

# The President's Daily Brief

December 2, 1974

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declassification schedule in E.O. 14176  
exemption category 5b(1), 5b(3)  
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**FOR THE PRESIDENT ONLY**

LATE ITEM

USSR

The Soviets launched a manned spacecraft this morning. Its flight is probably related to preparations for the joint Soviet-US manned space flight planned for next year.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

December 2, 1974

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**FOR THE PRESIDENT ONLY**

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JAPAN

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Leaders of Japan's ruling Liberal Democratic Party reportedly have selected Takeo Miki, a 67-year-old former deputy prime minister, to succeed Kakuei Tanaka as party president and prime minister.

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Miki's selection must now be ratified by the party's executive council and the Liberal Democrats in the Diet, but at this point these steps are mere formalities.

Takeo Miki was a powerful political figure ten years ago,

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Miki has been friendly to the US and has supported the security treaty. He earned a degree from the University of Southern California in 1935.

One of Miki's favorite themes is closer cooperation among the developed nations of the Pacific--Japan, the US, Canada, Australia, and New Zealand--with Japan serving as the economic link to less developed Asian states. He has also been a consistent advocate of close relations with Peking, and this has earned him a "leftist" tag from the party's right wing.

As in foreign affairs, the domestic policies of a Miki administration are not likely to change much from those of Tanaka.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**CYPRUS**

*Acting President Clerides returns to Nicosia today satisfied with the mandate given him by Greek Prime Minister Karamanlis and Archbishop Makarios to continue negotiations with the Turkish Cypriots. Makarios has announced that he will travel to Cyprus on Friday.*

Clerides' brother told the US embassy in Nicosia yesterday that Clerides confirmed by telephone that he has been authorized to resume substantive talks with Turkish Cypriot leader Denktash immediately. Clerides added that he now had written instructions for the negotiations.

In a communiqué released in Athens yesterday after two days of talks among Karamanlis, Makarios, and Clerides, the Greek Prime Minister was quoted as saying that a full understanding and common line had been reached. Makarios said that all aspects of the situation were discussed and that he too was satisfied with the result.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

USSR



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JORDAN

*King Husayn's recent changes in the Jordanian government have made the Palestinians increasingly fearful for their future.*

The measures were taken in reaction to the decision at Rabat to endorse the Palestine Liberation Organization's claim to represent all Palestinians at the Geneva talks. Husayn has altered the constitution to enable him to postpone lower house elections for up to a year when parliament is dissolved; he has also appointed a new cabinet with much reduced Palestinian representation.

Before the King dissolved parliament, residents of the East and West Bank had roughly the same number of representatives in both houses. On Saturday, Husayn announced the appointment of a new upper house, in which Palestinian representation has shrunk to only 20 percent. As for the lower house, it is expected that all West Bank constituencies will have been eliminated by the time a new election is held.

In the cabinet appointed on November 23, the Palestinians received only four of twenty posts; they had ten in the former one.

Husayn has thus amply demonstrated his determination to reduce Palestinian influence in Jordan. He apparently intends, however, to stop short of forcing the Palestinians either to pledge loyalty to him (and be labeled traitors to the Palestinian cause) or declare themselves citizens of a national Palestinian state and thereby risk losing jobs, pensions, and other rights gained over the years. The Palestinians in recent weeks had become particularly apprehensive over reports that the King was about to force this unwelcome choice on them.

Husayn apparently wants to avoid the serious unrest that such a choice would bring. Prime Minister Rifai has told Ambassador Pickering that he believes the King has now decided to postpone action on the nationality question.

**FOR THE PRESIDENT ONLY**

## NOTES

USSR: A remark made two years ago by General Secretary Brezhnev, but reported only recently, provides further evidence that the Soviet Union's actual defense budget has been closer to 30 billion rubles than to the 18 billion that has been announced annually since 1969. Thirty billion rubles is about \$90 billion at 1973 US prices. While discussing military expenditures [redacted]

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[redacted] in mid-1972, Brezhnev is said to have confided that "every third ruble in the government budget goes for defense." The all-union budget was 90 billion rubles that year. In 1973, a Soviet official at the UN let slip that Soviet military expenditures were "about 30 billion rubles." Our economists' estimate of Soviet defense spending in 1972 was 26 billion rubles, but this figure did not include expenditures for civil defense, military aid, or stockpiling.

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## Panama-US: [redacted]

government specialists [redacted] are drawing up a position paper dealing with the basic points to be contained in a status-of-forces agreement. Such an agreement would regulate the US military presence in Panama after a new canal treaty goes into effect. There are signs that the Panamanians are prepared to be flexible on this issue, apparently in hopes of getting favorable terms on other matters, like jurisdiction. Recently, government spokesmen began holding a series of seminars with businessmen, students, and other groups to explain why Panama should settle for less than the immediate US pullout that ultranationalists want.

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India-Pakistan: The agreement to end the nearly ten-year-old ban on bilateral trade could pave the way for talks on renewing diplomatic relations, which were broken in 1971. Pakistan has pressed for early restoration of diplomatic ties, but India has insisted that there be further progress on other issues first.

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# The President's Daily Brief

*December 3, 1974*

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exemption category 5B(1), (2), (3)  
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**FOR THE PRESIDENT ONLY**

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**FOR THE PRESIDENT ONLY**

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**ISRAEL**

*Israeli President Katsir is quoted as saying Sunday during a reception for international science writers that Israel has the potential to produce atomic weapons, and would do so if necessary. According to press accounts, Katsir was evasive when asked how long it would take for Israel to produce nuclear weapons and whether parts already existed for them.*

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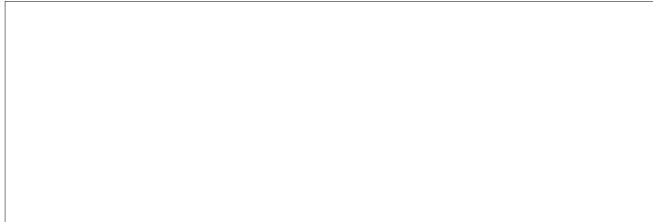
*It is highly unusual for Israeli officials to comment on Israeli nuclear capabilities, and Katsir's remarks may well have been intended as a veiled threat to Israel's Arab neighbors. In a lecture at Bar-Ilan University in Tel Aviv last Thursday, former Israeli defense minister Dayan said that the possibility of the introduction of nuclear arms into the region could not be ruled out and that "one should not think that only the Arabs will have these weapons."*

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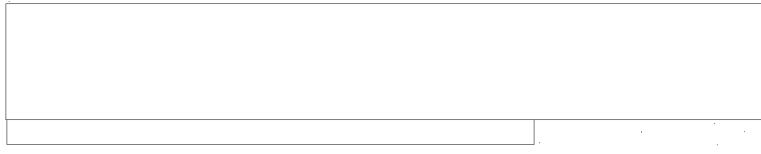
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EGYPT

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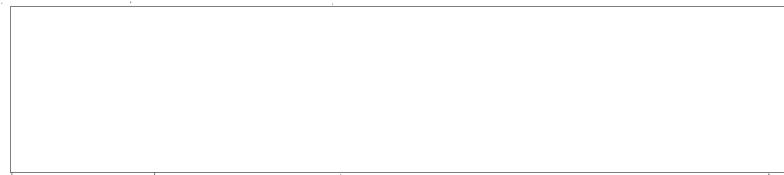
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**FOR THE PRESIDENT ONLY****USSR-PALESTINIANS**

The Soviets apparently won some concessions from Palestine leader Arafat during his visit to Moscow last week, but made it clear that they are not yet ready to reciprocate with unqualified support for the Palestine Liberation Organization. In an end-of-visit communique, Arafat moved a step closer to Moscow's position and to a PLO commitment to accept a truncated Palestinian state and, indirectly, Israel's right to exist as a state.

In a tortuously constructed passage, the communique states that the PLO should assume responsibility for any Palestinian territory "liberated by the withdrawal of Israeli forces from the seized Arab lands, as demanded by well-known UN decisions." By endorsing this reference to Israeli-occupied territory as opposed to Israel itself, Arafat has conceded--although indirectly--to the Soviet position that Israel proper must continue to exist. Although Arafat privately accepts this as reality, he probably will withhold a more explicit acknowledgement of his position until offered major concessions from Tel Aviv in return.

Arafat's approving reference to "well-known UN decisions," in the same breath as withdrawal, is also a first. It is obviously an allusion to Security Council Resolution 242, which calls for an Israeli withdrawal from territories occupied in 1967 and guarantees the "territorial inviolability" of all states in the area.

This concession notwithstanding, the Soviets refrained from an explicit recognition of the PLO as "sole" representative of the Palestinians. They also went no further than before in recognizing the right of the Palestinian people to "statehood," without spelling out just what this means.

Moscow evidently still takes a cool view of a Palestinian government in exile, and the communique makes no mention of it.

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The Soviets did announce that a PLO office will open in Moscow in the "nearest future."

[redacted] there is as yet no evidence to indicate that the office will be accredited to the Soviet government.

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USSR

*Soyuz-16, the manned spacecraft launched early yesterday, is the first manned Soviet mission directly related to the joint Apollo-Soyuz project scheduled for next July.*

Tass has announced that the spacecraft is identical to the one the Soviets will use for the joint mission. The crew of the Soyuz-16 is one of the back-up teams for the joint project. The current mission will test new equipment, including a modified docking adapter. The cosmonauts are also to carry out a scientific program that includes photographing the earth; the mission will probably last three to six days.

Because of the serious problems the Soviets have had with their manned space program, they are preparing carefully for the joint mission. Earlier this year they launched two unmanned Soyuz spacecraft that had been modified with an eye toward the Apollo-Soyuz mission.

Since the fatal Soyuz-11 accident in June 1971, the Soviets have flown a total of four manned and six unmanned Soyuz missions, not counting the one now in orbit. Two of the manned flights were made this year. The crew of Soyuz-14 occupied a Salyut space station for approximately three weeks in July; the flight of Soyuz-15 one month later, however, was cut short after two unsuccessful attempts to dock with the space station.

**FOR THE PRESIDENT ONLY**

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**ETHIOPIA**

The recent bombings of government-controlled installations in Addis Ababa were apparently the work of the separatist Eritrean Liberation Front, in retaliation for the military council's decision to step up operations against the rebels.

Reinforcements recently began arriving in Eritrea. Some 1,500 troops will join army units already there. The insurgents apparently decided to deal the first blow, opting for terrorist attacks in the capital in order to demonstrate their ability to strike anywhere in the country.

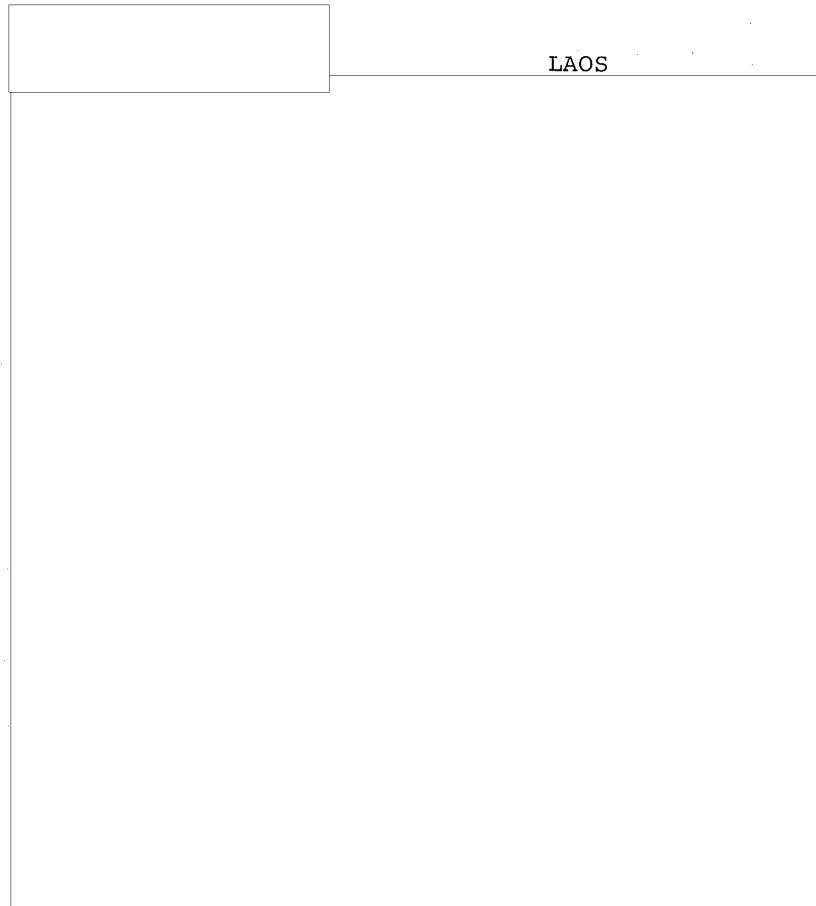
The military council will probably detain some Eritreans who live in Addis Ababa. After the bombings, the council directed the residents of the capital to carry identification cards, and some have already been arrested for not doing so.

The provisional military government, meanwhile, has shown renewed interest in consummating agreements for US military assistance. The Ethiopians held portions of a package offer in abeyance for several weeks while the late General Aman negotiated for a separate agreement for additional credits and grant aid.

The government now shows a strong desire to proceed immediately with the credit arrangements and the cash purchase of military equipment provided for in the US offer. This intention first surfaced on November 21--two days before the execution of Aman--and was confirmed in a meeting on November 29 between the vice minister of defense and the chief of the US military advisory group.

**FOR THE PRESIDENT ONLY**

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SPAIN

The publication yesterday of a long-awaited draft law allowing the formation of political parties in sharply limited form has disappointed those Spaniards favoring wider public participation in politics. The draft statute legalizes "political associations," but makes sure they have no clout by making them subservient to Franco's National Movement.

The Movement is a collection of predominantly rightist groups that have supported Franco since the Civil War. The new law authorizes the Movement to recognize, suspend, or dissolve the "political associations."

Prime Minister Arias wanted a bill that would permit associations independent of the Movement. Arias, however, defended the law in a nationwide speech yesterday by calling it "in agreement with Spanish reality" and a hopeful new step.

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The new law is likely to add to tension that has been building up in Spain. Many will consider the proposed legislation a travesty, and will demonstrate their dissatisfaction by refusing to form "political associations."

Last week, 14 centrist opposition leaders were arrested in Madrid at a meeting called to discuss the launching of a "Democratic Conference" composed of seven Christian Democratic and Socialist political groups. Those arrested were released the next day. Participation in the meeting by a former cabinet minister and by the son of a former chief of the armed forces General Staff lent some respectability to the aims of those present.

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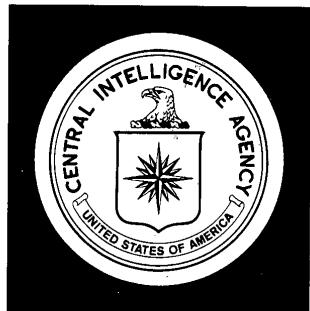
NOTES

Japan: It is not clear whether the Liberal Democrats will accord prime minister - designate Takeo Miki a regular three-year term as party president or confine him to a caretaker role. The staying power of a Miki administration is also uncertain at this point. His personal position will be relatively weak, because he is the first leader of a minor faction to head the Liberal Democrats and was selected abruptly amid a party crisis. In addition, Miki assumes office in the face of intractable economic problems and a burden of recovering public confidence in time for important local elections next spring. Miki's main asset in the effort to hold on to office may be the party's continuing inability to break the political impasse between Ohira and Fukuda, the prime contenders for power.

Iraq-Kurds: The US consul in the Iranian city of Tabriz, who spent several days last week in the border area of western Iran, reports that the Iraqi offensive against the Kurds has "sputtered and finally gone out." Iranian supply lines to the Kurds remain open, Kurdish strongpoints are secure, and Iraqi government forces have made few gains over the past several weeks. Winter weather, already present in that mountainous region, will further hamper Iraqi operations, and the Kurds will probably be able to take back much of the ground they lost over recent months. Other information tends to bear out the consul's assessment.

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# The President's Daily Brief

December 4, 1974



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exemption category 5B(1), (3)(D)  
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**FOR THE PRESIDENT ONLY**

December 4, 1974

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USSR: The major immediate consequences of the Vladivostok summit to the Soviets is the fresh momentum imparted to the process of detente. (Page 1)

Israel: Foreign Minister Allon apparently will not be able to make any commitments about the next stage in Middle East negotiations when he visits Washington next week. Meanwhile, public statements yesterday by Israeli leaders will make it more difficult for President Sadat to undertake new negotiations with Israel. (Page 2)

Notes: USSR; Vietnam; USSR-France; Iraq (Pages 4 and 5)

Annex: Canada

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

USSR

*The major immediate consequence of the Vladivostok summit to the Soviets is the fresh momentum imparted to the broader process of detente. Among other signs of Soviet satisfaction, the routine endorsement issued by the leadership after the summit is noticeably warmer than the comparable statement after the Nixon-Brezhnev meeting last July.*

Reaction by the Soviet media to your meetings with Brezhnev, favorable from the outset, has become even more enthusiastic. An editorial in Izvestia on November 26 commented that it was impossible to overestimate the significance of the meeting; four days later, Izvestia characterized the summit as surpassing expectations.

Moscow television last night devoted nearly an hour of prime time to a review of the summit, and a portion of your news conference was shown on the evening news. Tass and Izvestia yesterday reported your statement that a firm ceiling on the nuclear arms race had been achieved, but neither provided any details.

Although the media have drawn heavily on the formal leadership statement for inspiration, much reporting and commentary have been based on world reaction--particularly the reaction in the US--to the meeting. Apparently seeking to reassure their domestic audience and allies of the continued viability of detente despite political and economic changes in the West, Soviet newsmen have reported extensively and positively on US public, corporate, and congressional reaction.

Moscow has, nevertheless, continued to warn that within the US, die-hard enemies, although a dwindling minority, are still trying to block the "constructive way" in bilateral relations. The Soviets have resumed public attacks on Senator Jackson after a lull following the trade-emigration compromise. Other old favorite targets, particularly US backing for Israel, are also drawing fire.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**ISRAEL**

Israeli Foreign Minister Allon, who is scheduled to hold talks with Secretary Kissinger in Washington next week, apparently will not be empowered to make any commitments regarding the next stage in the Middle East peace negotiations. The Israeli press refers to Allon's mission as a "listening brief" to learn the Secretary's assessment of prospects for another round of talks with Egypt.

Allon told Ambassador Keating on Monday that the cabinet has given him the go-ahead to exchange views freely with US officials and then report back with his recommendations. He said he was aware that the trip might turn out to be the "most serious" one he had ever made to the US.

Israeli press speculation about the visit has been extensive, despite government efforts to limit public discussion. According to the press, the cabinet has not held any substantive discussions concerning Allon's visit.

Meanwhile, in an Israeli newspaper interview published yesterday, Prime Minister Rabin said that there are no realistic prospects for stable peace in the Middle East in the next several years. Israel's aim, he said, is to gain time while the US and Western Europe free themselves from their dependence on Arab oil.

Rabin said that "to stop Egypt from returning to Soviet influence," Israel was prepared to make additional withdrawals in the Sinai provided:

--the Egyptians do not advance into the evacuated area;

--the central Sinai passes remain under Israeli control; and

--such a withdrawal does not occur before the mandate for UN troops is renewed next spring.

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**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

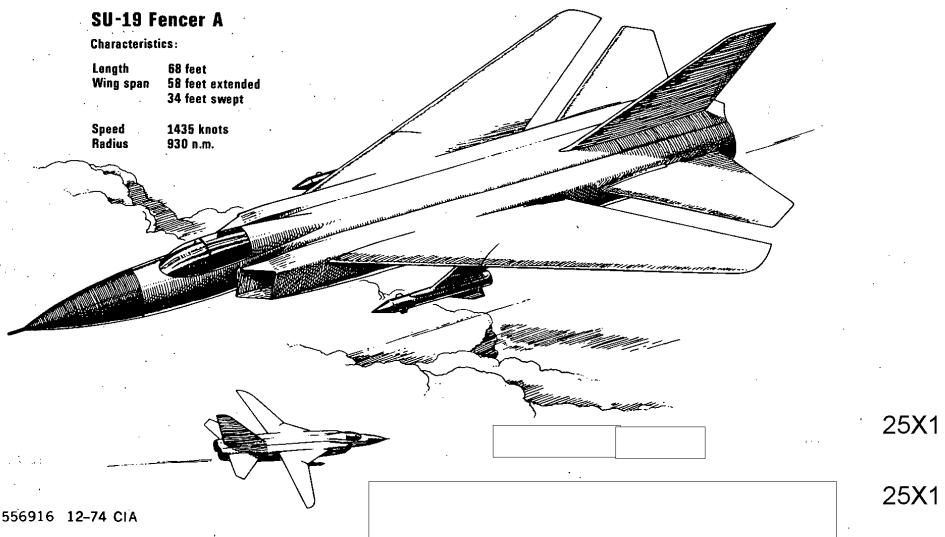
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[redacted] Cairo believes Rabin's statements  
were intended for domestic consumption. Nevertheless, they will make it more difficult for President Sadat to justify to other Arabs any new unilateral Egyptian negotiations with Israel.

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Foreign Minister Allon's statement to the Knesset yesterday--that Cairo had given the US private assurances at the time the Egyptian-Israeli troop disengagement pact that it will allow Israeli car-  
goes through the Suez Canal--will further compli-  
cate Sadat's position.

*FOR THE PRESIDENT ONLY*



***FOR THE PRESIDENT ONLY*****NOTES**

USSR: The newest Soviet fighter-bomber, the SU-19, now appears to be operational.

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The SU-19 is a swing-wing aircraft similar to but slightly smaller than the US F-111. The SU-19's range--almost 950 nautical miles--and improved weapons, including a capacity to carry nuclear bombs, significantly enhance the long-range ground-attack capabilities of Soviet tactical aviation forces. The SU-19 will probably replace the older IL-28 and YAK-28 light bombers now in use. The Soviets may choose not to replace them on a one-for-one basis, however, because the SU-19 is considerably more expensive than the older bombers.

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Vietnam: Hanoi is sending more troops south than originally planned. Recent intercepts indicate that the North Vietnamese are supplementing their earlier plan to dispatch an estimated 10,000 men. According to one intercepted message, 11 additional groups--estimated to total some 5,000-6,000 men--are to enter the pipeline. Six of these new groups will augment units along the infiltration corridor, while five will go to the highlands. An additional three groups--thus far totaling some 1,000 men--have been detected entering southern South Vietnam. The three groups probably are part of a regiment, and their movement to southern South Vietnam is in keeping with Communist plans for a new round of fighting there this winter.

USSR-France: Soviet party leader Brezhnev goes to France today for the latest in a series of semi-annual working meetings between top officials of the two nations. No major political agreements are anticipated, but both governments will use the occasion to discuss further bilateral economic cooperation and to lay out their positions on such issues as the European Security Conference and the Middle East. Brezhnev and Giscard will sign recently negotiated agreements to enhance long-term economic and industrial cooperation. They will probably also discuss ways of implementing them and perhaps will conclude an agreement on export credits as well. One of Brezhnev's purposes in meeting Giscard is to round out his effort to establish relationships with the new leaders in the West.

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**FOR THE PRESIDENT ONLY**

Iraq: There are a number of indications that  
President Bakr is seriously ill.

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[redacted] He has been out of public view  
for more than two weeks and has not been performing  
official functions. This has fed rumors in diplo-  
matic circles that Baath Party strong man Saddam  
Husayn Tikriti may soon assume the presidency.  
Such a transition would probably be untroubled, and  
Saddam Husayn's success in shaping the new cabinet  
last month is a clear indication that he is making  
the major decisions in government affairs. Saddam  
Husayn's weakness is that he does not command the  
degree of loyalty from the military that Bakr does.

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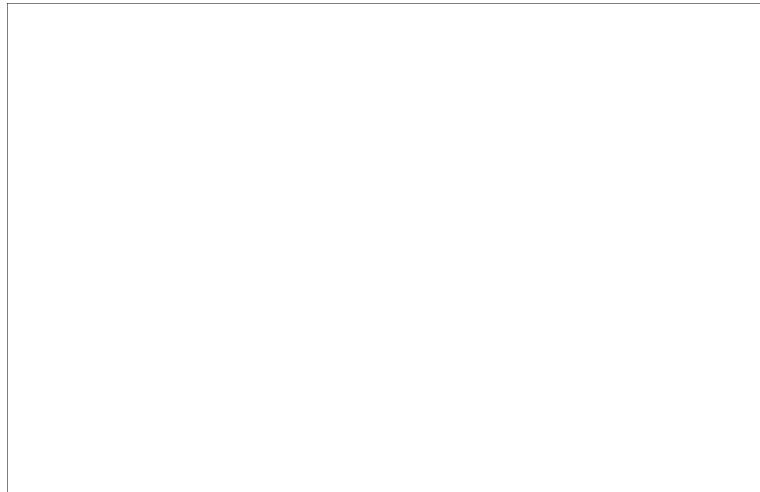
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CANADA

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Canadian Prime Minister Trudeau visits Washington when US-Canadian relations are beset by economic and trade problems, impending Canadian defense cuts, and environmental concerns. The Prime Minister wants to diversify Canada's foreign relations in order to lessen dependence on the US, but he recognizes that the need for economic and security ties between the two countries limits Canadian moves in this direction.

Trudeau is in a fairly strong position at home. His Liberal Party gained an 18-vote majority in the House of Commons in the election last July, after two years as a minority administration. The Liberals hold a 46-seat lead over the second largest parliamentary party, the Progressive Conservatives. Trudeau should continue in control for at least three more years.

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The Prime Minister

[redacted] is able to view Canada's complex national and international problems realistically and practically. He commented in a recent interview, "I think it would be a very unwise government which would say, 'We've got the US in a bind because they need our energy.' They could have us in a bind over so many other things."

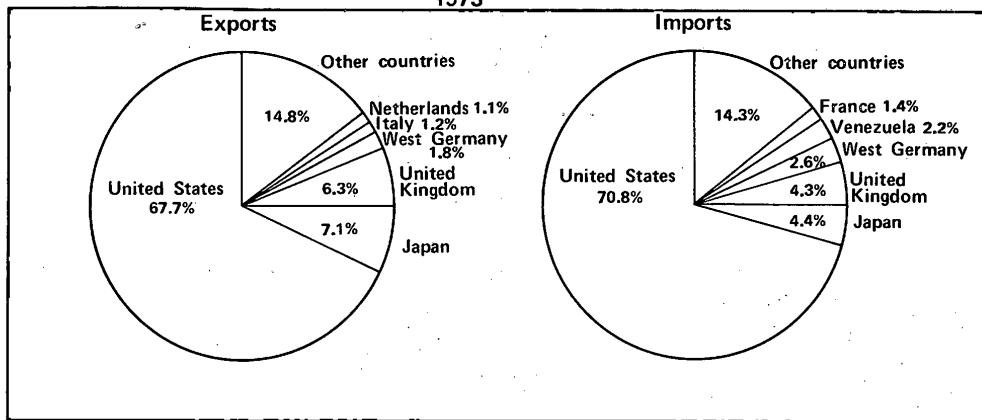
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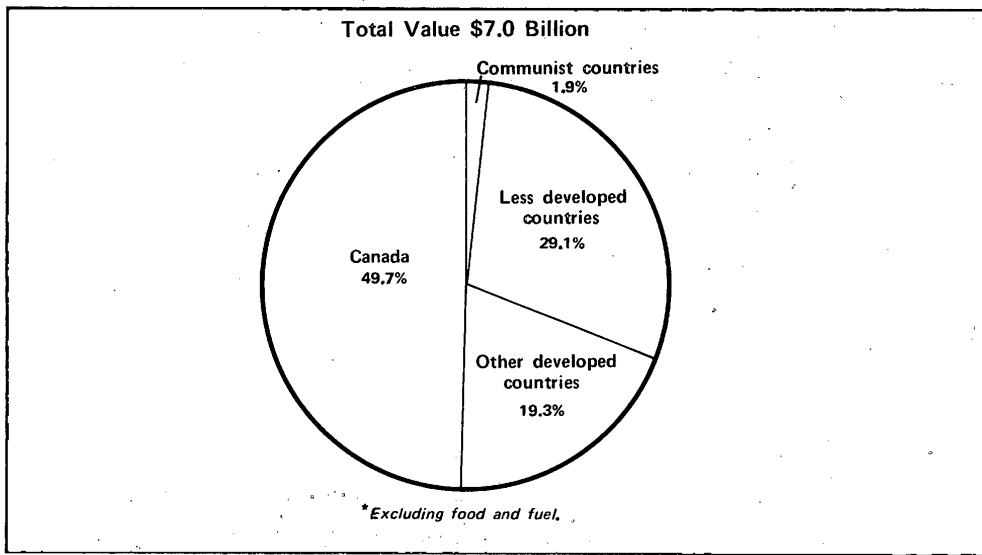
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**FOR THE PRESIDENT ONLY**

CANADA'S PRINCIPAL TRADING PARTNERS  
1973



UNITED STATES RAW MATERIAL IMPORTS, 1973\*



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**FOR THE PRESIDENT ONLY**

Energy

The worldwide economic downturn has caught up with Canada--a fact that affects Ottawa's position on a number of issues involved in Canadian-US relations. After achieving a growth rate of 5.5 percent during the first half of 1974--a record exceeding that of any other industrial country at the time--real output in the second half of the year will register little or no gain.

Canadian energy policies are a major irritant to the US, which obtains one fourth of its crude oil imports from Canada. Ottawa recently has:

--announced plans to reduce oil exports to the US by 20 percent in 1975, with another 20-percent reduction likely in 1976 and a total phase-out by 1982;

--more than doubled oil prices for US consumers and cut production to maintain prices; and

--boosted natural gas prices for US consumers by two thirds, while raising domestic prices only slightly.

Canada, furthermore, is discouraging development of potential oil reserves. Higher taxes have prompted a 10-percent cutback in drilling this year. Failure to set tax and environmental guidelines has slowed exploration of Arctic and offshore areas. Ottawa is insisting on Canadian majority ownership of new pipelines that would carry oil or gas to continental US markets.

Development of nonfuel resources has been hurt by increased federal and provincial taxes on mining. Several large projects have been postponed or canceled. Much of the output from some of these projects would go to the US, which receives half its imports of nonfuel minerals from Canada.

Foreign Investment and Trade Issues

Canada is also taking a tougher attitude toward foreign investors, 80 percent of whom are Americans. Trudeau is pursuing his campaign promise to limit foreign ownership in new resources projects to 40 percent. Ottawa is also overseeing foreign investment in manufacturing. Since controls were introduced last spring, the review board has rejected five applications by US firms to buy into Canadian companies.

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

Canada is concerned about its trade balance with the US. It probably will incur a small bilateral deficit in 1974, compared with a \$600-million surplus in 1973.

In multilateral trade negotiations, Ottawa will favor tariff changes that encourage exports of processed materials and manufactures rather than raw materials.

Canada Looks to Europe and Japan

Trudeau wants to strengthen Canadian economic ties with the EC and Japan. He followed up Canada's proposal for a trade agreement with the EC by a trip to Paris and Brussels in October. His trip restored a degree of warmth to relations with France, but he did not receive a firm commitment from the EC on a trade pact.

The Prime Minister plans to visit other EC capitals early next year. Meanwhile, Canada is preparing more specific proposals in its continuing attempt to reach an economic arrangement with the Nine.

