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The President's Daily Brief

June 2, 1975

~~Top Secret 25X1~~

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FOR THE PRESIDENT ONLY

June 2, 1975

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LAOS

Anti-American sentiment resurfaced in Vientiane over the weekend.

Late Saturday, an estimated 50 to 60 Pathet Lao policemen and local teenagers gathered at the US Marine Guard residence to demand the arrest of one of the Marines. They alleged he had beaten a Lao youth earlier in the evening. The timely arrival of the US chargé, along with one of communist Deputy Prime Minister Phoumi Vongvichit's top aides, helped to defuse tensions and disperse the crowd.

The Marine in question has denied allegations of misconduct, explaining that the charges stemmed from efforts by himself and several colleagues to investigate a burglary at a nearby American residence.

Deputy Prime Minister Phoumi initially indicated that he wanted the Marine turned over to the city's joint police force for "une petite interrogation." Extensive discussions between Phoumi and the US chargé yesterday have brought cancellation of the police inquiry, and the Marine, by mutual agreement, will leave the country as soon as possible.

Phoumi also told the chargé that he has directed the joint police to ensure that no "embarrassing incidents" occur during Assistant Secretary Habib's official visit, which begins today. Despite Phoumi's assurances, anti-US demonstrations could occur during Habib's stay.

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The Pathet Lao are continuing efforts to block the exodus of Meo tribesmen from northern Laos.

[redacted] Pathet Lao troops late last week fired on "several thousand" Meo who broke through police cordons at the town of Vang Vieng. After five tribesmen were killed and at least 20 wounded, the Meo decided to return to their villages.

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The Meo had been attempting to march from Vang Vieng southward along Route 13 to Vientiane, where they had planned to demand an audience with Souvanna. They [redacted] intended to lodge a protest with the Prime Minister over Pathet Lao activities in their

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home areas and to demand that General Vang Pao be permitted to return from exile in Thailand to resume active leadership of the Meo people.

Meanwhile, the regime in Bangkok has somewhat clarified its policy toward the growing numbers of Meo seeking refuge in northern Thailand. According to Secretary General of the Thai National Security Council Sitthi Sawetsila, who was aware that his remarks would reach US officials, Prime Minister Khukrit has agreed to resettle the bulk of Meo refugees who have already arrived in Thailand and who cannot safely return to Laos. The US, however, will be requested to pay for the resettlement.

At the same time, Khukrit and other senior Thai officials are said to be "extremely worried" over the possible influx of thousands of additional Meo. In their view, the flow of refugees can only be stopped by speeding up Vang Pao's departure from Thailand. They believe he acts "like a magnet" in drawing the Meo.

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Prime Minister Souvanna plans to turn over his nominal control of the coalition government and "go abroad." The date most frequently cited for the "turnover" is June 5.

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The timing fits [redacted] that Pathet Lao forces would "occupy" Vientiane on June 5 and that communist leader Souphanouvong--who has been in Sam Neua since the anti-rightist, anti-US campaign began more than a month ago--would also return to the Lao capital on that date. [redacted] Lao

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Communist Central Committee leaders Kaysone Phomvihan and Nouhak Phomsavan--not Souphanouvong--would enter Vientiane on June 5 as heads of the city's "liberation forces."

Although Souvanna continues to voice optimism that recent events in Laos will somehow speed up realization of his long-cherished goal of national reconciliation, he is [redacted] deeply disturbed over the communist-orchestrated campaign of anti-American demonstrations and harassment. The Prime Minister has repeatedly tried to persuade his Pathet Lao deputy, Phoumi, to end the campaign.

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PORUGAL

The agreement of the Socialists to end their boycott of cabinet meetings will ease political tensions in Lisbon. The solution appears to be temporary at best, however, and major differences remain unresolved.

An important factor in the Socialists' decision to back down from their challenge to the Movement was probably the military's promise to pressure Communist printers to accept the reopening of the Socialist newspaper Republica. Party leaders believe the paper will resume publication within a few days.

Military leaders also agreed to safeguard the activities of the constituent assembly--which opens today--removing last-minute doubts that the Movement would cancel or postpone an assembly dominated by moderate parties.

The Socialists believe there are several important areas of work for the assembly despite bounds set by the Armed Forces Movement. They plan to concentrate on human rights, justice, and municipal government--areas where policy has not been dictated by the Movement.

One of the Socialists' demands for continuing in the government was for new elections of municipal councils, many of which are now dominated by Communists. The assembly is empowered to set the dates for such elections, as well as for elections to the legislative assembly.

* * *

A "unitary action" rally was held last night to welcome Prime Minister Goncalves back from the Brussels NATO summit. The rally was part of the Movement's new policy of strengthening the relationship between the "people" and the military government and deemphasizing the political parties. A similar demonstration held last week was organized by the Communists, but the one last night was under the sponsorship of a "committee of democrats and antifascists with no party affiliations." One member of the committee is reportedly a close associate of Admiral Coutinho, who has advocated the creation of a parallel civilian movement to collaborate with the ruling Armed Forces Movement.

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LEBANON

The cabinet crisis shows no sign of ending soon.

Socialist leader Kamal Jumblatt is promoting what he calls a compromise under which representatives of his party and of the right-wing Phalanges Party would be excluded from the government. He wants the new cabinet to be composed of civilians who are neither members of parliament nor retired military officers.

Phalangist leader Pierre Jumayyil, predictably, has rejected any suggestion that his party be left out of the government. He has won valuable support from former president Shamun, who has declared that his National Liberal Party will not join any government that excludes the Phalangists.

Under ordinary circumstances, prime minister - designate Rashid Karami might be tempted to endorse Jumblatt's proposal, since it would create a weak cabinet that Karami could easily dominate. As a result of the continuing civil unrest, however, Karami almost certainly will continue to seek a solution that will have the backing of Jumayyil and Shamun; their withdrawal of support forced Prime Minister Rashid Sulh to resign last month.

Karami, counting on time to cool tempers and bring both sides to compromise, told newsmen on Saturday that he intends to take his time in forming a government. In the meantime, he is working closely with the outgoing military government to create buffer zones in Beirut between those areas controlled by the Phalangists and those controlled by the radical fedayeen.

Sporadic shooting continued in Beirut over the weekend, despite somewhat more aggressive patrolling by the joint Lebanese-Palestinian security units. Barricades remain in many parts of the city, and the main road from Beirut to the southern port city of Sidon was closed for several hours.

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PANAMA

The Torrijos government has placed tough restrictions on the media in an effort to stifle domestic critics.

The government is concerned over the impact recent criticism by certain student groups, business organizations, and communications media may have on canal treaty negotiations. For the past several years, prohibition of political activity has left the government largely free from criticism by organized groups. During the last month, however, elements of the business community who have never trusted Torrijos have aggressively attacked the government's economic policies.

Criticism by ultranationalist students is even more worrisome. Although they are only a small minority of the student population, these antigovernment students have effectively used demonstrations and radio broadcasts to attack the government's educational policies and treaty negotiation strategy. The government, not wanting to use open repression, apparently has decided to rely on pro-Torrijos students to silence such criticism. A group of high-school students, possibly acting on official instructions, recently seized an offending radio station, charging that it was a mouthpiece of "reactionary" businessmen and the CIA.

Torrijos fears that signs of disunity may be used by those who claim that his regime does not represent the Panamanian people. Government spokesmen are almost certain to become more forceful in their attacks on the opposition and to label the government's critics servants of foreign interests who want to sabotage the canal treaty negotiations and topple Torrijos.

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NOTES

A major conference of Cambodian communist officials is scheduled to begin in Phnom Penh on Thursday.

Intercepted messages disclose that civilian and military officials from all over the country are already on their way to the capital and that the conference will probably last three days. The national-level gathering will be the third this year. The first, in late February, resulted in some general domestic and foreign policy statements. The second, held in the chaotic days following the surrender of the Lon Nol government, announced that Prince Sihanouk would stay on as "head of state."

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The USSR has declared an area in the northern Pacific closed to navigation between June 3 and June 30 because of "carrier rocket impacts."

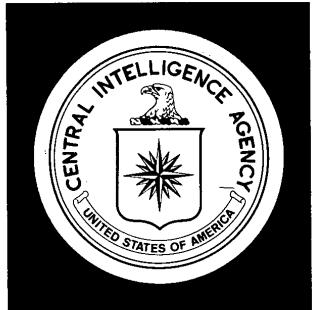
The large size of the closure--130 nautical miles in radius--and the presence of many Soviet monitoring ships suggest that a MIRVed payload will be tested. The area is the same as that used in February and March 1974 for SS-X-17 and SS-18 firings and in October 1974 for SS-X-17 launches.

* * *

North Korean President Kim Il-song continues to tour African and East European capitals, but a Soviet official has said that Moscow is not on Kim's current itinerary.

Since May 22, Kim has been welcomed enthusiastically in Romania, Algeria, and Mauritania. He may visit Bulgaria and Yugoslavia before heading home. Kim's main objective has been to strengthen political support for North Korea in anticipation of the nonaligned conference this summer and the UN General Assembly's consideration of the Korea question this fall. Moscow will probably be willing to receive Kim at a later date when it judges the timing to be more opportune.

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Cambodia: A conference of Khmer Communist Party officials on Thursday probably will mark the end of the initial period of domestic consolidation. (Page 4)

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ISRAEL-EGYPT

Prime Minister Rabin's announcement yesterday that Israel would unilaterally reduce the size of its forces facing Egypt is primarily a political gesture and is not likely to produce a militarily significant troop reduction in the area.

Initial Egyptian reaction to the Israeli move has been highly favorable. Terming the action a step in the right direction, an Egyptian spokesman with President Sadat in Salzburg said that Sadat would look favorably on Israeli "use" of the canal if his military commanders conclude that the thinning out is "serious and not propagandistic."

The spokesman did not explain whether "use" would entail the transit of Israeli flag vessels or only of Israeli cargoes on ships flying other flags. The reference is in any case the first public Egyptian acknowledgment that Israel might be allowed access to the canal in any way.

The announced pullback actually will result in little shifting of Israeli forces. The Israelis have few military units stationed within 30 kilometers of the canal, and there are fewer tanks and significantly fewer troops in the limited-armaments area than permitted by the agreement.

In response to the announcement, Israel might have to move, at most, elements of two or three armored battalions, which have about 100 tanks, and portions of several mechanized companies that might be within 30 kilometers of the canal. No artillery is now stationed within 32 kilometers of the canal, and no Israeli surface-to-air missiles appear to be located within 40 kilometers of the UN buffer zone.

Despite the obvious propaganda benefits to be gained, Prime Minister Rabin apparently followed only reluctantly the urgings of Defense Minister Peres and Foreign Minister Allon that the government announce a thinning out of its military forces before the Suez Canal is opened.

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[redacted] Israel
must make some gesture to balance the propaganda windfall Cairo might reap by reopening the canal. Furthermore, it could create a more congenial climate for Israel in Washington and even Cairo. [redacted]

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[redacted] delaying the announcement would lessen Tel Aviv's ability to use it to influence the policy decisions regarding Middle East peace negotiations Washington and Cairo might be making over the next several weeks.

The suspicion is also strong in Israel that President Sadat might try to exploit the canal reopening to reinforce Egyptian troop strength on the east bank in violation of the disengagement agreement. Rabin may hope that Israel's decision to reduce its troop strength near the canal will block such an Egyptian attempt by undercutting its most likely rationale--that Cairo was doing so solely to protect international shipping in the canal. When he announced the decision yesterday, Rabin pointedly stated that Israeli forces in Sinai will honor freedom of navigation through the canal and the Gulf of Suez.

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PORUGAL

The Portuguese government apparently is not yet making preparations to counter any move by Azorean separatists, despite continued rumors in Lisbon that the separatists may declare the Azores independent.

An aide to President Costa Gomes has admitted that Portugal has serious problems in the Azores that must be solved. He stressed, however, that these problems require a political rather than a military solution. The aide said he was not aware of any mainland security forces being dispatched to the islands, and observers in Lisbon have not noticed any unusual military activity, although a number of trucks and jeeps reportedly were unloaded in Ponta Delgada within the last two weeks.

In order for any separatist effort to present a viable threat to Lisbon's control of the Azores, the separatists would need the support of military units on the islands.

[redacted] the Azorean Liberation Front will soon attempt to seize power even if military cooperation is not assured.

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A small military force could probably hold out on the main islands for a short time if it could capitalize on Portugal's lack of preparedness and the element of surprise. In the end, however, the separatists are counting on international political support if they are initially successful.

* * *

In Lisbon, the multiparty constituent assembly elected on April 25 held its first meeting yesterday. President Costa Gomes opened the assembly with what appeared to be a warning against replaying the political disputes that have disrupted the government. He called on the deputies to subordinate party interests to the greater national interest.

Although the Armed Forces Movement is likely to monitor its deliberations very closely, the assembly, which is dominated by the moderate Socialists and Popular Democratic parties, could provide an effective forum for political moderates in the next few months.

FOR THE PRESIDENT ONLY

CAMBODIA

A major conference of Khmer Communist Party officials that convenes in Phnom Penh on Thursday probably will mark the end of the initial period of domestic consolidation.

The leadership can be expected to outline its long-term policies and goals and to obtain rubber-stamp approval from the party rank and file. The covert party apparatus has been functioning as a shadow government--a role it will undoubtedly continue to play after a government is formally installed.

Propaganda has exaggerated progress in restoring production [redacted]

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In addition to the possibility of famine, cholera has broken out in some areas, and, given the lack of medical personnel, supplies, and facilities, the communists could be faced with an epidemic.

The party leadership and the relatively small pool of trained cadre have had their hands full implementing the massive changes that have been decreed for Cambodian society. This probably explains in part the delay in installing a national administration.

The US embassy in Bangkok, on the other hand, has suggested that a power struggle may have paralyzed the leadership. [redacted]

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[redacted] neither Deputy Prime Minister Khieu Samphan nor Information Minister Hu Nim--the only two leaders to emerge publicly since the communist take-over--has issued any statements in over two weeks. If a power struggle is under way, any communiqüs or statements issued when the conference adjourns should provide some hints.

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Sihanouk's future is sure to be discussed at the conference. Party leaders consider the Prince an unscrupulous and adroit political operator and probably want their administrative apparatus firmly entrenched before allowing him to return. The longer Sihanouk is kept cooling his heels abroad, the greater the possibility that he might of his own accord decide to end his association with the communists and go into permanent exile. While this might suit some leaders, others probably argue that Sihanouk's foreign support--particularly that of China--is sufficiently valuable that he should be brought back to the country soon.

FOR THE PRESIDENT ONLY

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NOTES

Both Laotian Prime Minister Souvanna Phouma and his Pathet Lao deputy, Phoumi Vongvichit, apparently are doing their best to prevent any anti-American incidents during Assistant Secretary Habib's visit in Vientiane.

[redacted] put an immediate stop to the wave of anti-US propaganda being broadcast by Lao National Radio because such broadcasts would complicate negotiations for continued US assistance. [redacted]
[redacted] the Pathet Lao directed the capital's police force to escort and protect Habib during his visit. In addition, radical activist students and political organizations were ordered not to stage any anti-US demonstrations.

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We continue to believe that voters in the United Kingdom will vote "yes" in the referendum on EC membership to be held on Thursday.

Pro-EC forces hope that at least half of the electorate will vote so that the issue of Britain's European connection can be put aside and the country can turn its attention to its mounting economic problems. Opinion polls indicate that 60 percent of the electorate plan to vote, but public apathy may reduce the turnout.

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June 4, 1975

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June 4, 1975

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USSR: The Soviets have told some Italian diplomats that there has been a leftward turn in China's domestic politics. (Page 4)

Thailand: The Thai military are beginning to show impatience with the Khukrit government, but there is no firm evidence at this time that they are considering its overthrow. (Page 5)

The Philippines: President Marcos' security advisers have been ordered to draft options for a new arrangement to govern US military bases. (Page 6)

Ethiopia: Fighting involving Afar tribesmen in the eastern part of the country may be the start of a full-scale revolt against the ruling military council. (Page 8)

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LAOS

Prime Minister Souvanna Phouma and his Pathet Lao deputy, Phoumi Vongvichit, broke no new ground in separate conversations on June 2 and 3 with Assistant Secretary Habib.

Both Lao leaders reasserted in positive terms the communist-dominated coalition government's desire to maintain "good" relations with the US. They also made a strong pitch for continued US assistance, but with the standard Pathet Lao caveat that such aid must be unconditional and given directly to the Lao government. Phoumi essentially repeated a line he had taken earlier with the US chargé and acting USAID director. He said that US assistance would be welcome--particularly during a "healing the wounds of war" phase of economic development. This phrasing puts US aid in the context of war reparations.

Phoumi said that he would personally supervise the forthcoming negotiations on a new assistance agreement. He also indicated that he did not "think" there would be any more "disorders" directed against Americans in Vientiane.

Meanwhile, Souvanna's acquiescence to Pathet Lao viewpoints came through clearly in his discussions with Habib. He repeatedly emphasized that, in his view, "nothing had changed" in the Lao-American relationship. The Prime Minister blamed "excited young people" for the recent anti-American demonstrations in Vientiane and argued that USAID, not the US, was the prime target.

Souvanna also maintained that there had been no real change in Laos, merely an "evolution of attitudes." The Pathet Lao, according to Souvanna, had no intention of taking over Laos--at least not for another "five or six years." The Lao communists, he insisted, were "reasonable nationalists" who respected the monarchy and who had never formed a separate government during their long years of isolation in Sam Neua.

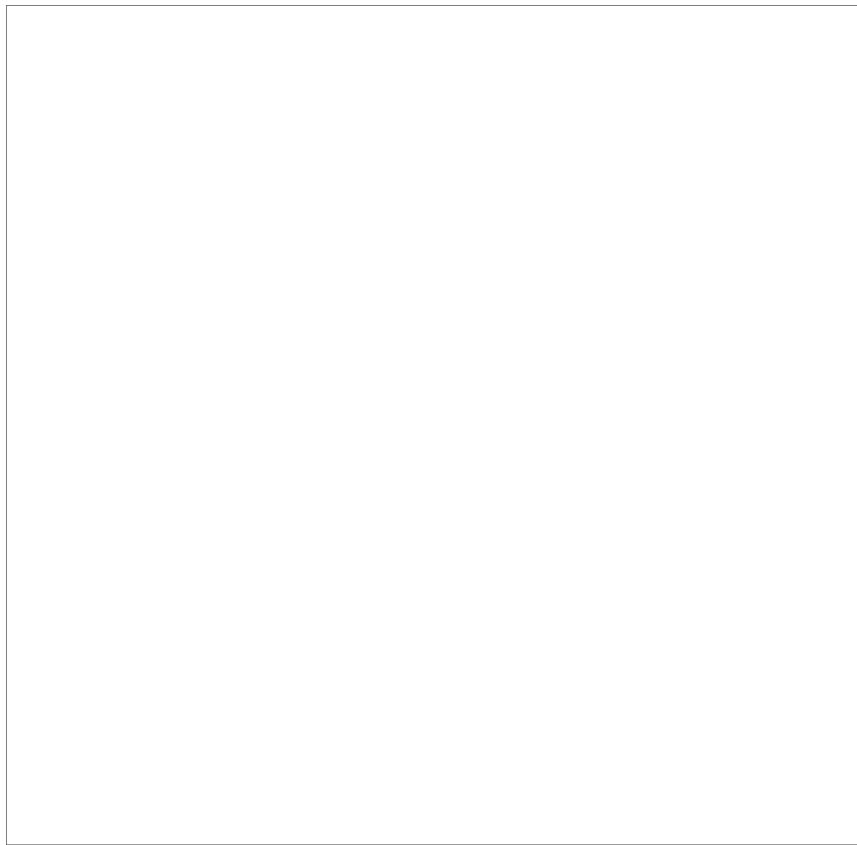
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USSR



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PORtUGAL

Socialist Party leader Mario Soares believes that West European governments should link assistance to Portugal with demands that Communist influence in Lisbon be curtailed.

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Soares' position has already gotten encouragement from West European Socialists. Former chancellor Brandt, Austrian Chancellor Kreisky, and Swedish Prime Minister Palme expressed their support for their Portuguese colleagues at a press conference in Vienna on May 25. They also warned of the dangers to East-West relations if the Communists try to strengthen their position in the government. Last week, the Norwegian and Luxembourg trade union federations also expressed strong backing for the Portuguese Socialists. French Socialist Party leader Mitterrand recently came out in support of Soares' anti-communist line in the República affair, but this stance is now causing further strains in the Socialist-Communist alliance in France.

Soares is also trying to establish a direct link between the EC's provision of economic assistance to Portugal and the maintenance of democratic institutions. At the conclusion of a three-day visit to Lisbon yesterday, Irish Foreign Minister Garrett FitzGerald--at present, president of the EC Council--underlined the EC's desire to provide Portugal with financial, industrial and agricultural assistance. While not establishing political conditions for such aid, FitzGerald noted the importance of maintaining a pluralist democracy and freedom of expression in Portugal. Plans for an EC-Portuguese ministerial meeting scheduled for this fall were also discussed.

FOR THE PRESIDENT ONLY

USSR

The Soviets have told some [redacted] diplomats that there has been a turn leftward in China's domestic politics. Moscow's purpose evidently is to suggest to the US and others in the West that any improvement in relations with China will not be durable. This line appears timed both to counter whatever gains Chinese Deputy Premier Teng Hsiao-ping may have made during his visit to Western Europe last month and to raise questions prior to your trip to Peking.

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The Soviet message was conveyed forcefully by Mikhail Kapitsa, chief of the foreign ministry's Far East division. He asserted that Premier Chou En-lai's position had been weakened by the National People's Congress and that the "Shanghai" group, including Mao's wife Chiang Ching, had moved into dominant positions overseeing the party and the government.

Kapitsa made these statements as if they were beyond dispute. In fact, Chiang Ching has not been appointed to the Politburo standing committee, nor have the leftists gained control of it or the party's control commission, as Kapitsa claimed. Moreover, the Soviets themselves have heretofore interpreted the National People's Congress as a victory for Chou and the moderates.

The Soviet official told [redacted] that the new predominance of the Shanghai group would lead to an intensification of China's struggle against both the Soviet Union and the US. He did not speculate about what new policies Peking would follow, but he implied that there is a good possibility of tougher days ahead in Sino-Soviet relations.

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THAILAND

The Thai military are beginning to show impatience with the Khukrit government, [redacted]

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The military have little faith in the civilian government's ability to maintain order and are watching the administration's handling of current labor unrest. Military officers also have been displeased with the way Prime Minister Khukrit officially criticized the US in connection with the Mayaguez incident and have voiced concern over Khukrit's advocacy of accelerated US military withdrawal. In addition, some officers have reservations about the haste with which the foreign ministry is moving to establish ties with Hanoi and Pe-king.

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[redacted] Army Commander Krit's political maneuvering has recently led to widespread questioning of his leadership among younger officers.

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A precipitate move against the government would almost certainly incur the displeasure of the King, in addition to risking disorders among radical students and other leftist elements. [redacted] some of the press have attempted to make the US the scapegoat for recent anti-Viet-namese demonstrations in northeast Thailand and would be quick to allege a US hand in the affair.

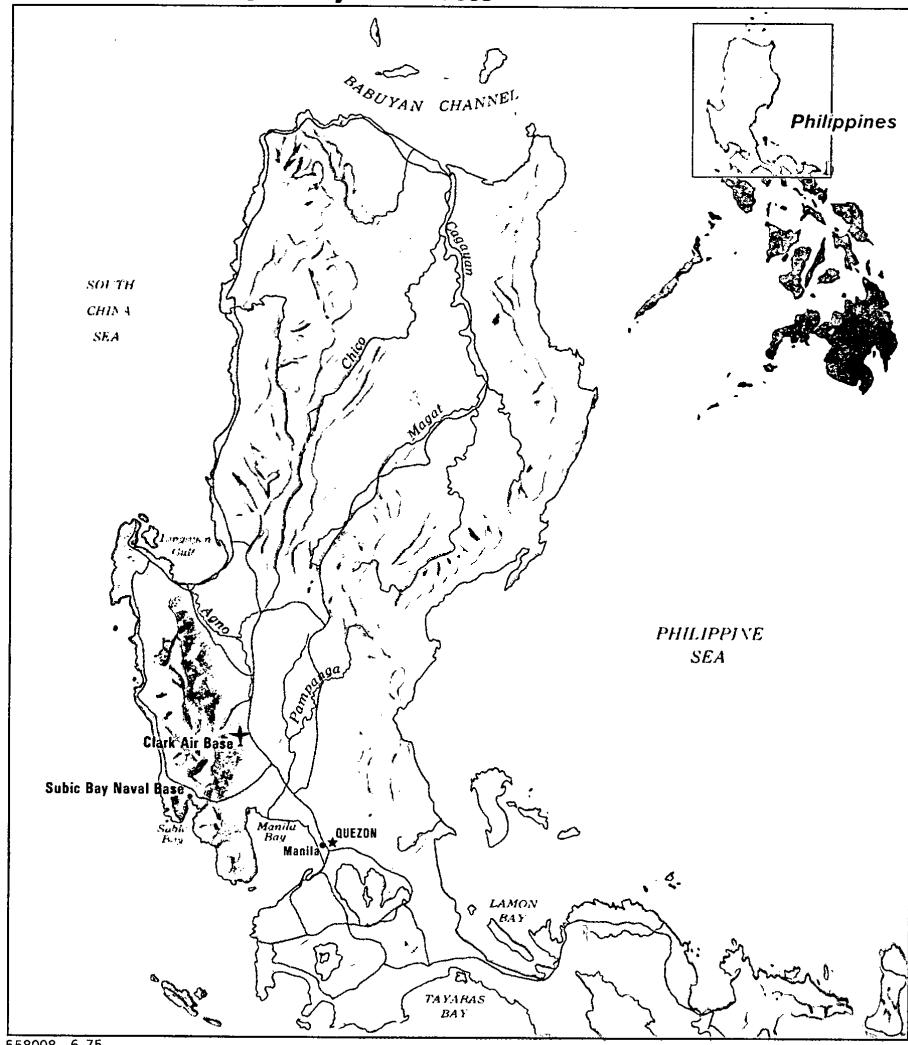
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[redacted] a growth in governmental instability or persistent civilian disregard for armed forces' interests in the months ahead could markedly increase the possibility of military intervention.

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Northern Luzon Major U.S. Bases



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FOR THE PRESIDENT ONLY

THE PHILIPPINES

President Marcos' security advisers have been ordered to draft options for a new arrangement to govern US military bases, including a Philippine take-over. Despite his recent nationalistic rhetoric, Marcos apparently wants an arrangement that both Washington and Manila can live with.

Marcos and his security advisers have assured the ambassador and other US officials that the Philippines plans no precipitate action against US bases. Marcos recognizes that the Philippines has deep political and economic relations with the US.

Marcos has raised US base arrangements at various times in the past, but has never scheduled the high-level discussions needed for a new treaty. He has preferred to keep the issue unresolved as a convenient nationalist theme that he can take up whenever foreign or domestic conditions make it useful. This time, however, there are fresh elements:

--Marcos is showing new interest in being taken seriously as a member of the Association of Southeast Asian Nations, which favors the eventual removal of foreign bases from Southeast Asia.

--Marcos has begun exploring Manila's chances for gaining admittance to the nonaligned club.

--Though US bases do not seem a bar to improved Philippine relations with most communist states, Hanoi has raised the subject.

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Marcos probably has not yet decided how he wants to restructure US-Philippine relations, but his recent [redacted] statements have stressed certain themes:

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--Marcos has long felt that the Mutual Defense Treaty allows the US too many loopholes and that the major threat to his security is internal subversion that is not covered by the treaty. He may want a broader commitment.

--Marcos wants to improve the Philippines' own military, much of which is poorly equipped and badly trained. He may want US assistance for a modernization program, including a local weapons industry.

--Long unhappy with the extraterritorial nature of the US bases, Marcos wishes to assert greater control over them. He wants at least cosmetic changes that would make the bases technically Philippine and provide compensation such as rent.

Marcos will probably address himself to the US base issue when he returns from China in mid-June. Past experience suggests the process will be slow and careful, but accompanied by a great deal of speechifying.

FOR THE PRESIDENT ONLY

ETHIOPIA

Fighting broke out on June 1 between Ethiopian security forces and Afar tribesmen in the eastern part of the country in what may be the beginning of a full-scale Afar revolt against the ruling military council in Addis Ababa.

The Afar, who were allowed extensive autonomy under Haile Selassie, have been suspicious of Ethiopia's military rulers since they came to power last year. Although their leader, Sultan Ali Mirah, was one of the few major tribal figures not arrested during the council's roundup of traditional leaders, the Afar believed the council would eventually move against him as part of its campaign to destroy Ethiopia's former ruling class. Ali Mirah refused repeated council requests that he come to Addis Ababa.

Last week, delegates from the council traveled to Afar territory, ostensibly to seek an accommodation with Ali Mirah. At the same time, the council sent military reinforcements to the area. The Afar probably interpreted this as the beginning of a move against them and decided to strike first. Ali Mirah, meanwhile, has taken refuge in the neighboring French Territory of the Afars and Issas. His tribesmen will probably continue to resist the imposition of central government control.

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NOTES

The government-controlled Portuguese press has begun alluding to the US role in the Azores.

On May 31, a leading daily devoted nearly an entire page to tying the deteriorating situation in the islands to "reactionary and imperialist escalation." The paper criticized Azorean autonomy and independence groups and charged that employees of the US consulate are members of the now disbanded Movement for the Self-Determination of the Azorean People. It also criticized activities of Portuguese immigrants in the US, including "aggressive and insulting actions" against Portuguese Information Minister Jesuino during his recent visit to the US. Major Portuguese dailies on June 2 also devoted considerable space to the possibility that the Azores may break away from the mainland.

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After pursuing a largely one-sided quarrel with Iraq over the past two months, Syria yesterday abruptly announced it would release more Euphrates River water to Iraq as a "gesture of good will."

Iraq will be relieved by the Syrian gesture; the cutback in the flow of Euphrates water threatened the livelihood of thousands of Iraqi farmers. Baghdad nevertheless has refused to be provoked by Syrian harassment and propaganda, apparently believing that President Asad would drop the dispute once it had served his purposes. Asad probably believes he has amply demonstrated that Syria can exert severe economic pressure on Baghdad at any time if the Iraqis try to meddle in Syrian internal affairs. The release of the Euphrates water will not end either Iraqi political intrigue in Syria or Asad's antipathy for the Baghdad regime, but it should ease tensions, at least temporarily.

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Portugal: The Socialist Party has renewed its threat to pull out of the governing coalition unless the dispute over its newspaper is resolved. (Page 3)

Jordan-Syria: President Asad is scheduled to arrive in Amman on Sunday for discussions with King Husayn. (Page 4)

China: Peking again has expressed openly its approval of a continued strong US presence in Europe and Japan. (Page 5)

Note: Cyprus (Page 6)

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NATO

West European leaders who attended last week's summit meeting generally have been satisfied with the session. Most were gratified by your assurance that the US will continue to fulfill all its commitments to NATO. Press reaction to the meeting has been mixed, but many European newspapers have complained that the heads of government only discussed problems and did not arrive at solutions.

Positive public comments have been made by several leaders. Luxembourg's Prime Minister Thorn commented that you have successfully calmed European fears that US reverses in Indochina would lead to a disengagement from Western Europe. Turkish Prime Minister Demirel made similar remarks. West German Foreign Minister Genscher said the summit was an impressive confirmation of the resoluteness of the NATO Allies.

Danish Prime Minister Jorgensen played down the summit as "undramatic," but said he was satisfied with it. Italian President Leone privately stated that he was satisfied with the outcome.

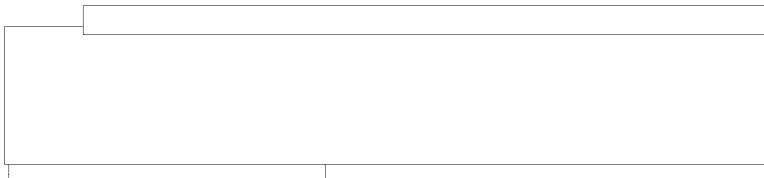
Portuguese Prime Minister Goncalves used the summit and several press conferences to stress that Portugal will remain in the Alliance and is determined to meet its obligations. Reacting to expressions of concern about the leftist tendencies of the rulers in Lisbon, Goncalves asked the Allies for more "comprehension and less apprehension" about Portugal. He also stressed several times that Lisbon will not be a "Trojan horse" within the Alliance. Goncalves, treated to a hero's welcome on his return from Brussels, said the Portuguese delegation had scored an important victory in a "veritable information battle." [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Greek Prime Minister Karamanlis and Turkish Prime Minister Demirel commented positively on the summit and on the private meeting they held to discuss bilateral problems. Both men described the latter meeting as useful and indicated that their dialogue will continue.



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French officials have not commented in much detail. They probably would prefer not to arouse new debate in France over whether Paris is moving closer to or divorcing itself further from the Alliance. Foreign Minister Sauvagnargues has tried to reassure the public that your comment that there should be no partial memberships in NATO was not directed at France.

FOR THE PRESIDENT ONLY

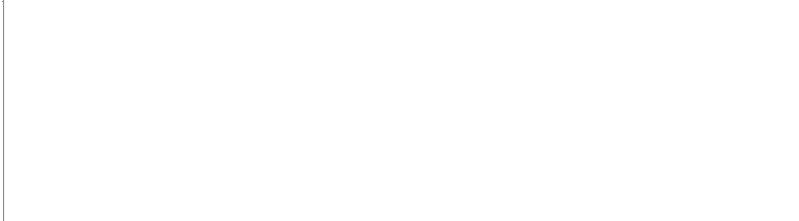
PORUGAL

The Socialist Party has renewed its threat to pull out of the governing coalition; this time setting Saturday as the deadline for final resolution of the dispute over its newspaper.

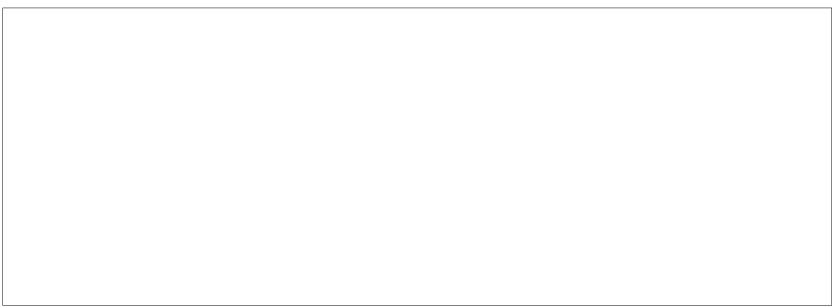
The ultimatum reportedly was delivered to the Revolutionary Council last Friday, when the Socialists agreed to end their boycott of cabinet meetings. A Socialist source reportedly told the press that the ultimatum was kept secret to give the military time to pressure the Communist printers to go back to work under the newspaper's Socialist editor. Our embassy reports that the government appears anxious to find an early solution and the dispute may now be headed for a settlement.

Socialist leader Soares has used the newspaper affair to dramatize his concern that the Communist Party is making a concerted drive for power. Faced with only a small minority of votes in the constituent assembly and with their popularity declining, Soares claims that the Communists are using delaying tactics to discredit the assembly and other political parties.

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FOR THE PRESIDENT ONLY

JORDAN-SYRIA

President Asad is scheduled to arrive in Amman on Sunday for a two-day stay that reciprocates King Husayn's visit to Damascus in April. The two leaders will almost certainly discuss military cooperation, but in talks with Ambassador Pickering both Husayn and Prime Minister Rifai denied that the two countries would form a joint military command.

Rifai told the ambassador that such an arrangement would cause significant domestic "disruption" and also aid Israeli efforts to block US support for Jordanian air defense. He stated categorically that there were no plans to station Syrian troops in Jordan.

Recent reports, nevertheless, indicate Jordanian-Syrian military cooperation has increased significantly. Syrian military personnel were seen in northern Jordan on several occasions recently, and in mid-May, Syrian and Jordanian air force officers reportedly surveyed sites in northern Jordan for locating antiaircraft artillery and surface-to-air missiles. Jordan also has reoriented some of its forces toward Israel and away from Syria. During the past several weeks, Jordanian armor has appeared in the Jordan Valley for the first time in about five years. Both the King and Rifai claim that the Jordanian moves are a "precautionary" defense against Israeli attack.

The attaché believes that while planning for missile sites may well have taken place, it is doubtful that any missiles or accompanying Syrian troops will be moved across the border unless Jordan is drawn into a major conflict with Israel.

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FOR THE PRESIDENT ONLY

CHINA

Peking again has expressed openly its approval of a continued strong US presence in Europe and Japan.

The Chinese press has given unusually positive treatment to the NATO summit and your European trip. The New China News Agency has stressed statements that underline the US commitment to NATO, the determination of the Alliance to remain militarily strong and politically cohesive, and US assurances that detente with Moscow would not detract from US interests elsewhere.

In addition, a Japanese Socialist Party delegation, during meetings in Peking three weeks ago, was "astonished" by the openly benign attitude Peking displayed toward the US. According to an account given to the US embassy in Tokyo, the Chinese waved aside the Socialist Party's proposals that a final communiqué call for a reunification of Taiwan with the mainland and attack the US-Japanese Mutual Security Treaty, as well as US policy in Indochina.

