreans resident in Japan, was recruited for his mission in September 1972 by Kim Ho-ryong, leader of a chapter of Chosen Soren, the pro-Pyongyang umbrella organization of Koreans in Japan, and by an unidentified North Korean. Mun was told by his mentors that Kim Il-song had ordered the assassination. According to the South

Koreans, Mun had been instructed to kill Pak earlier, but the date had then been postponed to August 15.

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Much of this story has been confirmed by independent investigation, [redacted]

[redacted] Mun was a friend of Kim Ho-ryong, who was committed to the North Korean cause; and Mun was a long-standing admirer of Kim Il-song and Mao Tse-tung. There is as yet no confirmation, however, of Kim Ho-ryong's—or Chosen Soren's—involvement in the assassination plot, much less of Kim Il-song's personal role.

Seoul's accusations—true or not—will have important effects. The political dialogue between North and South Korea—moribund in any case—seems headed for the deep freeze. The signs are already evident: Seoul called off a meeting scheduled for August 21 and has intensified propaganda attacks on the North; Pyongyang, for its part, is charging Seoul with “foul intrigues” designed to bolster Pak's repression at home and to justify a crackdown by Tokyo on anti-Pak elements among the 600,000 Koreans in Japan.

The attempted assassination will reinforce President Pak's determination to stamp out domestic dissent, whatever the source. There are, on the other hand, prominent South Koreans who would like to retreat from a policy of repression, fearing that it might eventually push the country to the brink of internal chaos. They see this as an appropriate moment for Pak to rally the population in support of policies that clearly distinguish the Communist enemy from legitimate political opposition. If he follows past form, however, Pak will probably disappoint such hopes.

Further deterioration of the already strained relationship with Japan is also likely. Seoul has reviewed the dimensions of the “Japanese connection” in the Mun case and has concluded that “the North Koreans are using Japan as a base” against South Korea. Affronted by official Japanese denials of any legal or moral responsibility, and by persistent Japanese press attacks on the Pak government, Seoul is demanding a



President Pak and his wife  
*Moments before*

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demonstration of Japanese "sincerity" as well as tough action against Kim Ho-ryong and the Chosen Soren apparatus. Prime Minister Tanaka's presence at Mrs. Pak's funeral apparently has not appeased the South Koreans, whose resentment could easily take on ultranationalist coloration. There have already been demonstrations at the Japanese embassy in Seoul.

The key to Seoul's course of action in all these problem areas is Pak himself. The loss of his wife, a major softening influence on his otherwise stern and unyielding personality, could well lead the President to strike out more forcefully against his various opponents. [REDACTED]

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### MALAYSIA: NO ELECTION SURPRISES

The Razak government is expected to sweep the national elections on August 24. Razak's National Front, a new nine-party confederation that mirrors Malaysia's racial diversity, will probably take the lion's share of the 154 seats in the lower house of the federal parliament. The Front's member parties held 118 of the 144 seats in the outgoing parliament, and they are likely to do better in the enlarged body.

The projected election outcome will further Prime Minister Razak's aim of achieving a "national consensus," a solid coalition government that embraces all of Malaysia's major races and has a minimum of political opposition. At the same time, the United Malays National Organization, the main government party, predominates in the multiracial National Front, and Malay political pre-eminence has been enhanced by a redrawing of electoral boundaries.

Under the constitution, the government was not required to go to the polls until 1976, but Razak decided to act now, believing government popularity is at a peak. Economic prosperity currently is at an all-time high, but there may be a downturn later in this year or the next because of Malaysia's dependence on exports. The government also believes that its position has been

strengthened by recent successes against Communist insurgents in the east Malaysian state of Sarawak, and that these achievements will outweigh any public concern over the expansion of Communist activities in peninsular Malaysia. Moreover, the opposition parties are weak, and efforts to establish a united opposition front have foundered.

