

The President's Daily Brief

July 1, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 1, 1974

PRINCIPAL DEVELOPMENTS

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[redacted] Syria. (Page 1)

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An appeal in the Chinese party daily for firm party direction of the anti-Confucius campaign reflects the continuing effort of Peking's leaders to keep the campaign from getting out of hand. (Page 2)

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In Ethiopia, military moderates who want Haile Selassie to remain as Emperor are making a determined attempt to consolidate their control. (Page 3)

A serious dispute brought on by Pathet Lao demands that the Laotian government recognize the Viet Cong's Provisional Revolutionary Government is making it even more difficult for Souvanna to preserve some semblance of cohesion in his cabinet. (Page 4)

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Cambodian government troops northwest of Phnom Penh inflicted heavy casualties on several Communist units over the weekend. (Page 5)

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Argentine military and political leaders are supporting the succession of Vice President Maria Estela de Peron as chief of state during the illness of her husband. (Page 6)

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[redacted] Soviet [redacted]

[redacted] (Page 7)

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[redacted] Iraq. (Page 7)

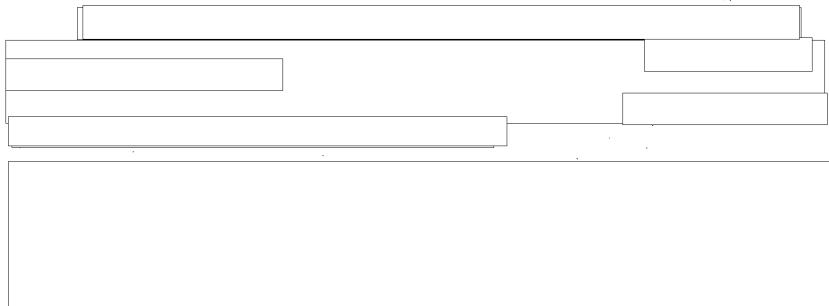
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USSR-SYRIA



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Syria is apparently the first country to receive this aircraft from the Soviets; they have not yet given it to their Warsaw Pact allies. The capabilities of the MIG-23 exceed those of any fighter now in any Arab country's arsenal, including Egypt's, and will give the Syrians a better capability against Israel's F-4 Phantoms.

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CHINA

An appeal in a People's Daily editorial yesterday for firm party direction of the anti-Confucius campaign reflects the continuing effort of Peking's leaders to keep the campaign from getting out of hand. The editorial conceded that some party officials will be criticized, but insisted that this "does not in any way imply that party leadership may be weakened."

People's Daily indirectly acknowledged that some have been able to steer the anti-Confucius campaign off the correct path. The editorial urged party officials to give guidance to those who have "wrong ideas." This is probably meant to refer to criticism of high party officials that has been appearing in wall posters in Peking and in the provinces.

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[redacted] In the capital, security forces continue to put some constraints on poster writers, but have not prevented the appearance of criticism of unnamed party leaders. Just yesterday a new placard in Peking attacked party leaders for trying to stifle the poster campaign.

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ETHIOPIA

Military moderates who want Haile Selassie to remain as Emperor and who are reluctant to establish an actual military regime are making a determined effort to consolidate their control and end the maneuvering for power by their conservative opponents. They are not at present planning a direct move against the government of Prime Minister Endalkatchew.

Late Saturday, military units in Addis Ababa, supported by the police and other security forces, began arresting some of the highest ranking members of the nobility.

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The Emperor is unlikely to be able to stave off this latest move and will suffer a further erosion of his already circumscribed power.

Coordinating the armed forces' activities in the capital is a special committee made up of representatives of all military and security forces in Addis Ababa. The military and police reportedly are in complete control of the city. The committee seems to have the support of important military commands in other parts of the country.

The committee yesterday issued a communiqué stating that those arrested had attempted to obstruct the smooth functioning of the cabinet. Despite this indication of support, the cabinet's authority and prestige have been seriously undermined, and the military probably would welcome the voluntary resignation of many of the ministers. The military moderates, however, even if successful in isolating the conservatives, will have to overcome divisions and indiscipline in their own ranks before stability can be restored.

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LAOS

A serious dispute brought on by Communist demands that the government recognize the Viet Cong's Provisional Revolutionary Government is making it even more difficult for Prime Minister Souvanna Phouma to preserve some semblance of cohesion in his cabinet.

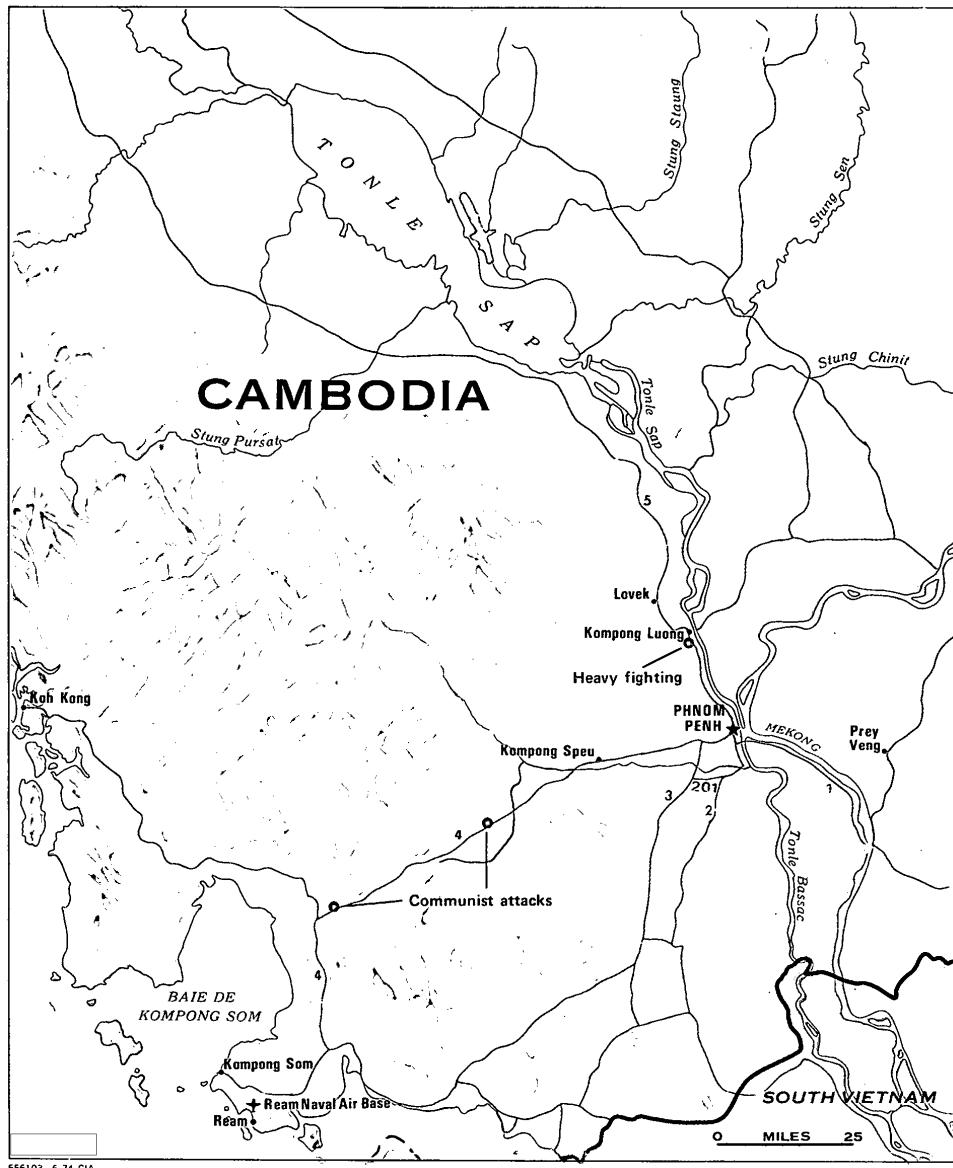
Hanoi apparently is pressing the Lao Communists hard to secure recognition of the PRG. During heated debate within the cabinet last week, Pathet Lao Deputy Prime Minister Phoumi Vongvichit went so far as to threaten that the coalition might collapse if non-Communist ministers failed to yield on the recognition issue.

Souvanna is said to fear that the Pathet Lao might seriously consider pulling out of the coalition. He is deeply disturbed over the intense wrangling and may decide to make some kind of conciliatory gesture toward the Communists.

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A compromise along these lines may eventually be worked out. For the present, however, both left and right are maintaining a tough stance on the recognition issue. One of the leading rightist ministers recently insisted that the non-Communists are united in opposing recognition of the PRG, and that they would rebuff any effort by the Prime Minister to change their minds. The non-Communists reportedly would like to refer the recognition issue to a cabinet subcommittee for "indefinite study."

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CAMBODIA

Government troops northwest of Phnom Penh on Route 5 inflicted heavy casualties over the weekend on several Khmer Communist units near Kompong Luong and are trying to clear the road of insurgent forces between there and the capital.

Communist attacks have slackened against the provincial capital of Koh Kong on the southwestern coast which came under attack last week. Reinforcements from the seaport of Kompong Som and timely air and naval support have helped to stabilize the situation. According to an intercept of June 29, most Communist units on this front will be withdrawn. Elsewhere in the southwest, the Communists are continuing their harassing attacks against two government garrisons on Route 4 west of Kompong Speu City.

Military action in the Phnom Penh area is light. The Communists shelled a resupply convoy on the Mekong River on June 29, but only one of 19 vessels sustained serious damage.

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ARGENTINA

Argentine military and political leaders are supporting the temporary succession of Vice President Maria Estela de Peron as chief of state during the illness of her husband. If Peron dies or is incapacitated for a long period, however, the armed forces may feel obliged to play a more active role.

As long as the country remains calm, military chiefs, who recognize their unpopularity, will be reluctant to exercise greater authority.

Those most likely to cause trouble are the extremist People's Revolutionary Army, Peronist labor leaders, and right-wing figures who are close to the Perons. Lopez Rega, Peron's private secretary and confidant, has been trying to exercise greater control over security matters since he returned to Argentina last week; his power will continue to grow.

Mrs. Peron has already expressed reluctance to assume full presidential responsibilities. She appears to recognize her lack of experience and inability to cope with the country's problems. If Peron dies, she will probably soon step aside in favor of Senate President Jose Allende, her constitutional successor.

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NOTES

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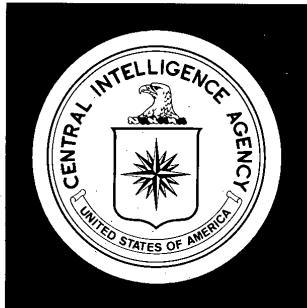
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The President's Daily Brief

July 2, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 2, 1974

PRINCIPAL DEVELOPMENTS

President Peron left no obvious heir. His widow will probably stay on while political and military leaders try to agree on a successor. The task will be difficult. (Page 1)

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Ethiopia

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(Page 3)

the Soviets have launched two more D-class ballistic missile submarines. (Page 4)

Prime Minister Tanaka's Liberal Democratic Party is expected to retain its majority in elections for the Upper House of the Diet on July 7, thus ensuring that party's control of the entire Japanese legislative process. (Page 5)

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The Turkish government has lifted the ban on opium poppy cultivation. (Page 6)

Lao Prime Minister Souvanna is considering a plan to dissolve the rightist-dominated National Assembly and convert the coalition government's Joint National Political Council--which now has an advisory role and is chaired by Pathet Lao leader Souphanouvong--into a legislative body. (Page 7)

The outcome of Sunday's election in Iceland indicates a slight swing to the right and suggests that the pro-NATO Independence Party will be asked to form a government. (Page 8)

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ARGENTINA

President Peron died yesterday and left the country without an obvious successor. Peron himself recently remarked that he had no heir apparent, suggesting that he did not expect Mrs. Peron to last very long in the top job.

She may last only as long as it takes political and military leaders to work out a mutually acceptable solution.

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The military, which is still widely unpopular, prefers an orderly constitutional succession. Major political leaders agree. With the Peronist Movement likely to undergo a gradual disintegration, the military will have to play a key role in establishing whatever government eventually evolves.

The stakes are too great for a serious split in the military, however, and the high command probably will stick together.

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One of the first problems may be to persuade Maria Estela de Peron to stay in the job and thus avoid the election that otherwise would be needed. In the past she has expressed reluctance to assume the presidency.

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Appeals to patriotism and her husband's memory will keep her in the job for the immediate future. Jose Lopez Rega, Peron's private secretary and confidant, is probably more interested than anyone else in keeping her in the presidency. He is ambitious, and with Peron gone he needs Maria Estela if he is to achieve a power position.

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Without Peron's hand, confusion within the highest levels of government will grow as leaders like Lopez Rega contend for power.

When Mrs. Peron decides the burdens of state are too much for her, military leaders may try to get her to convvoke a council of state representing

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all political parties except those of the extreme left. If she were to agree to remain as titular head of the council, a national election could be postponed for some time.

If Mrs. Peron steps down, her successor, Senate President Jose Allende, would be required by the constitution at least to set a date for elections within 30 days.

If Allende does become president, the military will probably try to persuade him to put off the actual election date as long as possible. It is unlikely that Allende himself would be a contender, since his Christian Democratic Party is small and he lacks any other political following.

The chances are that the military would favor some sort of coalition ticket. One possibility would be a joining of forces by former provisional president Raul Lastiri, a long-time Peronist, and Radical Party leader Ricardo Balbin, who has been cooperating closely with the Peronist government.

The sudden return of former president Hector Campora to Buenos Aires last week from his post as ambassador to Mexico increases the chance that a leftist coalition might be formed to compete with a more moderate one. This would create turmoil and division, a prospect providing the military with another reason to try to postpone an election until a strong candidate can be agreed on.

Even though all political leaders officially pledged to support Mrs. Peron when she was installed as temporary chief of state on June 29, Peronist factions can be expected to act independently now that Peron is dead.

This is especially true of the leftist youth leaders, who were all but read out of the movement by Peron himself for their disruptive demonstrations and public attacks on his wage and price stabilization policies.

Terrorist groups will also take advantage of the leadership vacuum. The People's Revolutionary Army probably will step up acts of violence, and guerrilla organizations on the fringes of the Peronist movement may become more active.

A general breakdown in order of a magnitude that would force military intervention, however, does not appear likely at this time.

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ETHIOPIA

The military continues to round up important members of the aristocracy with a minimum use of force. The president of the Senate, an institution controlled by the landowning elite, reportedly is the latest to have been picked up. Apparently only about 15 persons have actually been detained so far, although numerous others are said to be under house arrest.

Military representatives are still meeting regularly with a four-man ministerial committee appointed by Prime Minister Endalkatchew. This committee could become a channel through which the military exercises increased control over the government without resorting to an outright take-over.

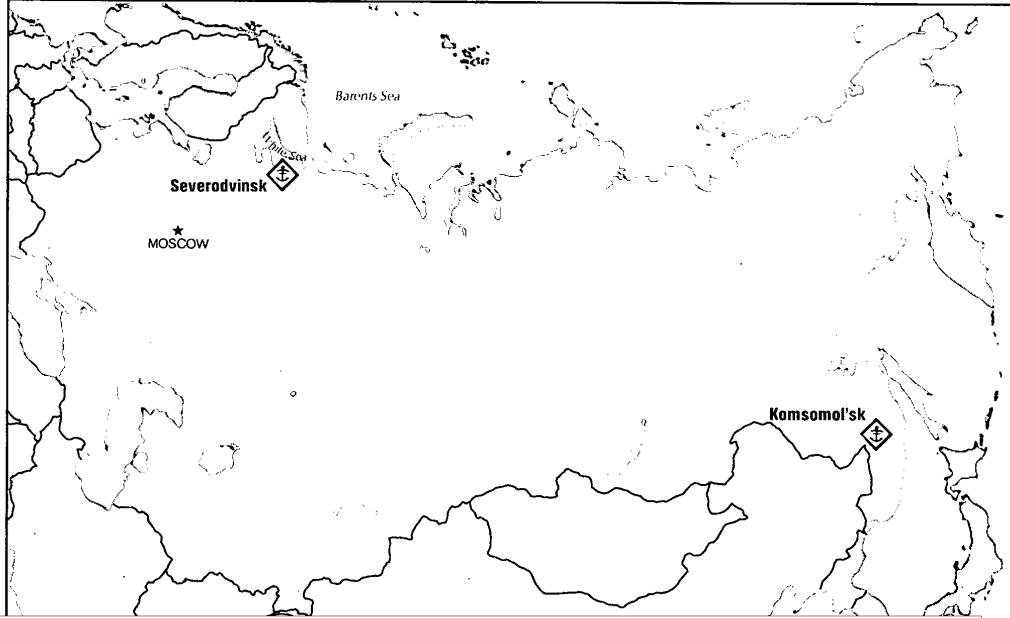
The arrests so far have been limited to the capital area and have provoked no strong reaction.

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Soviets Launch Two D-class Ballistic Missile Submarines



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USSR

[redacted] the
Soviets have launched two more D-class ballistic missile submarines. One was launched at Severodvinsk on the White Sea and the other at Komsomolsk in the Soviet far east. The latter was the first D-class launched from the shipyard at Komsomolsk; all the others were built at Severodvinsk.

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The USSR has been building D-class submarines since 1970. Ten have now been launched. Seven are either operational or on sea trials; three--including the two just launched--are fitting out. The D-class carries 12 missiles that have a range of 4,200 nautical miles. [redacted]

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JAPAN

Prime Minister Tanaka's Liberal Democratic Party is expected to retain its majority in the election for the Upper House of the Diet on July 7, thus ensuring that party's control of the entire Japanese legislative process.

The bright prospects of the Liberal Democrats rest mainly on the failure of the opposition parties to cooperate against them. The Communists should come out of the election with further gains, mostly at the expense of the faltering Socialists and Democratic Socialists.

Tanaka stands to be the biggest winner.

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TURKEY

The Turkish government yesterday lifted the three-year-old ban on opium poppy cultivation. Cultivation will be permitted in six provinces of western Turkey and in part of a seventh. Prime Minister Ecevit will reportedly make a detailed statement--presumably about acreage plans and security measures--today.

A Turkish government spokesman justified the cabinet's decision by citing the economic conditions of former poppy farmers and the needs of the international pharmaceutical industry. The government promised that an effective control system will be installed to prevent illegal trafficking in opium or poppy cultivation in other than designated areas. Experts in both the US and Turkey, however, doubt that this can be done effectively.

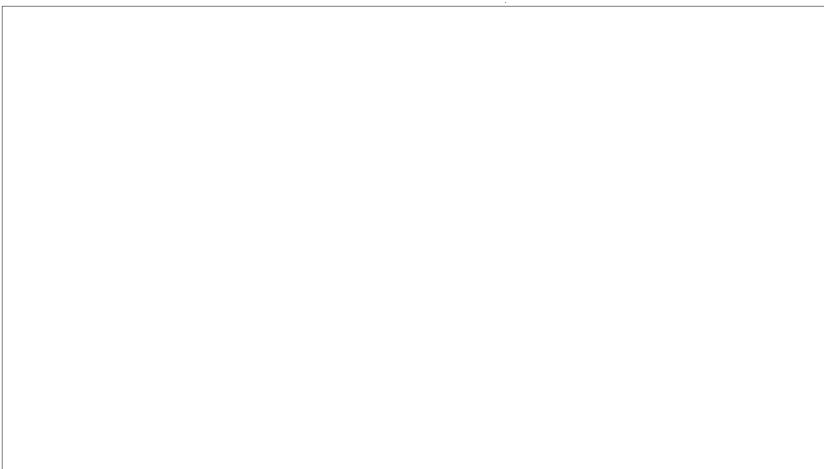
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LAOS

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Prime Minister Souvanna is weighing a plan to dissolve the moribund rightist-dominated National Assembly and to convert the coalition government's Joint National Political Council, which now has only an advisory role, into a legislative body. These steps would greatly enhance the authority and prestige of the council, which is chaired by Pathet Lao leader Souphanouvong, and weaken the position of the non-Communists.



Since the creation of the coalition government last spring, the Pathet Lao have been determined to shift the National Assembly's legislative functions to the Political Council. After considerable infighting, the Pathet Lao were able to prevent the assembly from reconvening. The non-Communists, however, are not likely to acquiesce in formal abolition of the assembly without some resistance.

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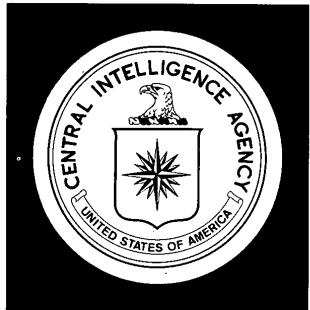
NOTE

Iceland: The outcome of Sunday's election indicates a slight swing to the right and suggests that the pro-NATO Independence Party, which increased its representation from 22 to 25 in the 60-seat parliament, will be asked to form a government. This will probably require lengthy negotiations. The Independents, who strongly favor retaining the US-manned NATO base at Keflavik, will have to enter a coalition with at least one of the other parties. The Progressive Party, which headed the outgoing coalition, is the only non-Communist group with enough seats to give an Independence-led government a majority in parliament. In the past the Progressives have opposed retention to the Keflavik base. They may be persuaded to end this opposition, however, in return for a role in the new government.

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THE PRESIDENT'S DAILY BRIEF

July 3, 1974

PRINCIPAL DEVELOPMENTS

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[redacted] Plesetsk missile and
space center [redacted] equipment that may be
related to development of a land-mobile ICBM. (Page 1)

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The Soviets have begun to convert SS-9 silos at the
Uzhur and Kartaly complexes for their new large ICBM,
the SS-X-18. (Page 2)

The USSR continues to make steady progress building
the two Kiev-class aircraft carriers at Nikolayev,
on the Black Sea. (Page 3)

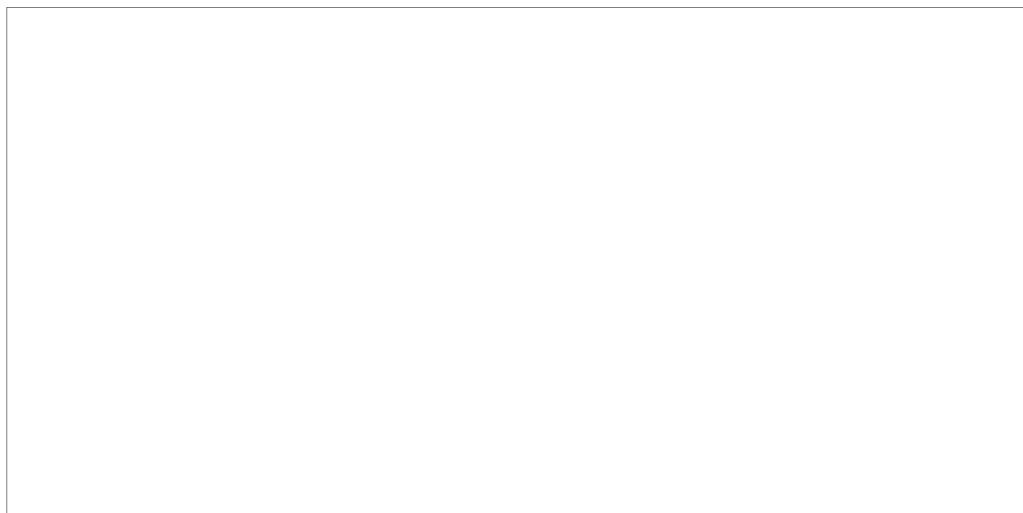
European Community officials are concerned that the
Community may be discriminated against if alloca-
tion of US uranium enrichment services becomes neces-
sary. (Page 4)

The price of gold dropped \$6 to \$137 an ounce yester-
day, its lowest level in five months. (Page 5)

Notes on France, Iran-USSR, and USSR-Algeria appear
on Page 6.

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USSR

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[redacted] of the Plesetsk missile and space center [redacted] equipment that may be related to development of a land-mobile ICBM. A new missile, the solid-propellant SS-X-16, has been launched from Plesetsk four times in the past month. Whether or not it has been tested from a mobile launcher, however, cannot be determined from the evidence so far available.

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[redacted] five pieces of equipment [redacted] in a clearing a half mile west of a soft launch site associated in the late 1960s with the mobile SS-X-15. At least four of the pieces of equipment were 45 to 50 feet long, and may be trucks of a type associated in the past with short-range ballistic missiles. We do not believe, however, that a vehicle for transporting and launching a missile was present.

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Two mobile vans used for troposcatter communications [redacted] at Plesetsk. A mobile strategic missile system would require a mobile communications system capable of performing well in a post-strike nuclear environment. A troposcatter system, in which the signal is deflected by the troposphere over a distance of at least 75 miles, would fulfill this requirement.

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At another soft launch site which was used in the past for the mobile SS-X-15, [redacted]

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[redacted] This structure is about 160 feet long and has been in place since the spring of 1972, when flight-testing of the SS-X-16 ICBM began at Plesetsk.

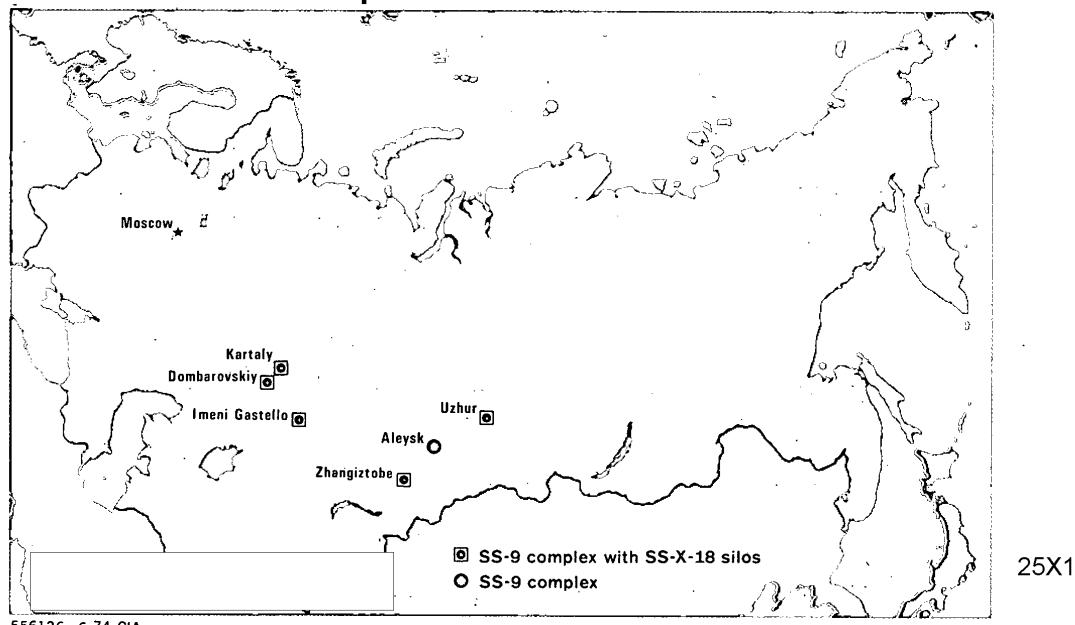
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Although it has not been possible to determine a launch point for all 17 firings of the SS-X-16, there is evidence to suggest that a number of them have come from SS-13 silos. The SS-X-16, believed to be a follow-on to the older SS-13 ICBM, is deployed in 60 silos at the Yoshkar Ola ICBM complex.

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SS-X-18 Silos at SS-9 Complexes



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the Soviets have begun to convert SS-9 silos at the Uzhur and Kartaly complexes for their new large ICBM, the SS-X-18. At the Dombarovskiy complex, where conversion of one group of SS-9 silos has been under way for over a year, work has apparently begun on a second group.

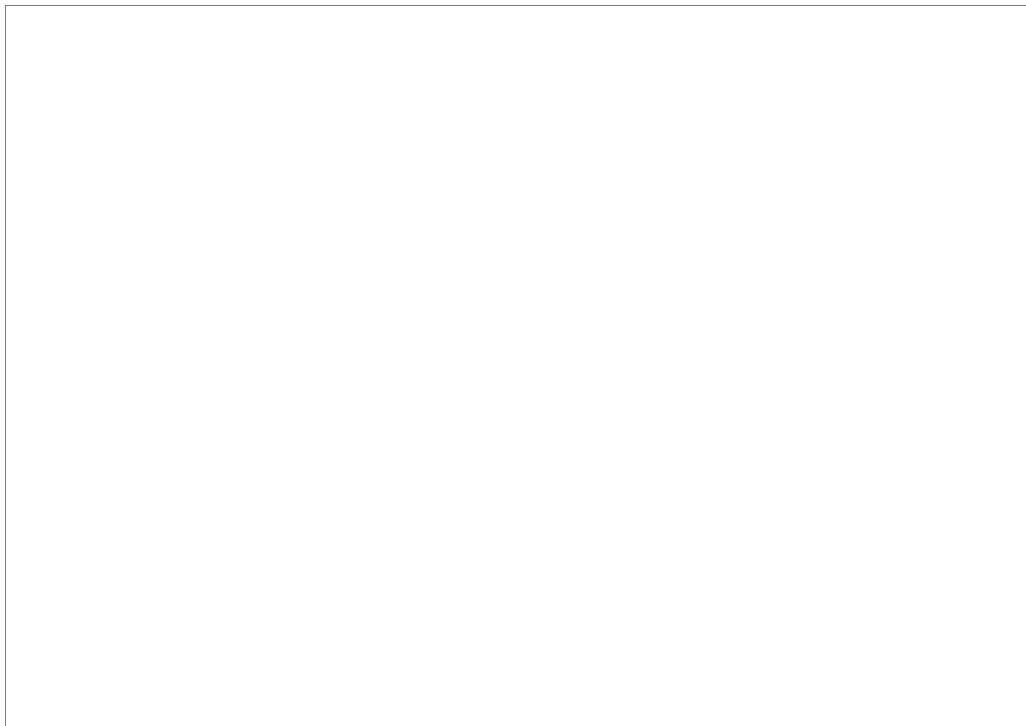
The Soviets started to build four new silos for the SS-X-18 at each of five SS-9 complexes in late 1970. In early 1973, they began to convert the group of six SS-9 silos near the four new silos at the Dombarovskiy complex. When completed later this year, the four new silos and the six converted ones at Dombarovskiy will form a single group of ten SS-X-18 silos. Because the Strategic Arms Limitation Agreement prohibits starting any new ICBM launchers, the second group of SS-9 silos now apparently being converted at Dombarovskiy probably will contain only six silos.

The SS-9 silos now being converted at Kartaly and Uzhur are also located with the four new SS-X-18 silos at each complex. Ten silos for the SS-X-18 could be completed at each of these complexes by late 1975 or early 1976.

The SS-X-18 has been undergoing flight-testing from Tyuratam since October 1972. Two versions of the missile are being tested. Development of an SS-X-18 with a single re-entry vehicle could be completed by late 1974 or early 1975. Unless the test program for the MIRV version, which is equipped with at least six re-entry vehicles, is accelerated, at least another year of testing probably will be required before it becomes operational.

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USSR

The Soviets are continuing to make steady progress in building the two Kiev-class aircraft carriers at Nikolayev, on the Black Sea.

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surface-to-air missile launcher has been installed on the carrier that the Soviets began building first. In addition, an electronics dome and a fire-control radar were seen on its superstructure for the first time. Additional hull plating has been added to the second carrier. This ship is now about 600 feet long; the first carrier measures about 900 feet.

Kiev-class carriers will probably carry a mix of 30 to 40 helicopters and vertical and short take-off-and-landing aircraft. They will be armed with surface-to-air missile launchers, antisubmarine rocket launchers, and perhaps torpedoes. The first carrier will probably be operational by 1976.

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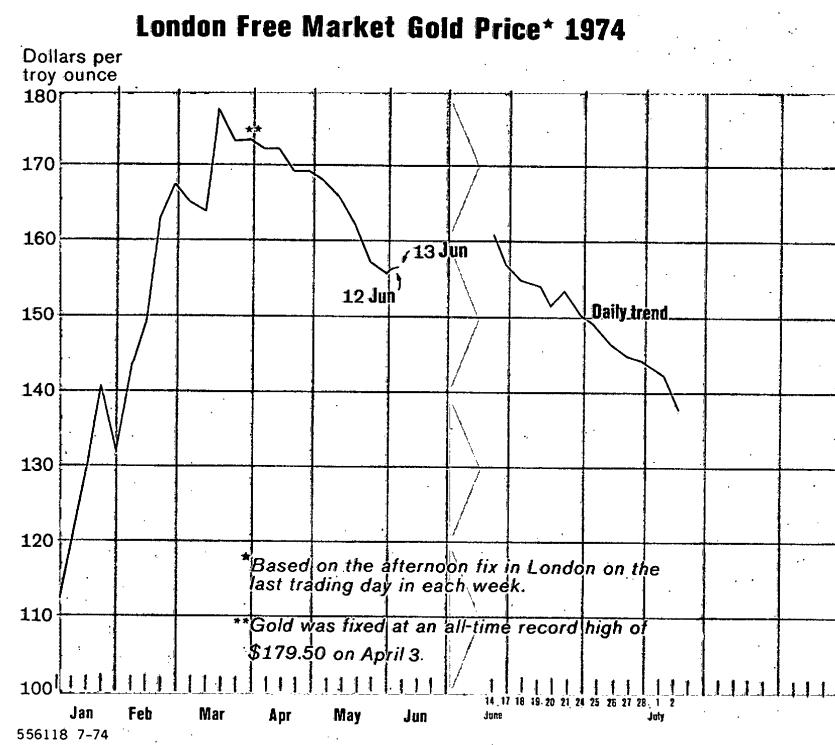
EC-US-URANIUM

European Community officials are concerned that the Community may be discriminated against if allocation of US uranium enrichment services becomes necessary. EC Commission Vice President Soames is particularly worried about the political significance of the US decision to supply enriched uranium to Egypt and Israel when there were outstanding requests from "long-standing satisfactory customers" in the EC.

Some Community officials concede that EC customers were tardy in submitting contract requests to meet the deadline of June 30 for US services on reactors going into operation from 1978 to 1982. They nevertheless have implied that the US signed the provisional contracts with Egypt and Israel when it was refusing to sign contracts with EC customers.

The Commission, which is the statutory middle-man in contracting for enrichment services for EC members, is clearly worried about meeting future Community energy needs and also presumably fears a new debate over the reliability of the US as a supplier.

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GOLD

The price of gold dropped \$6 to \$137 an ounce yesterday, its lowest level in five months. Gold dealers, who expected the present two-week-old trend to stabilize at \$140 an ounce, now appear resigned to prices of \$130 or less. They blame the decline on reduced demand.

Soaring interest rates make holding gold very expensive; interest rates for short-term Eurocurrencies exceeded 16 percent last month. Speculators who borrowed to buy gold at previously attractive prices are now selling the metal to avoid losses.

South Africa has kept its gold sales at an even level this year. It could decide to slow its sales and thus maintain some minimum gold prices, but such action would be in the face of its rising needs for foreign exchange.

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NOTES

France:

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Iran-USSR: Iran is threatening to double the price of the natural gas it exports to the Soviet Union. Negotiations between the two have broken down; the Iranians supply nearly 350 billion cubic feet of gas to the USSR annually and are in a strong bargaining position. In addition, Tehran has notified the Soviets and West Germans that it will not take part in discussions on exports of gas from Iran to the USSR and from the USSR to West Germany. Trilateral talks on ways to increase these exports were to begin Monday.

USSR-Algeria: The USSR has recently reinstated arms deliveries to Algeria as part of an effort to improve its position among Arab states.

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Soviet Defense Minister Grechko visited Algiers in late May, but no new military agreement was announced. The USSR is Algeria's main arms supplier, however, and a \$100-million military credit extended by Moscow in early 1971 has not been drawn on extensively.

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THE PRESIDENT'S DAILY BRIEF

July 4, 1974

PRINCIPAL DEVELOPMENTS

The Soviets

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The Soyuz spacecraft launched yesterday with two cosmonauts aboard will probably attempt to rendezvous and dock later today with the Salyut space station launched last week. (Page 2)

The USSR may lose as much as 20 percent of its winter wheat to a plant disease. (Page 3)

25X1

A Chinese regiment has been moving into the Ou River Valley in Laos since late May, presumably to do further construction work on the Chinese-built road system. (Page 5)

Continued heavy demand for sterling to meet payments to oil producers has strengthened the British pound since the beginning of the year. (Page 6)

Notes on a Bulgarian power struggle and Syria

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on Page 7.

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USSR

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USSR

The Soyuz spacecraft launched yesterday with two cosmonauts aboard will probably attempt to rendezvous and dock later today with the Salyut 3 space station launched last week. This mission represents a further Soviet effort to develop large space stations in earth orbit that can be manned by successive crews for long periods. This effort is also part of the Soviet preparation for the joint US-USSR space mission planned for 1975.

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Only one of the four previous Salyuts launched since 1971 has been visited by cosmonauts. That mission ended in disaster when the crew perished during re-entry after spending 23 days in orbit. Two other Salyuts developed malfunctions while in orbit, and a fourth failed to achieve orbit.

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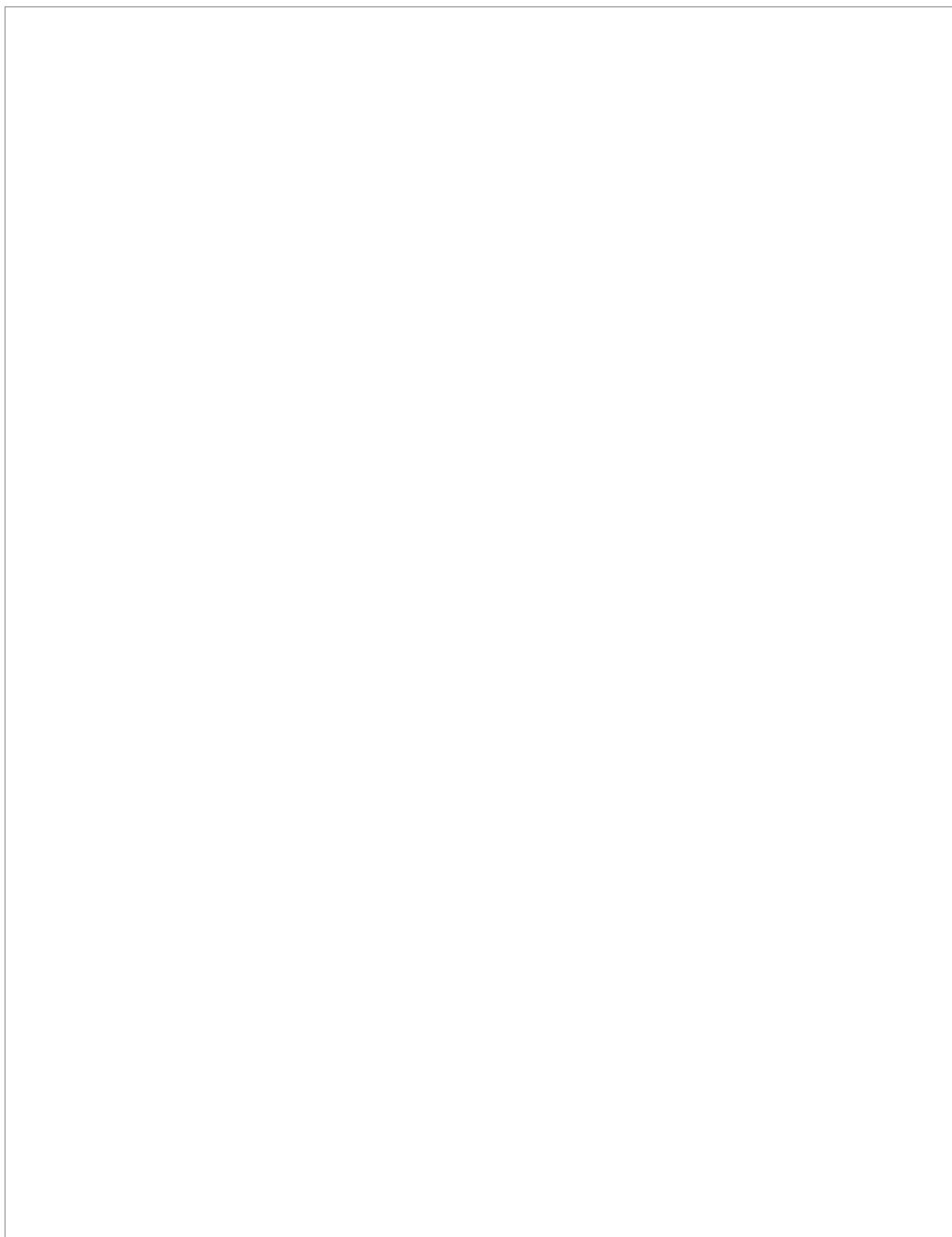
The Soviets may lose as much as 20 percent of their winter wheat to a wheat leaf rust. Wet weather over the past two months has intensified the spread of the disease, and spring wheat is also threatened.

