



The President's Daily Brief

July 1, 1975

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FOR THE PRESIDENT ONLY

July 1, 1975

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LEBANON

A six-man, "non-political" cabinet containing neither Phalangists nor Socialists was formed in Beirut late yesterday. This represents a victory for Prime Minister-designate Rashid Karami and a defeat for President Franjiyah.

Formal installation of the new cabinet by President Franjiyah is expected today. According to press reports from Beirut, minor haggling is still going on over which portfolios are to be assumed by each of the six members. The speaker of the Chamber of Deputies, a leading Shia Muslim politician and longtime associate of Franjiyah, told reporters this was "a minor point which cannot be described as an obstacle."

Franjiyah and the country's other Christian leaders for more than a month had held out for participation by the right-wing Phalanges Party in the new government.

Phalangist leader Pierre Jumayyil so far has made no public statement. He met for several hours yesterday with Franjiyah and Karami and probably agreed at least to refrain from public opposition to the new cabinet. It may take a few days for Jumayyil to convince his followers to lay down their arms and accept exclusion from the government.

The most prestigious Christian among the ministers is former president Camille Shamun, leader of the National Liberal Party. He and Karami are the two strongest politicians in the cabinet. The two were bitter opponents in the 1958 civil war; Karami will play up their reconciliation and Shamun's participation as a major concession to the Christians.

The other four members of the cabinet are political independents chosen to represent the country's major religious groups. Three of the four served in former prime minister Rashid Sulh's cabinet, which resigned in late May. Among them is Philip Taqla, who has been one of Lebanon's most able foreign ministers.

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Ghassan Tuwayni, a politically influential editor and publisher of Beirut's largest daily newspaper, will serve as minister of information, education, and planning. Generally pro-US, he served as deputy prime minister in the early 1970s.

Fighting continued heavy in all areas of Beirut prior to the announcement of the cabinet. Formation of the government should lead to a reduction of hostilities and facilitate efforts of the security services to isolate and eliminate resistance by Lebanese leftists and the radical fedayeen.

The Lebanese army, according to press reports, is limiting its activities to protecting important installations in Beirut. The army is not known to have joined the security forces or the joint Lebanese-Palestinian patrols in attempting to flush out snipers.

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ARGENTINA

Sentiment is strong in the labor movement for a show of force against the government's decision last weekend to roll back wage increases the unions recently won from management. It is the most dangerous situation President Peron has faced in her year as president.

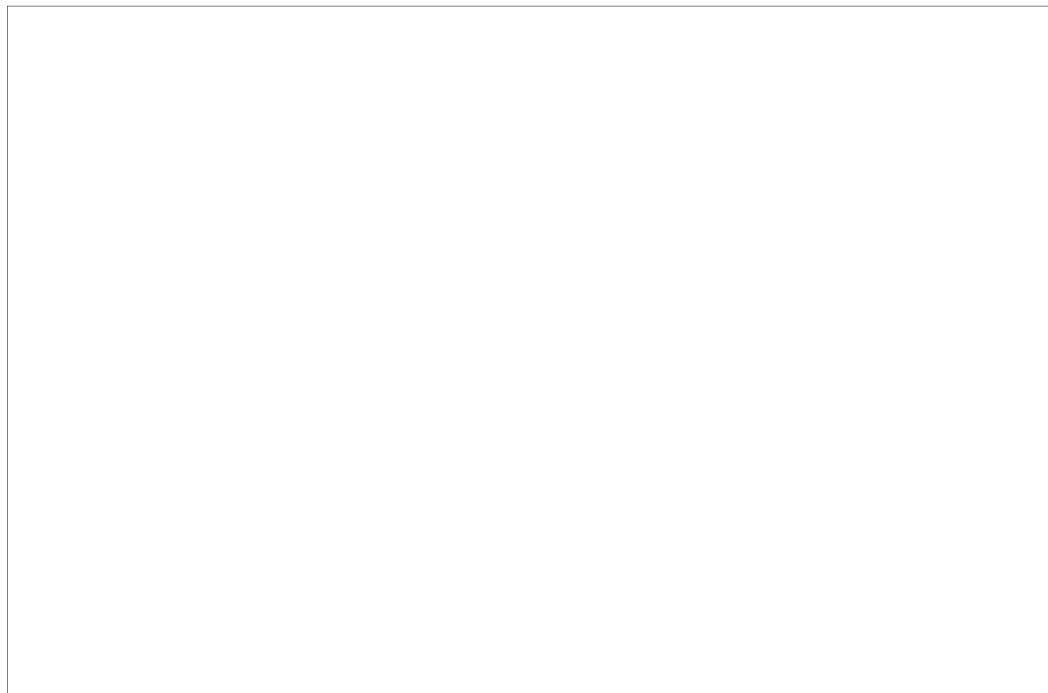
Labor leaders seem divided on how to proceed, but they are under heavy pressure from union members. General strikes have been declared in three provincial cities and wildcat strikes have broken out in Buenos Aires.

If it comes to a showdown, the government would be hard pressed to get the support it would need to prevail. Army leaders are said to have decided to adopt a hands-off policy right now; they realize they would need labor support if they assume control of the government. Peronist, as well as opposition, congressmen are expressing support for labor's position.

The interior minister, who is threatening to resign, is said to have warned fellow Peronists that presidential adviser Lopez Rega may resort to force in an attempt to keep them in line behind the President. Lopez Rega, in fact, is reputed to control a right-wing terrorist group that may have been responsible for a bombing attack on Sunday against a relative of a Peronist labor leader.

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Unless the US voices strong opposition, the Soviets are likely to keep their Soyuz-18 crew in orbit during the Apollo-Soyuz mission.

Last week, one of the Soviet cosmonauts scheduled for the joint mission announced that he would be communicating with the Soyuz-18 in space. The Soviet technical director for the Apollo-Soyuz mission backed off slightly on Sunday, however, when he informed NASA that a final decision on the duration of the Soyuz-18 mission had not been made. The Soviets are under some pressure to bolster their image as a space power. They may believe that simultaneous missions would serve this purpose and also would play down the major role the US has had in the project. The Soviets' capability to monitor and control two missions simultaneously is not known. Throughout their manned space program, they have had difficulty reacting to unforeseen problems, and they could be overburdened if problems develop in either mission.

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Thai Prime Minister Khukrit told the US ambassador in Bangkok before leaving for China that he expected his mission to establish diplomatic relations would proceed smoothly.

Khukrit said he did not expect the Chinese to cease support for the Thai communist insurgency simply because the two countries have established ties. He hopes to sign a trade agreement involving the sale of rice to China during his visit.

* * *

Turkish Cypriot leader Denktash's threat yesterday to expel the remaining Greeks from the Turkish zone in Cyprus, unless all Turkish Cypriots in the Greek zone are allowed to move to the Turkish-controlled areas, may be the first step toward an attempt to complete the separation of the two communities.

The Makarios government maintains that separation is tantamount to de facto partition and--except for hardship cases--has not allowed Greek Cypriots from the north to enter the Greek Cypriot zone or Turkish Cypriots to depart. Almost 8,000 Turkish Cypriots remain in the south and there are an equal number of Greek Cypriots in the north. If the Turks continue to expel the Greek Cypriots, it could lead to the cancellation of the third round of intercommunal talks, set to begin in Vienna on July 24.

* * *

The Thailand National Student Center announced yesterday that it was calling off anti-US demonstrations scheduled for July 4.

The students now plan to hold at a university campus a "general debate" on Thai policy toward the US. The postponement marks the second year in a row that student activists have failed in an attempt to organize massive anti-US demonstrations on July 4. Their failure not only underscores the fact that anti-Americanism in general is not a good rallying point in Thailand, but that disenchantment with student demonstrations is growing.

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Sporadic outbreaks continue in India, but our embassy discounts the possibility of widespread violence. The government continues to quash open criticism firmly.

Press censorship is becoming more stringent, and yesterday the Washington Post correspondent was given 24 hours to leave India. Other foreign correspondents are likely to get the same treatment. Indian journalists and editors are despondent and doubt that freedom of expression will ever be restored as long as Mrs. Gandhi is prime minister.

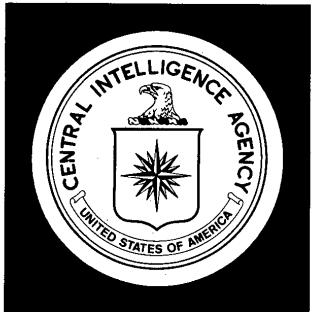
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The British pound continued its decline in European money markets yesterday, closing within 2 cents of its all-time low. Sterling has now lost about 7 percent of its value since the current slide began in May.

The growing belief abroad that the Wilson government can not or will not come to grips with Britain's economic woes is at the heart of the current pressure on sterling. Because of the large foreign holdings of sterling, the British currency is particularly vulnerable to such a loss of confidence.

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ISRAEL

Some members of Prime Minister Rabin's coalition are urging him to consider making further concessions to Egypt in order to preserve Israel's close relationship with the US.

One of the country's most respected commentators wrote yesterday that sources close to Rabin claim he is facing stronger pressure for concessions from within his coalition than from Washington. The drive is spearheaded by the leftist Mapam Party, supported by the small Independent Liberal Party and some leading members of Rabin's Labor Party. The latter reportedly include Foreign Minister Allon and Yitzhak Navon, chairman of the Knesset Foreign Affairs and Defense Committee, and a member of the Labor Party's conservative Rafi faction headed by Defense Minister Peres and Moshe Dayan.

Navon, probably echoing a major argument used by the advocates of concessions to buttress their case, told reporters after a briefing by Rabin two days ago that, in his opinion, Israel's security is more dependent on close ties to the US than on a "single mountaintop or one single place." Israel, he pointedly remarked, won wars in 1948, 1956, and 1967 without having possessed the Gidi and Mitla passes in the Sinai and was unable to prevent a war in 1973 when it did.

Some press reports suggest that Israeli advocates of greater flexibility are arguing that the government should be guided by what it can get from the US--not Egypt--in return for giving up the passes completely. Specific objectives being discussed include:

--A two-year US economic aid commitment worth \$2 billion.

--Military aid to meet the major part of military requests over the next two years.

--A public announcement by the US administration to Congress that the US would support Israel's reaction to any Egyptian violation of the agreement.

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Before making his next move, Rabin probably wants to get a better reading of feelings in Washington and Cairo in order to prevent another breakdown of the negotiations. An article two days ago, for instance, by a commentator close to Peres suggests that conservatives in the cabinet are arguing that there may be an element of bluff in the US position which could be smoked out by Israel's demand for further "clarifications" of the Egyptian position. The commentator claims the Israeli government thinks Washington and Cairo are extremely anxious to make progress before Secretary Kissinger meets Soviet Foreign Minister Gromyko later this month, before Egypt celebrates its Revolution Day on July 23, and before the UN mandate in the Sinai expires on July 24.

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LEBANON

Lebanese Prime Minister Rashid Karami and PLO Chairman Yasir Arafat agreed last night to enforce an immediate cease-fire in Lebanon. They announced their agreement after discussing relations between Lebanon and the Palestinians with Syrian Foreign Minister Khaddam, senior Lebanese army officers, and fedayeen leaders.

Public acceptance of this agreement by Arafat and by Syria suggests that the main Palestinian units will stay on the sidelines as the security services attempt to stop the continuing heavy fighting by radical leftists, small fedayeen groups, and Christians. Should the large fedayeen groups abandon their policy of neutrality and come to the aid of the radicals, civil war would be certain.

The continued fighting probably is part of a last-ditch effort by Lebanese leftists and fedayeen radicals to draw the Lebanese army into the fray. George Habbash, the Libyan-supported head of the Marxist-oriented Popular Front for the Liberation of Palestine, reportedly is leading this attempt.

The effort could succeed. Karami and President Franjiyah reportedly may be considering a further agreement that would replace the current commander of the army--as desired by Karami and his Muslim supporters--and engage the army in efforts to restore order, a move right-wing Christians have long advocated.

Karami, supported by Arafat and the Syrians, is in a stronger position than most of his predecessors to overcome Muslim opposition to army involvement. He can claim that, because he is defense minister as well as prime minister, he will be able to protect the Muslim and Palestinian communities against possible army excesses.

Leaders of the Phalanges and Progressive Socialist parties, which have been left out of the cabinet, have still offered no public comment on the new government. Phalangist leader Pierre Jumayyil reportedly has promised Interior Minister Shamun that his followers will respect the cease-fire.

The new cabinet is likely to remain at its present size of six members for two or three months at most. The only cabinet formed without the Phalangists and the Socialists in recent years--that of June 1972--lasted less than a month.

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SYRIA

Equipment associated with the Soviet-supplied Scud short-range ballistic missile system [redacted] in Syria for the first time.

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[redacted] one Scud transporter-erector-launcher and nine Scud resupply transporters near Al Qutayfah, some 20 miles northeast of Damascus. No missiles were seen.

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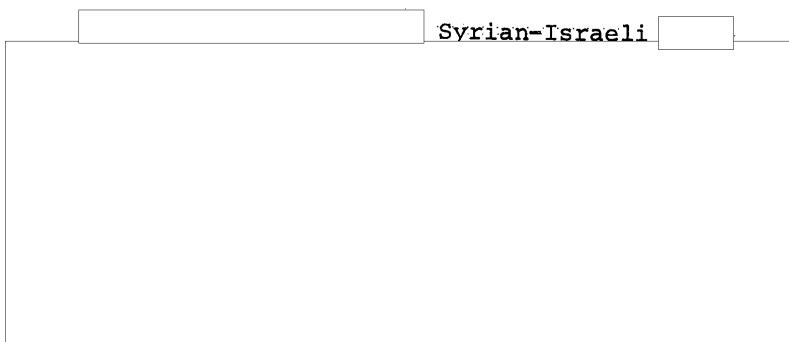
Scuds have been reported in Syria for more than 18 months, but have never been seen by Westerners. The nine resupply transporters suggest that at least one Scud brigade of at least nine missile launchers has been formed.

The Scud has a range of about 180 miles and could cover virtually all of Israel from southern Syria.

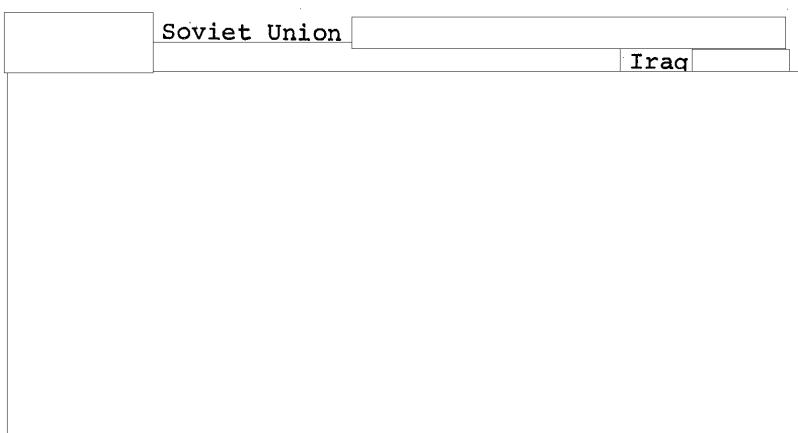
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July 3, 1975

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July 3, 1975

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FOR THE PRESIDENT ONLY

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UK

The government's threat to limit wage and price increases unless union and industrial leaders agree to voluntary restraints forces labor and industry to consider inflationary control sooner than expected. The government plans to issue a white paper next week outlining its economic program.

Chancellor of the Exchequer Healey announced in Parliament earlier this week that the government proposed to reduce the rate of inflation to 10 percent. Unless voluntary restraints fall in line with this target, the government will limit the funds available to the nationalized industries for wages and, through price controls already on the books, limit the ability of private employers to pass on pay increases. In this way, the government could in practice control wages and prices without having controversial wage-control measures on the books. The unions would face a choice between higher unemployment or limited wage increases.

The government probably will follow through with its threat because a voluntary restraint program appears doomed from the start. Leaders of the Trades Union Congress have no control over individual unions, and union leaders are unable to keep the rank and file in line. The miners are likely to present the first problem with voluntary compliance. They have already announced that they will be seeking wage increases of up to 65 percent.

Healey may foresee a period of labor unrest if the government acts. He commented yesterday that the government opposes the application of criminal sanctions against the unions or individual workers.

Political Consequences

Despite the magnitude of the problems he faces, Prime Minister Wilson is likely to remain head of the party and government at least until some time next year.

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--Wilson still has an effective majority of one in Commons, and even if that seat--now in jeopardy--is lost, he can rely on the support of Scottish and Welsh nationalists and on one Ulster vote for much of his legislation. Many Tories too can be expected to vote with the government on measures aimed at solving the country's problems. Even if the left-wing Laborites in Parliament disagree with Wilson's proposals, they prefer him to a Tory prime minister.

--Wilson himself is not likely to call an election now. Although the Tories have offered no alternative economic program, the general voter dismay with the deteriorating economy would lead to a defeat for Labor. Wilson got this message through the Tory victory in a recent by-election. He also remembers that former prime minister Heath lost an election fought over similar economic issues.

--Wilson is likely to remain party leader even though many of the left wing would like to dump him. The left has no candidate acceptable to the rest of the party and to the electorate at large. The party headed by a left-winger would be at a disadvantage should it face a general election.

--The Tories would not want to force an election in the near future, even if they had the parliamentary strength to do so. They cannot agree on how to solve the country's economic problems; two years ago when Heath imposed statutory wage and price controls, many Tories opposed his program. They also have a new and untested leader in Margaret Thatcher. Many Tories found her performance disappointing during the campaign preceding the EC referendum.

--A coalition government composed of the Labor, Conservative, and possibly the Liberal parties is not in the cards at this time, although the British press has been speculating about such a possibility for over a year. Britain's troubles are not of the magnitude reached during the Great Depression or World War II, and no politician hoping to lead his or her party to victory is prepared to participate in a coalition at this time.

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Economic Consequences

The new anti-inflation policies proposed by Healey would reinforce the current decline in demand by limiting government spending. These policies would not have a substantial effect on key indicators, however, until late this year or early 1976. Wages for most workers for the rest of this year have already been negotiated, so tighter controls would not begin to affect labor costs until late in the fall. Cost increases already in the pipeline, resulting from depreciation of the pound and record wage settlements, have not fully filtered through to consumers. As these costs are reflected in market prices, the purchasing power of consumers will be further squeezed.

Weak and declining demand, as well as the possibility that tighter wage-price controls will squeeze corporate profits, make it unlikely that the trend of increased unemployment will be reversed soon. There are already 900,000 unemployed, and by early 1976 there are likely to be 1.5 million Britons out of work. This would raise unemployment to its highest level since the end of the depression. Britain's best hope for recovery in the near future lies in an upturn in the world economy that would sharply increase exports from the UK.

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AZORES

The Azorean Liberation Front reportedly is seeking support in Western Europe for its plans to separate the Atlantic islands from the Portuguese mainland by force.

An emissary of the Front who traveled to West Germany and France last week to seek financing and armaments failed to obtain governmental support, but claims he was promised assistance by representatives of the conservative wing of the West German Christian Democratic Union/Christian Social Union. There is no indication that the Christian Democrats have decided to support the separatists, but

[redacted] Franz Josef

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Strauss--chairman of the Christian Social Union-- said he was interested in Azorean independence. A group of [redacted] conservatives may try to obtain party support for the independence movement, and if this fails they might provide some assistance on their own.

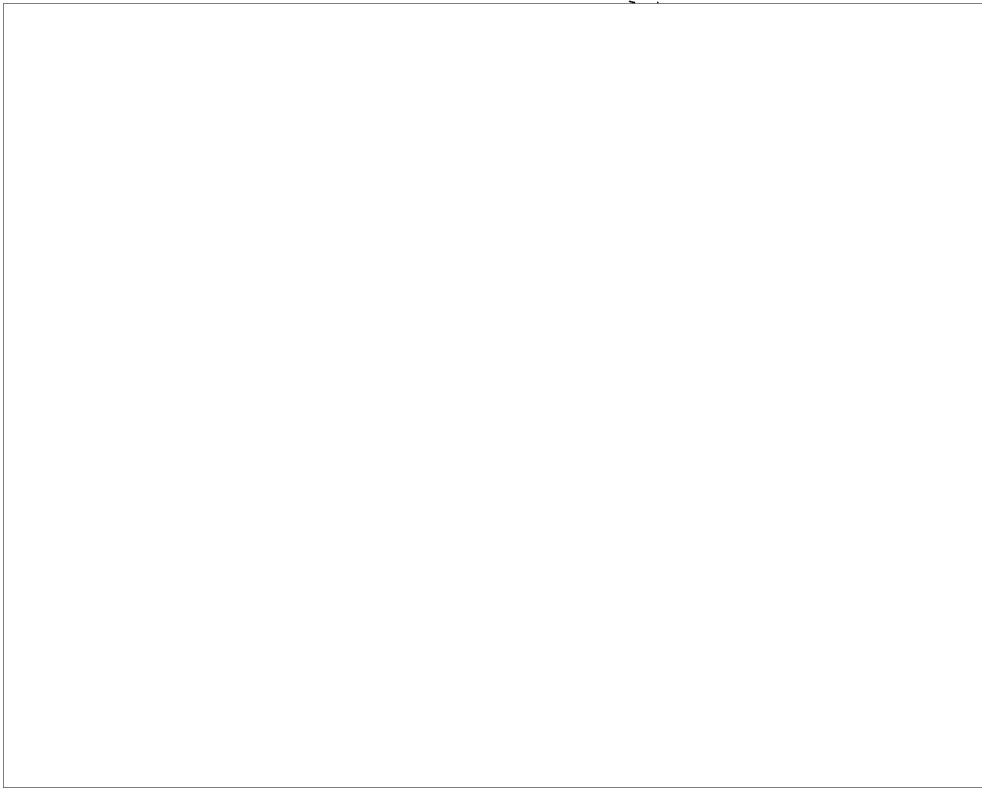
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The US consul in Ponta Delgada has been contacted by Miranda, commander of the 18th Battalion, who has been rumored to be supporting the separatists. He said a group of radical officers were trying to oust him and the military governor. He gave no indication of his attitude toward the separatist movement, but he asked somewhat cryptically about US policy toward the Azores.

