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Top Secret



Weekly Review



Top Secret



April 25, 1975

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review, [Redacted]

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic 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.

[Redacted]

VIETNAM

Collapse Imminent

Despite a lull in heavy fighting at midweek the fate of the Republic of Vietnam is sealed, and Saigon faces imminent military collapse. The timing is in the hands of the communists, who now hold an overwhelming military advantage over the government. While the respite has given the government time to realign its forces and strengthen defenses close to Saigon, senior officials recognize the situation as hopeless, and this mentality probably will lead to a rapid unraveling once a major communist push begins.

Although the war is rapidly concluding, the communists this week quashed any lingering hopes of a genuine compromise or a quick ceasefire, which would provide the best circumstances for an orderly evacuation of Americans and those South Vietnamese most vulnerable to communist reprisal. Hanoi and the Provisional Revolutionary Government dismissed President Thieu's resignation—and Saigon's call for unconditional negotiations—as a "clumsy and deceptive trick" designed by the US to forestall Saigon's inevitable collapse. They are demanding that the entire South Vietnamese government be replaced by persons not associated with the previous Thieu regime.

The communists are now focusing their harshest attacks on the US, demanding a total withdrawal of the US presence in Vietnam and support for Saigon. In essence their message is running along these lines:

- The American withdrawal should occur immediately. An authoritative North Vietnamese commentary on April 22 said that all Americans could be evacuated "in a very short time, even in one day, without any difficulty or obstacle."

- At the same time, Hanoi is extremely sensitive to prospects of a large-scale South Vietnamese evacuation and is condemning US expressions of concern about communist

reprisals in the South. Hanoi appears to be warning that the communists will interfere with any US effort to conduct a wholesale exodus of South Vietnamese.

The communists are not promising meaningful negotiations—even in exchange for a totally new South Vietnamese government and full American withdrawal—but only "the rapid settlement of the affairs of South Vietnam." At this point, the best a new government could probably obtain would be a negotiated surrender under the guise of a "political solution."

Thieu's resignation led to two days of political confusion and bickering in Saigon, but by week's end the formation of a government with some chance of dealing with the communists appeared imminent. Prime Minister Cai and his entire cabinet resigned Thursday, and negotiations are now under way between General "Big" Minh and President Huong to organize a new government. "Big" Minh is the major political figure probably most acceptable to the communists as a negotiating partner. Assuming Minh gets his new government organized, he intends to seek and accept whatever terms the communists offer. The South Vietnamese Ministry of Information already has ordered the removal of all anti-communist banners, posters, and slogans in Saigon. There is a good chance, however, that the communist military timetable will allow little additional time for the political process in Saigon to produce a government with which the communists might deal.

Administration of Conquered Lands

Information is sketchy as to how the communists are administering the areas of South Vietnam that have recently come under their control. Nevertheless, they are apparently wasting little time in consolidating their control and dealing with local resistance. Their new administration appears to have a distinctive military cast, suggesting that some areas have been placed under a sort of martial law.

To date, the communists have called the administrative bodies they have set up "revolutionary committees," and the mix of North Vietnamese and South Vietnamese participation is not known.

[redacted] roughly one North Vietnamese civil servant in three has been sent south to support the communist occupation effort.

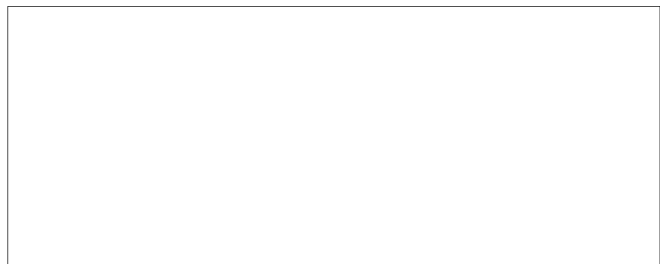
The communists are making an obvious effort to calm fears and prevent massive numbers of refugees from pushing south. A ten-point manifesto broadcast on April 3 appealed to government civil servants to stay in their jobs and guaranteed private businessmen that they could continue in operation. From what little we know about the formation of revolutionary committees in cities like Hue and Da Nang, it seems that at least a superficial effort in this direction is under way.

On March 26, the Viet Cong radio broadcast a list of urgent tasks to be carried out in newly liberated areas, especially urban centers. One task was to punish severely anyone "conducting schemes" to oppose the new administra-

tion. The following day, a broadcast warned that urban areas were good hiding places for opposition elements and that "first of all" troops should "eliminate all surreptitious acts of resistance."

Former Officials

The scope and magnitude of the purges are uncertain, but certain elements of the former government, such as police, are particularly vulnerable. Eyewitness accounts from refugees and others who have escaped from communist-held areas bear this out. Some of the initial killing may have been local actions by individual units, as opposed to a more general and systematic policy of purge and reprisal.



THE MIDDLE EAST

LOOKING TOWARD GENEVA

The Soviets are meeting with a number of Arab leaders in an effort to achieve a measure of agreement before the reconvening of the Geneva conference. The signs thus far suggest that further talks will be needed.

Following the visit by Iraqi strong man Saddam Husayn last week, Egyptian Foreign Minister Fahmy had extensive talks in Moscow during the weekend. Moscow and Cairo agreed that careful and serious preparations must precede the conference, but the communique made no mention of timing. The Egyptians indicated that the Soviets are talking privately of a June opening. During the discussions, the Soviets apparently made plain that they had no interest in the Egyptian suggestion that the conference be expanded to include France, the UK, and at least one nonaligned country.

The communique suggests that neither the Soviets nor the Egyptians have ruled out some new attempt at a disengagement agreement—as long as it is "decided on and implemented within the framework" of Geneva. This goes further than Cairo has in the past to affirm Geneva as the venue for further negotiations, but still does not completely rule out bilateral Egyptian-Israeli talks. Recently, even some Soviets have been speaking favorably of a renewed attempt by Secretary Kissinger to achieve an Israeli-Egyptian disengagement agreement, apparently in the belief that this would give positive momentum to the conference.

The two sides seemed to agree that the question of Palestinian representation at Geneva should not block a reconvening of the conference, but here again their comments were ambiguous. They said that the Palestine Liberation Organization should "have the same rights as other participants," but did not specify the



point at which the Palestinians should attend nor did they close the door on PLO participation as part of another delegation.

Although the atmosphere surrounding Fahmi's visit appeared less strained than past Soviet-Egyptian exchanges, the communique did not suggest progress on such issues as debt re-scheduling and military aid. Egyptian comments prior to the visit indicated that Cairo had hoped to use Moscow's interest in the Geneva conference to press the Soviets on these issues. The Soviets, however, apparently would have none of this. Foreign Minister Gromyko, in effect, told the Egyptians that Moscow still considered Cairo's independent policies the major obstacle to closer ties.

Syrian Foreign Minister Khaddam arrived in Moscow hard on Fahmi's heels. In addition, Soviet chief of staff Kulikov traveled to Damascus this week to discuss military issues. The primary purpose of the talks is probably to ensure Syrian participation at Geneva, but Damascus' dispute with Baghdad over the Euphrates River will probably also be discussed.

