



# The President's Daily Brief

*February 1, 1975*

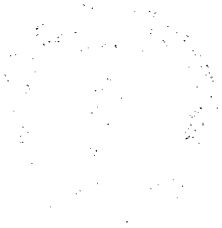
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*FOR THE PRESIDENT ONLY*

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IRAN

*Tehran is blaming private Western oil companies for the reduction of Iran's oil exports. A good share of the cut-back, however, must be attributed to lower sales by the government's National Iranian Oil Company, which is asking unrealistically high prices for the oil it sells.*

Officials in Tehran and the controlled Iranian press claim that a decline in demand by the major Western oil companies is responsible for a drop in oil exports. Iran's estimated oil output and exports in January are about 10 percent--or 500,000 barrels per day--lower than the 1974 average.

Iran probably is engaged, however, in a deliberate effort to reduce its output and may well encourage similar efforts by other Middle East producers, in hopes of eliminating the oversupply of oil in the world market and the downward pressure on oil prices. The Shah has opposed any price reductions, and has indicated his willingness to join other producers in restricting output in the face of what he terms a collective effort on the part of consuming countries to force down the price of oil.

Iranian officials, taking note of the possible reduction of about \$2 billion in this year's oil revenues, have indicated that Iran will consequently have to reduce its foreign aid. Even with reduced oil earnings, Iran would have a significant ability to continue making large loans in 1975. It therefore seems likely that Tehran is merely trying to escape criticism from the developing countries for its policy of limiting aid-related credits in favor of more remunerative investments.

Tehran also probably is trying to make the "Western majors" scapegoats for its lending actions.

FOR THE PRESIDENT ONLY

LATIN AMERICA

*There is a general feeling throughout Latin America that US - Latin American relations are in a crisis and that the overall view of Latin America in US policy circles is flawed. Many of the countries hope that Secretary Kissinger's projected trip to the area will lead to better understanding of Latin American "realities."*

Most Latin American governments, having expected concrete results to follow their earlier conferences with the US Secretary of State, are largely disillusioned with what they call a lack of political will on the part of the US to respond to their needs.

The trade legislation was not a real problem for many governments, but it provided a symbol around which Latin Americans could rally and thereby reassure themselves that they could confront the US as a united group. The Latins were ready to vent their frustration over a wide range of particular issues, and this has made it easy for Venezuela to rally hemispheric support in condemning the Trade Reform Act.

The Venezuelans, elated at their "diplomatic triumph" in pressing the trade matter, are energetically pursuing the role of regional leader. President Perez has evidently set an earlier date for a Latin American and Caribbean summit meeting than originally planned. He is now inviting his peers to Caracas in March. The timing is clearly designed to establish joint positions on as many of the questions on the OAS General Assembly agenda as possible before that meeting opens in April.

Postponement of the third meeting of Latin foreign ministers with Secretary Kissinger, which had been scheduled for March, has left the ball in the OAS court. Despite widespread contempt for the slow, grinding wheels of the organization, most--probably all--of its members want to preserve it as a means by which they can maintain lines to the US even when bilateral relations are sour.

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*FOR THE PRESIDENT ONLY*

Numerous Latin American spokesmen are in favor of beefing up the OAS, and various formulas designed to make it more responsive and flexible are under study.

The Latin Americans seem determined to suspend the dialogue with the US until they receive some satisfaction from Washington on the Trade Reform Act. So far, none has reacted officially to the introduction of two bills in the US Congress to exempt Venezuela and Ecuador from provisions in the law aimed at OPEC members. While obviously pleased with this gesture, they will be waiting to see if the bills are approved by Congress.

*FOR THE PRESIDENT ONLY*

FRANCE

*The cabinet shuffle yesterday--the first since Giscard became president last June--has been expected for some time and does not portend a major policy shift.*

Outgoing defense minister Soufflet has been widely criticized for his poor handling of recent unrest among conscripts. A staunch Gaullist, he was said to oppose many of Giscard's policies, including the decision this week to sell military equipment to Egypt.

The new defense minister, Yvon Bourges, is another veteran Gaullist. He was deputy foreign minister in three cabinets under President de Gaulle and later became minister of commerce under President Pompidou. Bourges has a reputation for being decisive and efficient.

Bourges will be aided by General Marcel Bigeard, who takes a new post as secretary of state for defense. The appointment of Bigeard should be regarded as a real gesture by Giscard toward the army. Bigeard is known as a soldier's soldier; he is one of those rare men in the French army who came up through the ranks, beginning as a draftee.

Foreign Minister Sauvagnargues, who had been rumored on the way out, survived this cut.

FOR THE PRESIDENT ONLY

CHINA

*Peking is imposing tight control over use of its foreign exchange.*

--The China National Machinery Import-Export Corporation has not been permitted to open a letter of credit for a \$22-million offshore drilling rig.

--The China Resources Company, a Hong Kong agency that handles China's trade with Asian countries [redacted]

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[redacted] China does not have the funds to pay for several oil tankers it had hoped to charter this year.

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Over the past several months Peking has taken a number of steps to conserve foreign exchange in the face of a large trade deficit with the West. Hard-currency holdings are not exhausted by any means, however. China recently purchased 1 million tons of Australian wheat, after canceling contracts for US wheat at higher prices. Peking also purchased at least \$30 million worth of gold in January.

Since 1965, China has bought gold worth at least \$1 billion at current market prices; this could be used to meet financial obligations if Peking so desired.



FOR THE PRESIDENT ONLY

NOTES

*Ethiopian insurgents yesterday attacked government forces in Asmara, the capital of Eritrea Province.*

The ensuing hour-long firefight was the most serious in over a year. The US naval communications station in Asmara was caught in the cross-fire, but no casualties have been reported among the approximately 110 US personnel there or among the other 300 Americans in and near the city.

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*A few Portuguese radicals marched last night through downtown Lisbon without serious incident, but the tensions associated with such political rallies will continue into next week at least.*

The Socialist Party has rescheduled its rally for February 7. If the Communists schedule another counter-demonstration, the Armed Forces Movement may ban all rallies until after the election. The Communists, meanwhile, have made another attempt to postpone the election, by demanding--and getting--a commitment from the government to publish a list of persons ineligible to vote because of their association with the previous regime. The Communists will continue such harassments throughout the election preparations, but the government seems determined to hold the election sometime in April.

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