Efforts to strengthen economic ties with Japan--already a major trading partner of Canada--remain largely in the talking stage. Further improvements in economic relations depend on the reconciliation of Canada's desire to increase exports of manufactures and processed raw materials with Japan's desire for more raw materials.

Defense Issues

Canada's security is also caught in the economic crunch. The cabinet is studying defense budget cuts that probably will affect Canada's commitments to UN peacekeeping, NATO, and Canadian responsibilities for joint defense of the North American continent.

The peacekeeping function is expected to bear the brunt of any defense cuts. Largely because of inflationary pressures, Canada has allowed its military manpower to fall well below the authorized strength of 84,000 and is considering cutting troop levels to 75,000.

NATO membership remains a cornerstone of Canada's security policy, and the importance of cooperation with the US on continental defense is clearly recognized. Even so, reduction in Canada's minimal commitments to NATO and adjustments in defense arrangements with the US may be required.

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

Canada and the Middle East

The official Canadian position on the Israeli-Arab dispute remains one of impartiality, but unofficial sentiment normally has tended to support Israel. Of late, there has been a slight shift away from the Israelis.

Canada recognizes the right of Palestinians as a whole to representation in international discussions on the Middle East. Canada can be expected to abstain, however, on votes in international organizations on recognition of the Palestine Liberation Organization. It did so in the recent UN General Assembly vote on inviting that organization to take part in debate on the Palestine question.

Law of the Sea

The Prime Minister may bring up issues related to Law of the Sea. In recent months Canada has frequently supported positions at variance with the US on this subject. Its policy has moved closer to that of the less developed coastal states and away from identification with the interests of the larger maritime powers.

Canada, for example, favors extending national economic and scientific research zones beyond 200 miles to the limits of the continental margin. It also supports strict unilateral control of pollution standards and regulatory powers for scientific research in a wide area beyond traditionally territorial waters.

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December 5, 1974

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Exempt from general  
declassification schedule of E.O. 11652  
exemption category, 5B(1), (2), (3)  
determined by an appraisal of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 5, 1974

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**ISRAEL - ARAB STATES**

*Prime Minister Rabin's outline of Israel's negotiating strategy, laid out in a press interview on Tuesday, could lead the Arabs to take a more intransigent position.*

*In airing his strategy, Rabin may have wanted to demonstrate that Israel is prepared to conduct peace negotiations but is determined not to do so on terms dictated by the Arabs, their Soviet backers, or even the US. The Prime Minister probably also hopes this hard-line position will answer his domestic critics.*

Rabin offered Egypt a virtually immediate agreement on a second-stage withdrawal in the Sinai, tied to no explicit political commitments from Cairo other than a prolonged extension of the cease-fire. His offer, however, is woven into an overall strategy that would, in effect, enlist Egypt's cooperation in delaying for years the conclusion of a comprehensive peace settlement.

Rabin prefaced his offer of a Sinai disengagement with a clear statement that Israel intends to play for time. Israel is now powerless to change international realities, he said, and might need as long as seven years before the West is free from dependence on Arab oil. The implication is that wider negotiations at that later stage would find Israel better able to withstand pressures to make significant concessions.

Rabin spoke of a Sinai disengagement agreement in terms of how it would facilitate Israel's delaying strategy. Such an agreement, he said, would keep Egypt out of the Soviet orbit and also out of war.

Rabin is apparently greatly concerned that pressures on Israel are growing to negotiate with the PLO and to forgo bilateral negotiations with the Arabs in favor of multilateral talks at Geneva. He may believe that Israel must make a strong effort to counterbalance these pressures by setting forth a position which, while holding out the promise of peace talks, may be as unacceptable to the Arabs as

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

Rabin insists the Arab and Soviet terms are for Israel. The Prime Minister may hope that the US will try to avoid a deadlock by convincing the Arabs and the Soviets to take Israeli views more into account.

The Egyptians have not reacted officially to the interview beyond dismissing it as intended primarily for internal Israeli consumption. Rabin's remarks, nevertheless, are potentially embarrassing to President Sadat and could frustrate his desire to proceed with a further agreement in the Sinai.

Egyptian agreement to disengage on Rabin's terms would signify, in Arab minds, Sadat's acquiescence in Israel's strategy. This would magnify Arab suspicions that Egypt is interested only in regaining its own territory.

Syria's government-controlled press has interpreted Rabins' statement as further evidence of Israel's attempt to isolate Damascus from the negotiation process and to "paralyze" efforts to reconvene the Geneva conference. Two Syrian newspapers yesterday, citing Rabin's interview, accused the US of trying to divide the Arabs by putting forth schemes for partial agreements that exclude Syria and hinder achievement of a comprehensive peace.

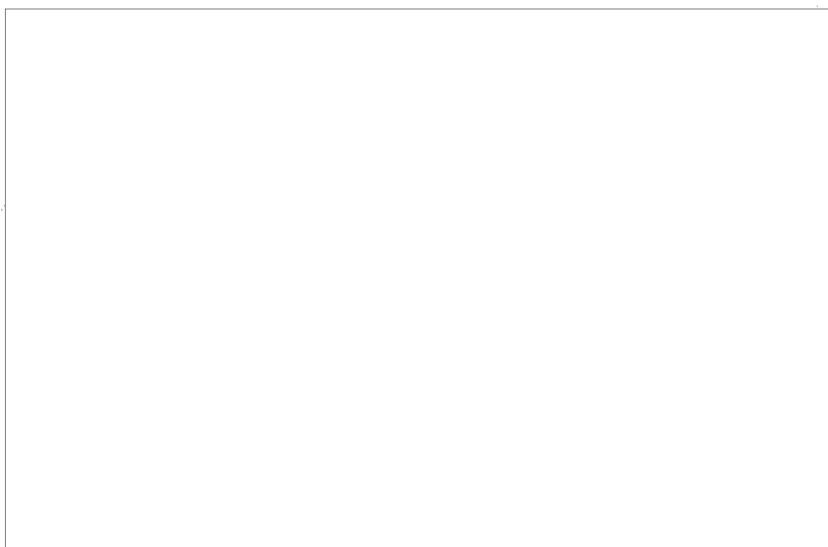
**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

EGYPT-ISRAEL

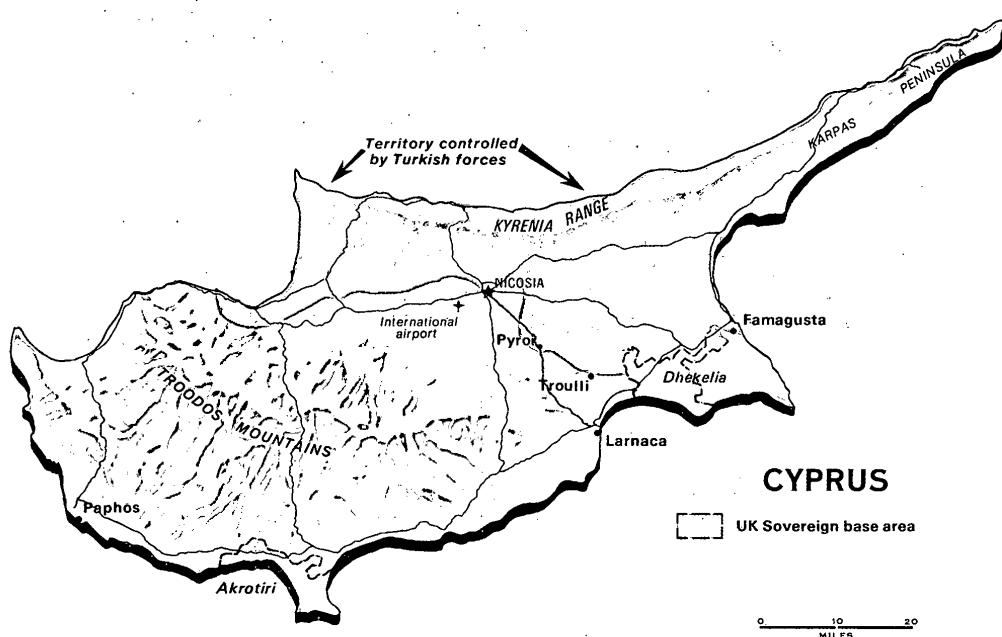


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*FOR THE PRESIDENT ONLY*



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**FOR THE PRESIDENT ONLY**

CYPRUS-GREECE-TURKEY

*Archbishop Makarios was apparently persuaded to be more flexible about terms for a Cyprus settlement at the Athens summit last weekend.*

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Acting Cypriot President Clerides told [redacted] in Nicosia Tuesday that Makarios agreed with Greek Prime Minister Karamanlis that within two weeks of his return to Cyprus--perhaps as early as tomorrow--he will grant Clerides written authority to pursue a negotiated settlement based on a geographic federation. The formula calls for the establishment of one major Turkish Cypriot zone in the north and possibly one or two additional zones elsewhere on the island.

25X1

The arrangement reached in Athens appears to be a compromise between Makarios' earlier proposal for smaller cantons with local autonomy and the position taken by the Turkish Cypriots. Makarios evidently gave grudging approval to the formula only after strong pressure from Karamanlis. Clerides is reportedly pleased with the agreement, but is not certain Makarios will honor it.

Clerides resumed his humanitarian talks with Turkish Cypriot Vice President Denktash yesterday and presumably gave him at least some hint of the Athens agreement. Denktash requested that no date be set for another meeting, pending Makarios' return and a clarification of the Greek Cypriot negotiating position.

The Turks are unlikely to agree to the Greek proposal initially, but they may be persuaded to accept it eventually, since the alternative Greek formula calls for a substantially reduced, single Turkish zone.

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**FOR THE PRESIDENT ONLY**

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[redacted] the UN force commander [redacted]

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[redacted] suggested preparations for a small-scale exercise. He pointed out that by positioning forces there the Turks could easily move to an actual attack toward Larnaca and the oil refinery complex west of the Dhekelia sovereign base area, but he doubted that the Turks would attack Greek positions unless provoked. [redacted]

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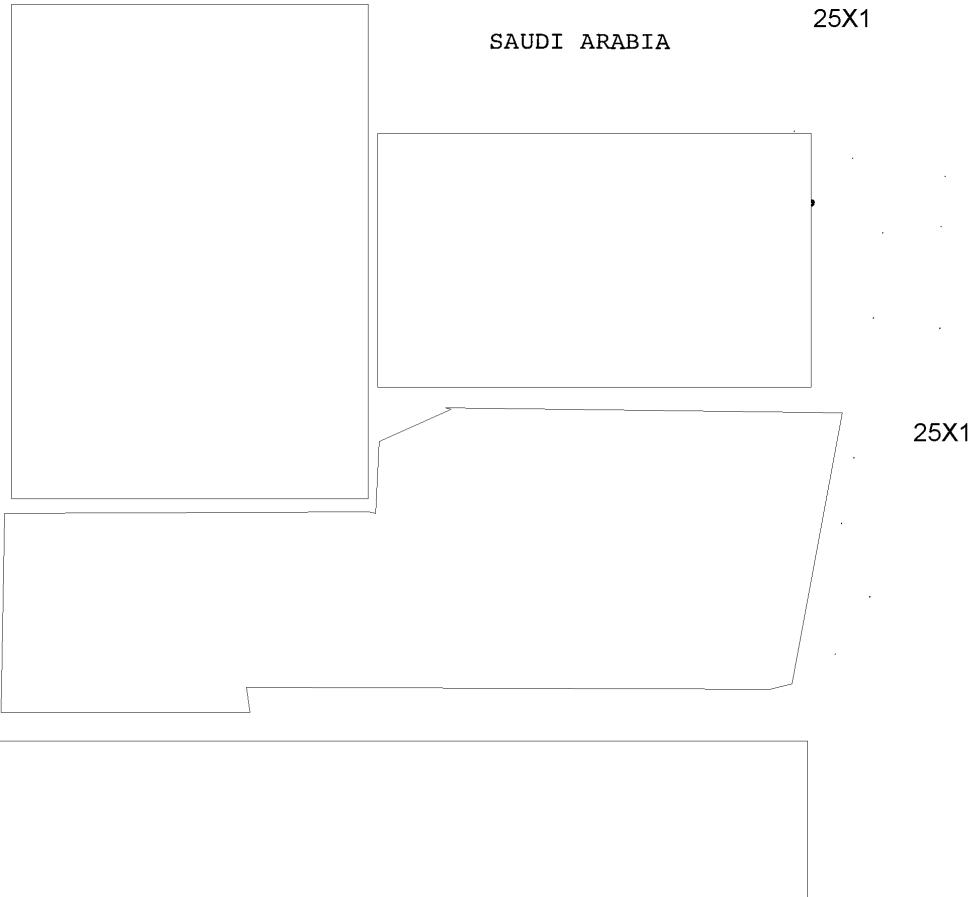
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The UN officer confirmed the alert postures of both Turkish and Greek Cypriot forces as a precaution against possible trouble when Makarios returns. The UN has increased its patrolling of access routes to the Turkish areas in the south in an effort to deter possible Greek actions against the Turkish enclaves. A British reconnaissance unit will reinforce UN forces in the area between the exercising Turkish forces and the sovereign base area. The Greeks and the Turks have been informed of these measures.

*FOR THE PRESIDENT ONLY*

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**FOR THE PRESIDENT ONLY**

CAMBODIA

*The rejection last week by both Sihanouk and the Khmer Communists of the UN's call for peace talks in Cambodia reinforces other signs that the insurgents are preparing for a long-term struggle.*

The Communists' outlook on military prospects has been less optimistic since the insurgent drive on Phnom Penh stalled last winter. The strongest indicators that they are looking to the long haul have come recently. On November 14, Khieu Samphan, the Khmer Communist "defense minister," issued an "open letter" in which he carefully hedged projections for the dry season, implying that no conclusive fighting would take place. Sihanouk too admitted, in his initial rejection of the UN action, that "in the face of (continued US support to Phnom Penh), our struggle will be long." Officials in both China and North Vietnam have been cautious in commenting on Khmer Communist military prospects.

Along with the changed tone on insurgent military prospects, the Communists have put more emphasis on economic development in the "liberated zone"--a step that will indeed seem necessary if the insurgents are really digging in. After years of neglect, agricultural production in even the most fertile areas of the Communist zone has so fallen off that widespread shortages of rice and other foodstuffs prevail. Most processed or manufactured goods are smuggled in from the government zone or from South Vietnam or Thailand. The rudimentary civilian communications and transportation systems that existed before the war in the Communist zone have fallen into almost complete disrepair.

During the past six weeks, a Khmer Communist "economic and financial" delegation--the first of its kind--has been abroad trying to line up non-military aid. The delegation appears to have had some success in Hanoi. Initial information on the visit to Peking, however, indicates that the Chinese have not been overly generous in extending economic aid.

**FOR THE PRESIDENT ONLY**

CHINA

*Business transacted at the recently concluded Canton Fair was lower than it has been in years. The value of contracts signed--about \$700 million--dropped about 30 percent below the level of the spring fair and about 45 percent below the fair last fall.*

Chinese purchases at the fair declined sharply. Peking has been postponing or cutting back its imports of farm products and some industrial materials in the face of a rising trade deficit and a temporary shortage of foreign exchange. China also has been shifting much of its purchasing outside the Canton fairs.

Sales of China's traditional exports suffered from the depressed state of the world economy. Although Chinese prices were generally lower than at the spring fair, they often remained sufficiently above the level of world prices to preclude business.

The meager Chinese sales at the fall fair will retard export growth next year. Increased sales of petroleum will probably offset the decline in China's exports, but the sharp increase in export earnings achieved in 1973 and 1974 is not likely to be sustained. Peking will probably continue to restrict less essential imports and may widen the use of credits in the year ahead.

*FOR THE PRESIDENT ONLY*

NOTES

West Germany: An incident occurred last night at a US nuclear weapons storage facility in West Germany. It began when two armed men were sighted at the perimeter fence; two unarmed men were also involved. Two US soldiers were wounded slightly in an exchange of fire during a subsequent security sweep of the area. The four men escaped; none penetrated the facility.

South Korea: Political tensions in South Korea have eased considerably since your visit, and the Pak government seems willing to tolerate continuing opposition activity so long as it does not develop into large-scale street demonstrations. Antigovernment protests have largely stopped. The opposition New Democratic Party has ended its boycott of the National Assembly, even though it began a sit-in protest against the government in the building today. Most of the major universities have reopened without significant incident, and there have been no large-scale Christian protests. The easing of tensions results in part from general fatigue in opposition ranks after months of largely fruitless activity. The government's more restrained tactics have also helped.

USSR: The USSR will soon open the port of Vladivostok to foreign merchant ships, according to the Soviet naval attaché in Tokyo. Soviet merchant fleet officers mentioned the opening to US journalists during your recent visit. Such reports are not new, but the USSR may now be serious about making this change. The Soviet Union may want to relieve pressure on the neighboring open port of Nakhodka, which handles a large portion of Soviet trade with Japan and most imports of North American grain. Moscow may also expect that by opening Vladivostok it will gain greater access to US ports.

FOR THE PRESIDENT ONLY

WEST GERMAN CHANCELLOR  
HELMUT SCHMIDT

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*Chancellor Schmidt will be interested in discussing with you the new agreement on strategic arms limitations and whatever else you would care to tell him of your recent meeting with General Secretary Brezhnev. Schmidt may have some questions about the implications of the arms agreement for Western Europe.*

*In view of Bonn's keen interest in key East-West negotiations, he may also seek your views on the status of the conference on European security and the talks on troop reductions in central Europe, both of which remain pretty much on dead center.*

*It is likely that Schmidt will want to concentrate, however, on international economic problems.*

#### International Economic Issues

There are no major economic problems affecting the US and West Germany alone. The West German position on several broader issues of mutual interest is as follows:

*Energy* - Bonn has played down its misgivings regarding the French proposal for an international conference of oil consumers and producers, in an attempt to win French cooperation on energy matters. The West Germans nonetheless view such a meeting as useless if the US refuses to participate, and they insist that joint EC policy be formulated first.

Bonn accepts the argument that oil consumers must harmonize their policies before meeting directly with oil producers. Schmidt will want to discuss ways in which the need for adequate consultation among consumers can be reconciled with France's preference that a dialogue with the oil producers open soon.

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FOR THE PRESIDENT ONLY

**FOR THE PRESIDENT ONLY**

West Germany has reduced its oil consumption by 12 percent since last year and strongly supports international agreement on conservation. It also has been actively seeking to increase its exports to oil-producing countries.

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*Recycling Oil Money* - Bonn approves the general concept of an international recycling fund but has serious reservations about the plan proposed by Secretary Kissinger. Finance Ministry officials believe that the plan ties aid to deficit countries too closely to oil conservation efforts and does not sufficiently stress the need for fiscal and monetary restraint.

Bonn would prefer that aid from the fund be based on the willingness of deficit countries to stabilize their economies through tough anti-inflation measures. The West Germans are also concerned that Bonn's share of the \$25-billion fund would be larger than domestic political considerations would allow.

Bonn has been attempting to dispel expectations that it will merely bankroll the deficit spending of its European neighbors. The West Germans insist that eliminating deficits in non-oil trade is a national responsibility, as opposed to financing the sharp rise in oil payments, which they see as an international problem. The West Germans have insisted on stringent conditions for bilateral loans to Italy and have been instrumental in limiting the size of European Community lending facilities.

*World Trade* - West Germany opposes proliferation of trade restrictions as dangerous to world economic stability. It views buoyant export sales as essential to West German prosperity and is concerned about the current slowdown in world trade.

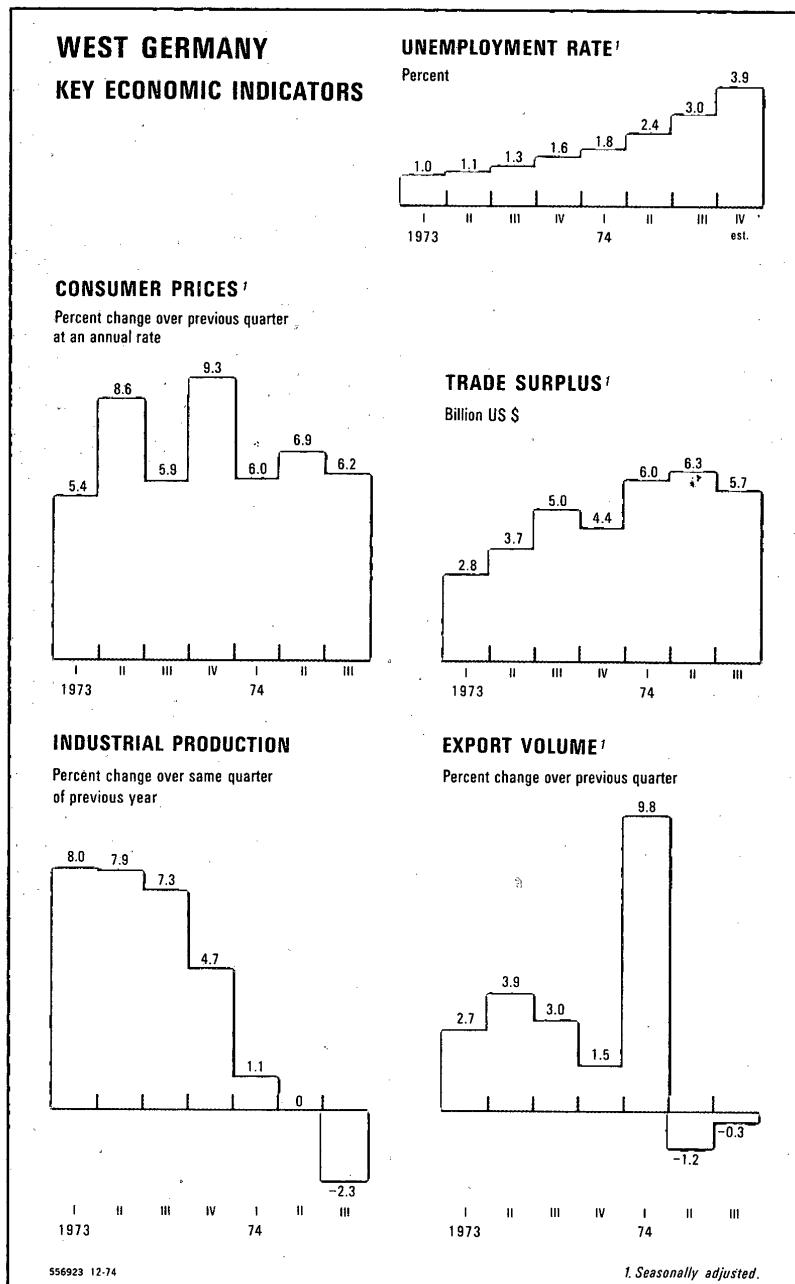
Schmidt's agreement to grant Italy a \$2-billion loan last August was motivated partly by concern about the impact on West German sales if Rome further restricted imports. The Chancellor recently expressed concern about anti-inflationary measures that would reduce US import demand.

*The Economic Slump* - Schmidt has stated that the US and West Germany have a joint responsibility to lead the world out of recession. While in Washington, he will want to discuss coordinated actions to stimulate recovery.

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**FOR THE PRESIDENT ONLY**



***FOR THE PRESIDENT ONLY*****The West German Domestic Economy**

Rapidly mounting unemployment and the possibility of government losses in important regional elections next spring have provided the impetus for a shift later this month to moderately stimulative policies, including incentives for private investment. Unemployment recently jumped to 670,000--3 percent of the labor force.

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[redacted] possibility of a 6.5 percent unemployment rate this winter--the worst in 20 years.

Schmidt, his Chancellery staff, and Finance Minister Apel believe that achieving even slow growth in 1975 would require stimulative measures in addition to previously scheduled tax relief. The need for a hard line against inflation nevertheless still dominates thinking in several influential quarters, including the Bundesbank, the Economics Ministry, and the independent Council of Economic Experts.

Economic growth has slowed progressively for six straight quarters. The 1-percent rise in real GNP expected for 1974 is attributable solely to foreign demand for West German steel, chemicals, and machinery.

Despite the recent weakening in foreign markets, growth in export volume will amount to about 12 percent this year and will help push foreign sales close to \$90 billion. Domestic demand has continued to slump throughout the year and now stands 4 percent below the early 1973 level.

At the same time, Bonn has maintained an enviable record on inflation. Consumer prices are only 7 percent above last year's level.

**Schmidt the Man**

The West German Chancellor is an economist by training. He is a no-nonsense pragmatist who likes to confront problems aggressively.

He first came into prominence while serving in the Hamburg city government. His political talents were soon recognized by the national leaders of the Social Democratic Party, and he entered the Bonn government in 1969. A four-year stint as defense minister and nearly two years as finance minister have given him broad experience unmatched by his European counterparts.

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***FOR THE PRESIDENT ONLY***

*FOR THE PRESIDENT ONLY*

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During the past year, Schmidt has constantly admonished other West European leaders to "put their houses in order" by adopting anti-inflationary programs. Similarly, he has pulled no punches in warning young leftists in his own party that their preoccupation with narrow ideological concerns threatens to "preach the church empty."

A Coalition Under Strain

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Schmidt enjoys high popularity in the polls, largely for keeping West Germany's rate of inflation the lowest among industrial nations.

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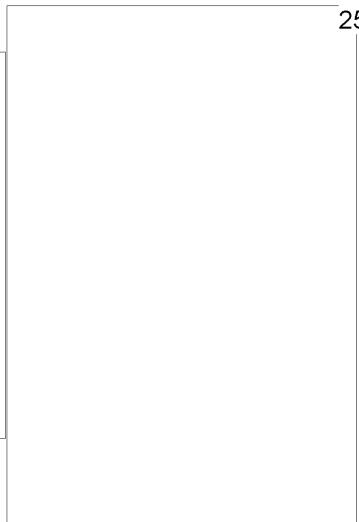
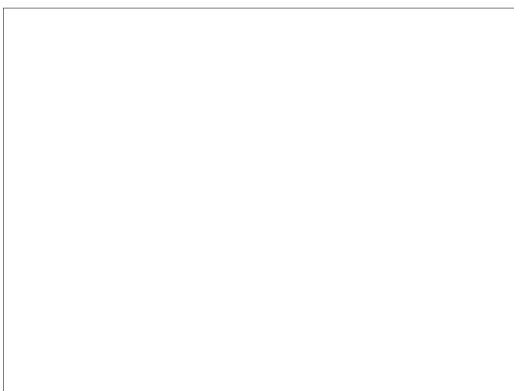
[redacted] a number of party moderates and leftists are disgruntled at the diminishing prospects for long-promised social and economic reforms, given Schmidt's desire to control government spending.

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Schmidt's reputation as a conservative on policy issues also creates problems for the Free Democrats, the junior partners in the national coalition, who are finding it difficult to maintain a distinct public image as the main force for moderation in the government.

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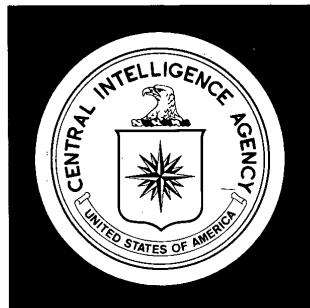


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# The President's Daily Brief

December 6, 1974

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declassification schedule of E.O. 14176  
exemption category (B)(1), (2), (3)  
declassified under authority of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

December 6, 1974

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[redacted] 25X1  
[redacted] 25X1

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

OIL

The meeting of oil ministers of the Organization of Petroleum Exporting Countries scheduled for December 12 will focus largely on pricing policy. OPEC prices are likely to go up about \$.50 per barrel. The participants may also discuss ways to respond to the International Energy Program set up by major importing nations.

The oil ministers are likely to adopt a price system that will raise the average cost of oil from the Persian Gulf from \$9.84 to \$10.35 per barrel, excluding company profits. They may also cut into the profits of the major oil companies by deciding to give a larger share of available oil to the rival independents.

Any rise in the price of oil, whether a flat rise or one pegged to inflation, will probably be referred to as "token" by the OPEC countries. Nevertheless, every ten cent rise in price translates into one billion dollars of added income to producers. Increases already imposed since January 1974 have added over a dollar to the cost of each barrel of oil.

If, as seems likely, a "single price" system is adopted--one established market price, with fixed discounts for the companies that produce the oil--consumers will be able to identify company profits more easily. The large oil companies are concerned that this will make it easier for consuming countries to regulate profits. US and British majors are also worried that they will lose foreign tax credits if OPEC countries do away with the practice of taking much of their revenue in the form of a tax.

It is unlikely that any OPEC member will make a serious effort to lower the price of oil, although some may argue for holding the line.

(continued)

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

Algerian Maneuvering

Last month Algerian President Boumediene, in a bid to exert more influence over the direction of the OPEC meeting, made an unsuccessful attempt to shift its venue from Vienna to Algiers. Boumediene's primary goal is to unify the producing countries on the price issue.

He is apparently concerned over what he interprets as attempts by importing countries to band together to "crack the cartel."

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One of the developments that has worried Algeria and presumably some other producing countries is the establishment by the important oil-importing nations--minus France--of the International Energy Program, which is designed to ensure that the burden of any future Arab embargo or cutback is shared in an equitable way by member countries. The producing countries may discuss developing some kind of counterplan--most likely one to keep the oil supply low, but not low enough to bring the importers' emergency plan into effect.

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**USSR-PORTUGAL**

*The Soviet Union has apparently decided to moderate its public support of the Portuguese Communists.*

Portuguese Communist Party chief Cunhal

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An additional indication of Cunhal's line and Soviet acceptance of it is the recent publication of an interview with him in the Soviet party's theoretical journal Kommunist. Cunhal said he intended to proceed slowly in seeking to change Portugal's relationship with NATO and in opposing US use of Portuguese bases in the Azores.

the Soviets feel dependent on Cunhal's reading of the situation in Portugal because of their own poor understanding of developments there. The Soviet Union had no diplomatic relations or presence in Portugal until this past summer.