The disease, according to an official Soviet report, has been detected in a number of sections of the Ukraine and probably is present in other winter wheat areas as well.

The two main winter wheat varieties that are sown in the USSR have only a moderate tolerance at best to the rust, which is apparently a virulent form that appeared in 1973. About 75 percent of Soviet spring wheat is also susceptible. Substantial portions of spring wheat were planted very late this year, and severe damage to the crop could occur if large quantities of the rust spores are blown north and east from the Ukraine into planting areas.

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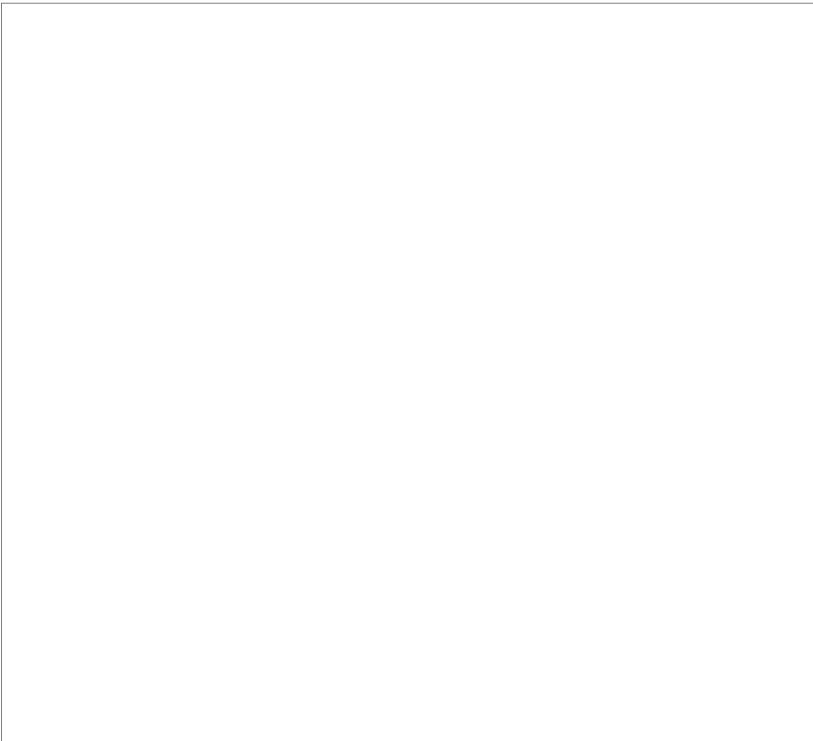
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Chinese Road Network in Northwest Laos



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CHINA-LAOS

A Chinese regiment has been moving into the Ou River Valley in Laos since late May, according to communications intelligence. The regiment probably is an engineer unit and presumably will be assigned to further construction work on the Chinese-built road system.

The arrival of the new regiment may be the final phase of a large-scale rotation of forces that has taken place this past dry season. All of the Chinese infantry and air defense forces in Laos withdrew late last year and early this year, and several engineer regiments rotated in and out of the country. Including the new unit, Chinese forces in Laos consist of seven engineer regiments and 3,000 rear service troops. All told, they are estimated at 23,000 men.

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UK

Continued heavy demand for sterling to meet payments to oil producers has strengthened the British pound since the beginning of the year despite Britain's record current-account deficit. Oil producers have converted only a small share of these sterling payments into other currencies. Sterling payments into escrow accounts also have not been converted because the oil companies are unwilling to speculate with escrow funds.

Most payments to the United Arab Emirates, Kuwait, and the smaller Persian Gulf states--totaling about \$400 million each month--are in sterling. About one fourth of Saudi Arabia's receipts, about \$500 million each month, are also in sterling. So far this year, sterling payments to producers and to producer escrow accounts for participation oil have totaled about \$7 billion.

The oil producers are willing to hold sterling for several reasons:

--The recently negotiated British guarantee against exchange loss for sterling area countries.

--Extremely high interest rates in London and for sterling deposits in the Eurocurrency market.

--The lingering influence of British bankers in the Middle East.

--London's traditional importance in international finance.

The share of oil payments in sterling and the proportion of oil producers' assets held in sterling probably will decline over the next year or two. At some point the producers will not want to risk accumulating additional sterling assets. Other things being equal, the pound would then fall to a level more consistent with Britain's real economic prospects.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Bulgaria: A power struggle has brought down four top party leaders and appears to have shifted the political balance in Bulgaria toward the hard-liners. The highest ranking official to fall was Ivan Abadzhiev, a candidate member of the Politburo and party secretary for propaganda and agitation. He had been considered one of the three top-ranking leaders and a possible heir to party and government chief Todor Zhivkov.

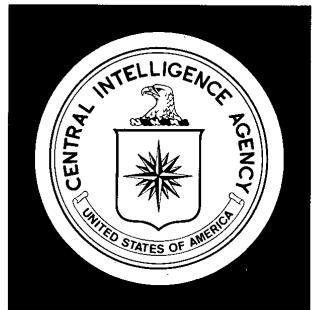
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Syria 

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The President's Daily Brief

July 5, 1974

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THE PRESIDENT'S DAILY BRIEF

July 5, 1974

PRINCIPAL DEVELOPMENTS

The Arab League Secretary General says that several secret resolutions were adopted in support of Lebanon and the fedayeen. A Beirut paper, however, will indicate that Lebanon rejected all offers of aid. (Page 1)

General Galvao de Melo, a member of Portugal's junta and a close associate of President Spinola, recently approached the US deputy chief of mission on Portugal's pressing need for economic aid from the US. (Page 3)

[Redacted] 25X1

[Redacted] (Page 4) 25X1

Emperor Haile Selassie has agreed to military supervision of the government and to acceleration of constitutional changes that will make him a figurehead. (Page 5)

In Laos, the cabinet again postponed recognition of the Viet Cong's Provisional Revolutionary Government, prompting a fresh Communist threat to pull out of the coalition. (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES

In a vaguely worded statement issued at the conclusion of the two-day Arab League Defense Council meeting in Cairo, Secretary General Riyad said that several secret resolutions were adopted in support of Lebanon and the Palestinians. Although Riyad did not elaborate, he said the Arab states agreed to provide Beirut and the Palestinians with military, financial, and political support.

According to a correspondent's dispatch from Cairo to a usually well-informed Beirut newspaper, however, the Lebanese--in closed meetings of the council--rejected all offers for financial and military aid for both Lebanon and the Palestinians.

The Lebanese apparently made it clear that they did not want either the Arab troops or the sophisticated air and air defense equipment that was offered by other Arab states, for fear that this would provoke direct hostilities with Israel. There had been earlier indications that Beirut would seek at least financial assistance for a long-range defense program that it could plan itself.

The Lebanese also reportedly succeeded in turning aside Palestinian demands for aid. The dispatch quoted fedayeen leader Zuhayr Muhsin as saying that Beirut vetoed requests both for financial aid for the construction of shelters in Palestinian refugee camps and for additional SA-7 missiles to augment the Syrian-manned missile units sent last week to defend the camps in Lebanon.

The delegates from Lebanon apparently felt that accepting assistance from other Arabs at this time would place their government under an obligation to states that do not share its inclination to remain relatively uninvolved in Arab-Israeli affairs. They probably felt that permitting aid to the fedayeen would infringe on their sovereignty--already a sore point in Lebanese-fedayeen relations.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Lebanon's reported unwillingness to accept aid could have broad and serious consequences. The fedayeen, under pressure from Lebanon and other moderates, pledged earlier this week to suspend cross-border raids into Israel. The fedayeen may now feel that Lebanon's position at the Cairo meeting releases them from this pledge.

Many Arabs, including the Egyptians, will be apprehensive that the Lebanese position weakens Arab clout and could strengthen Israel's propensity for expansionism. Egypt's offer two weeks ago of planes and pilots for Lebanon's defense was intended, as was the Defense Council meeting itself, to remind Israel and the US that the Arabs can back their words with action when they feel it necessary. The apparent failure of the Arab states to come up with a unified position, however, belies that warning.

FOR THE PRESIDENT ONLY

PORtUGAL

General Galvao de Melo, a member of Portugal's junta and a close associate of President Spinola, recently approached the US deputy chief of mission on Portugal's pressing need for aid. Emphasizing that he was raising the matter officially, Galvao de Melo said the most important immediate requirement from the US is economic assistance. He endorsed President Nixon's suggestion that the forum for discussing such aid could be the current negotiations on the US base in the Azores.

In the course of the same conversation with the US embassy officer, Galvao de Melo said that he plans to leave the junta soon in order to found a centrist political party. The party will campaign for Galvao de Melo himself as vice president and for General Spinola as president of the republic. The party will have the support of the armed forces chief of staff, General Costa Gomes. Galvao de Melo did not indicate, and perhaps does not know, whether the party will have the crucial support of middle-echelon and junior officers.

FOR THE PRESIDENT ONLY

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ETHIOPIA

Emperor Haile Selassie has agreed to military supervision of the government and to acceleration of constitutional changes that will make him a figurehead. The agreement, reached on Wednesday, leaves the Endalkatchew government intact but provides for "close collaboration" between the cabinet and the military. A revised constitution, now being prepared by a committee appointed last March, is expected to establish a constitutional monarchy and a parliamentary cabinet.

The military scored a major gain by securing the appointment of General Aman Mikael Andom as the new chief of staff. Aman, who enjoys wide respect in the military, has long advocated the political and social changes that the military have now forced the Emperor to accept.

Haile Selassie also agreed to grant amnesty to political prisoners and to all political exiles who left the country because of differences with him.

While the moderates who now dominate the military can enforce their views when they intervene in the political process, they are not a tightly knit group and therefore will not be able to provide firmness and continuity in the direction of the government.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTE

Laos: For the third time in as many meetings, the Lao cabinet on July 3 postponed recognition of the Viet Cong's Provisional Revolutionary Government. The Communist minister of foreign affairs, Phoumi Vongvichit, reiterated the Pathet Lao threat to pull out of the coalition government if the proposal to recognize the PRG is not accepted. The non-Communist ministers successfully argued that the entire 18-point program the Communists pushed through the Joint National Political Council must first be debated. One of these 18 points calls for recognition of world revolutionary movements--a category that would include the PRG.

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July 6, 1974

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THE PRESIDENT'S DAILY BRIEF

July 6, 1974

PRINCIPAL DEVELOPMENTS

Soviet news media are playing up results of the recent summit, with special emphasis on the broad support given detente in the US. China's coverage of President Nixon's trip to Moscow has been sparse, similar to Peking's treatment of US-Soviet summits in the past. (Page 1)

Chinese Premier Chou En-lai has been hospitalized, but during a conversation with him yesterday, Senator Jackson found him mentally alert and well-briefed on the Senator's earlier discussions with Chinese officials. (Page 2)

[redacted] Saudi [redacted] Egypt [redacted]
(Page 3)

25X1

Soviet President Podgorny will visit Somalia next week. (Page 4)

[redacted] Libya [redacted] USSR [redacted]
(Page 5)

25X1

Athens and Nicosia are moving closer to a new crisis in their relations as Cypriot President Makarios moves to gain greater control over the Cypriot National Guard which is run by Greek officers. (Page 6)

Notes on Panama, Egypt-Bulgaria-Romania, and USSR-Pakistan appear on Page 7.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-US-CHINA

Soviet news media are playing up the results of the recent summit, with special emphasis on the broad support given to detente in the US. Following the line set by party chief Brezhnev and others, the Soviets are portraying the President's visit as a further demonstration of the resolve of both sides to follow the course laid out over the past few years.

One broadcast stressed that the importance of the summit stems not from the number of agreements signed, but from its contribution to "maintaining the momentum" of improving relations. Soviet news commentators have also tried to draw a contrast between the summit's accomplishments and "pessimistic" predictions that appeared in the US press on the eve of the Moscow meeting.

Moscow has mentioned the personal roles of the President and Brezhnev in making the summit a success. The Soviets have balanced this, however, by noting that the policy of detente is dictated by US national interests and is independent of "political parties or different personalities."

* * *

China's coverage of President Nixon's trip to Moscow has been sparse, much like Peking's treatment of US-Soviet summits in the past. The Chinese press made no direct mention of the summit until it was over, and then broadcast only a brief, factual account of its results.

Despite China's reserve on the Moscow summit, high Chinese officials were very positive about Sino-American relations during private talks with members of Senator Jackson's party. The Chinese soft-pedaled problems in Sino-US relations, and some 130 Chinese officials showed up at an Independence Day reception at the US mission in Peking.

FOR THE PRESIDENT ONLY

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CHINA

Chinese Premier Chou En-lai met with Senator Henry Jackson for half an hour yesterday in a hospital room. Senator Jackson noted oxygen equipment in the room and said the Premier pointed to a region just above his heart to indicate the nature of his illness. Chou admitted that he had been very sick, but Senator Jackson found him to be mentally alert and well-briefed on the Senator's earlier discussions with Chinese officials.

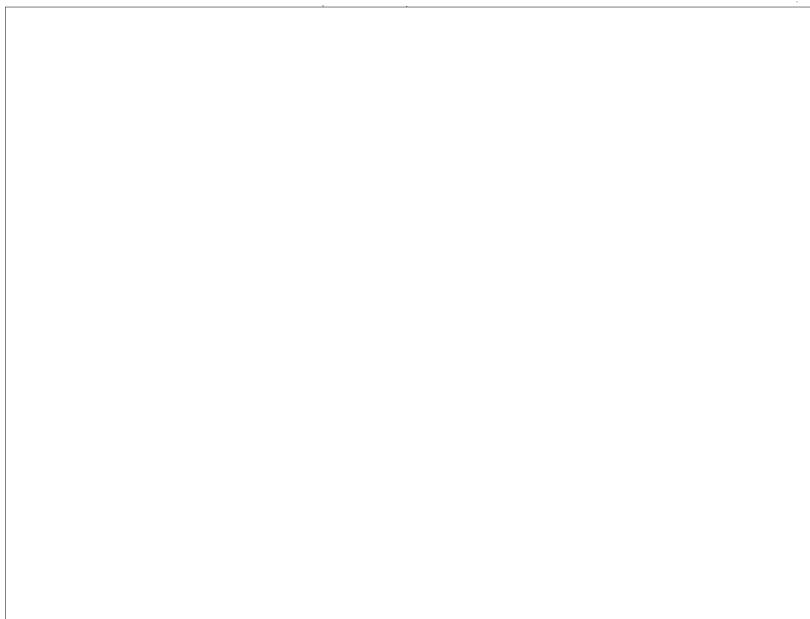
The official Chinese news agency admitted yesterday that Chou received Senator Jackson in the hospital. This admission reinforces the notion that the Premier is not incapacitated and may be an attempt to reassure the Chinese populace that he is on the road to recovery. Nevertheless, there is little doubt that ill health has indeed been a factor in the reduction of Chou's public duties. Throughout the month of May, the Premier repeatedly violated doctors' orders to limit his meetings with foreign visitors to one hour.

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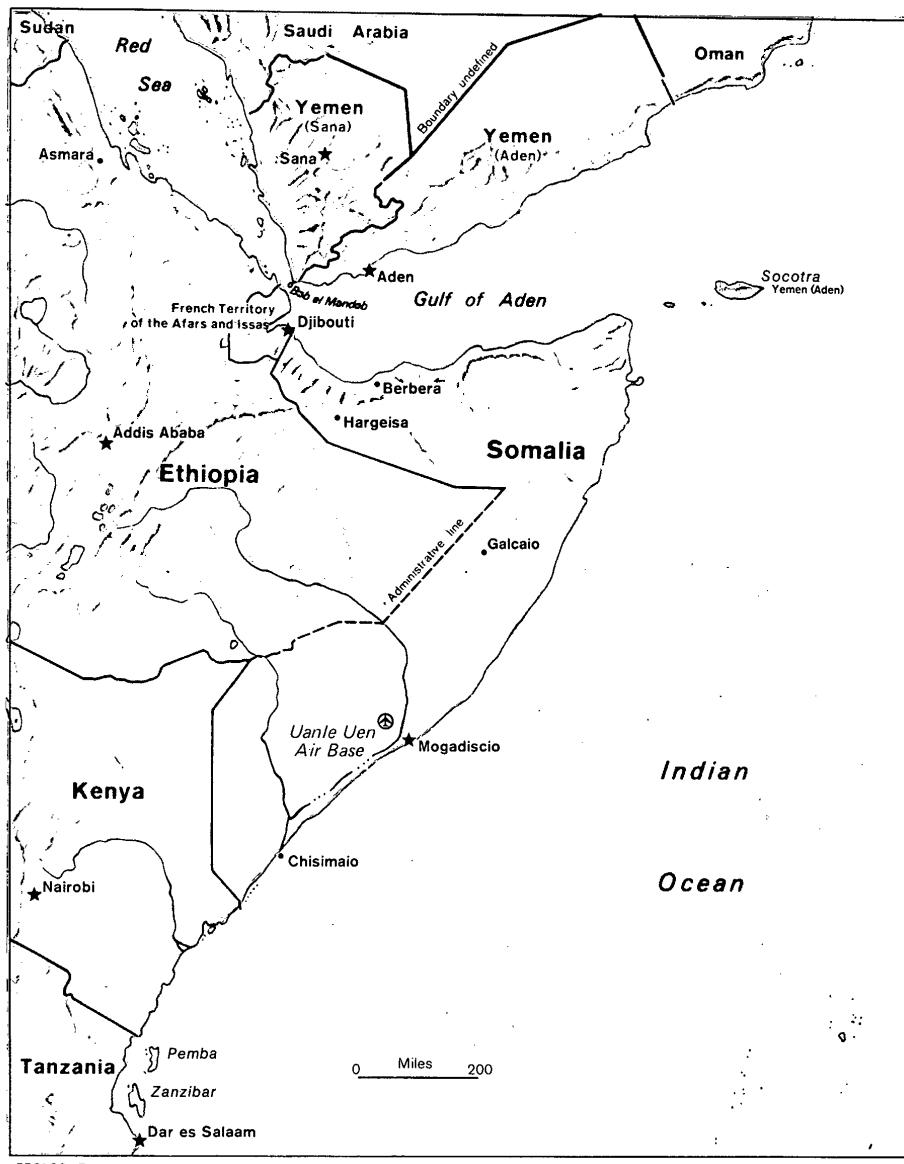
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EGYPT - SAUDI ARABIA

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FOR THE PRESIDENT ONLY

USSR-SOMALIA

Soviet President Podgorny will visit Somalia next week. The Soviets, who apparently have been pressing for a high-level visit for some time, have been concerned that Somalia would turn to the wealthy Arab states and that Russian influence might suffer as a result.

Access to Somali port facilities at Berbera has helped Moscow maintain an Indian Ocean naval force. The Russians have also been assisting in the construction of an airfield that could be used as a base for long-range reconnaissance aircraft. The Soviet Union earlier this year provided Somalia with its first MIG-21 aircraft and SA-2 surface-to-air missile systems.

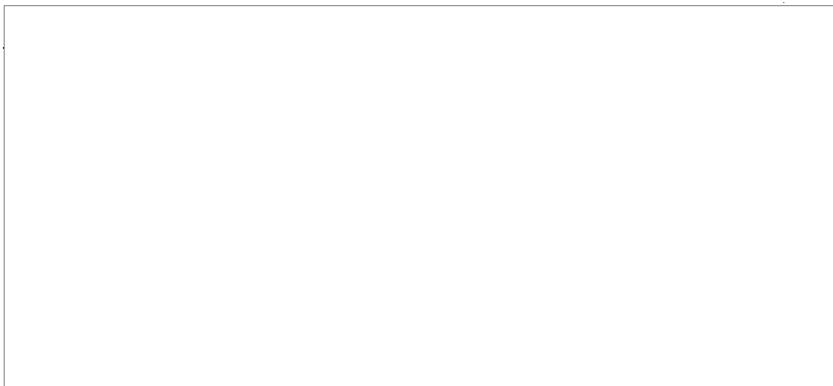
The situation in neighboring Ethiopia is sure to come up during Podgorny's discussions with the Somali leaders. The Soviets have not endorsed Somalia's territorial claims against Ethiopia and may worry that their Somali clients will become embroiled with the Ethiopians during this period of instability in Addis Ababa.

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USSR-LIBYA

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GREECE-CYPRUS

Athens and Nicosia are moving closer to a new crisis in their relations as a result of attempts this week by President Makarios to gain greater control over the national guard, which is run by Greek officers.

Makarios announced on Monday a reduction in the term of service for guardsmen from two years to fourteen months, a move designed eventually to reduce the force to 5,000 men--about half its present strength. On Wednesday, he sent a letter to the President of Greece, requesting that all but 100 of the present contingent of some 800 Greek officers attached to the guard be recalled and that the remainder serve only as instructors.

If Athens rejects his demands, Makarios intends to take the case to the UN and ask for US and Soviet assistance. Yesterday, he placed the police tactical reserve unit, which is directly responsive to him, on a state of alert.

Greece rejected Makarios' initial demand last month that 57 Greek Cypriot officer trainees who oppose him be dismissed.

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NOTES

Panama: The Torrijos government is pleased with the progress made during talks last week with Ambassador Bunker and is optimistic about the general course of the negotiations

25X1

[redacted] Foreign
Minister Tack has said that the document left by Bunker proposing joint administration of the canal shows that the US is taking a fair and open-minded approach. Tack indicated that the proposal would move Panama from "junior partner" to "senior partner" status during the life of the new treaty, and would then give the Panamanians total responsibility for administration of the canal when the pact expires.

Egypt-Bulgaria-Romania: President Sadat's visit to Bulgaria and Romania from June 27 to July 2 was his first to any of Moscow's Warsaw Pact allies. Bulgaria granted Egypt a \$100-million loan for industrial and agricultural projects. In Bucharest, Sadat's party held exploratory talks on Romania's supply of items ranging from small arms to ambulances. Romanian President Ceausescu was particularly pleased to receive Sadat. He regarded the visit as an opportunity to undo some of the bad publicity Romania has received in the Middle East for continuing diplomatic and economic ties with Israel.

USSR-Pakistan: Prime Minister Bhutto's trip to the Soviet Union--previously scheduled to begin on July 8--has been called off at Moscow's request. Moscow has suggested rescheduling the visit for mid-October. The Soviets explained that President Podgorny would be in Somalia from July 8 to 12, and that Brezhnev would also be out of town during that period.

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THE PRESIDENT'S DAILY BRIEF

July 8, 1974

25X1

PRINCIPAL DEVELOPMENTS

NATO Secretary General Luns will offer again this week to mediate the dispute between Athens and Ankara over rights to the Aegean seabed. (Page 1)

Athens [redacted]

25X1

[redacted] Cyprus. (Page 2)

25X1

The Soviet [redacted]

25X1

Indian Ocean [redacted]

25X1

(Page 3)

The politically tense atmosphere in Addis Ababa appears to be easing. (Page 3)

The French [redacted]

25X1

[redacted] (Page 3)

25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY-GREECE

NATO Secretary General Luns will make a fresh offer this week to mediate the dispute between Athens and Ankara over rights to the Aegean seabed. Luns will propose to Greek and Turkish NATO representatives that the two countries set up joint companies to exploit the mineral resources of the Aegean and work out arrangements concerning each nation's participation later. He hopes his suggestion will enable the Greeks to enter negotiations, perhaps in a NATO forum, and provide a way around Greek objections to setting up new machinery for such talks.

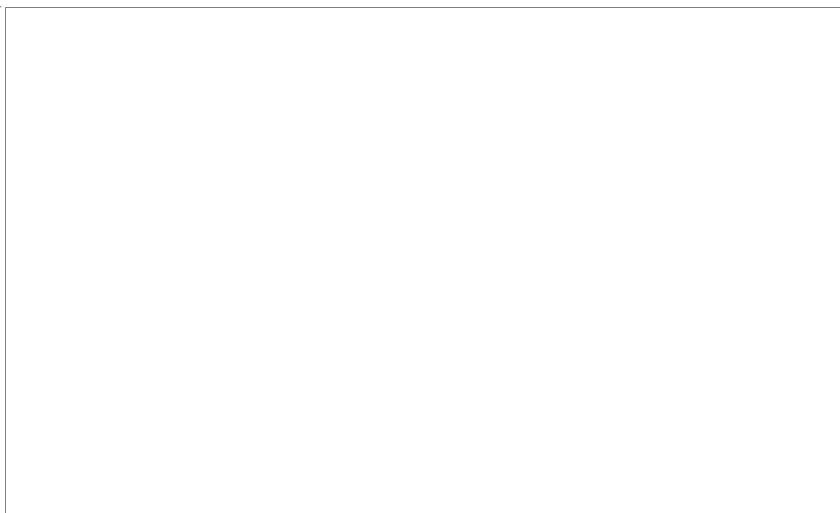
The Turks appear to have convinced Luns that they are eager to work out some kind of compromise, in part because they are worried about recent arms purchases by Greece. Some Greek officials--particularly in the foreign ministry--seem to favor a flexible approach to the problem, but they are not calling the shots. This was made clear, for example, by the behavior of Greek officials conducting recent talks with Turkish representatives in Ottawa and Brussels. The Greeks had no authority to negotiate substantive issues; they had to check back regularly with the military leaders in Athens.

The ruling junta is showing no sign of give. Greek leaders continue to insist that earlier agreements give Athens extensive rights in the Aegean and there is nothing to negotiate. Frustration over this inflexible stance may have been what prompted the resignation last week of two key foreign ministry officials.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE-CYPRUS



25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

USSR - Indian Ocean: The Soviet helicopter carrier Leningrad, accompanied by a destroyer and an oiler, rounded the Cape of Good Hope over the weekend and is now in the Indian Ocean. [redacted]

25X1
25X1

[redacted] The Leningrad probably will not, however, reach any Somali port before Soviet President Podgorny completes his current visit to Somalia. The carrier is expected to participate in Soviet mine-clearing operations this month in the Strait of Gubal at the southern end of the Gulf of Suez.

25X1

Ethiopia: The politically tense atmosphere in Addis Ababa appears to be easing in the wake of the Emperor's recent agreement to military supervision of the government and to acceleration of constitutional changes. The military has eased the ban on travel, permitting the foreign minister, who negotiated the agreement, to visit Zaire, and soldiers, who have been guarding banks, have been withdrawn. Meanwhile, six more top officials charged with corruption have surrendered to military arrest.

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France: [redacted]

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THE PRESIDENT'S DAILY BRIEF

July 9, 1974

PRINCIPAL DEVELOPMENTS

25X1

[Redacted]

25X11

Chinese [Redacted]

[Redacted]

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Israel [Redacted]

[Redacted] (Page 2)

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25X1

Following the loss by Japanese Prime Minister Tanaka's Liberal Democratic Party of its clear majority in the upper house of the Diet in the election on July 7, Liberal Democratic maneuvering will focus on the party's leadership contest, particularly the effort by Tanaka's major opponents to unseat him this summer. (Page 4)

25X1

A shake-up in the Portuguese cabinet is expected soon. [Redacted]

25X1

[Redacted] President Spinola apparently is determined to give the regime a more conservative cast and may, in the process, upset the balance of political forces he has been trying to maintain. (Page 5)

In Cambodia, the Lon Nol government issued a formal declaration today inviting the Khmer Communists to enter immediately into talks without prior conditions. (Page 6)

The recent shake-up in the high command of the Peruvian navy may open the way for the purchase of Soviet cruise missile patrol boats. (Page 7)

Notes on the USSR, South Korea, Morocco-Syria, and Canada appear on Pages 8 and 9.

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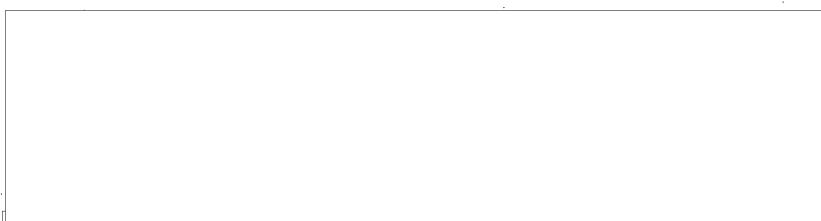
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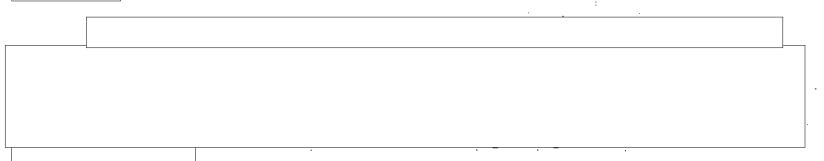
USSR-CHINA



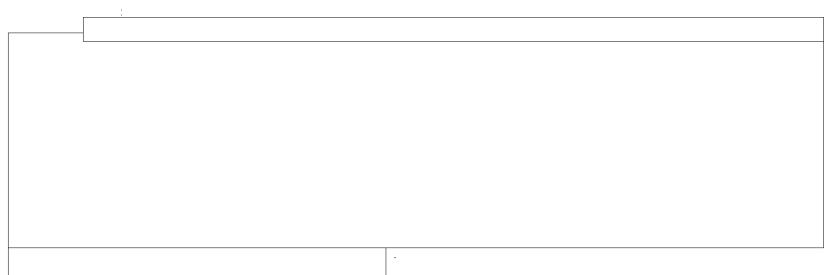
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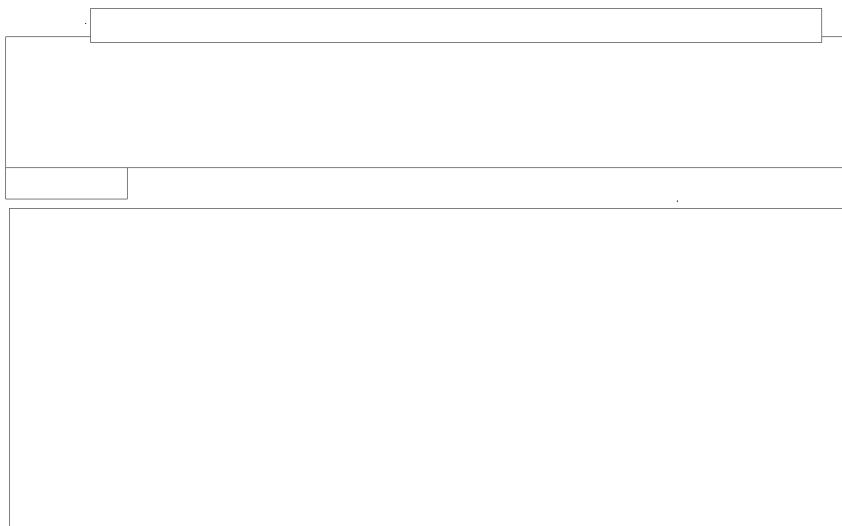
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL



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JAPAN

Nearly complete returns from the election on July 7 indicate that Prime Minister Tanaka's Liberal Democratic Party lost its clear majority in the upper house of the Diet. With 126 of the 252 seats, the party could regain a majority if some of the independent winners affiliate with it. The upper house is the less important of the two houses of the Diet, but the increased strength of the opposition may allow it to hamper some of the ruling party's legislative efforts.

Japanese politicians are attributing the outcome of the election to economic discontent. Tanaka's conduct of the campaign, particularly his heavy use of corporate contributions, may also have cost the Liberal Democrats a few seats. The weak Liberal Democratic performance will almost certainly damage Tanaka's recently reviving prestige within the party.

With the upper house elections over, political maneuvering in the Liberal Democratic Party will now focus on the party leadership race next summer, and particularly on the efforts of Tanaka's major factional opponents to unseat him as party president, and hence as prime minister.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

A shake-up is expected in the Portuguese cabinet soon, apparently the result of a rift in the forces that have supported President Spinola in power since last April. Spinola may be determined to give his regime a more conservative cast. Following an eight-hour meeting of the Council of State during the night, a Council member told reporters that the body had considered adjustments to the constitutional law that would give the government greater powers.

[redacted] 25X1

--According to one source of the US embassy in Lisbon, leftist members of the cabinet split with Prime Minister Palma Carlos over pending legislation, particularly on labor matters. The Prime Minister offered to resign, but Spinola refused and instead plans to dismiss five leftist ministers. The junta and Armed Forces Movement are said to have agreed to authorize the Prime Minister to legislate by decree.

[redacted] 25X1

[redacted] 25X1

[redacted] 25X1

Spinola reportedly believes he has the support of the junta and enough of the military rank and file to remove leftists in the Armed Forces Movement who oppose him. He reportedly also has a new comando regiment outside Lisbon to support him in such an endeavor. If Spinola moves abruptly against the left, whether in the cabinet or Armed Forces Movement, he will upset the equilibrium of political forces that he has thus far been trying so hard to maintain.

FOR THE PRESIDENT ONLY

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CAMBODIA

The Lon Nol government issued a formal declaration on negotiations today inviting the Khmer Communists to enter immediately into talks without prior conditions at a mutually agreeable time and place. The declaration expresses the hope that such a dialogue will lead to a cease-fire, to the withdrawal of all foreign forces, and to unity and national reconciliation. It appeals to all countries to help the two Cambodian sides establish a dialogue.

This is the government's first major peace initiative since July 6 of last year, when it issued a six-point proposal aimed at resolving the Cambodian problem. That proposal, unlike the new declaration, stressed the need for the withdrawal of foreign troops and a cease-fire before negotiations could start. Although Phnom Penh probably is not optimistic that its new, more flexible formula will draw a favorable reaction from the Communists, it apparently believes the statement will put them on the diplomatic defensive.

The Communists have consistently rejected any negotiations with the present regime in Phnom Penh. In the past few months they have insisted that the only way to peace is a withdrawal of all US support to the Lon Nol government. The insurgents' nominal leader, Prince Sihanouk, has also underlined the need for the withdrawal of American backing for Lon Nol. He reportedly stated in early June that if this condition were met he would be ready to begin negotiations with Washington "at any time." There have been no signs, however, that the Communists share Sihanouk's interest in dealing directly with the US.

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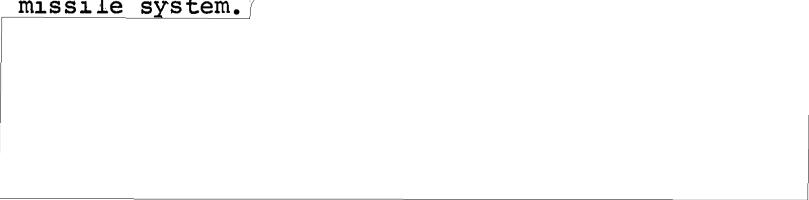
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PERU-USSR

The recent shakeup in the high command of the Peruvian navy may open the way for the purchase of Soviet cruise-missile patrol boats. The Peruvians have discussed buying Osa and Komar boats during intermittent talks with the Soviets over the past several years. The Osa carries four cruise missiles that have a range of 20 to 25 nautical miles; the smaller Komars are armed with two such missiles.

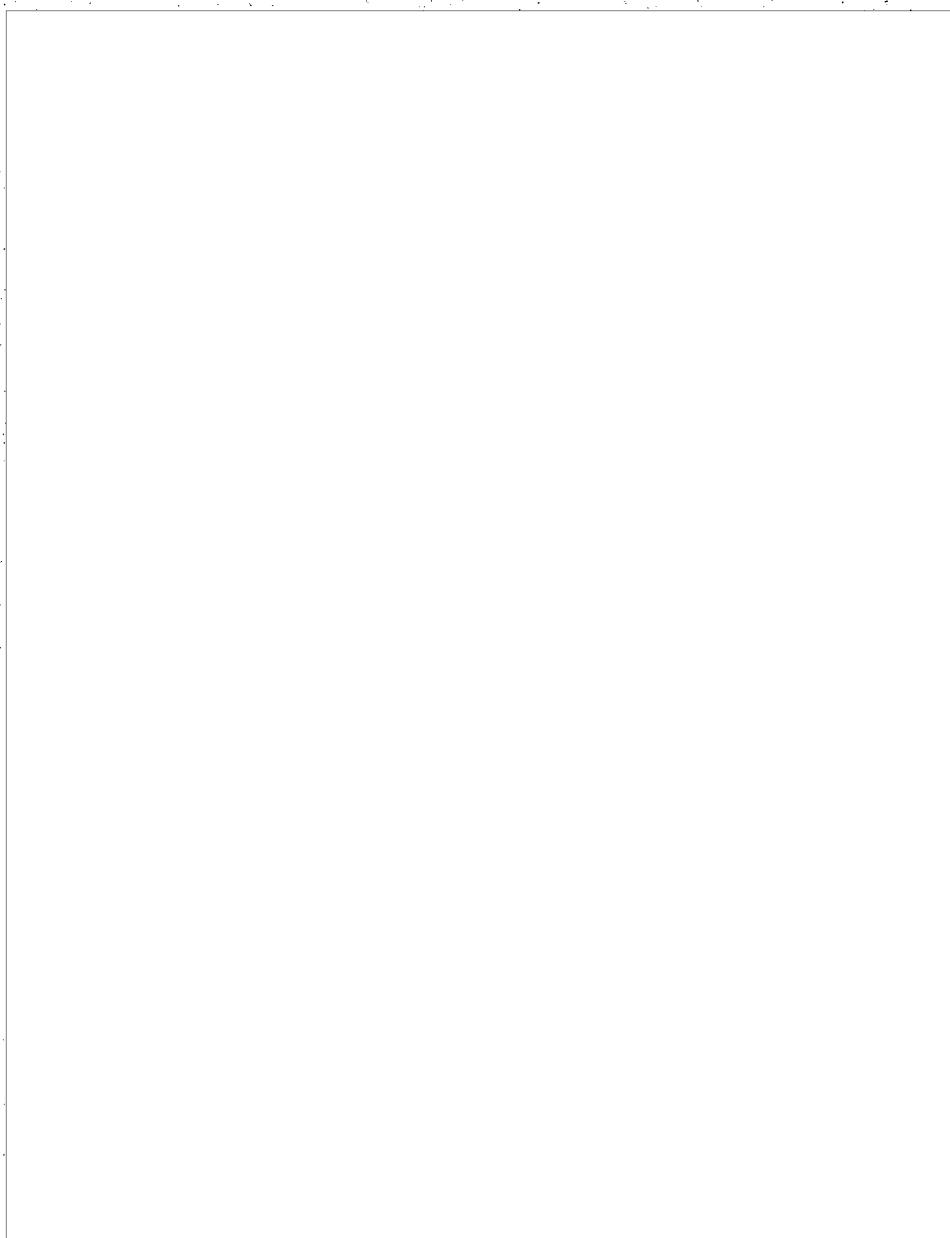
In the past, high Peruvian naval officials have been reluctant to conclude such a deal with the USSR, mainly because of Soviet insistence on retaining sole responsibility for servicing the missile system.