The campaign has been a quiet one, and the government hopes that limiting the campaign to three weeks, plus strictures on the discussion of racially sensitive subjects, will prevent a recurrence of the communal rioting that followed the last elections in 1969. Communist terrorists have staged several incidents in remote areas, but they are not capable of interfering significantly with the voting. [REDACTED]

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Razak

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### MEXICO: MAJOR OIL FIND

Mexico reportedly has discovered giant oil fields in its Chiapas and Tabasco states that could change the petroleum market in the Western Hemisphere. If the more optimistic estimates of the new fields' potential are borne out, within a few years Mexico could rank alongside Venezuela as the Western Hemisphere's leading oil exporter. Venezuela's proved reserves, now estimated at 14 billion barrels, have been declining steadily as a result of reduced exploration.

These fields are being widely compared with the "Golden Lane" fields that made Mexico the world's largest oil exporter early in the century. The oil is of high quality, and reservoir pressures, gas/oil ratios, and other indicators are all highly promising.

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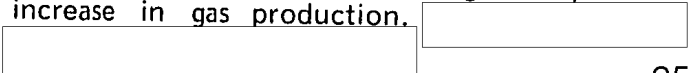
Mexican officials have already announced an abrupt turnaround in the nation's crude oil supply. In June, sharply increased production from these new oil deposits allowed Mexico to break the record of 521,000 barrels per day set in 1921, to end crude oil imports of 65,000 barrels per day, and to declare an exportable surplus.

Mexican oil production will probably exceed 750,000 barrels per day by the end of 1974, and the country will have an exportable surplus in excess of 150,000 barrels per day. Transporting this oil should pose no problem as the fields are close to port facilities on the Gulf of Mexico. The discovery is also likely to bring a 20-percent increase in gas production.

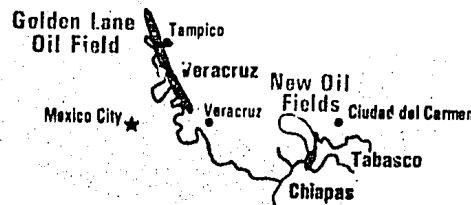
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The state oil company discovered the new fields in 1972, and all subsequent wells have proved successful. Another dozen or so geological structures likely to be productive have been mapped in the area. Mexico has already earmarked \$1.4 billion to explore and develop the new deposits during 1974-76.



#### MEXICO



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## PANAMA-CUBA: DIPLOMATIC RELATIONS

The Panamanian government announced on August 20 its intention to re-establish diplomatic relations with Cuba after a break of 13 years. The next day, a delegation headed by Nicolas Barletta, minister of planning and economic policy, traveled to Havana to make the formal arrangements. Barletta's role as a key economic technician in the Torrijos administration suggests that he is likely to discuss trade as well as political matters with his hosts. Among Panama's reasons for normalizing relations with Cuba is the fact that Torrijos believes his friendship with Castro buttresses his "revolutionary" image in the developing world. The two leaders—who already have had extensive dealings with each other, but always through intermediaries—are likely to meet soon.

Barletta told a press conference in Panama that the re-establishment of diplomatic ties with



Barletta

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### *PANAMA JOINS SIX OTHER OAS MEMBERS—ARGENTINA, MEXICO, PERU, JAMAICA, BARBADOS, AND TRINIDAD AND TOBAGO.*

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Cuba was a step toward Latin American unity. He said that Panama did not anticipate any economic reprisals by the US for taking the step, noting that the US maintains very good relations with Mexico, which has continued to maintain diplomatic ties with Havana despite the sanctions imposed in 1964 by the Organization of American States. Furthermore, Torrijos apparently feels that the canal treaty negotiations with the US are far enough advanced so that they will not be impaired by the move toward Cuba.

Panama joins six other OAS members—Argentina, Mexico, Peru, Jamaica, Barbados, and Trinidad and Tobago—that have full relations with Cuba. Guyana, which is not a full member state of the OAS, also has diplomatic and trade ties with Havana. Several other governments, including Colombia, Venezuela, and Costa Rica, are strong supporters of lifting the OAS sanctions against Cuba, but thus far have held off making unilateral moves, preferring to work through OAS channels. Given the Panamanian initiative, however, and the widespread speculation in Latin America about a possible new US policy toward Cuba under the administration of President Ford, additional unilateral moves may be forthcoming.