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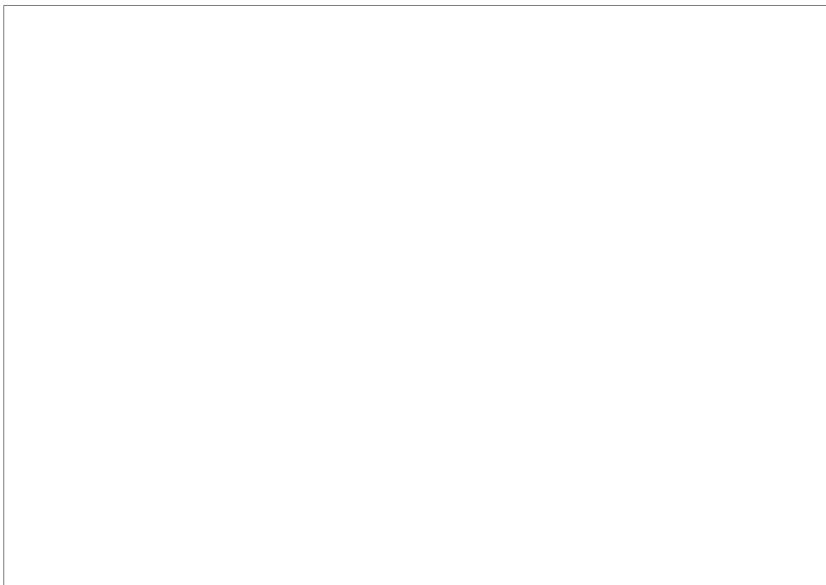
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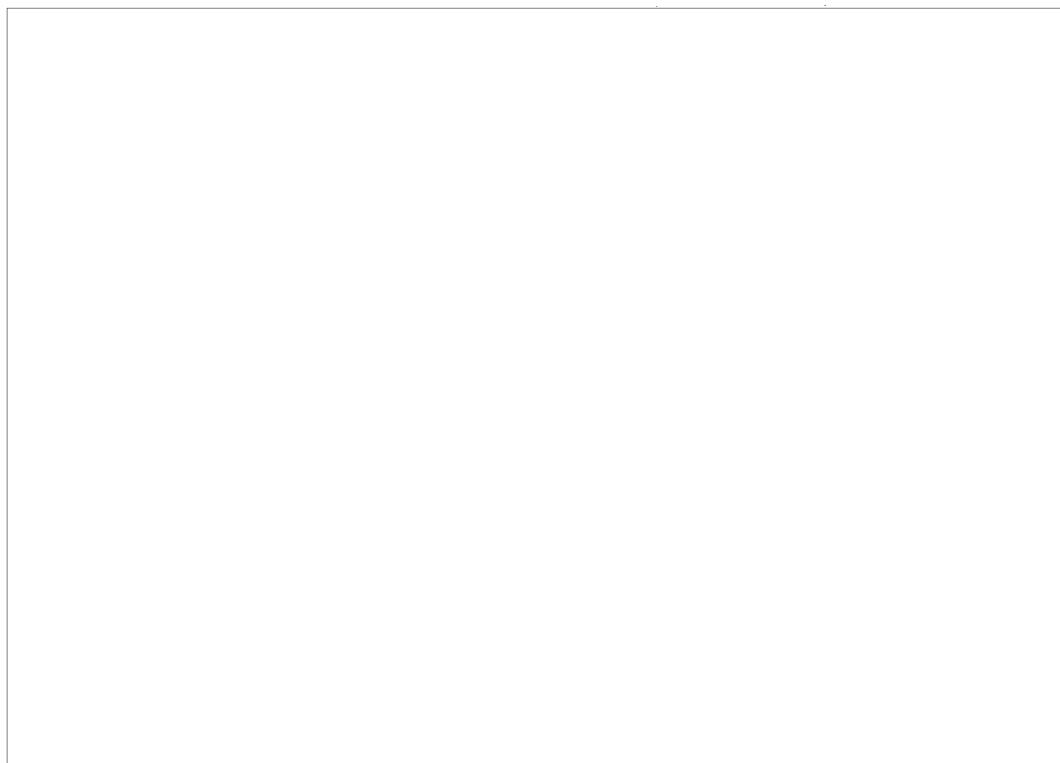
Lao demonstrators reportedly intend to attack and possibly occupy part of the US embassy compound in Vientiane tonight.

According to the US chargé, several senior coalition government officials--including both Prime Minister Souvanna Phouma and Lao communist leader Souphanouvong, who almost certainly know of the possibility of demonstrations--are planning to absent themselves from Vientiane today. Pathet Lao Deputy Prime Minister Phoumi Vongvichit remains in the Lao capital, but has been described by his aides as "too tired" to see US officials. The US chargé has been trying to gain an audience with Phoumi to secure his cooperation in heading off the threatened demonstrations and to protest the week-long occupation of four American installations in Vientiane by Pathet Lao troops and armed civilian demonstrators.

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Australian Prime Minister Whitlam's firing of Deputy Prime Minister Cairns from his cabinet has put the Labor government under the most serious strain it has experienced since assuming office two and one half years ago.

Whitlam dismissed Cairns--the most prominent member of the party's left wing--out of dissatisfaction with his deputy's explanation of questionable financial dealings. Adding to disarray in the party, many Laborites are blaming Whitlam for Labor's defeat in a by-election last weekend. Tensions will increase if Whitlam tries to push the party caucus to replace Cairns as deputy party leader. The opposition Liberal-Country Party coalition had not previously indicated an intention to push for national elections. Should the Labor Party's difficulties increase, however, it may try to force the government to the polls.

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Jordan [redacted] has rejected a request from the Palestine Liberation Organization to permit Palestinian commandos to pass through Jordanian territory to the West Bank.

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This latest PLO initiative may be a reflection of the Palestinians' frustration over the apparent failure of the Jordanians to make any meaningful concessions to the PLO during the talks between King Husayn and Syrian President Asad last month.

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FOR THE PRESIDENT ONLY

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China has sharply criticized Indian Prime Minister Gandhi over events of the last few days, leveling the harshest personal attack against her for some time.

The Chinese stressed Soviet support for Gandhi's moves, charging that she is attempting to act as Moscow's "subregent" so that the USSR can maintain its control of India and its influence in South Asia. Peking may believe Gandhi's tactics and open Soviet support will speed her departure from office and that propaganda on these developments is much in Peking's interest.

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Fighting in Beirut diminished sharply yesterday as the major Christian, Muslim, and Palestinian groups dismantled their barricades and Lebanese security forces flushed out snipers. Government spokesmen announced that major roads are open and called on civil servants to return to work.

Radicals backed by Libya and Iraq continue to engage in hit-and-run attacks designed to foment further clashes, but they are under pressure from Palestinian and Syrian leaders to lay down their arms. Violence continued beyond the cease-fire deadline in other Lebanese cities--particularly in the northern port of Tripoli--but by late yesterday afternoon had diminished significantly.

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LIBYAN-SOVIET RELATIONS

The relationship that has developed between Libya and the Soviet Union during the past year adds a new and potentially unsettling element to the Middle East situation. The concern of Egypt and other Arab moderates over Libyan-Soviet cooperation is such that it could hinder progress in peace negotiations. The size of the most recent arms agreements--although exaggerated in most accounts--raises the broader question of whether Moscow will gain a new strategic foothold in the Mediterranean.

Premier Kosygin's visit to Tripoli in mid-May and news that a 1974 military agreement between Libya and the Soviet Union had been expanded produced rumors, especially in Egypt, of massive arms contracts and Soviet acquisition of base rights in Libya.

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We discount the multi-billion dollar price tag [redacted] and we have reservations about some of the equipment they say the Soviets will send. Nevertheless, we think Moscow has promised Libya substantial amounts of additional equipment, including:

- additional MIG-23s;
- missile patrol boats;
- several artillery battalions;
- several hundred advanced tanks;
- more SAMs.

The Soviets have already delivered at least a dozen MIG-23s, several hundred tanks, and air defense equipment. The Libyans last year also ordered six submarines and some supersonic jet bombers.

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Based on preliminary calculations, we estimate that the arms agreements negotiated in 1974 and 1975 total nearly \$1 billion worth of military goods and services.

Moscow's sales commitments do not guarantee that Tripoli will receive all the weapons it wants, and it could take at least two or three years for most of the transfers of equipment to be completed. If the deal is fully carried out, however, it will provide the Libyans with far more equipment than they can possibly operate and will permit the Soviets to increase their physical presence in the area. It will create an arms pool that could be drawn on by Arab belligerents in any future war with Israel.

Moscow's Interests

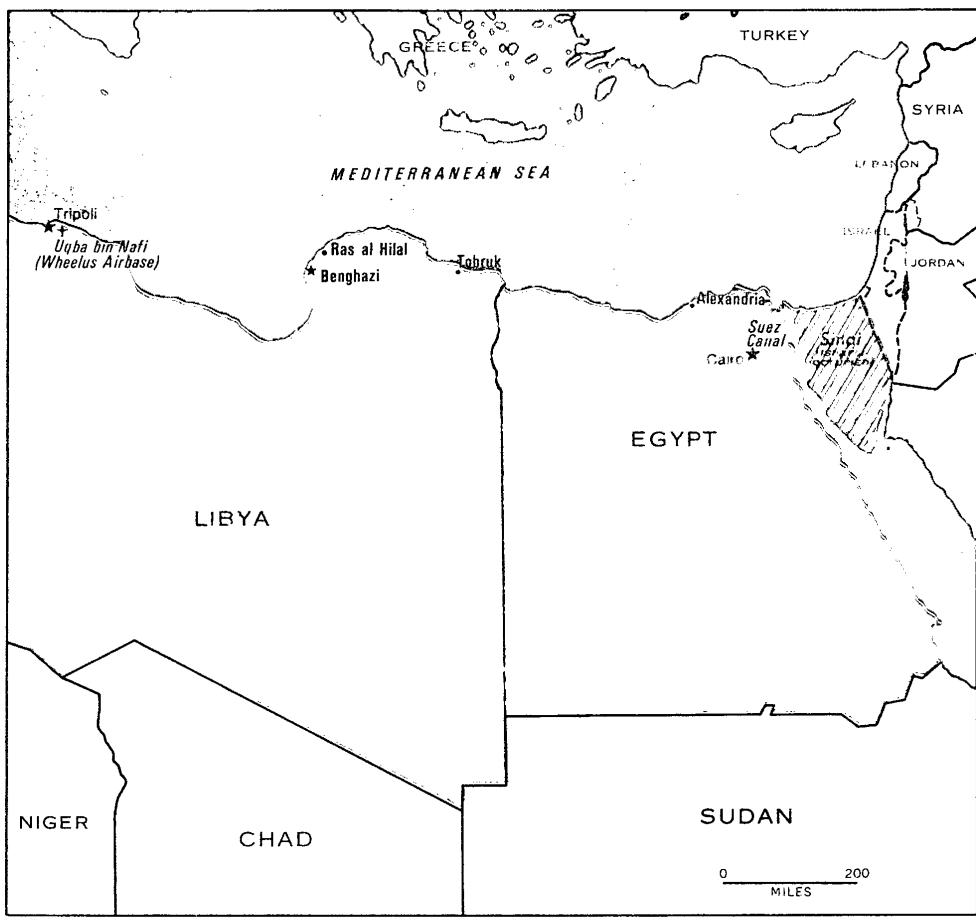
The Soviet Union's deteriorating relationship with Egypt has almost certainly been the main reason behind Soviet responsiveness to Libyan arms requests. The Soviets want to keep Sadat on notice that they have other options open to them in the Middle East and that they expect to gain leverage on him by dealing with Libya. The Soviets hope the contrast between their military generosity in Tripoli and their tight-fistedness in Cairo will have a useful educational effect on present or prospective clients. Moscow, however, has a realistic appreciation of Libya's status as an Arab political outcast and almost certainly does not see it as a satisfactory anchor for the Soviet position in the region.

Despite professions of unconcern about a substantial flow of weapons into Libya, the USSR is probably somewhat uneasy about Qadhafi's intentions. Military boss Grechko once branded him a "madman on top of a pile of gold." The Soviets may think they will have some influence over Qadhafi through their control of spare parts, ammunition, and training. Furthermore, should war break out, the Libyans would be dependent on Soviet air transport to move substantial amounts of heavy equipment to the Arab belligerents.

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Military Bases

The Soviets appear to have won some concessions from Tripoli regarding access to Libyan naval facilities. Tripoli apparently has decided to permit Moscow occasional port calls for bunkering and replenishment under tight Libyan controls. The Libyans also may be dangling the prospect of greater concessions in return for Soviet help in building Libyan naval facilities at Tobruk.

So far, however, no Soviet naval ships have been detected in Libyan waters. The last visit to Libya by a Soviet naval combatant occurred in 1969.

Moscow certainly recognizes that Libya's strategic location on the southern rim of the Mediterranean could be of advantage to the Soviet fleet if it is shut out of Egypt. Nevertheless, Tobruk is undeveloped and Libya's other ports have nothing comparable to the dockyard Soviet ships now use in Alexandria.

Should the Soviets gain unrestricted military use of Libya, they could build the necessary naval facilities. Moreover, the former US air base at Wheelus Field near Tripoli could give them the naval reconnaissance and strike capability they lost when they were ousted from Egypt in 1972.

In view of Libya's continuing opposition to foreign military bases, it is unlikely that Moscow counts on significant military use of Libya any time soon. If the Soviet Union has persuaded Libya to drop its opposition to Soviet naval visits, however, it certainly will press for further concessions.

Qadhafi's Motives

In negotiating the agreements, President Qadhafi is motivated chiefly by his desire to challenge Israel, its supporters, and those Arab leaders willing to accept a negotiated settlement. His swing toward Moscow is made easier by what he sees as Washington's

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unresponsiveness to Tripoli's recent diplomatic overtures, its footdragging on the release of US-manufactured and licensed arms, and its threatening posture toward Arab oil fields.

Qadhafi sees negotiation with Israel as dangerous and doomed to eventual failure. He, therefore, wants a well-equipped arsenal to fight a war he believes is inevitable. In the meantime, he plans to use his weapons to unnerve Israel and to try to block peace negotiations. In this campaign, President Sadat and Egyptian policy are his primary targets.

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The changed emphasis of the Egyptian media from personalized attacks on Qadhafi to serious consideration of his actions and their implications suggests anxiety that his strategy could succeed.

Qadhafi may hope eventually to use Soviet arms to buy his way into another unity project with Egypt. His fixation on unity with Egypt often matches his desire to defeat Israel.

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[redacted] 25X1

Whatever the state of his relations with Sadat, Qadhafi would support the Egyptian military fully in the event of renewed hostilities with Israel. He did so during the 1973 war, despite his fury over Sadat's rejection only a month earlier of union plans.

Libyan Trouble-Making

Soviet cooperation with Libya may also encourage Tripoli's adventurism elsewhere in the Middle East and in the Muslim world. The fedayeen--already beneficiaries of Libyan financial and military aid--are regarded by Qadhafi as an important anti-Israeli

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instrument. Some of the Soviet arms going into Libya are, therefore, likely to end up in terrorist hands.

Attitudes Toward the New Relationship

Libya and the Soviet Union have not significantly narrowed their differences on such matters as the nature of communism, the right of Israel to exist, or the outlines of a Middle East settlement. Both are, nevertheless, prepared to overlook these fundamental differences for opportunistic, shorter term goals that center on their common desire to influence Egypt.

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[Redacted] Qadhafi wants to hold the line on the number of Soviet advisers and technicians in Libya and is willing to sacrifice efficiency and perhaps a great deal of equipment to do so. With the deep-seated xenophobia of the Libyan people working for him, he will continue to isolate Soviet personnel wherever possible. Nevertheless, the Libyan leader's brash confidence, impatience, and near blindness to some political realities may leave him vulnerable both to his own actions and to his new patron.

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Soviet Prospects

The course of Soviet relations with Egypt will influence Soviet policy in Libya. The Soviets do not want to foreclose the possibility of restoring their position in Cairo. While they will continue to nettle Sadat with the prospect of closer ties

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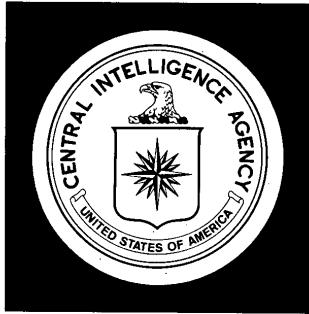
FOR THE PRESIDENT ONLY

with Libya, they are unlikely to risk an open break with Egypt by pushing ahead with Libya too rapidly. But if relations with Sadat go further downhill, Moscow will intensify its efforts in Tripoli.

But Moscow faces obstacles. Libyan suspicion of the Soviets remains strong. Russians have not been able to establish good relations with more moderate Arabs and are much less likely to succeed with the Libyans. The relationship is based on opportunism rather than a parallel approach to the Middle East situation, and friction probably will be more or less constant. Moscow will have to remember that if the Libyans become dissatisfied, they have the financial resources and the political flexibility to seek alternate sources for essential military needs.

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The President's Daily Brief

July 5, 1975

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FOR THE PRESIDENT ONLY

July 5, 1975

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Notes: Israel; Lebanon; EC-Israel; North Korea (Pages 6 and 7)

At Annex [redacted] Indo- 25X1
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

Party chief Brezhnev lobbied vigorously for Soviet policies during a two-hour meeting last Wednesday with visiting US Senators. He clearly was out to impress them with Soviet reasonableness and occasionally distorted the record to serve that end.

Brezhnev noted that both he and Foreign Minister Gromyko would meet with Secretary Kissinger next week. He also spoke favorably of you and said that he was looking forward to seeing you at a European Security Conference summit and in Washington.

Brezhnev devoted most of his remarks to security topics, reiterating the recent Soviet theme that after CSCE the sides should proceed toward detente in the military field. He praised the Vladivostok understanding on strategic arms limitation as a good beginning, but expressed regret that there had been no agreement restricting new weapons development.

He illustrated the possibilities in this area by recounting a bilateral discussion last year about canceling the US Trident and B-1 programs in return for Soviet cancellation of the "Typhoon" submarine and the development of an "IL-22" aircraft. The Soviets have made vague references to a "Typhoon" submarine before, but this is the first mention of an "IL-22." The Soviets have claimed before to have a B-1 type bomber under development,

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[redacted]
It is possible that Brezhnev is bluffing about both the "Typhoon" and the "IL-22."

Brezhnev also mentioned his proposal of June 13 to ban new types of weapons, saying that he was not referring to any new Soviet development, but rather to weapons like the B-1 bomber and others that scientists may invent in the future.

FOR THE PRESIDENT ONLY

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Brezhnev claimed that the USSR had proposed a complete nuclear test ban or, alternatively, a lower threshold than would be agreed to by the US. He criticized recent large US nuclear tests, and complained of US encirclement of the Soviet Union with nuclear bases, which he said, the US refused to discuss at SALT. He criticized Secretary Schlesinger for dispatching two new divisions to West Germany and took the Senate to task for approving "enormous" military budgets.

Brezhnev said little about bilateral trade but, like the other Soviet officials who talked with the Senators, he gave few signs of flexibility on the Jewish emigration issue. He hewed to the standard line that emigration is down because fewer Jews want to leave the USSR. He also repeated the fallacious claim that exit permission is withheld only in cases where state secrets might be jeopardized. Although Brezhnev was careful not to rule out completely an increase in the number of emigrants, expressions of Congressional interest in compromise were ignored. Moscow's unwillingness even to feign a more cooperative position on a subject of prime concern to the delegation stands in contrast to its efforts to put a conciliatory gloss on other issues.