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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

NOTES

USSR: [redacted]

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25X1

USSR: [redacted]

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South Korea: Leaders of South Korea's 800,000 Roman Catholics are moving into open opposition to the Pak government. On July 5, the Catholic Bishops' Conference on Korea issued a pastoral letter affirming the right and responsibility of the Church to speak and to act in support of human rights. In effect, the letter is a relatively moderate and generalized statement of support for the many Protestants and other dissidents now on trial in Seoul for alleged antigovernment activities. On July 6, Bishop Chi Hak-sun, one of the most vigorous anti-Pak Church leaders, returned to Seoul from Rome, and was promptly arrested. Chi's arrest is further evidence of President Pak's willingness to call even the best known public figures to account for opposing him.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Morocco-Syria: The Moroccan expeditionary force that was sent to Syria over a year ago arrived home late last week. The force had more than 2,000 men and about 60 tanks; it took part in the fighting around Mount Hermon during the October war.

Canada: The Liberal Party pulled an upset in the election yesterday when it won a majority in the House of Commons. The victory was a personal triumph for Prime Minister Trudeau, whose aggressive campaign style and engaging wife helped restore his popularity. A majority Liberal government, without pressure from the nationalistic New Democratic Party that held the balance of power in the last Parliament, will be less prone to a Canada-first approach. The current policy of trying to lessen Canadian dependence on the US, however, will still have strong bipartisan support. Tory leader Stanfield, who lost his [redacted] chance to lead his party to victory, will probably resign or be replaced.

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July 10, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 10, 1974

PRINCIPAL DEVELOPMENTS

[Redacted]

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The Portuguese Prime Minister's resignation yesterday indicates that the struggle for influence within the leadership is far from over. (Page 2)

A successful Cambodian army campaign northwest of Phnom Penh has strengthened the government's argument that a communist military victory is not possible and that negotiations are the only way to end the fighting. (Page 3)

Moscow has made one of its sharpest attacks yet against the establishment of West Germany's Federal Environmental Office in West Berlin. (Page 4)

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25X1

Soviets [Redacted] [Redacted]
[Redacted] (Page 5)
[Redacted]

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Notes on the USSR and Chile appear on Page 5.

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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

EGYPT-ISRAEL

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FOR THE PRESIDENT ONLY

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PORtUGAL

The resignations yesterday of Prime Minister Palma Carlos and four other centrist ministers show that the struggle for influence in the Portuguese leadership is far from over.

The resignation of Palma Carlos, in particular, implies a setback for President Spinola. Spinola is said to have been trying to force obstructionist leftists out of the cabinet and thereby keep the Prime Minister in office.

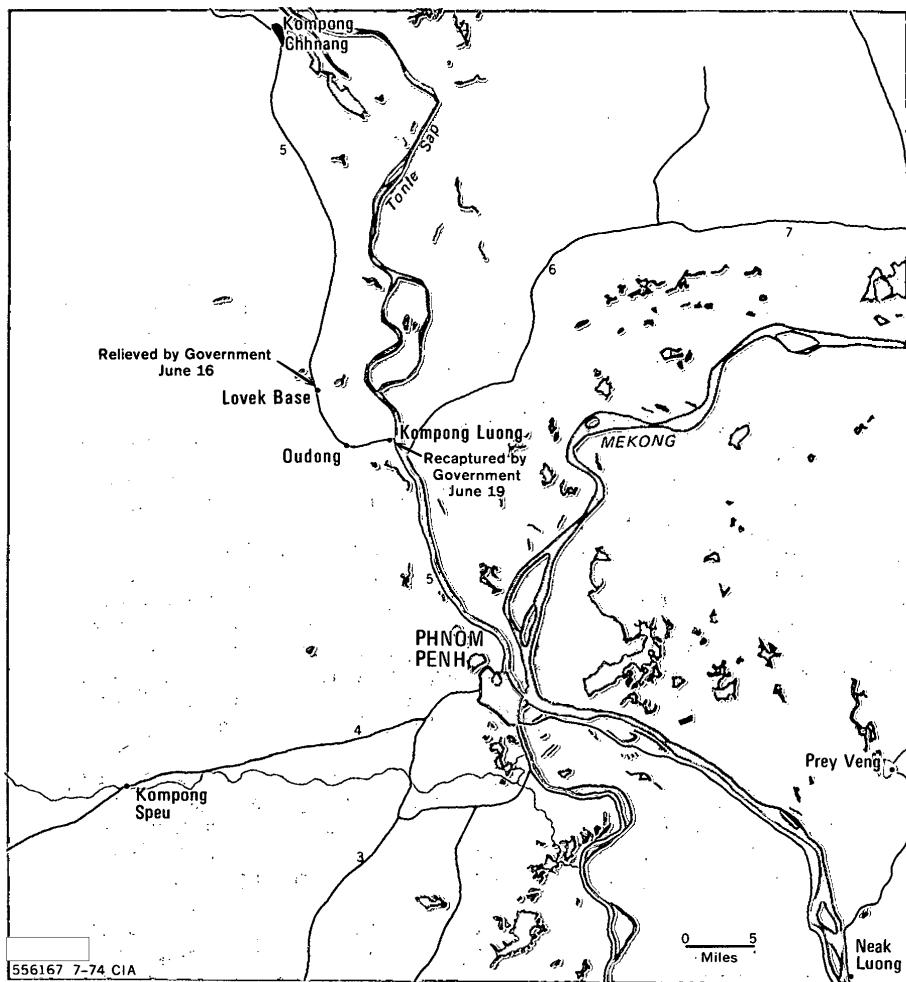
One of the ministers who resigned ascribed the resignations to the refusal of the Council of State, the supreme administrative body, to grant the Prime Minister greater freedom and power to govern the country. [redacted] all or most of the vacancies in the cabinet will be filled by military officers. Spinola may feel he can thus sidestep some of the problems that led to the resignations. Spinola may also hope that the Socialists and Communists may not want to continue in a cabinet that is largely military.

25X1

The US embassy in Lisbon reported yesterday that the military alert in effect over the weekend has been canceled and that the city is calm.

FOR THE PRESIDENT ONLY

CAMBODIA: Phnom Penh Area



25X1

FOR THE PRESIDENT ONLY

CAMBODIA

A successful Cambodian army campaign northwest of Phnom Penh has strengthened the government's argument that a communist military victory is not possible and that negotiations are the only way to end the fighting.

After three weeks of sharp engagements, advance government units yesterday entered Oudong without opposition. Once the former royal capital is secured, the army will have regained a significant portion of its previous holdings in the area. The communists overran the town in mid-March and touted their victory as a high point in their dry season campaign.

The Khmer communists made a major effort to stem government advances on the northwest front and by late June had committed between 5,000 and 7,000 troops to the fighting. Steady battlefield casualties and supply shortages caused by the present government campaign compounded long-standing insurgent command problems, however, and communist units around Oudong now appear in disarray.

It remains to be seen how soon such a government success will have a political impact. Prince Sihanouk yesterday rejected the government's latest peace initiative.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

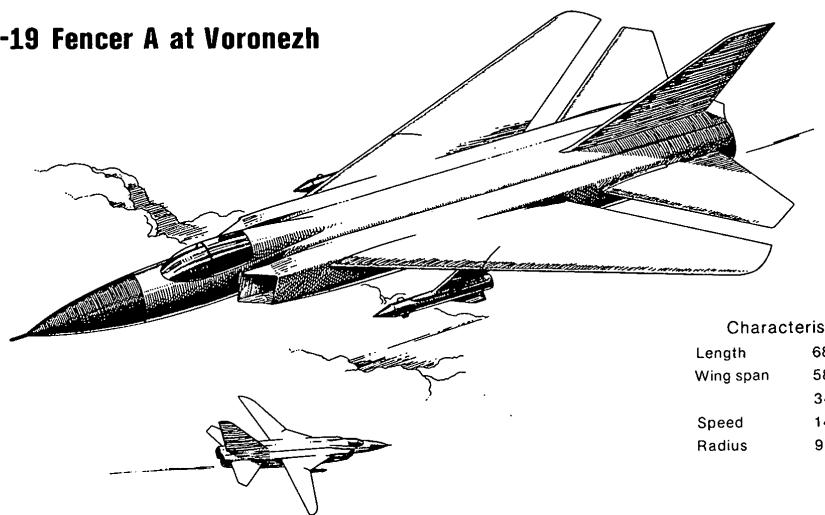
USSR - WEST GERMANY

Izvestia on July 7 printed one of Moscow's sharpest attacks yet against the establishment of a West German Federal Environmental Office in West Berlin. A signed commentary asserted that the office will violate the "letter and spirit" of the Quadripartite Agreement on Berlin and warned that West Berliners will suffer the consequences if Bonn does not desist.

Until now, Moscow has handled the Schmidt government with considerable caution while trying to establish some rapport. At the same time, the Soviets have been seeking assurances from the West that the office will not become a wedge in a West German effort to establish closer ties with West Berlin.

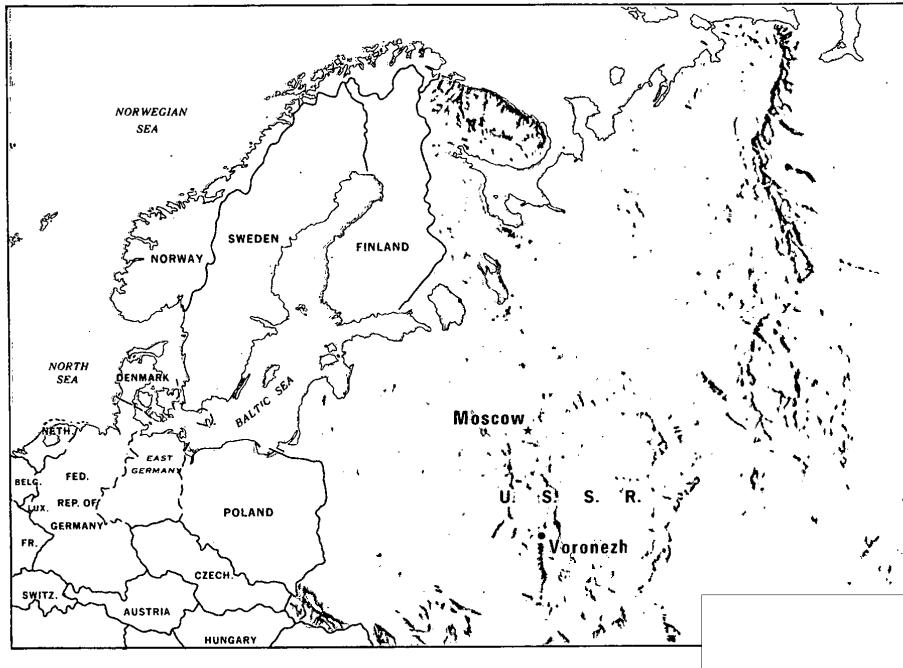
FOR THE PRESIDENT ONLY

SU-19 Fencer A at Voronezh



Characteristics

Length	68 feet
Wing span	58 feet extended 34 feet swept
Speed	1435 knots
Radius	930 nm



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FOR THE PRESIDENT ONLY

NOTES

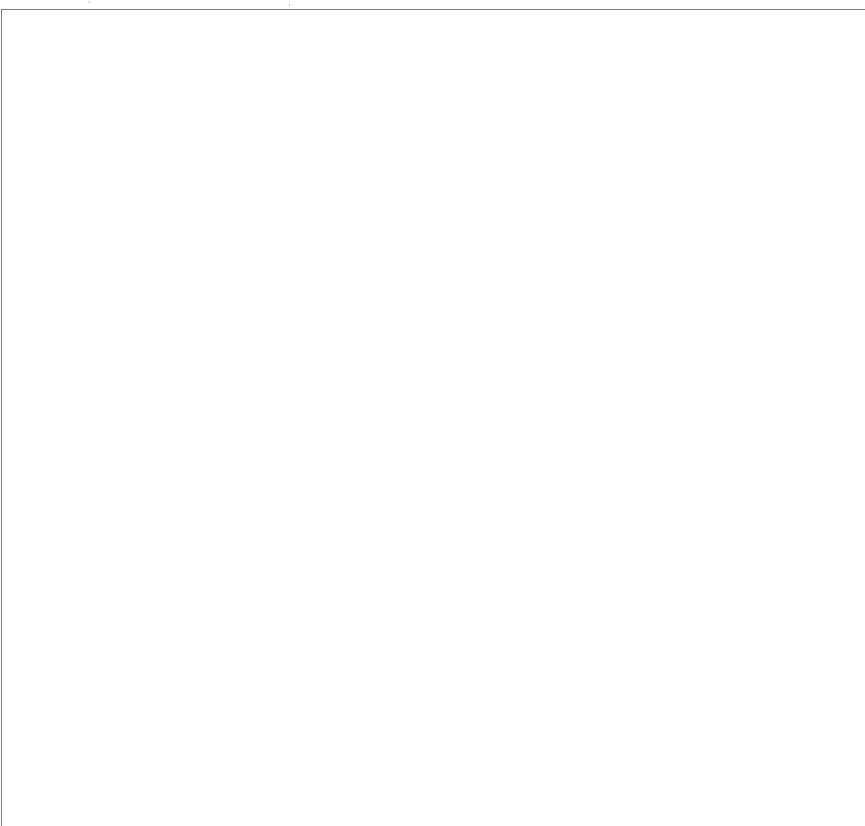
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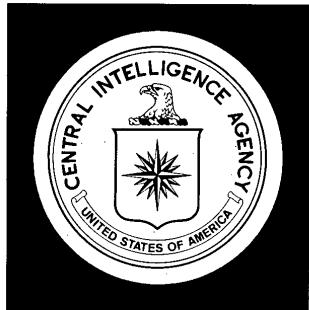


25X1

Chile: Santiago and the Anaconda Company appear to be near final agreement on compensation for copper mines nationalized by the Allende government. The junta has approved an arrangement worked out with Anaconda negotiators last month. A settlement with Kennecott Copper Corporation, whose mine was also nationalized, seems further off, but talks are continuing. A new round is scheduled to begin on July 22 in Santiago.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

July 11, 1974

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Top Secret 25X1

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

25X1

July 11, 1974

25X1

PRINCIPAL DEVELOPMENTS

25X1

Syrian-Israeli

25X1

25X1

(Page 1)

The USSR has surprisingly postponed the visit to Moscow on July 15 of Egyptian Foreign Minister Fahmi. Brezhnev sent an "urgent message" to Fahmi saying the visit should be put off until October. (Page 3)

25X1

Cypriot President Makarios has refused to back down in his efforts to reduce Greek influence on the island, thus deepening the crisis between the two states. (Page 4)

25X1

The developing dialogue on EC-Arab cooperation has not prevented individual EC countries from trying to work out extensive bilateral arrangements. (Page 5)

Indonesian President Suharto is said to be considering extensive cabinet changes in order to increase his personal control over the bureaucracy and reduce the influence of Western-trained technocrats. (Page 6)

President Echeverria of Mexico today begins a swing through five South American capitals in an effort to boost his prestige and strengthen Mexico's ties. (Page 7)

France

25X1

India. (Page 8)

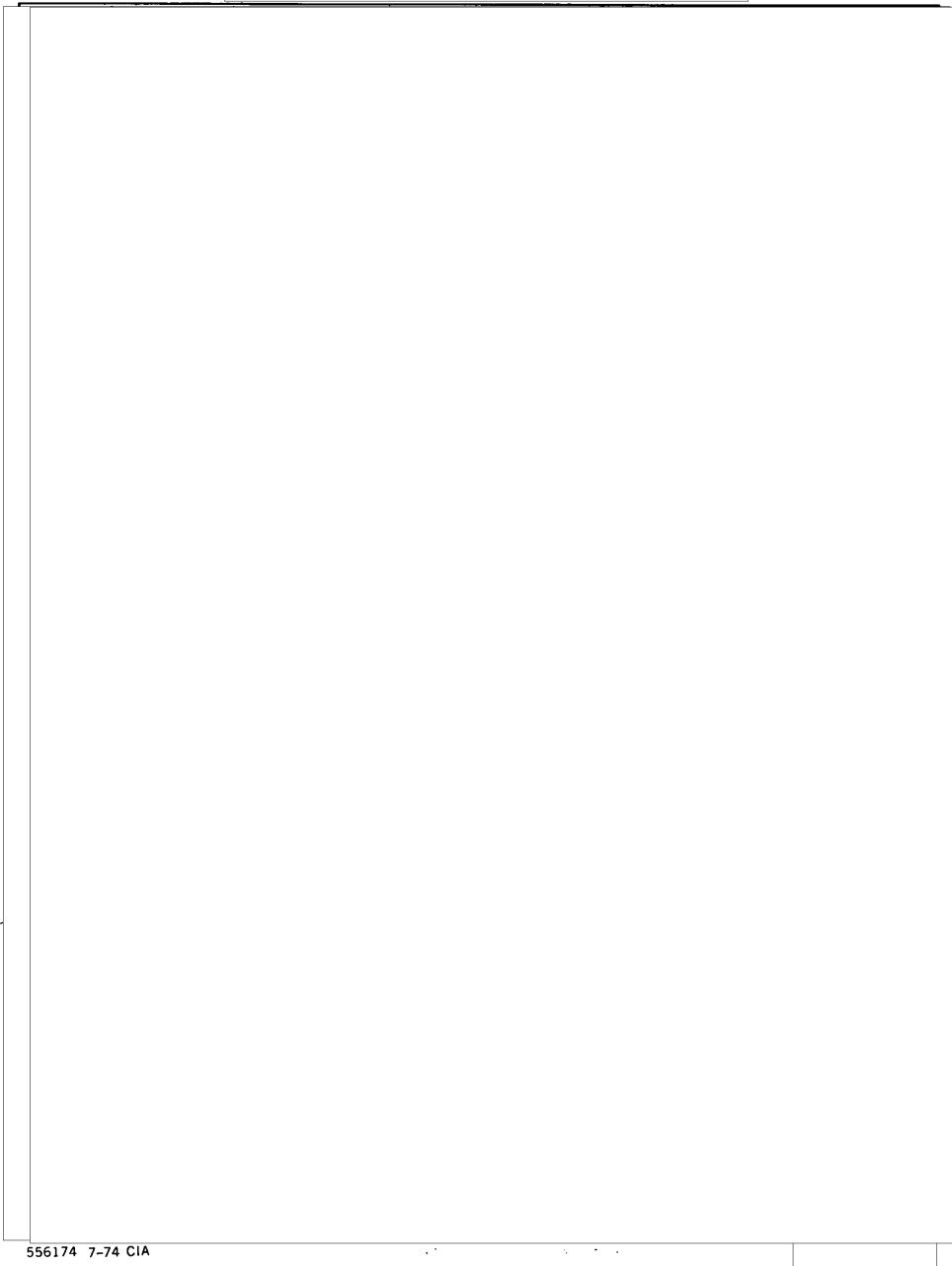
The South Korean government has released the Catholic bishop it arrested four days ago. (Page 8)

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

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SYRIA-ISRAEL

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**USSR-EGYPT**

The USSR has suddenly postponed the visit to Moscow on July 15 of Egyptian Foreign Minister Fahmi. Fahmi announced in Cairo today that Soviet party boss Brezhnev said in an "urgent message" that the visit should be put off until October because "circumstances" prevented adequate preparations.

The postponement is particularly surprising since it comes against a background of somewhat warmer Egyptian-Soviet relations. Soviet officials had been looking forward to the Fahmi visit as an opportunity to discuss outstanding Soviet-Egyptian differences.

[redacted] the Fahmi visit could lead to a Soviet-Egyptian summit. One of Fahmi's objectives apparently was to arrange such a meeting.

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The cancellation may be the result of Soviet unwillingness to make hard decisions regarding the resumption of military aid to Cairo and the venue of a Brezhnev-Sadat meeting, or of a very recent switch toward a tougher line toward the Egyptians.

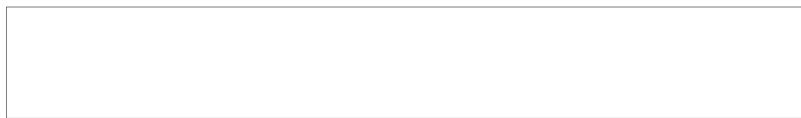
It appears equally possible, however, that the cancellation stems from considerations broader than Soviet-Egyptian relations. The Soviets on July 2 canceled--only five days before he was to be in Moscow--a visit by Pakistani Prime Minister Bhutto. A visit by Indonesian Foreign Minister Malik slated for mid-July was also put off. These last-minute cancellations pertain to the same period--mid-July--and in all three cases the Soviets have cited the press of other business as necessitating the postponements.

A Central Committee plenum apparently has been scheduled for July 23-24. If it is to be more than a routine affair, the Soviets might not want to be saddled with important foreign visitors. The French foreign minister is due in Moscow tomorrow, however, and Brezhnev is going to Poland for a ceremonial visit just before the plenum.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**CYPRUS-GREECE**

President Makarios has refused to back down in his efforts to reduce Greek influence in Cyprus. His attitude is likely to deepen the crisis that has been developing between the two states in recent weeks. For a variety of reasons, including Greece's current dispute with Turkey over mineral rights in the Aegean, Makarios may feel he can safely push his demands now without risking an attempt by Athens to overthrow him.



25X1

[redacted] Greek military officers in Cyprus are divided on the issue; a majority reportedly favor total withdrawal from the island, while the rest are said to favor defying Makarios.

25X1

Greek strongman Ioannidis still appears uncertain of what course to take. Athens does not seem to have the assets in place to overthrow Makarios, but an attempt by the Greek junta to remove Makarios one way or another cannot be ruled out.

The Turkish Foreign Ministry is taking a relaxed view of the crisis, confident that Makarios can maintain himself in power. It does not believe that Turkish interests would be either threatened or advanced by a clash between Makarios and Athens, but believes there is always a possibility that members of EOKA, which favors uniting Cyprus with Greece, might take action against the Turkish community on the island. The Turks view a Greek Cypriot - commanded National Guard as no more dangerous to the Turkish community than a guard under the command of pro-enosis mainlanders.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EC - ARAB STATES

The developing dialogue on EC-Arab cooperation has not prevented individual EC countries from trying to work out extensive bilateral arrangements.

With the lifting of the oil embargo against the Netherlands, a long-pending meeting between selected EC and Arab leaders has been set for July 31 in Paris. The participants will try to agree on areas of cooperation that have thus far been treated only in broad terms. By the end of the year, groups of experts are expected to begin serious work on outlining specific development projects.

Meanwhile, both West Germany and Denmark are pushing large-scale bilateral deals with Egypt. Bonn has agreed to provide some \$200 million in capital assistance to Egypt over the next three years with export credit guarantees of about \$110 million. Half of the aid will be tied to specific projects; the remainder will be for purchase by Egypt of essential imports.

The amount of aid Chancellor Schmidt has offered to Cairo places Egypt second only to India as a recipient of West German aid and underscores the strong interest of the parsimonious Schmidt in improving relations with a government that has influence with the Arab oil producers.

Danish Foreign Minister Guldberg is in Cairo, where he is expected to sign a \$7 million development loan and discuss future Danish technical aid to Egypt. The visit coincides with other moves by Copenhagen to foster relations with the Arabs; Denmark also has long had close ties with Israel.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDONESIA

President Suharto is said to be considering extensive cabinet changes in order to increase his personal control over the civilian bureaucracy and reduce the influence of Western-trained technocrats. This could well provoke further student protest and, over the longer run, erode his military support.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MEXICO

President Echeverria today begins an 18-day swing to five South American capitals in an effort to boost his prestige as a leader of developing nations and strengthen Mexico's ties with its southern neighbors. He will be visiting Ecuador, Peru, Argentina, Brazil, and Venezuela.

Echeverria will be pushing his proposal for a "Charter of Economic Rights and Duties," which is being considered by the UN Conference on Trade and Development before it comes before the UN General Assembly in September. He will also be promoting further Latin American integration and unity. In public statements he may be critical of industrial nations as a group, and of the US in particular.

The Mexican President will also be urging each country to lift the OAS embargo against Cuba. After a series of ups and downs, Mexican relations with the Castro government are now quite warm. Recent visitors to Cuba have included members of the President's family.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

France-India:

25X1

South Korea: The government has released Catholic Bishop Chi Hak-sun, who had been held for four days on a charge of having supported a student conspiracy to overthrow the government. Chi was freed after Cardinal Kim met with President Pak. The Cardinal had been trying to negotiate Chi's release in order to defuse Catholic protests. The release may have been assisted by strong representations to the South Korean Foreign Ministry by the apostolic nuncio in Seoul.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

July 12, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 12, 1974

PRINCIPAL DEVELOPMENTS

The Soviet Union

25X1

(Page 1)

The Egyptians are interpreting the Soviet Union's abrupt postponement yesterday of Foreign Minister Fahmi's trip to Moscow as a ploy to embarrass them with other Arab governments. (Page 3)

Soviet party General Secretary Brezhnev left Moscow, apparently for the Crimea, the day after the conclusion of his summit meetings with President Nixon. (Page 4)

After dismissing the Portuguese cabinet yesterday, President Spinola said the new government--which he hopes to announce by Saturday--would again be a coalition, including military members. (Page 5)

The USSR and Somalia signed a treaty of friendship and cooperation during President Podgorny's current visit to Mogadiscio. (Page 6)

In Italy, the Christian Democrats remain sharply divided over the implications of the setbacks they have suffered in the past two months, and party leader Fanfani has become a target of the party's left wing. (Page 7)

French Foreign Minister Sauvagnargues is in Moscow for a routine review of political and economic relations following the change of governments in Paris. (Page 8)

An official of South Africa's Atomic Energy Board has claimed that his country is capable of constructing an atomic bomb. (Page 9)

In Israel, a panel of nuclear experts appointed by Prime Minister Rabin has concluded that it would be difficult for the Egyptians to use the nuclear technology to be acquired from the US for military purposes. (Page 10)

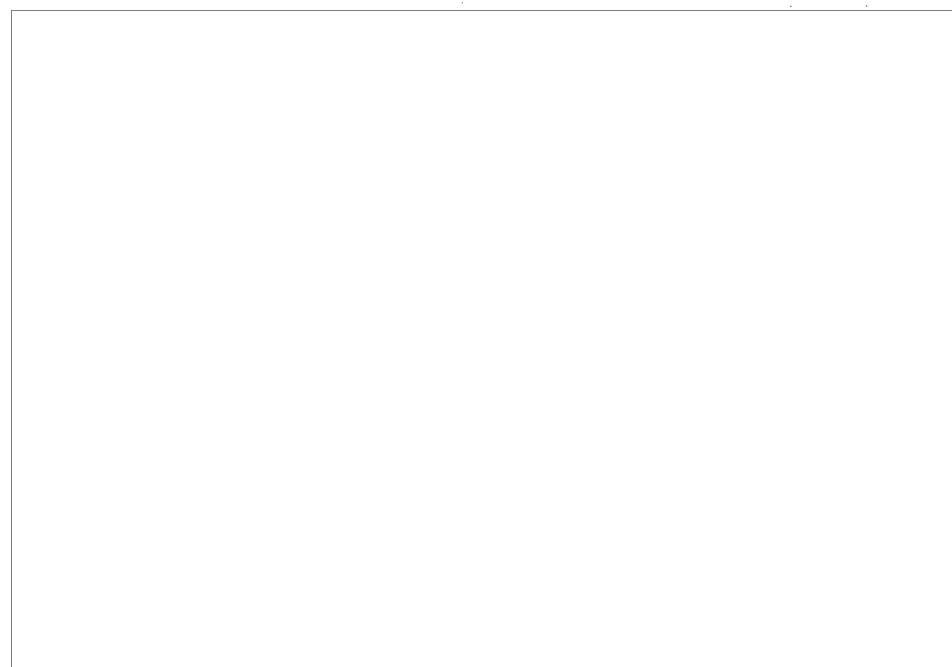
Notes on Romania, Pakistan, France, and Japan appear on Pages 10 and 11.

FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

USSR

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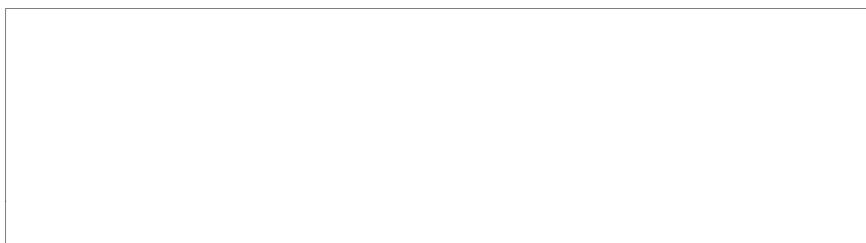
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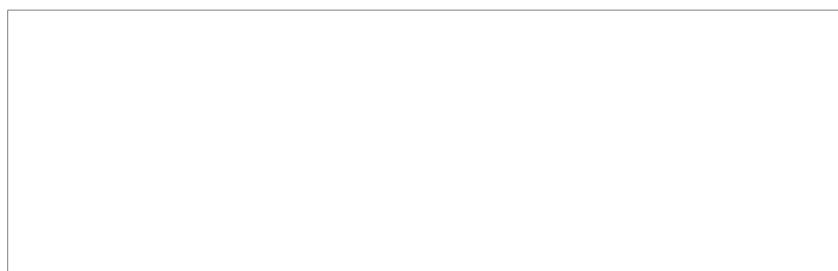
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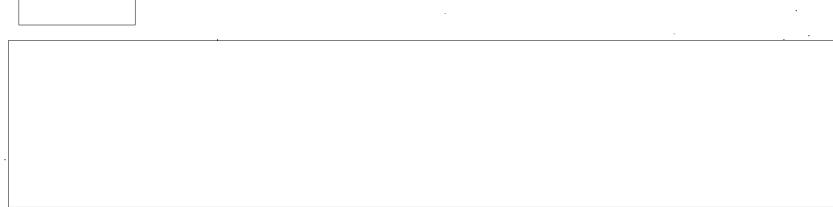
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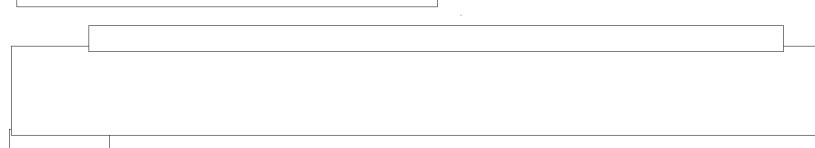
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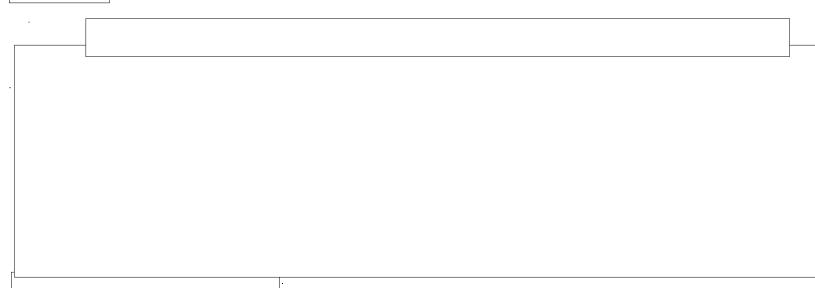


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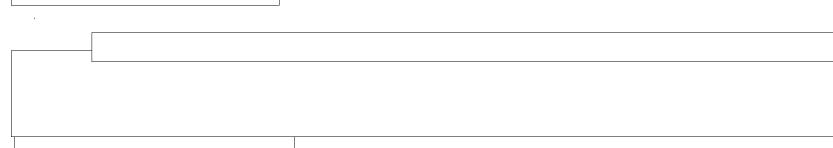
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-USSR

The Egyptians are interpreting the Soviet Union's abrupt postponement yesterday of Foreign Minister Fahmi's trip to Moscow as a ploy to embarrass them with other Arab governments.

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[redacted] President Sadat is considering a strong response.

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The Palestine Liberation Organization announced yesterday that Brezhnev has renewed an invitation to fedayeen leader Arafat to visit Moscow late this month. Since the date of Brezhnev's invitation to Arafat is not known, it is not possible to attribute a direct relationship between it and the cancellation of Fahmi's visit. Publicity given the invitation, however, will heighten Egyptian suspicions that Moscow is seeking to isolate them from other Arabs.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

General Secretary Brezhnev left Moscow, apparently for a vacation in the Crimea, the day after concluding his summit meetings with President Nixon. Brezhnev flew to Simferopol on the morning of July 4.

[Redacted] 25X1

Brezhnev's decision to leave Moscow for a rest immediately after the summit may account for the last-minute cancellations of visits by Pakistani Prime Minister Bhutto and the foreign ministers of Indonesia and Egypt. All were due in Moscow during the first half of this month.

The next major event on Brezhnev's calendar is a trip to Poland, scheduled to begin next Friday. The full program planned for that visit will provide a good indication of the severity of his health problems and a test of his recuperative powers.

FOR THE PRESIDENT ONLY

PORtUGAL

After dismissing the entire Portuguese cabinet yesterday, President Spinola told newsmen the new government would again be a coalition, including military members. He said he has contacted the new prime minister and hopes to announce the new government by Saturday.

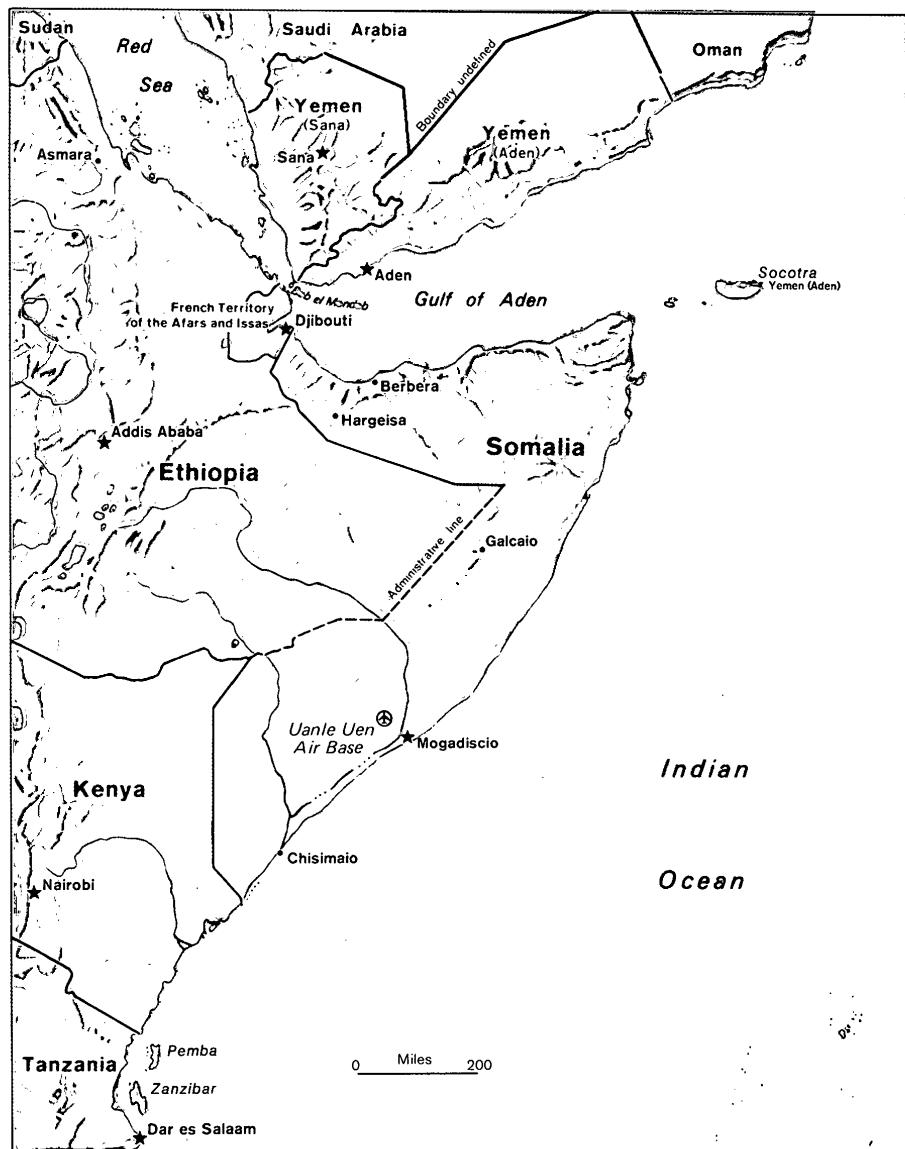
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The cabinet is expected to be predominantly military. The socialist foreign minister, Mario Soares, reportedly is slated for reappointment so he can continue negotiations to end rebellions in Portuguese Africa and settle the status of the overseas provinces.

Spinola also announced that the policy of the government will be the policy of the armed forces, an indication that he has abandoned for now any plans to enhance his own position by reducing the role of the Armed Forces Movement.

* * *

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FOR THE PRESIDENT ONLY

USSR-SOMALIA

The USSR and Somalia yesterday signed a treaty of friendship and cooperation to highlight President Podgorny's current visit to Mogadiscio. Neither the text nor amplifying details are yet available. Friendship treaties of recent years between the USSR and Egypt, Iraq, and India call for closer military, political, and economic cooperation and contain provisions for consultation in the event of war.

The Soviets had pressed the Somalis for a treaty of friendship and cooperation for several years, but Mogadiscio had refused, fearing such an agreement would identify it too closely with Moscow, erode its claims to nonalignment in Africa, and alienate potential benefactors in the Arab world. The Somalis apparently have decided their heavy dependence on Soviet economic and military aid now requires a closer relationship with Moscow. They may have extracted pledges of substantial additional assistance from Moscow in return for agreeing to sign the treaty.

One of Moscow's objectives in pressing for a treaty reportedly was to formalize its access to port facilities at Berbera. The Russians have also been assisting in the construction of an airfield that could be used as a base for long-range reconnaissance aircraft.

