



The President's Daily Brief

November 1, 1974

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FOR THE PRESIDENT ONLY

November 1, 1974

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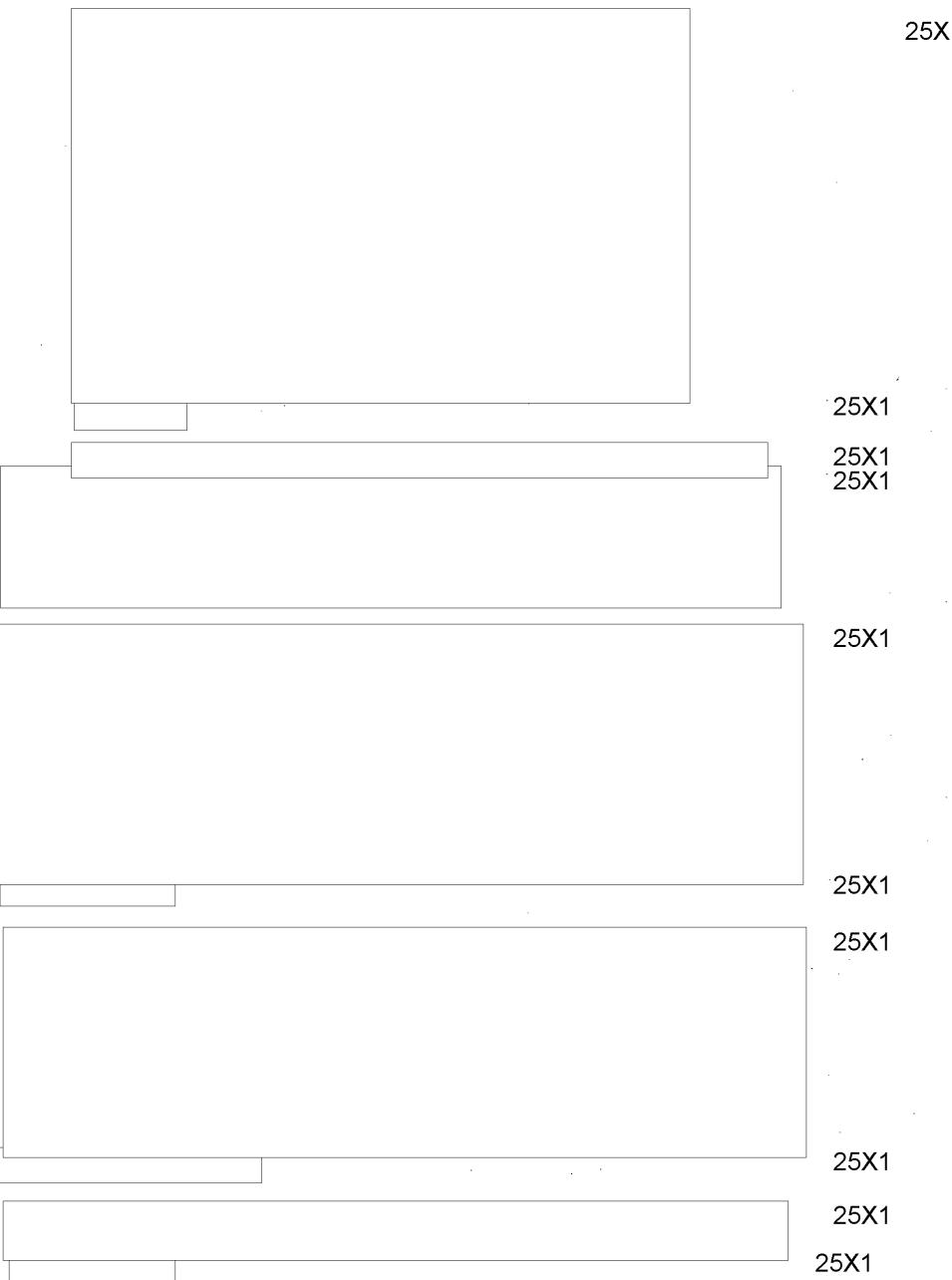
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USSR



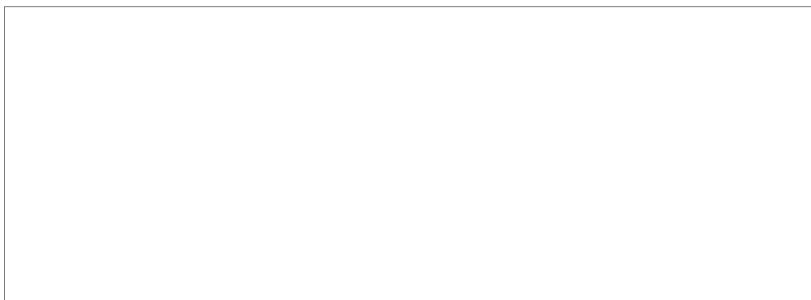
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ARAB STATES - ISRAEL



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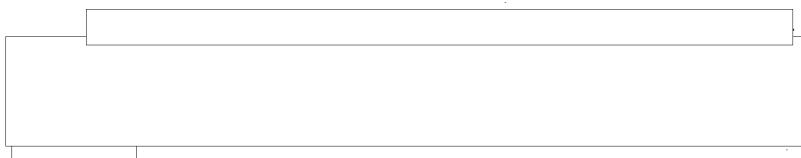
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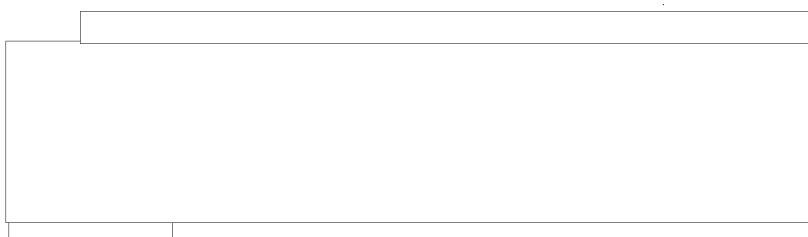
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SOUTH VIETNAM

The government may have trouble replacing the four cabinet ministers who resigned last week. At least two people have turned down the Ministry of Information portfolio, and potential candidates in the opposition ranks say they are unwilling to join the Thieu government without assurances of a "change in policy."

President Thieu, however, appears to be in no hurry to fill the vacancies.

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Rumors persist that as many as six other cabinet ministers will leave. Additional resignations could come as part of a general shake-up designed to deflate opposition charges of government inefficiency and corruption.

Demonstrations and incidents, meanwhile, are continuing. More are scheduled for today, which is South Vietnam's National Day. Most so far have been minor in scale and handled easily by the police, who have created no martyrs. President Thieu appears to be determined not to have any violent confrontations in Saigon during the next few days. Central Saigon has been cordoned off, and large numbers of police have been posted throughout the city. This massive police presence appears to be contributing to exaggerated press reporting on the situation.

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SPAIN

Prime Minister Arias has reiterated his intention to continue the program of gradual political liberalization even though two liberal ministers were dropped from the cabinet on Wednesday.

Arias told members of a Spanish labor organization that the government was determined to give the people a voice in the highest institutions. He pledged laws to improve working conditions and to give workers a larger voice in settling labor disputes. Moderates and liberals remain concerned, however, that the cabinet change signals a turn to the right and the shelving of any meaningful liberalization program.

The government has again postponed the trial of five leaders of the clandestine Socialist trade union which was scheduled to begin this week. The labor leaders were charged in 1971 with "illicit association" and "possession of illegal propaganda." Rightists have insisted on stiff penalties. The government postponed the case this time on grounds that new evidence against one of the accused requires further study by the court.

The real test of Arias' liberalization program will come when the Prime Minister presents his bill to permit the formation of political associations, which he has promised by the end of the year. Rightists object to associations, fearing they will become full-fledged political parties and usurp the role hitherto reserved for Franco's National Movement. Far more serious polarization could result if Arias' program is further watered down.

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WEST GERMANY - IRAN

West Germany's drive to strengthen relations with Iran derives from Bonn's determination to develop sources of oil that are both secure and diversified. As part of this effort, Bonn is likely to go on trying to get the EC to extend duty-free status to Iran's petroleum products.

Early this year, Tehran expressed interest in negotiating a new trade agreement with the EC. The suggested pact would assure free access to West European markets for manufactured items produced by Iran within the framework of EC-Iran cooperative arrangements, and duty-free status for petroleum products from a refinery to be constructed by the Germans. Iran's willingness to give West Germany a contract to construct a petroleum refinery is in large measure contingent on Bonn's support in obtaining an EC commercial agreement along these lines.

Other EC members and the US have pointed out to Bonn that a preferential agreement with Iran would contravene both provisions of GATT and previous EC commitments to the US to avoid special trading arrangements.

Some EC governments, however, may be under strong pressure from their own energy officials, as well as from Iran, to deal on Tehran's terms. Their obvious dilemma is that, whatever their decision, they will anger either a major oil producer or a major ally.

The matter assumes particular importance within the context of the EC's efforts to develop a program of economic cooperation with the Arabs. Other oil producers presumably would resent preferential treatment accorded Iran by the EC and would demand similar arrangements for themselves.

FOR THE PRESIDENT ONLY

NOTE

Eastern Europe - USSR: CEMA's International Investment Bank is having trouble floating a \$1.3-billion Eurodollar loan because of the scarcity of medium- and long-term funds in international money markets. The bank probably will have to settle for several smaller loans stretched out through next year. The loan is for purchasing Western equipment for two development projects in the USSR: \$1 billion for pipe and other equipment which East European countries will provide for a 1,650-mile gas pipeline from central Asia to Eastern Europe, and \$300 million for a Siberian metallurgy project, probably development of copper and nickel deposits.

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November 2, 1974

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**ARAB STATES**

The annual "war fund" of \$2.35 billion established at the Rabat summit for Egypt, Syria, Jordan, and the Palestine Liberation Organization largely formalizes financial backing for them for the next four years.

Aid will be divided between cash, which will be made available immediately, and project aid. The latter will be provided under a system that will define the extent of donor control over expenditure of aid.

The \$1 billion to be provided each year to Egypt approximates the annual payments made to Cairo by oil-producing Arab states in recent years. The Rabat agreement, however, provides in one package the long-term financial security that Egypt had been seeking since the October war.

The new subsidy will assure a minimum level of essential civilian imports. The extent to which it will permit accelerated economic growth will depend on the allocation of project aid between military and economic undertakings. The availability of this assistance to Cairo could prompt Moscow to press more strongly for Egypt's repayment of part of its debt for military purchases now totaling \$1.3 billion.

Syria also is to receive \$1 billion annually, an amount that about equals Arab assistance during the past year. If the USSR continues to sell Damascus arms on credit, Syria can channel a sizable portion of the new Arab commitment to economic projects and thus further assist the country's gradually improving financial situation.

While the allocations to Egypt and Syria continue past levels of Arab aid to those countries, the sum set aside for Jordan is a substantial increase. The \$300 million to be provided annually is 40 percent more than the Arab states provided Amman last year.

The Rabat conference allocated \$50 million to the PLO in recognition of its new status as a confrontation state. The PLO is not lacking for funds, but it spends lavishly on its leaders.

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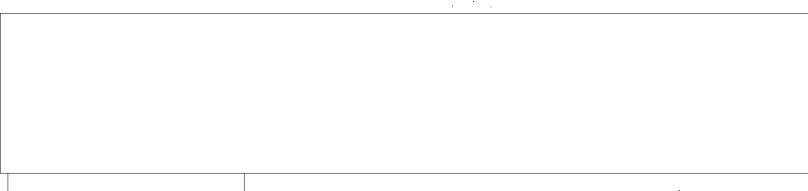
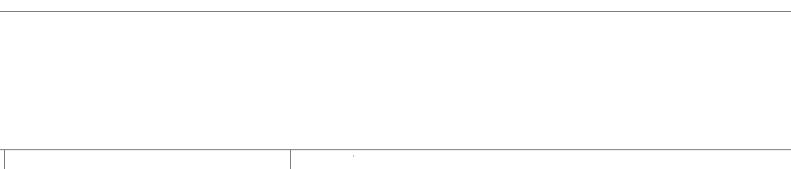
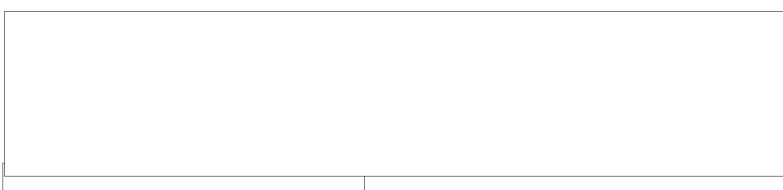
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JORDAN

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EGYPT

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[redacted] naval officers have seen Egyptian military equipment moving into the vicinity of Ismailia in the northern sector of the Suez Canal over the past three days. This may represent a buildup of Egyptian forces in anticipation of hostilities or it may be related to extensive exercise activity that has been under way in Egypt for over a week. At this time, however, neither Egypt's intention nor the scale of these force movements is clear.

Yesterday, US naval officers saw as many as 80 tanks, most of them covered with camouflage netting, on the outskirts of Ismailia, the first time they had seen tanks there in six months.

On Wednesday and Thursday, at least one and perhaps two convoys of 40 vehicles, most pulling artillery, were seen on separate occasions on the road from Cairo to Ismailia.

US military and embassy personnel in Egypt have also reported tightened nighttime security measures between Cairo and Ismailia. US personnel are stopped at each control point, and sometimes have been denied permission to travel in the area at night.

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USSR

Soviet domestic media are making a concerted effort to assure the public that the results of the US elections will not cast a shadow over US-Soviet relations.

Soviet commentators, aware of predictions that the Democratic Party will register substantial gains, are reporting that the campaign is dominated by economic problems and that foreign policy issues, particularly those relating to detente, are of minor importance. They are also pointing out that off-year election losses by the party in the White House are typical in US politics.

The Soviets are coupling their discussion of US politics with a buildup of the forthcoming summit near Vladivostok. A Tass item in Thursday's Pravda reported your statement at a press conference that Secretary Kissinger had had "very constructive" talks with Brezhnev. Tass also reported that, in referring to the Vladivostok summit, you said the US hopes each step will mean further progress toward an agreement on strategic weapons.

In a broadcast on October 29, Soviet listeners were told that there is "immense American interest" in the news of the summit and "increasing support" for detente by the US public.

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UNITED KINGDOM

The British government is completing its defense review and plans to begin consultations with Washington, Bonn, and eventually NATO after appropriate cabinet committees make their decisions on Monday.

British officials anticipate that talks could begin in Washington by mid-November. The British delegation probably will be led by Sir John Hunt, British cabinet secretary.

The British expect that the discussions with NATO, to be held after the consultations with the US and West Germany, will last two to three months. Some reductions in the British Army on the Rhine are likely.

A Ministry of Defense official has commented to the US embassy that the defense review is "not coming out too badly." The defense staff has been advocating defense cuts of around \$1 billion. If such cuts are spaced over a period of years, they are expected to have only a minimal effect on force effectiveness and procurement programs.

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Saigon was quiet during National Day celebrations yesterday. Catholic dissidents postponed a planned march on the presidential palace, while Buddhist leaders celebrated with speeches and seminars in their pagodas. The Buddhists called for continued street demonstrations and for the President's resignation. Small demonstrations were conducted in some northern province towns.

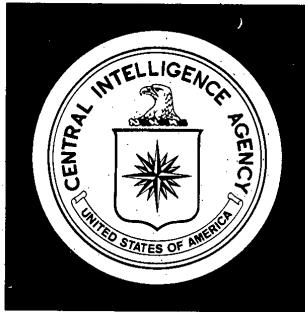
President Thieu, in his National Day address, blamed much of the recent agitation on the communists and accused protest groups of actively supporting them. He claimed the actions of the protesters would only encourage the enemy to step up the fighting.

Alluding to next year's presidential election, Thieu said it was not important who was president, but he maintained that the country must remain in the hands of nationalist elements who would fight the communists. Although some Western press accounts have interpreted his remarks to mean that he is considering resignation, Thieu has used this ploy in the past to show that his interest is the country's welfare rather than his own.

Thieu coupled his speech with a government press release quoting your recent letter affirming continuing US support for South Vietnam. Thieu no doubt hopes the letter will help lessen concern that the US intends eventually to abandon South Vietnam. He also hopes the letter will serve to reinforce his claims that he retains the full confidence of the US and that it will help dispel rumors of secret US support for the dissidents.

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November 4, 1974

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OIL PRICES

There is a good chance that the Shah of Iran's proposed single oil price system, or some variant, will be adopted when the OPEC oil ministers meet next month in Vienna.

Several other OPEC nations have advanced single price proposals, and the OPEC Working Committee on Oil Pricing has agreed to recommend a single price system to the ministers. If adopted, the system would probably go into effect during the first quarter of 1975.

The Shah's proposal, which he restated at a news conference on Saturday, would lower the posted price of light Arabian crude oil by about 14 percent. The posted price is used, however, only for accounting purposes. The Shah's proposal would not reduce the per-barrel revenues of the producing countries or lower the average cost of oil to consumers. The Shah recommends that company profits be restricted to ease the consumer burden.

The Shah also proposes an indexing scheme that would tie the price of oil to the prices of 20 or 30 selected commodities, a scheme virtually assuring that the price of oil to consumers would increase.

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EGYPT

US naval officers in Egypt saw more military activity in the areas of Ismailia and Cairo yesterday.

The officers reported that about 80 tanks seen last week on the outskirts of Ismailia were no longer there. They did see about a battalion of mechanized infantry in the Cairo area, engaged in a maneuver apparently intended to protect the international airport. They also observed for the first time in six months a concentration of amphibious vehicles and approximately 50 trucks with bridging equipment about 12 miles west of Ismailia.

According to Major General Nasser, the Egyptian director of intelligence, Egyptian forces "had been forced" to react to Israeli military preparations and were preparing to meet any situation.

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[redacted] that training is being emphasized and will continue, so long as the situation "warrants a state of vigilance."

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[redacted] would, however, "scrupulously adhere to the disengagement agreement." Predictably, he blamed Israeli rhetoric and military moves for increasing tension in the Middle East.

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LIBERIA



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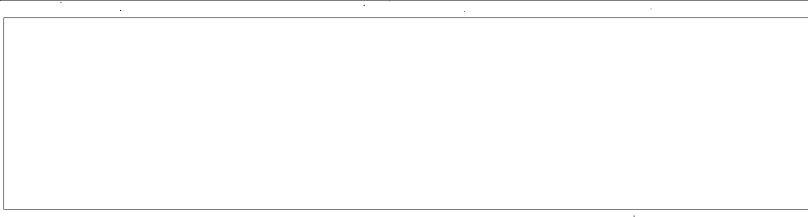
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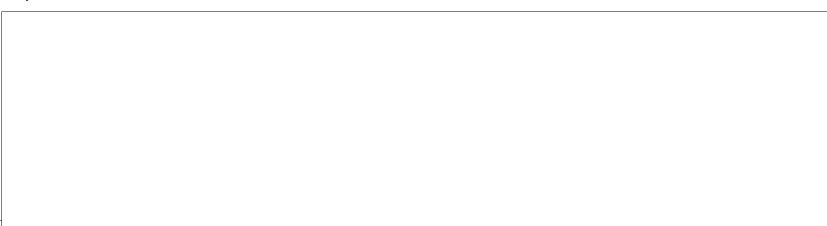


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MEXICO

The Mexican press corps and some government officials are scratching their heads over President Echeverria's announcement during his meeting with you that Mexico will stop insisting on a new bracero agreement with the US.

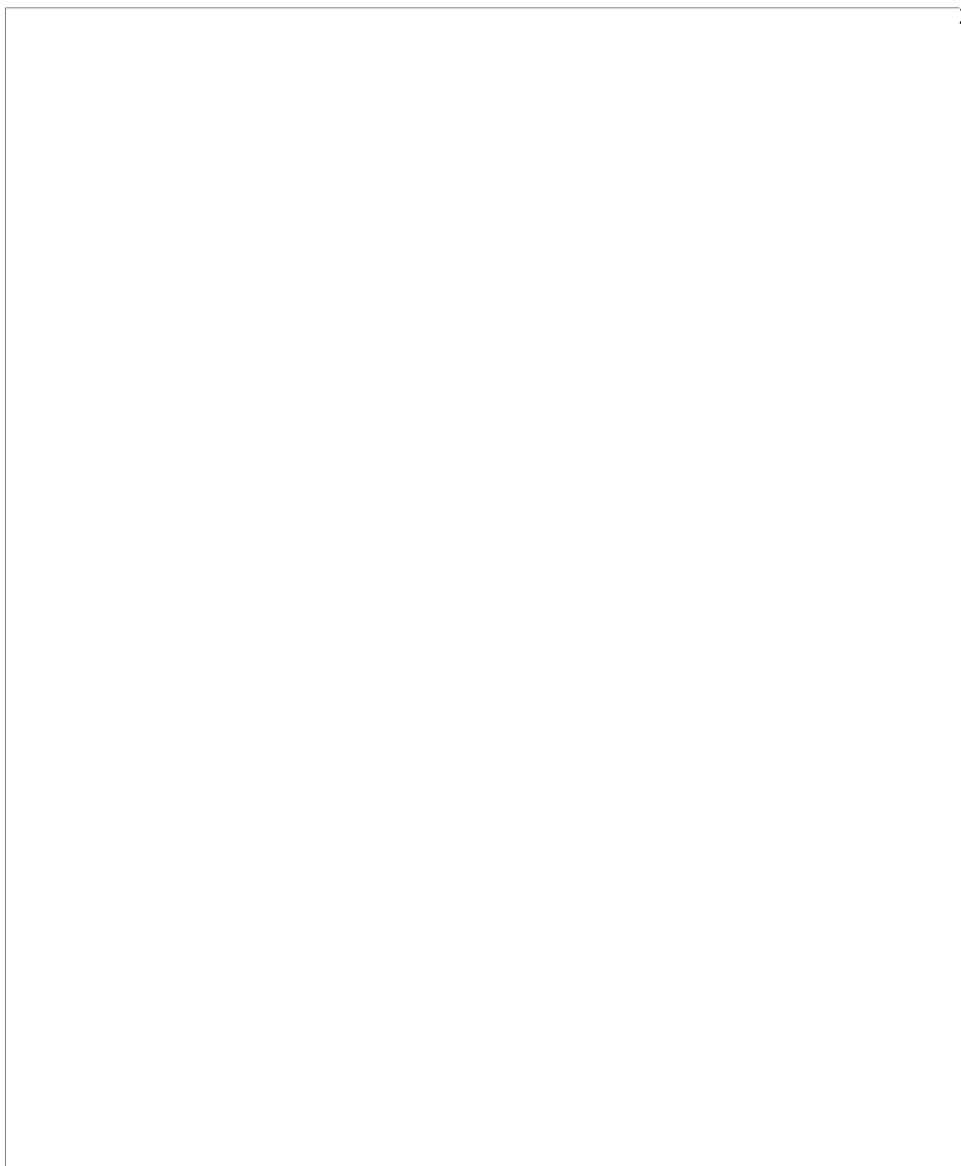
Echeverria's statement was not consistent with the government's position; a bracero agreement, which would legalize the large, illegal flow of Mexican workers across the border, had been the foremost bilateral issue for Mexican policymakers for many months. Foreign Minister Rabasa told Ambassador Jova that Echeverria's decision was his own and, in Rabasa's opinion, made for "mistaken reasons."

After your meeting, Mexican press reporting on Echeverria's charter of economic rights and duties of states was for a time misleading. The press at first interpreted Echeverria's highly optimistic comments to mean that the US would give the charter unequivocal support. Later articles more accurately reflected US reservations.

Mexico doubtless would like to settle differences with the US over the charter's section on nationalization of foreign properties, but it may not have control over the charter's final wording. Radical members of the Group of 77, the assemblage of nations drafting the document, apparently intend to push for the charter's adoption in the UN General Assembly this year, regardless of whether the US and other large states agree on the key articles.

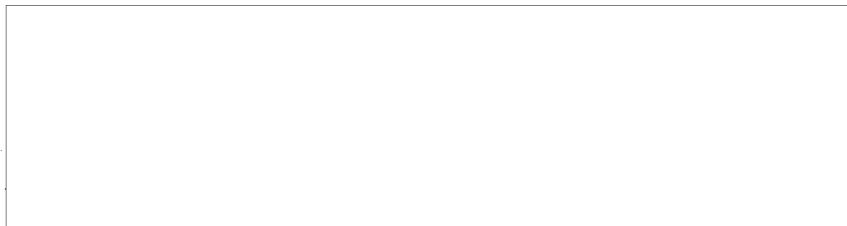
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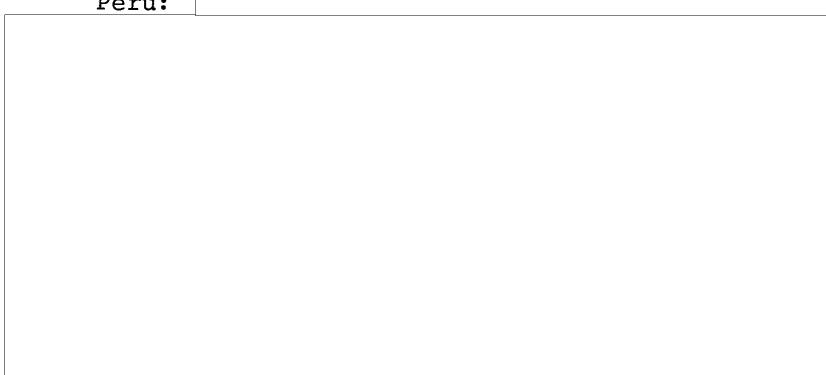


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OAS

Concern over a possibly inconclusive vote on removal of Organization of American States' sanctions against Cuba has replaced the near agreement that Latin American leaders thought they had reached last month. To revive the consensus, the foreign ministers' meeting that opens at Quito this Friday will most likely try to redraft the resolution for lifting sanctions in terms that will ensure a favorable vote.

Only a few weeks ago, most Latin American governments were confident that the coming conference would rescind the ten-year-old sanctions so that any government could associate with the Castro regime without violating OAS policy. Several governments had suggested that, although they had no intention of establishing relations with Havana, they would still vote to lift the sanctions.

The erosion of the consensus has occurred for a number of reasons. Some of the governments, especially of the smaller countries, are most comfortable in following the US lead in international affairs, and they have been disoriented by the lack of advocacy or opposition to lifting the sanctions. They have wondered if Chile and Uruguay, which have presented new charges of Cuban subversion, are acting as US surrogates.

The emphasis is likely to return to the need to end the divisiveness produced by the Cuban issue and to give the inter-American system a boost. Once the delegations arrive at Quito, the majority probably will be receptive to any formulation that does these things without seeming to hand a victory to the Castro regime. Most Latins agree that failure of the Quito meeting to deal with the problem would damage regional institutions. Only Chile, Uruguay, and Paraguay are likely to hold to a hard anti-Cuba line under any circumstances.

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Cuban efforts to overthrow Latin American governments are at a low ebb. Tangible support of armed revolutionaries is negligible

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Havana's shift from violent to more conventional methods in recent years reflects a fundamental shift in Castro's view of Cuba's role in the hemisphere. He now collaborates with governments and groups that conform to his loose definition of "patriotic and independent," having withdrawn from his previously intimate relationships with the revolutionary factions of the 1960s.

Castro is not likely to endanger the gains he has made in the region for the sake of any marginal revolutionary group. He could decide to support armed revolutionary groups in a few countries if these groups should become well organized and seemed to pose a significant threat to their host governments. Since this seems unlikely, the outlook for the next few years is for a continuation of the present tendency.

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USSR-CHINA

Soviet Ambassador Tolstikov delivered a protest to the Chinese foreign ministry in mid-October concerning the continued detention of the three helicopter crewmen seized on Chinese territory last March.

Tolstikov's protest is the first known Soviet diplomatic approach on this matter since June. As a Radio Moscow broadcast makes clear, this effort has been no more successful than others in obtaining release of the prisoners or even of gaining access to them.

There is little that Moscow can do to influence the Chinese. [redacted]

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NOTE

Portugal-USSR: Portuguese Minister Without Portfolio Cunhal, head of the Portuguese Communist Party, returned to Lisbon on Sunday after a six-day official visit to the USSR, the first by a Portuguese government delegation. According to the press, President Podgorny "pledged" Soviet assistance in shoring up Portugal's economy, but qualified his commitment by noting that any aid would have to be "with regard for available resources." This suggests the Soviets will be tight-fisted in supplying any meat or grain, items that are high on Lisbon's shopping list. Further talks about a trade agreement will be held next month.

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ARAB SUMMIT MEETING

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An influential Egyptian editor warned on the eve of the Rabat summit against pursuing the kind of unanimity that "turns into complete paralysis." The Arabs ignored the warning.

By prejudging the ultimate sovereignty of the West Bank, they effectively foreclosed the possibility of any early progress on that front and may indeed have complicated the prospect for progress elsewhere. The question the summit had initially been intended to resolve--who should negotiate with Israel for the return of the West Bank--was rendered academic by the pre-emptive judgment on who should eventually rule the territory.

There would appear to be another message, deeper and more central to the overall issue of negotiations: that no Arab leader, however flexible and realistic in outlook, will place himself in the position of thwarting the Palestine Liberation Organization, and that the PLO has won a role as leader instead of follower in matters involving the core issue in the Middle East peace efforts.

The summit was a major foreign policy defeat for President Sadat and a major triumph of tactical maneuvering for Yasir Arafat. By going beyond the immediate issue of Jordan versus the PLO as negotiator for the West Bank to the broader and more central question of which party ultimately governs there, the PLO basically turned Sadat's own arguments against him.

During months of preliminary negotiations on the Jordan-PLO dispute, Sadat used vague promises of long-range satisfaction for the Palestinians as an inducement to the PLO to acquiesce in a decision that deferred its short-range aspirations and granted a leading role to Jordan in the negotiations. Sadat had wanted to evade the question of sovereignty, concentrating instead at the summit on a formula that would satisfy the PLO without excluding Jordan from a meaningful role or predetermining the fate of the West Bank.

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The precise roles played by the individual leaders in the deliberations are not yet known. Much of the evidence thus far indicates that the die was cast during the preliminary foreign ministers' conference and that Arafat arrived at the summit confident he could force through his maximum position.

The summit itself seems to have concentrated on the cosmetic: the effort to bring King Husayn along, the attempt to induce Arafat to patch up or paper over his differences with Husayn, and the further effort to establish specific negotiating roles for Jordan and the PLO. Although a time-consuming process, the first two apparently were not difficult to accomplish. Husayn gave in with good grace, in the interests of preserving some standing in the Arab world and of obtaining the increased subsidies that are apparently his payoff; for Arafat, magnanimity was not hard to affect.