The communiqué did contain an unfavorable reference to US efforts to "bolster" President Pak and "hang on" in South Korea, however, and claimed that US bases "infringed" on Japanese sovereignty and integrity. Our embassy reports, on the other hand, that the Japanese Socialists believe the US was mentioned in the context of opposing superpower hegemony as a Chinese concession to the Socialists, apparently in order to get them to agree to strong anti-Soviet language. In fact, a member of the Socialist delegation stated that the Chinese reviled and attacked Moscow throughout the discussions.

FOR THE PRESIDENT ONLY

NOTE

The second round of talks between Turkish and Greek Cypriots is scheduled to begin today in Vienna; no major breakthrough is in sight.

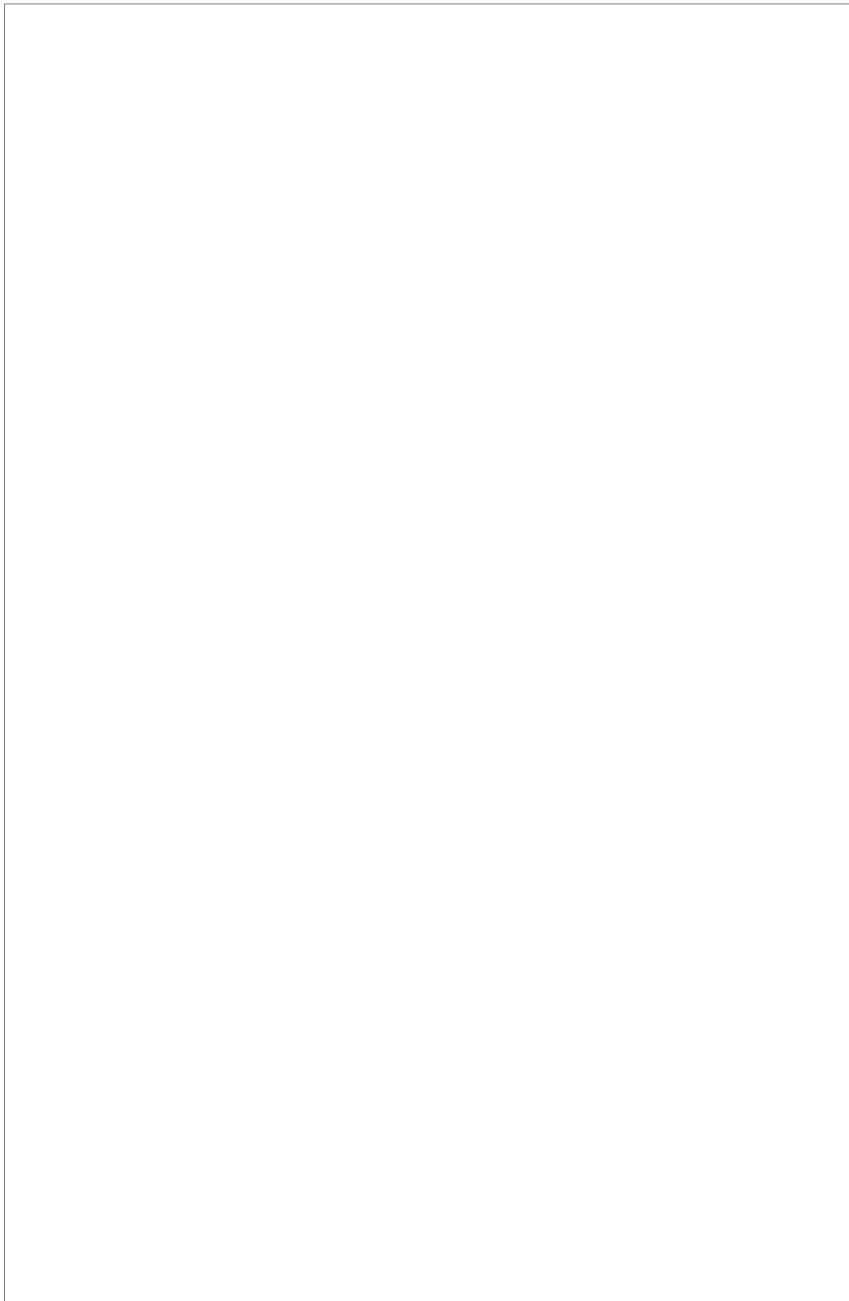
Prospects that Greek Cypriot negotiator Clerides and Turkish Cypriot negotiator Denktash might come to grips with major issues dimmed after the experts' committee they commissioned at their first round of talks in May failed to reach agreement on the powers of the central government in a proposed federation. In fact, the Turkish Cypriot negotiator sought to postpone the talks, but apparently was overruled by Ankara. Turkey wants to avoid blame for the lack of progress when UN Secretary General Waldheim--under whose auspices the talks are being held--reports to the Security Council on June 15. The Turks are also anxious to maintain the better atmosphere with Greece produced by the meeting between Turkish Prime Minister Demirel and Greek Prime Minister Karamanlis at the NATO summit.

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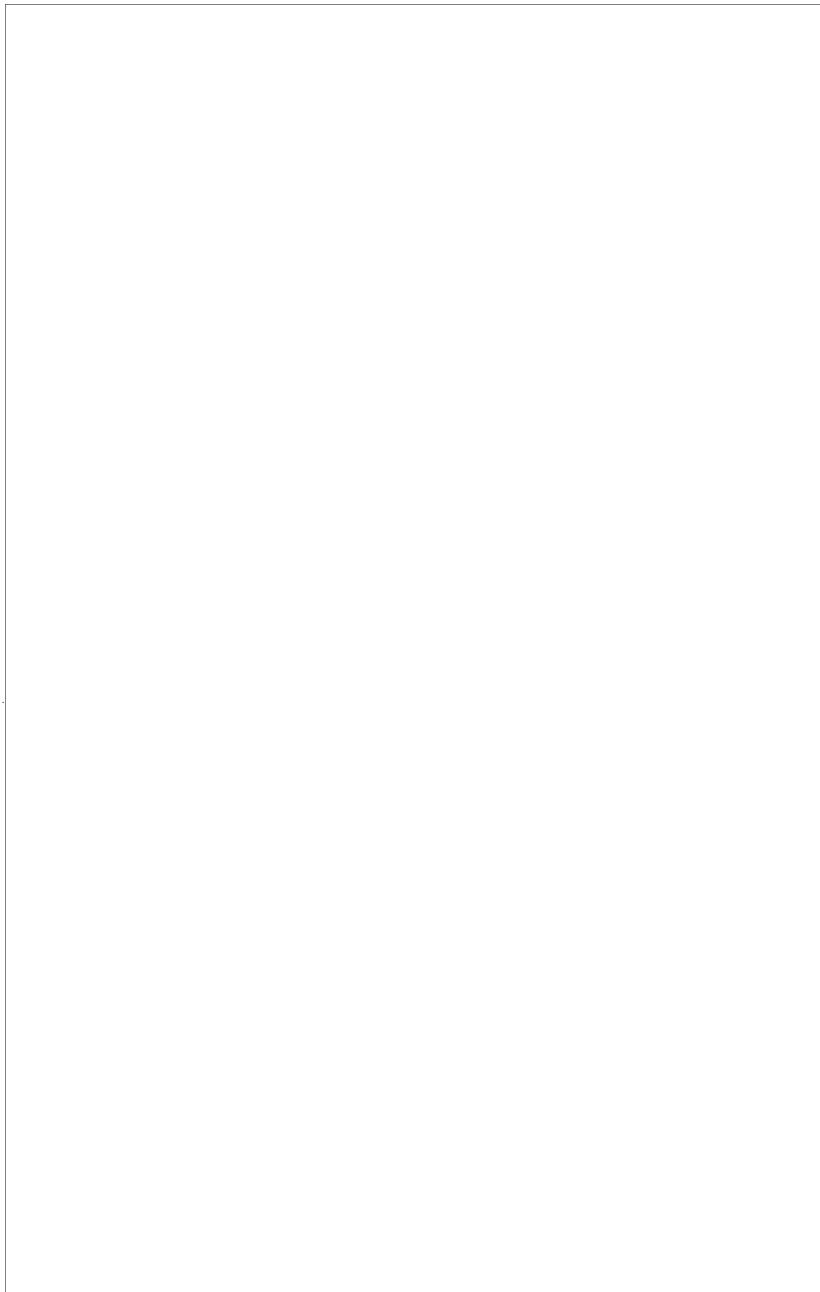


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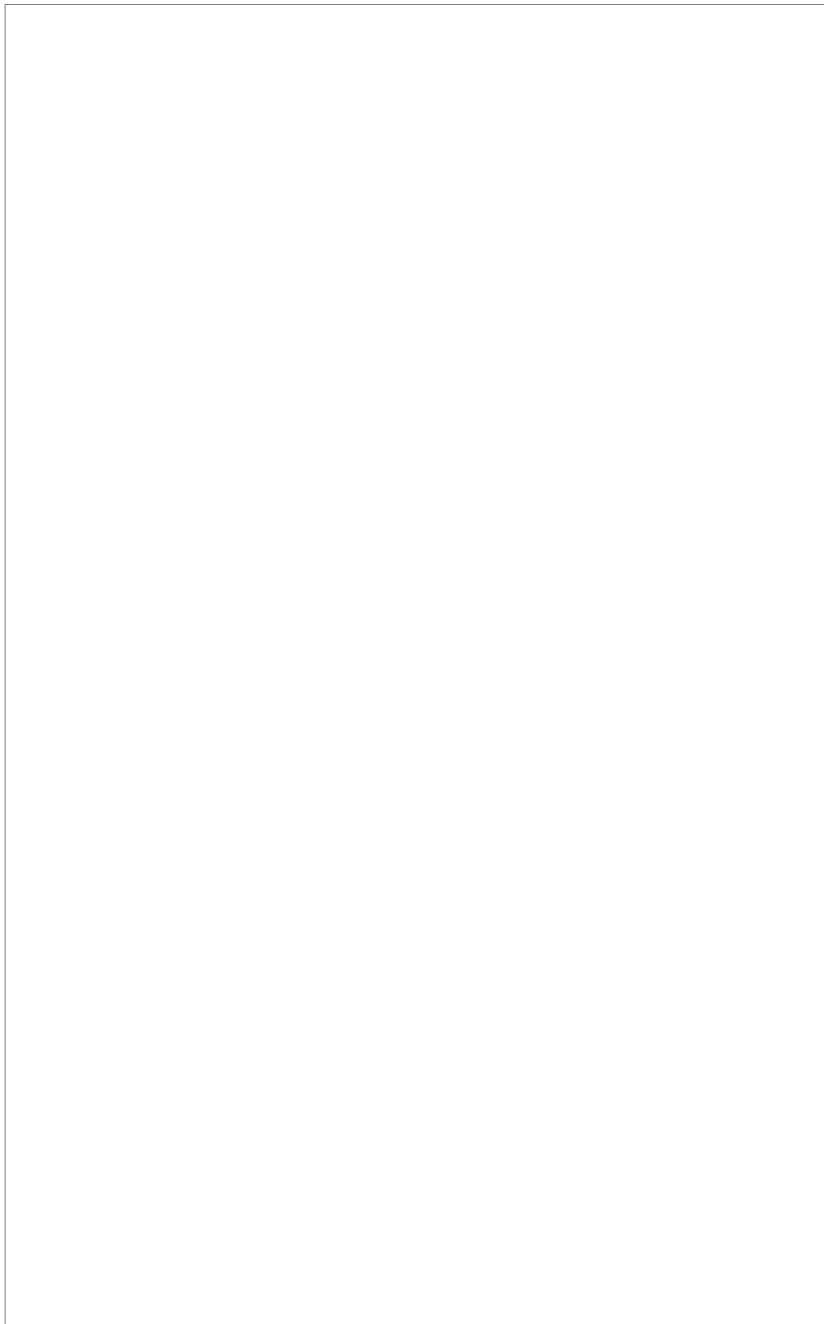
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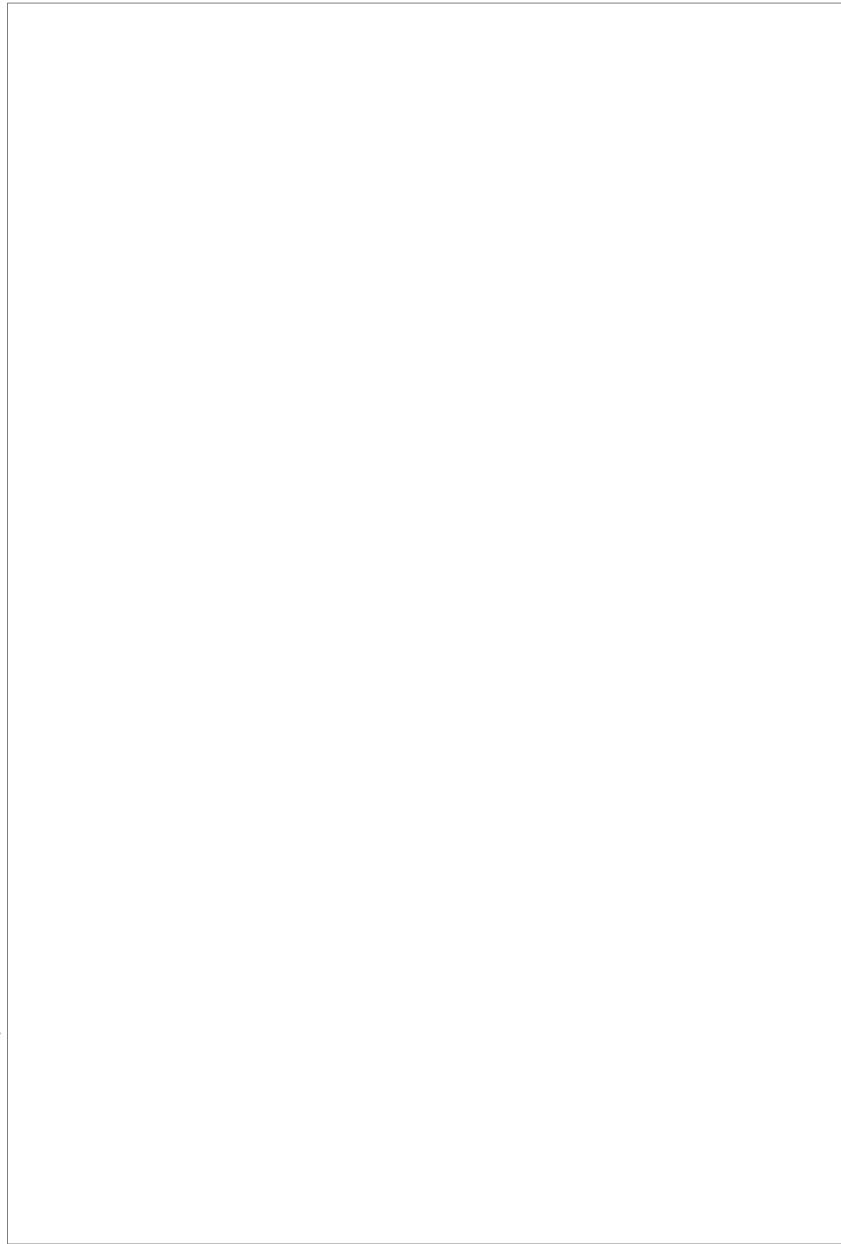
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The President's Daily Brief

June 6, 1975

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exemption category 5B(1)(2)(3)
Declassify upon approval of
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FOR THE PRESIDENT ONLY

June 6, 1975

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Egypt:

(Page 5)

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Note: Azores (Page 6)

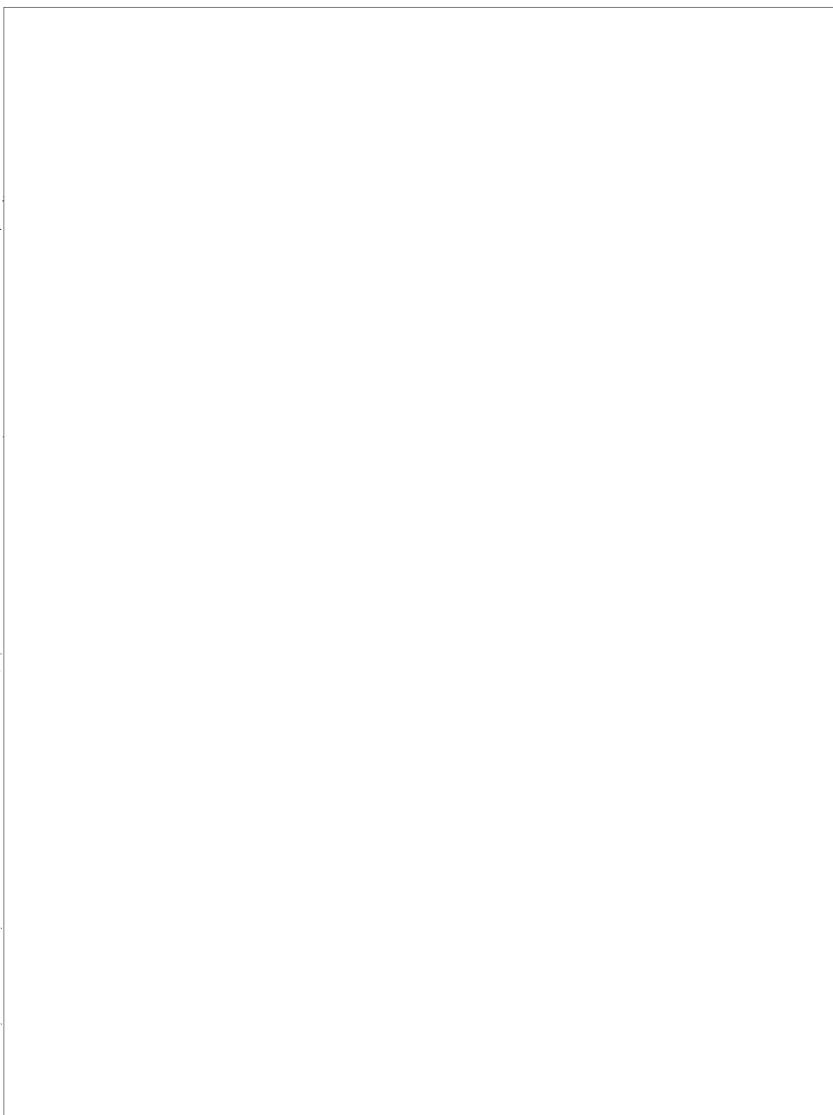
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At Annex we present the basis for Lisbon's claim
that the Azores are an integral part of Portugal.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

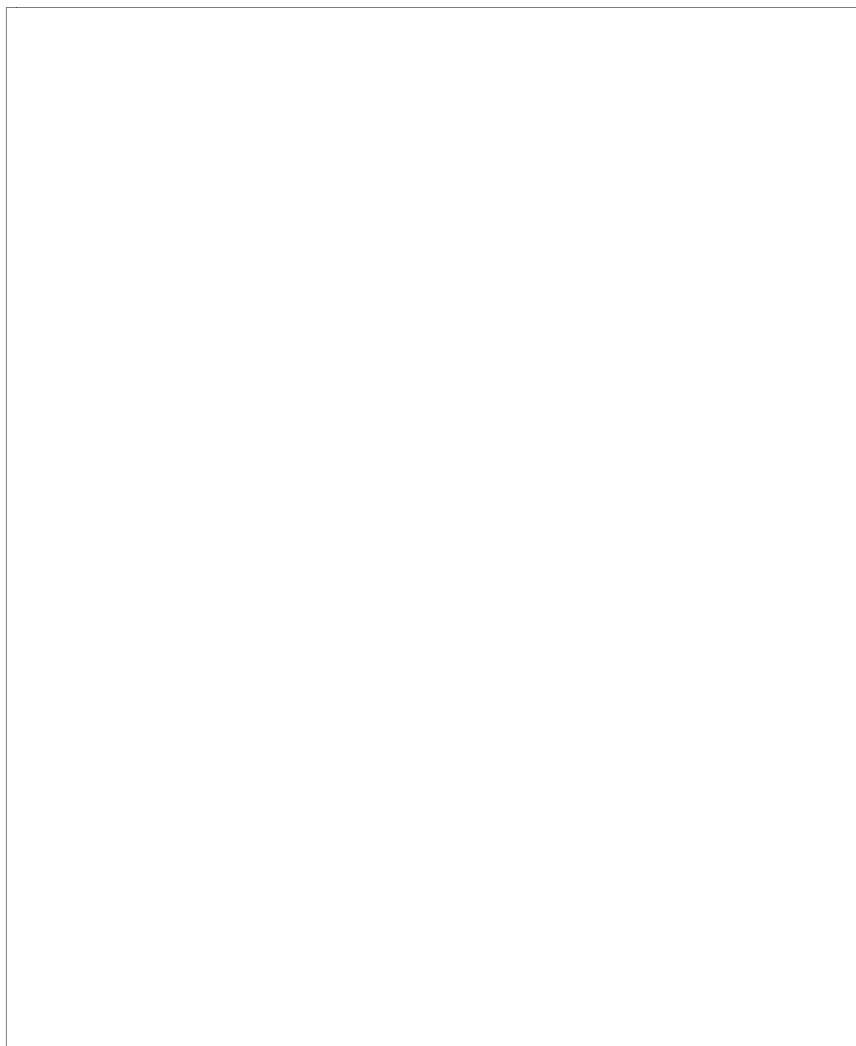


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FOR THE PRESIDENT ONLY

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TURKEY



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VIETNAM

Hanoi is expressing interest in UN membership for both North and South Vietnam and is using the Soviet Union to gauge the US reaction to such an application at next fall's General Assembly session.

The Soviet chargé told US officials on Tuesday that both Vietnamese states desired admission to the UN as separate entities and had been discussing this plan with Moscow. In response to a suggestion that the admission of both Vietnams might be linked to the granting of UN membership to North and South Korea, the Soviet chargé pointed to Pyongyang's strong objections to dual Korean membership, and predictably argued against drawing any linkage between the two questions.

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In the past, North Vietnam's position on UN membership has been that national reunification must be completed prior to entry into the UN. Hanoi's decision to move away from this long-standing policy is the clearest evidence to date that the Vietnamese communist leadership has opted for an ostensibly independent southern regime of indefinite duration. Foreign press reports from South Vietnam have been reporting the recent presence in Saigon on high-ranking North Vietnamese officials for "discussions" with Provisional Revolutionary Government leaders. According to these unconfirmed reports, a new southern government might be announced as early as today--the sixth anniversary of the Provisional Revolutionary Government.

FOR THE PRESIDENT ONLY

LAOS

*The communists are following up
their recent ouster from the cabinet
of all important rightists by moving
quickly to consolidate control over
that body.*

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The Lao communists still pay lip service to the
coalition concept. [redacted]

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Phoumi [redacted] still ap-
pears to attach some value to the continuation of
US aid and to the maintenance of relations with
Washington. [redacted]

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EGYPT

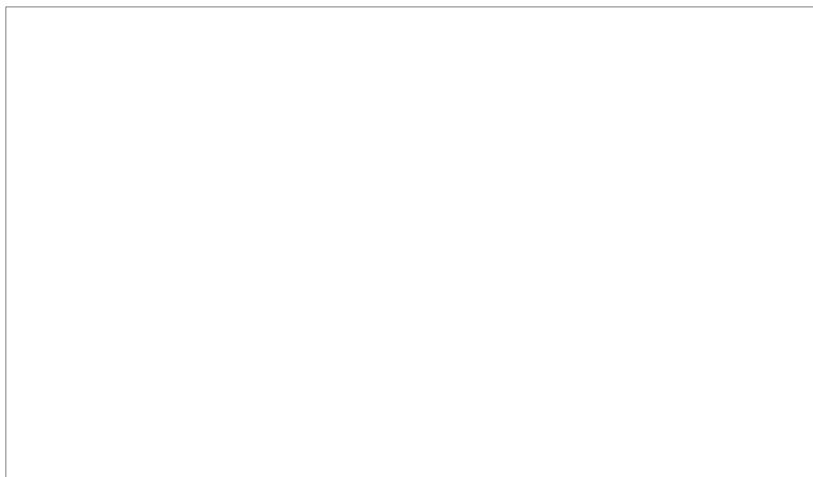


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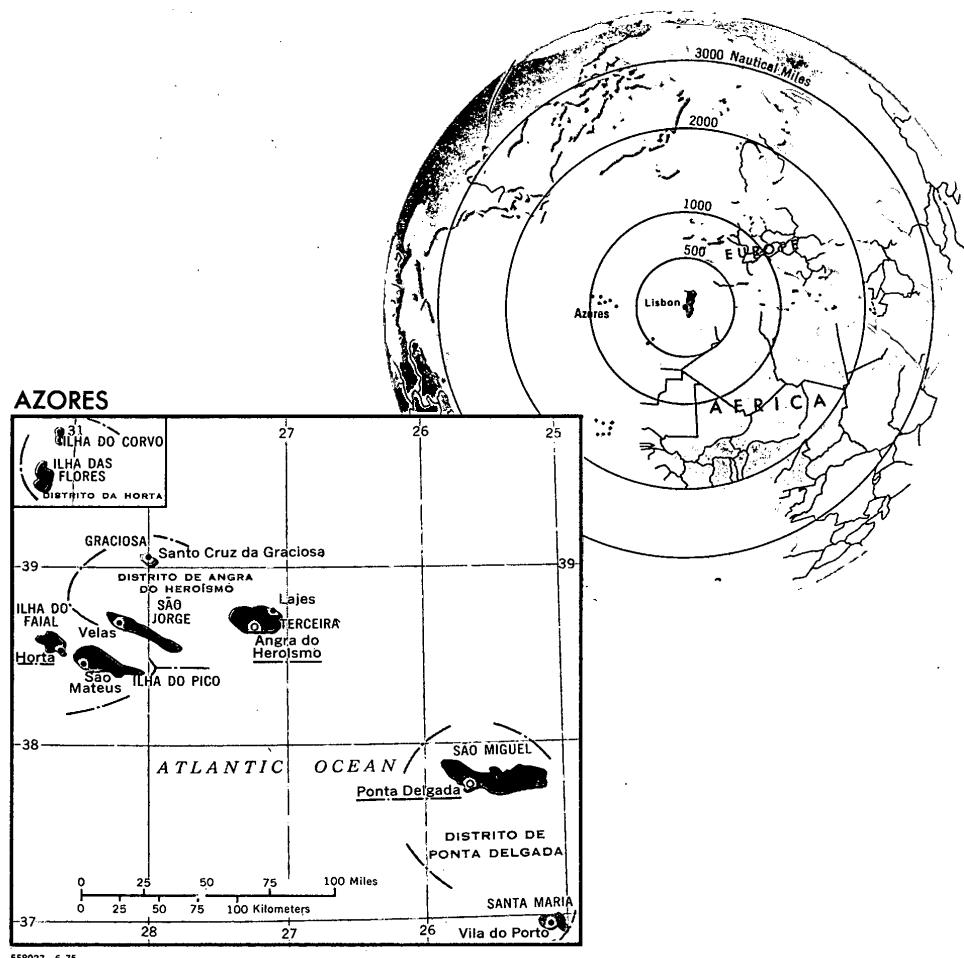
NOTE

Azorean separatists may seek to capitalize on a farmers' demonstration planned for this afternoon in Ponta Delgada to protest Portuguese agricultural policy in the Azores. The demonstration will coincide with the visit of five NATO ships--including a US vessel.

Most local civilian and military authorities are planning to be absent from Ponta Delgada during the demonstration. No violence is expected, but local merchants are expected to close their shops in solidarity with the demonstrators. There is no evidence that the separatists intend to take advantage of the demonstration and the absence of high government officials [redacted]. The Liberation Front, however, will certainly use this show of discontent to attract new support and might see the fortuitous set of circumstances as too good an opportunity to pass up.

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FOR THE PRESIDENT ONLY



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THE AZORES

In view of your interest in the basis for Lisbon's claim that the Azores are an integral part of Portugal, we offer the following background.

Portugal's claim on the Azores dates back to 1431 when Portuguese explorer Goncalo Cabral discovered the uninhabited archipelago and called it the Land of the Hawks--Azores. Having received a commission from Prince Henry the Navigator of Portugal to colonize the islands, he founded the city of Ponta Delgada and brought in a large number of Portuguese and Flemish settlers and knights. Because of the large Flemish population, the Azores were often called by 16th century writers "The Flemish Islands." In spite of the Flemish settlement, and an admixture of Breton and Moorish blood, the great mass of the people are of Portuguese descent, and Portuguese is the only language.

Portugal's rights to the islands were affirmed in the Papal Decree of 1493 which settled arguments with rival Spain over control of overseas colonies. When Portugal came under Spanish domination in 1580, the Azores resisted Spanish efforts at occupation. Subdued in 1583, the islands were ruled by Spain until 1640 when Portuguese rule was reestablished.

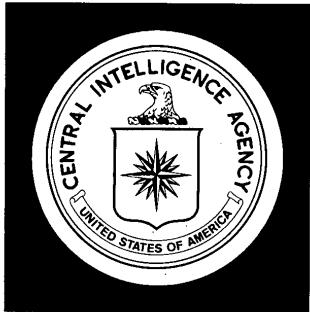
Lisbon administered the islands as a colony until 1833, when they were made an integral province of Portugal. Being predominantly Roman Catholic, the islands also became an integral part of the ecclesiastical province of Lisbon.

Since 1940, although still considered an integral part of Portugal, the Azores have been given a large measure of autonomy. They now constitute three autonomous districts, each of which is administered by a civil governor and a general board, whose authority is broader than that of mainland provincial governors. In an emergency--should communications with Portugal be severed--they are empowered to act on their own initiative in the name of the Portuguese government.

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FOR THE PRESIDENT ONLY

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The President's Daily Brief

June 7, 1975

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declassified under authority of
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FOR THE PRESIDENT ONLY

June 7, 1975

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UK-EC: The British electorate's overwhelming endorsement of EC membership means that Prime Minister Wilson's gamble on his political future paid off. (Page 1)

OPEC: Recent press speculation on a \$4 per barrel oil price increase is misleading; we have reason to believe that the hike will be substantially less. (Page 3)

Cambodia-Vietnam: Fighting has broken out between Vietnamese and Cambodian communist forces near the disputed Pouli Wai Islands. (Page 4)

Laos: There have been no major anti-American demonstrations in Vientiane for nearly a week, but harassment of Americans is continuing. (Page 5)

Portugal-Azores: The military are in control after separatists tried to seize power yesterday. (Page 6)

Portugal: Renewed fighting in Angola is posing serious problems for Portugal's Armed Forces Movement. (Page 7) 25X1

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

UK-EC

The British electorate's overwhelming endorsement of EC membership in the referendum on Thursday confirms that Prime Minister Wilson's gamble with his political future paid off. Over 67 percent voted in favor of remaining in the EC. Roughly 65 percent of the electorate turned out--less than normal for general elections, but sufficiently high for the government to declare that the voters had made clear their views. Wilson hoped that a positive vote in the referendum would put to rest, particularly within his own Labor Party, the question of Britain's European connection.

Now that the referendum campaign is over, Wilson is expected to move in two directions before the parliamentary recess in mid-July:

--shuffle the cabinet to move some of the vocal anti-marketeers to less important positions;

--address growing economic problems, especially rising inflation and unemployment. In particular, he will search more urgently than before for a substitute for the nearly defunct "social contract."

The unqualified British support for continued EC membership is being greeted with immense relief in the EC capitals. The Community can now devote more attention to problems that had been deferred while the British question preoccupied the Nine. The referendum is a major political success for the Community and could provide new forward momentum. At the least, it should temporarily still anti-EC sentiment in Denmark that was deriving inspiration from the UK.

London will move quickly to mend fences with its EC partners and assuage the considerable resentment currently felt in many quarters toward London. The Labor Party, for the first time, will

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

now take seats in the European Parliament, and British representatives, including those from the trade union sector, will attend meetings of the economic and social committee.

No major changes in London's position on principal issues under EC competence are expected anytime soon, and Britain will continue a strong defense of its national interests in EC forums. British influence has been to broaden and liberalize the Community's external policies while making its machinery more pragmatic and less bureaucratic. This positive impact can be expected to continue, as will London's efforts to counter the EC's tendency to evolve along protectionist lines. Politically, British presence provides a healthy counterweight to potential French and German hegemony, either alone or in tandem.

FOR THE PRESIDENT ONLY

OPEC

Recent press speculation on an OPEC price increase of \$4 a barrel is misleading. We have several reasons to believe that the price hike on October 1 will be substantially less than most figures mentioned in the press.

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--Oil Minister Yamani of Saudi Arabia has stated that there will be no "sharp" price hikes, and Prince Fahd has indicated that Saudi Arabia wants a "stable" price.

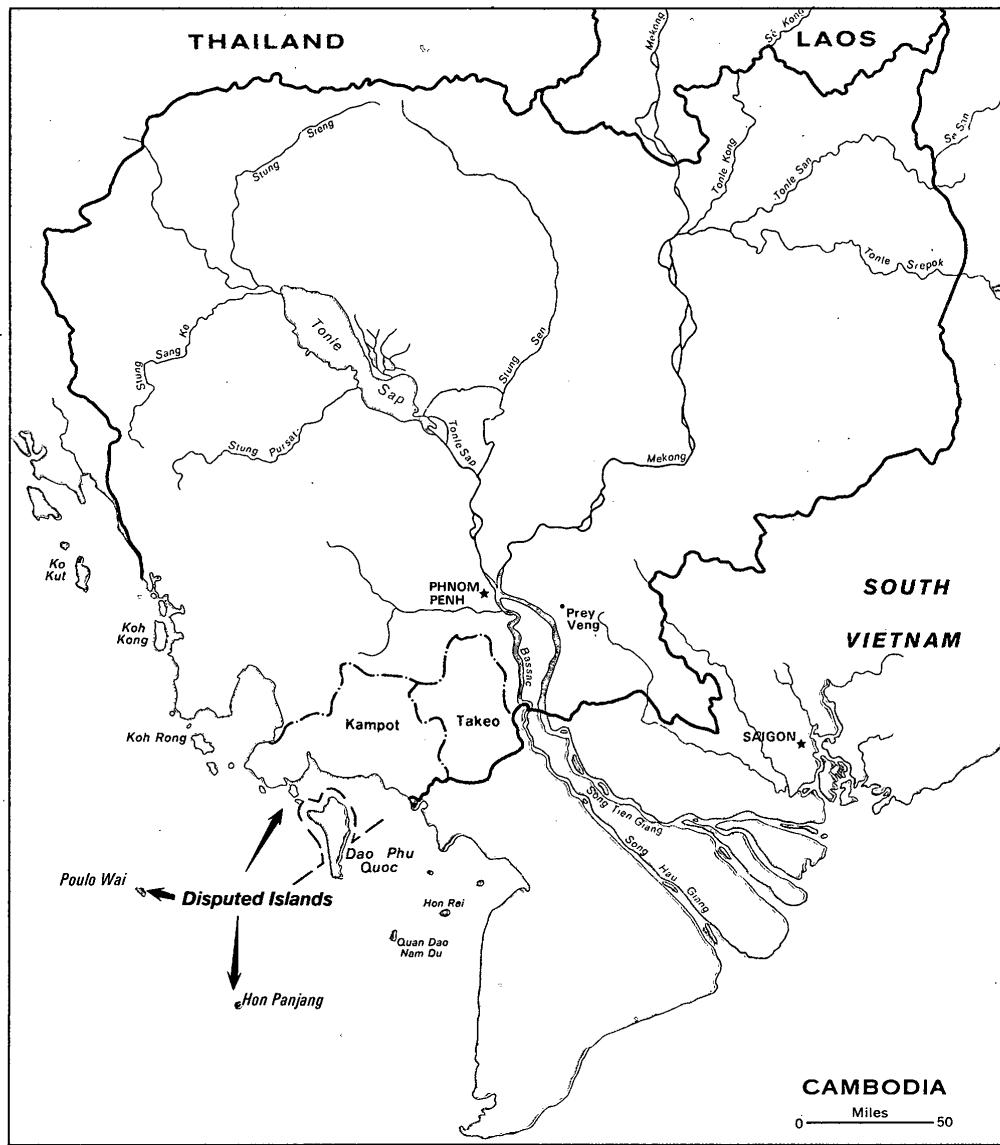
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--The Shah of Iran has stated that, although a 35-percent increase would be justified, the actual increase would be less.

--The Kuwaitis reportedly are beginning to doubt that a price rise this year would be in Kuwait's interest

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Interior Minister Amouzegar--one of the few authoritative Iranian spokesmen besides the Shah--undoubtedly stated the truth when he said that the size of the price increase in October is as yet undetermined, but will be between "zero and 35 percent." Our current estimate is that it will be at the lower end of this range, perhaps less than \$1.00. The increase in October might well be followed by a somewhat larger increase in early 1976.



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FOR THE PRESIDENT ONLY

CAMBODIA-VIETNAM

Fighting has broken out between Vietnamese and Cambodian communist forces near the disputed Poulo Wai Islands.

Intercepted messages on Thursday and yesterday reveal that over 25 Cambodians and "many" Vietnamese were killed or wounded in a clash between Cambodian and Vietnamese gunboats. The messages also suggest that Vietnamese aircraft were involved in the fighting.

The potential for such an incident has been building since late April when the new regime in Phnom Penh moved quickly to assert its claims to a number of off-shore islands. Cambodian troops sent to Poulo Wai, in fact, were ordered to "fight diligently" against any Vietnamese attempts to occupy islands.