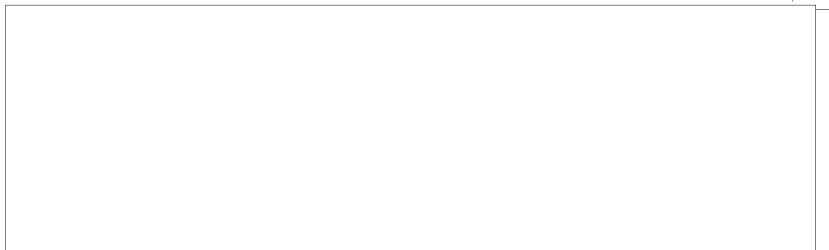
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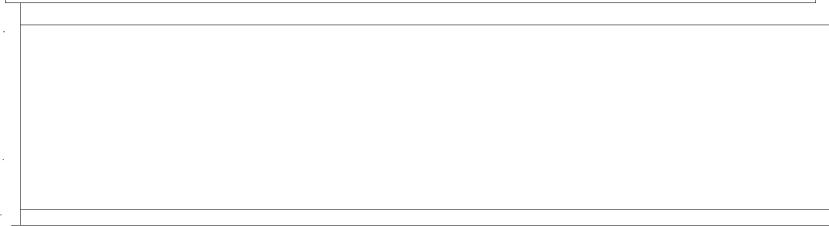
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ROMANIA

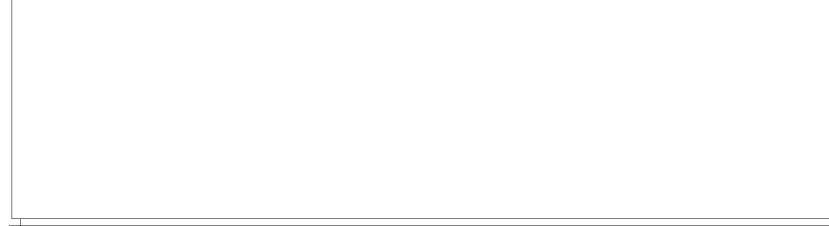
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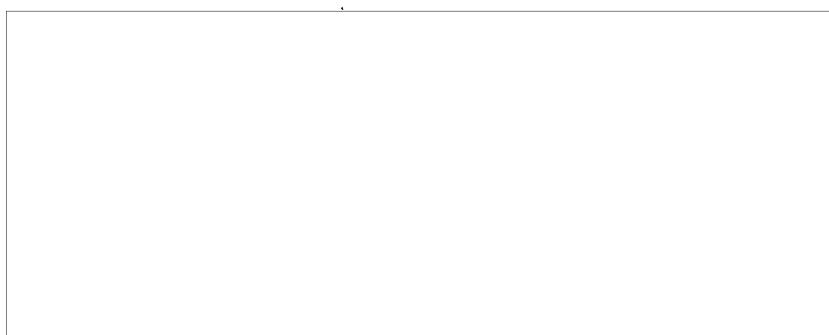
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NOTES

Israel: [redacted]

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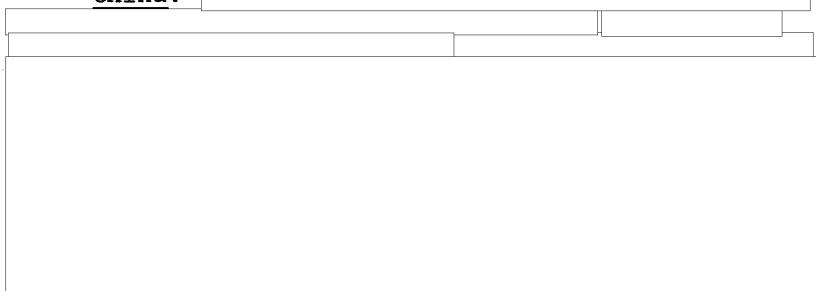


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China: [redacted]



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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

Greece: Greeks are expected to vote heavily against the return of exiled King Constantine to the throne in the referendum on the monarchy that will be held Sunday. The 300-member parliament, in which Prime Minister Karamanlis' New Democracy Party holds 220 seats, will then determine the exact form the republic should take. Prime Minister Karamanlis has repeatedly expressed a preference for a strengthened executive that would be able to speed legislation through parliament.

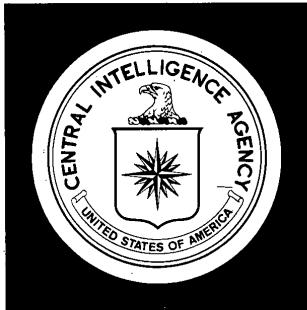
West Germany:

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# The President's Daily Brief

*December 7, 1974*

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exemption category 5B(1),(2),(3)  
declassified only on approval of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

December 7, 1974

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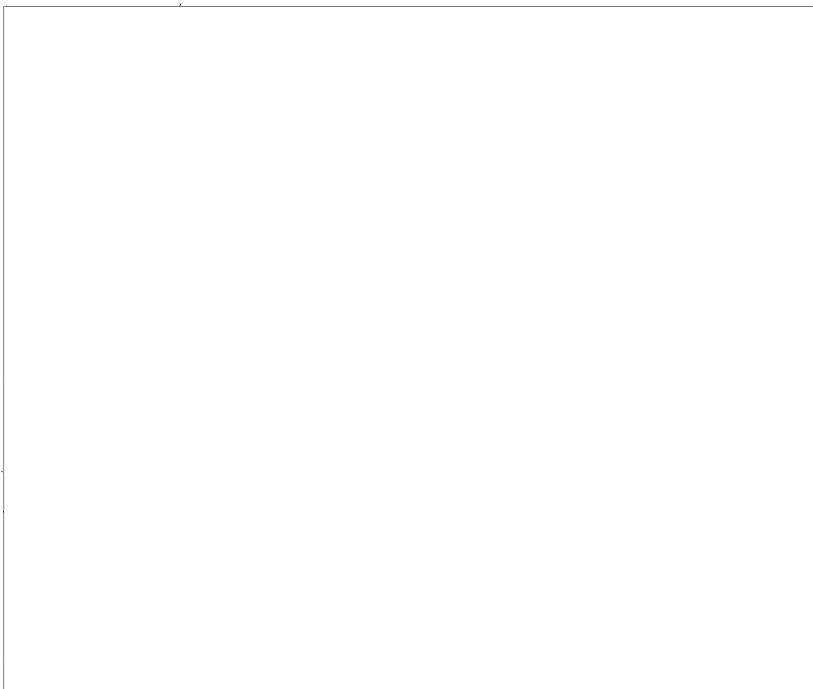
Annex: USSR - Middle East

*FOR THE PRESIDENT ONLY*

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USSR



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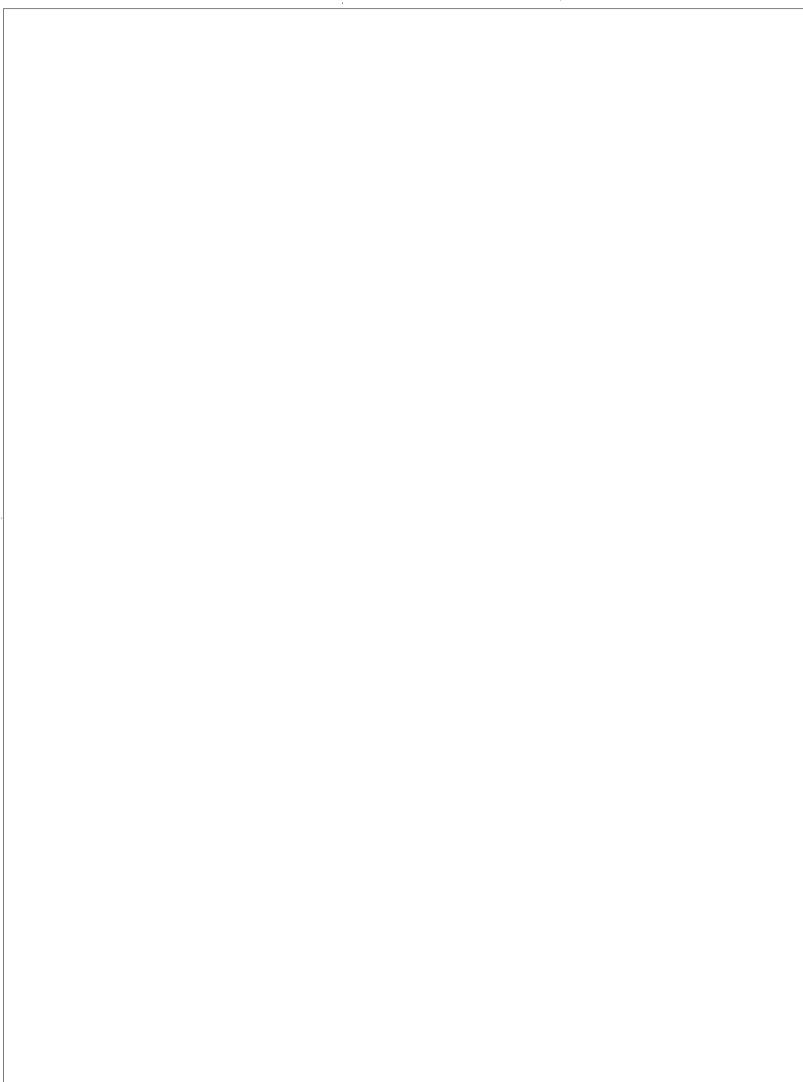
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***FOR THE PRESIDENT ONLY***

EGYPT



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ЕСХБ

**FOR THE PRESIDENT ONLY****CYPRUS**

Archbishop Makarios returned to Cyprus this morning after a five-month exile. He is well aware of the emotions his return will arouse and will try to avoid any action that could kill his chances of again becoming leader of all Cypriots. He may not, however, be able to control emotional outbursts from within his own Greek Cypriot community; his supporters and opponents are now more sharply divided than when he fled the island last July.

Most observers expect some violence, particularly from people who lost friends and relatives in the bloody aftermath of the coup that toppled Makarios' regime. The first violence could well occur at a mass rally at noon today in Nicosia, which Makarios is scheduled to address.

Makarios has already sought to undercut the chances for violence by calling for unity and reconciliation among Greek Cypriots; he says he has "forgiven" those who sought his overthrow.

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Makarios returns with significant assets. He still enjoys the support of a majority of Greek Cypriots, will control the church and its wealth as well as the state bureaucracy, and has the public if not the private blessing of the government in Athens. His opponents on the right and center-right are divided and politically weak.

Ultimately, Makarios' political future depends on his ability to wrest concessions from the Turks and Turkish Cypriots. When Makarios fled the island last July, Cyprus was relatively prosperous and dominated by its well-to-do Greek Cypriot majority. Now, the island's economy is in ruins and approximately 200,000 Greek Cypriots are dispossessed. Many of them expect a miracle from Makarios. If he fails to make progress, their support for him will dwindle rapidly and serious disorders might ensue.

*FOR THE PRESIDENT ONLY*

CAMBODIA

*Prime Minister Long Boret reportedly plans to submit his resignation soon as a roundabout way of trying to increase his authority over the armed forces.*

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[redacted]  
Long Boret will agree to remain in office only if President Lon Nol appoints Cambodian Armed Forces Commander in Chief Sosthene Fernandez to the additional post of defense minister. Despite his poor relations with Fernandez, Boret hopes that bringing him into the cabinet as defense minister would assure some degree of civilian influence over the army. He believes this necessary if he is to have any success in tackling the problems of economic deterioration and corruption.

Long Boret probably is counting on the US embassy to weigh in with Lon Nol should a showdown develop over his resignation. He is likely to delay action on the matter until Ambassador Dean returns from consultations in Honolulu.

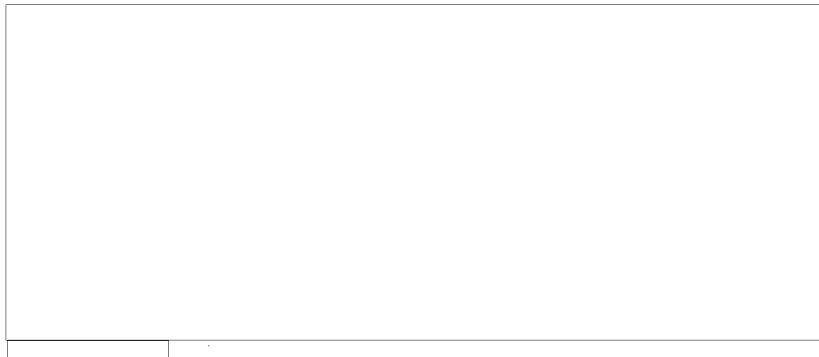
Fernandez' inclusion in the cabinet would not necessarily result in a significant increase in civilian authority over military affairs. Military commanders would probably continue to take orders directly from Lon Nol should Fernandez be appointed defense minister.

*FOR THE PRESIDENT ONLY*

AUSTRALIA

*The country's economic downturn, probably the steepest among the smaller OECD countries, has worsened considerably since midyear, and a political scandal has now added to the woes of Prime Minister Whitlam and his Labor Party.*

Real GNP, after falling at a 5.3-percent annual rate in the second quarter, declined at a 12-percent annual rate in the third, and unemployment has risen sharply. Last year, the Australian economy grew by 4 percent.



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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

NOTE

Brazil: Top Brazilian officials are trumpeting an oil find off the coast of Rio de Janeiro State. The news has already triggered a rise in stock market prices in Brazil. The finance minister has claimed that the find could make Brazil nearly self-sufficient in oil by 1980; the energy minister has also taken a very optimistic line, despite a call for caution by the head of the state petroleum enterprise. The actual extent of the oil discovery will not be known for some time; government leaders seem to be using the news to offset recent political and economic setbacks.

*FOR THE PRESIDENT ONLY*

FOR THE PRESIDENT ONLY

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## USSR - MIDDLE EAST

Moscow responded to the October Arab-Israeli war with a massive resupply effort, re-equipping Arab countries with armored equipment, anti-tank weapons, SAMs, and jet fighters. What follows is an assessment of the impact of that resupply on Arab recipients.

Syria

Syria has been the principal beneficiary. Soviet arms delivered so far this year--worth more than \$400 million--were ordered under agreements concluded during the October 1973 war and during President Asad's visit to Moscow last April.

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[redacted] As a result of Soviet deliveries, Syria's ground forces are now better equipped than they were at the beginning of hostilities in October 1973. While the army is capable of only limited offensive action against Israel, it could put up effective resistance to an Israeli attack.

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The Syrian air force, with over 450 combat aircraft, is now the largest fighter force in the Middle East. The Syrians, however, lack enough qualified pilots and well-trained technicians. The air force could not prevent deep penetration raids by the Israelis, nor could it provide adequate ground support for Syrian ground forces.

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Syrian air defenses have improved since October of last year. The Syrians have seven additional surface-to-air missile batteries [redacted] and may be forming still more.

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While Moscow will remain its major source of arms, Syria has also discussed arms purchases with the UK, France, and West Germany.

(continued)

A1

FOR THE PRESIDENT ONLY

## FOR THE PRESIDENT ONLY

Egypt

Moscow halted arms deliveries to Egypt this year in April because of deteriorating relations between the two countries. Seaborne deliveries resumed in August, but apparently no major equipment has arrived.

The Soviets are holding out the prospect of significant new deliveries in connection with next month's visit by Brezhnev to Cairo. Moscow may deliver some MIG-23 aircraft ordered by Egypt prior to the October 1973 war.

The Egyptians have also been shopping for arms elsewhere, and Arab oil producers have taken steps to encourage them to shift away from Soviet weapons. Saudi Arabia has ordered 36 Mirage fighters for Cairo--six have already been delivered

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The British recently concluded an agreement that will enable Cairo to assemble and eventually manufacture helicopters for military use. The Egyptians are already receiving British Sea King helicopters ordered last year and paid for by Saudi Arabia.

In the short run, Sadat will have to depend primarily on Moscow for military equipment. Quite aside from possible political complications, neither France nor the UK maintains large reserve stocks of such equipment. The negotiation of long-term contracts with realistic lead times--one to two years--would be required before either country could supply Egypt with large quantities of major equipment.

Despite the slowdown in Soviet deliveries, Egypt's ground forces have the materiel to launch an attack on the same scale as the October 1973 offensive. Egypt's air force losses have not been fully replaced, but the air force's contribution to the war effort was minor.

More important, Egypt has only a minimal supply of surface-to-air missiles. It now has some 15 more SAM firing batteries than in October 1973, but probably fewer missiles. Israeli air attacks could quickly draw down stocks of those missiles, forcing Cairo to appeal urgently for Soviet aerial resupply, as it did during the October war.

(continued)

A2

FOR THE PRESIDENT ONLY

**FOR THE PRESIDENT ONLY**

Libya

The Libyans concluded a major arms agreement worth several hundred million dollars with Moscow last May. Although the scope of the accord has not been fully confirmed, it is apparently the largest ever between the two countries.

Key items in the package are said to include MIG-23 jet fighters, surface-to-air missile systems, T-62 tanks, and possibly even TU-22 medium bombers and a few submarines.

The Libyans nonetheless do not want to rely solely on the Soviets. Agreements with the West during the first half of this year were worth about \$300 million and included purchases from France of 30 Mirage F-1s and six missile-armed patrol boats. Between 1970 and 1973 Tripoli paid almost \$475 million for military equipment from the US and Western Europe, compared with about \$150 million from communist sources.

The Libyans have neither the trained manpower nor the logistical support to operate and maintain most of the equipment they are buying, and they will need long-term assistance from both the Soviets and Western suppliers.

Iraq

The Iraqis have received this year some of the USSR's most sophisticated weapons, including guided-missile patrol boats, two squadrons of MIG-23 jet fighters, and tactical surface-to-surface rockets. In addition, East European countries have agreed to supply some \$100 million worth of ammunition and support equipment.

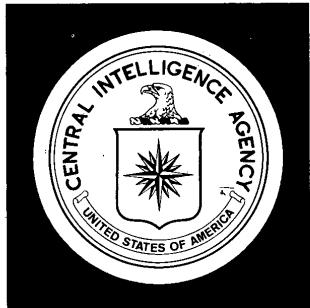
Moscow has so far put off Iraqi requests for a new arms accord, but high-level talks planned for the near future may result in new Soviet commitments.

Meanwhile, Iraq has purchased almost \$300 million in arms from West European countries and Yugoslavia this year. The Iraqis have also been trying to acquire British-built Hawker-Hunter jet aircraft from other Arab countries, presumably for use against the Kurds.

Despite the military aid it is receiving from the USSR and elsewhere, Iraq's capability to participate in an Arab-Israeli war is less now than it was a year ago. About 80 percent of its ground forces are tied down fighting the Kurds in the northern part of the country, and it is unlikely that Baghdad could free more than a token force anytime soon.

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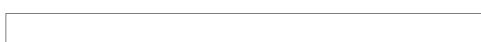
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# The President's Daily Brief

*December 9, 1974*

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Exempt from general  
declassification schedule of E.O. 11652  
exemption category 3B(1), (2), and (3)  
declassified under authority of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 9, 1974

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

EC

The key to success at the two-day summit of the Nine that opens in Paris today will be a promise to lower the UK's future share of the EC budget. Prime Minister Wilson has now promised French President Giscard and West German Chancellor Schmidt that he will recommend continued British membership in the EC to the British public if he gets satisfactory replies to the budget question and the other "renegotiation" demands.

The Belgians have ready a proposed budget formula more favorable to Britain. Giscard has not given Wilson any promises, but the British believe the French will go along.

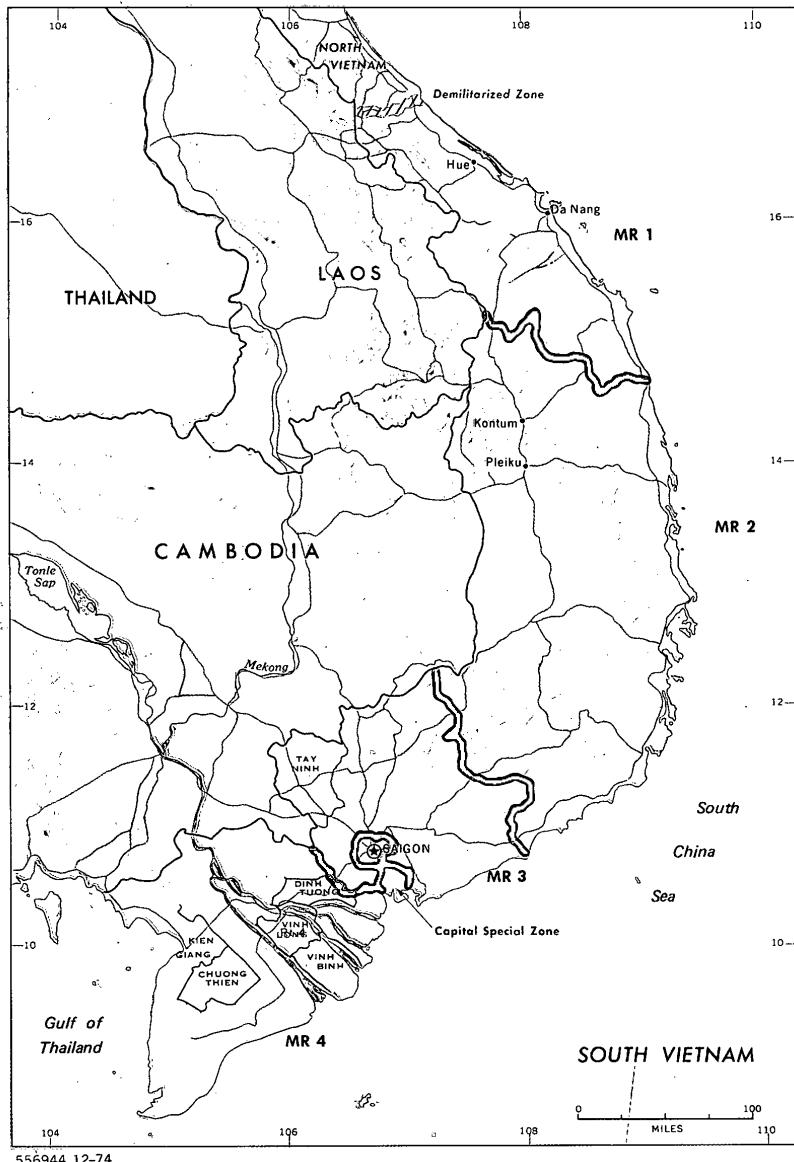
A successful summit denoting a united community would give Giscard a strengthened base for his meeting with you next weekend. He would probably also like to cite the EC summit as well as his meetings with you and General Secretary Brezhnev to bolster his position at home.

The French-Soviet meeting may cause trouble at the EC summit. Giscard's agreement with Brezhnev to accelerate the European security conference apparently was made without consulting his community partners. Until now, the security conference has been hailed as an outstanding example of political cooperation among the Nine.

The French do not want to spend much time at the summit on the international aspects of energy policy. Giscard apparently hopes in the course of his meeting with you to trade France's eventual participation in the US-backed International Energy Agency for US acquiescence to an early meeting of oil exporters and importers.

France's EC partners would like to see a compromise worked out between the US and France on the international aspects of energy policy, since this would remove a major obstacle to agreement within the EC. The Nine hope to reach internal agreement on energy at the EC Council meeting scheduled for December 17.

**FOR THE PRESIDENT ONLY**



**FOR THE PRESIDENT ONLY**

**SOUTH VIETNAM**

*Communist forces have sharply increased their activity in the Mekong Delta. Most of the Communist ground and shelling attacks, which began on December 5, have been concentrated in the central and southern sectors of the delta in Chuong Thien, Kien Giang, Vinh Long, and Vinh Binh provinces.*

The northern part of the region has been generally quiet with the exception of Dinh Tuong Province, where a number of Communist actions have been reported along Route 4, the main road from the delta to Saigon.

South Vietnamese military sources speculate that the rash of attacks in the lower delta may be an attempt by the Communists to divert attention from a possible offensive by elements of the North Vietnamese 5th Division into the northern sector. Several battalions of the South Vietnamese 9th Division are being shifted from the lower to the upper delta in order to counter this threat.

There has been no comparable upsurge in Communist military activity elsewhere in South Vietnam, although some increase has been noted in the provinces around Saigon over the past few days.

**FOR THE PRESIDENT ONLY****CYPRUS**

*The newly reinstated President of Cyprus, Archbishop Makarios, and Turkish Cypriot Vice President Denktash appeared to leave themselves some room for maneuver in future negotiations in their public comments following Makarios' triumphant return to the island on Saturday.*

Makarios said he would not accept a fait accompli brought on by the Turkish invasion, nor would he countenance the forced transfer of populations or a solution tantamount to partition. He struck some conciliatory notes, however, citing the need to abandon chauvinistic tendencies of the past and his desire for negotiations with the Turkish Cypriots. Makarios noted that this was not the time to express his views on a solution.

Makarios was reportedly persuaded to adopt a more flexible approach at his meeting in Athens earlier this month with Greek Prime Minister Karamanlis and then acting president Clerides. The archbishop is not likely to commit himself to a specific negotiating position until he consults with leading members of the Greek Cypriot community.

Denktash gave a generally cool reception to Makarios' public remarks over the weekend. He noted that Turkish Cypriots consider Makarios the leader of the Greek Cypriot community and no longer acknowledge him as head of state. Denktash added that Turkish Cypriots want to keep open the door to negotiations, but only if the Greek Cypriots--and Makarios in particular--accept the new realities on the island.

Denktash repeated his call for a bi-zonal geographic federation but said that the powers of the two regions in relation to the federal government and the size of the Turkish region were negotiable. The Turkish Cypriot leader warned that if Makarios is uncompromising, the Greek and Turkish Cypriot sectors of the island will gradually evolve into separate states.

According to the US embassy in Nicosia, the tension and fear of violence that preceded Makarios' return had subsided by the time of the archbishop's arrival because of public pledges from the extreme right that it would not make trouble. Elaborate security precautions also helped, as did Denktash's public reassurances that Makarios' return would not bring new Turkish military operations.

*FOR THE PRESIDENT ONLY*

NOTES

USSR-France: General Secretary Brezhnev's four-day visit to France last week continued the trend toward closer relations between the two countries. The communiqué issued at the end of the visit Saturday showed that, in particular, France has moved much closer to the Soviet position on how and when to conclude the European security conference. It also indicated a near identity of views on the Middle East and Cyprus and confirmed a further development of bilateral economic relations. The acting head of the French delegation at the European security conference claimed several days ago that during preparations for Brezhnev's visit, the French had discovered a new Soviet reasonableness over some of the matters at issue at the security conference. He said that as a result, France had altered its position on the conference.

USSR: The manned Soviet spacecraft, Soyuz 16, returned safely to earth early yesterday morning. Launched last Monday, the six-day flight was designed to test the procedures the Soviet crew will have to perform during the joint Apollo-Soyuz mission scheduled for next July. The Soviets apparently encountered no problems with the spacecraft that could affect the joint mission.

Greece: Greek voters decisively rejected the monarchy in yesterday's plebiscite. The parliament, which is empowered to revise the constitution, probably will appoint a provisional president while the new constitution is being written. Panayotis Kanellopoulos, a former premier, is the frontrunner for the interim assignment.

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# The President's Daily Brief

*December 10, 1974*

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~~Top Secret~~ 25X1

Exempt from general  
declassification schedule of E.O. 11162  
exception category 3B(1), 2(2), 3  
declassified under authority of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

December 10, 1974

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**SAUDI ARABIA**

*Saudi Arabia is taking action toward some easing of oil price increases.*

Minister of Oil Yamani has told the US ambassador in Jidda that Saudi Arabia will offer 40 percent of its government-owned crude at 90 percent of the new posted prices. (Government-owned crude accounts for 60 percent of oil production from Saudi Arabia.) Even with this reduction, the government take will still be between 26 and 34 cents per barrel higher than it was before the most recent price boost.

Yamani assured the ambassador that agreement is almost certain in negotiations now under way in London between Saudi Arabia and Aramco parent companies, and that the prices of the oil allotted to the companies might be reduced. He did not indicate the amount of the possible reduction. The negotiations are scheduled to conclude today.

The Saudis are also considering a new arrangement on payments which reportedly would allow consumers to pay for 75 percent of their oil in cash and defer payment on the remainder. This would, in effect, be a loan from the producers to the consumers.

**FOR THE PRESIDENT ONLY**

**FRANCE**

Senior French officials are beginning to talk seriously of trying to reach a "compromise" with the US on the issue of replacing the F-104s. Defense Minister Soufflet told Ambassador Rush late last week that the issue would undoubtedly be on the Martinique agenda.

Soufflet spoke to the ambassador of the possibility of French participation in a US contract to build the planes. He rejected a subcontractor role for the French. He spoke wistfully of market sharing and did not rule out French participation in the production of fighter replacements should the contract go to a US firm.

Shifting tack slightly, Soufflet mentioned the possibility of a trade-off in the civil aeronautics field. He referred specifically to the Concorde and Airbus, both of which are currently in difficulty because of severely limited markets.

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The political climate in France is still much opposed to compromise in the contest on fighter replacement. General Paul Stehlin's memo advocating cooperation with the US aeronautical industry, which was leaked to the French press in early November, caused a political furor in which Gaullists capitalized on chauvinistic and anti-US feelings aroused by the incident. Since then, Stehlin's views have received some support from Servan-Schreiber's centrist party.

President Giscard continues to rely on the Gaullists for his parliamentary majority. They can be expected to oppose any cooperation with the US on a fighter program. Giscard, however, faced with loss of the entire contract, could make a strong economic case for their cooperation.

**FOR THE PRESIDENT ONLY****VIETNAM**

The most recent information appears to be consistent with our belief that the Communists plan to carry out in the first half of 1975 their most ambitious military campaign in South Vietnam since the cease-fire in January 1973. Reporting suggests that the scale of fighting will be less than that of a "general offensive," however, and that the Communists hope to achieve their objectives by relying primarily on the force structure they already have built in the South.

Hanoi's seasonal effort to resupply this structure has begun. Several major North Vietnamese logistic headquarters have shifted into northern South Vietnam, and the Communists are now moving large quantities of war materiel through this area. The shipments include unusually large amounts of artillery ammunition. One intercept noted that 58 130-mm. field guns were being transported through this sector. Many of the supplies are earmarked for the central highlands and the southern half of the country. This materiel adds to already imposing Communist stockpiles.

In southern South Vietnam, the Communists have reorganized their forces to improve their effectiveness.

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There are tenuous signs that Hanoi may move in combat units from Laos. One low-level report, for example, claims that the North Vietnamese 968th Division will shift from southern Laos to the central highlands. The 968th sent one of its subordinate regiments into the highlands earlier in the year. This division is one of the units scheduled to receive replacements from the North. If the 968th does relocate to the highlands, the force balance there will tilt in favor of the Communists.

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*FOR THE PRESIDENT ONLY*

Hanoi also has continued to strengthen its already large strategic reserve in North Vietnam and recently converted one of its former training divisions--the 338th--into a line unit. The North Vietnamese now have seven line divisions in their reserve.

This large pool of combat units provides Hanoi with the capability of committing additional forces to battlefields in the South. But none of the reserve divisions shows any sign of moving south at this time.

\* \* \*

Increased Communist military activity in the delta, which began last week, continues with emphasis shifting from the central and southern sectors to the northern delta. Most of the attacks are shellings and small-scale ground assaults against the more remote government outposts. Government commanders are realigning their forces to contain the latest Communist initiatives as well as to prepare for anticipated larger actions by main force units.

*FOR THE PRESIDENT ONLY*

JAPAN

*The new slate of cabinet and party officers named yesterday reflects an attempt by Prime Minister Miki to balance powerful interests in the ruling Liberal Democratic Party. The appointments do not signal any major policy changes, but there is more opportunity for rivalries to disrupt the government at the top policy level.*

All major factions of the party are represented:

--Takeo Fukuda, aging leader of the party's conservative wing, is deputy prime minister and director of the Economic Planning Agency. Three of his supporters also received cabinet or party posts.

--Masayoshi Ohira, Fukuda's chief rival, remains as finance minister. Four of Ohira's supporters received cabinet posts, including the foreign affairs and defense portfolios. The new foreign affairs minister, Kiichi Miyazawa, is both very able and well disposed toward the US.

--Four of Kakuei Tanaka's supporters are also in the new cabinet.

--Yasuhiro Nakasone, who played a key role in Miki's selection last week, is now secretary general of the party.

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Miki has improved his position somewhat by the team he has been able to put together, but he will clearly have to rely more on persuasion and maneuver than on the factional support his predecessors possessed in managing the party and the cabinet. None of his supporters hold important party posts, and only two are members of the cabinet.

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

LAOS

*Prime Minister Souvanna's health held up well last week as he reassumed an active role in political meetings for the first time since his heart attack in July. He has broached to the King a plan that would transfer legislative authority from the dormant National Assembly to the Communist-dominated Joint National Political Council.*

The cabinet meeting he chaired went rather smoothly, largely because the Pathet Lao and the rightists--as-well as Souvanna himself--took pains to avoid the most contentious issues. The controversial question of whether to recognize the Viet Cong's Provisional Revolutionary Government, for example, was not addressed.

