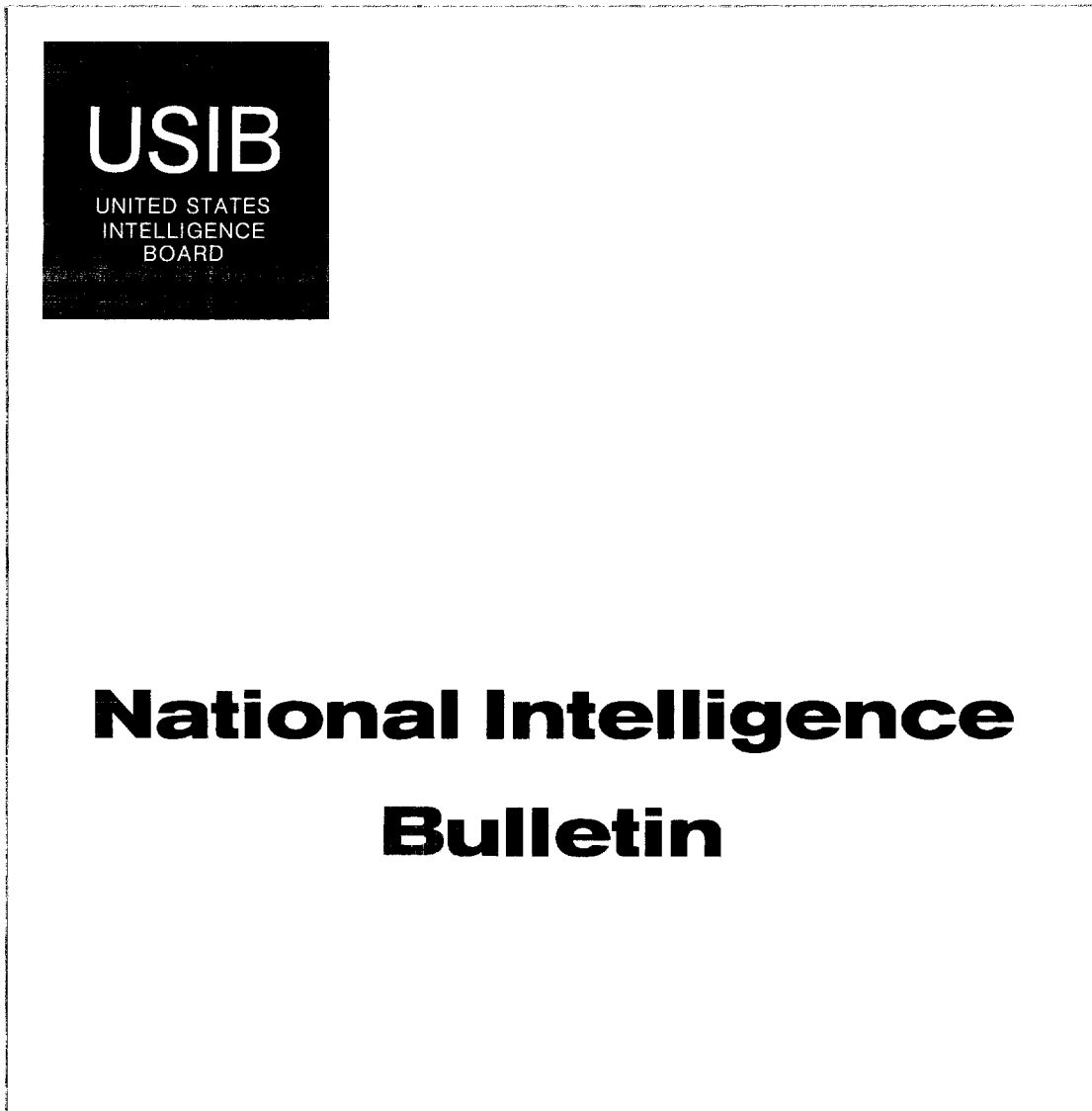


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TURKEY-GREECE

The Greek-Turkish dispute over oil rights in the Aegean could be rekindled as a result of Ankara's decision to move ahead with oil exploration in the area.

The Turks have signed contracts with Norwegian and Danish companies to conduct seismic surveys in the Aegean. The exploration is expected to begin by late November. An official in the Ministry of Power has also informed the US embassy that the Turkish Petroleum Office has concluded an agreement with an American consortium for seismic research and exploratory drilling. [REDACTED]

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The power official said Ankara has rejected Greek protests over Turkish activity in the Aegean Sea but is willing to try to negotiate the problem. The timing of the Turkish announcement of the contracts with the Scandinavian companies, however, comes at an awkward time for Greek Prime Minister Karamanlis, who is involved in an election campaign in which problems with Turkey over Cyprus are already a hot issue.

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Although the Turkish action seems likely to spark additional Greek protests, both sides will probably avoid a direct confrontation over the issue at this time. The Greeks, in fact, have expressed some interest in resolving the problem as part of a package that would include Cyprus. There has been no progress yet, however.

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GREECE

The exile on October 23 of former president Papadopoulos and four of his close associates in the junta that overthrew the civilian government in 1967 appears designed to satisfy public sentiment that justice should be done and that leading personalities of the military regimes should be punished.