The Cambodians also occupied disputed islands north of Phu Quoc and may have dispatched a garrison force to Hon Panjang, some 50 miles southeast of Poulo Wai. On the mainland, Cambodian troops in the southeastern provinces of Takeo and Kampot have clashed with the Vietnamese over territorial rights along the ill-defined border

Senior officials on both sides have been trying to keep the disputes within bounds and it is as yet not clear which side initiated the fighting near Poulo Wai. [redacted]

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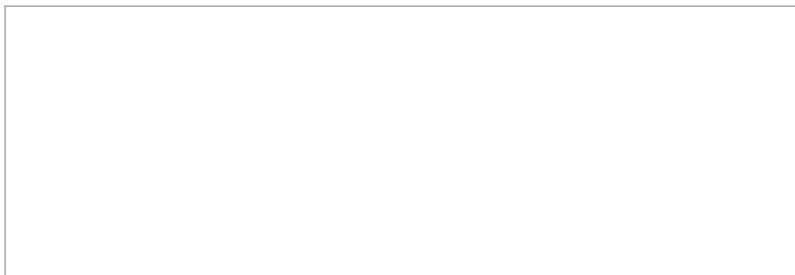
LAOS

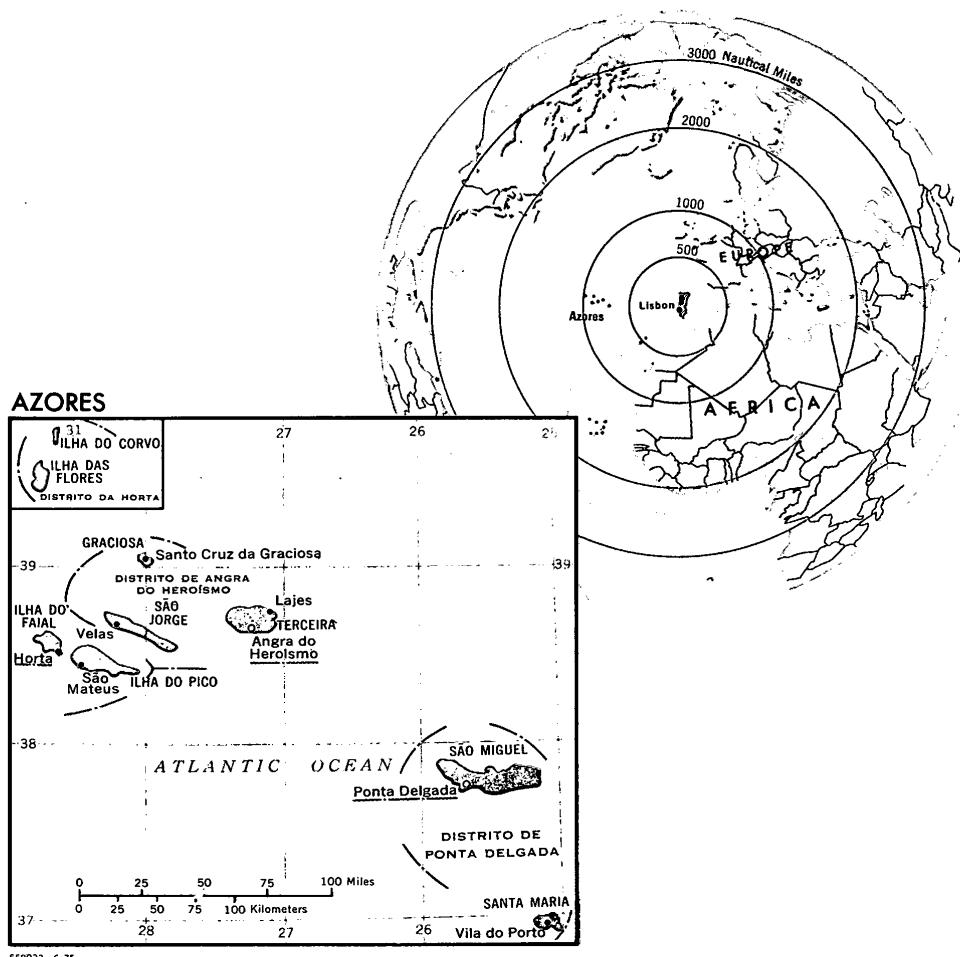
There have been no major anti-US demonstrations or disturbances in Vientiane for nearly a week, but harassment of Americans continues unabated.

Yesterday, a so-called "protest committee" claiming to represent some 2,700 Lao employees of AID demanded that American officials give an extra three months' severance pay to these employees on top of the termination benefits already promised them. In an effort to keep the AID dissolution negotiations on track and to protect the safety of the 200 or so Americans still in the Lao capital, US officials had little choice but to acquiesce.

The Lao communists, for their part, are continuing to enter the private residences of American AID personnel, ostensibly for the purpose of inventorying the "furniture." In some cases, they have confiscated refrigerators, stoves, and air conditioners--probably in the belief that AID personnel will attempt to remove these appliances when they leave Laos on or before June 30.

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FOR THE PRESIDENT ONLY

PORUGAL-AZORES

The local military have taken over the Azorean island of Sao Miguel, after a protest demonstration forced the resignation of the civil governor and apparently touched off a separatist effort to seize control. Separatists apparently sought to exploit a demonstration by some 3,000 Azoreans who occupied the Portuguese civil governor's office in Ponta Delgada yesterday afternoon.

The separatists closed Ponta Delgada airport and took over a local radio station. The airport was later reopened, apparently on orders of the military governor. There were early indications that some army members on Sao Miguel had acquiesced in the separatist effort. After some vacillation, the military appear to have decided to remain loyal to Lisbon, at least for now. A communiqué issued in Lisbon last night claimed that the situation was fully under the control of the Armed Forces Movement.

The military governor's tie to Lisbon appears to be weak, however, and may be cut if Portugal's ruling military authorities seek to retaliate for yesterday's events. So far, apparently, no one has been arrested, and separatists are thus free to try to capitalize on the support they received yesterday and to try again, perhaps with more preparation. Co-ordination with groups outside Ponta Delgada was not established yesterday, and nothing happened on other islands. US military officials at Lajes air base, on Terceira Island, report the situation there remains calm. There was no interference with the seven NATO ships--including a US and a Portuguese ship--visiting Ponta Delgada.

Lisbon's initial reaction to the developments was subdued, but charges of a rightist attempt to thwart the Portuguese revolution are sure to arise. Leftists are likely to make an effort to link the US to the disturbances.

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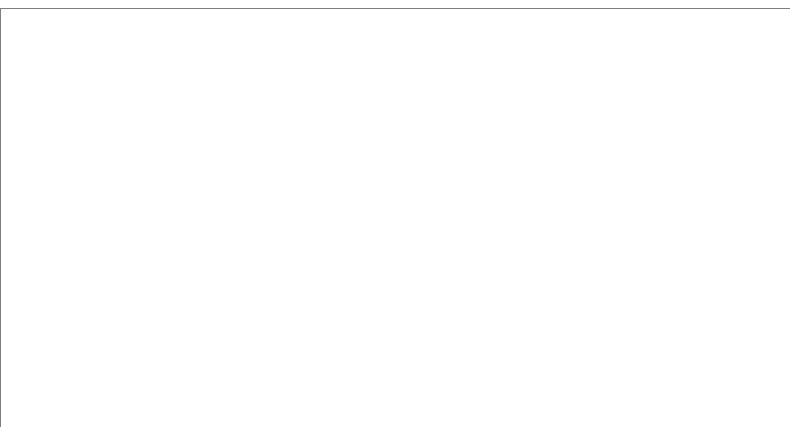
Portugal's military rulers have announced that the Socialist newspaper *República* will reopen, but they refused a Socialist demand to transfer the communist printers who shut the paper down last month. The Socialists apparently have not yet decided whether to accept this solution or to resign from the government. Socialist Party chief Soares reportedly has extended the deadline for decision from today until Monday.

FOR THE PRESIDENT ONLY

PORUGAL

Renewed fighting in Angola between contending native groups is posing serious problems for Portugal's ruling Armed Forces Movement, which is divided on how to deal with its African colony.

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Meanwhile, the influx of white refugees from the Portuguese colony could cause additional problems for Portugal's leaders. As many as 5,000 Portuguese emigrants may have already left Angola, with 1,500 returning home. As many as 50,000 more are said to have booked passage. The refugees who do return to Portugal will not only swell the ranks of the unemployed, but also reintroduce into Portugal's turbulent political life a large number of conservative military officers who view present political developments in Lisbon with alarm.

FOR THE PRESIDENT ONLY

ARGENTINA

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NOTES

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France

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June 9, 1975

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FOR THE PRESIDENT ONLY

June 9, 1975

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Portugal: The Azores are calm and under the control of Portuguese military authorities.

(Page 3)

Notes: USSR (Venus probe); USSR (ICBM test completion); EC - Arab League (Page 5)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CSCE

Soviet concessions on many humanitarian issues have improved the chances that the European security conference will be concluded with a summit meeting, perhaps in July. Many issues must still be resolved, however, and the next several weeks in Geneva may be hectic for the conference delegates.

The Soviets now may seek to complete work on one of the major issues still to be resolved--that concerning military-related "confidence building measures," particularly advance notification of military maneuvers. The West already has made major concessions on this issue by agreeing that advance notice of maneuvers will be made on a voluntary basis. The West will be seeking Soviet concessions on how much advance notice is to be provided, and on the size and location of the maneuvers.

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[redacted]
one of Moscow's objectives on follow-on meetings--another major issue to be settled--is that these gatherings are to be highly politicized affairs in which all aspects of detente and the state of bilateral and multilateral relations are to be examined. Other Soviet objectives are to minimize or completely remove the chance that Moscow might be held to account on the implementation of the conference's agreements, and to obtain a commitment to another, full-scale European security conference.

On the issue of future security conferences, the West is on record as formally supporting a Danish proposal calling for a 1977 meeting of senior officials to assess how the conference's decisions have been implemented, and the state of relations among the participating states. These officials would then decide whether further meetings, including another conference, are necessary. The West, however, is split on the timeliness of follow-on meetings. The French advocate as little follow-on activity as possible, while the British and now even the Danes are prepared to accept relatively frequent meetings of experts and senior officials.

Working out a compromise on the follow-on issue may be difficult. Should the Soviets offer to compromise on follow on and on the "confidence building measures," however, the West will probably accept the holding of a summit in July.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

The Israeli cabinet apparently gave Prime Minister Rabin the free hand he sought for his meeting with you later this week.

We have no details concerning the positions taken by individual cabinet members in the six-hour session which ended early this morning. The communiqué emphasized that Tel Aviv remains primarily interested in a resumption of the effort to achieve an interim agreement with Egypt. It reiterated, however, that the Israeli government is not prepared to soften the demands it made in March unless Egypt makes "parallel" concessions. Liberal cabinet members reportedly want Rabin to draw up an overall plan and to formulate new Israeli demands more acceptable to Egypt.

Prior to the cabinet meeting, Israel's largest dailies called on Prime Minister Rabin to take a firm stand and urged him not to allow the US to dictate the terms of the next stage in Middle East peace negotiations. One paper pointedly reminded the Prime Minister that the government's support had increased as a result of its tough stance during the indirect Israeli-Egyptian talks last March.

The daily of the ruling Labor Alignment's leftist Mapam party warned that Washington must understand that pressures on Israel alone will not promote a peace settlement. It added, however, that Israel, as well as Egypt, must show greater flexibility and realism.

A paper with close ties to Rabin's Labor Party urged the Prime Minister to make clear to the US that Israel prefers the risks of negotiation to those of war, and that it is willing to contribute to a political dialogue with the Arabs even though this will require concessions which will cause internal political problems in Israel.

FOR THE PRESIDENT ONLY

PORUGAL

The Azores are calm and under the control of Portuguese military authorities.

Lisbon has reacted to the incidents on Friday with moderation. It has promised to study Azorean farmer complaints--which have to do mainly with agricultural prices and commercial arrangements with the mainland--and has promised to take action on these within three months.

At the same time, Lisbon has warned that it will deal firmly with any further pro-independence demonstrations. Military authorities on Sao Miguel have strengthened security measures, but have assured the public that no additional military force will be brought in from the mainland.

The media in Lisbon have not referred to the US in connection with the demonstrations on Friday.

* * *

Lisbon has little time right now to devote to the Azores question because of more pressing problems demanding immediate attention--the worsening situation in Angola, the Socialist threat to quit the government coalition, and the country's deteriorating economy.

Issues related to freedom of the press occupied much of Lisbon's attention over the weekend.

The problems associated with the closure of the Socialist newspaper Republica remain unresolved. The ruling Revolutionary Council said on Friday that the paper could reopen, and the Socialist editors have announced they will resume publication. The Council has imposed conditions, however, that will be difficult for the Socialists to accept. The Council insists that the Communist printers who had originally seized the paper remain on the job. It also says it will revise the press law, which now contains a provision--ignored by the government--prohibiting worker seizures of newspapers.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The Portuguese Catholic Church is now also moving to resist Communist pressures on the media. Its radio station has been partly taken over by pro-communist workers.

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The church is a potent force in Portugal and if it takes this issue to the pulpit the result could be growing church-state frictions.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

The Soviets, as expected, have sent a space probe on a five-month journey to Venus.

Venus 9 blasted off from the Tyuratam space center late Saturday night and was placed on a trajectory toward the planet. Venus 8, which was launched in 1972, landed intact on the planet's surface. The launch window for Venus will be open until late June, and other probes are likely.

* * *

After another ICBM firing on Friday night, the Soviets removed shipping restrictions on their Pacific Ocean impact area and announced the successful completion of the test series.

Two SS-18 Mod 2s--which carry MIRVs--were fired to the impact area north of Midway Island during the test series. A single-warhead version of the SS-18, a large ICBM in the SS-9 class, is now operational. The MIRVed version could reach operational status before the end of the year.

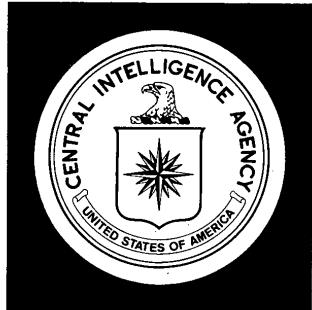
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EC and Arab League experts will meet in Cairo on Tuesday to open the substantive part of their dialogue which was initiated by France in January 1974.

The EC Nine have proposed to begin with the immediate creation of five groups of experts who would study joint action on agriculture and food; industrial infrastructure and peaceful use of atomic energy; financial, commercial, and trade cooperation; social aspects and labor; and cultural, scientific, and technical cooperation. A principal factor delaying the talks until now has been disagreement on the role of the Palestine Liberation Organization. A compromise has been reached in which neither the EC nor the Arab delegations will be identified by nationality.

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The President's Daily Brief

June 10, 1975

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FOR THE PRESIDENT ONLY

June 10, 1975

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[redacted] Belgium; Angola (Pages 3, 4, and 5)

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Annex: We review the problems accompanying Angola's move toward independence.

FOR THE PRESIDENT ONLY

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KOREA

The South Koreans have moved a portion of their west coast fishing control line northward.

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[redacted] The line has been kept well south of the disputed islands for over a year, although in previous years it has been moved north in May and June to allow the South Koreans to fish spawning grounds in the area. The western portion of the line now extends west from the tip of Paengnyong-do Island and is the northernmost extension thus far.

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The South Korean government probably will increase naval patrols in the area--a step that could lead to incidents between North and South.

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Yesterday morning at least two MIG-21s, both reconnaissance versions, overflew Paengnyong-do. The North Koreans rarely overfly any of the UN-controlled islands in the Yellow Sea.

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FOR THE PRESIDENT ONLY

LAOS

The Pathet Lao are continuing to neutralize the non-communist Royal Lao Army as an effective fighting force.

Having already succeeded in driving most of the army's competent commanders into exile, the communists are now busy conducting "thought reform" seminars for non-communist officers who have not yet been purged. The tone of the presentations is strongly anti-US and strongly pro-North Vietnamese.

The communists also are planning to reorganize and streamline the Royal Lao Army. "Acting" Defense Minister Khamouane Boupha will be in overall charge of the army, and Pathet Lao officers will share authority throughout the chain of command. In addition, [redacted] the army will be reduced from its present strength of approximately 46,000 to form an integrated army with the Pathet Lao of some 30,000 men. This reduction will be accomplished by demobilizing entire non-communist units--including all former irregular forces. [redacted] the new integrated army will total 28,000 men, including 12,000 troops from the Royal Lao Army, 10,000 Pathet Lao, 4,000 pro-communist neutralists, and 2,000 non-communist neutralists.

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[redacted] the Royal Lao Army has been effectively destroyed by the Pathet Lao with the willing acquiescence of Prime Minister Souvanna Phouma.

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[redacted] effective control of the army is now in communist hands and [redacted] "all is now lost." [redacted]

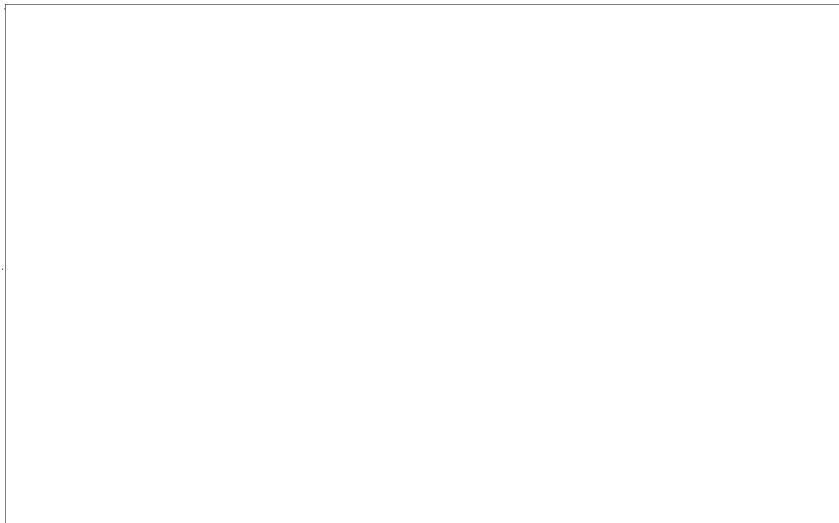
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FOR THE PRESIDENT ONLY

NOTES

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Saudi Arabia has agreed to provide Egypt with a \$600-million emergency loan to help meet Cairo's immediate cash needs.

The Saudi loan, along with other available foreign exchange, will permit Egypt to meet an estimated \$1.7-billion current account deficit this year. President Sadat, gambling that Arab sources would make cash available to him, had avoided cutbacks in imports this year that would have increased public restiveness. The new Saudi commitment brings emergency aid pledged to Egypt by Saudi Arabia, Iraq, Abu Dhabi, and Iran so far this year to about \$1 billion--one fourth of OPEC members' total aid to developing countries in 1975. Fulfillment of these commitments, combined with those made at the Rabat Arab Summit last October, will bring OPEC disbursements to Egypt in 1975 to more than \$1.5 billion.

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FOR THE PRESIDENT ONLY

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Socialist Party leaders have announced their intention to remain in Portugal's coalition government.

The Socialist truce with the Revolutionary Council may last no longer than the end of the week when the Socialist newspaper Republica is expected to resume publication. The Socialists reportedly have begun court action against the pro-communist workers responsible for the attempted take-over of the paper in the hope of forcing them to resign and find other jobs. The military government, however, has ruled that the workers can be transferred to other papers only if they request the change themselves.

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Belgian Prime Minister Tindemans' decision to buy the F-16 fighter has been rejected by one of the components of his three-party coalition government.

The Walloon Rally Party, a backer of the Mirage aircraft, has 13 members in parliament and the loss of their support would deprive the government of a majority. Tindemans will be in trouble if today's scheduled debate on the F-16 is followed by a no-confidence motion. Even if the government squeaks by with the aid of some opposition support, the Walloon Rally Party's withdrawal from the coalition would force the Prime Minister either to continue with a minority government or resign. Tindemans has succeeded in keeping his government together through adroit manipulation and compromise, but his talent may be sorely tested this time.

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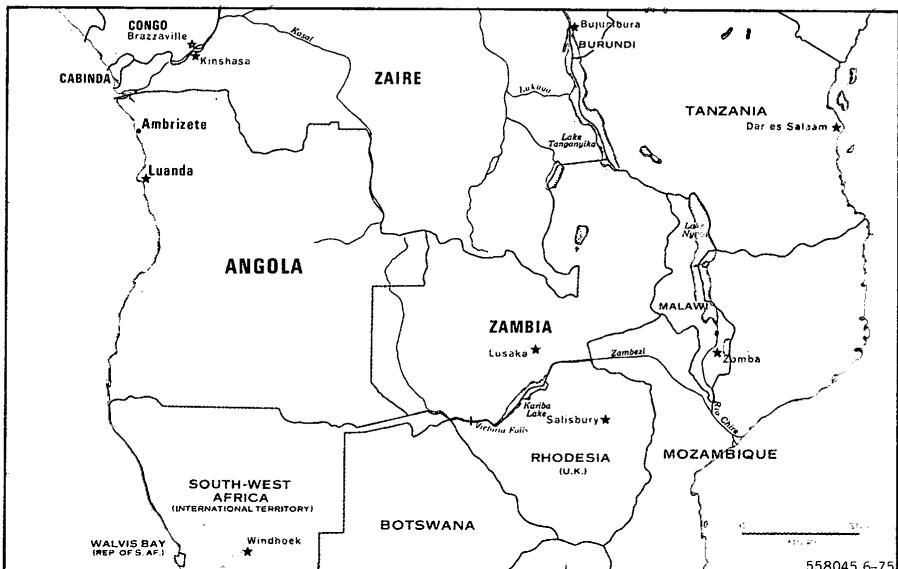
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Fighting in Luanda, primarily between Angola's two main nationalist groups, subsided yesterday. The Portuguese army, which had intervened somewhat more aggressively in the latest round of fighting, early today raided the armories of the two main protagonists.

Casualties in the Luanda fighting number in the hundreds, according to press reports. The National Union for the Total Independence of Angola, a third group which has tried to stay neutral, was for the first time caught up in the fighting between its much bigger rivals and clashed briefly with the Popular Movement for the Liberation of Angola. Nevertheless, Union President Jonas Savimbi is not ready to align himself with the National Front for the Liberation of Angola against the Popular Movement. He has, instead, been instrumental in arranging a meeting next Sunday in Kenya, where he hopes to get all three groups to try to stem the continuing drift toward full-scale civil war. Meanwhile, in Cabinda, representatives of the three groups are said to have signed a formal truce.

FOR THE PRESIDENT ONLY



ANGOLAN NATIONALIST GROUPS

Group	Leader	Military Strength	Major Backers	Comment
Popular Movement for the Liberation of Angola (MPLA)	Agostinho Neto	8-10,000 in Angola proper; 2-3,000 in Cabinda	USSR, Congo	Strong Marxist orientation; Neto well-known throughout third world.
National Front for Liberation of Angola (FNLA)	Holden Roberto	8-10,000 in Angola proper; approximately same number in training in Zaire; 2-300 in Cabinda	Zaire, China	Pro-Western; poorly defined political philosophy.
National Union for the Total Independence of Angola (UNITA)	Jonas Savimbi	3,000 in Angola proper; 3-4,000 undergoing training; 200 in Cabinda	No major backers; seeking support	Pro-Western; moderate, largely inactive and little known outside Angola during the anti-Portuguese insurgency.

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FOR THE PRESIDENT ONLYA
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X**ANGOLA**

Angola is likely to lurch toward independence next November plagued by intermittent clashes among contending liberation groups. If one of the two principal groups perceives that it has gained a clear military advantage, it may initiate all-out war against the other before independence is achieved.

The Popular Movement for the Liberation of Angola and the National Front for the Liberation of Angola are on a collision course. The two groups have repeatedly clashed during the past two months in the northern part of the country as well as in Luanda and the oil-producing enclave of Cabinda. The Popular Movement appears determined to establish military superiority over its long-time rival. Neither the Popular Movement nor the National Front has the supplies or mobility to wage a sustained military campaign throughout the country, but both appear to be preparing for that eventuality.

Last week, the Popular Movement also began attacks in Luanda on units of the smaller National Union for the Total Independence of Angola, which then retaliated. Until this episode the National Union had maintained a neutral stance vis-a-vis the other groups.

The rivalry between the Popular Movement and the National Front dates back to the late 1950s. Throughout the insurgency against Portugal, which began in 1961, the two groups fought each other almost as much as they engaged Portuguese troops.

The rival groups competed for scarce financial and military support available from individual countries or through the Organization of African Unity. In the early years of the insurgency, the National Front was the dominant movement and was favored by the OAU. By the late 1960s, however, the Popular Movement was able to swing the OAU behind its cause and also was receiving steady supplies of military assistance from the Soviet Union.

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At the time of the coup in Lisbon, both groups were showing the strain of more than a decade of fighting. In addition, the Popular Movement was afflicted by bitter internal factionalism that has yet to be resolved.

Transitional Government Fosters Split

The transitional government that was installed in Luanda last January has probably done more to encourage competition than cooperation. It has a complex system of checks and balances in which members of one liberation group find themselves working, as government officials, with subordinates from the other groups. Portuguese officials are often ineffective because they are caught in the middle.

The integrated political, military, and police organizations have failed to maintain order because the individual interests of the three participating liberation groups are often in conflict.

Military Build-up

The independence agreement with Portugal allows the liberation groups to maintain individual armies. Although they are also required to contribute to an integrated national army, each group has shirked this commitment and instead has steadily built up its own military force, particularly in the northern half of the territory and in and around Luanda. The countryside is dotted with garrisons of the three groups living in uneasy coexistence.

Both the National Front and the Popular Movement draw the bulk of their tribal support from northern Angola and maintain their heaviest concentrations of troops there. Portugal still has about 24,000 troops in the territory, but the bulk of these are stationed in and around Luanda. The Portuguese forces are anxious to go home and probably would be unwilling to intervene in prolonged fighting between the two groups.

The National Front and the Popular Movement have established important bases in northern Angola that dominate major supply routes to Luanda. The National Front also has gained control of the port of Ambrizete, in northwestern Angola, partially relieving it of its dependence on Zaire as a trans-shipment point.

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The fighting that broke out in northern Angola on May 28 was initiated by the Popular Movement in a coordinated offensive to drive the National Front out of areas where the Movement's ethnic support predominates and to disrupt the Front's supply routes to Luanda. The offensive apparently was timed to pre-empt a suspected similar operation planned by the National Front.

Reliable estimates of the troop strengths of the respective groups are difficult to obtain. The liberation groups inflate or deflate their own reports according to political necessity.

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It would appear that at present each of the two major groups has about 8-10,000 troops in Angola, the bulk of which are in northern areas. In addition, the Popular Movement apparently has several thousand troops in Cabinda, where it has long been active. The other two groups have much smaller forces there. The Movement has demonstrated in the recent fighting that it can quickly mobilize large groups of well-armed irregulars in Luanda that give it a distinct advantage there.

In recent months, the Popular Movement has been receiving increased supplies of arms and other material from the Soviet Union. The Soviet supplies are offloaded in Congo--long an important exile base for the Popular Movement--and forwarded to Angola.

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In addition to its troops in Angola, the National Front may have another 10,000 troops in Zaire being trained by [redacted] Zairian military instructors. It is also recruiting former Portuguese army officers.

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The National Front's support from Zaire, on the other hand, has fallen off because of President Mobutu's financial difficulties. Support from China and to a lesser extent Romania has not made up the

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difference and appears insufficient to enable Front president Holden Roberto to achieve his goal of having 10,000 trained men ready to enter Angola in the next month or so.

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The leaders of neighboring states have a major interest in seeing that civil war is avoided in Angola, but their ability to influence events there is limited. Both Zaire and Zambia rely heavily on rail and port facilities in Angola to ship their copper. Zambian President Kaunda is convinced that large-scale fighting and turmoil in Angola will hamper his efforts to promote a settlement in Rhodesia. He has been unable, however, to convince fellow African leaders to support an embargo on arms shipments to the liberation groups.

Zairian President Mobutu, whose own country suffered years of civil war, military revolts, and secessionist rebellions upon independence, is particularly sensitive to the prospect of similar turmoil in Angola. Mobutu remains adamantly opposed to the Soviet-backed Popular Movement gaining control of the government of Angola, but he can no longer provide the Front with the support it needs to attain military superiority.

The Cabinda Problem

The three liberation groups and the Portuguese regard the exclave of Cabinda, long administered as a district of Angola as an integral part of the territory despite its geographic separation. The Organization of African Unity supports this position.

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Mobutu, however, would like to see Cabinda detached from Angola and is pushing the view that the Cabindans should be allowed to decide for themselves the district's future political status. He has allowed a small Cabindan separatist group to establish a headquarters in Kinshasa and has given it modest financial and technical support.

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A rival faction of the separatist group is also based in Brazzaville. Both factions have representatives in Cabinda, where they enjoy some public support. At present, however, they do not have the strength to challenge the liberation groups for control of the exclave.

Political Problems

None of the three Angolan liberation groups has enough popular support to win a majority in the elections to a constituent assembly that are supposed to be held before the end of October. The assembly is to select a head of government to assume office upon independence.

The National Front suffers an additional political disadvantage because of Roberto's refusal to appear in Angola. Roberto fears assassination and realizes that he probably cannot attract crowds of the size that Agostinho Neto of the Popular Movement and Jonas Savimbi of the National Union have.

Roberto is finding it increasingly difficult to coordinate his group's political and military operations from Zaire and will probably have to move into Angola in the near future. He apparently intends to use the Front's military stronghold in northern Angola as his headquarters.

The liberation groups could agree to postpone national elections, which would eliminate some of the immediacy of the competition between the Movement and the Front. Only the Popular Movement, however, seems to favor such a move at the present time.

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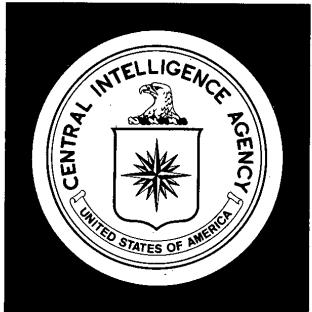
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All three liberation groups as well as the Portuguese are standing firm on the date for independence. Unless a compromise head of government is agreed upon, Angola will become independent without a strong central leader. Even with a compromise candidate, it is unlikely that the governmental structure can be refashioned in a way to make it responsive to the demands of independence.

According to a Kenyan announcement late last night, the leaders of the three liberation groups have agreed to meet in Kenya, beginning next Sunday, to discuss these issues. Jonas Savimbi, the leader of the National Union for the Total Independence of Angola, the smallest of the three liberation groups, who has remained apart from most of the fighting, could emerge as a compromise head of state. Unless Holden Roberto and Agostinho Neto are willing to subordinate their rivalry for the sake of Angolan unity, however, any compromise arranged at such a summit is likely only to postpone the final conflict between the two principal antagonists.

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June 11, 1975

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LIBYA-EGYPT

President Qadhafi's newest diplomatic and propaganda offensive against President Sadat may further complicate Egypt's efforts to formulate a joint Arab negotiating policy.

Qadhafi is trying to orchestrate a general Arab condemnation of Sadat's recent statements concerning recognition of Israel and the possibility of Israeli cargoes transiting the Suez Canal. Qadhafi's aim is not only to embarrass and isolate the Egyptian President, but also to undercut Egypt's credibility as spokesman for the Arabs during the next round of negotiations with Israel. The Libyan strategy probably is calculated to harden Arab negotiating positions at the Arab summit expected later this summer.

Qadhafi has met with several fedayeen leaders in Tripoli to consider other ways of blocking Sadat's moves. Over the last several days, he has talked with George Habbash and Ahmad Jabril--two of the most radical terrorist leaders--and with two members of the more moderate Palestine Liberation Organization. All four have denounced Sadat's gestures toward Israel, declaring that the Palestinians will not accept Israeli use of the Suez Canal.

[redacted] Qadhafi gave large sums of money to both Habbash and Jabril, presumably to ensure their support and to encourage a new wave of terrorist operations.

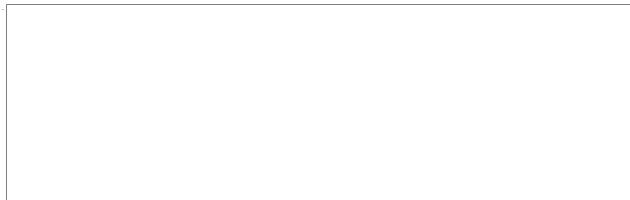
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Qadhafi's personal activity is being followed up by virulent new attacks on Sadat in the Libyan media, including scarcely veiled calls for the Egyptian leader's assassination. The Libyans over the weekend also staged the largest anti-Sadat demonstrations since the 1973 people's march on Cairo. Nearly 10,000 demonstrators--including many Egyptian workers--participated in a rally in Tripoli.

These activities are bound to draw a sharp reaction from Cairo and may once again bring Libyan-Egyptian relations to the breaking point. So far, Sadat has been the sole target of Libyan ire, but Qadhafi may use today's celebration of the US evacuation from Wheelus air base to lash out at Washington.

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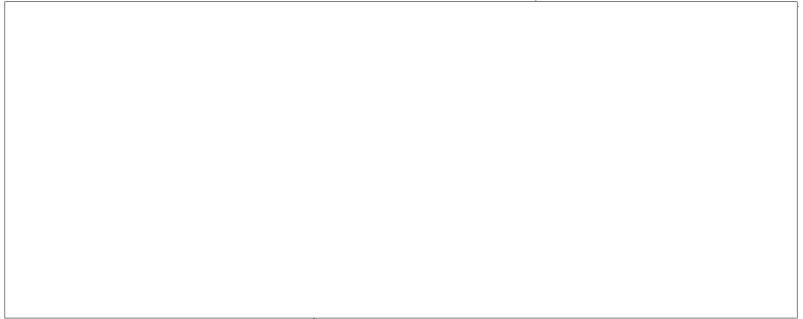
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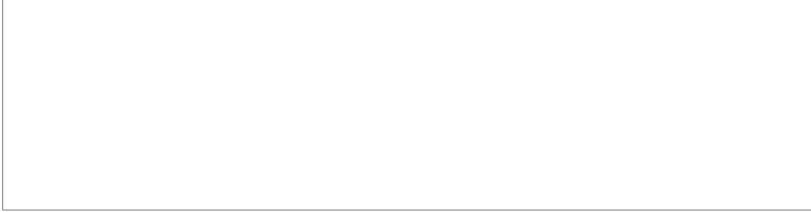
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US-USSR

The US share of Soviet orders for machinery has dropped since Moscow's renunciation of the US-Soviet trade agreement in January. US exports to the USSR nevertheless continue to grow, largely on the basis of contracts negotiated in 1973 and 1974.

As part of their effort to obtain most-favored-nation status and to end restrictions on Export-Import Bank credits, Kremlin spokesmen warn that low-interest, long-term credits available in Western Europe and Japan are eroding the US competitive position.

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Trade in 1975

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During the first quarter of this year, US exports to the Soviet Union were up by \$111 million--67 percent--from the first quarter of 1974. Grain accounted for half of the increase. US imports of Soviet goods slipped, especially purchases of oil and platinum-group metals. The US trade surplus of \$200 million in the first quarter was almost as large as the surplus in all of 1974.

US exports probably will be substantially higher this year than last because of an increase in shipments of machinery and equipment ordered earlier. Chances are slight that sales will approach the 1973 record of \$1.2 billion unless the Soviet grain crop is poor, which now seems unlikely.

Equipment Orders

Soviet orders from the US from January through April amounted to about \$160 million. This equals 14 percent of all known orders from the West for the period compared with a 20-percent annual average in 1973 and 1974.

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The decline probably reflects the fact that US financing has become less competitive. With Export-Import Bank credits no longer available, Moscow must pay cash for US goods or obtain credits from private sources at much higher interest rates than are required for government-backed credits.

Since late 1974, the Soviet Union has received \$6.7 billion in low-interest, long-term lines of credit from France, the UK, Italy, and Canada. Earlier in 1974, it obtained \$1 billion in such credits from Japan.

Among the orders received by US firms are those for \$23 million worth of equipment for plants to produce artificial fur, a \$47-million plant to make bearings for passenger-car engines, \$18 million worth of crawler tractors and spare parts, and a \$20-million order for bulldozers to be used in ore mining.

Soviet orders for \$700 million worth of compressors and other equipment may be signed shortly, and discussions are under way on other plants and equipment valued at almost \$1 billion.

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ROMANIA

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The Romanians are trying to frustrate Moscow's efforts to tighten both economic integration in the Soviet-dominated Council for Economic Mutual Assistance (CEMA) and ideological conformity in Eastern Europe. Ceausescu has ordered a propaganda campaign to try to undermine Moscow's strategy at the CEMA summit meeting late this month in Budapest. The Romanians, along with the Yugoslavs, oppose Moscow's efforts to dominate preparations for an all-European conference of communist parties.

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FOR THE PRESIDENT ONLY

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Romanian representatives have vigorously challenged several Soviet formulations at the European security talks. Ceausescu believes Romanian views on national sovereignty, the inviolability of borders, and prior notification of military maneuvers must become part of the Geneva proceedings if his country is to maintain some leverage against the Soviets.

Bucharest refuses to join the Soviet-inspired anti-Chinese chorus from Eastern Europe. Romania and China frequently exchange party, economic, and military delegations. Romania is the only Pact member to have bought Chinese arms; it has obtained patrol boats and Chinese-made IL-28 bombers.

