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Next 1 Page(s) In Document Denied

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Weekly Summary

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21 December 1973
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CONTENTS (21 December 1973)

The WEEKLY SUMMARY, 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.

WARNING

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25X1



- 1 The Middle East
- 4 Bidding for Oil

EUROPE

- 5 USSR: Optimism on SALT
- 6 Soviets Outline 1974 Economic Plan
- 7 Reaction to US Energy Proposal
- 8 After the Copenhagen Summit



25X6

- 10 UK: Draconian Measures
- 11 Denmark: The Negative Majority

**EAST ASIA
PACIFIC**

- 12 South Vietnam: Fighting Eases
- 13 Cambodia: Reluctant Support for Sihanouk
- 14 China: A Temporary Truce
- 14 South Korea: Pak's Troubles Persist
- 15 Thailand: The King Is Back

**MIDDLE EAST
AFRICA**

- 16 Turkey: Still Trying
- 16 Israel: Enough Oil
- 17 The Yemens: Gestures to Aden

**WESTERN
HEMISPHERE**

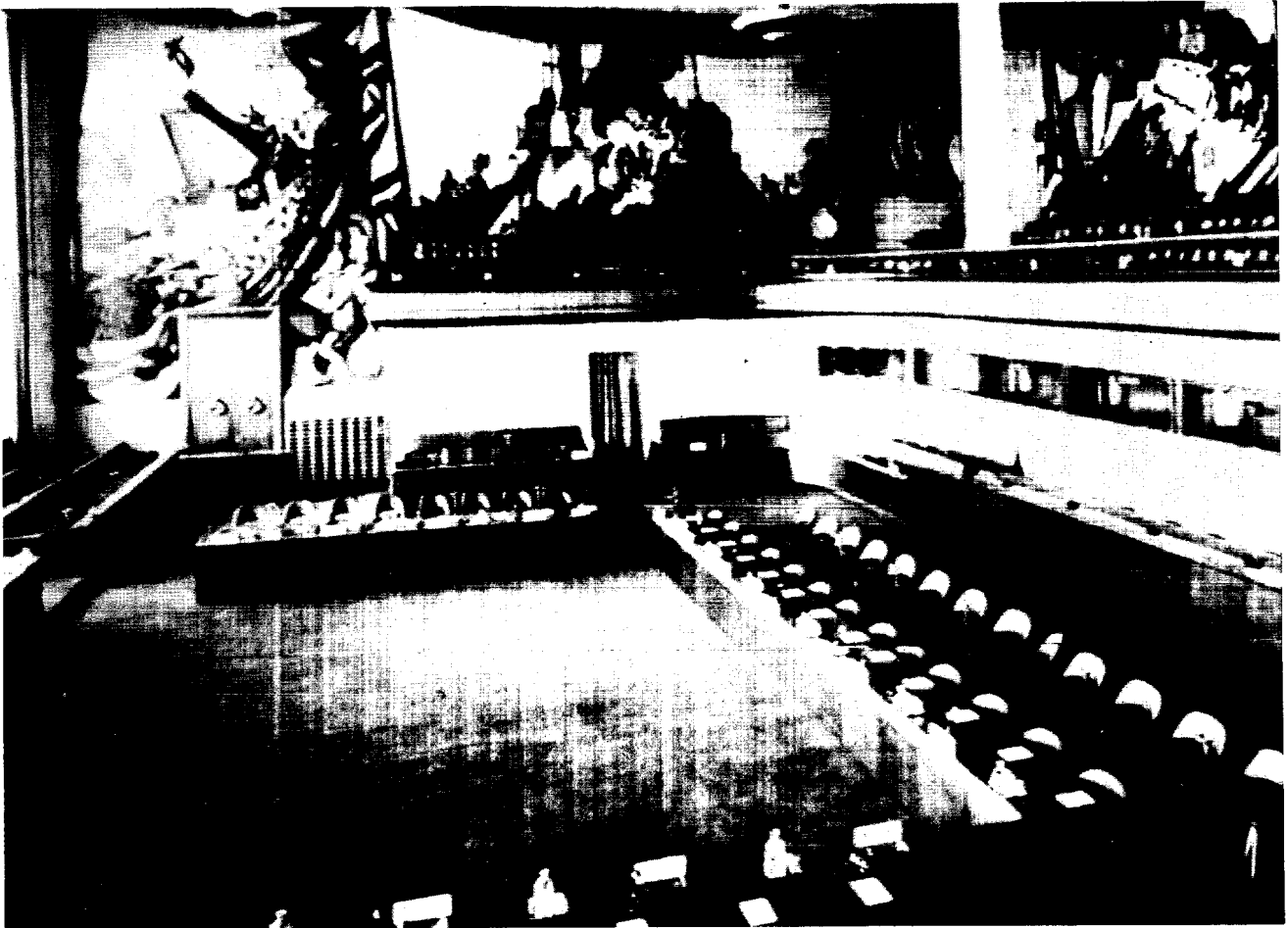
- 18 Venezuela: Perez Charts His Course
- 18 Argentina: New Army Chief
- 19 Uruguay: Renewed Optimism



25X1

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The Middle East



Waiting: The UN Conference Hall in Geneva

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The Arab-Israeli peace conference is expected to open in Geneva today notwithstanding Syria's boycott announcement and another hijacking by unreconciled Palestinians. At the same time, the Arabs and the Israelis clearly remain skittish and suspicious as a result of continuing—albeit generally minor—cease-fire violations on both the Syrian and Egyptian fronts and further military preparations by both sides.

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SYRIA BOWS OUT

President Asad's decision not to participate in the Geneva talks reflected his conviction that Syria had nothing to gain by attending an initial round of negotiations that apparently will be given over primarily to discussing the disengagement of Egyptian and Israeli forces. One Syrian diplomat referred to Syria's attendance as "window-dressing," useful to Egypt but a waste of time for Syria. The Syrians probably expected to be subjected to an immediate increase in the already substantial pressure to release Israeli POWs—their only bargaining chip—without any corresponding hope of making progress on the issues that really matter to them: an Israeli withdrawal from the Golan Heights and the rights of Palestinians.

Asad's decision almost certainly also reflected heavy domestic pressures from Baath Party and army elements who would prefer a resumption of hostilities. Asad hopes that taking a hard line will buy him time to see how well the preliminary negotiations between the Egyptians and Israelis progress. If they are satisfactory, Asad might see his way clear to join the talks later. If they go badly, the Syrians could well decide to increase still further their military pressure on Israel.

the front. Israel apparently is taking precautionary steps in reaction to these Syrian moves.

Egyptian Reaction

Syria's announcement that it will not participate in the Geneva conference constitutes a heavy blow to the Egyptian aim of presenting a united Arab front. It leaves Cairo virtually alone in the face of opposition to the conference from many other Arabs. President Sadat had expended much effort since the cease-fire in trying to ensure Syria's attendance; Egyptian Foreign Minister Fahmi and presidential adviser Marwan both visited Damascus early this week. The Syrian decision could also increase pressures on President Sadat to drop the diplomatic option in favor of military action because the decision not to attend may reinforce the pro-war sentiment of those in the Egyptian military who look askance at negotiations.