EGYPT AND SYRIA STILL AT ODDS

Presidents Sadat and Asad appear to have papered over some of their differences during the two-day summit in Riyadh held under the auspices of the new Saudi leadership. The absence of specifics in the communique issued on April 23, however, suggests that there are still serious disagreements between the Egyptian and Syrian leaders.

The communique affirmed that "political action during the coming stage demands the establishment of the closest cooperation" between the two countries. It noted that "any action"—presumably meaning any negotiated agreement with the Israelis—on any front should be "part of" similar action on all fronts. These assertions are obviously designed to mollify

Asad, who has consistently demanded that Sadat refrain from unilateral agreements with Israel and instead pursue an overall settlement that satisfies all Arab territorial demands.

The communique did not mention a re-convened Geneva conference and made scant mention of the Palestinians. This suggests that the two presidents found little common ground on these issues, which are basic to any formulation of a joint strategy. The communique referred only in passing to ensuring the "legitimate rights" of the Palestinians, but avoided standard Arab formulations on establishing a Palestinian state and guaranteeing the presence of the Palestine Liberation Organization at Geneva.

Sadat has been attempting to devise a formula that would defer PLO participation in the conference and, even when this is agreed upon, obscure the PLO presence by absorbing it in a broader Arab delegation. He has apparently had no success in pressing this position on the Palestinians and may have run into difficulty with Asad as well. The Syrians have hinted broadly in the past that they might boycott the conference unless the PLO is invited to attend from the start.

Sadat's assertions of a determination to coordinate more closely with Asad cost him nothing at this point. He seems to have no hope that another Egyptian-Israeli disengagement can be negotiated and thus sees the Geneva conference, where closer cooperation with Syria will be necessary, as the only negotiating avenue still open.

The two presidents established a new vehicle for future coordination, which offers some hope of an improvement in bilateral relations. According to the communique, they have formed a permanent coordination committee under the joint chairmanship of the Egyptian vice president and the Syrian prime minister. In the past, contacts have been the province of the two foreign ministers, whose abrasive personalities and mutual antagonism further soured Egyptian-Syrian relations.

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JORDAN: HUSAYN SPREADS HIS BETS

King Husayn, at 40 the longest ruling of the Arab chiefs of state, arrives in Washington next week for a discussion of Jordan's military and economic needs. Husayn's fortunes, and those of his country, have improved markedly over the past year, largely as a result of his decision to acquiesce in the Arab League's resolution at Rabat last October that the Palestine Liberation Organization should ultimately assume control over the West Bank.

From that decision has flowed some \$175 million in so-called Rabat payments from the Arab League and a special Saudi grant of \$57 million to cover "urgent and necessary requirements." The Palestinians have muted their attacks on the King, and have grudgingly acknowledged the Jordanian army's "vital role" in the "battle for liberation" of the Palestinian homeland.

After a period of moody introspection following the Rabat summit, the King—prodded by Prime Minister Rifai—moved actively to mend fences at home and abroad. He applied some of the Arab subsidies to improve the conditions of the army, and, with income from phosphate exports rising, moved forward on some long-dormant development projects. Jordan's diplomatic contacts with Arab states were upgraded across the board; even Iraqi leader Saddam Husayn was invited to Amman, and the King went so far as to offer to meet with Libyan President Qadhafi. King Husayn has grown particularly cozy with Syrian President Asad, making a surprise visit to Damascus for a long talk with Asad early in April.

Husayn and his aides gave US officials only sketchy accounts of his meeting with Asad, but [redacted] from the King's chats with his troops it appears that his strong desire for an air defense system was a principal topic. The subsequent appearance in Jordan of Syrian air force officers has led some Jordanian officers to conclude that the King asked for and received Syria's agreement to extend its SAM umbrella to cover north Jordan.

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The King is nevertheless determined to press for US delivery of a Hawk missile defense system at an early date. He and his prime minister have dropped hints that if this cannot be managed, he will try to "borrow" Hawks from Saudi Arabia or, if necessary, get Syria to provide Soviet SA-6s and SA-7s.

Husayn is also expecting US budget and military support of \$180 million this year. Although he will remind Washington of Jordan's long-term loyalty and his readiness to support US policy in the area, Husayn and Rifai have recently been spreading their bets. In the past two months Jordan has:

- Developed a more intimate relationship with Syria than ever before, including wide-ranging economic and trade agreements and active political and military consultations.
- Entertained several Soviet economic and political delegations and lavishly welcomed Romanian President Ceausescu.
- Approved requests for diplomatic representation by Yugoslavia, East Germany, and North Korea.
- Rushed to congratulate Prince Sihanouk and promise recognition of his "government of national union."

Some Jordanian officials profess concern about the extent and direction of Jordan's widening involvement in foreign affairs, which stirs little popular interest. They fear the country will be drawn into politically dangerous entanglements abroad when it should be concentrating on internal development. Field-grade officers are said to be worried that, if the King accepts Soviet air defense weapons from Damascus, Syrian and perhaps Soviet advisers may be stationed in Jordan and the country will automatically be drawn into any new war with Israel.

Husayn has done his homework well, however, and Prime Minister Rifai too has paid attention to building domestic support for the

government. Periodic meetings have been held in the provinces to explain development projects and advertise beneficial government programs. Economic development is being given new emphasis, focusing on agriculture and mineral exploitation as well as tourism. The King himself, mindful of last year's army mutiny, spent the early part of this month in traditional visits to army units, reknitting his personal ties with the troops. In marked contrast to his perfunctory reception at an army celebration a year ago, Husayn this time was nearly mobbed by soldiers eager to shake his hand and demonstrate their tribal devotion.

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LIBYA-EGYPT: FEUDING AGAIN

The gradually building tension between Libya and Egypt flared up last week with both sides threatening to sever diplomatic relations. Similar acrimonious exchanges last summer prompted the withdrawal of the Egyptian military mission from Libya, the recall of Libya's Mirage aircraft from Egypt, and the reinforcement of border guards on both sides. This time, over 200,000 Egyptian civilians in Libya have become pawns in the dispute.

The Libyans, infuriated by President Sadat's recent characterization of Qadhafi as "insane," formally protested to the Egyptian ambassador on April 16, warning that Sadat's efforts to split Qadhafi from the ruling council could lead to a break in relations. The Libyan protest drew a quick communique from Cairo rejecting the Libyan note and warning that withdrawal of the Egyptian ambassador was being contemplated. The communique also hinted that Cairo may be considering the recall of Egyptian civilian workers seconded to the Libyan government.

Such a move would create serious problems for both sides that each may want to avoid. The

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Sadat (l) and Qadhafi in better days

Libyan economy and most of its public institutions would be seriously disrupted by the withdrawal of the Egyptians, who form the backbone of the country's labor and professional force. Cairo, on the other hand, must realize that recalling its citizens could trigger an anti-Egyptian backlash from the traditionally hostile Libyans, which neither Cairo nor Tripoli could easily control. Scattered acts of violence against Egyptians have already taken place in Libyan border towns, according to the Egyptian press.