Ceausescu has observed and learned from the experiences of Yugoslav President Tito. The revelations of Soviet meddling in Yugoslav internal affairs last year led to even closer relations between the two Balkan states.

Bucharest also shares Belgrade's interest in the nonaligned world. Romania is the only member of the Warsaw Pact to seek observer status at a conference of nonaligned foreign ministers that will be held later this year in Lima. Ceausescu's stops in Brazil, Venezuela, and Mexico during the past week are part of his effort to cultivate the nonaligned.

Romania has the further distinction of being the only Pact state to maintain full diplomatic relations with Israel and the major Arab nations.

Romanian-US Relations

Bucharest has shown considerable sensitivity to US policies. Ceausescu gave a warm reception to former President Nixon in Bucharest in July 1969 and has visited the US twice before.

The Romanians have made a considerable effort to meet US interest in easing emigration to the West. From May 6 to June 4 this year, Bucharest gave permission to 317 Romanians--a record number--to emigrate to the US. During the same period, Bucharest also approved exit permits for 387 Jews to Israel, a sharp increase over the monthly rate during the first four months of the year. It approved another 200 applications for emigration to other parts of the world.

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Ceausescu signed a trade agreement this spring with the US that links most-favored-nation treatment to emigration. The Romanians are anxious for Congressional approval of the agreement because of difficulties in their export markets and a growing need for long-term, low-interest credits. The agreement would also restore Export-Import Bank financing, which was suspended under the 1974 Trade Act.

Spurred by Export-Import Bank credits since 1971, US-Romanian trade increased until the first quarter of this year, when it dropped. Romanian imports from the US during that quarter rose only 3 percent over the same period in 1974, while Romanian exports to the US dropped 37 percent.

Problems in trade with the West may force the Romanians to re-evaluate their long-range economic goals and curtail their economic growth, which has averaged 9 percent a year since 1970. Imports of Western technology and equipment have played an important part in this growth. Bucharest already plans a cut in imports from the West because of high prices for raw materials, a slump in Western demand for some Romanian exports, and high debt-servicing payments.

FOR THE PRESIDENT ONLY

PORtUGAL

The US embassy in Lisbon senses that the ruling Armed Forces Movement is becoming more isolated from the Portuguese people. The embassy concludes that this isolation may bring an early end to the uneasy equilibrium that exists between the overlapping power centers in Portugal.

The Movement inspired the people initially, because it brought an end to 50 years of fascism and 13 years of colonial wars and because it promised individual rights and free elections. The officers kept the people behind them by capitalizing on the threat of a return to fascism and playing on popular distrust of the old economic oligarchy.

The revolution is now more than a year old, and with the passage of time, the people are beginning to lose their fear of fascism and are worrying instead about the Movement's ability to meet the basic needs of the country. Factors contributing to the shift in popular attitudes include:

--The Movement is disorganized and unable to deal with the day-to-day problems of governing. Power is divided between the armed forces General Assembly and the Revolutionary Council while the cabinet remains on the periphery. Decision in these bodies are made by consensus; the military rulers tend to neglect everyday problems, are unable to rely on effective staff work, and seem able to handle only one major issue at a time.

--The nation's economic problems continue to grow; they are the direct result of declining production and increasing unemployment.

--The situation in Angola is deteriorating. It will add to unemployment difficulties as Portuguese citizens return to the metropole and may intensify the psychological weakening

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of the Movement since decolonization has been its most significant achievement to date. Angola is already causing dissension within the Movement, and some replacement troops have refused to board planes to Africa.

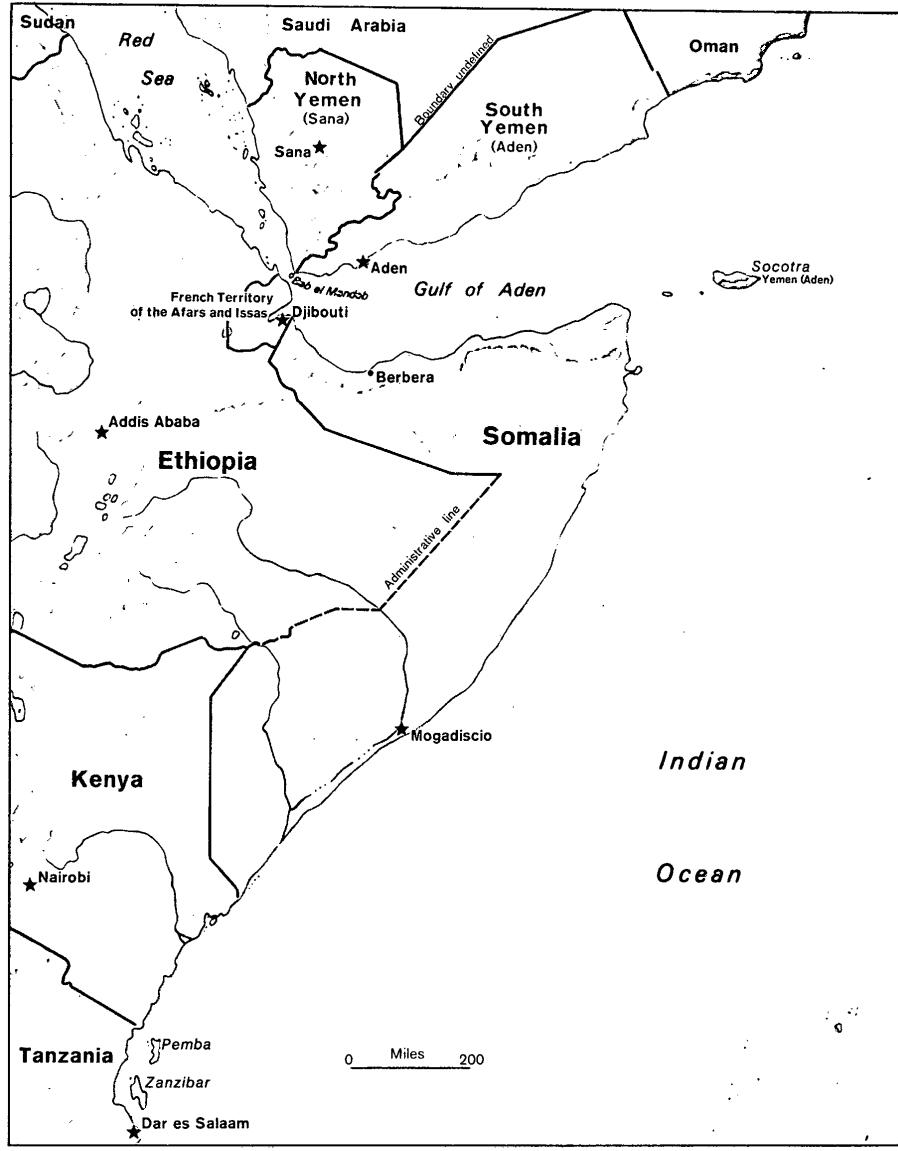
--The April 25 election for a constituent assembly clearly indicated the popular preference for a moderate political course. The Movement must eventually heed the expressed wishes of the people or drop the democratic facade it maintains. The majority of the people are unlikely to support the Movement if it decides to bypass political parties and tie itself directly to "popular organizations."

--Civilians have mounted a challenge to the Movement since the election. The Socialists in particular feel they have a mandate and must respond or lose their popular support. The church also appears headed for at least a behind-the-scenes confrontation with the military.

So far, when confronted with a difficult situation, the Movement has responded by a lurch to the left, further isolating itself from the popular will. The Movement cannot move much further left without raising threats of either total anarchy or increased Communist influence in the government.

The embassy believes the present balance of power, distributed among various groups vying for popular support, cannot be maintained much longer. After possibly one more attempt at rule by consensus, one of the contending groups will attempt to eclipse the others in an effort to attract popular support.

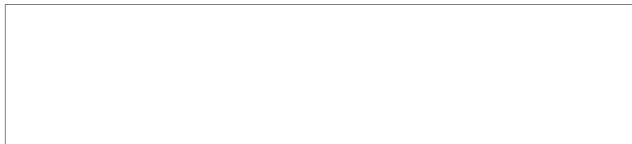
Although civil war is a possibility, a more likely prospect is consolidation of power under a military strongman. Candidates for this role include Admiral Rosa Coutinho, a leading member of the Revolutionary Council; General Otelo de Carvalho, head of the internal security forces; and Prime Minister Goncalves. The embassy holds scant hope for a democratic Portugal under the leadership of any of these men.



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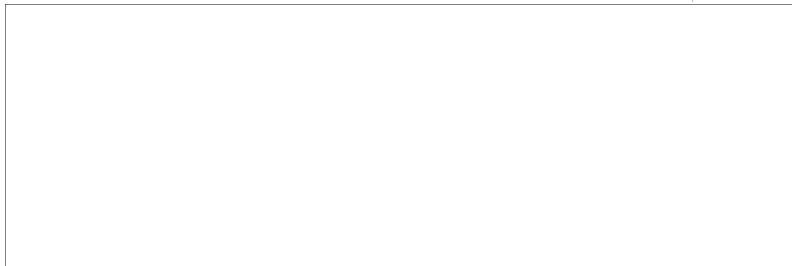
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FOR THE PRESIDENT ONLY

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THAILAND-CHINA

Thai Foreign Minister Chatchai plans to go to Peking late this month to establish diplomatic ties with the Chinese. The announcement could come as early as July [redacted]

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Preceding Chatchai to Peking to work out details will be a foreign ministry delegation, probably led by the Thai ambassador to the US. He has been Bangkok's principal negotiator with the Chinese in New York.

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A communique of mutual recognition is expected to come out of the talks in Peking, but an exchange of diplomatic missions may not occur until the fall. Senior Thai officials believe that many laws affecting the status of Chinese aliens in Thailand should be changed before a Chinese embassy is allowed to open in Bangkok and that this will require some time. [redacted] Prime Minister Khukrit appears sympathetic to this procedure.

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FOR THE PRESIDENT ONLY

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NOTES

Recent photography of the 500-foot version of the Soviet D-class submarine fitting out at Severodvinsk confirms that it will carry 16 missiles.

The standard 450-foot D-class submarine carries 12 SS-N-8 missiles. The lengthened submarine is expected initially to carry the 4,200-mile SS-N-8 missile but eventually will probably carry a follow-on missile.

* * *

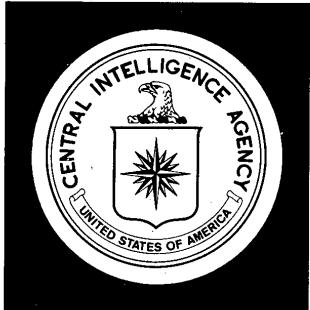
Separatists in the Azores apparently are planning another demonstration, this time on Terceira Island where the US air base is located.

A demonstration, particularly if it should become violent, could put the US in a difficult position. The separatists are short of arms and might attempt to seize weapons on the US base. Portugal, for its part, might want to use the base to land troops from the mainland. The timing of the demonstration is uncertain

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The President's Daily Brief

June 12, 1975

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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 Amouzgar--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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FOR THE PRESIDENT ONLY

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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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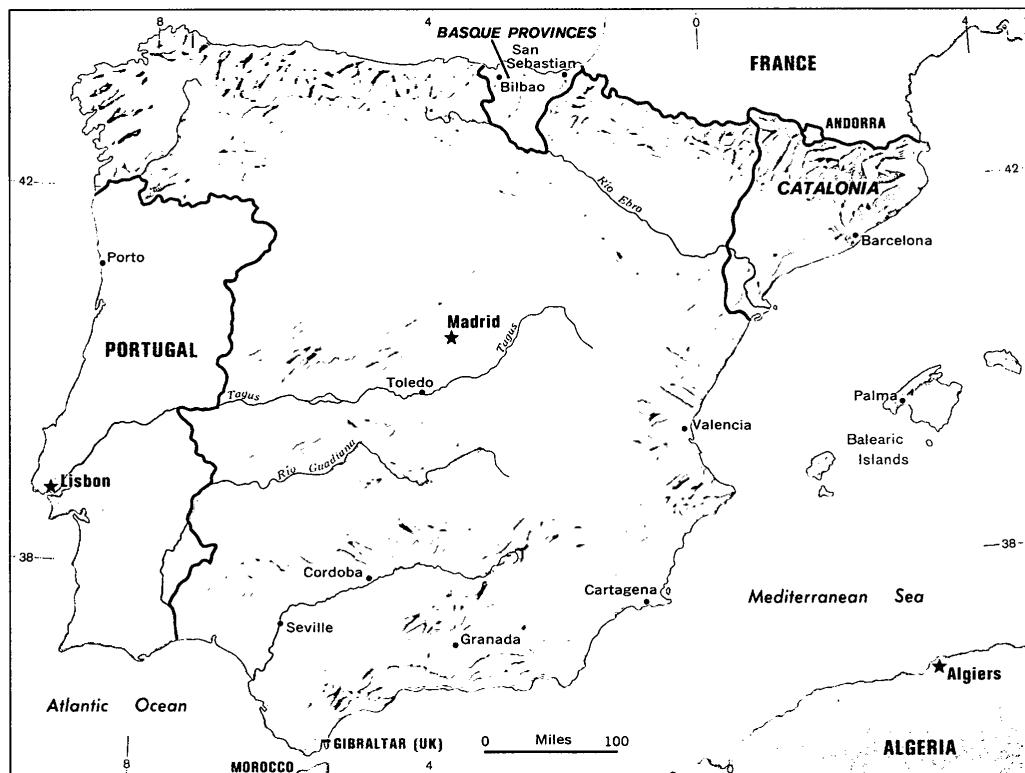
FOR THE PRESIDENT ONLY

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



FOR THE PRESIDENT ONLY

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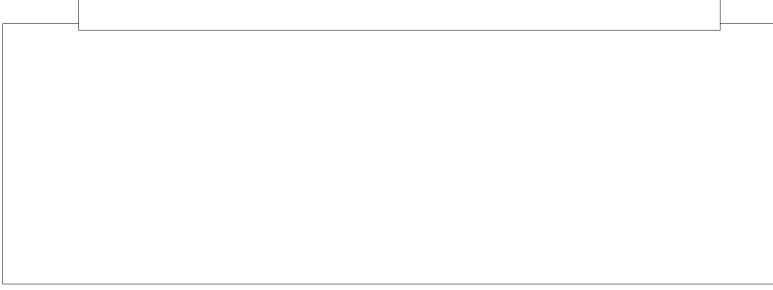
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challenged government authority, Madrid has also closed several universities in the area. A surge of right-wing terrorism against Basque separatist sympathizers in the north, at times with the acquiescence of local security forces, has compounded the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

* * *

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.

FOR THE PRESIDENT ONLY

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.

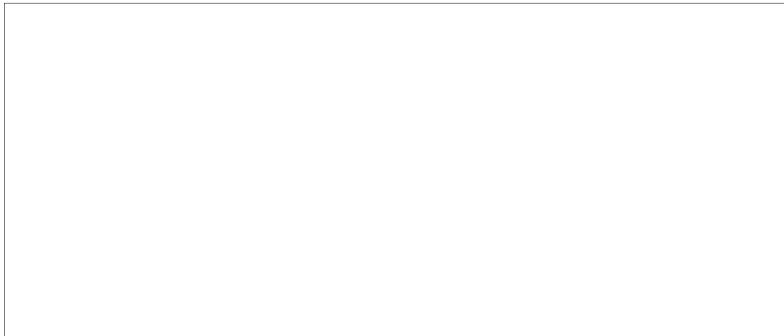
Cholera is endemic to Cambodia, and there was a serious problem in Phnom Penh before the communist takeover in April. The communists' wholesale evacuation of the city--including hospital patients--created textbook conditions for spreading the highly infectious disease. Intercepted messages indicate that 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.

* * *

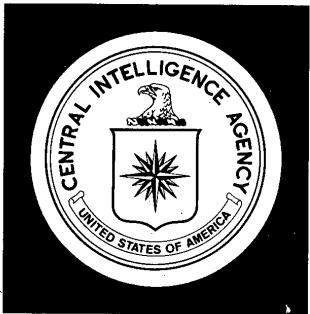
Poulo Wai Island, the scene of recent fighting between Vietnamese and Cambodian communist forces, has apparently been captured by the Vietnamese.

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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[redacted] 25X1

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EGYPT

President Sadat [redacted] 25X1
[redacted] is cautiously optimistic 25X1
about Middle East peace negotiations [redacted] 25X1
[redacted] 25X1

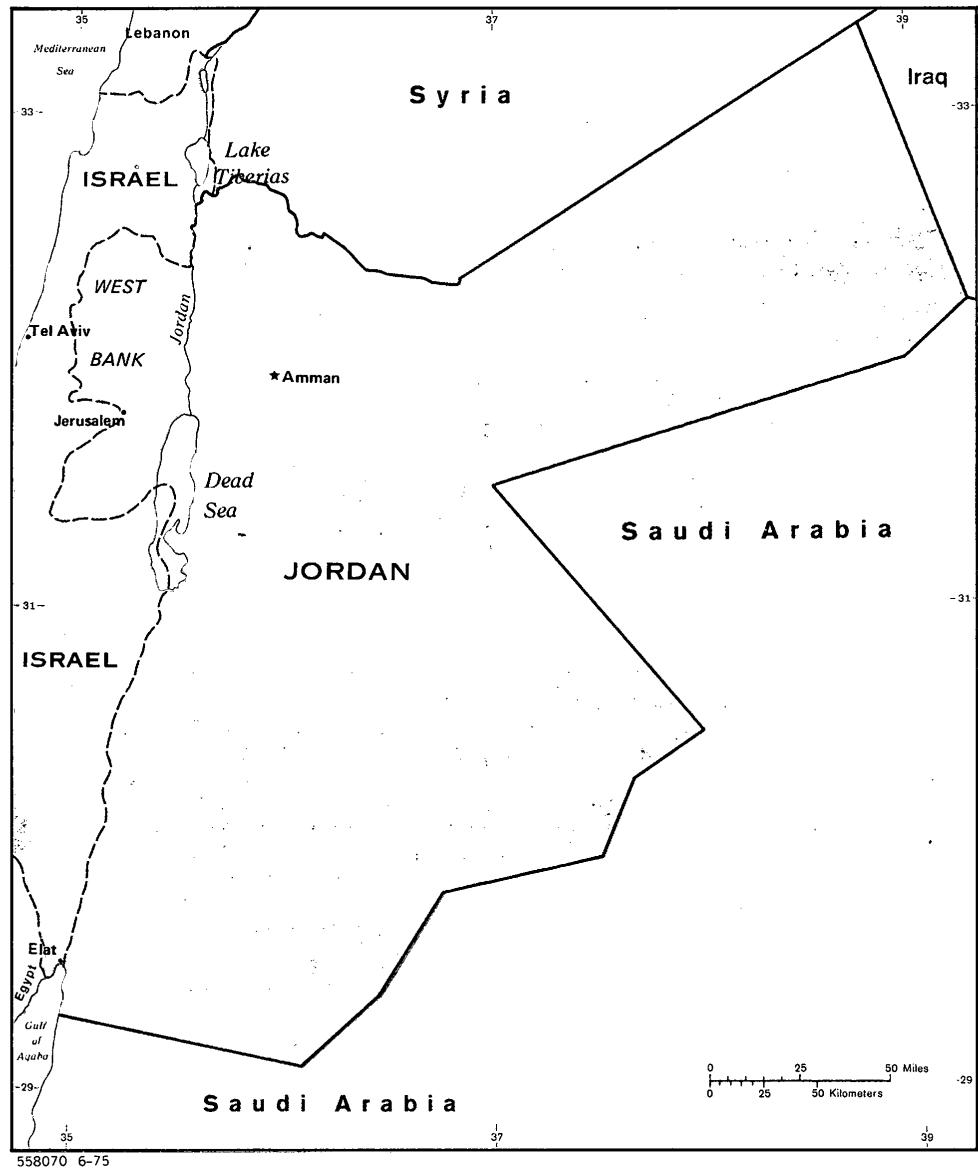
[redacted] 25X1
[redacted] 25X1

[redacted] Sadat [redacted] 25X1
[redacted] expects the US to reach a decision on how 25X1
to proceed after the meeting in Washington this week
with Israeli Prime Minister Rabin.

[redacted] Sadat [redacted] 25X1
[redacted] expressed con- 25X1
fidence in the US desire to expedite a settlement.
[redacted] 25X1

[redacted] the Arab-Israeli situation is
currently "very promising." 25X1

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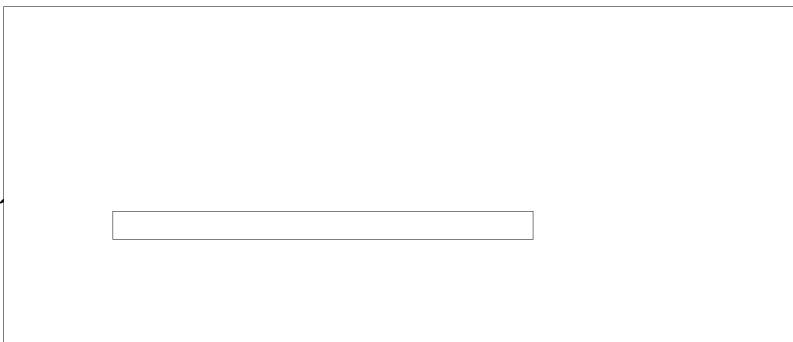


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JORDAN-ISRAEL



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PORUGAL

Portuguese military authorities in the Azores are tightening security measures to prevent demonstrations similar to the one held last week. Arrests of suspected separatist leaders are continuing.

No demonstrations have been held this week [redacted]

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Pro-Azorean officers in the islands are increasingly anxious over their positions because of pressure from Lisbon. The military governor, the police chief, and a battalion commander have been harshly criticized by the Communist-dominated Lisbon press. Senior officers face the choice of implementing policies which they find distasteful or casting their lot with the separatists.

For the time being, the separatist movement seems to represent an irritant rather than a threat to Lisbon, and there is little support among the Azoreans for armed insurrection. This picture could change, however, if local commanders should decide to support the separatist movement. Their inclination to take this action could be increased by the Portuguese government's difficulties in responding to last week's demonstration. [redacted]

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[redacted] two companies of military police refused to obey orders transferring them to the Azores and that only a small detachment was eventually sent.

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INDIA

Prime Minister Indira Gandhi apparently will not resign despite the finding of a state court that she was guilty of corrupt practices in the 1971 election and is thereby barred from holding public office for six years. Even if the decision is subsequently overturned by India's Supreme Court, Mrs. Gandhi's prestige has been damaged and her influence within the Congress Party reduced.

Following the announcement of its decision, the state court granted Mrs. Gandhi a 20-day stay, allowing her to remain in office while she seeks a reversal of the decision. Her appeal to the Supreme Court probably will include a request for an extension of the stay until a final decision is rendered, possibly in a month or two.

Mrs. Gandhi appears to have a good chance of receiving a favorable ruling from the Supreme Court. She has appointed all 14 judges on the court, and she by-passed traditional seniority practices two years ago in naming the chief justice. On occasion, the court has shown a willingness to rule against the government, but informed opinion in New Delhi believes it unlikely that the court would deliver a negative verdict on such a crucial matter as Mrs. Gandhi's political future.

Mrs. Gandhi apparently will not resign pending a final decision, partly because an interim prime minister--most likely a senior cabinet officer--might be reluctant to turn the post back to her. There is no indication so far of pressure within the Congress Party for her resignation; in a public statement issued yesterday senior cabinet members reaffirmed their loyalty. Most of the opposition parties, however, are clamoring for her to step down.

Whatever the Supreme Court's ruling, the opposition is likely to make corruption in government a major campaign issue as the nation moves toward a general election sometime within the next eight months.

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NOTES

The 22-day visit of Somalia's Secretary of Defense General Samantar to the USSR last month may have begun to show results. 25X1



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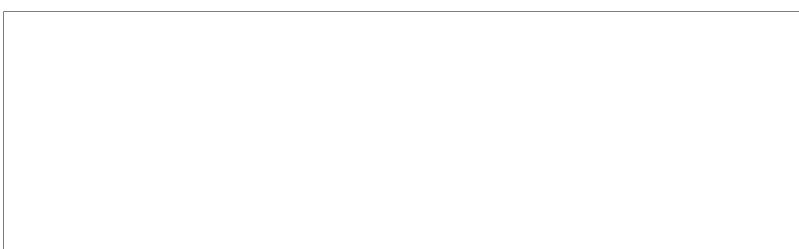
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Saudi Arabia [redacted] Jordan's

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* * *

A high-ranking Cambodian delegation apparently arrived in North Vietnam yesterday.

Overlapping claims to offshore islands and continued clashes between Cambodian and Vietnamese troops along the mainland border are certain to be on the agenda. Although incidents on the mainland have been increasing, they appear the result of confusion over the delineation of the boundary rather than attempts to annex additional territory. Conflicting claims to offshore islands will probably be far more difficult to resolve.

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JORDAN-SYRIA

President Asad and King Husayn concluded three days of talks in Jordan this week by establishing a joint supreme committee to "coordinate military, political, economic, and cultural policies." Although the two principals underlined their intentions to pursue closer military co-operation, the final communiqué fell short of announcing the creation of a formal joint military command.

Both Husayn and Asad probably hope to use their highly publicized and apparently successful meeting to strengthen their respective positions in the jockeying now going on among the Arabs. In this sense, Asad's visit may have had as much political and psychological importance as military.

Asad, in an effort to strengthen his hand in dealings with Egyptian President Sadat, has been trying for some time to promote closer ties between Syria and Jordan, as well as between Syria and the Palestine Liberation Organization. Jordan has become even more important to Asad as a political and military ally over the past few months because of the smoldering antagonism between Iraq and Syria.

Husayn, for his part, still wants to participate in the final disposition of the West Bank. He has formally relinquished his negotiating role to the PLO, but he remains hopeful of playing some part because of the inability of PLO chief Yasir Arafat to get the Palestinians invited to the Geneva peace conference. [redacted]

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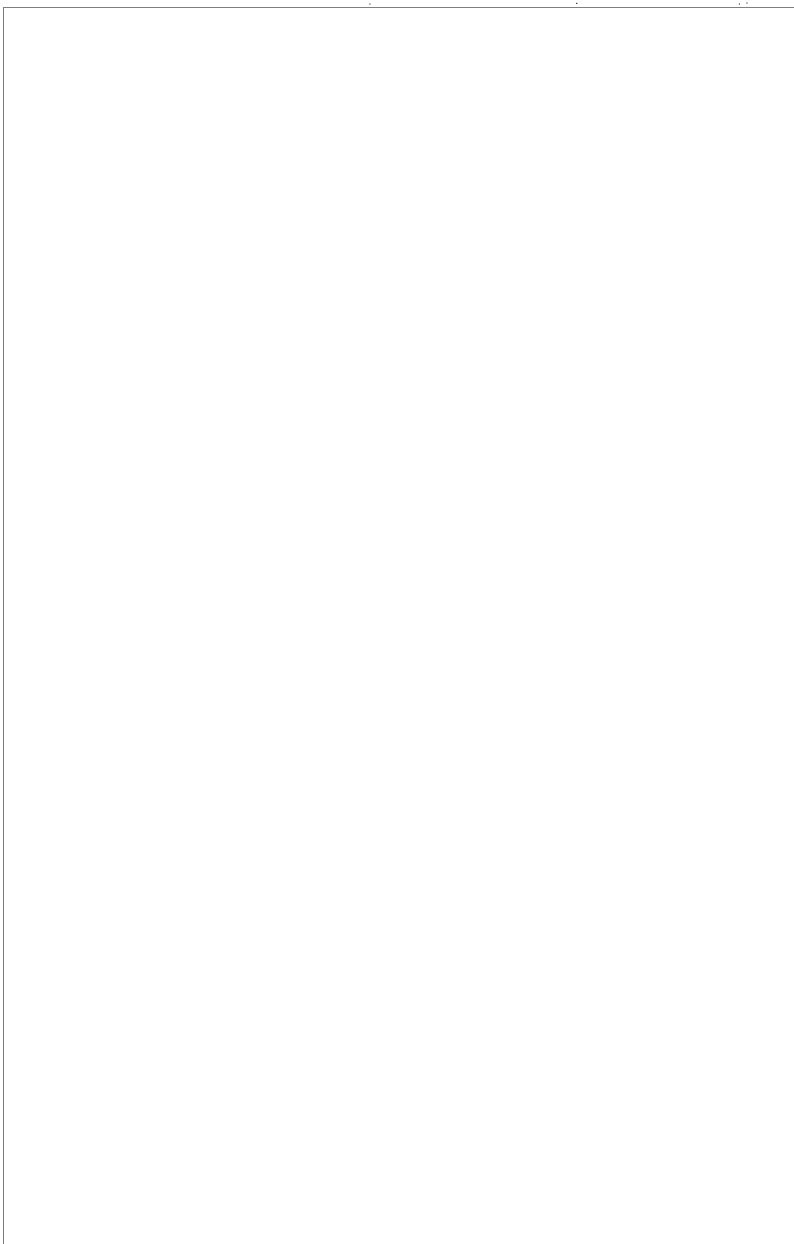
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Contingency plans for greater Jordanian-Syrian military cooperation in the event of a war with Israel were probably a major topic of discussion. Husayn has felt for some time that he damaged his chances for regaining the West Bank by limiting Jordan's role in the 1973 war to the dispatch of a few units to the Syrian front. Since then, he has watched both Syria and Egypt regain some of the territory they lost in 1967, while Jordan has all but been shut out of negotiations. At the very least, Husayn has probably concluded that he must commit more of his forces sooner to the Syrian front if there is another war.

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USSR-LIBYA

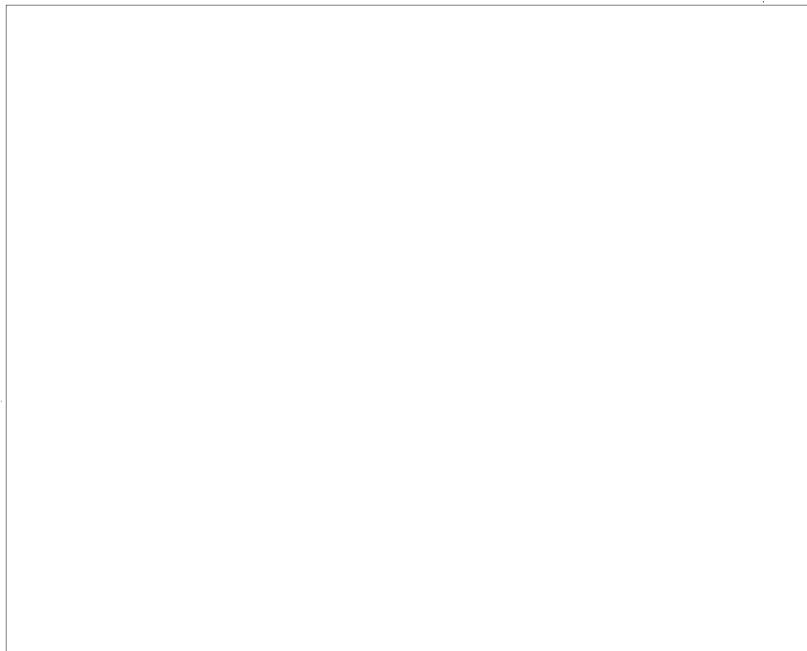


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FOR THE PRESIDENT ONLY**EGYPT**

*Egyptian mechanized infantry units
are conducting training*

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In April, a mechanized brigade of the 6th Mechanized Infantry Division [redacted] conducted an exercise designed to advance nearly 40 miles in two days of fighting--about the distance Egyptian units would have to advance from their positions on the west bank of the Suez Canal to capture the strategic Sinai passes. The brigade, which was based in the Cairo area, reportedly moved to its attack position at night and, with artillery reinforcements, moved forward for two days until it reached its objective.

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[redacted]
The 6th Division's attack scenario [redacted] involves an advance of nearly 40 miles in two days while destroying enemy brigades in mobile combat. We doubt that an Egyptian brigade would be a match for an Israeli tank or mechanized brigade, particularly in combat involving considerable movement. This is the kind of warfare at which the Israelis excel. Moreover, Israeli artillery is self-propelled and its air force well trained in providing rapid, accurate support to ground forces.

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The most significant omission [redacted] is the lack of air defense by surface-to-air missiles. Although the division has some air defense weapons of its own, it would also require support from SAM units if it hoped to avoid heavy losses from Israeli air strikes.

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FOR THE PRESIDENT ONLY

USSR

General Secretary Brezhnev yesterday completed the round of republic election speeches given by Soviet leaders with a restrained affirmation of interest in improved relations with the West. Brezhnev stuck to familiar foreign policy themes, as had President Podgorny and Premier Kosygin earlier this week.

In the somewhat tougher tone evident since the April 1975 party plenum, Brezhnev credited the relaxation in international tensions chiefly to Soviet efforts and to a new correlation of world forces in favor of socialism. He cautioned that some politicians are paying only lip service to detente and criticized those allegedly trying to win over right-wing circles by feigning suspicion of detente. The implication was that supporters of detente in the West should be more forthright in defending it and should not look for concessions from the Soviet Union to help them sell it at home.

Brezhnev's specific references to the US and to you were uniformly favorable. He praised ongoing steps toward a new strategic arms limitation agreement but was imprecise on the timing of the summit, saying only that it would take place this year.

Brezhnev devoted a major portion of his foreign policy remarks to reviewing broad Soviet arms control measures. He reiterated Moscow's interest in reducing military budgets and proposed an international agreement to ban the manufacture of new weapons systems of mass destruction. The Soviets have previously raised with the US their interest in restricting such systems, but Brezhnev urged consideration of it in a multilateral forum. As such, it may become a featured part of Soviet proposals at the UN or in international disarmament discussions.

Brezhnev briefly mentioned the European security conference, simply noting that its conclusion was "not far off." His comment on force reduction talks was a typical Soviet jibe at alleged NATO efforts to seek one-sided advantages.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

WESTERN EUROPE - PORTUGAL

West Europeans are considering economic assistance for Portugal in an effort to bolster Portuguese moderates and stave off another move to the left in Lisbon.

The EC Commission this week prepared a set of proposals that includes a "community action" program to channel substantial financial assistance from EC member states to Portugal on an urgent basis. The recommendations also provide for improved access to EC markets for Portuguese exports, technical assistance, industrial cooperation, Portuguese access to the European Investment Bank, and increased benefits for Portuguese workers in the Community.

Aid to Portugal has been a thorny problem for the Community, and the EC foreign ministers may regard these terms as too generous when they take up the Commission's proposals on June 24. In any event, they will probably insist that the size and pace of aid be tied to the development of democratic institutions in Portugal. The "community action" proposal will fit this demand because, as a unilateral EC commitment, it could be terminated quickly if the Portuguese situation should take a turn for the worse.

The chances that the EC foreign ministers will approve a substantial aid package for Portugal appear to have improved as a result of the visit of Portuguese President Costa Gomes and Foreign Minister Antunes to Paris last week. These two relatively moderate members of the Armed Forces Movement reportedly had some success in convincing French President Giscard that moderates still have a chance to control Portugal's future and that their cause would be advanced by West European economic aid.

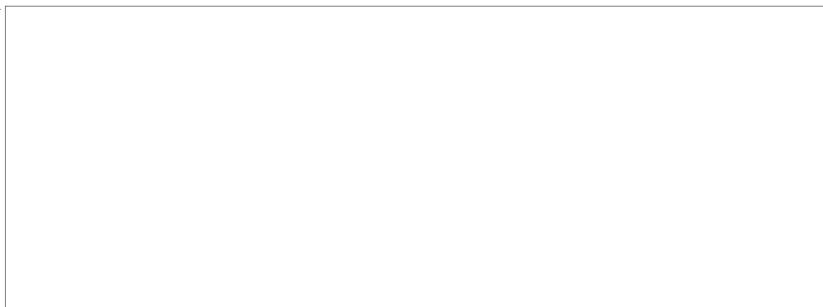
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Social Democrats in West Germany and Sweden reportedly are considering aid to Portugal with a more direct political impact. West German party leaders are said to have reacted favorably to a proposal by Portuguese Socialist leader Soares that lower ranking Portuguese officers be invited to West Germany for political training. The Swedes also have a plan to bring officers of the Armed Forces Movement to Sweden to familiarize them with European democratic socialism.

FOR THE PRESIDENT ONLY

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LEBANON

Lebanese Prime Minister - designate Rashid Karami has yet to form a government.

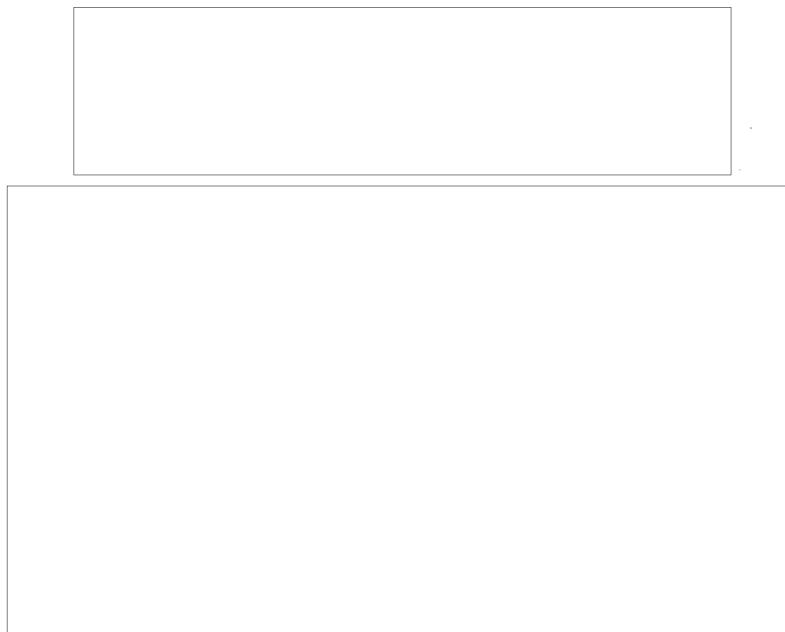
For the past three weeks, he has been unable to wring concessions from either leaders of the right-wing Phalanges Party, who demand that they be represented in the new cabinet, or from leftist leaders, who insist that the Phalangists be excluded as punishment for their role in the recent fighting.