A decision on the third is still to be made, and when it comes, it will be anticlimactic. Unless the Arabs decide to allot Jordan a role in the future governance of the West Bank, the decision will do no more than put a further gloss on a one-sided PLO victory. If the Arabs maintain that the fate of the West Bank is a foregone conclusion, the Israelis would be no readier to negotiate a PLO takeover with Jordan than they would with the PLO.

Military Matters

Military matters were clearly an important agenda item. The allocation of major subsidies to the front-line states, the call for a unified military command, and the intended military character of the follow-up talks to be held by the front-line leaders all point to an expectation that increased military preparedness is necessary to match the harder line adopted for dealings with Israel. References to economic warfare, however, were muted until the last moment, when King Hassan's summation speech veered sharply to warn that the Arabs' financial might constitutes a potent weapon against Israel and the West.

Sadat doubtless feels discomfiture at the resounding failure of his months-long attempt to arrange a resolution of the Jordan-PLO dispute. He nevertheless hopes to capitalize on the summit's decision in order to demonstrate to the US and, through it, to Israel that the Middle East will never see peace until Israel ultimately accepts the PLO as an entity and a legally constituted neighbor.

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Syria's Position

President Asad is less disconcerted by the summit's outcome. Foreign Minister Khaddam's deliberations immediately preceding the summit point to a conscious Syrian attempt to ensure that the situation developed as it did. The Syrians had several motives:

--Asad saw no prospect for early progress on the West Bank under any circumstances and chose to close off that front as an object of concentration for the near term in an effort to force the Israelis to look again to the Golan front.

--Syria's primary aim was to limit Egypt's freedom to negotiate unilaterally with Israel. The Syrians may have hoped that a setback for Sadat's Jordan-PLO policy would effectively nip any further expectations Sadat might entertain that he could stray from the fold.

The assumption that Sadat and Asad thus intend, each for his own reasons, to use the summit as a means of direct or indirect pressure on the US leaves unanswered the question of what they expect next in negotiations. Both probably recognize that pre-judging the sovereignty of the West Bank complicates the negotiations on that front.

It can be argued that both should feel fortified by the solidarity forged at the summit to press for an all-encompassing settlement in a Geneva context, recognizing that this has been made more difficult but believing that the Arabs are now in a better position to force their will. On the other hand, having satisfied the PLO, they may feel free to let the West Bank question gestate for a while and turn toward interim agreements on the Golan and Sinai fronts.

Sadat has consistently resisted pressure for a resumption of the Geneva conference until Arab strategy could be unified at the summit. With this now accomplished as far as most of the other Arabs are concerned--undoubtedly at some cost to his standing among the Arabs--Sadat may feel that his freedom of action on negotiations has been constricted and that he has no choice but to bow to pressures, particularly Syrian, to go for the all-or-nothing approach.

At the same time, Sadat has seemed to try to clear the way for a move to keep negotiations on an interim basis outside Geneva. He has stated publicly that so long as he remains committed to a final settlement that includes all Arab demands, Egypt should

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have "freedom of movement" to pursue the negotiations by partial stages. The recovery of any part of any Arab territory, the line goes, in the end aids all Arabs.

Outlook

We think Sadat still would like to proceed by stages; for domestic reasons, he needs further evidence of progress for Egypt. The question, however, is whether he can.

The problem is less the obstacles imposed by other Arabs, even the now ascendant PLO, than the strong objections posed by Syria. Indeed, the position of Syria and Asad's perception of his own prospects for progress on the Golan Heights may well be the key to further movement in the negotiations. The Syrians' anxiety would probably be diminished, as would their pressure for a reconvened Geneva conference, if they were assured that interim negotiations on the Sinai would be accompanied by similar moves on the Golan Heights.

Rabat has heightened the possibility of war by limiting both Israeli and Arab negotiating options. Having in a sense created their own logjam, the Arabs might ultimately decide that the only way to break it is to reopen hostilities.

At the same time, there is no evidence that the Arabs believe the military option serves their interests any better now than it did before the summit. They probably believe that the pressure is now more heavily on the US and Israel to move; the time span of their patience may therefore be shorter. But it does not yet seem to have run out.

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The President's Daily Brief

November 6, 1974

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FOR THE PRESIDENT ONLY

November 6, 1974

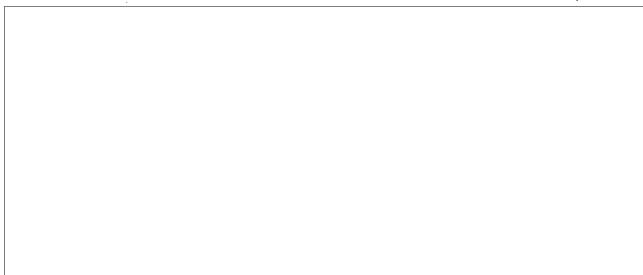
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FOR THE PRESIDENT ONLY

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USSR-EGYPT

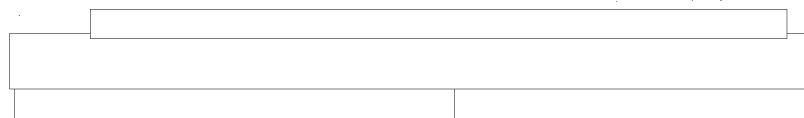


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The Soviets have shown an increased willingness to portray Secretary Kissinger's efforts in the Middle East as a failure and to urge the Arabs to make a "collective" effort in Geneva for a Middle East settlement. The USSR has been calling for the Geneva forum--where the Soviets would have a larger diplomatic role--since early this year and may believe the Arabs will now be more receptive.



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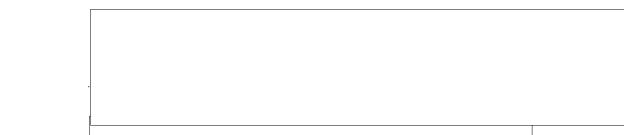
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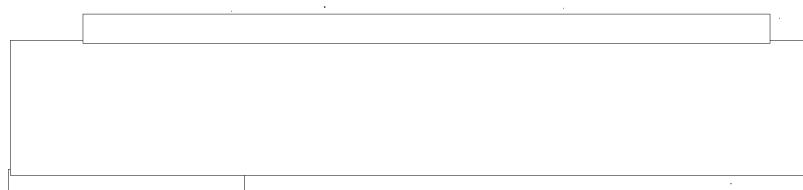
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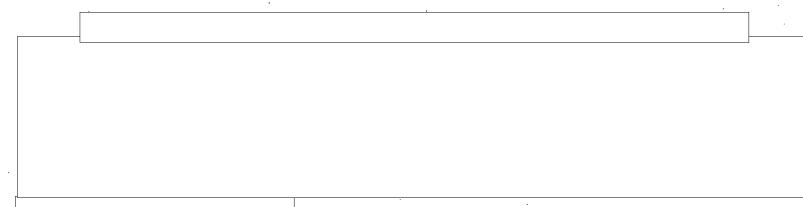
SAUDI ARABIA



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

Prime Minister Rabin took a firm line yesterday in formally rejecting the conclusions of the recent Arab summit. In a speech before the Knesset, Rabin ruled out negotiations with the Palestine Liberation Organization and warned Arab leaders against any notion that increased military pressure could lead to a political solution. The Knesset later voted to support Rabin's decision.

Rabin's presentation bore the earmarks of a holding action pending the arrival of Secretary Kissinger in Tel Aviv tomorrow. He made no new proposals, but he did make an effort to avoid any appearance of hardening in Israel's position, despite the complications resulting from the Rabat summit. Rabin said his government is still prepared to negotiate with Egypt, Jordan, and Syria, and to take some risks, presumably in the nature of territorial concessions, in seeking a peaceful solution.

The Israelis are still trying to sort out what practical effect the Rabat summit will have on the attitude of key Arab countries toward negotiations.

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PORUGAL

The sacking of the Lisbon headquarters of the moderately conservative Social Democratic Center party on Monday evening puts to an early test the government's assurances that it intends to hold free elections next March.

A group of some 500 leftists associated with the Movement for the Reorganization of the Party of the Proletariat stormed the conservative party's offices after metropolitan police had forcibly blocked their attempts to disrupt a conservative youth rally. About 40 people reportedly were hospitalized as a result of the earlier confrontation.

The disorders came as no surprise; the leftists had distributed pamphlets clearly signaling their intention to provoke a clash. Among the more disturbing aspects of the incident at the party headquarters was the refusal of the Armed Forces Movement's police to heed repeated appeals for increased security protection before the sacking. The handful of police who were on the scene fled when the leftists arrived.

Leaders of the conservative party were to discuss the incident yesterday with Prime Minister Goncalves. They want the government to ban the leftist party responsible, in accordance with new legislation outlawing political parties that advocate violence.

The government's response will provide some indication as to whether it genuinely wants to foster an atmosphere in which all parties will be able to contest freely for votes in the election in March. Two rightist parties were suppressed after former president Spinola's ouster in September. Since then, the Portuguese Communist Party and the Popular Democratic Party, with whom the Communists are trying to form a front, have held large political rallies without incident.

FOR THE PRESIDENT ONLY

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USSR - EASTERN EUROPE

Moscow is about to decide on pricing policy for Soviet crude oil exports to its East European allies for the period 1976-80. According to a senior Soviet economist, the price will be based on the average of world market prices over a three-year period, either 1971-73 or 1972-74.

Using the period 1972-74 as a base would be more lucrative for the Soviets, and they seem to be leaning in that direction. A price increase of this kind not only would force the East European countries to pay perhaps twice as much as they do now, but also would tie them more closely to the Soviet economy. The Soviets, for their part, would just as soon have it that way, and are doubtless looking forward to getting a better return for their oil.

The Soviet economist indicated the arguments the Soviets will be using to justify the eventual price hike. He stressed that, because of the three-year base period formula, East European costs will still be less than the international market price for crude oil and that the East European countries would be guaranteed a fixed quantity of oil for the five years after 1975.

FOR THE PRESIDENT ONLY

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BAUXITE

Pressure for higher bauxite export taxes continues at this week's meeting of the International Bauxite Association in Guyana.

Jamaica took the lead in June when it increased the export tax by 500 percent, to about \$12 per ton, and linked future increases to US aluminum prices. Jamaica supplies roughly 40 percent of US bauxite and alumina imports.

Other Caribbean exporters--accounting for 30 percent of US bauxite and alumina supplies--have since moved to boost levies. The refusal of the Reynolds Company to pay a retroactive tax imposed by Guyana has set the stage for the long-expected nationalization of Reynolds properties there.

Except for Guyana, the other Caribbean countries have moved cautiously in the face of strong resistance by the aluminum companies. As marginal bauxite suppliers, they are vulnerable to company threats to close down operations.

Company leverage, on the other hand, has been weakened by tight world bauxite supplies, the long lead time required to expand production from alternative sources, and an unpromising investment climate elsewhere. Reynolds, for example, has deferred action on a large Australian project, mainly because of government demands for a 51-percent equity share.

Producing countries outside the Caribbean area will move slowly. Although Australia wants increased bauxite revenues, the Whitlam government--faced with rising unemployment--is also under pressure to ease restrictions on direct foreign investment. In Guinea, exports to the US from large, newly developed deposits are only now getting under way, and additional foreign capital is needed to complete the projects.

Jamaica, meanwhile, has opened the second phase of negotiations with two of its six foreign aluminum companies. The Jamaicans are demanding 51-percent equity participation in the subsidiaries and reversion to the government of unmined concessions. The government appears willing to ease its previous tax measures if the companies will make concessions on the new demands.

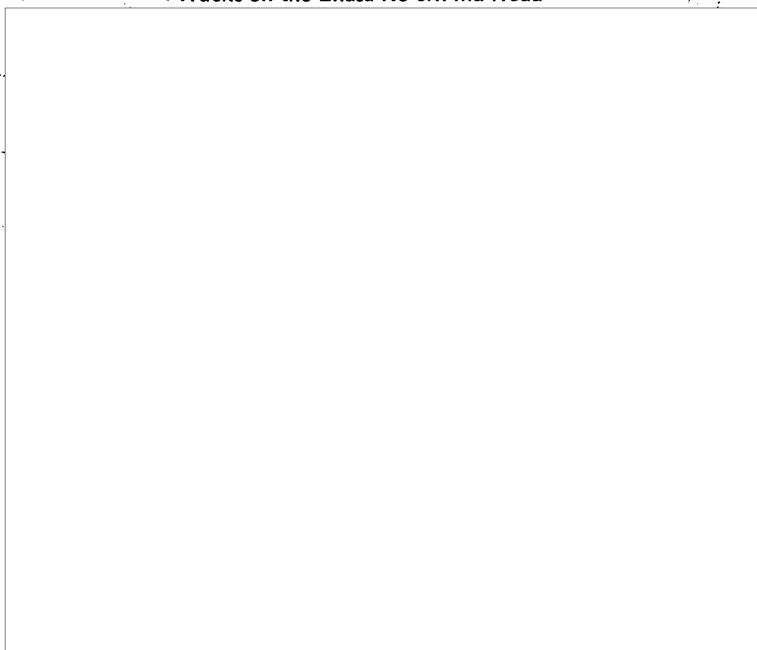
FOR THE PRESIDENT ONLY

Pipeline Under Construction in Tibet



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Trucks on the Lhasa-Ko-erh-mu Road



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FOR THE PRESIDENT ONLY

NOTES

China: The Chinese are building the first petroleum pipeline to Tibet as part of a continuing effort to improve Tibetan logistics and transportation.

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The southern terminal will apparently be near Lhasa and the northern terminal at Ko-erh-mu. From there, the pipeline could be extended to refineries in the Tsaidam Basin. Peking is also surveying a projected rail line linking Lhasa with Lan-chou. A reliable petroleum supply would heighten Chinese military capabilities in the region, although extremely rugged terrain will continue to limit capability for offensive action. Petroleum for Chinese forces in Tibet [redacted] currently must be supplied by road.

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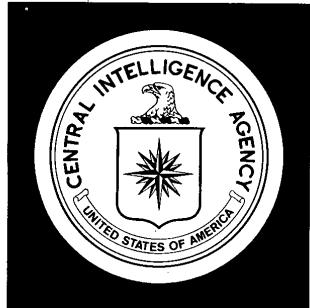
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Iran: By the end of this year Iran will have some \$9 billion in reserves, giving the Shah a comfortable cushion for increased lending and investment. Oil receipts of some \$17 billion will more than offset Iran's substantial imports of defense and industrial equipment and other expenses. Iran probably will prepay about \$1.5 billion of its high-interest debt and disburse an estimated \$2 billion in credits, investments, and advanced payments for industrial installations.

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The President's Daily Brief

November 7, 1974

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FRANCE - ARAB STATES

France is continuing to court the Arabs on several fronts, while at the same time stressing the dangers of continued high oil prices and counseling moderation on the Palestinian issue.

The US embassy in Paris believes the French are inclined to recognize a Palestinian government in exile if one should be formed. A senior French official has told a US embassy officer that France's major problem in granting recognition would be jurisdictional. Paris has never given initial recognition to a government that does not control any territory, although it has continued to recognize governments that have lost their territory.

The US embassy believes, despite the official's denial, that Quai officers responsible for Middle East affairs probably assume not only that the formation of a Palestinian government may be imminent but also that French interests would be served by discreet encouragement of such a move and by immediate recognition.

The embassy also suspects that France is attempting to use the recognition question to further its efforts to obtain cooperation agreements with the Arab states. The French are pressing strongly to gain assured oil supplies at acceptable prices and substantial French participation in Arab industrial and military development. Looked at another way, French involvement with the Arabs is so pronounced that Paris probably would feel impelled to recognize a Palestinian government just to preserve the status quo in its relations with the Arabs.

The French have taken other steps to please the Arabs. Paris voted to allow the PLO observer status during the UN General Assembly debate on the Palestinian issue, and Foreign Minister Sauvagnargues maintained an uncompromising stand during his visit to Israel last week, after meeting with Yasir Arafat in Beirut.

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[redacted] Paris also believes its continued position outside US-sponsored energy groups will gain it favor with the Arab oil producers.

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At the same time, France is making some efforts
to influence the Arabs and Palestinians to take more
moderate stands.

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[redacted] The French have also made sev-
eral representations to the Arab oil producers stress-
ing deep concern over the dangers that lie ahead if
the burden of oil price rises is not alleviated.

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WEST GERMANY - SAUDI ARABIA

Bonn's economic minister and representatives of major West German industries are in Saudi Arabia trying to attract Saudi investment in West German industry.

The West Germans apparently have in mind a deal similar to the one they concluded in July with Iran; that agreement included a \$60-million purchase of Krupp stock. West German officials calculate that active participation by oil producers in West German industry may lessen the likelihood of future oil cutoffs. Saudi Arabia now supplies 23 percent of Bonn's oil imports. In addition, German industrialists are interested in attracting investment because tight money and lower profits have made money scarce for expansion.

Over recent months, the Saudis have shown interest in increasing their long-term holdings; they would presumably find investment possibilities in West Germany particularly attractive because of the strength of its industry and of the Deutschemark.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PALESTINIANS

The US consul general in Jerusalem reports that a large majority of residents of the Israeli-occupied West Bank identify with the Palestine Liberation Organization as the only effective Palestinian representative of their cause. The Israelis claim that a majority of West Bankers do not support the PLO, but are afraid to speak out for fear of retaliation.

A large body of West Bank intellectuals, professionals, and students reportedly go beyond a sense of identification and give active political support to the PLO, and some West Bankers keep in touch with the PLO leadership in Beirut. Few, however, take part in the subversive activities of the fedayeen organizations.

The smaller number of West Bankers who oppose the PLO are mostly businessmen. They are critical of the radical political and economic views of most PLO leaders, and fear that a return of the PLO to the West Bank would bring violence affecting their interests. These are the people who are afraid to voice their opposition, both out of fear of retribution and in awareness that they are a minority.

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West Bank residents remain divided on the question of who should govern the area in the event the Israelis agree to a territorial compromise. Although most West Bankers support the PLO as the Palestinians' bargaining agent in international forums, fewer would like to see it assume exclusive control over an independent Palestinian state.

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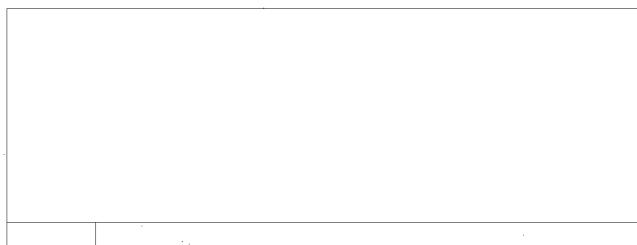
Many traditional leaders on the West Bank, for example, join the PLO in its demand for an autonomous Palestinian entity free of ties to Israel or Jordan. These traditional figures are, nevertheless, eager to protect their own positions and would prefer a coalition government made up of PLO and non-PLO Palestinians.

The Israelis are increasingly apprehensive that pro-PLO sentiment on the West Bank will grow quickly in the wake of the concessions made to Yasir Arafat by the Arab heads of state at their recent meeting in Rabat. Tel Aviv is particularly concerned that this pro-PLO feeling will be translated into terrorist activity in the occupied territories.

Israeli military authorities early this week deported four prominent West Bankers charged with offenses ranging from signing a petition supporting the PLO to membership in the illegal Palestine National Front. Tel Aviv obviously hopes this action, together with hints that Israel might reconsider its policy of allowing limited commercial contacts with Jordan's East Bank, will inhibit West Bankers from offering public expressions of support for the PLO.

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SOUTH YEMEN - EGYPT - USSR

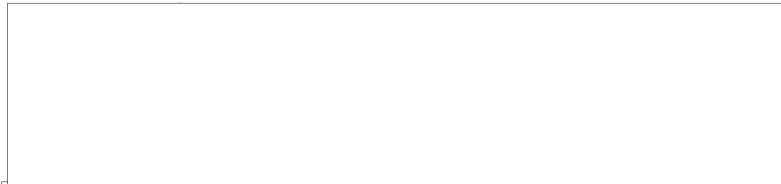


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FOR THE PRESIDENT ONLY

USSR-IRAQ

Soviet Defense Minister Grechko will visit Iraq late this year [redacted]

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[redacted] Preceding him in Baghdad will be the chief of staff of the Soviet army.

This will be Grechko's second visit to Iraq this year. The main purpose may be to talk about Iraq's requests for more military aid from the Soviet Union, but the visit may also reflect Moscow's concern over Iraq's movement toward nonalignment and away from dependence on the USSR. [redacted]

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Despite signs that Baghdad is trying to diversify its sources of military equipment, the USSR remains Iraq's main arms supplier. Last year, Moscow provided \$335 million in military assistance, including TU-22 supersonic medium bombers, SU-20 fighter bombers, and a guided-missile boat. This year, Iraq has received 23 MIG-23 fighters, the first delivered to any country other than Syria.

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USSR: [redacted] 25X1

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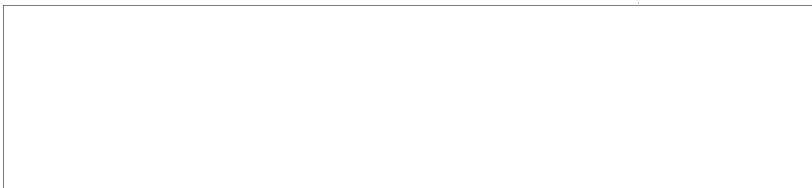
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FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

SPAIN-US

The Spanish say they want a new defense relationship with the US.

At the opening round of negotiations to renew the US-Spanish cooperation agreement, they stopped short of asking for a mutual defense treaty, but said they want joint military planning and the co-ordination of Spain's defense with that of the US and NATO.

The Spaniards are trying to exploit a bilateral declaration of principles governing US-Spanish relations that was signed in July to parallel a NATO declaration. They argue that the declaration went beyond provisions of the agreement governing the use of defense facilities in Spain and signaled a stronger US commitment to grant Spain equal treatment in the defense field with NATO.

Another round of talks is to take place in Washington early next month. On the agenda for that meeting are the nature of the defense relationship and the coordination of Spain's role with the Western defense system.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

Argentina: President Maria Estela Peron declared a nationwide state of siege yesterday in the face of growing terrorist violence. The declaration includes suspension of habeas corpus and freedom of assembly and leaves few legal restrictions on governmental power. The declaration is fully supported by members of the military high command, suggesting that the armed forces, which have generally let the police handle anti-insurgency, now intend to participate more fully.

Portugal: Political violence spread to the northern industrial town of Oporto yesterday when leftists set fire to the local office of the moderately conservative Social Democratic Center Party. That party's headquarters in Lisbon was sacked Monday night. Press accounts indicate the government has condemned the incident in Lisbon and is trying to arrest the leftist ringleaders.

Spain: Rumors are sweeping Madrid that Prime Minister Arias is resigning. Sources close to the Prime Minister's office have told the US embassy that they consider a resignation most unlikely, but they hesitate to commit themselves to a flat denial. The persistence and detail of these rumors suggest they come from the far right. This group is opposed to Arias' modest liberalization program and may feel that further pressure on Franco is necessary following Arias' statements last week that the departure of two of his ministers would not mean an end to his liberalization program.

USSR: An unmanned Soviet space probe, Luna 23, landed on the moon early yesterday morning. The spacecraft is expected to collect a small soil sample and return to earth, with recovery in the USSR early next week.

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The Soviets have attempted at least four missions of this sort since mid-1969. Only Luna 16 in September 1970 and Luna 20 in February 1972 were successful; both stayed for about 24 hours and returned to earth with less than a pound of soil.

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November 8, 1974

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FOR THE PRESIDENT ONLY

November 8, 1974

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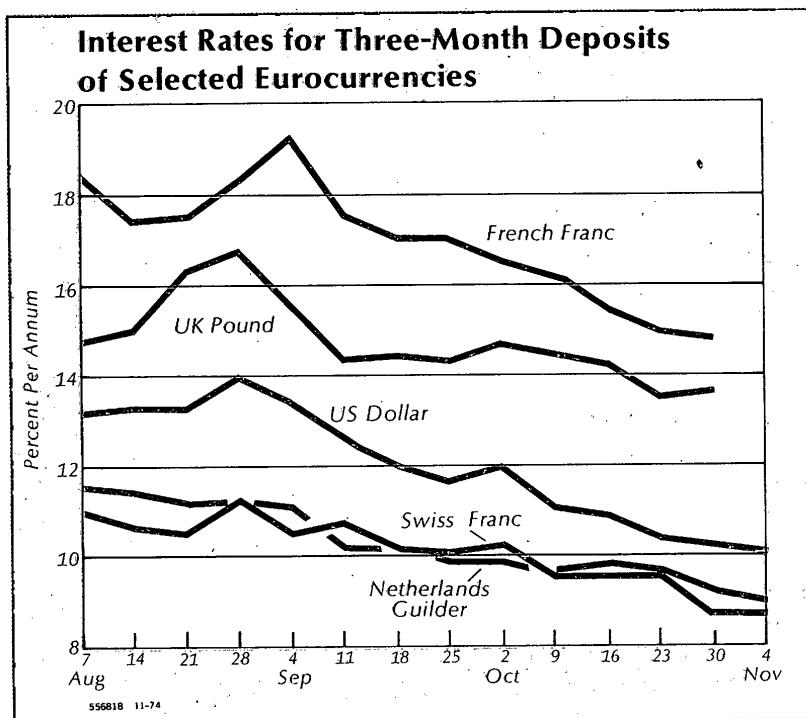
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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY DEVELOPMENTS

The dollar continued its decline on foreign currency exchanges yesterday, while the price of gold eased only slightly from Wednesday's near-record level of \$178 an ounce. The dollar has now declined by as much as 3 percent against major European currencies since the end of October.

The largest declines have been against the deutschemark and Swiss franc, which have gained 1.6 and 2.8 percent respectively relative to the dollar. Most other European currencies, including the lira, have gained slightly more than 0.5 percent, while the yen has remained unchanged.

The downward trend of short-term interest rates in the US and the resulting decline in Eurodollar rates is making other European currencies more attractive, despite some interest-rate declines for those currencies. Prime rate reductions by US banks also have encouraged speculation that rates will fall even lower and have caused some movement out of dollars into European currencies.

Some traders are citing fears that the election of a heavily Democratic Congress has hurt the chances for a successful anti-inflation program in the US; this factor is probably less important than the influence of relative interest rates. The possibility of a coal strike in the US is also a factor.

The surge in the price of gold--up more than \$10 an ounce in the last week--is linked mainly to prospects of an increase in demand that may result when US citizens are permitted to enter the market at the end of the year. The current market is quite small--daily transactions in London have ranged between \$15 to 20 million--and the entry of US buyers could increase the speculative demand substantially.

Gold's rise to near-record levels may also be helped by the general reduction in short-term interest rates, which lowers the cost of holding gold. Some Swiss bankers are predicting prices of over \$200 an ounce by the end of the year. That price could be reached or exceeded unless some countries sell official holdings of gold in order to cash in on the high price.

FOR THE PRESIDENT ONLY

SAUDI ARABIA

The death last Tuesday of Anwar Ali, governor of the Saudi Arabian Monetary Agency (SAMA), may accelerate the emergence of a less conservative Saudi investment policy. [redacted]

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In an attempt to reduce SAMA's role, even prior to Ali's death, Saudi officials had laid plans for a new overseas investment office. [redacted]

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SAMA has had the responsibility for investing essentially all the Saudi government's foreign assets, [redacted]

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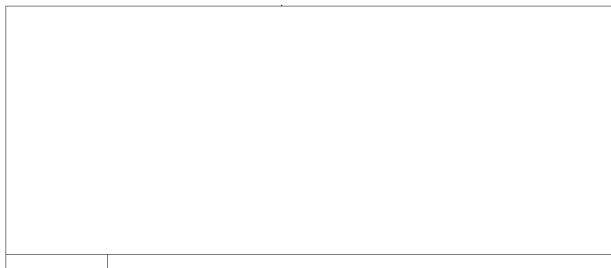
Saudi liquid assets are now at peak levels. SAMA's operations came to a halt during Ramadan--Muslim holy days--and some \$8 billion in oil receipts during September and October have piled up in European banks. Over \$2 billion in receipts for November are due next week. Any delay in introducing a new investment policy will substantially worsen the problem.

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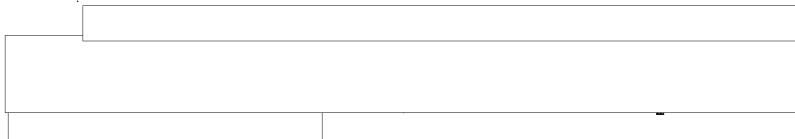
FOR THE PRESIDENT ONLY

UNITED KINGDOM

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

Prime Minister Ecevit's postponement of Secretary Kissinger's visit to Ankara, combined with his withdrawal as formateur and his threat to resign from the caretaker government, may have been in part an effort to break the seven-week-old political stalemate that has prevented the formation of a new government.

Ecevit's announcement came on the heels of declarations by leaders of the major opposition parties that they would oppose any attempt to form a minority government. He had already been turned down earlier this week in his efforts to put together coalitions with both the Justice and Democratic parties.

[Redacted] 25X1

Ecevit may hope that the growing concern of the Turkish military over the possibility of losing US assistance if there is no progress on Cyprus will prompt the armed forces chiefs to do some arm twisting of their own to break the political stalemate.

[Redacted] 25X1

The next step is for President Koruturk to appoint someone to make another effort to form a government. The President may turn to the leader of one of the small right-wing parties or try again to find support for a nonpartisan government. If these options remain closed, the opposition parties may yet decide to support Ecevit in a minority government.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PALESTINE LIBERATION ORGANIZATION - UN

Although moderate leaders of the Palestine Liberation Organization are buoyed by their success at the Arab summit in Rabat, they apparently do not intend to press their maximum demands against Israel during the UN General Assembly debate scheduled to begin next week.

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Some PLO spokesmen are still making hard-line statements that the establishment of the Palestinian "national authority" authorized at the Rabat summit is merely a step toward the achievement of a "secular, democratic state in all of Palestine." This seems to be mostly pep talk for internal Palestinian consumption.

During Secretary Kissinger's visit to Cairo this week, Mohammed Riad, an official in the Egyptian Ministry of Foreign Affairs, told a senior US official that agreement had been reached at Rabat that the PLO would avoid making any statement that could be interpreted as threatening the existence of Israel. Riad said that he expected constructive debate and emphasized that Egypt would try to dampen extremism on the part of the PLO or other Arab UN representatives.

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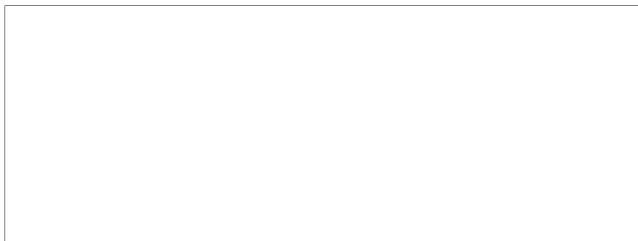
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FOR THE PRESIDENT ONLY

EGYPT



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EGYPT-FRANCE

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The Egyptian air force is being improved significantly by the arrival of French Mirages

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The Israelis are almost certainly aware that the Mirages have begun to arrive in Egypt, and they may cite this to buttress their arguments for more support from the US. They are also anticipating the arrival of MIG-23s.