At the talks, the absence of Syria will heighten Cairo's sense of urgency about achieving tangible progress. The official Egyptian reaction to Syria's announcement reflected some hope that Cairo may ultimately be able to change the Syrians' minds, but also some fear that this can be accomplished only through evidence of movement at the conference.

Egypt has reacted calmly in public to the week's other impediments to the convening of the conference. As might be expected, Cairo news media blamed the brief postponement on maneuvering by Israel—supported by the US—but these charges were leveled with an attitude of resignation that such delays are inevitable. A radio commentator advised that Egyptians should have expected a delay and, in any case, "it will not be long" before Tel Aviv's and Washington's true intentions toward a settlement become clear.

Israeli Reaction

Israeli officials have taken the Syrian decision in stride, and may even be somewhat relieved. Tel Aviv's preference has long been to

[Redacted] Syria has put its civilian population and military forces on a wartime footing.
[Redacted]

Many of the cease-fire violations on the Syrian front appear to be initiated by the Syrians, who are attempting to prevent the Israelis from improving their forward defensive positions along

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engage in bilateral peace negotiations with each of its Arab neighbors; having to negotiate only with Jordan and Egypt may be regarded as more in keeping with that stand. The Israelis consider Damascus as their most intransigent foe, and may believe that Syria's absence will enhance prospects for a successful, if necessarily more limited, conference. Defense Minister Dayan provided some evidence of this guarded optimism on December 18 when he observed that Cairo has taken a more "constructive" approach to peace negotiations.

Fedayeen Hijack Aircraft

The shooting early this week at the Rome airport terminal by Palestinian guerrillas, who then hijacked a Lufthansa aircraft, was apparently timed to disrupt Secretary Kissinger's visit to the Middle East and perhaps the peace conference as well. The radical Popular Front for the Liberation of Palestine has been planning several such operations. The Rome incident reportedly was a joint undertaking between the Front and Libya. Arab governments and leaders of the Palestine Liberation Organization condemned the hijacking, which resulted in 32 deaths; the PLO, in fact, offered to try the perpetrators. Radical fedayeen elements, however, remain eager to disrupt the conference out of fear that the Palestinians will be abandoned or—worse still in their view—will be dealt a truncated country controlled by moderates prepared to cooperate with Israel and Jordan.

The leaders of the several fedayeen organizations remain divided on how best to promote Palestinian interests at this point. PLO chairman Yasir Arafat advocates unity behind a program that favors a Palestinian state composed of the West Bank and Gaza, and PLO participation at the Geneva conference. He has been unable, however, to win broad support for this strategy from the leaders of most of the groups represented in the organization. Many of them prefer to delay any announcement of over-all policy until the Israelis show some signs of willingness to make meaningful concessions.

George Habbash, head of the Popular Front for the Liberation of Palestine, this week publicly opposed any PLO participation in the conference. Such fedayeen disunity has grown recently as a result of Iraqi efforts to create a radical opposition front within the group. It will be increased further by the obligation of the Syrian-supported Saiqa organization to follow Damascus' lead in boycotting the conference.

Moscow and the Conference

The Soviets have welcomed the opening of the Geneva negotiations and will play an active role in them. Moscow will be represented by Foreign Minister Gromyko in the opening round, and later by Vladimir Vinogradov, the USSR's ambassador to Egypt. As one of the Geneva co-chairmen, Moscow views participation as supporting its claim to co-equal Great Power status, particularly in relation to the Middle East. With its position thus recognized, Moscow appears to be somewhat more relaxed about Washington's role in getting the Middle East parties together. Soviet media, for example, gave a positive cast to Secretary Kissinger's recent trip to the Middle East.

Syria's decision not to go to Geneva undoubtedly irked the Soviets since they had been counseling Damascus to adopt a more flexible position. The Soviet ambassador delivered to President Asad on December 19 a personal letter from party chief Brezhnev which probably advised Syria to reconsider its decision to abstain.

Moscow undoubtedly expects the negotiations to be protracted and difficult. The Soviets so far have been giving full public support to the Arab positions and there has been no indication that they intend to press the Arabs to compromise their demands. Nevertheless, Moscow probably hopes that the talks will forestall an early resumption of fighting, and that if some progress is forthcoming, Moscow can take credit for helping the Arabs.

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INTERNATIONAL: BIDDING FOR OIL
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Unprecedented prices recently offered for Nigerian and Iranian state-owned oil promise to set off a chain of price increases for world oil supplies. When the Organization of Petroleum Exporting Countries opens its price meeting on December 22 in Tehran, officials of the producing countries will point to these offers to support their demands for higher payments from oil companies.

Against stiff company opposition, OPEC leaders are insisting that future royalty and tax payments be based on actual market prices. Because most crude oil sales are from one company to another, it is difficult to determine market prices. The producers will maintain that recent bidding gives some indication of the market value of oil, and that these prices should be taken into account in determining posted prices.

The new round of government crude oil sales began a month ago when Nigeria, Iran, and Saudi Arabia placed their 1974 state-owned allotments on the market. The most publicized current of-

fering was Nigeria's—300,000 barrels a day of low-sulphur oil for six months. A price of \$16.80 a barrel—one third more than the highest price previously negotiated anywhere—reportedly was bid by an American company. This bid was eclipsed by offers of up to \$17.40 a barrel for Iran's 470,000 barrels a day of lower quality crude on six-month contracts. This offer led Nigeria to require a new round of bidding. If the Saudis follow past practice, they probably will set their own price for 525,000 barrels a day, based on what Iran receives for similar oil.

In October, the Persian Gulf members of OPEC began their negotiations with the companies by demanding a 100-percent increase in the posted price, to \$6.02 a barrel. While the companies were formulating a counteroffer, the governments unilaterally issued a take-it-or-leave-it package that raised the posted price to \$5.12 and established a rule setting the posted price thereafter at 140 percent of the market price.

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MARKET PRICES FOR SELECTED SALES OF CRUDE OIL							
US \$ PER BARREL							
1973	Iraq	Saudi Arabia	Iran	Abu Dhabi	Libya	Algeria	Nigeria
Jan 1	—	2.13	2.15	2.38	3.28	—	—
Apr 1	—	2.30	2.32	2.75	3.75	3.80	—
Jun 1	—	2.70	2.76	—	4.00	—	—
Jul 1	—	—	—	—	—	—	4.25
Aug 1	3.48	2.88	—	3.20	5.50	—	—
Sep 1	—	—	—	3.00	—	5.00	—
Oct 1	3.00	2.80	2.85	3.25	5.85	—	5.20
Oct 16	3.62	3.65	3.64	4.32	—	—	—
Nov 1	3.66	—	—	—	8.50	6.61	6.84
Dec 1	—	—	16.00 - 17.40 (Bids)	—	—	—	16.80 (Bid)

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SECRET**USSR: OPTIMISM ON SALT**

6 Two Soviet military affairs specialists on the staff of Moscow's USA Institute have weighed in on the SALT debate with perhaps the most serious and informative Soviet public contribution to date. Writing in the December issue of the institute's journal, M. A. Milshteyn and L. S. Semeyko review the accomplishments of SALT ONE, express optimism about prospects for SALT TWO, and show notable interest in the possibility of controls on MIRVs and eventual reductions in strategic arms.