Karami's task has been complicated by the fact that President Franjiyah has avoided pressing the Phalangists to compromise and may in fact be reinforcing their hard-line position. Franjiyah appointed Karami only reluctantly and would take some satisfaction from Karami's failure to form a government.

The continued delay in forming a government is increasing the risk that the public will lose confidence in Karami, widely considered Lebanon's "last hope," and that widespread street fighting will resume. Sniping and kidnaping have occurred in several areas of Beirut during the past week, despite the general adherence by both sides to the cease-fire.

FOR THE PRESIDENT ONLY

CHINA



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NOTES

Both North and South Korea have applied for formal membership in the nonaligned movement and are focusing on the Conference of Nonaligned Countries scheduled to be held in Lima this August.

Pyongyang has a good chance of being accepted at the Lima conference; Seoul is likely to fail. A victory for North Korea at Lima would increase the chances that the UN this fall will vote a resolution calling for an end to the US and UN roles in South Korea.

* * *

Saudi Arabia provided Algeria with \$400 million in long-term loans late last week to help meet Algeria's growing balance-of-payments difficulties.

Lower oil prices and falling oil production have reduced Algerian export earnings, while ambitious development plans and a poor harvest have required more imports. Algerian officials have been seeking up to \$2 billion to avoid further depletion of foreign exchange reserves, but have encountered stiff terms in international money markets.

* * *

The Greek parliament will elect a new president of the republic next Thursday under the country's new constitution.

The three candidates are loyal supporters of Prime Minister Karamanlis and can be expected to step down should Karamanlis wish to move up to the presidency at a later date.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

June 16, 1975

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FOR THE PRESIDENT ONLY

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Turkey: The Turkish national security council will meet today to consider retaliation against the US arms embargo. (*Page 1*)

Israel-Lebanon: Another border clash. (*Page 2*)

Note: West Germany (*Page 3*)

Annex: We analyze the effect of Soviet acquisition of advanced Western technology in four selected areas.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

The Turkish national security council will meet today to consider retaliation against the US for the arms embargo.

Prime Minister Demirel said at a press conference yesterday that Turkey cannot be expected to carry out bilateral agreements that have been unilaterally abrogated by the US. He called on NATO to "heal the wounds" caused by the arms embargo and hinted that if the West European allies are unwilling to help fill Turkey's armaments gap, Ankara might consider reducing or ending its participation in the alliance.

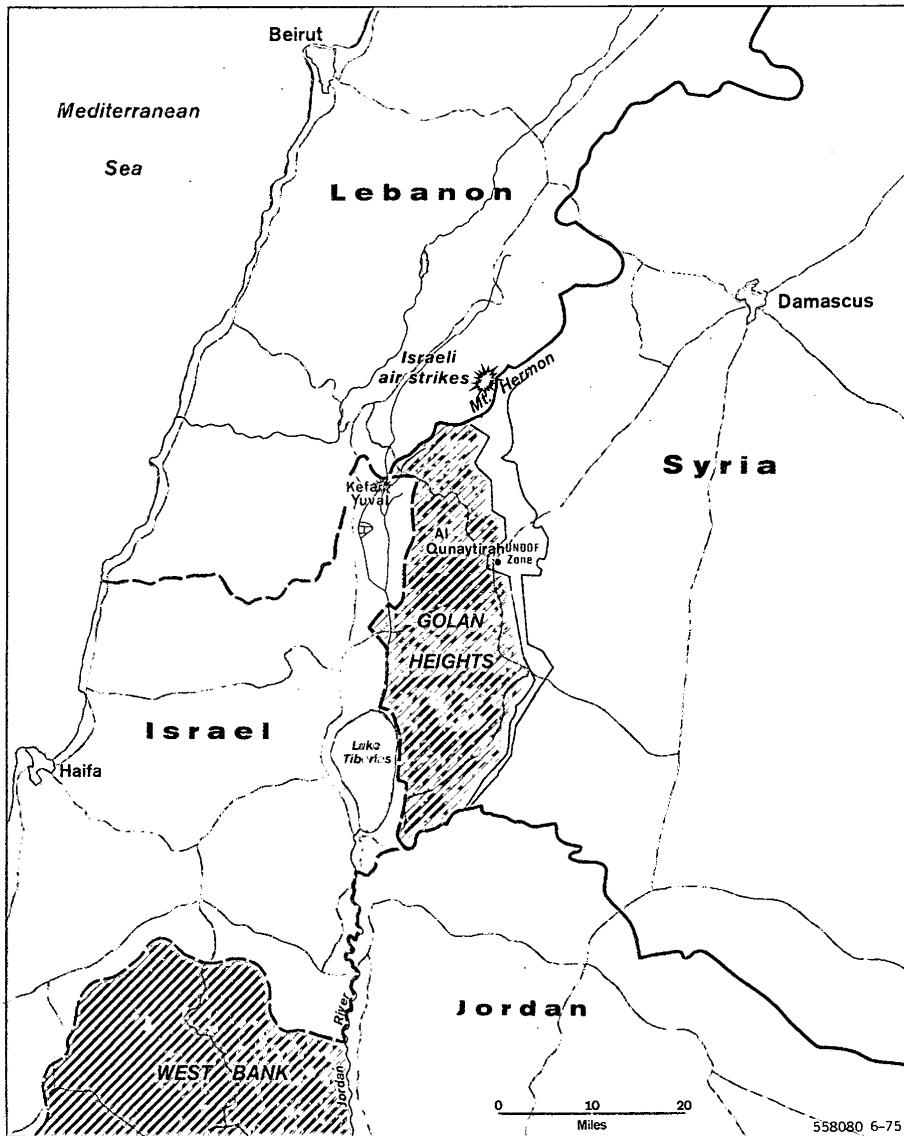
Demirel reportedly has become convinced that the US Congress will not lift the embargo. He may see the threat of firm action as Turkey's only means of bringing pressure on the US to change its policy. To make the threat more credible, Demirel may be willing to take the first steps toward reducing the US presence.

To take any such action, however, Demirel will need the agreement of Turkish military leaders. They have so far demonstrated considerable reluctance to take any irreversible steps. Turkish generals, most of whom believe Ankara has no alternative to its alliance with the US and Western Europe, are likely to argue in today's council session for a very gradual approach. This might begin with a request to the US that it begin preparations to withdraw from those facilities [redacted]

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[redacted] that benefit Turkey least.

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FOR THE PRESIDENT ONLY

ISRAEL-LEBANON

Israeli aircraft and artillery attacked fedayeen concentrations near Mount Hermon in southeastern Lebanon yesterday in retaliation for a guerrilla raid on the Israeli border village of Kefar Yuval.

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The Israeli action is the first inside Lebanon since forces from the two countries clashed three weeks ago. The strikes followed the penetration of an Israeli border village by four Arab guerrillas who seized six Israeli hostages. All four guerrillas were subsequently killed; at least two Israelis died, and six were wounded.

FOR THE PRESIDENT ONLY

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West German

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FOR THE PRESIDENT ONLY

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USSR

Analysis of four selected technological areas--transport aircraft, semiconductors, digital computers, and air traffic control systems--indicates that the Soviet Union will eventually profit militarily by acquiring advanced Western technology. It is impossible to say with confidence, however, to what degree and at what rate this will occur because of the multiple sources of the technology and because of uncertainty regarding the ability and intent of the USSR to adapt the technology for military purposes.

The cumulative effect of increased technology transfers from the West will result in some selective improvements in the Soviet strategic military posture over the next five to ten years. Appreciably greater improvement would occur if the rate and scope of such transfers were to increase sharply.

Channels for the transfer of technology [redacted] to the USSR have expanded greatly since 1972.

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The Soviets, given the continuation of detente and relaxation of controls by the Coordinating Committee on Export Controls, will acquire Western technology of most interest to them in piecemeal fashion, but at an increasing rate [redacted]

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[redacted] Technology will flow [redacted] to the USSR directly and through other countries, including advanced Western states outside of the Coordinating Committee as well as through Eastern Europe. Such countries will also sell to the USSR technology they have developed by themselves, straining the Coordinating Committee's structure and resulting in added pressure on the US government to relax its unilateral controls.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

A major obstacle to the Soviets' achievement of military gains through the use of civilian Western technology appears to be the Soviets' difficulty assimilating and adapting such technology for extensive military production. They can overcome this obstacle only to the extent they can get hold of advanced technology for production of systems and components. Such technology may be considered obsolete by Western standards, but could be used by the Soviets to improve considerably their military production capabilities.

Transport Aircraft

[redacted] Soviet negotiations [redacted] on wide-body aircraft have explored many possibilities for transfer of technology, including production licenses and aircraft purchases. Information acquired by the Soviets since 1972 probably has been insufficient to use in redesigning Soviet production lines.

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Close study of design and fabrication practices evident from purchased aircraft would probably have only limited value because of shortcomings in Soviet manufacturing capabilities. A licensing agreement, whether for aircraft or engines, would permit the export of necessary data and give the Soviets an opportunity to become self-sufficient in production of such Western designs.

Semiconductors

Soviet integrated circuit production technology, particularly with respect to quality control and contamination protection, lags behind [redacted] Access to Western production technology, sought extensively by the Soviets since 1970, would be of great benefit to the Soviet military within a relatively short time. It could possibly be used in strategic missiles, anti-submarine warfare detection systems, cryptography, and computer equipment. Barring substantial relaxations in the embargo of this technology, Soviet development of an advanced semiconductor industry will remain slow.

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Digital Computers

Soviet general-purpose computer technology is generally [redacted] behind that of Western countries, although a limited number of the more advanced models probably are available for military use. Substantial progress in some important military uses of computers, such as command and control and possibly anti-ballistic missile defense, will require computer technology beyond the USSR's likely capabilities in the near future. [redacted]

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[redacted] the Soviets will probably acquire from various sources the know-how and equipment that will make their own general-purpose computers suitable for full-time military uses. Soviet acquisition of production technology for minicomputers, microprocessors, and associated equipment over the next decade or so is a serious potential threat [redacted] [redacted] in terms of what it could do toward improving the Soviet strategic posture.

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Air Traffic Control Systems

[redacted]
Probably the greatest potential military benefit would result from the use of such equipment to demonstrate the organizational and operational techniques of automated command and control systems and to permit extensive training in the actual operation of such systems.

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LATE ITEM

TURKEY

The Turkish government has decided to wait 30 days before taking any action against US bases in the country, according to the US chargé d' affaires in Ankara. After 30 days, Ankara again will review bilateral relations and US base rights.

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Italy: The Communists led the left in election gains, the Christian Democrats matched an all-time low, and the right suffered the most losses. (Page 1)

Portugal: The dispute over reopening the Socialist Party's newspaper is not yet over, and the Socialists could still decide to leave the government. (Page 3)

Syria-Israel: [redacted] 25X1
[redacted] 25X1

(Page 5)

Turkey: An announcement is due today on how the security council decided to react to the US arms embargo. (Page 6)

Notes: North Vietnam; Algeria-Egypt; Zaire (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ITALY

With all of the votes counted, the Italian regional elections have revealed a decisive shift to the left, marked by unprecedented gains for the Communist Party. The Christian Democrats remain number one, but just barely. Only partial returns are available from provincial and municipal contests, but they point in the same direction.

The parties of the left--the Communists, Socialists, and a small party to the left of the Communists--obtained over 47 percent of the vote. The lion's share went to the Communists, who achieved an all-time high of 33.4 percent, more than 5 percent over their 1972 performance and nearly 6 percent above their vote in 1970. Yesterday's advances by the Communists exceed any they have registered since World War II. Even in their most optimistic projections, the Communists had not expected to win more than 30 percent. In addition to their regional gains, early municipal returns suggest that the Communists have become the plurality party in some major cities, including Rome, Milan, and Turin.

The Christian Democrat's total of 35.3 percent almost matched its postwar low in the 1946 constituent assembly election. Although the Christian Democratic losses are a major blow, they are not in the range expected by pessimists in the party who feared a loss of around 5 percent. The fact that the Communists appear to be drawing almost as many votes as the Christian Democrats, however, will overshadow that.

The Socialist Party, with 12 percent, picked up about 2 percent over its 1972 and 1970 totals. The impact of the Socialists' increase will be magnified by the fact that they are the only party in the center-left governing majority that advanced.

(continued)

FOR THE PRESIDENT ONLY

The losers were the parties of the right, with the Conservative Liberals continuing their steady decline and the Neo-Fascists dropping back closer to their postwar average of about 5 percent.

The left will interpret the vote as a call for change; that was the common thread in the Socialist and Communist campaigns. At the minimum, the outcome is likely to:

--Build more pressure behind Communist chief Berlinguer's proposal for a "historic compromise" designed to bring his party into the government.

--Give the Socialists a strong hand to play in their push for treatment as political equals by the Christian Democrats in the center-left coalition. The Socialists will now appear more than ever to be the only barrier to entry into the government by the Communists.

Both the Communists and Socialists have until now opposed an early parliamentary election. Pressures will probably increase in both parties to try to bring about such an election, however, in the hope of transplanting the regional gains to the national level.

The immediate problem for party leaders is whether to leave the two-party Moro government in place until next fall, when the Christian Democrats and Socialists have scheduled party congresses. Just prior to the balloting there seemed to be a consensus in favor of avoiding a government crisis now. Party leaders, particularly the Socialists, now will be rethinking the matter. When the government crisis does come, it could be among the most difficult and protracted of the postwar period.

FOR THE PRESIDENT ONLY

PORUGAL

The dispute has been renewed over the Socialist Party's newspaper, Republica, which was closed by the government after Communist printers took it over nearly four weeks ago. Republica was to have been turned back to the Socialists yesterday.

Last-minute conditions levied by the Socialists to head off more trouble from the printers, according to press reports, prompted the internal security officer in charge of the building to hand the keys over to representatives of a Communist-dominated workers' committee. He also gave keys to *Republica*'s editor, who has refused to reenter the building as long as Socialist control of the paper remains in doubt.

If the government permits the workers to assume control of *Republica*, the Socialists may feel compelled to pull out of the government, as they had threatened if the Armed Forces Movement did not give the paper back to them.

Security forces armed with tear gas formed a cordon around the *Republica* building last night, but a crowd, mostly Socialists, gave them no trouble. The security men barred both management and labor from the building overnight. It is to be opened at 8:00 AM today.

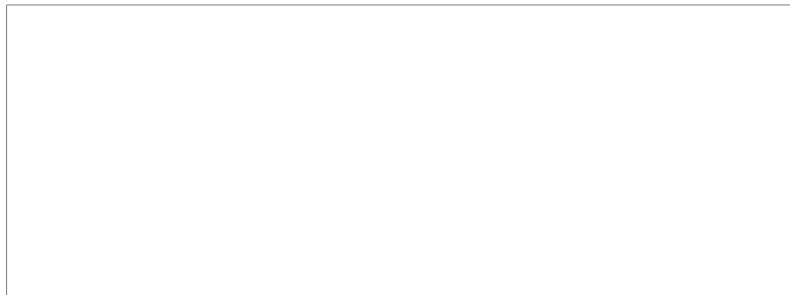
Rumors have also been rife in Lisbon, meanwhile, about a marathon session of the Revolutionary Council said to have been held last weekend. Military leaders were said to be attempting to resolve disputes over whether to abolish political parties and over what form of socialism Portugal is to have.

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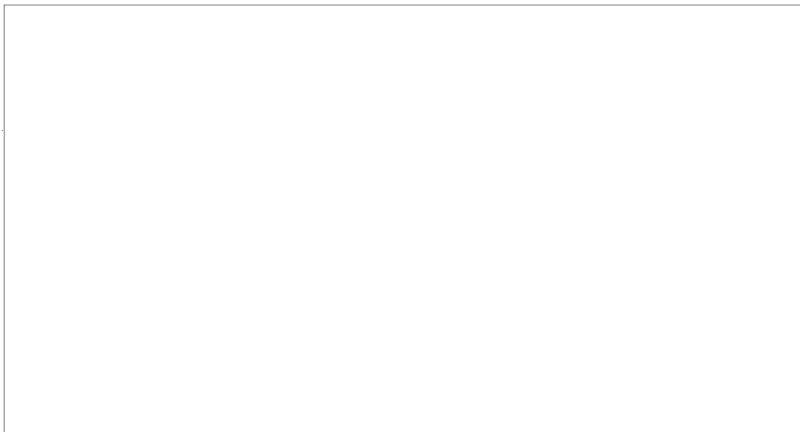


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SYRIA-ISRAEL



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TURKEY

The Turkish national security council issued an uninformative communique following yesterday's extraordinary meeting on how to react to the US arms embargo. Prime Minister Demirel has promised that Foreign Minister Caglayangil will make an announcement this morning.

Demirel has said Turkey must take counter-measures against the US because of new indications that the arms embargo will not be lifted and because he is under domestic pressure in Turkey. In fact, we have no evidence of an increase in pressure on Demirel, either from the general public or from the military. Even his political opposition, led by former prime minister Ecevit, has refrained from inflammatory statements.

Demirel, rather, appears to have seized the issue as a chance to strengthen his own political position. He may well have reasoned that he could only gain from bringing matters to a head. If the embargo were lifted, he would be credited with forcing the US to back down; if the embargo were maintained, he would only have anticipated the development and begun the steps he would have been forced to take anyway.

FOR THE PRESIDENT ONLY

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NOTES

Hanoi has begun moving some of its main-force combat units back to North Vietnam.

Intercepts reveal that the headquarters of the 1st Corps--Hanoi's mobile strike force--is back in central North Vietnam. Other messages indicate that two of the corps' divisions also have begun moving northward. Hanoi still has 19 infantry divisions in the South, four of them from the strategic reserve. Since the fall of Saigon, these units have been engaged in mopping up remaining pockets of resistance and providing transportation, communications, and some administrative expertise in the countryside. The bulk of these forces presumably will remain until a new political and administrative system has had time to take hold.

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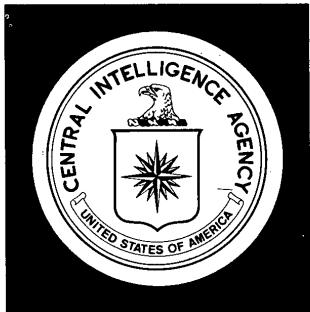
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* * *

US-Zairian relations may be headed for a difficult period.

A number of middle and high-ranking military officers have been arrested for allegedly planning a coup to depose President Mobutu, and rumors have been circulating in Kinshasa for about a week that the US was involved. Mobutu himself may have inspired the rumors. He has tried for some time to erase the pro-US reputation he has in much of Africa and has increasingly resorted to anti-US outbursts.

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Italy: The returns from provincial and municipal elections confirm the marked turn to the left. (Page 2)

Cuba: Fidel Castro has signaled that he is ready to begin the process of normalizing relations with the US. (Page 4)

Portugal: The imbroglio over control of the Socialist Party's newspaper remains unresolved. (Page 6)

Spain

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(Page 8)

Lebanon: Syrian Foreign Minister Khaddam is in Beirut to join consultations on the formation of a Lebanese cabinet. (Page 9)

Laos:

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Notes: Turkey; Portugal-Romania; Chile (Page 11)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL-EGYPT

The Israeli cabinet yesterday declared that it is ready to make further concessions to achieve an agreement with Egypt, provided Cairo does the same.

Apparently responding to the Israeli announcement, Egyptian officials indicated that they are "moderately optimistic" about the prospects for disengagement and hinted publicly for the first time that Cairo might be flexible on the duration of an agreement. In the aborted negotiations last March, Egyptian insistence on yearly review of the UN peacekeeping mandate was a serious stumbling block.

The Egyptian officials, however, cautioned that any agreement would have to be part of an overall settlement and indicated that they are still awaiting the results of the US policy reassessment before deciding on the advisability of proceeding with disengagement talks.

FOR THE PRESIDENT ONLY

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ITALY

The returns from Sunday's provincial and municipal elections confirm the marked turn to the left registered in the regional vote.

In the provincial contests--which involved the largest part of the electorate--the Communists, Socialists, and the more extreme left together polled close to 46 percent, a 4- to 5-percent increase over the total received in the 1972 parliamentary and 1970 regional elections. The Communists again were the main winners; the Christian Democrats hit a postwar low; the Neo-Fascists and the rest of the right also declined.

The municipal count gave the Communist Party first place in such major cities outside the red belt as Milan, Naples, and Venice, but Communist participation in the municipal government looks possible only in Venice. The Communists augmented their positions in their strongholds such as Florence and Bologna. In other cities where municipal elections were not held--Rome and Genoa, for example--the regional returns show the Communists in first place.

The results reinforce the Socialist Party's position as the Christian Democrats' most important partner at the local level. The nationwide decline of the Liberal Party has deprived Christian Democrats in many localities of the possibility of forming centrist coalitions. The Socialists in some places now have the choice of joining the Christian Democrats in a center-left government or the Communists in "frontist" administrations.

The Socialists are likely to behave at the national level as though the parliamentary balance had shifted in their favor. The Christian Democrats now appear to have two alternatives: either reach an agreement with the Socialists on the terms for a new center-left government or move toward early national elections. Although renewing the coalition seems the more likely course, many difficulties lie along the way.

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FOR THE PRESIDENT ONLY

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Not the least of these difficulties is the dissent within each party over how to deal with the other. Socialist leader De Martino seems inclined to try to use his new leverage to resume participation in the government on improved terms. Some influential Socialists, however, will argue against doing so, now that the Communists' opposition status proved more profitable at the polls than the Socialists' participation in the government with the Christian Democrats.

The Christian Democrats, for their part, probably face a major internal battle over the party's leadership and policies. Party chief Fanfani--on whom both the Communists and Socialists centered their campaign attacks--will almost certainly be ousted. The new leader will then face the task of drawing a consensus from quarreling party factions over how to stop the erosion of Christian Democratic appeal.

Political leaders, including the Communists, have still not gone beyond their initial cautious comments on what amounts to the largest shift in Italian voting patterns since 1948. Serious assessment of the election results will begin tomorrow with a meeting of the Christian Democrats' party directorate.

FOR THE PRESIDENT ONLY

CUBA

Fidel Castro--through a variety of gestures and channels--has signaled that he is ready to begin the process of normalizing relations with the US.

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[redacted] Castro also has sent letters to Senators McGovern and Sparkman stating his intention to return the \$2-million ransom paid by Southern Airways in 1972. In addition, a number of individuals involved in US hijackings have been expelled from Cuba.

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Castro realizes the process is likely to be a long one, but he appears to believe he can strike a deal that would allow Cuba access to US goods--especially technology and food stuffs--while allowing the more complex matters to be hammered out later.

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[redacted] If the US were to lift its embargo on food and medicines, Havana would release 35 American prisoners, nine of whom are political prisoners. If the US publicly signaled its appreciation for this gesture, Havana would be willing to begin discussions concerning the complete lifting of the embargo and the status of expropriated US property.

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Castro's record indicates that he would also want to discuss at this stage the return of the US naval base at Guantanamo Bay, as well as other outstanding issues, as a prelude to full commercial and diplomatic ties.

Castro's apparent willingness to negotiate without a full lifting of the US embargo may be the result of two factors.

--Cuba's economic prospects have deteriorated as a result of a decline in the world market price of sugar, which has plummeted to 13 cents a pound from a high of 65 cents last November. A decline in non-communist purchases of Cuban sugar may make as much as 1 million tons available for export to the US.

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FOR THE PRESIDENT ONLY

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--Castro thinks an election year will tie your hands. He probably reasons that if he can get negotiations started this year, things will have proceeded far enough by next spring to permit substantial trade without formal ties.

FOR THE PRESIDENT ONLY

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PORUGAL

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*The imbroglio over control of the
Portuguese Socialist Party's newspaper
República remains unresolved.* [redacted]

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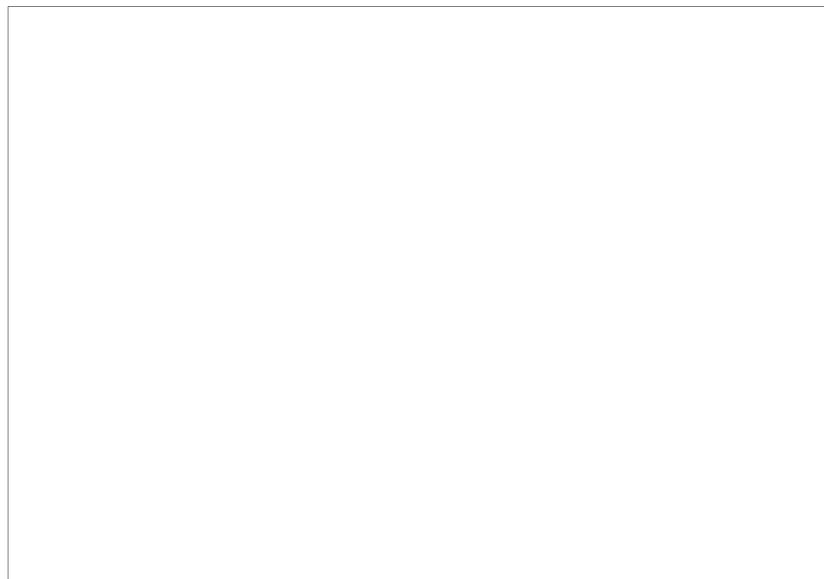
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*[redacted] the newspaper
plant remain closed for at least another
day because "conditions of work are not
guaranteed."*

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY



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SPAIN



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FOR THE PRESIDENT ONLY

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LEBANON

Syrian Foreign Minister Khaddam has arrived in Beirut to join the prolonged consultations on the formation of a Lebanese cabinet.

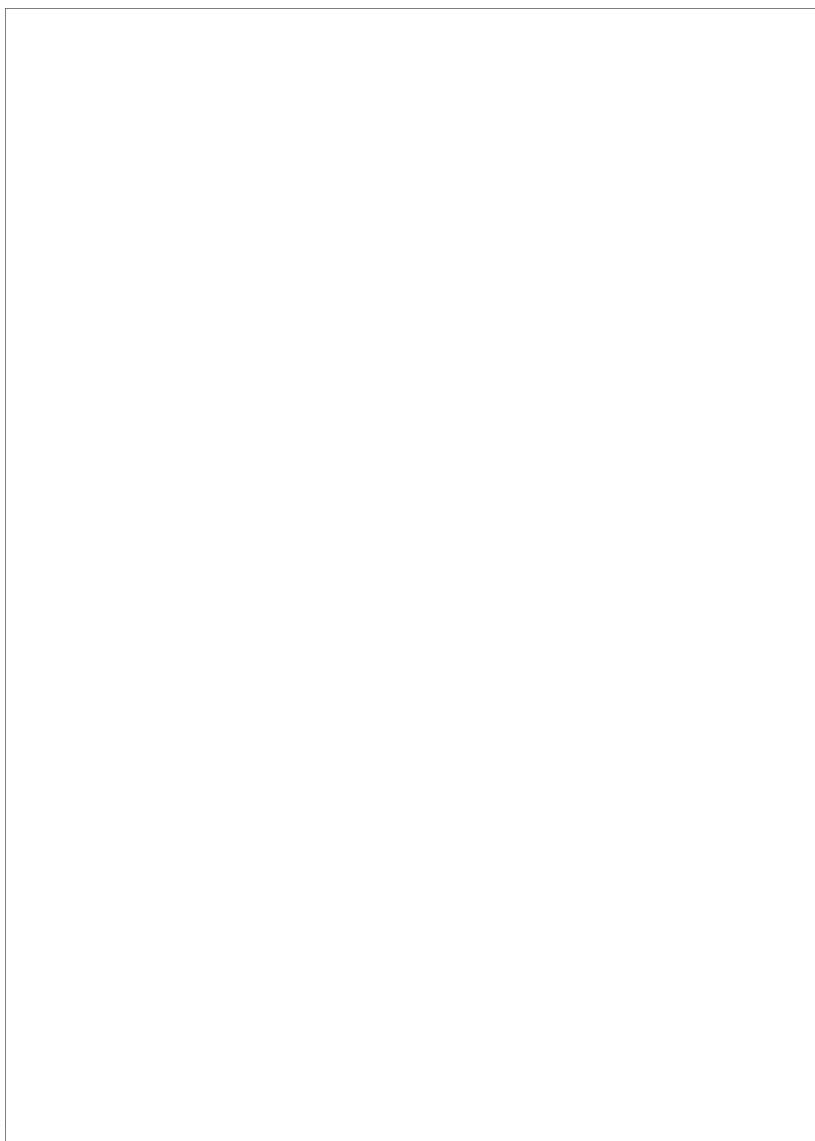
Khaddam is probably trying to support Lebanese Prime Minister-designate Karami. Syria is widely known to have pressed President Franjiyah to appoint Karami and would be embarrassed to see him fail. Khaddam presumably is pressing Franjiyah to get concessions from the right-wing Christian Phalangists. In return, he may be assuring the President that Syria is making an effort to rein in Lebanese socialist leader Kamal Jumblatt, who is now in Damascus for consultations.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS



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NOTES

The Turkish note delivered to the US embassy yesterday, stipulating a 30-day grace period during which the status of US bases will remain unchanged, made no reference to NATO.

A subsequent public statement by the Turkish foreign minister emphasized that whatever the ultimate decision on the arms embargo and US facilities, the Turks will try to avoid any serious repercussions in their relations with the US on other matters. Within a few hours after the foreign minister's statement, opposition leader Bulent Ecevit issued a press release criticizing the government's soft response to the arms embargo.

* * *

Portugal and Romania signed the first friendship treaty between a NATO and a Warsaw Pact country during the recent visit of President Costa Gomes to Bucharest.

The treaty stresses similarities between policies of the signatories and the nonaligned world. The two countries, each somewhat alienated within its own bloc, apparently find some solace in their new bilateral relationship.

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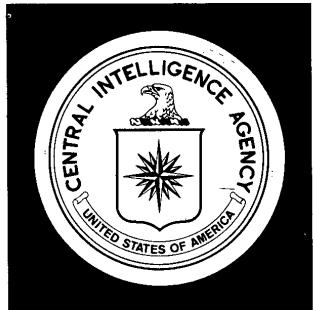
Chile

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Western Europe: The decision to buy the F-16 has revived European discussions on establishing common armament policies and promoting multinational projects. (Page 3)

India: Prime Minister Gandhi's survival in office depends on the Supreme Court's verdict on the appeal she reportedly will file on Friday. (Page 5)

Thailand: The tempo of insurgency has declined sharply over the past six months. (Page 6)

Notes: China-Cambodia; EC - Arab States; West Germany; USSR (Pages 7 and 8)

FOR THE PRESIDENT ONLY

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ZAIRE

Zaire yesterday declared Ambassador Hinton persona non grata. President Mobutu's motives remain a mystery.

The action followed several days of virulent anti-US propaganda in the government-controlled media, including an attack on Secretary Kissinger, and a speech yesterday by Mobutu to a large audience of pro-government demonstrators in Kinshasa. Mobutu indirectly charged the US with involvement in an attempted coup by Zairian military officers; several were recently arrested on what seem to be trumped-up charges.

The Zairian foreign minister, when informing the ambassador that he had to leave, said that Mobutu's evidence was based on a document, written by a Zairian officer on how to carry out a coup, and on the confessions of the plotters. The foreign minister also referred to US military cargo flights and the probability that they had carried in high-powered rifles allegedly supplied to the plotters.

Mobutu has had occasional fits of pique with the US, some real and some feigned, on a variety of issues, but never before has he gone to such an extreme. He is, however, not likely to break relations.

FOR THE PRESIDENT ONLY

PORUGAL

Tension rose a few more degrees yesterday, as troops were used to break up two demonstrations. The level of violence, the need to use troops, and the continuing trouble over the Socialist newspaper República will strengthen the argument of radical military officers who want to abolish political parties and close down the Constituent Assembly.

These officers have apparently been stalemated in discussions of these matters by the Revolutionary Council, which has now been meeting in secret for six straight days.

Last night, troops fired into the air to disperse some 2,000 supporters of the leftist workers who, earlier this month, took over the Catholic-owned radio station. The demonstrators attacked supporters of Catholic control of the radio station and trapped them inside the headquarters of the Portuguese Catholic Church. Portuguese Catholic bishops had earlier issued a statement demanding the reopening of the radio station and criticizing the Armed Forces Movement for "creating a climate of personal insecurity, intimidation, and anxiety about the future."

Earlier in the day, troops had dispersed a crowd of angry Socialists who had tried to storm the offices of their newspaper; security forces had allowed Communist printers to enter the building before Socialist editors arrived. República's editor was finally allowed to enter the building, where he began negotiating with the Communist printers. At the end of the workday, the printers surrendered the building to security forces, who said República would reopen this morning.

The Socialists have not explicitly repeated their threat to resign from the government if the newspaper is not returned to them, perhaps because they now fear the military will call their bluff. Socialist leader Mario Soares did say in an interview last night that the República affair had reached an "impasse that might lead to a serious political crisis." Soares expressed solidarity with the Catholic Church in its struggle to retain control of its radio station.

FOR THE PRESIDENT ONLY

WESTERN EUROPE

The decision to buy the F-16 has revived European discussions on establishing common armament policies and promoting multinational projects.

A central question facing the European armament industry is whether France, and to a lesser degree the UK, will decide to go it alone in world aircraft markets, seek closer cooperation with the US in the design and production of high-technology products, or join with their EC partners in long-range joint programs.

The EC Commission since 1970 has periodically taken up the problems of the European aerospace industry. Last month, the Commission presented a bleak report which concluded that unless the Nine moved quickly to adopt common policies, they would have to acquiesce to continued US dominance of the international market for aircraft. The EC Council will meet in October to discuss civil aviation problems. In the meantime, it is giving urgent attention to preparing recommendations on cost-cutting and streamlining of the industrial system.

The continued viability of the European aircraft industry depends on the ability of the Community to:

- Concentrate production in one or two aircraft construction combines.
- Secure the commitment of EC governments to coordinate military requirements for new aircraft types and concentrate civil aircraft production on the short- and medium-haul market.
- Develop specific types of aircraft on the "European" level.
- Buy only "European" production of certain types of aircraft over the long run.

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FOR THE PRESIDENT ONLY

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--Obtain a commitment by European airlines to undertake a long-term conversion to aircraft produced in Europe.

--Enhance the probability of sales to the non-European market.

The controversy over selecting the F-16 versus the Mirage comes at a time when the Nine are discussing aspects of defense policy. European arms procurement is taken up in a NATO forum--the Euro-group, in which France does not participate--and defense matters have scarcely been touched by the EC in the past. The Rome Treaty, in fact, explicitly excludes armament production and the arms trade from Common Market jurisdiction.

Nevertheless, there has been a tendency among Europeans recently to view production of military hardware in the EC context. Last month, for example, the EC Commissioner responsible for industrial matters suggested the creation of an ad hoc group that he felt could become a European agency for military purchases. The Dutch defense minister also argued last December for a "Europeanization" of the arms industry that would entail a revision of the treaty provision.

FOR THE PRESIDENT ONLY

INDIA

Prime Minister Gandhi's survival in office depends on the Supreme Court's verdict on the appeal she reportedly will file on Friday.

Mrs. Gandhi was convicted last week by a court in her home state of using government officials for campaign purposes. This is a relatively minor offense, but is tailor-made for the anti-corruption drive launched last year by a loose coalition of conservative opposition parties.

The Prime Minister, of course, hopes the Supreme Court will automatically extend the stay granted by the state court without prohibiting her from participating in parliamentary sessions. She has appeared determined to remain in office and received a vote of confidence yesterday from her ruling Congress Party.

Mrs. Gandhi might come to the conclusion, however, that stepping aside temporarily would be a politically wise move, if she can find a pliable stand-in and if she feels confident of a favorable ruling by the Supreme Court. Her resignation would undermine some of the opposition's arguments and could win public sympathy.

FOR THE PRESIDENT ONLY

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THAILAND

The tempo of the fighting between the government and the insurgents in Thailand has declined sharply over the past six months, according to an assessment by the US mission. Possible explanations for the slowdown are:

--A reduction in government counterinsurgency operations.

--The insurgents' intention to wait and see how the new political process affects them.

--A decision by the insurgents to concentrate their efforts on building their political base in the villages.

The dramatic decline in government casualty figures over the past nine months emphasizes the increased reluctance of the Thai army to engage insurgents in combat. The generals are reacting in part from anger over press and student charges that the army is guilty of having committed "atrocities" against innocent villagers some two years ago. The military also hope inactivity on the government side will force Prime Minister Khukrit to formulate a national counterinsurgency policy.

The insurgents, for their part, are not taking advantage of government passivity to raise the level of their military activities. They may be avoiding contact with government forces so that they can concentrate on improving their political base at the village level, where they appear to have suffered defections. [redacted] the boost in morale following communist victories in Indochina proved short-lived.

