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FEDAYEEN-EGYPT-JORDAN

Palestine Liberation Organization spokesmen are interpreting the Egyptian-Syrian-Palestinian communiqué issued in Cairo last weekend as a rejection of any Jordanian role in negotiations on the future of the occupied territories. They contend that the designation of the PLO as the only representative of the Palestinian people denies Jordan the right to represent any Palestinians and therefore the right to negotiate with Israel for a withdrawal from the West Bank.

Moderate Palestinian leaders are promoting this embellished version of the communiqué primarily to convince the Arab states and the major powers that the PLO must be included in future sessions of the peace talks. They are also trying to counter the arguments and reduce the appeal of the more radical fedayeen leaders, who have been criticizing PLO chairman Yasir Arafat and his supporters for pursuing a conciliatory course.

PLO leaders are meeting in Damascus this week to debate future strategy. They are likely to focus on a response to Egyptian Foreign Minister Fahmi's calls for expanded Arab consultations to include representatives of Egypt, Syria, the PLO, and Jordan.

PLO officials have so far declined to enter into formal negotiations with the Jordanians. They may now conclude--in view of Amman's summary rejection last weekend of an invitation to participate in four-party talks--that a private expression of willingness to undertake informal consultations with the Jordanians as part of a general Arab effort to coordinate policy would demonstrate Palestinian "responsibility" and would further isolate King Husayn. Should the moderates take this step, it would increase the likelihood that the more radical fedayeen groups would withdraw from the PLO.

The Egyptians, for their part, are arguing in private that their concession to the Palestine Liberation Organization does not negate their earlier agreement

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with King Husayn that Jordan represents Palestinians living in Jordan. The Egyptians are developing their own interpretation of the tripartite communiqué's key word, "only," that limits its application to Palestinians who have not pledged allegiance to Arab governments.

In Cairo's view, the concession to the PLO extends only to the form, not the substance, of the dispute that has prevented Arab agreement on who will negotiate for the return of the Israeli-occupied West Bank. The Egyptians are insisting they have not conceded the key point: that Jordan should take the lead in those negotiations.

Cairo's calculated ambiguity has angered the Jordanians. Nonetheless, recent Jordanian public statements give some evidence that Amman understands the critical difference between form and substance. An Amman radio commentary on Monday rejected as a "sterile" exercise the argument over who represents whom. It noted that the key problem centers not on who represents the people, but on who in fact "liberates" the land--on who, in other words, can realistically expect to sit opposite Israel at the negotiating table.

What Jordan fears, the commentary noted, is that the Arabs will ignore the heart of the issue in their concentration on applying labels. Amman's dismissal of the representation issue as of minimal importance suggests that the Jordanians might, with pressure from Cairo, be brought to tolerate the PLO nominally as the "only" representative of the Palestinian people, so long as Amman retains the right to negotiate the disposition of West Bank territory and to govern Palestinians residing in Jordan.

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OIL

Governments everywhere appear to be trying to assess the implications of President Ford's and Secretary Kissinger's speeches Monday on artificial rigging of oil prices. Few have reacted so far; many of them are probably looking for ways to avoid offending either the US or the oil exporters.

The West Germans, for example, have informed the press that they would have no comment because the government is "striving to improve relations with the Arabs." The British Department of Energy urged consultations between producers and consumers, keeping the needs of developing countries in view.

The Oil Exporters Respond

Oil exporters were defensive. Most, like Iranian Prime Minister Hoveyda, justified high oil prices with references to the high cost of Western-manufactured goods. Representatives of OPEC were most aggressive, denying that oil prices had been used politically or that inflation began with oil price hikes. These spokesmen argued that oil rates had been adjusted because of inflation. OPEC, they said, had acted only to reduce "windfall profits made by international companies, mostly American companies."

Sheikh Zayid, President of the United Arab Emirates, was more conciliatory, supporting cooperation to cut prices of all products in international trade. He claimed that oil-exporting states are ready to lower their prices in return for lower prices on manufactured goods and food. Saudi Oil Minister Yamani initially endorsed President Ford's appeal for interdependence in world resources, but in a later interview cautioned, "as a friend," that the US should avoid actions that oil producers and developing states will view as "economic imperialism." Kuwaiti Oil Minister Abd-al-Rahman al Atiqi warned that consumer states could hurt their own interests by forming a front. He explained that it would put the oil states on alert to protect their own interests.

