

# The President's Daily Brief

*June 12, 1975*

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*FOR THE PRESIDENT ONLY*

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**FOR THE PRESIDENT ONLY****OPEC**

*The OPEC conference in Gabon has adjourned without resolving several key issues, including the size of the price increase to be introduced in the fourth quarter. In what may have been a deliberate maneuver, the senior Saudi and Iranian oil officials--Yamani and Amouzegar--did not attend the meeting. Their absence precluded major decisions at the conference and allows both countries greater flexibility to tailor their policies to changing conditions in the world oil market.*

The ministers attending the meeting indicated general support for price increases to compensate for inflation, but referred the matter for the time being to OPEC's economic experts who are to meet in Vienna next month. This respite will enable OPEC better to assess the inflationary trends and the returning demand for OPEC oil. OPEC officials have three months to reach a final decision on the next price increase scheduled for consideration by the ministers at the meeting beginning on September 24.

The conference agreed in principle to shift the unit of account used in expressing oil prices from the dollar to the International Monetary Fund's Special Drawing Rights. It did not make clear, however, how this change will affect prices in terms of dollars. Venezuelan Oil Minister Hernandez says that the effect will depend on the base period chosen to fix a relationship between the value of the SDRs and the dollar. The base period has not yet been selected, but OPEC is considering July or September 1975 rather than some earlier date as had been expected. The choice of such a base period would leave the dollar price of oil essentially unchanged initially. This result seemingly conflicts with Hernandez' other statement that the initial increase in the dollar cost of oil would be around 3 percent. The latter figure may derive from a calculation made earlier on the basis of a December 1974 base period.

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Among other developments at the conference:

--OPEC failed to resolve the complex issue of oil price indexing and returned the matter to the economic commission for further study in July.

--Members apparently accepted none of the schemes proposed for new oil price differentials.

--Several Arab members rejected the US initiative to resurrect the producer-consumer conference, while some others--reportedly including Venezuela--considered the proposal an adequate basis for resuming discussions.

--Gabon, as expected, was accorded full membership as the thirteenth state in OPEC.

--The applications for membership by Syria and three other countries were sent to a special commission for study--an action indicating that one or more of the five original members oppose their admission at this time.

\* \* \*

Preliminary data for May reinforce our belief that OPEC production has bottomed out. Saudi Arabian output averaged 7 million barrels per day, a gain of 1.1 million barrels per day from April. The reasons for this increase are unclear, but seem to involve a variety of temporary factors and a decision by the companies to stop reducing stocks rapidly.

The Saudi increase more than offset production declines in other OPEC countries. Venezuelan output was cut by 80,000 barrels per day in keeping with the government's program to reduce production to 2.4 million barrels per day in 1975 as a conservation measure. Output in Ecuador fell by 90,000 barrels per day largely because of Quito's differences with the operating companies.

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MBFR

*The NATO allies reacted favorably yesterday to the US proposal that the West seek to end the stalemate at the force reduction talks in Vienna by introducing the so-called Option III--an offer to withdraw US nuclear warheads and delivery systems in return for the Soviet Union's withdrawing armored forces.*

The allies have been awaiting the US initiative for some time, and nearly all agree in principle that some form of an offer to withdraw nuclear elements must be made to end the deadlock at the talks. Exactly what should be sought in return and when the offer is to be made must still be decided. What forum the allies should use to discuss these issues is also undecided.

The British and West Germans have been consulting closely with the US on the possible withdrawal of some nuclear elements. London and Bonn will not oppose the nuclear offer, but they have reservations about certain aspects of the US proposal. The Italians and Turks are on record as opposing any nuclear offer, but probably will go along.

Yesterday, the British representative at the meeting of the North Atlantic Council said London is prepared to accept the US suggestion that NATO's senior political committee, reinforced by experts, discuss the issues involved. He added, however, that the British are still interested in having a separate working group examine various aspects of the nuclear issue. Various British officials have stated that they believe this group will require two or three months to make such a review.

Other allies--the West Germans, the Italians, and probably the Belgians--are likely to support the British desire to use the working group.

NATO's senior political committee will discuss the nuclear offer today and will probably meet with the experts in about ten days.