In a speech last night, Podgorny sought to calm concern among Somalia's neighbors--particularly Ethiopia--by saying that the treaty was not aimed at third parties. Despite such assurances, the Ethiopians will see the treaty as portending increased Somali aggressiveness in pushing territorial claims. Nations that have been concerned over Soviet activities in the Indian Ocean area will regard the treaty as an indication of the USSR's intention to expand its influence in the region.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ITALY

Christian Democratic leaders remain sharply divided over the implications of the setbacks suffered by their party in the last two months, and they have postponed their party's National Council meeting, originally set for today, until July 18.

The party's left wing and some party moderates view recent defeats as evidence that the Christian Democrats must respond more effectively than in the past to the public's desire for more innovative social and economic programs. The feeling is also widespread that the party should find younger faces to replace, or at least augment, the older personalities who have dominated the party for years.

The debate centers on 66-year-old party leader Amintore Fanfani. Fanfani, long associated with left-of-center elements, recently has moved toward the center and has become a target of the left. The effectiveness of the left's opposition to him depends mainly on the position taken by Foreign Minister Aldo Moro, the most influential of the party's left-of-center leaders. There are signs that Moro will join the opposition to Fanfani, but he may not make a decision for some weeks.

The labor confederations, meanwhile, will meet next week to formulate an official response to the government's austerity program. Labor is likely to press for sharp cuts in the vast state bureaucracy--one of the Christian Democrats' main power bases.

The Communist Party is divided over how best to exploit the situation. The party secretariat has reportedly ordered, however, that no action be taken which would worsen the Christian Democrats' internal crisis or lead to a change of government before fall. Communist chief Berlinguer feels that overly aggressive Communist moves at this time might encourage a shift to the right within the Christian Democratic Party.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FRANCE-USSR

French Foreign Minister Sauvagnargues is in Moscow for a routine review of political and economic relations following the change of governments in Paris. No specific agreements are expected to come from three days of talks that will probably cover a wide range, including:

--CSCE, on which Sauvagnargues will resist Soviet pressure for the third stage to be held at the summit level;

--MBFR, on which he will simply restate the French position;

--Soviet briefing on the Nixon-Brezhnev summit, by which Moscow would be complying with consultation provisions of its 1970 protocol with France;

--the West Berlin environment office issue; and

--the Middle East.

The foreign minister's visit to Moscow coincides with a meeting of the Franco-Soviet Grande Commission in Paris, at which a major contract for nuclear reactors may be signed.

25X1

25X1

On July 10 the Grande Commission issued a protocol on peaceful uses of atomic energy for 1974-75, setting guidelines for cooperation in nuclear production of electricity.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH AFRICA

An official of South Africa's Atomic Energy Board announced Wednesday that his country is capable of constructing an atomic bomb, but that its policy is to use nuclear knowledge for peaceful purposes only.

South Africa may have done research in the nuclear weapons field, but is not now capable of producing a nuclear weapon. Pretoria has one nuclear research reactor, supplied by the US, under International Atomic Energy Agency safeguards. Pretoria plans to build a nuclear power station, but this would not be operational until the early 1980s.

South Africa is not now able to produce enriched uranium. A pilot enrichment plant will go into production this year, but its product will not be suitable for making nuclear weapons. Nevertheless, the process it will use could be altered--as can all uranium enrichment methods--to produce weapons grade uranium in the future.

South Africa lacks the other facilities necessary for nuclear weapons manufacture. If a decision is made to start a weapons program, it would take several years to build the needed facilities.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Israel: A two-man panel of nuclear experts appointed by Prime Minister Rabin has assessed the possibility that Cairo could use for military purposes the nuclear technology to be acquired from the US. The experts concluded that it would be difficult for the Egyptians to switch a reactor for power production operating under US-imposed safeguards to the manufacture of nuclear arms. They reported that each function requires completely different know-how and scientists with different qualifications. The report should help calm the Israeli public, which has been nervous about the US-Egyptian nuclear arrangement. Rabin probably feels the report vindicates his government's low-key reaction, for which it had come under severe attack from the political opposition and much of the press.

Romania: Factory workers set at least one industrial fire in Romania recently, the first confirmed case in some time of serious worker-instigated sabotage. Further incidents could mean that Ceausescu faces some of the most serious popular discontent in his nearly ten years of rule. The regime's main response has been to tighten security at industrial facilities. Ceausescu's emphasis on developing heavy industry at the expense of improved living conditions and the production of consumer goods is an important factor in worker dissatisfaction. Romania's living standard is the lowest in Eastern Europe, except for Albania.

Pakistan: Prime Minister Bhutto has asked China to speed up arms deliveries at the same time that he is pressing Washington to lift its embargo on offensive weapons for Pakistan. He based both requests on alleged Indian troop and air movements, a military alert in Afghanistan, and the delivery of large quantities of Soviet military aid to Kabul. US embassies in Islamabad, Kabul, and New Delhi report no indications of unusual military activity that would support Bhutto's allegations. Although there has been a heavy flow of Soviet materiel to Kabul, the Afghan armed forces have shown little ability to use this equipment effectively.

(continued)

FOR THE PRESIDENT ONLY

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France: [redacted]

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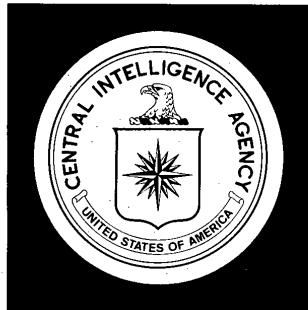
Japan: Deputy Prime Minister Takeo Miki has resigned to protest Prime Minister Tanaka's handling of the recent upper house election campaign, according to press reports. The resignation represents a serious challenge to Tanaka's leadership, in the wake of the ruling Liberal Democratic Party's setback in the election last Sunday. Miki is an important factional leader and long a prime ministerial aspirant. There are indications that Finance Minister Fukuda, Tanaka's chief rival in the party, is also considering resigning. At a minimum, this would force Tanaka to reshuffle his cabinet, but the resignations of these important party factional leaders could threaten his continuation as party chief and Prime Minister.

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The President's Daily Brief

July 13, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 13, 1974

PRINCIPAL DEVELOPMENTS

Prime Minister Souvanna Phouma of Laos suffered an apparently serious heart attack yesterday. His condition poses a threat to the fragile political structure in Vientiane. (Page 1)

Egypt's President Sadat has invited King Husayn of Jordan to Cairo for three days beginning July 16. Jordanian-Israeli disengagement and relations between Husayn and the PLO probably will be high on the agenda. (Page 2)

[Redacted] 25X1

The Thai government has requested the US to stop naval reconnaissance flights over the Indian Ocean from bases in Thailand. (Page 4)

25X1

Soviet [Redacted]

25X1

The major Arab oil producers continue to rely on the Eurodollar market to invest their sharply increased foreign assets. (Page 6)

[Redacted] 25X1

Notes on the USSR - Warsaw Pact, Fedayeen, and China appear on Page 8.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

Prime Minister Souvanna Phouma has suffered what appears to have been a serious heart attack. His condition poses a threat that the fragile political structure in Vientiane will disintegrate. The most immediate danger is overreaction by either the Vientiane or the Pathet Lao side; each fears that its opponent might get the jump on it.

Information and misinformation regarding Souvanna's health and the intentions of the Communists and the right wing are bound to spread quickly through Vientiane's rumor mills. A prognosis of full or partial recovery would calm the fears within both camps, but until Souvanna's condition stabilizes, the situation is likely to be tense.

According to the US ambassador, Souvanna is under intensive care at his home, with his French doctor and four Lao doctors in attendance.

25X1

The coalition could probably hold together at least temporarily if Souvanna were incapacitated but still able to make some decisions. In fact, the non-Communists would gain a badly needed breathing space. On July 10, Souvanna and the Communist members of the cabinet pushed through a decision to dissolve the rightist-controlled National Assembly. The following day, in a special session of the cabinet, the Communists' 18-point program containing general guidelines for domestic and foreign policies was approved with only minor modifications.

If Souvanna is not able to continue in office, the succession will be complex, and personalities will be more important than procedures. Souvanna himself may try to dictate the choice of a successor if he finds it necessary to step down. The four most likely contenders would be non-Communist Deputy Premier Leuam Insisiengmay, Communist Deputy Premier Phoumi Vongvichit, neutralist Interior Minister Pheng Phongsavan, and Lao Communist leader Prince Souphanouvong, chairman of the advisory political council.

Pheng would appear to be the least contentious candidate, if only because he is a neutral, is relatively close to Souvanna and, like the Prime Minister, has had long experience in dealing with both sides.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-JORDAN-ISRAEL

Egypt's news agency has announced that King Husayn will visit Cairo on July 16 for three days at President Sadat's invitation. Jordan-Israeli disengagement and relations between Husayn and Palestine Liberation Organization leaders, whom Sadat would like to see reconciled, are likely to be key subjects of discussion. Syrian President Asad, who has been planning to visit Cairo soon, may show up at the same time as Husayn.

From Israel, [redacted] Prime Minister Rabin's cabinet will meet next week to re-examine its position on negotiations with Jordan and with Palestinian representatives. The government expects to come up with some new proposals for Foreign Minister Allon to take with him on his visit to Washington toward the end of the month.

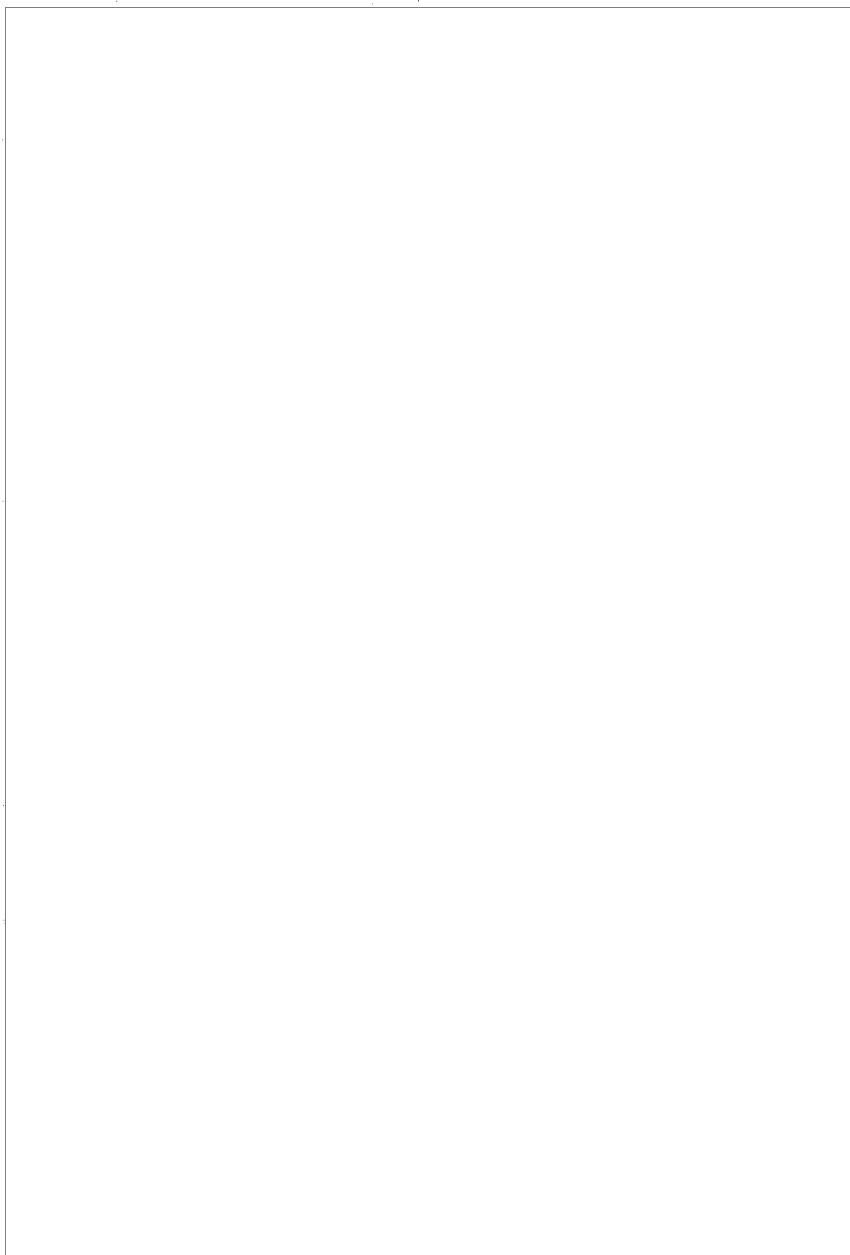
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Over the past week, the Israeli press has carried several articles on the Palestinian issue, and a number of commentators have urged the government to rethink its position. Information Minister Yariv told the press yesterday that the government is prepared even to negotiate with the PLO if the PLO will publicly acknowledge the Jewish state of Israel and cease terrorist activities. This is not a new position, but it is stated more positively than in the past.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE-CYPRUS



FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

The Thai government has asked the US to stop naval reconnaissance flights over the Indian Ocean from bases in Thailand. Foreign Minister Charunphan told Ambassador Kintner yesterday that his government did not want to be in the position of having to justify such flights to the National Assembly or to domestic critics at a time when student groups, intellectuals, and the press are all voicing criticism of US military forces based in Thailand.

The foreign minister made it clear that his government is determined to support a continued US military presence in Thailand as a deterrent to North Vietnamese aggression in Indochina, but he said the reconnaissance flights were contrary to Thailand's position that the Indian Ocean should remain neutral.

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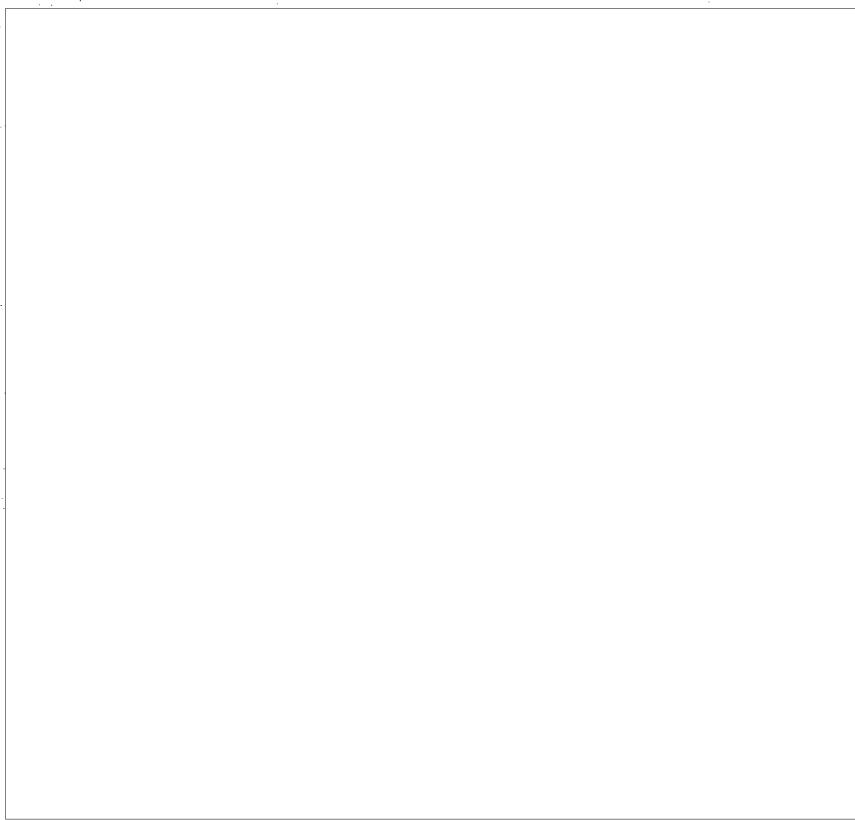
The government's position is designed to appeal to those who argue for a foreign policy more independent of US interests. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB OIL STATES

An investment pattern has emerged for the foreign assets of the major Arab oil producers. These assets have increased sharply since December, but their composition and the currencies in which the assets are held have remained relatively stable.

--Saudi Arabia, unable to keep pace with the accumulation of its foreign assets, continues to rely heavily on bank deposits, particularly in London.

--Kuwait, the most sophisticated investor, is purchasing large amounts of real estate. When oil payments retroactive to January 1 are received, Kuwait's bank balances will also increase markedly, as will its assets that are denominated in sterling.

--Libya is purchasing US Treasury stocks and bonds and is gradually increasing its dollar holdings.

The Arabs continue to rely on the Eurodollar market. Up to now, deposits have been relatively free from economic and political risks, and the rate of return has generally been sufficient to maintain the real value of their holdings.

This heavy reliance on the Eurodollar market nevertheless creates problems that will become more acute. The massive flow of Arab funds increases the potential for market instability and is depressing interest rates on Arab deposits. Growing concern over the Eurodollar market's ability to assimilate producers' revenue is already evident, even though the increased flow of Arab funds began only in April when the first quarterly oil payments reflecting higher prices were received.

The Arabs will increasingly direct their deposits toward the major national capital markets, particularly the US market.

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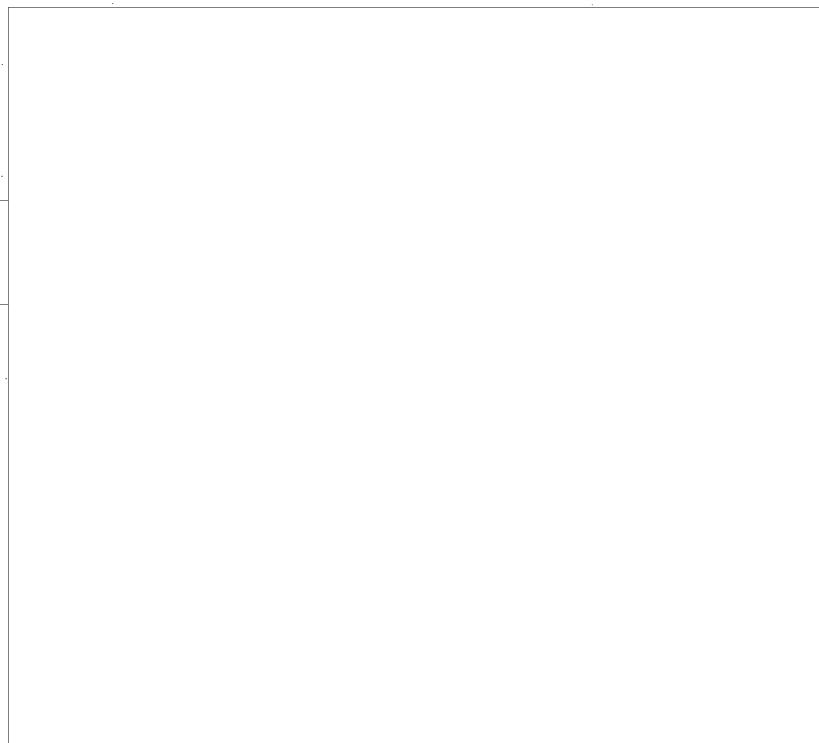
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These markets, however, are no better suited at present to recycling funds to consuming countries than is the Eurodollar market.

FOR THE PRESIDENT ONLY

FRANCE

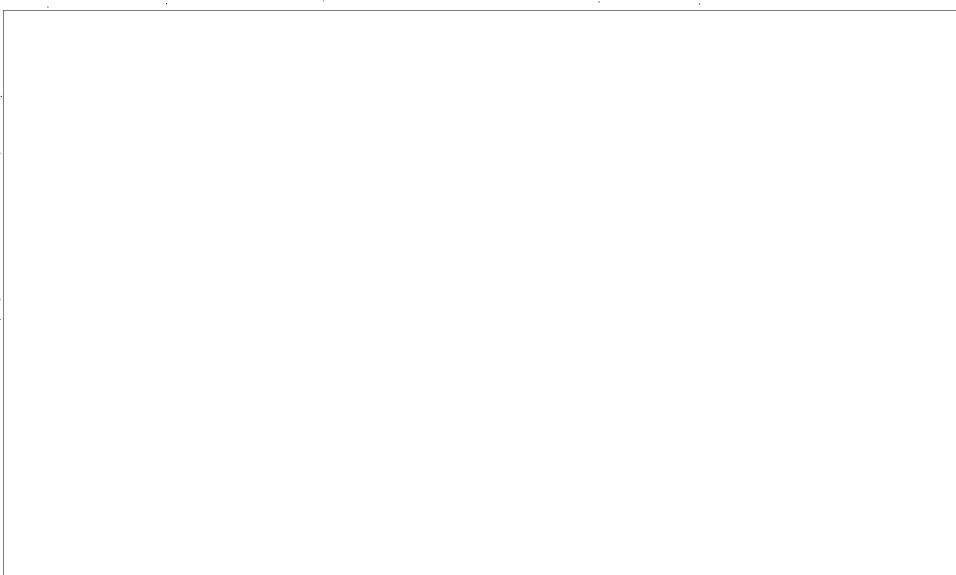


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NOTES

USSR - Warsaw Pact: [redacted]

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Fedayeen: The Palestine Liberation Organization reshuffled its Executive Committee this week. Key members retained their posts, thereby confirming that Arafat--who gained additional supporters with the expansion of the committee last month--remains the top fedayeen personality. Members representing the Popular Front for the Liberation of Palestine and the Arab Liberation Front were also given responsible positions; this suggests that Arafat hopes to bring them into a more active role in PLO affairs and thereby indirectly temper their radicalism.

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China: [redacted]

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The President's Daily Brief

July 15, 1974

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THE PRESIDENT'S DAILY BRIEF

July 15, 1974

PRINCIPAL DEVELOPMENTS

25X1

Egypt

(Page 1)

25X1

Saudi Arabia

(Page 2)

Lao Prime Minister Souvanna Phouma's condition is
currently stable.

25X1

(Page 3)

25X1

Portugal's new cabinet, under Lieutenant Colonel
Vasco de Goncalves, will be more responsive to the
Armed Forces Movement than the previous government
was. (Page 4)

The Greek-led Cypriot National Guard has overthrown
President Makarios, who reportedly has been killed.
Intercommunal fighting has broken out between Greeks
and Turks on the island. (Page 5)

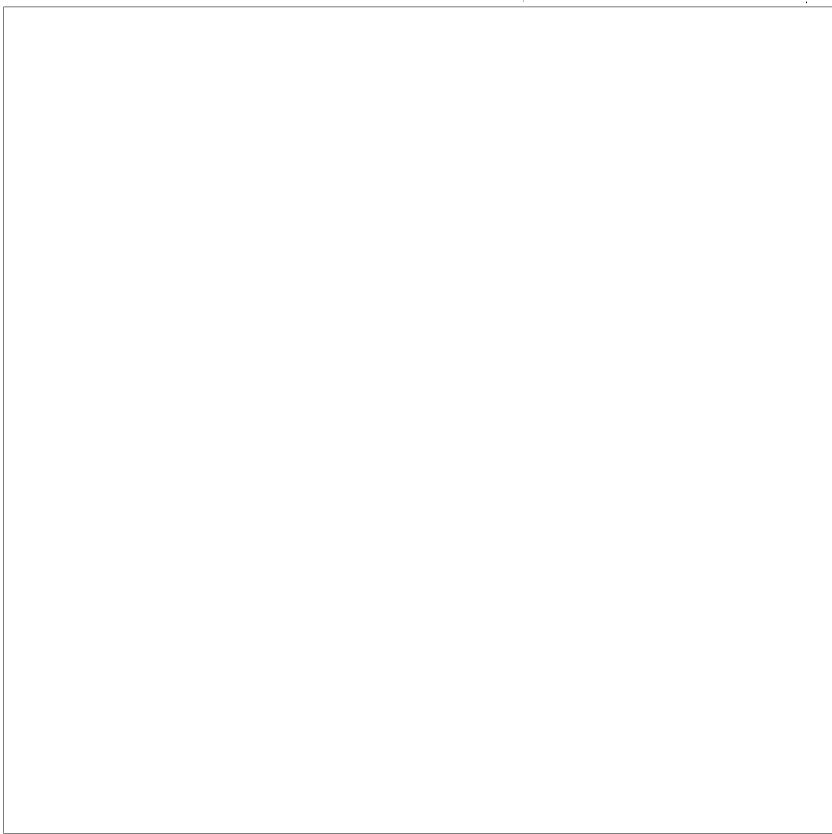
Notes on USSR-Somalia and East - West Germany appear
on Page 6.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT

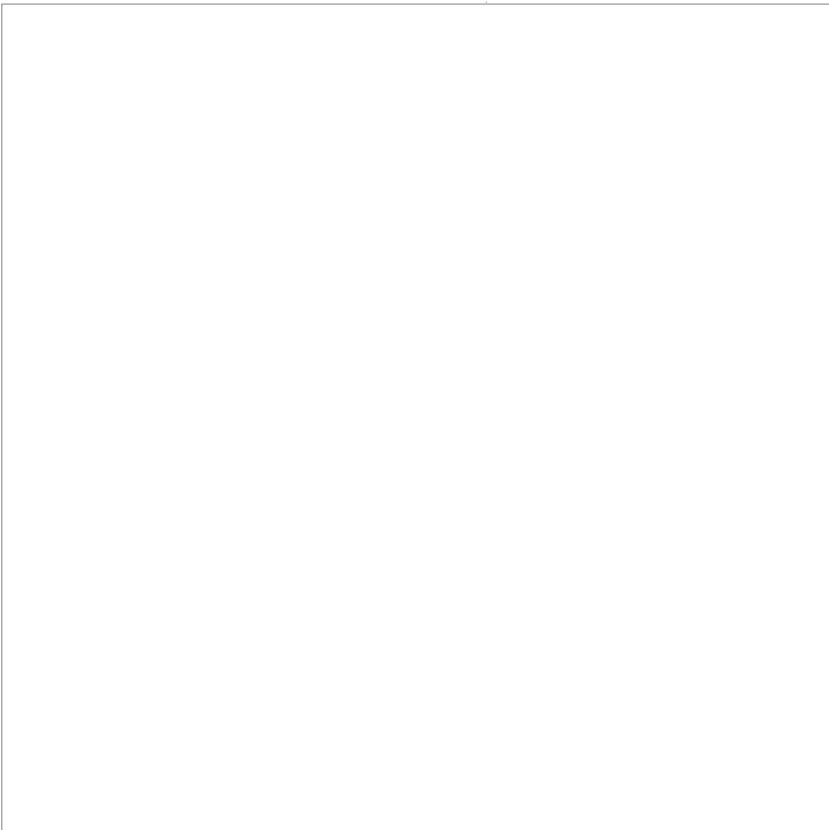
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EGYPT - SAUDI ARABIA



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FOR THE PRESIDENT ONLY

LAOS

Prime Minister Souvanna Phouma's condition is currently stable.

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[redacted] Souvanna apparently believes that he will have to be evacuated from Vientiane. Both Communist and non-Communist leaders are apprehensive over the political consequences of the Prime Minister's absence from the country. Communist Deputy Prime Minister Phoumi Vongvichit told the US ambassador on Saturday that the evacuation of Souvanna would be a "serious matter," and that he hoped no hasty decisions would be made.

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So far, there has been little public reaction from either the Communists or non-Communists to the news of Souvanna's heart attack. Pathet Lao radio-broadcasts over the weekend claimed that Lao army units throughout the country have been placed on alert, but they did not mention Souvanna's illness. Communist leader Prince Souphanouvong has come to Vientiane to be at his brother's bedside.

FOR THE PRESIDENT ONLY

PORtUGAL

President Spinola's appointment Saturday of Lieutenant Colonel Vasco de Goncalves as prime minister will make the cabinet more responsive to the Armed Forces Movement. Colonel Goncalves is a leading member of the Executive Committee of the Armed Forces Movement, which brought the Spinola government to power.

Spinola's first prime minister, Palma Carlos, was ousted, among other reasons, because of differences with this group. The movement opposed Palma Carlos' demand for an early presidential election as a basis for legitimizing the regime and his desire to delay legislative elections beyond the time set by the movement.

The choice of Colonel Goncalves may represent a setback for Spinola. [redacted]

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[redacted]
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Perhaps as a result of the outgoing cabinet's difficulties in controlling labor unrest, President Spinola and his military advisers have taken additional steps to maintain control. A decree issued over the weekend established a Continental Operations Command empowered to maintain order when normal police forces are inadequate. The command will be directed by a close supporter of General Spinola.

FOR THE PRESIDENT ONLY

CYPRUS

President Makarios was reported killed this morning and his regime overthrown by the Cypriot National Guard, led by Greek officers. The presidential palace is in flames. Makarios was Cyprus' only president since independence in 1960.

Shortly after Nicosia radio broadcast reports of the coup and the archbishop's death, intercommunal fighting was reported between Greeks and Turks living on the island. The National Guard warned citizens not to resist, threatening execution for resistance, and promised to broadcast a declaration later today.

Makarios had insisted for several weeks that Athens recall its officers because he was convinced they were plotting his overthrow in conjunction with a terrorist organization whose objective is immediate union of Cyprus with Greece.

There is no information as yet from Ankara, but in past crises on Cyprus, the Turkish military have threatened to go to the assistance of Turks living on the island. Perhaps with Turkey in mind, a guard broadcast has described the situation as "internal" to Cyprus, concerning Greek Cypriots only.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

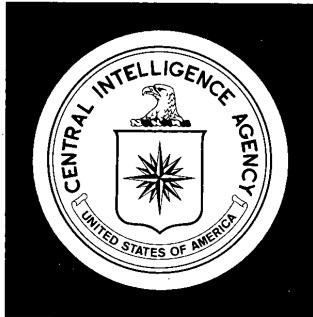
NOTES

USSR-Somalia: Soviet officials in Mogadiscio have disclosed that the friendship treaty with Somalia, signed last Thursday, will not be published until "after ratification." This procedure differs from Soviet practice in handling earlier friendship accords with Egypt, Iraq, and India. In those instances, the parties released a text immediately after signature, and the delay in the present case suggests some difficulties. The problem could be over military aid to Somalia or Soviet access to Somali facilities--subjects that were not included in the joint communiqué released on Friday.

West Germany - East Germany: West German President Scheel plans to sign today the bill providing for the opening of the Federal Environmental Office in West Berlin. The date for its opening has yet to be determined. An East German source recently told the US mission in West Berlin that his government would continue to oppose establishment of the office but would not engage in any "stupidities."

FOR THE PRESIDENT ONLY

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THE PRESIDENT'S DAILY BRIEF

July 16, 1974

PRINCIPAL DEVELOPMENTS

Soviet defense spending is estimated to have grown by more than 5 percent in 1973. Such an increase may also occur in 1974 and 1975 and will be due primarily to modernization of the Strategic Rocket Forces. (Page 1)

Archbishop Makarios appears to have survived the coup on Cyprus, but he has been replaced as president by Nicos Sampson, a right-wing publisher who espouses union with Greece. The Turkish community appears to have been largely uninolved in the fighting. The Soviets have indicated they will back Makarios if he is alive, or a resistance movement if he is dead. (Page 2)

Ailing Prime Minister Souvanna of Laos has instructed his two deputy prime ministers to avoid action on important issues. (Page 3)

NATO allies in the EC may resist, at the North Atlantic Council meeting tomorrow, some aspects of a US proposal to review the Western position toward the conference on European security. (Page 4)

Finance Minister Fukuda resigned this morning, probably as part of an effort to bring down Prime Minister Tanaka. (Page 5) 25X1

[redacted] Soviet [redacted]
[redacted] Page 6.

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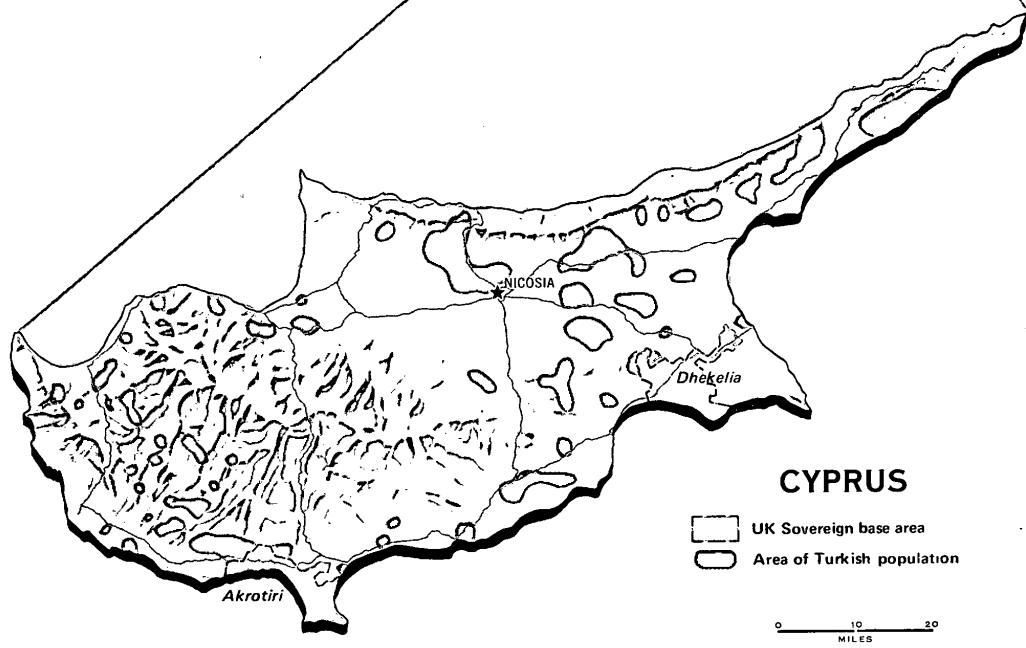
USSR

Soviet defense spending is estimated to have grown by more than 5 percent in 1973. Increases almost as large may occur in 1974 and 1975. Such rates are substantially above the average annual growth of less than 3 percent since 1960.

Soviet defense expenditures (not including "civilian" space programs) will probably total about 25.5 billion rubles in 1974. The cost of such an effort in US terms would be approximately \$93 billion.

The increase in spending from 1972 to 1975 is due primarily to extensive modernization programs of the Strategic Rocket Forces. The Soviets are replacing a large number of the SS-11s with an improved version. In addition, over the next several years the Soviets are expected to begin replacing the SS-9s, the remainder of the SS-11s, and SS-13 missiles. These programs will triple expenditures for new weapons for the Strategic Rocket Forces in 1974 over those of 1972. Expenditures are expected to remain high throughout the decade.

Although the size of the developmental effort now under way in the USSR is striking, the general pattern of spending since 1970 is consistent with past cycles of Soviet defense spending. For example, Soviet defense expenditures grew rapidly in the second half of the 1960s with the deployment of the SS-9 and SS-11 systems. Total defense spending then stabilized in 1970-72 with the completion of these programs, despite a rapid expansion in research and development for the follow-on missile systems. Expenditures are expected to begin leveling off again in about 1976 at a plateau some 7 percent above present spending. For the 1970s as a whole, estimated expenditures for Soviet defense are expected to grow at about the long-run historical average.

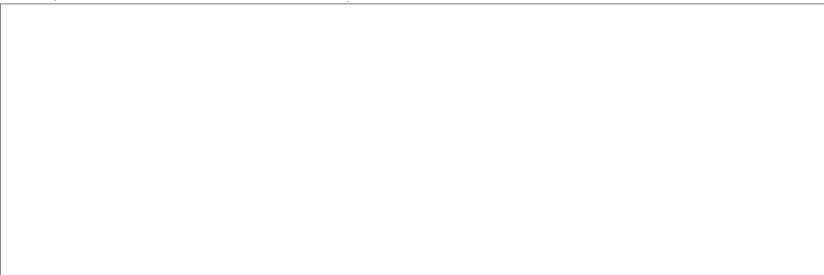


CYPRUS

The Greek power grab in Cyprus apparently failed to achieve its basic objective, the elimination of President Makarios. A number of reports indicate the archbishop is in Paphos, in the western part of the island. He has been replaced as president by Nicos Sampson, a right-wing publisher and parliamentarian. Sampson will not be popular on Cyprus or in Turkey. Sampson is remembered widely for his murderous exploits during the uprising against British authority in the 1950s. He is devoted to the union of Cyprus with Greece.

Fighting between the Greek-officered National Guard and forces loyal to Makarios reportedly ebbed last night.

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Turkey's National Security Council met yesterday. No action has yet been announced by Prime Minister Ecevit. Turkey, like Greece and the UK, is a "guarantor power" of Cyprus and has the right unilaterally or collectively with the others to preserve the status quo on the island.



The British government has expressed grave concern about the situation to Athens and Ankara and stressed its implications for the stability of the eastern Mediterranean and the cohesion of the Atlantic Alliance.

Moscow last night broadcast a statement cautioning Athens to stop interfering on Cyprus, but avoiding any threats. Tass reported Soviet demarches to Washington, London, and Paris, indicating that the Soviets expect the West to help resolve the situation. The statement clearly showed the Soviets would support President Makarios' return to power if he is alive, and implied that Moscow would back an opposition movement if Makarios is dead. The large, well-organized Cyprus Communist Party would form an obvious base for such a movement.

LAOS

Ailing Prime Minister Souvanna has instructed his two deputy prime ministers to make only day-to-day decisions and avoid action on important issues.



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NATO-CSCE

NATO allies in the EC are likely to resist some aspects of the US proposal to review the Western negotiating position in the CSCE talks when it is discussed at the North Atlantic Council meeting on July 17. [redacted] last week the Nine EC political directors agreed:

25X1

- to avoid the appearance of a bloc-to-bloc approach in the negotiations;
- to begin the current review of Western positions in Geneva, the site of the security talks, rather than at NATO headquarters in Brussels.

The Nine political directors also were inclined to agree that the decision to hold the CSCE's final stage at the summit level should depend on the general state of East-West relations at the end of the current stage of the conference, as well as on a satisfactory outcome of this stage.

JAPAN

Japan's finance minister Takeo Fukuda resigned this morning, throwing the Tanaka government into political turmoil. According to a late Japanese press report, the announcement came after Prime Minister Tanaka and Fukuda met privately but failed to resolve their differences.

Fukuda, a long time aspirant to the prime ministry and an important factional leader in the ruling Liberal Democratic Party, has been sharply critical of Tanaka's handling of the recent upper house election campaign, from which the party emerged with only a bare majority.

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Fukuda's resignation almost certainly will force a major shakeup of the cabinet [redacted]

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[redacted] One of the three Fukuda faction members in the cabinet--State Minister Hori--also resigned today and the other two may well be planning similar actions. [redacted]

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Former deputy prime minister Miki has recently resigned [redacted]

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NOTE

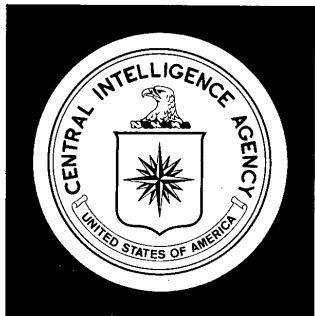
USSR: Six Soviet minesweepers and five auxiliaries--elements of the Soviet mine-clearing group--entered the Egyptian Red Sea port of Hurchada on Sunday.