The Soviet decision to stand pat on emigration at this time suggests that the leadership is under pressure from within the party to maintain a hard line. The Soviet decision last December to reject the terms of US trade legislation came amid reports of such pressure, and the Soviets since then have been consistently recalcitrant on this subject. In addition, Moscow may believe that it cannot afford to bow to Congressional persuasion regardless of Soviet interest in winning friends among the legislators.

The Soviets also may interpret the Senators' talk of compromise as reflecting erosion of Congressional support for continued curbs on bilateral trade and credits. Moscow's position seems to be that the next step is up to the US Congress and that the US should expect no Soviet commitment regarding emigration before there is new legislation.

FOR THE PRESIDENT ONLY

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CAMBODIA

Foreign Minister Sarin Chhak's current trip to Albania, Yugoslavia, a number of African countries, and the Middle East is the new Cambodian regime's initial foray on the international scene.

Public announcements of Chhak's stops contain little information.

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INDONESIA

The following are the key judgments of a National Intelligence Estimate, Prospects for Indonesia, June 30, 1975.

Indonesia has good prospects for economic growth over the next five years. Oil revenues, private foreign investment, and foreign aid will permit continued development and diversification of domestic production capacity, although weaknesses in the indigenous institutional framework could slow the process.

Some of the benefits of progress--a stabilized currency, higher levels of production, rising incomes, greater availabilities of consumer goods, improved communications, and new employment opportunities--are filtering down to the general population, although the extent is far from clear. But socio-economic problems, of which population pressure is the most intractable, remain very serious indeed.

Moreover, development itself has been heightening social tension--undermining tradition-sanctioned economic relationships and procedures, destabilizing rural society, stimulating people to move to the cities in numbers that strain social services and exceed employment opportunities, heightening aspirations beyond the possibilities of fulfilling them, and underlining the greatly increased disparities between the conspicuous and corruption-fed consumption of the few and the continued poverty of the many.

Over the period of this estimate, festering social problems will provide rallying cries for the politically disaffected. These now include virtually all of the politically significant civilian elements--party politicians, students, intellectuals, and most important of all, the Muslims--all of whom expected to play a more important role in post-Sukarno Indonesia.

Instead, increasingly their activities have been restricted by even more pervasive and effective controls than existed before the military assumed power. Opposition or potential opposition groups are, however, weak, divided, without widely attractive leaders, and incapable of effective challenge to a united military.

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FOR THE PRESIDENT ONLY

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At present, there are no serious challenges to military unity. If this remains the case, the Suharto government will be able to maintain itself in control. There are fissures, however, within the military that could become more important with time.

Dissatisfaction with Suharto's leadership could result in his displacement. But if this represented a general consensus, it would not necessarily be destabilizing and would probably result in little more than a change in the cast of characters at the top.

Greater changes could result from the breakdown of consensus among more or less evenly balanced factions, seeking to exploit civilian grievances in the struggle for power. A change of government precipitated by serious social upheaval could bring to the fore a puritanical, ultranationalist military reform movement that might well be hostile to continued foreign investment and to a free enterprise economy.

Economic hardship, especially in Java, social dislocations in urban and rural areas, and political frustrations could combine to produce a massive and uncontrollable breakdown of public order. During the period of this estimate violence on this scale is unlikely.

There is a good chance, however, that a combination of events and forces will precipitate limited but still serious political disorders. Even under these circumstances if the military remains united, they will be able to maintain control.

Indonesia will probably continue to lean toward the US and the West. It will focus its foreign and security policy on the Southeast Asian region where, its leaders believe, Indonesia is destined to play the principal role.

The other ASEAN states, however, do not automatically accept Indonesian leadership. There are lingering suspicions that Jakarta's regional model is merely a subtler form of Sukarno's grand design for Indonesian regional hegemony. And, as its neighbors recognize, Jakarta for some time to come will be unable to provide practical underpinnings for its regional proposals or assume significant responsibilities in the area.

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FOR THE PRESIDENT ONLY

NOTES



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Lebanese security authorities announced yesterday morning that mop-up operations against pockets of radicals had been completed and that Beirut had returned to "normal."

The government is concerned that the upsurge in kidnapings since the cease-fire could provoke more fighting. Meanwhile, some leftist politicians, led by Socialist chief Jumblatt, are becoming more vocal in opposing Prime Minister Karami's new cabinet. The leftists are likely to confine their opposition for the time being to peaceful protests.

* * *

The EC Nine are expected to agree on Monday to help in heading off a possible Arab initiative to suspend Israel from the UN General Assembly.

The EC members hope that a firm but low-key approach will prove effective and that a confrontation with the Arabs on this issue can be avoided.

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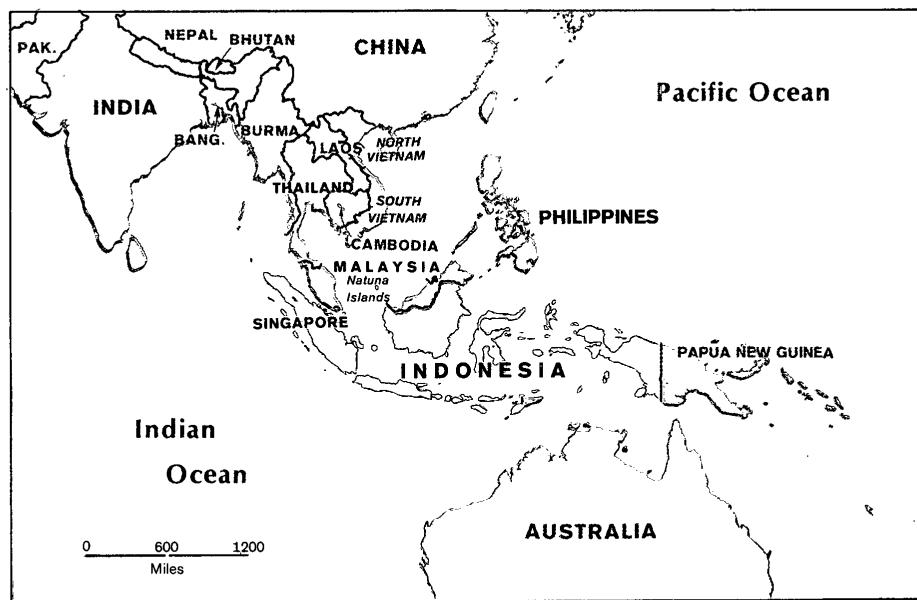
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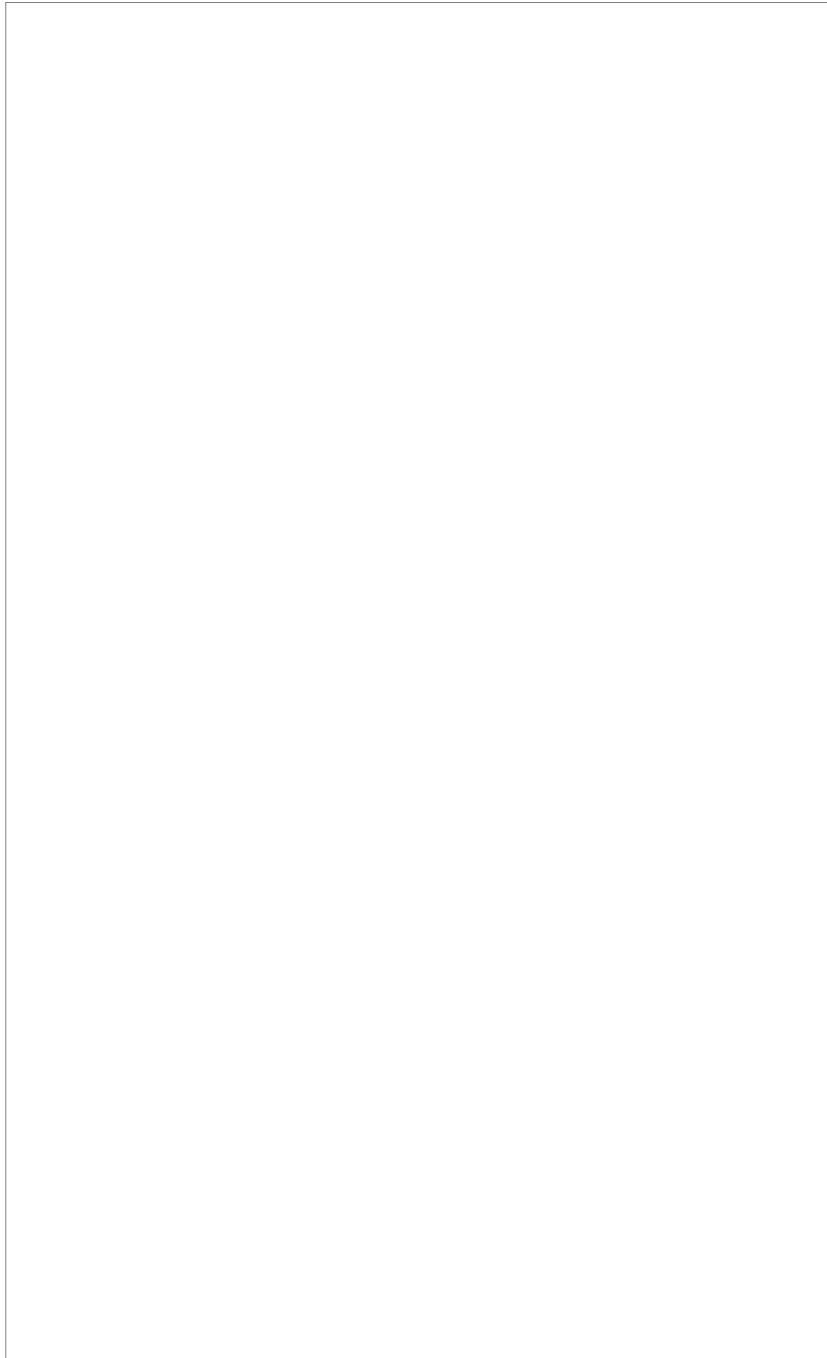
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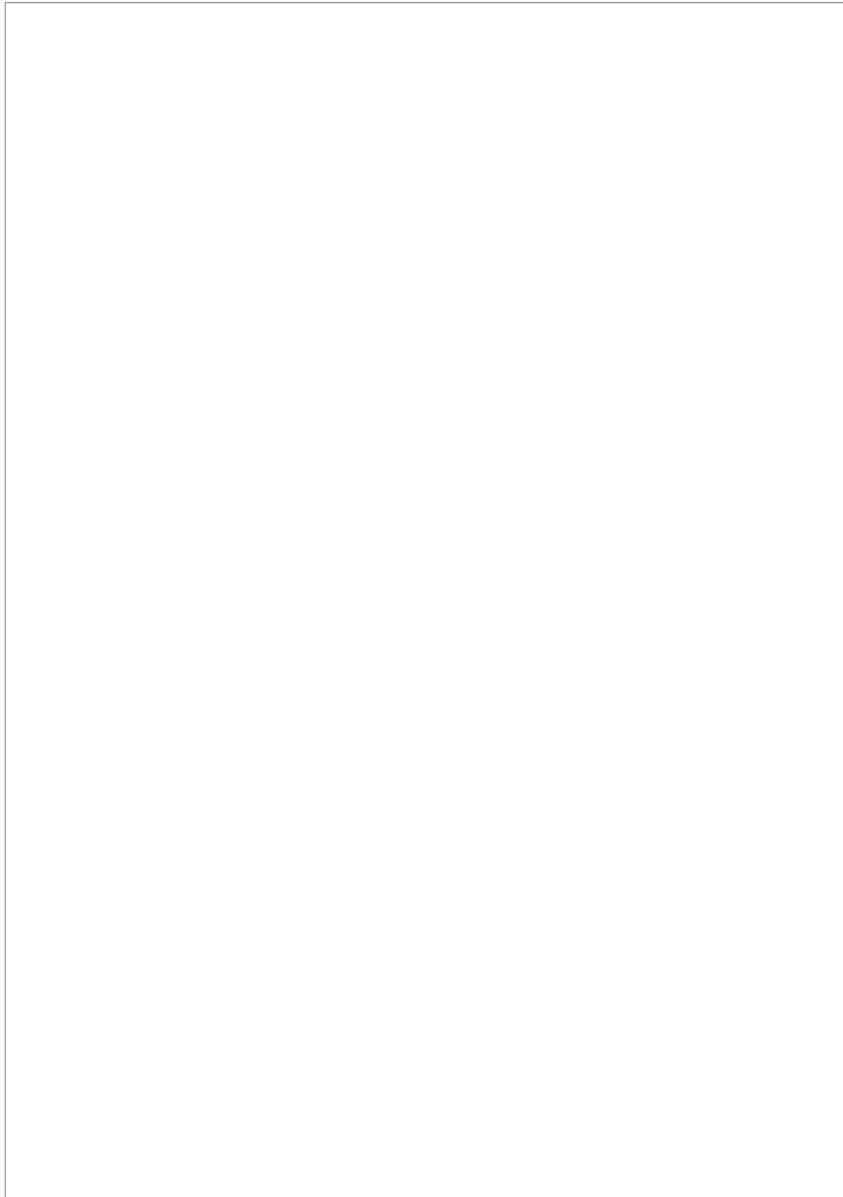
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The President's Daily Brief

July 7, 1975

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FOR THE PRESIDENT ONLY

July 7, 1975

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Argentina: The resignation of the cabinet appears designed to demonstrate that President Peron--not Welfare Minister Lopez Rega--is in charge of the government. (Page 1)

USSR-Somalia: Senator Bartlett and his tour group have been able to substantiate [redacted] reports on the nature of the military facilities at Berbera and their use by the Soviets. (Page 2) 25X1

Lebanon: The organization that has threatened to kill Colonel Morgan is apparently the same Lebanese radical group that has carried out previous attacks and extortion attempts against Americans. (Page 3)

Italy: Christian Democratic leader Fanfani suffered a major setback last week at the hands of his party; it now seems only a matter of time before he resigns or is eased out of his post. (Page 4)

Notes: Thailand - North Vietnam; Laos (Page 5)

FOR THE PRESIDENT ONLY

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ARGENTINA

The resignation of the cabinet--announced last night--appears designed to attenuate rising opposition to the government by demonstrating that President Peron and not Welfare Minister Lopez Rega, who also serves as her private secretary, is in charge.

President Peron, in accepting the cabinet's resignation, may merely be trying to create the impression that she is lessening her reliance on Lopez Rega. She probably hopes by this device to ease her immediate problem with labor leaders, who believe Lopez Rega was responsible for the government's decision to annul wage hikes negotiated last month and who have scheduled a two-day general strike is to begin this morning. Some leaders of the Peronist labor confederation reportedly feel that Lopez Rega's ouster has become their most important goal.

Opposition politicians have called openly for the dismissal of Lopez Rega; members of the Peronist party are also becoming anxious to see him depart. The military remain cautious in the matter, but in a statement issued over the weekend, the service chiefs--clearly referring to Lopez Rega--cited their concern that the President have "the freedom of action to change the members of her cabinet" during the current delicate situation.

The Buenos Aires press in recent days has joined in the anti - Lopez Rega chorus. Items on his possible departure have proliferated, despite the risk of retaliation from the right-wing terror squads he is said to control.

The alliance of politicians and military officers with organized labor to oppose Lopez Rega is not necessarily a happy one. The politicians and the officers realize that, if a change of government is hastened by pressure from labor, the increasingly undisciplined workers will be difficult to deal with. Even the labor leaders do not wish to force the departure of the President whom, as the legitimate successor of Juan Peron, they consider essential to their efforts to retain control of the labor movement.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-SOMALIA

During a tour of Berbera on July 4, Senator Bartlett and a group of US government and news representatives were able to substantiate [redacted] reports on the nature of the military facilities in the area and their use by the Soviets.

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The group found Soviet citizens and Russian-language material in the barracks buildings and residential trailers in a compound [redacted] [redacted] as a Soviet residential area. The barracks and a repair ship in port were flying both the Soviet flag and a Somali ensign.

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The group was barred from both the transmitting and receiving sites of the communications facility. Although these sites were guarded by armed Somali soldiers, the Somali escort said they were Soviet facilities and that he could not give permission for the group to enter. The US experts, however, could confirm the capabilities of the antennas from external examination.

The missile handling and support facility was also guarded by Somalis. Only five members of the Senator's group were permitted to enter. They were escorted by the Somali commanding officer who was unable to answer questions put to him. When members of the inspection group identified a Styx missile crate, they were told that the Somalis have Styx missiles but do not yet have the supporting patrol boats on which to install them. US technicians confirmed that the check-out building is capable of handling any missile in the Soviet inventory and is larger than would be required for the Styx missiles alone.

The tour also included petroleum facilities and the recently identified large new airfield. Both are still under construction and Soviet equipment remains at the sites.

In a meeting with President Siad on July 5, Senator Bartlett commented that the group had been admitted to all facilities to which the Somali government and their escort could obtain admittance. The Senator quoted the escort's statement that if it were in his power, the group would have been permitted to enter Soviet facilities as well. President Siad did not respond to the comment.

FOR THE PRESIDENT ONLY

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LEBANON

The "Revolutionary Socialist Action Organization" that abducted and has threatened to kill US Army Colonel Ernest Morgan apparently is the same Lebanese radical group that has carried out a series of attacks against American official and private interests over the past two years. The group uses leftist rhetoric and fedayeen tactics to cover what are essentially criminal activities [redacted]

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[redacted]
[redacted] 25X1

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A spokesman for the Palestine Liberation Organization last night denied that the fedayeen were responsible for Morgan's abduction. Major fedayeen leaders--including the head of the terrorist Black September Organization--have condemned the recent spate of kidnapings in Lebanon and have threatened to "execute any Palestinian" who engages in such activities.

In a statement released to several Beirut newspapers last night, the kidnappers said Morgan will be released if, by Wednesday night, the US:

--Makes public the statement of the Revolutionary Socialist Action Organization.

--Requests the Lebanese government to stop searching for Morgan.

--Delivers to inhabitants of a poor section of Beirut large quantities of food, clothing, and building materials.

Such conditions are designed to improve the group's image and elicit protection for it among Beirut's poorer population.

FOR THE PRESIDENT ONLY

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ITALY

Christian Democratic leader Fanfani suffered a major setback last week when center and leftist factions of his party's executive body joined in calling for an early assessment of future leadership and strategy.

The Christian Democratic left--about one fifth of the party membership--has been calling for Fanfani's resignation and an immediate reassessment of party policies following the Communist Party's unprecedented gains in regional and local elections three weeks ago.

Fanfani tried to postpone a leadership and policy review until the party's national congress scheduled for the fall. During last week's executive meeting, however, representatives from the left were joined by the centrists in opposing Fanfani's delaying tactics. These groups agreed, in fact, to begin the policy debate on July 19 at a meeting of the party's national council.

The defection of the Christian Democratic center factions means that Fanfani has lost his majority in the party. It is now probably only a matter of time before he resigns or is eased out of the top post. His fate may be determined at the council meeting.

FOR THE PRESIDENT ONLY

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NOTES

Thai leaders apparently have decided to decline a North Vietnamese invitation to meet later this month to continue discussions aimed at normalizing relations between the two countries.

The Thais' excuse reportedly will be that Foreign Minister Chatchai is scheduled to travel to Manila and Singapore during the time the North Vietnamese wanted to have the talks. Bangkok has not ruled out the possibility of a future meeting. According to our embassy, the reason for the cancellation of discussions is that the Thais want all details of the agreement worked out before a delegation travels to Hanoi.

* * *

The Laotian communists [] have selected pro-Hanoi hardliners as replacements for three moderate Pathet Lao cabinet ministers.

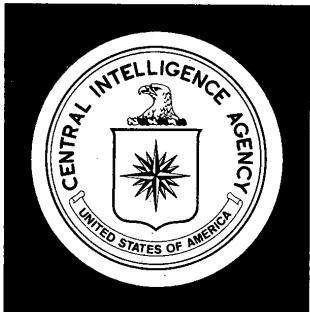
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[] General Phoune Sipraseuth will replace Phoumi Vongvichit as deputy prime minister and foreign minister; Khamphay Boupha will replace Soth Phetrasy as economics minister; and Thao Ma will replace Souk Vongsak as information minister. We do not know if these replacements are being made on a permanent or temporary basis. It is entirely possible, however, that the Pathet Lao Central Committee has decided that the retention of political moderates in Vientiane is no longer useful or necessary to consolidate their control over the coalition government.