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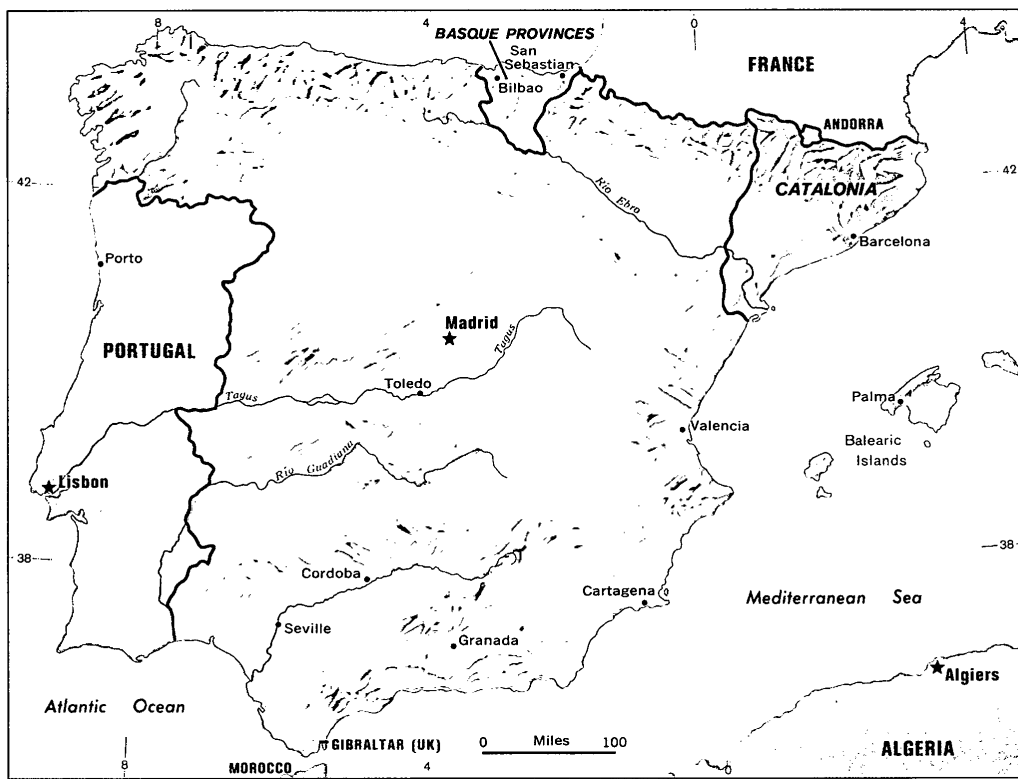
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The NATO allies yesterday also discussed the possibility of press leaks about the nuclear offer and generally agreed that in the event of one, they should make only noncommittal statements.

[redacted] the Soviets expected the US to propose a reduction of nuclear-armed missiles some time during this round of talks. Moscow, in any event, anticipates lengthy talks on the topic and reportedly doubts that any agreement on reducing nuclear weapons can be concluded by the end of the fall round of the negotiations.

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# SPAIN



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### SPAIN

*An assessment by the US embassy in Madrid of Prime Minister Arias' performance after almost 18 months in office asserts that he has made little progress toward his goal of developing greater popular participation in government. The problem of how to handle rising terrorism in the northern Basque provinces has become the most urgent of the various difficulties facing the government.*

Of four specific promises he made, Arias has made good on only one--a limited statute on political associations. This provision for embryonic political parties has so far failed to encourage the development of what Arias regards as Spain's potential for "real pluralism." The illegal Christian Democratic and Socialist groups do not wish to tarnish their future prospects by applying for legal status now, and moderate reformist leaders have held back because they have not received guarantees of freedom to act.

Arias has stressed that the sine qua non for liberalization of the political system is the preservation of internal order. The government has reacted harshly to those dissenting groups that the regime believes are a threat to national unity. These include groups active in labor, the church, the universities, and the news media, as well as proponents of regionalism.

Government efforts to control dissent have been less than successful, and this has exposed Arias to attacks from the extreme right. As a consequence, government leaders appear to waver between support for the general principles of liberalization and a desire to placate right-wing forces.

The government has ordered a state of emergency in two Basque provinces where a number of police have been murdered in recent months. On the grounds that Basque student protesters have

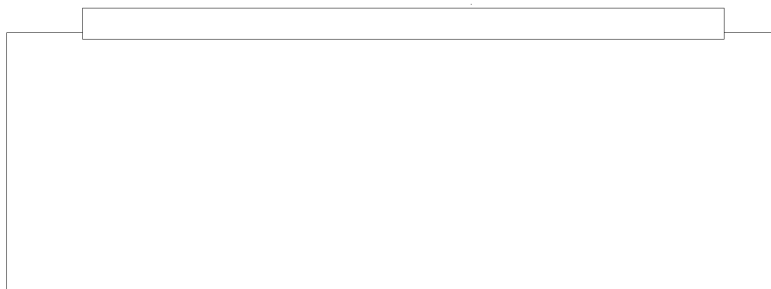
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challenged government authority, Madrid has also closed several universities in the area. A surge of right-wing terrorism against Basque separatist sympathizers in the north, at times with the acquiescence of local security forces, has compounded the security problem.

In trying to cope with problems of regionalism in Catalonia and the Basque provinces, the government has followed a carrot-and-stick policy. While taking a strong position on preservation of order, the government has decided to allow basic instruction in the Basque and Catalan languages.

In dealing with labor unrest, Madrid has not yet kept its promise to permit free labor unions. A decree granting the right to strike in narrowly circumscribed situations was approved last month.