Nothing would please Castro more. He recognizes that the OAS is likely to lift the sanctions against Cuba eventually, opening the way for the renewal of diplomatic relations by the member nations. He prefers, however, that they take this step outside the OAS framework because it contributes toward his goal of scuttling the organization.

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### Nicaragua ONCE AND FUTURE PRESIDENT

General Anastasio Somoza is expected to be returned to the presidency on September 1 in general elections that will also result in a substantial majority for the well-organized ruling Liberal Party. The legal opposition—a small faction of the Conservative Party—constitutionally must receive 40 percent of the congressional seats and representation throughout the government regardless of how small its percentage of the vote. The non-legal opposition proposes to boycott the polls, and its leaders may try to provoke their own arrest in a bid for sympathy that might attract wider support.

The presidential contest—if it can be called that—is between former President Somoza (1967-72) and his colorless opponent, Edmundo Paguaga, who currently occupies the one Conservative seat on the executive troika. Somoza is the third member of his immediate family to hold the top office during the 40 years his family has controlled Nicaragua. Unable constitutionally to succeed himself and unwilling to step down for a full five-year term, Somoza negotiated a pact with



Somoza

the Conservatives in 1971 whereby he would be succeeded by a 30-month interim government (May 1972 to December 1974). The Conservatives were promised increased participation in the government and a revamping of the electoral system. For Somoza, whose re-election then was recognized as a certainty, the pact offered a faster return to office.

The increase in minority representation was embodied in a revised constitution issued earlier this summer. Electoral reforms and the re-registration of voters, however, were all but ignored. The failure to accomplish this important provision of the pact has been one factor in causing many Conservatives—and some disgruntled Liberals—to desert their parties and make common cause with the non-legal opposition. This amorphous group includes small unregistered parties of all political stripes and a wide range of independents.

Their numbers are relatively small, but they have been a very articulate opposition. Twenty-seven of their leaders were tried for publicly branding the election a sham and recommending that voters shun the polls on September 1. Encouraging non-participation in an election is illegal, and the 27 had their citizenship rights suspended for six months. Under the suspension, they are not allowed to hold public office, hold or attend meetings, or to petition—strictly interpreted this could prevent them from being notaries, a considerable source of revenue for many lawyers—or even to apply for a driver's license.

This sentence was probably intended to silence the leaders of the non-legal opposition during the remainder of the campaign without making them martyrs by going to jail. It might, however, cause some to speak out more forcefully or to incite some minor unrest in an effort to get arrested. General Somoza and the National Guard can very likely handle any such unrest, but heavy-handed tactics would run the risk of causing reaction from other, formerly quiescent sectors.

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## ALTERNATIVES TO NON-PROLIFERATION

A second session of the committee preparing for next year's Non-Proliferation Treaty Review Conference will begin in Geneva next week. The US views the conference as a means of attracting more adherents to the treaty and otherwise strengthening it. The non-proliferation system established by the 1968 treaty is being increasingly challenged, however.

The Indian nuclear explosion on May 18 provided the catalyst for a number of countries to re-examine their nuclear policies. More importantly, the failure of the US and the USSR to condemn the Indian action has raised doubts among many countries about the commitment of the major powers to nuclear non-proliferation. Many now perceive no disadvantage to keeping the nuclear option open, a view that has been reinforced by the US decision to provide nuclear equipment to Israel and Egypt.

Within recent months, the concept of the regional nuclear free zone—similar to the 1967 Latin American Nuclear Free Zone—has become the most frequently proposed alternative. Increased interest in the concept of nuclear free zones has led the Iranians to revive their proposal to establish a nuclear free zone in the Middle East, although they have deliberately left the geographical limits of the zone undefined. The Pakistanis have already made known their intention to submit to the UN a proposal for a Southeast Asian nuclear free zone if the Indian subcontinent is excluded from the Iranian proposal.