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July 8, 1975

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FOR THE PRESIDENT ONLY

July 8, 1975

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Portugal: The Armed Forces General Assembly convenes today to debate the relatively moderate policy statement issued on June 21 by the Revolutionary Council. (Page 3)

CSCE: The Finns say the summit finale to the European security conference can no longer be arranged by July 28. (Page 4)

Notes: Romania (emigration); Romania (emergency relief); Saudi Arabia - Iran; OPEC; Malaysia-China; Morocco-Algeria; Argentina (Pages 5, 6, 7, and 8)

FOR THE PRESIDENT ONLY

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USSR

Brezhnev seems to be reviewing his future political plans, and may be flirting with the idea of retirement. Twice in his conversations last week with the delegation of US senators, he alluded to such a possibility.

The US embassy quotes Brezhnev as saying, "No one is eternal and life being what it is there comes a time when a person must leave, whether for retirement or because of illness, but when one is at the helm one must do what one can for the future." The sensitivity of his remark was underscored by the fact that the Soviet interpreter did not translate the reference to illness. According to a Reuter report, Brezhnev joked about "giving up" his job because it was too worrisome to put up with arguments from "fellows like Jackson." [redacted]

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In recent conversations with Western officials and correspondents, Brezhnev has gone out of his way to stress how full his schedule is for the rest of the year. He told the US senators that he planned to meet Secretary Kissinger following the latter's talks with Foreign Minister Gromyko later this week. He noted that he was looking forward to seeing you in Helsinki and again later in Washington.

Last month, Brezhnev also talked to reporters about his travel plans and went on to discuss preparations for the party congress next February. "There is little time," he said. "There are many visits, but the congress still has to be prepared for, so I am faced with an immense amount of work."

In looking beyond the party congress, however, it would not be surprising if Brezhnev were toying with the idea of retiring. [redacted]

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His remarks about the immense amount of work facing him seem to reflect his awareness of and concern with the problems caused by his long periods of inactivity.

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Brezhnev does not seem to be under pressure from his colleagues to retire. If his health continues to improve and his policies are moderately successful during the rest of the year, thoughts of retirement are likely to fade.

FOR THE PRESIDENT ONLY

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PORUGAL

The Armed Forces General Assembly convenes today to debate the relatively moderate policy statement issued by the Revolutionary Council on June 21.

Since that date, the authority of the present military leadership has been eroded by:

--Widespread strikes and civil disobedience.

--The unresolved dispute over the Socialist newspaper Republica.

--The refusal of the Catholic Church to conform to an order nationalizing its radio station.

--The massive jailbreak by members of the secret police of the former regime.

The session today provides an opportunity for extreme leftists within the military to press for a more radical interpretation of the policy statement issued last month. Proposals for organizing "direct links with the people" will be one of the key items on the agenda. In its policy statement last month, the Revolutionary Council approved of direct links between the Armed Forces Movement and the people in principle, but did not rule on how this was to be implemented.

The US embassy reports that pressures are building within the Movement to tilt further to the left. In preparatory meetings for today's assembly, the army called for immediate steps to "ensure a correct, progressive interpretation" of the policy statement and for firm action to reassert authority. The navy also demanded strong action to strengthen "progressive" forces.

Socialist Party leader Mario Soares, meanwhile, has threatened mass demonstrations if press freedom is not assured. The Communists, according to press reports, have placed their followers on alert because they fear an effort may be made to oust Prime Minister Goncalves, their chief supporter in the military.

FOR THE PRESIDENT ONLY

CSCE

The Finns announced yesterday that they can no longer arrange a summit-level finale to the European security conference in Helsinki on July 28; they say they require a minimum of three weeks' notice.

Tentative agreement was reached over the weekend on most of the outstanding East-West issues, and a fragile compromise was worked out with the French that would allow follow-up meetings of senior officials and possibly a second conference. Agreement is now being held up by the demands of several, smaller Western and neutral states that want further progress on other issues first. Turkey and Malta are the most firmly opposed, but the Netherlands, Belgium, Spain, and Romania also have objections.

Turkish demands for exemption from certain confidence-building measures and for Turkish Cypriot representation at Helsinki remain the major obstacles. Demarches are being made by certain NATO states in Ankara in hopes of bringing about a change in Turkish policy when the cabinet meets tomorrow. Western delegates, believing that the key to the Turkish position is held by the military, are hoping also that the West Germans will have some success during the visit to Bonn of the chief of the Turkish Armed Forces, which began yesterday.

Debate in Geneva yesterday centered on a French proposal that the end of July be set as the target date for the summit and that the participants be given until July 12 to work out their differences. Should the deadline not be met, the participants would assume Finland's costs for preparations already made. If the EC political directors, who are meeting in Rome today, support the French proposal, the deadlock in Geneva might be broken.

FOR THE PRESIDENT ONLY

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NOTES

Romania's new effort to facilitate Jewish emigration in order to gain approval of the US Congress for most-favored-nation status has the backing of the "highest level."

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[redacted] During the first quarter of this year, about 150 Jews were allowed to leave Romania each month; 199 arrived in Israel in June, and between 250 and 300 are expected to arrive in July.

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Romania may be on the verge of asking the US for emergency relief because of the most severe floods to hit the country since 1970.

Although the waters now appear to have crested, the flooding apparently did considerable damage in the area around Bucharest. Agricultural production, which was beginning to show promising signs after last year's drought, may have been seriously affected. In 1970, 268,000 people were left homeless by the floods, and 162 were killed. At that time, Romania requested emergency relief from the US and China.

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FOR THE PRESIDENT ONLY

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Saudi Arabia and Iran, in their final communiqué ending Crown Prince Fahd's visit to Tehran, agreed that the Persian Gulf should remain a "peaceful, secure, and stable region, free from foreign interference and bases."

An official of the Saudi foreign ministry who accompanied the Prince told our officials in Jidda that the reference to foreign bases included not only US Navy facilities in Bahrain and Soviet installations in Iraq, but also applied to US communications facilities in Iran. Despite agreement with the Iranians on the issue of foreign interference, the Saudis apparently showed little enthusiasm for Tehran's proposed Gulf security conference. The Saudis favor general cooperation among Gulf states, but are suspicious of any formal defense pact. They fear that such an arrangement would legitimize a stronger Iranian role on the Arab side of the Gulf.

* * *

The three wealthiest OPEC members--Saudi Arabia, Kuwait, and Iran--are increasing their lending on commercial terms to other governments.

In the first six months of 1975, Saudi Arabia and Iran put nearly 15 percent of their surplus--\$2.2 billion--into loans to foreign governments; their total for all of 1974 was \$3.1 billion. Kuwait, so far this year, has made government-to-government loans totaling \$195 million. The number of governments observed receiving such loans now totals 13, including other OPEC members facing growing financial difficulties. Further loans among OPEC members are likely, especially if the growing financial gaps among producers begin to strain the unity of the cartel. At the end of 1975, over 65 percent of OPEC wealth will be concentrated in the hands of Saudi Arabia, Kuwait, and Iran.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Malaysia has increased misgivings about its ties with China, which were established last year.

Last April, the Chinese Communist Party sent anniversary greetings to the Malayan Communist Party. Although there is no evidence that the Chinese are materially aiding the Malayan communists, the message coincided with a spurt in communist terrorism. Now the Malaysian government is distressed over growing Chinese embassy contacts with Malaysian Chinese. Some Malaysians see this development as confirming their fears that a Chinese diplomatic presence would lead to subversion. Rapprochement with China, nevertheless, remains central to Kuala Lumpur's nonaligned foreign policy. Malaysia's disappointment could reinforce the cautious attitude of Indonesia and Singapore toward the normalization of diplomatic relations with Peking.

* * *

Tension between Morocco and Algeria has eased at least temporarily with the publication of a joint communiqué in Rabat late last week on the future of the Spanish Sahara.

Algeria's actual acceptance of the common understanding expressed in the communiqué would clear the way for a partition of the disputed territory with the phosphate-rich northern region going to Morocco and the southern portion, containing iron ore deposits, to Mauritania. So far, however, there has been no confirmation from Algiers of its intentions other than publication of the joint communiqué, which is sufficiently vague to allow Algeria room for maneuver. We doubt that President Boumediene, who has consistently opposed Morocco's claim and has supported self-determination for the territory, is ready to make such an about-face. Algeria may clarify its position somewhat when it makes an oral presentation of the problem this week to the International Court of Justice.

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FOR THE PRESIDENT ONLY

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Peronist politicians and labor leaders apparently formalized their demand for the removal of Argentine Welfare Minister Lopez Rega and his protege, the minister of the economy, at a meeting yesterday afternoon.

The Peronist proposal on this issue and on resolving the wage dispute that sparked the general strike, now in its second day, reportedly was delivered to President Peron's residence yesterday evening.

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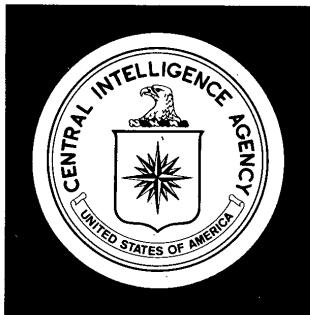
[Redacted] Even if Lopez Rega is forced from the cabinet, he will probably remain the President's private secretary and principal adviser.

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July 9, 1975

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July 9, 1975

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India: New Delhi may dismiss the government of autonomy-minded Tamil Nadu State if it does not demonstrate support for Prime Minister Gandhi. (Page 3)

Wage and Price Trends: Progress in breaking the three-year-old price spiral has stalled in most foreign countries and wholesale prices have resumed their upward course. (Page 4)

Notes: USSR-Turkey; USSR-Somalia; West Germany - Iran; Portugal; China-EC; Argentina (Pages 6 and 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA-VIETNAM-THAILAND

China appears increasingly concerned about differences it foresees with Vietnam.

Mao Tse-tung [redacted]

[redacted] declared that the Soviet Union was "dominating Vietnam" and could be expected to continue to use Hanoi to increase Moscow's influence in Southeast Asia. [redacted]

[redacted] Mao [redacted] suggest that Thailand [redacted] rely on China to help protect Thai sovereignty from Soviet and Vietnamese machinations.

Mao's comments [redacted] are the most authoritative expressed by the Chinese [redacted]

[redacted] Chinese journalists in Hong Kong who are responsive to directives from Peking have been informed that Peking sided with Cambodia in its territorial disputes with Vietnam, but wished to avoid a public dispute with Hanoi on the issue.

The Chinese apparently believe they still have assets in Vietnam worth preserving, but that, even apart from the Soviet angle, they will be forced to compete with Vietnam for influence in Southeast Asia now that the war in Indochina is at an end.

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In fact, the long-delayed Thai decision to recognize China was predicated on the assumption that improved relations with China would check Hanoi's influence in the region. [redacted]

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Mao [redacted] dwelled on the theme that the Soviet Union was taking advantage of new developments in Thailand and Asia. His implication appeared to be that Peking [redacted] would prefer to see [redacted] a counterbalance to Moscow.

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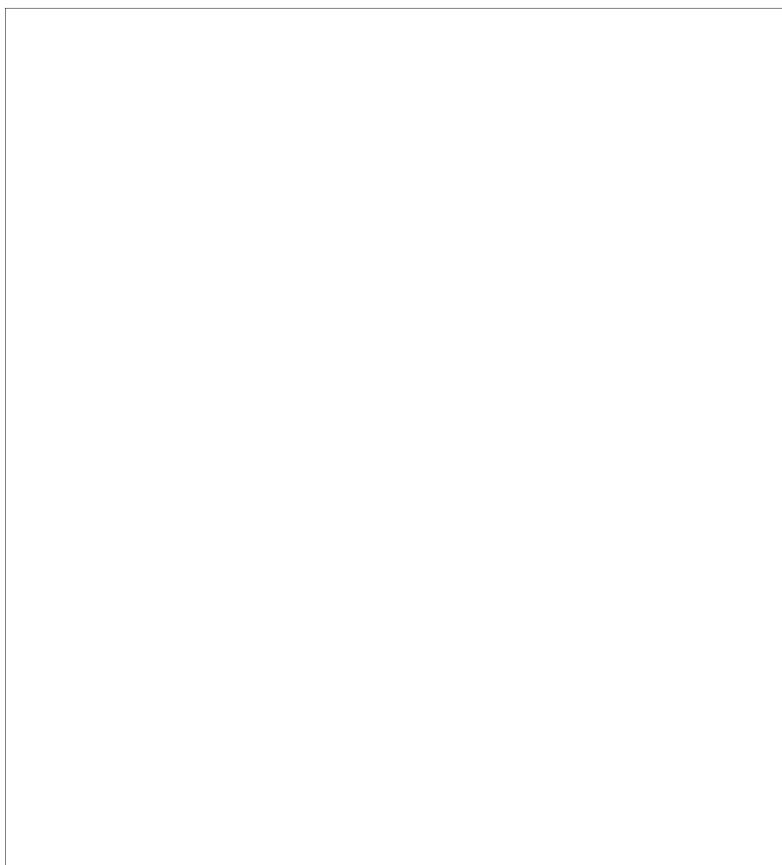
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FOR THE PRESIDENT ONLY

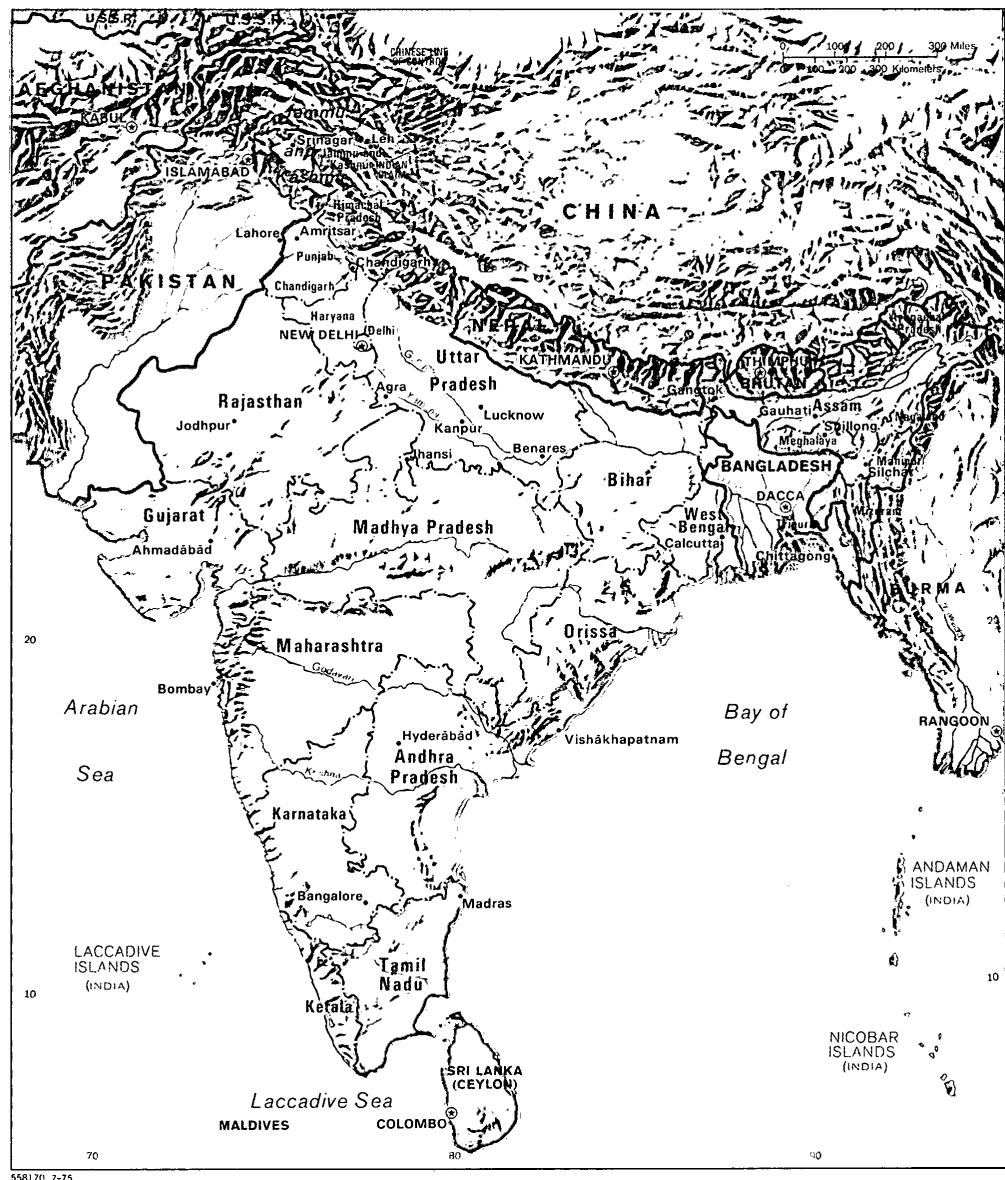
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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

INDIA

New Delhi may dismiss the government of autonomy-minded Tamil Nadu State if it continues to hesitate in supporting Prime Minister Gandhi's authoritarian moves.

The imposition of a state of emergency on June 26 did not go down well with the Dravidian Progressive Federation that has governed Tamil Nadu, India's southernmost state, since 1967. The party advocates states' rights and has long opposed the concentration of power in New Delhi. Ethnic, cultural, and linguistic considerations are behind the Tamils' deep resentment of the northerners, who dominate the central government.

Since the emergency proclamation, the government in Tamil Nadu has made little effort to enforce the new regulations. It has arrested only a handful of dissenters, and press censorship is light. At a mass meeting of over 150,000 in the capital city of Madras on Sunday, the state's chief minister rejected Mrs. Gandhi's claim that internal and external forces were imperiling India's political system and had necessitated her repressive acts. He added, however, that his government would obey New Delhi's orders as long as "they do not go against our conscience."

If the Prime Minister opts to dismiss the government in Madras, she would provoke a confrontation with potentially dangerous repercussions for the nation. While she could impose her will on the state, with the help of police and paramilitary units and even the armed forces if necessary, such action would inevitably stimulate the latent separatism that has long existed in this key south Indian state.

FOR THE PRESIDENT ONLY

WAGE AND PRICE TRENDS

Progress in breaking the three-year-old price spiral has stalled in most major foreign countries. Wholesale prices have resumed their upward course for the first time in six months. The average rise in consumer prices in the Big Six, after easing early this year, has accelerated to an annual rate of 10 percent.

Stiff rises in labor costs will remain the predominant cause of inflation in the months immediately ahead. Higher oil prices next October will add to the inflationary trend. For every \$1 per barrel increase in oil prices, wholesale prices in the major countries will rise about one half of one percent.

Wholesale prices, after declining substantially in early 1975, began moving up in April. Small increases occurred in West Germany and Italy, while large gains were recorded in the UK and Italy. Japanese wholesale prices stabilized in April and May, following nearly a six-month decline. Only in France have prices continued to fall.

The decline in wholesale prices occurred chiefly because sluggish demand and falling raw material prices helped offset large increases in labor costs. As a result, the growth in consumer prices for manufactured goods tapered off to a 4-percent annual rate. In the last few months, however, raw material prices have stabilized, while the upward trend in labor costs has continued. Faced with sharply reduced profit margins, industrial firms are no longer able to absorb the added costs.

The continued rise in consumer prices largely reflects growing costs for food and services. On the average, increases in food prices since the start of 1975 have accounted for roughly one half of the rise in consumer prices in the Big Six.

(continued)

FOR THE PRESIDENT ONLY



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Wage rates in the UK, Italy, and Canada are rising rapidly--a reflection of militant union demands for catch-up pay hikes. Despite London's recent 10-percent ceiling on wage increases, labor settlements previously negotiated call for pay increases of close to 30 percent this year. In Italy, wages rose 28 percent (annual rate) in the first quarter, a rate that exceeds the record 1974 pace. The size of pay settlements in Canada has averaged 16 percent in the first quarter of 1975, compared with 12 percent last year.

West Germany, France, and Japan have had more success in keeping their wage-price spiral under control. In West Germany, most major unions have already settled for wage increases averaging slightly below 8 percent, while in France settlements since early 1975 have been running about 11 percent, down from 18 percent last year. Japan has managed to hold 1975 wage increases to 13 percent, well below initial demands for a 30-percent hike. In all three countries, high unemployment, numerous bankruptcies, and a severe profit squeeze have undercut labor's bargaining position.

FOR THE PRESIDENT ONLY**NOTES**

The USSR and Turkey will sign a major economic agreement today in Ankara.

Fully implemented, the agreement would more than double the already substantial Soviet aid to Turkish industry. At least six industrial projects worth an estimated \$600 to \$700 million reportedly are included. Total Soviet economic aid to Turkey prior to the new accord was \$520 million. Given past Soviet experience, implementation of the agreement will be slow. Nevertheless, the Soviets will welcome this opportunity to demonstrate their support at a time when Turkey is having problems with the US. Ankara, for its part, probably will use the occasion to focus international attention on the contrast between increasing aid from the USSR and the cutoff in US military assistance.

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West Germany

Iran

(continued)

FOR THE PRESIDENT ONLY

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There continues to be widespread speculation in Portugal that a move may be under way to oust Prime Minister Vasco Goncalves.