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Twice within the past week Venezuelan President Carlos Andres Perez has publicly criticized President Ford's remarks on the world energy crisis and aggressively defended the right of Venezuela and other countries to get a better deal for their raw materials on the world market. In a public statement yesterday, Perez again defended his administration's oil-pricing policy. Some officials are saying Venezuela plans new taxes that may have the effect of raising the price of Venezuelan oil. Perez has made clear that his administration is not picking a fight with the US and wants to maintain cordial relations with Washington.

Middle East Reaction

The Arab press has reacted sharply, giving wide circulation to an Iraqi-controlled Beirut newspaper's headline charging that President Ford had threatened to seize Arab oil by force of arms. A Syrian-subsidized paper in Beirut claimed that the US threatened nuclear war over petroleum.

Only one commentator has cautioned that the Arab states cannot win a food-versus-oil confrontation with the US. Amman radio highlighted President Ford's call for a comprehensive world energy plan and cooperation between exporters and importers.

One Israeli commentary has appeared in the influential paper Ma'ariv, saying that US leaders are wrong to assume that there is any usefulness to approaching Arab oil producers.

Communist Reaction

The Soviets have avoided reporting proposals on global food and energy policies and economic interdependence contained in President Ford's speech to the UN last week. Tass has reported only that the President's speech in Detroit "contained a warning" to petroleum-producing countries that had increased their

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prices. A Radio Moscow broadcast in Arabic last night quoted the Kuwaitis as viewing the President's call for a conference of Western oil-consuming states as the first step toward creating a bloc "hostile" to the oil-exporting countries.

As of this morning, there has been no mention on Peking Radio of either President Ford's speech in Detroit or Secretary Kissinger's speech at the UN. Radio Hanoi called the tone of the President's speech harsh, but its report was brief and relatively straightforward. Hanoi has broadcast a long and reasonably factual account of Secretary Kissinger's speech, characterizing it as an attempt to intimidate oil exporters while promising to help them increase agricultural production.

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PAKISTAN-AFGHANISTAN

Recent and projected Pakistani military operations against tribal insurgents in Baluchistan Province will probably lead Afghanistan to step up its anti-Pakistan propaganda, but there has been little evidence so far that either country is getting ready to initiate hostilities.

According to the US army attaché in Pakistan, who toured Baluchistan last week, the Pakistani army recently made at least two sweeps in the area. There have been conflicting reports as to how successful these operations were; the army's claims that it captured or killed large numbers of rebel tribesmen are probably exaggerated.

In Afghanistan, where sympathy is strong for Pakistani dissidents both in Baluchistan and in the neighboring North-West Frontier Province, there has been considerable official criticism of Pakistan's latest actions. President Daoud has sent a strong letter of protest to the UN secretary general.

An irrational move or escalation of a local incident cannot be ruled out, but both sides seem to want to avoid a war. Daoud has strong feelings about the long-standing dispute over the status of Pakistan's two frontier provinces and is apparently convinced that they will eventually come under Afghan control, but he knows that his army is much weaker than Pakistan's. He also knows that, although Moscow has been giving Kabul substantial economic and military assistance and relations with India have improved steadily, he cannot be sure either would come to Afghanistan's rescue in the event of a war with Pakistan. He may step up propaganda and even move some troops around, however, particularly if a major Pakistani offensive against the Baluchi rebels materializes.

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Pakistan, for its part, will probably continue to try to avoid violating the Afghan border as it seeks to bring the Baluchi rebels to heel. Afghanistan has long been giving sanctuary and some material help to dissidents in both of the Pakistani frontier provinces, but this assistance has not been so extensive that Islamabad would be likely to view a strike against Afghanistan as a military necessity. The two countries have never actually gone to war over their border dispute, although they came close in 1962. In that year, strong protests against Pakistan's frontier policies by the Afghan public and the government of then-prime minister Daoud led to a sharp deterioration in relations that did not ease until after Daoud had been replaced the following year by more moderate leaders.