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THE PRESIDENT'S DAILY BRIEF

July 17, 1974

PRINCIPAL DEVELOPMENTS

Ousted Cypriot President Makarios is expected to arrive in London this morning, presumably en route to UN headquarters in New York. On the island, the Greek-led National Guard is consolidating its take-over. Turkey is making political and military preparations for intervention in case conditions it considers intolerable should develop. (Page 1)

25X1

Japanese Prime Minister Tanaka is trying to limit the damage of recent cabinet resignations. He has named his firmest ally, Masayoshi Ohira, to replace Takeo Fukuda as finance minister. (Page 3)

A recent upsurge in fighting in northern South Vietnam appears to be the start of a Communist campaign to seize territory during the good summer weather. The Communists may make some gains in remote areas; they probably will not mount a major effort against the populated lowlands or the city of Hue. (Page 4)

In North Vietnam, the harvests will probably fall below those of last year, when the North Vietnamese produced only about three fourths of their food grain requirements. They will have to keep depending on imports, which reached record levels in the first half of this year. (Page 5)

Saudi King Faysal has protested to Ambassador Akins over indications that Israel does not intend to withdraw from occupied Arab lands. (Page 6)

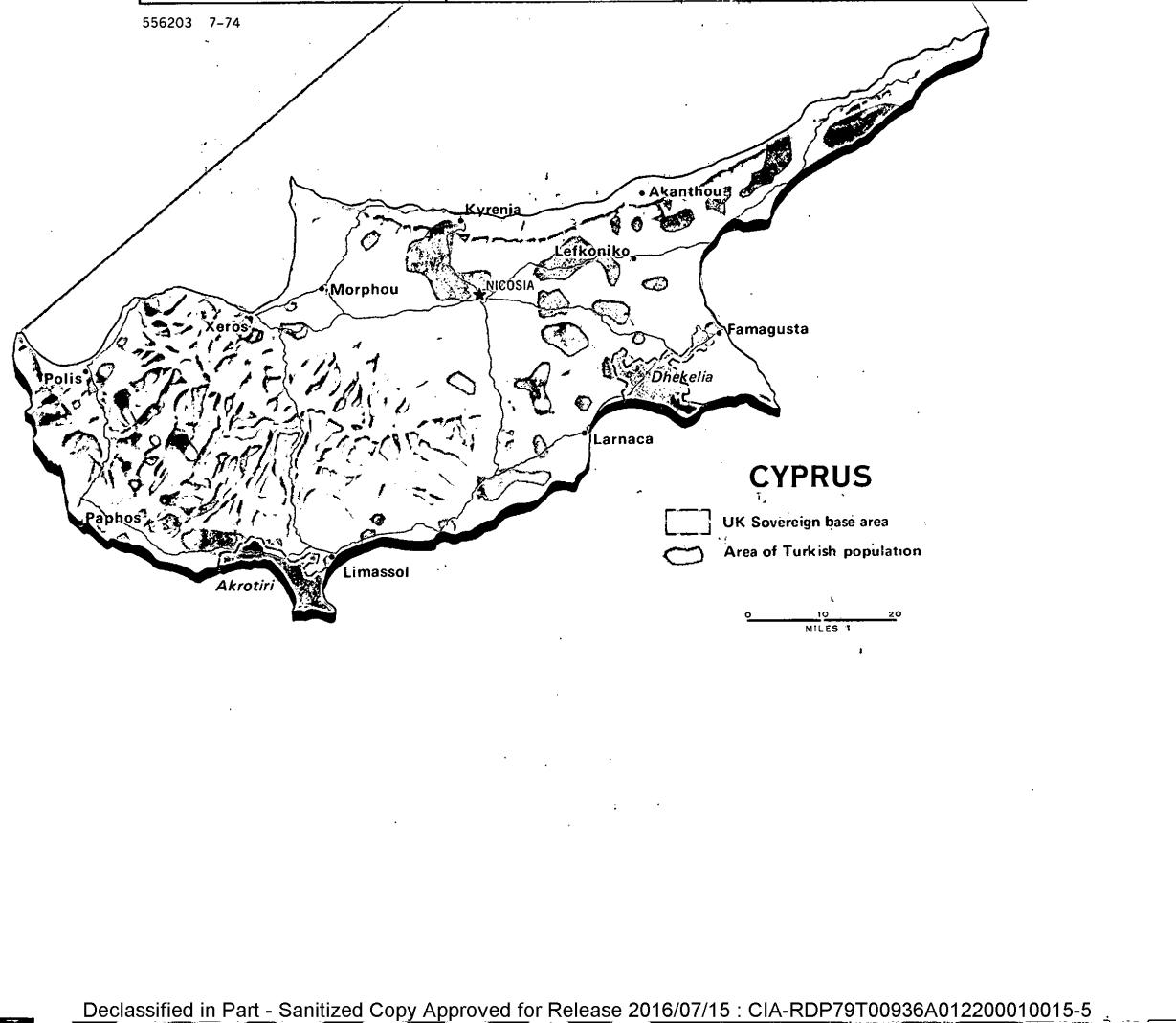
The new Portuguese prime minister has encountered unexpected difficulty in putting together a new cabinet satisfactory to both the military and the leftists. He plans to announce his choices today. (Page 7)

Notes on the USSR, Chile, and on a West European program for production of enriched uranium appear on Page 8.

FOR THE PRESIDENT ONLY



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CYPRUS

Ousted President Makarios, who left Cyprus yesterday with British assistance, is expected to reach London this morning. He apparently is en route to UN headquarters in New York.

Greek-led Cypriot National Guard troops reportedly now control all areas of the island and have lifted the curfew.

The Greeks are scheduled to conduct today the regular semi-annual rotation of the 950-man contingent of regular Greek forces on Cyprus. Any effort to increase the size of the force or to upgrade its equipment would be regarded by Turkey as highly provocative.

Turkish intervention in Cyprus is already a possibility, and Ankara is making all the necessary political and military preparations. Ground forces are being moved into southern Turkey

Conditions under which Prime Minister Ecevit might order military action include:

- Direct attacks on Turkish Cypriots.
- A Cyprus declaration of union with Greece.
- A patently unacceptable government in Nicosia.

The Greek government continues to claim that developments on Cyprus are an internal matter and that Greece maintains its principle of "nonintervention in the affairs of other countries."

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Several members of the new cabinet announced by "President" Sampson have been open supporters of union with Greece.

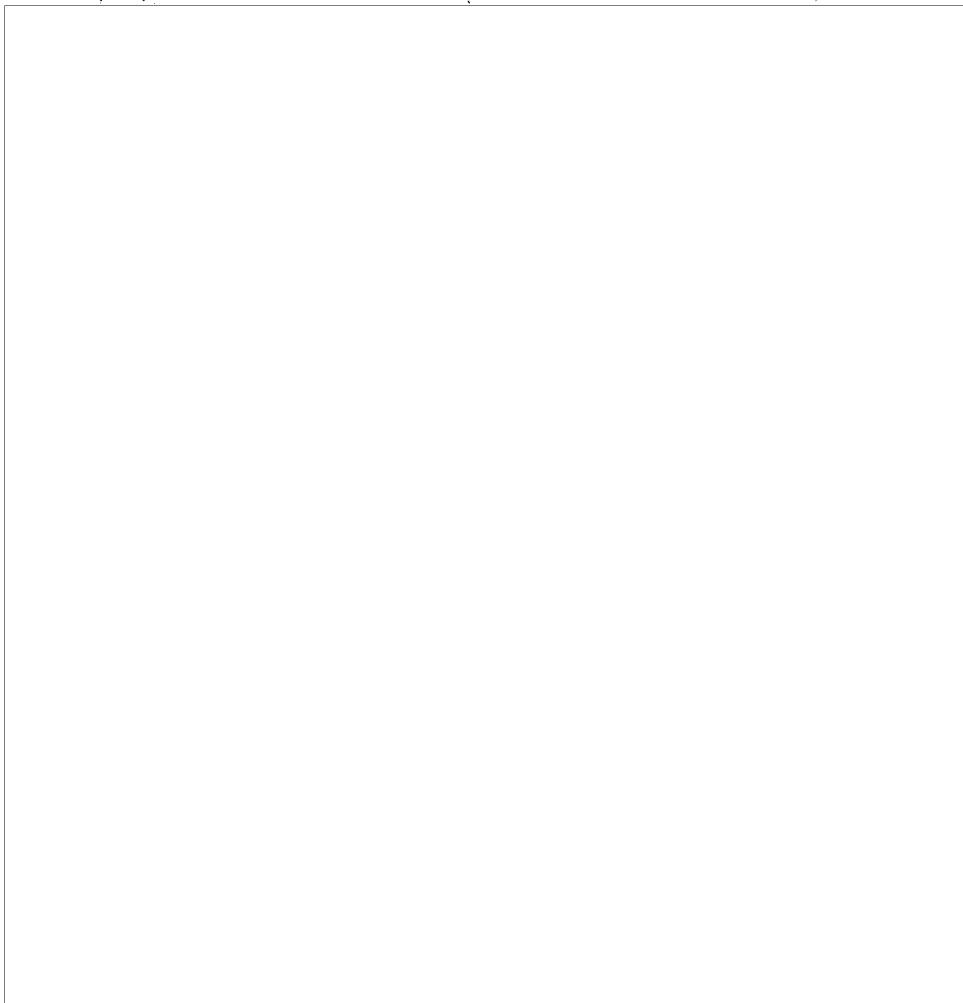
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At a short and inconclusive session of the UN Security Council yesterday, the Cypriot representative demanded that troops from outside the island stop interfering in Cyprus' affairs. He was supported by the Soviet representative.

The NATO Council also discussed the possible involvement of Greece and Turkey in the Cyprus situation. Most members felt that the burden was on Athens to prove its claims that its policy has not changed.

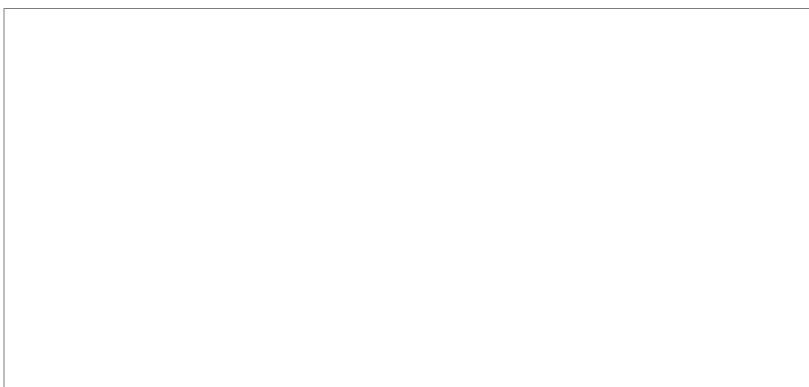
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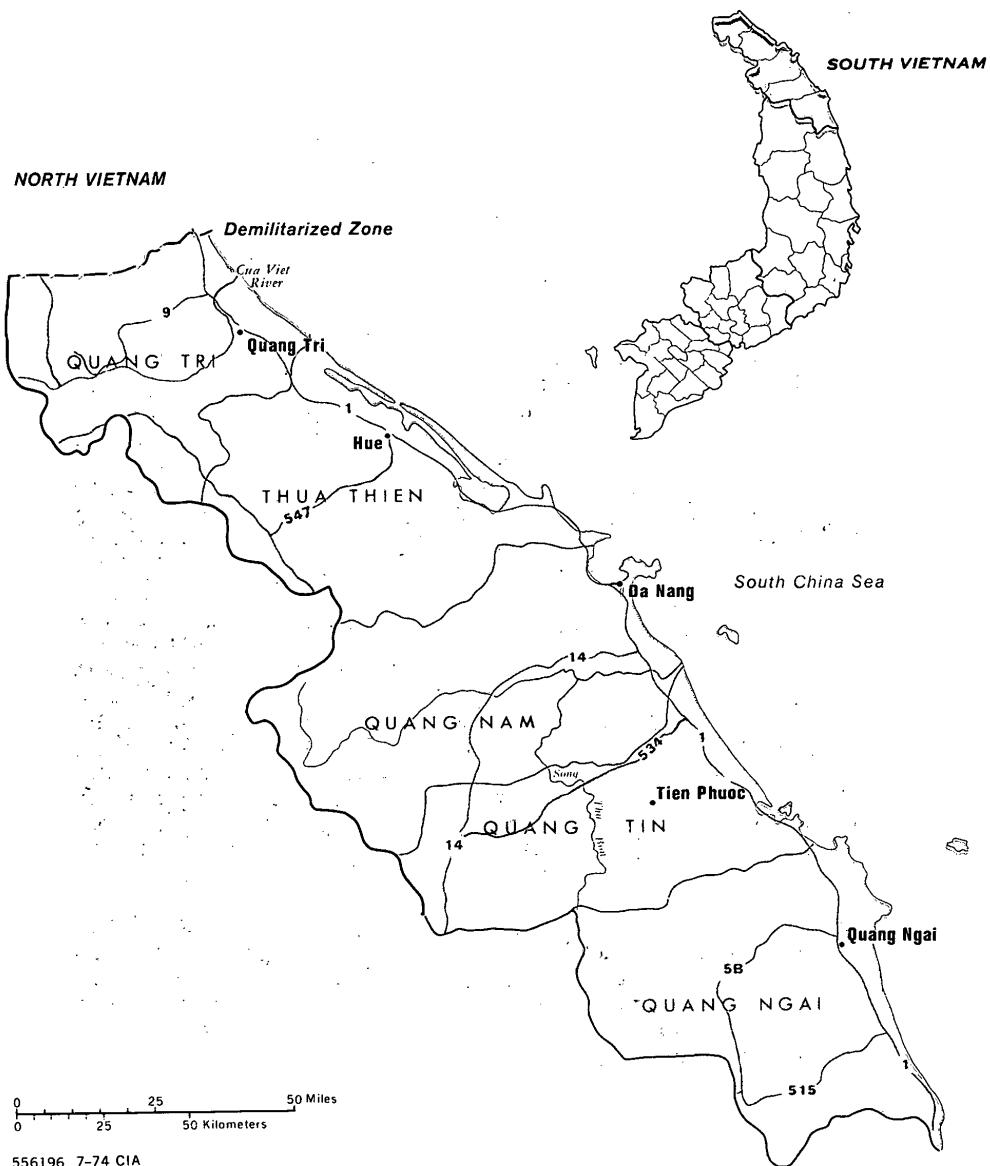
JAPAN

Prime Minister Tanaka is trying to limit the damage of recent cabinet resignations. He has named his firmest ally, Masayoshi Ohira, to replace Takeo Fukuda as finance minister.

Toshio Kimura, an experienced party stalwart, has been named foreign minister to succeed Ohira. Kimura recently worked closely with Ohira to improve Japanese relations with Peking, and there is little reason to expect any major changes in Japan's foreign policy. For the moment at least, Trade Minister Yasuhiro Nakasone is also sticking with Tanaka.

Economic policy decisions may be the next important test of Tanaka's hold on the leadership. Later this month, the government will have to decide whether the level of rice-support prices for Japan's politically influential rice farmers should exceed the current anti-inflation guidelines.

Military Region 1



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SOUTH VIETNAM

A recent upsurge in fighting in northern South Vietnam appears to be the start of a Communist campaign to seize territory in Quang Tri and Thua Thien provinces during the good summer weather. Intercepted messages and troop deployments suggest that the fighting will be heaviest west and south of Hue.

The Communists began preparing in late spring for increased tactical activity. The North Vietnamese moved large quantities of war materiel to units in northern South Vietnam, adding to the already large stockpiles accumulated after the cease-fire. In early June the Communists activated a new military front headquarters for tactical control over all combat forces in the two northern provinces. The front commands three infantry divisions, but communications suggest that only two will see much action.

Government forces in the area are expecting increased Communist attacks and have been moving to counter them. The South Vietnamese have been able to push the Communists back in the southern part of the region, and government units defending the approaches to Hue are a match for Communist forces in the area. The Communists may make some territorial gains in remote areas; they probably will not mount a major effort against the populated lowlands or Hue itself.

NORTH VIETNAM

The spring and the fall harvests will probably fall below those of last year, when North Vietnam produced only about three fourths of its food grain requirements. Harvesting of the spring rice crop is about a month behind schedule, and the crop will probably be some 10-20 percent below last year's moderately successful harvest of an estimated 1.2 million tons.

Hanoi is concerned with distributing food and rebuilding rice stocks that were drawn down further this spring when serious rice shortages were reported in some areas. The shortages prior to the harvest were more severe than usual because of the disappointing harvest last autumn.

The spring harvest will help ease the food situation, but Hanoi remains dependent on imports, which reached record levels in the first half of this year. Seaborne imports of 480,000 tons from January to June were nearly double the amount shipped during the same period in 1973. Peking's overland shipment schedules of some 175,000 tons were 10 percent higher than last year.

Continuing large-scale imports are slated for the summer months, when food imports normally fall to a seasonal low. [redacted]

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Some reduction in output of the autumn crop is almost certain because of the delay in the spring harvest. Some autumn rice seedlings reportedly were ready for transplanting in June, but the fields were not ready. This further increases the possibility that weather will damage the autumn crop.

SAUDI ARABIA

King Faysal has protested to Ambassador Akins over what he asserts are indications that Israel does not intend to withdraw from occupied Arab lands. Faysal was reacting to exaggerated accounts of Israeli plans to build more strategic settlements in occupied territories and to alleged tough Israeli statements on peace terms.

The Saudi ruler seems to have been interested primarily in re-emphasizing his own strong views on the need for a substantial Israeli withdrawal from occupied Arab land and--most important--major concessions on the status of Jerusalem. He remains convinced that the US could impose terms on Israel if it wished but believes the US will take a less active part as the danger of renewed hostilities recedes.

Faysal also discussed oil prices with Ambassador Akins, complaining that Saudi Arabia was not getting enough support from consumer states in its campaign to bring prices down. He was particularly rankled by criticism from Iran, and he called upon the US to press Tehran hard for price reductions.

In a separate conversation, Saudi Oil Minister Yamani said he was having second thoughts about his efforts to force world prices down by boosting Saudi production. He said he thought other OPEC countries could offset Saudi production by decreasing their own output. He also professed concern that unilateral action by Saudi Arabia could cause strains in OPEC and further isolate the Saudis.

Neither Faysal nor Yamani linked oil policy to progress toward a Middle East settlement, although Yamani, in an earlier exposition of the King's views, reminded Ambassador Akins that there is such a link.

PORUGAL

Prime Minister Vasco Goncalves has encountered unexpected difficulty in putting together a new cabinet. The trouble may stem from having both to make room for additional military appointees and to satisfy leftist demands for certain posts. He said last night that his choices would be announced today.

The outgoing socialist foreign minister, Mario Soares, told the US ambassador that the cabinet change was artificially brought on by the former prime minister, presumably acting on behalf of President Spinola or "reactionary forces." Soares claimed that no really serious issues had divided the former cabinet or impaired its ability to govern.

NOTES

USSR: The Soviets will probably bring down the cosmonauts aboard Soyuz 14 in the next few days. Two space support ships in the Atlantic will be making port calls beginning late this week, and Soyuz may descend before the ships leave their present stations. The spacecraft was launched on July 3 and docked with the Salyut 3 space station the next day. Salyut is expected to remain in orbit after Soyuz is brought down; the Soviets may send more cosmonauts to the space station in the coming weeks.

Chile: Consumer prices jumped more than 20 percent last month. This brings inflation for the first half of the year to more than 145 percent, the world's worst. Wage increases averaging more than 20 percent went into effect on July 1, but the real income of most Chileans continues to decline.

Enriched Uranium: The British, Dutch, and West German participants in Urenco--a program for producing enriched uranium--apparently have committed Urenco's enrichment capacity to domestic users through 1980. Urenco will not be able to supply nuclear power reactor fuel to other countries in competition with major international producers until at least 1981. It is negotiating ten-year supply contracts for its enrichment services, which involve the first commercial use of gas centrifuges, even though it is just starting construction of two enrichment plants--one in the UK and the other in the Netherlands.

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July 18, 1974

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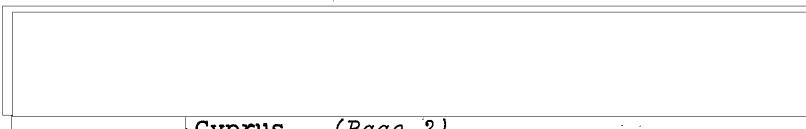
FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 18, 1974

PRINCIPAL DEVELOPMENTS

Discussions of the Cyprus problem are expected to continue in London today. All major parties--Greece, Turkey, the UK, and the Soviet Union--appear to be stressing the search for a peaceful solution. (Page 1)



25X1

Cyprus. (Page 2)

25X1

Although bickering between Cairo and Damascus has prompted President Sadat to cancel a visit to Syria, President Asad reportedly has now agreed to visit Egypt in August. (Page 3)

Egypt--for the present, at least--is refusing to release to the Palestine Liberation Organization the terrorists who murdered one Belgian and two US diplomats in Khartoum last year. (Page 4)

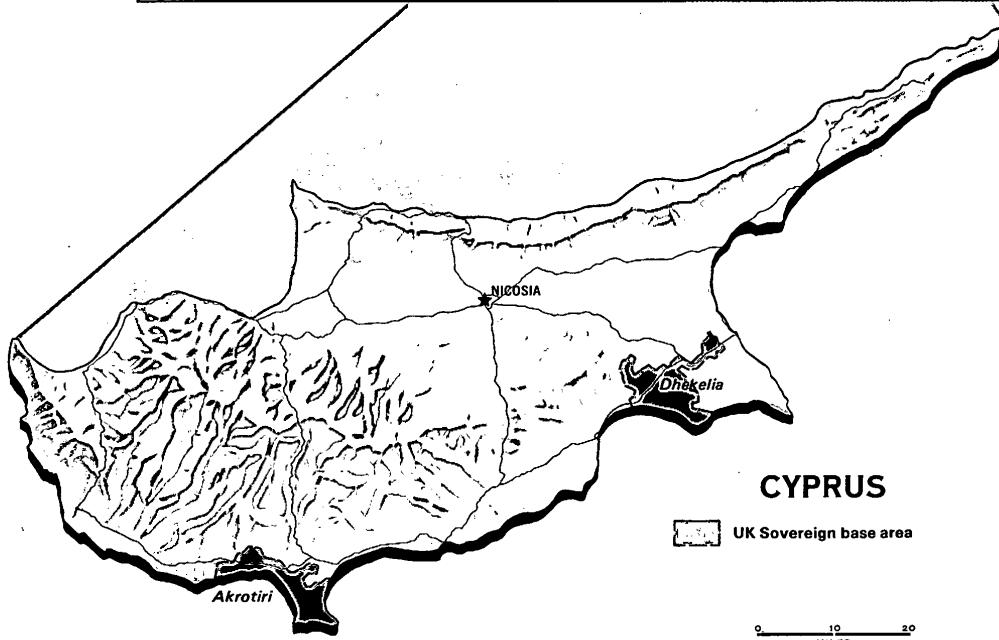
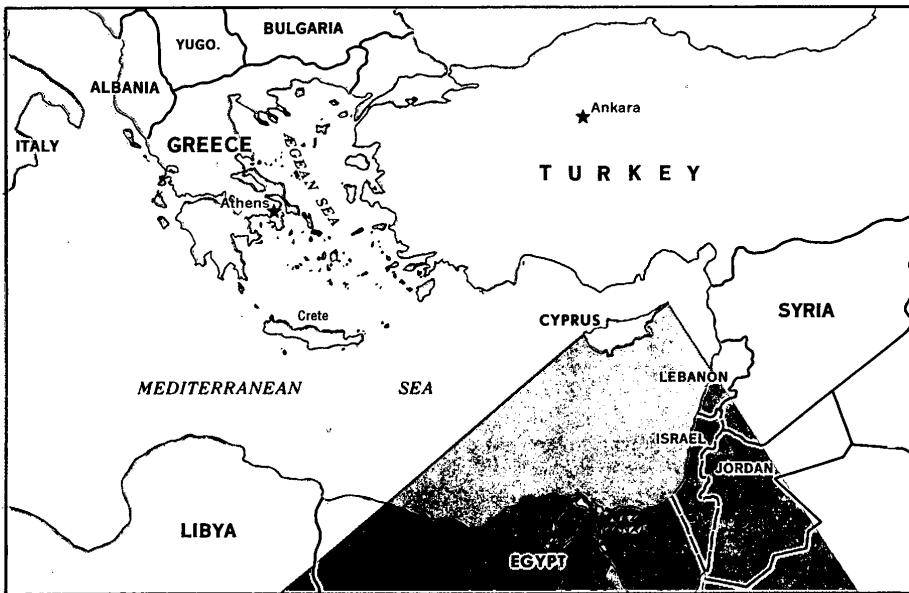
Lao Prime Minister Souvanna's condition has stabilized, and the immediate problem is to find an interim replacement whose decisions would be accepted by both Communists and non-Communists. (Page 5)

The Italian Communist Party's attempt to amend the government's austerity program has set the stage for a legislative struggle that could jeopardize the center-left coalition. (Page 6)

The composition of the new Portuguese cabinet indicates that the Armed Forces Movement, which organized the April coup, has increased its influence in the government. (Page 7)

Notes on USSR-Poland, Vietnam, Iran, and France appear on Page 8.

FOR THE PRESIDENT ONLY



CYPRUS

 UK Sovereign base area

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FOR THE PRESIDENT ONLY

CYPRUS

Discussions of the Cyprus problem are expected to continue in London today.

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Turkish Prime Minister Ecevit and Defense Minister Isik also met with Prime Minister Wilson and other officials for talks in the context of the 1960 treaty, under which Britain and Turkey--along with Greece--are guarantors of Cyprus' independence.

Before leaving for the UK, Ecevit told the US ambassador that he would explore with the British "all peaceful solutions before considering others." He said that Ankara hopes the status quo ante can be restored without Turkish military intervention. If the new Cypriot regime does retain control of the island, Ecevit said, Turkey may be willing to hold off intervention if a corridor to the sea can be guaranteed to Turkish residents of the island.

Ankara is calm, and there has been no attempt to arouse public sentiment on the Cyprus issue, although all political factions would support a firm Turkish reaction.

High-level Greek officials have assured the US embassy that Athens will not use this week's semi-annual rotation of half of their 950-man contingent of regular Greek forces on Cyprus to increase the size of the unit.

25X1

25X1

Moscow issued an official statement on Cyprus last night that was moderate in tone and avoided any implication that the Soviet Union sees its security affected by developments on the island. The statement reiterated support for Cypriot independence and the "legitimate" government of President Makarios and demanded the immediate removal of all Greek military personnel from the island. The Soviets did not promise, however, to actively assist any Cypriot movement to return Makarios to power.

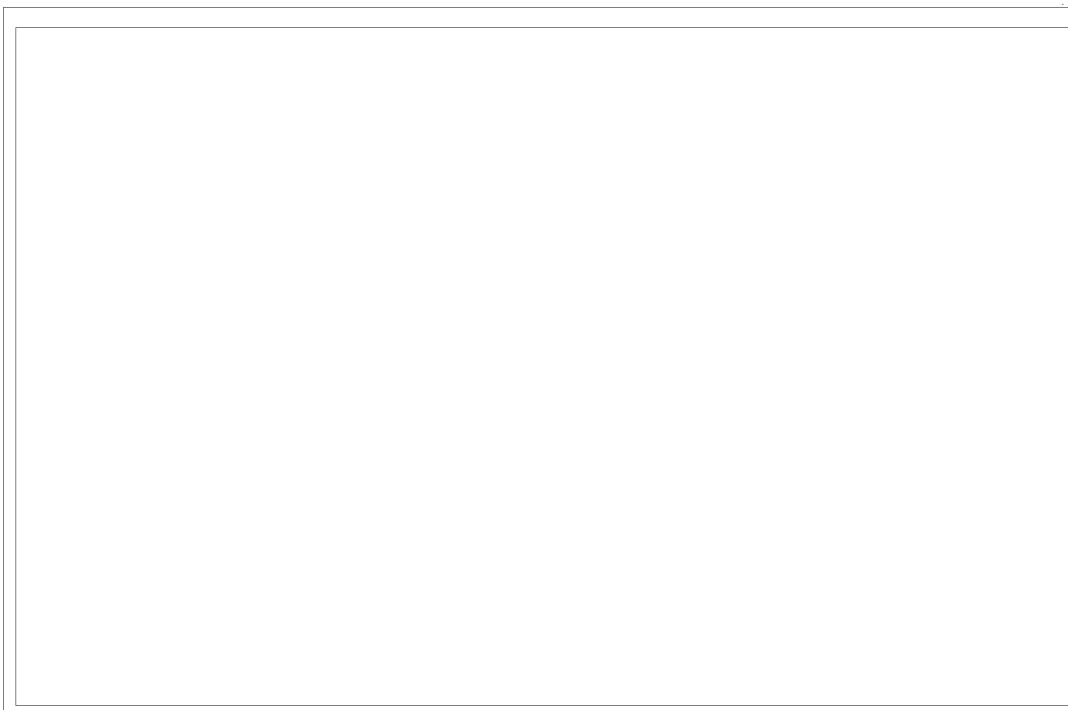
25X1

[redacted] It is not surprising that the Soviets would give general assurances to Ankara, but it seems unlikely that they have made any firm commitment of military backing.

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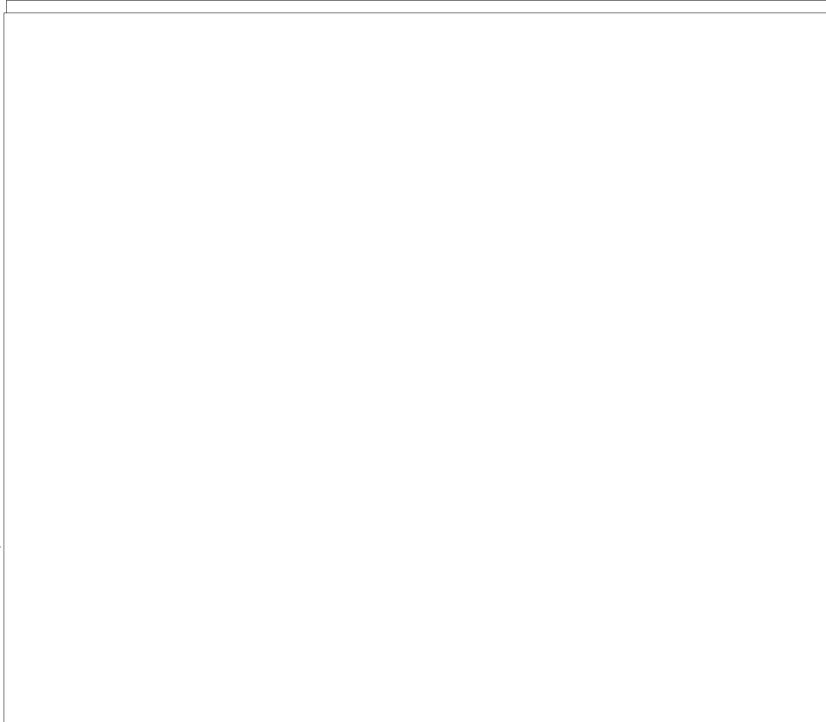
FOR THE PRESIDENT ONLY

25X1



FOR THE PRESIDENT ONLY

USSR



25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-SYRIA

Recent bickering between Cairo and Damascus has been serious enough to cause President Sadat to cancel a planned visit to Syria. President Asad has now reportedly agreed, however, to visit Egypt in August.

Each side appears uncertain of the intentions of the other with regard to negotiations with Israel. Damascus is concerned that Cairo will leave the other Arabs behind in attempting to achieve its own objectives. The Syrians are still bitter over Egypt's unilateral acceptance of a cease-fire in October and its decision to proceed with disengagement on the Suez front before agreement was reached on the Golan front.

Cairo has sought to reassure the other Arabs both publicly and privately that Egypt will not take further unilateral action, and Sadat is irritated by Syria's harping on the matter.

25X1

The Egyptian leader may try to confine future contacts to Asad, whom he regards as more reasonable and amenable to Egyptian views.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-FEDAYEEN

Egypt--for the present, at least--is refusing to release to the Palestine Liberation Organization the terrorists who murdered one Belgian and two US diplomats in Khartoum last year.

25X1

25X1

25X1

The terrorists were released by Sudan in late June, ostensibly to serve out their sentences under the control of the PLO. If Cairo turned them over, they almost certainly would be taken to either Lebanon or Syria and given complete freedom.

Egypt's determination to hold the terrorists is largely a result of President Sadat's reluctance to offend the US. Cairo has also refused to release a group of commandos who last December carried out an attack on a US airliner and hijacked a second aircraft in Rome.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LAOS

Prime Minister Souvanna's condition has stabilized [redacted]

25X1

[redacted]
[redacted]
25X1
25X1

The immediate problem is still to find an interim replacement whose decisions would be accepted by both Communists and non-Communists. Neither the Lao Protocol of September 1973 nor the Lao constitution addresses the problem of providing a temporary substitute should the prime minister be incapacitated.

[redacted]
25X1

[redacted]
25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ITALY

The Italian Communist Party's attempt to amend the government's austerity program has set the stage for a legislative struggle that could jeopardize the center-left coalition. The dominant Christian Democrats are caught up in an internal feud, and their Socialist coalition partners are torn between responding to labor's unhappiness with the austerity program and keeping the coalition intact.

The Communist amendments would soften the impact of the austerity measures on workers and force those with higher income to shoulder more of the burden. The proposals are certain to appeal to organized labor and tempt the Socialists and the Christian Democratic left to side with the Communists.

The Communists' decision to force the issue is a tactical shift. The party apparently wants to exploit the weakened position of the Christian Democrats and to prevent a decline of Communist influence with organized labor.

25X1

25X1

25X1

Disarray within the Christian Democratic Party will complicate efforts to meet the Communist challenge. The Christian Democrats' key deliberative body--the National Council--will meet today, with left-wing factions in revolt against the party leadership.

The government may find it necessary to accept some of the Communist proposals. If the Communists are able to force changes that substantially reduce the revenue the austerity measures were designed to produce, a new government crisis may ensue.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORtUGAL

The organizers of the April coup have gained increased prominence in the Portuguese cabinet announced yesterday. Although the majority of the new cabinet members are civilians drawn from the parties previously represented, military officers from the Armed Forces Movement comprise the largest group and hold the key ministries. Some shift to the left may have occurred, but the Communists were not especially favored.

The change of cabinets and the installation of Goncalves as Prime Minister have made it clear that President Spinola himself cannot act against the wishes of the Armed Forces Movement. Most members of the movement are "idealists" without attachment to any particular political philosophy.

As the chosen candidate of the movement, Goncalves will have more clout than his civilian predecessor in dealing with unyielding economic and labor problems. He also appears committed to the holding of legislative elections next March and to early negotiations with rebels in Portugal's African territories.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

USSR-Poland: Soviet party chief Brezhnev arrives in Warsaw tomorrow for a four-day visit that will include ceremonies commemorating the 30th anniversary of Communist rule in Poland. Brezhnev will deliver at least two speeches; one before the Polish parliament on July 21 will probably be a major speech on US-Soviet relations and detente. The Soviet leader may also suggest a pan-European conference of Communist parties.

Vietnam: The North Vietnamese continue to move large quantities of supplies in South Vietnam's Military Region 1, according to intercepted messages. This logistic effort, normal for this time of year, is probably partly intended to support recent Communist tactical activity in the area. In addition to resupply activity, aerial reconnaissance shows that a series of new, short roads and a number of new military-related facilities have been built within artillery range of ARVN positions south of Hue. These newly cleared or improved roads lead off a main route running eastward from the A Shau Valley and appear to be access roads to new military encampments. The encampments include occupied antiaircraft installations and what are probably field artillery sites.

Iran: Iran's purchase of a one-fourth interest in the steel-manufacturing component of Krupp gives the Shah access to the whole gamut of Krupp activities, including possible inputs to Iran's defense industry. The deal involves the transfer of Krupp's technological know-how to Iran and the nomination of an Iranian member to the supervisory board of the holding company for the Krupp enterprises. Krupp is planning a variety of projects in Iran. In addition to steel, the company's proposals include factories for cement, sugar, and automobile parts and port installations.

France:

25X1

Top Secret



The President's Daily Brief

July 19, 1974

6



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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 19, 1974

PRINCIPAL DEVELOPMENTS

25X1

The focus of the Cyprus problem shifts to the UN today.

25X1

(Page 1)

25X1

Jordan's King Husayn won indirect agreement from President Sadat yesterday to Jordan's right to negotiate the return of the Israeli-occupied West Bank without Palestinian interference. (Page 3)

25X1

Italian

25X1

(Page 4)

25X1

The USSR apparently will carry out underground nuclear testing again this year at Novaya Zemlya. There is no evidence that the impending entry into force of threshold test ban treaty has prompted any increase in high-yield testing. (Page 6)

25X1

25X1

Ethiopia

25X1

(Page 7)

Cambodian government forces are on the offensive on several battlefronts. (Page 8)

Notes on Saudi Arabia, France, and the USSR appear on Page 9.

25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CYPRUS

Archbishop Makarios will ask the UN Security Council today for a resolution declaring him the legitimate head of government in Cyprus, calling for the withdrawal of the Greek officers in the Cypriot National Guard, and pledging nonrecognition of the Sampson government.

The US mission in New York reports that withdrawal of the Greek officers of the Cypriot National Guard has become the "irreducible minimum" that nearly all Security Council members want in a resolution. The draft being circulated by five non-aligned members of the council contains that provision, but avoids the question of Makarios' position.

The Soviets want to make the resolution tougher by referring to Makarios as President of Cyprus, alluding to Greek interference in Cyprus, and demanding the immediate end of Greek military intervention. The UK is also proposing amendments to toughen the resolution.

Turkish Prime Minister Ecevit returned home this morning saying he is "closer to finding a solution."

25X1

25X1

Athens has told the NATO Council that Greek officers "placed at the disposition of the Cypriot government" will be replaced in stages. Athens is apparently referring to the National Guard officers who took part in the coup rather than to the Greek mainland contingent due to be replaced today during its semi-annual rotation.

25X1

25X1

(continued)

FOR THE PRESIDENT ONLY

In an attempt to create a responsible image for itself, the new government on Cyprus has been broadcasting a report that Glafcos Clerides, Makarios' constitutional successor, has agreed to continue as the Greek Cypriot representative in "enlarged" talks between the Greek and Turkish Cypriot communities. The Yugoslav ambassador to Cyprus told the US embassy, however, that Clerides has categorically denied to him that he is willing to serve the Sampson government.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-JORDAN

King Husayn won indirect agreement from President Sadat yesterday for Jordan's right to negotiate the return of the Israeli-occupied West Bank. The joint communiqué issued at the conclusion of Husayn's three-day visit to Alexandria noted that both Jordan and Egypt agree on the need for a disengagement agreement on the Jordanian front as the next step toward a Middle East settlement.

Husayn has been pressing this position for some time. Because it implies exclusion of the Palestinians in the next stage of negotiations, however, Sadat had previously avoided the issue.

The communiqué accords the Palestine Liberation Organization the status of legitimate representative of Palestinians outside the Kingdom of Jordan, and supports the need for an independent PLO delegation at Geneva. The communiqué defers PLO presence at Geneva until an unspecified "appropriate time" and refers only to the Palestinians' right to "self-determination." The West Bank, for which both Jordan and the Palestinians consider themselves the primary spokesman, is not mentioned. The communiqué calls for continued and regular coordination with Syria and the Palestinians.