According to press speculation, General Otelo de Carvalho, the influential security chief and a leader of the left-nationalist faction in the Revolutionary Council, has joined with Council moderates in opposition to the Prime Minister. A move to dismiss Goncalves may come at the current session of the Armed Forces General Assembly, perhaps by trying to pin the blame for Portugal's economic difficulties on the Prime Minister and his communist-leaning advisers in the cabinet.

* * *

China has requested accreditation of its first ambassador to the European Community.

The two sides agreed in principle on this step when EC External Affairs Commissioner Soames visited Peking in May. Preliminary discussions on a trade agreement between the EC and China--which began during Soames' visit--are continuing in Brussels.

* * *

Argentina's organized labor, whose massive wage demands were finally met yesterday, has ended its general strike.

Although the settlement includes the removal of Lopez Rega as welfare minister, he remains President Peron's private secretary and will continue to influence government policy. The government has indicated that it will revalidate the wage contracts negotiated last month calling for increases of up to 130 percent. The government's decision to annul the wage contracts had precipitated sporadic worker demonstrations and finally the general strike.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

July 10, 1975

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

General Secretary Brezhnev stated during a conversation with US Senators last week that he did not have any specific "super-weapons" in mind during his recent speech calling for a ban on new weapons. Brezhnev did mention to the Senators, however, a proposal that the US cancel the Trident submarine and B-1 bomber programs in return for which the Soviets would forgo construction of the "Typhoon" submarine and the "IL-22" bomber.

Brezhnev's efforts to discuss these issues with the Senators may be part of a Soviet strategy to develop informal lobbying channels with Congress. His comments also parallel constant Soviet efforts at the strategic arms limitations talks to terminate or restrict the development of Trident and the B-1.

The General Secretary has referred to new Soviet strategic programs on several occasions in the context of further limitations on strategic offensive arms. The bomber was first mentioned in March 1974 during a meeting with US officials and again in November 1974 at Vladivostok.

Brezhnev's repeated references suggest that these are actual programs that the Soviets are developing or at least considering.

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[redacted] On six occasions during the recent round of the strategic arms limitations talks, Soviet representatives have mentioned a new bomber being developed or to be developed with characteristics similar to the B-1. They said it could count toward the aggregate ceiling of 2,400 delivery vehicles agreed upon at Vladivostok.

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If the Soviets are developing a new submarine and a new bomber [redacted]
[redacted] Brezhnev's statements indicate that the Soviets are not yet fully committed to these programs.

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FOR THE PRESIDENT ONLY

USSR-SOMALIA

A sense of unease is beginning to creep into Soviet media treatment of the Berbera revelations.

One Soviet broadcast last week came close to owning up to the presence of Styx missiles in the Berbera area, emphasizing their age and relative ineffectiveness. There were also hints that the missiles are destined for Somali patrol boats. Other Soviet commentators have engaged in verbal gymnastics to convey the idea that American journalists and Congressmen found no bases in Berbera.

In addition to their public relations problem, the US inspection trips may also cause problems for Soviet relations with Somalia. Some Somali nationalists may urge President Siad to curtail Soviet activities. The Soviets themselves are likely to be upset if, as seems likely, Siad made the visitation offer without first consulting Moscow and then was too free in granting the visitors access.

Widespread acceptance of the US reports will make the facilities a political liability for both Moscow and Mogadiscio. The Soviets' investment in Berbera is sizable, however, and they will curtail their operations there reluctantly, if at all. Their inclination probably will be to hang on in the expectation that the worst of the embarrassing public disclosures is now behind them.

Much will depend on the Somalis. The odds are that Siad has too much at stake in his relationship with Moscow to turn back now, although he might use the current situation to press Moscow for more assistance. On the other hand, Siad has shown himself to be unpredictable and impulsive at times, and his response to this current embarrassment could involve some unpleasant surprise for Moscow.

FOR THE PRESIDENT ONLY

LEBANON

Authorities in Beirut last night expressed cautious optimism that Colonel Ernest Morgan has not been harmed and will soon be released, despite the expiration of the kidnapers' deadline yesterday. The Lebanese acknowledge, however, that they have made only indirect contact with those now holding Morgan, and that they do not know where he is.

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The Lebanese government has on several occasions in recent years negotiated successfully with the principal fedayeen groups, but never with the radicals, and any deal could easily fall through.

Leaders of the major fedayeen and leftist groups met in Beirut yesterday to consider the Morgan case. In a joint communiqué issued last night, they called on "all quarters to turn over those being sought" and indicated that the perpetrators of such incidents will be dealt with as a threat to the Palestinian and leftist cause. According to the communiqué, Morgan was originally seized by members of two radical fedayeen groups, but is now in the hands of a largely fictitious organization created to cover the "irresponsible and anarchic" practices of certain fedayeen and Lebanese radicals.

Palestine Liberation Organization Chairman Yasir Arafat almost certainly arranged for the joint statement in order to isolate and put pressure on Morgan's captors. Arafat has publicly condemned the kidnapping on several occasions, and is surely embarrassed that repeated sweeps by his security forces through refugee camps and houses in Beirut have failed to free the officer.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The demonstration of independence and operational skill by the radicals comes at a particularly bad time for Arafat. The radicals, emboldened by substantial infusions of Libyan money and political support, have recently been criticizing him for "currying favor with America," sacrificing basic Palestinian interests to win a seat at the Geneva peace conference, and selling out to the Lebanese by working to calm unrest in Beirut.

The communiqué makes much of the fact that the Iraqi-supported Arab Liberation Front, ordinarily part of the rejection front, is cooperating with the main body of the PLO in working for Morgan's release.

FOR THE PRESIDENT ONLY

CUBA-US

Fidel Castro [redacted] implied in mid-June that the US failure to respond positively to his overtures could strengthen forces in the Cuban leadership that are less inclined than he is to favor negotiations with the US, and that this could lead to a toughening of the Cuban position.

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[redacted]
 [redacted] Castro claimed he had made a number of fruitless gestures to demonstrate his willingness to negotiate, mentioning specifically the return to Southern Airways of the \$2 million the Cubans confiscated after an airplane hijacking. He probably also had in mind the release of a number of US citizens held in Cuban prisons for a variety of offenses.

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[redacted]
 [redacted] Castro was angered by a comment by a US official--whom he did not identify--to the effect that "there is no reason to reconsider US policy toward Cuba."

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[redacted] Deputy Prime Minister Carlos Rafael Rodriguez, Cuba's leading proponent of detente [redacted] objected to portions of Assistant Secretary of State Rogers' Congressional testimony of June 11. Rodriguez apparently interpreted the testimony as a further indication of lack of US seriousness about improving relations.

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More recently, the Cubans may have changed their minds about our intentions. Foreign Minister Raul Roa last week communicated to the US in effusive terms his appreciation that a Cuban delegation was permitted to attend an agricultural conference in California. This may be Havana's belated recognition of our policy since last December to liberalize issuance of visas to Cubans to attend non-governmental gatherings in the US.

It is possible that the Cubans made known their irritation in order to keep pressure on the US. They probably are looking for some sort of response from Washington during or after the OAS conference in San Jose this month.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

IRAN

Iranian government officials and the press--at the instigation of the Shah--are giving the impression that foreign aid and economic development efforts will have to be held down because of the decline in oil earnings in 1975. Actually, the Iranian balance of payments remains strong.

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[Redacted] Tehran told the International Monetary Fund that it was considering a delay in making its full \$1-billion commitment to the oil facility pending examination of the balance of payments later in the year.

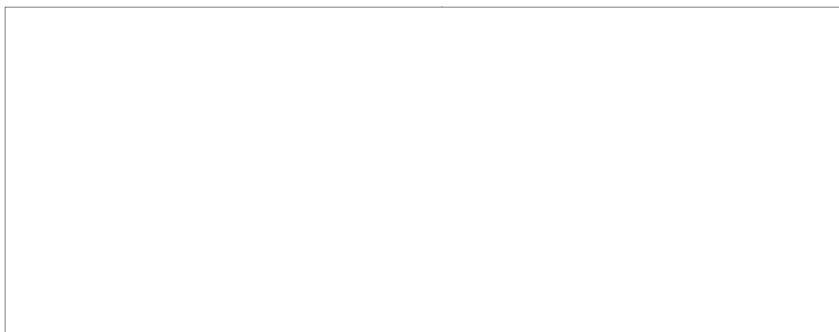
Although Iran's export earnings declined by 5 percent in the first half of 1975, compared with the previous half, they should pick up in coming months because of seasonal factors and the recovery in world economic activity. We believe that oil revenues will be only \$600 million lower in 1975 than in 1974, in contrast to the \$3.5- to \$4-billion drop recently forecast by the Minister of Interior. Even with imports rising 50 percent in value, we expect Iran to achieve a \$10-billion current-account surplus in 1975.

Iran's lending and investments this year will approach a record \$4 billion--roughly double the 1974 level. Even with these outflows, Iran should rack up a payments surplus of \$6 billion in 1975, boosting foreign reserves to \$15 billion.

FOR THE PRESIDENT ONLY

NOTES

Turkey continues to weigh policy reassessments and options for action against US bases in the event the US arms embargo is maintained beyond the July 17 deadline set by Prime Minister Demirel.



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A severe drought centered in the Volga Valley recently has reduced grain prospects in the USSR, but the Soviets still could harvest more than 200 million tons. Imports of about 10 million tons should cover Soviet grain requirements and provide the amounts required--even in a record year--to cover shortfalls in certain types of grains and to ship grain directly from North America to Cuba and other client states and to the Soviet Far East.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Italian

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Panama's General Torrijos is apparently laying the groundwork for a campaign to demonstrate his frustration over the delay in negotiations on a new canal treaty.

He released for publication in a Panamanian newspaper this morning a statement resulting from a meeting he held yesterday with local student leaders on the canal treaty situation. The statement makes clear his strong irritation at the US, but does not break his commitment to keep details of the negotiations confidential. Torrijos thinks he has a strong rapport with the students and he may decide to use carefully controlled student demonstrations--perhaps involving minor harassment of US citizens--to show his unhappiness.

* * *

Both houses of India's parliament have been convoked for July 21 to endorse the recent proclamation of a state of emergency. The Ruling Congress Party's parliamentary majority ensures easy approval.

The decision to summon parliament now rather than next month, as had been generally expected, suggests that Prime Minister Gandhi believes parliament's rubber stamp will give her a strong political position should she need to overcome a Supreme Court decision against her. The court will take up her case on Monday. Although a full written decision is unlikely before late summer, an oral judgment may be issued much sooner because of the importance of the case.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

* * *

Cambodian and Vietnamese communist officials appear to be making progress in resolving their border problem.

Several recent intercepts have mentioned meetings between Cambodian and Vietnamese officials to discuss both the mainland border problem and the status of disputed offshore islands. The communist headquarters in eastern Cambodia has ordered units to pull back at least a mile from the border and cooperate with their Vietnamese counterparts in efforts to sort out overlapping claims. Although the Cambodians appear to feel that agreement is near, isolated clashes may continue for some time because lingering local animosities will probably complicate efforts to implement the decisions reached at higher levels.

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Ethiopia

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Top Secret



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July 11, 1975

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FOR THE PRESIDENT ONLY

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Italy: The Socialist Party's preference for local governmental alliances with the Communist Party is putting further strains on the Moro government. (Page 5)

Note: USSR-Somalia (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

The Portuguese Socialist Party withdrew from the four-party coalition government last night to protest the Revolutionary Council's naming of a military commission to run the Socialist newspaper Republica.

The move came when Republica published an issue under the control of a workers' coordination committee with an army officer as editor.

The Socialists say their two ministers will not return to the government until the Revolutionary Council carries out its promise to return the paper to its legal owners. The Socialists put out a communiqué saying that the alliance of Portuguese political forces must be based on the observance of pacts signed by them and upon "respect for the pledged word."

The center-left Popular Democrats [redacted] are considering pulling their two ministers out of the coalition government as well. 25X1

The Socialists have threatened to pull out of the government over various controversies since last January. They had been moving in the direction of open defiance of the Armed Forces Movement since its general assembly announced on Wednesday a decision to create a system of popular organizations. The proposals were seen by the Socialists and other moderates as a threat to bypass political parties altogether.

[redacted] the Socialists would never accept popular councils or assemblies created outside the present party system. The party blamed the general assembly's action on Communist influence and urged Socialists to prepare for nationwide demonstrations. 25X1

The Socialists' anger was aroused further by a demonstration held last night in front of the presidential palace. It was sponsored by the Communist-dominated labor confederation and attracted an estimated 15,000 workers. Both Prime Minister Goncalves and President Costa Gomes praised the crowd for supporting discipline and order.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The US embassy in Lisbon meanwhile has reported that Major Canto e Castro--regarded as a supporter of security forces commander Otelo de Carvalho and the leftist nationalist faction--led an attempt to remove Goncalves at a Revolutionary Council meeting last Wednesday. The attempt reportedly was halted by Costa Gomes in an effort to maintain cohesion within the military leadership.

If the Socialists stick with their decision to remain in open opposition to the military government and are supported by the Popular Democrats, the government will be left in the hands of the Movement, the Communists, and the Communist-dominated Portuguese Democratic Movement.

Military leaders will have to reorganize the cabinet, at least to replace the ministers who have resigned. If a new coalition cannot be put together, the Movement may be inclined to set up an all-military government to avoid international criticism of a government supported only by the Communists.

FOR THE PRESIDENT ONLY

USSR

During the first six months of this year, 6,253 people ostensibly bound for Israel received permission to emigrate from the USSR, according to the Dutch embassy in Moscow. This figure is more than 40 percent below the comparable figure for 1974 and nearly 60 percent below the record high reached in the first half of 1973. More than half of those declaring for Israel have gone elsewhere--mostly to the US.

The Dutch embassy, which handles Israeli interests in the USSR, attributes the decline in emigration this year to the increased success of Soviet authorities in dissuading potential emigrants from filing exit applications. The Soviets offer inducements not to file, such as promises of advancement in employment and educational opportunities, coupled with negative pressures, such as reproaches from colleagues and neighbors who have been made aware that a family is considering emigration. While the emigrants do not report notable increases in outright harassment by Soviet authorities, selective instances of imprisonment and loss of employment have effectively intimidated many would-be applicants.

Misinformation on living standards in the West, as well as grapevine accounts of genuine difficulties in adjusting to life in Israel and the US, have also affected the emigration rate. Even some of the better-educated applicants appear genuinely to believe that unemployment and other economic woes have driven Western living standards lower than those in the Soviet Union. The Dutch embassy reports that the only identifiable group still firmly committed to settling in Israel is that of "Oriental" Jews from the Caucasus and Central Asian regions.

Party chief Brezhnev strongly implied in a recent meeting with a group of US Senators that the tighter Soviet policy on Jewish emigration will continue. His remarks were obviously intended to make clear that no Soviet concessions could be expected before the US Congress removes the link between freer emigration and expanded trade.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MALAGASY REPUBLIC

President Ratsiraka told the US chargé yesterday that the NASA tracking station in the Malagasy Republic will have to close next week because Washington has refused to make back rental payments. Ratsiraka indicated that the facility will have to shut down before the Apollo-Soyuz flight.

The agreement allowing NASA to operate the station, concluded under a previous Malagasy regime, formally expired at the end of 1973. Ratsiraka, who was then foreign minister, demanded the payment of \$10 million in back rent for the period prior to 1973 as the price for renewing the agreement. He pressed for this payment again after becoming president last month.

The US refused to pay back rent on the grounds that the original agreement did not provide for rent, but agreed to pay an annual sum of \$100,000 in the future.

The closing of the station on this island in the Indian Ocean should have no effect on the joint US-Soviet flight. Other systems are available for checking the spacecraft as they pass over the area.

FOR THE PRESIDENT ONLY

ITALY

The Italian Socialist Party's apparent preference for local governmental alliances with the Communist Party is putting additional strains on the Moro government, which the Socialists are committed to support in parliament.

Yesterday the Socialists chose to join a Communist-led government in Liguria rather than participate in a center-left coalition there. This will add a fourth region to the north-central "red belt," where the Communists predominate but share power with the Socialists.

The other center-left parties may not object too strongly to this outcome in Liguria because most politicians expected it. Liguria was the only additional region in which the two parties captured a clear majority in the elections, and they already controlled Genoa, the local capital.

A more likely source of trouble is the Socialists' apparent preference for a minority government with the Communists in the key northern region of Piedmont.

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FOR THE PRESIDENT ONLY

NOTE

Soviet Ambassador Samsonov admitted to the US chargé in Somalia on July 7 that there is a missile-handling facility in Berbera.

This is the first time a Soviet official has acknowledged that such a facility exists. He said it was for short-range missiles for the Somali navy, but did not use the NATO term Styx. The lifting and handling equipment in the high bay building at Berbera, however, is capable of handling missiles far larger than the Styx, or any other missile consistent with Somali needs or capabilities. Samsonov's admission may be the harbinger of a shift in Moscow's public line from denials of Soviet bases to assertions that all military facilities are there to serve the Somalis. It also seems to indicate that the Somalis will, indeed, get patrol boats to put under the Styx.

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July 12, 1975

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Portugal: The Socialist Party is waiting for the ruling Armed Forces Movement's response to the party's conditions for returning to the government. The Revolutionary Council began a nonstop meeting yesterday. (Page 3)

Argentina: President Peron's cabinet changes are such that it will be difficult for her to convince the opponents of Lopez Rega that he does not retain a determining influence in the cabinet. (Page 5)

Notes: Apollo-Soyuz Project; Cyprus; Philippines-USSR (Pages 6 and 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

UNITED KINGDOM

Prime Minister Wilson Thursday announced the details of his program to cut inflation from the current 40-percent annual rate to 10 percent by next summer. The new policy features a "voluntary" ceiling on wage increases of \$13.20 a week--about 10 percent--with a wage freeze for all workers earning more than \$18,700 a year.

Nothing in the new policy will directly reduce Britain's rising unemployment. Indeed, if it becomes necessary to enforce sanctions against employers, there will be more, rather than less, unemployment.

Although formal union support for the program is problematical, a union-wide confrontation with the government probably can be avoided. The unions have achieved their major goal, at least for the time being, of avoiding statutory limits on wage increases and legal sanctions against unions that violate the pay guidelines.

The weaker unions, faced with shrinking employment, will be willing to trade wage gains of uncertain value for greater job security. Even if militant unions with strong market positions persist in outsized wage demands, the new measures will stiffen employer resistance.

Public opinion is ripe to support the government's program. The sharp acceleration in wages and prices since the first of the year has created widespread feelings that firm government action is required. Even some unions have come to believe that unemployment is wiping out the gains their members have made in keeping wage increases ahead of price boosts.

The Labor government can expect about a six-month grace period for its new policy. Major wage negotiations do not resume until October. By then, much of the cost pressure built up by past increases in wages, taxes, and depreciation of the pound will probably have been translated into higher consumer prices. Unions, employers, and the government all realize that the new program will mean that prices will rise faster than wages for a while at least.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

By early next year, however, unemployment probably will have risen to about 6 percent--the highest in 35 years--and inflation, while moderated, still will exceed an annual rate of 10 percent. In these circumstances, public support for the government's policy will erode and the unions are apt to increase pressures to loosen controls and stimulate the economy. If Wilson gives in too hastily to avoid a confrontation with labor, he will risk losing whatever gains have been made in controlling inflation.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORtUGAL

The Portuguese Socialist Party appears to be waiting to see if the ruling Armed Forces Movement will respond to the party's conditions for returning to the government before moving toward open opposition. The Revolutionary Council began a meeting yesterday that continued into the night.

At a press conference last night, Socialist leader Soares made no calls for mass demonstrations, but pointed to Portugal's serious economic condition and its need for assistance from Western Europe. Soares noted that the Socialists' withdrawal from the government would not affect the party's role in the constituent assembly, which has a clear mandate from the people. The Communist Party, however, has reportedly served warning that it may withdraw from the assembly if the moderates continue to smother debate on "fundamental questions of the revolutionary process."

[redacted] the Socialists believe [redacted] their withdrawal from the government will strengthen their bargaining position. This is based on the assumption that military leaders who have visited other European countries have been convinced that suppression of the Socialists or the Popular Democratic Party would eliminate the possibility of obtaining much needed economic assistance from Western Europe.

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[redacted] the Popular Democrats [redacted] plan to withdraw from the government, but will delay their move in order to avoid charges of collusion [redacted]

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[redacted] A delegation of Popular Democratic leaders met with President Costa Gomes yesterday and will now wait until Monday for the Revolutionary Council to respond to the party's conditions for staying in the government.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Sources close to Prime Minister Goncalves are quoted in the press as saying that if the Popular Democrats withdraw, leaving only the Communists and their sympathizers in the Popular Democratic Movement in the coalition with the military, Goncalves could no longer continue. In fact, any reorganization of the government as a result of the Socialists' withdrawal is likely to be used by Goncalves' opponents in the military to renew their efforts to oust him.