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There has been no indication, however, of a slowdown in external support. [redacted]
[redacted] recently recruited members of the Communist Party of Thailand will be sent to North Vietnam and China for training this year.
[redacted] limited numbers of North Vietnamese army advisers are being assigned to work with Thai insurgents near the Lao border in northeastern Thailand. Arms training for Thai insurgents [redacted] is [redacted] conducted in northern Laos.

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NOTES

China's role in Cambodia is continuing to grow.

In terms of personnel, in fact, the total Chinese presence may exceed that of the US mission at the height of the war. Intercepted Cambodian messages have reflected the involvement of Chinese advisers in nearly every facet of economic reconstruction, ranging from the repair of factories, roads, and airstrips to the initiation of pilot projects for growing cotton. Last month, the Cambodians broadcast a commentary lauding the Chinese and describing them as Cambodia's "most loyal and closest comrades in arms." Since then, however, none of the innumerable Cambodian descriptions of economic reconstruction has made even oblique reference to any outside assistance. The Chinese have given broad media coverage to postwar reconstruction in Cambodia, but have not yet publicly acknowledged their considerable participation in these activities.

* * *

The first meeting of the EC-Arab experts in Cairo last week apparently opens the way for economic cooperation in several broad areas.

The participants skirted the three topics of oil, Israel, and the Palestinians, which have impeded discussions for the past year and a half; they agreed to hold a second meeting in late July.

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[redacted] There is evidently no EC consensus as yet, however, on actually moving quickly.

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Willy Brandt, who is still chairman of the West German Social Democratic Party, will travel to the Soviet Union on July 2 for a week's visit with Soviet leaders.

Although his trip will be largely ceremonial,

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the agenda will be prospects for concluding the European security conference, Berlin, inter-German relations, bilateral cooperation in the energy field, and the dialogue between the European Community and the Soviet-dominated Council for Mutual Economic Assistance. Moscow's interest in seeing the former chancellor reflects the Soviets' long-standing desire to increase party-to-party contacts and to express their regard for Brandt, whom they regard as West Germany's chief proponent of detente.

* * *

Drought in parts of the USSR's spring grain area has reduced the estimate of this year's crop to 215 million metric tons, 5 million tons less than our earlier forecast.

At 215 million tons, however, the grain crop still would exceed estimated Soviet requirements of about 210 million tons. The Soviets may purchase about 5 million tons of grain for delivery in fiscal 1976 to cover shortfalls in corn for the livestock program and in high-quality milling wheat. The Soviets have not bought any grain so far this year, but deliveries continue under old contracts. We estimate that grain imports in fiscal 1975 will total 6.5 million tons.

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SYRIA

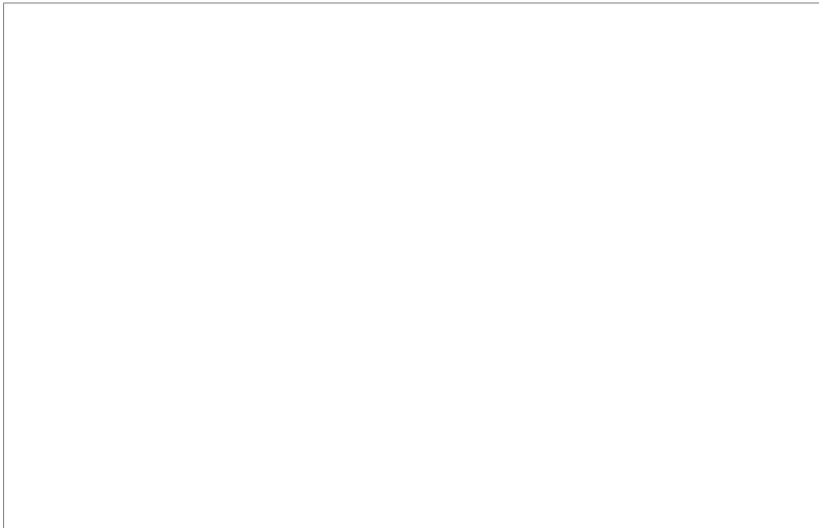


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CSCE

The EC foreign ministers will meet in Luxembourg on June 24 and will probably suggest that, if agreement can be reached on the remaining issues, July 28 would be a better date for the Helsinki summit meeting than the July 22 date that has been proposed by Brezhnev in letters to heads of the major Western countries.

In recent weeks, Soviet concessions have facilitated agreement on many issues. There is now a consensus that the present phase of the conference could be completed in time to permit a finale next month, but only if something can be worked out on such still unsettled issues as military-related confidence-building measures, follow-on meetings, quadripartite rights in Berlin and Germany, and Cypriot representation at the summit. This last question has been raised by Ankara's demands that the Turkish Cypriot community be represented in the Cypriot delegation and by Turkey's objections to the presence of Makarios at Helsinki.

In proposing a specific date for the summit, the Soviets are putting pressure on the West to conclude the CSCE before the August vacation period. The Finns have let it be known that they will need four weeks' advance notice to prepare for the meeting.

A postponement of the summit from July to some time in the fall would complicate Brezhnev's calendar, particularly his projected visit to the US. Moreover, the longer the conference goes on, the greater the chance that developments elsewhere--in Portugal, for example--could imperil a successful conclusion.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**PORUGAL**

The deliberations of the ruling Revolutionary Council over Portugal's future enter their seventh day amid growing signs of disunity within the Armed Forces Movement.

The Council issued a communiqué yesterday expressing its displeasure with attempts to encourage an "advance toward dictatorship of the proletariat with the support of armed militias." The statement said this course is incompatible with the "pluralist path already defined for the Portuguese revolution."

This is a direct rebuke to the extreme leftist organizations that have brought Portugal close to anarchy in recent weeks and a warning to the Communists. It suggests that moderate officers on the Revolutionary Council are becoming more assertive. The marathon session of the Revolutionary Council points to deep divisions at the highest levels of the Movement.

One member of the Movement [redacted] expects an attempt by [redacted] pro-communist officers to oust moderate members of the Revolutionary Council. The radical officers reportedly plan to call a meeting of the Armed Forces General Assembly within a week to propose changes in the membership of the Revolutionary Council. They will accuse moderates of preventing the Council from taking decisive action. Ousted members would then be replaced by pro-communists.

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ITALY

Communist chief Enrico Berlinguer

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is concerned about pressure in the party ranks for new moves on the national political scene and wants to keep firm control of the situation and avoid being pushed into hasty moves.

Berlinguer will be cautious, stressing, as he did during the campaign, that the party's main objective for now is to provide "good government" at the regional and local levels. Implicit in what he says is the idea that Communist participation in the national government is the only way of ensuring similar progress at that level.

The Communists have all of the other parties on the defensive. Even the Socialists, who registered moderate gains and almost certainly will be joining the Communists in more local governments, are worried about being overshadowed in these alliances.

The prospect of an increase in such local alliances is one of the reasons behind the haste of Christian Democratic leader Fanfani in proposing yesterday that the four-party, center-left coalition be revived immediately. He is trying to get the Socialists involved in negotiations before they have time to put together many local governments with the Communists.

Unless the Christian Democrats offer powerful incentives, the Socialists are likely to resist for the time being. In addition to being divided over post-election strategy, the Socialists do not want their option of joining the Communists at the local level to become part of the bargaining for a new national government.

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EGYPT-LIBYA-LEBANON

President Sadat [redacted]

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Sadat has made a point of not interfering in the affairs of other Arab countries in order to divorce himself completely from the interventionist image that Egypt acquired under Nasir. In Qadhafi's case, however, he seems to have come near the end of his patience. [redacted] the Egyptians would like to see Qadhafi replaced by Prime Minister Jallud, the second-ranking member of the ruling council.

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[redacted]

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* * *

The governor of Lebanon's central bank told Ambassador Godley in Beirut this week that Libya has transferred funds considerably in excess of its normal commercial and diplomatic needs into Lebanon during May and June.

Libya uses these funds to support a variety of leftist, Muslim, and radical fedayeen organizations in Lebanon. President Qadhafi would like to see a radical Muslim government installed in Beirut that would abandon Lebanon's policy of co-existence with Israel and would provide active support for the fedayeen.

The Libyan embassy has also bought outright at least four Beirut newspapers. Lebanese authorities are trying to close two of them for allegedly slandering Egyptian President Sadat.

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AZORES

The Portuguese military governor of the Azores again has ruled out independence for the islands, but implied that Lisbon is willing to make administrative and economic concessions to satisfy the disaffected Azoreans.

The military governor, speaking at an anti-independence demonstration, acknowledged that the Azores have serious problems and conceded that administrative autonomy is an urgent requirement. He ruled out independence as a solution for these problems, however, and denounced the separatists as wealthy landowners trying to protect their privileged status. Earlier, it seemed that the governor's position might be in danger because of his pro-Azorean sympathies. So far, there have been no reports of purges of pro-Azorean military officers, and the governor is said to have been given a vote of confidence in Lisbon.

Our consulate in the Azores reports that 9 of the 36 detained separatist leaders were released on June 17. [redacted]

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NOTES

Egypt has put more restrictions on Soviet naval access to its ports and territorial waters.

[redacted] the Egyptians are now requiring diplomatic clearance for Soviet warships to enter Alexandria [redacted] on two recent occasions the flagship of the Mediterranean squadron has been denied permission to enter the port. The Egyptians so far do not appear to have interfered with Soviet use of the repair facilities at Alexandria.

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Indian Prime Minister Gandhi's appeal of her recent conviction for campaign violations in 1971 will be submitted to the Indian Supreme Court on Monday instead of today.

Mrs. Gandhi's party and the opposition are planning major rallies in New Delhi this weekend.

* * *

Prime Minister Karamanlis' handpicked candidate, Constantine Tsatsos, was elected president of Greece yesterday by a parliamentary vote of 210 to 65.

Tsatsos is not expected to assume the prerogatives granted constitutionally to the chief of state; these will be exercised by Karamanlis as prime minister. Tsatsos was the principal architect of the new constitution and has been closely linked with Karamanlis during his long political career.

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Canada is insisting on stricter safeguards on nuclear technology and equipment than it has demanded heretofore in negotiations with Pakistan for a new accord covering cooperation on nuclear energy.

Pakistan has refused to accept Canada's new conditions, labeling them as "discriminatory." The Trudeau government is still smarting from the criticism it received for providing New Delhi with the reactor used to produce plutonium for India's first nuclear device. In negotiations with Pakistan, Canada is requiring tougher safeguards than those imposed on sales to India.

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South Korea: President Pak has ordered further measures to end political dissent and reinforce security precautions. (Page 3)

Notes: USSR-Libya; USSR; Greece-EC; Laos (Pages 4 and 5)

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TURKEY

The US embassy in Ankara believes the Turkish government has a phased plan for retaliatory action against US bases. The pace of implementation after July 17 would depend largely on how Ankara views US Congressional reaction. Turkish policy-makers believe the US Congress will not lift the arms embargo until convinced of the seriousness of Ankara's warnings.

Ankara's note appears to have stimulated rather than relieved popular pressure for retaliation. The parliamentary opposition and most of the press have so severely criticized the softness of the note that the government will probably be obliged to implement its terms strictly. The charge of being "soft on the US" may well be a central issue in the senatorial election campaign next fall.

Still working against abrupt retaliatory action is the awareness by Turkey's military leaders of Ankara's long-term dependence on the US as its principal source of arms. Some members of the Turkish national security council and the cabinet continue to argue against any irrevocable rupture of the Turkish-US military relationship.

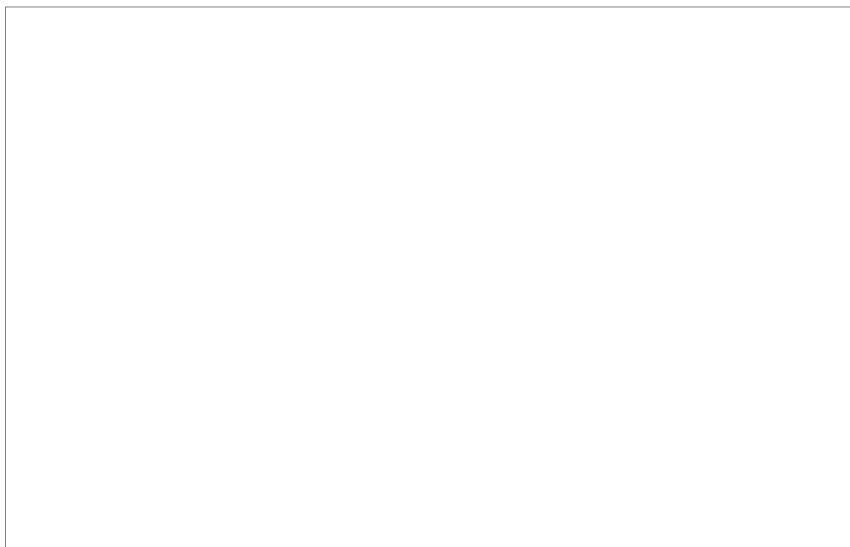
The continuation of Turkey's NATO ties remains a basic Turkish policy goal despite hints to the contrary by some political leaders. Ankara accordingly will distinguish between NATO-associated and purely US facilities in selecting the sites against which it will retaliate.

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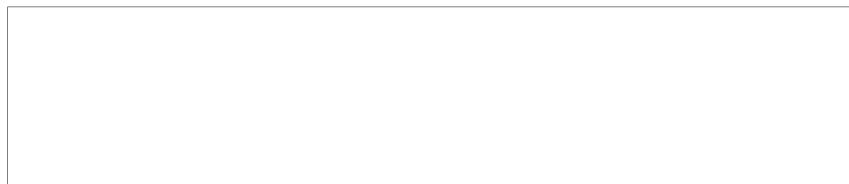
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Turkey's note of June 17 specifies that Ankara will regard US installations as provisional once negotiations begin and implies that US activities would be restricted. The Turks view this tactic as a way of continuing to exert pressure on Congress to lift the embargo.

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SOUTH KOREA

President Pak has followed up his emergency decree of last month with further measures to end political dissent and reinforce security precautions. The war scare in Seoul has eased as a result of the shift to a more moderate line in North Korea, the US response to the Mayaguez incident, and strong reassurances of US support. Pak remains uneasy, however, about North Korean intentions and about whether the US will provide the kind of military backing he wants in all contingencies.

The emergency decree in mid-May banned criticism of the constitution, prohibited all student political activity, and severely curbed the press. Since then the government has ordered:

- The organization of university students into quasi-military units.
- Tight censorship on entertainment media.
- Plans for a national civil defense corps that would bring virtually all males from age 17 to 50 under some direct form of military discipline.

The government is also soliciting businesses for contributions to the national defense fund, developing plans for additional reserve forces to be formed in the event of mobilization, and organizing large rallies proclaiming the country's readiness to defend "to the death" against any attack from the North.

Pak has taken the initiative almost completely from his traditional political opponents. As a result, they are reluctant to mount vigorous protests for fear of appearing unpatriotic as well as for fear of harsh government retaliation. Most of them are now publicly committed to Pak's militant anti-communism and express concern about Pyongyang's intentions.

The major opposition party leader, Kim Yong-sam, held a well-publicized meeting with Pak last month to underscore national unity against the North. Kim subsequently reaffirmed his demands for democratic reforms but did so in more moderate terms than he had used previously.

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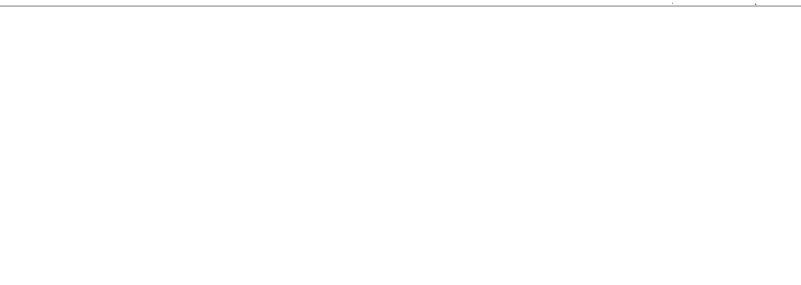
NOTES

The Soviet Union has assured the US that, in carrying out its nuclear deal with Libya, it will honor all aspects of the Non-Proliferation Treaty.

An official of the State Committee on Utilization of Atomic Energy told a US official during a conference in London that specific details of the agreement with Libya are still to be worked out. He promised that he would expedite the formal Soviet response to the US embassy's inquiry about the agreement.

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Greece's application for full membership in the European Community, submitted earlier this month, has evoked a mixed response.

France has been the readiest to welcome Greece. West Germany, aware that it would have to assume the major share of financial aid to Athens--as it has other Community expenses--would prefer to delay full Greek membership. Both the UK and West Germany are inclined to delay action because they believe Turkey and Greece should be treated evenhandedly. The Greeks themselves seem particularly interested in the contribution EC membership would make toward strengthening their ties with Western Europe and bolstering Greece's position in relation to Turkey.

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Lao Prime Minister Souvanna Phouma may resign soon as head of the coalition government.

[redacted] Souvanna intends to retire from politics. He may depart for Paris at the same time, probably by the middle of July. He is said to have informed coalition officials that his retirement is necessary to unite the country behind Souphanouvong, his half-brother and the Lao communist leader. The so-called "Red Prince" has long been considered Souvanna's political heir and he enjoys a national following second only to that of Souvanna.

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Israel: Prime Minister Rabin is firmly committed to a hard line on another interim agreement, according to a commentary in a leading Israeli newspaper. (Page 1)

Portugal: A broad policy statement issued by the Armed Forces Movement encourages "direct links" to the people that eventually could threaten the existence of political parties. (Page 2)

Angola: The weekend agreement by the three top nationalist leaders to ease tensions amounts to little more than an uncertain truce. (Page 4)

Note: Eritrea-Ethiopia (Page 5)

At Annex we discuss Narcotics: The Latin American Connection

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ISRAEL

A recent commentary in a leading Israeli newspaper depicts Prime Minister Rabin as firmly committed to a hard line on Israeli requirements for another interim agreement and determined not to give up the eastern ends of the Gidi and Mitla passes without a clear Egyptian commitment to non-belligerency.

The Prime Minister reportedly is convinced that the concession he offered on the Abu Rudays oil field during his Washington visit makes it impossible for Israel to be accused of intransigence and puts President Sadat under pressure to come up with an appropriate counter-concession.

The commentary says Rabin believes:

--The principle of mutuality of concessions must be preserved.

--Retention of part of the passes is necessary as long as there is any doubt of Cairo's intentions.

--He cannot reverse the position on the passes he took in March without destroying his credibility among members of his party and the opposition.

Regarding US-Israeli relations, Rabin is described as being in an excellent bargaining position because Egypt and the US are under the pressure of time to reach another interim agreement. Moreover, he believes Israel is sufficiently strong to survive without an interim agreement, if Tel Aviv's position is rejected by Egypt.

FOR THE PRESIDENT ONLY

PORUGAL

The broad policy statement issued over the weekend by the military rulers preserves the existing multiparty political system, but it also encourages the establishment of "direct links" between the Armed Forces Movement and the people. If such links are established, they could pose a threat to the existence of Portugal's political parties.

The long-awaited document reassessing Portugal's revolutionary course states that the country will go through several phases before it reaches its final objective--a classless society. The document notes, however, that during the current transitional phase, political parties will play a valuable role. This statement should set aside--at least temporarily--attempts by radicals within the Movement to abolish all parties.

The Revolutionary Council's communiqué says it will support the establishment of political links with all grassroots organizations whose objectives correspond to those of the Movement. It characterized such organizations as the "embryo of an experimental system of direct democracy." The statement implies that once these organizations are working properly political parties will be unnecessary. The statement emphasizes, however, that armed civilian organizations will not be tolerated and repudiates the establishment of socialism in a violent or dictatorial way.

A large part of the communiqué is devoted to the country's "grave" economic condition. It admits that if the present trend continues the country's foreign exchange reserves will be "practically exhausted" by the end of the year. It calls upon the cabinet to put aside differences and develop an economic strategy by the end of July to reverse the decline in production and rise in unemployment. In a scarcely veiled warning, the Council refers to these discussions as an "in-depth test of the coalition's viability."

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The Movement also announced that it will exert greater control of the nation's media and take over at least one newspaper to ensure accurate coverage of the Movement's policies.

Specific issues such as the Republica affair, the election of trade union officials, and agrarian reform were not addressed, but the Revolutionary Council is expected to resume debate on these matters this week.

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ANGOLA

The agreement to ease tensions that was reached over the weekend by the three top nationalist leaders amounts to little more than an uncertain truce. Holden Roberto, Agostinho Neto, and Jonas Savimbi met almost continuously last week in Kenya to hammer it out.

The measures agreed upon to end the fighting merely restate past agreements that have failed. The key to any effective implementation will depend on whether Neto's Popular Movement for the Liberation of Angola and Roberto's National Front for the Liberation of Angola will refrain from further attacks on each other.

The recent fighting, however, has left Neto's group with certain advantages over the National Front that could spark Roberto into further action. The Popular Movement, for example, now has the upper hand in several areas north of Luanda, which severely limits the National Front's access to the capital city.

The three leaders committed themselves to make the transitional government more effective. The government that was set up by an agreement with the Portuguese in January has proved unworkable, but the new agreement seems unlikely to make the government any more effective than before in maintaining order.

Neto, Savimbi, and Roberto apparently will go ahead and try to hold national elections in October for a constituent assembly that will select a head of government to assume office on the November 11 independence day. Whether the elections can be held is questionable. New violence is likely to accompany the campaign in the countryside, particularly in those areas where no faction predominates.

In effect, the agreement merely postpones an eventual confrontation between Roberto and Neto. All three leaders seem to acknowledge this, however, by agreeing to meet again in November to arrange for the transfer of power if the October election fails to take place.

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NOTE

Eritrean rebels on Saturday staged a one-hour attack on selected Ethiopian targets in Asmara.

This incident may mark the beginning of increased activities by the insurgents, who have been lying low for more than two months.

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ANNEX

NARCOTICS: THE LATIN AMERICAN CONNECTION

During the past few years, governments in Latin America and the Caribbean have increased their efforts to control the flow of illicit narcotics. These governments have been made aware and concerned, mainly by the US, that their countries play significant roles in the drug abuse problem in this country. Still, the production and smuggling of heroin and cocaine from the area continues to flourish. There are no accurate statistics available, but the Latin American connection almost certainly accounts for the largest amount of illicit narcotics now entering the US.

The key trouble spots are Mexico, Colombia, Ecuador, Peru, and Bolivia. Mexico is the major source of heroin. Colombia and Ecuador are the key cocaine processing and trafficking countries. Peru and Bolivia are the world's largest producers of coca, the plant from which cocaine is derived.

Drug traffickers in the area have increased their operations in the past few years mainly in response to three developments: tighter enforcement controls on heroin trafficking in Western Europe, the 1971 ban on opium production in Turkey, and a rise in the use of cocaine in the US.

Mexico has supplanted Turkey as the major source of the heroin consumed in the US. Roughly 60 to 70 percent of the heroin seized in the US in the last year was either produced in or shipped through Mexico. The European - Latin American connection is used to exchange South American cocaine for heroin refined in Europe, though apparently this traffic has lessened in recent years because of the stricter measures in Europe. Opium poppy fields have been found in Ecuador, Peru, and Colombia, but they apparently are not widespread nor are these countries large producers of heroin.

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The trafficking of cocaine from Bolivia, Peru, Colombia, or Ecuador has increased dramatically. US seizures of cocaine--almost all of it from these countries--have increased 700 percent since 1969.

Marijuana and its derivatives, mainly from Mexico, Jamaica, and Colombia, but prevalent in many other countries, are smuggled in huge quantities throughout the hemisphere.

Some Headway

Many governments in Latin America and the Caribbean have made some headway in fighting the problem. In some cases, they have formed narcotics police units, launched large eradication and interdiction campaigns with some success, and toughened drug laws.

Eventually, progress will probably be realized in the more advanced and politically sophisticated countries. Leaders of Mexico, Brazil, Venezuela, and Argentina are intent on taking further steps to control the situation. Their sense of urgency will probably increase as drug abuse spreads among their own populations.

Progress in other countries will vary widely. Traffickers will continue to shift their operations to those countries where law enforcement and government resources are weakest.

Stemming the flow of heroin is a more likely possibility in the longer term since it is recognized as the most harmful narcotic, and growing the opium poppy plant is illegal in all Latin American countries. Cocaine traffic will be more difficult to deter since the coca leaf has been used by Indians in the high plains of the Andes for centuries.

Even should inroads be made on the many problems, controlling the flow of narcotics into the US will be a slow and difficult process as long as demand remains close to present levels and trafficking in narcotics remains so extraordinarily profitable.

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Why It Is So Easy?

Smuggling is endemic throughout Latin America. Enormous quantities of contraband goods--whiskey, cigarettes, TV sets, guns, and precious gems--are easily transported from one country to another. Sometimes such items move across three or more borders before they reach their destination. Under such circumstances, illicit drug trafficking is attractive and relatively easy. Because smuggling and contraband are fairly commonplace, it is difficult to arouse the public and the authorities against such trafficking when it involves drugs.

Corruption is widespread. In many countries it is almost a way of life; without payoffs and bribes many of the everyday government functions, from issuing auto permits to export licenses, could not be accomplished. Profits from drug trafficking are so great that it is worthwhile to bribe low-ranking police and government officials to look the other way. Often the very officials who are responsible for suppressing smuggling are themselves deeply involved. Influential families and community leaders in many countries also participate.

The geography of many Latin American countries is ideal for drug production and smuggling operations. The long borders, difficult terrain, rivers, hidden bays and inlets, and myriad airstrips enable the narcotics trafficker to choose among routes and methods.

Most governments do not have enough equipment, money, and trained personnel to cope with the problem. The US has supplied training and large amounts of equipment--aircraft, vehicles, and communications, but virtually all the countries still do not have enough equipment or expertise to make major progress toward stopping production and trafficking. They are still incapable of carrying out an effective enforcement program without continued US technical support and participation.

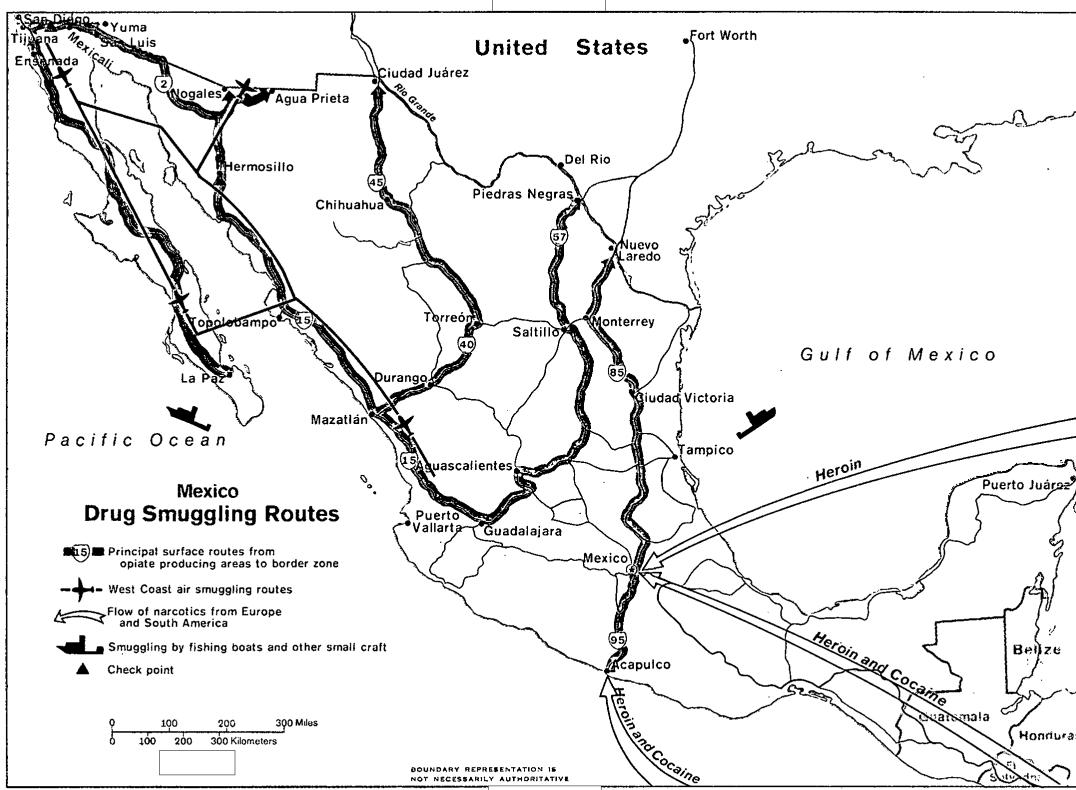
Law enforcement against narcotics violators is weak in many countries. Police forces are generally inexperienced in drug matters, and most governments do not have a central agency for handling drug violations. Rivalries and jealousies among bureaucrats dealing with narcotics hinder progress. Coordination and exchange of intelligence is many times sorely lacking.

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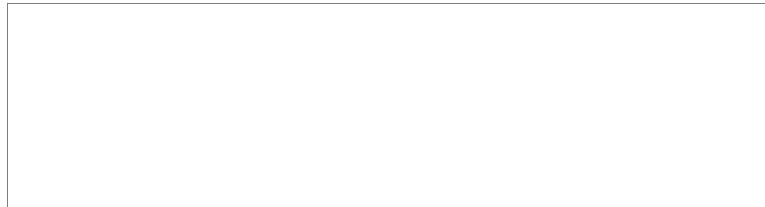
Well-entrenched, well-organized, and well-financed criminals run the international trafficking networks. In many areas they operate with near impunity. They have shown considerable flexibility in shifting their operations to countries where law enforcement is weakest.

Judicial systems in many countries are weak and many times slow to act on narcotics offenses. Lenient sentencing of drug dealers is common. Extradition treaties with some Latin American nations do not cover narcotics.

Regional programs, regional cooperation, and a complete and honest exchange of information among the Latin nations on narcotics matters are generally lacking. One of the few regional meetings in recent years, a conclave of representatives from six South American nations, is scheduled for this summer in Bolivia. Another, sponsored by the Brazilian Federal Police, is planned for Brasilia in the fall.

The Traffickers' Routes

Heroin from Mexico and Europe and cocaine from South America find their way into the US over a vast variety of routes. The techniques used by traffickers are limited only by their imagination.



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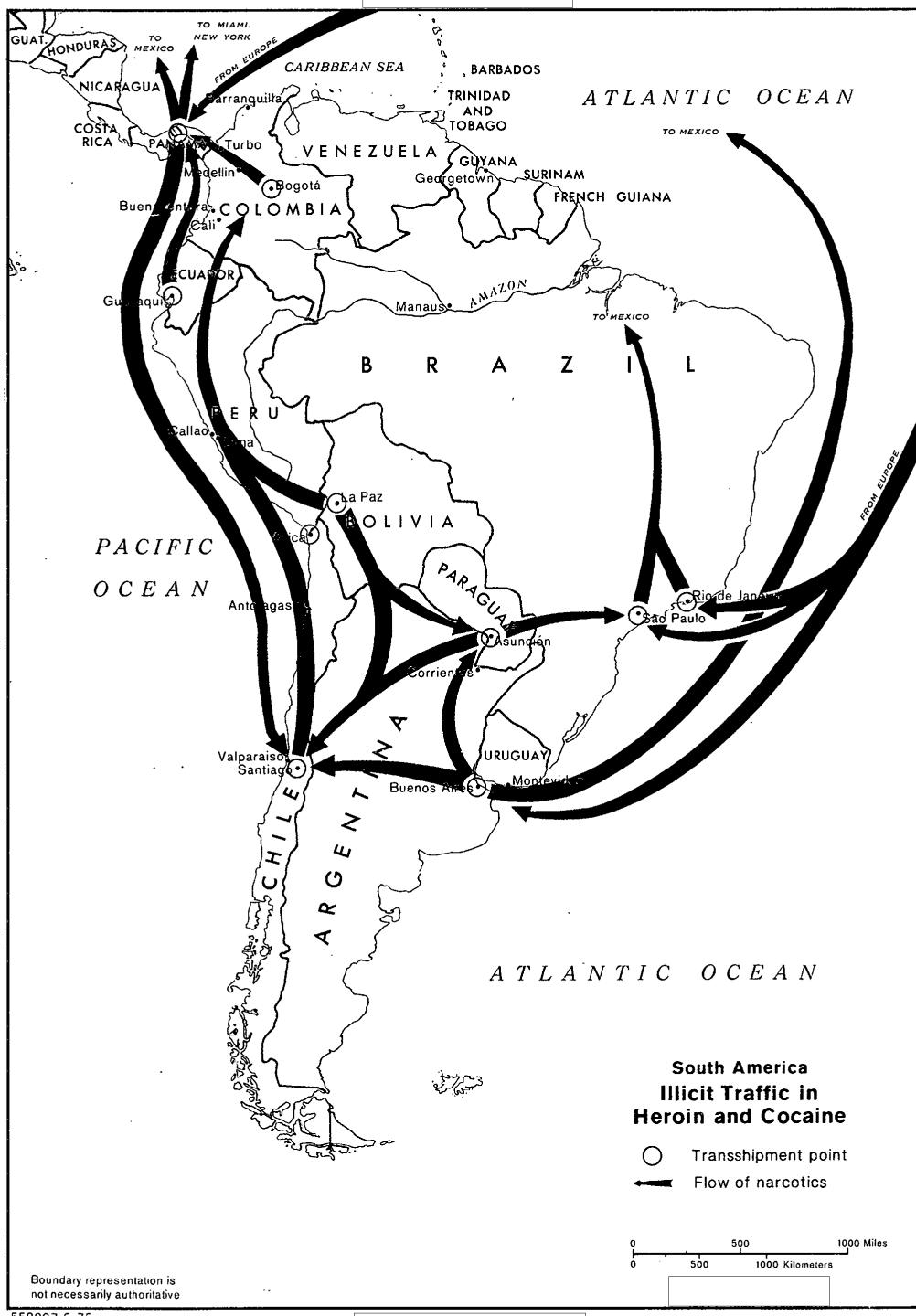
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In Central and South America, practically all of the major cities have served as stopping-off points for narcotics destined for the US. The main ports of entry for European heroin are Buenos Aires, Rio de Janeiro, Sao Paulo, Montevideo, and Asuncion.

Heroin smuggled into Buenos Aires, for example, may travel by river to Paraguay, where it is loaded aboard private aircraft and flown to Brazil. In Brazil it may be shipped directly to the US by sea or commercial aircraft or be diverted to Colombia, Ecuador, or Panama via Santiago, Chile. Cocaine from Peru or Bolivia is frequently funneled directly to the US through Santiago, Valparaiso, and Arica, Chile; La Paz, Bolivia; Lima and Callao, Peru; Guayaquil, Ecuador; and Cali, Bogota, Turbo, and Barranquilla, Colombia. Large amounts go through Panama, Central America, and Mexico. Large shipments go by sea or air; smaller quantities are carried by couriers, many of them Colombians, who account for the greatest part of the traffic.

Many islands of the Caribbean also play important roles in the illicit traffic. Aruba and Curaçao, in the Netherlands Antilles off the coast of Venezuela, are active transshipment points for European heroin, much of it originating in the Dutch ports of Rotterdam and Amsterdam. The islands may also be a way station for South American cocaine on its way to Miami and New York.

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Top Secret



The President's Daily Brief

June 24, 1975

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FOR THE PRESIDENT ONLY

June 24, 1975

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World Sugar: Depressed demand and prospects for a record harvest next year have caused a drastic drop in world sugar prices. (Page 3)

Nationalist China: Premier Chiang Ching-kuo has instructed Taiwan's defense and scientific establishments to move ahead in developing a broad range of weapons. (Page 4)

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FOR THE PRESIDENT ONLY

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PORUGAL

The Socialist Party moved quickly to take advantage of the moderate tone of the communiqué released Saturday by the Armed Forces Movement. Several thousand Socialists and other non-communists marched through the streets of Lisbon and Oporto last night in support of the Revolutionary Council and its affirmation of political party activity. The crowd dispersed peacefully after a conciliatory talk by President Costa Gomes, who called for unity to overcome the country's problems.

Sharp ideological splits within the Revolutionary Council and the Movement have not been resolved by the Council's compromise statement. Last night's show of strength by moderate civilian forces is presumably intended to encourage moderates in the military and help head off further attempts to eclipse them by radical officers in coming sessions of the Armed Forces General Assembly.

The Socialists probably also wanted to show that they too could mobilize the populace behind the Armed Forces Movement. Since the dispute over the Socialist newspaper República began, the Communists have monopolized mass activity. The Communist Party ordered its supporters not to participate in the rally "in any way."

The promotion of General Otelo de Carvalho from deputy head of the internal security forces to commander reportedly was announced a short time before the rally began. President Costa Gomes, who formerly held the position, retains ultimate responsibility for security in his capacity as armed forces chief of staff. Carvalho, however, has exercised a free hand with the security troops as deputy commander, and his promotion represents official recognition of this fact. It may also have been intended to repudiate rumors that he would soon be removed.

FOR THE PRESIDENT ONLY

NUCLEAR SAFEGUARDS

Representatives of seven major exporters of nuclear equipment and technology--Canada, France, Japan, the UK, US, USSR, and West Germany--met for two days last week in London to continue discussions on the imposition of stricter safeguards on exports to non-nuclear countries.