In such a highly charged atmosphere, practical economic and political considerations may not serve as effective constraints. Having been rebuffed repeatedly in his attempts to arrange a meeting with Sadat, Qadhafi now probably feels only the barest need for restraint. The Libyan leader has little direct political leverage to use against his neighbor, but he can continue harping on such sensitive issues as Sadat's close relations with the US and his "poor" handling of Egypt's economic problems. Tripoli might also use such assets as it may have among conservative religious factions and the armed forces inside Egypt to foment problems for the Egyptian leadership.

Sadat's recent outbursts against Qadhafi probably stem from a concern that the Libyan leader is willing and able to conduct subversive operations in Egypt. When Sadat feels confident of his position in the Arab world, he ignores Qadhafi. At other times, such as now when he is under attack, Sadat feels more vulnerable and worries about other Arabs joining forces with Libya to upset his negotiating strategy. At such times, Sadat tends to resort to scathing attacks designed to isolate and discredit Qadhafi further. Sadat has thus far not considered a complete break with Libya, probably because he believes this would heighten rather than diminish the threat from that quarter.

Sudan's President Numayri, who has been trying for months to resolve the Libyan-Egyptian dispute, sent an emissary to both capitals earlier this week, presumably to try to arrange yet another mediation effort. Intensification of propaganda attacks from both sides over the last few days suggests that neither Qadhafi nor Sadat is interested at this point in Numayri's good offices.

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IRAQ

QUIET IN KURDISTAN

The Iraqi army is reported to be in complete control, but it is acting with restraint in the northern areas that Kurdish forces had held before their rebellion collapsed last month. According to the British military attache in Baghdad, who accompanied other attaches on an extensive tour of Iraqi Kurdistan this month, there is no substance to stories in the Western press—apparently inspired by Kurdish sources—of devastation and large-scale army reprisals against the Kurdish population.

The British attache confirmed earlier reports that Iraqi forces had met little resistance in the surprise drive toward the Iranian border they launched immediately after Baghdad and Tehran signed their reconciliation accord in Algiers on March 6. Iraqi army officers told the attache that their forces had succeeded in taking key high ground all along the front by March 13 when the cease-fire requested by Iran went into effect. The officers saw this offensive along with Tehran's abrupt withdrawal of its support for the Kurds in fulfillment of the terms of the accord as key factors in breaking the back of the rebellion.

The attache says 200,000 Iraqi troops, both regulars and militia, are currently engaged in re-establishing Baghdad's authority in the area; a reduction of this force will probably begin in about two months if all goes well. The army's victory came so suddenly that the government has not had time to develop a plan to administer the region. The authorities do seem

to be making a serious effort to provide relief services to the population and are spending liberally to improve roads and communications systems. Although a few villages are completely destroyed, most population centers sustained only moderate damage from the many Iraqi air strikes.

The Kurds themselves are said to be passive and very apprehensive at this point. They appear to be baffled at the absence of reprisals and may fear that punitive measures are still in store. Centuries-old animosities between Arab and Kurd remain, and incidents are likely, particularly if military rule is prolonged. The government may encounter resistance if it attempts to follow through with reported plans to regroup the Kurds in large villages for purposes of security and economy, or to resettle them in other parts of the country.

The estimated 9,000 Kurdish fighters who vowed last month to continue the struggle have thus far not made their presence known. [redacted] they are lightly armed, have limited supplies, and—lacking outside support—could do no more than harass government units.

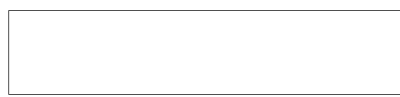
The tripartite teams that are monitoring the border between Iraq and Iran—made up of Iranians, Iraqis, and Algerians—are said to be performing effectively. They told the attache that their principal mission is to make sure that Kurdish refugees who decide to return from Iran are well treated and are transported back to their villages in Iraq. Altogether, between 150,000 and 200,000 of Iraq's 2 million Kurds



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fled to Iran between March 1974, when the most recent Kurdish rebellion began, and March 31 of this year, when the flow was ended by agreement between Iran and Iraq. Tehran would like to see a large number of the refugees take advantage of Baghdad's offer of amnesty to those who return by the end of this month. Most of the refugees fear harsh treatment if they return home, however, and Iraqi authorities acknowledged to the attache that only a few of the Kurds have come back.

ARMS PURCHASES IN THE WEST

Iraqi purchases of conventional arms from Western suppliers continue to mount. Baghdad will probably continue to rely on the USSR for major armaments, but procurement of some sophisticated weapons systems from the West, such as French Mirage jet fighter aircraft, cannot be ruled out. Baghdad wants to diversify its sources of military equipment and reportedly is somewhat dissatisfied with communist assistance.



ITALY: BARRICADES AND BOMBS

Police clash with demonstrators in Rome

With important nationwide regional and local elections less than two months away, a new outbreak of extremist violence has heightened political tensions in Italy. Small-scale clashes between the Italian police and political extremists have become commonplace in recent years, but only occasionally have they triggered a cycle of violence. This was the case last week, however, when the murder of a left-wing student in Milan, reportedly by a neo-fascist, brought thousands of left-wing demonstrators into the city's streets. The authorities had trouble controlling the protesters, who threw up barricades and firebombed neo-fascist party offices and other right-wing "targets."

There was more trouble as a result of the nationwide demonstrations called by the labor unions to protest the situation in Milan. Scattered violence continued into this week, and could hit another high point on April 25 in connection with the observance of the 30th anniversary of the partisan uprising in northern Italy.

Political violence in Italy is largely the work of extremists outside the regular parties. The question of how to deal with the problem, however, has become a matter of dispute as the parties prepare for the elections on June 15. Christian Democratic leader Amintore Fanfani has latched on to the law and order issue in his effort to prevent further losses to the left by his

party. The tactic could pay off if Fanfani can convince voters that his party—which has played the major role in all of Italy's postwar governments—is best equipped to put an end to political violence.

Fanfani faces an uphill fight, however. Christian Democratic setbacks in several key constituencies last year suggest that many voters no longer have that much confidence in the party. Then, the electorate in these areas seemed to be holding the Christian Democrats responsible for Italy's economic problems. Now, the Communists and Socialists—who condemn violence as forcefully as Fanfani—are trying to nudge the voters toward the same conclusion about the periodic breakdowns in public order.

Meanwhile, Fanfani continues to maintain that recent international events should alert Italians to the dangers of granting more influence to the Communists. Until recently, Fanfani has pointed mainly to the Portuguese example, but this week he broadened his case to include the Vietnam situation, asserting that it proves there are "no valid accords" for the Communists.

Communist chief Berlinguer has openly criticized the Portuguese Communists. He is reported to be "as frustrated as he ever gets" over the implications of the Portuguese issue for his party's chances. The Communist leader has

also taken several other steps to underline his party's claim to autonomy from Moscow. Nevertheless, Berlinguer has reportedly found that his relations with Christian Democratic officials—even those who are sympathetic to closer ties with the Communists—have cooled.