FOR THE PRESIDENT ONLY

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CHINA-USSR

The Chinese have made an unusually conciliatory gesture in a message to the Soviet government marking the anniversary yesterday of the Russian Revolution. The gesture is contained in a proposal calling for a mutual nonaggression and nonuse of force agreement, a mutual troop pullback from disputed border areas, measures to avert armed conflict along the frontier, and maintenance of the status quo on the border itself.

25X1

[redacted] The Chinese had greeted earlier Soviet calls for a nonaggression pact with contempt, and have insisted that any such agreement would have to be linked to withdrawal of Soviet forces from "disputed parts" of the frontier. The Soviets, for their part, argue that there would be no "disputed" sections were it not for artificial Chinese claims with no legal basis.

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China almost certainly expects Moscow to find Peking's initiative unacceptable, since it continues to link a nonaggression pact with withdrawal of forces from contested sections of the border. It seems likely that the Chinese publicized their proposal for propaganda purposes in an attempt to escape the onus for five years of fruitless talks on the border problem.

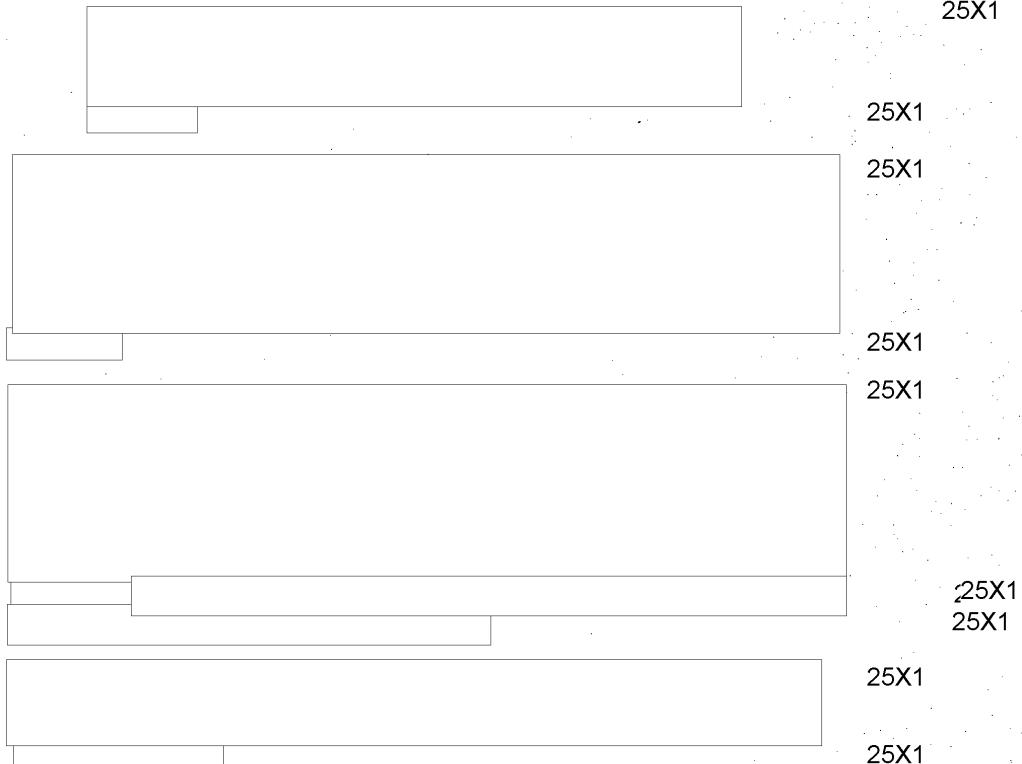
Despite the difficulties that the Soviets will see in the Chinese proposal, they may feel constrained to give some positive evidence of a desire to compose differences. They may even try to take advantage of the Chinese initiative in an attempt to show that the state of Sino-Soviet relations is not as bad as generally believed.

Toward this same end, Moscow could send its chief border negotiator, Ilichev, back to Peking. The Soviets might hope in this way to strengthen their own hand in the talks with you later this month near Vladivostok. Shortly before the Soviet-US summit early last summer, Ilichev was sent back to Peking after an absence of nearly a year. He accomplished nothing and has since returned home.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR



FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Bolivia: President Banzer has moved to restore his authority in the provincial capital of Santa Cruz, approximately 350 miles southeast of La Paz, where a group of dissident politicians revolted yesterday and briefly took over two radio stations. The President went to Santa Cruz with reinforcements after receiving word that troops of an infantry regiment in the area were supporting the insurgents. Late reports from La Paz indicate that order has been restored and that most of the insurgent troops have surrendered. The rebels are led by Carlos Valverde, a right-wing politician, and retired General Julio Prado, patriarch of one of the nation's most prominent families.

USSR: Through the end of October the rate of Jewish emigration to Israel remained lower than last year. According to the Dutch, who process Israel-bound emigrants in Moscow, the ten-month total for 1974 was only 17,200--40 percent lower than the same period in 1973, when 28,212 were allowed to emigrate. The Dutch calculated on this basis that the overall total for 1974 would be 20,000 to 22,000.

Portugal: The army has canceled participation in a modest US-sponsored training program. The chief of staff explained that the officers would be needed at home during a delicate political period. The Portuguese military is indeed managing a fluid political situation and we doubt that any affront to the US is intended.

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The President's Daily Brief

November 9, 1974

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November 9, 1974

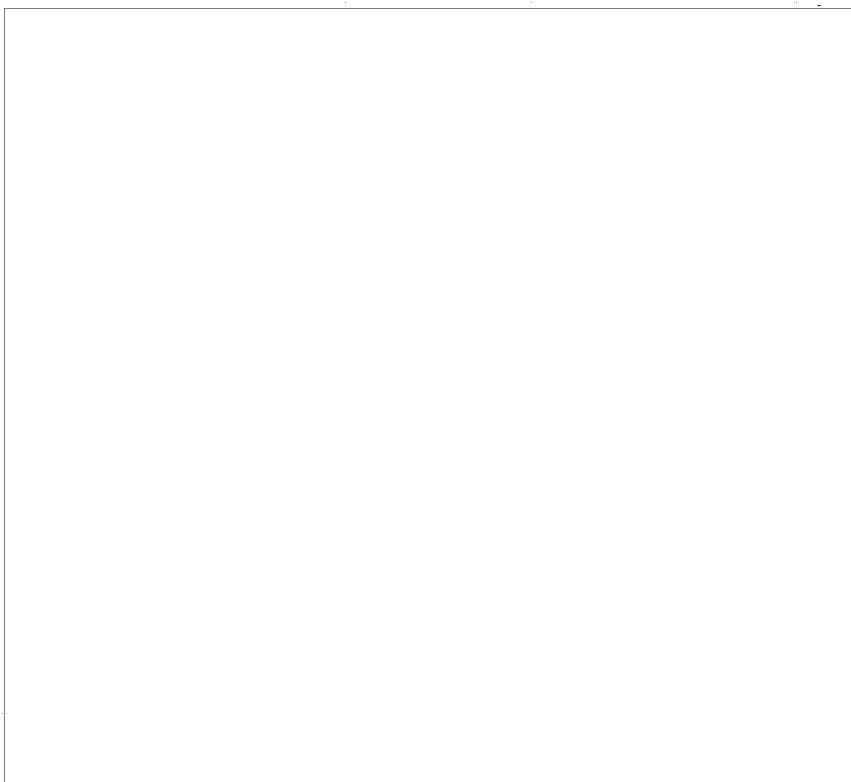
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-ISRAEL



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* * *

The Egyptians held a large naval exercise on November 6, apparently to test the navy's capability to repel an amphibious invasion in the Port Said - Damietta area. At least nine Egyptian ships, including destroyers, submarines, and guided-missile patrol boats, participated.

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The locale and scenario of the exercise presumably reflect Egyptian concern that the Israelis might attack in that area if fighting resumes. 

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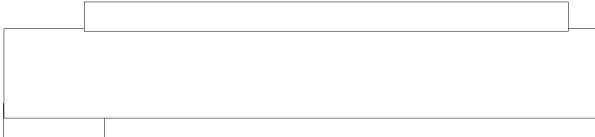
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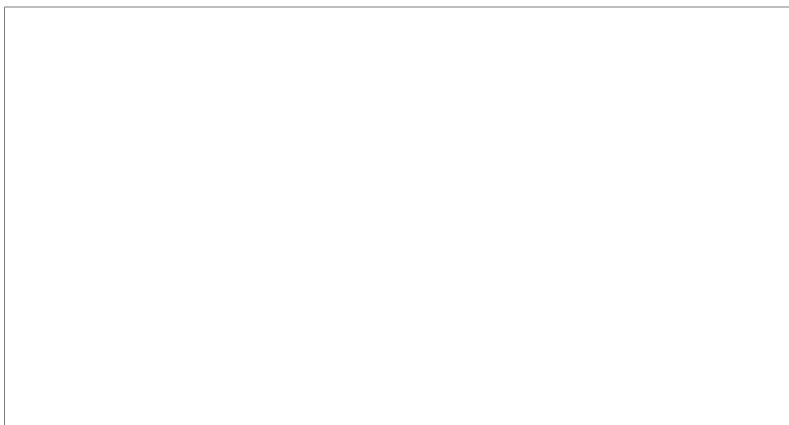
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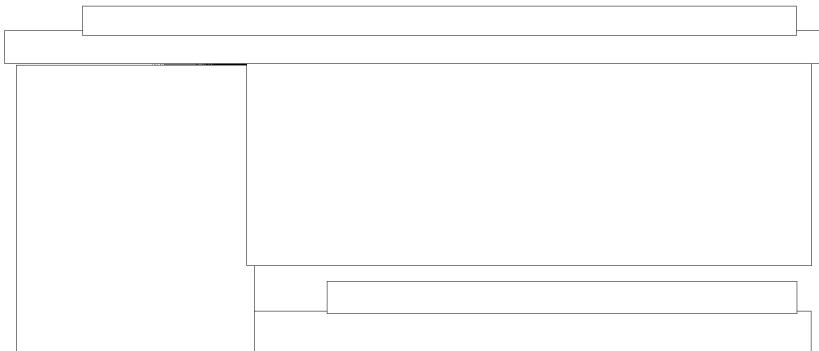
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PANAMA

A major development in the canal treaty talks increases the chances of an accord by next March.

On Thursday, Panama accepted Ambassador Bunker's package proposal covering the basic issues of canal operation, canal defense, and jurisdiction, and the two parties initialed three agreements on concepts to guide subsequent treaty drafting. Still to be tackled are compensation to Panama, return of some Zone lands, duration of the treaty, and options for expansion of the canal.

Much of the present progress undoubtedly results from the recognition now given to Panama's sensitivity on matters pertaining to its sovereignty over the Zone. The language of the agreements--carefully chosen to be palatable to the Panamanians--made it possible for them to accept effective US control of canal operation and defense for the lifetime of a treaty. Ambassador Bunker's collateral offer to begin planning now for Panama's participation in canal operation was, moreover, viewed by the Panamanians as evidence of US good faith and caused them to be even more receptive.

FOR THE PRESIDENT ONLY

PORUGAL-EC

Lisbon, faced with a deteriorating balance of payments and an economic slump, continues to explore the possibility of obtaining extensive financial assistance and trade concessions abroad. Practically all West European countries and the USSR have been approached, as well as the US. Although Portugal does not intend to ask for negotiations looking toward an association agreement with the EC any time soon, it has now provided the EC Commission with more detailed proposals for assistance.

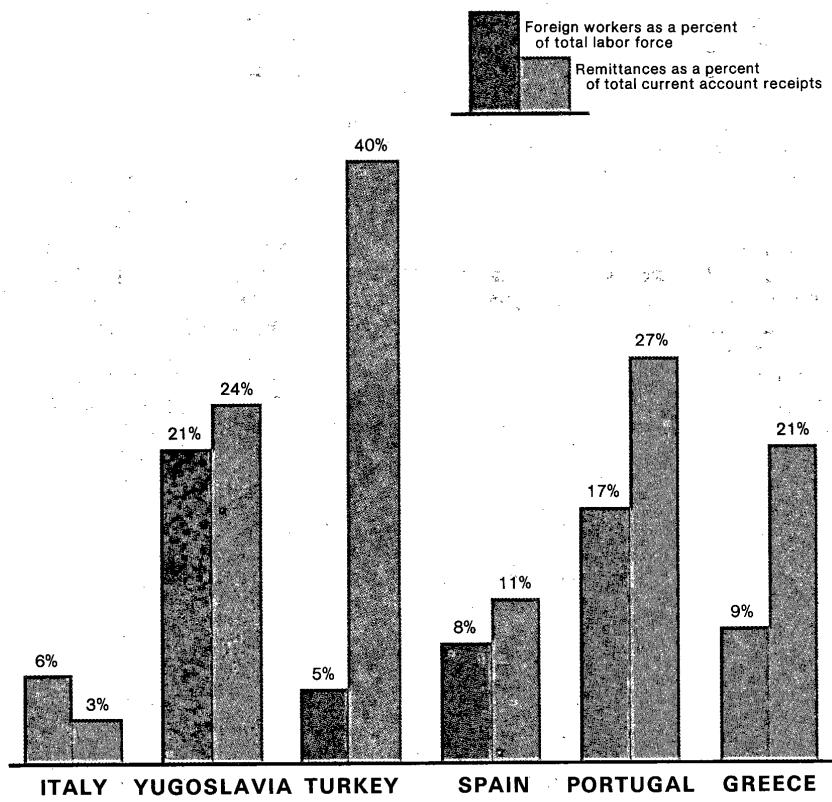
Lisbon's search for financial help has significant political implications. EC Commission Director General Wellenstein told US officials recently that, during a visit to Lisbon last month, Foreign Minister Soares took the line that the Lisbon government is anxious to receive tangible economic support from the West in order to counterbalance any Soviet offers.

In this connection, Alvaro Cunhal, head of the Portuguese Communist Party and minister without portfolio, gave a rosy--if very generalized--account of future trade prospects with the USSR following his trip to Moscow earlier this month. Cunhal does not, however, appear to have clinched any specific deals, and Lisbon's NATO representative claims that, contrary to press reports, Soviet economic aid was not discussed in any detail.

In recent conversations with representatives of Western governments, Portuguese officials have argued that they must receive aid commitments from the West before their election next spring, in order to enable the government to demonstrate convincingly to the electorate that Western Europe is prepared to help. An announcement of EC concessions might also increase the confidence of Portuguese investors, who have been holding back because of the uncertain political situation and labor disorders.

FOR THE PRESIDENT ONLY

The Importance of Foreign Workers to Labor Exporting Countries



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FOR THE PRESIDENT ONLY

WESTERN EUROPE: FOREIGN WORKERS

Rising unemployment is generating pressure to reduce the number of foreign workers in the northern countries of Western Europe.

Several governments hope that the 8 million to 10 million foreign workers will bear the brunt of their anti-inflation measures, providing some insulation from voter backlash. The countries that supply the labor, on the other hand, fear that thousands of their workers now abroad will be forced to come home. The resultant rise in unemployment and balance-of-payments difficulties would contribute to political tensions, especially in Italy, Greece, Turkey, and Portugal.

Declining industrial production in Western Europe has led to widespread layoffs and expectations of large-scale unemployment this winter. The slowdown is particularly acute in several industries with a high concentration of foreign workers--construction, automobile manufacture, and tourism.

In West Germany--by far the largest employer of foreign labor in Western Europe--the unemployment rate for foreign workers was 2.6 percent in September, compared with 0.6 percent a year ago. In contrast, unemployment among the domestic work force was 2.3 percent, compared with 0.9 percent in September 1973. Recently publicized forecasts of a 4.3-percent unemployment rate this winter has deepened West German concern.

To protect domestic workers:

--West Germany and France have banned the recruitment of foreign labor from outside the EC and have stiffened penalties against the smuggling of foreign workers. Bonn is considering a special tax on companies employing foreigners.

--Switzerland has reduced the number of work permits and has eliminated exemptions granted for foreign workers in hospitals and schools and on farms, despite its exceptionally low unemployment rate.

(continued)

FOR THE PRESIDENT ONLY

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--The Dutch have put a ceiling on the immigration of foreign workers and the number of foreigners a firm may hire. The government is also considering offering "farewell bonuses" to foreigners who go home voluntarily.

Workers' remittances constitute almost half of Turkey's current account receipts and are a primary source of foreign exchange earnings for Portugal, Yugoslavia, and Greece. Yugoslavia and Greece already have current account deficits. A sharp drop in remittances could push the current accounts of both Turkey and Portugal into the red. As a member of the EC, Italy is partially protected from north European cutbacks in the use of foreign labor. Nonetheless, even a moderate drop in remittances from this source will rock its already shaky financial position.

Yugoslavia and Portugal would be badly hurt by cutbacks because they have exported so large a proportion of their labor force. Portugal has requested that the EC guarantee to maintain the current level of Portuguese workers in the Community. Given the EC's own unemployment problems, however, such a commitment is highly unlikely. Even without a return of migrant workers, reduced demand and political uncertainties are leading to higher unemployment in Portugal, Spain, and Greece. Unemployment already is severe in Turkey (11 percent) and Yugoslavia (9 percent).

FOR THE PRESIDENT ONLY

ITALY

Foreign Minister Aldo Moro is continuing his attempts to form a new government, as the Italian political stalemate heads into its sixth week.

Moro began his negotiations last week, but he has been dogged by the same interparty differences that prevented Christian Democratic Party chief Fanfani from forming a government. Moro now appears ready to settle for a "monocolore"--all Christian Democratic--caretaker government. The "monocolore" alternative is an established way of letting the dust settle after a major political blowup in Italy, but Moro is even having difficulty securing an agreement on this formula.

The ardently anti-communist Social Democrats are keeping alive a feud between themselves and the Socialists over relations with the Communist opposition. If the Social Democrats stand pat, the Christian Democrats will have to choose between them and the Socialists in order to set up even a "monocolore" cabinet. The Christian Democrats are loath to make such a decision, since it would require a clear choice between left and right--something the Christian Democrats have tried to avoid.

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Unemployment is rising rapidly, meanwhile, and organized labor expressed its discontent by calling another nationwide general strike yesterday--the second since the government crisis began.

FOR THE PRESIDENT ONLY

USSR

The USSR is expanding purchases in the West as a result of a sharp rise in its hard currency earnings. Contracts for Western plants and equipment placed so far this year are already at a record \$3 billion; during recent negotiations, Soviet buyers increased their original requests for US equipment.

In the past several weeks, Moscow has also placed orders for \$900 million worth of corn and wheat, and \$200 million worth of raw sugar. [redacted]

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The Soviets will pay cash for most of their agricultural purchases and for roughly \$150 million in Western equipment. The Soviets are expected to have substantial hard currency trade surpluses in 1974 and in 1975 as a result of the rapid rise in world market prices for major Soviet raw material exports.

Gold sales are another major source of hard currency. While only \$300 million in Soviet gold is known to have been sold this year, large additional sales are rumored to have occurred in late October.

Moscow probably would not have bought such sizable amounts of agricultural products if--as in the past--the purchases required heavy borrowing. Soviet agricultural output promises to be good in 1974, and recent purchases seem geared to improving, rather than just maintaining, domestic conditions. A \$100-million cash purchase of tractors from the US International Harvester for use in constructing the second Trans-Siberian railroad, on the other hand, resulted from a Soviet desire and ability to avoid high interest rates prevailing in the West.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND-LAOS

A high-level Thai delegation has arrived in Vientiane in an effort to ensure that Thailand maintains some leverage and influence in Laos. The Thais are well aware that the struggling Lao coalition government has been looking increasingly to North Vietnam, China, and other communist countries for economic assistance, and they attach considerable importance to shoring up relations with their Lao neighbors.

Negotiations on the ministerial-level meetings began some months ago, and the Lao are apparently aware of and in general agreement with a Thai cabinet proposal for Laos that includes:

- a \$250,000 contribution to the Lao Foreign Exchange Operations Fund;
- \$500,000 in short-term aid in basic commodities such as food, textiles, and medicine;
- long-term recovery assistance, especially for war refugees;
- more equitable treatment and charges for Lao goods transiting Thailand;
- expanded cooperation in social, cultural, and educational fields.

Lao communist Deputy Prime Minister Phoumi Vongvichit, who invited the Thai delegation to Vientiane, and his communist colleagues have not said they have difficulty with the Thai offer. Non-communist members of the coalition, however, fear that Thailand's participation in Lao foreign exchange operations would enable the Thai government to exploit Vientiane's financial problems.

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US Ambassador Whitehouse believes that Lao Prime Minister Souvanna Phouma's mid-summer heart attack has greatly reduced his ability to resume full political activity. Souvanna has admitted to feeling very tired and told the ambassador yesterday, in their first meeting since Souvanna's return from France, that he would be leaving for the royal capital of Luang Prabang in about a week for an extended convalescence.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

Japan: The US embassy in Tokyo reports that those in Japan who oppose your visit have not been able to rally widespread support for their efforts to disrupt it. Protesters are already trimming the list of activities they were planning. One opposition party recently decided against participating in demonstrations against the visit, and others have been unable to agree on a united effort. The major groups now opposing the visit--the Communist and Socialist parties and Japan's largest labor federation--are still committed to holding demonstrations, but they are already stressing that these will be nonviolent. The major rallies in Tokyo are scheduled for days when you will not be there.

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Jordan: [redacted]

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South Vietnam: The South Vietnamese Foreign Ministry has called for resumption of political and military negotiations with the Viet Cong without conditions, according to an announcement released Friday. There has as yet been no communist response. Although South Vietnam is trying to place the onus on Hanoi for the lack of movement in negotiations, the announcement, in effect, is Saigon's response to a Viet Cong statement of October 8 that called for the removal of President Thieu as a precondition for negotiations and implementation of the Paris Agreement. The announcement also appears to be part of Thieu's current efforts to take the wind out of the sails of his political opponents in South Vietnam.

(continued)

FOR THE PRESIDENT ONLY

Cyprus: Archbishop Makarios reportedly has advised Greek Cypriots, including Acting President Clerides, that he will fly to Athens on November 21 and on to Cyprus on the 25th. [redacted]
whether Makarios will return as president or only as religious leader will be decided in Athens. [redacted]

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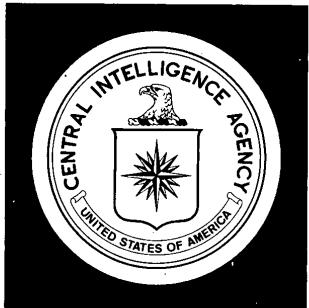
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The President's Daily Brief

November 11, 1974

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

JAPAN

In face of the rising political controversy threatening his administration, Prime Minister Tanaka told a press conference today that he would not step down before your visit takes place. Tanaka also announced, as expected, that he will shuffle his cabinet before then.

Voter dissatisfaction with Japan's rising inflation has eroded the Prime Minister's support. Last month his position took a further turn for the worse with the publication of charges that he has benefited from questionable dealings in government real estate.

In answer to these charges, Tanaka said today that he regretted that his conduct had aroused public suspicions, but insisted that he had "never violated the laws."

Calls for Tanaka's resignation have increased since the release of the corruption charges,

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Tanaka may try to maintain the current balance of power within the cabinet as he makes his changes. Early press reports suggest that he is likely to reward his chief factional backers--Finance Minister Ohira and International Trade and Industry Minister Nakasone--with extended terms. The transfer earlier today of chief cabinet secretary Nikaido, a trusted adviser, to the sensitive post of secretary general of the Liberal Democratic Party indicates Tanaka's determination to maintain control of the party.

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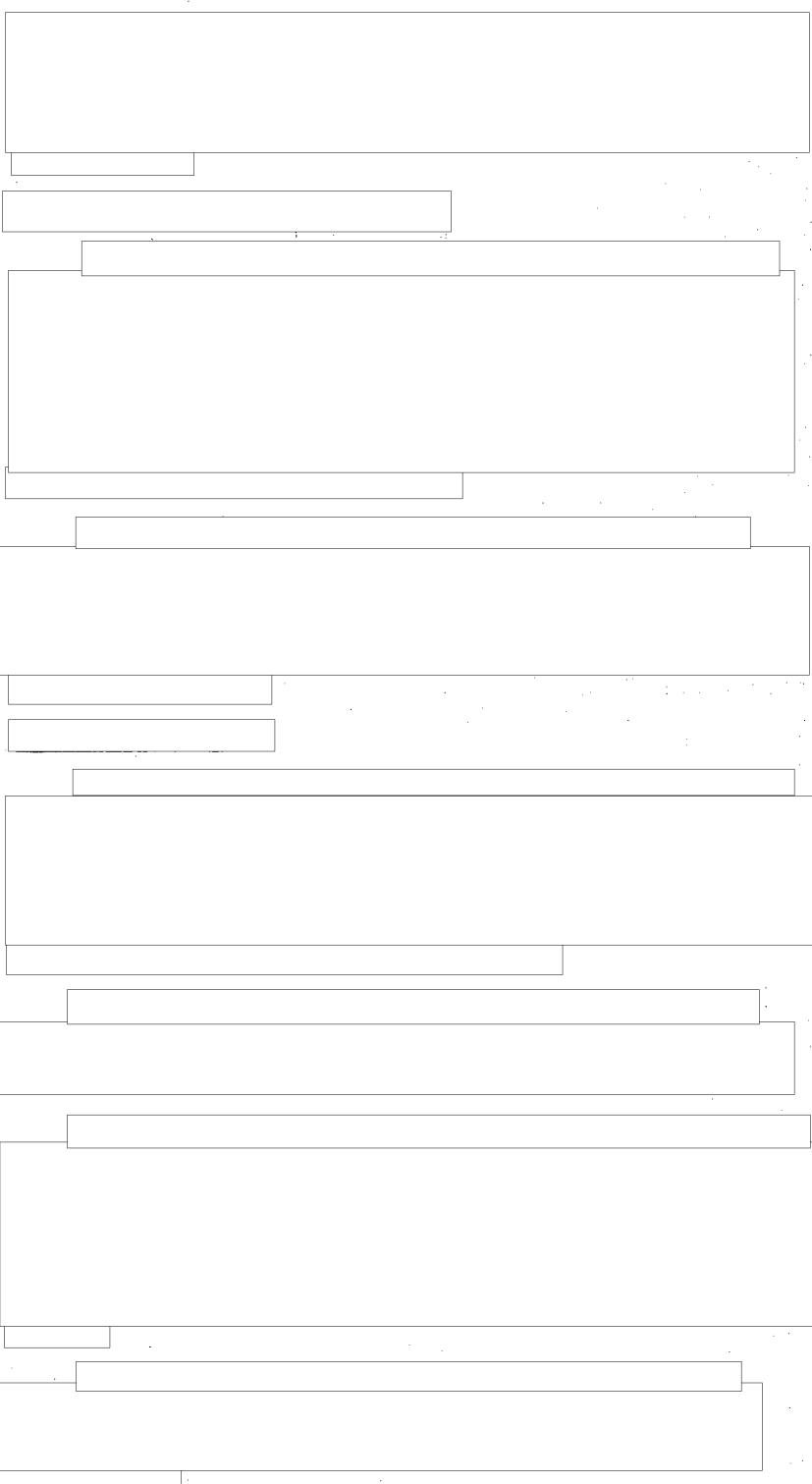
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PALESTINE LIBERATION
ORGANIZATION

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*PLO Chairman Yasir
Arafat*

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In a separate interview published in the Cairo newspaper Al-Ahram on Friday, Arafat spoke twice of "disengagement" on the West Bank. Asked if he would refuse a disengagement agreement offered to Jordan by Israel, Arafat replied that the Palestinians are prepared to give Egyptian War Minister Ismail a "mandate"--presumably to negotiate such an agreement--in his capacity as commander of all Arab military forces. At another point, Arafat said the establishment of a Palestinian government in exile must be put off until the benefits of a government would outweigh its "burdens." He added that such a government would be set up immediately, however, if this became necessary as a condition for disengagement and acquiring land.

With regard to a government in exile, Arafat has said previously that such will be formed only "when conditions are suitable." Among the obstacles is disagreement within the PLO on how to divide responsibility in such a government, something Arafat may have had in mind when he spoke of "burdens."

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

The Israeli cabinet yesterday announced a series of economic measures highlighted by a 43 percent devaluation of the pound. The new measures are the latest in a series of steps designed to reduce the country's staggering trade deficit and preserve foreign exchange reserves.

The measures include:

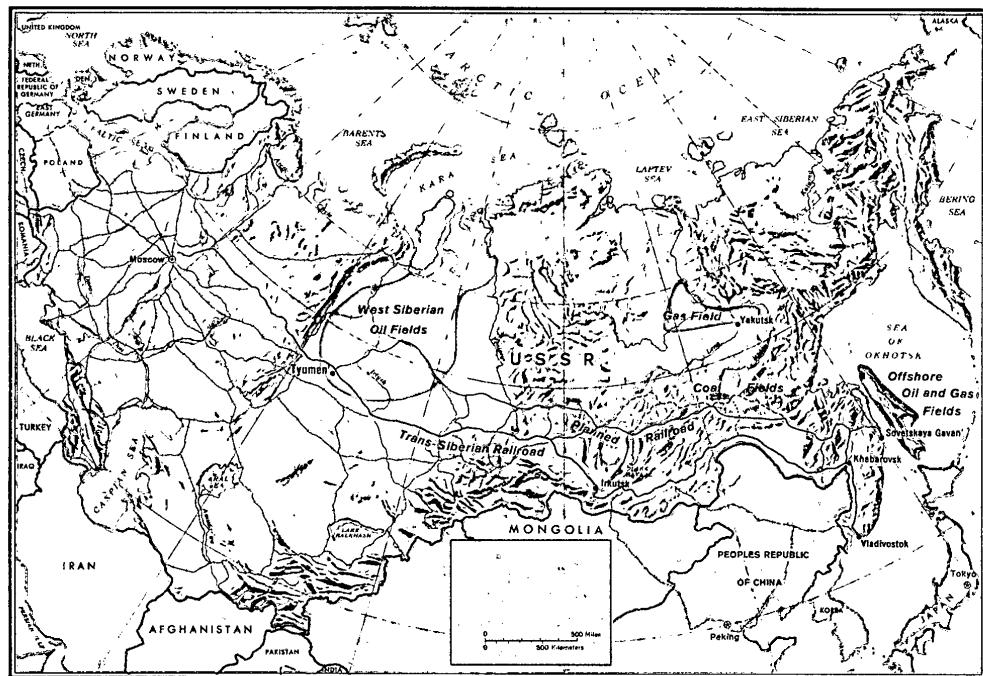
- an immediate devaluation of the pound from 4.2 to 6 per US dollar;
- a six month prohibition on imports of certain luxury goods including autos;
- an increase in the foreign travel tax.