5 Milshteyn and Semeyko do not see further progress on SALT as easy, but they profess that the improved US-Soviet political climate is conducive to solving the complicated problems of strategic arms control. They stress the urgency of achieving a "more firm nuclear parity" in a step-by-step process, and imply that negotiating controls on MIRVs is the most immediate issue.

5 The attention devoted to the MIRV problem stems mainly from the authors' belief that unrestricted development of these weapons, coupled with improved accuracy and greater payload, constitutes a major threat to deterrent stability. Their stress on the potentially destabilizing nature of uncontrolled MIRV development and deployment, in fact, closely parallels the views of many Western specialists. Such explicit and favorable reference to force survivability is rare in Soviet literature. Milshteyn and Semeyko also imply that qualitative limitations may be necessary to achieve greater strategic stability. Quoting US experts, the authors maintain that preserving the existing parity in the strategic relationship depends on reaching an agreement that takes into account such factors as warhead accuracy, warhead yield, and the number of MIRVs.

5 The article argues that a follow-on SALT agreement must include strategic bombers and forward-based systems. The authors note that comparing bombers with missiles poses difficult problems because of the aircrafts' differing flight

times, vulnerabilities, and potential reusability. The forward basing of American aircraft is only briefly cited as a "geographic asymmetry" favoring the US that must be considered in SALT TWO. This treatment of forward basing is mild, given the stubbornness of the official Soviet line at SALT.

6 The article's treatment of strategic arms reductions is also interesting in that the Soviets have not given much public play to this concept since Brezhnev signaled Soviet willingness to negotiate reductions a year ago. Milshteyn and Semeyko, however, give considerable attention to the subject, and at one point avow that the importance of even partial bilateral steps toward reducing strategic arms would be "difficult to overestimate."

6 As a part of a general Soviet effort to sustain the momentum of detente and of SALT, the Milshteyn-Semeyko article may signal Soviet willingness to accept certain US strategic concepts in the interest of moving the Geneva talks out of their present impasse. Although the authors berate the perceived obstructionism of "right-wing" forces and pro-military influences in the US, these references can also be read as directed against elements in Moscow who are resisting detente and arms restraint.

6 The past military affiliations of both authors add weight to their words. Semeyko is a retired colonel who specialized in strategic analysis while teaching at the Frunze Military Academy. Milshteyn, a retired lieutenant general, was formerly with the academy of the Soviet General Staff. Since his retirement he has reportedly served as a conduit for General Staff views to the foreign affairs institutes. Milshteyn's present connections with the military are unknown and the Soviet military's endorsement of his views cannot be assumed, but it is unlikely that his article could have appeared without high-level political review.

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SOVIETS OUTLINE 1974 ECONOMIC PLAN

The 1974 guidelines presented to the Supreme Soviet session last week indicate that the Soviet economy will continue essentially on its present tack. The main features of the plan are:

- substantial growth in GNP and industry;
- continued large allocations of capital and material in agriculture;
- concentration on completing construction projects already begun;
- renewed emphasis on consumer welfare based on increased supplies from the farm sector.

Industrial growth this year was boosted by increased supplies of agricultural products, a trend that should continue into 1974. Growth targets for most major industrial products, how-

(NO SOURCES)

ever, have been reduced from the original five-year plan goals. Planning chief Baibakov pointedly commented that the new plan "ensures a normal and uninterrupted supply of fuel and electricity," although he urged thrift in their use. Crude oil and natural gas, which account for about three fifths of total energy consumption, are targeted to grow at the same or higher rates than in 1973.

Farm output is slated to increase 6.4 percent over 1973, a record agricultural year. Despite another major boost in the scheduled allocation of machinery, fertilizer, and other supplies, however, prospects for another substantial gain in agricultural output are dim unless above-average weather conditions occur again.

The success in agriculture this year allowed the leadership to resurrect its commitment to consumer interests. Mainly because of the poor 1972 harvest, consumer goals for this year were cut drastically. Next year's plan calls for the consumer goods industries to once again grow at a faster rate than industrial materials and machinery, as called for in the five-year plan. Both rates, however, are still below those in the original five-year plan. The sparse data available on personal income indicate that gains in purchasing power will be restricted to match the smaller increases planned for consumer goods output. Promised welfare measures, such as an increase in the minimum wage, have been postponed again.

Foreign trade with the "developed capitalist nations" figures prominently in the plan for 1974. Baibakov underscored the importance of importing advanced types of machinery and equipment, and reiterated Moscow's preference for self-liquidating credits—those repaid in goods rather than currency.

SOVIET 1974 PLAN IN PERSPECTIVE				
Average Annual Percentage Rates of Growth*				
	1971-72	Preliminary 1973	Plan 1974	Five-Year-Plan 1971-75
MAJOR AGGREGATES (Western concepts)				
GNP	3.0	7.0	5.5	6.0
Industrial Production	5.5	6.0	7.0	8.0
Agricultural Production	-3.5	12.0	6.5	3.5
INVESTMENT				
Total Gross Fixed Investment	7.0	3.5	6.5	6.5
PRIMARY ENERGY PRODUCTION				
	4.0	5.5	6.0	6.0
RESOURCES FOR AGRICULTURE				
Delivery of Machinery	10.5	13.0	11.0	11.0
Delivery of Mineral Fertilizer	9.5	8.5	12.0	9.5
CONSUMER WELFARE (per capita)				
Consumption	3.0	4.0	4.0	4.0
Housing Space	2.0	2.0	2.0	2.5

*Rounded to nearest half percent.

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USSR: TWO COSMONAUTS IN ORBIT

(7, 8)

[Soyuz 13, which carried two cosmonauts into orbit on December 18, appears to be operating normally. According to TASS, the cosmonauts will make earth-resource surveys, observe ultraviolet emissions from the stars with specially designed telescopes, and test navigation equipment and other systems aboard the spacecraft.]

Neither of the cosmonauts has had any prior experience in space, but both are reported to be functioning well and feeling no ill effects from the flight. The Soviets also have an unmanned spacecraft—Cosmos 613—in orbit, but the paths of the two are significantly different, indicating that no rendezvous is planned.