Despite these problems, the Communist electoral campaign still centers on Berlinguer's call for an "historic compromise" that would eventually bring the two parties together as government partners. He is stressing, however, that this is a long-term goal as far as the national government is concerned. The immediate Communist aim is to score sufficient gains in the local elections to force the Christian Democrats into coalitions at the municipal, provincial, and regional levels.

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THE PARIS ENERGY TALKS

The developed and developing states that participated in the Paris energy talks, which broke down last week, have avoided extreme positions in their comments. As they analyze the collapse of the conference and consider the next steps, three aspects of the Paris talks stand out:

- The developing states and the oil producers showed a high degree of solidarity behind Algerian leadership.
- The industrialized states were more united in resisting the demands of the developing states than at any time since last year during the special session of the UN on development and raw materials.
- In spite of their sharp differences, the two sides were able to avoid bitter public recrimination, both during and after the Paris talks. In fact, most of the participants said they would continue to seek ways to bring oil producers and consumers together.

As originally conceived by French President Giscard, the Paris talks were intended to

lay the groundwork for a later conference to examine energy and related problems. The Algerian-led coalition demanded that, in drawing up the agenda, the industrialized states agree to give raw materials and economic development issues equal treatment with energy. The industrialized states maintained that the conference should be restricted to a discussion of energy issues.

The developing and oil-producing states blamed the failure of the preparatory talks on the industrialized states. Algeria, with leadership ambitions in both OPEC and the Third World, insisted that the developing states had nothing to gain from a conference that discussed only oil. The Algerians, who lobbied intensively, were able to maintain unity because most developing states are concerned with finding a way to tie earnings from their raw materials to the price of goods they import from developed countries. Saudi Arabia and Iran, who are generally loath to accept Algerian leadership, went along because it enabled them to demonstrate their support for developing countries at little immediate expense. Both may have expected, as apparently did the Algerians, that more than one preparatory conference would be necessary before a major conference of oil producers and consumers could convene.

While expressing some disappointment at the breakdown of the talks, the developed states believe that the oil-consuming nations could not have made further concessions without capitulating to the demands of the Algerian-led coalition. Some of the West European participants even maintain that Algeria intended from the start to force the collapse of the talks. They believe that the Algerians were more interested in bolstering their claim to leadership of the Third World than in negotiating. Others attribute the collapse to over-optimism by France and to a misunderstanding of the purpose of the talks on the part of the developing states. In any case, a number of West European officials now believe that the failure of the French-sponsored meeting will strengthen the International Energy Agency.

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PORTUGAL: TO THE POLLS

Over six million Portuguese are expected to go to the polls today to participate in an election that has lost much of its meaning. Although not likely to affect the composition of the government or significantly alter its policies, the balloting will provide the first indication of popular attitudes toward the leftward course Portugal's military leaders have charted.

Rumors circulating in Lisbon that the constituent assembly elections might be canceled were in large part laid to rest earlier this week when the results of the investigation into the coup attempt on March 11 did not clearly implicate moderate party leaders. They had feared that the report would give the Armed Forces Movement an excuse to either cancel the election or prevent the moderate parties from participating.

Fears of election-rigging have been dispelled to some extent by the manner in which

local election boards have been set up. The moderate parties reportedly will have adequate representation in nearly every precinct to guard against election irregularities. In addition, if Communist supporters attempt to vote early and then obstruct their moderate opponents—a tactic leftist extremists reportedly have been considering—all ballots in the precinct will be declared invalid, and another vote taken later. Efforts have also been made to avoid fraud in the vote counting, but some irregularities are likely to occur.

The Portuguese election situation is unique in a number of respects. There have been no meaningful prior elections to serve as a guide; public opinion polling is an undeveloped art, and there remains an unknown proportion of the electorate that will cast blank ballots or abstain.

Given an election relatively free from tampering, the moderate, non-communist

Socialist Party leader Mario Soares (foreground) during recent campaign rally in Lisbon



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parties will almost certainly receive a clear majority. Such a result would clearly not be a vote of confidence for the Movement, but it would not be viewed as a decisive defeat either. The moderate parties have already agreed to the Movement's continued rule for the next three to five years, and all but the Social Democratic Center have platforms that advance many of the same policies as those espoused by the Movement.

Leftist leaders of the Movement, however, fear that a large vote for the moderate parties will strengthen moderates in the Movement itself. Indeed, a resounding moderate victory could encourage moderates within the Movement to become a more effective counterweight to the influence of the Communists upon that body. This would probably not be immediately evident, but it would signal a shift in the power balance among the various factions that exist within the Movement.

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Clerides

Makarios

CYPRUS: PREPARING FOR TALKS

Glafkos Clerides' decision last week to continue as negotiator for the Greek Cypriot side ensures that the intercommunal talks will resume as scheduled in Vienna on April 28. Both sides appear to be adopting more flexible positions than in previous sessions, but mutual suspicions could lead to more snags.

Clerides apparently decided to stay on after President Makarios reaffirmed his negotiating mandate in the coming talks. The Greek Cypriot negotiator appears to have been upset by reports that Makarios had made a commitment to the extremist hierarchy of the Church of Cyprus to refuse to sign any settlement negotiated by Clerides and instead to

adopt the strategy of a "long struggle" against the Turks. Clerides had also been discouraged by the harsh reaction to his conciliatory speech on April 1 in which he argued for a realistic negotiating strategy and suggested that the Greek Cypriots might have to accept Turkish Cypriot proposals for a bi regional federation in return for concessions in other areas.

Clerides' statement on April 19, when he said that he was prepared to discuss the Turkish Cypriot plan for a bi-regional federation as well as the Greek Cypriot proposals for a multi-regional federation, suggests that he has persuaded Makarios to at least consider the Turkish Cypriot plan if, as seems likely, the Greek

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Cypriot scheme is rejected by the Turks. It is doubtful, however, that Makarios would commit himself in advance to a bi-regional federation unless the Turkish Cypriots are willing to give some idea of the amount of territory they are prepared to give up and the number of Greek Cypriot refugees that would be allowed to return to their homes.

So far, the new government in Ankara—with some prodding from the US—appears willing to pull back from some of the territory it controls on Cyprus, but it has been reluctant to provide specific details and has emphasized that no concessions will be made before the start of negotiations.

The Turkish Cypriot constituent assembly is expected to complete its work on April 25th on a draft constitution that could provide the legal framework for an independent Turkish Cypriot state if a settlement appears out of reach. Turkish Cypriot negotiator Rauf Denktash has come under strong criticism in the assembly. His critics charge that the original draft, which was largely formulated in Ankara, could lay the basis for an authoritarian regime. They have succeeded in substantially reducing the powers of the presidency, which Denktash is expected to assume.

In the meantime, Greek Cypriot women are continuing their protests against Turkey's failure to honor UN resolutions that call for the withdrawal of foreign troops from Cyprus and the return of refugees to their homes. A peaceful mass demonstration was held on April 20 near Famagusta at which time a delegation of foreign and Greek Cypriot women attempted unsuccessfully to present a petition to the Turkish commander and to gain entrance to Famagusta.

