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~~EWP~~
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The President's Daily Brief

January 11, 1975

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Top ~~Secret~~ 25X1

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CHINA

China's long-delayed Fourth National People's Congress either has just begun or is about to be convened.

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The National People's Congress deals strictly with government, as opposed to party, affairs. Documents related to the congress, when released, should spell out China's programs and policies, particularly in the domestic area, in greater detail than at any time since the onset of the Cultural Revolution. Moreover, a number of important appointments presumably will be announced, including that of defense minister, a post vacant for over three years.

Convening the congress does not mean, however, that Peking's divided leadership has composed its differences, although some progress in this direction has probably been made. The pattern of secrecy surrounding this National People's Congress closely parallels that of the Tenth Party Congress of mid-1973, which merely papered over leadership differences that quickly resurfaced in the divisive anti-Confucius campaign.

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OIL PRICES

OPEC countries outside the Persian Gulf appear to be holding the average price of their oil near fourth-quarter levels, in spite of the recent decision in Vienna authorizing increases of about 4 percent for Saudi benchmark crude. Most non-Gulf producers probably are reluctant to raise their prices at this time, since plummeting tanker rates have put them at a competitive disadvantage relative to Gulf producers.

In typical OPEC fashion, members have responded in various ways to the pricing decision that their oil ministers reached last month.

--Algeria's national oil company, Sonatrach, has cut its price for government-owned oil from $12.30 per barrel (plus a 20-cent penalty if the buyer is not investing in local exploration) to $12.00. Government revenue taxes and royalties on company-owned oil and from direct sales of government oil to third parties averaged about $11.00 in the fourth quarter. Considering the high quality and advantageous location of Algerian oil, this average is in line with the average government take of $10.12 per barrel that the OPEC ministers established for Saudi benchmark crude in the first three quarters of 1975.

--Ecuador is expected to announce a new structure of taxes and royalties that will yield $10.12 per barrel--about the same as before. With the addition of line costs and other fees, the average cost of oil to the producing companies will continue to run about $11.04.

--Indonesia, after consulting with the producing companies, has decided against changing its price of $12.60 per barrel of crude. With production reportedly down 25 percent in December from the January-September average, Jakarta has good reason to hold off on a price increase.

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--Libya has lowered the price of government-owned crude to $11.86 per barrel from the previous range of $12.00 to $12.50. Meanwhile, the cost of the producing companies' equity oil has been increased by 65 cents, to about $11.50. The average cost of all exported oil should remain near the fourth-quarter level of $11.70.

--Nigeria has not commented officially on the new OPEC price arrangement. In early December, Lagos increased the cost of equity oil and reduced prices for buyback oil in response to the decisions at the Gulf oil conference in November. Nigeria's action--unlike those in the Gulf--left the average cost of oil unchanged.

--Venezuela is the only OPEC member outside the Persian Gulf that is likely to raise prices. Some government officials favor a government take of $10.12, which would mean an increase of about 50 cents per barrel. Others favor the 38-cent increase suggested by the OPEC ministers at Vienna.

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PORTUGAL

The moderate Popular Democratic Party has threatened to withdraw from the provisional government's three-party coalition if a Communist-supported draft labor law providing for a single labor confederation is passed.

The draft law, prepared by the former minister of labor, a member of the Portuguese Communist Party, represents an attempt by the Communists to institutionalize an umbrella labor organization established by the Salazar regime and now controlled by the Communists. The bill was presented to the cabinet early this week, following approval by the Superior Council of the Armed Forces. The Socialists argued strongly against the bill, but they did not commit themselves to quit the government along with the Popular Democrats.

Debate on labor legislation is to resume on January 17, but the Communists are scheduling labor demonstrations on January 14 to enlist popular support for their position. The last time labor was organized to bring pressure on a political issue was in connection with the events that led to President Spinola's resignation.