Since the ill-fated Soyuz 11 mission in June 1971, the Soviets have conducted two manned and three unmanned Soyuz missions. The last manned Soyuz mission occurred last September when two cosmonauts remained in orbit for only two days. [redacted]

REACTION TO US ENERGY PROPOSAL

7 [Despite widespread praise for Secretary Kissinger's proposal in London for new international cooperation on energy problems, the many questions it has raised indicates that agreement to establish the proposed energy action group may be difficult. The US proposal seeks cooperation between North America, Europe, and Japan on programs to conserve energy, develop new sources, give oil producers an incentive to increase supplies, and coordinate research on alternatives to oil. The producing countries could also participate in the action group.]

9 [The West Europeans have expressed great interest in the initiative, although they are un-

certain how it would mesh with their own plans for cooperative arrangements with the Arab producers. The timing of the Secretary's speech was taken by some as an attempt to interfere with European efforts to deal directly with the Arabs.]

10 [Although the EC summit communique omitted direct reference to the action group proposal, US officials have been told that the community does not rule out an international effort and that the EC Commission will consider the US proposal in preparing its recommendations for community energy measures. One Quai official, however, thinks the US and European approaches are probably not compatible.]

10 [Canada is prepared to participate in the action group, seeing possible advantages for developing its own energy resources as well as opportunities to sell its nuclear power reactors. Ottawa will nevertheless be wary of giving outsiders control over Canadian resources. Japan has taken a positive, if cautious, approach to the US proposal—the caution urged largely by uncertainty over how the Arabs will respond.]

10 [Even those welcoming the Secretary's initiative wish to explore such questions as how much international rationing or sharing is envisaged and the nature of incentives for the producing countries. Some observers see a discrepancy between the new proposal and the US' earlier emphasis on becoming independent in energy sources. Another question is whether non-governmental representatives would be included in the action group and, more important, who would represent Europe if the group's membership should be limited. Finally, the US will probably be pressed to define a relationship between the action group and the Organization for Economic Cooperation and Development, which has long been studying the energy problem and includes all of the action group's potential consumer members. At a minimum, OECD could become a forum for addressing consumer-country interests before the wider grouping negotiates action programs.] [redacted]

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AFTER THE COPENHAGEN SUMMIT

The meeting in Copenhagen of the EC heads of government on December 14-15 produced a show of unity and the prospect of more frequent summits in the future. Paris, Bonn, and London—the chief sponsors—were not able to win unqualified approval for their points of view on such matters as the Middle East, energy, and regional aid policies. The subsequent blow-up over regional development policy at the EC Council's meeting this week dimmed even the limited achievements of the Copenhagen gathering.

In addition to dealing with complex and divisive community issues, the task of the leaders of the Nine was complicated by the presence of four Arab foreign ministers who appeared in Copenhagen seeking to influence the EC position on the Middle East. One effect of the Arabs' presence, however, was to stiffen resistance to pressures by the Arab oil producers and to increase the resentment of some EC members of the Middle East policies of Britain and France.

President Pompidou, when calling for a summit last October, wanted primarily to focus on a broad discussion of European policy and the organization of "political Europe," evidently hoping to enhance the French leadership role. On the Middle East, Paris hoped to move the Nine further toward a pro-Arab position. At the

NO SOURCES

Copenhagen meeting, Pompidou reportedly pressed for an EC declaration incorporating these views, but finally had to settle for compromise language that closely paralleled the EC declaration of November 6. Moreover, such "solidarity" as was evident in the summit statement on energy—while falling far short of any commitment to oil sharing—nevertheless represented a step beyond earlier French positions. Paris apparently did get an acknowledgement that a European uranium enrichment capacity should include the development of the French diffusion process in addition to the rival British-Dutch-German scheme. The French, however, apparently failed to secure a financial commitment to their project.

Chancellor Brandt was particularly interested in using the summit to develop a common energy policy. His efforts are largely reflected in the energy annex to the communique, which calls on the community to establish an orderly common market for energy; to take concerted and equitable—but not identical—measures to limit energy consumption; to adopt comprehensive community programs on alternative sources of energy; to enter into negotiations with oil-producing countries concerning cooperation in the fields of economic and industrial development; and to seek to ensure stable energy supplies to the EC countries at reasonable prices. The Dutch,

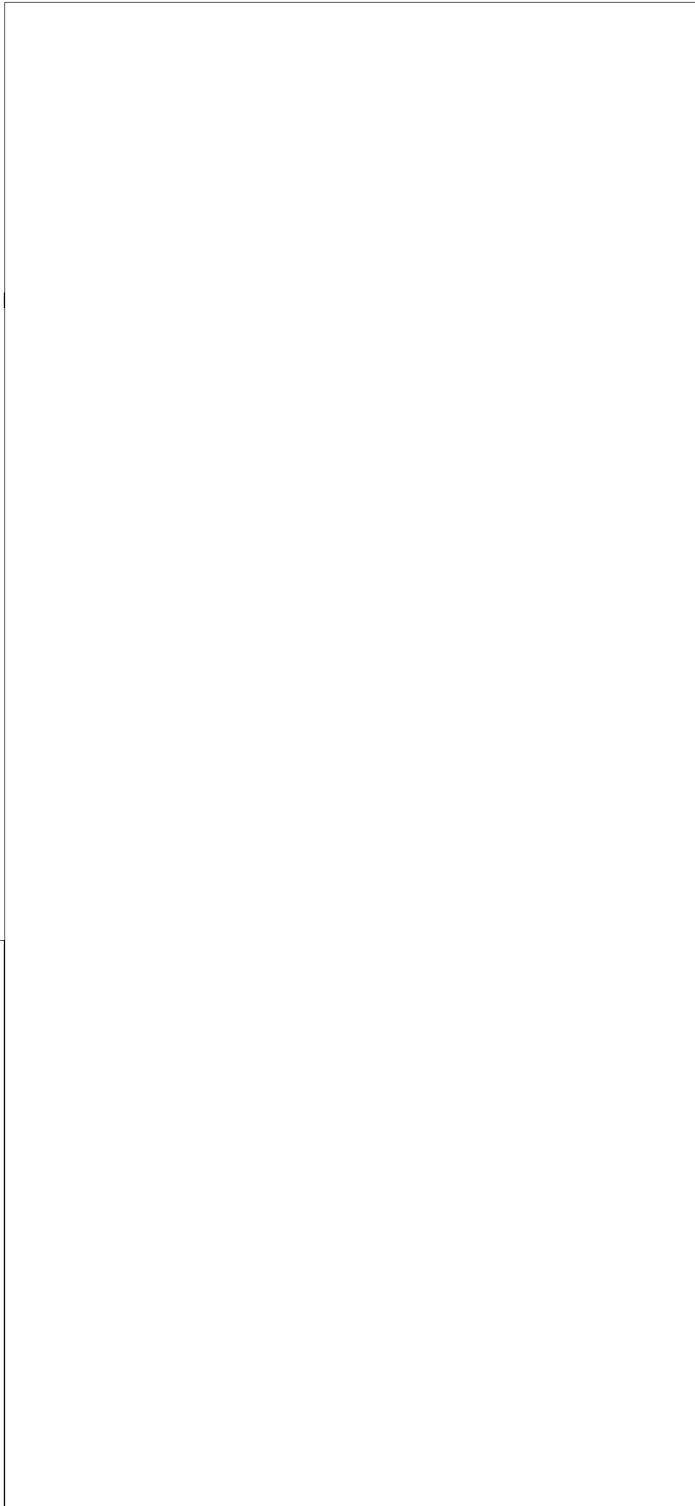
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who have been hit hardest by the oil squeeze, expressed satisfaction with the over-all program despite its omission of a reference to oil sharing.