ROMANIAN-SOVIET TENSIONS

Soviet pressure for closer political and economic policy coordination in Eastern Europe

is creating new strains between Bucharest and Moscow.

there are mounting differences over the European security talks, closer integration within CEMA, the Kremlin's goals at the European communist conference, and Soviet efforts to expand the political coordinating role of the Warsaw Pact. Bucharest views "coordination" as a particular threat to its freedom of maneuver in the international political arena.

The Soviets are allegedly pushing for the establishment of a permanent pact committee of foreign ministers and are calling for regular meetings of the pact's political consultative committee. Moscow also apparently wants to set up a pact secretariat similar to NATO's political committee and headed by a Soviet secretary general. The adoption of these measures would strengthen the pact's supranational character under Moscow's suzerainty.

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The Romanians, who bitterly oppose such an arrangement, reportedly have been unable to win other pact members over to their side.

over the long run, Bucharest will be forced to compromise on some points. Once the European security conference is over, Moscow will put even greater stress on ideological orthodoxy for all pact members.

the new emphasis on conformity would be intended in part to offset Soviet commitments at CSCE on the freedom of movement of peoples and ideas.

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Romanian diplomats in Budapest have told US officials that they believe recent Hungarian attacks on nationalism are in part directed toward Bucharest, at Moscow's behest.

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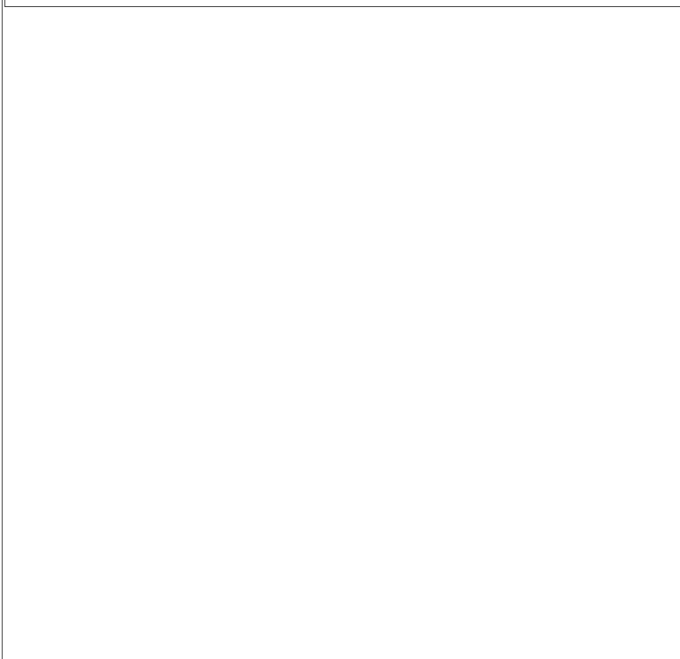
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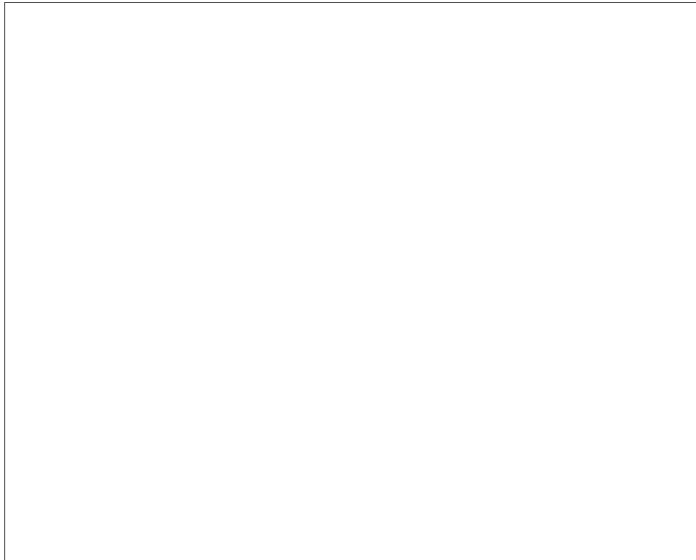
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as one of the addressees. More to the point, Tass announced that the USSR would send humanitarian aid to Cambodia. Two days later, on April 21, Kosygin received the Khmer charge in Moscow; this is the first meeting between a Soviet leader and a Khmer official since Sihanouk's ouster in 1970.

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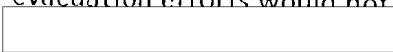


HAILING EVENTS IN INDOCHINA

With their eyes firmly fixed on what the developments in Indochina portend for themselves and the Chinese, the Soviets are trying hard to ingratiate themselves with the victorious Khmer communists and to maintain their close ties with North Vietnam.

Moscow may see Peking's strong endorsement of Sihanouk as an opportunity for it to establish close ties with the Khmer communists, who are Sihanouk's rivals. General Secretary Brezhnev, Premier Kosygin, and President Podgorny sent congratulations to Cambodian leaders Sihanouk and Penn Nouth, but also listed Khmer communist leader Khieu Samphan

The Soviets clearly put a high priority on keeping in step with Hanoi. In its more authoritative comments, Moscow has avoided direct attacks on US policy in Vietnam; otherwise, however, the Soviets have been playing Charlie McCarthy to Hanoi's Edgar Bergen. They have, for instance, taken Hanoi's line that Thieu's resignation changes nothing and that the entire Saigon regime, along with all US forces, must go before negotiations will be possible. Tass also picked up the communist assurance that US evacuation efforts would not be hindered.



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KOREA: KIM IL-SONG IN PEKING

Kim Il-song's visit to Peking should be viewed as a serious effort to move Pyongyang's 20-year campaign to take over South Korea off dead center—in particular to explore the possibilities of a Chinese-supported diplomatic initiative to secure a complete US military withdrawal from the peninsula. It is worth noting that the last high-level North Korean - Chinese meeting—Chou En-lai's 1971 visit to Pyongyang—resulted in the unveiling of the initiative for North-South talks.

In the psychological sphere, Kim's flamboyant presence was an attempt to identify his regime and its cause with the current tide of communist success in Indochina and to generate at least the appearance of firm Chinese support for unifying Korea on communist terms. Kim's main target in this effort was the South Koreans, whom he doubtless sees as peculiarly vulnerable to such posturing at this juncture.

In material terms, Kim and the top military officials who accompanied him to Peking almost certainly requested a step-up in military assistance from China. Chinese military aid to North Korea, negligible through most of the 1960s, has increased substantially since 1971 and may now equal the Soviet contribution in dollar terms if not in sophistication of hardware.

Probably most important among Kim's objectives in going to Peking—it is still unclear whether he was invited or invited himself—was to sound out the Chinese leadership on the state of Peking's relations with the US and to get Peking's reading on the matter of US willingness to stick closely to the Pak government. Kim may reason that if Sino-US détente is not going well, Peking would have fewer objections than before to some minor military adventure on his part.

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Kim Il-song waves to Peking crowd

Kim is probably not thinking in terms of a major military assault—across the DMZ toward Seoul, for example. He undoubtedly calculates that the presence of US forces in that sector virtually guarantees a prompt US military response, including air attacks on the North itself. Nor is Kim sure that such attacks would succeed to any important extent; South Korean strength along the DMZ must still command his respect.

