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DIRECTORATE OF
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213c



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3.5(c)

~~Top Secret~~

3.5(c)



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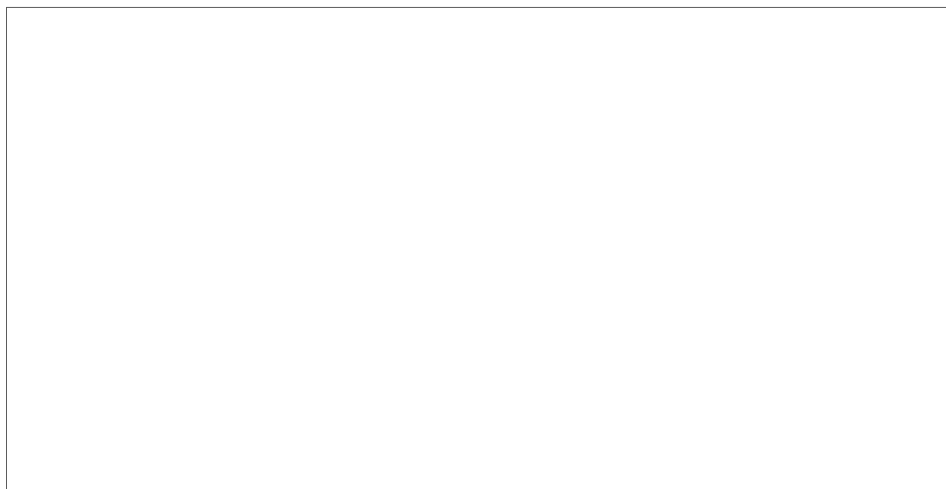
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3.5(c)



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3 January 1968

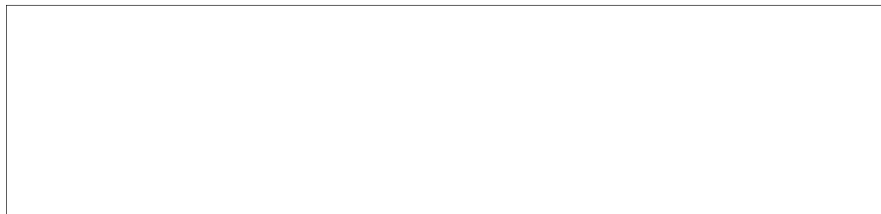
3.5(c)

Central Intelligence Bulletin

CONTENTS

Vietnam: Situation report. (Page 1)

3.3(h)(2)



Iran: The Shah is angered with the consortium over oil revenues. (Page 5)

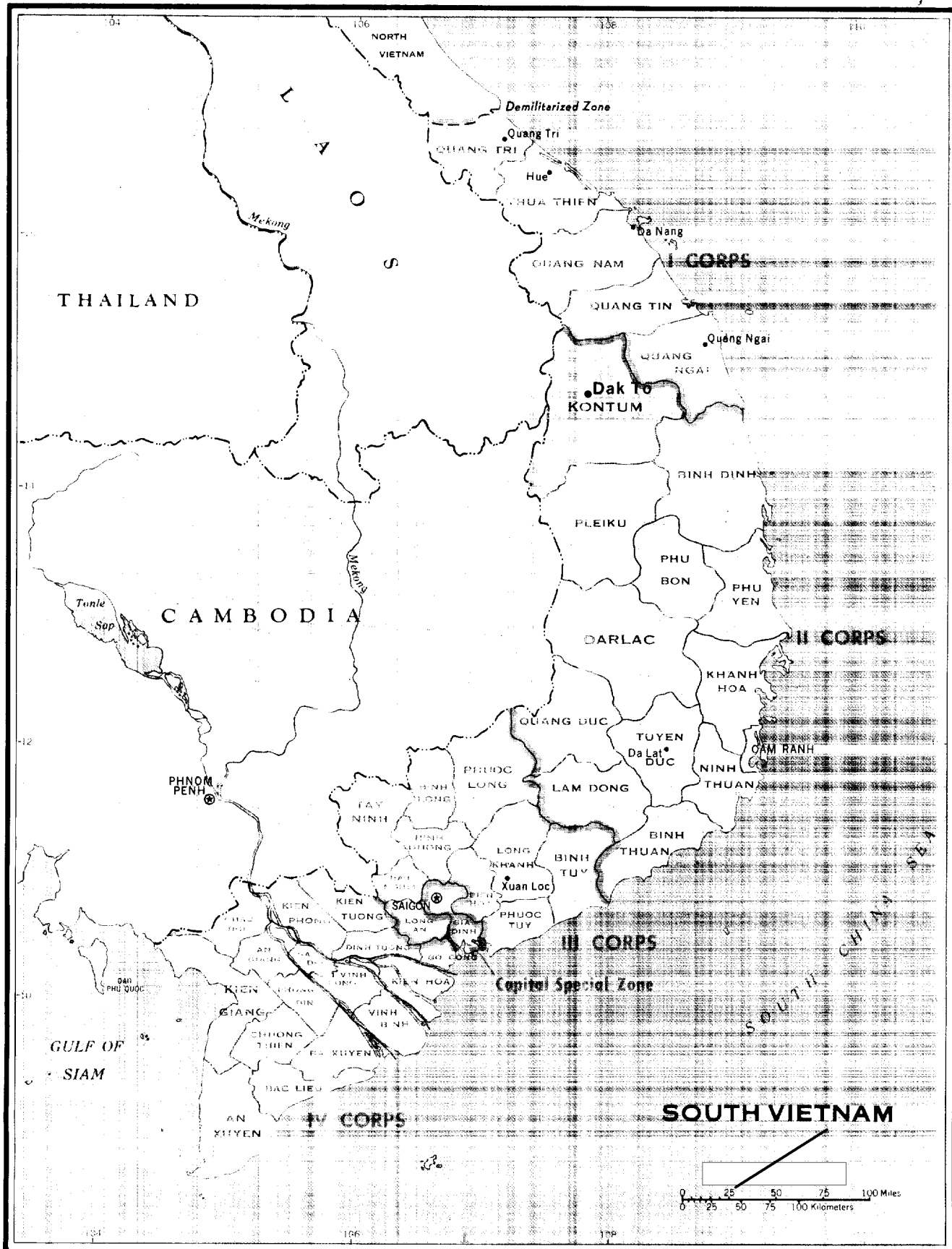
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CUBA: Castro's annual speech (Page 7)