This has become a major election issue, and Prime Minister Karamanlis has been vulnerable to criticism from the left that he has not broken decisively with the past. The move should increase his standing among all groups except the extreme right.

Karamanlis probably is also reacting to earlier indications that Papadopoulos and other former junta leaders were planning to form a political party or support the newly formed National Democratic Union (EDE) led by Petros Garoufalias. The right-wing EDE will draw votes from Karamanlis' conservative constituency and from army officers who are dissatisfied with Karamanlis' policies. One of the exiled junta leaders had even planned to run for parliament under the EDE banner.

A Karamanlis emissary has reportedly been trying to persuade disgruntled conservative labor leaders--ousted under a recent government decree--not to support Garoufalias. The emissary claims that even if the EDE got only 3 percent of the popular vote, Karamanlis' electoral prospects could be badly damaged.

There is no evidence that Papadopoulos was conspiring against the government, as a spokesman for Karamanlis has charged. His arrest is unlikely to produce a strong reaction from the army, as he does not retain significant support there. Charges against former Greek strongman Ioannidis, who overthrew Papadopoulos in 1973, are also under investigation. A move against Ioannidis, who is presently in hiding, would be more difficult, however, because there is still pro-Ioannidis sentiment in the army.

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ITALY

Christian Democratic chief Amintore Fanfani has reportedly been persuaded by his party to make a last try at reviving Italy's center-left coalition.

Fanfani, after a week of hard bargaining that had seen differences on most issues narrowed, was on the verge of giving up yesterday after a deadlock developed between the Socialists and the three other parties over the issue of government policy toward organized labor. The Socialists yesterday declared themselves ready for further talks, but they may yet conclude that for the moment, an opposition role would be more politically advantageous.

Neither side has budged on the question of how to respond to labor's drive for a package of costly benefits coupled with steep increases in wage adjustments that would be automatically linked to the cost-of-living index. Labor-management talks on these issues are bogged down, and the Socialists--in their proposals for a new government program--are backing the unions to the hilt.

The other parties are convinced that too many concessions to labor would scuttle Italy's two-month-old austerity program--the linchpin of efforts to reduce the country's growing budget deficit. The Socialists have often said that they could not remain in government if doing so meant getting out of step with their constituents in organized labor.

If Fanfani fails to find a compromise on this and any other remaining issues, the immediate prospect is for some kind of caretaker government that would prepare the way for either a later attempt to re-form the center-left coalition or--as a last resort--early parliamentary elections.

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SAUDI ARABIA

Saudi Arabia is reported ready to establish an office in Europe or the US to assist it in investing surplus oil revenue. The new office, responsible to Prince Fahd, is the first step in reducing Jidda's reliance on Western expertise for investment management.

Establishment of the new office would mean that Saudi officials apparently have reduced the decision-making role of the Saudi Arabian Monetary Agency. This organization, responsible for managing Saudi revenues, has relied heavily for financial guidance on foreign banks and investment firms.

Despite the shift, Western experts will continue to play a major role in identifying investment opportunities for the Saudis. Surging oil revenues and the lack of Saudi investment specialists will force the new office to turn to Westerners.

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EC

EC finance ministers agreed in principle at their meeting this week to float a \$3-billion Community loan to help finance members' oil-related payments deficits. The move represents a substantial step forward for the Community politically, although the size of the loan is only a token amount.

While the Community will arrange the loan, individual governments will be liable in case of default. West Germany, the UK, and France will each be responsible for up to 44 percent of the loan, even if other guarantors refuse to pay, while other members' obligations range between 3 and 15 percent.

Technical details of the loan still remain to be resolved. The EC Council, at its meeting on November 18, may decide which EC institution will act as borrowing agent and whether the loan will be offered in the European capital market or placed directly with oil producers.

The loan will be able to meet only a small portion of the needs of such hard-hit members as Italy, whose oil-related deficit is now about \$6 billion a year. Further EC loans will require the unanimous approval of the Council and parliamentary approval in a number of member states, including West Germany. Bonn's active support will therefore be necessary for any future Community borrowing, and Germany will look closely at any future requests. The compromises Bonn made this week, however, show that the Germans recognize a need to demonstrate EC solidarity.

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SOUTH KOREA

The Pak government has begun to clamp down during the past few days on opposition politicians and press critics.

A group of editors who failed to carry out instructions to cease all coverage of antigovernment demonstrations have been picked up for questioning. More important, several members of a small opposition party which had planned to call for scrapping the present constitution have also been detained. The arrest of the politicians was probably intended primarily as a warning to Kim Yong-sam, the outspoken leader of the most important opposition party.

These moves also point up Pak's concern over the protest demonstrations, which this week have involved hundreds of students and dissident Catholics. The demonstrations have persisted, despite the closure last week of almost half of South Korea's universities and the detention of a number of student and Christian leaders.

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Turkey: All Turkish military forces along the Greek border, with the exception of engineer units, reportedly have begun to withdraw from the advanced positions they took during the Cyprus crisis. [redacted] the withdrawals began on October 19. All units are expected to have returned to their normal positions in western Thrace by October 28. [redacted]

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