Prime Minister Heath felt he had gained a moral commitment for support on a sizable EC regional fund to aid economically depressed areas, and some of the language in the communique reflects British concessions to the Germans and Dutch in return. Heath believes that such a fund is a domestic political necessity, and that it is important to the Irish and Italians as well. Although the leaders agreed to establish the fund on January 1, they failed to decide the financing. This left the question to the EC Council, which ended in total deadlock. London, in order to strengthen its hand for further bargaining, has now refused to endorse the community's small start toward a common energy policy until the fund issue is settled. A period of difficult bargaining and considerable acrimony is clearly in prospect.

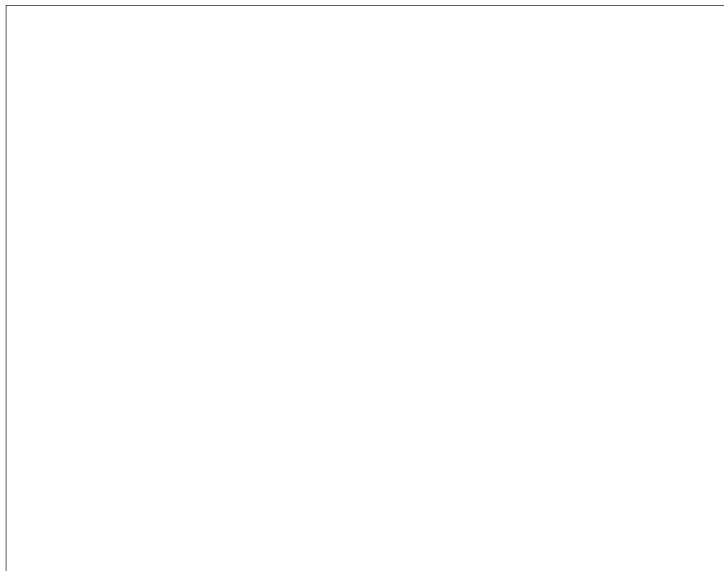
Further summits were left to the initiative of the country holding the presidency of the EC Council. With West Germany in the chair during the first half of 1974 and France the second half, meetings in Bonn and Paris seem almost certain in the coming year.

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UK: DRACONIAN MEASURES

19 [In his current showdown with the miners and other recalcitrant unions, Prime Minister Heath has announced measures that will make both labor and the general public keenly aware of the cost of union defiance of his counter-inflation program. Heath's moves, particularly the imposition of a three-day work week, will preclude meeting the UK's long-standing economic growth goals. The Prime Minister's handling of the labor strife, plus budget alterations announced earlier this week, suggests that the Tories may be considering an early election, perhaps in the spring]

15 [Faced with the miners' decision to continue their overtime ban, together with similar decisions by power engineers and one of the major rail unions, Heath cut back the work week of most industries to conserve dwindling coal stocks at power stations. Among other measures, he also asked households to limit the use of electricity for heating. The government said the emergency

moves were necessary to prevent large-scale disruption of power supplies, already being threatened by the Arab oil squeeze. An estimated 70 percent of Britain's electrical power is produced from coal, and most of the coal is carried by rail.]

17 [Chancellor of the Exchequer Barber's budget alterations include a reduction of expenditures by almost \$3 billion, stricter controls on installment buying and credit sales, a surcharge on higher incomes, and a tax on land transactions to curb real estate speculation. The "mini-budget," along with the recently announced cuts in the work week, is intended to bring demand into line with the sharply reduced level of output that is expected to result from the energy crisis. Lower consumer spending will also lessen import demand and thereby ease the record balance-of-payments deficit Britain has accumulated this year.]



Britons queue up for domestic heating oil

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18 The outlook for settlement of the various labor disputes looks bleak, although some talks are continuing. The power engineers have agreed to resume negotiations with the Electricity Council, and the newly appointed secretary of state for employment, William Whitelaw, met with mine-workers' officials on December 20. The miners' executive group—which will decide whether to call for a strike vote—is not scheduled to meet until January 10. Leaders of the Trades Union Congress, an umbrella organization encompassing most major unions, are cool toward Chancellor Barber's new measures and are bitter about Heath's decision to cut the work week. The Congress, which has not become directly involved in the current labor disputes, still advocates a return to free collective bargaining instead of having wages set according to the guidelines in Heath's counter-inflation program.

19 The Prime Minister's forceful strategy in this crisis has given rise to speculation he may call an election early next year. During the coal strike in early 1972, fuel and power shortages were spread around so that the impact on the general public was minimal. Now, the public is feeling the pinch and many observers feel that the miners have less support than they did in 1972. The opposition Labor Party is having difficulty suggesting alternatives to Heath's measures, and its close identification with the trade unions may hurt the party if a general election is called in the near future. The Tories may also feel that an early election is preferable to going to the polls after the economy has fallen into a decline.

DENMARK: THE NEGATIVE MAJORITY

After two weeks of tortuous negotiations, Danish political leaders have succeeded in putting together a shaky parliamentary arrangement for a new government. Moderate Liberal leader Poul Hartling, the new prime minister, controls only his party's 22 deputies in the 179-seat parliament.

He is reported to have a commitment of support from the Center Democrats and the Christian People's Party, giving him marginal control over an additional 21 seats.

Despite its minority status, which reflects the political fragmentation resulting from the elections on December 4, the new government will initially enjoy the tacit consent of three other parties. On many issues, Hartling expects to have the cooperation of Social Democrats, Radical Liberals, and Conservatives, giving him the backing of nearly 70 percent of parliament. The new prime minister refers to his government as a "negative majority," i.e., the opposition will not be able to muster a majority against it.

Hartling's cabinet consists of only 12 ministers, rather than the 20 of the previous Social Democratic government. The reduction reflects a response to the campaign against "inflated government" waged by rightist Mogens Glistrup, whose Progress Party won 28 seats in its first election campaign. Five of the ministers are Moderate Liberal members of parliament; the other seven are party stalwarts. Nearly all the new ministers have served in parliament at one time or another, and four have cabinet experience.

Hartling, who is 59, served as foreign minister in the non-socialist coalition that was in power from 1968 to 1971, and chaired his party's parliamentary group for the past two years. He is a strong supporter of both NATO and the EC.