The Prime Minister also met with Lao King Savang and the Council of Ministers to discuss procedures for dissolving the rightist-dominated National Assembly. Souvanna proposed that the assembly be replaced by the Joint National Political Council, which is headed by Communist leader Souphanouvong. The council would be given legislative authority, and its membership would be increased from 42 to 72. The 30 additional seats, like the original 42, would be shared equally between rightists and leftists.

The King reacted favorably to Souvanna's plan and said he would dissolve the assembly if constitutional procedures were followed to his satisfaction. This is easier said than done; the constitution predates formation of the coalition government and does not take into account present political realities.

The Communists seem content for now to follow Souvanna's lead in pressing for conversion of the Political Council into a new National Assembly. They clearly expect, not without reason, that this would bring the coalition's legislative machinery under their control.

**FOR THE PRESIDENT ONLY**

## FOR THE PRESIDENT ONLY

## NOTES

Thailand-China: The Thai National Assembly has taken a significant step toward rapprochement with Peking by repealing the 15-year ban on trade. A Thai trade delegation will leave later this week for North Korea and China, and the Thai have already let it be known that they are ready to talk about allowing a Chinese trade office in Bangkok. The presence on the delegation of Bangkok's ambassador to the US, who has been talking with the Chinese at the UN, indicates that the Thai are prepared to discuss political matters as well. Peking will be primarily interested in movement toward diplomatic relations. The Thai seem headed in that direction, but no definitive move is likely until after the newly elected government takes office next February.

Saudi Arabia: King Faysal has named Muhammad Masud acting minister of state for foreign affairs, succeeding the late Omar Saqqaf. Masud had been Saqqaf's deputy. The appointment is a holding operation/

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South Korea: Seoul and its supporters won a significant victory at the United Nations last night. A pro - South Korean resolution, stressing the continuing responsibility of the UN Security Council in maintaining the armistice on the Korean Peninsula, passed in the Political Committee by a vote of 61 to 42, with 32 abstentions. The resolution proposed by the Communist and Third World backers of North Korea, calling for an end to the US and UN roles in Korea--with no provisions for maintaining the armistice--received a 48-48 tie vote, with 38 abstentions. Under the Political Committee rules a tie constitutes a defeat; only the pro-Seoul resolution will be reported out to the plenary session of the General Assembly, where its passage is virtually assured. The voting last night will strengthen the US and South Korean hand in any negotiations involving Korea, but the process of bringing the two Koreas together is likely to be difficult and prolonged.

*Top Secret*



# The President's Daily Brief

*December 11, 1974*

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~~Top Secret~~ 25X1

Exempt from general  
declassification under E.O. 11652  
exemption category 5B(1) and (3)  
declassified only on approval of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

December 11, 1974

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(Page 4)

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(Page 5)

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**EC SUMMIT**

*French President Giscard will come to his meetings with you this weekend backed by more community solidarity than seemed possible a few weeks ago as a result of the EC summit that concluded in Paris last night.*

--Doubts about Britain's continued membership in the EC have been eased, although not eliminated.

--The Nine have stated publicly their interest in the French-backed conference of oil producers, consumers, and developing states.

--The emphasis of the Nine on the dangers of economic depression may be intended to bolster a plea for remedial action by the US.

The Anglo-French debate in Paris included a sharp exchange between Prime Minister Wilson and Giscard that will impress their domestic audiences, but the summit acceded to Britain's demand for a fairer share in contributions to the EC budget. The EC Commission has been instructed, in effect, to meet the UK request for a budget formula linked to each member's gross national product, an outcome foreseen by British officials.

France did not announce any intention to join the US-sponsored International Energy Agency, and Giscard has left any possible move in this direction for his meetings with you. France's partners supported a consumer-producer conference in return for Paris accepting preliminary consultations among the industrialized oil users. The Nine will apparently now try to concert energy policies within the EC.

Summit discussions of Europe's economic problems reflected growing concern over rising levels of unemployment. Chancellor Schmidt demanded common action in Europe to meet recession and inflation. The Nine are now apparently thinking in terms of "complementary" measures for surplus and deficit countries.

The principal institutional innovation of the summit was to agree to hold three regular heads of government "councils" a year in place of less frequent and over-publicized summit sessions.

*FOR THE PRESIDENT ONLY*

USSR

25X1



*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

**ARAB TANKER FLEET**

*The Arab Maritime Petroleum Transportation Company, organized two years ago by the Arab oil producers to own and operate tankers, is now searching the secondhand market for three tankers in the 100,000 to 300,000 ton class for delivery next year.*

The world economic slowdown and high oil prices have lowered demand and idled many tankers, and secondhand vessels can be acquired on very advantageous terms. The Arab tanker company had previously been interested only in new tankers and had committed about \$500 million for five very large crude carriers--over 175,000 dead-weight tons--and six smaller ones.

Last month in Bahrain, the Arabs organized a shipbuilding and repair company to complement the tanker company. This company will finance a \$200-million shipbuilding and repair facility in Bahrain able to handle the largest tankers currently in operation. A similar facility is being planned for Malta. In addition, an inter-Arab merchant marine academy to be located in Egypt was also authorized last month.

By 1980, the Arabs plan to control about 20 million tons in the tanker market. The tanker company has plans to spend \$2 billion over the next five years to acquire a 10-million-ton fleet, while independent national efforts among the Arab nations will add another 10 million tons.

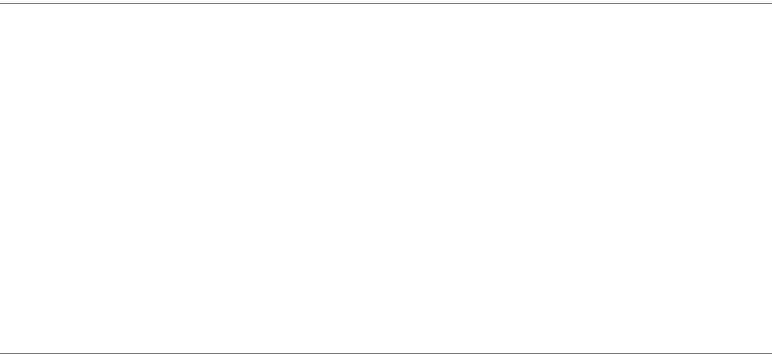
Control of 20 million tons by 1980 still would give the Arabs only a 5-percent share of the total estimated world tanker fleet. This fleet would be capable of carrying 2 million barrels a day between the Persian Gulf and Rotterdam in 1980, compared to oil production estimates ranging between 15 and 25 million barrels a day.

*FOR THE PRESIDENT ONLY*

**IRAQ-KURDS-IRAN**

*Heavy snowfall has blanketed most of the Kurdish area on the Iraq-Iran border, and Iraqi attacks on the Kurdish rebels now probably will be limited to artillery bombardments and air strikes when weather permits.*

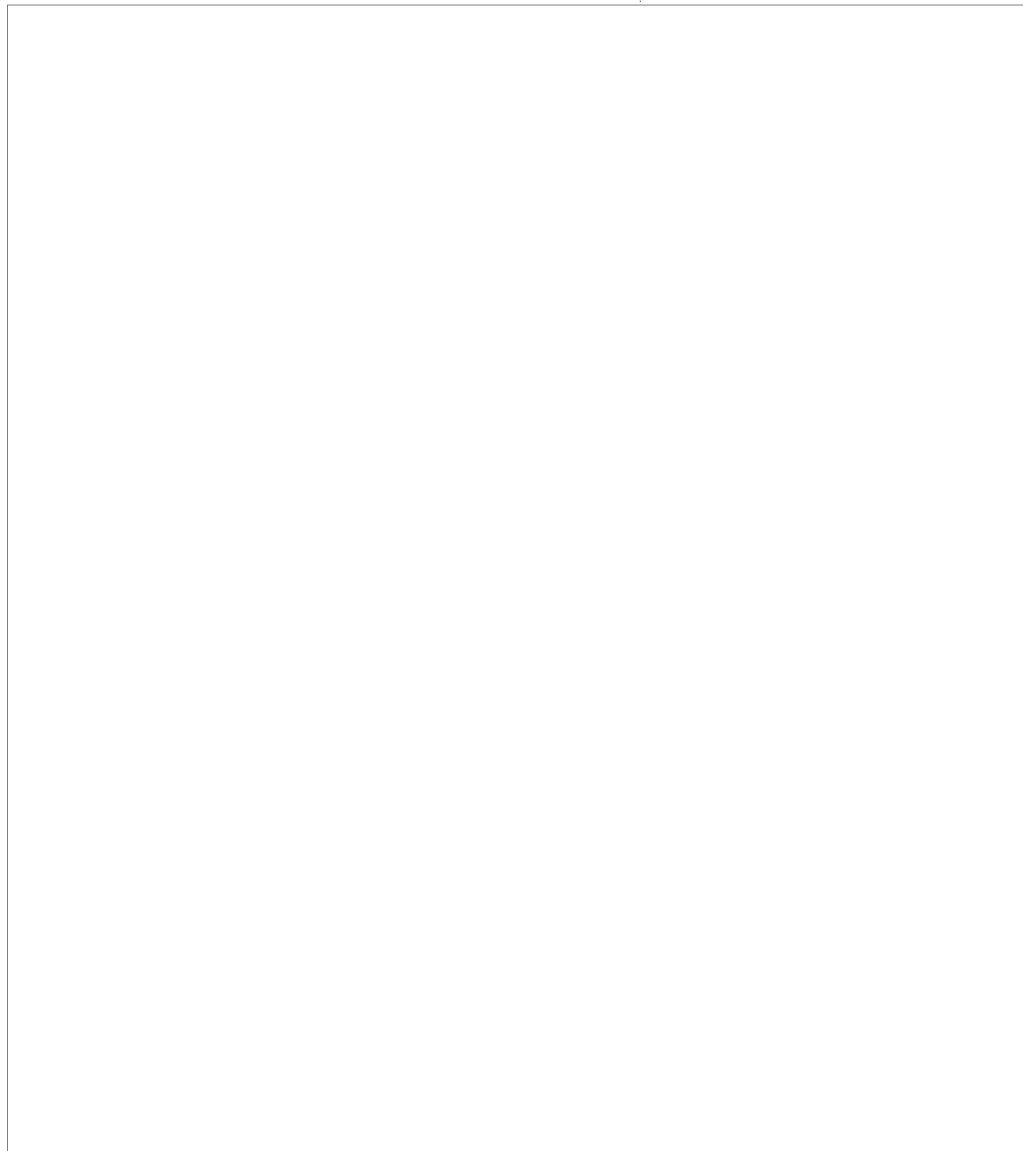
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Iran is also continuing to provide sanctuary for Kurdish refugees. An estimated 120,000 persons have fled to Iran as of late November; about 95 percent of these are women, children, and elderly noncombatants. The Iranians have made a conscientious effort to deal with dietary, water supply, and sanitation problems in the camps. Since September, Tehran has been constructing winter quarters to replace the original tent camps.

*FOR THE PRESIDENT ONLY*

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*FOR THE PRESIDENT ONLY*

NOTES

North Vietnam - China - US: The North Vietnamese and Chinese are reacting to the movement of the US carrier Enterprise and four destroyers off the Vietnamese coast. An intercepted message shows that a North Vietnamese air defense division in Quang Tri Province in northern South Vietnam was ordered yesterday to be alert for possible US air strikes.

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China-USSR-US: The Chinese have thus far maintained an outward appearance of calm in reacting to the Vladivostok summit and the new US-Soviet understanding limiting strategic arms. China's press has mentioned the meeting only once, and has not yet reported the arms agreement. The Chinese leaders, of course, remain acutely sensitive to such key developments in US-Soviet relations. They see no point in advertising this, however, and Chinese spokesmen are assuming an air of nonchalance in [redacted] the results of the summit.

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# The President's Daily Brief

*December 12, 1974*

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*Top Secret 25X1*

Exempt from general  
declassification schedule of E.O. 11652  
exemption category 3B(1), (2), and  
declassified under authority of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 12, 1974

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USSR: The Soviet Union plans to end exports of high-grade chrome ore in favor of exporting processed ferrochrome. (Page 2)

USSR: The Soviets have built part of a new dam with an underground nuclear explosion. (Page 3)

Rhodesia: Prime Minister Smith has announced that black insurgents will end terrorism in return for amnesty. (Page 4)

Notes: China - North Vietnam; OPEC; South Vietnam; USSR; Burma (Pages 5 and 6)

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**STERLING**

*The pound has fallen sharply in the past two days, following Saudi Arabia's decision no longer to accept sterling payments for oil. Fears that the pound would depreciate as a result of the British decision not to renew guarantees of sterling's value to official holders probably precipitated the Saudi move.*

The pound has dropped nearly 0.8 percent against the dollar and reached an all-time low yesterday. Dollar sales of nearly \$500 million by the Bank of England since the report of the Saudi decision have prevented an even sharper depreciation.

Kuwait, one of the largest sterling holders, may already have decided to follow the Saudi example.

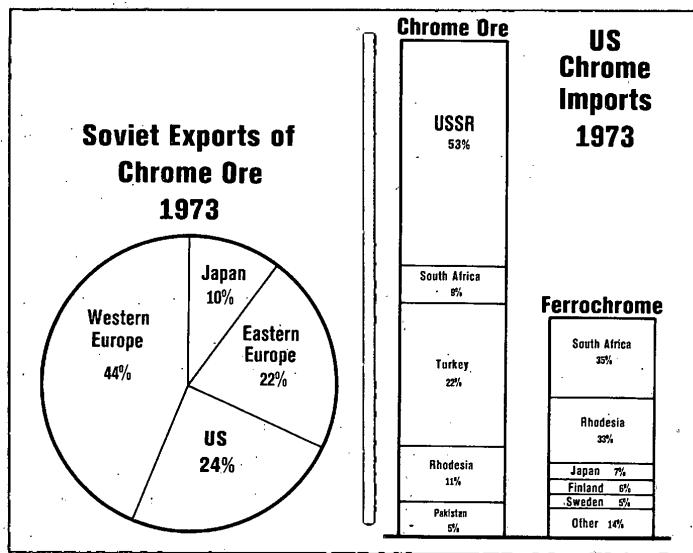
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Some oil companies which had accumulated substantial sterling balances in anticipation of future payments have already sold nearly \$250-million worth of sterling.

OPEC countries held over \$6 billion in sterling at the end of September. It is unlikely that they would attempt to dispose of these balances quickly as this would put massive pressure on the pound. Even a decision not to increase their holdings will, however, create problems for the UK. OPEC countries increased their sterling balances by almost \$4 billion in the first nine months of this year, an amount sufficient to offset about 60 percent of the British current-account deficit. London will not find it easy to replace this financing without resorting to official borrowing.

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**FOR THE PRESIDENT ONLY**



**FOR THE PRESIDENT ONLY**

USSR

*The Soviet Union--the largest exporter of high-grade chrome ore in the world and supplier of more than half of US imports of the ore, plans to phase out these exports by the end of 1980. Instead, the Soviets intend to begin processing the ore themselves into ferrochrome, an essential ingredient of stainless steel.*

A member of the State Committee for Science and Technology has informed the US that the USSR plans to use all of its high-grade chrome ore output in domestic production of ferrochrome. The USSR is negotiating with US, West European, and Japanese firms for the construction of ferrochrome plants in the USSR, with repayment to be made in ferrochrome exports. Such plants would make the USSR the largest ferrochrome producer in the world.

Most industrialized countries, including the US, are relying increasingly on ferrochrome imports to meet the needs of their stainless steel industries. US imports of ferrochrome have more than tripled in the last three years, and about one third of US requirements now come from abroad, while imports of ore have declined by 46 percent.

The USSR, which now exports high-grade ore exclusively, will be following the lead of other major chrome ore mining nations--Rhodesia, South Africa, and Turkey--which have expanded their domestic ferrochrome industries and have reduced exports of ore.

Ferrochrome plants consume tremendous quantities of energy. This fact, combined with costly environmental controls, have made the future of the US industry uncertain. The phasing out of Soviet exports of ore may hasten the demise of the US ferrochrome industry. Emergence of the USSR as an exporter of ferrochrome presumably will provide adequate supplies of ferrochrome for US consumption, but at a much higher foreign exchange cost. Rhodesia and South Africa, alternative sources for US imports, have sufficient potential to expand their production of ferrochrome quickly.

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

USSR

[redacted] the  
Soviets have built part of a new dam with  
mounding produced by an underground nu-  
clear explosion. This kind of operation  
has been mentioned during recent years in  
the Soviet press as a possible applica-  
tion of nuclear explosions, but this is  
the first evidence of an actual attempt.

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The Soviets set off a six-kiloton device in  
October near a diamond mine in central Siberia.

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[redacted] the  
explosion created part of a dam which will hold a  
pond for effluent from the diamond processing.

In 1965, the Soviets dammed the Shagan River  
in central Asia with the throw-out from a nuclear  
device of more than 100 kilotons. The mounding  
technique used in October minimizes the release of  
radioactivity into the atmosphere.

*FOR THE PRESIDENT ONLY*

## FOR THE PRESIDENT ONLY

## RHODESIA

Prime Minister Smith announced late yesterday that the insurgents who have been conducting terrorist operations inside Rhodesia have agreed to an immediate cease-fire. In return, Smith has agreed to release all the black nationalists, some of whom have been detained for ten years. Smith also said that a conference for negotiating a constitutional settlement would be convened soon. He implied that the nationalist leaders who met in Lusaka last week to formulate a common bargaining position have agreed to participate in the constitutional conference.

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[redacted] efforts to resolve the Rhodesia problem [redacted] were begun last October by prime ministers Kaunda of Zambia and Vorster of South Africa. Last Saturday, Smith announced an impasse in the negotiations. According to Smith, his envoys in Lusaka were told that the Rhodesian nationalists would not accept a truce unless he agreed to immediate majority rule. There are indications, however, that the Rhodesian nationalists meeting in Lusaka did not actually make this demand.

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Smith may have hoped that his disclosure of an allegedly extreme demand on the part of the black nationalists would soften South African Prime Minister Vorster's earlier demand that he negotiate a compromise settlement or forfeit South African support. It now seems more likely that Vorster has pressured Smith to grant an amnesty to the Rhodesian insurgents in return for a cease-fire.

It will be difficult to make such an agreement stick, because of past feuding among the insurgents and the heightening of interracial tensions since the onset of terrorism two years ago. It may be even more difficult to reach an agreement for a transition to majority rule, unless Vorster and the three African presidents who sponsored the Lusaka talks maintain concerted pressures on Smith and the black nationalists.

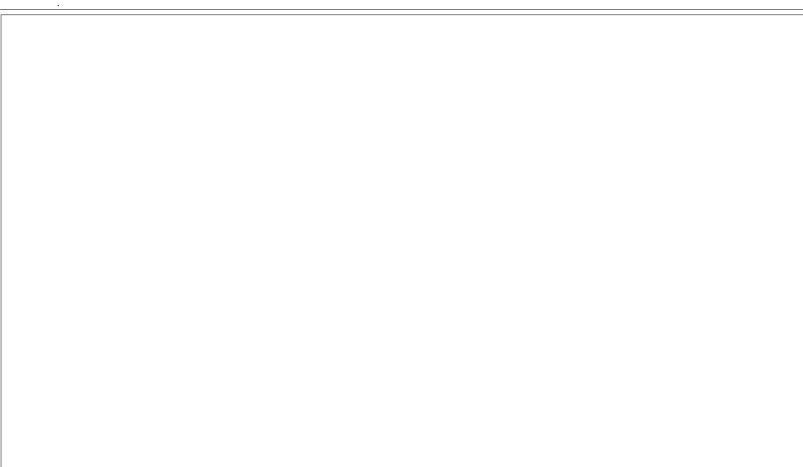
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*FOR THE PRESIDENT ONLY*

NOTES

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OPEC: The oil ministers of the Organization of Petroleum Exporting Countries convene today in Vienna. The session--expected to last at least two days--probably will concentrate on pricing policy. It could formalize increases of about 50 cents a barrel adopted at a recent meeting of Persian Gulf producers. An effort will probably be made to link the price of oil to inflation in general or to the prices of selected commodities. Algeria has proposed a meeting of OPEC foreign and oil ministers in Algiers on January 8 to draft an agenda for a later conference of OPEC chiefs of state.

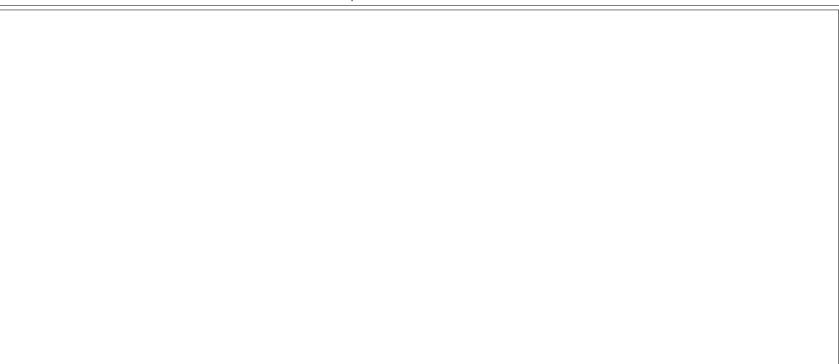
South Vietnam: Sharp communist attacks that began late last week in the southern delta provinces have spread to the northern delta and several areas around Saigon. Most of the ground attacks have been made by communist local force units, supported by shellings and sapper attacks against bridges and highways. In one of the most severely threatened areas, elements of the Communist 5th Division have isolated several district towns in a delta province bordering Cambodia, but the government is taking steps to counter the incursion. South Vietnamese territorial forces have performed rather well in bearing the brunt of the action.

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

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Burma: The Burmese government has declared martial law and moved additional troops and tanks into downtown Rangoon in an effort to end student-initiated disorders that began over the government's arrangements for former UN secretary general U Thant's funeral. Large numbers of students and Buddhist monks have been arrested. The government probably can weather the immediate crisis as long as the army remains loyal. There is no apparent civilian alternative to President Ne Win and his military colleagues, and thus far there is no sign of disaffection among the troops.

*FOR THE PRESIDENT ONLY*

*Top Secret*



# The President's Daily Brief

*December 14, 1974*

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Exempt from general  
declassification schedule of E.O. 14176  
exemption category 3(b)(1), (2)(A)  
declassified only pursuant to request of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

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France: The French have let it be known that they are interested in establishing new mechanisms for promoting closer relations with the US. (Page 3)

Oil Prices: The Organization of Petroleum Exporting Countries has agreed on a new, single unified price that will raise the US import bill by \$800 million next year. (Page 5)

MBFR: The Soviets may offer some new and modified proposals when the talks resume next month. (Page 6)

Portugal: The Armed Forces Movement extended its efforts to control private enterprise yesterday. (Page 7)

South Vietnam: The communist dry season campaign is producing scattered but intense fighting. (Page 8)

Burma: Security officials have been ordered to arrest up to 10,000 persons. (Page 9)

Venezuela: Re-establishment of diplomatic relations with Cuba is imminent. (Page 10)

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

**EGYPT-ISRAEL**

*Egypt's Foreign Minister Fahmi issued a sharp official response yesterday to recent remarks by Israeli Prime Minister Rabin. The response amounts to a toughening of Egypt's negotiating position.*

The Egyptian reaction came in the form of a list of harsh conditions for a "full and final settlement." The conditions include:

--Full Israeli withdrawal from all occupied Arab territories back to "international borders."

--Israel's recognition of the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people and Israeli recognition of Palestinian national rights.

--Either the creation of a democratic state in which Jews, Muslims, and Christians live on an equal footing, or the application of the United Nations Palestine Partition Plan.

--A pledge by Israel to renounce its expansionist policy and another that it will not accept any Jewish immigrants during the next 50 years.

--Israeli compensation to the Palestinians who have lost their property and to the Arab states for damage they suffered during all previous wars.

Fahmi's remarks are a major departure from Cairo's tack of avoiding the issue of a final settlement and concentrating instead on interim steps. Fahmi's statement was pitched in the kind of rhetoric usually voiced only by Arab radicals.

The statement was described as a comment on an interview by Rabin published the same day. The Israeli Prime Minister repeated earlier remarks, which, in effect, called for Egyptian acquiescence in an Israeli strategy to delay a final peace settlement for years. The Egyptians apparently believed

(continued)

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

that they could no longer allow any impression of possible Israeli-Egyptian complicity to go unfuted.

Although a response to Rabin's remarks was expected, Fahmi's list of Egyptian requirements is so extreme as to suggest that President Sadat intends it to signal a major change in Egypt's attitude toward negotiations with Israel. Sadat has implicitly acknowledged Israel's right to exist within its 1967 borders and is on record as being willing to sign a peace agreement on those terms.

If Fahmi's statement does mark a fundamental shift in Egyptian negotiating strategy, we expect Sadat himself to follow up with a public statement of the position to give it his personal stamp of authority.

**FOR THE PRESIDENT ONLY**

**FRANCE**

The French have let it be known that they are interested in establishing a new mechanism for promoting closer US-French relations, [redacted]

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[redacted] 25X1

[redacted] The French President is prepared to agree to projects that would provide proof of his intentions [redacted]

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[redacted] a bilateral commission composed of a dozen high-level officials with two chairmen--presumably at cabinet level--be set up to review a list of possible projects. Because of French domestic political considerations, the idea to create the commission must appear to come from the US side. The Franco-Soviet commission would serve as a model.

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[redacted] Specific topics suggested for consideration were:

--A compromise on the sale of military aircraft to the four-nation European consortium seeking a replacement for their F-104 aircraft. [redacted]

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

--A formalized exchange of "temporary duty assignments" between officials that would "correct the current situation in which no one in a position of authority in either country has lived for an appreciable length of time in the other."

--Joint military exercises [redacted]

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[redacted]  
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Giscard has good reason to be cautious about the domestic political impact of closer ties to the US. The Gaullists and the leftists would be concerned that Paris might be relegated to a permanently subordinate role because of the inherently unequal relationship between France and the US. The concept of a "special" Franco-US relationship, however, would appeal to the Gaullists because this would suggest that France is a key power with which the US feels it must consult.

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[redacted]  
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**FOR THE PRESIDENT ONLY**

OIL PRICES

*The oil ministers of the Organization of Petroleum Exporting Countries agreed at their meeting that ended yesterday to replace the present posted price system with a single unified price. The new price will raise the US oil import bill by about \$800 million next year.*

Effective January 1, the new average take of OPEC governments for crude oil will be \$10.12. This means that OPEC as a whole has accepted the decision to raise prices made by Persian Gulf oil producers at a meeting in Abu Dhabi last November. The new price will increase the average take of all OPEC members by 38 cents per barrel, or by about 4 percent. This increase is expected to raise the world's oil import bill by about \$4 billion next year.

Iranian Minister of Interior Amouzegar described the new price as a "generous gesture" to allow consumers time to coordinate their positions. He said that the problem of relating oil prices to Western inflation would be taken up later, possibly as part of a producer-consumer dialogue.

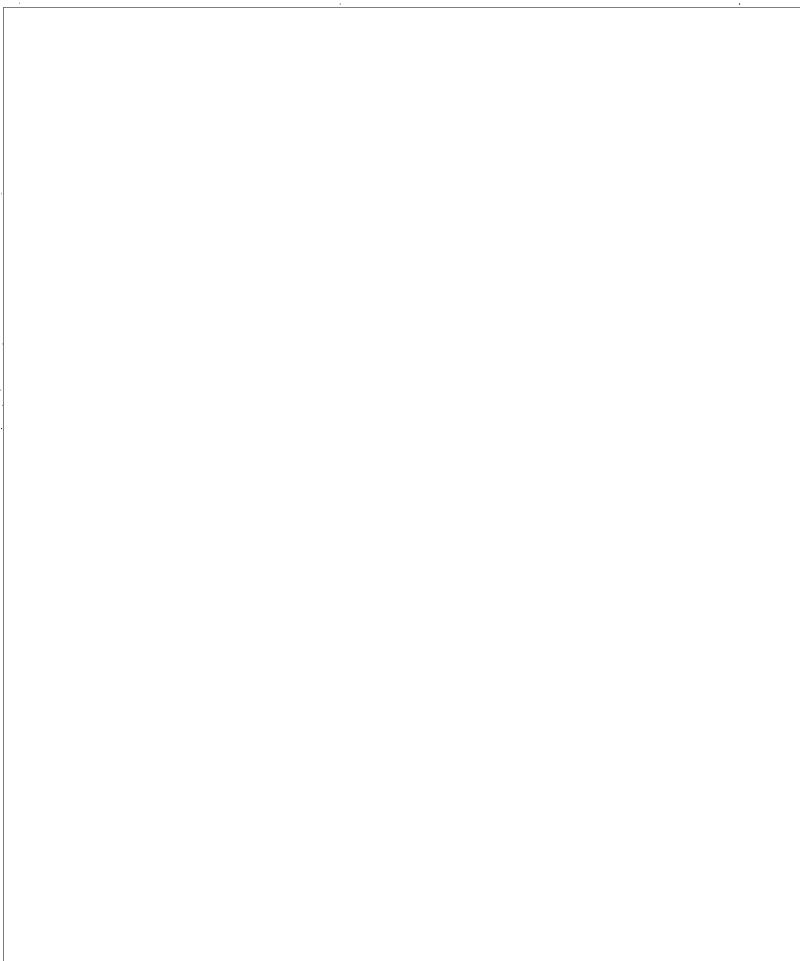
The meeting also decided that OPEC oil and foreign ministers will meet in Algeria on January 24.