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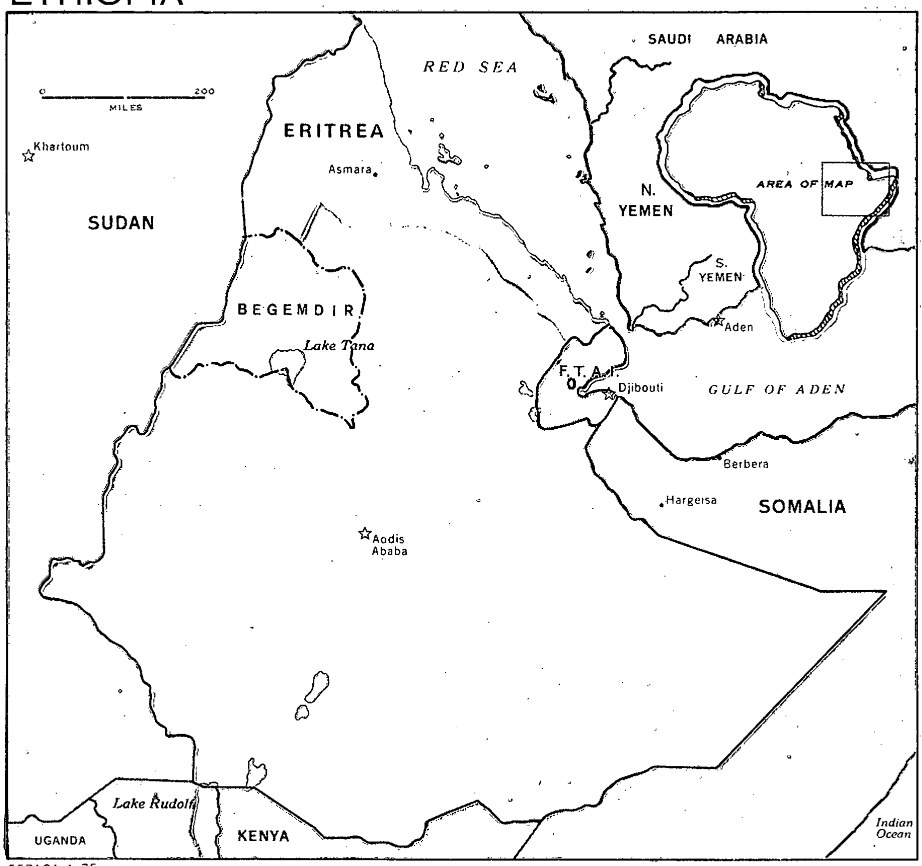
ETHIOPIA



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NOTE

Ethiopian *insurgents in Eritrea reportedly have agreed to a truce.*

Tribal and religious leaders in the province who arranged the cease-fire are now exploring the possibility of arranging direct negotiations between the rebels and the ruling military council. Factional rivalries within Eritrea and differences between the guerrilla leaders in the province and political leaders in exile will, however, complicate efforts to develop insurgent negotiating positions. Meanwhile, there are reports of increasing disaffection in Begemdir Province, in the northwest, [redacted] 25X1 the military council. The unrest in Begemdir may encourage tribal elements who reportedly are plotting against the council to step up their efforts.

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The Soviets *launched Soyuz 17 into orbit from Tyuratam yesterday with two cosmonauts aboard.* [redacted] 25X1

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Indonesian *Foreign Minister Adam Malik's recent visit to Moscow produced no surprises but affirmed a year-long warming trend in Moscow-Jakarta relations.*

Malik had a successful trip; he signed a general agreement on economic and technical cooperation and got a green light for a visit to Indonesia by Soviet Foreign Minister Gromyko this year. Malik's recent travel also took him to East Germany and Hungary, where he signed trade agreements to add to those reached earlier in 1974 with Yugoslavia, Romania, and Poland. These moves result from a deliberate policy decision by President Suharto to improve ties with communist states. Suharto sees Soviet foreign policy toward the Western states as becoming more moderate, and the Indonesians want to balance growing Chinese influence in Southeast Asia. Indonesia also wants to explore new sources of credit.

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