Soares will have difficulty controlling militant members of his party if he elects to hold to a soft line in the hope that he can get the military to reverse their decisions on *República* and the formation of popular assemblies. The Socialist Party [redacted] [redacted] plans to move to a policy of direct opposition with strikes and mass demonstrations. So far, Soares has refused to allow the plans to be implemented.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARGENTINA

President Peron yesterday yielded to strong pressure from the military, politicians, and labor and removed her controversial adviser, Lopez Rega, from his posts as welfare minister and presidential private secretary. She failed to strengthen her position substantially, however, because she filled the vacated posts with men close to the former minister.

Taking over the welfare portfolio is a former private secretary to Lopez Rega, and more recently the number-two official of the ministry. The president's new private secretary has until now held a post within the office of the presidency, where he reportedly was one of Lopez Rega's close associates.

The president has retained Economy Minister Rodrigo, a protege of Lopez Rega and the target of bitter criticism for his attempts to implement austerity measures. Several other cabinet officers who remain in office are said to be linked to the ousted minister.

It will be difficult, if not impossible, for the president to convince the opponents of Lopez Rega that he does not in fact retain a determining influence on her and the cabinet. Pressure for more changes and possibly for the exile of Lopez Rega are likely.

FOR THE PRESIDENT ONLY

NOTES

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Preparations for the Soviet portion of the Apollo-Soyuz Project seem to be proceeding smoothly.

Seven ships in the Pacific and four in the Atlantic are in position for the Tuesday launch.

* * *

Tensions on Cyprus are likely to increase next week when the two ethnic communities stage mass demonstrations to mark the first anniversary of the July 15 coup against Makarios and the Turkish invasion of July 20.

Officials on both sides intend to take precautions to avoid major violence, but some disturbances are likely, and these could escalate into serious incidents. US officials in Nicosia have already been informed that a demonstration will take place in front of the embassy. More than the usual number of firing incidents along the cease-fire line are probable during the coming week, but neither side appears to be considering any major military activity. Both sides, however, will probably place their forces on alert as a precaution. Turkish Cypriot forces are already on a low-level alert.

(continued)

FOR THE PRESIDENT ONLY

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Philippine President Marcos has decided to follow up his successful diplomatic mission to China with a trip to the USSR in late August.

Marcos [redacted] wants to move quickly on establishing diplomatic ties with the Soviet Union and concluding a trade agreement. He said some time ago that recognition of the Soviet Union and China would be virtually simultaneous, and the Soviets reportedly have been pressing him to keep to this announced timetable. Most of the preliminary discussions for diplomatic ties with Moscow were completed over a year ago, but Marcos delayed taking the final step until he had things wrapped up with Peking.

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July 14, 1975

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FOR THE PRESIDENT ONLY

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Portugal: The Revolutionary Council has called on Prime Minister Goncalves to fill the cabinet vacancies left by Socialists as soon as possible with individuals who will "place national interest above party interest." (Page 1)

Egypt-USSR: Egypt is denying the Soviet navy access to certain ports and anchorages. (Page 2)

Notes: China; CSCE; Israel-Fedayeen (Page 5)

FOR THE PRESIDENT ONLY

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PORUGAL

The Revolutionary Council has called on Prime Minister Goncalves to fill the cabinet vacancies left by the Socialists as soon as possible with individuals who will "place national interest above party interest." Replacements for the justice minister and the five Socialist secretaries of state are likely to be from the military. The post held by Socialist Party leader Soares--that of minister without portfolio--reportedly will be abolished.

Prime Minister Goncalves appears to be holding onto his own position despite an effort to remove him at the meeting of the Revolutionary Council last Wednesday. President Costa Gomes, who reportedly refused to let the motion against the Prime Minister come to a vote, appears determined to keep Goncalves in office, at least for now, in order to maintain a facade of Council unity.

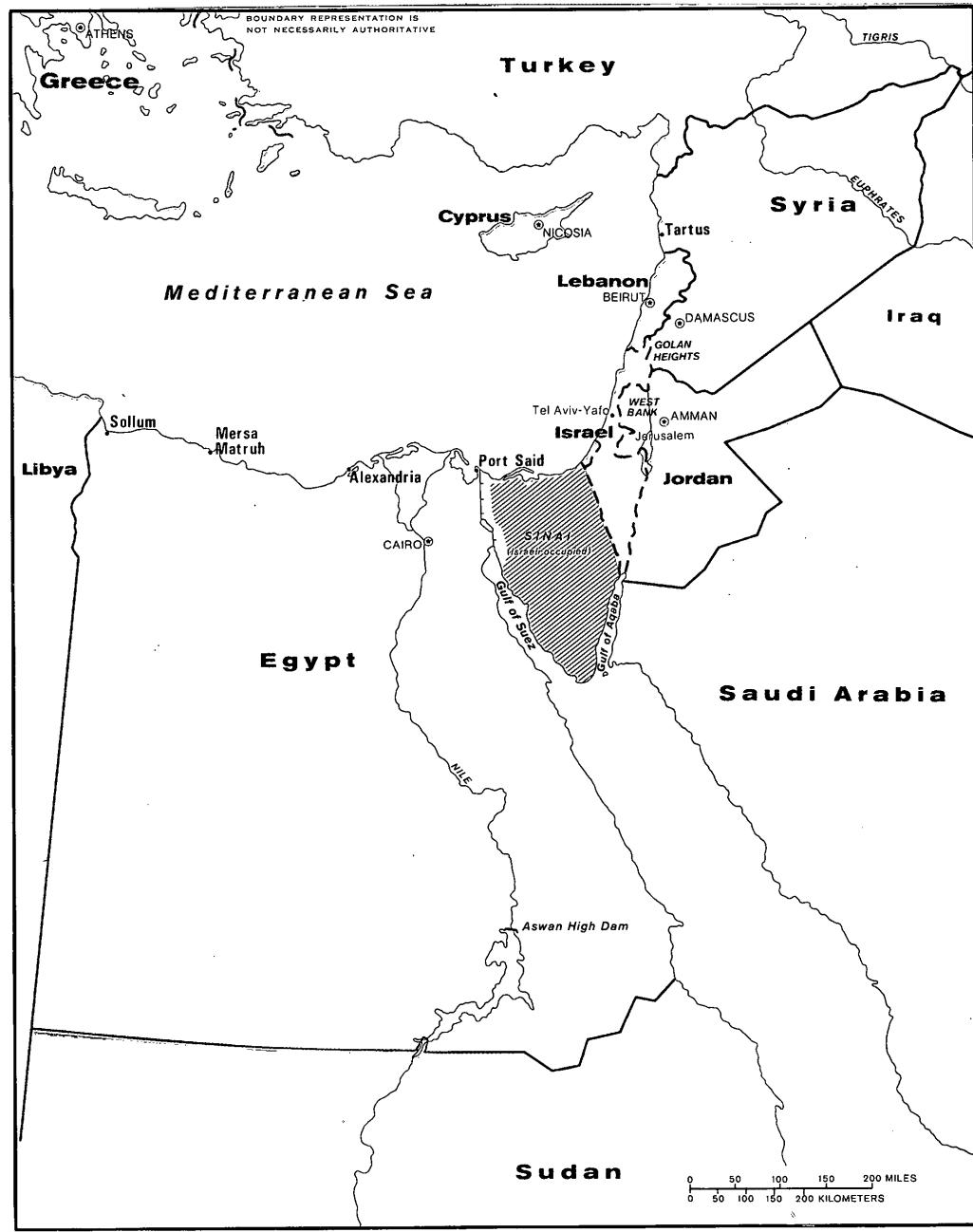
Foreign Minister Antunes says the Council actually is badly divided. The US embassy has learned from a reliable source that Antunes--moderate leader of the military group that is seeking to replace Goncalves--is in close contact with Soares and may be planning coordinated moves in the near future.

The Socialists do not appear to have decided how to follow up their withdrawal from the government. Soares has promised to hold a press conference this week to announce the party's decisions.

The Socialists' course of action will depend in part on whether the center-left Popular Democrats follow them out of the government. President Costa Gomes is due to respond on Wednesday to the conditions presented by the Popular Democrats for staying in the government.

The Communists are calling the Socialist pull-out a divisive act intended to "set up a new coalition of right-wing forces." One party allied with the Communists is calling for the dissolution of the constituent assembly.

FOR THE PRESIDENT ONLY



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EGYPT-USSR

Egypt is denying the Soviet navy access to certain ports and anchorages-- probably to exert pressure on Moscow for a new arms agreement and a rescheduling of its debt. So far the Soviets have suffered no significant adverse effects from the Egyptian policy of denial. Some of the support services which the Soviet navy has received from Egypt can be obtained elsewhere in the Mediterranean area. The extensive repair facilities still available to the Soviets in Alexandria, however, could not be replaced.

The change in Egyptian policy was first signaled [redacted] when the Egyptians sent a minesweeper to the Gulf of Sollum [redacted]

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[redacted] Soviet ships at Sollum now anchor just outside the 12-nautical-mile territorial limit. [redacted]

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Restrictions have not yet been applied extensively, if at all, to Alexandria, the most important port in the Mediterranean for the support of Soviet naval units. [redacted]

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[redacted] The Egyptians may be curtailing access of Soviet warships to the port [redacted]

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Soviet surface combatants visited Alexandria in the past less frequently than submarines or support ships. [redacted]

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the flagship of the Mediterranean Squadron recently was twice denied permission to enter the port, and [redacted] Egyptians are now requiring diplomatic clearance for Soviet warships desiring to enter Alexandria.

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Effect of Restrictions

The restrictions imposed by the Egyptians thus far have had no appreciable effect on Soviet naval operations or capabilities in the Mediterranean.

[redacted]
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Egyptian Objectives

The Egyptians must hope that their harassment of the Soviets will serve as a counterpressure on Moscow in retaliation for the Soviets' refusal to sign a new arms agreement or to reschedule the Egyptian debts. The imposition of naval restrictions followed almost immediately news of the Soviet-Libyan arms deal and reports that the Soviets might gain access to naval facilities in Libya.

Nevertheless, the Egyptian move may have been planned well in advance. [redacted]

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Soviet Reaction

The Soviets have not reacted publicly to the Egyptian restrictions. [redacted]

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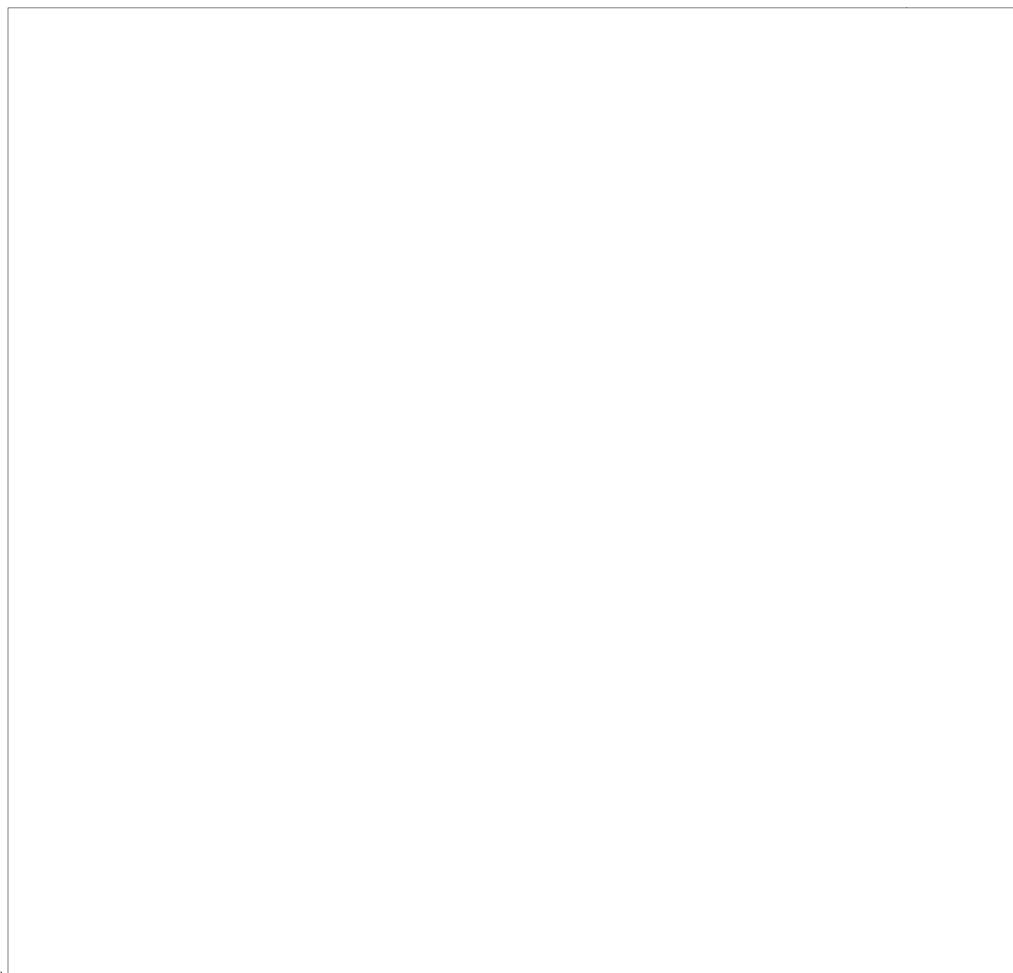
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The Soviets are still shying away from a response that might lead to a rupture of relations. For the present, they have no satisfactory alternative to the repair facilities in Alexandria, which they built for the Egyptians. Over the longer term they probably hope to regain a position of influence in Cairo.

The Soviets probably would prefer to continue to rely on Egypt for the primary support of their Mediterranean Squadron rather than gamble on Libya and the unpredictable President Qadhafi. Moscow would, nevertheless, like to continue the development of relations with Libya--as well as with Syria and Yugoslavia--in the event relations with Cairo continue to deteriorate.

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NOTES

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The conferees at Geneva may agree today on July 30 as the opening date for a CSCE summit in Helsinki.

The NATO caucus decided over the weekend to accept Malta's demand for a special declaration on "lessening tensions and reducing the armed forces" in the Mediterranean region. The NATO states hope this will pave the way for the Warsaw Pact and the neutrals to accept the same language. The Turks, influenced by strong demarches from several NATO governments, are now unlikely to hold up the summit meeting. Turkish Foreign Ministry officials recently have muted their calls for Turkish Cypriot representation in Helsinki

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Israeli aircraft yesterday attacked a fedayeen base near the coastal city of Sidon in southern Lebanon.

The base, which has been the target of previous attacks, is in or near Ein el-Hilweh, the largest Palestinian refugee camp in Lebanon. Preliminary press reports indicate that four were killed and over 20 wounded. An Israeli jet was shot down; one of its two pilots was reportedly captured; the other killed. This is the second raid on guerrilla bases in Lebanon since a terrorist bombing in Jerusalem killed 14 people on July 4.

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China-Thailand: Chinese leaders emphasized the compatibility of their Southeast Asian policies with the interests of other governments in the region

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China-Iran

(Page 4)

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Notes: Laos; Cambodia; India; CSCE; Angola-Portugal
(Pages 5 and 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**CHINA-THAILAND**

[redacted]

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Chinese leaders put unprecedeted emphasis on the compatibility of China's Southeast Asian policies with the interests of countries in the region.

[redacted] Mao [redacted]
 [redacted] played down the importance of Thailand's communist party. Using his own fight against the Kuomintang as an example, Mao advised [redacted] in dealing with the communist insurgency in Thailand, the most important step was to negotiate with insurgents while the government was still the stronger party. Mao cautioned that the government should revert to military suppression only if negotiations fail. He also warned that the insurgents would only become stronger if government soldiers were sent out to harass and kill them. He suggested that this had happened to the non-communist governments in South Vietnam and Cambodia.

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[redacted]
 [redacted] Moscow would probably use its assistance to the North Vietnamese to "make demands" on Hanoi, such as the establishment of Soviet bases in Vietnam and transit rights for Soviet personnel and equipment. The implication was clearly that the Soviets would try to use Vietnam as a staging ground for expanding its influence in the region.

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[redacted] Peking would attempt to persuade Hanoi not to assist the Soviets, but asserted that, if [redacted] efforts were unsuccessful and the North Vietnamese attacked Thailand, China would come to Bangkok's assistance.

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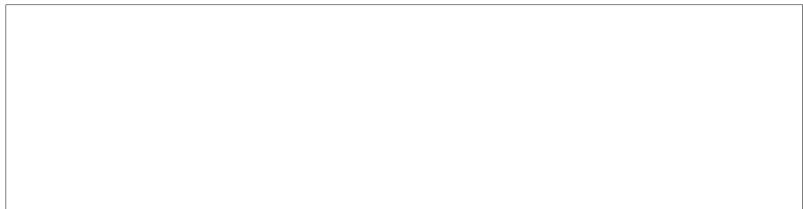
Peking attaches great importance to improved relations with Bangkok. Although they certainly have not ruled out continuing their low-level support to Thailand's insurgents in the future, the Chinese currently are more concerned with winning allies for their anti-Soviet campaign.

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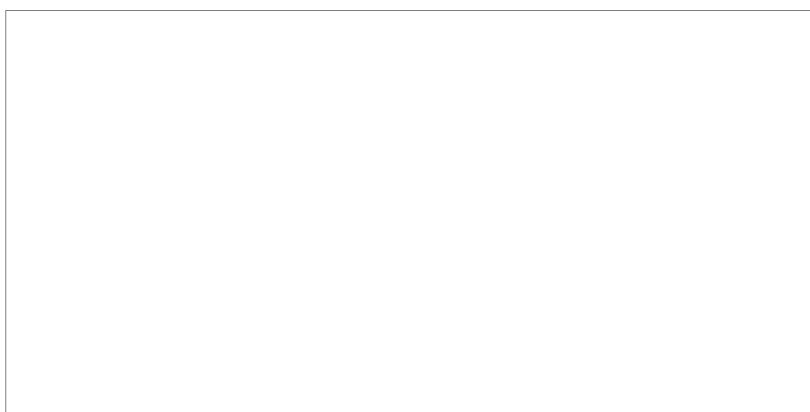
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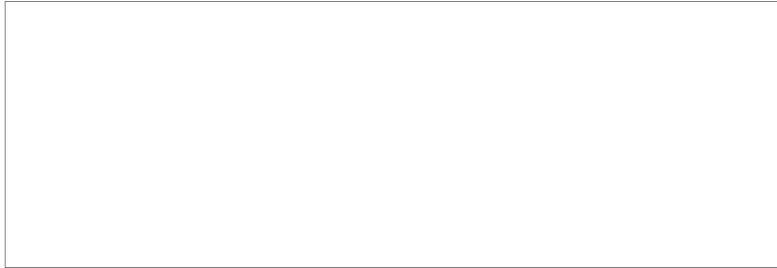


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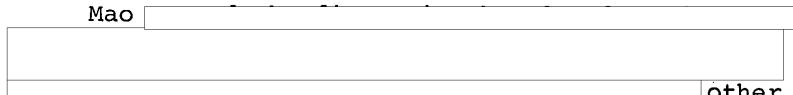
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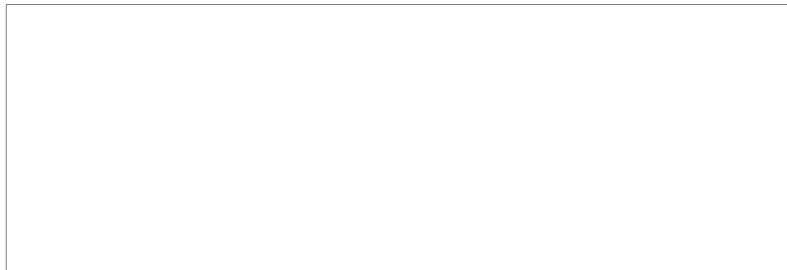


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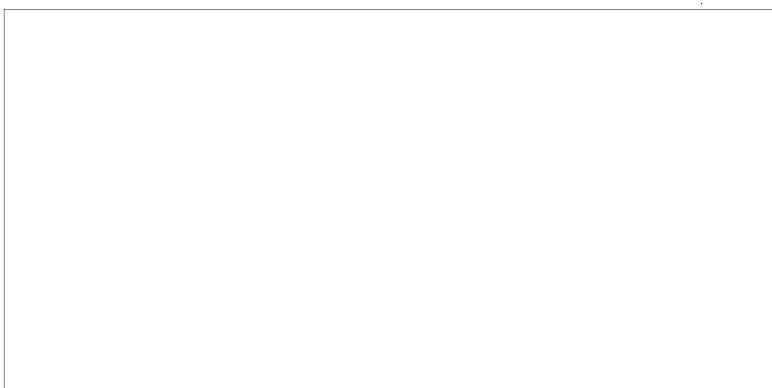
other

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foreign leaders who had become his "friends"--President Nixon, Prime Minister Tanaka, and Emperor Haile Selassie--"very quickly had great problems." The Chairman also showed considerable sensitivity on the subject of how he was treated, noting rather petulantly that the leaders of the Thai Communist Party had never visited him. This concern about being ignored was also evident in material that surfaced during the Cultural Revolution.



