

**TOP SECRET**

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FM THE SITUATION ROOM  
TO AMEMBASSY CAIRO  
ZED

OCT 14 3 35 AM '74

TOP SECRET SENSITIVE CONTAINS CODEWORD  
DELIVER AT OPENING OF BUSINESS WH42791

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ON-FILE NSC RELEASE INSTRUCTIONS APPLY

ADAMS/BREMER FOR THE SECRETARY

OCTOBER 14, 1974

DOS Review Completed

FROM THE SITUATION ROOM  
TO SECRETARY KISSINGER  
SUBJECT INFORMATION ITEMS

INTERNATIONAL OIL DEVELOPMENTS: SAUDI ARABIA AND IRAN HAVE REVEALED THEIR PLANS FOR IMPLEMENTING THE OPEC DECISIONS REACHED AT QUITO AND VIENNA. SAUDI ARABIA WILL PROBABLY INCREASE THE PRICE OF AN AVERAGE BARREL TO ABOUT \$10.00, AND IRAN HAS SUGGESTED THE AVERAGE COST PER BARREL OF ITS OIL WILL RISE TO ABOUT \$9.92. THE RECENT PRICE INCREASES HAVE RAISED THE AVERAGE PRICE OF PERSIAN GULF OIL IN THE FOURTH QUARTER OF 1974 TO NEARLY \$10.00 PER BARREL. A YEAR AGO THE AVERAGE PRICE WAS ABOUT \$2 PER BARREL. THE OPEC COUNTRIES WILL EARN MORE THAN \$100 BILLION FROM OIL EXPORTS IN 1974 AS OPPOSED TO ABOUT \$30 BILLION IN 1973. BECAUSE OF PAYMENTS LAGS, THEY WILL ACTUALLY RECEIVE ABOUT \$94 BILLION THIS YEAR -- \$33 BILLION IN THE FIRST HALF AND \$61 BILLION IN THE SECOND HALF. OIL RECEIPTS WILL BE BOOSTED BY ANTICIPATED RETROACTIVE PAYMENTS OF ABOUT \$13 BILLION. RECEIPTS WILL BULGE IN OCTOBER AS A RESULT OF QUARTERLY PAYMENTS TO SEVERAL PRODUCERS AND A PROBABLE \$2.2 BILLION RETROACTIVE PAYMENT TO SAUDI ARABIA. FREE WORLD OIL SUPPLY DURING SEPTEMBER IS EXPECTED TO BE ABOUT THE SAME AS IT WAS IN AUGUST. LIBYA AND ABU DHABI CUT PRODUCTION ABOUT HALF A MILLION B/D AS A RESULT OF REDUCED OIL COMPANY LIFTINGS. THIS DECREASE WAS PROBABLY OFFSET, HOWEVER, BY INCREASED PRODUCTION IN SAUDI ARABIA OF ABOUT 500,000 B/D. EXXON IS NOW THREATENING TO CUT ITS LIBYAN PRODUCTION EVEN MORE BECAUSE IT CANNOT SELL THE NATURAL GAS IT MUST PRODUCE ALONG WITH CRUDE OIL AT THE PRICE LIBYA WANTS. LIBYA HAS REFUSED EXXON PERMISSION TO FLARE THE ASSOCIATED GAS, AND IT IS NOT ECONOMICALLY FEASIBLE TO REINJECT IT INTO THE WELLS. IF EXXON AND THE LIBYAN GOVERNMENT DO NOT COME TO AGREEMENT, EXXON WILL SHUT IN ITS REMAINING PRODUCTIVE