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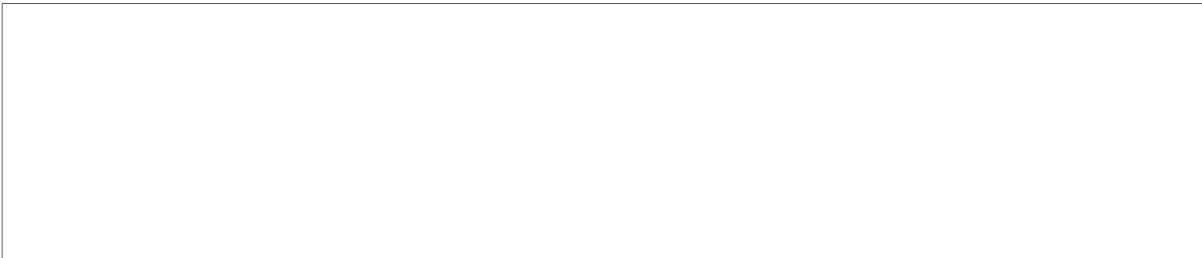
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CYPRUS

Archbishop Makarios has been giving mixed signals regarding his future role in Cyprus. His appearance at the UN this week will provide him with a forum from which to explore the various possibilities open to him.

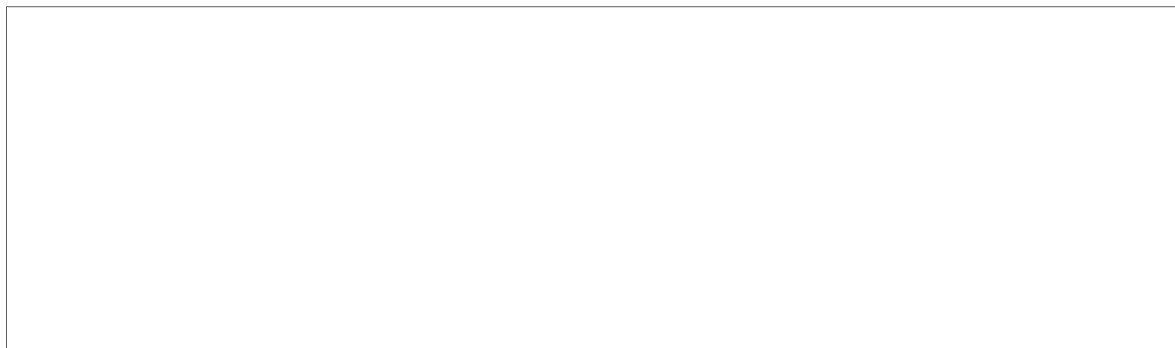
He has not given up the idea of returning to the island, but it is not clear in what capacity or at what time he would do so. In Belgrade last Monday, Makarios said he might return to the island in two or three weeks. He said he would decide the exact date after the UN General Assembly debate later this month.

Makarios said earlier he would not return until all the Greek officers who participated in the coup against him left the island. The rotation of these officers will not be completed for several weeks.



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Makarios' activities have complicated acting Greek Cypriot President Clerides' efforts to achieve a Cyprus settlement. The Turks prefer to deal with Clerides and would probably stiffen their negotiating positions should Makarios return to the island.



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Recently, both Greek Foreign Minister Mavros and a Makarios-Clerides go-between have privately floated the possibility that Makarios might return to the island

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solely in an ecclesiastical capacity. It is unlikely that he would be long content with such a role, nor would Clerides welcome his return in such a capacity.

Although Clerides does not want Makarios back, he does not want him to resign either. His resignation would require new elections at a time when no one is sure what kind of government Cyprus will have. Clerides, therefore, continues to support Makarios' plan to address the UN as President of Cyprus, even though he realizes the archbishop may use the opportunity to upstage Clerides' efforts to secure peace.

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The Democratic Party yesterday rejected Prime Minister Ecevit's offer to join in a coalition government, but left the door open for further negotiations.

The wording of the rejection announcement by Democratic Party leader Bozbeyli indicated that it was Ecevit's insistence on elections this December that prompted the party council to reject the coalition proposal. Leading Democrats have suggested, however, that the party was ready to overlook ideological differences with Ecevit and, if he drops his insistence on holding elections in 1974, they might agree to join a coalition.