Earlier this year, a Nigerian spokesman suggested reconsideration of the 1964 Declaration of the Organization of African Unity regarding a nuclear free zone for Africa. Most recently, Romania promoted the concept of nuclear free zones, declaring that regional regimes should encourage peaceful uses of nuclear energy.

The countries affected by these regional arrangements are also claiming new rights for parties to such nuclear-free zones. In a recent memorandum submitted to the International Atomic Energy Agency, the organization responsible for administering the Latin American Nuclear Free Zone suggested that parties to regional arrangements should enjoy the same benefits as parties to the non-proliferation treaty. While that treaty has long been condemned by its critics as perpetuating discriminatory arrangements in favor of the nuclear powers, incentives for accession to the treaty itself would be severely diminished if this proposal is widely accepted.

The US has consistently maintained that four conditions must be met if a nuclear free zone is to be recognized:

- the initiative should be taken by the states in the region concerned;
- the zone should include all states in the area whose participation is deemed important;
- the creation of a zone should not disturb necessary security arrangements;
- provision should be made for adequate verification.

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The actual establishment of a nuclear free zone and the interpretation of what this entails are up to the countries in the region, however, and it is thus possible that there would be provision for conducting peaceful nuclear explosions. Under the terms of the treaty, states not possessing nuclear weapons are prohibited from conducting peaceful nuclear explosions, although the US, UK, and USSR are obligated to make available any technology derived from nuclear research.

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**FRANCE: DEFENSE POLICY REVIEW**

France's current defense policy review, in which budgetary cuts are a key concern, could lead to discussion of new approaches to West European security cooperation.

Paris has thus far given no hint that policy shifts are under consideration. The review may have been partially inspired by pressure to reduce the budget and to establish new priorities among France's ambitious and expensive advanced technological programs.

Press accounts this week, prompted by articles in the newsweekly *L'Express* and military journals, speculate, however, that Paris is considering a new approach to defense cooperation with its West European neighbors. The *L'Express* article, allegedly based on information from a presidential adviser, says that President Giscard is attempting to deal with the contradiction between France's defense policy, which treats Germany as a potential enemy, and its Soviet and European policies, which call for close cooperation among EC members.

Giscard's perspective is different from that of the late President Pompidou, who apparently preferred partnership with London rather than Bonn. Giscard has a much closer relationship with Chancellor Schmidt, dating back to their earlier days as finance ministers, than with any British leader.

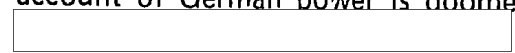
*L'Express* says Giscard has concluded that France's defense plans, based on French survival alone in a dismembered Europe, are unsound. He believes that West Germany cannot be expected to commit itself fully to European unity in partnership with France if Paris is unwilling to reciprocate.

This argument reportedly has led the French President to consider developing, with Bonn, a program for strengthening French conventional forces stationed in West Germany and arming them with the Pluton tactical missile. He may also be thinking about creating a new body within the Atlantic Alliance to discuss European defense

cooperation, especially nuclear matters. Those in France who strongly oppose joining NATO's Eurogroup, which is concerned with these issues, might find such a body an acceptable substitute.

Giscard reportedly has discussed this idea with German and British leaders. The French leader has devoted a week to the study of defense issues and has met with senior Defense Ministry and military officers. According to the press, he will make public an outline of his plans at the EC summit he hopes to call before the end of the year.

Pompidou, during his last year in office, had ordered a similar defense review. There were hints of policy shifts at that time; some of them are similar to those surfacing now. The major difference may be Giscard's recognition that a European defense strategy that fails to take account of German power is doomed to failure.