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BRITISH: No Objection to Declassification in Part 2010/10/22 : LOC-HAK-550-2-11-6  
PORTUGAL: ON OCTOBER 8 THE BRAZILIAN AMBASSADOR IN LISBON REPORTED THAT HE HAD JUST MET WITH ONE OF THE MOST DISTINGUISHED AND TRUSTWORTHY PORTUGUESE BUSINESSMEN OF THE TOURIST INDUSTRY WHO HAD JUST RETURNED FROM LONDON, WHERE HE HAD MET WITH A GROUP OF BRITISH BANKERS. THE BANKERS VIEW PORTUGAL'S FUTURE WITH THE GREATEST RESERVE AND FEAR, BECAUSE OF THE EVIDENT POLITICAL INSTABILITY AND THE GROWING ECONOMIC AND SOCIAL CRISIS. TO JUSTIFY THAT POSITION THEY SAID THAT PORTUGAL'S BALANCE OF PAYMENTS, MADE WORSE BY AN ACCENTED DEFICIT INTO COMMERCIAL TRANSACTION, WILL NOT BENEFIT, IN THE CURRENT FISCAL YEAR, FROM THE NORMAL INCOME OF FOREIGN EXCHANGE FROM TOURISM AND FROM THE FINANCIAL REMITTANCES OF EMIGRANTS.

FURTHER TURKISH MOVES TO SOLIDIFY CONTROL IN NORTHERN CYPRUS: TURKISH OCCUPATION FORCES ON CYPRUS MAY BE BUILDING PERMANENT FORTIFICATIONS ACROSS THE SOUTHERN EDGE OF THE TERRITORY THEY INTEND TO RETAIN IN ANY SETTLEMENT. AN INTERCEPTED GREEK FOREIGN MINISTRY MESSAGE DISCLOSES THAT THE CONCRETE DEFENSIVE WORKS GENERALLY FOLLOW THE FIRST ATILIA LINE AND EXCLUDE THE CITY OF MORPHOU AND THE IMPORTANT TYMBOU AIRFIELD. A SENIOR TURKISH SECURITY OFFICIAL CONFIRMS THAT FORTIFICATIONS ARE BEING BUILT ON THE PERIMETER OF TURKISH-CONTROLLED TERRITORY AND ADDS THAT THEY GIVE SOME INDICATION OF WHAT TERRITORY THE TURKS WILL INSIST ON RETAINING.

IN OTHER MOVES TO STRENGTHEN TURKISH CONTROL IN THE NORTHERN ZONE: TURKISH CYPRIOT CIVIL SERVANTS THIS WEEK RECEIVED THEIR SALARIES IN TURKISH LIRA. SINCE CIVIL SERVANT SALARIES COMPRISE THE BULK OF THE TURK CYPRIOT ECONOMY, TURKISH LIRA WILL HENCEFORTH BE THE COIN OF EXCHANGE IN THE NORTHERN ZONE. THE MAINLAND TURKISH AGRICULTURAL BANK WILL FUNCTION AS THE TURK CYPRIOT CENTRAL BANK AND FOREIGN EXCHANGE CONTROLS IDENTICAL TO THOSE IN FORCE ON THE MAINLAND HAVE BEEN INTRODUCED.

-- THE AUTONOMOUS TURKISH ADMINISTRATION HAS FORMALLY ESTABLISHED TURK CYPRIOT AIRLINES, TURK CYPRIOT TELEVISION, AN ARCHEOLOGY DIRECTORATE, AND RURAL CONSTABULARY. A CITIZENSHIP BILL HAS BEEN INTRODUCED, TELECOMMUNICATIONS PROJECTS ANNOUNCED, CORPORATIONS RE-REGISTERED, AND OTHER ECONOMIC INSTITUTIONS SUCH AS CO-OPS GIVEN ADDITIONAL POWERS.

AMBASSADOR CRAWFORD CONCLUDES FROM ALL THIS THAT THE TURKS DO NOT ANTICIPATE AN EARLY POLITICAL SETTLEMENT AND ARE PLANNING FOR THE LONG HAUL. HE ADDS THAT WHILE DISCLAIMING INTENT TO PARTITION THE ISLAND, TURKISH ACTIONS SINCE THE CEASEFIRE HAVE LED PRECISELY IN THAT DIRECTION. THE AMBASSADOR STATES REORGANIZATION OF MINISTERIAL RESPONSIBILITIES AND THE APPOINTMENT OF MINISTERS FROM THE MAINLAND SEEM DESIGNED TO INSURE THAT THE AUTONOMOUS TURKISH ADMINISTRATION WILL BE TOTALLY MALLEABLE TO ANKARA'S WILL. (GATES)

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