Ecevit, in fact, appears to have little choice now but to give up the idea of immediate elections. The Democrats were his best chance to obtain the parliamentary majority necessary to approve early elections.

Ecevit's next effort to form a new government will probably be another proposal to the Democratic Party, possibly calling for elections next spring. The Democrats would be more likely to accept such an offer.

If Ecevit fails to entice the Democrats into a coalition, he may try to form a minority government. If both efforts fail, President Koruturk could turn to Suleyman Demirel, leader of the opposition Justice Party, to try to organize a coalition. In any event, Ecevit will continue to head the caretaker government until a new government is formed.

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GREECE

The Greek government's announcement on September 23 lifting the ban on the Communist Party is the latest step the civilian government has taken toward a national election. The ban on the Greek Communist Party, imposed in 1936, was reaffirmed during Greece's civil war in 1947. Last week, the cabinet approved a new law on proportional representation; another law now being prepared will outline the requirements necessary to qualify as a political party.

Prime Minister Karamanlis must now set an election date. Most reports indicate the election will be in late November. An early election has the advantage, for Karamanlis, of capitalizing on his image of a returned hero. It will also get the Greeks to the polls before the badly fragmented left can organize.

The Communists, for example, are split into three groups: the Moscow-backed Communist Party (the KKE-~~exterior~~), the dissident Communist Party (the KKE-~~interior~~), and the United Democratic Left (EDA), a Communist front group which represented the Communists in parliament from 1952-1967. EDA won 11 percent of the vote in the 1964 elections.

The legalization of the Greek Communist Party will intensify the current debate over which group is the legitimate one and may lead to a court fight between the two sections of the party over the title of their respective organizations. The Moscow-backed faction has thus far shown great unwillingness to join with other leftists, and this should harm the left's showing at the polls. [redacted]

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PORTUGAL

President Spinoła apparently plans to play a direct role in the negotiations involving the decolonization of Angola and Cape Verde.

An aide of the President told a US embassy officer that Spinoła is not entirely pleased with the settlements achieved in Guinea-Bissau and Mozambique. Spinoła's displeasure presumably centers around the concessions that granted power to one guerrilla group without holding a referendum to test a variety of other options, including a federation with Portugal.

Spinoła would like to see Angola, the richest of the overseas territories, handled in a way that will allow Lisbon to play the various guerrilla groups vying for power against each other, according to the President's aide. [redacted] Spinoła will not attempt to alter the decolonization formula for Mozambique, but will concentrate on ensuring that the referendum route is followed in Angola.

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Spinoła's personal involvement in Angola also was endorsed by the Portuguese president of the territorial junta on September 23, prior to his departure to Luanda. He said Spinoła had "decided to take in his hands all international matters bearing upon the future of Angola." In a speech that day at the swearing-in ceremony of the new governor of Cape Verde, Spinoła warned that Portugal will use force if necessary to guarantee freedom of choice for the people of Cape Verde.

Spinoła's new assertiveness may be related to indications of a campaign for a pro-Spinoła, anti-extremist rally. Press reports indicate that some 50,000 posters calling for such a rally on an unspecified date appeared in Lisbon on September 19.

The leftist-dominated press is billing the campaign as a maneuver by "reactionary elements" to discredit Spinoła. The known involvement of at least one junta

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member, however, suggests that the campaign has Spino-la's approval. The press has refused to print the details of the rally, [redacted]

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The brochures advertising the rally indicate that one of the themes of the demonstration will be the return to the original Spino-la decolonization formula, i.e., the referendum. Spino-la's position on this point seems to have hardened, and his unyielding attitude could polarize forces within the establishment, and particularly in the armed forces, on this issue.

A political rally could also present other dangers. A large turnout might trigger violence which eventually could lead to an attempted take-over by extremists of the right or left. [redacted]

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ETHIOPIA

The Confederation of Ethiopian Labor Unions has called a general strike for today. Union leaders have asked workers to remain home, but disorders are possible. An extended strike would produce serious economic dislocation and increase chances for more unrest. The strike call came at the same time the military government faced problems with ethnic dissidents outside the capital.