In addition to the trade measures, the cabinet also announced steps designed to reduce domestic purchasing power including:

- sharp increases in the price of petroleum products;
- reduction of subsidies on many basic commodities, which will substantially increase prices of goods such as sugar and bread.

The Finance Ministry estimates that the new measures will improve the trade balance by \$700 million a year. They will also cause an immediate increase of 17 percent in the cost of living, with inflation already running at an annual rate of almost 40 percent.

There will be some grumbling among the populace, especially about the reduction of subsidies on bread and sugar, and police have already had to contend with violence in a slum district of Tel Aviv. This economic program seems likely to receive generally wide support, however, as a way to prevent further deterioration in the economic situation.



11-74

FOR THE PRESIDENT ONLY

USSR

Moscow is planning to accelerate construction of the eastern portion of the second Trans-Siberian railroad as part of a general effort to speed up development of Siberia.

[redacted] [redacted] [redacted]
[redacted] [redacted] [redacted]

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The Soviets are buying 700 US crawler tractors--worth \$100 million--specifically for use on the railroad project.

The 2,000-mile line was originally scheduled to be finished by 1982. Advancing the completion date would indicate that eastern Siberia and the Soviet Far East will play an increasingly significant role in the forthcoming 15-year plan. The new route crosses a zone rich in fuel and mineral resources.

The USSR will have to lean more heavily on eastern Siberian energy resources after 1980, when oil reserves elsewhere will fall short of Soviet needs. The new railroad could be used in conjunction with pipelines and rail spurs to tap the resources of northern Siberia.

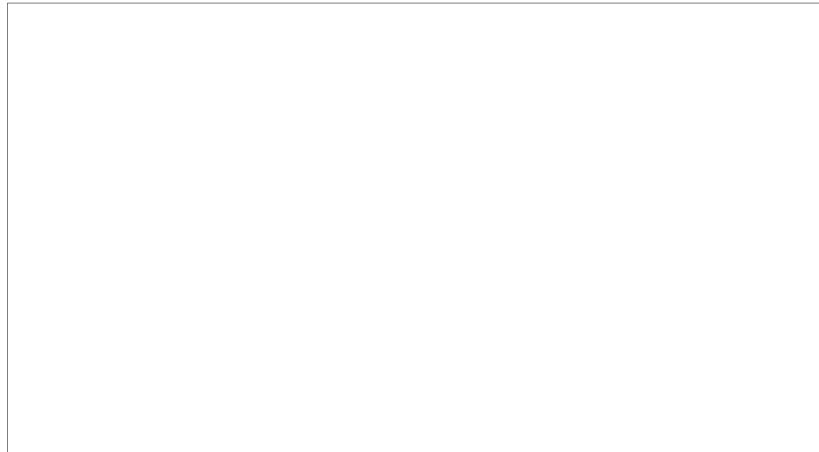
Continuing Soviet concern over the border problem with China is also a strong incentive to early completion of the railroad. The new route is 100 to 500 miles north of the present line, which is very close to the Chinese border. Both routes run through territory that China claims was seized by Russia through "unequal treaties" of the 19th century.

FOR THE PRESIDENT ONLY

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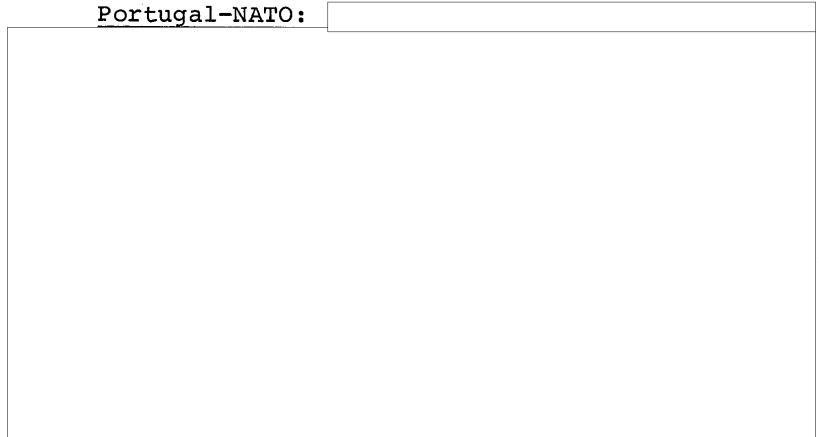


France-PLO: At a meeting of the EC political directors late last week, the French representative announced that the secretary general of the Arab League had asked that the Palestine Liberation Organization be given observer status at EC-Arab negotiations. The French, who favor granting the Arab request, argued that the US would soon be dealing with the PLO in some fashion. Only the Italian representative supported the French proposals. The others were negative or noncommittal. The EC political directors agreed that the EC foreign ministers should consider the issue at their meeting on November 18.

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Portugal-NATO: [redacted]

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FOR THE PRESIDENT ONLY

USSR-Cuba: Two Soviet guided missile cruisers that have been in Cuban waters since late September have left the port of Cienfuegos and may be on their way home. They have been moving southeasterly and are probably bound for the Atlantic.

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Argentina: [redacted]

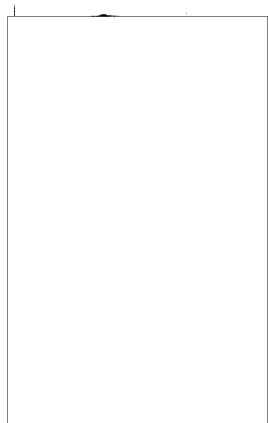
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Vietnam: The Vietnamese Communists have rejected Saigon's recent call to resume negotiations in Paris. On Saturday, the deputy chief of the Viet Cong military delegation in Saigon branded the offer a "deceptive move" to confuse public opinion. He repeated the Communist position that the Paris talks cannot resume until President Thieu is removed and the US ends its military assistance to South Vietnam.

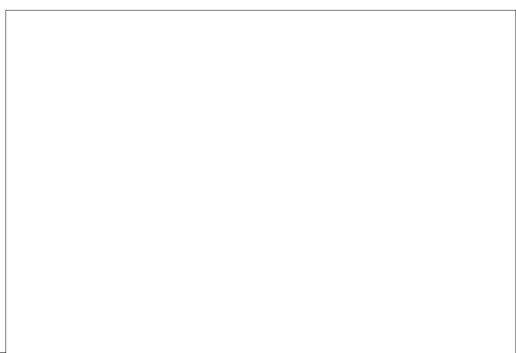
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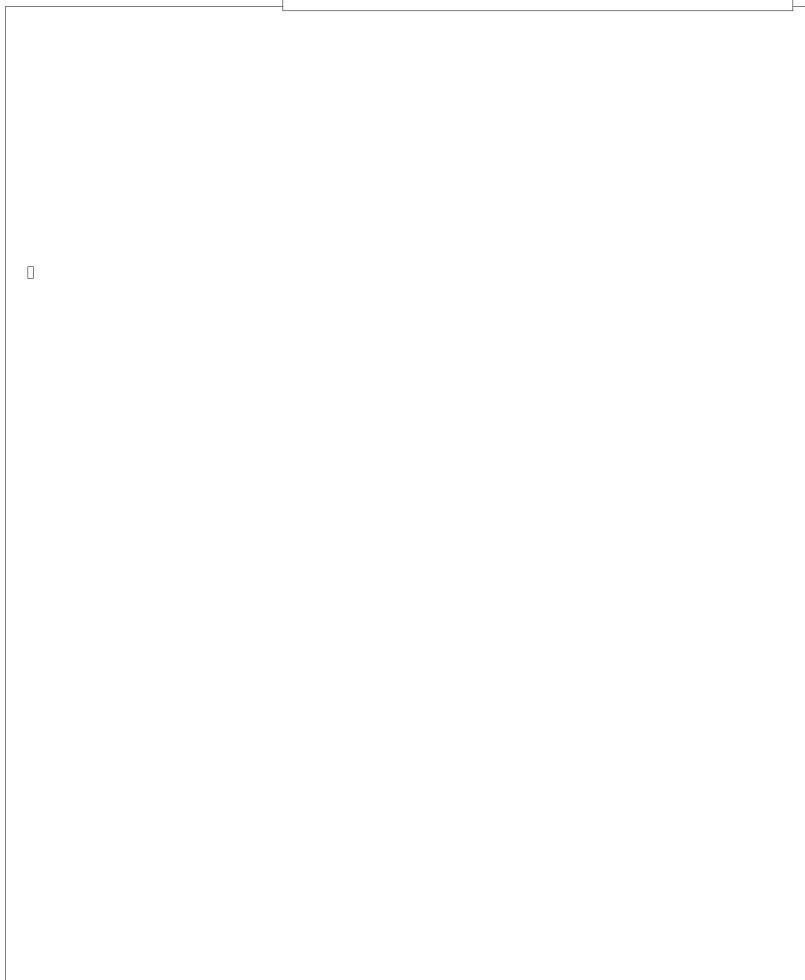
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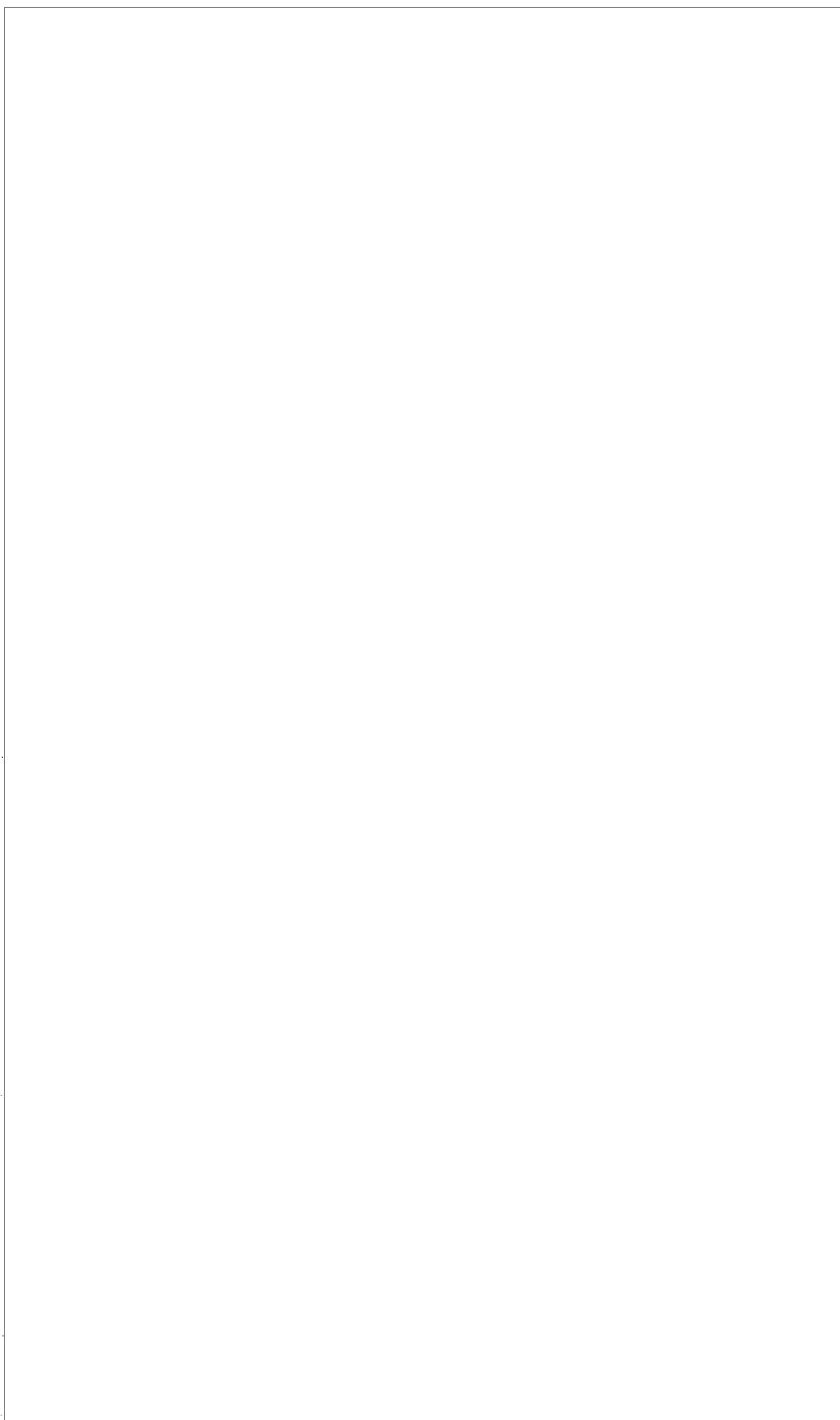
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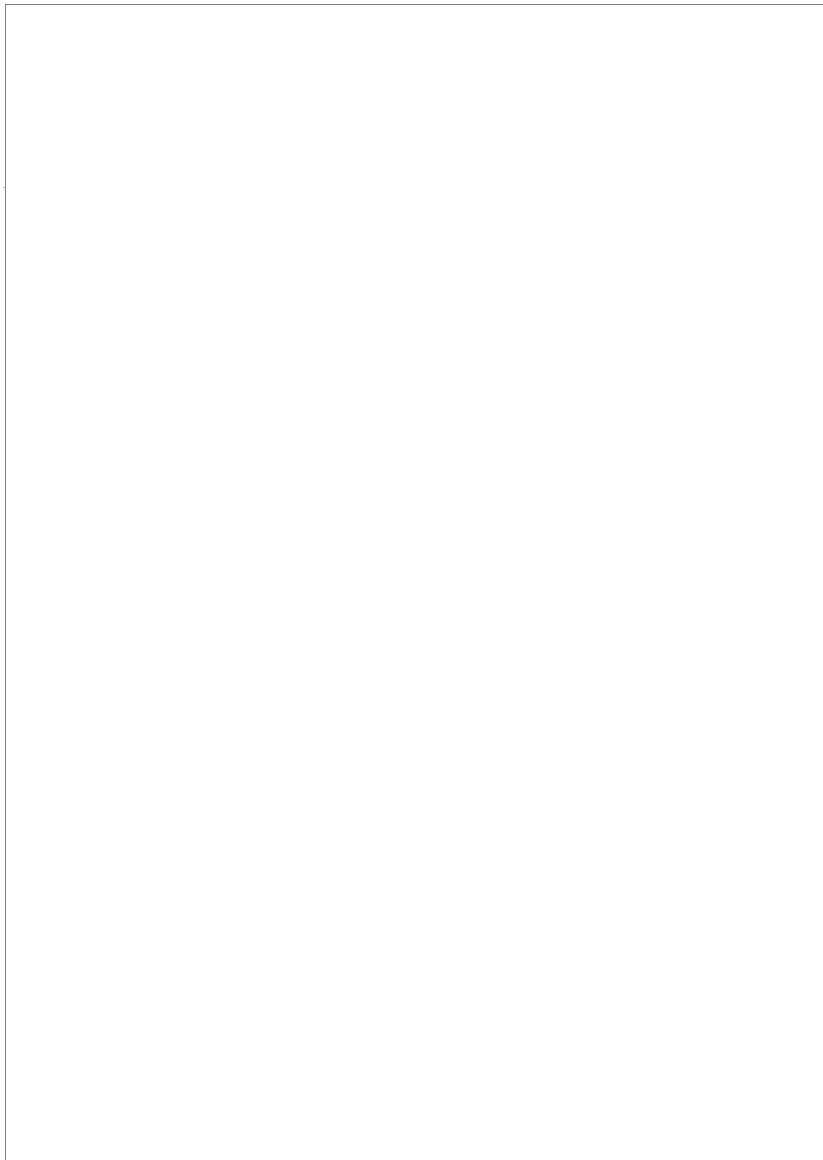
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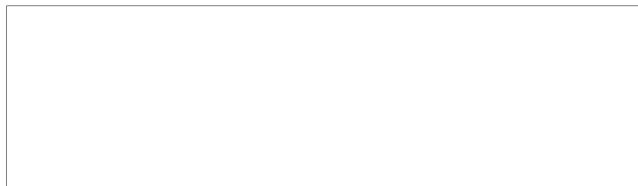
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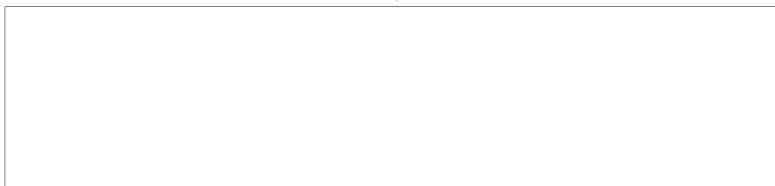
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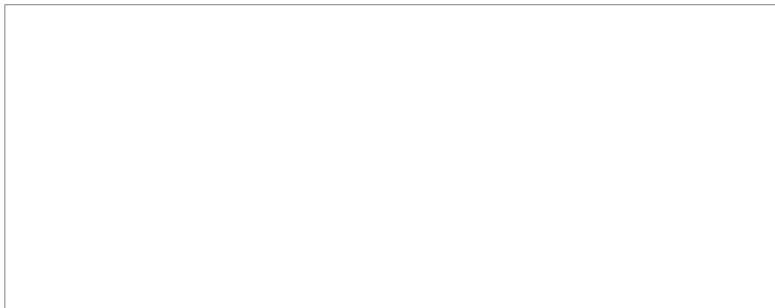
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FOR THE PRESIDENT ONLY

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OAS

Expressions of frustration and bitterness dominated the OAS foreign ministers meeting in Quito last night as participants remained deadlocked over the Cuba sanctions issue.

The foreign ministers canceled efforts to achieve a compromise solution when it appeared the attempt would be futile. Several small countries and Brazil--the swing votes on the Cuba issue--failed to move from their neutral positions.

Blame for the indecisive outcome is falling on the US. The Venezuelan and Costa Rican ministers have publicly criticized the absence of Secretary Kissinger, and others are blaming US neutrality for the divisiveness that has surfaced.

A final vote on the issue is scheduled for today, when the foreign ministers vote on a resolution sponsored by Venezuela, Colombia, and Costa Rica asking for the repeal of sanctions against Cuba. Following its expected defeat, a final session will be held to adjourn the conference formally.

Press reports from Quito indicate that Brazil, fearing the breakup of the OAS, will propose another meeting of foreign ministers for Panama City in three months to give Latin American countries time for new consultations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA

Preparations are well under way for convening a National People's Congress--the first in a decade. This meeting, which will be preceded by a plenum of the party Central Committee, will confirm a number of ministerial appointments, some of which have been hanging fire for years.

The anti-Confucius campaign, in low gear since early summer, now seems likely to be phased out completely. Significantly, the campaign began to lag when Chou En-lai became seriously ill. This is another sign that the Premier played a large role in overseeing the movement.

Stress on Unity and Retrenchment

For some time now, editorials and central directives have warned against factionalism, which became increasingly acute last spring. The central directives have also been putting great emphasis on the need to increase production, a theme that is likely to be reiterated at the National People's Congress.

Government and party administrators have been concerned that political ferment could seriously interfere with economic activity, and in fact factionalism engendered by the anti-Confucius campaign appears to have led to slowdowns and bottlenecks in a number of areas. Emphasis on economic factors suggests that considerable influence is being wielded by Chou's long-time lieutenant, Li Hsien-nien, who oversees economic and financial affairs.

Perhaps the most significant indicator pointing to retrenchment is a statement, attributed to Mao himself in a recent central directive, to the effect that "eight years of Cultural Revolution is enough." This is an unusually strong repudiation of political ferment from the Chairman.

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Rehabilitation

Meanwhile, the "rehabilitation" of officials disgraced during the Cultural Revolution is continuing, despite signs this process does not sit well with "leftist" elements. Indeed, the single figure whose position has improved most during the anti-Confucius campaign is Teng Hsiao-ping, the very personification of the "capitalist-roaders" who were disgraced early in the Cultural Revolution. Additional rehabilitees appeared at the National Day celebrations on October 1, and some of these men, as well as others who reappeared earlier, are likely to be assigned to important provincial and central posts just before or after the National People's Congress.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE

A recent Supreme Court ruling defining the difference between a political party and a coalition will hurt the Communists in the election on November 17.

Of the major political groups contending, only the United Left (a grouping of two Communist parties and a former Communist front group) is classified as a "coalition" by the Court. This will make it necessary for the Communists to get 30 percent of the national vote in order to be eligible to benefit from the second and third "distribution" of parliamentary seats.

These distributions are an important feature of Greece's proportional representation system for parliamentary elections. Most observers believe that the Communists will not win much more than 15 percent of the vote.

The Panhellenic Socialist Movement, led by Andreas Papandreou, will profit from the Supreme Court decision. The movement, classified as a single party, will need only 17 percent of the vote to be eligible for further distributions. Papandreou has been trying to exploit anti-American and anti-NATO sentiment and has been stressing the theme of betrayal in Cyprus.

Although a Karamanlis victory seems assured, the size of his victory and the showing made by the left will in large measure determine how flexible the new government will be on Cyprus, NATO, and relations with the US.

FOR THE PRESIDENT ONLY

WESTERN EUROPE

The recent increase in strike activity and the promise of more to come have added to political uncertainties in Italy, Spain, and France.

Two half-day, nationwide general strikes have been held in Italy since the government fell on October 3, and a series of staggered walkouts have been scheduled this week to back up labor's demands for a costly benefits package and steep wage increases linked to the cost-of-living index. Efforts by Prime Minister Rumor's caretaker government to mediate labor-management differences not only have failed but have complicated the attempts to form a new center-left coalition.

Rapidly rising unemployment, meanwhile, has severely strained government funds earmarked for unemployment compensation. The number of employees on reduced workweeks, for example, has doubled since April, and the Italian government may soon have to tap emergency funds to keep up payments.

In Spain, strike activity is at a four-year high, even though strikes are illegal. Last month the government cracked down by arresting workers in Madrid and Barcelona who were meeting in churches. Last week workers were forcibly evicted by police from a factory which is a principal overhaul facility for US Phantom aircraft based in Europe. Non-communist labor groups are participating in the strikes in competition with the Communist-dominated Workers Commissions, which usually control strike activity.

In France, the government appears to be relying on the pressure of public opinion to end the wave of labor unrest. Prime Minister Chirac, charging the unions with attempting to block President Giscard's anti-inflation program, has warned that the strikes could even undermine French "national independence."

Although some moderate French labor unions have shown a willingness to accept government concessions, leftist organizations called yesterday for tougher action in support of the month-old postal strike. Plans were also laid over the weekend for a nationwide work stoppage by government employees on Wednesday. Staggered strikes by other workers are set for throughout the week. The disruptions--with the exception of the postal strike--remain primarily token, but may create doubts in the public's mind about Giscard's ability to cope with the situation.

FOR THE PRESIDENT ONLY

EC - ARAB STATES

During their recent meetings in Cairo, representatives of the EC and the Arab League discussed procedural matters relating to the "Euro-Arab dialogue" and agreed to hold the first meeting of a general commission in Paris, probably late this month. Although Arab oil--and the Nine's dependence upon it--has apparently not entered into the preliminary discussions, it is the driving force behind the West Europeans' desire for closer ties to the Arab states.

The EC-Arab dialogue developed from a French initiative early this year and is intended to provide a broad framework for relations. Thus far, progress in organizing working groups and in completing other administrative preparations has been slow.

The EC has proposed establishing working groups on agriculture, industry, financial matters (to include recycling of oil dollars), culture, and technology. Despite reservations on the part of some Arab leaders, the Arabs approved these and related proposals at the Rabat summit. According to an EC Commission official, the coming Paris meetings will be restricted to procedural questions. Working groups could be set up, however, and draw up specific recommendations by spring.

An EC official has said privately that it is clearly understood among the Nine that political questions should be avoided during these talks with the Arabs. The Arabs, however, have made it clear they want to discuss matters related to a Middle East peace settlement.

FOR THE PRESIDENT ONLY

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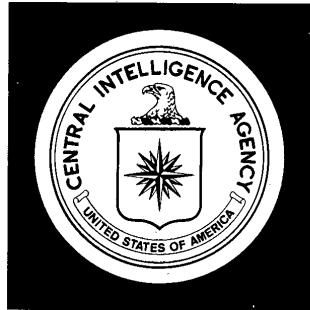


Japan: Prime Minister Tanaka's principal critics within his own party, former finance minister Fukuda and former deputy prime minister Miki, did not try to weaken Tanaka's position yesterday when the Prime Minister reshuffled his cabinet. Both Miki's and Fukuda's factions have remained in the cabinet. Tanaka reappointed his two chief allies, Finance Minister Ohira and International Trade and Industry Minister Nakasone, as well as Foreign Minister Kimura. Tanaka named a man from his own faction as head of the Science and Technology Agency and Atomic Energy Commission, replacing the former director who had opposed ratification of the Nuclear Non-Proliferation Treaty.

UN: African states at the UN are discussing further moves in the wake of the Security Council veto by the US, UK, and France last week that prevented the expulsion of South Africa from the UN. The Africans, with some support from other geographic areas, intend to discuss the South African issue in the General Assembly today; a resolution condemning the US, UK, and France may be introduced. The Africans also plan to ask for Security Council discussion of South-West Africa in December, when Australia, which voted in favor of South Africa's expulsion, will hold the Council presidency. There is little else the Africans by themselves can do. Nevertheless, the General Assembly president, basing his ruling on statements condemning the vetoers and his "appreciation" of the situation, might suspend South Africa for a limited period of time--perhaps several months--from participation in the General Assembly.

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The President's Daily Brief

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Cyprus-Greece: Archbishop Makarios is almost certain to return to Cyprus. (Page 5)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

JAPAN

Chances are increasing that Prime Minister Tanaka will resign shortly after your visit.

The faction leaders within his ruling Liberal Democratic Party are keeping the truce that they promised would last until your visit is over, but Tanaka has lost ground in recent days by his own actions. The Prime Minister was unable to strengthen his position by reorganizing his cabinet, and his efforts to defend himself publicly against charges of financial corruption have been ineffective.

The Japanese ambassador in Washington recently told Ambassador Habib that, based on his contacts in Japanese political circles, he personally believed that Tanaka would definitely resign soon after your visit.

Tanaka himself, moreover, has again surfaced an idea he privately put around before his recent trip to Southeast Asia. He suggests that a caretaker government headed by party vice president Shiina be installed until a real successor could be elected at the party convention next summer. Tanaka would undergo a "diplomatic" hospitalization to pave the way for his resignation.

Both major contenders for Tanaka's job--Finance Minister Ohira and former finance minister Fukuda--have opposed the caretaker arrangement. The party may decide soon that Tanaka's ouster is more imperative than the outcome of the struggle between Ohira and Fukuda and may agree on Shiina or some other neutral figure to head an interim government.

FOR THE PRESIDENT ONLY

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CHINA-USSR

Chinese diplomats have been quick to throw a wet blanket on speculation that China's proposal for dealing with the Sino-Soviet border signals an improvement in Sino-Soviet relations.

A Chinese military attaché in Moscow has twice in recent days indicated to US officials that the proposal contains nothing new, and

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[redacted] that the proposal merely restated positions China first advanced in 1969. The Chinese embassy in Moscow did, however, take special pains to distribute the full text of the proposal to foreign embassies and news services after Moscow had published it only in censored form.

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The substance and tone of Chinese and Soviet propaganda directed at each other have not changed since the proposal was made. The Soviets are probably reluctant to make any authoritative response until they determine whether the Chinese intended anything more in publicizing their proposal than to gain some propaganda advantage.

FOR THE PRESIDENT ONLY

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USSR-US

Soviet media are ascribing the recent US election results to American domestic issues--particularly economic problems and Watergate. They have raised the prospect that Democratic congressional gains could have a "significant influence" on the foreign policy of your administration.

Pravda, citing various US sources to buttress its analysis, concluded last Thursday that progress on important questions of foreign as well as domestic policy will depend on confidence and cooperation between the US executive and a Congress firmly controlled by the opposition party. The article specifically cited the Middle East, international trade and finance, and arms control as problems demanding coordination between the White House and Congress. Pravda implied that Moscow's relations with Washington will be complicated by a strengthened opposition party, but makes no explicit mention of US-Soviet affairs.

Other Soviet commentators have taken the line that policy toward the USSR is still being debated in the US. They claim that Democratic gains should not affect bilateral relations, and that most newly elected congressmen favor continued international detente.

The Soviets have previously displayed concern over both the depth of your commitment to detente and your ability to follow through on a supporting program. Although Moscow has been assured on the first, the results of last week's elections will reinforce misgivings about prospects for congressional support of administration policy toward the USSR.

FOR THE PRESIDENT ONLY

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ORGANIZATION OF AMERICAN STATES

The future of the OAS, already considered by many a weak and unresponsive organization, will be even more uncertain in light of what most OAS members will call the Quito debacle. More important, in the wake of the foreign ministers' meeting, the broader question of the inter-American dialogue will come under critical examination in most OAS capitals.

A barrage of angry and petulant statements can be expected from most of the Organization of American States foreign ministers as they return home from the Quito meeting. The twelve who voted to rescind the Cuba sanctions are embarrassed at their diplomatic failure to attract the two more votes needed for a two-thirds majority. The fact that only three negative votes were cast adds to their frustrations.

Criticism will fall heavily on the US for its abstention. Several of the other five abstentions will be linked to the US position, and the sponsors of the aborted resolution are probably convinced that the responsibility for their failure rests with the US.

The Cuba sanctions remain juridically in effect, but will become increasingly ineffective. Venezuela, Colombia, Ecuador, and Honduras have announced they will move soon to establish relations with Havana.

Havana has made clear its preference that Latin American governments establish ties with the Castro regime in violation of OAS rules. Castro remains unalterably opposed to the organization and would like to be able to take credit for its demise.

FOR THE PRESIDENT ONLY

CYPRUS-GREECE

Greek Prime Minister Karamanlis is reported to be neutral on the question of Archbishop Makarios' return to Cyprus. This makes it almost certain that the archbishop will soon go through with his plan to get back to the island.



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Makarios has agreed to Karamanlis' request that the archbishop stop in Athens en route to Cyprus so that they can review the Cyprus situation. Cypriot Acting President Clerides is also expected to attend the meeting, which will probably take place shortly after the Greek elections on Sunday.

Makarios has reportedly instructed his followers in Cyprus to prepare for his return and to do nothing to upset internal order within the Greek Cypriot community.