**FOR THE PRESIDENT ONLY**

**MBFR**

*East European participants in the force reduction talks expect the Soviets to offer some new and modified proposals when the talks resume next month.*

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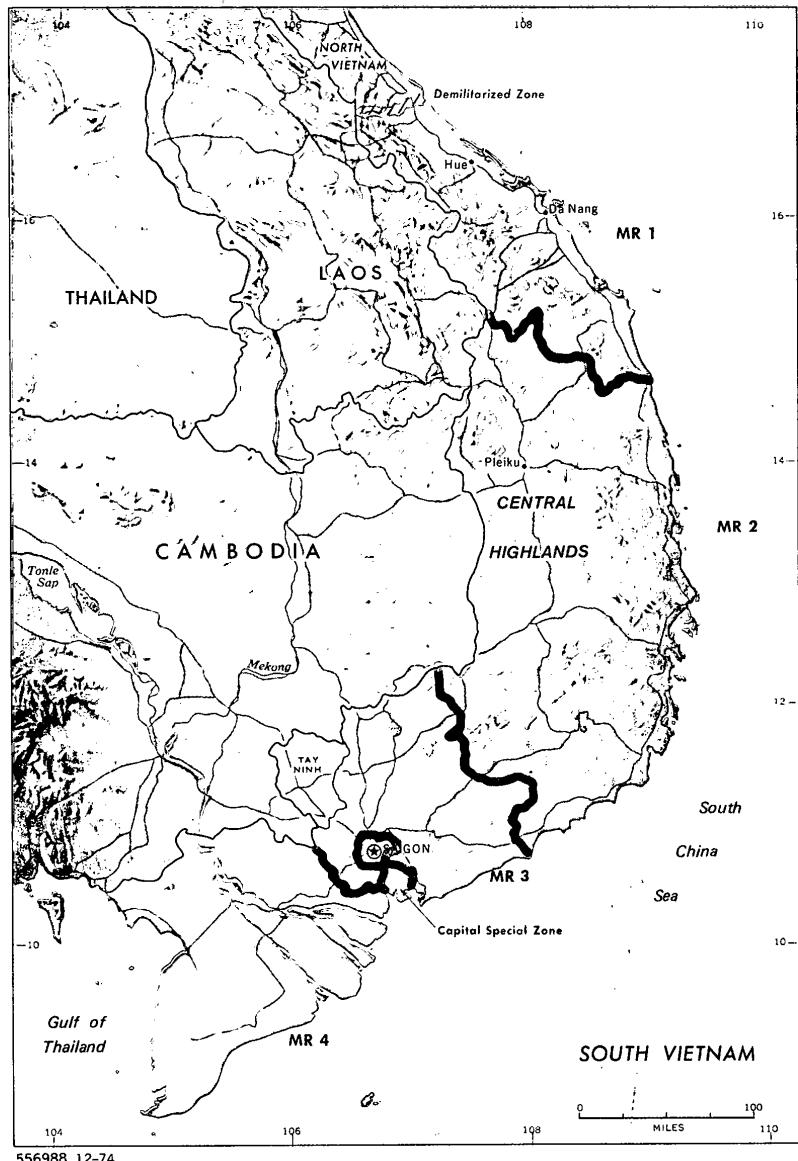
**PORUGAL**

*The Armed Forces Movement yesterday arrested six prominent businessmen and issued warrants for six more. All were accused of committing "economic sabotage."*

Most of the businessmen were associated with one of Portugal's largest banks and the nation's largest resort enterprise. Both concerns have had serious financial problems; they were taken over by the government under laws passed early this month authorizing state intervention in private enterprises that are not "contributing normally" to Portugal's economic development.

The decree laws, which make no distinction between Portuguese and foreign-owned firms, have added new uncertainties to a business community already troubled by a general lack of confidence. In addition, the Armed Forces Movement is scheduled to release shortly a program that calls for a new economic policy favoring the lower income classes. The program is also expected to restrict the role of the private sector. All of this will hasten the flight of private capital from the country.

**FOR THE PRESIDENT ONLY**



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**FOR THE PRESIDENT ONLY**

SOUTH VIETNAM

The communist dry season campaign, now in its second week, is producing scattered but intense fighting in the southern half of South Vietnam. No major initiatives are expected in the northern provinces for some weeks because of poor fighting weather.

Nearly all the action in the delta has been initiated by communist local forces, but some North Vietnamese mainforce units have become involved. This is particularly true in the northern delta, where local Viet Cong units attempted to screen the infiltration of the communist 5th Division into Military Region 4 from Cambodia. Government reaction forces have moved in to block the incursion and heavy fighting is now under way.

The scope of the first week of the communist campaign is reflected in a sharply increased casualty rate on the government side. The government's less effective territorial forces have borne much of the initial communist attacks, and in the delta these forces have given up chunks of territory to the communists. In Military Region 3, however, these provincial forces have done well enough to allow government commanders to save their regular units for the heavier action expected later.

The current communist campaign appears to be hurting the government's pacification program, particularly in the delta. The communists have forced the relocation of a large number of civilians and interrupted the rice harvest as well as the flow of farm goods to the markets.

Known communist plans call for increased military action in the central provinces, but government operations and troop deployments have probably forced the communists to delay these plans. The government meanwhile has made gains in the northern provinces of the country, including the recapture of important high ground positions south of Hue. This may lead to communist counterattacks in this area.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

BURMA

Burmese security officials have been ordered to round up all those who took part in the riots this week in Rangoon and to follow up with arrests of other potentially troublesome elements, including known criminals, black marketeers, and politicians who oppose the government's program. The government expects 10,000 arrests to be made.

Although Rangoon is generally quiet, the government faces further problems if it cannot soon restore normal economic activity. In the past week, prices for rice and other food items have jumped significantly, some as much as 50 percent. The marginally employed who live hand-to-mouth have been hard hit, and the US embassy believes that renewed disturbances are possible unless the situation improves in the near future.

In the past, the Ne Win government has effectively put down disorders. The events this week, however, represent the broadest outbreak of popular discontent in many years, and, according to the embassy, the populace remains bitter and resentful.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**VENEZUELA**

*Re-establishment of diplomatic relations with Cuba is imminent; only the specific timing remains in doubt.*

President Carlos Andres Perez said last week that he intended to invite Fidel Castro to the Venezuelan-sponsored meeting of Latin American chiefs of state next year in Caracas, and that his government no longer felt bound to wait for affirmative OAS action before recognizing Cuba. Re-establishment of relations will formalize political contacts that already exist. Officials of the two countries have been exchanging visits and reportedly have discussed the sale of Venezuelan petroleum to Cuba, which has already bought Venezuelan commodities.

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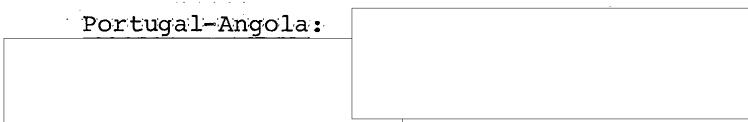
At a meeting of six Central American chiefs of state in Caracas this weekend, Venezuela will propose using part of its oil receipts for developmental projects in Central America. This would relieve the Central American countries of some of the balance-of-payments strains resulting from high oil prices.

The Venezuelan funds, which could amount to some \$300 million over the next five years, would be considered loans. They would run 20-25 years at 6-8 percent interest with a possible grace period of 5-10 years.

Venezuela also wants to use some of its increased oil revenue to help improve the terms of trade for exporters of other raw materials. For example, Caracas has offered to finance coffee stockpiles for several Central American countries.

## FOR THE PRESIDENT ONLY

## NOTES

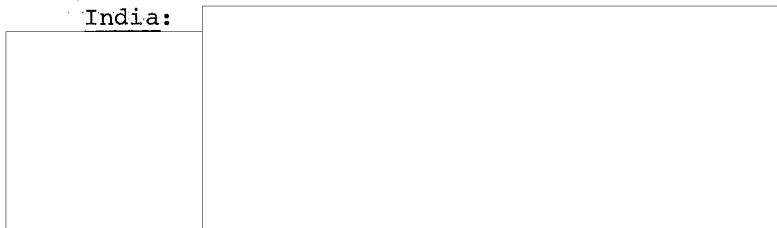
Portugal-Angola:

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Foreign Minister Soares is hopeful the conference will ease the long-standing competition among the three groups and pave the way for installation of a transitional government in Angola by early next year. The conference could bog down quickly, however, because Lisbon apparently has not invited another insurgent leader who has a substantial following. Nor have the Portuguese invited any representatives of Angola's white community to participate in the round table talks. The whites, who number about 500,000, could react violently and trigger another round of civil and racial disturbances.

USSR - South Yemen - Somalia: Admiral Gorshkov, deputy minister of defense and commander in chief of the Soviet navy, arrived in Aden on Thursday to begin an official visit--his first--to South Yemen and Somalia. Increased Soviet attention to the Gulf of Aden area is in part related to the anticipated reopening of the Suez Canal. Moscow probably wants to ensure access to port services in the area in the face of the increased commercial competition for these services that will result from the opening.

India:

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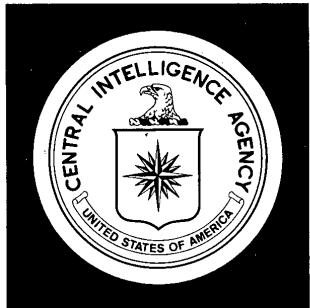
Ethiopia: A representative of the International Red Cross committee who visited Haile Selassie on Wednesday found him well-treated and in good physical health. The representative, in a privileged conversation with the US charge in Addis Ababa, said he was not sure about the former emperor's mental health. Haile Selassie behaved as if he were still emperor and did not answer questions directly; it was not clear whether this resulted from posturing or senility. The representative described as "satisfactory" the health and living conditions of other detained officials of the old regime, whom he also visited.

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# The President's Daily Brief

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declassification schedule of E.O. 11652  
exempt from declassify "3b(1), (2)(A), (3)"  
declassified under authority of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

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Egypt: Cairo may be having some second thoughts about at least part of its new tough position on Arab-Israeli questions. (Page 1)

France: Prime Minister Chirac may be moving to strengthen the Gaullist movement's position in the government. (Page 2)

South Vietnam: Communist forces overran a district town north of Saigon on Sunday. (Page 3)

Rhodesia: Prime Minister Smith has begun to implement his truce agreement with Rhodesian insurgents. (Page 4)

Note: China (Page 5)

**FOR THE PRESIDENT ONLY**

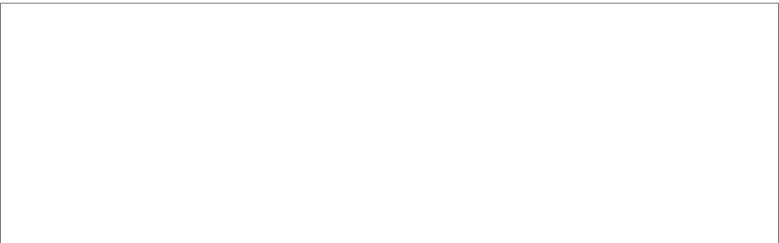
**FOR THE PRESIDENT ONLY**

EGYPT

Cairo media have avoided referring to Foreign Minister Fahmi's demand on Friday that Israel either agree to the formation of a single Jewish-Muslim-Christian state or return to the UN partition plan of 1947. Instead, media commentators have concentrated on the demand that Israel allow no immigration for 50 years.

The omission may indicate that Cairo is having second thoughts about its bold attempt to redefine Israel's pre-1967 borders. At the same time, there is nothing in the commentary to indicate that the Egyptians are backing off from their new demands on the immigration issue—demands that could themselves upset negotiations and at a minimum will revive Israeli doubts about Egyptian willingness to coexist with Israel.

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Sadat had appeared to be willing to proceed with a second-stage withdrawal in the Sinai Peninsula in order to ease domestic military pressures and to justify his reliance on US mediation. Israeli leaders have hinted broadly, however, that such a withdrawal would be the last for several years.

Sadat may have concluded that he could not participate in such a scheme if there were no hope for some quick movement also on at least the Syrian front. He may thus have adopted a position more Arab than the Arabs' to bolster his image with his allies.

**FOR THE PRESIDENT ONLY**

FRANCE

*Prime Minister Jacques Chirac's election as head of the Gaullist Party on Saturday probably presages an attempt by him to strengthen the movement's position in the government.*

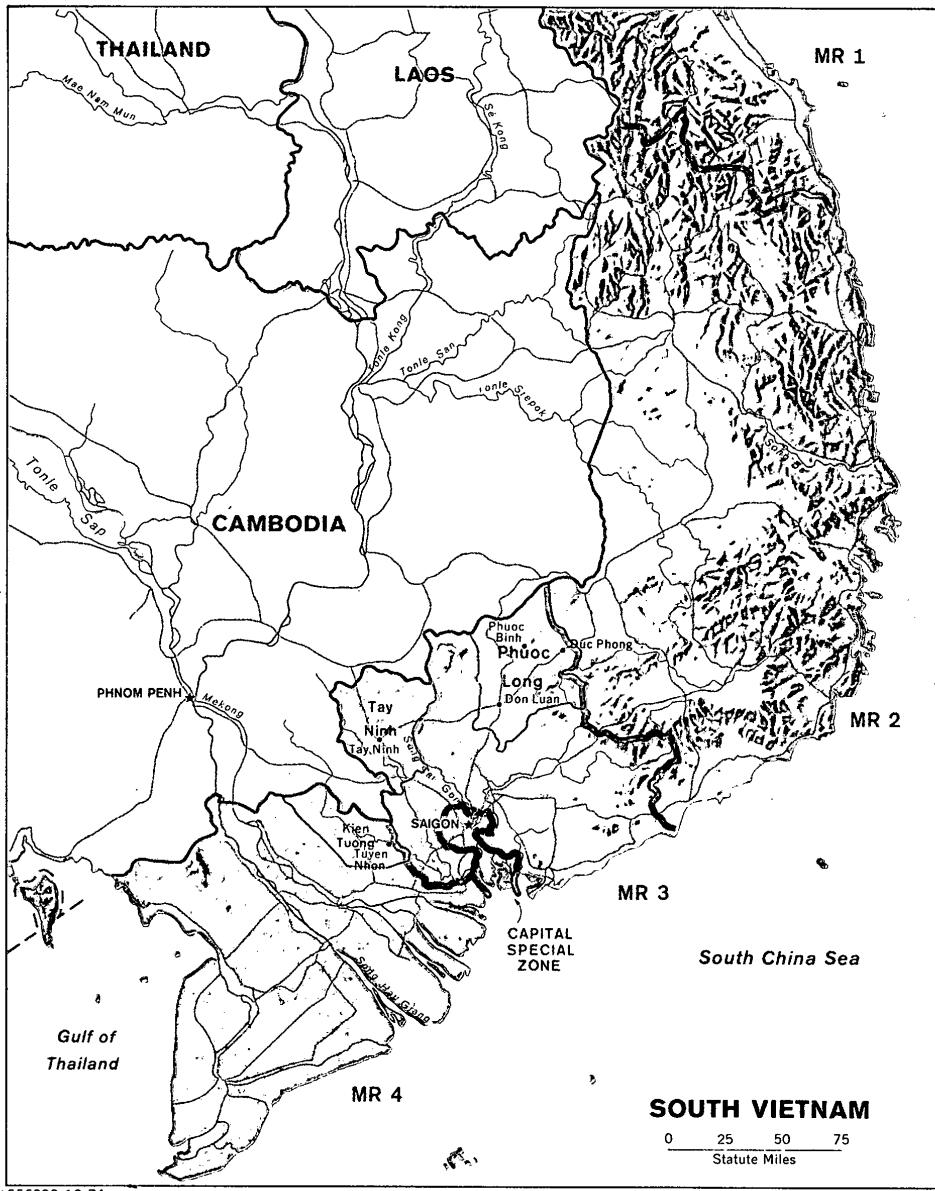
First, however, Chirac will have to convince old-line Gaullists to give him more than the grudging support they have thus far granted him as Prime Minister. Caught by surprise on Saturday, the party "barons"--the bosses who dominated the movement under De Gaulle and Pompidou--accused the Prime Minister of "treason" and "strong arm tactics." Chirac has been mistrusted by orthodox Gaullists since he deserted their candidate Jacques Chaban-Delmas in the presidential election last May and cast his lot with Giscard.

If the barons can be convinced to accept Chirac's leadership, the Prime Minister would be able to swing the party into line behind Giscard's government. An early indication of support would be acceptance of a cabinet post by one of the barons.

Although addition of more Gaullists to the cabinet would be a setback for Giscard's scheme to form a "new majority" of the center, the presence of important Gaullists in the government could give Giscard more latitude to cooperate with the US. In addition, with some 175 seats in the 490-seat National Assembly, the Gaullists control the largest bloc in Giscard's parliamentary majority.

Chirac's move this weekend may have resulted from threats to his control of the party. Recently disaffected Gaullists have been wooed by former foreign minister Michel Jobert. Jobert has never been a member of the Gaullist movement, but his appeal to nationalism closely mirrors that of De Gaulle. He has organized a movement of his own which reportedly has been gaining support from many Gaullists.

There have also been rumors of comeback bids by the barons--Chaban-Delmas, Maurice Couve de Murville, Michel Debre, and Olivier Guichard. Guichard in particular has been touted as a man who could lead the Gaullists back to dominance.



**FOR THE PRESIDENT ONLY**

SOUTH VIETNAM

Communist forces overran Duc Phong district town north of Saigon on Sunday after nearly five hours of heavy shelling and are maintaining heavy pressure against several other government positions and population centers in the southern half of the country.

Communist forces in the Duc Phong area--believed to include a North Vietnamese regiment--also overran a government military encampment farther south and are threatening the adjoining district capital at Don Luan. Rockets and artillery have been fired into the provincial capital at Phuoc Binh.

Heavy fighting continues in Tay Ninh Province where South Vietnamese units are having trouble trying to reinforce local militia units at two locations on the outskirts of the provincial capital.

In the delta, action has diminished in Kien Tuong Province after six days of heavy fighting, but new communist assaults are expected soon. Units from the North Vietnamese 5th Division infiltrating the area now have almost complete control of Tuyen Nhon district.

Military activity elsewhere in the country is light, although there are reports that the fighting will intensify soon in the southern and central provinces of Military Region 2. Heavy rains in Military Region 1 have kept the pace of action slow there.

**FOR THE PRESIDENT ONLY**

RHODESIA

*Prime Minister Smith has taken the first step toward implementing his truce agreement with Rhodesian insurgents by allowing rebel leaders who had been long imprisoned to resume political activity.*

Late last week, Joshua Nkomo and Ndabaningi Sithole, leaders of the Zimbabwe African Peoples Union and the Zimbabwe African National Union, respectively, made their first public appearance in a decade. They issued a joint statement in Salisbury after returning from Lusaka, Zambia, where they had formulated a common bargaining position with exiled Rhodesian insurgents and negotiated the truce with Smith's envoys.

The appearance of the two followed Smith's announcement that, in return for a cease-fire agreement, he was releasing all detained black nationalists. Nkomo and Sithole were joined in their appearance by Bishop Muzorewa, head of the non-insurgent African National Council, the only nationalist group that has been allowed to function openly in Rhodesia.

Exiled nationalist leaders, who have been directing guerrilla operations inside Rhodesia from bases in Zambia, may not be willing to honor an immediate cease-fire as implied in Smith's announcement of the truce. These leaders, who also participated in the Lusaka talks, have not spoken out since the talks.

The exiled nationalists may be waiting assurance that Smith's promise of amnesty applies to them, or they may be waiting to see whether Smith will make further concessions.

Herbert Chitepo, who has directed the Zimbabwe African National Union's insurgent efforts from Zambia, opposed accepting the cease-fire at the Lusaka talks until Smith guaranteed an early transition to majority rule in Rhodesia. Chitepo argued against giving up the tactical advantages gained by his group, which has fielded most of the guerrilla units operating inside Rhodesia since 1972. It is doubtful that Sithole could get these units to honor a cease-fire without Chitepo's concurrence.

*FOR THE PRESIDENT ONLY*

NOTE

China:

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the Director of Central Intelligence

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Cambodia: Khmer communists are planning a major effort to interdict the Mekong River south of Phnom Penh. (Page 1)

Egypt: President Sadat on Sunday made his first comment on negotiating prospects in some time. (Page 2)

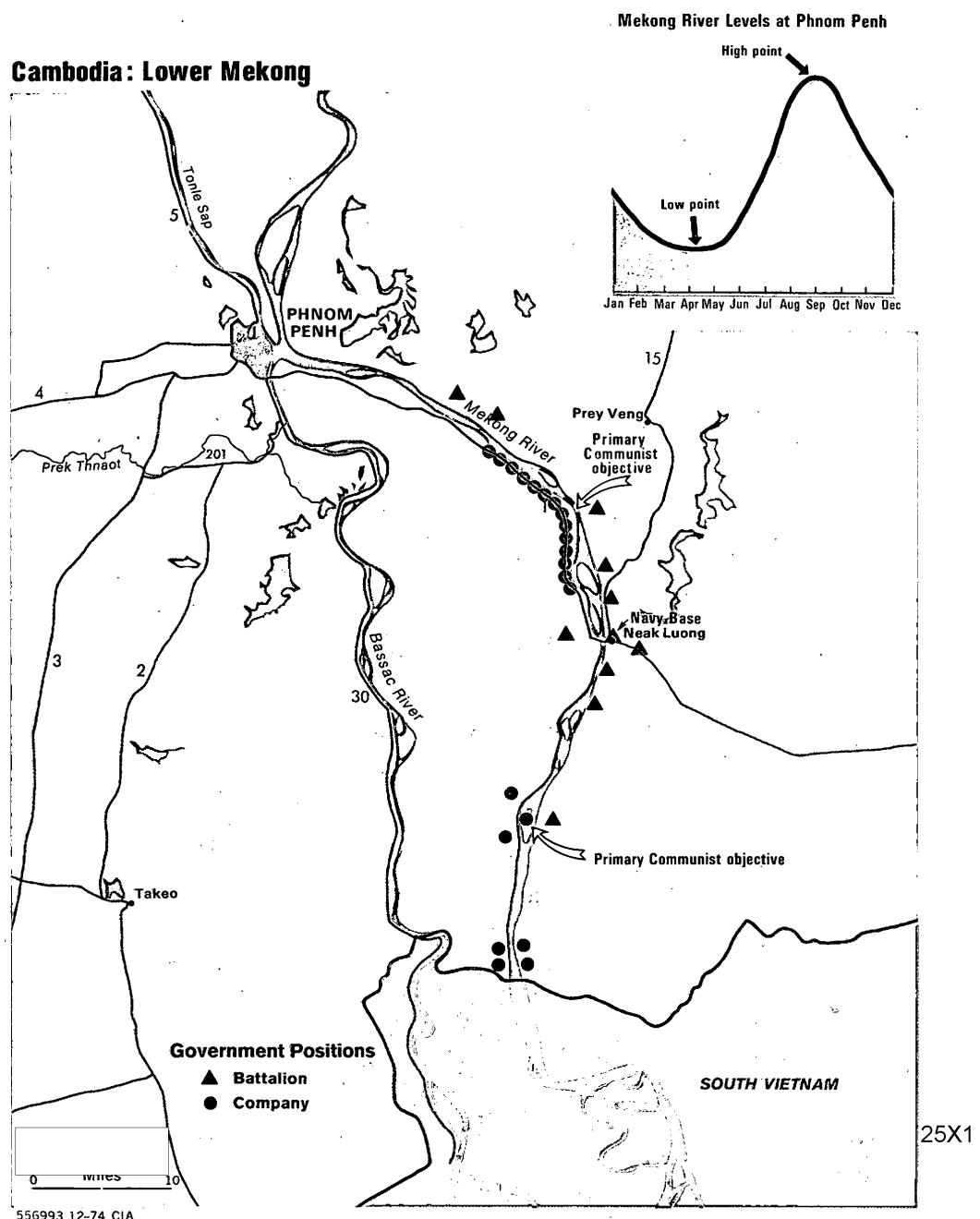
Palestinians: A government-in-exile is not likely to be formed soon. (Page 3)

USSR: [redacted] 25X1  
(Page 5) 25X1

USSR: The Communist Party Central Committee held a session yesterday on economic programs for next year. (Page 6)

Notes: Norway; Iraq (Page 7)

**FOR THE PRESIDENT ONLY**



**FOR THE PRESIDENT ONLY**

**CAMBODIA**

*The Khmer communists are planning a major effort to interdict the Mekong River south of Phnom Penh during the next few months. This may turn out to be the most concerted communist attempt to cut this vital supply route since the spring of 1973.*

Messages intercepted during the past month indicate the communists will commit the bulk of their forces in the southeastern part of the country--over 10,000 troops--to a series of attacks against government strongpoints along the 50-mile stretch of river between Phnom Penh and the South Vietnamese border. The major objective appears to be the elimination of government defenses guarding narrows 25 and 40 miles downstream from the capital. From these areas, the communists could shell government convoys at close range. They might also try to barricade the Mekong River as they did the Tonle Sap River last summer.

Although insurgent elements have already begun probing some government positions along the Mekong, many units scheduled to participate in the interdiction effort are still engaged in fighting along the Bassac River near Phnom Penh and around the provincial capital of Svay Rieng in the far southeast. These units will probably have to rest and refit before they can be committed to new efforts. Insurgent commanders may also want to wait until water levels drop further and riverside terrain dries out before implementing their attack plans. Details on the timing of the campaign may be disclosed following the conclusion of several tactical planning conferences currently under way.

Cambodian army commanders are aware of communist intentions and plan to make 1,700 reinforcements available to help man defenses along the Mekong. This will raise government troop strength along the river to over 8,000. The air force and navy are heavily committed both to escorting river convoys and to supporting ground units along the river.

*FOR THE PRESIDENT ONLY*

EGYPT

*President Sadat, in his first public comment on negotiating prospects for some time, said on Sunday that he is continuing talks with the US to probe the usefulness of the step-by-step approach to peace negotiations favored by Washington.*

Sadat was critical, however, of the "slack" in negotiating momentum since the Egyptian and Syrian disengagement agreements in January and May. He asserted that if progress is not soon evident, "We will be going to Geneva according to the Soviet theory." Sadat said he would make a decision on this in the "very near future."

His comments clearly indicate a desire to keep the step-by-step option open. He made no reference to Foreign Minister Fahmi's statement of last Friday, with its list of tough conditions for a final settlement.

Sadat's remarks also suggest that Cairo's patience is growing short. He had never before pointed so openly to the Soviet alternative to the US method of negotiating. His reference to the "very near future" may mean that he has Soviet party chief Brezhnev's visit next month in mind as a deadline for action.

Sadat referred to "rigid positions" recently adopted by the Israelis and said they have clouded his usual optimism. Although the Egyptians may be willing for the present to shelve their own new rigid positions--on immigration, for instance--Sadat's remarks suggest that this restraint may well depend on signs that Israel is willing to reciprocate.

An aide of Fahmi has told US officials in Cairo that there will be no official explanation of Fahmi's demand for an end to Israeli immigration. The aide termed the demand a "disaster" and said he hoped it would soon be forgotten.

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**PALESTINIANS**

*Leaders of the Palestine Liberation Organization and its international backers are divided on the question of forming a Palestinian government-in-exile. As a result, PLO Chairman Arafat, who is favorably disposed toward such a step and has been weighing its possible advantages, appears likely to delay further.*

The basic obstacle to the formation of a government-in-exile is the inability of the several fedayeen factions to agree on its composition or leadership. Arafat and other leaders of Fatah, the largest fedayeen group, would prefer a government in which nonfedayeen "independent" Palestinians play a substantial role. They are convinced such a group would be sympathetic to Fatah's relatively moderate policies.

Leaders of Saiqa, the Syrian-controlled fedayeen organization, and the Popular Democratic Front for the Liberation of Palestine, which has close ties to Moscow, would prefer a government drawn from the existing leadership of the PLO. These two groups endorse most Fatah policies, but are apprehensive that Arafat would use a government-in-exile to strengthen his and Fatah's position at their expense.

The more radical groups that cooperate under the label of the Rejection Front are generally opposed to a government-in-exile. They are convinced such an entity would seek to exclude them completely from Palestinian policy-making, and that it would abandon the Palestinians' rightful claims in order to win concessions from the US and Israel.

When Arafat visited Moscow recently, the Soviet Union reportedly advised against the formation of a government at this time. The Soviets, in principle, support the idea of a government-in-exile as a useful means of dignifying the PLO and its claims for eventual inclusion in formal peace negotiations. Moscow will not urge Arafat to create a provisional government, however, until the Palestinians themselves are able to agree on its composition and policies. Above all, the Soviets would like evidence that fedayeen sympathetic to Moscow's policies and susceptible to its influence will play a significant role in such a government.

(continued)

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

The moderate Arab states, which provide important backing to Arafat, may now also be lukewarm about forming a government at this time. Egypt and Saudi Arabia

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[redacted] are said to be concerned that a government obviously dominated by the PLO would be unacceptable to the US, and that it would therefore prove an impediment rather than a step toward a Middle East settlement.

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Syria is now the most important proponent of a government-in-exile. [redacted]

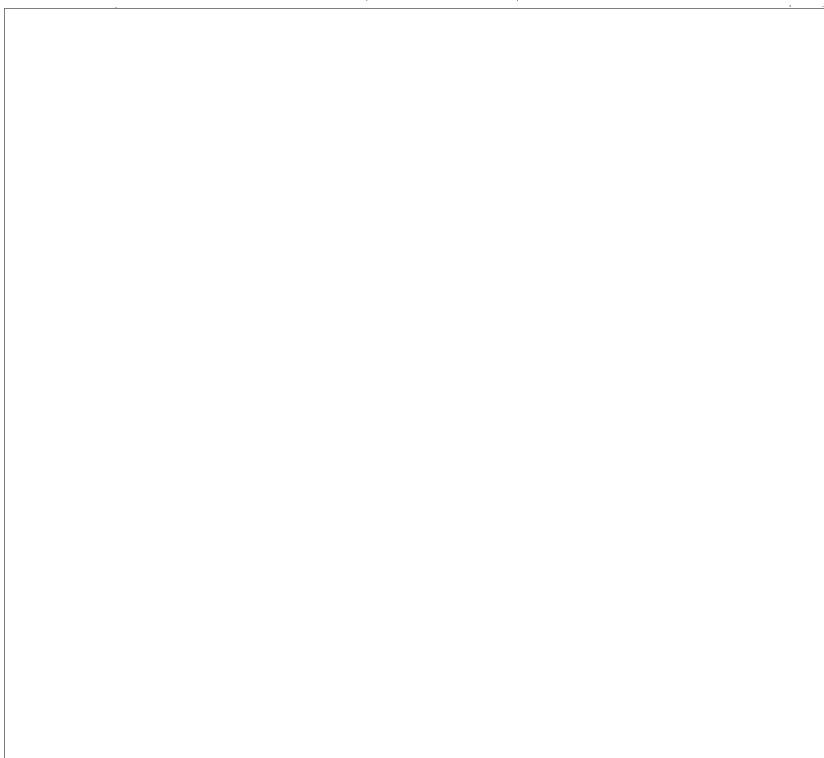
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*FOR THE PRESIDENT ONLY*

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USSR



*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

USSR

The Communist Party Central Committee held a one-day session yesterday to discuss and approve the 1975 economic plan and next year's state budget. The plenum accomplished the minimum in terms of personnel shifts when it removed Petr Demichev from the secretariat.

Demichev, who remains a candidate Politburo member, was expected to be removed because of his recent appointment as minister of culture. The failure to announce a new party secretary in Demichev's place suggests either that an incumbent secretary has picked up his cultural portfolio or that the leadership has not decided who to choose. Whoever gets the responsibility will have a direct impact on the implementation of cultural policy, and thus on the USSR's image abroad during this time of detente.

The plenum's decisions on the budget and economic plan will be approved at tomorrow's scheduled meeting of the Supreme Soviet. The one-day gap between the party plenum and the parliamentary conclave is unusual, but not unprecedented.

Neither speeches nor the full text of the plenum's resolution, which apparently focuses on the economic issues, are yet available.

**FOR THE PRESIDENT ONLY**



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**FOR THE PRESIDENT ONLY**

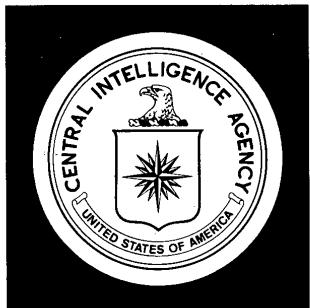
NOTES

Norway: The Norwegian foreign minister's statement of December 10, which, in effect, laid Norway's claim to the continental shelf around the Svalbard Archipelago, continues to arouse concern. The French reportedly have protested orally, and the UK, Denmark, and the US have expressed reservations. The Netherlands is the latest to consider a protest. The Dutch are worried that Norway might grant the Soviets preferential treatment in exploiting potential mineral resources in the archipelago. Underlying this concern is Dutch anxiety over the whole question of how best to counter Soviet advantages in the area and how to maintain the security of oil installations in adjacent seas.