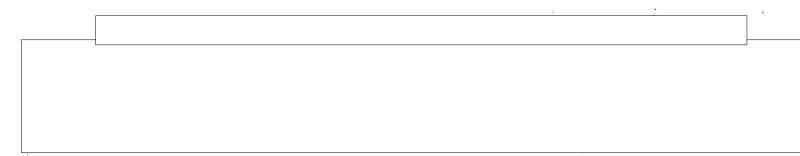
The Egyptian-Jordanian statement marks Sadat's first attempt to take a public stand in his effort to coordinate the conflicting Jordanian and Palestinian positions. Sadat will face bitter criticism from the Palestinians, however, for they will interpret his accord with Husayn as an abandonment of the Palestinian cause.

FOR THE PRESIDENT ONLY

ITALY

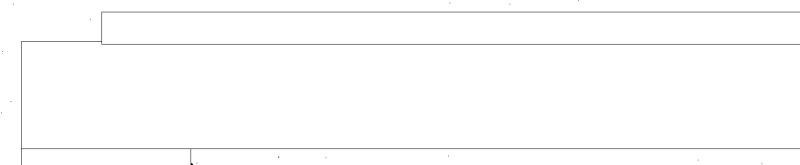


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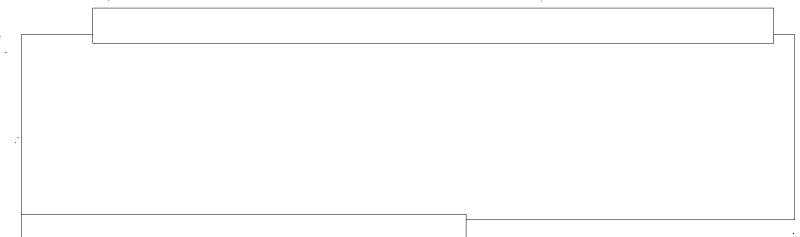


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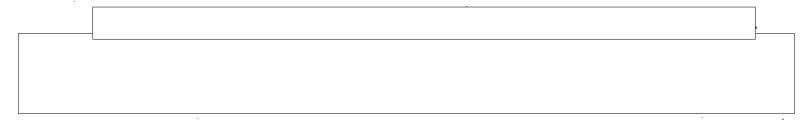


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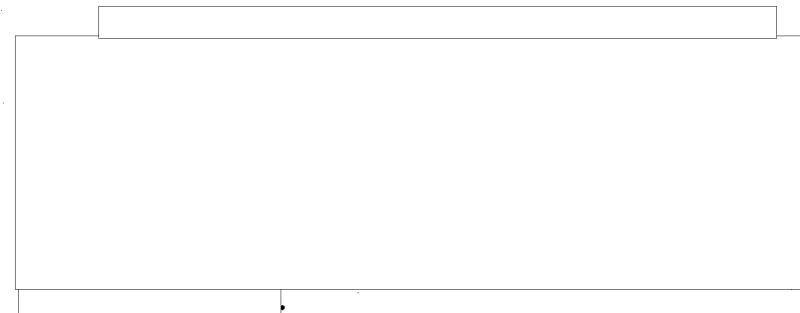
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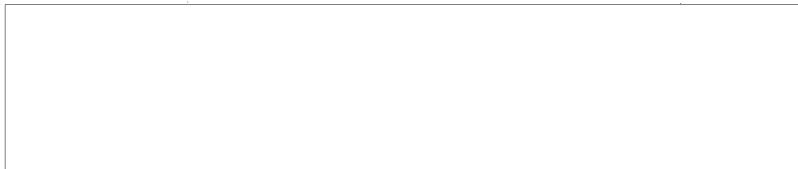
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FOR THE PRESIDENT ONLY



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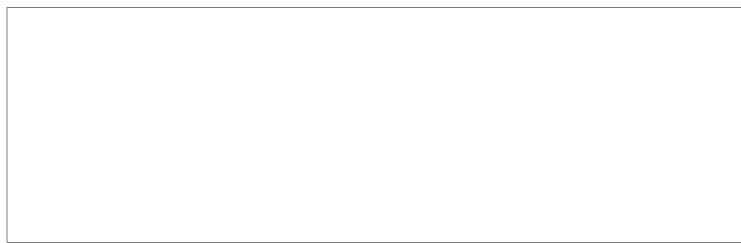
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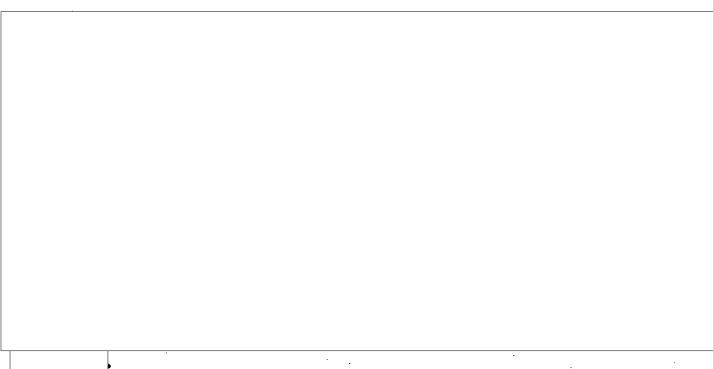
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

Underground nuclear testing apparently will be carried out on Novaya Zemlya again this year, but probably not for a month or more from now. There is no evidence that the impending entry into force of the recently negotiated threshold test ban treaty has prompted any increase in high-yield testing.

25X1

Novaya Zemlya, a large island in the Soviet Arctic, is the normal site of Soviet nuclear tests.

25X1

Between the signing of the Limited Test Ban Treaty in 1963 and the end of 1972, the Soviets exploded only one nuclear device annually on the island.

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FOR THE PRESIDENT ONLY

ETHIOPIA



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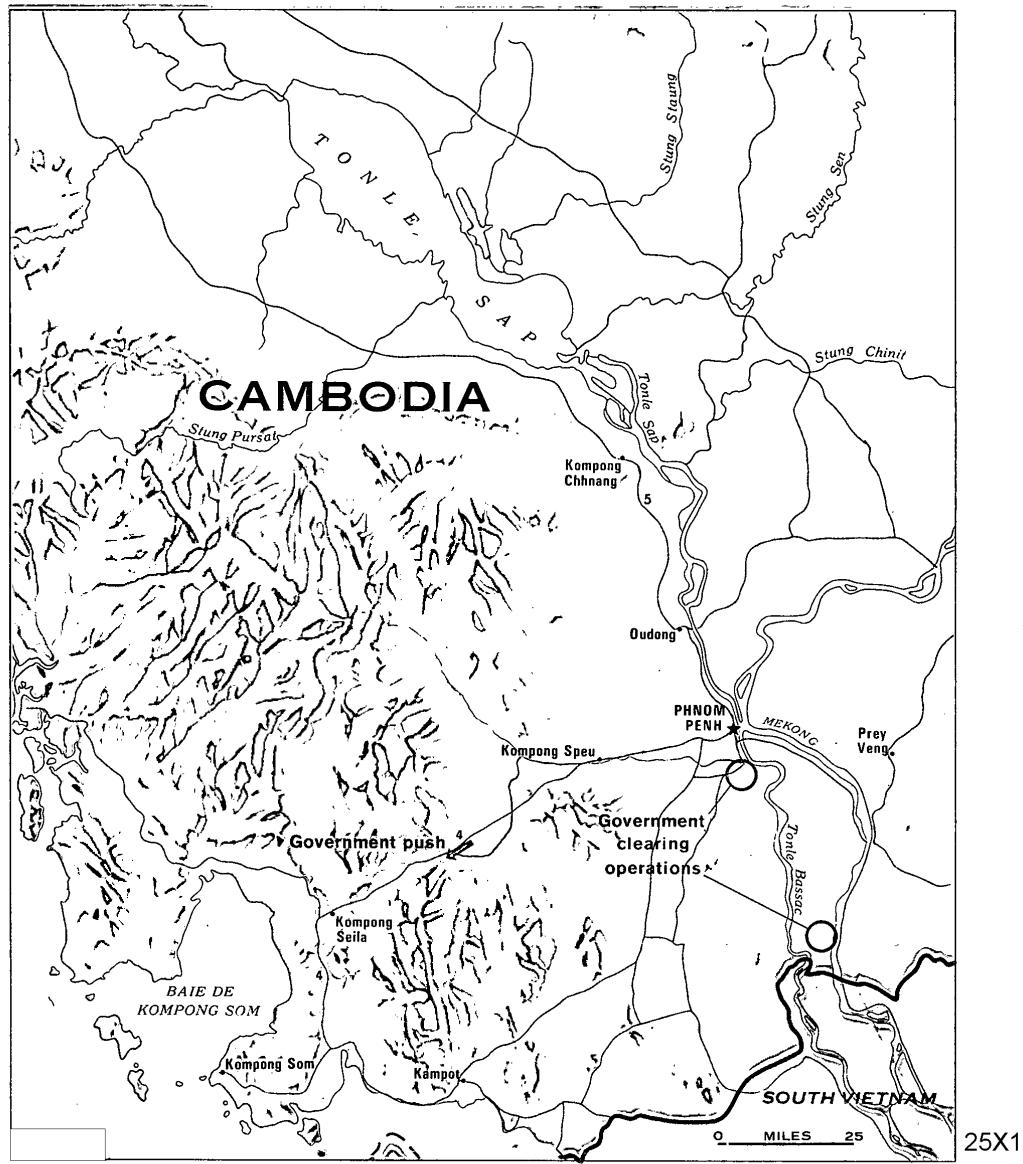
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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

CAMBODIA

Government forces are on the offensive on several battlefronts. Northwest of Phnom Penh, Cambodian army units pushed out from Oudong on July 16, killing 180 Khmer communist troops in stiff fighting just south of the town.

To the northeast of the capital, army commanders are reinforcing positions on both banks of the Tonle Sap River, which is now open. A large civilian river convoy moved 5,000 tons of foodstuffs from the provincial capital of Kompong Chhnang to Phnom Penh early in the week. Government clearing operations are also continuing along the Bassac River just southeast of Phnom Penh and along the lower stretches of the Mekong River.

On the Route 4 front, the government task force that last month relieved an isolated garrison west of Kompong Speu City is now pushing on toward Kompong Seila. That town has been under steady attack since mid-May, and over half of its 2,000 government defenders have been killed or wounded. Farther south, army units at the coastal city of Kampot are moving to retake outposts abandoned in the face of insurgent ground attacks late last week.

FOR THE PRESIDENT ONLY

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NOTES

Saudi Arabia: Saudi Arabia is removing gold stored in the US on the grounds that it decided last December to comply with a law requiring that gold backing for its currency be held domestically. The move is scheduled for completion in mid-September. The gold is officially valued at \$109 million and insured for the open market value of about \$350 million. Riyadh made the decision when Saudi-US relations were at a low point, but Saudi officials maintain that the timing was coincidental. Since the October war, a major Saudi concern in placing its assets has been to limit risk of seizure. Saudi Arabia recently purchased gold in Switzerland that will also be stored in Jidda.

France: [redacted]

25X1

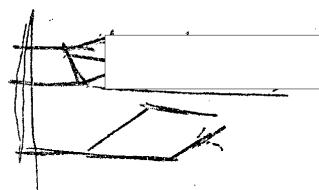
USSR: The Soviet cosmonauts aboard Soyuz 14 are scheduled to touch down in the Soviet Union about 8:20 EDT this morning. [redacted]

25X1
25X1

[redacted] The Salyut is expected to remain in orbit, and probably will be visited by other cosmonauts in the coming weeks.

25X1

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25X1



The President's Daily Brief

July 20, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 20, 1974

PRINCIPAL DEVELOPMENTS

Turkish troops have opened a broad beachhead on the north coast of Cyprus and have landed paratroops in the vicinity of Nicosia. The initial Greek response was menacing.
(Page 1)

25X1

The Salyut space station remains in orbit, and another Soyuz spacecraft with cosmonauts aboard is expected to be launched in the coming weeks. *(Page 2)*

Almost all fedayeen groups have been quick to condemn the Egyptian-Jordanian communiqué issued on Thursday as a "retreat" from the position adopted at the Arab summit last year that the PLO is the sole representative of the Palestinian people. *(Page 3)*

Egypt reportedly has reached agreement with Iraq to begin immediate cooperation in several fields, including petroleum and construction. The Egyptians claim the Iraqis have also agreed to supply Egypt with badly needed spare parts for Soviet military equipment. *(Page 4)*

The US embassy in Lisbon believes the new cabinet is somewhat to the left of its predecessor, but not markedly so. *(Page 5)*

Notes on Italy, Spain, and Laos appear on *Page 6*.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CYPRUS

Turkish troops from about 40 ships and landing craft have opened a broad beachhead on the north coast of Cyprus about 15 miles north of Nicosia. The US embassy in Nicosia reported last night that Turkish paratroops were being dropped in the vicinity of the Cypriot capital, including the Turkish sectors of the city and roads leading to the northern coast and the airport. Evidently, the Turks intend to secure an area in the capital and then link with forces advancing inland from the coast.

25X1

Turkey's immediate goals are to establish its forces on the island and then to negotiate. Before the Turkish landings, Assistant Secretary Sisco reported his distinct impression that the Turks saw the situation as an ideal time to achieve by military intervention their long-standing objective of partitioning the island.

Greek leaders told Sisco this morning that unless there is an immediate Turkish cease-fire, they plan to declare union with Cyprus and war against Turkey.

* * *

As of 5:30 this morning, no Soviet military reaction has been detected to the Turkish landings. Soviet airborne divisions were alerted earlier this week.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR



25X1

25X1

The Salyut 3 space station remains in orbit, and another Soyuz spacecraft with cosmonauts aboard is expected to be launched in the coming weeks.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FEDAYEEN-JORDAN-EGYPT

Almost all fedayeen groups have condemned the Egyptian-Jordanian communiqué issued Thursday at the end of King Husayn's visit to Egypt. PLO Chairman Arafat labeled it a "retreat" from the position adopted at the Arab summit last November that the PLO is the sole representative of the Palestinian people.

25X1
25X1

This criticism is aimed directly at President Sadat, who supported the summit resolution declaring the PLO the sole representative of the Palestinian people. Since then Egyptian officials have displayed little enthusiasm for this pro-PLO position, but Cairo did not begin to shift its stand until Husayn's visit.

25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

IRAQ-EGYPT

President Sadat's personal representative, Ashraf Marwan, reportedly reached agreement with Iraqi leaders during his recent visit to Baghdad to begin immediate cooperation in several fields, including petroleum and construction. The Egyptians also claim the Iraqis agreed to supply Egypt with badly needed spare parts for Soviet military equipment without informing the Russians.

25X1

Sadat undoubtedly views the prospect of improved relations with Baghdad as a useful reminder to Moscow that Cairo should still be considered the political center of the Arab world, and to Syria that Egypt can develop ties with the most radical of the Arab states.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORtUGAL

The US embassy in Lisbon believes the cabinet installed on Thursday is somewhat to the left of its predecessor, but not markedly so.

The slightly leftist coloration of key figures among the eight military men in the 17-man cabinet is somewhat balanced by the departure of certain prominent leftists, including some who obstructed decisions on economic and labor laws. The important economic and finance ministries are held by centrist economists.

The Armed Forces Movement is well-represented in the cabinet, and its leaders have stated that they want no more bickering there. They say they will make sure that this is the last cabinet before the constituent assembly election, now planned for March.

The new government will undoubtedly move vigorously to carry out the program of the Armed Forces Movement. The new minister of interior--a military man--has come out in favor of elections soon for municipal and parish councils. Such elections would permit various parties to unseat the many local authorities installed after the April coup by the communist-dominated Popular Democratic Movement.

FOR THE PRESIDENT ONLY

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NOTES

Italy: After protracted discussions among the three major trade union confederations about the government's austerity program, Italian labor leaders have decided not to defy the government on this issue, but rather to press for changes in the measures. Union leaders did not yield to pressure from militants for a nationwide general strike, but did designate July 24 a "day of struggle" on which local labor leaders may call brief work stoppages. The unions have called for an immediate meeting with high government officials to present their requests for modifications in the austerity program.

Spain: General Franco's relapse yesterday apparently has raised serious questions about his chances for recovery and has led to the transfer of routine chief-of-state functions to Prince Juan Carlos. Madrid remains calm, but a security alert has been reinstated.

25X1

Laos: Non-communist Deputy Prime Minister Leuam Insisiengmay and Pathet Lao Deputy Prime Minister Phoumi Vongvichit are still unable to agree on how to handle government business during Prime Minister Souvanna's convalescence. Leuam is also at loggerheads with senior non-communist leaders over the organization of the Vientiane side's nascent political front group. Many of the non-communists reportedly favor replacing Leuam with Interior Minister Pheng Phongsavan if he does not back down on the organizational issue.

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The President's Daily Brief

July 22, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 22, 1974

PRINCIPAL DEVELOPMENTS

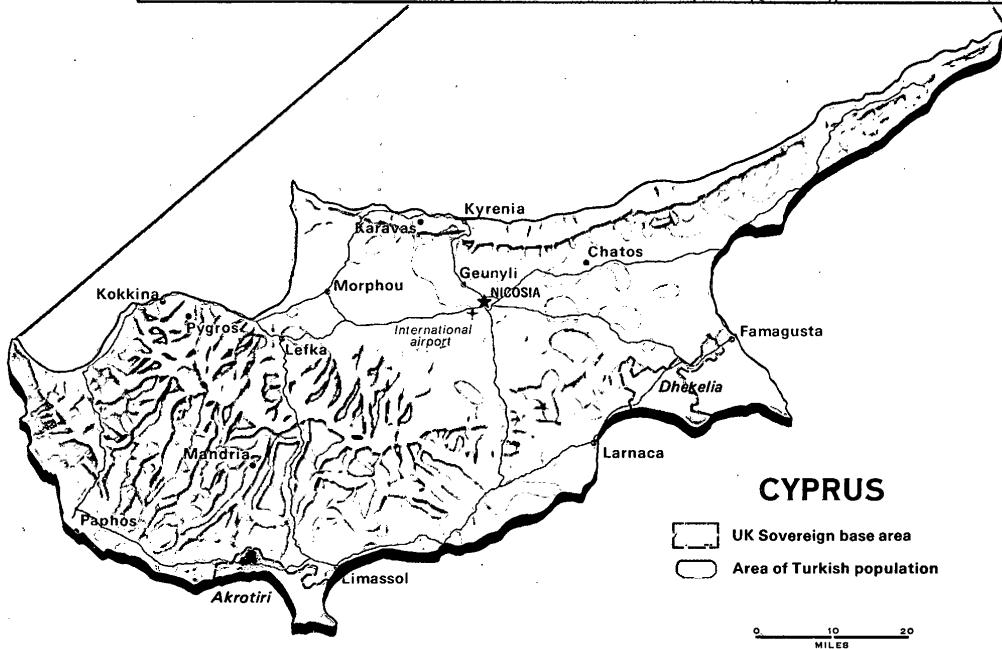
The cease-fire arranged last night will bring to at least a temporary halt the fighting that has raged on Cyprus since the Turkish invasion early Saturday. (Page 1)

The USSR and East Germany have sharpened their threats to retaliate if Bonn goes ahead with plans to set up a Federal Environmental Office in West Berlin this fall. The Soviets are trying to increase the pressure on Bonn amid signs that West German officials may be wavering on the issue. (Page 3)

General Franco's condition is reported to have worsened yesterday. (Page 4)

Notes on Italy, China, and the USSR appear on Page 4.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

CYPRUS

The cease-fire arranged last night would bring to at least a temporary halt the fighting that has raged on Cyprus since the Turkish invasion on Saturday.

Both Greece and Turkey claim to be satisfied with the present military standoff: Athens is pleased that Cypriot forces have brought the Turkish advance almost to a standstill, while Ankara claims to have achieved its principal objective of establishing a beachhead and taking control of an access corridor to Nicosia.

Both sides used the last hours before the cease-fire to continue strengthening their forces on the island. Several reports indicate that the Greeks landed elements of two battalions of paratroopers and marines at Nicosia airport by dawn today, the first time that regular Greek forces have been committed to the war.

Both sides are struggling to improve their positions in the vital Nicosia area. The arrival of Greek troops would improve Athens' bargaining position in any negotiations about the size of Greek and Turkish forces on the island. It would also improve Athens' standing among the Greek Cypriots, who until now have borne the brunt of the fighting, and bolster Ioannidis' position at home.

At the close of yesterday's fighting, the Turkish forces were still holding their own in the Nicosia and Kyrenia areas, although hard pressed by the Cypriot National Guard. Elsewhere the Greek Cypriots appear to have the upper hand in intercommunal fighting.

The Greeks appear satisfied with their performance. They have strongly contested the Turkish invasion and, with the elimination of Turkish Cypriot resistance, they have freed the bulk of their troops to concentrate on the main Turkish force. Clearly, the Turks have lost the initiative.

Turkish forces hold about 15 miles of beach in the vicinity of Kyrenia on the northern coast and the key mountain pass controlling the road leading

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

south to Nicosia. In the capital, Turkish paratroopers are in the Turkish quarter and hold positions around the city. The Turks have not taken the airport, however, and while some forces from the coast may have reached the city, the road between Kyrenia and Nicosia is not secure.

On the mainland, press reports indicate that major Greek troop reinforcements continued to move toward the frontier with Turkey yesterday but that the border itself was calm. There are also reports from Ankara that some Turkish reinforcements have moved to the border area.

At Greek request, the Security Council will meet this morning to debate alleged Turkish atrocities during the fighting. Charging that the Turkish air force used napalm against hospitals and civilians, the Greeks demanded yesterday an immediate cessation of such actions and called for a resolution condemning Turkey.

25X1

The crisis may have modified the decision-making process in Athens. [redacted]

25X1

[redacted] the Greek leadership appears to be speaking with a collective voice and that for the first time since the coup last November, Ioannidis may be forced to share power. Government decisions apparently are being made by a "war council."

25X1

Prime Minister Androutsopoulos told Secretary Sisco yesterday that young military officers would take over the government within 24 hours. [redacted]

25X1

[redacted]
At a special session of the North Atlantic Council last night, Greece informed its NATO allies that it accepted the US-arranged cease-fire and protested Turkish attacks and napalming of civilian centers in Cyprus.

The meeting also considered the earlier Greek announcement placing all Greek officers serving in SHAPE on 24 hours notice to leave for Greece with their families. The council members urged Greek reconsideration of this order warning against the serious consequences that a misinterpretation of this move would carry for the Alliance.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

BERLIN

The Soviets and East Germans have sharpened their threats to retaliate if Bonn goes ahead with plans to set up a Federal Environmental Office in West Berlin this fall. Pravda on July 20 printed a Soviet Foreign Ministry statement, which declared that such a step by the West Germans would violate the Quadripartite Agreement on Berlin and make it necessary for the USSR and East Germany to take "appropriate measures" to protect their interests. In a government statement released the same day, the East Germans warned that, if the office is established in West Berlin, its staff and equipment would be denied permission to transit East German territory.

Moscow and East Berlin have indicated on several occasions that they feel the need to react publicly to the opening of the agency. Both, however, have sought privately to assure the West that their actions will not be cause for alarm. An East German diplomat said earlier this month that his government is obliged to keep up pressure on the issue, but will avoid any "stupidities."

These moves seem aimed at increasing the pressure on Bonn at a time when there are signs that West German officials may be wavering on the issue. The Schmidt government has been half-hearted about going through with the project, and Schmidt himself at one time even suggested shelving it. President Scheel, who had been expected to sign last week the bill to establish the office in West Berlin, has not yet done so, despite strong prodding from West Berlin Mayor Schuetz.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Spain: General Franco's condition reportedly worsened yesterday afternoon. His family and the three top government officials assembled at the hospital. The General's doctors later announced that there was no need to alter treatment and that they remained optimistic about his condition. The country is calm and the press is stressing how smoothly the constitutional provisions for temporary transfer of the chief of state's role to Prince Juan Carlos have been implemented. The government itself remains in the hands of Prime Minister Arias, whom Franco appointed in January to a five-year term.

Italy: Rome's balance-of-payments deficit for the month of June was \$583 million, the lowest monthly deficit so far this year. The cumulative payments shortfall in the first half of 1974 was \$6.7 billion. The improvement last month is due largely to seasonal factors--increased receipts from tourism, for example. In addition, the credit squeeze in Italy may be forcing some return flow of private capital, and the trade deficit may have dropped slightly, thanks to import controls put into effect last April. Despite the recent improvement in the payments situation, Rome still must find a way to increase its official foreign borrowing in order to cover the deficit expected during the rest of the year.

China: Chou En-lai is apparently out of the hospital and has resumed some official duties. Peking's announcement of a meeting Saturday between Chou and a delegation from the Republic of Niger made no mention of a hospital. When the Chinese Premier met with Senator Jackson on July 5, Peking publicly admitted that the setting was a hospital room. Chou was apparently hospitalized with a heart ailment in June. He was said to be still confined in mid-July, when Vice Foreign Minister Chiao Kuan-hua told Western diplomats that the Premier was "convalescing well."

USSR: The Soviet helicopter ship Leningrad was sighted early Saturday by a US cruiser in the Bab el Mandeb Strait, just prior to entering the Red Sea. The Leningrad probably is en route to join the 11 Soviet ships engaged in mine-clearing operations in the Strait of Gubal.

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The President's Daily Brief

July 23, 1974

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THE PRESIDENT'S DAILY BRIEF

July 23, 1974

PRINCIPAL DEVELOPMENTS

Violations of the Cyprus cease-fire virtually ceased with the approach of darkness last night, but some clashes are likely again today. Barring collapse of the cease-fire, the Greeks and Turks have agreed to meet in Geneva--probably tomorrow--to begin peace talks. (Page 1)

Jordan and Egypt signed a secret agreement last week which the Jordanians believe ties Egypt more explicitly to their position. (Page 3)

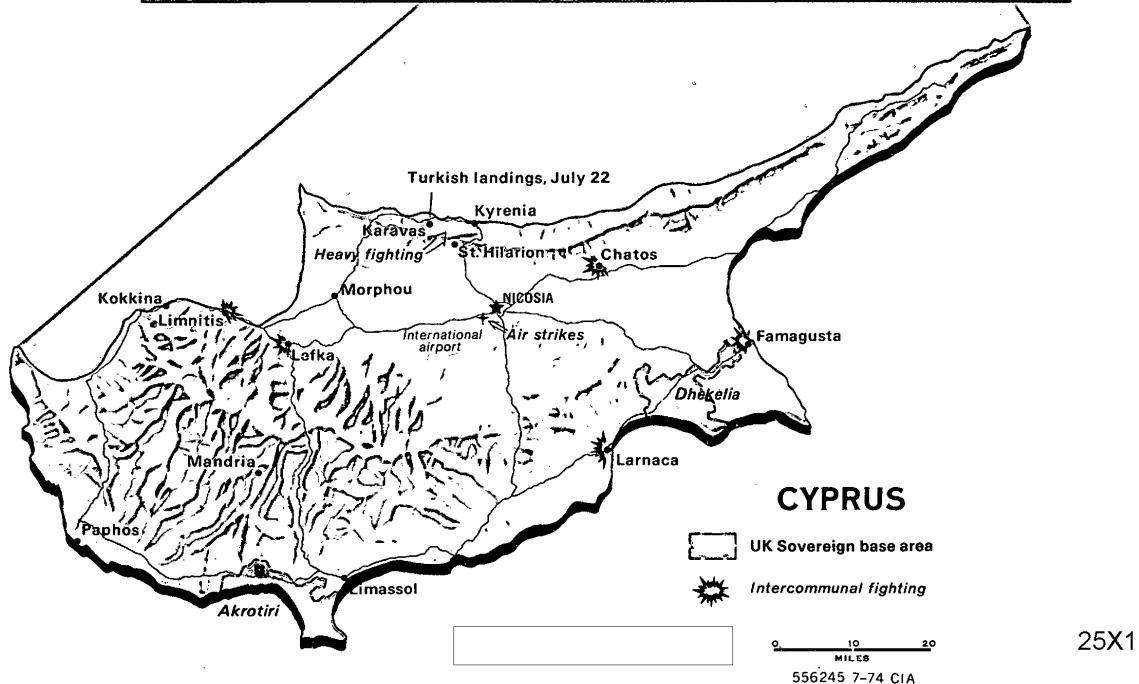
The appointment of the new Ethiopian Prime Minister, Mikael Imru, indicates that the powerful Armed Forces Coordinating Committee is making another effort to avoid an open military takeover of the government. (Page 5)

Canada has gained a sudden advantage over its competitors in nuclear reactor production as the world's uranium trade has changed from a buyers' to a sellers' market. (Page 6)

Lao Prime Minister Souvanna continues to make slow but steady progress in recovering from the effects of the heart attack he suffered on July 12. (Page 7)

A note on the USSR appears on Page 7.

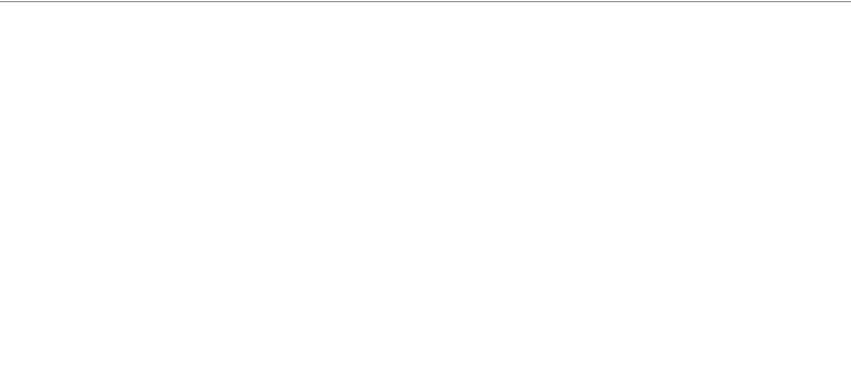
FOR THE PRESIDENT ONLY



CYPRUS

Cease-fire violations, numerous yesterday afternoon, virtually ceased with the approach of darkness last night. Clashes are expected to resume today. Barring collapse of the cease-fire, the Greeks and Turks have agreed to meet in Geneva this week--probably tomorrow--to begin peace talks. The two nations and Britain are meeting as the guarantors of the 1960 treaty granting Cyprus independence.

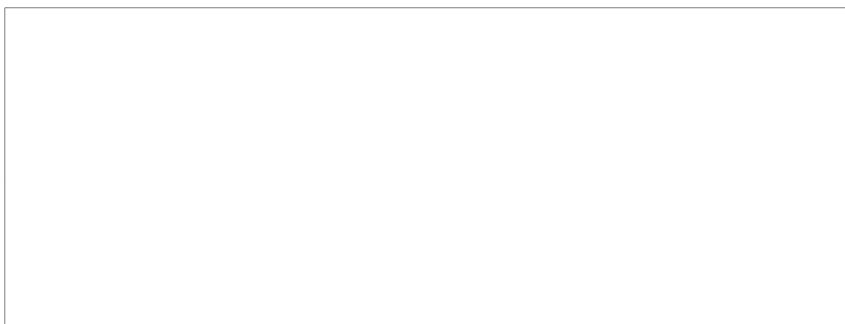
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The military actions of both sides prior to the cease-fire indicate that they continue to jockey for tactical advantages in the area north of Nicosia. Turkish forces attacked National Guard positions at Geunyeli, west of the Kyrenia-Nicosia road just north of the capital. Securing this area would improve Turkish chances for an assault against the airport, which they bombed last evening. To the east of the road, however, Greek Cypriot forces occupied villages that put them in a position to launch attacks on the Turkish flank.

Soviet military reactions to the Cyprus situation have been low key. Soviet naval units remain west of Cyprus. Moscow has informed the US that a ship will arrive at Larnaca on the southern coast of Cyprus to evacuate Soviet civilians.

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(continued)

In a press conference yesterday, Turkish Prime Minister Ecevit described the Turkish position as "irrevocably established." He stressed that Kyrenia would remain in Turkish hands to provide an opening to the sea. Maintaining that his country was now ready for a negotiated solution, Ecevit said that Turkey would go to Geneva without any preconditions.

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[redacted] in Turkey the Cypriot intervention is increasingly viewed by both the political left and the right as a disaster

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Coup rumors circulated widely in Athens yesterday [redacted] The Greek government officially labeled the rumors false.

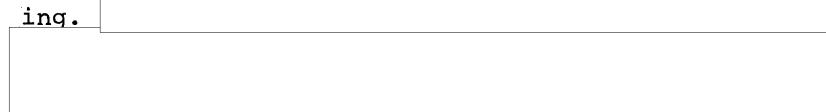
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At the UN Security Council meeting yesterday, attention focused on beefing up the UN peace-keeping forces in Cyprus. Secretary General Waldheim believes the 2,300-man force must be augmented to monitor the cease-fire. Waldheim asked countries that now have contingents serving with the peace-keeping force--Australia, Austria, Britain, Denmark, Ireland, Finland, Canada, and Sweden--to consider increasing their troop contributions. Negotiations are under way on the exact numbers required; speculation ranges between 4,000 and 5,000.

The peace-keeping forces, originally sent to Cyprus in 1964 to prevent intercommunal fighting, have been severely circumscribed in their attempts to fulfill their mandate during the present fighting.

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JORDAN-EGYPT-SYRIA

Jordan and Egypt signed a secret agreement last week during King Husayn's visit to Alexandria. Jordanian Prime Minister Rifai has told US Ambassador Pickering that the main points of the protocol are:

- Jordan retains the "right and obligation" to seek the return of the West Bank.
- Egypt has a similar obligation to negotiate an Israeli withdrawal from Gaza.
- A Jordanian-Israeli separation of forces should occur before the Geneva conference reconvenes.
- The inhabitants of Gaza and the West Bank should be given the right of self-determination after the Israelis withdraw.
- The Jordanian army should not return to the West Bank.
- However, if Israel should refuse to give up all of its military posts in the Jordan Valley, then Jordan should have a reciprocal right to station its own forces on the West Bank.

The secret agreement complements the public communiqué issued at the end of Husayn's visit and ties Egypt more explicitly, the Jordanians believe, to their position. King Husayn is especially pleased that Sadat is on public record as agreeing that Husayn represents all Palestinians living in the "Hashemite Kingdom of Jordan"--that is, including those on the Israeli-occupied West Bank. Rifai said Egyptian Foreign Minister Fahmi told him to ignore any public interpretation Egypt gave the communiqué; the secret agreement is what counts.

Rifai said that most of the secret agreement fits existing Jordanian policy, but that he resisted inclusion of the last point, which implicitly concedes the possibility that Jordan may have to allow the Israelis to retain some settlements along the Jordan River as part of a disengagement agreement. Ambassador Pickering suggests that Sadat may have wanted this included in case Egypt has to agree to something similar for Sharm ash-Shaykh.

(continued)

In exchange for Egyptian support, Sadat asked Husayn to request a postponement of the Arab summit meeting, scheduled for early September. The Egyptians argued that they need more time to try to work out a rapprochement between the fedayeen and Jordan. The Jordanians reluctantly made a formal request for a postponement of the summit last weekend.

[redacted] President Asad refuses to support such a postponement, and Syrian Foreign Minister Khaddam last night issued a statement to that effect. [redacted]

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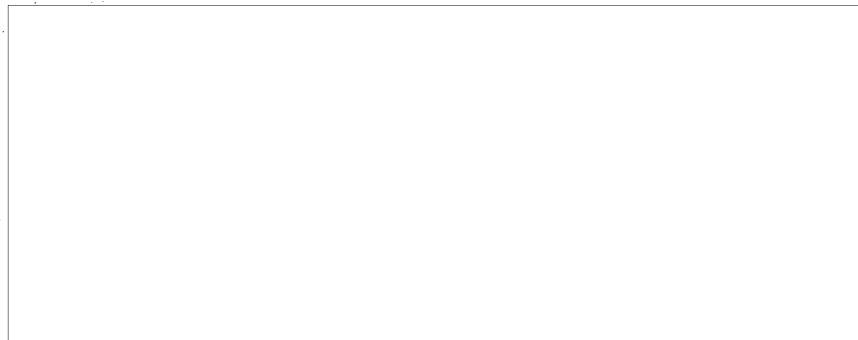
ETHIOPIA

The appointment of new Prime Minister Mikael Imru indicates that the powerful Armed Forces Coordinating Committee is making another effort to avoid an open military takeover of the government. Mikael is a moderate, as well as a competent administrator, and may be able to work effectively with the military.

The AFCC has been ready for some time to drop the former prime minister, Endalkatchew, because the committee felt he was too slow in implementing changes it was demanding. Endalkatchew is vulnerable to charges of corruption and may soon be arrested, as other officials from former governments have been.

CANADA

Canada, one of the largest uranium suppliers in the world, has gained a sudden advantage over its competitors in production of nuclear reactors as the world's uranium trade has changed from a buyers' to a sellers' market. Canada began a campaign last fall to market its CANDU reactors on a worldwide basis. Only Argentina and South Korea have indicated a firm intent to purchase the Canadian reactors, but Ottawa could increase their marketability by limiting the sale of uranium to countries that purchase them.



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NOTES

Laos: Prime Minister Souvanna continues to make slow but steady progress in recovering from the effects of the heart attack that he suffered on July 12. Although his condition is now free from complications, Souvanna is not expected to be able to resume full government business for at least two months. In the meantime, he has again made it clear that he wants no major decisions made during his convalescence, and that deputy prime ministers Leuam Insisiengmay and Phoumi Vongvichit are to share equally in handling routine government business.

USSR: The Communist Party Central Committee is expected to convene today for a two-day session prior to the opening of the Supreme Soviet on July 25. The Supreme Soviet, meeting for the first time since last month's elections, will announce the composition of the new government.