Turkish Cypriot Vice President Denktash told the US ambassador that serious negotiations toward a political settlement would have to await the clarification of Clerides' role as negotiator for the Greek Cypriot side. Denktash said negotiations cannot be conducted with Clerides if it turns out that Makarios is calling the tune from behind the scenes once he returns to the island.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

President Koruturk named Sadi Irmak, an independent, as Turkey's prime minister, breaking an eight-week political stalemate. The 70-year-old former university professor will form a coalition government and prepare for elections, probably next spring or summer. Irmak's cabinet reportedly will include Ecevit's Republican People's Party, the Democratic Party, and the Republican Reliance Party.

Such a government will be virtually a caretaker regime. Although it will have a working majority--at least 240 seats and possibly some additional independent votes in the 450-member National Assembly--party differences, especially on economic matters, preclude any substantial new programs.

With elections only a few months away, all parties will be reluctant to make any concessions on Cyprus. Irmak's political independence, however, may leave him in a position to concede, whereas the leader of a single party might feel he could not afford to do so. This could be particularly true now that concern is growing in military and government circles that Turkey will lose US military aid unless substantial progress is made toward the Cyprus dispute.

FOR THE PRESIDENT ONLY

NOTES

Portugal: The Portuguese Communist Party appears to be increasingly expanding its influence and its base. The recent conversion of the Communist-dominated Portuguese Democratic Movement into a political party will allow it to attract votes the Communist Party would have lost to the Socialists and other center-left parties in the elections next March. The provisional government, which assumed control of the Portuguese news agency last week, has appointed a self-proclaimed Communist as its director.

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Iran: Oil receipts this year will jump by an additional \$900 million as a result of last week's agreement with the consortium of Western oil companies. This is the third agreement this year granting Iran higher revenues; essentially it gives Iran the benefit of earlier payments increases reached with other Gulf producers. Iran's oil receipts in 1974 now are likely to be about \$18.2 billion and should boost the balance-of-payments surplus to some \$9 billion. Consumers of Iranian oil should not pay higher prices because the oil companies had been paying lower revenues per barrel to Iran while selling oil at prevailing Gulf prices in anticipation of the Shah's demands. At least some of these funds were set aside in interest-bearing accounts.

Angola: Portuguese military forces in Luanda have been unable to stem the wave of violence that has spread through the capital since last week. As of Sunday, at least 50 persons had been killed. The new trouble involves racial clashes, looting, and skirmishes between supporters of rival insurgent organizations. At least one rebel group--the National Front for the Liberation of Angola--reportedly has put a number of its troops into the streets to help the military restore order. Further serious disorders are likely if the semi-autonomous military junta there cannot soon reimpose its authority.

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November 14, 1974

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FOR THE PRESIDENT ONLY

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Palestine: Yasir Arafat, in his UN address yesterday, hinted at compromise with Israel and Jordan. He hopes for a role in peace negotiations and eventual control of a Palestinian state.
(Page 1)

UN: The EC has made a representation to Arab representatives urging a moderate line in any resolution on Israel presented to the General Assembly. *(Page 3)*

Iraq-Iran: The possibility of larger scale fighting between Iraqi and Iranian troops is increasing.
(Page 4)

International Oil: Estimates of world oil reserves--excluding communist countries and OPEC members--are up 25 percent over last year. *(Page 5)*

Israel: Prime Minister Rabin will probably have to make concessions to Israeli labor to obtain acceptance of his stringent new economic measures. *(Page 6)*

Japan: US embassy firebombed. *(Page 7)*

Japan: [redacted]

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Note: Libya *(Page 10)*

FOR THE PRESIDENT ONLY

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PALESTINE

Yasir Arafat, in his address to the UN General Assembly yesterday, omitted the standard Palestine Liberation Organization threats against Israel, almost certainly in the hope of gaining a meaningful role in peace negotiations and eventual control of a Palestinian state.

Yasir Arafat yesterday asked the General Assembly to back the Palestinians' right to return to their homeland, determine their own future, and establish a National Authority on any Palestinian territory "from which Israeli occupation is removed." These points were drawn from a comprehensive policy statement approved by the Palestine Liberation Organization in Cairo last June, but Arafat declined to repeat the more radical planks of that platform.

Arafat also omitted the Palestinians' usual rejection of UN Security Council Resolution 242, which provides the legal basis for the Geneva peace talks, and he left out any denunciation of Jordan's King Husayn. These omissions almost certainly reflect the PLO leaders' current inclination to hint at compromise with Israel and Jordan and were designed to gain support for the Palestinians and to avoid giving offense to Israel's backers, particularly the US.

Because the Palestinians have no official status at the UN, Arafat did not offer a specific proposal for a resolution on the Palestine question. Such a proposal will be introduced later in the debate, probably by Egypt. Arab delegates are unanimous in their assessment that the Palestinians would be satisfied with a modest resolution that demands a Palestinian entity but recognizes--at least implicitly--Israel's right to exist. Such a resolution, they believe, would achieve two important objectives: win international recognition for the political rights of the Palestinians, and create a better image for the PLO.

The Arabs expect such a resolution to be passed by an overwhelming majority. They are hopeful the US will abstain. Debate on the Palestine question is expected to last until November 21.

(continued)

FOR THE PRESIDENT ONLY

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In an initial reaction to Arafat's UN speech, Israeli Prime Minister Rabin said it challenged Israel's very existence and was made on the assumption that Jews have no right to a state. Rabin emphasized, however, that Israel would continue the search for peace with the Arabs in every way--directly or indirectly.

Arab residents in the Israeli-occupied West Bank staged several demonstrations in support of the PLO yesterday. A general strike called for on the West Bank by PLO broadcasts to mark Yasir Arafat's UN debut met with only limited success, however, in the face of intensive Israeli pressure. The major exception came in Nablus--long a hotbed of anti-Israeli activity--where the strike was almost totally effective.

FOR THE PRESIDENT ONLY

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UN

The French--on behalf of the nine EC members--have made a representation to the Arab representatives in New York urging the Arabs to take a moderate line and to avoid calling Israel's right to existence into question in any resolution that is eventually tabled.

The Nine appear united in their continued support of Resolution 242 as the basis for any eventual Middle East settlement. The EC will also reportedly support the right of the Palestinians to self-determination, but only if the proposed resolution refers to the independence, sovereignty, and territorial integrity of all countries in the area as outlined by Resolution 242.

Despite the Nine's determination to avoid the differences that arose during the earlier vote to invite the Palestine Liberation Organization to address the Assembly, the self-determination issue may still split the EC countries. [redacted]

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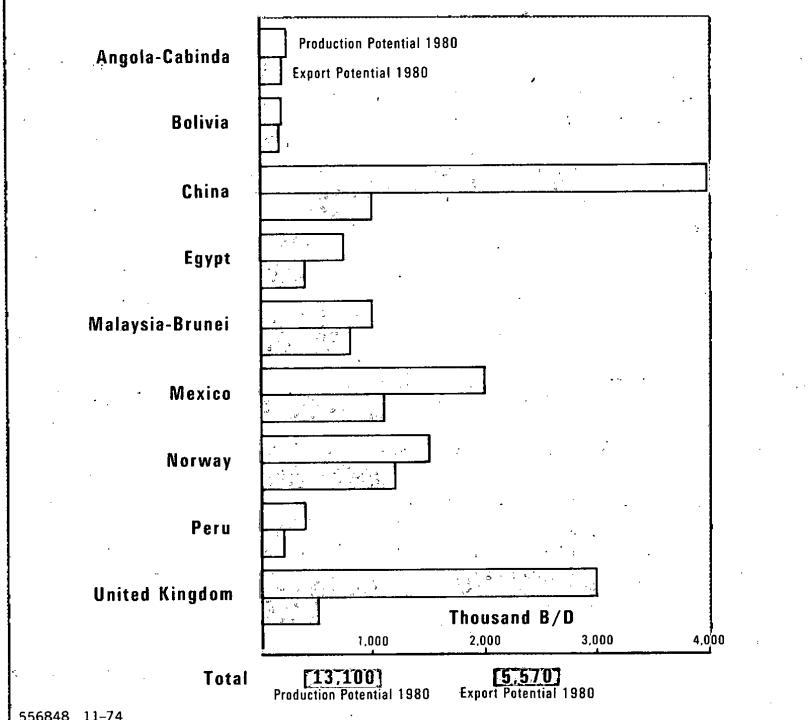
IRAQ-IRAN

The possibility of larger scale fighting between Iraqi and Iranian troops is increasing. In recent days Iraqi and Iranian artillery have fired on each other, and Iran has moved surface-to-air missiles into Iraq to defend its units there from Iraqi air attacks.

Iranian military activity inside Iraq has increased considerably since the first conventional air defense units crossed the border in midsummer. The trend has been toward more direct Iranian participation in the fighting as the Kurdish position has eroded. The Shah may soon have to consider whether greater military involvement would become so open as to cause him political problems.

About 80 percent of Iraq's ground forces are tied down fighting the Kurds, and Iraq could do little against Iran.

The Iraqis are trying to persuade other Arabs to intervene with the Shah. Last week they summoned Arab chiefs of mission in Baghdad to view an exhibit of captured Iranian military equipment in hopes of getting some action. An Arab League committee tasked with the study of Iran-Iraq relations was formed at the Rabat summit, but the other Arabs are anxious to preserve their own improved relations with Iran. Thus it is unlikely that the committee will be directed to expedite its mission in spite of the urgent appeals coming out of Baghdad.

Selected Non-OPEC Countries: Oil Production and Export Potential

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FOR THE PRESIDENT ONLY

INTERNATIONAL OIL

The estimate of total world oil reserves--excluding communist countries and OPEC members--has increased since late 1973 by at least 30 billion barrels, or 25 percent. Part of this increase is the result of accelerated exploration activity since the Arab oil embargo in October 1973. The remainder has resulted from normal exploration.

Altogether, new finds could potentially make an additional 5.5 million barrels per day--20 percent of present OPEC exports--available to international trade by 1980. Whether exports from these newly discovered deposits will actually reach such a figure, however, is contingent on the success of further exploration and the willingness of certain nations to export.

Major discoveries have been made in the North Sea, the South China Sea, and Mexico. Smaller discoveries have been made in Peru, Bolivia, Egypt (Gulf of Suez), and along Africa's west coast.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

Prime Minister Rabin will probably have to make concessions to Israeli labor to obtain acceptance of his stringent new economic measures. Labor's support is essential if the program, aimed at reducing Israel's huge trade deficit, is to have a reasonable chance of success.

Israel's national labor union, Histadrut, is holding out for a government commitment to raise the cost-of-living allowance to compensate for the abrupt and drastic increase in prices resulting from the lowering of subsidies on basic commodities and from devaluation. The government has already promised to work with the union to lessen the effects on low-income groups, large families, the elderly, and welfare recipients. The government insists, however, that acceptance of all the union's demands would seriously undermine the program.

Rabin's hand in the negotiations with Histadrut was strengthened when his ruling coalition held together in the Knesset, where his austerity program was approved on Tuesday by a vote of 59 to 41. There had been uncertainty as to the degree of support the economic program enjoyed within the government itself.

Protest demonstrations nonetheless continue, with brief strikes by communications, transport, and postal workers yesterday. Arab workers in the Israeli-occupied West Bank--which is closely linked to the Israeli economy--have also protested. Their per capita income is substantially below that of the Israelis.

FOR THE PRESIDENT ONLY

JAPAN

Approximately six members of the Marxist Youth League threw between 8 and 13 molotov cocktails at our Tokyo embassy shortly before noon today Tokyo time, possibly in protest against your visit and later trip to Vladivostok. No damage was done to the embassy, and no American personnel were reported injured.

Members of the same group also threw firebombs at the Soviet embassy, apparently with similar results.

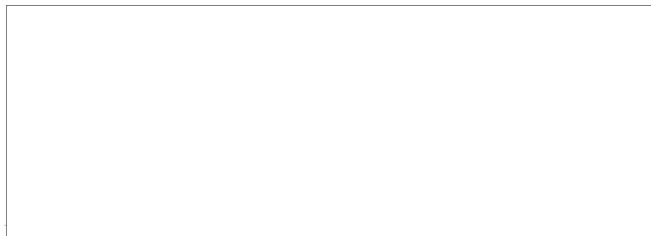
The Japanese government has officially apologized to the US and the USSR. Japanese police have arrested nine individuals, according to initial reports. The bombers have no known connection with the Japanese Red Army, a radical terrorist organization.

The embassy has tightened security, and Japanese riot police are supplying additional protection. Embassy officials report the situation is under control.

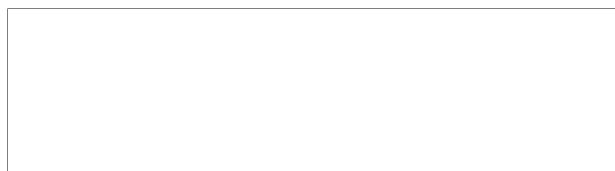
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JAPAN



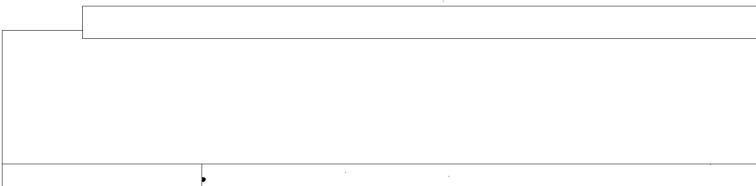
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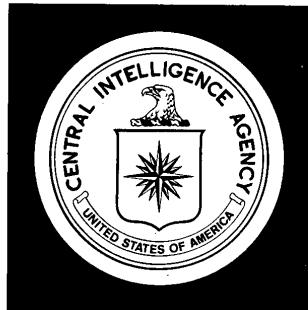
NOTE

Libya: President Qadhafi directed conciliatory statements toward his Arab neighbors this week in a speech before Libya's national party congress. Although occasionally critical of Arab strategy toward Israel, the Libyan leader generally stressed Libya's own needs and its desire to return to the Arab field. Qadhafi's performance suggests that he believes he can no longer bear the heavy political cost of openly pursuing a maverick course. Other Arab leaders will probably not be persuaded by his address, but they may believe prospects are improved for controlling their troublesome colleague.

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The President's Daily Brief

November 15, 1974

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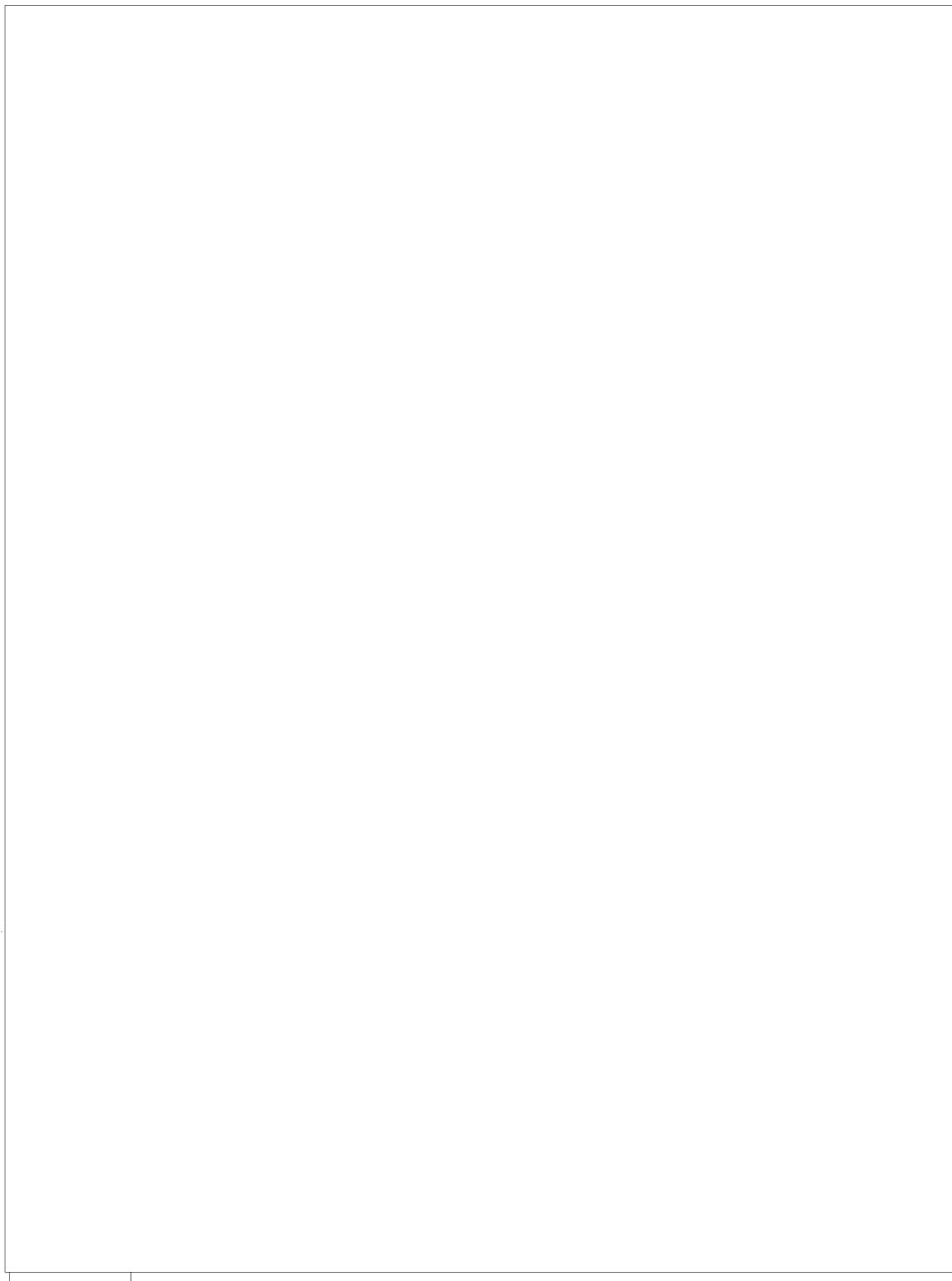
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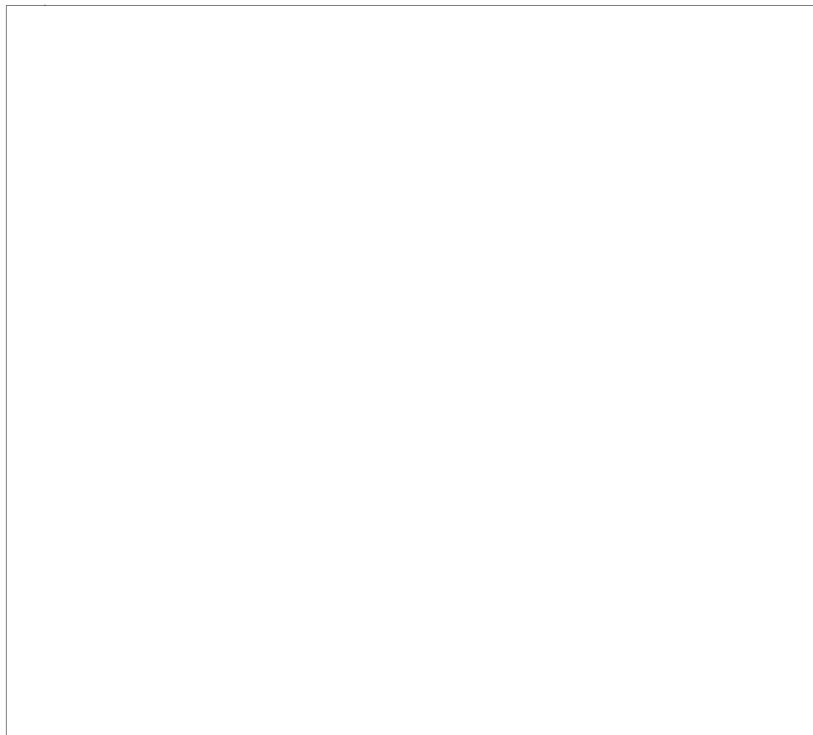
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FOR THE PRESIDENT ONLY

ISRAEL-SYRIA



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SOUTH KOREA

President Pak's opposition seems increasingly intent on forcing a confrontation prior to your visit in order to dramatize the repressiveness of the regime.

Opposition leader Kim Yong-sam and seven colleagues were detained briefly today after leading a small demonstration.

At a press conference yesterday, Kim renewed his party's demand for basic constitutional reforms, including direct popular election of the president. In view of the government's refusal to consider any such proposals, Kim said his party would immediately spearhead an extra-parliamentary struggle using "all methods" regardless of "sacrifices." Kim's press conference was given full coverage in Seoul's newspapers.

A strong speech by Kim in early October was followed by a surge of large-scale demonstrations by students and Christians, and this could happen again.



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GREECE

Greek voters go to the polls on Sunday in the first parliamentary election in a decade. Prime Minister Karamanlis and his conservative New Democracy Party are favored to win.

How wide a margin Karamanlis' party attains will determine how flexible the new government can be on Cyprus, NATO, and in relations with the US. The outcome will also have a significant effect on Greece's political structure, since the new 300-member parliament will be empowered to revise the constitution.

Fear of another right-wing coup will attract many voters to Karamanlis. Most Greeks recognize the difficult circumstances that existed when he took office and seem satisfied with the way he has handled the Turks and the Cyprus problem. Because of his previous eight-year term as Prime Minister, Karamanlis has developed into a symbol of better times and is viewed as a proven leader who has the experience to lead Greece out of its current troubles. Moreover, under Greece's proportional representation system for parliamentary elections, Karamanlis could get as little as 40 percent of the popular vote and still end up with an absolute majority in the parliament.

Karamanlis will probably get 40 to 50 percent of the vote. Should this fail to give him an outright majority in parliament, he will probably form a coalition with the centrist Center Union - New Forces led by George Mavros, which is expected to come in second. Such a coalition would be similar to the temporary government that took over this summer when the military stepped down.

[redacted] A coalition dependent on Center Union support might therefore prove unwieldy at times, but would probably keep Greece on a basically pro-West course and act responsibly on matters in dispute with Turkey.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Andreas Papandreou's leftist Panhellenic Socialist Movement is expected to come in third, close behind Mavros' party.

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The Communists are likely to win only about 15 percent of the vote.

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SAUDI ARABIA

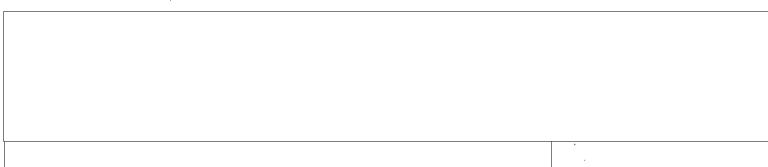


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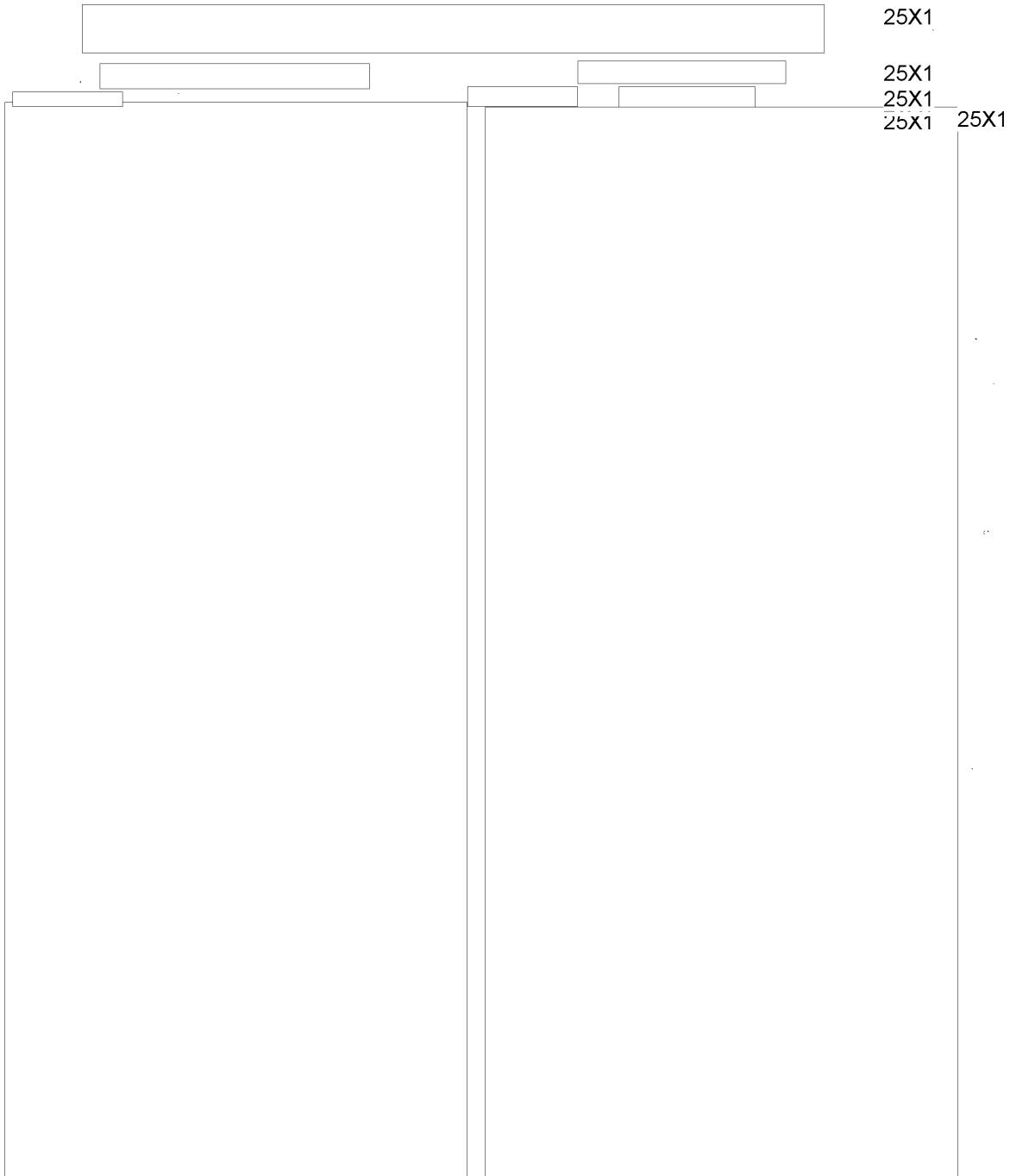
FOR THE PRESIDENT ONLY

NOTES

Portugal: Foreign Minister Soares' swing through Tunisia and Libya last week adds further evidence of Lisbon's interest in cultivating Arab goodwill. The Portuguese want to attract Arab investments and end the Arab oil boycott that began when the former Portuguese government allowed US planes to use the Azores base during the airlift of supplies to Israel in October 1973. Soares implied at a press conference in Tunis that the US could no longer count on the use of the Azores in the event of another round of fighting between the Arabs and the Israelis. He said that if this should occur, the Portuguese government would make a decision "in conformity with its interests." Minister Without Portfolio Vitor Alves adopted a similar line at a Brussels press conference, insisting that Lajes is a NATO base and "must be used in a NATO context."

Japan-China: Japan and China agreed yesterday to establish consulates in Osaka and Shanghai. No date was announced for opening the new missions. The agreement was reached during the current visit to Tokyo of a Chinese vice foreign minister, who also signed a Sino-Japanese shipping pact. According to Japanese press reports, the Chinese visitor also planned to discuss the question of starting negotiations for a Sino-Japanese peace treaty. The way was cleared earlier for such negotiations when Peking agreed not to introduce the troublesome issue of ownership of the Senkaku Islands, located midway between Okinawa and Taiwan.

USSR-Egypt: Soviet minesweepers have finished clearing the Strait of Gubal at the northern tip of the Red Sea, and will leave for home later this month. US clearing operations in the Suez Canal are expected to be completed by the end of the year.