But Kim might believe that, in the wake of Indochina, a lesser probe of South Korean and US military intentions and capabilities—one he could hope to control and contain—might serve important purposes. Such probes might include more aggressive North Korean responses to the air and sea incidents that occur from time to time along North-South border zones; a North Korean attempt to shoot down low-flying US reconnaissance aircraft presently operating south of the DMZ; and, at higher levels of risk, an attempt to seize and hold one or more of the Yellow Sea islands controlled by the UN

Command but garrisoned by South Korean forces.

Kim Il-song might calculate that attacks of this sort, if successful, would demoralize the South Koreans and, if US responses seemed hesitant, could generate new frictions between Seoul and the US as well as new arguments in Washington on the advisability of US forces remaining hostage to the acts of the competing Korean regimes.

In discussing Peking's views on US policies in the Pacific, Kim would probably argue for the position that, all things considered, the time might be propitious for a major diplomatic initiative, strongly supported by Peking, to win US troop withdrawal from South Korea; Kim's interest would be in face-to-face talks with Washington. At worst, in Kim's view, the initiative would stir up dissension within the US government and further shake South Korea's faith in its ally.

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CAMBODIA: SOLIDIFYING CONTROL

Cambodia became a closed society this week as the country's new leaders consolidated their control behind a curtain of silence. Deputy Prime Minister Khieu Samphan and Information Minister Hu Nimm issued statements congratulating their forces for "final victory...in the people's war" and thanking international allies for their support. The two leaders called for "national unity" to build an "independent, nonaligned, and prosperous" Cambodia but provided no hints on conditions in Phnom Penh or on the new regime's plans. The statements omitted any specific call for reconciliation with, or amnesty for, those who fought or served on the side of the previous government.

[redacted] The communists have also evacuated large numbers of people from Phnom Penh, apparently to ease the strain on food stocks and to facilitate the administration of the capital.

There is still no firm evidence on the fate of senior figures captured by the communists—including Long Boret, Sirik Matak, and Lon Non—and most Westerners in the capital have taken refuge in the French embassy compound. The mood in the capital is far from hospitable, and the 15-man Red Cross team that elected to remain behind now wants to leave.

[redacted] the communists are moving ruthlessly against former government officials and Cambodian army officers in at least some parts of the country.

Sihanouk at midweek was still showing no signs of preparing to leave Peking, and members of his entourage, in fact, have complained bitterly that they are not being kept informed on developments in Cambodia. Sihanouk's vague and somewhat testy response to questions about his travel plans suggest that the new leadership is deliberately delaying his return, both to prevent the prince from stealing the "victory" show and to allow time for the communist administrative apparatus to become firmly established.

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Khmer communist leaders Ieng Sary (l) and Khieu Samphan



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LAOS: "SABER-RATTLING"

Pathet Lao troops have become increasingly aggressive in recent weeks, but there is no persuasive evidence at this point that the communists are planning to scuttle the year-old coalition in favor of a military solution.

The communist-initiated actions, concentrated largely in northern Laos, have been limited and localized. The most significant fighting has taken place in and around the strategic crossroads town of Sala Phou Khoun, which lies astride the only overland route between the twin capitals of Vientiane and Luang Prabang. Sala Phou Khoun was controlled by the non-communists at the time of the cease-fire in February 1973.

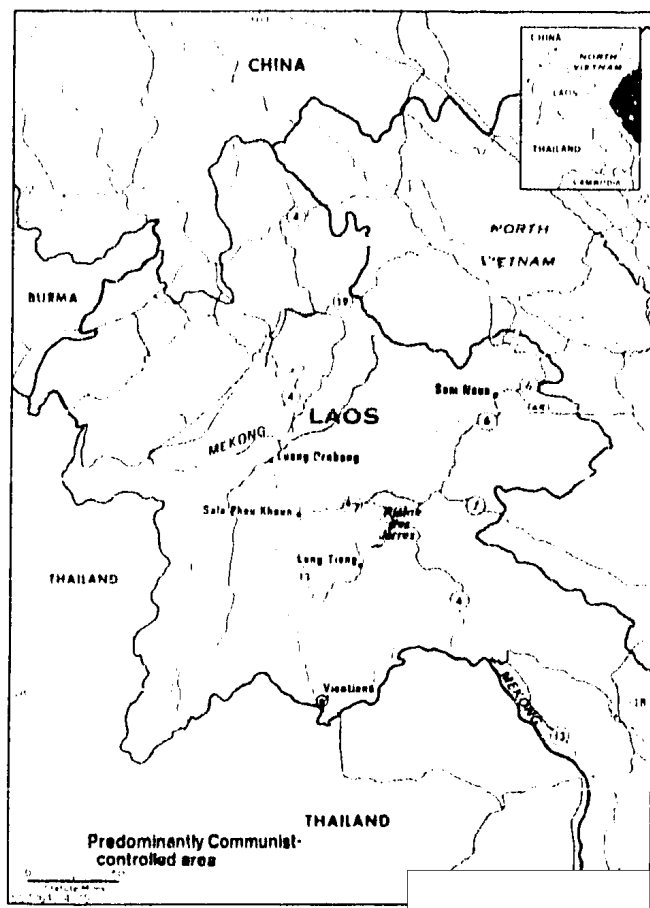
According to the northern region commander, General Vang Pao, Pathet Lao forces supported by artillery last week attacked and

overran all non-communist positions along Route 7 east of Sala Phou Khoun. They also briefly occupied the town itself. Vang Pao has saturated Pathet Lao troop concentrations in the area with T-28 air strikes, but counterattacks by his ground forces have foundered in the face of stiff resistance.

There are unconfirmed reports that a North Vietnamese army "battalion" supported the estimated two Pathet Lao battalions involved in the Sala Phou Khoun actions, and that at least two light PT-76 tanks were employed by communist forces.

It is difficult to account for these blatant cease-fire violations. One theory making the rounds in Vientiane is that the communist actions are simply retaliation for recent aggressive operations by the Royal Lao army designed to curb Pathet Lao inroads into another area some 15 miles north-northwest of Vientiane. Non-communist Defense Minister Sisouk na Champassak takes a more somber view of the situation, one that is doubtless shared by Vang Pao himself. Sisouk believes that the Pathet Lao either are seeking to fulfill their long-standing objective of controlling Sala Phou Khoun or that they are creating a diversion there in preparation for possible attacks against Vang Pao's headquarters complex at Long Tieng, southwest of the Plaine des Jarres.

Whatever the real motivation for the attacks at Sala Phou Khoun, there is growing speculation on the part of senior non-communist military leaders and the diplomatic corps in Vientiane that the Pathet Lao have been emboldened by communist successes in Cambodia and South Vietnam into adopting a more militant posture in Laos. While the Pathet Lao will almost certainly continue to nibble away at non-communist holdings in remote or contested areas when the opportunity arises, there are no present indications that they are preparing for a major resumption of hostilities. Indeed, recent public statements by Prince Souphanouvong and other senior Pathet Lao leaders in both Vientiane and Sam Neua suggest that the Lao communists are reasonably satisfied with the



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coalition government's evolution over the past year or so and that, by and large, they remain committed to pursuing their interests in the political arena rather than on the battlefield.