Iraq: The Iraqi air force lost two aircraft to Iranian surface-to-air missiles this past weekend; one was a TU-16 medium jet bomber. Baghdad radio claimed the aircraft were hit by American-made Hawk missiles fired by Iranian units. The Iranians do not have Hawk missiles in Iraq, but a week ago two units equipped with British-made Rapier missiles moved into the area of the shoot-down. Since the hostilities against the Kurds resumed some nine months ago, Iraq has lost more than 40 planes, about 10 percent of its aircraft and helicopter force.

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# The President's Daily Brief

*December 18, 1974*

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declassification schedule by 1/16/52  
exemption category 5B(1),(2),(3)  
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**FOR THE PRESIDENT ONLY**

December 18, 1974

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Portugal: Political tensions are on the rise again.  
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World Grain: The estimate for world grain production is down. (Page 2)

UK: Britain may be forced to borrow from other governments within six months if oil producers do not continue to invest in sterling. (Page 3)

Venezuela: President Perez has received significant support for a summit meeting of all Latin American chiefs of state at Caracas in mid-1975.  
(Page 4)

Notes: USSR [redacted]; USSR--Molniya; Greece 25X1  
(Page 5)

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**PORUGAL**

The US embassy in Lisbon reports that political tensions are on the rise once again. Serious differences have developed within the government over the following issues:

- Disputes over the long-overdue economic program, which is being discussed by the cabinet this week. Prime Minister Goncalves reportedly has rejected the draft as being too conservative.
- Unhappiness within the government over Goncalves' unilateral arrest of 12 businessmen last week.
- Rejection of the draft press law at Communist Party leader Cunhal's request.
- Goncalves' acceptance of Cunhal's demand that universities remain closed.

One of the most disturbing elements of the controversy is Goncalves' apparent alliance with Cunhal on the matter of the press law and the student problem. The press law, which was expected to be completed three months ago, is supposed to curb abuses of freedom of the press and would presumably cut back Communist control in this area. Portugal's universities, which have been closed since the coup in April, were scheduled to open for the fall term. Student unrest, particularly among Maoist and Communist student groups, has delayed their opening.

The embassy's reports suggest that Goncalves and Cunhal are pitted against Vitor Alves and Ernesto Melo Antunes, both prominent members of the Armed Forces Movement. If this is the case, it would be the first time the Communists have directly challenged the Movement's authority. Cunhal's public statement over the weekend in favor of nationalizing banks may be an indication that the Communists are preparing to shed their moderation.

**FOR THE PRESIDENT ONLY**

**WORLD GRAIN**

The world grain outlook has worsened. Because of short corn harvests in the US, Western Europe, and the USSR, we now forecast production in 1974-75 (excluding rice) down 6 percent from the previous year, rather than 4 percent as anticipated in October. Grain consumption will drop, too, but not as much as production. Stocks are expected to fall, mostly in the US, by 20 million tons between mid-1974 and mid-1975.

Foreign demand for US wheat and flour is likely to remain at last year's level. Exports in this quantity would reduce US stocks by one fourth to a new low--only three and a half months of domestic supply.

We estimate export demand for corn at 23.5 million tons. Although down from last year, exports of this size would mean a reduction in US reserves by 45 percent, leaving an amount equal to domestic needs for about three weeks.

Major uncertainties remaining in the world grain market include:

- transport problems in Canada, Argentina, and South Africa;
- decisions of the Canadian Wheat Board on drawdowns of wheat stocks;
- the amount of wheat substituted for corn in feeding livestock in EC countries;
- the extent of decrease in US grain consumption;
- decisions on additional commercial grain purchases by India;
- availability of new financial aid to lesser developed countries for grain purchases;
- purchasing policies of oil-producing Middle East countries.

**FOR THE PRESIDENT ONLY**

UK

*Britain may be forced to borrow from other governments within six months if oil producers do not continue to invest in sterling.*

Recent Saudi sales of sterling suggest that Saudi Arabia has decided to limit sharply future increases in its sterling holdings, despite British and Saudi statements to the contrary. Until recently, sterling had accounted for 13 percent of Saudi foreign assets. Growing uncertainty about the pound could induce other oil producers to reduce their sterling investments, and this in turn would make it much more difficult for the British to finance their massive current account deficit--expected to reach \$8.5 billion this year--without raising interest rates to unacceptable levels.

The skittishness of oil producers no doubt reflects their bleak assessment of Britain's economic prospects. We expect inflation in the UK next year to reach at least 20 percent, one of the highest of any developed country. Trade and current account balances continue to worsen, with little prospect for a turnaround. Output, employment, and investment in new modern facilities are waning.

Many banks were hesitant to extend loans to Britain earlier this year, and additional borrowing in private markets will prove difficult. The British will probably have to rely on other governments for needed credits if the oil producers do cut back on their sterling holdings.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

VENEZUELA

President Carlos Andres Perez has received significant backing for a summit meeting in Caracas of all Latin American chiefs of state--including Fidel Castro--in mid-1975.

Within the past two weeks, Perez has garnered support from 13 Latin American nations, and Caribbean leaders tentatively scheduled to meet next month are expected to lend additional support.

An agenda has not yet been circulated, but Venezuelan statements indicate that Perez intends to focus on at least three main areas of interest to Latin Americans:

- the restructuring of the OAS;
- the establishment of a permanent forum for Latin leaders to meet and discuss Latin American problems;
- fair market prices for Latin raw material exports and access to foreign technology.

Perez disclaims any intention to assume a role of leadership in Latin America, but Venezuelan leaders privately are pleased with the new-found influence that their massive oil revenues are bringing. The emergence of the Venezuelan President as a major leader in Latin America will not be viewed indifferently by other Latin powers; they already see Venezuela's wealth and ambitious leadership as a challenge to their traditional spheres of influence.

**FOR THE PRESIDENT ONLY**

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**FOR THE PRESIDENT ONLY**

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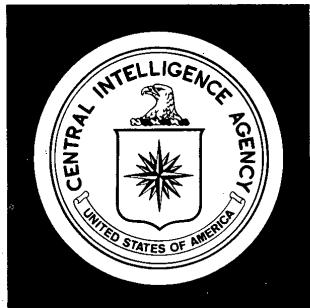
USSR: The Soviets are testing a more fully equipped version of their Molniya communications relay satellite. According to Tass, the new satellite, Molniya-3, will be used for both domestic and international communications. Moscow has indicated that the Molniya-3 will also support the hot line with Washington. The Soviets launched the satellite from Plesetsk in November, placing it into an elliptical orbit similar to those of previous Molniyas. The use of an elliptical rather than a stationary orbit means that the Soviets will have to orbit a number of these satellites before they can sustain continuous communications.

Greece: Prime Minister Karamanlis yesterday nominated Mikhail Stassinopoulos to be interim president of Greece. Parliament is expected to approve the nomination. Stassinopoulos will hold the largely ceremonial post until the electorate chooses a president on the basis of the recently drafted constitution, which also is about to be submitted to parliament for approval.

**FOR THE PRESIDENT ONLY**

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# The President's Daily Brief

*December 19, 1974*

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Exempt from general  
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except pursuant to category 3B(1), 3C(2), (3)  
declassified under authority of  
the Director of Central Intelligence

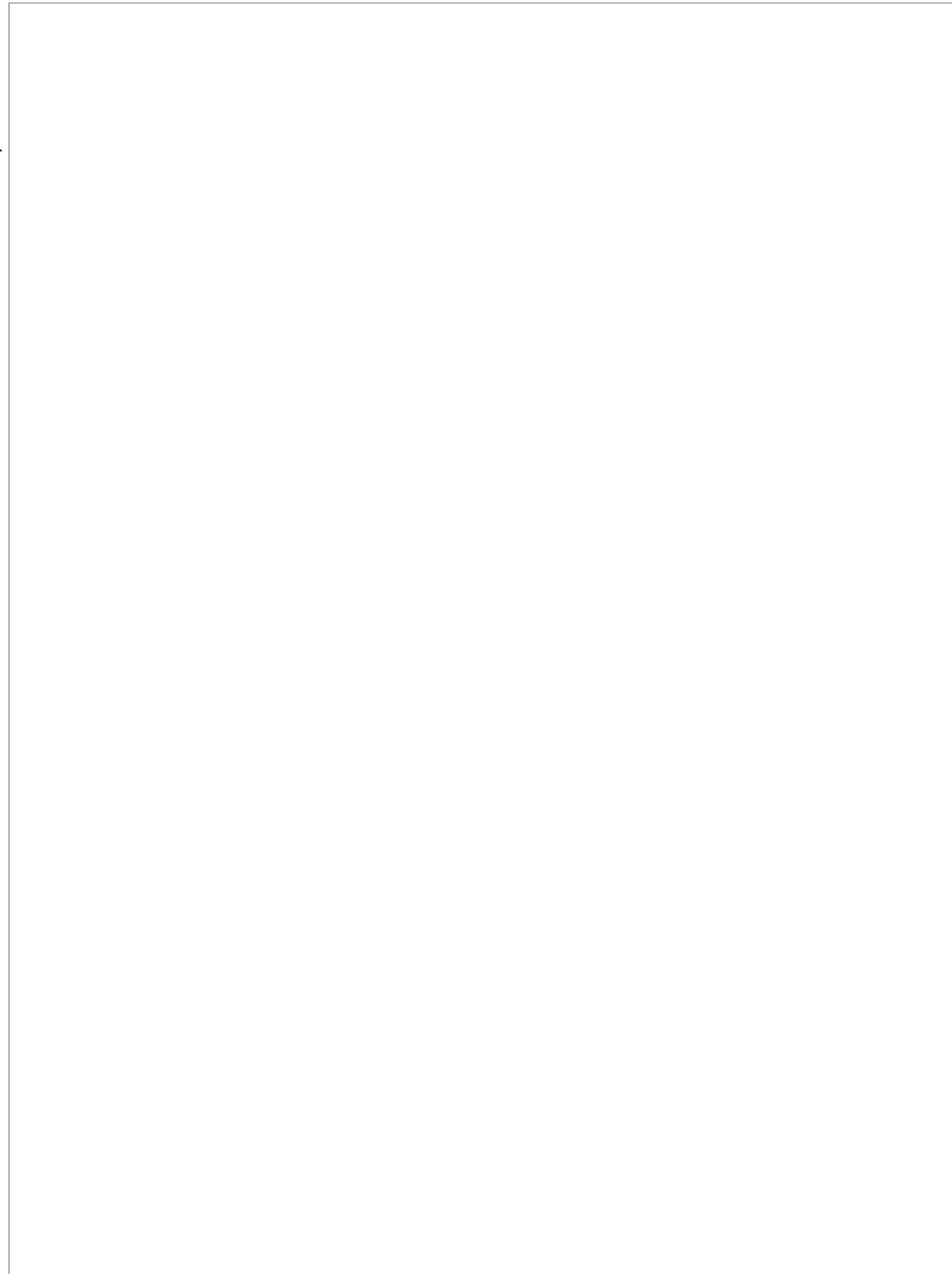
FOR THE PRESIDENT ONLY

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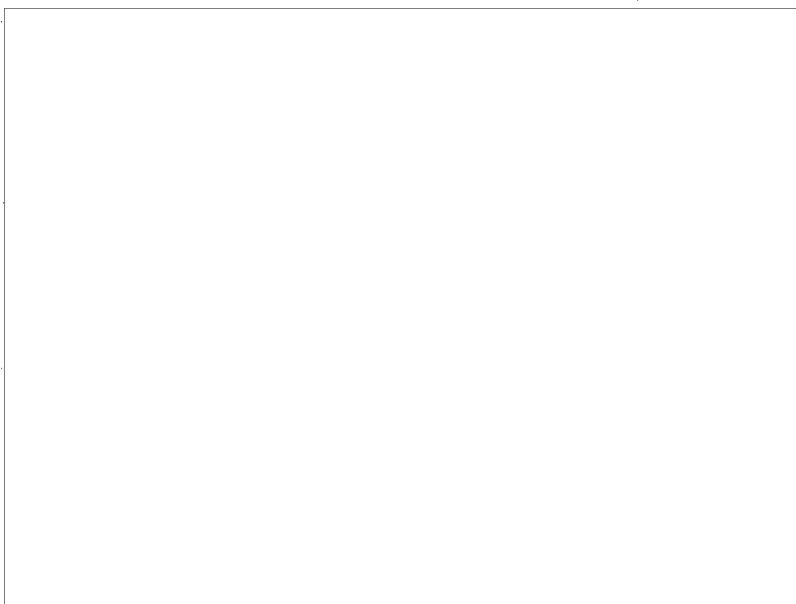
FOR THE PRESIDENT ONLY



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*FOR THE PRESIDENT ONLY*

EGYPT-ISRAEL



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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

CYPRUS

*President Makarios is moving to consolidate his position within the Greek Cypriot community before resuming inter-communal talks. According to the US embassy in Nicosia, he is trying to avoid either provoking his opponents on the far right or unduly arousing the expectations of his supporters...*

Since his return to the island on December 7, the archbishop has solicited the views of former acting president Clerides and other Greek Cypriot leaders on the composition of a new government and on negotiating strategy for talks with the Turkish Cypriots. Clerides believes Makarios is inclined toward a government of national unity comprised of individuals representing all political interests. The cabinet ministers, however, would not serve as official representatives of any group or be responsible to them. Such an arrangement would permit Makarios to choose only those individuals who place their loyalty to him above their links to their respective political parties.

Clerides reportedly is trying to persuade Makarios to select a cabinet consisting chiefly of technicians and civil servants in order to deal more effectively with the many practical problems confronting the Greek Cypriot sector. Clerides has suggested to Makarios that such a cabinet could be assisted by a separate "advisory board," composed of the leaders of all political groups, which could counsel the archbishop on the negotiations with the Turkish Cypriots.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

USSR

Actual Soviet defense spending in 1975--including that for space and for military research and development--is likely to be 4 to 5 percent higher than last year. This contrasts with publicly announced budget figures, which show a continuing decline in defense spending during the coming year.

We estimate that Soviet defense spending has risen more rapidly during the past two years than during any equivalent time in the past. The chief reasons for this are the USSR's effort to modernize its strategic missile force, the continued deployment of new sea-based ballistic missile systems, and the increased expenditures for new tactical aircraft. Our estimate, based on calculations of the cost of observed changes in military and space programs and forces, is independent of the announced Soviet defense figure.

The publicly announced figure serves chiefly as a political and propaganda device, both internationally and domestically. Claims of declining defense spending for the past two years, although contradicting trends in observed programs, are in keeping with the image the Soviets are attempting to project with their policy of detente.

The announced figure--the only public defense statistic given each year by the USSR--has little usefulness as an indicator of either the level or trend in Soviet defense spending. For example, funds for military research and development--a major category of expenditure--are not included in the defense budget but are buried under the science sector of the state budget.

**FOR THE PRESIDENT ONLY**

FOR THE PRESIDENT ONLY

USSR-US

*A strongly worded Soviet condemnation yesterday of efforts to link Soviet-US economic relations with Soviet concessions on emigration apparently was intended to get Moscow's position firmly on the public record prior to final action by Congress on the trade bill.*

The Soviets evidently calculate that a last-minute reaffirmation of their position will not jeopardize passage of the bill. In the meantime, they have laid out a public position that will enable them to claim they did not renege on a promise if emigration rates do not come up to expectations.

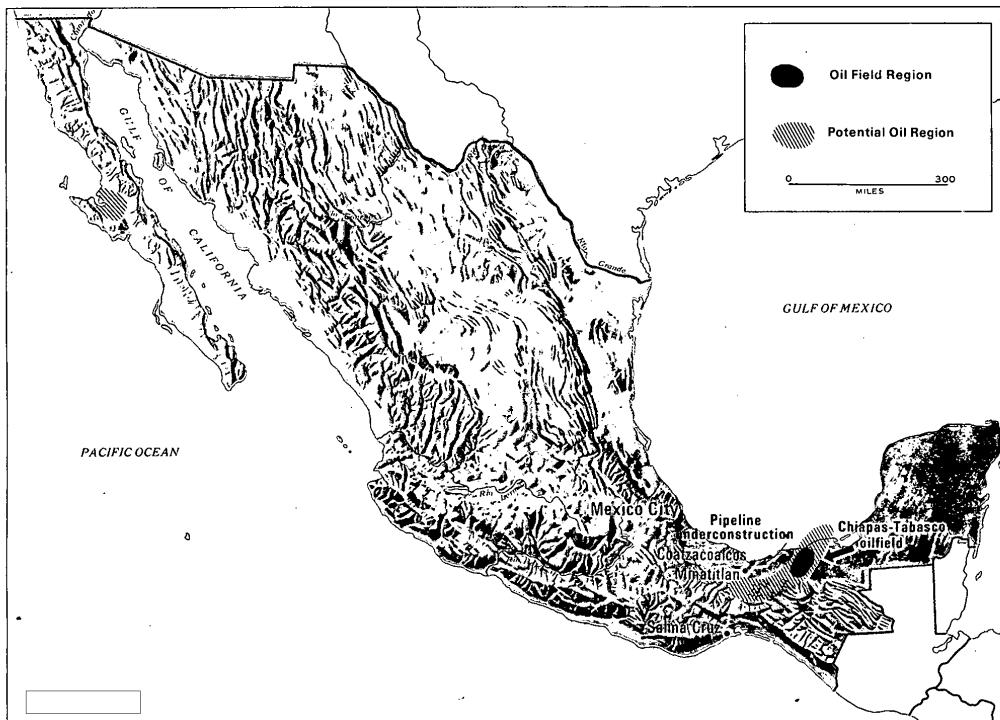
The authoritative statement, broadcast by Tass, cited "leading circles in the USSR" as flatly rejecting any attempts at interference in Soviet internal affairs. In addition to the emigration issue, Moscow criticized those who were seeking economic information of a purely domestic nature. This is probably a reference to Soviet reluctance to exchange data on agricultural crops and trade.

To underscore its message, Tass also carried, in English and Russian, a letter on the emigration question from Foreign Minister Gromyko to Secretary Kissinger, dated October 26. In the letter, Gromyko denied that any agreement exists on numbers of emigrants, and reiterated the position that the number of people who wish to emigrate from the USSR is declining.

Soviet leaders may have felt that the statements were necessary to counter any suspicions in the USSR or elsewhere that the Kremlin had shown weakness in dealing with Washington on this issue. Such a show of sensitivity is reminiscent of an attack on "outside interference" that Brezhnev made at a dinner for Treasury Secretary Simon on the eve of the compromise announcement last October.

FOR THE PRESIDENT ONLY

## Mexico New Oil Regions



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*FOR THE PRESIDENT ONLY*

MEXICO

*Pemex, the Mexican state oil monopoly, is expanding the east coast port of Coatzacoalcos into a major petroleum export center. This appears to confirm Mexico's intention to proceed with large-scale development of the Chiapas-Tabasco oil fields. If so, oil exports could reach 300,000 barrels per day by the end of 1975.*

*In addition to increasing oil storage capacity and constructing new piers, a pipeline already is being built to connect Coatzacoalcos with the Minatitlan refinery. A bifurcated line is also being built to connect the Chiapas-Tabasco oil fields to Coatzacoalcos and the Pacific port of Salina Cruz. Pemex is installing loading buoys off both ports to service very large tankers.*

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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

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USSR: [redacted]

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USSR-France: The French-Soviet agreement signed during party chief Brezhnev's visit to Paris calls for France to provide up to \$2.5 billion in long-term credits for Soviet purchases of French capital goods.

[redacted] 25X1

USSR-China: The proposed list of commodities to be exchanged under the 1975 Sino-Soviet trade agreement indicates no significant change in the size or composition of trade over that of the past three years. The Chinese want to buy more trucks and cranes and three additional 200-MW electrical generators next year. Aircraft and spare parts imports will be roughly the same. The ruble value of trade this year will be about 210 million rubles, worth \$277 million at the current exchange rate.

(continued)

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

Koreas-UN: The General Assembly's decision Tuesday calling for the Security Council "in due course" to examine the UN role in Korea is a setback to North Korean hopes of marshaling Third World support against the US military presence in South Korea. The North Koreans, however, made effective use of the months of backstage diplomatic preparation and the week or so of committee debate on the issue to call attention to the dual character of US/UN forces in Korea.

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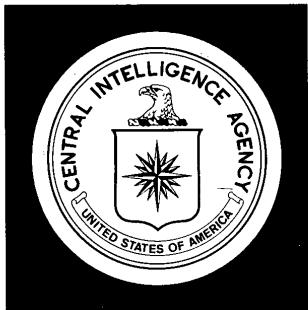


Cuba: Cuba has been slowly working its way back into the Latin American regional group at the UN. Its most recent move is to bid for the Latin American seat vacated by Venezuela on the committee for decolonization. Over the objections of some members of the group, General Assembly President Bouteflika seems likely to appoint Cuba to the seat. Cuba would probably take advantage of a seat on this committee to push its efforts to inscribe the "colonial case of Puerto Rico" on the decolonization agenda.

*FOR THE PRESIDENT ONLY*

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# The President's Daily Brief

December 20, 1974

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Exempt from general  
declassification schedule of E.O. 14176  
exemption categories (1)(2), (3)  
declassified only on approval of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 20, 1974

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(Page 4)

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Syria: President Asad is pessimistic about the future of Middle East peace negotiations.  
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Pakistan: [redacted]

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Portugal: President Costa Gomes is against participation by the military as a bloc in the constituent assembly to be elected next spring.  
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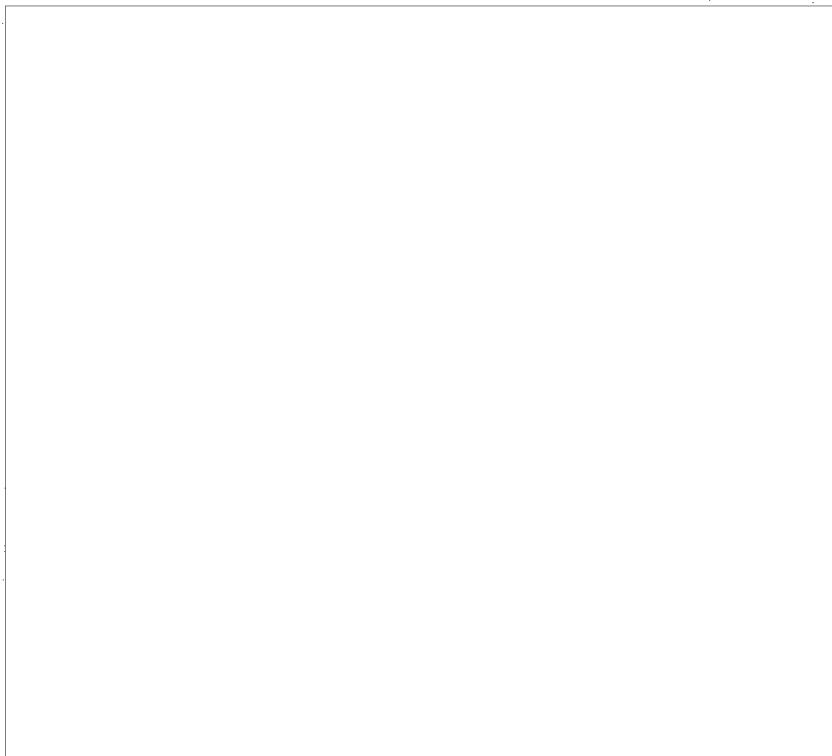
At Annex we examine the prospects for continuing cooperation among the members of OPEC.

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

USSR

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

USSR

Soviet planning and budget chiefs told the Supreme Soviet on Wednesday that for the second year in a row the economy grew at a brisk pace. Major five-year-plan goals (1971-1975), however, will not be met, largely because the economy was thrown off pace in 1972 by the poor agricultural year and because of the continuing failure to complete new production facilities.

Industrial production rose, according to Soviet measures, by 8 percent in 1974, the highest rate since 1970. No details were given, but industry's success apparently resulted from uninterrupted flows of raw materials and energy, and completion of massive investment. The picture was less rosy in the agricultural sector because unfavorable weather caused farm production to fall far below the plan and last year's levels.

Soviet leaders probably are relatively satisfied with the economy's performance in 1973-1974, but next year key components of the industrial, energy, and agricultural sectors will fall far short of the original five-year-plan goals. Of the five new targets for 1975 released by Tass, four are below the originals. Moreover, by the end of next year, the consumer still will not have achieved the standard of living promised at the 24th Party Congress in 1971. Planning chief Baybakov admitted that the original consumer targets for 1975 have "proved unreachable." Indeed, Group A industries (largely producers goods) are to grow at a higher rate than Group B industries (largely consumer goods) in 1975, reversing the rates of the 1971-1975 plan.

On the wage and benefits side, the Soviet worker may fare better. In 1975 the minimum wage and pay for medium income workers will be raised, and one billion rubles of bonds--frozen since 1958--will be redeemed. Higher incomes, without a parallel rise in the supply of consumer goods, will, however, exert inflationary pressures and add to consumer frustration.

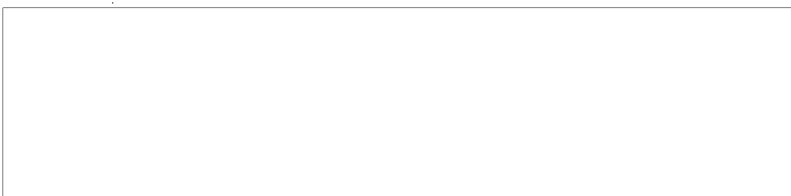
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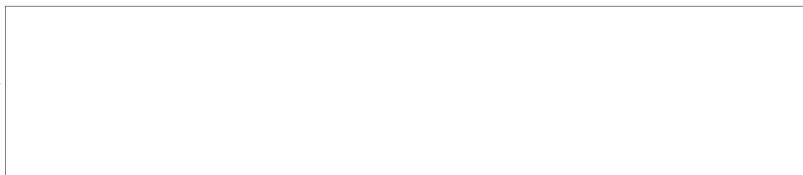
**IRAN-IRAQ**

*The Shah of Iran has made [redacted] decisions recently that escalate Iranian involvement in the Iraqi-Kurdish war. The way the Shah has operated since midsummer, in allowing the direct participation of Iran's military and in supplying relatively sophisticated weapons to the Kurds, indicates that he is willing to take some political and military risks to keep the rebellion going.*

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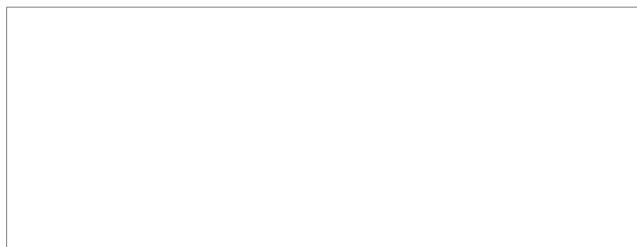
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The Shah regards the Baghdad regime as the chief sponsor of political radicalism and agitation in the Persian Gulf, and as an instigator of dissident movements in Iran. His ultimate goal is to see that regime replaced by a more moderate one, or, failing this, to keep the Iraqis preoccupied with internal problems. By keeping alive the Kurdish rebellion, he increases the internal political pressures on Baghdad and ties down its military. We doubt that he wants open hostilities with Iraq or that he would commit Iranian infantry units openly to the Kurdish cause.

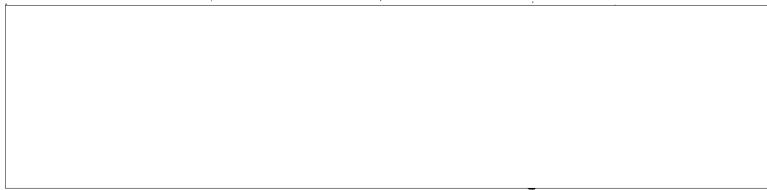
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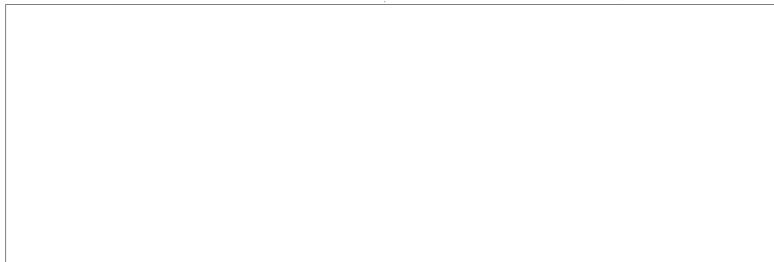
MEXICO



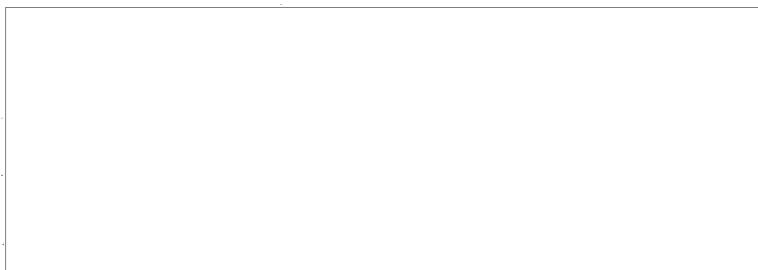
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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**SYRIA**

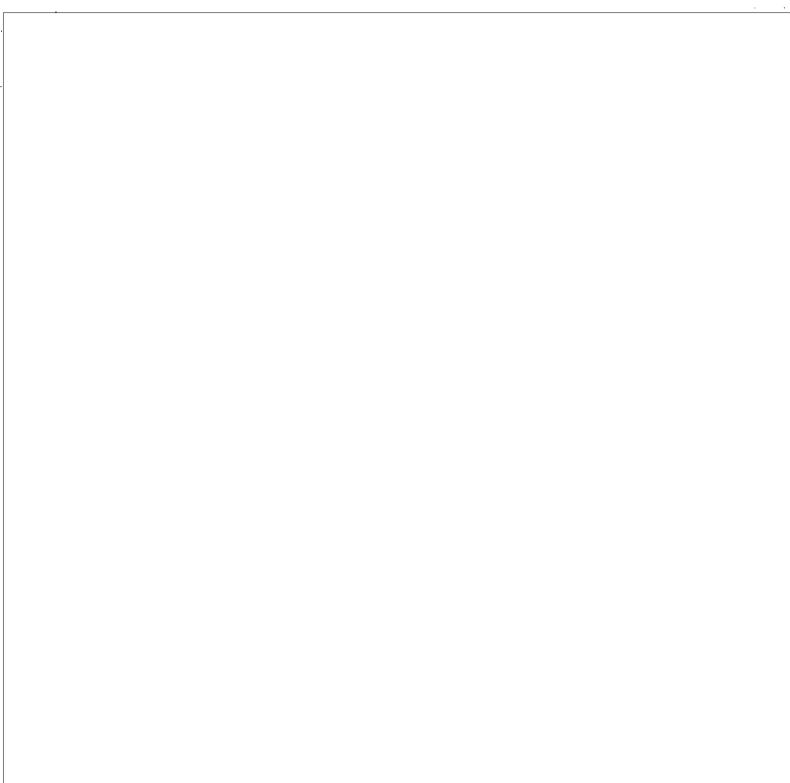
*President Asad weighed in yesterday with a pessimistic prognosis of the future of Middle East peace negotiations. Asad, who seldom gives interviews, told an Indian journalist that his hopes for successful political movement are not great and that the future will be fraught with "dangerous possibilities unless substantial progress is made in the coming months."*

Asad reiterated in low key Syria's standard views on negotiations, ruling out "partial and unilateral settlements." He observed that war might again be necessary if political efforts fail to secure total Israeli withdrawal from Syrian territory and the achievement of Palestinian national rights. If war should break out, Syria would try to make it a long one, which "would not be in Israel's interest."