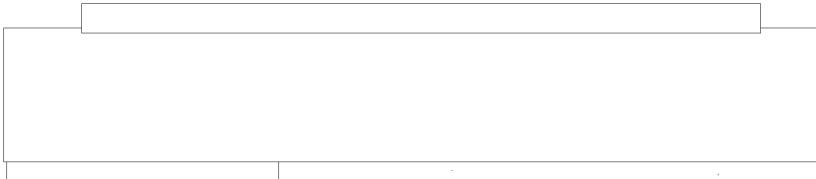


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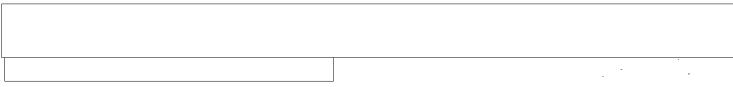
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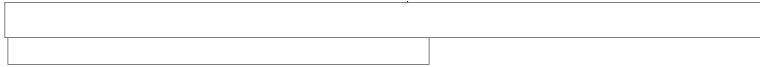
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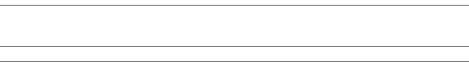
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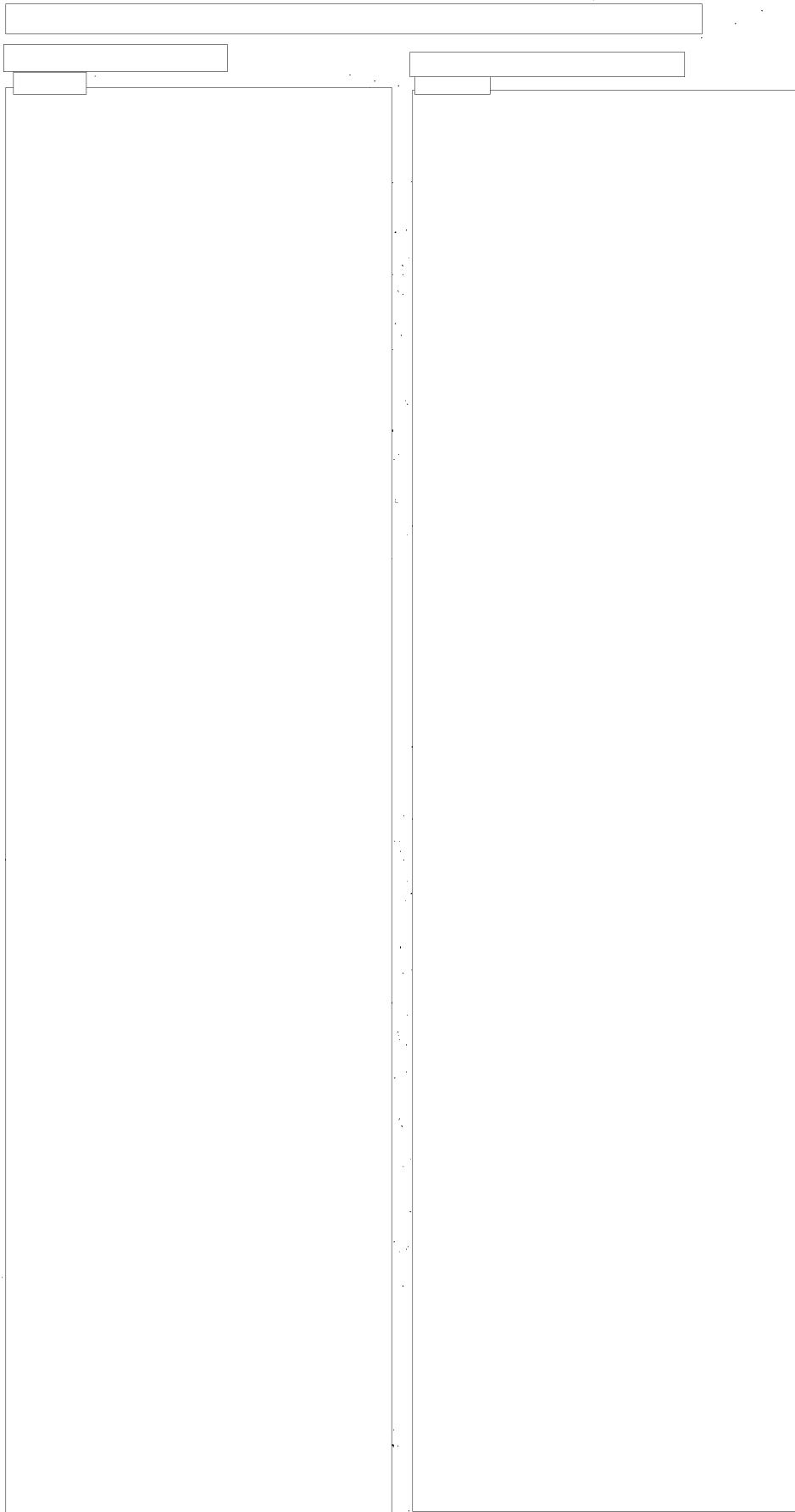
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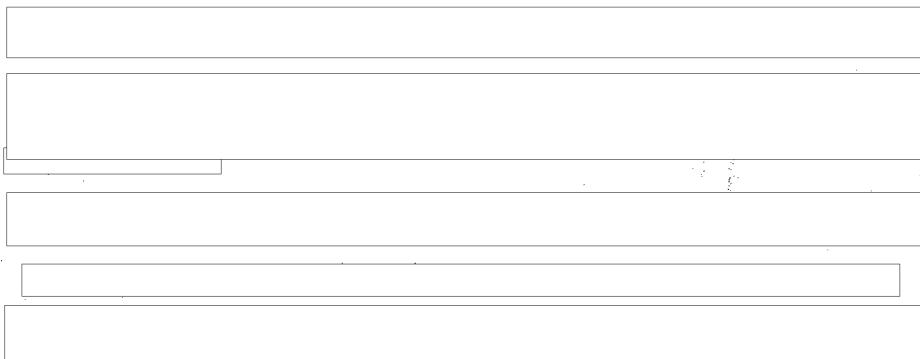
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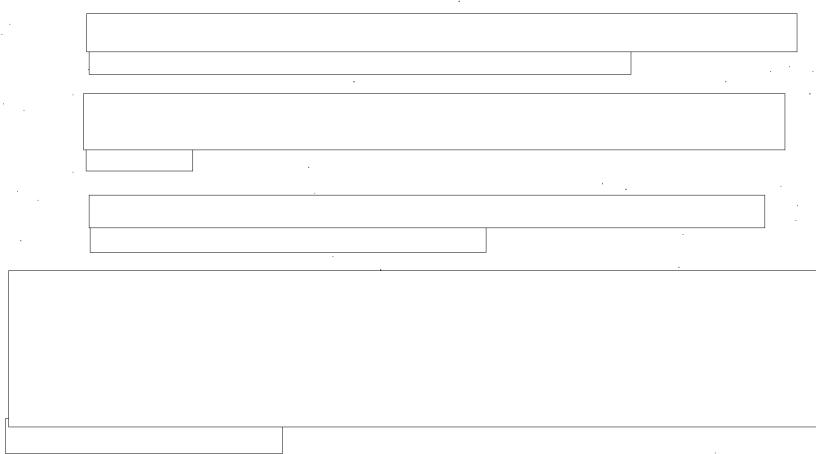
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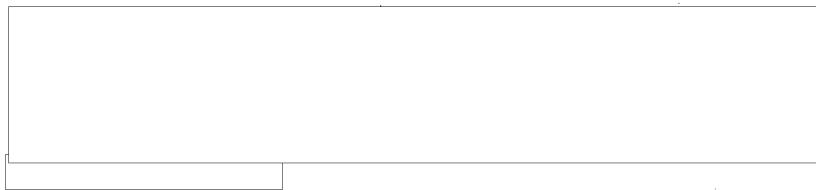
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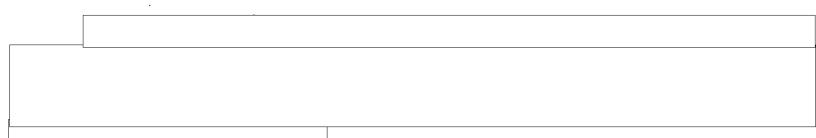
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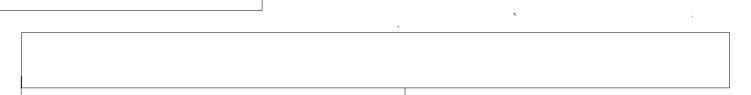
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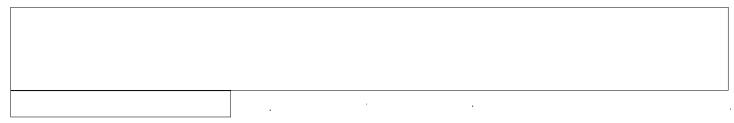


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The President's Daily Brief

November 16, 1974

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exemption category 3 (c) (1)(J), (2), (3)
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FOR THE PRESIDENT ONLY

November 16, 1974

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Middle East: There have been no hostile actions, but the sharp increase in military tension shows no signs of abating. (Page 1)

China: The appointment of Chiao Kuan-hua as foreign minister indicates the Chinese are trying to ensure the continuation of present foreign policies. (Page 2)

West Germany: Chancellor Schmidt's anti-recessionary program is still in the formative stage. (Pages 3 and 4)

Notes: USSR-China; Canada - South Korea; Libya; Portugal (Pages 5 and 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

There have been no hostile actions on either the Sinai or Golan fronts in the wake of the partial Israeli mobilization yesterday, but the sharp increase in military tension shows no sign of abating.

Syria gave official notice to Secretary General Waldheim on Thursday that it had irrevocably decided not to renew the mandate of the UN observer force when it expires on November 30. This action will heighten Israeli nervousness that the Arabs might be considering a resumption of hostilities. Israeli public statements over the past several weeks have studiously kept open the possibility that Israel might launch a preemptive attack if war seems unavoidable.

The callup is estimated to have involved 30 percent of Israel's reservists. The Israelis have advised US officials in Washington that they are taking limited precautionary steps because the Egyptians and Syrians have been observed making advanced preparations on their respective fronts.

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Tel Aviv seems particularly worried about Syria's intentions. [redacted]

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[redacted] According to a US military observer in Egypt, the number of Egyptian tanks east of the Suez Canal has "increased greatly" during this period.

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CHINA

The appointment of 61-year-old Chiao Kuan-hua as foreign minister is a sign that the Chinese leaders are trying to ensure that present foreign policies continue after Mao and Chou pass from the scene.

Chiao, who was the senior vice foreign minister, is a very close associate of Chou and has played a much more active role in foreign policy than the former foreign minister.

CPYRGHT

Chiao's appointment may also be a sign that the National People's Congress, which will go through the formality of ratifying such assignments, will meet soon. The congress has been put off more than once because of wrangling over personnel appointments; agreement may now have been reached on other new assignments in addition to Chiao's.

Presumably, Chiao will play a large role in talks later this month with Secretary Kissinger and act, in effect, as a stand-in for Chou En-lai. This would allow the ailing Chou to keep close personal control over the conduct of negotiations.

Chairman Mao, who is still at his residence in Hunan, will probably also have what amounts to a personal representative at the Sino-US talks. [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**WEST GERMANY**

Chancellor Schmidt's recent statements that West Germany will turn to an anti-recessionary program around the first of the year may have more political inspiration than economic content. The program to which he referred is apparently still in the formative stage and has not yet been coordinated within the government.

There is a great deal of disagreement about how stimulative a program to adopt. The finance and economics ministries are confident that real growth of 2.5 percent will be achieved next year without further stimulation of the economy. They reportedly want a program that looks good but is limited to granting tax breaks for investment expenditures.

The two ministries and the Bundesbank see little leeway for additional expansionary measures. A major fiscal boost will come from a cut in income taxes scheduled for January 1, 1975, and additional measures are already programmed to go into effect as employment and tax receipts slow.

Economic officials believe that a major relaxation of monetary policy would bring higher inflation. In addition, expanding the money supply would lower interest rates and lead to the movement of capital from the country and a lower exchange rate for the German mark.

Schmidt, on the other hand, says additional fiscal stimulus will be required to achieve even 2 percent growth next year. He is worried that rising unemployment, perhaps as high as one million this winter, will spell trouble for his Social Democrats at the polls.

The party has sustained a series of losses in state elections, most recently in Hesse and Bavaria last month. Party leaders want to reverse this trend in the four state elections next year, especially in May in heavily industrial North Rhine-Westphalia, West Germany's most populous state. The Social Democrats are also looking toward the balloting in November 1976 when a new Bundestag and chancellor will be chosen.

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Schmidt wants a program in hand by next month when he visits the US and also takes part in an EC summit meeting. He declared publicly earlier this week that Washington and Bonn have a joint responsibility to rally other nations in the fight against world inflation and unemployment. Other European leaders have been trying to persuade Schmidt to stimulate the West German economy in order to increase German demand for their exports. Schmidt will probably urge an expansionary economic policy on the US, as a way to help head off world recession.

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NOTES

USSR-China: Soviet Foreign Ministry official Mikhail Kapitsa told Ambassador Stoessel this week that China's recent statement about the Sino-Soviet border, proposing an agreement, was a "meaningless gesture" that merely restated Peking's position. Yesterday, Politburo member Kirilenko stated publicly that Moscow would continue to rebuff anti-Soviet slander but would remain ready to negotiate with Peking at any time.

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[redacted] Chinese diplomats have taken the line that the proposal merely reaffirmed a position long advanced privately, and they have implied that Peking was simply trying to seize the propaganda advantage from Moscow.

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Canada - South Korea: It is now doubtful that the Canadian government will decide to allow the sale of a nuclear reactor to South Korea. Canada is generally convinced of Seoul's desire to develop a nuclear weapons capability, even though Seoul has agreed to sign a safeguards protocol to the reactor sales agreement covering both the reactor and products developed through its use.

Libya: In reorganizing his cabinet earlier this week, President Qadhafi made only one significant new appointment. This was the naming of Major al-Munim al-Huni to the post of foreign minister--a position that had been vacant for nearly two years. Although first and foremost an Arab nationalist, al-Huni has more pragmatic views than his colleagues on inter-Arab and other international issues and seems more open-minded toward Washington. US officials in Tripoli believe that his appointment may improve US access to the Libyan leadership.

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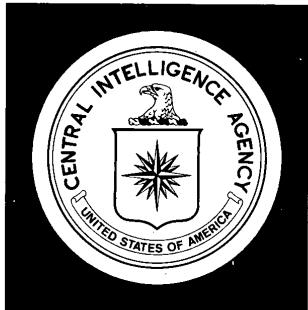
Portugal: Left-wing and moderate members of the Armed Forces Movement are in the midst of a showdown over economic policy that may bring down President Costa Gomes, Prime Minister Goncalves, and the government. The Armed Forces Superior Council, an advisory group formed late last month to coordinate military activity in the government, has demanded the dissolution of the Armed Forces Coordinating Committee. No military alert has occurred

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FOR THE PRESIDENT ONLY

November 19, 1974*

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Middle East: Tensions continue somewhat eased.
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Greece: Karamanlis' decisive electoral victory gives him a clear mandate to negotiate on Cyprus and to clarify Greece's relationship to NATO. (Page 3)

Turkey: The new government must still win a parliamentary vote of confidence. (Page 4)

Iran-USSR: The Shah is visiting the Soviet Union for the first time since 1972. (Page 5)

Note: Portugal (Page 6)

*Information as of noon EST November 18, 1974.

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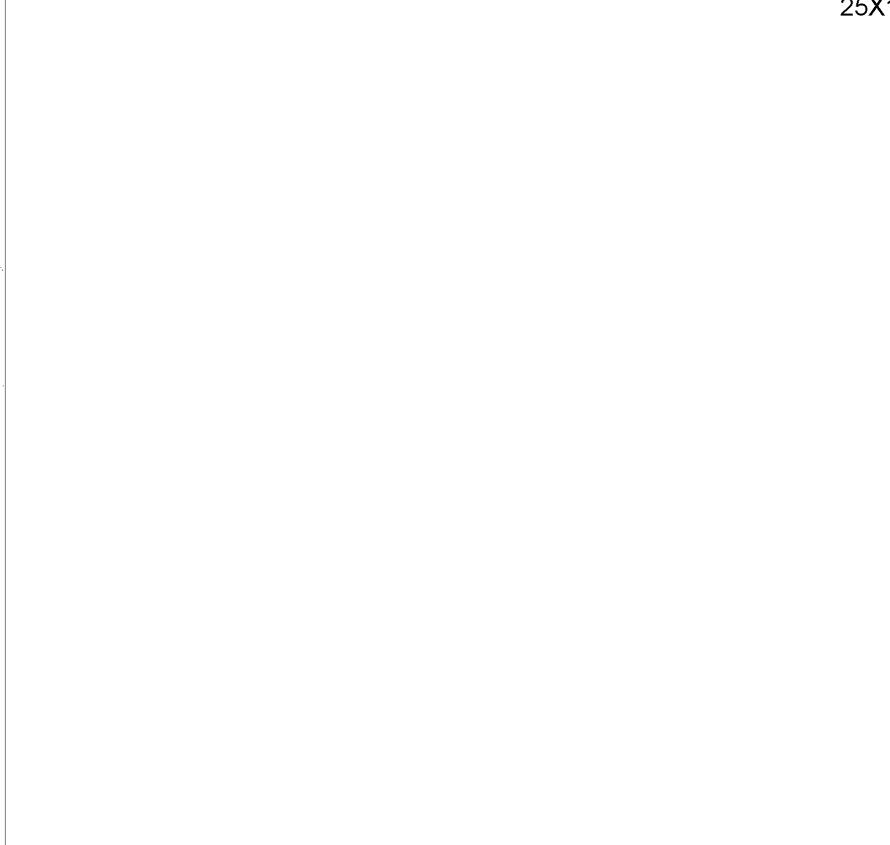
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MIDDLE EAST

Tensions continue somewhat eased in the area following public statements from officials in both Syria and Israel that their nations intend to abide by the cease-fire agreement. We have heard nothing further about UN Secretary Waldheim's request to President Sadat to intervene with Syrian President Asad on the subject of renewing the mandate for UN observer forces.

Militarily, both sides remain watchful. The Israelis have continued reconnaissance flights over Lebanon and the Egyptian cease-fire line, and Egyptian armed forces generally remain on alert.

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GREECE

Prime Minister Karamanlis' New Democracy Party won a decisive victory in the Greek election Sunday, polling about 55 percent of the Popular vote for a solid parliamentary majority. He should hold 214 seats in the 300-member parliament.

He considerably outdistanced his nearest rival--the Center Union New Forces led by George Mavros, which won about 20 percent of the vote. Andreas Papandreou's Panhellenic Socialist Movement claimed 13 percent and the United Left--a coalition of two communist parties and a former communist front group--about 9 percent.

Karamanlis now has the clear mandate he sought in order to negotiate on Cyprus and is in a position to clarify Greece's relationship to NATO. Although public opinion will continue to demand a "satisfactory" settlement of the Greek Cypriot refugee problem and a more independent, nationalistic approach on NATO, Karamanlis can afford to be more flexible on both issues.

The plebiscite on the monarchy, which is scheduled for December 8, is expected to result in a vote against restoration of the King. Once that has been held, Karamanlis will work to revise the constitution in favor of a stronger executive.

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TURKEY

Sadi Irmak, the independent designated last week to form a new government, assumed the post of prime minister Sunday. He heads a cabinet composed largely of specialists and other non-political figures, and must still win a parliamentary vote of confidence.

Leaders of the Justice and Republican People's parties have announced that they will decide whether to support Irmak after he has presented his program to parliament. Former Prime Minister Ecevit has said, however, that outgoing Foreign Minister Gunes will remain available to assist the new government on the Cyprus issue and other foreign problems.

Irmak's hopes of forming a "national coalition" with ministers drawn from all major parties apparently foundered over the timing of new elections, which now remains open. They still seem likely to come either in the spring or next fall.

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IRAN-USSR

The Shah traveled to the Soviet Union Monday for his first visit since 1972. The USSR's interest in strengthening economic ties with Iran will figure prominently in discussions. Other subjects are likely to be the Middle East and the Indian Ocean.

Discussions on the Indian Ocean probably would focus on the Shah's recent proposals for area security and economic cooperation; these are similar in some respects to the USSR's long-standing proposal for an Asian collective security arrangement. Moscow may again ask why the Shah supports US plans to expand the facilities at Diego Garcia.

Although relations between the USSR and Iran have improved, they remain far from cordial. The Shah distrusts Soviet activity in the Indian Ocean and worries about the Soviets' supplying military aid to Iraq and to South Yemen. The Shah justifies his own arms buildup by pointing to Iraq's unfriendly attitude toward Iran and to South Yemen's protection of leftist guerrillas who are trying to overthrow the Iranian-supported government of Oman. The Shah may well avoid these topics during his Moscow visit, however, since to raise them could invite Soviet questions about Iran's military assistance to the rebellious Kurds in Iraq.

FOR THE PRESIDENT ONLY

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NOTE

Portugal: Tensions in Lisbon appear to have subsided, at least for the time being, as members of the Armed Forces Movement try to reconcile moderates and militants among their colleagues. Moderate Portuguese military officers demanded last week that the leftist-influenced Armed Forces Movement Coordinating Committee be disbanded.

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exemption category: S(k)(1), (3)(i), (3)
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FOR THE PRESIDENT ONLY

November 20, 1974*

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Middle East: Military activity at low level, but
Israelis likely to retaliate for terrorist
attack early this morning. (Page 1)

Western Europe--Oil: Reaction generally favorable
to Secretary Kissinger's recent proposals.
(Page 3)

United Nations: Procedural maneuvering could affect
outcome of debate on Cambodia and on con-
tinuation of UN Command in Korea. (Page 5)

Saudi Arabia: Recent death of minister of state
for foreign affairs may complicate relations
with US. (Page 6)

Notes: North Vietnam; Argentina; Cyprus-Greece;
Palestinian Terrorists; USSR; France; Canada-
France; Ethiopia. (Page 7)

*Information as of noon EST November 19, 1974.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

Military activity was at a generally low level yesterday.

The Israelis flew several reconnaissance missions along the Suez Canal, but [redacted] no unusual reconnaissance along the border with Syria and Lebanon.

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Some Egyptian air force and navy reservists began reporting for active duty on November 16. Some commando reservists were recalled "for training" for only a two-week period from November 6, and the navy reservists called up last week are scheduled for demobilization on Friday. The call-up probably involves all branches of the armed forces, but apparently is limited to personnel discharged from active duty in May of this year. Egyptian reservists are periodically called up for one or two weeks active duty training.

In Syria, there does not appear to be any unusual military activity, according to the US embassy. Western diplomatic personnel touring the countryside over the weekend encountered generally normal levels of military activity.

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Israel-Fedayeen

The four Palestinian terrorists who seized an apartment house only four miles from the Jordanian border yesterday morning apparently hoped to take hostages to exchange for Arab prisoners held by the

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Israelis. Before Israeli troops stormed the building and killed the guerrillas, three Israeli civilians were killed and a number wounded. The Popular Democratic Front for the Liberation of Palestine (PFLP), a Marxist-oriented group that has aligned itself with PLO leader Yasir Arafat, has claimed credit for the attack.

The Israeli government will be under intense pressure to react to the attack. Despite the fact that the operation was mounted from Jordan, an Israeli retaliatory attack is most likely against fedayeen bases or Palestinian refugee camps in Lebanon. Following the PFLP attack on Maalot last May, the Israelis responded with heavy airstrikes on two refugee camps.

The Israelis are aware that the Jordanians have consistently attempted to intercept guerrilla bands crossing Jordan to mount operations into Israel or the Israeli-occupied West Bank. An Israeli warning strike into Jordan cannot, however, be ruled out.

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WESTERN EUROPE--OIL

The major Western European states are reacting favorably to most of Secretary Kissinger's recent proposals for cooperation among oil-importing countries. They are also showing interest in the French suggestion for a conference of oil producers, oil consumers, and developing states.

The French reaction to the US proposals has been particularly interesting. Paris has come out against speculation in the French press that the US initiative amounts to outright rejection of France's own plan. A French foreign ministry official has told a US embassy officer that the French have decided to give primary attention to the parts of Secretary Kissinger's recent speech that are consistent with French views; he stressed that Paris wants to keep the door open to a producer-consumer conference. The official said Paris would put aside plans for a preparatory meeting this month, but would continue to seek agreement on holding a producer-consumer conference.

West German Foreign Minister Genscher has endorsed the US proposals. In a recent speech in Bonn, Genscher laid particular stress on energy conservation measures, but implicitly warned that it will be more difficult for Europe to trim energy consumption than for the US.

Genscher re-emphasized Bonn's commitment to finding international solutions to problems caused by the increased cost of energy. He gave strong support to the French proposal for a conference and reminded his audience of the call for a producer-consumer conference made in the final communique of the Washington Energy Conference last February.

British reaction to the US proposals has been similar to that of the West Germans and the French. EC Finance Ministers also discussed the Secretary's speech at their meeting in Brussels on Monday and decided that the recycling proposal would be one of the issues taken up at next month's summit of EC leaders.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

There has been little specific reaction to the proposal to set up a \$25 billion fund to provide loans to oil-importing states suffering serious balance-of-payments problems. West European governments are apparently awaiting further details.

FOR THE PRESIDENT ONLY

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UNITED NATIONS

Procedural maneuvering over the timing of debate on Cambodian representation and on continuation of the UN Command in Korea could affect the final vote of these issues.

General Assembly President Bouteflika wants consideration of Cambodian representation moved up to come immediately after the Palestine debate concludes later this week. He is trying to capitalize on the atmosphere created by the debate on the Palestinian and South African questions.

Bouteflika's proposal would delay the Korean debate until after that on Cambodia. A victory for Sihanouk in the assembly could in turn be exploited to obtain the votes necessary for a resolution favorable to North Korea.

The chairman of the political committee and supporters of South Korea are so far resisting Bouteflika's efforts. The political committee earlier had set November 25 for the beginning of debate on the Korean question. That debate was expected to end by early December, after which Cambodian representation would have been taken up.

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SAUDI ARABIA

The death last week of Omar Saqqaf, Saudi minister of state for foreign affairs, may have significant repercussions on King Faysal's handling of foreign relations and, in particular, on the extent of US influence within the country. Over the past year, Saqqaf had become an advocate of Secretary Kissinger's approach to a Middle East settlement and apparently was able to modify Faysal's personal inclination to press for immediate satisfaction of the Arabs' maximum demands.

Saqqaf believed Saudi interests lay in close ties with Washington, and he was often able, according to Ambassador Akins, to sell US policies to the King. Saqqaf also saw to it that US views were given a hearing in Arab councils, where he acted as a voice of moderation.

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The King will have difficulty finding a capable replacement for Saqqaf

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Interior Minister Prince Fahd reportedly has asked for the job; he would want to be foreign minister, not merely minister of state. (Faysal himself is presently foreign minister as well as prime minister.) Petroleum Minister Yamani has similar ambitions, and Ambassador Akins believes Yamani may get the post. His accession would probably leave the petroleum ministry to the King's son, Saud, one of the most competent of the younger generation. In any case, Faysal would continue to call the shots on key issues, but day-to-day decision making will become even more complicated, at least for a while, in the absence of Saqqaf.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

North Vietnam: Hanoi is conducting its second conscription drive in four months. Probably few of the new conscripts will be ready to move south until early 1975. According to propaganda and intercepted messages, the latest induction campaign began in mid-October. It appears to be widespread, but there is no reporting suggesting any urgency about the drive. This campaign and the one that preceded it in late summer should provide Hanoi enough manpower to sustain a moderate to heavy flow of troops to the South during the dry season which has just begun.

Argentina: Leaders of the two principal leftist terrorist groups reportedly have decided to attack US embassy personnel in retaliation for their alleged support for the activities of right-wing death squads. This decision was reached at a high-level meeting last week. The terrorists involved have demonstrated that they are capable of carrying out such attacks; US Ambassador Hill has been informed.

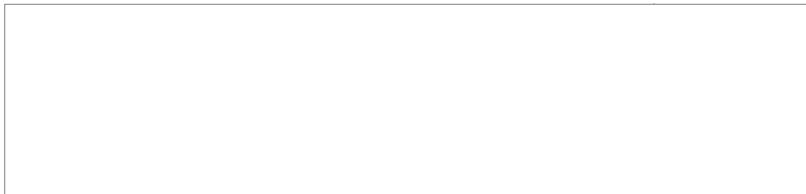
Cyprus-Greece: Acting Cypriot President Clerides will reportedly meet with Makarios in London on November 20. Clerides is expected to urge Makarios to postpone his return so as to avert clashes such as the one last week in Larnaca between pro and anti-Makarios camps. Clerides will also want to clarify his own status as negotiator for the Greek Cypriot side. The timing of Makarios' return will probably not be decided until next week's summit in Athens between the two men and Karamanlis. The Greek prime minister's landslide victory in Sunday's election has strengthened his hand considerably in dealing with Cyprus; he is now in much better position to put pressure on Makarios to delay his return.

Palestinian Terrorists: The 15 terrorists arrested in Rabat last month for planning to kill Jordan's King Husayn and other top leaders at the Arab summit are now in a Cairo jail, according to a pro-fedayeen newspaper in Beirut. Moroccan authorities got rid of the group last week, rather than risk another attack by Black September terrorists to free their colleagues. The Beirut newspaper said that the terrorists were to be turned over to the Palestine Liberation Organization, but that they were arrested by the Egyptians upon arrival in Cairo. In refusing to turn them over to the PLO, Egyptian authorities have explained that President Sadat has a personal interest in the case. And well he may. According to some accounts, Sadat was among those marked for assassination in Rabat.

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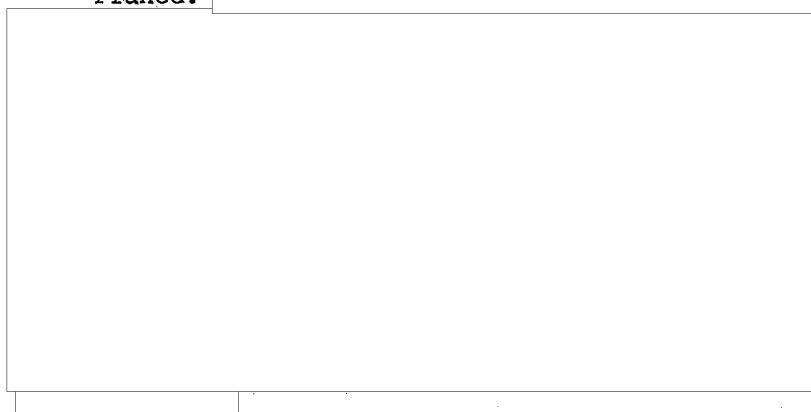
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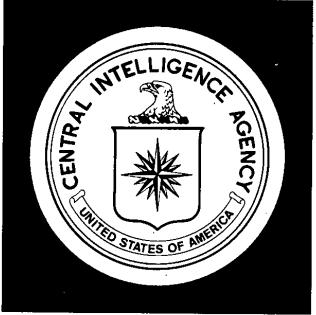
Canada-France: The two countries have agreed in principle to build a uranium enrichment plant in Canada, probably using cheap hydroelectric power from Quebec and French gaseous diffusion technology. Canada uses natural uranium in its nuclear reactor program, so the plant would probably produce only for export. The French see the new plant as a secure source of enriched uranium and one which would lessen their dependence on the US as a supplier.

Ethiopia: General Aman twice threatened to resign over the weekend but has been persuaded to stay on by members of the Armed Forces Coordinating Committee. Aman has had differences with members of the committee over how to respond to the recent US decision to grant additional credits for military assistance and how to deal with insurgency in Eritrea. The coordinating committee probably urged Aman to stay because it values him as a unifying symbol, but it nonetheless considers him essentially a front man and his relations with the committee remain tenuous.

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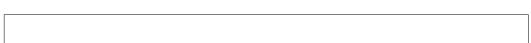


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November 21, 1974*

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Middle East: Military activity in the Middle East remained at a low level yesterday. (Page 1)

North Vietnam: The annual dry season infiltration of men and materiel into South Vietnam appears to be under way. (Page 3)

South Korea: [redacted] 25X1

[redacted] (Page 4) 25X1

USSR: The Soviets are promoting the formation of joint fishing companies with coastal states to reduce the impact of 200-mile fishing limits. (Page 5)

Portugal: The conflict between leftist and moderate members of the ruling Armed Forces Movement has taken on a new dimension. (Page 6)

Notes: China (2); USSR (2); Iraq-USSR-Iran; USSR-Spain; Italy. (Page 7)

*Information as of noon EST November 20, 1974.

FOR THE PRESIDENT ONLY

MIDDLE EAST

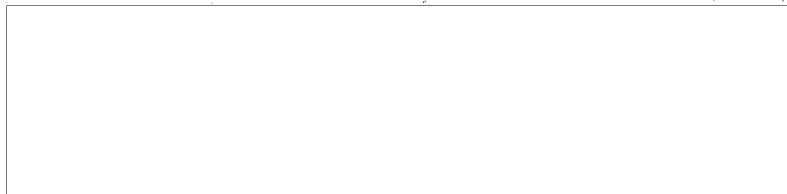
Military activity in the Middle East remained at a low level yesterday.

Only two Israeli reconnaissance flights were flown along the Suez Canal yesterday morning. There were no indications of any Egyptian reaction to these flights.

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NORTH VIETNAM

The annual dry season infiltration of men and materiel into South Vietnam appears to be under way.

As many as 18 infiltration groups are slated to move south between November 15 and December 21. All but 500 of the 10,000 troops involved are earmarked for the southern half of South Vietnam. Last year during the October to June period about 50,000 men were dispatched to the central highlands and southern South Vietnam to replace those lost in the spring and summer fighting.

North Vietnamese logistics units have started moving large amounts of weapons and ammunition, with several thousand tons of ordnance and other supplies shipped into South Vietnam in the past few weeks.