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The President's Daily Brief

July 24, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 24, 1974

PRINCIPAL DEVELOPMENTS

Israeli-Syrian

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Governmental changes in Athens and Nicosia hold out hope that peace negotiations can begin later this week in Geneva. Despite another UN-negotiated cease-fire on Cyprus last evening, sporadic shooting continued through the night and heavier fighting has resumed this morning as both sides try to improve their positions. UN forces now occupy the Nicosia airport. (Page 2)

Egyptian President Sadat took a relatively conciliatory line toward the USSR in his Revolution Day speech yesterday. (Page 4)

Bangladesh, by its own admission, is on the brink of economic collapse. The situation coincides with growing popular disenchantment with the government of Prime Minister Mujibur Rahman. (Page 5)

North Vietnam appears to be sending relatively few troops south, although it is training large numbers for future infiltration into South Vietnam. (Page 6)

Portuguese Foreign Minister Soares has told Ambassador Scott that members of the new cabinet share the priority aim of establishing a democratic society along Western lines. (Page 7)

Lisbon's decision to turn over administrative control of Angola to the military was prompted by recent rioting in the territory's capital. (Page 8)

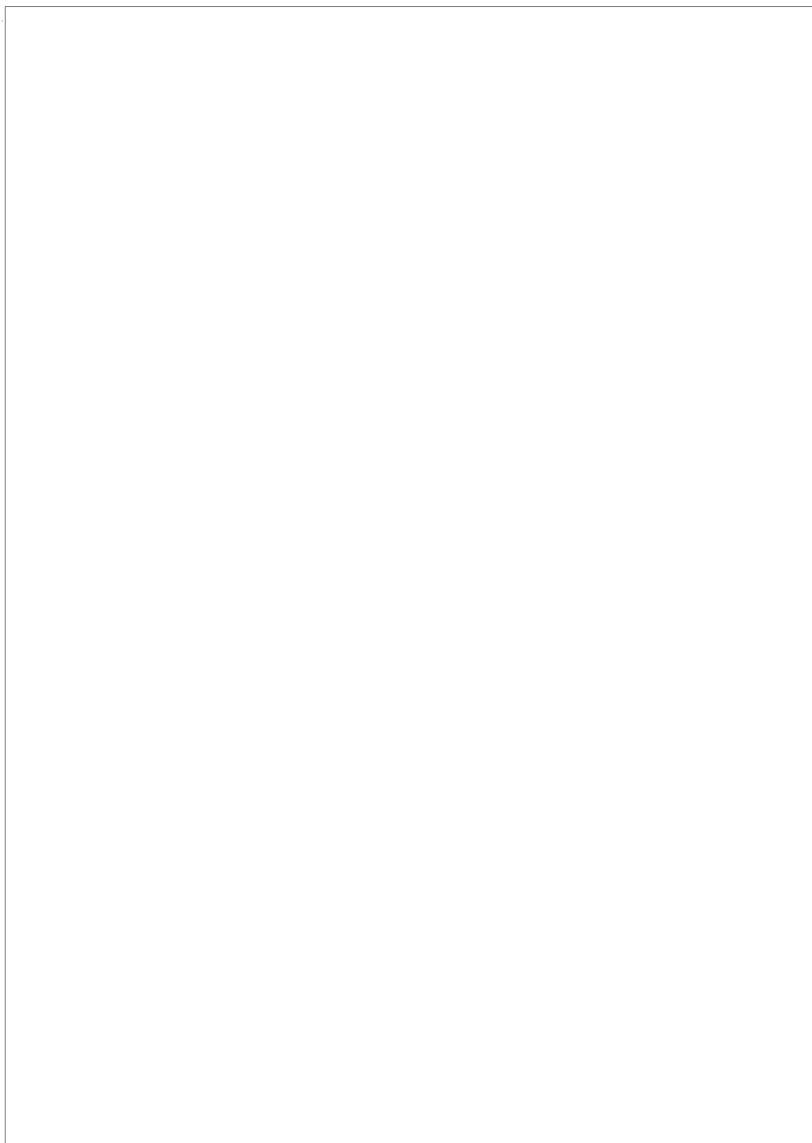
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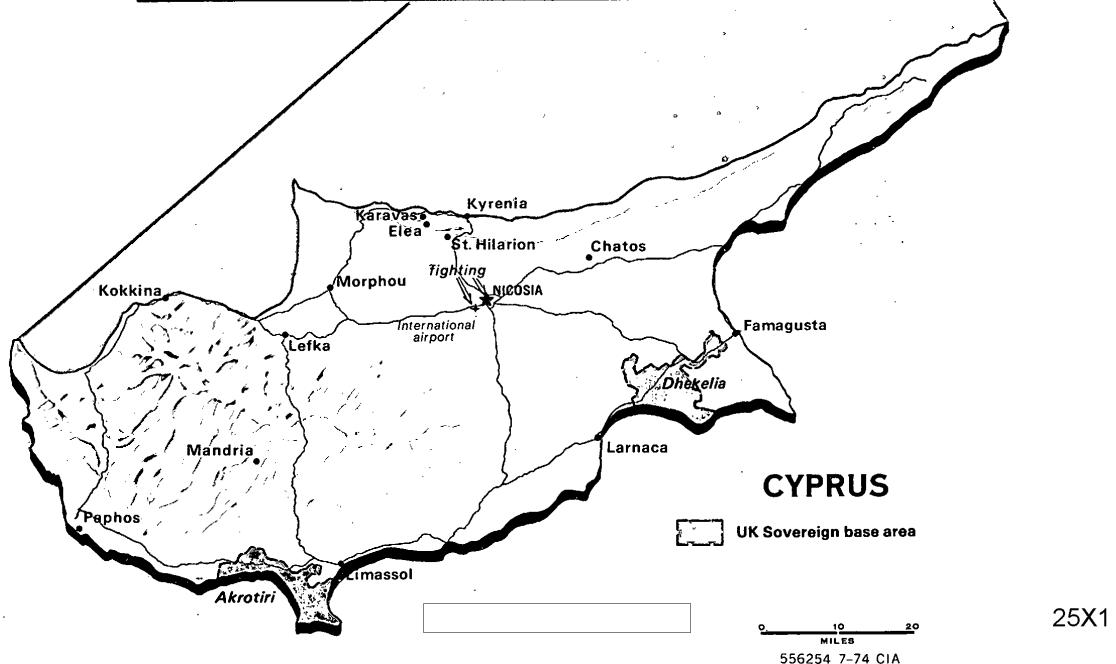
FOR THE PRESIDENT ONLY

ISRAEL-SYRIA



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CYPRUS

Former Greek prime minister Constantine Karamanlis returned to Athens last night, reportedly assured that he would have a free hand in forming a civilian government. He is expected to form a cabinet of rightist and centrist politicians. Karamanlis also is said to have the agreement of military leaders to stay out of politics. President Gzikis, however, apparently will stay in office, despite his military background.

Karamanlis has provided few clues to his policy toward Turkey and Cyprus. He is under popular pressure to take some military action, at least to send reinforcements to Cyprus, if the Turkish forces there do not strictly observe the cease-fire.

The announcement of the power shift in Athens followed by only a few hours word that Glafkos Clerides, president of the Cypriot House of Deputies and the constitutional successor to Makarios, had replaced Nicos Sampson as president. Considered a moderate on the sensitive issue of union with Greece, one of Clerides' first acts yesterday was to meet with Turkish Cypriot leader Denktash to seek ways of enforcing the cease-fire.

In New York, Archbishop Makarios said Clerides took over "with my agreement." Makarios added that he expected to return home in a few weeks to resume his duties as president. There is no indication that Clerides sees himself as an interim president.

The governmental changes hold out hope that negotiations can begin later this week in Geneva. Both new governments, however, are threatened by cease-fire violations attributed to Turkish forces. Greek military leaders threaten war against Turkey if violations continue, and demand that the Turks return to the original cease-fire lines.

Despite another UN-negotiated cease-fire last evening, sporadic exchanges of small arms fire occurred through the night. Reports of resumed

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fighting early this morning indicated that the Turks are continuing to push out from their positions in Nicosia. The major fighting yesterday involved Turkish attacks in Nicosia and Kyrenia; Greek Cypriots, meanwhile, continued successful attacks against Turkish Cypriot enclaves. Both sides appear to be trying to improve positions or gain ground in areas wherever they can.

UN forces now occupy the Nicosia airport. Its Greek defenders have been escorted back to Nicosia, and the Turks hold positions just north of the airport. The Turks maintain that they do not recognize the UN protection of the airport and threaten further attacks. The fighting in Kyrenia yesterday temporarily delayed evacuation of foreign nationals from the north coast, but nearly all are gone now.

FOR THE PRESIDENT ONLY

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EGYPT-USSR

President Sadat adopted a relatively conciliatory position toward the USSR yesterday in his Revolution Day speech. Sadat, developing a line he has used in public since the Soviet postponement of Foreign Minister Fahmi's visit to Moscow, expressed puzzlement over the Soviet attitude toward Cairo's better relations with the US. He professed confidence that misunderstandings would be cleared up and made a concession to Soviet sensitivities by asserting that Middle East peace efforts will not be confined to one big power.

Sadat's decision to swallow the Soviet rebuff did not come easily, but he presumably feels that no practical alternate source of military equipment and spare parts for his Soviet equipment exists. He also needs the relationship with Moscow to offset closer ties with the US in the eyes of some of the other Arabs.

It is now clear that postponement of Fahmi's visit was a deliberate Soviet rebuff. A subsequent series of Soviet actions appears to be a deliberate effort to put a chill into relations with Cairo.

The Soviets may well be seeking some indication from Sadat that he intends to moderate his swing toward the US. Moscow, for example, might be seeking the removal of Fahmi. It may also hope to convince Sadat that he should drop his own reluctance to visit Moscow.

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BANGLADESH

Bangladesh, by its own admission, is on the brink of economic collapse. Foreign exchange reserves are so low that exporters will not accept letters of credit on the state-owned Bangladesh bank unless they are backed by a foreign bank. Dacca has been unable to pay for some purchases and has canceled over 100,000 tons of food-grain imports.

Dacca has asked for emergency assistance from previous aid donors and international agencies. It wants cash and commodities, including food grains over and above amounts already scheduled, and would like to convert project aid into commodity aid. Around \$700 million of aid extended by the US and other donors is available, but most is tied to specific projects and cannot be used for commodity imports.

The economic crisis coincides with growing popular disenchantment with the government of Prime Minister Mujibur Rahman. His well-publicized efforts to have the army prevent lawlessness and root out corruption have had limited success. The removal of a few inefficient and corrupt members from his government has been generally viewed as cosmetic treatment where surgery was needed.

Mujib, nonetheless, remains the only politician in Bangladesh with a nationwide following. Only the armed forces appear capable of threatening his hold on government

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VIETNAM

North Vietnam appears to be sending relatively few troops south, although it is training large numbers for future infiltration. Intercepted messages indicate that three new infiltration groups--the first detected near the top of the pipeline since late May--passed through southern North Vietnam this week. Two groups are destined for South Vietnam's northern provinces, and the other probably will reinforce logistic units along the infiltration system.

Since June 1, some 23 battalions, with about 550 men each, have been noted undergoing pre-infiltration training in North Vietnam. The actual number of units engaged in such training is almost certainly higher than the number detected.

Some battalions appear to be in advanced stages of training. Many, however, have only recently begun and probably will not come south until next fall. It is not possible at this time to tell whether these troops will augment forces in the south or replace losses and fill rotational billets.

FOR THE PRESIDENT ONLY

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PORUGAL

Portuguese Foreign Minister Soares has told Ambassador Scott that members of the new cabinet share the priority aim of establishing a democratic society along Western lines. Soares, head of the Socialist Party, stressed that the most important result of the cabinet reorganization was the ouster of Pereira de Moura, leader of the People's Democratic Movement, which Soares described as a Communist front.

According to Soares, the eight military officers in the 17-member cabinet are "liberals" without party affiliation. He called Prime Minister Goncalves an expert political theoretician.

The foreign minister suggested that the new cabinet would be able to speak with one voice, even when it comes to producing controversial economic and labor legislation. This is where the previous cabinet faltered. The coming weeks will show whether or not Soares' optimism is warranted; at present reading, the difficulties facing the government are not likely to be overcome quickly or easily.

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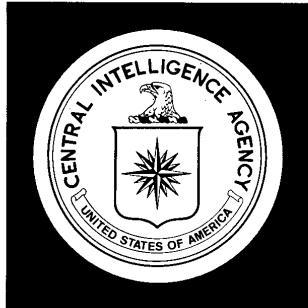
FOR THE PRESIDENT ONLY

NOTE

Angola: Lisbon's decision to turn over administrative control of Angola to the military was prompted by recent disturbances, including race riots in the territory's capital. Local authorities eventually put down the rioting but not before some 40 persons had been killed. Lisbon's action does not mean that the Portuguese government is any less committed to eventual self-determination for Angola.

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The President's Daily Brief

July 25, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 25, 1974

PRINCIPAL DEVELOPMENTS

The cease-fire on Cyprus appears to be taking hold. Turkey promised last night that its forces would not attack UN troops guarding Nicosia's airport. New Cypriot President Clerides has said he wants early presidential and parliamentary elections; he said it would be "unwise" for Archbishop Makarios to return now. The new Greek government has recognized Makarios as the island's legal head of government.
(Page 1)

There is fresh speculation that General Secretary Brezhnev will take on a government position to supplement his leadership of the party, in particular, Podgorny's chairmanship of the Supreme Soviet.
(Page 2)

President Sadat avoided unrealistic promises and tried to impress on the Palestinians the necessity for compromise when he elaborated on his concept of Palestinian-Jordanian coordination on Tuesday.
(Page 3)

Bahrain wants to work out a new agreement that will permit the US navy's Middle East Force to continue to use facilities on the Persian Gulf island.

(Page 4)

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[redacted] Iraq [redacted]

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(Page 5)

[redacted] Syria [redacted]

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(Page 6)

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In Vietnam, Communist military forces have gained additional territory in Military Region 1 and in the delta, and are pressing attacks in the central highlands. *(Page 7)*

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The newly appointed Japanese Finance Minister apparently is thinking of relaxing Tokyo's tough anti-inflation program. *(Page 8)*

FOR THE PRESIDENT ONLY

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CYPRUS

The cease-fire on Cyprus appears to be taking hold. Fighting stopped in Kyrenia yesterday; only a few clashes were reported around outlying Turkish Cypriot villages.

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[redacted] the Turks landed additional reinforcements and heavy equipment at Kyrenia yesterday.

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Diplomatic pressure on Ankara has averted a major clash between reinforced Turkish units and UN troops for control of Nicosia airport. At the UN Security Council meeting last night, Turkey's ambassador announced his government's agreement not to attack the UN force, now augmented by British troops and planes.

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On the political front, newly-sworn Cypriot President Clerides pledged continuity of constitutional government as he tries to restore political normality to the island. He said he wants to hold presidential and parliamentary elections as soon as possible. Clerides said it is up to the people whether Archbishop Makarios returns, but that it would be "unwise" for him to do so now.

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Clerides' chances in an election against Makarios would improve if, as party chief Papaian-nou told a US diplomat yesterday, the Cypriot Communists decide to support him. The situation is complicated by the announcement in Athens yesterday that the new Greek government recognizes Makarios as the legal head of the Cyprus government.

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Prime Minister Karamanlis' "government of national unity," despite its name, is essentially a two-party, center-right coalition. His new cabinet includes people with more talent for leadership and more technical expertise than any of the governments during the years of military rule. The exclusion of the political left will become a source of friction. Leftist leaders allegedly were to meet yesterday to draft a plea to Karamanlis requesting him to reconsider their status as outsiders. The left is planning to reopen one of its newspapers today.

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USSR

The Soviet party Central Committee met briefly yesterday to hear the customary report from General Secretary Brezhnev and to prepare for the Supreme Soviet session that begins today. Little is known concerning the proceedings of the Central Committee meeting. Its brevity, however, is one sign that few major surprises are likely to come out of the meeting itself or the Supreme Soviet session.

When the Supreme Soviet opens, Council of Ministers members, including Premier Kosygin, will submit pro forma resignations. A "new" Council to be announced tomorrow will probably include some shifts at the ministerial level.

There is fresh speculation that Brezhnev may at last be ready to try formally to consolidate his personal leadership. Since 1970, when he began playing a more active role in Soviet foreign affairs, the party boss has been somewhat embarrassed by his lack of a high government or state position. His reception of visiting chiefs of state and his own visits abroad have been encumbered by nagging problems of protocol.

Khrushchev solved such problems by combining the premiership with his position as party chief. The Central Committee prohibited his successors from combining these two positions, in an effort to avoid the concentration of power achieved by Stalin and, to a lesser degree, by Khrushchev. There is no such ban, however, on combining the general secretaryship with Podgorny's prestigious but relatively powerless chairmanship of the Presidium of the Supreme Soviet, and there is rumor that this is what Brezhnev may try to do.

However tidily such a move might deal with protocol problems, it might also alarm Brezhnev's colleagues in the Politburo without achieving any significant political gains for him personally. This is one important factor arguing against such a move.

FOR THE PRESIDENT ONLY

EGYPT

President Sadat elaborated on his concept of Palestinian-Jordanian coordination in a speech on Tuesday. He clearly avoided making unrealistic promises and attempted to impress on those involved, particularly the Palestinians, the necessity for compromise.

Sadat took credit for gaining "international" recognition of the Palestine Liberation Organization as the "legitimate" representative of the Palestinians, and even contended that King Husayn had agreed to drop Jordan's reservations about the legitimacy of the PLO's representative status. At no point, however, did he use the now standard Arab characterization of the PLO as the "sole legitimate" representative. He thus notified the Palestinians that he intends to adhere to his accommodation with Husayn according Jordan the right to represent Palestinians within the Kingdom of Jordan.

On the particularly delicate issue of who has the right to negotiate for an Israeli withdrawal from the West Bank, Sadat [redacted]

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[redacted] asserted that Jordan has agreed to hold the West Bank in trust--as he says Egypt would do with Gaza--"until their people determine their wishes." Sadat thereby notified the Palestinians that they cannot expect to negotiate for territory while their position is not unified, but, at the same time, he committed Husayn to follow through on his promise to allow the Palestinians self-determination after an Israeli withdrawal.

The Egyptian Foreign Ministry yesterday said invitations have been sent to Syria, Jordan, and a representative of the PLO to meet in Cairo on Sunday to coordinate policy for the Geneva talks.

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BAHRAIN-US

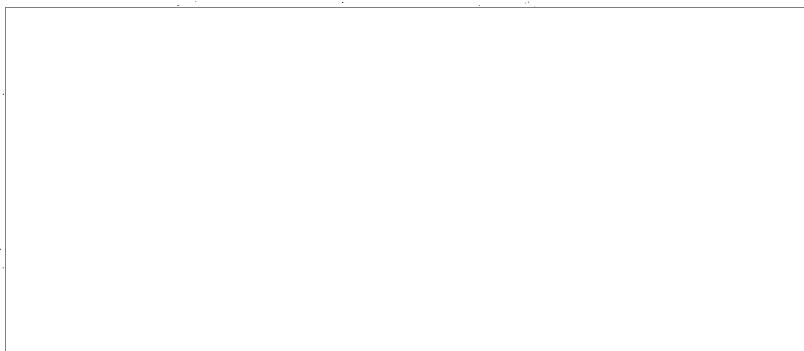
The Bahraini foreign minister told Ambassador Twinam on Tuesday that his government has reversed its decision to terminate the Bahrain-US stationing agreement. Bahrain wants to work out a new agreement that will permit the US navy's Middle East Force to continue to use facilities on the Persian Gulf island.

Bahrain would like to complete talks with the US by the end of August, perhaps in order to give the government a chance to promote the new arrangements with the public before the sometimes obstreperous National Assembly reconvenes in October. The Bahraini government is anxious to refute charges that the stationing agreement has undermined national sovereignty and has been of no significant economic value. The Bahrainis reportedly want, among other things, to raise the yearly rent to \$3 million--five times what the US is now paying.

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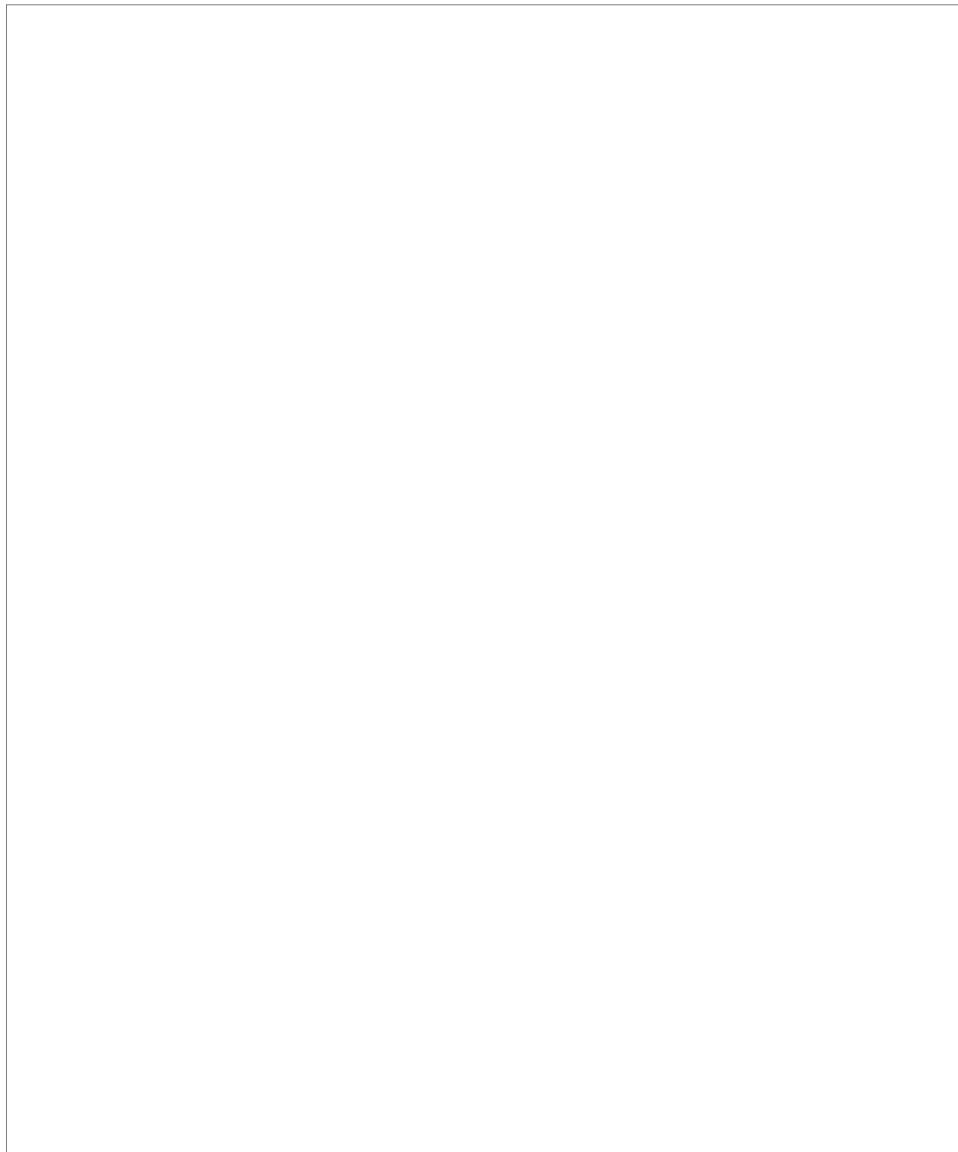
IRAQ-USSR



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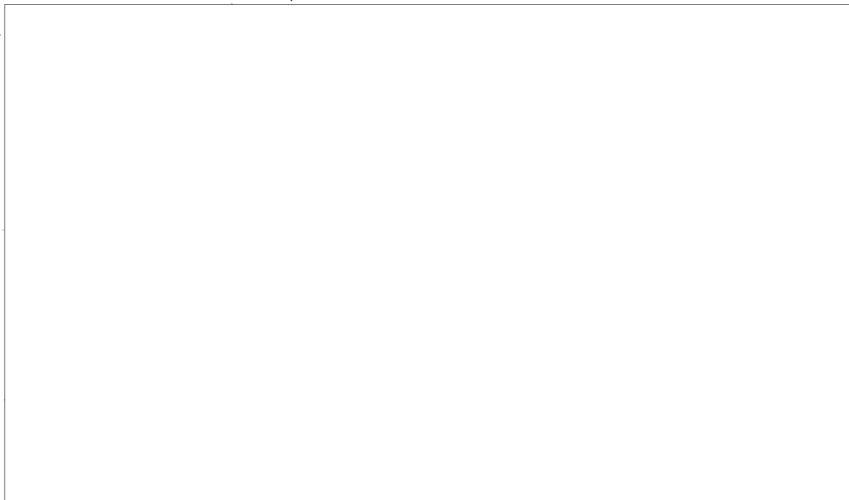
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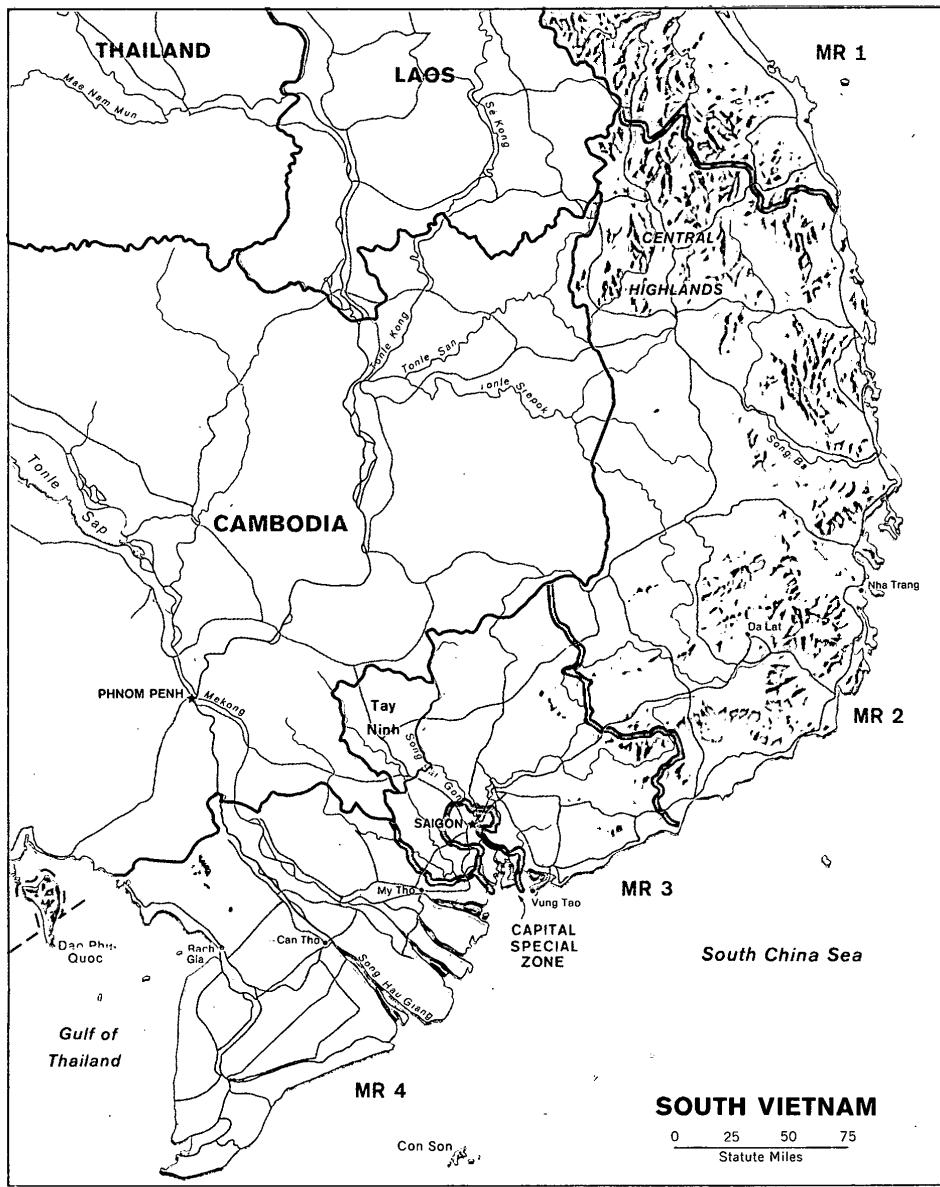
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SYRIA



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VIETNAM

The recent upsurge in fighting continues in some parts of the country. Communist military forces have gained control of additional territory and population in southern Military Region 1 and in the southern delta, and are pressing attacks in the central highlands. The Communist intent in each area is the same--to expand land holdings, eliminate the government's military presence, and secure infiltration corridors.

The Communists have used small units to hit South Vietnamese military installations, interdict key highways, and attack remote outposts. In many cases, especially in the delta, these outposts have been manned by local security forces who have proved a poor match for the Communists. Presumably Saigon will attempt to retake many of the positions that have been abandoned.

In the central highlands, and to some extent in the southern provinces of Military Region 1, North Vietnamese main forces have done the fighting, but infantry troops have been used sparingly. Heavy artillery and mortar attacks have preceded ground assaults, causing some South Vietnamese commanders to speculate that the Communists have more ammunition to expend than government troops have. Much of the government's poor showing has been the result of a lack of coordination between ground, air and artillery forces, and the unwillingness of South Vietnamese commanders to defend remote positions that are difficult to resupply and reinforce.

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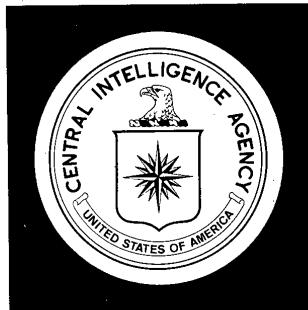
NOTE

Japan: Newly appointed Finance Minister Ohira apparently wants to relax his predecessor's tough anti-inflation program. His most likely course of action will be to ease the credit restraints that resulted in a sharp decline in private investment during the first half of this year. Ohira is more concerned about the prolongation of Japan's economic downturn than was his predecessor. He also wants to secure the political support of the business community, and will tend to be more responsive to its pressures than Fukuda. Inflation remains a serious problem, however, and Ohira will be cautious about instituting a pronounced policy change in the near future.

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July 26, 1974

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THE PRESIDENT'S DAILY BRIEF

July 26, 1974

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PRINCIPAL DEVELOPMENTS

25X1

Libya

25X1

USSR. (Page 1)

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Cyprus was relatively quiet yesterday, although the Turks continued to bring in reinforcements. The Geneva talks on the Cyprus issue began last night as scheduled. (Page 2)

France is engaged in a thorough review of defense policy, which could lead to "certain changes in direction," according to Defense Minister Soufflet.

(Page 3)

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The British Labor government's political commitment to re-examine Britain's participation in the EC apparently was behind London's opposition this week to a new EC common energy policy. (Page 4)

Soviet President Podgorny, during his recent visit to Mogadiscio, reportedly offered Somalia some aid to reduce the burden of high petroleum prices. (Page 5)

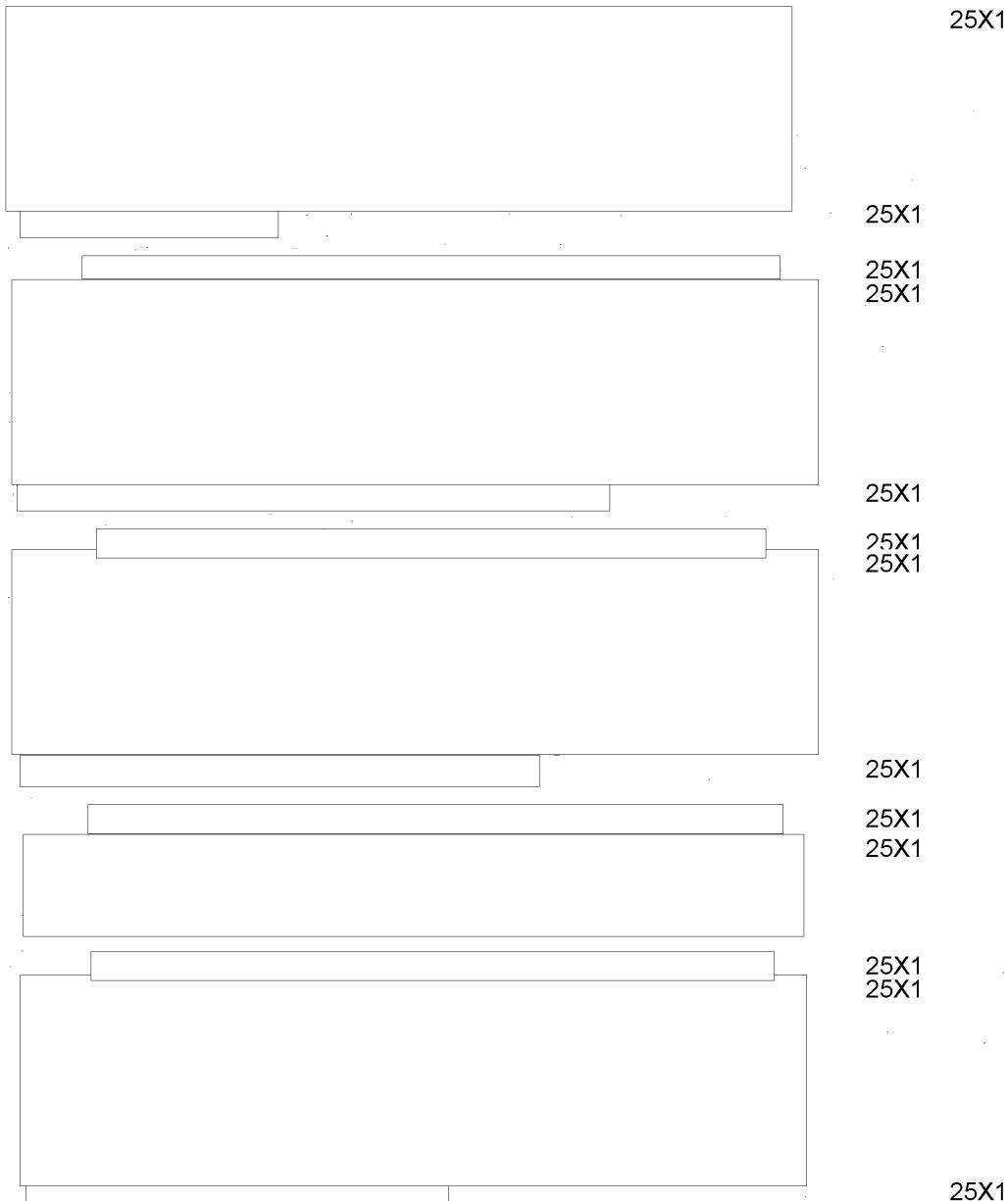
In Ethiopia, the military is still moving gradually to circumscribe Haile Selassie's power. The army is also taking care to prevent widespread reverence for the Emperor from interfering with the military's plans. (Page 6)

A note on Laos appears on Page 7.

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LIBYA-USSR



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CYPRUS

Cyprus was relatively quiet yesterday. [redacted]

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[redacted] Turkish armored columns also moved out to assist the inhabitants of some Turkish Cypriot villages northeast of Nicosia that had been abandoned or had surrendered to Greek Cypriot forces over the past few days.

25X1

In a call to the US ambassador, the senior UN representative on Cyprus asked for "Great Power" help in halting the Turkish advance. The UN has been unable to establish liaison with Turkish army forces on the island.

Greek, Turkish, and British representatives met in Geneva last night. Their initial talks were devoted largely to procedural matters, although the Greeks and Turks traded accusations of cease-fire violations. The Greek foreign minister insisted that the Geneva conference should be strictly limited to implementation of the Security Council cease-fire resolution. His Turkish counterpart advocated broadening its scope to encompass questions of the future political organization of Cyprus.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FRANCE

Paris is engaged in a thorough review of its defense policy, which could lead to "certain changes in direction," according to Defense Minister Soufflet. In a recent conversation with Ambassador Irwin, Soufflet said France's economic problems may make it necessary to reduce defense expenditures. The government, he said, may be forced to set new priorities among France's ambitious technological programs in both military and civilian fields--including nuclear weapons, missiles, and the Concorde aircraft.

According to an Elysée press announcement, President Giscard will devote all next week to the review; Soufflet suggested that the review may go on for several months.

* * *



25X2

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EUROPEAN COMMUNITY

The British Labor government's political commitment to re-examine Britain's participation in the EC apparently was behind London's opposition this week to a new EC common energy policy. The British may block progress by the community in other new areas as well.

The Labor government probably also opposed the EC energy policy because many voters fear Britain would be deprived of control over its North Sea oil resources as a result of a joint energy strategy.

Although British officials emphasize that London remains committed to the work of the Energy Coordinating Group established last February in Washington, the British action was a setback. [redacted]

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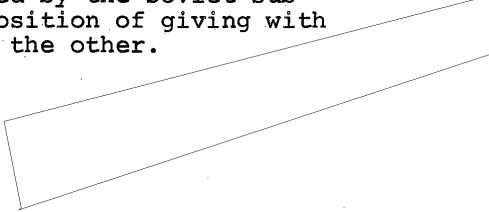
FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-SOMALIA

Soviet President Podgorny, during his recent visit to Mogadiscio, reportedly offered Somalia aid to reduce the burden of high petroleum prices. Somalia would use the proceeds from the sale of \$4 million of Soviet commodities, made available under a new agreement, to subsidize domestic oil prices. Moscow will also provide the country's military establishment with 50,000 tons of oil during the next three years as grant aid.

Nevertheless, the USSR, which supplies 75 percent of Somalia's total oil imports of about 2,000 barrels per day, refused to lower the prices of Soviet oil products. At current prices, Soviet oil will cost Mogadiscio about \$8 million this year, compared with only \$2.6 million in 1973. Most of this difference will be covered by the Soviet subsidy, placing Moscow in the position of giving with one hand but taking away with the other.



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ETHIOPIA

The Armed Forces Coordinating Committee, the politically dominant force in Ethiopia, continues to move to circumscribe Haile Selassie's power. At the same time, the military is trying to prevent widespread reverence for the Emperor from interfering with the military's plans.

25X1



Meanwhile, the armed forces committee has taken steps to assure the rural population that the military has no designs against the Emperor himself. Thus far, the committee has been successful in countering attempts by provincial aristocrats to stir up the peasants. For his part, the 82-year-old Emperor appears willing to accept figurehead status.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

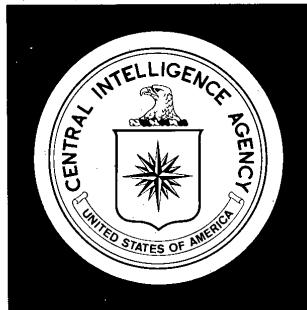
NOTE

Laos: Yesterday's cabinet meeting, which focused on the country's deteriorating financial condition, was the first since Prime Minister Souvanna's heart attack on July 12. The meeting was chaired jointly by non-Communist Deputy Prime Minister Leuam Insisiengmay and Pathet Lao counterpart Phoumi Vongvichit.