Asad's tone throughout the interview was more resigned than threatening. He did not suggest that he is at the end of his tether on negotiations nor did he press for an immediate reconvening of the Geneva conference. Instead, he said he believed Geneva could succeed when "suitable conditions become available." His words do not suggest that Syria is prepared to take the initiative in offering any new formulas for breaking the current negotiating deadlock.

*FOR THE PRESIDENT ONLY*

PAKISTAN



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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

PORUGAL

*President Costa Gomes has declared that he is against participation by the military as a bloc in the constituent assembly that is to be elected next spring.*

The Armed Forces Movement has been deeply divided over this issue, and the President's statement should improve the position of those members of the movement who have argued against direct participation. Most of the movement's members probably believe that they can exert considerable influence on the draft of the new constitution without participating directly.

Meanwhile, rumors of dissension within the cabinet continue to circulate in Lisbon. Sources close to Costa Gomes and Foreign Minister Soares have predicted to US diplomats that the dispute-- which seems to center on the character of the new economic program--probably will be papered over. The intensity of the rumors suggests that the disagreements have been bitter, however, and may leave scars that will eventually weaken the unity of the government.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

NOTES

Cyprus: President Makarios yesterday gave former acting president Clerides written instructions to begin negotiations with Turkish Cypriot Vice President Denktash on the political aspects of the Cyprus question. Clerides met with Denktash later in the day, and the US embassy in Nicosia believes that the two men will resume their negotiations. According to a Nicosia radio broadcast, the instructions are "in accordance" with the political line agreed to in Athens earlier this month by the Greek and Cypriot governments.

France: The French have announced they will begin building a nuclear-powered helicopter carrier next April. The ship, which is expected to become operational in 1980, will be assigned to escort and antisubmarine warfare missions, as well as to provide fleet air cover when carrying vertical-or-short-take-off-and-landing aircraft.

[redacted] seriously considering obtaining a Super Harrier-type vertical-or-short-take-off-and-landing aircraft, possibly the Anglo-US AV-16, for the new ship. When completed, the carrier will be the first nuclear-powered surface warship in any West European navy.

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

THE FUTURE OF OPEC OIL SUPPLIES AND PRICES

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The price of oil has come to be essentially a matter of political decision and thus difficult to predict. Nevertheless, members of the Organization of Petroleum Exporting Countries have very strong incentives to stand together on the price issue.

If OPEC were to dissolve, there would be no natural floor for oil prices above the cost of production, and none of the members wants to see the return of \$2-a-barrel oil. Furthermore, Saudi Arabia--the country with the greatest financial capability to cut production--has strong political reasons to conform to the desire of other Arab producers to maintain high prices.

The Demand for Oil

In 1975, demand for OPEC oil probably will decline. Slowing economic activity throughout the developed world will reinforce the impact of higher prices and conservation measures on consumption. The normal pattern of inventory reductions is not expected to materialize. By midsummer, demand for OPEC oil probably will fall by at least 3 million barrels per day from the current level of 29 million barrels per day. Crash conservation programs in several of the major consuming countries perhaps could create a surplus of as much as 6 million barrels per day.

After 1975, as economic recovery begins to offset the continuing impact of conservation measures, OPEC exports will probably stabilize between 26 million and 27 million barrels per day. OPEC exports will begin to fall again, however, when new oil from Alaska, the North Sea, China, and perhaps Mexico begins to enter the market in major quantities in 1978-80. By 1980, OPEC exports probably will not exceed 22 million to 24 million barrels per day.

OPEC's production policy for the near future will be to regulate output to meet demand and thus maintain the level of prices established by the group. Thus far, production cuts have been made on an individual basis, and no formal or informal production pro-rationing scheme has been agreed

(continued)

A1

**FOR THE PRESIDENT ONLY**

***FOR THE PRESIDENT ONLY***

upon. OPEC countries will probably need to cut output further this coming summer, but it is not clear how the cuts will be made. What seems likely is that one or more countries will cut output outside the OPEC framework, as they did this past summer.

Similar individual moves to cut or raise output should be adequate to meet the small expected fluctuations in demand until the late 1970s. Kuwait, Libya, Iraq, the United Arab Emirates--mainly Abu Dhabi--Ecuador, and Venezuela have all shown a willingness to reduce their production substantially. Most other members also have made small voluntary production cuts.

**Mammoth Surpluses**

In 1975, OPEC members will have estimated surplus revenues equivalent to about 18 million barrels per day of output. If Saudi Arabia refused to cut its output next year despite an oil surplus, the other members of OPEC, with surplus revenues equal to 10 million barrels per day, could reduce output by 6 million barrels per day and still receive far more money than they could spend. The massive excess of oil revenues above import requirements places nearly all of the member states in the position of being able to reduce production substantially to maintain prices.

For the next couple of years, nearly all producers can act as price setters, with only Algeria, Ecuador, and Indonesia being forced by their import needs to act as price takers. As expenditures rise, the number of price setters will decline sharply. By the late 1970s, only Saudi Arabia, Kuwait, the United Arab Emirates, and perhaps--to a much lesser degree--Libya, Iraq, and Iran will still have the freedom to act as price setters.

During the next few years, the cartel will be able to cope with any likely oil surplus without Saudi participation, but by the late 1970s Saudi cooperation will be essential. Continuing slow growth in energy demand and rising production of energy elsewhere probably will require a formal or informal system of allocating cutbacks in OPEC states by 1978 or 1980.

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***FOR THE PRESIDENT ONLY***

**FOR THE PRESIDENT ONLY**

If OPEC is to succeed in holding prices high late in the decade, the OPEC core--particularly Saudi Arabia--must either reduce output much more sharply than OPEC countries as a whole, or recycle revenues to other OPEC states to facilitate their cutbacks. Although not in the position of a price setter, Venezuela will be reducing output substantially as its oil reserves are depleted.

The need for sharp cuts in output will greatly increase the influence of Saudi Arabia and Kuwait. These nations could afford to make the necessary cuts because they would still have ample financial resources. The prospect of a quantum drop in oil income if the oil producers competed in the market should serve to keep OPEC countries united. One possible OPEC response would be to raise oil prices sharply by about 1980 to recreate the flexibility to cut output still further.

Even if non-OPEC countries are highly successful in holding down growth in energy consumption and in boosting their own output of energy, they probably will still have to rely on the present members of OPEC to provide more than 20 million barrels per day of oil in 1980. Given this level of demand for OPEC oil, member countries should have no difficulty making price increases stick.

**Price Policy**

For the next few years, OPEC has indicated that it will probably attempt to maintain oil prices at about their current level in real terms. The cartel can be expected to raise prices periodically to offset at least part of the increase in import costs. The odds favor the adoption of some sort of price-indexing system to tie oil prices to the prices of industrial and agricultural exports.

The OPEC Secretariat and many of the more important producers support indexing, but Saudi Arabia opposes automatic price adjustments. Thus, compromise seems likely, with oil prices rising less than the cost of imports. In any event, price negotiations among the main producers will continue for years.

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**FOR THE PRESIDENT ONLY**

As time goes on, and certainly by the late 1970s, a number of members of the Organization for Economic Cooperation and Development will have joined OPEC members in having strong vested interests in maintaining high energy prices. Developed countries like the UK probably will have protected their energy industries by establishing floor prices at high levels. Because of the large debts it is currently running up, Britain, for example, would be placed in a very difficult situation if oil prices fell sharply just as North Sea output reached substantial levels.

Among the OPEC countries, Saudi Arabia might be an exception to the general desire for high and rising prices. Such political factors as Arab unity, the Israeli occupation of Arab land, and anti-communism play a large but undefinable role in Saudi petroleum policy formulation. Outside political pressure also could be important. At the same time, there is a body of Saudi opinion favoring high prices for economic and conservation reasons, and this group appears to be growing in influence.

Although severe strains on the cohesiveness of OPEC members appear a long way off, the expected shrinkage in demand for OPEC oil over the long term gives the oil-importing nations chances to break the stranglehold on prices. Success in this endeavor will require that the importers be alert to opportunities and willing to exploit them fully through political inducements or pressures.

**FOR THE PRESIDENT ONLY**

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*E. W.  
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# The President's Daily Brief

*December 21, 1974*

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Exempt from general  
declassification schedule of E.O. 11652  
exemption category 5B(1),(2),(3)  
declassification instructions of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 21, 1974

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Iran: The Shah has warned Western governments that any increase in the official price of gold will bring a sharp increase in oil prices. (Page 1)

France - Middle East: Prime Minister Chirac arrives in Iran today in the latest of a series of high-level French visits to the oil exporters. (Page 2)

West Germany: Chancellor Schmidt's modest anti-recessionary program is designed to assure 2 percent real growth next year. (Page 4)

Cyprus: Turkish and Greek Cypriot negotiators have agreed to proceed with talks on a federal government, beginning January 6. (Page 5)

Notes: Egypt; Libya; Burma; Latin America; Ethiopia  
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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**IRAN**

*The Shah warned Western governments Thursday that any increase in the price of gold would result in a sharp increase in oil prices. The Shah's comments reflect the widespread concern of high-level officials in oil-exporting countries about inflation in the West.*

The Shah apparently is apprehensive that the Martinique decision to allow countries to value official gold holdings at free-market prices would cause the value of the world's currencies, especially the dollar, to decline. He believes such a decline would erode the purchasing power of Iran's earnings from oil, particularly because the price of oil is generally expressed in terms of dollars, and would threaten his ambitious industrialization, development, and armament programs.

The Shah's concern over the relationship between the purchasing power of oil earnings and the price of gold is unwarranted. The purchasing power of Iran's earnings is determined by the relationship of the dollar to other currencies and the price of the goods and services Iran imports, not by the price of gold.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

FRANCE - MIDDLE EAST

*Prime Minister Jacques Chirac arrives in Iran today in the latest of a series of French high-level visits to the oil-exporting countries.*

The French diplomatic and economic offensive in the Middle East is aimed primarily at securing contracts and loans to offset the substantial balance-of-payments deficit Paris expects to incur this year. France also hopes to reinforce the image it has carefully nurtured of being the Arabs' champion in Western Europe and to win support for the tripartite energy conference proposed by President Giscard and now backed by the EC and the US. So far, Paris has reason to be pleased with the results of its bilateral diplomacy.

In Tehran, Chirac is expected to put the finishing touches on a major industrial cooperation program initiated last June. It will include up to five nuclear power stations, a nuclear research and experimental center, and, possibly, advanced fast-breeder technology plants and nuclear-propelled submarines for the Iranian navy. Iran will deposit \$1 billion as an advance payment for development projects amounting to \$5 billion over the next ten years. Tehran has already given its backing to the tripartite energy conference.

Earlier this month, the French Prime Minister was in Iraq, a visit that was treated by the Iraqis as one of the major political events of the year. Chirac received Iraqi endorsement of Giscard's tripartite conference and substantial economic sales agreements.

In addition to Chirac's travels, Interior Minister Michel Poniatowski visited Algeria in early December to prepare the way for Giscard's planned visit next March. Algeria did not oppose the tripartite conference in principle, but stressed its desire to include other raw materials on the agenda. Poniatowski conceded that France might be willing to consider this.

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**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

French Secretary of State for Foreign Commerce Norbert Segard in mid-December led a trade mission to Qatar, where France was offered a \$150-million loan. The loan--which may be the largest single Qatari loan ever granted--was offered, at least in part, as a reward to France for its pro-Arab policy.

Foreign Minister Jean Sauvagnargues began a five-day visit to Cairo on December 19. He is expected to brief the Egyptians on the recent EC summit and energy problems. The Arab-EC dialogue--currently bogged down over the question of PLO representation--also will be discussed.

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**WEST GERMANY**

*Chancellor Schmidt's modest anti-recessionary program is designed to assure 2 percent real growth next year while keeping inflation at 6 percent or less.*

The main features of the program include:

- A 7.5-percent tax rebate on investments initiated from December 1 through June 30, 1975.
- Rescheduling of a large share of government investment planned for 1975 into the first half of the year.
- New public works spending totaling \$450 million financed by countercyclical funds built up during earlier booms.
- Subsidy payments totaling \$240 million to increase employment.
- Allocation of \$1.4 billion in countercyclical funds to finance budget deficits at the federal and local level, a measure aimed at reducing inflation, rather than stimulating the economy, as the funds were originally intended.

These measures will add at most \$1 billion to the spending stream next year. In addition, a long-scheduled tax reform will boost consumers' disposable income by \$6 billion.

The key element of the antirecession program is the tax rebate, which is designed to revive private investment. Schmidt hopes that limiting the rebate period to seven months will encourage businessmen to invest now.

Schmidt's concern over rising unemployment and the economic downturn at home and abroad prompted him to take these steps. German unemployment is expected to exceed one million this winter. The Chancellor hopes his program will speed the recovery as well as minimize the economic decline. If successful, this would enhance the election chances of his party in a series of state elections next year.

The program will do little to reduce the large trade surpluses West Germany is running with the other EC members.

**FOR THE PRESIDENT ONLY**

**CYPRUS**

Negotiators for the Greek and Turkish Cypriot communities yesterday agreed on all but one of the points that have stood in the way of political negotiations on the Cyprus problem. According to a source of the US embassy in Nicosia, the point still in dispute relates to the question of which governments will guarantee the final settlement.

Turkish Cypriot negotiator Denktash, under instructions from Ankara, insisted that any agreement on constitutional issues should be endorsed by a five-party conference consisting of Greece, Turkey, the UK, and the leaders of the two Cypriot communities. Greek Cypriot negotiator Clerides claimed to have no instructions on the matter. President Makarios has recently indicated a preference for adding to the number of guarantors, possibly to include some or all permanent members of the UN Security Council.

The two negotiators agreed that talks on a federal government for Cyprus should begin on January 6. The UN representative on Cyprus is optimistic that the question of who will guarantee the settlement can be resolved by then.

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

NOTES

Egypt: The Egyptians have been dissatisfied with their eight Soviet TU-154 civil aircraft--the only ones held outside the Communist world--since they were delivered last year, and the Egyptian national airline has signed a letter of intent to buy six McDonnell-Douglas DC-9-50s. Three older DC-9s will be leased until deliveries of the new aircraft are completed in 1976. Egyptian airline personnel have complained about high operating costs, technical problems, and the shortage of spare parts for the TU-154. At one point, Cairo made an unsuccessful attempt to return them to the Soviet Union.

Libya: An investment council is being organized to increase Libya's long-term investments abroad. Libya now accumulates almost all of its surplus oil earnings as foreign exchange reserves--now at \$3.8 billion--which are placed in short-term obligations. The new investment council may begin functioning in March. One of its four directors, who is head of the rapidly emerging Libyan-Arab Foreign Bank, is an advocate of long-term investments abroad.

Burma: Martial law remains in effect, but the military presence in Rangoon has been reduced and most normal business activity has resumed. Although the immediate crisis has passed, tensions are not far below the surface and renewed disturbances are possible at any time. The government's decision to keep in custody several thousand students--some the children of government officials--and some Buddhist monks could encourage further discontent. The government has announced that a special session of the People's Assembly--its rubber-stamp legislature--will be held next month, apparently to deal with problems resulting from the riots.

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*FOR THE PRESIDENT ONLY*

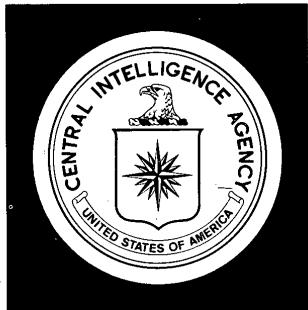
*FOR THE PRESIDENT ONLY*

Latin America: Several of the most nationalistic governments of Latin America, including Peru and Venezuela, are concerned about some of the provisions of the Trade Bill passed by Congress yesterday. To these governments, the troublesome parts of the bill are those that would deny trade preferences to members of cartels that raise prices on vital commodities, and governments nationalizing US property in violation of international law. A special committee of the Organization of American States has presented to the US ambassador at the OAS a declaration asserting that these articles could lead to a "de facto inoperativeness" of the new dialogue between the US and Latin America.

Ethiopia: There probably will be much debate--and delay--before the ruling military council decides how to implement the philosophy of "socialism" it announced yesterday. This move, intended to identify Ethiopia with other African states and emphasize the government's sharp break with the past, does not appear to presage any sudden shift in foreign policy. Senior officials have stressed that the council wants to maintain close and friendly relations with the US.

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# The President's Daily Brief

*December 23, 1974*

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*Top Secret 25X1*

Exempt from general  
declassification schedule of E.O. 14176  
exemption category 5B(1) & 2(3)  
declassified only on approval of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 23, 1974

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USSR - European Communism: Soviets make particularly strong defense of detente at meeting of European Communists. (Page 3)

Turkey: Sentiment in armed forces growing that military may have to force a solution to government stalemate. (Page 4)

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**FOR THE PRESIDENT ONLY**

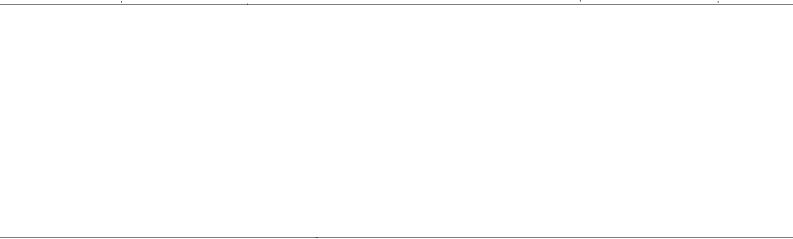
**FOR THE PRESIDENT ONLY**

CUBA-US

A high Cuban official, who knew that his comments would reach the US government, has suggested that Cuban leaders are looking for ways to facilitate reconciliation talks with the US. He contended that some Cuban officials are considering alternatives to Havana's insistence that the US unilaterally end the economic "blockade" before negotiations can begin.

The Cubans expected the foreign ministers' meeting in Quito last month to lift OAS sanctions against Cuba. They may also have thought the US would then fall in line and terminate the economic denial program. The outcome of the OAS session may have persuaded the Cubans that a review of their own tactics toward the US is in order.

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**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**PORUGAL - WESTERN EUROPE**

*West European countries, spurred by the recent US offer of aid to Portugal, are looking for ways to demonstrate support for the provisional government in Lisbon and for the Portuguese Socialist Party before the Portuguese election expected next spring.*

The EC, as a whole, is taking a close look at economic relations with Portugal. For their part, the Portuguese want to expand economic cooperation within the framework of the preferential agreement they signed with the EC in January 1973.

An EC-Portugal joint committee established to study Portuguese requests met last week to discuss Lisbon's desire to improve conditions for Portuguese workers in EC countries. The committee is to convene again next year.

Bonn would like to move quickly to give assistance to Lisbon, despite obstacles that stand in the way. Since Portugal is not listed as a developing country by the Organization for Economic Cooperation and Development, the Portuguese are technically ineligible to receive aid. There is strong pressure within the organization, however, to put Portugal on the list, and a decision to do this is likely soon.

The OECD itself, at the suggestion of the US, West Germany, and the Netherlands, has begun a study of technical, agricultural, and managerial assistance that might be offered to Portugal. The organization is sending a delegation to Lisbon next month to look into how such aid might be co-ordinated.

The British minister of overseas development will also be in Portugal in January for a meeting of the Socialist International. European social democratic leaders are sure to use the occasion to voice their support for the Portuguese Socialists.

The Portuguese Socialist Party lacks the organizational expertise of the Communists, but it is thought to have the best chance of competing successfully with them in the coming election.

**FOR THE PRESIDENT ONLY**

**USSR - EUROPEAN COMMUNISM**

*Boris Ponomarev, Soviet party secretary in charge of relations with nonruling Communist parties, made a particularly strong defense of detente at the meeting of European Communist parties in Budapest.*

Ponomarev tackled head-on the arguments of those, including some Western Communists, who believe that Moscow's policy toward the West damages their own interests. He implied that Soviet pursuit of detente takes precedence over the aspirations of Western Communist parties.

The three-day meeting, which ended on Saturday, was attended by representatives of 28 parties. They agreed to set up a drafting committee to prepare documents for a subsequent European Communist conference. This is to be held in Berlin, but no precise date has been set. The Soviets apparently want to wait until after the European security conference, which is not likely to conclude before next spring at the earliest.

The communiqué from the meeting makes no mention of a future world Communist conference. Nonetheless, the Soviets are presumably still interested in using the European conference as a stepping-stone toward a world gathering.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

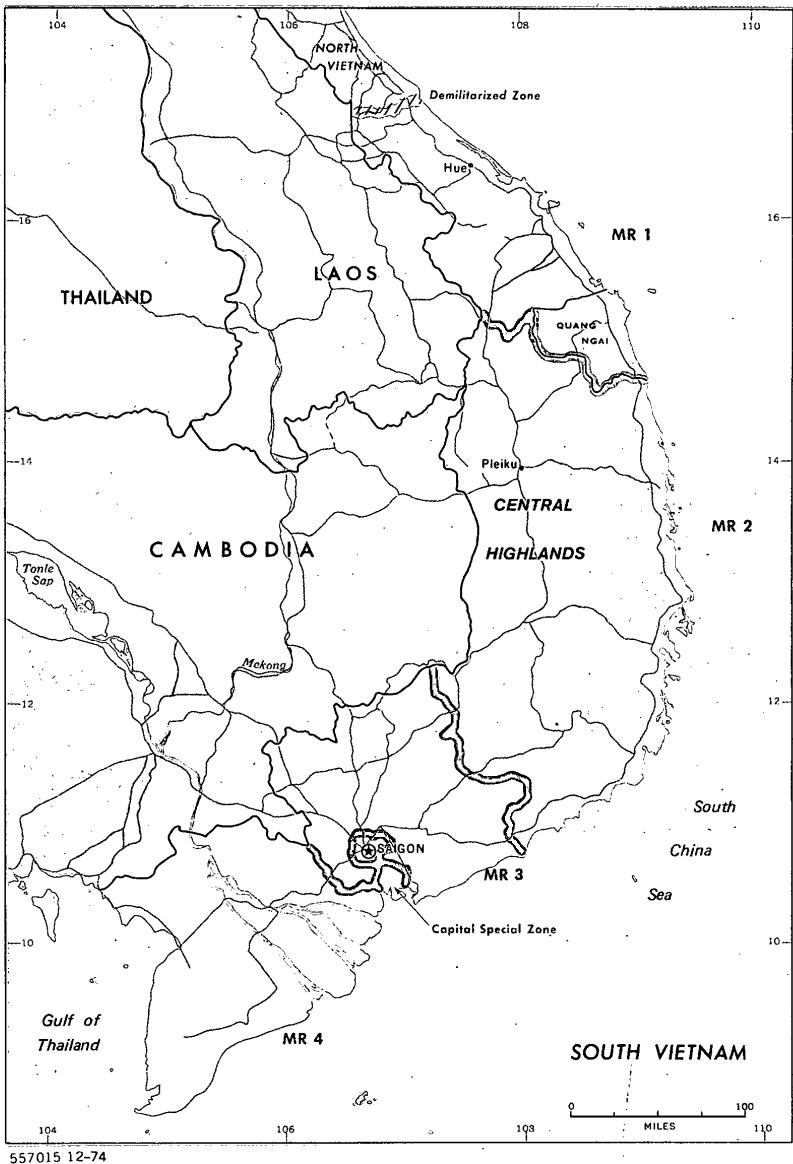
**TURKEY**

*Justice Party leader Demirel is still trying to form a center-right coalition, but has run into more trouble. If he does not succeed in the next day or so, he may well abandon the effort entirely. Meanwhile, sentiment in the armed forces is growing that the military may have to force a solution on the politicians.*

The military may insist on the installation of former prime minister Ecevit as head of a minority or a coalition government to lead the country toward a new election. Ecevit emerged with more strength from a convention of his Republican People's Party earlier this month. He may make yet another effort to form a government after the holiday period in Turkey ends early next month.

Now that Turkey has been given a reprieve until February 5 on the cutoff of US military assistance, there is likely to be increased pressure on the politicians to form a government that can make substantial progress in the Cyprus negotiations and avoid the halt in aid.

**FOR THE PRESIDENT ONLY**

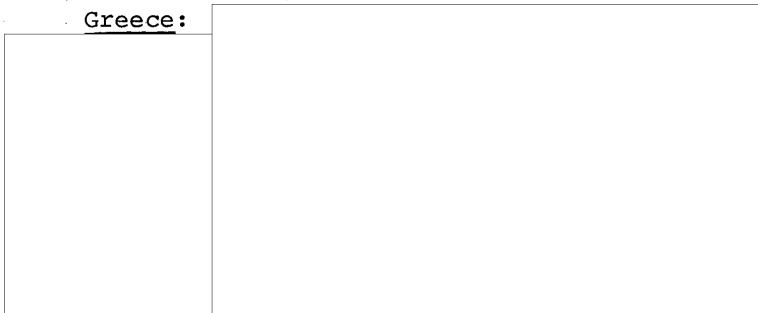


**FOR THE PRESIDENT ONLY**

NOTES

South Vietnam: Fighting has died down in the southern part of the country as communist forces regroup before mounting fresh attacks in their winter-spring campaign. There has been sporadic fighting in the area over recent days, but the communists are mainly refitting and consolidating new gains. Heavy rains continue to hamper military activity in the northernmost provinces. Government operations now under way in northern Quang Ngai Province and near Pleiku in the central highlands, however, could bring more intense fighting in those areas.

Greece:



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Canada-USSR: Ottawa reportedly has assigned 12 destroyers to patrol fisheries because of persistent difficulties with Soviet fishing boats. The Soviets are said to be taking double their quota of smelt off Newfoundland. The new Canadian patrols will carry inspectors with instructions to board foreign vessels suspected of overfishing. Moscow is also under increasing pressure from Ottawa to pay compensation for damage caused by Soviet trawlers to Canadian lobster traps.

**FOR THE PRESIDENT ONLY**

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# The President's Daily Brief

December 24, 1974

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Exempt from general  
declassification under E.O. 11652  
exemption category SRG (SAC 13)  
declassified only on approval of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

December 24, 1974

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this week. (Page 1)

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China: Grain harvest this year may have fallen  
short of expectations. (Page 3)

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China-USSR: Chinese officials elaborate on Peking's  
recent proposal on the border dispute. (Page 4)

USSR-Iraq: [redacted] 25X1  
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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**PORUGAL**

*Announcement of Lisbon's new economic plan, delayed for nearly a month by disagreements within the provisional government, is expected this week.*

The plan apparently does not provide the strong measures that are needed to boost the sagging Portuguese economy. It is a short-term compromise encompassing conflicting economic views, and is not expected to last beyond the constituent assembly elections next spring.

The program has been a major bone of contention between Prime Minister Goncalves and his government. Even after the cabinet and the Armed Forces Movement's Superior Council approved the general provisions of the program, Goncalves continued to insist that the draft be strengthened to provide for tighter government control in all sectors.

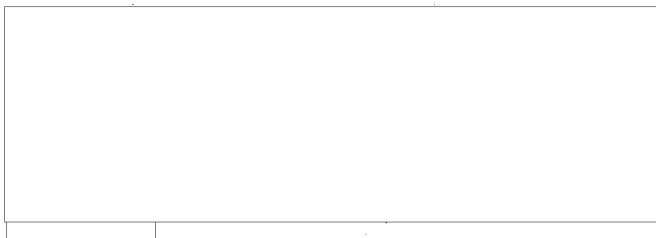
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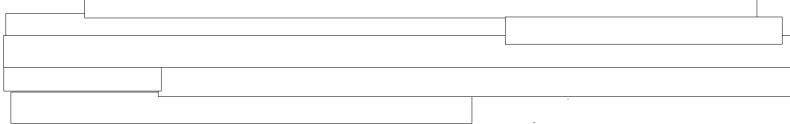
CHILE-PERU



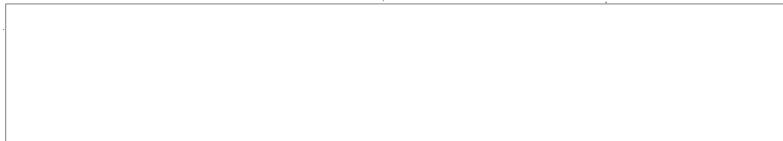
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*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

CHINA

*The Chinese used unusually restrained rhetoric in reporting their "biggest grain harvest in history" and in claiming "output showed a fairly big increase over last year," suggesting that the harvest once again fell short of expectations.*

25X1

*Increases in grain production averaged less than 1.5 percent a year between 1970 and 1973.* [redacted]

25X1

*production in 1973 was below 250 million tons, although the Chinese have claimed publicly that the harvest was greater.*

*We are not yet able to estimate precisely how much grain was harvested, but crops did get off to a poor start this year. The wheat crop was hurt by drought, and output did not measure up to that of past years, despite a record acreage. Early rice was hurt by frost, but recovered in time to yield a good crop.*

*The more important fall harvest was unusually late. Drought, typhoon, and prolonged autumn rainfall apparently caused considerable damage before the crops could be harvested.*

*Peking has asked all of its major suppliers to postpone the delivery of almost 2 million tons of grain scheduled for 1974 to the latter part of 1975. This does not mean, however, that the harvest was unusually favorable. Rather, these measures are the outgrowth of a tight foreign exchange position created by a fall-off in sales of Chinese exports. Peking has also canceled contracts for substantial quantities of soybeans and cotton.* [redacted]

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**CHINA-USSR**

The Chinese are amplifying the proposal they made on November 6 for dealing with the Sino-Soviet border dispute, apparently in reaction to Brezhnev's rejection. Chinese diplomats are quietly spreading the word through the diplomatic community in Moscow that Peking's proposal for the withdrawal of troops from disputed territories is more reasonable than the Soviets claim.

In recent conversations with American and Norwegian embassy officers, the Chinese have indicated that the disputed areas refer to territory the Soviets now occupy that is not covered by the 19th century "unequal" treaties. These treaties gave Russia much of eastern Siberia and what is now known as the Soviet Far East. The Chinese specifically mentioned disputed islands in the Ussuri River and grazing land adjacent to Sinkiang.

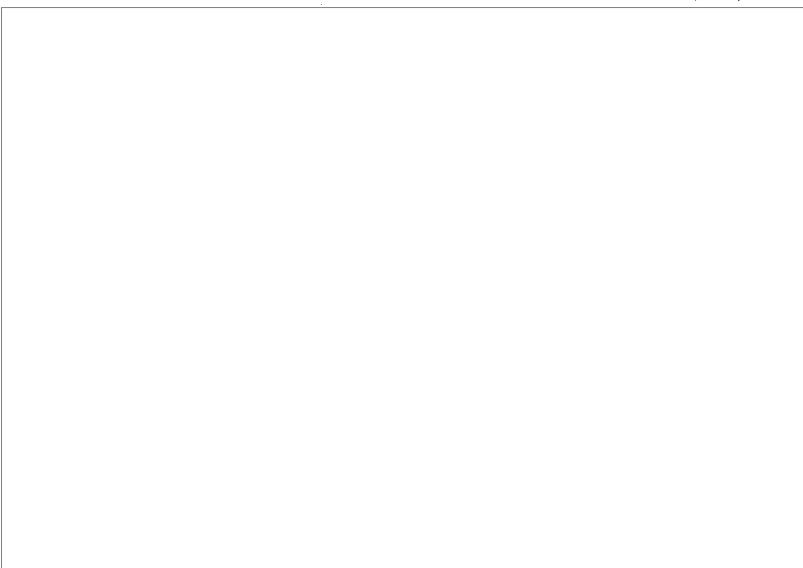
The Chinese diplomats charge that Moscow deliberately misinterpreted the Chinese proposal by claiming that it includes territories covered by the "unequal" treaties. This shows, according to the Chinese, that the Soviets do not want serious negotiations.