For the first time, the North Vietnamese have shifted part of the Military Region 559 headquarters, which controls supply shipments, into northern South Vietnam. This move indicates a sustained heavy supply flow through the area. Coming shipments are to include over fifty 130-mm. field guns, 600 mortars, and thousands of rounds of artillery ammunition.

SOUTH KOREA



USSR

The Soviets are promoting the formation of joint fishing companies with coastal states to reduce the impact of 200-mile fishing limits being imposed by many nations.

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[redacted] Soviet officials have contended that if the trend toward a 200-mile economic zone continues, half the Soviet fishing fleet--the world's largest--would be idled. Last year the Soviets caught about 9 million tons of fish, probably at least half within 200 miles of foreign shores. Fish supply some 15 to 18 percent of Soviet animal protein consumption.

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The Soviet Ministry of the Fishing Industry is proposing that a West European fishing engineering firm participate with the Soviets in the formation of joint ventures with coastal states. The Soviets would supply vessels and crews and would be willing to operate under the coastal state's flag. Fifty-one percent of the joint company would be owned by the host government with the remainder divided between the Soviet Fishing Ministry and the West European firm, which would manage the enterprise.

Proposals of this kind may also be offered to the US, Canada and Scandinavia, whose coastal waters provide a substantial portion of the Soviet catch.

PORUGAL

The conflict between leftist and moderate members of the ruling Armed Forces Movement has taken on a new dimension, as each faction maneuvers to put one of its own in position to succeed Prime Minister Goncalves.

There are reports that Goncalves submitted his resignation last Friday because of failing health, and the Prime Minister is said to be taking a week's rest in northern Portugal. Several sources of the US embassy have reported that he has been under severe mental strain and may be on the verge of a nervous breakdown.

In the past, common opposition to former President Spinola served to unite the young officers of the Movement and generally kept their differences below the surface. Since Spinola's ouster, the moderate majority has refused to be led by left-wingers and has become more outspoken.

The political atmosphere in Lisbon is also troubled by rumors of fresh right-wing plotting against the provisional government. Leftist leaders have been able to use the concern generated by such reports to rally their supporters against the "greater danger;" Portuguese Communist leader Cunhal used this argument in a speech just last week.

There is every reason to believe that right-wing forces are trying to work out a strategy that would return them to power, but there is no sign of any intent to take action in the immediate future.

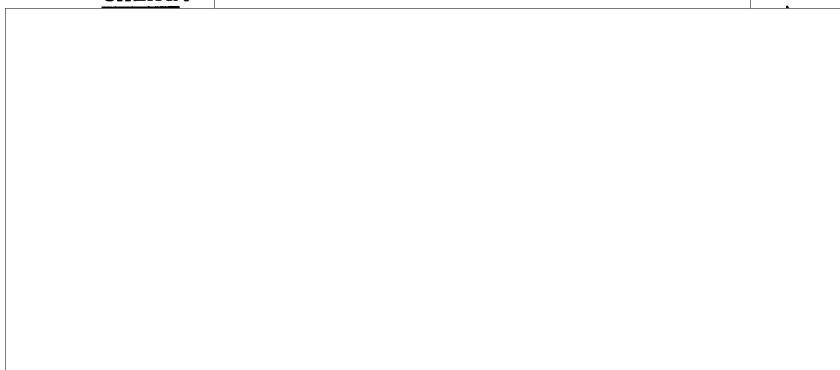
~~FOR THE PRESIDENT ONLY~~

NOTES

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China:

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China: The Chinese rejected an offer of US-origin scrap by a Japanese company earlier this month, maintaining their refusal to make new purchases of US steel scrap until the US fulfills contracts voided early this year by scrap export controls. China began to import scrap from the US in early 1973. When the US instituted scrap export controls in January 1974, Chinese contracts for 408,000 tons of scrap at prices 20 to 50 percent below current rates were annulled. Peking is likely to maintain its position at least until current high scrap prices recede and perhaps some compromise arrangement can be worked out.

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USSR: When the price of gold began its sharp rise in October--it hit a record high of \$190.50 on November 18--the Soviets increased the sale of gold from current production, which is about 285 tons a year. At the present rate, we expect sales for the year to total between 155 and 170 tons, roughly 800 to 850 million dollars. We believe the Soviets are simply taking advantage of the situation to build up their hard-currency reserves; they have no need to sell gold to pay for imports from the West since they will already be chalking up hard-currency trade surpluses this year and next.

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~~FOR THE PRESIDENT ONLY~~

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USSR-Spain: The Soviet and Spanish Communist parties have reached an accommodation which the Spanish Communists hope will give them a better chance to play a role in post-Franco Spain. The example of Portugal and Franco's advancing age seem to have convinced the Soviets of the advisability of mending fences with the Spanish party, which has criticized Soviet actions in the past. During talks last month with Spanish Communist leaders in Moscow, the Soviets promised to withhold further support from a dissident faction of the Spanish party. In addition, Moscow publicly endorsed the efforts of Secretary General Carrillo to promote formation of a united front with other opposition groups. The Spanish party is outlawed in Spain; Carrillo operates from exile in Paris.

Italy: The small Republican Party has agreed to join Aldo Moro's Christian Democrats in a two-party coalition government, with the Socialists and Social Democrats agreeing to provide the coalition with a parliamentary majority. Moro hopes to make a later attempt to revive the four-party coalition, but in any event will try to keep the lid on inter-party conflicts until nationwide local elections are held next June. Moro faces a serious fuel shortage this winter; it is probable that there will be electric power rationing, which will also create difficult political choices in allocating power between industry and other consumers.

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The President's Daily Brief

November 21, 1974

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declassified under appeal of
the Director of Central Intelligence

November 22, 1974*

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25X1

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(Page 8)

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step toward organizing major exporters of
natural gas under OPEC auspices. (Page 9)

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*Information as of noon EST November 21, 1974.

FOR THE PRESIDENT ONLY

VIETNAM

We have new information on Communist military intentions in Vietnam. What follows is an assessment by the intelligence community.

The Communists are preparing to launch a new round of heavy fighting next month

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Recently issued COSVN instructions for 1975 outline a Communist dry season campaign running through June, which could amount to the most serious military test for Saigon since the cease-fire.

These instructions call for widespread and heavy action, apparently to achieve a maximum shock effect, throughout much of the South Vietnamese countryside during the "first days" of the campaign. Subsequent action is to be concentrated in a relatively few "vulnerable" areas. The instructions emphasize that the campaign must get under way as soon as possible--between early and late December--in order to maintain the element of surprise and pre-empt any possible government dry season attacks.

Our Assessment

The COSVN guidelines appear to prescribe a level of fighting during this initial phase below that of the 1972 offensive. They suggest, however, that the Communists may be prepared to commit the forces and firepower already in the South more fully than they did during last summer's fighting in the hopes of achieving some quick and dramatic victories.

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The COSVN guidelines do not cover Hanoi's military plans for northern South Vietnam

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The Communists probably would be able to make and sustain major gains in only one area--the central highlands. The North Vietnamese could probably isolate and bring heavy pressure to bear on either Kontum City or Pleiku City, should they choose to make the effort. Communist forces elsewhere in central South Vietnam could tie down government forces by threatening population centers along the coast.

[Redacted]

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Fighting of the magnitude described in the COSVN guidelines would appear to be within the framework of the strategy Hanoi adopted toward South Vietnam following the cease-fire.

[Redacted]

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The COSVN instructions and an analysis of current North Vietnamese propaganda strongly suggest

(continued)

that Hanoi still hopes to use the cease-fire accords to its ultimate advantage rather than return to a total war posture and commit strategic reserve forces to an all-out offensive in the South.

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The North Vietnamese leaders have almost certainly decided that a further, if still measured, increase in military action would serve to encourage popular agitation in the South. North Vietnamese propaganda has indeed begun to talk about the need for "encouragement" of the "urban struggle" through military victories.

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The COSVN guidelines do not forecast that victory in the South can be achieved in 1975.

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USSR

General Secretary Brezhnev has left Moscow for his meeting with you this weekend.

Accompanying him were Foreign Minister Gromyko, Civil Aviation Minister Bugayev, Ambassador Dobrynin, Brezhnev's foreign policy adviser Aleksandrov, Tass director and press spokesman Zamyatin, and Georgy Korniyenko, the Foreign Ministry's chief expert on the US.

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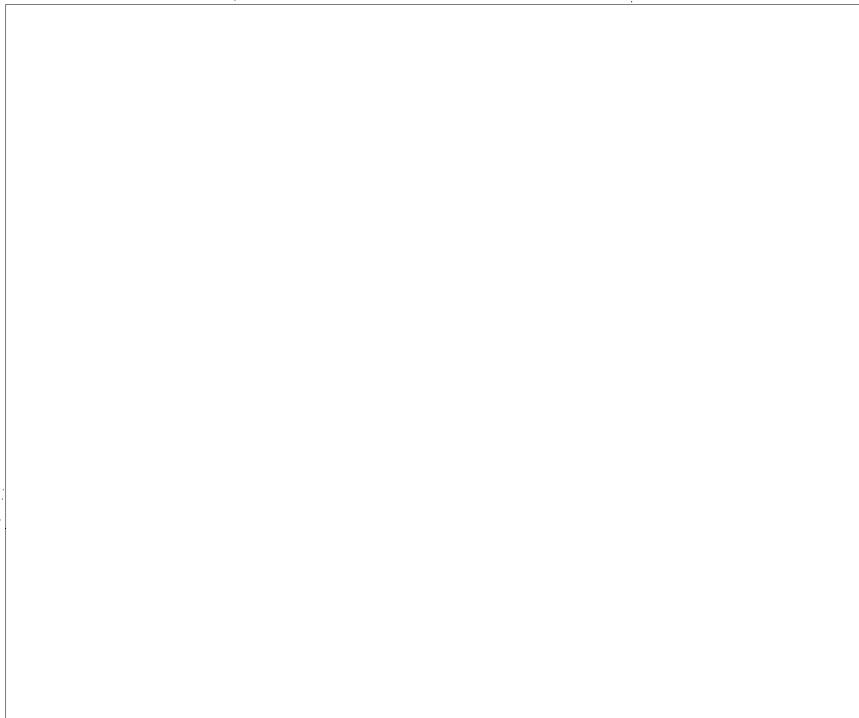
Brezhnev interrupted his flight to Vladivostok for a stop in Khabarovsk, a major city on the Chinese border, where he held a meeting on November 21 with the party chiefs of all the principal Far East regions, except the region that includes Vladivostok.

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Meanwhile, Soviet media continue to play up the importance of the Vladivostok meeting for bilateral relations and for international detente. Moscow has reported your expressed hope for further progress at the summit on strategic arms limitation.

USSR

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USSR-FEDAYEEN

The Soviets are seeking to dissociate themselves from the more extreme demands voiced by fedayeen leader Yasir Arafat during his UN appearance.

While the USSR has given favorable notice to Arafat's appearance at the UN, it has avoided any hint of endorsing the maximum demands of the Palestine Liberation Organization and has reaffirmed the less extreme Soviet position.

The Soviets have:

- Obscured Arafat's call for a secular, united Palestine and attributed to him a position implicitly acknowledging Israel's existence.
- Emphasized in a variety of ways their views that a Middle East settlement should be based on the May 1967 boundaries and on Israel's right to exist.
- Suggested that a Palestinian state be established on territories occupied by Israel in June 1967.

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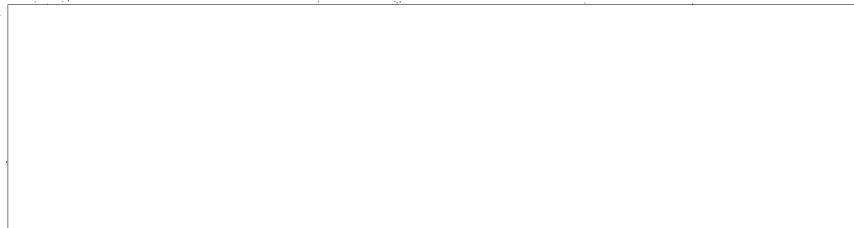
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USSR

Production of raw sugar may fall 25 percent below Soviet requirements this year as a result of a much poorer sugar beet harvest than was forecast earlier. The Soviets may be able to produce only 9 million tons of raw sugar, about 6 percent less than last year.

The USSR normally makes up shortages by importing sugar from Cuba, but the Cubans this year can provide only about 85 percent of Soviet needs. Rumors abound that the Soviets are buying other foreign sugar. No such purchases have been verified, but such rumors are helping drive up world sugar prices.

Sugar consumption in the USSR, which has doubled since 1960, will not be discouraged by current high world prices. Moscow has not changed domestic consumer prices, except for a few luxury items and vodka, for a decade and almost certainly will not change the price of sugar at this time.



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FOR THE PRESIDENT ONLY

GAS CARTEL

Algeria and Iran have taken the first step toward organizing major exporters of natural gas under OPEC auspices.

Early this month Iranian and Algerian experts worked over the fine points of a high-level agreement reached earlier on coordinated action in the marketing of natural gas.

If they act together, the two countries would be a strong force in negotiating gas prices, as they control the major share of Middle East reserves. Iranian gas reserves may be the largest in the world. This could bite Moscow, because almost all of Iran's current natural gas exports go to the USSR.

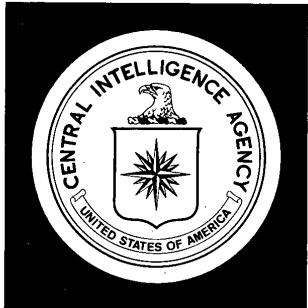
The Iranians and Algerians apparently want to bring other gas producers into their scheme and may bring the matter up at an early OPEC meeting. Such current or prospective gas exporters as Libya, Indonesia, and Nigeria would probably be interested.

NOTE

Israel - Arab States: Israel may be getting ready to retaliate for Tuesday's terrorist attack on Beit Shean. [redacted] aircraft flew what appeared to be reconnaissance missions over southern Lebanon this morning. In addition, Israeli naval vessels were spotted on two occasions yesterday off the Lebanese coast.

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November 22, 1974

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FOR THE PRESIDENT ONLY

November 23, 1974*

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Greece: The new government is made up of older technicians and veteran politicians drawn only from Karamanlis' New Democracy Party. (Page 3)

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*Information as of noon EST November 22, 1974.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

*UN Secretary General Waldheim will leave
New York today for Damascus, Cairo, and
Jerusalem.* [redacted]

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE

The new government formed by Prime Minister Karamanlis is made up of older technicians and veteran politicians drawn only from his New Democracy Party.

It is a cabinet unlikely to challenge Karamanlis' authority. Holdovers from the previous cabinet include Foreign Minister Bitsios, a career diplomat, and Minister of Defense Averoff and Minister of Public Order Gikas, both of whom have good relations with the military. The key economic ministries are held either by technicians or by politicians without previous ministerial experience; this suggests that Karamanlis will take the lead in this area.

The opposition parties that Karamanlis defeated so handily have fallen to bickering with one another. The communist United Left and former foreign minister George Mavros' coalition claim that Andreas Papandreou's new Panhellenic Socialist Movement stole their constituency on the left. Papandreou's group, which received 13 percent of the vote, has accused the others of contributing to New Democracy's victory by giving Karamanlis moral support.

The US embassy believes that Papandreou's reckless rhetoric during the final week of the campaign drove undecided middle class voters into the Karamanlis camp. Papandreou's political future does not seem promising; his constituency is now almost exclusively among students, radicalized workers, and intellectuals.

FOR THE PRESIDENT ONLY

USSR-IRAN

The joint statement issued following the Shah's departure from Moscow on Wednesday indicates the two countries failed to narrow their differences on some basic issues.

The key to this is the "spirit of frankness" said to have characterized the exchange of opinions on the Near and Middle East situation. We think this formulation applies specifically to the Kurdish conflict and resultant Iraqi-Iranian frictions.

The Shah endorsed detente, early resumption of the Middle East peace conference, and Soviet efforts to set up an Asian security system. The Soviets, in turn, agreed with the Iranians that questions pertaining to the Persian Gulf should be solved by the countries of the area.

Bilateral cooperation in economic and scientific matters received positive treatment, but no details were given beyond the statement that agreement in principle was reached on certain "big cooperation projects."

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Middle East: [redacted]

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Cyprus: Acting President Clerides announced in London on November 21 that he will meet with Archbishop Makarios and Greek Prime Minister Karamanlis in Athens between November 28 and 30. Clerides also said that Makarios will return to Cyprus the first week in December. In Athens, the three men will discuss Makarios' return to Cyprus, the negotiations, and what role Clerides will play in negotiations.

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Japan: [redacted]

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November 24, 1974*

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Notes: USSR-Japan-US; Ethiopia; Australia. (Page 5)

*Information as of noon EST November 23, 1974.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

UNITED NATIONS

The UN will probably take up the Cambodian and Korean questions simultaneously on Monday.

The Cambodian issue will be debated in the General Assembly and the Korean question in the political committee. This will be the first time two important regional issues are debated at the same time.

Assembly President Bouteflika and Sihanouk's backers have insisted that the Cambodian question be pushed forward to an early debate and vote. The vote will be extremely close on the crucial issue of priority for the counterresolution initiated by Phnom Penh's supporters. Much depends on the vote of still wavering Arab states.

There are rumors that an effort may be made to invite Sihanouk to take part in the debate. His supporters probably recognize, however, that time-consuming deliberations would undercut the drive for an early vote on Cambodia.

Chances are good that the two conflicting resolutions on Korea will be passed by the political committee. North Korea's supporters want the withdrawal of "all foreign troops stationed in South Korea under the flag of the UN." South Korea's friends advocate Security Council review of the entire issue of Korean peacekeeping before any move is made to terminate the UN military role in the peninsula.

If both resolutions pass, the UN will have failed for the first time since 1950 to speak with a clear voice on the Korean issue, and it will be up to the General Assembly to sort out the matter.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - EC

The Arabs are attempting to enhance the status of the Palestine Liberation Organization by exploiting the strong desire of the EC for a broad dialogue on economic cooperation. They are threatening, in effect, to scuttle the nascent dialogue unless the PLO is permitted to attend the talks.

The Arabs have told the EC that they are "not ready" to hold what was to have been the first meeting of the EC-Arab general committee. The session had been scheduled for next Tuesday in Paris.

The Nine had failed to reach agreement earlier on a common response to an Arab request that the PLO be granted observer status. In addition, on Friday the EC countries abstained during the UN General Assembly vote on Palestinian rights, despite Arab warnings earlier in the week that abstaining would harm the EC-Arab dialogue.

The incipient dialogue developed from a French initiative early this year and was intended to provide a broad framework for relations. Progress in organizing working groups and in completing other administrative preparations was slow even before the Arab attempt to extract political benefit for the Palestinians.

FOR THE PRESIDENT ONLY

PORUGAL

As preparations proceed for the election next March, there are signs that the moderate Social Democratic Center may be frozen out of monitoring voter registration. The Center is the only well organized conservative party left in Portugal.

Voter registration will probably begin early next month. It will be supervised on the precinct level by five-man commissions, and much will depend on the make-up of these groups.

Leftists have recommended that the commissions include one representative each from the Communist, Socialist, and Popular Democratic parties, as well as from the Communist-dominated Portuguese Democratic Movement. The fifth representative would be an "independent." This plan would give the Communists and other leftists control of the commissions; it would also allow them to cite the absence of members of the Social Democratic Center as evidence that the party is not deemed to be "representative."

The recommendation of the leftists is not binding on the presidents of the municipalities, who select the commissions, but in the absence of further guidance it could set a precedent. In any case, the extent to which it is followed will provide a good test of Communist influence in the municipal governments installed after the military takeover. It has been widely rumored that Communist and other left-oriented groups have had considerable success placing their people in these bodies.

FOR THE PRESIDENT ONLY

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FRANCE

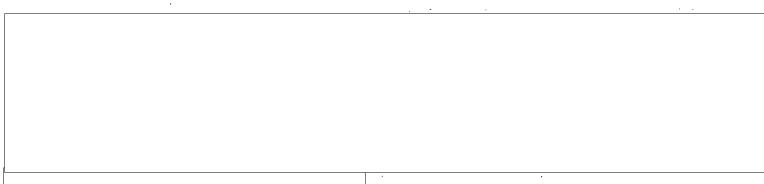


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FOR THE PRESIDENT ONLY

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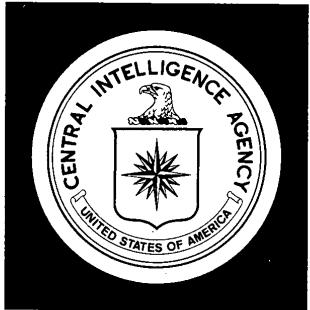
USSR-Japan-US: The two-year agreement announced yesterday by El Paso Gas, the USSR, and Japan on exploration for natural gas in eastern Siberia calls for Soviet investment of \$400 million. Japan will invest \$100 million in the project provided the US does the same. Soviet gas deposits in the area to be explored--near Irkutsk--are believed to be huge. Confirmation of this could lead eventually to contracts for delivery of liquefied natural gas to Japan and the US. The Soviets would not be able to finish building a pipeline to the Pacific and a gas liquefaction plant until the early 1980s.

Ethiopia: General Aman, head of the provisional military government, is apparently on his way out. There are reports that he has already been taken into military custody and that he may be put on trial. Aman reportedly lost a crucial vote of confidence on Friday when the ruling military council voted to reaffirm a decision to send reinforcements to fight insurgents in Eritrea Province. Aman has strongly opposed such a move, preferring to pursue a political settlement. Earlier, he had threatened to resign over the issue, and it now appears the military council has decided he must go. There is no clear sign that the members of the council have agreed yet on a replacement for Aman.

Australia: Prime Minister Whitlam has announced that Deputy Prime Minister Cairns will drop his foreign trade responsibilities and become treasurer next month. The shift confirms Cairns' domination of overall economic policy, but it could weaken his political standing with the left by forcing him to make unpopular decisions in coping with Australia's sagging economy. The Labor government is already drawing heavy criticism from the labor unions, its main base of support. No major policy changes are expected.

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November 25, 1974

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World Auto Production: The world auto industry is heading for its sharpest contraction since the 1930s. (Page 4)

Canada: The proposed phase-out of crude oil exports to the US over the next eight years will have little initial impact on US crude oil supplies. (Page 5)

Notes: North Vietnam - USSR - China; Brazil; Italy; Romania (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ETHIOPIA

The ruling military council executed General Aman and 59 detained military officers and former government officials in an effort to stifle further challenges to its authority. The executions apparently had broad support within the council and did not represent a grab for power by radicals who had favored such action for some time.

Those executed included senior military officers and former civilian officials. Many were aristocrats and former cabinet ministers accused of corruption and maladministration during the reign of Haile Selassie. Those killed also included officers who supported the initial military revolt last February, but who had since been arrested for opposing the council.

The council apparently believed that the swift executions would cower Aman's supporters, but dissension and rancor within the military will probably increase. The peremptory action against Aman and two of his supporters on the council, as well as the failure to consult with all units about the execution of the other officials, will add to increasing criticism that the council is losing touch with the rest of the military.

Aman had strong support within some units, especially the Third Division in eastern Ethiopia. In addition, many officers and enlisted men who did not support Aman outright, but who wanted him to have a chance to defend himself publicly, were attempting a few hours before his execution to mediate between Aman and the council.

The council has announced that it will name a new head of government from outside the council. Under the circumstances, it will have difficulty finding another senior military official or well-known civilian willing to accept the figurehead post.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

JORDAN

King Husayn appointed a new government on Saturday as part of a continuing effort to reduce West Bank Palestinian influence in Jordan. He also dissolved parliament and accepted the resignations of several unpopular personal advisers.

The King, contrary to earlier indications, re-appointed his long-time friend and confidant Zaid Rifai as prime minister. Rifai also continues as foreign minister and defense minister.

The retention of Rifai is certain to displease East Bank conservatives, particularly in the army, but the move may reassure the jittery Palestinian community. Rifai and army Chief of Staff bin Shakir have become symbols of neglect of East Bank interests and corruption in government.

Apart from the continued prominence of the controversial Rifai, the new cabinet should be well received by the King's East Bank supporters. Roughly half of the 20-member cabinet are holdovers, but Palestinian representation was reduced from ten to four.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

In the past six weeks, the Israeli air force has lost five aircraft in accidents, four apparently because of pilot error on training missions.

This performance is well below normally high Israeli standards, and suggests a shortage of qualified air crews. The Israelis most likely are having difficulty training enough pilots to replace those lost during the October war, as well as to man new aircraft delivered by the US. One squadron commander has reported that there are too few pilots to maintain a proper crew-to-aircraft ratio.

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the Israelis have doubled the number of flight cadets. This probably means that the air force has had to lower qualifications for its pilot trainees. The attaché believes that the pilot shortage most likely will be in support and lower performance jet aircraft rather than in F-4s and Mirages, to which the best pilot graduates are assigned.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

WORLD AUTO PRODUCTION

The world automobile industry, faced with rising production costs and shrinking demand, is heading for the sharpest contraction it has had since the 1930s.

So far this year, automakers have seen sales around the world drop 20 percent or more on an annual basis. Lately, the decline in orders has approached 40 percent. Strong sales of heavy trucks, which have helped keep the industry going, have begun to plunge as equipment buyers curtail investment spending. In October, truck sales were down 60 to 80 percent.

To make matters worse, the large export markets are drying up. European makers, especially in West Germany, have been trying to clear their huge inventories by shipping cars abroad. As stocks of autos have climbed in the importing countries, however, producers have had to make severe production cutbacks.

The auto industry will probably never regain its status as a growth industry in the developed nations. The major growth in auto demand is now among the less developed nations. These countries are expanding their own automobile industries and beginning to absorb other developing-country markets.

The growth in competition from the developing countries and the changes in the auto industries in developed nations will speed a restructuring of the auto industry worldwide.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CANADA

The Canadian government's proposed phase-out of crude oil exports to the US over the next eight years will have little initial impact on US crude oil supplies.

In recent months, US refineries have been importing far less than the Canadian allowance of one million barrels per day because of the high price of Canadian crude oil. US crude oil imports from Canada in September were only about 725,000 barrels per day.

The proposed cut in permissible deliveries to the US--to 800,000 barrels per day by January 1, 1975, and to 650,000 by next July--has been planned for over a year. The reduction is tied to government plans to pipe oil from western to eastern Canada to reduce that area's dependency on oil imports, mainly from Venezuela and the Middle East. Scheduled for completion in 1976, the Canadian pipeline will have an initial capacity of 250,000 barrels per day.

Energy Minister MacDonald has said that if the oil-producing provinces of Alberta and Saskatchewan raise strong objections, which is likely, the 800,000-barrel-per-day level would be maintained through 1975.

The proposal to cut back exports to the US reflects the National Energy Board's findings that Canada's dwindling oil reserves are insufficient to supply rising domestic demand and continued high exports. MacDonald rejected a demand for an immediate halt to oil exports because of the potential harmful effects on Canadian-US relations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

North Vietnam - USSR - China: A North Vietnamese delegation headed by Politburo member Le Duc Tho arrived in Moscow on November 20 en route to Paris for a ten-day stay at the invitation of the French Communist Party. Tho's delegation conferred with Soviet Politburo member Mikhail Suslov and party secretary Konstantin Katushev. Tho also stopped briefly in Peking but received lower level treatment there. His stay was barely mentioned in Chinese media. In his many past stopovers in Peking, Tho usually has been received by Premier Chou En-lai and senior Politburo member Chang Chun-chiao.

Brazil: Foreign Minister Silveira leaves this week for Senegal and Portugal in his country's latest bid to play a larger role in black Africa and in the Portuguese-speaking community, which spans three continents. Brazilian diplomats have already met with some leaders in the former Portuguese territories and offered them assistance. The visit may provide an opportunity to announce establishment of diplomatic relations with Guinea-Bissau. Silveira's presence in Portugal could serve to signal a desire for improved relations as well as to point up the possibility of Brazil's serving as a go-between with Portuguese-speaking Africa.

Italy: Christian Democrat Aldo Moro's two-party coalition government was sworn in by President Leone on Saturday. The required parliamentary vote of confidence is to take place on December 2. The small Republican Party has been given five offices in the new cabinet, including that of deputy prime minister. The Christian Democrats will occupy the remaining 20 positions, with outgoing prime minister Mariano Rumor taking over Moro's post at the Foreign Ministry.

Romania: Bucharest's maverick style of communism will be endorsed as enduring national policy at Romania's 11th Communist Party Congress, which opens today. The congress will be President Ceausescu's show all the way. By the time the congress is over, one third of the members of all party bodies, including the Central Committee, will probably be newcomers to their posts. This is an effort by Ceausescu to break up regional fiefdoms, inject new blood, and stimulate renewed interest in party activity by the rank-and-file members. The recent Cominformist affair in Yugoslavia probably has increased Ceausescu's desire to ensure a loyal following.

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The President's Daily Brief

November 26, 1974

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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

The Soviets appear to be pleased with the Vladivostok summit. General Secretary Brezhnev gave it pride of place in a major speech he delivered earlier today in Mongolia. Commentaries in the media have carried high praise for the results--particularly progress on arms limitations--and have implied that you and Brezhnev got along well personally.

Brezhnev said that his talks with you had confirmed and developed detente further. He specifically noted the accord to conclude "in the nearest months" work on a mutually acceptable new agreement to limit strategic weapons.

Pravda ran the joint communiqué on its front page yesterday, and also carried the Soviet-American statement on SALT. Another mass-circulation newspaper reported "great progress" toward a new arms control agreement, and stated that cooperation has become the political norm between the two sides.

A speaker on a weekly radio roundtable in Moscow described the summit as one of the most important events of the decade. He noted also "how fruitful have been the personal contacts between the leaders." According to a Tass correspondent, the talks are being universally acclaimed as a major step forward in international relations.

On the cautionary side, commentators continue to point to the efforts of "certain circles" in the US to block normalization of US-Soviet trade, although Pravda reported on November 22 that the Senate Finance Committee had approved the trade bill.

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ISRAEL-EGYPT-SYRIA



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PALESTINIANS

Palestine Liberation Organization Chairman Yasir Arafat arrived in Moscow yesterday, almost certainly hoping to elicit more vigorous Soviet backing for Palestinian political goals. Arafat will probably have his first publicly acknowledged meeting with Brezhnev when the party boss returns from Mongolia later this week.

The Soviets will welcome Arafat's visit in view of their intensified efforts to establish a direct role for themselves in Middle East diplomacy. They seem likely to offer more explicit recognition to the PLO as the representative of the Palestinians in view of the backing Arafat and the PLO won at the Arab summit in Rabat and at the UN. The Soviets, however, are expected to:

- avoid giving Arafat a blanket endorsement;
- caution him against repeating more extravagant demands;
- stress that they recognize Israel's right to exist.