For his part, Prime Minister Souvanna Phouma has taken steps to defuse the situation at Sala Phou Khoun. Earlier this week, he issued urgent orders to Souphanouvong and Sisouk to bring all military activity of their respective sides to an immediate halt. By midweek, fighting in the Sala Phou Khoun area appeared to be tapering off, but it was not known whether the Pathet Lao had obeyed Souvanna's instructions to return to their original positions.

created his contacts with communist as well as Third World states. He has established diplomatic relations with the East European countries and last week played host to his first communist head of state, President Ceausescu of Romania. Manila has held preliminary discussions with Moscow and Peking on establishing diplomatic relations. It also has joined its colleagues in the Association of Southeast Asian nations in recognizing the new regime in Phnom Penh and is planning to open a dialogue with Hanoi.

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PHILIPPINES: ERASING AN IMAGE

President Marcos is taking advantage of US problems in Indochina to intensify his drive for an independent foreign policy that will erase Manila's image as an American client state. Despite an increase in rhetoric that seems to cast doubt on the future of US-Philippine ties, the fundamental bilateral arrangements are unlikely to change radically in the foreseeable future.

Despite his public campaign to put distance between himself and the US, Marcos privately has often been more cooperative with US interests since martial law than before. Without an opposition party or an independent press to point up the discrepancies, Marcos will continue to have the luxury of speaking one way for the record while acting a different way in private. In the future, however, Marcos will probably be even more assertive and independent in his relations with the US, if only to make certain that Washington does not take Manila for granted.

Questioning the value of the mutual defense treaty or the presence of US bases is not a new tactic for Marcos. He has raised the issue before when he felt Washington was not responding sufficiently to his diplomatic, economic, or military needs. Talks on the future status of US bases in the Philippines have in fact been stalled for some time because Marcos himself has demurred on scheduling the high-level negotiations needed to wind up the agreement. Marcos apparently now wants to establish a definite quid pro quo for the bases—either an annual rent or a long-range military aid package. He may assume that chances of greater US military assistance will increase once the Vietnam war is over.

[Redacted]

Marcos



Marcos' recent critical remarks about the US are also part of his continuing effort to create a more balanced foreign policy. Since declaring martial law in 1972, Marcos has in-

[Redacted]

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THE OAS: OLD RELIABLE

Latin American and Caribbean governments will probably make an intense effort to formulate a joint strategy for the OAS General Assembly that opens in Washington on May 8. A backwater of inter-American activity over the past year and a half, the OAS is regaining respectability, not only as a permanent pan-American forum but also as the one reliable arena in which to capture US attention.

Last year, the General Assembly agenda was backbench business, as the hemisphere's foreign ministers focused on Secretary Kissinger's informal "new dialogue," which they envisioned as a series of productive sessions with the secretary. With the spotlight elsewhere, OAS committee work was desultory; most substantive and administrative issues under study therefore remain far from resolution.

By now, though, the perspective on inter-American affairs for many Latins has reverted largely to the adversary view that prevailed before the new dialogue was attempted. Repeated disagreements between the US and Latin America on economic matters, suspicion of US clandestine activity in the region, and dismay over what many consider to be a hard

line in the current US approach to foreign affairs have combined to convince many Latins that the US is insensitive to their problems and cavalier toward friendly but "unimportant" governments in the hemisphere. Cancellation of the Kissinger trip to the region this week may have been the final blow to the remaining hopes that something might come of the dialogue.

The Latin Americans believe there is evidence that formulating joint positions with which to confront the US can be successful. They interpret the current effort in Washington to "correct" the restriction on OPEC countries in the Trade Reform Act as a response to their united criticism in an OAS forum and tend to see this as a model for future strategy. Even the strident Yankee-baiting governments, such as the Velasco regime in Peru, favor keeping the OAS intact, although at the same time they may support initiatives to set up new Latin-only alliances.

It seems likely that the delegations to the General Assembly will make a concerted effort to work for their objectives in a cool, business-like manner, but several contentious issues on the agenda could provoke anti-US outbursts: the Trade Reform Act, the effect of high oil prices, the continuing problem of OAS sanctions against Cuba. Members seem agreed on the need to end the sanctions issue, but some are still bitter over US abstention in the abortive effort to accomplish this last November. An effort is being made to eliminate many formal procedures, especially the long-winded speechmaking designed for home consumption, so that the focus will remain on the real issues under discussion. The withering of the dialogue probably has added to the general determination to streamline the OAS and make it a more functional and less rhetorical forum in which to exert pressure on the US. There is a good possibility that the diminished expectation of special treatment from the US—added to the concern throughout Latin America about the worsened condition of inter-American relations—will make this OAS meeting more than just another in the long series of Latin-US confrontations.

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HONDURAS: LOPEZ OUSTED

Chief of State Lopez, buffeted by a major scandal and the determined opposition of a group of reform-minded lieutenant colonels, was ousted this week by the Superior Defense Council of the armed forces. His replacement, Colonel Juan Alberto Melgar, is likely to play only a figurehead role and could soon become another victim of the anti-corruption campaign being waged by the younger officers.

Melgar may ultimately come under the cloud of corruption that characterized the Lopez government. He has been associated both with Lopez and the other senior colonels of General Lopez' regime, almost all of whom are now out. The new chief of state will be retained

Melgar



at least temporarily by the ascendant lieutenant colonels, if only because they have not yet agreed on a member of their own group to replace him.

It is not clear how strong a role the lieutenant colonels will play in the new administration. Although they are relatively young and inexperienced, they have based their justification for assuming power on the need to eliminate corruption in government, improve the efficiency of the armed forces, and better the living conditions of the people.

In a lengthy communique, the officers promise a progressive and vigorous approach to the country's domestic problems. The officers resent Honduras' reputation as a corrupt "banana republic" and have resolved to improve it. They are eager to modernize their country, but may lack sufficient administrative experience to achieve that goal.

Thus far, the group has shown no inclination to alter the general ideological direction set by the Lopez government. In a recent conversation with US Ambassador Sanchez, Melgar described himself and a "majority" of the lieutenant colonels' group as "right of center." Some in the group may seem more nationalistic than their predecessors because of their impatience to tackle problems, but the group as a whole can be expected to maintain Honduras' close ties with the US.

Civilian political leaders have welcomed the removal of Lopez and hope that the change will eventually lead to free elections. They will probably have to wait a long time for this—the new military leaders have declared their intention to remain in power indefinitely.

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Williams

Trinidad-Tobago TAKING THE INITIATIVE

Emerging from a long period of administrative inertia, Prime Minister Eric Williams has moved decisively to counteract the paralysis of the key petroleum and sugar industries resulting from a two-month strike. He is also using the repercussions of the strike to further his own political ends.

On April 9, Williams ordered military and police personnel to begin delivering petroleum products and sugar to the public. This move alleviated shortages that had brought an outcry from consumers, businessmen, the press, political opponents, and even members of his own People's National Movement.