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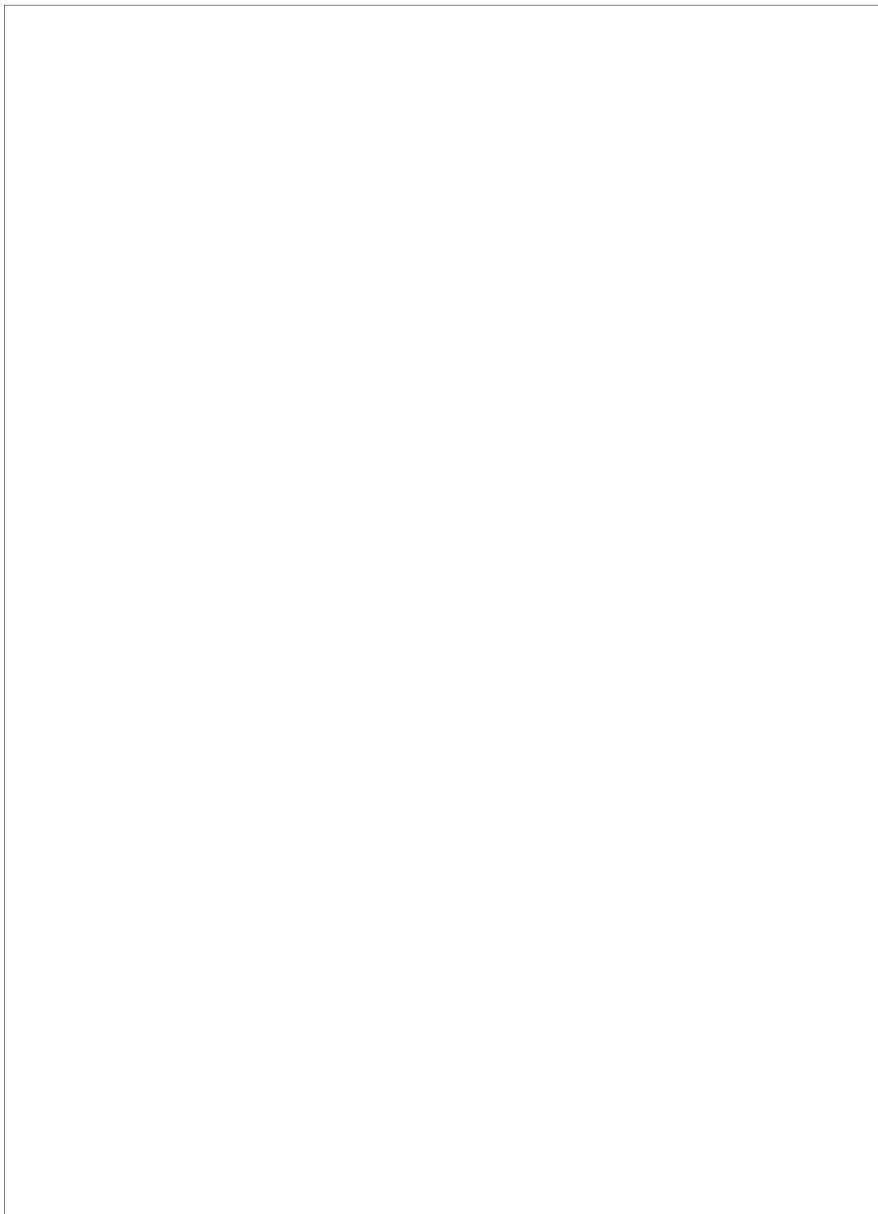
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CHINA-IRAN



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NOTES

The Laotians agreed yesterday to return the USIS warehouse in Vientiane to US control.

The return of the warehouse closely follows the arrival in Vientiane of hard-line replacements for the three relatively moderate communist ministers recently placed on sick leave. The most important of the new officials, acting deputy prime minister and foreign minister Phoune Sipraseuth, slipped into Vientiane with little fanfare last week. Soon after his arrival the foreign ministry officially communicated the government's desire to begin new aid negotiations with the US. A number of thornier issues remain. Demonstrators and police still occupy two US compounds in the capital and Lao officials are still refusing to return property seized by demonstrators.

* * *

Cambodian border defense forces killed over 100 civilians on July 5, according to a Cambodian intercept, as they attempted to escape from northern Battambang Province across the Thai border.

Many of those trying to flee apparently were of Thai, Lao, and Chinese extraction. Thai border officials have now been ordered to prevent Thai border residents from entering Cambodia to bring out relatives.

* * *

The Indian Supreme Court has set August 11 to begin hearing oral arguments on Prime Minister Gandhi's appeal. The court's decision probably will not be reached until late summer or early fall.

Even if the court rules against Mrs. Gandhi, she may well remain in office. She could, for instance, have the election commissioner, whom she appointed, lift the penalty attached to her conviction, which calls for her exclusion from public office for six years. Media coverage on both the parliamentary session and the court case are proscribed. The government has tightened censorship regulations, and there appears to be increasing likelihood that several more foreign correspondents will be expelled.

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FOR THE PRESIDENT ONLY

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Conferees at the European security conference yesterday agreed on July 30 as the opening date for a summit at Helsinki.

During yesterday's session, final agreement was also reached on language concerning follow-on procedures for the conference and a clause protecting Allied rights in Berlin and Germany. Negotiations--primarily concerning confidence-building measures--will probably continue for several days, even though today has been set as the deadline for resolving all issues.

* * *

Heavy fighting resumed in Angola yesterday between the two major insurgency groups. Portugal's concern over the deteriorating situation was reflected by the sudden departure of Foreign Minister Melo Antunes for Luanda on Sunday.

The prestige of Portugal's military government rests heavily on the success of its decolonization policy. It also wants an end to the violence in order to stem the growing tide of Portuguese refugees. Antunes, a key moderate, said that Lisbon had "reached its limit" in efforts to bring peace to Angola and might now seek intervention by some international body.

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July 16, 1975

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Egypt: Foreign Minister Fahmi yesterday declared that Egypt cannot now agree to renew the UN mandate which expires on July 24. This is clearly designed to give a push to the negotiations for a new Sinai disengagement agreement. (Page 1)

Portugal: The Socialists' first mass rally since leaving the government was held without incident. (Page 3)

Angola: The resignation from the government of the chief representative of the National Front for the Liberation of Angola effectively destroys the transitional political arrangement that has existed in the territory for the past six months. (Page 5)

Notes: Australia; India; China (Pages 6 and 7)

FOR THE PRESIDENT ONLY

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EGYPT

Egyptian Foreign Minister Fahmi yesterday informed UN Secretary General Waldheim that Egypt cannot now agree to renew the mandate, which expires on July 24, for stationing UN forces in the Sinai. Fahmi claimed that Israel is using the UN presence to perpetuate its occupation of Egyptian territory. The timing of the Egyptian notification is clearly designed to signal the limits of Egypt's patience and to put more steam into the negotiating process.

To back up its argument, Egypt [redacted] has put its armed forces on alert.

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In his letter to Waldheim and in a later press conference in Cairo, Fahmi clearly left open the possibility that real progress toward a Sinai disengagement agreement before the expiration date might alter Egypt's position. He said that Egypt is not calling for the removal of the UN forces and seemed to imply that the Egyptians would not necessarily object if the UN Security Council renewed the mandate without Egypt's express consent. He also seemed to be saying that Israel and the US still have time to alter Egypt's decision.

In his press conference, Fahmi said Egypt still welcomes US efforts to mediate a disengagement agreement. He also laid much of the responsibility for pressuring Israel on the UN. Egyptian media have shown obvious chagrin at Israeli Prime Minister Rabin's statement last weekend that an interim agreement could take weeks or even months to negotiate.

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Fahmi's formulation serves a dual purpose for the Egyptians. It avoids both directly provoking a breakdown in negotiations and some of the stigma that would accompany an eventual resort to military action if Cairo comes to believe that negotiations are leading nowhere.

Israeli officials, in their initial comments to the press, have confined themselves to reiterating Tel Aviv's standard position; i.e., Israel will not be pressured into an agreement with Egypt under the threat of deadlines and recognizes no connection between dates such as that for the expiration of the UN mandate and the current indirect negotiations with Egypt.

Jerusalem Radio's international service, in a broadcast prior to the Egyptian announcement, claimed Israeli government officials would regard the expiration of the UN mandate as a "technical violation" of the disengagement agreement, not significant in itself.

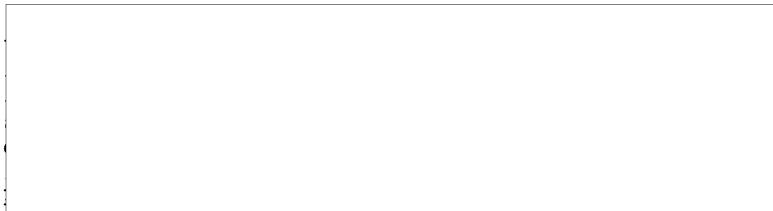
In an apparent effort to force a decision quickly, however, Tel Aviv reportedly has asked the UN Security Council to extend the mandate for six more months.

FOR THE PRESIDENT ONLY

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PORUGAL

No violent incidents were reported yesterday as thousands of Socialists held their first mass rally since they withdrew from the government last Friday. Tensions remain high in Lisbon, however, and mounting political and economic problems may push political activists of all stripes to consider the use of force.



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[redacted]
 the Socialists must be prepared to defend themselves against the Communist Party's militia and the pro-communist Portuguese Democratic Movement's "urban army," [redacted]
 [redacted] the Portuguese army is too disorganized by its own internal power struggles to be able to deal effectively with actions initiated by the political parties.

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Since the unsuccessful coup attempt on March 11, Portuguese plotters both inside and outside the country have generally operated on the assumption that a new move to topple the regime could not succeed until economic deterioration had completely eroded popular support for the government. [redacted]
 [redacted] most dissident groups believe this point will not be reached for another several months and are planning accordingly.

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Any attempt to move up the timetable to take advantage of the present situation would risk the same kind of poorly prepared and uncoordinated effort that led to the debacle in March and the Armed Forces Movement's subsequent sharp turn to the left.



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[redacted] Azoreans [redacted] claim to represent the separatist movement on the islands that a revolt there will come within the next few weeks. The separatists claim that the revolt will be supported by army troops in the Azores, most of whom are native Azoreans. They seem convinced that Lisbon could not quash a revolt so far from the mainland. [redacted]

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ANGOLA

The resignation from the government of Johnny Eduardo Pinnock, chief representative of the National Front for the Liberation of Angola, effectively destroys the transitional political arrangement that has existed in the territory for the past six months. The Front has reportedly withdrawn its forces from Luanda after almost a week of heavy fighting with the Popular Movement for the Liberation of Angola.

Pinnock, who fled Luanda on Monday, made his announcement from Kinshasa. He also generally confirmed an earlier report that Agostinho Neto had been ousted as president of the Popular Movement for the Liberation of Angola, stating that the Movement had been taken over by "extremist elements."

The Front's withdrawal from Luanda apparently has produced a lull in the fighting. According to Portuguese military officials, 5,000 Front troops are now advancing on the capital from northern Angola. If these troops are indeed on their way, they will have to pass through territory controlled by the Popular Movement.

Portugal still has approximately 24,000 troops in Angola, most of them stationed in and around the capital. They have refused to intervene in the recent fighting.

FOR THE PRESIDENT ONLY

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NOTES

Australian Prime Minister Whitlam scored a qualified victory on Monday when the Labor Party caucus supported his dismissal of former deputy prime minister Cairns.

Whitlam's satisfaction over caucus backing on the sacking of Cairns was tempered, however, by its selection of Overseas Trade Minister Frank Crean to replace Cairns as deputy prime minister.

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The Labor Party's narrow victory in state parliamentary elections in South Australia last weekend, following a series of electoral reverses, gives some small comfort to the Whitlam administration and, for the time being, eases pressures for national elections.

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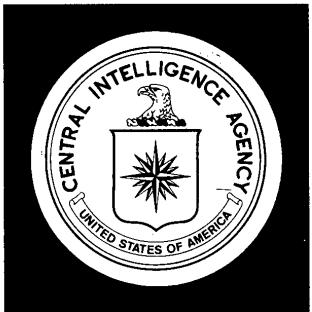
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Egypt-Israel: Cairo now seems to be taking a somewhat harder line on what it will require to permit the continued presence of UN forces in the Sinai beyond the expiration of the UN mandate on July 24. (Page 1)

Spain: Madrid appears likely to maintain its tough line in next week's round of base negotiations with the US. (Page 3)

Portugal: Moderate officers plan to use the withdrawal of the Popular Democrats from the government to remove Prime Minister Goncalves and other radicals. (Page 5)

Notes: Lebanon; Japan; Portugal-Angola (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-ISRAEL

Egypt now seems to be taking a somewhat harder line on what it will require to permit the continued presence of UN forces in the Sinai beyond the expiration of the UN mandate on July 24.

In announcing the decision not to extend the mandate, Foreign Minister Fahmi had implied that Egypt might not object if the UN Security Council extended the mandate without explicit Egyptian approval. Subsequent statements by Fahmi and other officials, however, indicate that Egypt may insist on some new substantive action by the Security Council.



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Waldheim himself has announced that it is his understanding that the Egyptians want a resolution that will assist in "implementing" previous Security Council decisions on Israeli withdrawal. It is not clear from this statement if Waldheim intends to make a distinction between "implementing" or merely "calling for" an Israeli withdrawal. We do not know if the Egyptians would be satisfied with a Security Council resolution that only advocated a pull back without taking steps to effect it.

At his press conference on Tuesday, Fahmi suggested obliquely that economic or other sanctions might be invoked against Israel. The Egyptians may insist that the imposition of sanctions--which they could interpret as tangible pressure on Israel to "implement" a withdrawal--is the only Security Council action that would induce them to permit continuation of the UN presence in Sinai.

Fahmi himself took a more categorical position in a statement issued yesterday in response to Israel's request for a six-month extension. Using language that left less room for flexibility than anything he said on Tuesday, he labeled the Israeli

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request ridiculous unless it implied that a withdrawal would precede the UN extension. For now, Fahmi declared, the UN forces "are stationed on Egyptian territory and cannot remain without the approval of the Egyptian government."



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Tel Aviv has so far continued to take a low-key approach in reacting to the Egyptian statements.

Prime Minister Rabin's handling of the issue in the Knesset yesterday was restrained, and he reiterated Israel's determination to continue to seek another interim agreement. He reminded his colleagues that Israel's adherence to the January 1974 disengagement agreement is based on reciprocal Egyptian adherence. Characterizing the UN force as an "integral" part of that agreement, the Prime Minister called on Cairo to continue to respect the existence and authority of the force if it wants to preserve the agreement.

The Israeli press continues to emphasize that Cairo's pressure tactics will not stampede Tel Aviv into concluding a new interim agreement. Commentators are emphasizing that there may be an element of bluff in the Egyptian position; one of Israel's largest dailies editorialized yesterday that only "fools" would take seriously Egypt's threat not to extend the UN mandate.

FOR THE PRESIDENT ONLY

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SPAIN

Madrid appears likely to maintain its tough line in next week's round of base negotiations with the US.

According to a Spanish foreign ministry official, Foreign Minister Cortina still believes that France, West Germany, and the US--acting in concert--should be able to overcome the opposition of NATO's small north European members to a link with Spain. Cortina's optimism on this score appears to be based on his meeting with French President Giscard last month.

It is unlikely that Giscard made any specific promises of French support. Cortina's impression may be based on a misreading of the French restatement of their endorsement of eventual Spanish ties with the EC and NATO. France wants to expand its commercial relations with Spain, but rules out closer political ties while Franco remains on the scene.

In earlier negotiating sessions, the Spanish civilian negotiators have appeared intent on obtaining major political objectives. They now profess to realize that they cannot get a security guarantee from the US. They say they will concentrate instead on obtaining recognition of Spain's contribution to Western defense through a link to NATO. The civilian negotiators believe that if neither of these political objectives can be obtained, the US presence in Spain must be sharply reduced. The latest Spanish proposal involves the loss of all US air base facilities in Spain, with only the naval facilities at Rota to be retained.

The military negotiators appear to have a more realistic approach to their chances of achieving [redacted] Spanish objectives.

[redacted] the Spaniards realize that neither a mutual defense treaty with the US nor full membership in NATO is possible now, and they would settle for some form of strategic coordination between Spain and NATO. If none of these objectives can be obtained, the US must grant Spain sufficient military aid to justify permitting the US to maintain military bases in Spain.

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At the seventh negotiating session early this month, Madrid presented an extensive list of equipment it wants, totaling some \$2 billion. Spain's military leaders wish to establish a direct link between their aid requests and extension of US base rights in Spain. They envision a one-to-one relationship--a specified amount of equipment for each principal facility desired by the US. Spanish insistence on this linkage would severely complicate negotiations.

FOR THE PRESIDENT ONLY

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PORtUGAL

Moderate officers in the Portuguese Revolutionary Council--with the approval of President Costa Gomes [redacted] are planning to use the Popular Democrats' withdrawal from the government to remove Prime Minister Goncalves and other radical officers from the government.

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After the Popular Democrats withdrew from the cabinet last night, the military dissolved the provisional government. According to press reports, Goncalves has been charged with forming a new cabinet; an official military spokesman said it will "not be a coalition or exclusively military."

[redacted] the moderates plan to frustrate Goncalves' efforts to form a new cabinet, thereby forcing him to resign. [redacted]

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[redacted] the moderates now have a majority in the Council lined up against Goncalves.

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The moderates' move is by no means assured of success. The Prime Minister was forewarned by an effort Foreign Minister Antunes made last week to unseat him. The more moderate officers in the Armed Forces Movement, moreover, have in the past lacked the strength or the will to overcome the radicals. If they make anything less than an all-out effort this time, they are likely to fail. Another lurch to the left by the government would almost certainly follow.

The moderates' chances would be enhanced if the security forces commander, General Otelo de Carvalho--who also opposes the Prime Minister--joins their effort. The Socialists, who have sympathetic contacts with the Revolutionary Council, are probably delaying any showdown with the military until the Council moderates make their move. They have, however, called a series of rallies throughout the country during the rest of the week.

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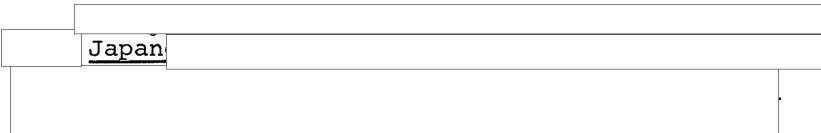
NOTES

Lebanese Prime Minister Rashid Karami on July 15 won a parliamentary vote of confidence more quickly and by a wider margin than any Lebanese prime minister in recent years.

The vote does not reflect any particular enthusiasm for the substance of Karami's policy statement. Rather, it demonstrates the eagerness of the country's normally disputatious politicians to calm the tense political and security situation in Beirut.

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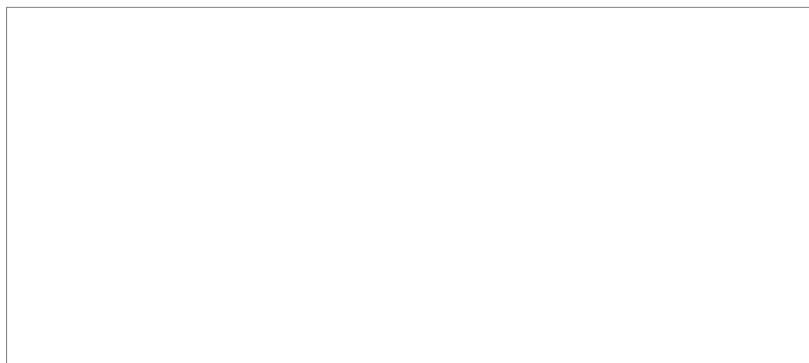
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Portuguese troops are patrolling Luanda, Angola, to prevent looting and further hostilities between the Popular Movement for the Liberation of Angola and the National Front for the Liberation of Angola.

Portuguese officials in Luanda are anxious to repair the shattered structure of the transitional government. They have been in touch with officials of the Popular Movement, although as of yesterday they had not made contact with Agostinho Neto, whom apparently they still believe is in charge of the Movement.

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FOR THE PRESIDENT ONLY

July 18, 1975

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Egypt: A member of Egypt's UN delegation has given the most specific indication yet of what Cairo is seeking in return for renewal of the UN mandate--a Security Council resolution emphasizing that the UN force is responsible for supervising Israeli withdrawals. (Page 1)

Egypt

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Laos: The Lao communists are moving to eliminate any foreign diplomatic presence outside Vientiane. (Page 3)

Notes: Portugal; Japan; North Vietnam (Page 4)

Annex: We discuss the problems and options of Italy's Christian Democratic Party.