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In the light of Arias' record, the belief is now widespread in Spain that political changes are not feasible as long as Franco lives. Moderate oppositionists and reformers within the government say they believe Arias is sincere in his intention to liberalize, but that after more than 35 years of authoritarianism, he either does not know how to proceed or is unable to act decisively.

## FOR THE PRESIDENT ONLY

### FOREIGN REACTIONS TO THE ROCKEFELLER COMMISSION REPORT

*Initial reactions from the West European media generally combine favorable comment on your handling of the Rockefeller Commission's report with a sober appraisal of the difficulty of dealing with the problems the report has disclosed.*

Two leading independent West German papers, for example, both acknowledge the dilemmas inherent in any intelligence organization's attempts to walk the thin line between responsibility in a democratic society and the achievement of the objectives of clandestine service. The Frankfurter Allgemeine Zeitung notes that "The truth must be told in an open society...dubious actions on behalf of the government are intolerable. On the other hand, intelligence services are not welfare organizations...the CIA has an important mission operating for the protection of the US and the West."

The prestigious London Times commented in similar vein. While praising the "valuable work" done by the CIA and urging that it be protected from "indiscriminate criticism," the paper also calls for "close and regular scrutiny" to minimize conflicts between CIA's necessary secrecy and methods of operation and the "values it exists to protect."

Several of the still relatively few comments we have noted see the investigation of the CIA as part of the overall process of self-examination resulting from the "US loss of political innocence" in Vietnam and Watergate. A Munich paper that makes this observation also notes that CIA is ideally suited to this "self-purge" both because it has engaged in activities that cannot stand the glare of publicity and because it cannot defend itself.

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One respected Italian newspaper alludes to other revelations still to come while another of more leftist tendency refers to "the anguished feeling of insecurity caused by such ferociously bold wielding of power inside and outside the US borders."

Concerning the CIA's future, the limited comment thus far available combines endorsement of the Commission's recommendations with some skepticism that they go far enough. But there is also the thought that the Agency needs to get out of the headlines and, under reasonable controls, get on with its work.

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Preliminary Soviet and East European press coverage of the report has relied heavily on critical Western commentary. Tass replayed the New York Times editorials of June 11 and added a brief resumé of the Commission's findings, emphasizing the surveillance of mail to and from the USSR. The Soviet news agency embroidered a bit, however, by saying that gross violations of constitutional rights have long been common in US society.

A Hungarian commentator charged that "leading circles in Washington" are engaging in a "new cover-up operation," which would forever conceal CIA "assassination operations." Moscow, however, has made no mention of the assassination issue and thus far has avoided labeling the report a cover-up.

\* \* \*

The only editorial comment we have seen so far from Asia is in this morning's edition of the Bangkok Post, an English-language paper that is widely read by those educated Thai who are attuned to international affairs. The editorial reflects the new nationalism evident among Thai leaders. It is critical of the Commission for "belittling" the CIA's "crimes," but asserts that the "one good thing" is that there was an investigation at all and that the Senate Committee will continue the probe.

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NOTES

*There is a widespread outbreak of cholera in Cambodia, and the new regime could be faced with an epidemic, partly of its own making.*

Cholera is endemic to Cambodia, and there was a serious problem in Phnom Penh before the communist takeover in April. The communists' wholesale evacuation of the city--including hospital patients--created textbook conditions for spreading the highly infectious disease. Intercepted messages indicate that the new government is having trouble finding qualified medical personnel and vaccine to treat the outbreak. Under normal conditions, international efforts could quickly control and isolate a cholera epidemic. The new leaders are fiercely xenophobic, however, and may be reluctant to accept the assistance necessary to bring the disease under control.

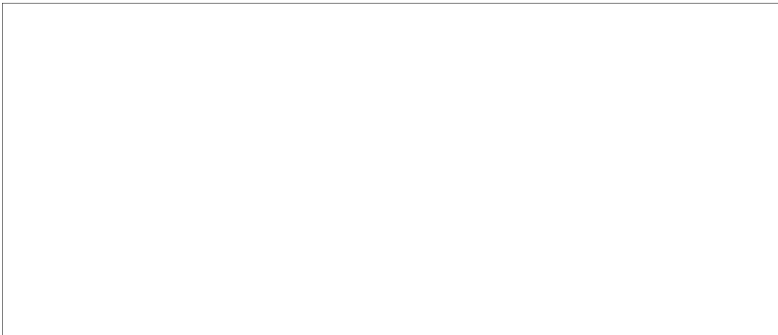
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*Poulo Wai Island, the scene of recent fighting between Vietnamese and Cambodian communist forces, has apparently been captured by the Vietnamese.*

According to an intercepted message, Cambodian forces on the island were "wiped out" by the Vietnamese in an attack on the night of June 10. If Poulo Wai has indeed been seized by the Vietnamese, it probably will not mark the end of armed clashes between the two forces in the Gulf of Thailand. Cambodian forces have occupied a number of disputed islands in the Gulf and now probably will be even more determined to defend their territorial claims.

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