When the meeting was over, the participants had still not agreed on:

--A proposal to gain more extensive safeguards through greater use of the leverage individual supplier states already have. This is a major issue, for example, in the recent nuclear deal between West Germany and Brazil.

--A suggested mandatory provision that any export of a reprocessing plant be of a multinational character. This provision would give added assurance that the supplier state would remain involved in the management of the plant and perhaps prevent the location of nuclear facilities in possibly insecure areas such as Taiwan or South Korea.

France is the major obstacle to consensus on both these requirements. The French, although willing to impose safeguards on their own exports, will not try to force recipients to accept blanket safeguards on all their facilities. In objecting to a multinational form for all reprocessing plants, the French argue that bilateral agreements in some instances would afford a better opportunity for continuing supervision and effective control by a supplier.

The next such talks on the subject are scheduled for September, though informal bilateral discussion on safeguards will continue among the suppliers during the summer.

FOR THE PRESIDENT ONLY

WORLD SUGAR

Depressed demand and prospects for a record harvest next year have caused world sugar prices to drop to 12 cents a pound at Caribbean ports--80 percent below the record price of last November and the lowest since December 1973.

Consumer resistance to high prices and increasing use of sugar substitutes have turned an expected world shortage this year into a surplus. The decline in sugar consumption has been particularly sharp in industrial countries like the US, which normally accounts for about a third of the purchases on the world market.

Expanded plantings and the return of normal weather in most of the major producing countries are expected to boost world production in the crop year beginning September 1. Production probably will reach 81.5 million tons, about 6 percent above the current crop year.

Most of the increase will occur in the USSR, Europe, and the US. Higher production in the USSR and the EC will enable them to discontinue buying sugar on the world market. Their purchases were a major factor in the 1974 price rise. Gains in output are also anticipated in Brazil and Australia, but drought seems likely to prevent increases in Cuba and the rest of the Caribbean.

Consumption will probably rise less than production during the coming year, and stocks will grow substantially for the first time since 1971. Despite lower current prices for raw sugar, demand will remain slack for some months until high priced inventories are sold. In some large consuming countries, demand may remain permanently affected by the increased use of sugar substitutes. The prospect of excess sugar probably will keep world prices around 10 cents a pound for the rest of 1975.

FOR THE PRESIDENT ONLY

NATIONALIST CHINA

Premier Chiang Ching-kuo recently instructed Taiwan's defense and scientific establishments to move ahead vigorously to develop a broad range of weapons, including missiles, nuclear weapons, and chemical warfare agents.

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Chiang's remarks on missile development and chemical warfare agents as well as nuclear weapons reflect Taiwan's current drive to modernize its armed forces and to attain a degree of self-sufficiency in production of advanced armaments. Taipei is clearly looking to a time when overwhelming military pressure from a numerically superior force could be parried only by an array of sophisticated weapons. Since Taipei cannot rely on the US for modern weapons over the longer term, it is developing its own advanced armaments industry and is attempting to expand contacts [redacted] elsewhere. Possession of nuclear weapons is viewed as a necessary deterrent to a communist invasion [redacted]

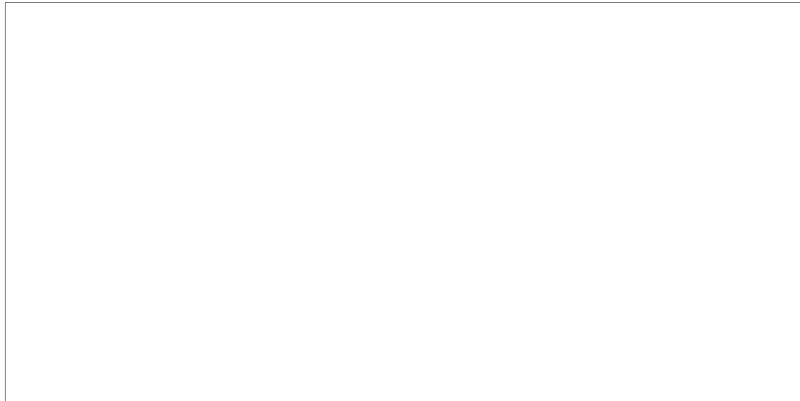
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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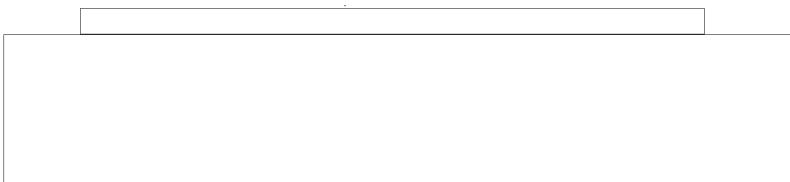
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President Siad has lavished praise on the Soviet Union during the past week for its assistance to Somalia.

Siad's touting of the relationship follows a short period during which he played down his ties with Moscow while he sought to burnish his Arab credentials preparatory to the now-postponed Arab summit meeting in Mogadiscio. Siad's pro-Soviet publicity was prompted by the announcement on June 18 of a \$60-million Soviet economic assistance package, part of which will be used to combat the effects of the drought that has afflicted Somalia along with other countries of sub-Saharan Africa. The new Soviet aid package will probably not satisfy those Somalis for whom criticism of the Soviet relief effort has been a convenient way of showing displeasure at the substantial Soviet role in the country.

* * *

Thai Prime Minister Khukrit, rather than Foreign Minister Chatchai, will head the delegation to Peking on June 30 to open diplomatic relations with the Chinese.



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The President's Daily Brief

June 25, 1975

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FOR THE PRESIDENT ONLY

June 25, 1975

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Portugal: The Revolutionary Council's debate on basic policy last week may have been a bitter one. (Page 1) 25X1

Turkey: [redacted] 25X1

Egypt-Israel: [redacted] 25X1
[redacted] 25X1

India: Prime Minister Gandhi's political position has been further damaged by yesterday's ruling by a Supreme Court justice. (Page 4)

Vietnam: Thirty countries have now announced recognition of the Provisional Revolutionary Government, but so far none have been allowed to establish diplomatic representation in Saigon. (Page 5)

Notes: MBFR; USSR; Cambodia; International Energy Agency; Romania-US (Pages 7 and 8)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The Revolutionary Council's debate on basic policy last week may have been a bitter one.

Rumors of sharp splits within the Council have been circulating in the city. An unconfirmed report from one of our embassy's sources indicates that Prime Minister Goncalves offered his resignation because he opposed the moderate tone of the statement. His resignation has not been announced, this story goes, because Foreign Minister Antunes, a respected moderate, refused to take the job and Goncalves then agreed to stay on for the time being.

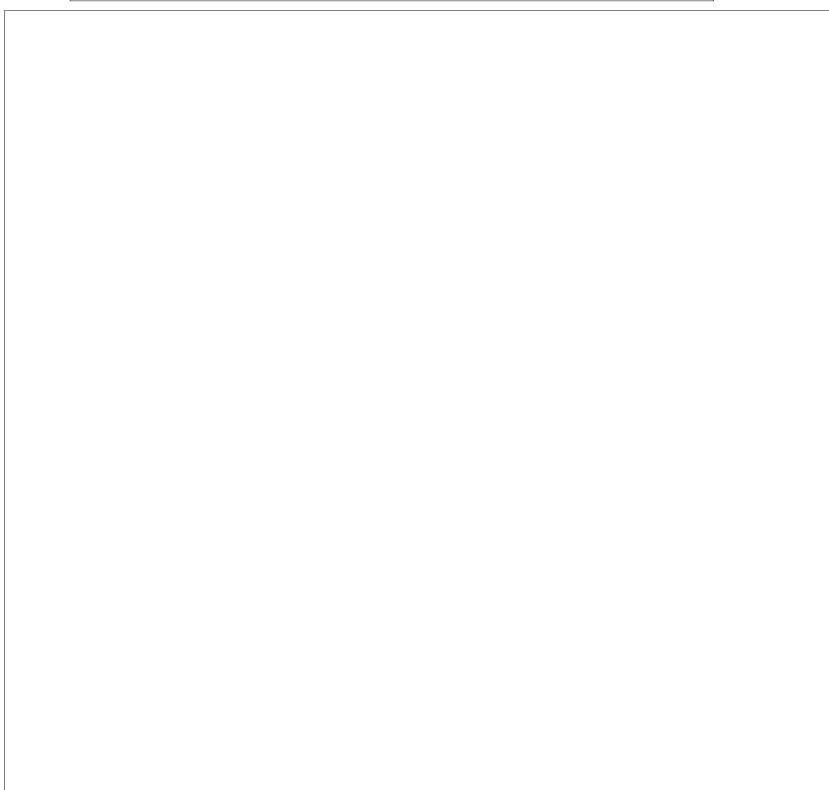
Moderate political parties in Portugal are encouraged by the turn of events and hope that the developing momentum will have an impact on Council decisions affecting the Socialist newspaper *República* and the Catholic radio station. There have been no new developments in these disputes, but the Socialists are using the time to develop political support, and the Vatican has expressed its support for the church.

Socialist and Catholic leaders have some reason to hope that foreign pressures will influence Council members in their deliberations to resolve the two cases. There are good indications that the moderates' arguments have been strengthened considerably by West European offers of economic assistance to Portugal that are linked to Lisbon's adoption of a pluralistic political approach. A major portion of the Council's communiqué dealt with Portugal's serious economic problems, and Armed Forces Movement members increasingly appear to be aware that Western Europe offers the best hope for substantial assistance.

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TURKEY

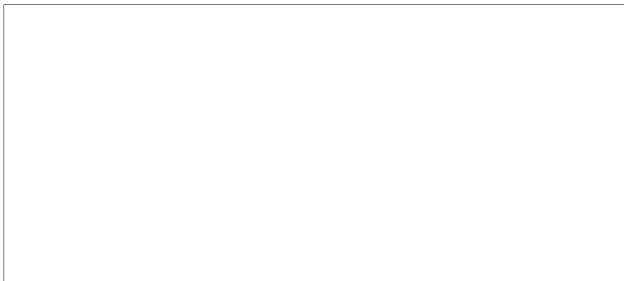
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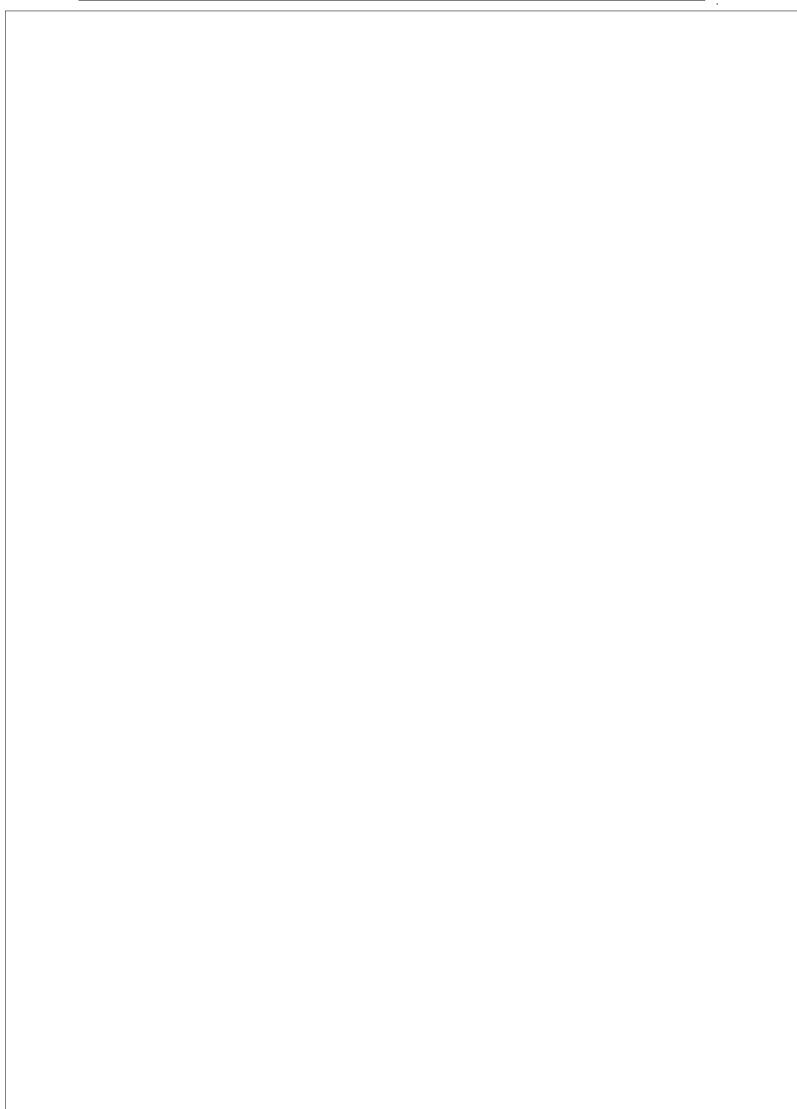
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EGYPT-ISRAEL



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INDIA

Prime Minister Gandhi's political position has been further damaged by the ruling of a Supreme Court justice yesterday.

The decision allowing her to stay on as head of government and engage in parliamentary debate in that capacity but denying her a parliamentary vote is academic as long as parliament remains in recess. Moreover, Mrs. Gandhi could postpone reconvening parliament until November when the maximum six-month span between sessions expires. If she does not call the usual summer session in mid-July, however, she will come under attack from opposition parties and probably will face mass demonstrations and a civil disobedience campaign.

The Supreme Court will begin deliberating on Mrs. Gandhi's case after it convenes on July 14. If the court confines itself to reviewing only the points of law involved in the lower court decision, a verdict should be issued by the end of August. If, however, the court undertakes a review of the facts of the case, as well as the point of law, a decision may not be handed down for several months. In this case, Mrs. Gandhi may be pressed by her own Congress Party to step down in favor of an interim prime minister.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**VIETNAM**

Thirty countries, the UK being the latest, have now announced recognition of the Provisional Revolutionary Government. In addition, some governments that had official ties with the Thieu regime maintain that no interruption in formal relations has occurred. Whatever the procedure for recognition, none of the countries--including Vietnam's staunchest supporters during the war years--has been allowed to establish an embassy or any sort of diplomatic representation in Saigon. Rumors are now circulating in Saigon and Hanoi, however, that the communists may permit a limited diplomatic presence in the South as early as next month.

[redacted] representatives of several countries have discussed with communist officials the practical problems of arranging a diplomatic presence in Saigon. The communists [redacted] have indicated that the missions should be small and headed by a chargé d'affaires. The implication is that following reunification, these missions would become consulates.

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We continue to pick up signs that Hanoi and the Saigon administration will seek separate admission to the UN this fall. The two communist regimes probably hope that, among other benefits of membership, they would be allowed to assume positions held by the Thieu government in various UN specialized agencies and other international organizations such as the World Bank and the Asian Development Bank.

The consideration of a limited diplomatic presence in Saigon and dual representation at the UN points up the question of the pace at which the communists intend to proceed in reunifying the two Vietnams. An unidentified "high ranking" source in Saigon, quoted in a recent French press interview, stated that the process would be completed by the end of 1976 "at the latest" and might be accomplished sooner. He also said that Hanoi would be the country's political capital with Saigon serving as the "economic capital," a distinction that has appeared previously in the communist media.

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FOR THE PRESIDENT ONLY

The timing of a decision permitting foreign diplomatic representation in the South may be linked to the communists' evaluation of the progress being made toward maintaining order and providing food, jobs and homes for the large numbers of persons displaced during the war. Arrangements to allow foreign diplomats to reside in the country could also point toward an early transition to civilian administration in the South, replacing the current military committees, headed by northern generals, that are now administering Saigon and other large urban areas.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

The Soviet Union has modified its stand on one of the issues that has stalemated the MBFR talks in Vienna.

At an informal meeting last week, the chief Soviet delegate offered to enter a discussion of "definitions" of what should be included under ground and air forces. The delegate stated that these definitions should cover personnel and armaments in terms of "elements of structure" such as "units" or "divisions." The Soviets still oppose the discussion of actual numbers of troops or types of equipment. The Soviets' move apparently constitutes their promised initiative for this negotiating round.

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[redacted]

Soviets [redacted]
[redacted]
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At least some Cambodians who voluntarily returned home last month after attending military training courses in Thailand either have been or will be executed.

In response to a query as to what should be done with the returned trainees, over 300 in number, the Khmer Communist Party Central Committee stated in an intercepted message that some of "those who went to study in Thailand" were needed "to increase productivity." The intercept continued that "those who are not good or who pose a risk must be eliminated quietly." Other messages show that during the past two months, communist units along the Thai border have summarily executed Cambodians trying to flee into Thailand.

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FOR THE PRESIDENT ONLY

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The International Energy Agency's Governing Board meets next week in Paris to consider a plan for long-term cooperation among importers toward the development of alternate sources of energy.

The plan includes a US proposal for a "minimum safeguard price" intended to prevent oil exporters from undercutting importers' efforts to develop other energy sources. The IEA members agreed in principle last March that the development of energy sources other than oil would require a method to safeguard investments in these sources, but since then they have made little progress toward implementing the decision. The prospects for an agreement at next week's meeting are slim. Japan and Italy oppose an early accord; France--which is not a member of the IEA--is opposed to any aspect of the minimum price scheme.

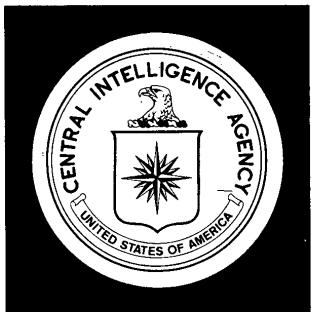
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Romania is trying hard to convince the US that its policy on Jewish emigration warrants passage of legislation granting it most-favored-nation status.

The titular leader of Romania's Jewish community, Rabbi Rosen, recently told US diplomats that he is under heavy pressure from the regime to "find" Jews willing to leave the country. Rosen quoted Ceausescu's adviser on security affairs as saying, "Give me 10,000 names, and I guarantee 9,000 passports." He accordingly issued instructions to all Jewish communities on June 20 to collect in three days the names of all Jews who want to leave. Rosen claims, however, that only a small portion of Romania's estimated 60,000 Jews want to depart. Whether or not this spate of activity will lead to an actual increase in the number of Jewish emigrants, Bucharest wants to convey the impression that it is doing its best.

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FOR THE PRESIDENT ONLY

June 26, 1975

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India: The government this morning declared a state of emergency and arrested scores of opposition politicians. (Page 1)

Oil: OPEC's production decline appears to have bottomed out; some OPEC ministers are having second thoughts about abandoning the dollar as the unit of account. (Page 2)

Chile: President Pinochet is holding to a tough line against resumption of any normal political activity. (Page 3)

Notes: European Security Conference; USSR-Syria; USSR; Peru (Pages 4 and 5)

Annex: At annex, we discuss growth prospects for the rest of 1975 in the six major Western economies.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDIA

Prime Minister Gandhi's government, invoking the country's national security act, early this morning declared a state of emergency and arrested scores of opposition politicians. The severity of the crackdown is unprecedented in recent years.

Among those arrested are J. P. Narayan, Prime Minister Gandhi's foremost critic and leader of the opposition; Raj Naraian, whose suit against Mrs. Gandhi resulted in her recent conviction on charges of corrupt election practices; and Morarji Desai, a former deputy prime minister who broke with the Ruling Congress Party in 1969.

Press accounts indicate that the arrests number over 100 and include communist as well as non-communist politicians and at least one newspaper editor. The arrests reportedly were made in several areas of the country.

The opposition began demanding Mrs. Gandhi's immediate resignation following the Supreme Court justice's ruling on Tuesday that she could remain in office, pending a decision of the full court on an appeal of her conviction. Narayan and Desai participated in a rally calling for her resignation only hours before their arrest. Opposition leaders had been planning a nationwide protest campaign to begin this weekend.

FOR THE PRESIDENT ONLY

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OIL

The decline in production by the members of the Organization of Petroleum Exporting Countries appears to have bottomed out. Demand for oil probably is now running a little above OPEC's production of 26 million barrels a day. The difference is being covered from company stocks.

We believe that production will continue at the current level for the next month or two and then rise sharply to meet the seasonal upswing in consumption. If temperatures are normal, consumption of the non-communist states will be about 6 million barrels a day higher in the fourth quarter than in the second quarter for seasonal reasons alone. As usual, about half of the increase probably will be met from stocks. OPEC production and exports are likely to rise by 3 million barrels a day by the fourth quarter to help meet seasonal needs. OPEC production should rise still more when economic activity in major developed countries begins to turn up.

The coming surge in oil demand will have an important psychological impact on OPEC countries, since it should be under way by the time they meet to decide on a price increase. At OPEC meetings over the past year, members' price expectations have been tempered by the slump in oil demand arising from the recession in developed countries; a growing market could inflate their price demands.

* * *

OPEC members may now be backtracking on their recent decision to adopt the International Monetary Fund's special drawing rights as the unit of account for oil pricing, starting in the fourth quarter of 1975. Iranian Oil Minister Amouzegar, one of the original proponents of the scheme, has indicated misgivings, because a strengthening of the dollar could result in a revenue loss. He stated, however, that Tehran will not oppose a switch to the new pricing system. Kuwaiti officials have expressed similar reservations about pricing oil in terms of special drawing rights. They, and perhaps the Algerians, probably would prefer to peg oil prices to a group of strong European currencies.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHILE

President Pinochet is holding to a tough line against resumption of any normal political activity. His latest speech indicates that the junta will brook no criticism or opposition from any quarter.

Pinochet has said publicly that there will be no election and warned that defiance of the ban on political activity will lead the government to abolish the surviving political parties.

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Pinochet's main target is former president Frei and the Christian Democratic Party. Frei irritated the government last month by criticizing its economic program.

The sensitivity of government leaders to criticism of their economic measures betrays their fear that problems will worsen as winter intensifies peoples' hardships.

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NOTES

The EC foreign ministers on Tuesday responded with a very qualified "yes" to Soviet party leader Brezhnev's letter last week proposing a summit meeting in Helsinki on July 22 to conclude the European Security Conference.

The foreign ministers stated that it is "desirable and possible" to hold the summit at the end of July--if a number of outstanding issues can be resolved quickly. If there is to be a summit in July, the delegates in Geneva will be under pressure to resolve the outstanding issues within a few days, given the fact that the Finns have stated that they will require four weeks notice to complete preparations for the meeting.

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Soviet party secretary Ponomarev's week-long visit to Syria, which ended yesterday, may have been aimed at smoothing over differences between the two countries.

The Syrians [redacted]

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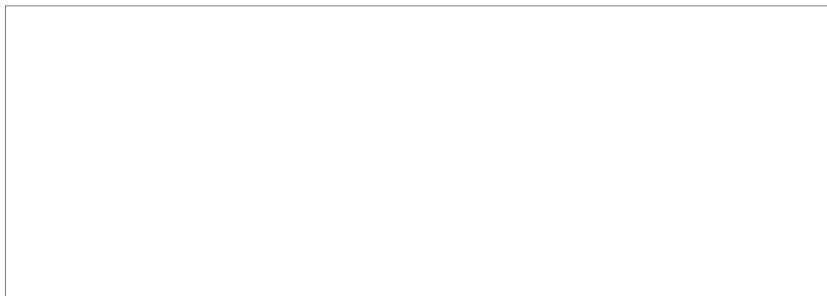
were dissatisfied with Moscow's inability to find a solution to the Arab-Israeli problem. The Soviets, for their part, probably feel that Syrian President Asad is cooperating too closely with Egyptian President Sadat and that this could lead to a decline in Moscow's influence in Damascus. The USSR is also likely to be uneasy about Syria's recent grant of offshore oil prospecting rights to a US company. The Soviets have not commented on this arrangement, but they are probably concerned that it could lead to further economic liberalization and increased economic dealings with the West.

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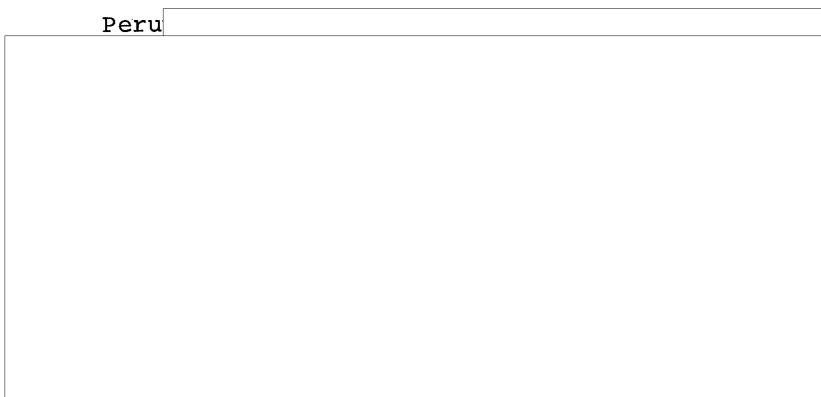
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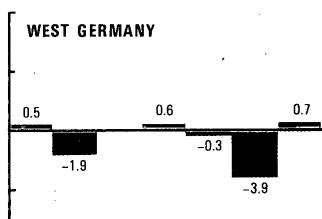
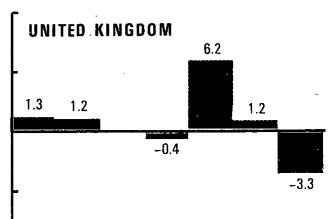
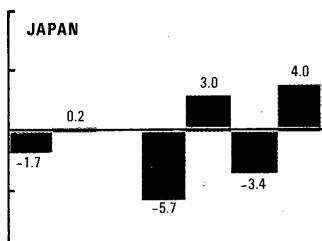
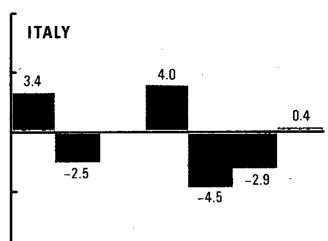
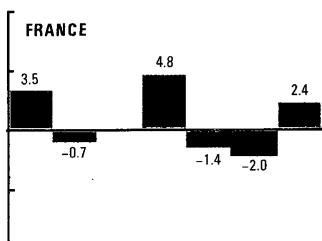
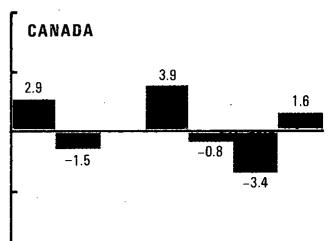
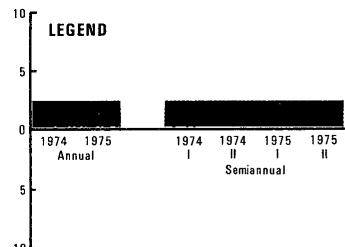
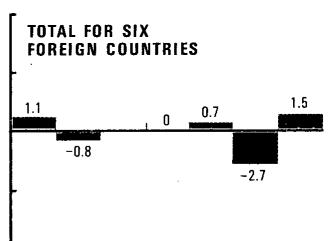
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FOR THE PRESIDENT ONLY

Developed Countries: Changes in Real GNP

Percent change from previous period
Semiannual data at annual rates
Seasonally adjusted



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**DEVELOPED COUNTRIES:
SHORT-TERM GROWTH PROSPECTS**

The six major foreign Western economies--the UK, France, West Germany, Canada, Italy, and Japan--can expect little economic recovery through the end of 1975. Even if the US economy should grow at an annual rate of 5 percent in real terms in the second half of the year, as predicted by the secretariat of the Organization of Economic Cooperation and Development, the resulting rise in US imports will not be enough to spark an upturn abroad.

Inflation and payments problems are still inhibiting expansionary action in France, Canada, the UK, and Italy. West Germany and Japan are moving cautiously despite foreign and domestic pressures to reflate.

We believe that economic activity in the six countries will rise at an average annual rate of 1.5 percent in the second half of 1975, after declining at a 2.5-percent rate in the first half. Japan and France should lead with rates estimated at 4.0 percent and 2.4 percent, respectively. Recovery is likely to be feeble in West Germany and Italy; a sizable drop in the British gross national product is in prospect.

Industrial production plunged in the early months of the year, while domestic demand appears to have been constant. As a result, the excess inventories built up last year probably were cut substantially.

The production decline showed signs of leveling out in the second quarter, suggesting that the worst of the inventory adjustment process had ended. If so, the inching up in demand forecast for the second half of 1975 would be reflected in a mild upturn in production.

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Private Consumption

Consumer spending during the remainder of the year is unlikely to grow any faster than the 2-percent annual rate estimated for the first half. Although real household incomes are rising as higher wage rates and unemployment compensation more than offset inflation and growing unemployment, consumers are holding down their spending because of uncertain job prospects.

Consumer confidence probably will not improve much until unemployment begins to decline. The jobless rate is now about two thirds higher than a year ago. The rise in employment expected in the second half probably will be insufficient even to absorb all new entrants into the labor force.

Government spending, source of one fifth of aggregate demand among the six, should continue to increase at about the same rate in the second half of 1975 as in the first. Some governments, notably the Japanese, have quietly boosted purchases in recent months. Others have made small budgetary adjustments that will add to purchases later this year. If government spending rises at the expected rate of 5 percent, it almost certainly will be the most dynamic component of demand.

Private capital spending, which fell at a 6.5-percent annual rate in the first half, probably will decline again in the second half. Because capacity utilization rates are extremely low, government efforts to stimulate private investment by lowering interest rates and providing tax incentives are having little effect. The decline in business spending on plant and equipment could accelerate in West Germany in the next few months. The 7.5-percent tax credit offered by Bonn in the first half may have prompted some advance spending that otherwise would have taken place after midyear.

The Foreign Component

We expect a slight deterioration in net foreign demand in the second half. Imports, after plunging 12.5 percent in the first half, probably will show little change in the months ahead. Export volume, down 10 percent in the first half, is expected to show a further small decline.

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FOR THE PRESIDENT ONLY

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A 5-percent growth rate in the US would in itself have little effect on exports and economic growth in other major developed countries and even though the West Europeans and Japanese tend to exaggerate the direct effect of US economic recovery on their domestic prospects, tentative signs of a break in the US recession are doing little to improve their confidence. Foreign businessmen are skeptical that a strong pickup in US demand is in the offing. Their willingness to spend and invest will not get a lift until the US recovery clearly is well under way.

Inflation is still viewed as a major threat in most countries. Payments problems pose additional constraints, particularly in Italy and the UK. These considerations still outweigh political pressures stemming from high unemployment rates. Realistically or not, most governments appear to be waiting for others--particularly the US--to initiate expansionary measures that will prod their recovery. The reaction to a rise in foreign demand, once perceived, would vary:

--Tokyo would be more apt to adopt stimulative measures of its own if it felt that the resulting increase in Japanese imports would be offset by a rise in exports.

--Bonn, more concerned about the trade-off between unemployment and inflation, would feel less compelled to take expansionary steps if it perceived that stimulus from abroad would soon help revive the German economy.

--London, Paris, and Rome would welcome the opportunity to deal more comfortably with their "reflation versus inflation" dilemma; on balance, their reaction would resemble Bonn's more than Tokyo's.

Trends

Even if growth accelerates in the first half of 1976, as seems likely, we believe that recovery will be slower than from other recessions since World War II. Underutilization of capacity and low profits will remain an extraordinary drag on investment.

(continued)

FOR THE PRESIDENT ONLY

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The foreign component is unlikely to lead these countries out of the recession. The sharp upturn in government purchases or private consumer spending needed to spark a swift recovery is unlikely to occur. Governments will still be balancing conflicting price and employment goals in deciding on additional stimulative action late this year and early next. Price rises should continue to moderate in the months ahead, but most governments fear that strong measures could result in a resurgence of inflation, particularly since firms will try to improve profit margins once given the chance. Disappointing growth in the second half of 1975 probably will tip the scales in favor of cautious additions to government spending this winter.

A strong pickup in private consumer spending would depend heavily on a reversal in psychology.

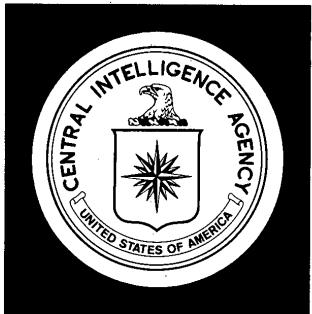
--Despite an abundance of pent-up demand, the conservative German consumer will hold onto money until employment prospects improve.

--A pronounced revival in spending could come much sooner in Japan, where unemployment probably has already peaked and where the normal attitude tends to be bullish.

--A recovery in demand in France, more consumption-oriented than West Germany, could spur investment spending relatively soon because capacity use has not sunk to the low levels prevalent in other industrial countries.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDIA

*Prime Minister Gandhi's crackdown
on the political opposition yesterday
opens a new and decisive phase in her
fight to stay in office.*

Her immediate aim, through arrests of key opposition figures and press censorship, including material filed by foreign correspondents, is to head off a nationwide, nonviolent civil disobedience campaign that numerous opposition parties had scheduled to begin next week.

To carry off her latest move, Mrs. Gandhi needs the backing of her Congress Party. So far, we have seen no evidence that her support is dwindling to any significant degree. Her most likely successors, Agriculture Minister Ram and Finance Minister Chavan, are still giving her strong public support. Yesterday's suspension of six long-standing Congress Party maverick parliamentarians clearly shows that the leadership is in no mood to tolerate open dissent within the ranks.

Leaders of the armed forces reportedly were not forewarned of the emergency proclamation. In accord with the military's reluctance to intervene in civil disorders, Mrs. Gandhi probably does not anticipate having to call on the army to assist in maintaining public order--unless the situation deteriorates drastically. Police and paramilitary forces have expanded considerably in the last few years and probably can control any protest demonstrations resulting from the crackdown.

At present, it appears unlikely that Mrs. Gandhi will reconvene parliament in July for its traditional summer session. She must, however, under the terms of the Indian constitution, seek approval of the emergency proclamation by both houses of parliament within two months of its date of issuance or the proclamation automatically expires.

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FOR THE PRESIDENT ONLY

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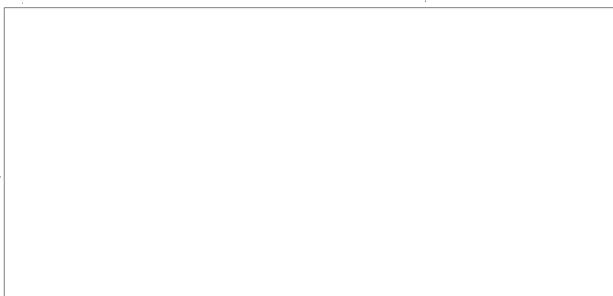
Conceivably, Mrs. Gandhi might stretch this timetable by dissolving parliament and calling for new elections, which need not be held for six months. This would give her additional time to re-establish her image within the party and the nation.

The Supreme Court is expected to begin review of Mrs. Gandhi's appeal shortly after July 14. A judgment might be issued long before elections could be held. The executive branch of the government, despite extensive powers granted it under the new emergency proclamation, cannot block the Supreme Court's consideration of the appeal.

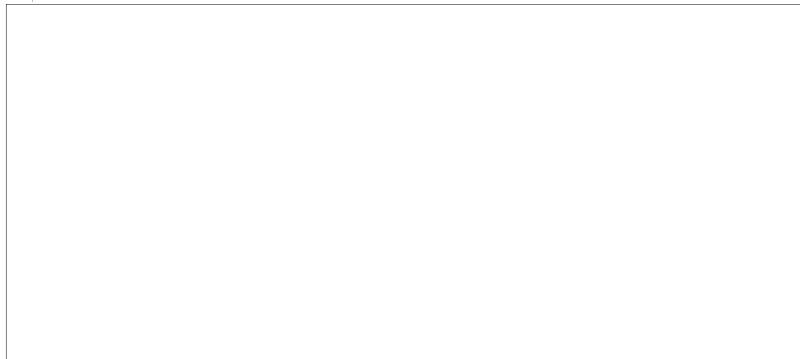
FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY



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FOR THE PRESIDENT ONLY

CHINA

[redacted] Chairman
Mao seemed preoccupied with criticism of his leadership. His attitude continues to raise questions about his relationship with other Chinese leaders and suggests some strains may still exist.

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[redacted] top party officials have criticized the Chairman on several counts, including his intransigence toward the Soviet Union. Mao's return to Peking some two months ago--after a ten-month absence--may have been related to Chinese policy toward Moscow. His return coincided not only with the visit of North Korean President Kim Il-song but with the events in Indochina, which the Chinese seem to fear will enhance Soviet influence in the area at Peking's expense.

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Mao seems to have been able to exploit the Indochina situation to turn the tables on those who apparently were calling for a less abrasive policy toward the Soviet Union and to reassert his own view that China must continue to confront Moscow. The emergence of this line--and of heightened anti-Soviet polemics from Peking--coincided with the Chairman's return to the capital.

While Mao has evidently had success on the Soviet issue, his critics continue to point to his failures in domestic affairs: his responsibility for nine years of political instability caused by the Cultural Revolution, the effects of this unstable situation on the economy, and his role in bringing the traitorous Lin Piao to power. In early January, Mao admitted his own guilt in helping to put Lin in power. [redacted]

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FOR THE PRESIDENT ONLY

LEBANON

Armed clashes between Lebanese leftists and radical fedayeen and Lebanese security forces resumed in Beirut on Tuesday after three weeks of relative calm. The militia of the right-wing Christian Phalanges Party so far has not become heavily involved in this round of fighting.