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The President's Daily Brief

July 27, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 27, 1974

PRINCIPAL DEVELOPMENTS

Turkish forces in Cyprus continue to enlarge their Nicosia-Kyrenia corridor, but the rest of the island is quiet. The cease-fire talks in Geneva narrowly averted breaking down yesterday. (Page 1)

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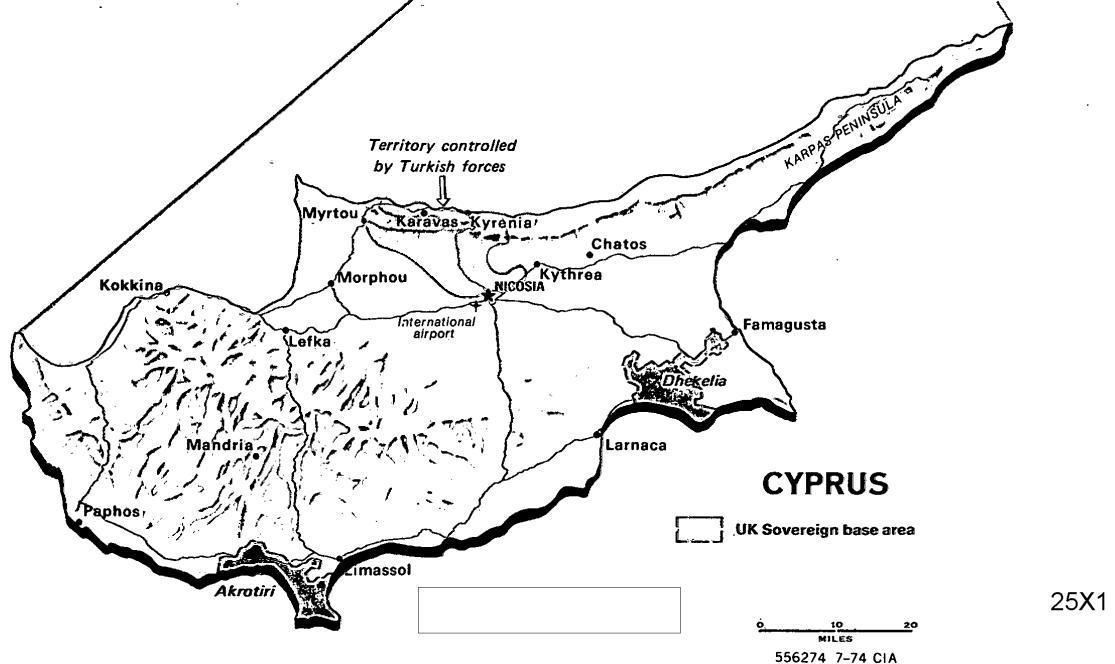
[Redacted]

East Germany harassed transit traffic on autobahn routes to Berlin yesterday in the wake of the West German enactment of legislation establishing the Federal Environment Agency in West Berlin. (Page 3)

Cairo is trying to replace Soviet, and also Iranian, influence in the southern Arabian peninsula by organizing a joint Arab force to back the Sultan of Oman against a rebel movement that is supported from Aden. Moscow apparently promised South Yemen additional military aid during a recent visit to the USSR by a leader of Aden's National Front. (Page 4)

Notes on the USSR, Portugal, Iran-Italy, and Venezuela appear on Page 5.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

CYPRUS

Turkish forces continue to enlarge their Nicosia-Kyrenia corridor. By yesterday evening they had taken the town of Myrtou, thereby gaining control of a second major road. The Turkish push eastward toward the besieged Turkish Cypriot enclave at Chatos apparently halted when it came up against a UN contingent.

The rest of the island is quiet. UN officials report that most Turkish Cypriot enclaves have surrendered.

In Nicosia, President Clerides warned again that he could not continue to restrain his National Guard forces if Turkish troops advanced further into Greek Cypriot areas. He implicitly threatened reprisals against residents of Turkish Cypriot villages if the Turks go on violating the cease-fire. His warning, however, contained no time limit.

25X1



The Cyprus peace talks in Geneva came close to breaking down yesterday morning. The afternoon session was canceled, but by evening the Greek and Turkish foreign ministers had agreed to again try to resolve their differences over the terms of the cease-fire resolution. The resolution, originally drafted before the Turkish invasion, called for the withdrawal of foreign military personnel--at that time this reference meant the Greek officers in the Cypriot National Guard. The Greeks now want to interpret the resolution as a mandate for the withdrawal of the Turkish troops. The Turks are proposing a separate conference to deal with the administration of Cyprus and the maintenance of the cease-fire.

An emergency meeting of the UN Security Council, called by Cyprus, is now set for today. It will consider continued Turkish cease-fire violations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE

25X1

Some military leaders may be plotting to overthrow the Karamanlis government, [redacted]
[redacted] Many officers, particularly in the lower echelons, disagree with the decision last week to turn the government over to civilians and some may fear that the new regime will try to punish those responsible for past repressions.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GERMANY

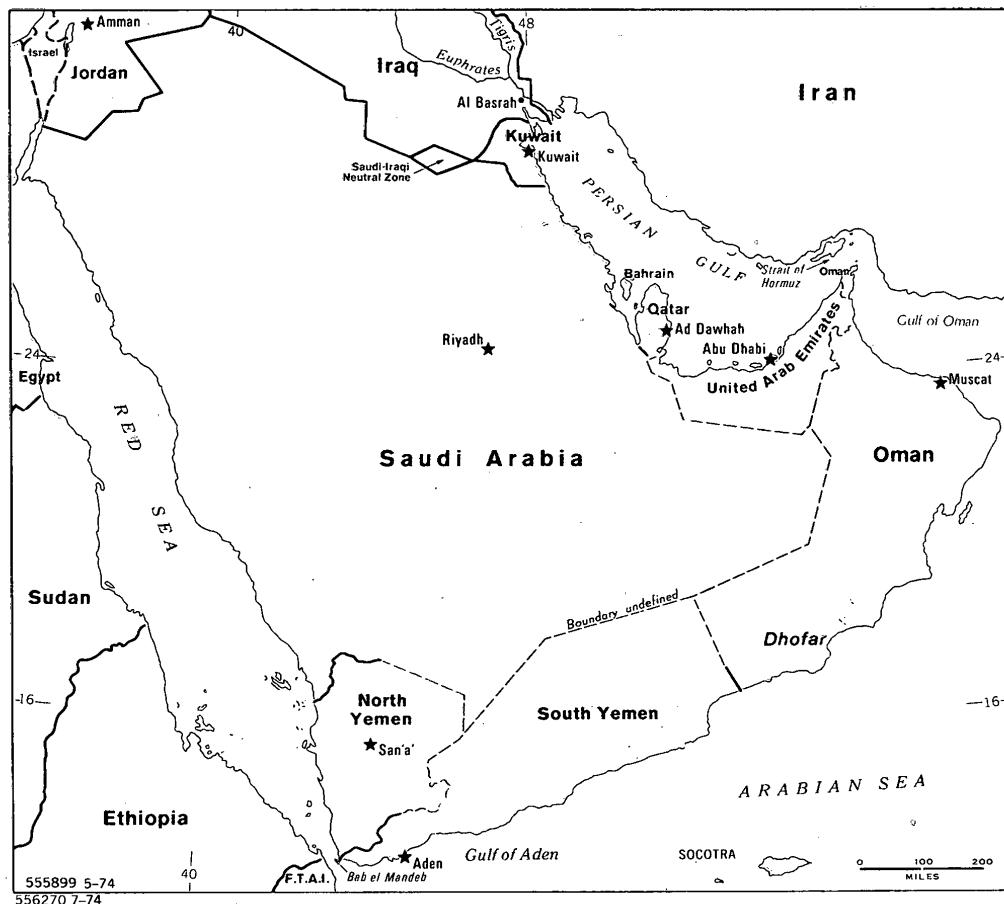
Five incidents of East German harassment of transit traffic occurred yesterday in the wake of the West German enactment of legislation establishing the Federal Environment Agency in West Berlin.

The stoppages, which occurred at four different checkpoints on autobahn routes to West Berlin, all involved private automobiles. East German guards either asked the passengers if they worked for the environment agency or told them that the delay was caused by the establishment of the agency in West Berlin.

In statements to senior US and West German officials, both East German and Soviet officials have stressed that they felt obliged to demonstrate their objections to the FEA, but that they wished to avoid open confrontation with Bonn or the Western Allies. The delays yesterday were short, and in all cases the travelers were permitted to proceed.

Five FEA employees successfully transited East Germany by private car on July 25 and 26 and are now in West Berlin.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

ARABIAN PENINSULA

Cairo is trying to replace Soviet, and also Iranian, influence in the southern Arabian peninsula by organizing a joint Arab force to back the Sultan of Oman against a rebel movement that is supported from Aden.

President Sadat's adviser, Ashraf Marwan, is currently on a trip that will take him for the second time in two weeks to Saudi Arabia as well as to Bahrain, the United Arab Emirates, and Oman seeking support for the plan.

He will also visit South Yemen, where he will be trying to lease islands at the entrance to the Red Sea. Cairo says it wants to ensure that Arabs, rather than Moscow operating through the pro-Communist regime in Aden, control the Red Sea when the Suez Canal is reopened.

Egypt's scheme is ambitious. The Soviet presence in Aden is long established, while Cairo's move to replace the 1,400-man Iranian force in Oman is apt to endanger some \$870 million in much-needed economic assistance that Egypt is to receive from the Shah.

* * *

Moscow apparently promised South Yemen additional military aid during a recent visit to the USSR by a leader of Aden's National Front. Moscow has long been Aden's primary source of arms and training, but Adeni officials have indicated they are not pleased with the extent of Soviet economic aid. The Soviets are aware that Aden has recently sought Arab and Western assistance to help bolster its sagging economy.

The signing of a number of cooperative agreements between the USSR and South Yemen, together with the Soviet-Somali Friendship Treaty, indicates the Soviets' continuing strong interest in the area, particularly as the reopening of the Suez Canal comes closer.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

USSR: The newly elected Supreme Soviet, which convened on July 25, has re-elected Nikolay Podgorny chairman of its Presidium and Aleksey Kosygin chairman of the Council of Ministers. There were no personnel shifts at the ministerial level. Thus far, the only organizational change announced by the Supreme Soviet is the setting up of standing commissions to supervise production of consumer goods. This move is presumably meant to demonstrate the leadership's continuing interest in trying to improve the performance of the consumer sector of the economy.

Portugal: Prime Minister Goncalves' selections for 26 subcabinet posts seem to indicate a decision to enlist the help of well-qualified specialists, whatever their political inclinations. Those named are largely in the 30-40 age group and are well trained technically; none is nationally prominent. Many were active opponents of the old regime, but only one of those appointed can be identified with confidence as a Communist--he is Secretary of State for Labor.

25X1

Iran-Italy: The Shah of Iran now appears to be leaning toward providing financial assistance to Rome similar to loans he recently extended to London and Paris, if he can be assured the Italian government will not share power with the Communists. To provide such a "guarantee," Italy's dominant Christian Democratic Party could point to the fact that its most recent National Council meeting unanimously approved a resolution emphasizing the ideological differences that separate the Christian Democrats from the Communists. If the Shah's attitude continues to soften, aid might take the form of some prepayment for a \$3 billion deal for construction of industrial plants an Italian state company recently signed with Iran.

Venezuela: Caracas has established an investment fund to manage a portion of its growing surplus oil earnings. The fund, with an initial capitalization of more than \$3 billion, will receive half of all future oil revenues. Caracas' oil revenues are expected to total about \$10 billion this year. Carlos Guillermo Rangel, a moderate of independent views, has been selected as the fund's president, a cabinet-rank position.

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The President's Daily Brief

July 29, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 29, 1974

PRINCIPAL DEVELOPMENTS

The Turkish prime minister said early today that the Cyprus peace talks in Geneva are "in the final stage," but that a snag still exists over Turkish troops on the island. (Page 1)

Moscow demonstrated its interest in preserving an independent Cyprus yesterday when it issued its first authoritative pronouncement since Clerides assumed the island's presidency. The Soviets are also sending an observer to the Geneva talks. They further illustrated their interest in carving out a role for themselves by calling at the UN Security Council meeting last night for full implementation of the cease-fire resolution of July 20. (Page 2)

25X1

Prime Minister Karamanlis has strengthened his government in Athens by including some representatives of the moderate left in his cabinet. [redacted]

25X1

[redacted] (Page 3)

25X1

Portuguese President Spinola has agreed to begin the process of granting independence to Portugal's African territories, a significant retreat from his earlier insistence on a referendum. (Page 4)

A note on an armed forces alert in Morocco appears on Page 5.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CYPRUS

The Cyprus peace talks in Geneva continued through the night. They had appeared close to a successful conclusion early today until Ankara rejected wording in a provisional agreement about troop presence on the island. The Turkish cabinet met for almost three hours this morning. Prime Minister Ecevit said after the cabinet meeting that the negotiations are "in the final stage" but that a snag still exists over Turkish troops in Cyprus.

The Turks have been insisting on a conference communiqué that not only would deal with cease-fire arrangements but also would point to a political solution. Specifically, the Turks want a federation consisting of two autonomous "administrations" co-ordinated by a Greek Cypriot president and a Turkish Cypriot vice president. They also insist on assurances of security for the Turkish Cypriots. Ankara apparently intends to maintain military pressure on Cyprus until it gets at least a general agreement in Geneva on the outline of a political settlement.

Prime Minister Ecevit outlined Turkish demands in a press conference yesterday morning in which he insisted on Ankara's right to continue sending reinforcements to Cyprus until the final status of the island is decided in a way satisfactory to Ankara and the Turkish Cypriots.

In response to a Greek request yesterday, NATO Secretary General Luns called for a meeting of the North Atlantic Council in Brussels today and asked the member states to send their foreign ministers. A summit meeting between Greek and Turkish prime ministers was mentioned [redacted]

25X1

[redacted] the cabinets in both capitals may decide today whether a summit is desirable.

25X1

Limited military activity by Turkish forces on Cyprus continues [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-CYPRUS

Moscow demonstrated its interest in preserving an independent Cyprus yesterday when it issued its first authoritative pronouncement since Clerides assumed the island's presidency.

The Soviets said that they were dispatching an observer to the Geneva talks in order to underline their concern that London, Athens, and Ankara may agree to change the island's political status. Moscow's determination to carve out a role for itself in the Cyprus situation was further illustrated by its call last night in the UN Security Council for full implementation of the cease-fire resolution passed by the council on July 20.

Soviet support for Makarios appears to be increasingly pro forma. Although suspicious because it believes that Washington and Athens persuaded him to accept the presidency, Moscow has avoided direct criticism of Clerides. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE

Prime Minister Karamanlis has strengthened his government by including some representatives of the moderate political left in his cabinet. His aim reportedly is to create a government as broadly representative as possible to handle the Cyprus crisis.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

President Spinola's statement on Saturday asserting that the process of granting independence to the African territories should begin immediately is a significant retreat from his earlier insistence on a referendum. He failed to spell out the conditions under which the territories would make the transition to independence, however.

Spinola said that Lisbon could begin now to transfer power to Portuguese Guinea, Angola, and Mozambique. He did not mention the Cape Verde Islands, suggesting that Lisbon hopes to retain these strategic islands, or at least delay consideration of their status.

Several African leaders who are attempting to mediate between the rebels and the Portuguese--notably presidents Senghor of Senegal, Kaunda of Zambia, and Nyerere of Tanzania--may be encouraged by Spinola's speech to undertake new initiatives.

Portuguese Guinea may be the first to come to a settlement. [redacted]

25X1

Portugal could recognize the rebel-proclaimed government of Guinea-Bissau, which already has widespread recognition and an embryonic administrative structure.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

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NOTE

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Morocco-Spain: Morocco has placed its armed forces on alert, apparently as part of a policy of intimidation designed to gain advantage in its dispute with Spain over the future of Spanish Sahara.

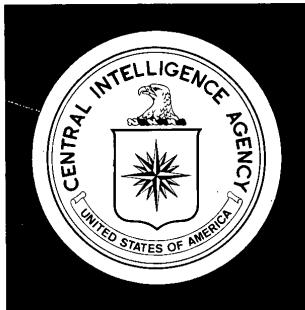
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FOR THE PRESIDENT ONLY

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The President's Daily Brief

July 30, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 30, 1974

PRINCIPAL DEVELOPMENTS

The Cyprus peace talks in Geneva recessed last night without agreement on language to describe Turkish troop withdrawals. Foreign Secretary Callaghan predicts a final decision early today.
(Page 1)

[redacted]

25X1

Egypt [redacted]
the USSR. *(Page 2)*

25X1

[redacted] the USSR is keeping a close watch on the situation in Hungary following the removal of several prominent liberals from key party posts this spring. *(Page 3)*

25X1

[redacted]
[redacted] China [redacted]

25X1

(Page 4)

25X1

The party leadership in Peking has imposed tighter restrictions on wall poster attacks against Chinese officials and is taking steps to prevent the anti-Confucius campaign from disrupting the economy.
(Page 5)

Iraq and Egypt have moved toward improved relations with an agreement on joint economic projects valued at \$700 million. *(Page 6)*

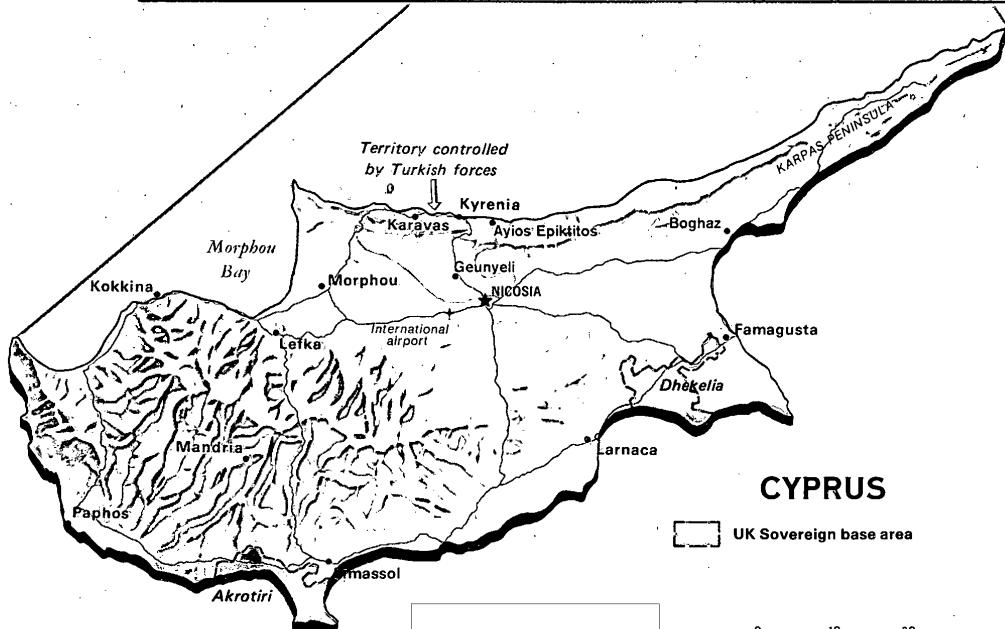
President Velasco has named one of Peru's most radical military leaders as his choice to succeed him if he dies or steps down in the next year.
(Page 7)

25X1

Notes on Portuguese [redacted]
[redacted] and on an Israeli mobilization exercise appear
on *Page 8*.

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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

CYPRUS

The Geneva talks recessed last night without agreement on the language to be used in describing Turkish troop withdrawal. Foreign Secretary Callaghan predicts that a final decision will be made early today.

Turkish Prime Minister Ecevit told the press yesterday that his government might sign the tripartite resolution if it includes a formula providing for the gradual evacuation of Turkish troops from Cyprus at an "appropriate" time. The talks have been unable to deal with the timing of Turkish evacuation. Athens would want it to begin as soon as possible, but Ankara will not reduce its troops on Cyprus until a final solution is negotiated that ensures the security of Turkish Cypriots on the island.

The Turkish military is apparently encouraging the government to take a hard line in the peace talks. Foreign Minister Gunes--in an attempt to justify his efforts to negotiate an agreement more favorable to Ankara--told Foreign Secretary Callaghan that his government is having great difficulty with its generals.

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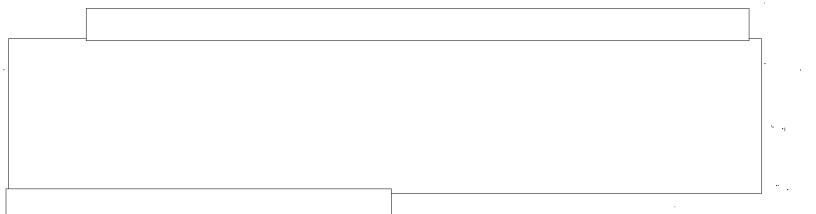
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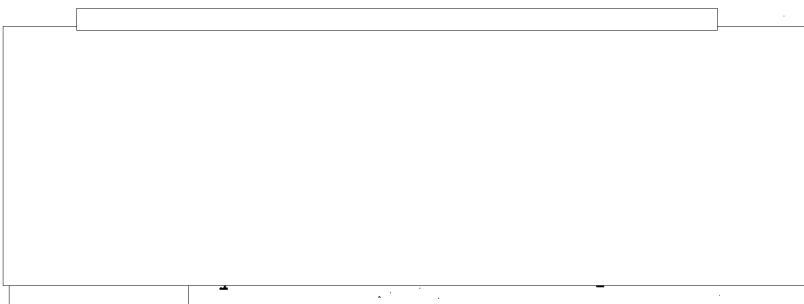
FOR THE PRESIDENT ONLY

USSR-EGYPT

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-HUNGARY

[redacted]

25X1

[redacted] The political atmosphere in Budapest has been somewhat tense following the removal of several prominent liberals from key party posts this spring [redacted]

25X1

25X1

25X1

Hungarian leaders have taken selective, preventive measures over recent weeks to intimidate protesters. A reliable embassy source reported, for example, that in early July the Hungarian police arrested several dissidents and held them briefly. This unusually harsh measure indicates that the Hungarian leaders were taking a no-nonsense approach [redacted]

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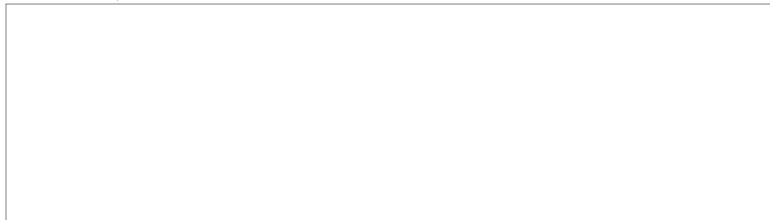
Moscow's desire to keep a close eye on Hungary reflects Soviet awareness that dissatisfaction in Eastern Europe, whatever the immediate causes, can easily touch off latent anti-Soviet feeling there. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA



25X1



25X1

25X1



25X1

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA

The party leadership in Peking has imposed tighter restrictions on wall poster attacks against Chinese officials and is taking steps to prevent the anti-Confucius campaign from disrupting the economy.

Lately, the posters themselves have been fewer in number, and the new ones often include appeals for unity and professions of respect for Chinese leaders. Several Chinese officials have said that accusations made in the posters are being investigated, but it appears that no action has yet been taken against the targets of poster criticism.

25X1

[redacted] the final arbiter of whether the charges are justified is Chou En-lai.

25X1

On the economic front, Chinese media have been giving prominent attention to a recent party directive calling upon workers to concentrate on increasing production. The directive has also been the subject of several wall posters. Peking clearly does not want the anti-Confucius campaign to interfere with farm or factory production. There have been numerous reports that political agitation has caused factory slowdowns during recent months.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

IRAQ-EGYPT

Baghdad and Cairo have moved toward improved relations with an agreement on joint economic projects valued at \$700 million. The biggest single project is construction by Egyptians of \$450 million worth of housing in Iraq. The two countries are prepared to discuss further joint ventures worth an additional \$300 million. Together, these agreements would make up the second largest investment and trade package obtained by Egypt since the end of the October war. In essence, they combine Egyptian technical capabilities with Iraqi financing; the Iraqis expect \$7 billion in oil revenues this year, and they are likely to have a huge surplus.

Iraq has been trying in recent weeks to lessen its isolation within the Arab world, caused largely by its opposition to the Arab-Israeli negotiations, and to develop a more balanced international posture. Baghdad has also appeared to be somewhat restive over its close ties with Moscow.

Aside from the economic advantages, Cairo probably welcomes better relations with Baghdad, in part because they help show that Egypt is still the center of the Arab world.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PERU

President Velasco has named one of Peru's most radical military leaders as his choice to succeed him if he dies or steps down in the next year for health reasons.

25X1

Velasco's choice is army General Jose Graham, chief of the Presidential Advisory Committee. Velasco had not previously picked any successor, and even now it is the three-man Revolutionary Junta, not the President alone, who formally names him.

There have been other signs that Velasco has become more concerned in recent months with stepping up the pace of the radical overhaul of Peruvian society. The selection of Graham would mean a further hardening of authoritarian policies. The press law announced on July 26, which gives control of all major newspapers to the government, reflects this attitude.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

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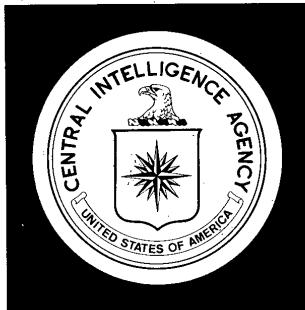
Portugal

25X1

Israel: A Tel Aviv press report says Israel will conduct a large-scale mobilization exercise within the next few weeks. A large number of reservists will be called up to test the mobilization system and reserve procedures in light of difficulties experienced and lessons learned during the Middle East war last October. Although Israeli reservists are recalled annually for training, a testing of the mobilization system and its public announcement are unusual. The Arabs can be expected to decry the planned mobilization as a manifestation of Israel's continuing "militancy," but thus far there have been no charges that the anticipated Israeli exercise is anything more than a test.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

July 31, 1974

5

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 31, 1974

PRINCIPAL DEVELOPMENTS

The first phase of the Geneva peace talks came to a successful conclusion yesterday when an agreement was signed by Britain, Greece, and Turkey formalizing the cease-fire on Cyprus. A longer term settlement is clouded by the prospect that Archbishop Makarios might return to the island. (Page 1)

The US embassy in Athens believes the new cabinet named by Prime Minister Karamanlis has vindicated the old Greek political establishment by honoring those who resisted the military regimes. (Page 3)

Bonn has responded to East Germany's first interference with travel to West Berlin by a member of the Federal Environmental Office by requesting a meeting of the Inter-German Transit Commission. This is the lowest-level political protest that Bonn can make. (Page 4)

25X1

Italy [redacted]

25X1

(Page 5)

Iron ore producing countries plan to meet in late October to establish an exporters' association. They want to discuss a minimum increase of 150 percent in the price of their iron ore. (Page 6)

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Zaire [redacted]

25X1

North Korea [redacted]

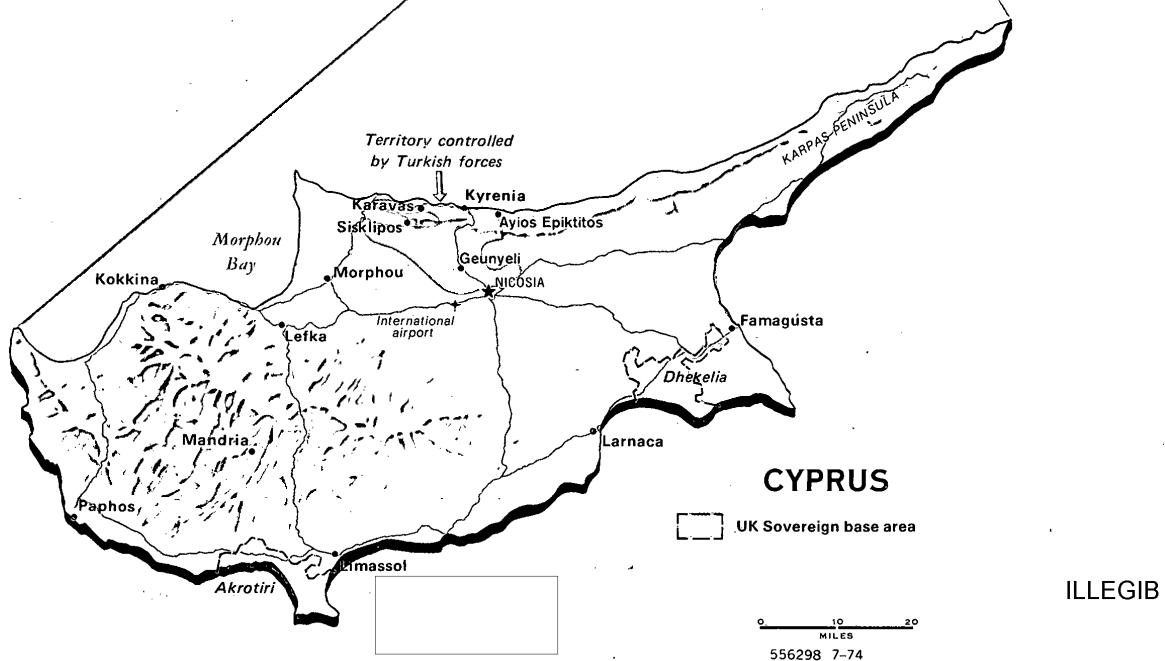
(Page 7)

25X1

Notes on Saudi Arabia - Abu Dhabi, Saudi Arabia, and Chile appear on Page 8.

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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

GREECE-CYPRUS-TURKEY

The first phase of the Geneva peace talks came to a successful conclusion yesterday when the foreign ministers of Britain, Greece, and Turkey signed an agreement formalizing the cease-fire on Cyprus. Major negotiating difficulties lie ahead when the ministers meet again on August 8 to discuss the political future of the island. Representatives of the Greek and Turkish Cypriot communities will participate in the next round of talks.

The agreement indicates that Athens acceded to Turkey's major demands. Turkish refusal to accept the word "withdrawal" was resolved by a statement calling for "measures that will lead to the timely and phased reduction of the number of armed forces and materiel on Cyprus." The agreement also recognizes the existence in practice of two autonomous administrations on Cyprus, although it was noted that this recognition would not "prejudice the conclusions to be drawn from this situation." The ministers agreed to discuss this matter at the next stage of the talks, as well as the "constitutional legitimacy" of the Turkish Cypriot vice president of Cyprus. The agreement also notes that all Turkish enclaves occupied by Greek Cypriot forces should be evacuated immediately.

A longer term settlement for Cyprus is clouded by the prospect that Archbishop Makarios might return to the island. In London yesterday, Makarios insisted that he was the elected president of Cyprus and that "nothing" could prevent him from returning to the island. He added that his main concern was for the future of Cyprus and that the timing of his return would depend on developments.

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[redacted] A former cabinet minister under Makarios also predicted civil war if the archbishop returns. He told a US embassy official that President Glafkos Clerides was generally acceptable to all political groupings.

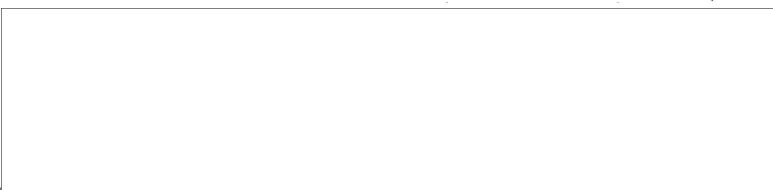
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

25X1



25X1

In a press conference of July 28, the general secretary of the powerful Cypriot Communist Party made a statement that appeared to endorse Clerides' candidacy. The party had previously been a staunch supporter of Makarios.

* * *

Scattered incidents of fighting were reported again yesterday on Cyprus. President Clerides complained to the US embassy about reported Turkish movements near Sisklipos, northwest of Nicosia. Turkish military sources told US embassy officials that there were still pockets of Greek resistance in this area, including one artillery piece that has been shelling Turkish forces on the beaches.

The Greek National Guard said that Turkish infantry and tanks attacked Guard units in another incident apparently to the west of Nicosia. A regiment of Turkish troops supported by armor and artillery reportedly also marched east of Nicosia to strike positions along a Greek-held section of a road to the capital.

25X1

that the airport at Soudha Bay has been closed. A US aircraft also was not permitted to approach within five miles of either Elefsis or Tanagra air base on the Greek mainland.

25X1

25X1

that the two incidents were related, and that the Greeks are attempting to hide a possible resupply attempt for Greek forces on Cyprus. There is no other evidence that a military resupply is under way, although press reports indicate the Turks are concerned about supplies and reinforcements reaching Cyprus from either Crete or Rhodes.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE

The US embassy in Athens, in evaluating the new cabinet named by Prime Minister Karamanlis last week, believes Karamanlis has vindicated the old Greek political establishment by honoring those who resisted the military regimes.

Karamanlis made no concession to the far left in his appointments, nor to popular heroes, but has nominated a solid profile of those who stood in firm, consistent, and rational opposition to the junta. At the same time, however, Karamanlis denied positions of influence to those most inclined to seek revenge against the military.

The embassy cannot judge yet whether the cabinet as a whole will have much responsibility or power. While some ministries were assigned to men perhaps better suited to other offices, key posts--interior, defense, foreign affairs, and public order--are in the hands of patriots and proven leaders. Overall, the cabinet's makeup nevertheless suggests that family ties and respectable connections were still helpful in obtaining appointments.

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GERMANY

Bonn has responded to East Germany's first interference with travel by a member of the Federal Environmental Office by requesting a special meeting of the Inter-German Transit Commission tomorrow. This is the lowest-level political protest that Bonn can make and follows East Germany's refusal on July 29 to let a member of the environmental office travel to West Berlin on the autobahn. The commission is the institutional mechanism for dealing with any problems arising out of the transit agreement of December 1971 between East and West Germany.

As a follow-on, Bonn's permanent representative in East Berlin is prepared to demand consultations with the East German Foreign Ministry if Pankow refuses to attend the talks or if the commission fails to resolve the problem. The West Germans are also urging the three Western Allies to issue a formal demarche to Moscow demanding that East Germany desist from interference that contravenes the Quadripartite Agreement on Berlin.

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ITALY

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The possibility of significant support developing for a move against the government seems less likely now than it did last spring. Italy's political and economic scene remains unsettled, but it is now less tense. The governing coalition has survived a divisive debate over economic policy, due largely to the forceful intervention of President Leone, and the government has initiated a stiff austerity program to help alleviate Italy's economic crisis. Finally, conservative fears of a shift to the left in the near future should have been allayed somewhat by a recent Christian Democratic policy statement that reaffirmed the party's policy opposing collaboration with the Communists.

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IRON ORE PRODUCERS

Venezuela, Brazil, Liberia, Peru, Chile, India, Algeria, and Gabon--called the Caracas group after the site of their first organizational meeting in October 1968--will hold a ministerial conference in Geneva in late October in an attempt to establish an iron ore exporters' association. They want to discuss a minimum increase of 150 percent in the price of their iron ore.

Iron ore imports provide 30 percent of US iron ore supplies. The Caracas group provides slightly less than half of these US imports. Iron ore accounts for 7 percent of the average cost of producing steel in the US.

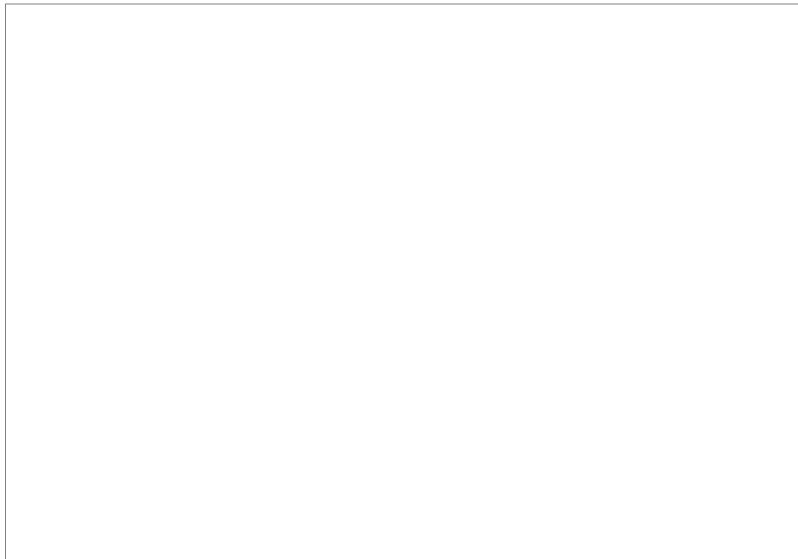
The ability of the Caracas group to influence prices will depend largely on whether these countries can get the cooperation of Canada, which provides the other half of US imports. Canada has been taking a more positive attitude toward international producer organizations than it had in the past. It does not appear likely, however, that Ottawa will join in the high price increase that the Caracas group has in mind. Canada's wider interests in trade with other developed countries argue for policies of moderation in questions of pricing and access to mineral resources.

If, despite such considerations, Canada decided to support a substantial increase in the price of iron ore, the cost of US imports would rise and higher international prices could be sustained. This would encourage development of low-grade US deposits and new foreign sources.

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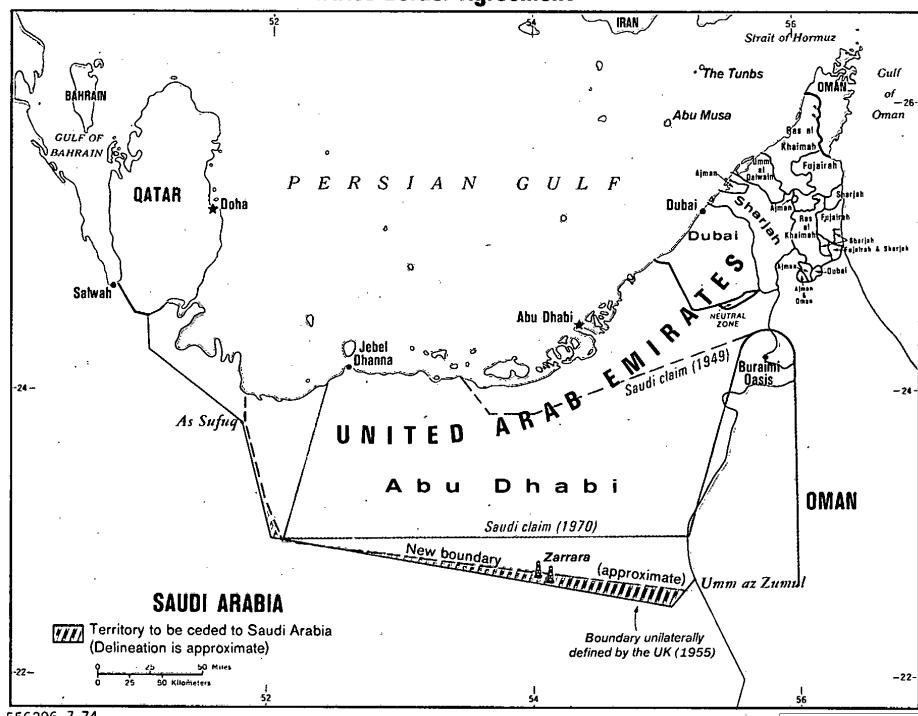
ZAIRE - NORTH KOREA



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Saudi Arabia-United Arab Emirates Border Agreement



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NOTES

Saudi Arabia - Abu Dhabi: Saudi Arabia and Abu Dhabi have settled a long-standing border dispute that has stood in the way of fuller security cooperation between the Saudis and their neighbors along the Persian Gulf. A preliminary agreement, signed on July 29, gives the Saudis a corridor to the gulf and control over part of the Zarrara oil fields on the border. The Saudis, in return, renounced their claims to the Buraimi oasis and are likely soon to extend diplomatic recognition to the United Arab Emirates. The final agreement is to be signed when Sheikh Zayid, the ruler of Abu Dhabi and president of the United Arab Emirates, makes a visit to Saudi Arabia, presumably within the next few months.

Saudi Arabia: A hitch may have developed in Saudi Arabia's plan to auction a portion of its oil production at whatever price the market will bear--a price presumably below current levels. Saudi oil minister Yamani has told the US ambassador that Prince Fahd, chairman of the country's Supreme Petroleum Council, is opposed to the auction and would rather sell directly to individual companies, despite the fact that all the other members of the council reportedly approved the plan for a sealed-bid sale. In the end, King Faysal, currently on an extended visit to Egypt, will make his own decision on whether to go ahead with the auction, but Fahd's opposition could be a significant factor.

Chile: The four death sentences handed down by an air force court-martial yesterday are likely to be commuted. The junta, which will have the final word on the death sentences, has been increasingly sensitive to the harmful effects that executions have had on Chile's international image. All death sentences handed down by military courts so far this year have been commuted. Other sentences imposed yesterday, ranging from 300 days to life in prison, may also be reduced on appeal to higher military authorities.

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