The confederation's demand last week for a quick end to military rule resulted in a public condemnation of the labor leadership by the armed forces. Subsequent negotiations to resolve differences between the two sides were unproductive, and this week, the military arrested three confederation leaders. Other labor officials then called for a general strike to last until the three are released.

The confederation, which claims over 100,000 members, is ably led and has close ties with European and US labor organizations. Organized labor's militancy contributed to the overthrow of the cabinet last February. A disciplined general strike by the confederation in March culminated in an agreement with then-prime minister Endelkatchew to return to work in exchange for a labor law sought by the confederation.

The military may be compelled to use force if volatile students and others demonstrate in support of the confederation. A prolonged strike could result in shortages of fuel and other necessities. This would add to urban tensions and the already considerable hardships of Ethiopian city dwellers.

The military is also being confronted by signs of opposition outside the capital. In Tigre Province, a popular aristocrat, Governor General Ras Mengesha Seyoum, has eluded the troops sent to keep him under control and has taken to the countryside with a few armed retainers.

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The military regime is also reported to have provoked the Danakils, a large warlike group of nomads in the northeasternmost part of Ethiopia. The military ordered the group's traditional leader to turn himself in, along with the rest of Ethiopia's aristocrats, but backed down in the face of threatened armed tribal resistance to any arrest attempt.

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SOUTH KOREA

Opposition forces in South Korea are stirring once again in the aftermath of the Seoul-Tokyo diplomatic dispute. President Pak has already taken a number of steps aimed at heading off domestic criticism, and he reportedly is planning to take a more conciliatory approach toward opposition elements--if only as a temporary tactical maneuver. Nevertheless, there is likely to be a confrontation with the government, perhaps including action in the streets, before President Ford visits Seoul in late November.

During the past few days, relatively small student and Christian groups have resumed signature campaigns and protest prayer meetings aimed at obtaining the release of comrades imprisoned during the spring and summer under the government's emergency decrees. Government security forces have moved quickly to pick up the leaders of these activities for questioning. In the National Assembly, the newly elected leader of the major opposition party is planning a vigorous attack on government policies, which reportedly will include demands that the emergency decrees remaining in effect be rescinded, that the constitution and criminal code be revised to restore individual liberties, and that the role of the Korean CIA be sharply curtailed.

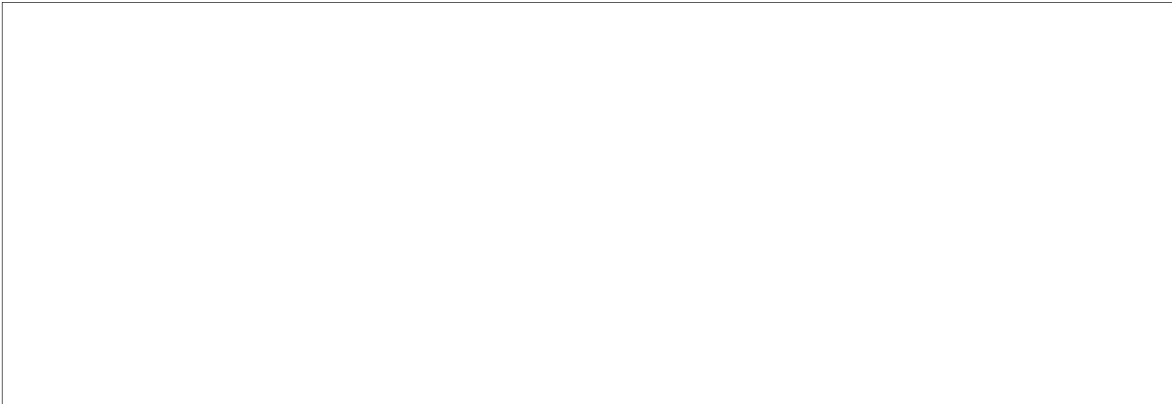
The government's position is complicated by economic problems. Last week the largest and most violent strike since 1972 took place in Ulsan, and officials fear that a predicted 30-percent shortfall in this year's harvest could cause food shortages.