Phalangist leaders have charged that "extreme leftists," backed by Libya, started the fighting this week in the hope of provoking general hostilities between the Phalangists and the Palestinians. The Phalangists have absolved Fatah, the largest fedayeen organization, of responsibility for the current clashes.

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In an unprecedented move to dissociate Fatah and the Palestine Liberation Organization from the violence, Arafat appeared on Lebanese television and radio on June 25, appealing to "Lebanese and Palestinians to live together in harmony." He said he had reached agreement with President Franjiyah that the Palestinians would respect Lebanese sovereignty and that Lebanon, in turn, would respect the Palestinians' right to exist in Lebanon. This understanding is a reaffirmation of formal agreements negotiated in 1969 and 1973 between the Lebanese and the fedayeen.

The Marxist-oriented Popular Front for the Liberation of Palestine--the largest of the radical fedayeen groups--has denounced Arafat's call for a cease-fire and has accused him of abandoning the Palestinian cause. [redacted]

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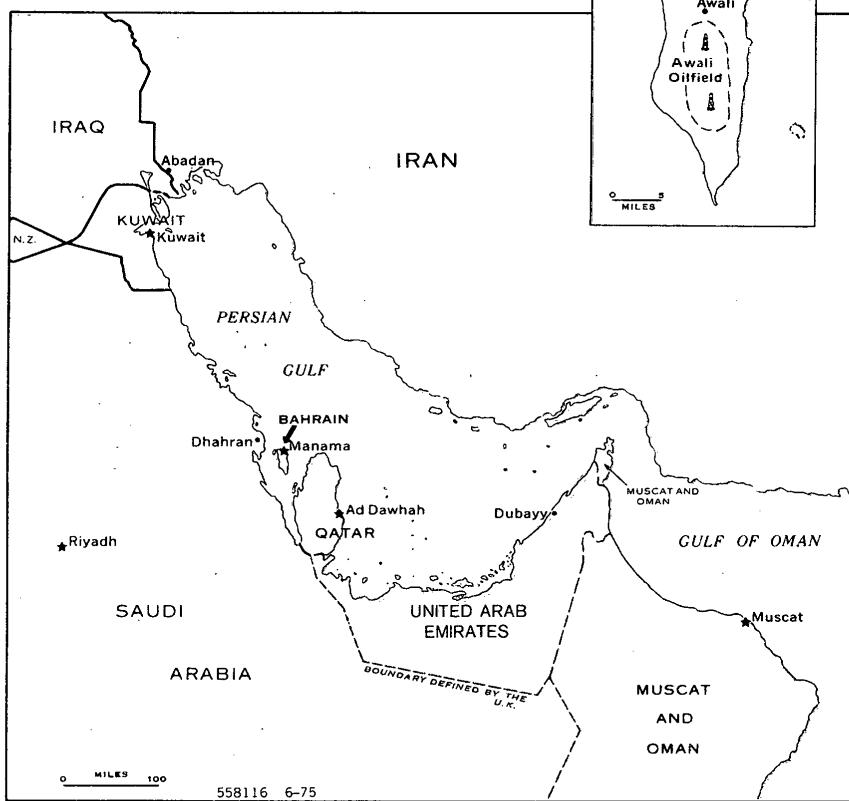
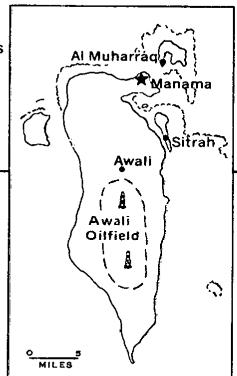
Egyptian President Sadat [redacted] has also called on all sides to make the concessions necessary to form a new government. In a press interview on Wednesday, Sadat indirectly criticized the Palestinians by suggesting that "elements that encroach on the sovereignty of Lebanon" must bear responsibility for the country's difficulties.

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FOR THE PRESIDENT ONLY

Sheikhdom of BAHRAYN

Area: 230 sq. miles
plus group of smaller islands
Population: 210,000
Religion: Muslim
Language: Arabic



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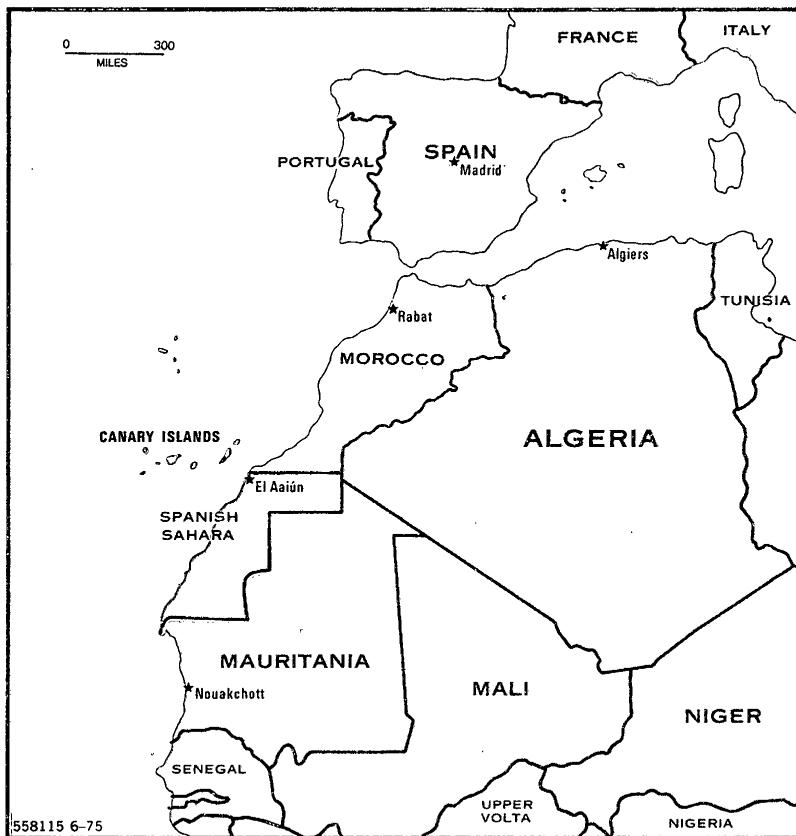
BAHRAIN

The government of Bahrain has informed our ambassador in Manama that the US Navy's Middle East Force must depart the Persian Gulf island by June 30, 1977. Bahrain will extend the stationing agreement until that time on the basis of understandings reached in recent talks.

Negotiations have been going on for months as the Bahraini government agonized over the future of the US presence. The royal family has traditionally felt that the US Middle East Force reinforced the regime's position by adding to the security of the island. Recently, however, the government has come under pressure to terminate the agreement both from the national assembly and from neighboring Persian Gulf states, who say they want to exclude foreign powers from the area. Regional speculation that the US contemplated some military move against Persian Gulf oil fields sharpened the dilemma.

Bahrain's foreign minister made clear that the notice of termination is subject to modification. The US Navy, he said, might have to leave earlier, but, according to our ambassador, the minister also implied strongly that an extension might be arranged--as long as Washington accepts the principle that the Navy's presence is not permanent.

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

NOTES

Relations between Algeria and Morocco have become further strained over the Spanish Sahara issue. The friction is complicating Madrid's efforts to arrange multilateral talks to discuss the future of the territory.

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Meanwhile, Morocco's continuing military probes into Spanish Sahara, designed to increase pressure on Madrid to negotiate, could instead provoke a harsh Spanish reaction. Despite Moroccan protestations that Saharan insurgents were responsible for the incidents, Madrid will blame the Moroccans and may now show less concern about their interests in the Sahara. The incidents may also increase Spain's desire to withdraw from the territory.

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* * *

There is a good chance that the Pathet Lao will insist on subjecting the rapidly dwindling US official presence in Laos--49 as of June 26--to a final humiliating act of formally transferring all AID and defense attaché property to coalition representatives.

Communist officials thus far have refused to accept the keys to US property which was abandoned yesterday and have indicated they are counting on a formal transfer ceremony. Moreover, the Pathet Lao - controlled foreign ministry has sent an official note to the US embassy calling for negotiations to begin as soon as possible on future US economic assistance to Laos. The note, which was cast in tough, uncompromising, and threatening language, clearly stipulates that the coalition expects to receive unconditional aid from Washington on the basis of an entirely new assistance agreement.

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FOR THE PRESIDENT ONLY

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Lebanon is accelerating the organization and positioning of air defense forces near its border with Israel.

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25 Lebanese SA-7 missile teams have been sent, earlier than previously planned, to strengthen the air defenses of army units in the southern area. Beirut is also said to be planning to hasten the fielding of other air defense units. Lebanon's decision to accelerate the movement of SA-7s to the border is in part aimed at disarming President Franjiyah's domestic and foreign opponents, who have long criticized his reluctance to defend Lebanese territory and airspace against Israeli attack. In addition, it will improve morale in the Lebanese army, which for political reasons has not been allowed to become involved in efforts to put down the civil unrest in Beirut.

* * *

The EC Council agreed early this week to a "community action" program for Portugal.

The EC's intention is to get substantial financial assistance to Lisbon quickly to boost democratic forces there. The EC ambassadors and the Commission are to prepare specific proposals by July 15 on the amount and terms of assistance.

* * *

Thai students are planning anti-US demonstrations on July 4. The demonstrations could develop into a serious confrontation between student leftists and Thai officials.

Army commander Krit Siwara criticized the proposed anti-US demonstrations during a press conference early this week, stating that they would create unnecessary misunderstandings between Thailand and the US. Prime Minister Khukrit assured Krit and other key generals last month that he was prepared to get tough with student agitators if they should threaten the physical security of the US embassy.

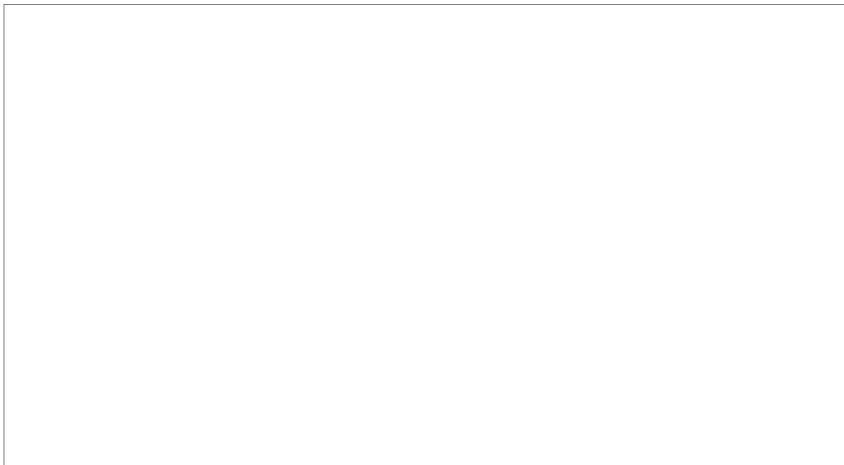
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Peron last night bought her government time in
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FOR THE PRESIDENT ONLY

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LEBANON

Fighting in Beirut has intensified sharply in the past two days. According to the Lebanese police, at least 45 persons were killed during the 24-hour period that ended yesterday morning.

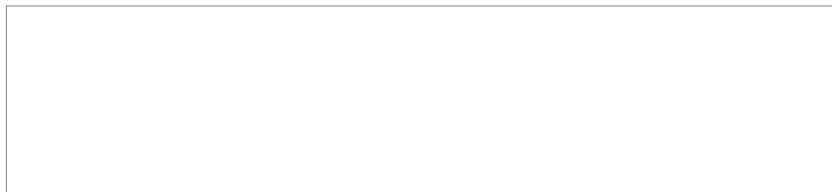
The chief protagonists are still the Lebanese security forces on the one side and Lebanese and fedayeen radicals on the other. The Phalangist militia has become involved to a limited extent--primarily in erecting roadblocks to protect its positions--but the Lebanese army and the large fedayeen organizations remain on the sidelines.

Palestinian forces continue to participate with Lebanese forces in joint security patrols. The US embassy has been unable, however, to confirm several earlier reports that Fatah forces have independently engaged the radical fedayeen.

The intense firing Thursday night, which was heavier than any that occurred during April or May, may have been the result of a determined effort by the security services to put down a group of pro-fedayeen Lebanese leftists in Beirut. These radicals apparently are an amalgam of Lebanese Communists, members of the Syrian Socialist National Party, and elements of several Libyan-backed Nasirist Lebanese groups.

The Lebanese hope that their attack on this group will dissuade other Lebanese radicals from inciting violence during the current government crisis, strengthen Arafat's hand in disciplining the smaller fedayeen organizations that cooperate with the Lebanese radicals, and eliminate one especially troublesome group supported by the Libyan government.

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FOR THE PRESIDENT ONLY

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President Franjiyah has convened sessions of
the military cabinet twice since Thursday night,
but still appears uncertain about how much force
to use in overcoming radical fedayeen resistance.

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ARGENTINA

In an effort to ease the most serious confrontation yet with organized labor, Argentine President Peron last night participated with labor leaders in a nationally televised discussion of workers' problems. It was clear that no solution had been reached, but the President probably bought time.

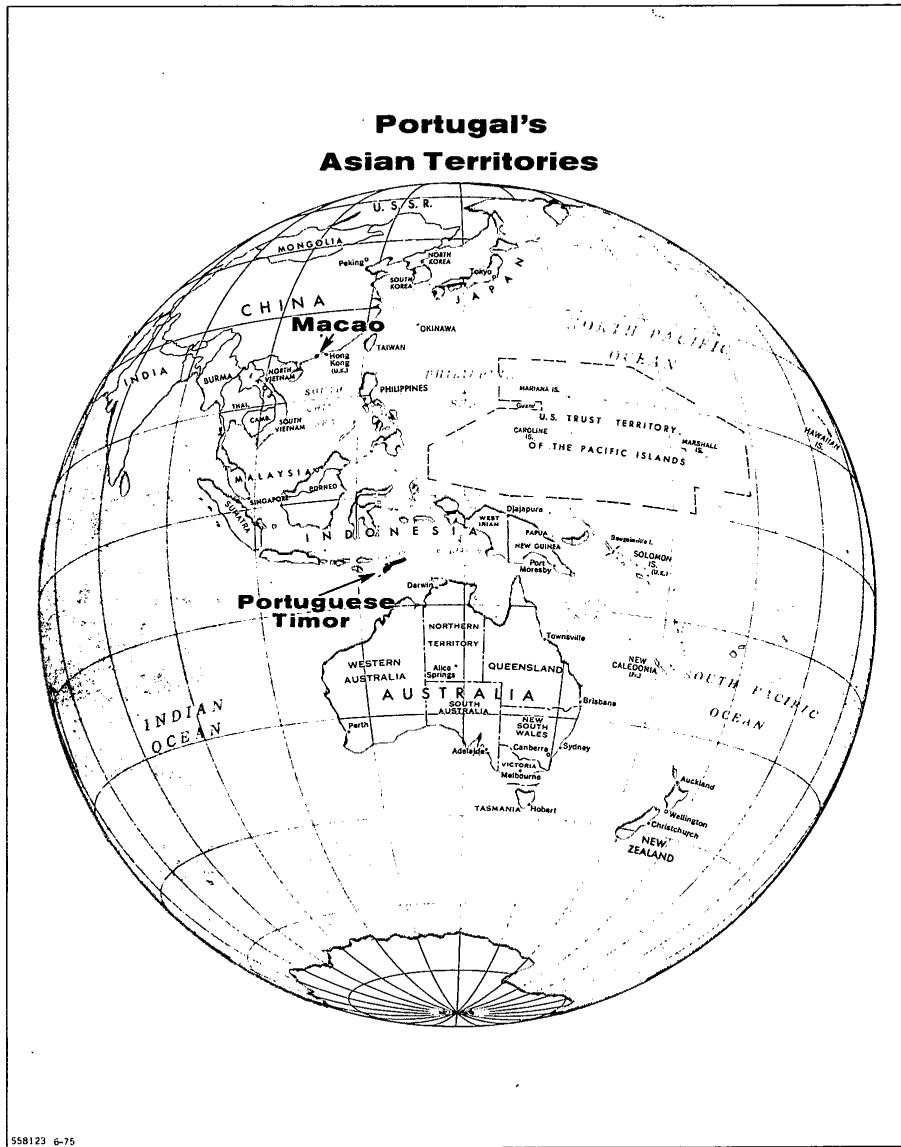
Earlier in the day, the potent Peronist labor confederation staged a general strike and demonstrations to protest Economy Minister Rodrigo's call for the annulment of recently negotiated wage contracts, which specified huge increases. Despite President Peron's appeal to workers not to heed the strike call, as many as 100,000 converged on the downtown area for a mass protest, while security forces took up positions nearby.

Yesterday's actions were the culmination of a series of sporadic work stoppages and demonstrations in a number of cities. Workers have been aroused by recent, massive price increases and successive efforts by the government to limit salary increases. The price hikes, as well as the devaluation of the peso, were among the first measures announced by Rodrigo, who took office a month ago.

Labor had rejected suggested wage increases of 38 and then 45 percent. Contracts worked out less than a week ago between labor and management called for increases of up to 130 percent, more in keeping with the sharp rise in prices.

Chief presidential adviser Lopez Rega--who arranged for the appointment of Rodrigo, his protege--was probably behind the move to overturn the wage increases. For some time, it has been apparent that Lopez Rega, acting through Rodrigo, seeks to undermine labor's leaders by thwarting their efforts to secure substantial wage increases. This factor, as well as growing worker dissatisfaction, has led union officials to press hard.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

PORtUGAL

With the decolonization process well under way in Africa, Portugal's military government has now turned its attention to the settlement of colonial affairs in Asia.

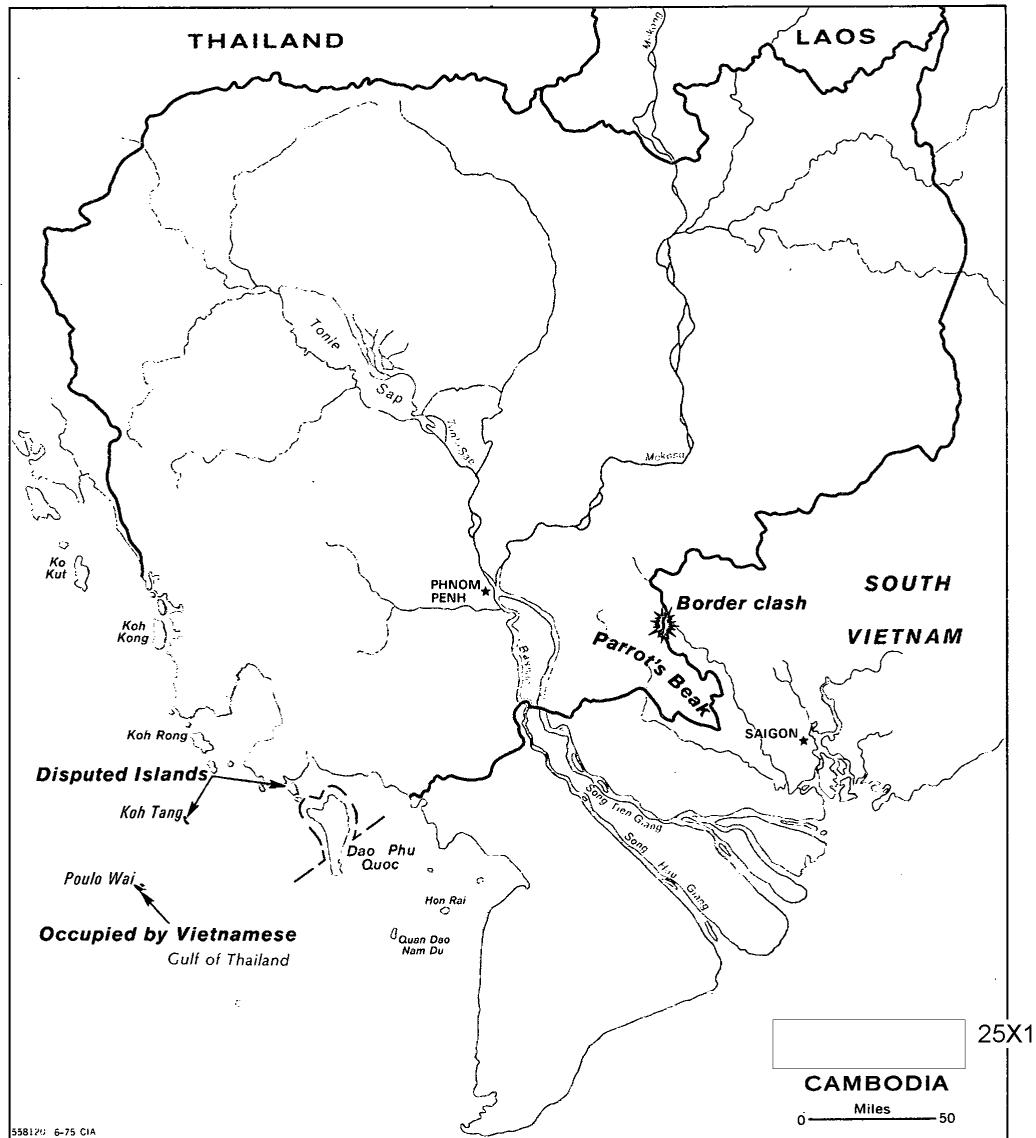
Portuguese officials have begun discussions on a decolonization plan for Portuguese Timor with representatives of two Timorese political parties. Official spokesmen at the talks, held in Macao, have cautioned not to expect too much from the meetings, but the Portuguese appear determined to move ahead and end their role on the island as quickly as possible.

The Portuguese are anxious to keep the process as painless as possible. They will probably attempt to satisfy those Timorese who favor independence, but at the same time try to avoid offending the Indonesians, who have made no secret of their desire to annex the territory. The Portuguese may look to a popular referendum as the best way to resolve the dilemma. The Indonesians, for their part, have assumed a more relaxed attitude about Timor in recent weeks, and now seem convinced that the Portuguese will eventually cede the island to them.

The Portuguese delegation will also take advantage of its stay in Macao to discuss the draft political statute for that island with local officials. The statute is expected to maintain the Portuguese administration of Macao, but will probably allow greater autonomy in local matters.

In deference to Peking's desire to maintain the status quo, Portugal has not given Macao the option for independence that has been granted to all the other territories. The Portuguese are anxious to curry China's favor, in hopes of establishing diplomatic relations. Thus far, the Chinese have remained aloof, although there has been limited contact through third-party intermediaries. The Chinese probably want to wait to see whether Portugal will fall under Soviet influence.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

NOTES

The Cambodians publicly announced yesterday that they had "solved the border problem," apparently referring to their territorial disputes with the Vietnamese.

The two sides may have difficulty making any agreement stick. Border clashes were continuing in the Parrot's Beak area--where territorial claims overlap--as late as Wednesday, according to intercepted messages, and at least two Cambodian divisions appear to have been sent to the area to reinforce local units. The skirmishing disrupted attempts by the Khmer Communist Party Central Committee to arrange a meeting with senior officials in South Vietnam. Tensions also remain high in the Gulf of Thailand, where Vietnamese naval craft evidently are patrolling near Cambodian-occupied islands.

* * *

Some demonstrations erupted in India yesterday in opposition to Prime Minister Gandhi's recent actions, but government security forces appear to have the situation well in hand.

A number of opposition leaders were not apprehended in Thursday's roundup and apparently have gone underground. In a nationwide radio speech, Mrs. Gandhi sought again to justify both her crackdown on the opposition and the imposition of press censorship, and she promised to announce important new economic measures within the next two or three days. She said these would not include further nationalizations or extensions of government controls.

(continued)

FOR THE PRESIDENT ONLY

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Panamanian General Torrijos is outwardly calm about the vote in the US House of Representatives to deny funds for the Panama Canal treaty talks, but his concern about the status of the negotiations is growing.

In a statement to the press on June 26, Torrijos said he was confident that the US will uphold its commitment to negotiate, despite the House vote. You will recall that earlier this week, however, Torrijos indicated his impatience with the pace of the talks and, in a message to our negotiators, said that he might have to make some public "hints" to the effect that the US has been absent from the negotiating table for a long time.

* * *

Communist-inspired harassment of the US Mission in Laos resumed today.

Early this morning, a mixed group of Pathet Lao soldiers, police, and students occupied a US Information Service office complex and warehouse. A Pathet Lao soldier said that the government had ordered these facilities closed and all property seized. No US officials were at either location at the time. American officials speculated that the occupation was a prelude to a large anti-US demonstration scheduled for Monday. They believe Prime Minister Souvanna Phouma can keep the situation from getting out of hand, but do not rule out isolated acts of violence.

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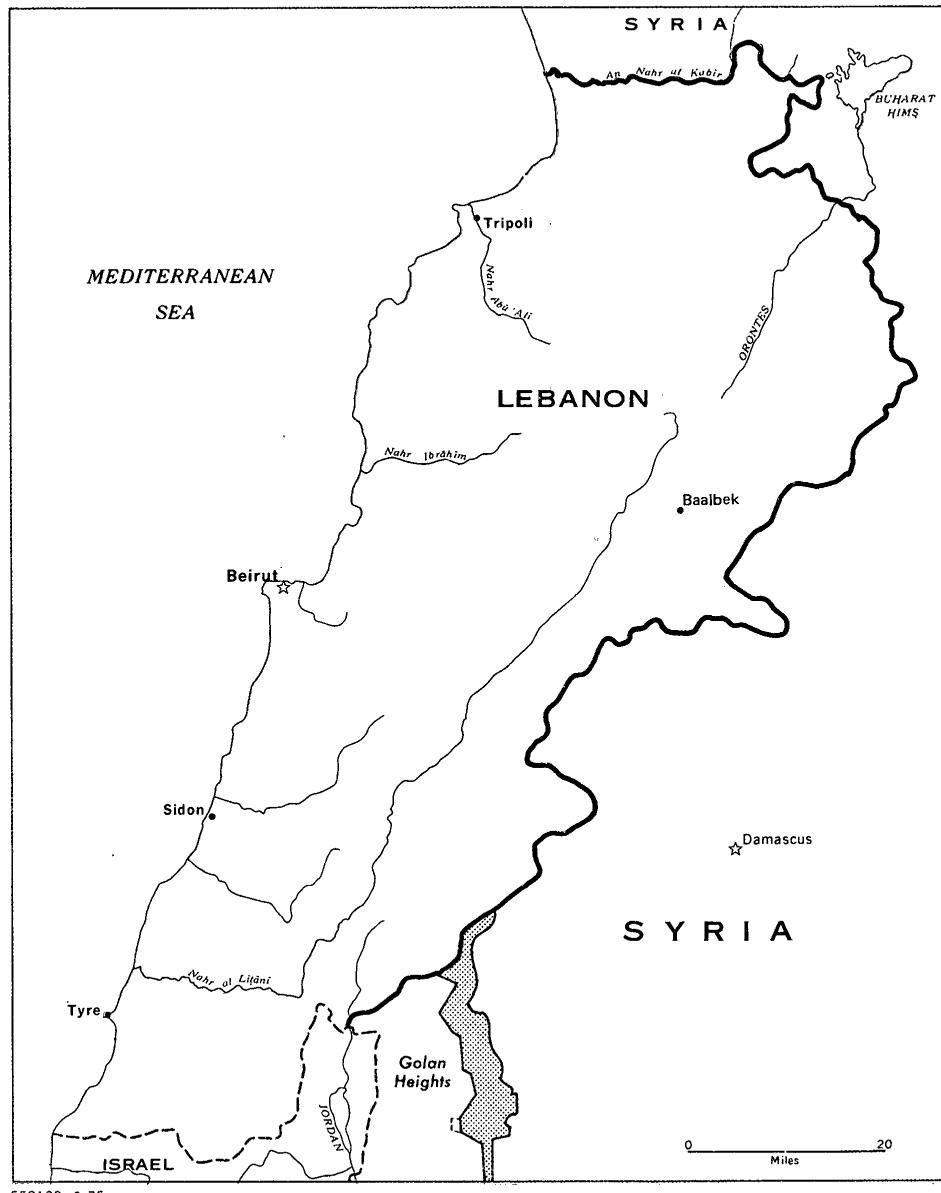
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Lebanon: Prime Minister-designate Rashid Karami hopes he can announce the composition of a new cabinet tonight. (Page 1)

India: Opposition efforts to proceed with the civil disobedience campaign this week are not likely to amount to much. (Page 3)

Notes: China - South Korea; Laos (Page 5)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

LEBANON

Prime Minister-designate Rashid Karami announced yesterday that he has reached agreement with Lebanon's political leaders on a new cabinet and hopes he can announce its composition tonight. Karami issued his statement after an unplanned six-hour meeting with President Franjiyah.

Lebanese army units reportedly began guarding important installations in Beirut late yesterday. Until now, Karami has opposed any use of the army to end the current fighting. He may have decided that he had to acquiesce in some--perhaps only token--army involvement in return for political concessions by Franjiyah.

Karami and Franjiyah were pushed toward a compromise by the continued deterioration of the security situation in Beirut. Over the weekend, fighting spread from the suburbs toward the main tourist and commercial areas. All roads leading into the city were closed yesterday morning, and the police appealed to residents of all areas to remain indoors.

Violence has also spread outside Beirut. Armed leftist and Muslim groups have effectively shut down the southern port cities of Tyre and Sidon; there have been several bombings in the northern port of Tripoli; and government buildings have been occupied in the eastern town of Baalbek.

Lebanese security forces have had little success in checking violence or in their more limited effort to destroy the stronghold of radical leftists and fedayeen in Beirut. Government forces have been reluctant to leave the relative security of their armored vehicles to flush out snipers, preferring instead to dislodge them with heavy weapons.

This procedure has caused considerable property damage, increased civilian casualties, and disaffection within the ranks of the security services. These results are exactly what the radicals want, and probably played a part in prompting Franjiyah and Karami to paper over their differences.

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FOR THE PRESIDENT ONLY

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Palestinian leaders were still meeting in strategy sessions with Lebanese officials yesterday morning, and Palestinian forces were continuing to participate with the Lebanese forces in joint security patrols of the embattled areas.

If the major fedayeen groups stay out of the fighting, despite the provocation they will see in any army involvement, and if Karami is able to announce the formation of a government today, the security situation should improve dramatically. Fighting diminished sharply even when the unpopular military cabinet was announced late last month.

FOR THE PRESIDENT ONLY

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INDIA

Major opposition parties say they will proceed with their civil disobedience campaign this week. Participation is likely to be poor, however, because of the fear of arrest and the knowledge that, as long as the state of emergency remains in effect, those arrested cannot appeal to the courts for release. Well over 1,000 persons have been arrested since Thursday, and opposition leaders who are still at large have probably gone underground.

There were some minor outbreaks of violence but no serious disturbances over the weekend. As press censorship becomes more efficient, it will be difficult to ascertain the situation in the countryside, though rural areas are traditionally less volatile than the cities.

Members of the cabinet are now taking more visible roles in administering the emergency regulations. A special committee consisting of the ministers of agriculture, defense, interior, and law has been formed to review the situation on a daily basis. A government spokesman yesterday denied press reports that the chief justice of the Supreme Court--an appointee of Prime Minister Gandhi--had resigned.

Ruling Congress Party members of parliament were sent to their districts during the weekend to explain the government's actions and to help organize support for Mrs. Gandhi. They will convene in New Delhi on Tuesday to report on their findings.

The educated classes probably are inclined not to believe Mrs. Gandhi's argument that Indian democracy was imperiled by extremists. Students, in particular, are likely to discount her conspiracy rationale and will probably try to organize resistance. The majority of the population, however, is probably ambivalent about Mrs. Gandhi's actions and will look for results from her promise on Friday to introduce economic measures soon to alleviate the hardships of the poor.

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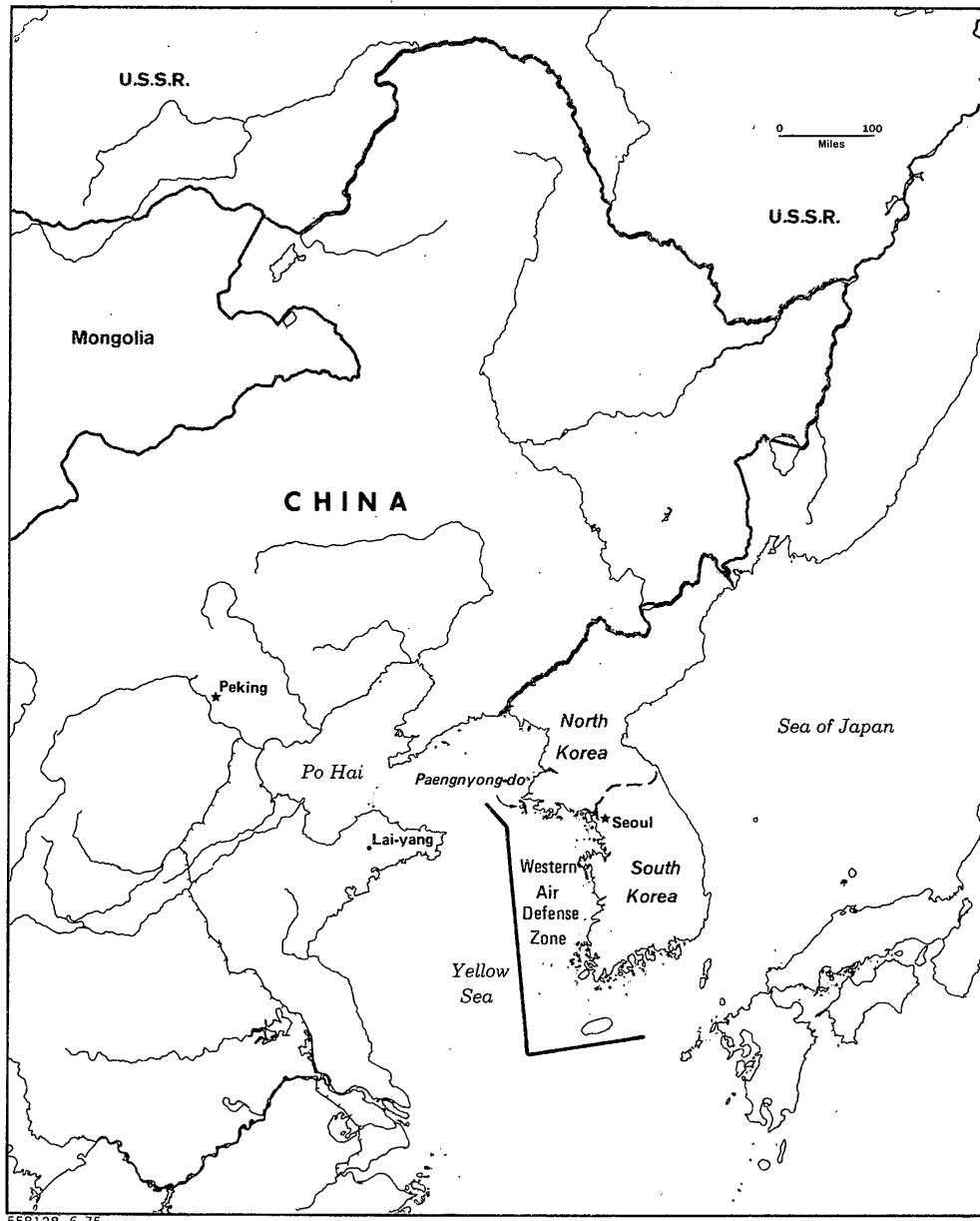
FOR THE PRESIDENT ONLY

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In a follow-up to this promise, Mrs. Gandhi yesterday ordered price controls on essential commodities. This is to retard the seasonal round of price increases that normally begin at this time of year when the monsoons set in and food stocks begin to run low. The program is not likely to be very effective, since it depends solely on local leaders to assure that shopkeepers comply. No formal price administration machinery has been set up.

If the situation remains calm in July, Mrs. Gandhi reportedly plans to reconvene parliament in early August to ratify the emergency proclamation. The constitution requires parliamentary approval within two months of the proclamation.

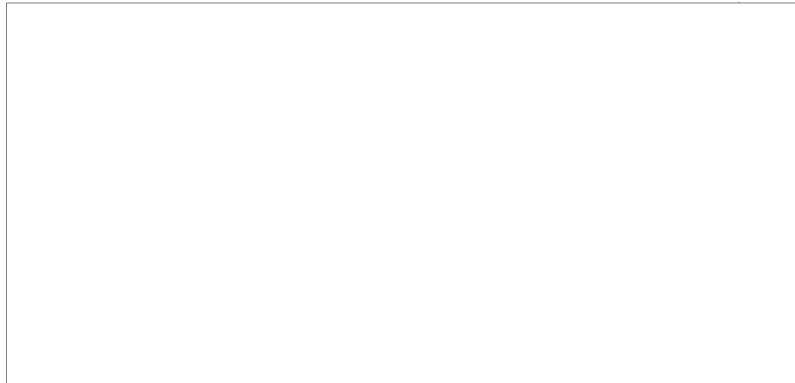
FOR THE PRESIDENT ONLY



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A mixed group of Lao communist troops, police, students, and other civilian demonstrators are still occupying three American installations in Vientiane that they seized Saturday morning. No Americans are at any of these installations.

Prime Minister Souvanna Phouma told the US chargé that he has instructed the communist minister of economy, Soth Phetrasy, not to permit a large anti-US demonstration at the embassy today. Since Soth takes his orders from Lao communist authorities in almost all instances, there is no assurance against further harassment.

Pathet Lao leader Prince Souphanouvong returned to Vientiane on Saturday from a three-week strategy session of the Lao Communist Party Central Committee in Sam Neua.

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