Peking has long held that it does not expect to undo the 19th century treaties in dealing with the Sino-Soviet border and that little territory is in dispute. In using this line to question current Soviet motives, the Chinese appear simply to be trying to put the Soviets on the propaganda defensive.

*FOR THE PRESIDENT ONLY*

USSR-IRAQ

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

NOTES

Venezuela-US: The Perez administration has expressed deep concern over the effects of the recently passed US trade bill. The Venezuelans believe that the legislation, which would deny US tariff preferences to "members of cartels that raise prices on vital commodities," is designed to punish Venezuela and other OPEC countries. President Perez reportedly has urged oil-producing countries to reject "this discriminatory treatment," and politicians across the political spectrum have taken the same line. Some Venezuelan officials have already threatened that Caracas will retaliate if trade preferences are denied because of OPEC membership. Some indication of Perez' intentions may come in his New Year's Day address.

India: Prime Minister Gandhi may soon call for a general election in February, a year before the five-year term of the lower house of Parliament expires. A decision to hold early elections would reflect Mrs. Gandhi's serious concern about a campaign headed by J. P. Narayan, a widely respected reformer and pacifist. He and his followers are protesting the central government's misuse of power and its inability to curb inflation, corruption, and unemployment. An early election would catch the opposition unprepared to wage an effective campaign. A new Parliament must be seated in time to approve the national budget before the beginning of India's fiscal year on April 1.

**FOR THE PRESIDENT ONLY**

*Top Secret*

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# The President's Daily Brief

*December 26, 1974*

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[Redacted]

*Top Secret 25X1*

Exempt from general  
declassification schedule of E.O. 14176  
exemption category 5B(1), (2), (3)  
decided only on approval of  
the Director of Central Intelligence

**FOR THE PRESIDENT ONLY**

December 26, 1974

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25X1

USSR [redacted]

25X1

[redacted] (Page 5)

Ethiopia: The army may be preparing an offensive against the Eritrean guerrillas. (Page 6)

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**FOR THE PRESIDENT ONLY**

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*FOR THE PRESIDENT ONLY*

EGYPT-SYRIA-ISRAEL

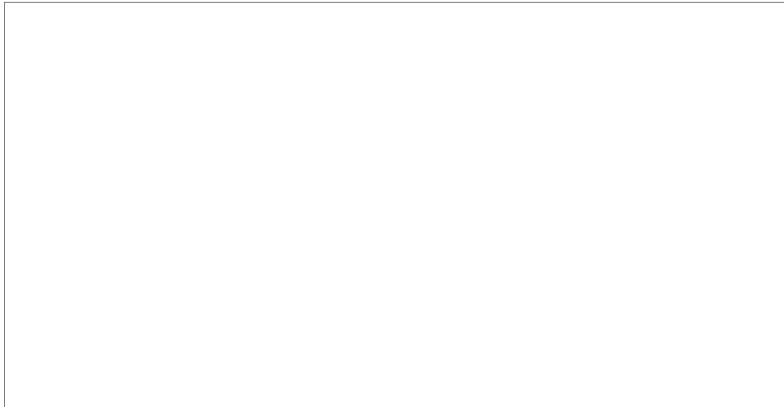


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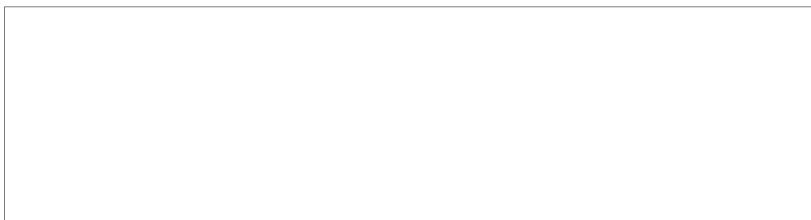
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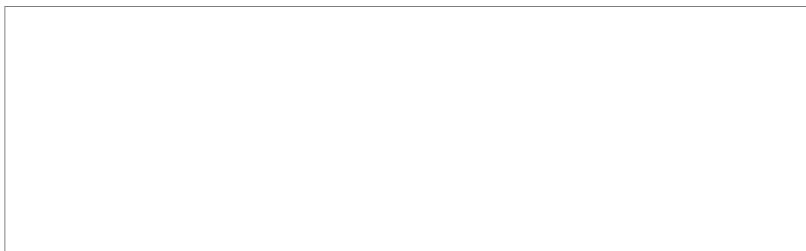


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*FOR THE PRESIDENT ONLY*

## FOR THE PRESIDENT ONLY

## LEBANON

Senior Lebanese army officers claim that continued Israeli strikes into Lebanon will force the government to give in to pressure from fedayeen and Arab League members for a greater Lebanese commitment to the Arab cause. The officers believe that since the Rabat conference in late October the strength of the fedayeen in Lebanon has grown to a point where the army can no longer risk a showdown.

The chief of operations of the Lebanese army told a US official on Monday that he fears recent Israeli military maneuvers in northern Israel may have been a dress rehearsal for a wide-ranging assault on Lebanon aimed at clearing out local refugee camps. The chief of operations found ominous the recent return of Israeli General Sharon, known for his hawkish views and unorthodox military exploits, to the army reserves for a "special assignment." He was also uneasy about tough talk emanating from Israeli leaders about Lebanon's culpability for fedayeen activity.

[redacted] that if the army challenged the fedayeen in the south, "all hell" would break loose in Beirut and in the north. He said the fedayeen are able to bring weapons into Lebanon at will, and illustrated his point by citing their possession of six armored personnel carriers inside a refugee camp in Beirut.

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The question of increasing the country's military strength vis-a-vis the fedayeen has engendered much debate in Lebanon. Some politicians want Soviet military aid, some want only Arab assistance, and some do not want any. This greatly complicates the task of getting legislation to authorize and finance expansion of the armed forces.

On December 18,

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[redacted] The chief of staff said that the Soviets were constantly pressing the army to accept military aid with attractive financial terms, but that the Lebanese army leadership, as opposed to some Lebanese politicians, did not want to become militarily dependent upon either the Soviets or members of the Arab League. A member of the National Defense Committee of the Lebanese Parliament later confirmed that the Soviets have been pressuring Beirut to accept military aid.

**FOR THE PRESIDENT ONLY**

USSR

*The Soviet press has expressed satisfaction with the lifting of trade barriers by the US Congress, but it has also condemned "artificially created difficulties" raised by "opponents of detente."*

Press commentary has been concentrated primarily on the more politically sensitive trade act, with heavy play given to the Tass statement and the Gromyko letter on the emigration issue. Legislation limiting the amount of credits available to the Soviets could, however, have much greater economic significance than the trade act.

The mood among Soviet Jews hoping to emigrate is mixed. Some activists see Moscow's action as chiefly a face-saving exercise. Others interpret it as signaling a general hardening of the Soviet position on emigration. There is also speculation among Jewish activists that the Soviets have been acting with an eye to Arab sensibilities prior to Brezhnev's trip to Egypt.

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

USSR

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**ETHIOPIA**

*Ethiopia's military rulers may be about to go on the offensive against the rebel Eritrean Liberation Front, which last weekend initiated violence in Asmara, the capital of Eritrea Province.*

On Monday, Ethiopian army authorities in Asmara announced that their "patience" has run out and that they will take "all measures necessary" to end the insurgency. The military council in Addis Ababa had sent reinforcements to Eritrea earlier this month.

The trouble in Asmara began when rebels attacked with small arms and grenades. The army responded immediately. Large-scale arrests were made and many civilians were beaten. The harsh army response is likely to increase the Front's popular support and deepen the disaffection among the predominantly Eritrean paramilitary police.

There has been only limited contact between the guerrillas and government forces since February, when the army's growing involvement in politics curtailed its antiguerilla sweeps in the countryside. The Front controls most of the Eritrean countryside, but it does not appear to be capable of driving the army out of the province.

**FOR THE PRESIDENT ONLY**

NOTES

USSR: Late last night the Soviets launched a Salyut space station. They probably will monitor conditions aboard the space station for a few days before sending up two cosmonauts in a Soyuz spacecraft to board it. The crew is expected to remain aboard for a period of one to two months.

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Italy-Iran: President Leone during his recent visit to Iran confirmed some \$5-6 billion in commercial deals that had already been under negotiation.

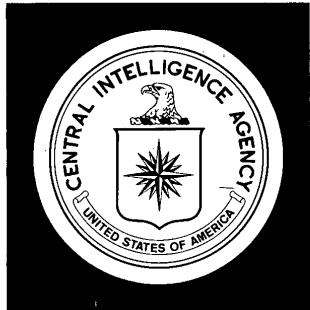
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South Korea: There were no political prisoners among the approximately 3,000 South Koreans given a Christmas amnesty by the government, but, significantly, two Japanese citizens arrested earlier this year for alleged anti-Pak plotting were freed. The release of the Japanese was probably prompted by statements from officials of the new Miki government indicating an interest in repairing the badly strained ties with South Korea. President Pak is reported to have deferred releasing political prisoners because opposition activity has not, in his judgment, quieted sufficiently. The major opposition party, in fact, recently launched an anti-Pak campaign in leading provincial cities.

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# The President's Daily Brief

*December 27, 1974*

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Exempt from general  
declassification under E.O. 11652  
exemption category 5B(1), 5B(2), 5D  
declassified only on approval of  
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*FOR THE PRESIDENT ONLY*

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*FOR THE PRESIDENT ONLY*

## FOR THE PRESIDENT ONLY

EGYPT-ISRAEL

President Sadat [redacted]

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[redacted] last week that he still agrees with the step-by-step approach to negotiations. He stressed, however, that two important events are approaching and that significant progress should be made before they take place. He pointed to Brezhnev's visit to Egypt in mid-January, and the expiration of the UN mandate--presumably the UN emergency force mandate that expires in late April.

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[redacted] that Sadat needs another disengagement agreement with Israel before General Secretary Brezhnev arrives. Sadat himself has said publicly that he will make a key decision in the "very near future" on whether to continue negotiations via the bilateral approach or turn to multilateral talks as favored by the Soviets.

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Sadat's remarks [redacted] suggest that the Egyptians are backing off a bit. By mentioning the expiration of the UN mandate in April, as well as the Brezhnev visit, Sadat may have meant to acknowledge tacitly that, even though there is little prospect for real progress soon, this need not mean abandonment of step-by-step negotiations.

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[redacted] Cairo had rejected recent Israeli proposals for a second-stage withdrawal because the Israelis would not pull back far enough in the Sinai. The Egyptian President stressed that control of the key mountain passes, which Israel proposes to retain, is essential to protect the Suez Canal.

\* \* \*

Meanwhile, Israeli Prime Minister Rabin's speech Wednesday reinforces the impression that Israel regards further military disengagement with Egypt as the only negotiating avenue now open. Rabin publicly reaffirmed Israel's refusal to withdraw completely from the Golan Heights, even if this "is required to obtain postponement of war." Rabin thus moved closer to hard-line elements in his party.

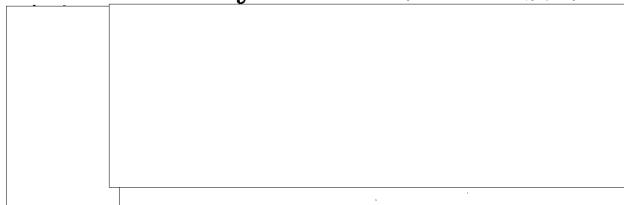
The Syrians can be expected to use Rabin's statement to press Sadat even more strongly to avoid moving unilaterally to talks with Israel.

FOR THE PRESIDENT ONLY

**FOR THE PRESIDENT ONLY**

**EGYPT-USSR**

Cairo is sending Foreign Minister Fahmi to Moscow tomorrow. The trip was not previously scheduled and comes only two weeks before Soviet party chief Brezhnev is to go to Cairo. The Fahmi



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The Soviets may have requested a high-level delegation because of concern, [redacted], that the Egyptians are not moving ahead with plans for the Brezhnev visit. These concerns evidently involve the mechanics of the trip, but may extend to substantive matters. A high-ranking Soviet economic delegation has been in Cairo in recent weeks, and a return visit should not be necessary unless some hitch has developed.

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The Soviets and the Egyptians are sniping at each other in public over the key question of Egyptian methods and tactics for negotiating a Middle East settlement. The Soviets seem sensitive to the possibility that the Egyptians will arrange a further pullback with Israel before the Brezhnev trip. Cairo, indeed, has been attempting to achieve this for some time, arguing that a deal would strengthen Sadat's hand in discussions with Brezhnev.



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Fahmi will be accompanied by the new minister of war, General Gamasy, and by the ministers of planning and finance [redacted]

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(continued)

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*



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We have other evidence that Moscow is willing to conclude agreements for assistance to Egypt's steel and aluminum industries and for rescheduling Egypt's debts, but the possibility of a new military aid pact has been less certain. The Soviet military attaché in Cairo, for example, [redacted] would not sign any new agreement on military aid, and that future military deliveries would depend on Egyptian behavior.

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*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**VIETNAM**

*Following is the precis of the latest National Intelligence Estimate on Vietnam, which the US Intelligence Board approved this week.*

Communist military forces in South Vietnam are more powerful than ever before.

The South Vietnamese Armed Forces are still strong and resilient and have generally acquitted themselves well since the cease-fire, but the decline to the present level of US military aid threatens to place them in a significantly weaker logistic posture than the Communists.

Hanoi has a variety of military options, but the evidence points toward a marked increase in military action between now and mid-1975 designed to:

- defeat the government of South Vietnam's pacification program;
- inflict heavy casualties on the South Vietnamese Armed Forces;
- gain control of many more South Vietnamese; and
- force the government of South Vietnam into new negotiations at a disadvantage.

At a minimum the Communists will sharply increase the tempo of fighting by making greater use of their in-country forces and firepower. In this case, their gains would be limited, but South Vietnamese stockpiles of ammunition and other critical supplies would probably be depleted by April or May below the 30-day reserve required for intensive combat.

We believe that the Communists will commit part of their strategic reserve to exploit major vulnerabilities in the South Vietnamese position or to maintain the momentum of their military effort.

(continued)

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

--Such a commitment would carry a greater risk of major defeats for top South Vietnamese units and a further compounding of manpower and logistic problems.

--Without an immediate increase in US military assistance, the government's military situation would be parlous, and Saigon might explore the possibility of new negotiations with the Communists.

It is even possible--in response to a major opportunity--that the Communists would move to an all-out offensive by committing all or most of their strategic reserve. But our best judgment now is that they will not do so.

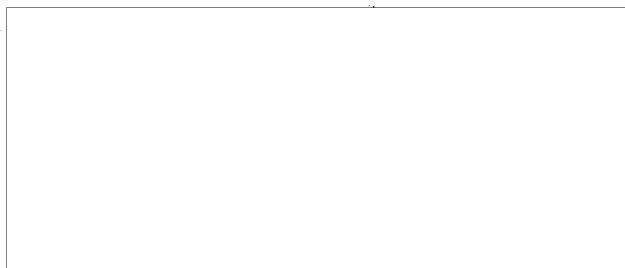
--Hanoi prefers to achieve its dry season goals through a military-political campaign that avoids the risks and losses of an all-out offensive.

--Hanoi probably hopes that, by setting limits on its military operations, there would be less likelihood of a strong reaction from Washington and that frictions with Moscow and Peking would be minimized.

At currently appropriated levels of US military assistance, however, the level of combat that we do anticipate in the next six months will place the Communists in a position of significant advantage over South Vietnamese Armed Forces in subsequent fighting.

**FOR THE PRESIDENT ONLY**

JAPAN



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Industrial production fell sharply in November, down 3 percent from the previous month and 13 percent from November 1973--the steepest decline of any industrial country. Unemployment also rose in November, and there was a record number of bankruptcies.

Most other economic indicators point to further production cuts in the months ahead.

--Inventories of finished goods continue to rise, increasing nearly 2 percent last month.

--Consumer spending remains weak.

--Investment, after recovering somewhat during the summer, declined in October and November.

Despite the mounting pressure for a policy change, Fukuda sees inflation as a more serious problem. Consumer prices in recent months have been increasing at an annual rate of about 25 percent; Fukuda wants to slow the pace to 15 percent before wage negotiations begin next spring. Even if tight policies are maintained, however, Japanese labor unions will be unwilling to accept much less than a 25-percent wage hike.

**FOR THE PRESIDENT ONLY**

**FOR THE PRESIDENT ONLY**

**FRANCE-IRAN**

*France has agreed to support Iran's bid for a preferential trade arrangement with the EC, according to the communiqué issued following French Prime Minister Chirac's visit to Iran last weekend. The decision, which marks a change in French policy, could provide the impetus necessary to conclude an EC-Iran agreement next year.*

Denmark has pressed for favorable treatment for Iran, and Italy supports a new EC economic agreement with Iran but has not committed itself to a preferential agreement. West Germany may support France if Bonn's specific request for duty-free entry of refined Iranian petroleum products into the EC is met. Contingent upon Bonn's efforts to secure concessions in this area, Iran has agreed to award West Germany a contract to construct a large petroleum refinery.

The EC Commission, however, and most of Germany's partners oppose preferential treatment for Iranian oil. The Commission in fact has "pledged" that the community would not expand its Mediterranean preferential arrangements to include peripheral countries such as Iran. Preferential treatment would be difficult to explain in GATT, and an excess in refinery capacity within the community is anticipated by 1978.

Several EC members have expressed fear that Arab oil producers would resent preferential treatment to Iran and would seek similar concessions. They are also aware of US opposition to such an arrangement.

Bilateral French negotiations with Iran parallel similar approaches to Arab countries during recent months as Paris tries to ensure a steady oil supply and to redress the substantial balance of trade deficit with oil-producing countries. According to the press, Chirac returned from Iran with \$7.7 billion in industrial orders--\$4.4 billion more than he had expected.

*FOR THE PRESIDENT ONLY*

NOTE

Thailand: Former Thai premier Field Marshal Thanom Kittikachon flew into Bangkok unannounced early this morning, ostensibly to visit his ailing father. Thanom has been in exile in the US since student-led demonstrations in October 1973 brought down his military regime. The US embassy in Bangkok reports that the national student center may try to organize a protest against his return and that a few students have already gathered near his father's house. An emergency meeting of the Thai cabinet has been called. There is an unconfirmed report from Bangkok by the French press agency that Thai police and military units have been placed on full alert.

*FOR THE PRESIDENT ONLY*

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# The President's Daily Brief

December 28, 1974

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declassification schedule of E.O. 11652  
exemption category 3B(1), (2), (d)  
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*FOR THE PRESIDENT ONLY*

December 28, 1974

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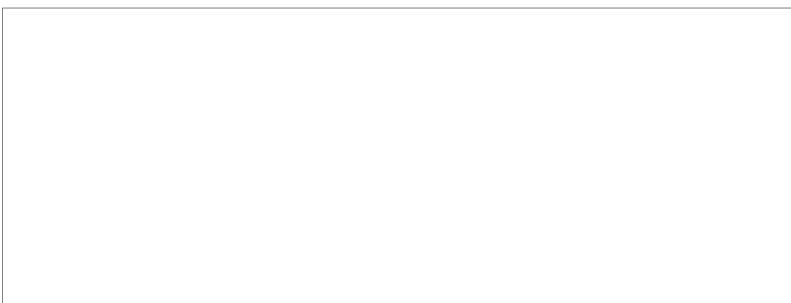
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SYRIA-ISRAEL



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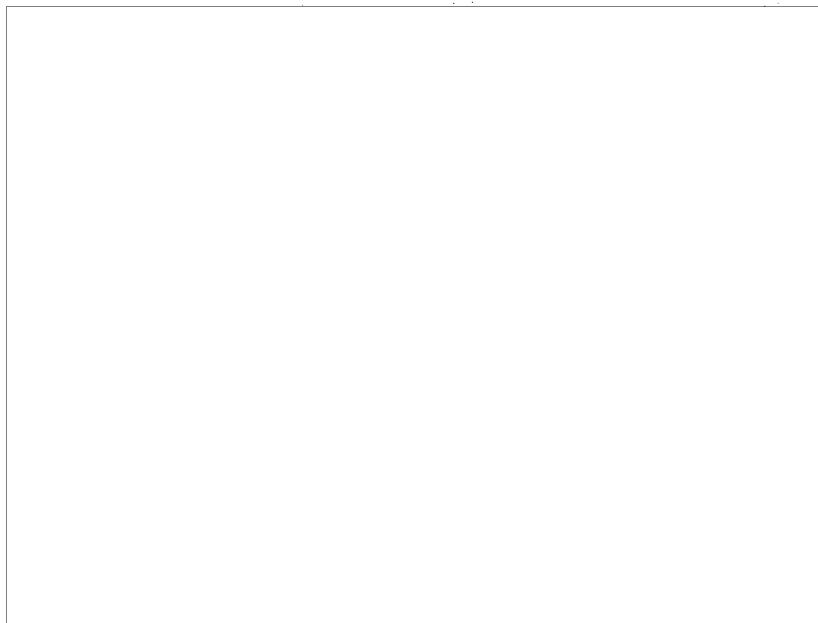
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USSR



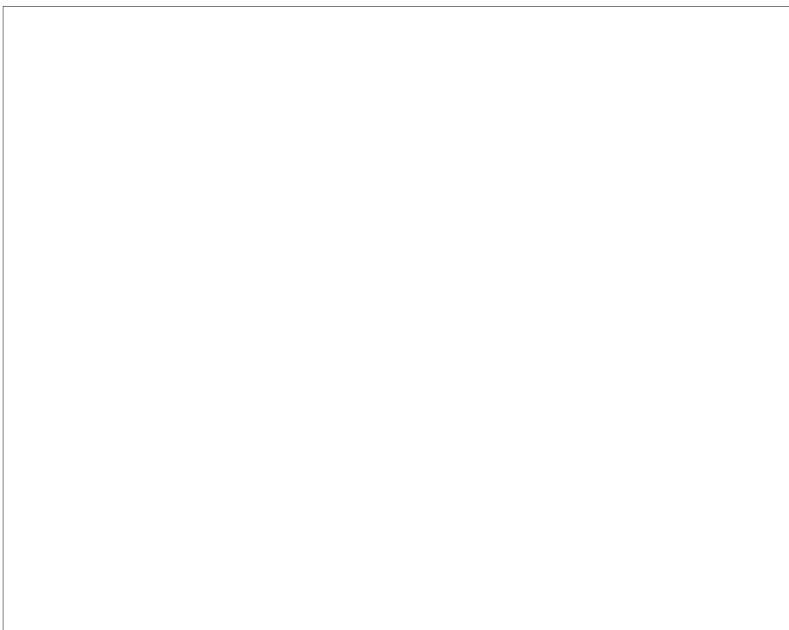
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*FOR THE PRESIDENT ONLY*

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*FOR THE PRESIDENT ONLY*

## FOR THE PRESIDENT ONLY

## THAILAND

The unexpected return of former prime minister Field Marshal Thanom to Bangkok has presented Prime Minister Sanya's caretaker government with a potentially explosive political problem. In an attempt to divert expected popular outbursts--particularly from students--against Thanom's return, the government has placed the former prime minister under house arrest pending an investigation of his role in events leading to the riots that toppled his regime in October 1973.

Thanom claims to have come back to visit his dying father. [redacted]

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[redacted] It is possible, however, that his arrival was deliberately timed to coincide with the absence from the country of army commander Krit Siwara. Krit, who has been quietly attempting to remove proteges of the former prime minister from prominent positions within the armed forces, would see Thanom's presence as a potential threat to his own influence over the military. Krit, now on a five-nation swing through Southeast Asia, has been asked by the cabinet to cut his trip short and come back to Bangkok.

No matter how firmly the government handles the situation, Thanom's return is sure to revive the relatively dormant student movement. Police do not expect any major protest, however, for at least 24 hours. The announcement of Thanom's arrest may buy more time for the government to gauge public opinion before it decides how to proceed. Complicating the government's problem are the parliamentary elections scheduled for next month.

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# The President's Daily Brief

*December 30, 1974*

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Exempt from general  
declassification schedule of E.O. 11652  
exception category 3B(1), 22(d)  
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**FOR THE PRESIDENT ONLY**

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Bangladesh: Prime Minister Mujibur Rahman decrees a state of emergency. (Page 2)

Cambodia: Prime Minister and army commander in chief agree on increased civilian-military cooperation. (Page 3)

Nicaragua: President Somoza has agreed to meet the principal demands of terrorists holding hostages in Managua. (Page 4)

Notes: Egypt-Syria-Israel; Thailand; Romania  
(Page 5)

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

**USSR-EGYPT**

*General Secretary Brezhnev's visit to Egypt and other Arab states is postponed indefinitely, according to press reports from Cairo this morning. "Informed Egyptian sources" say that differences over military and political questions were behind the postponement.*

Egyptian Foreign Minister Fahmi and War Minister Gamasy, who made a hurried trip to Moscow on Saturday, met for 35 minutes with Brezhnev, Foreign Minister Gromyko, and Defense Minister Grechko yesterday, before agreeing to postpone the visit. A joint communiqué is to be issued later today.

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

BANGLADESH

*Prime Minister Mujibur Rahman decreed a state of emergency Saturday which restricts civil rights and broadens the government's powers of arrest and detention. The emergency was declared, according to the decree, because "the security and economic life of Bangladesh have been threatened by internal disturbances." Mujib told newsmen that he may take further action.*

Mujib reportedly has been considering the declaration of a state of emergency for some time. The murder of several members of his Awami League recently, including a member of parliament, may have provided a plausible opportunity for his action.

The US embassy in Dacca comments that Mujib has seemed increasingly interested in moving toward an authoritarian setup and that the emergency decree appears part of a trend in that direction. Specifically, Mujib has been weighing a change from the present parliamentary government to a more centralized presidential system as a means of increasing his power to deal with the severe economic and social problems that face Bangladesh. Leading members of his party oppose such a shift.

The public so far is reacting calmly to the decree. The fragmented leftist political opposition may try to mount a protest campaign, but for the time being it is unlikely to get help from anti-government military officers whose support would be necessary for any serious move against Mujib. Military and paramilitary forces have been moved to key positions should their presence be necessary to maintain order.

*FOR THE PRESIDENT ONLY*

CAMBODIA

*Prime Minister Long Boret has apparently shelved plans for an ambitious cabinet reorganization that would increase civilian control over the military. His decision permitted a reconciliation with army Commander in Chief Sosthene Fernandez with whom relations had been strained. The two agreed late last week on increased civilian-military consultation and civilian budgetary control over the armed forces.*

This informal pact between Boret and Fernandez probably holds out more hope for effective cooperation between civilian and military leaders than would the earlier considered cabinet reorganization.

The resolution of the personal feud between Boret and Fernandez will work to the disadvantage of Lon Non, President Lon Nol's controversial young brother. Lon Non has been trying to capitalize on the strained relations between the two leaders to further his own political ambitions.

*FOR THE PRESIDENT ONLY*

*FOR THE PRESIDENT ONLY*

NICARAGUA

*Nicaraguan President Somoza has agreed to the principal demands of terrorists who are holding about a dozen hostages in Managua. Somoza has guaranteed the terrorists safe passage to Cuba, will pay them a ransom of at least \$1 million, and will release a number of their imprisoned colleagues--members of the Sandinist National Liberation Front. Preparations reportedly are being made for a flight to Havana possibly today.*

The President has a well-known record of dealing harshly with extremists. This time, he was left with almost no room for maneuver after a well-armed band stormed a suburban Managua home Friday during a reception attended by a number of Nicaraguan luminaries. Some of Somoza's closest associates and two relatives are among the hostages, who include his brother-in-law--Ambassador Guillermo Sevilla-Sacasa, dean of the diplomatic corps in Washington--a cousin, Nicaragua's foreign minister, the mayor of Managua, and the ambassador to the UN. A US citizen and the Chilean ambassador are also among the captives.

The Sandinist group is small, and after repeated losses to government security forces in recent years, most of its members were in jail or exile. The affair over the weekend could help to improve the Sandinists' fortunes.

*FOR THE PRESIDENT ONLY*

NOTES

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Thailand: The government's expulsion of former prime minister Field Marshal Thanom Kittikachorn from Thailand reduces the danger of serious political disorder in Bangkok. Thanom, who had returned unexpectedly from exile in the US, flew to Singapore yesterday with his family only two days after his arrival in Bangkok. The Singapore government has agreed to allow Thanom to stay temporarily. Some student leaders may try to prolong protest demonstrations over alleged government complicity in Thanom's return. With Thanom out of the country, however, student activists probably will have trouble keeping the issue alive.

Romania: The Romanians, who maintain only minimum military involvement in Warsaw Pact activities, now are trying to pare down even that participation. No Warsaw Pact exercises have been held on Romanian soil in over a decade, and only small ground and air staffs have participated in pact exercises elsewhere. Romania's principal involvement lies in naval cooperation in the Black Sea. [redacted]

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*FOR THE PRESIDENT ONLY*

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# The President's Daily Brief

*December 31, 1974*

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Exempt from general  
declassification schedule of E.O. 11652  
exemption category 5B(1),f2),(3)  
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*FOR THE PRESIDENT ONLY*

December 31, 1974

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Portugal: Plans for elections this spring are proceeding smoothly. (Page 1)

Notes: Greece; Japan (Page 2)

*FOR THE PRESIDENT ONLY*

**FOR THE PRESIDENT ONLY**

**PORUGAL**

Voter registration in Portugal, which began early this month, is proceeding smoothly. Technical problems may delay the election of the constituent assembly next spring, but only for two or three weeks. The Portuguese Communists--perhaps sensing that they will not do well in the election--have charged that the registration process is being sabotaged in some rural provinces. They have been urging that the election be delayed for an indefinite period.

A government spokesman has stated that no irregularities have been discovered, and both the Socialist and Popular Democratic parties have deplored any effort to delay or to cast doubt on the validity of the elections.

The communists suffered a setback last week when the Superior Council of the Armed Forces--a group of 20 top leaders of the Armed Forces Movement--re-emphasized that the Movement is not aligned with any political group. Both the Portuguese Communist Party and the communist-dominated Portuguese Democratic Movement have tried to convince the public that they are closely allied with the Armed Forces Movement.

**FOR THE PRESIDENT ONLY**

*FOR THE PRESIDENT ONLY*

NOTES

Greece withdraws a top combat unit from the Turkish border, where it had been posted last July at the peak of the Cyprus crisis.

The US consul in Thessaloniki has reported seeing medium and heavy artillery pieces, tanks and trucks, probably belonging to the 20th Armored Division, moving away from the frontier, presumably toward the unit's peacetime location in Thessaloniki.

\* \* \*

Japan finds its four-year shipbuilding boom has subsided.

The oil crunch has particularly affected orders for tankers, which have accounted for about 80 percent of the tonnage ordered from Japanese yards. In all, during the first three quarters of 1974, Japan has received only 25 percent of worldwide orders for ship construction compared with 60 percent during the comparable period the preceding year.

*Top Secret*