3.5(c)

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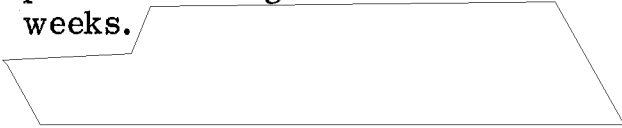
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South Vietnam: Intercepted enemy tactical messages reveal intense Communist preparations for a new round of attacks near Dak To.

The preparations include extensive reconnaissance patrolling and reporting on allied movements, as well as the repositioning of enemy units within the southwestern Kontum Province area. Several messages mentioned the period between the 2nd and 6th of January as the time for the attacks. Other messages gave specific instructions to strike an airfield, presumably the one at Dak To shortly after US transport aircraft have landed in an effort to hit both the aircraft and the troops concentrated there.

Elements of at least four North Vietnamese regiments are scattered throughout this general area. They have been keeping pressure on US field positions through numerous mortar attacks in recent weeks.



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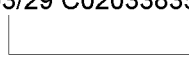
3 Jan 68

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3 Jan 68

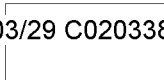
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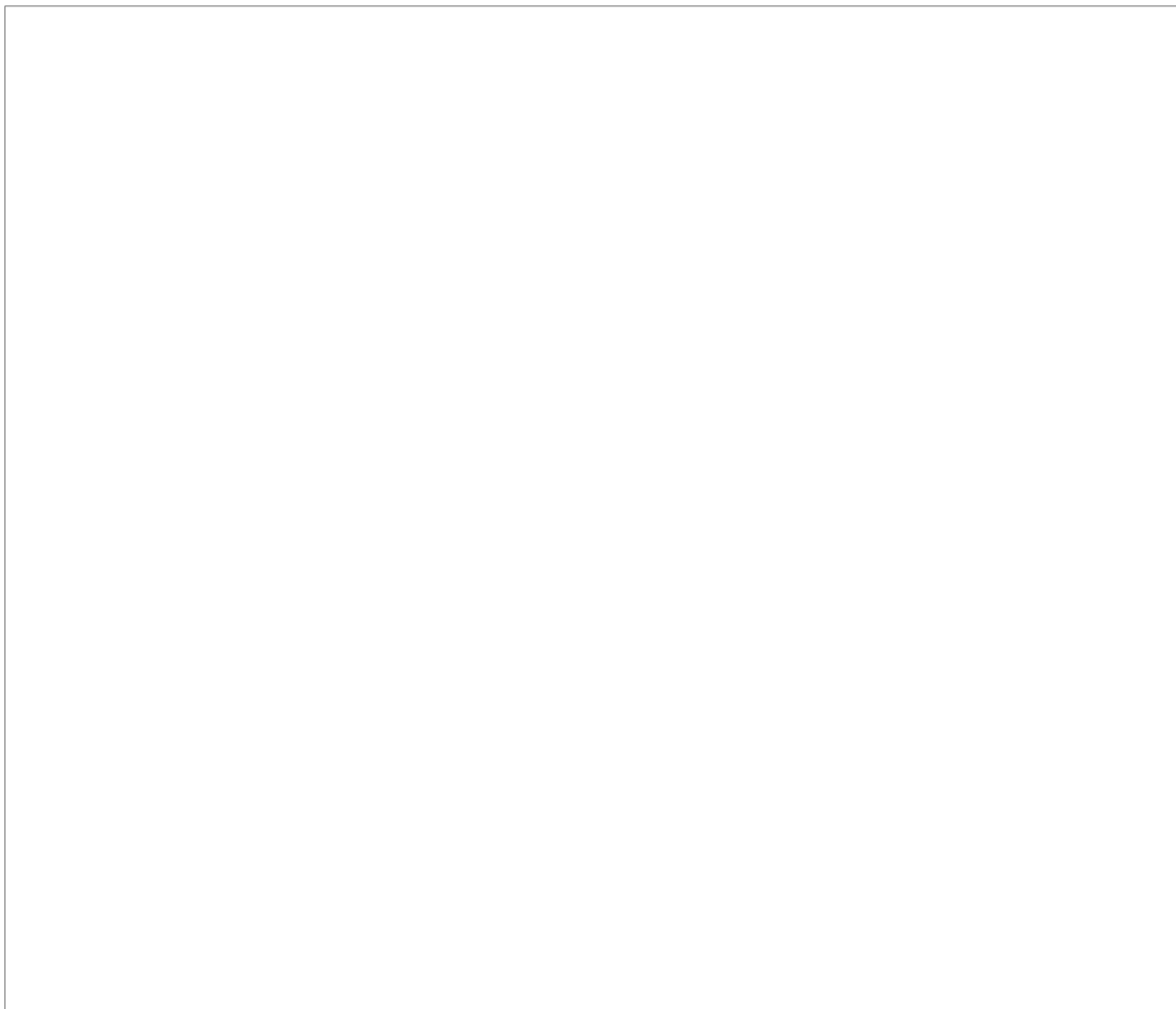
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Iran: [The Shah appears to be heading for a showdown with the Western consortium over the issue of oil revenues for Iran.]