Arafat's trip to Moscow comes on the heels of his visits to Cuba and seven Arab states, and will probably be followed by at least one stop in Eastern Europe. This round of visits is aimed at maintaining what Arafat sees as steadily building momentum toward wider international recognition of Palestinian rights.

* * *

This effort to increase international sympathy for the Palestinian cause seemed threatened over the weekend by the hijacking of the British Airways airliner from Dubai to Tunis. Prompt condemnation of the incident by Arafat appears, however, to have minimized the repercussions for the PLO, which is adhering to its policy of condemning international terrorism while condoning or approving strikes directly at Israel.

(continued)

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The hijacking--carried out by radical fedayeen elements that have in the past operated from Libya and Iraq--was the first directed against an Arab state other than Jordan. It was immediately condemned by virtually all Arab governments, including Libya and Iraq.

The ultimate fate of the hijackers is still unsettled. The PLO, the Tunisian government, and the other Arabs are united in claiming the hijackers should be forced to "pay the price," although none will be eager to shoulder responsibility for their trial or detention.

FOR THE PRESIDENT ONLY

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OIL SUMMIT

The Algerians have succeeded in shifting the next meeting of OPEC, scheduled for December 12, from Vienna to Algiers

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They also want a meeting of oil price experts just prior to the OPEC session and a joint meeting of energy and foreign ministers following the December meeting. The ministers would prepare for an oil producers summit next January.

The US embassy in Algiers has learned that Iran and some other oil producers supported the Algerian proposal for a change of venue. As the organizers of the conference, the Algerians will be in a better position to influence its decisions and thus more effectively oppose any significant reductions in the price of oil.

According to the US embassy, the Algerians' principal goals for the meetings are to:

- maintain high oil prices;
- link these prices to an industrial goods price index;
- recycle surplus oil revenues first to Arab states and then to developing countries;
- blame the oil companies for the current high prices.

Algeria depends on oil revenues to finance its ambitious development program and cannot in the near term increase production significantly to earn more income. Algiers has come to believe that, until sales of its natural gas increase further, the best way to augment its revenues is to link the price of oil to the cost of industrial imports.

FOR THE PRESIDENT ONLY

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ETHIOPIA

The ruling military council has placed all armed forces and police on increased alert to forestall any reaction to the mass-executions last weekend.

There have been no disturbances or unusual movements in Addis Ababa since the executions. A serious split may, however, be developing between the council and military units in the field who complain that the council failed to consult them. These units may demand that they be allowed to send new representatives to the council--a move their present representatives will probably resist.

Asmara, the capital of Eritrea Province, also is reported normal, although uneasy over the council's decision to send reinforcements to fight insurgents there. General Aman had favored a peaceful solution to the insurgency.

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Whatever prompted the executions- [redacted]

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[redacted] the arbitrary nature of the killings, and the council's refusal to let relatives claim the bodies, has probably alienated many segments of the population who had generally supported the council.

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TURKEY

Former prime minister Ecevit is reported to be negotiating again with the rightist Democratic Party in an effort to form a coalition that would return him to power.

The proposed nonpartisan government of Sadi Irmak has come under fire from all sides and faces an uphill battle to obtain the necessary parliamentary vote of confidence later this week. Ecevit's party and the Democrats hold a slim majority in the national assembly, sufficient to seal the fate of the Irmak government. Little effort would then be needed to persuade President Koruturk to tap Ecevit again to form a government.

The armed forces continue to favor Ecevit and have begun to press civilian politicians to resolve their differences as Turkey enters its third month of caretaker government. Senior officers do not favor direct intervention in the political process, but there are increasing signs that junior officers may push for action if the impasse continues much longer. Student unrest has grown since Ecevit left office, and this too is likely to encourage military and civilian leaders to end the stalemate.

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CHINA



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NOTES

Japan: Leaders of the ruling Liberal Democratic Party are now discussing the method by which they will choose a successor to Prime Minister Tanaka, who announced his resignation this morning. The method will affect the chances of the two leading contenders, former finance minister Fukuda and Finance Minister Ohira. If the party cannot decide between the two, it may designate party vice president Shiina to head a caretaker government until elections are held in July. The party will almost certainly reach a decision before mid-December, when the Diet reconvenes. Whoever the choice, he is not likely to make changes in Japanese policy that would affect close relations with the US.

USSR: Final preparations are under way for the launch of a manned Soyuz spacecraft.

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that the launch is scheduled for Thursday, but it could be delayed. The purpose of the mission probably will be to check out techniques and equipment to be used in the July 1975 joint Apollo-Soyuz flight, especially the environmental control and docking systems. The Soviet crew for the upcoming flight reportedly will be the backup team for the joint mission.

United Nations: The General Assembly's political committee has suspended consideration of the Korean issue until the Cambodian debate is concluded. General Assembly President Bouteflika and other supporters of Cambodia's Prince Sihanouk have been pressing for an early debate on Cambodia to capitalize on the momentum created by recent Third World victories. The vote--essentially who should represent Cambodia--is expected tomorrow or the next day and should be close.

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November 27, 1974

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25X1

Notes: Israel; Cambodia; South Vietnam;
Mexico. (Pages 4 and 5)

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USSR-CHINA

The Soviet government has formally rejected Peking's offer to conclude a nonaggression treaty tied to a withdrawal of Soviet forces from areas near the border. In a brusque message to Peking made public yesterday, Moscow dismissed the Chinese offer of November 6 and asserted that Peking shows no "real interest" in an understanding with the USSR.

In his speech in Mongolia yesterday, Brezhnev reiterated Moscow's long-standing position that demands for Soviet troop withdrawals from "disputed areas" along the border prior to any agreement are "absolutely unacceptable." The Soviets intended by their response and by Brezhnev's remarks to regain the propaganda initiative from Peking. They hope they have made clear that the Chinese proposal does not constitute a serious effort to move negotiations ahead.

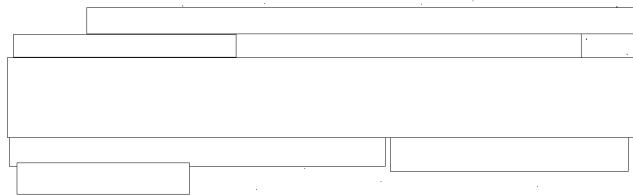
The bluntness of the Soviet response suggests Moscow has decided that no new initiatives on the border question can be expected from Peking at this time.

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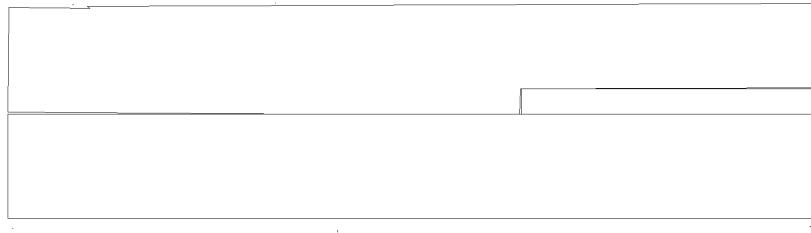
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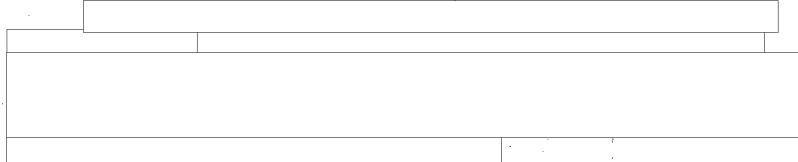
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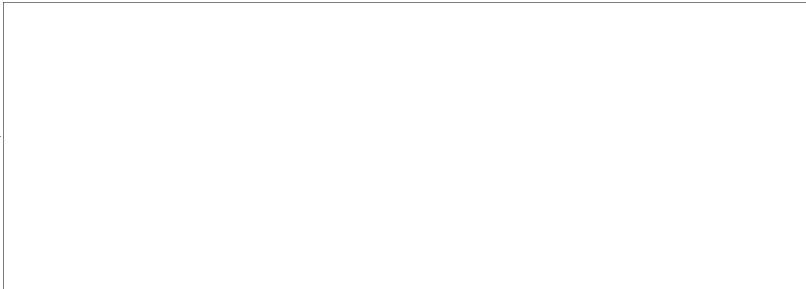
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FRANCE



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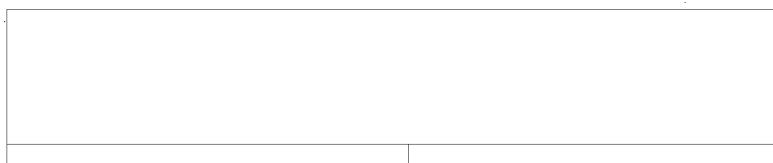
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NOTES

[redacted] may have begun demobilizing some of the reservists they called up earlier this month. This would reflect a belief that Syria will renew the UN mandate, which expires on Saturday.

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Cambodia: Whatever the outcome of the UN vote on Cambodia, a significant governmental shake-up will take place in Phnom Penh. Should the vote favor the Lon Nol government, Prime Minister Long Boret plans to purge and reorganize his cabinet. In the event of a loss at the UN, Long Boret has already said that he will resign, and there are numerous reports indicating that the military would push for greater participation in a new government. Finding a new prime minister as capable as Long Boret would be a major challenge for President Lon Nol.

South Vietnam: President Thieu has picked men to replace the four cabinet ministers who resigned late last month, but is not yet ready to announce their names. There have been rumors that other ministers plan to resign, and Thieu may want to make further changes before publicly designating the new cabinet members. Three of the new ministers come from government ranks and the fourth is a prominent bank official. The appointments Thieu has in mind so far will bring more economic and management expertise into the cabinet. The changes will do little, however, to appease those opponents of Thieu who have been calling for major changes in government policy.

(continued)

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FOR THE PRESIDENT ONLY

Mexico: The Mexican

government in-

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[redacted] tends to join OPEC. [redacted] Mexico is likely to wait for its oil exports to grow before joining. By the end of next year, exports could be as high as 300,000 barrels per day. President Echeverria's economic advisers strongly advocate membership in OPEC.

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November 29, 1974

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Vietnam: We have further information on communist preparations for the coming dry season campaign. (Page 4)

Notes: Syria-Israel; USSR; Saudi Arabia - Pakistan; Mexico-Chile (Page 5)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ETHIOPIA

The ruling military council yesterday elected 52-year-old General Teferi Benti as its new chairman. Teferi, who was commander of the Second Division in Eritrea Province, will act only as a figurehead.

Teferi became Second Division commander only in October and lacks broad support either within the division or within the armed forces.

Major Mengistu Hailemariam, the council's first vice chairman, will still be operating behind the scenes. He is not believed to control the council, however, and his present assumption of a leading role is by no means accepted by the armed forces as a whole.

Opposition to the council's arbitrary tactics is widespread, but the opponents are dispersed throughout the military and seem to lack leadership, organization, and a clear sense of purpose.

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A spokesman for the military council denied to the US embassy on Wednesday press reports that Haile Selassie had been moved to a town outside Addis Ababa to await execution. The spokesman said the deposed emperor is still in the capital under guard for his own protection.

The council also announced that there would be no more summary executions, but held open the possibility that some former officials still under detention would be executed after trial.

The council is proceeding with plans to send reinforcements to fight the Eritrean Liberation Front. The insurgents have refrained from large-scale attacks for several months, but have nevertheless gained control of large parts of the Eritrean countryside as a result of the government's inactivity.

FOR THE PRESIDENT ONLY

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EGYPT-JORDAN-FEDAYEEN

Egyptian efforts to smooth relations between Jordan and the Palestine Liberation Organization may be achieving some success. Salah Khalaf, second in command of Fatah and chief of the Black September Organization

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[redacted] told a press conference on November 27 that the PLO was "prepared to give King Husayn's goodwill a chance." Only a few days earlier, Khalaf had said that the plot to assassinate Husayn in Rabat would not be the last.

The Egyptians take credit for Khalaf's turn-about. An aide to Foreign Minister Fahmi told US embassy officials the Egyptians had written the statement Khalaf used at the press conference. Whether the BSO leader maintains his newly adopted moderation after he leaves Cairo remains to be seen.

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Meanwhile, a PLO crackdown on extremists appears to be under way.

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[redacted]
The arrest by PLO security forces of a number of fedayeen for alleged participation in the recent hijacking of a British Airways VC-10 apparently is part of this move.

In pressing for the crackdown, Yasir Arafat said Fatah can no longer tolerate extremist and un-disciplined activities within the fedayeen movement, and that he would purge Fatah of all opposition to his leadership.

FOR THE PRESIDENT ONLY

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SYRIA-UN

The UN Security Council will this afternoon formally extend the mandate of the UN observer force on the Golan Heights for another six months.

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Resolution 338 calls upon the parties concerned to commence peace negotiations under appropriate auspices, which for Syria presumably means an early resumption of the Geneva talks. The resolution also urges implementation of Resolution 242, which calls for the withdrawal of Israeli forces from territories occupied in the 1967 war.

The group of nonaligned countries at the UN is preparing a draft resolution to meet Syria's condition.

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VIETNAM

Reports from a variety of sources over the past several days have thrown more light on communist preparations for the 1974-75 dry season campaign. The new information generally fits [redacted]

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[redacted]
the [redacted]

call for intense fighting beginning next month.

The coming offensive will be aimed primarily at disrupting Saigon's pacification effort and inflicting heavy losses on government forces. The new reports, many of which are captured documents and defector interrogations, vary with regard to the anticipated timing and intensity of the increase in military action. In some areas, military planning has been completed and the fighting could begin with little or no warning. In others, there are signs that the communists will not launch large-scale attacks until some time after mid-January.

Several documents captured in the delta allude to "counter-pacification" efforts designed to eliminate the government presence in much of the country-side. [redacted]

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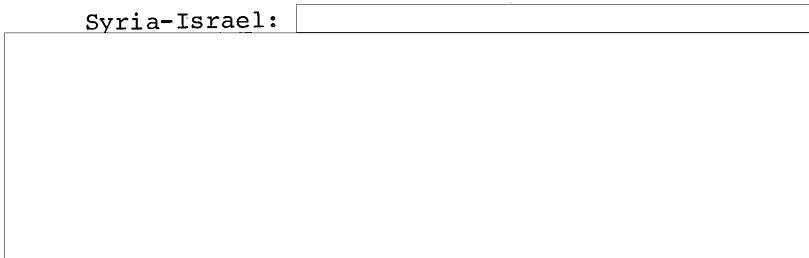
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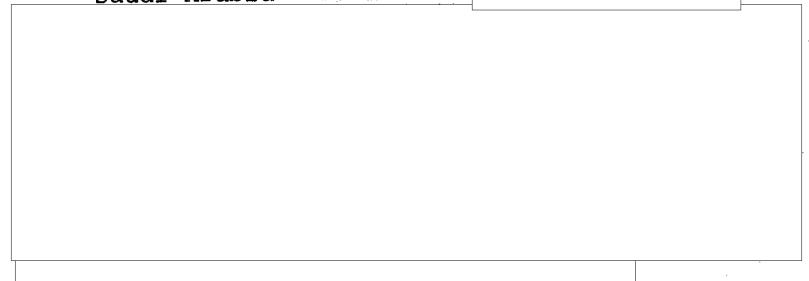
NOTES

Syria-Israel:



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Saudi Arabia - Pakistan:



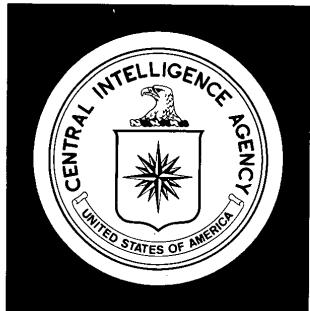
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Mexico-Chile: Mexico's decision to sever relations with Chile was probably taken to curry favor in the Third World by portraying Mexico as a philosophical and political opposite of the Chilean military junta. President Echeverria, moreover, was friendly with the late president Allende and has been decidedly cold toward the Pinochet government. Mexico is also upset at the junta's refusal to allow Chilean citizens such as Allende's sister to take asylum in Mexico.

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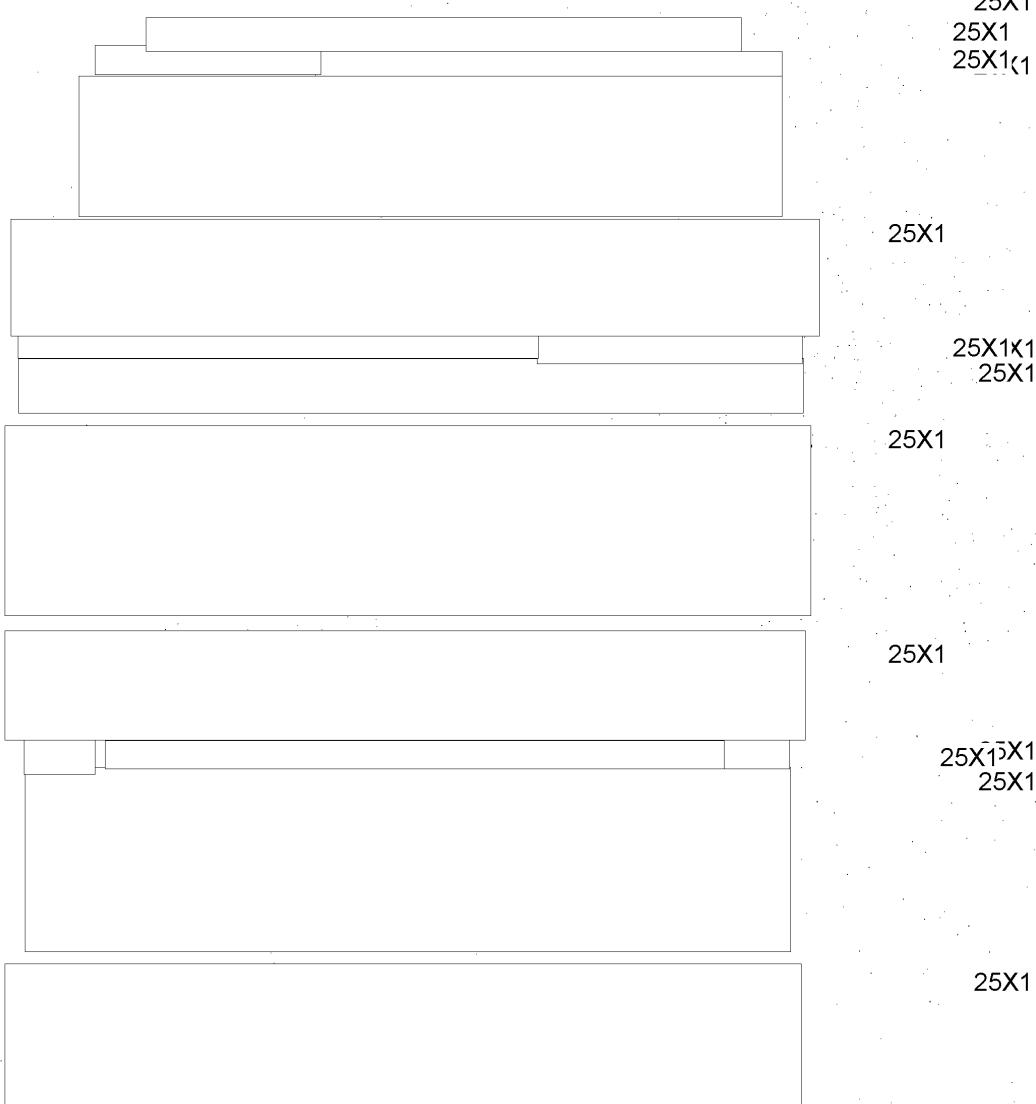
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USSR

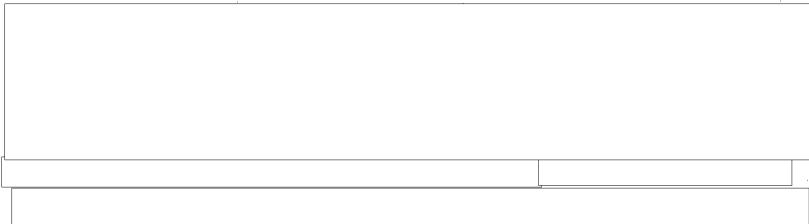


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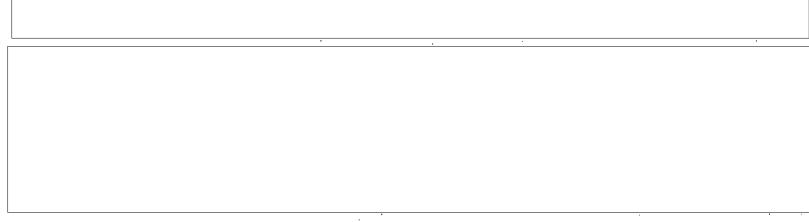
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ARAB STATES

[redacted] the
Arab War Fund for Egypt, Syria, Jordan,
and the Palestine Liberation Organiza-
tion is by no means [redacted] clearly defined

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[redacted] Arab
League representatives are scheduled
to meet next Tuesday to iron out kinks
in the economic measures adopted at the
Rabat summit. The kinks are large ones;
the meeting will be difficult and the
outcome is uncertain.

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Even the total amount of the fund is in doubt.
As of November 25, only \$1.4 billion, some 60 per-
cent of the amount allocated at Rabat, had been
firmly pledged by Persian Gulf oil producers. North
African Arab producers are uncommitted. Libya,
which sent only low-level representatives to Rabat,
undoubtedly is expected to contribute a sizable
share of the more than \$900 million remaining to be
pledged.

The duration of the Rabat War Fund seems to
be another unsettled question. The fund was first
reported to be a multi-year commitment; it has since
been described by Arabs both as a one-year alloca-
tion renewable annually, and as a longer term pro-
gram subject to annual review.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

LIBYA-FRANCE

Crude oil production from one of Libya's nationalized fields, which had been running below 30,000 barrels per day, was suddenly increased to 125,000 barrels per day in early November, with the additional oil reportedly going to France at special low prices.

A US embassy source indicates that the Libyans have offered the French more crude oil if favorable financial terms can be reached. Libya may have reduced its price in an effort to market greater amounts of crude; this at least raises the possibility that the Libyans may be willing to lower the price to oil companies for oil sold during the fourth quarter of this year.

High prices along with weak demand have made it difficult to sell Libyan crude. Oil production declined to slightly over 1 million barrels per day in October. This was less than one third of Libya's peak production, which was reached in 1971, and a ten-year low.

The French have made it their policy to negotiate government-to-government oil deals whenever possible. They currently are attempting to buy 400,000 barrels per day from Saudi Arabia over a ten-year period.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

GREECE-CYPRUS

Archbishop Makarios arrived in Athens yesterday for talks with Greek and Greek Cypriot leaders before traveling on to Cyprus next week.

The talks will be aimed at hammering out a common Greek position for negotiations with the Turks. Acting Cyprus President Clerides will try to obtain a firm commitment from Makarios and from Greek Prime Minister Karamanlis to allow him a free hand in trying to negotiate a Cyprus settlement with his Turkish Cypriot counterpart, Rauf Denktash.

Clerides, who recently has taken the line that the Greek side has little choice but to accept the Turkish demand for a biregional federated state, has stated that he will stay on as negotiator only if Makarios agrees not to interfere. Makarios, however, is firmly and publicly on record rejecting the Turkish position, and he is unlikely to reverse himself unless Karamanlis applies considerable pressure.

Even if Makarios should agree to stay in the background, his mere presence on the island will be disruptive. The Turkish military is prepared to conduct a rescue operation in the event that fighting between pro- and anti-Makarios factions threatens the lives of Turkish Cypriots still stranded in the Greek sector. This could involve a temporary take-over of the whole island by the Turks.

Greek Cypriot officials are already bracing for violence within the Greek community in anticipation of the Archbishop's expected return on December 6.

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[redacted] some anti-Makarios activity, including bombings and revenge killings, is expected. The Greek government is alert to the possibility of an assassination attempt against Makarios while he is still in Athens.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**VENEZUELA**

President Perez will announce nationalization of US-operated iron ore concessions early next week. Perez' action will be popular with Venezuelans and the popularity of his administration, already high, will increase.

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A transition period of one year is planned before the take-over is completed. During that time, the US companies will continue to operate the mines, but general mining policy will be decided by the government.

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It is hoped that retention of the US companies as operators during the transition will avert any major disruption in production that might occur if inexperienced Venezuelan technicians were to take over. The government will also use the time to try to work out a satisfactory labor agreement with the miners, who receive much higher pay and more benefits than workers in other industries the government runs.

Following the initial year of operating the mines, the US companies will probably provide "technical services"--engineering assistance and management advice--for an indefinite period.

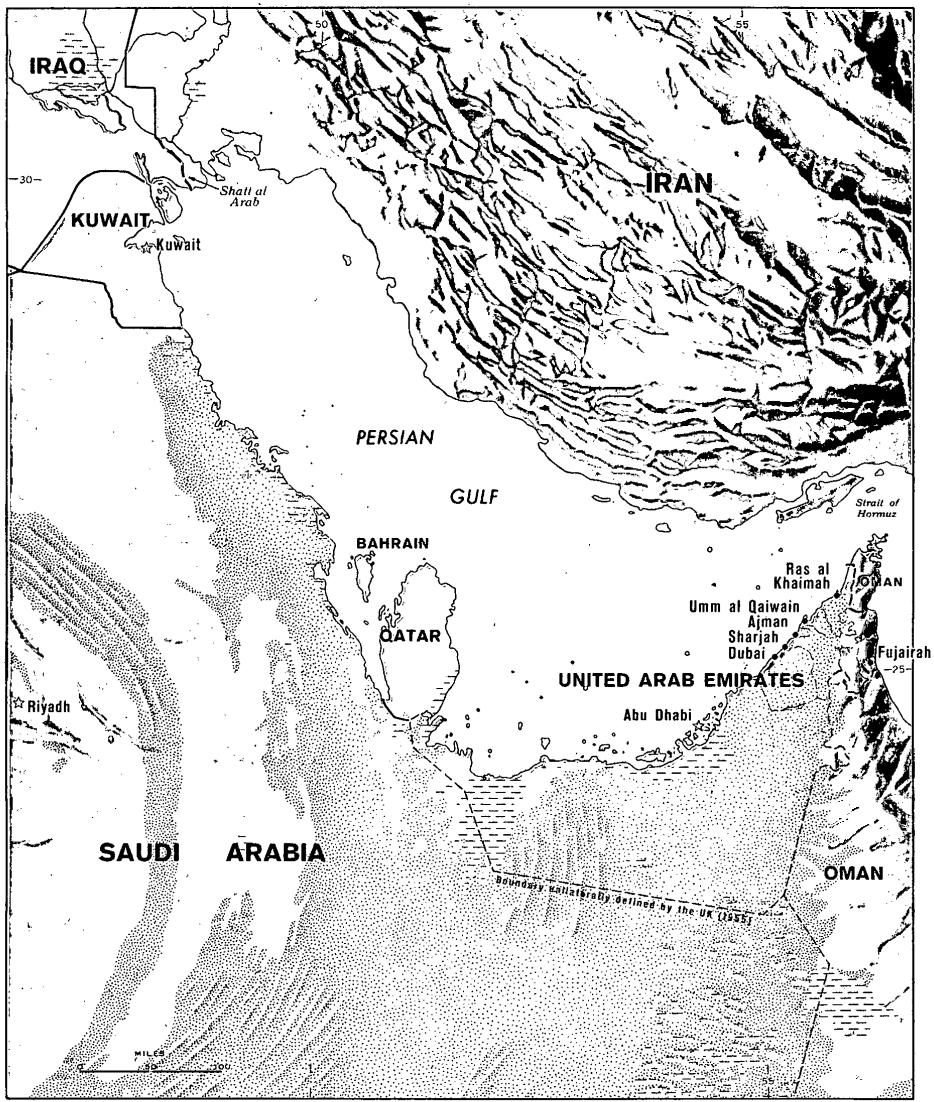
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Venezuela will produce about 25 million tons of iron ore this year, most of which is exported to the US. Venezuelan mines provide about a third of US iron ore imports and 11 percent of total US consumption.

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A final side effect of the nationalization is likely to be a harder push by Venezuela for the formation of a producers' cooperative. Although Venezuela's proposal for an OPEC-type organization of iron ore exporters failed to win much support at a recent meeting in Geneva, the Perez administration is expected to revive its proposal in January, when iron ore producers meet in New Delhi to prepare for a ministerial-level meeting in the spring.



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FOR THE PRESIDENT ONLY

NOTES

Persian Gulf: Saudi Arabia will host a meeting of Arab States of the Gulf area early next week; the rulers of the United Arab Emirates, Oman, Qatar, and Bahrain will attend. In announcing the meeting, the Saudis have said only that the Arab leaders will discuss regional affairs. Presumably, one major topic will be greater cooperation in defense matters. Recent Arab pronouncements concerning cooperation in the Gulf region have pointedly omitted any reference to Iran. It seems likely, in fact, that the Shah's pretensions to a dominant role in the area may be moving his Arab neighbors, who are historically suspicious of Iran, toward greater cooperation.

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<u>Arab States - USSR:</u>	[redacted]
[redacted]	[redacted]

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Israel-Egypt: Both countries have increased their air activity along the disengagement area over the past few weeks; they are now flying reconnaissance missions near the Suez Canal almost daily. The Israelis in particular are showing sensitivity to air activity by the other side.

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Turkey: President Koruturk will probably turn to Bulent Ecevit once again to try to form a government in the wake of the resounding defeat of the proposed Irmak cabinet in parliament yesterday.

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[redacted] The deteriorating domestic situation may have convinced the Democrats that the two-and-a-half month stalemate must be broken and that new elections will be necessary to secure a clear mandate to govern. There is a growing fear among the politicians that if they are unable to form a workable government, the military will.

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Argentina: Encouraged by recent successes in their offensive against terrorism, security officials think they may now be able to inflict serious damage on the main terrorist organizations. The army and police seem to have obtained enough leads from captured extremists to justify the government's optimism. Many subversives are still being rounded up by units acting under the broad state-of-siege powers decreed by President Peron earlier this month. The terrorists have clearly been put on the defensive, at least temporarily. Whether they can be held down over the longer run will depend largely on the ability of government forces to follow up on recent successes.

Chile: Relations between the military government and the Christian Democratic Party are near the breaking point. The government and the party have been close to the brink before, but former president Frei's involvement in the latest dispute makes it the most serious. Frei has joined other Christian Democrat leaders in public protest against the deportation of the leader of the left wing of the party who was accused of violating the ban on political activity. Hardliners in the government, who would like to see a split between the armed forces and the Christian Democrats, will be pushing for a stern government response to the protest--outlawing the party, for example. In similar confrontations in the past, cooler heads have prevailed, but this time Frei's participation gives the party's protest the appearance of direct challenge to the junta. An outright break with the party would greatly narrow the government's political base and could lead to further restrictions in the area of human rights.

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