President Pak, in moves aimed in part at satisfying opposition claims, last month lifted two of the four emergency decrees imposed earlier this year, and last week he carried out a cabinet shuffle. The cabinet changes did not presage any significant policy shifts, but they did bring in a number of new faces, preempt a planned opposition attack on government corruption, and

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remove education and information ministers who were un-
popular with students and the press. A desire to deflect
popular resentment was one factor behind Seoul's harsh
anti-Japanese campaign of recent weeks.



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JAPAN

Tokyo has just completed the annual revision of its five-year petroleum supply plan. The plan for 1974 to 1978 provides for: slower growth in consumption; increasing stocks to 90 days of supply; direct deals with producers when possible; and reorganization of the domestic oil industry to strengthen exploration and production capabilities.

Crude oil consumption in Japan is expected to decline by about 2 percent this year. It is projected to grow during 1975 to 1978 by about 4 percent a year, compared with annual growth of about 12 percent in recent years. In place of mandatory conservation measures instituted last winter, a cabinet-level committee has been established to monitor consumption by large energy users. The committee has no enforcement powers, but can request firms to use restraint if their consumption is judged to be excessive.

The Ministry of International Trade and Industry is prepared to submit legislation requiring private oil firms to maintain 90-day stocks by 1978. A minimum of 60 days of supply will be required when the law is enacted, probably by next spring at the earliest. Additional storage facilities and oil purchases will be financed largely by the government. The Ministry of Finance is balking at the cost of this plan--estimated at about \$5 billion--but Trade Ministry officials are confident of eventual approval.

Tokyo intends to pursue bilateral supply arrangements, but has decided against setting up a public corporation for that purpose. Procedures for handling government-to-government deals will be determined on a case-by-case basis. If price negotiations with Baghdad later this month are successful, for example, the oil will be resold to private companies, with the semi-governmental Japan Petroleum Development Corporation providing the necessary financing.

The International Trade Ministry is convinced that most of the 40 to 50 small, poorly financed Japanese

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refining and exploration companies must merge if Japan is to have much chance of competing or even working in conjunction with the large international oil firms in developing new sources of supply.

Because industry opposition probably would preclude legislative action, the ministry will try to persuade companies to cooperate, using stockpile requirements as leverage. Since each company will be obligated to maintain stocks proportionate to its productive capacity, the financially weak will be forced to merge or go under.

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JAPAN-CHINA

With a view toward boosting sales to China, Tokyo's Export-Import Bank has, after protracted negotiations, formally approved its first loan to Peking in ten years. The \$30-million credit carries an annual interest rate of 5.5 percent and is repayable in five years. It will help finance Peking's purchase of a 300,000-metric-ton ethylene plant, worth nearly \$50 million. Japanese commercial banks will finance part of the remaining costs at 8-percent interest.

Over \$80 million in other Exim Bank loans to Peking are due for final approval this year. These credits will help finance the purchase of two more chemical plants, a fertilizer plant, and a thermal power plant, having a total value of some \$130 million. More loans are likely to be approved next year.

Japanese exports to China, although relatively small, are growing rapidly. Sales totaled over \$1 billion in 1973 and are likely to reach \$1.5 billion this year. Japan has run a small surplus in its trade with China, but large imports of Chinese crude oil will probably reverse this trend by the end of the decade, unless sales are substantially increased. With Exim Bank financing now available to Japanese exporters, further expansion of Japanese plant sales to China appears likely.

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Israel: The Israeli military command announced that Israeli aircraft struck Arab guerrilla camps in southeast Lebanon yesterday in a "preemptive" strike aimed at foiling terrorist raids planned for the Yom Kippur holiday. Press reports from Lebanon indicate that six Israeli aircraft were involved in the attack, which lasted about 15 minutes; there were no reports of casualties.

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Syria-USSR:

[Redacted] the USSR will begin to expand facilities at the port of Latakia in Syria by the end of the year. The project will double the number of berths to 12 and expand cargo handling capacity to accommodate the large flow of goods coming over the nearly completed 420-mile rail line connecting Latakia with northeastern Syria. Port construction will take three years to complete. Soviet participation in the project was arranged under an economic agreement signed during President Asad's visit to Moscow in April. [Redacted]

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