[The Shah is especially angered because the consortium's latest quarterly payment was based in part on the predevaluation pound, a loss to Iran of about \$12 million. Using such terms as "robbery" and "thieves," the Shah told the US ambassador on 28 December that if the consortium members wanted "war," they could have it. The Shah suggested the possibility of unilateral legislation to ensure Iran un-depreciable payments, and to provide for Iranian sale of oil which the consortium does not export. He has previously threatened to take the oil revenue issue "to the Iranian people." The consortium states that its position is legally correct, but it is making efforts to find some sort of compromise.]

)The payments issue is an irritating facet of the over-all problem of oil revenues which has been under discussion since October. The Iranian Government has presented the consortium with the schedule of the oil exports required to fulfill Iran's "fourth plan" (1968-1972). The Shah claims to need \$5.9 billion from oil revenues for that period, but the consortium believes that this figure is excessive. Iranian officials concede that the plan was drawn up on the basis of faulty oil revenue estimates, but insist that the consortium must come up with the money one way or another.]

The oil revenue problem, a recurring one, is particularly touchy this year because Iranian expectations were so high. Iranian officials have assumed that their cooperation with the consortium during the Middle East crisis would guarantee them favorable treatment in the form of greatly increased oil exports.]

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3 Jan 68

5

~~TOP SECRET~~ []

3.5(c)

~~TOP SECRET~~

3.5(c)

The Shah has long claimed that Iran, as a stable and progressive nation, is more deserving of large revenues than Saudi Arabia, Kuwait, or the sheikdoms. He is bitterly disillusioned now that the expected favorable treatment does not seem to be materializing. The consortium believes it is doing all it can for Iran in view of the near glut in the world oil market.

3.5(c)

3 Jan 68

6

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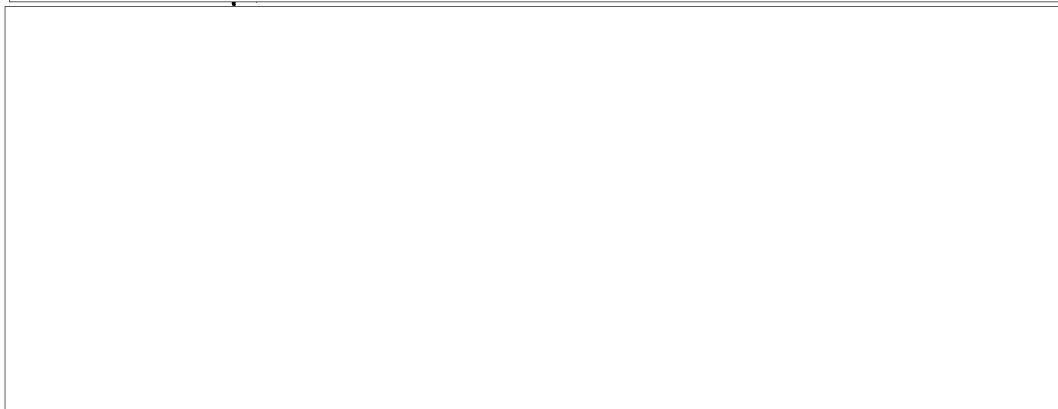
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*Cuba: Fidel Castro devoted most of his annual 2 January speech to a discussion of Cuban economic developments. He admitted that increased fuel consumption has caused an acute shortage of petroleum products and said that as a result Cuba will face belt-tightening and rationing in 1968. Closing the speech with his usual jab at "US imperialism," Castro declared Cuba independent from any ideology but its own and said that his regime "will carry forward its internationalist policy of solidarity with the revolutionary movement throughout the world."

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3.5(c)

3 Jan 68

7

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3.5(c)

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