Although Hartling has alienated the leaders of some of the parties, he has forged at least tentative ties to others, and will probably be able to limp along until a deeply divisive issue confronts his government. For the short term, he is likely to attempt only moderate domestic reforms aimed at slowing inflation and easing the tax burden of middle-class workers. Little innovation is likely in foreign policy, particularly toward NATO and the EC. Even so, the parliamentary arithmetic makes Hartling's prospects so dim that early elections are all but a certainty.

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SOUTH VIETNAM: FIGHTING EASES

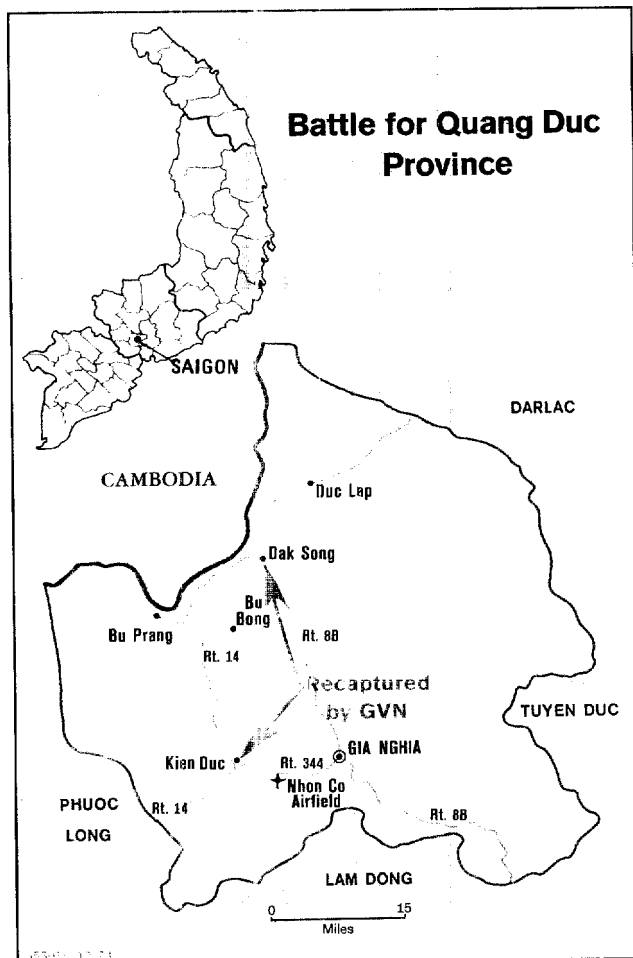
(20, 21, 22)
South Vietnamese forces have recouped some of their early December losses in Quang Duc Province by recapturing the district capital of Kien Duc and the border outpost at Dak Song that guards a strategic intersection on the road to the provincial capital of Gia Nghia. Government commanders indicate they are content to secure the Kien Duc area and have no current plans to seek out Communist forces that still occupy two other outposts at Bu Prang and Bu Bong.

Fighting in the province has been light during the past week. The Communists still have the equivalent of a division in the area but for the moment they are inactive and appear satisfied

with holding the western end of the province, a key link in their north-south network.

The South Vietnamese may soon move part of their division-plus force in Quang Duc to Kontum and Pleiku provinces. This would relieve another government division, which may then be transferred back to the coast. Government commanders fear that the Communists may try to take advantage of the weakened defenses on the coast to strike targets in the heavily populated provinces of Binh Dinh and Phu Yen. Should the government withdraw some of its forces from Quang Duc Province, the Communists might be tempted to attack again in this area.

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CAMBODIA

Reluctant Support for Sihanouk

23 [The poor relations between Prince Sihanouk and the Khmer Communists are due for some improvement—at least on the surface.]

[redacted] the Khmer Communists have been under pressure from certain "allies" to resolve differences with the Prince. [redacted]

[redacted] there is no alternative to this course because China, North Vietnam, the Provisional Revolutionary Government of South Vietnam, France, and the Soviet Union all support Sihanouk.]

24 [Evidence of the new "pro-Sihanouk" stance came this week in a public message to the Prince from Ieng Sary, the former top Khmer Communist official in Peking who is en route to the "liberated" area of Cambodia. Sary, whose private dislike of Sihanouk is well-known, was effusive in his praise of Sihanouk's contributions to the insurgency.]

24 [These developments underscore the continuing problem of maintaining a facade of unity for the Cambodian insurgent movement. Sihanouk is not likely to be taken in by Sary's kind words and can be expected to keep making statements irritating to the Khmer Communists. Just last week, he sent a telegram to Senators Mansfield and Fulbright claiming that the war in Cambodia would go on indefinitely because neither side can win a military victory. He gave Phnom Penh credit for having "overwhelming material superiority" and again indicated that the insurgents are suffering from munitions shortages. This type of defeatism from Sihanouk led to thinly veiled squabbling between the Prince and his Communist associates last October.]

The Military Situation

25 [Undeterred by Sihanouk's pessimistic comments, the Khmer Communists have increased



their military activity in the Phnom Penh area. Cambodian Army units quickly repulsed an insurgent move to cut Route 1 a few miles southeast of the city, but had more difficulty defending several nearby outposts along the Bassac River. Some 15 miles north of Phnom Penh, Communist rear-guard units held off government reinforcements trying to advance up Route 5—allowing other Communist elements to destroy highway bridges and evacuate local villagers.]

25 [On the Route 4 front, government troops early this week registered some gains southwest of Kompong Speu city, but several miles of highway are still in Communist hands. At mid-week, army units easily drove off insurgents attempting to cut Route 4 closer to Phnom Penh. [redacted]

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CHINA: A TEMPORARY TRUCE

27] The on-again, off-again National People's Congress, already delayed once this year by conflict within the leadership, may be held soon. High-level party meetings, the necessary fore-runners to the congress, apparently have been under way since the beginning of the month, and 28] propaganda suggests that decisions have been made on some of the lesser issues awaiting formal approval. The congress provides a mantle of legality for decisions on governmental affairs already taken by the Politburo and serves as a useful publicity channel for the dissemination of these decisions to lower governmental echelons. This renewed activity appears to have been made possible by a truce between China's two squabbling leaders, Chou En-lai and Chiang Ching, Mao's wife.]

27] The quarrel surfaced in the context of the "anti-Confucius" campaign that has been gathering momentum in China since the tenth party congress in August. The brunt of the campaign seemed to be directed against Madame Mao and her leftist supporters but there were some propaganda counterattacks against Chou. Early in December, the two sides appeared to have called a truce, possibly after some threats by the moderates. In a show of unity, Madame Mao again began to appear with Chou at some important Peking functions.]

28] Within days after Madame Mao relented, preparatory meetings for the National People's Congress began anew. Three Politburo members who double as province chiefs failed to greet foreign delegations passing through their provinces, suggesting that they are in Peking and that the current meetings include the highest echelons of the party. Propaganda broadcasts began praising revolutionary committees, which are the administrative arm of the government at the local level, suggesting that the earlier dispute over abolishing them had been resolved in their favor. A long-standing argument over whether China is still in the stage of "people's democratic dictatorship," as the moderates maintain, or has advanced to the stage of "socialism," the view of the radicals, has also been resolved. The party theoretical journal *Red Flag* indicated this month that the moderate view has prevailed.]