Several factors probably were responsible for the Prime Minister's long delay in dealing directly with the problem. For one, remaining isolated and enigmatic during a crisis is part of his personal political style. He tends to brood over problems and to make decisions without consulting anyone. Moreover, during the period he had a severe depression requiring psychiatric

treatment. When he experiences such an episode, it significantly interferes with his functioning as an executive. His exercise of decisive leadership once again suggests that his depression responded to the treatment.

Williams is also looking at the strike as a way to improve his already strong position in preparation for the election, which he is likely to call for late this year. Moreover, he wants to preserve his party's dominance even after he eventually leaves office. He sees the United Front of black oil workers and East Indian sugar farmers and workers as a potential nucleus of a political organization that in future years could challenge the supremacy of his People's National Movement.

Williams apparently believes that the best way to deal with this potential political challenge is to split it up at an early stage. By letting the strike drag on and create shortages, Williams built up public support for using the military and police to dilute the strike's impact. He also used the strike to justify acquiring a degree of government control over the Texaco subsidiary, whose workers are on strike. The Prime Minister announced on April 13 that the government would take over Texaco's distributing operation and would acquire some participation in its 350,000 barrels-per-day refinery. Williams probably will now press Texaco to settle with the oil workers, thus isolating them from the sugar workers and weakening the base of their sugar union's leaders. Some press reports suggest that the sugar workers may already be backing off from some of their demands.

With the strike apparently on the way to settlement, Williams can look ahead confidently to the elections. The labor leaders are almost certain to decide that they are in no position to field a candidate against the Prime Minister this year, leaving the thrust of his opposition to come from the traditional political ranks. He has led the nation since its independence in 1962, and now that its economic horizons have become bright, he seems to have no intention of surrendering the reins of power.

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OPEC INVESTMENT IN THE US

Holdings of US assets by OPEC countries—mostly in bank deposits and government securities—jumped \$11.8 billion during 1974. At the end of the year, US holdings totaled \$14.5 billion and made up 20 percent of OPEC's foreign assets, compared with 13 percent a year earlier. In addition, OPEC countries had earmarked substantial funds for future investment in the American economy. At the end of the year Kuwait held at least \$1 billion in Nassau, pending selection of suitable long-term US investments.

(The US Treasury Department estimates OPEC assets in the US were some \$14 billion at the end of 1974. The \$500-million difference apparently arises from conflicting reports on the disposition of Kuwaiti funds held in a Nassau account.)

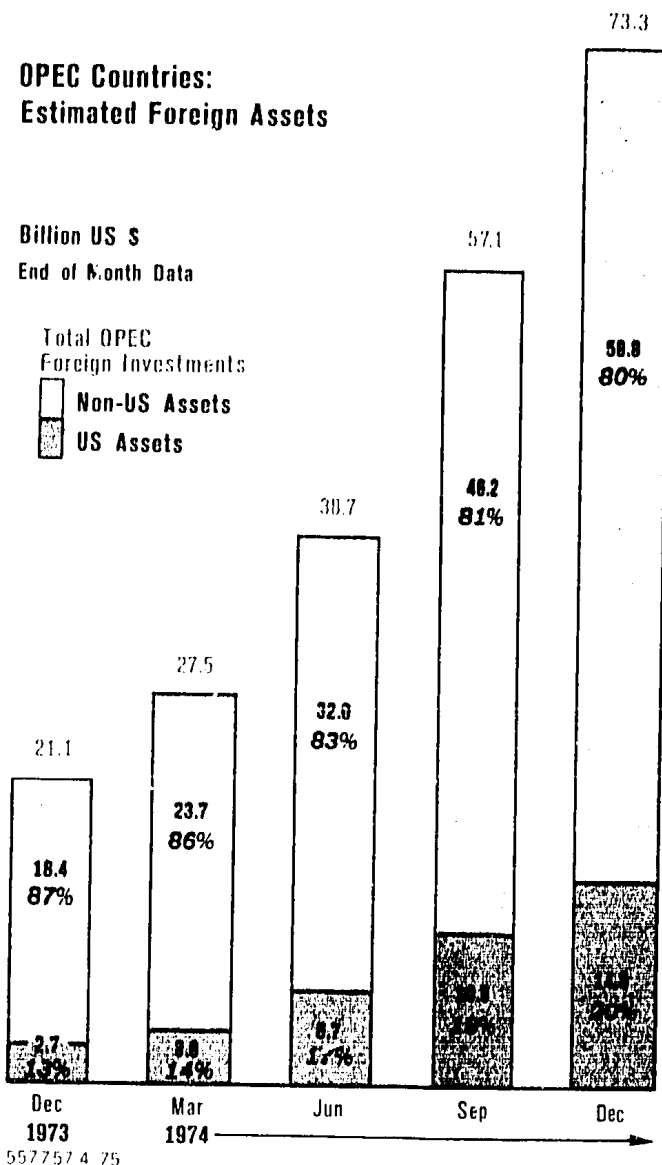
The current account surplus of OPEC members totaled \$71 billion last year and, with a \$13 billion lag in oil payments, the producers had an investable surplus of about \$58 billion. At least \$52 billion of this was placed in foreign official assets. Of the remainder, \$2.7 billion was used to reduce liabilities and to fund multi-lateral aid institutions set up by producers. We cannot specifically identify where the remaining \$3 billion went.

The share of OPEC's foreign assets held in the US rose throughout 1974. New investment reached its high point of 26 percent in the second quarter, following the removal of the Arab oil embargo. Investment in American assets remained strong in the second half, primarily because of the growing weakness of sterling and the increasing reluctance of Euro-banks to accept additional short-term deposits from the OPEC states. At the end of 1974, bank deposits and short-term government securities accounted for just over 80 percent of OPEC assets in the US. The percentage had declined gradually since mid-1974, largely as a result of falling short-term interest rates.

Saudi Arabia, Venezuela, Nigeria, Kuwait, and Iran accounted for 85 percent of OPEC's US assets at the end of 1974, but the composition of each country's holdings differed substantially:

- Saudi Arabia held about 50 percent in government securities, half of which were medium and long term.

**OPEC Countries:
Estimated Foreign Assets**



- Venezuela kept more than 90 percent in bank deposits, mostly time deposits.
- Nigeria placed about 95 percent in short-term government securities.
- Kuwait held almost 45 percent in the form of equities, real estate, loans, and corporate bonds.
- Iran placed 90 percent in short-term assets, divided about equally between government securities and bank deposits.

Among OPEC members, Indonesia and Venezuela had the largest share of their assets in the US, 67 percent and 41 percent respectively.

Holdings by Algeria, Ecuador, and Qatar were negligible.

The flow of OPEC investment almost certainly will decline during most of 1975, as demand for oil remains weak and the countries continue to boost imports. OPEC's available surplus for 1975 will approximate \$55 billion, compared with \$58 billion in 1974. The US should attract a substantial portion of these funds in spite of the recent decline in US interest rates relative to rates in Europe and the drop in the value of the dollar. Barring a serious deterioration in Arab-US relations, OPEC states will probably invest another \$10 billion in the US in 1975, raising their US holdings to nearly \$25 billion.

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