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**UK: MORE NATIONALIZATION**

In a white paper published last week, the Labor government outlined a three-part program that would increase state control of industry. Although the proposals are less sweeping than those the Labor Party put forth in its pre-election manifesto last winter, Prime Minister Wilson probably hopes they will placate the party's left wing while meeting industry's need to have government policy spelled out for investment-planning purposes. Nevertheless, the threat of further nationalization, which has existed since Labor came to power, has dampened investment and contributed to Britain's poor economic growth prospects.

Besides further nationalization, the white paper proposes two new measures to enlarge the government's control of industry. The first of these would initiate planning agreements that would require companies receiving financial assistance from the government to submit future investment and production plans covering a three-year period; these agreements would apply only



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to "major and strategic" manufacturing firms and would be drawn up after close consultation with the companies and the unions involved. The second proposal would establish a National Enterprise Board that would provide investment capital and assume part ownership of the company receiving public funds; it would also aid financially sound companies faced with short-term money problems.

After publication of the white paper, the Labor government announced plans to nationalize the ports and two chief aircraft builders. Much of the shipbuilding industry is to be nationalized under previously announced plans, and land developers also are to come under state control.

Public reaction to Labor's proposed program has tended to be negative, with the exception of the trade union leadership. Both the Tories and Liberals have criticized the white paper for failing to meet industry's needs. In view of Britain's mounting economic problems, the Tories are likely to choose nationalization as one of the principal election issues. Prime Minister Wilson, on the other hand, probably is hopeful that the white paper's more moderate proposals will help to strengthen his party's position as it prepares for the election that is expected this autumn—perhaps in October.

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## EUROPEAN COMMUNIST CONFERENCE

Preparations for a conference of European communist parties are quickening. An organizational meeting is to take place in Warsaw in late September, and a European conference, possibly in East Berlin, will follow in early 1975. If this and other regional meetings go smoothly, a world communist conference could be held in Moscow in 1976.

Moscow is the prime mover behind the European conference, but the Polish and Italian parties are taking the lead in making the arrangements.

The Soviets have probably decided that the organizational work will go more smoothly if they are not directly involved at this stage. But the problems Moscow faces as it tries to get its ideological brethren in line have already begun to surface.

The Romanians, who have agreed to go to Warsaw, expect the French and Italian parties to revive such controversial subjects as the invasion of Czechoslovakia in 1968 and the Solzhenitsyn affair. The French party may also raise the issue of Soviet support for Giscard d'Estaing in the recent French presidential election.

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The Soviets, eager to have as broad a representation of European communist parties as possible, have so far tolerated lobbying on issues they normally consider beyond debate. When the meeting opens in Warsaw, however, they probably will act more sternly to avoid public embarrassment and to sustain the momentum for the 1976 world meeting. Moscow may agree to issue pro forma invitations to certain non-communist groups, but it will so design the proceedings that these groups will have no chance of exerting any meaningful influence.

The Romanians clearly share the French and Italian apprehensions that the Soviets will dominate the Warsaw meeting and subsequent gatherings. To avoid too early identification with positions that could become untenable, Bucharest plans to send a low-level delegation to the preparatory meeting and will not disclose its stand on issues until the European conference convenes.

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### INTERNATIONAL: EFFECT OF OIL MONEY

Reports that oil producers have begun investing more funds directly in the US were a major factor in the dollar's sharp rise on foreign currency exchanges last week. Since August 9, the pound declined nearly 2 percent against the dollar; other European currencies declined up to 2 percent in relatively active trading.