30] More controversial questions, such as appointments to key government posts, are probably still being deliberated. Nevertheless, the progress to date could not have been made unless the top leaders had agreed to patch up some of their differences. The current truce may be a temporary expedient to get the National People's Congress off the ground—Madame Mao has been forced to retreat in the past only to stir up trouble again at the next opportunity. [redacted]

KOREA: PAK'S TROUBLES PERSIST

35] Over the past two years, South Korea's President Pak Chong-hui has effectively controlled domestic opposition by combining authoritarian pressures with occasional political concessions. Pak may no longer be able to rely on this approach, however. Students, intellectuals, and other dissidents, increasingly cynical about Pak's intentions, are displaying a new willingness to risk injury and arrest to secure basic political reforms. They are openly rejecting the government's current conciliatory political gestures, and a serious confrontation could occur in the months ahead.]

35] After failing to end two months of campus unrest and ferment among intellectual groups with anti-riot measures, arrests, and the closing of the universities, the government took some very limited steps early this month to meet demands for academic freedom, civil rights, and a restoration of representative institutions. On December 3, Pak shuffled his cabinet and removed his CIA chief—the principal target of opposition criticism.] Prime Minister Kim Chong-pil publicly acknowledged some "irrationalities and inefficiency" in the government and pledged to overcome these causes of popular distrust.] At a cabinet meeting on December 6, Kim called for a number of remedial measures that led to an easing of government control on campuses, the release of most arrested students, and an end to the most blatant elements of the South Korean CIA's newspaper censorship.]

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32 [Such measures stopped well short of any
 ↓ basic sharing of Pak's political power, however,
 35 and were seen by his opponents as only minor
 concessions.] Christian groups, in particular, were
 33 vigorous in their criticism, with some of the more
 ↓ outspoken clergy committing themselves publicly
 35 to a complete reversal of the policies of the Pak
 government.]) They were joined by a number of
 33 elder statesmen and prominent cultural leaders.
 Their demands have focused on the restoration of
 personal freedom, at least to the level of two
 years ago, prior to Pak's "revitalization" program.]
 31 [Meanwhile, students at major universities con-
 23 tinue to issue anti-government petitions and to
 engage in mass protests despite cold weather and
 34 the closing of their schools. Even the timid op-
 position New Democratic Party has called for a
 more open political system.]

35 [Pak probably regards the domestic political
 situation as manageable despite the continuing
 dissent and hopes that the changes made over the
 past few weeks will eventually quiet his critics. If
 pressed further, he may consider additional
 gestures—perhaps indicating in some way that he
 does not intend to occupy the presidency for life.]
 31 [Another possibility is a major initiative to get the
 ↓ North-South talks moving, something that the
 35 critics would applaud. Pak also could try to use
 Pyongyang's recent naval activity in the Yellow
 Sea to focus domestic attention on the national
 security issue; Seoul is already portraying the
 threat from the North in vivid terms in its domes-
 tic propaganda.]

35 [Pak will not allow open opposition to his
 leadership to persist indefinitely, particularly in
 the face of what he believes will be serious na-
 tional economic difficulties resulting from the
 energy crisis.] Government officials have made no
 34 secret of the fact that any amendment of the
 constitution or other major political reform
 would be completely unacceptable to Pak. They
 claim that Pak may react with new repressive
 measures if pushed too far. Police and security
 elements are making plans to deal with a resur-
 gence of student dissent in the spring, and the
 Prime Minister has made it clear that persistent
 demands for sweeping political reforms will not
 be tolerated.



THAILAND: THE KING IS BACK

(36, 37)

[Most Thai viewed the King's unprecedented
 emergence into the political arena during the
 turbulent days of last October as a unique event.
 But the King is showing that he is quite willing to
 play a continuing personal role in guiding Thai-
 land toward a more democratic system of govern-
 ment. On December 10, he appointed a 2,346-
 member group to elect a new national legislative
 assembly from its membership.]

The new group includes Thai from every
 occupation and promises to broaden participation
 in the emerging civilian political system. Balloting
 for the new legislature took place on December
 19. The results are not yet in, but representatives
 from the rural population should gain a larger
 voice in the new body. The new legislature's first
 task will be to ratify the new constitution now
 being drafted by a committee appointed by Prime
 Minister Sanya.

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TURKEY: STILL TRYING

38 [Another approach to ending the leadership vacuum began last weekend when caretaker Prime Minister Naim Talu agreed to try forming a short-term national government embracing all significant parliamentary groups. Talu, who earlier this year became head of the "above-parties" regime installed under military pressure in 1971, is essentially a technician with no party base of his own. If he manages to form the coalition, it would serve only until new elections, possibly next spring or fall.]

41 [All the parties have not yet formally responded to this latest move by President Koruturk, but the refusal of the right-wing National Salvation Party to go along appears to have scuttled the possibility of a complete across-the-board coalition. The National Salvation Party called such a solution "unconstitutional," despite the party's own questionable legality as an avowedly Muslim party in a secular state. The party—which did surprisingly well in the inconclusive parliamentary elections last October but less well in more recent local elections—opposes new parliamentary elections. Its leaders probably fear an early vote might reduce its representation.]

41 [The left-of-center Republican Peoples Party, on the other hand, may hope that the impetus it gained by its successes in the two recent elections would help it make further gains. It won the largest number of assembly seats in the balloting in October. The other major political group—the right-wing Justice Party—also favors new elections, but wants some time to reorganize after its setback in October.]

41 [In calling on Talu, President Koruturk also recommended changes in the proportional representation electoral law. Although the law has contributed to the proliferation of political parties, such changes have traditionally been difficult to bring about in Turkey.]

40 [Whatever government emerges from the current stalemate—now in its ninth week—it will not be a strong one. Continued vacillation by the civilians will increase uneasiness in the military; its leaders so far have taken no public stand on the impasse, but privately have expressed confi-

dence in President Koruturk. While no preparations are apparently being made for intervention now, there has reportedly been some behind-the-scenes planning by a group of officers bent on intervention should the situation deteriorate significantly over the next six months. [redacted]

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ISRAEL: ENOUGH OIL

NO SOURCES

[On December 10, a British flag tanker under charter to Israel arrived at the Mediterranean port of Ashqelon with 160,000 metric tons of Iranian crude oil, the first such shipment since early October. The ship originally had been scheduled to go to Elat, but was ordered to proceed to Israel via the Mediterranean when it was learned that the ship's insurance would be lifted if it were used to test the Egyptian blockade of the Red Sea.]

There have as yet been no noticeable shortages of petroleum supplies in Israel. The country's two refineries have a combined daily capacity of over 200,000 barrels of products. Israel's domestic consumption of petroleum has been running an estimated 15 percent below the normal rate of 130,000 barrels per day because of under-utilization of vehicles and reduced industrial activity. Additional reductions could be effected from restrictions on non-essential vehicle use and a curtailment of weekend driving. Electric-power quotas are to be introduced and rates will be increased steeply for excess consumption. The minister of communications has said that the restrictions are intended as a show of solidarity with those countries being boycotted by the Arabs, although Tel Aviv is probably also anxious to rebuild stocks to prewar levels. These conservation measures will further reduce petroleum consumption by 5 percent.

Oil from fields in the Sinai is apparently being used in place of imported crude. By the end of October, production from the Sinai fields was about 50,000 barrels per day and was expected to be close to the normal 100,000 barrels per day by the end of the year. Thus, most of Israel's domestic crude requirements can be satisfied from Sinai production and from the substantial stocks on hand when the war began. [redacted]

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THE YEMENS: GESTURES TO ADEN

42 [North Yemen is continuing its efforts to bring the radical regime in South Yemen out of its isolation in the Arab world. Sana's conservative patron, Saudi Arabia, evidently approves of the attempt and is willing to make some gestures to help it along.]

42 [The Arab summit in Algiers in late November presented another opportunity for North Yemen's President Iryani and President Ali of South Yemen to discuss ways of resolving their differences. It was their third meeting in the past three months; they had gotten together at the nonaligned conference in September and again in North Yemen on November 10-11. The latest conversations brought no dramatic changes, but both leaders apparently believe that such presidential diplomacy helps prevent miscalculations that could lead to another round of border clashes like those of a year ago.]

42 [A more significant development at the Arab summit was a tentative conciliatory move by King Faysal, via Iryani, toward the Marxist leader of South Yemen; heretofore, the Saudis have been implacably hostile to the Aden regime.]



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42 [Faysal's attitude toward South Yemen will largely determine the extent and pace of any detente. At this time, the Saudis' position has evolved only to the point where they are willing to consider some use of the carrot as well as the stick, heretofore their preferred means of dealing with Aden.]

44 [Prior to the Algiers meeting, Aden had already begun to tone down its belligerently anti-Saudi propaganda and had even commented favorably on the Saudis' use of oil as a political weapon. Moreover, the South Yemenis are now emphasizing the tactical advantages of a rapprochement with Saudi Arabia in the political indoctrination given to members of their National Front Party.]

42 [Furthermore, hard liners in both Yemens are highly suspicious of any moves toward detente and can be expected to try to sabotage them. Just prior to Ali's visit to North Yemen last month, for example, South Yemeni extremists sent a 90-man terrorist group across the border in an unsuccessful attempt to forestall the presidential talks.]

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VENEZUELA: PEREZ CHARTS HIS COURSE

46 [Buoyed by a massive election margin of over half a million votes and majorities in both houses of congress, President-elect Carlos Andres Perez has begun outlining the policies that will guide his Democratic Action administration when it takes office in March 1974.]

47 [Although Perez' views on the petroleum issue have attracted the most attention, unemployment and inflation appear to be the immediate concerns for his government. Citing agriculture as the neediest sector of the economy, Perez pledged tax reforms, a better distribution of national income and strong support to agrarian reform. His recurring references to agriculture as the "true moving force behind the development of Venezuela" and as the "first heavy industry" to receive government attention suggest that as much priority will be devoted to this aspect of the economy as to petroleum.]



President-elect Perez

46 [While acknowledging petroleum's role in financing social and economic programs, Perez has not accepted as a necessary corollary the need to give priority attention to new arrangements with the oil companies or to a new energy agreement with the US. His statements on petroleum thus far do not indicate any sense of urgency in negotiating a long-term agreement with Washington.]

48 [Perez has not referred to his earlier statements that, on assuming the presidency, he would appoint a non-partisan, national commission including former presidents Caldera and Betancourt, to discuss an energy agreement with US representatives and the petroleum companies. The commission may still be under active study, however, and Perez may even decide to follow the example of his predecessor by sending a personal envoy to Washington before his inauguration to exchange views with US officials. He has already indicated that Venezuelan petroleum policy should be used as a lever to obtain needed raw materials for other industries. The fact that many of these raw materials are now in short supply in the US is not likely to cause the Venezuelans to moderate their demands, particularly if the country is faced with the prospect of rising unemployment as a result of some industry shutdowns in early 1974.]

ARGENTINA: NEW ARMY CHIEF

50 [The resignation of army commander General Carcagno gives President Peron an opportunity to strengthen his support among the military. In naming General Leandro Anaya, corps commander for the Buenos Aires region, as new army chief, Peron may be buying time to initiate a thorough housecleaning that would give control of the military to younger officers more responsive to his direction.]

51 [Carcagno resigned his post when the Senate refused its usual pro forma approval of his recommendation to promote four colonels, including

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General Carcagno

his chief aide. The aide was rejected ostensibly because of his ties with Peronist youth and his role in planning recent civic action projects. Actually, the legislature probably acted at the behest of Peron, who had lost confidence in Carcagno because of his rumored presidential ambitions and his efforts to curry favor with leftist youth and labor.

51 Recently, Carcagno had attempted to create a better image for the army by involving it with Peronist youth groups in a flood relief project. He had also sought to boost his own popularity by taking a nationalistic stance at the recent meeting of inter-American army chiefs in Caracas. 52 Nevertheless, Carcagno's popularity among fellow officers—never high—had dipped further in recent

months, and both military and political circles considered his departure inevitable.

51 The Senate's refusal to reconsider its decision reportedly will force the colonels to retire; Carcagno's aide has already done so. A similar 52 high-level shake-up in the navy earlier this month—ostensibly over a promotion dispute—enabled Peron to oust his opponents in that service, which had long been considered a stronghold of anti-Peronist sentiment.

[Redacted]

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URUGUAY: RENEWED OPTIMISM

53 President Bordaberry's appointment this week of a state council to replace the national 54 congress he disbanded last June has renewed optimism among some US Government observers that the administration is at last preparing to tackle the nation's persistent economic problems.

53 The functions of the council, proposed by the President last June, were vague, but some of the economic proposals that came out of government-wide 55 planning meetings in August and September had been put aside for its consideration. Among the first tasks facing the 25-member council, therefore, will be approval of a new foreign investment code, an industrial development law, and a river boundary treaty with Argentina that permits Uruguay to explore for oil in the Rio de la Plata estuary. Other proposals made by the planning meeting, like trimming the over-inflated bureaucracy, are bogged down in various study groups.

55 Just what power the council has in relation to the President and his military overseers is not yet clear. When he first proposed to establish the new body, Bordaberry said it would have power to check on the executive's conduct in the area of civil liberties and respect for law and the constitution, as well as authority to draft constitutional reform measures. The council apparently will not have the power, however, to debate the wisdom of all government proposals, as the disbanded congress did. [Redacted]

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