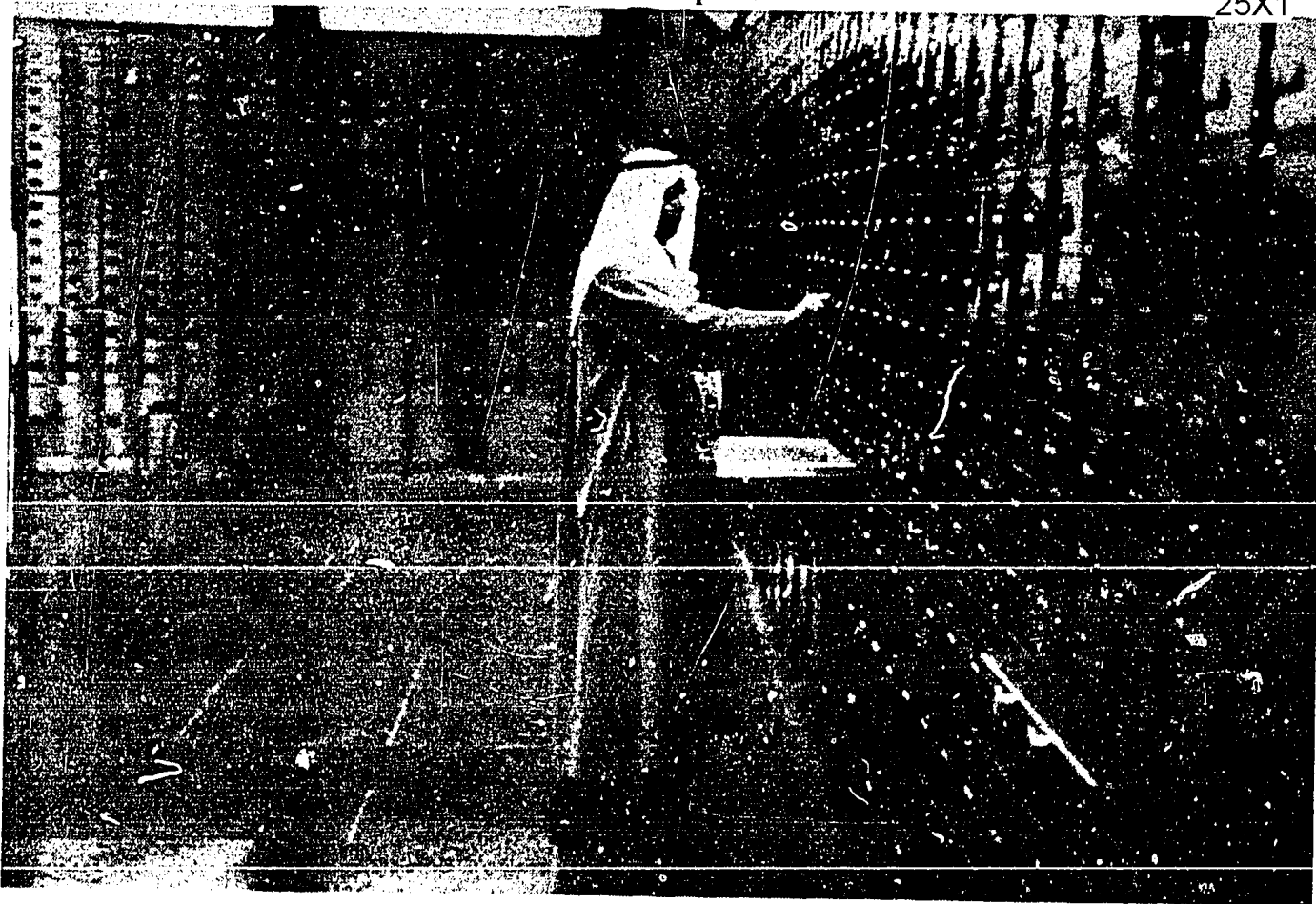
The reports apparently stem from Kuwait's taking a larger part of its mounting oil revenues in dollars. Kuwait is not selling off its sterling holdings, as some press reports indicate. The last oil payment, made to Kuwait at the end of July, consisted of a much higher share of dollars and a relatively lower proportion of sterling than

payments made under an agreement with the oil companies that was renegotiated last May.

Although this agreement does not specify the percentages of currencies in which payment must be made, Kuwait's willingness to accept a lower proportion of sterling indicates that it does not intend to increase its sterling holdings as rapidly as in the past.

As a result, the British are receiving a smaller share of the return flow of oil revenues and will find it necessary to finance a larger proportion of their oil bill through dollar borrowing.

An Arab depositor



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