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EGYPT

Egypt's second-ranking representative to the UN told the US mission yesterday that Cairo's objective on the issue of renewing the UN mandate is to include wording in the Security Council resolution emphasizing that the UN force is responsible for supervising Israeli withdrawals. This is the most specific indication the Egyptians have yet given of the kind of formulation that might satisfy them and implies that Cairo wishes to facilitate the continued presence of the UN force.

The Egyptian envoy stressed that Cairo does not want to upset US-mediated peace negotiations by its actions at the UN, and he noted that his government is aware that unbalanced language in a Security Council resolution could provoke a US veto. The Egyptians hope, he said, to work in close consultation with the US mission on mutually acceptable language.

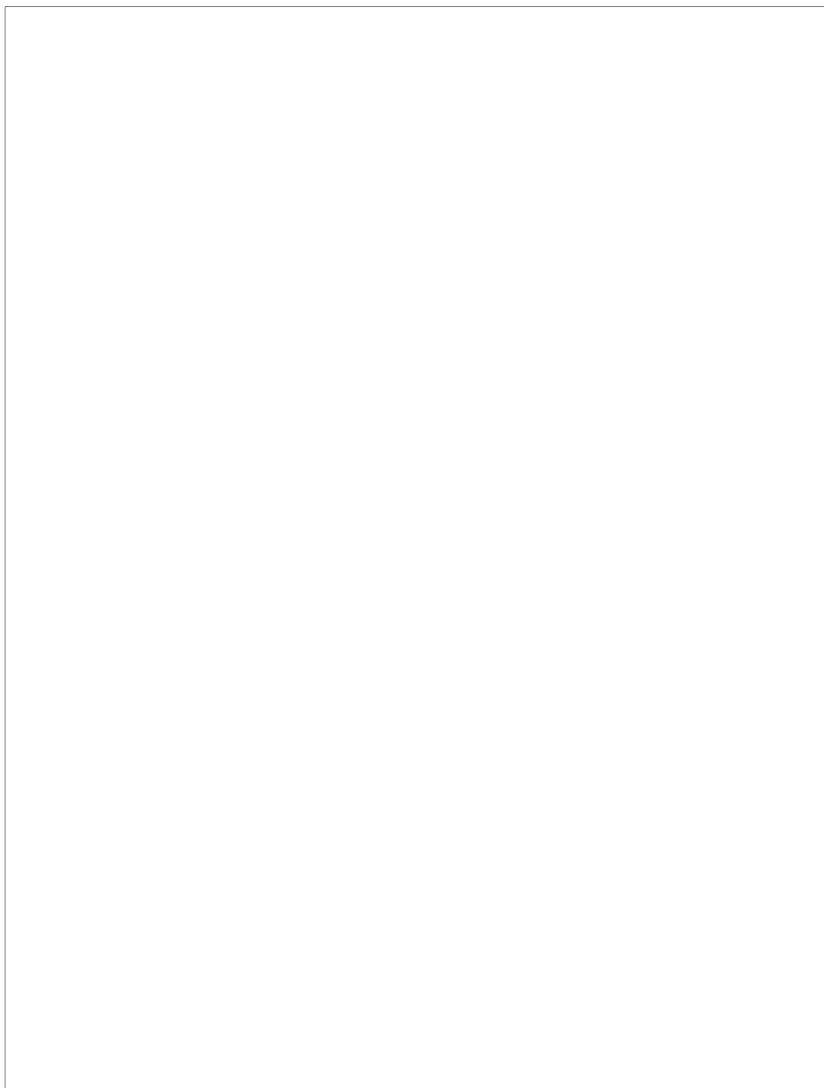
The Egyptian did not comment on the duration of any extension that might be acceptable to Cairo. It is doubtful that Cairo would accept the six-month extension Israel has requested, and it might not agree to more than a month.

Nor is it clear whether Israel would accept Egypt's proposed wording on the function of the UN force. Israel's acting permanent representative told Ambassador Moynihan yesterday that Tel Aviv is not prepared to accept anything that goes beyond the language of past resolutions on mandate extensions.

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EGYPT



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LAOS

The Lao communists, having forced a drastic reduction in the size and role of the US mission, are focusing on the activities of other diplomatic missions and are moving to eliminate any foreign diplomatic presence outside Vientiane.

The Thai, who have been subjected to virulent propaganda barrages for months, closed their three consulates last week because of uncertainty about the safety of their personnel. The French have been asked to close their three small military training missions in the provinces, and the Japanese and Australian voluntary agencies have heard suggestions that they end all activities outside the capital.

The communists appear determined to prevent any foreign observation of their activities in the countryside and strictly limit non-communist missions in Vientiane. Although these missions have been spared intense harassment, diplomats are finding it increasingly difficult to transact even the most mundane business with the government. In addition, the government has thrown up bureaucratic barriers to travel by foreigners outside the city. Leftist student spokesmen, who were involved in the anti-US demonstrations, now are saying that they wish to examine the size of diplomatic missions and recommend limitations.

The French, British, Australians, and Japanese provide much-needed economic assistance through the Foreign Exchange Operations Fund and small aid projects. The communists clearly want to continue receiving this assistance, but only on their own terms. After years of austerity in the caves at Sam Neua, most communist leaders see no urgent reasons to accommodate non-communist aid donors.

The Lao communists are just beginning to react to the prospect of an end to US aid. In recent informal conversations with Western diplomats, two mid-level communist officials expressed shock. One of these officials indicated that he believed such aid was due Laos under the Lao peace agreements, but said that the government would not beg. The Lao so far have shown no sign whether they will accept continued diplomatic relations with the US in the absence of new assistance.

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Portugal

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Japanese officials are concerned over the possibility of further violence in Okinawa during the International Ocean Exposition, which formally opens there tomorrow.

Leftists are protesting a variety of "injustices," including US and Japanese neglect of Okinawa since World War II, the large US base presence, and the continuation of the monarchy in Japan. The immediate concern of the Okinawa police, who are being reinforced by some 2,400 riot police from the main islands, is to prevent further incidents directed against Crown Prince Akihito, Prime Minister Miki, and other members of the cabinet who are present for the opening of the exposition. Japanese officials fear any incident involving US facilities or personnel could touch off increased criticism of US bases and cause embarrassment to both the US and Japanese governments.

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North Vietnam has issued a strong blast against Secretary Kissinger's criticism of the role of third-world countries in the UN.

The commentary, published in the official party journal Nhan Dan, indicates that North Vietnam is using the Secretary's remarks in an effort to increase third-world support for its own application for UN membership. The Saigon-based communist administration is likely to pursue a similar strategy.

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ITALY

When the leaders of Italy's Christian Democratic Party gather tomorrow to debate the implications of last month's regional and local elections, they will be preoccupied with one overriding fact: for the first time, the party is in real danger of losing its dominant position in national politics to the Communists. The Christian Democrats and Communists have been, respectively, Italy's largest and second largest party during most of the postwar period. Until the June contests there have never been less than 10 percentage points between them. In June, however, the Communists pulled to within about 2 percent of the Christian Democrats at the regional, provincial, and municipal levels.

The 120-member Christian Democratic national council--the party's principal deliberative body--faces two basic problems:

- How to minimize the damage to the party's position in regional and local governments.
- How to prevent the Communists from duplicating or improving on their performance in the next national parliamentary election, which must be held no later than 1977.

There is probably not much the Christian Democrats can do about the regional and local situation. Two weeks ago, the party's executive directorate called for the formation of center-left governments--i.e., coalitions composed of Christian Democrats, Socialists, Social Democrats, and Republicans--wherever possible. But the Socialists, whose moderate gains gave them the option in many areas of either joining center-left governments or linking up with the Communists, have so far shown a preference for alliances with the Communists.

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The Christian Democrats face a particularly difficult problem in deciding the line to take with the Socialists. Both the Socialists and Communists emphasize that their coalitions are open to all parties except the neo-fascists. This forces the Christian Democrats either to relinquish their share of power in many areas or join the Socialists and Communists in local governments. Such local alliances would inevitably be regarded as a move toward Communist chief Berlinguer's

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proposal for an "historic compromise" aimed at co-operation among the three parties at the national level.

In an effort to turn the situation around, the Christian Democrats will be critically reassessing their leadership and policies. Although Christian Democratic leaders generally say they do not want to make a scapegoat of party chief Amintore Fanfani, most seem to have concluded that he has to go. An overwhelming majority in the party's executive directorate broke with Fanfani on the issue of whether to postpone the reassessment until the party congress next fall. Prime Minister Moro [redacted]

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[redacted] is expected to withdraw his support at the council meeting. Thus, even if the council does not vote Fanfani out now--he says he will not resign--it will at least pave the way for his departure. He is likely to be out no later than the party congress in the fall.

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Maneuvering for a successor is already under way among the Christian Democrats' six factions. The largest of the center factions--which includes Foreign Minister Rumor and represents about a third

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of the party--does not now hold either the party leadership or the office of prime minister and may well provide the new leader. A front runner is 60-year-old Flaminio Piccoli--leader of the Christian Democratic delegation in parliament's lower house. Although regarded as a conservative, Piccoli appears to have had some success during the last few weeks in mending fences with Christian Democratic left-wingers, whose approval will be essential to anyone wishing to succeed Fanfani. Other prominent contenders are Rumor and Budget Minister Andreotti, who leads his own faction.

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The Christian Democrats will also have to decide on the composition of a government to follow Moro's Christian Democratic-Republican coalition--supported in parliament by the Social Democrats and Socialists--which everyone regards as a stopgap to bridge the June elections. The Christian Democrats do not have many options. They can:

--Pay the price the Socialists are demanding for their return to full participation in the center-left coalition. That would involve policy and ministerial concessions to the Socialists, along with a larger chunk of patronage. There are signs that the Socialists may also insist on some form of indirect participation by the Communists, such as formalized consultations on legislative matters.

-Insist on the traditional center-left formula, in which the Christian Democrats would continue to hold most of the power. The Socialists would balk, however, and the ensuing political battle could lead to an early national election.

--Try to revive the centrist coalition, replacing the Socialists with the small and conservative Liberal Party. Although mathematically possible, the nationwide decline of the Liberals in the regional elections would make the centrist alternative just another stopgap.

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In addition to these immediate problems, the Christian Democrats will have to address the longer range issue of their relations with the Communists. The election results suggest that Italians in increasing numbers view the Communists as a legitimate national party, so it will be difficult for the Christian Democrats merely to reiterate their opposition to the Communists on ideological grounds. The Christian Democrats are not likely to make a deal with the Communists, however, unless forced to do so by a decisive defeat in a national election. Still, there are bound to be pressures for a more open dialogue with Berlinguer's party, not only from the Socialists but also from the Christian Democratic left.

The heterogeneous nature of their party will make it difficult for the Christian Democrats to reach a consensus on these issues. Any course of action will alienate some of the party membership. That dilemma is particularly acute now, because Fanfani's campaign strategy resulted in a shift of the party's image to the right at a time when the country seems to be moving left.

It will be hard, too, for the Christian Democrats' diverse factions to break the ingrained habit of maneuvering for internal advantage even after policy decisions are taken. One symptom of this tendency is the party's chronic inability to impose discipline on its representatives in parliament when controversial issues are up for a vote.

The Christian Democrats could field new faces capable of improving the party's tired image only with a major internal upheaval that would risk alienating traditional supporters.

As the Christian Democrats struggle to overcome these problems, they will be competing with a Communist Party that seems united behind Berlinguer and bent on proving that it is a moderate party with the answers to Italy's problems. The latest example of the Communist post-election strategy came last week, when Communist labor leaders took the lead in encouraging Italy's major labor federation to seek maximum employment and temper wage demands in major contract negotiations this fall. The federation's strategy should encourage less protracted bargaining in the fall, unless some of the militant constituent unions refuse to go along. Deputy Prime Minister La Malfa, a frequent critic of labor's policies, praised the Communist-sponsored proposals as eminently sensible.

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The President's Daily Brief

July 19, 1975

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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

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PORUGAL

The power struggle between Communists and moderates appears to be nearing a showdown.

Despite Communist threats to prevent the demonstration in Oporto last evening, the Socialists opened all roads into the city and a crowd of more than 70,000 put on an impressive show of strength. Small groups of Communists dispersed quickly and there were reportedly only brief clashes.

A potentially more serious test of strength will likely occur today in Lisbon, where the Communists have set up a number of roadblocks in an effort to prevent another Socialist demonstration. Following a quickly summoned meeting of members of the Revolutionary Council yesterday afternoon, President Costa Gomes called in Socialist and Communist leaders for consultations and the military was put on full alert.

The spokesman for the Council subsequently announced that the roadblocks around Lisbon would be manned only by the armed forces--not to prevent people from entering Lisbon, but "to check only for possible reactionary elements." Discipline within the military is weak right now, and we are unsure what this may mean in practice.

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The Communists are increasingly apprehensive over whether they can retain the influence they have enjoyed through the radical officers who have dominated the Armed Forces Movement. The prospect of losing their main peg to power--Prime Minister Goncalves--appears to have stiffened their determination to meet the moderate challenge.

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[redacted] President Costa Gomes has decided he must support the moderates in their attempt to oust Prime Minister Goncalves in the Revolutionary Council meeting today or risk a further erosion of his own power base.

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Moscow has placed itself more fully and openly on the side of the Portuguese Communists and Armed Forces Movement in the current political crisis.

Over the past few days signed commentaries have appeared in Izvestiya and Pravda pillorying the Portuguese Socialists and expressing support for the Armed Forces Movement. The Izvestiya commentary, going further than Moscow has heretofore, asserts that the "new Portugal" can count on active economic and political support from the "socialist" countries.

Moscow's more forthright backing of the Armed Forces Movement and the Portuguese Communists suggests the Soviets expect the rapidly developing crisis will soon come to a head. The Soviets clearly want to be publicly aligned with the "progressive" forces, and they may be under pressure from the Portuguese Communists to take a stronger stand. If, as Moscow apparently believes, the Armed Forces Movement comes out on top, the Soviets will be in a better position in Lisbon. Even if things go badly for the Portuguese Communists, the Soviet gesture of support at a critical juncture could help protect Moscow from criticism within the communist movement.

FOR THE PRESIDENT ONLY

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INDIA

We present the key points of an interagency memorandum, India's Political Prospects over the Next Year, July 18, 1975.

Prime Minister Gandhi's recent repressive actions, though technically lawful, have substantially changed India's political system.

She has dramatically tightened her control and is likely to remain in power for at least the next year.

--Within the Ruling Congress Party, opposition to Gandhi is unlikely to grow serious enough to jeopardize her position.

--Anti-Congress opposition groups will probably remain unable to mount a major challenge for some time.

--The security forces are likely to remain loyal to the Prime Minister's constitutional authority and to be able to contain protest activities.

The Indian Supreme Court's decision on Gandhi's alleged campaign violations is not likely to lead to her removal as Prime Minister.

--Even if the decision were adverse, she probably would take steps that would enable her legally to remain in office.

--In the unlikely event she did leave office, her likely successor would be Agriculture Minister Ram or Foreign Minister Chavan, either of whom would probably be less leftist-oriented than Gandhi and perhaps somewhat friendlier to the US and China.

The timing of the next national election will depend on Gandhi's reading of the mood of the country.

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--Under the state of emergency, the normal constitutional deadline for the next election-- March 1976--could be waived.

--Whenever the election is held, the Congress Party appears likely to win a majority.

In the foreign policy field, Gandhi may revive her campaign against alleged external threats, but she probably will not attempt foreign adventures or make any basic changes in policy over the next year.

India's longer term future is less clear.

--Monsoon failures and the inability of the government to get the economy moving could lead to serious unrest and instability.

--This could lead to even more sweeping controls and repressive measures.

--Gandhi might succeed in cowing all opposition by such action, but the chances of either the Congress Party replacing her or of the military stepping in to assume power would increase as would the possibility of general instability.

FOR THE PRESIDENT ONLY

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Egypt

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Syrian-Israel

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Canada announced yesterday that it will put phase two of the Foreign Investment Review Act into effect on October 15, giving the government full control over new foreign investment in the country. The move will be used to implement Prime Minister Trudeau's goal of keeping foreign ownership of new resource projects under 50 percent.

Under the expanded act, government screening of all foreign takeovers of Canadian firms will be extended to cover the large number of representative offices currently being set up by foreign banks. Foreign-controlled firms are particularly concerned because Ottawa now has the authority to limit their expansion into new lines of business. Ottawa will be tempted to use the act to pare US involvement in the economy. US firms own or control 44 percent of Canadian manufacturing, 58 percent of the petroleum industry, and 43 percent of the mining industry. Last year, US firms accounted for 95 percent of the \$445 million in new foreign direct investment.

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FOR THE PRESIDENT ONLY

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North Korea has consented to reopen talks with Seoul as part of a campaign to project an image of flexibility and reason.

Pyongyang has agreed to resume Red Cross negotiations next week on such problems as the reunion of separated families. At the same time, the North is sounding a softer note on its preconditions for a resumption of talks by the North-South Coordinating Committee to explore possibilities for political accommodation. The North Koreans are particularly anxious to enhance their prospects for membership in the conference of nonaligned nations in August and for passage of a resolution favorable to their interests at the UN General Assembly this fall.

[redacted] North Korea will announce a new peace proposal Sunday which could in essence be its proposed UN resolution.

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Iran, Iraq, and Saudi Arabia failed to agree on new steps to strengthen regional security cooperation during this week's Islamic Conference.

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[redacted] no decisions were taken because the majority of states were uninterested in moving quickly on the subject. Earlier this year, the Shah of Iran was encouraged by political developments in the Gulf to believe that the time was ripe for a formula under which Iran could play a greater peacekeeping role on the Gulf's western shore. The main obstacle to an agreement was apparently Saudi Arabia, with the smaller Gulf states probably following its lead. The Saudis do not believe a regional security arrangement is warranted and they certainly do not share the Shah's perception of a power vacuum on the western side of the Gulf that Iran should help fill. The Iranians can be expected to put the results of the conference in the best possible light. Nevertheless, the Shah's failure to get some sort of an agreement on security cooperation is a disappointment for him.

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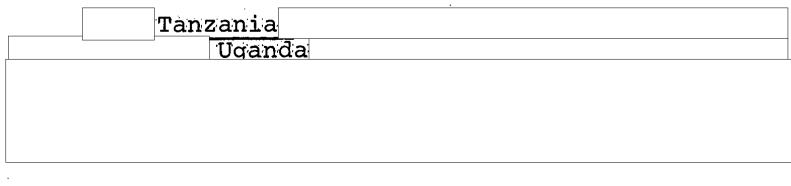
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Holden Roberto, the head of the National Front for the Liberation of Angola, reportedly has left Zaire to direct the Front's military operations in northern Angola.

Since the Angolan transitional government was established last January, Roberto has been under considerable pressure from Zairian President Mobutu, his chief backer, and from other Front leaders inside Angola to move to Luanda. His refusal to do so has seriously impaired the Front's military and political effectiveness. If Roberto is indeed in Angola, it appears too late for him to reestablish a military presence in the capital. The past week's fighting has left the Front virtually isolated to its tribal base in the north after being forced out of Luanda by the rival Popular Movement for the Liberation of Angola.

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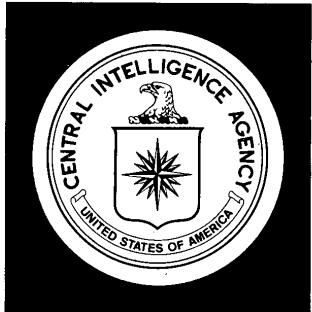
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The President's Daily Brief

July 21, 1975

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FOR THE PRESIDENT ONLY

July 21, 1975

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on the United Nations Emergency Force.

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PORUGAL

Portuguese Socialists put on an impressive display of public support over the weekend, demonstrating that they are a force that cannot be ignored by the military government or the Communists.

The Socialists brought out more than 70,000 supporters for a rally in Oporto Friday, and even more for a demonstration in Lisbon Saturday. Communist efforts to block the demonstrations were unsuccessful. There were only a few clashes between Socialist demonstrators and Communists manning road-blocks.

At the Lisbon rally, Socialist leader Soares called for the resignation of Prime Minister Goncalves. Soares was probably trying to encourage moderates in the Revolutionary Council [redacted]

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[redacted] The moderates hope to force Goncalves to offer his resignation by frustrating his attempts to form a new cabinet [redacted]

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The Portuguese Communist Party is using its influence over the news media to support Goncalves, claiming he is essential to the unity of the Armed Forces Movement. [redacted]

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[redacted] If Goncalves loses Communist support, his days will be numbered.

The Communists are increasingly concerned about their waning popularity in conservative northern Portugal. Troops have been used several times to disperse mobs bent on storming and sacking Communist Party offices in the north.

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NOTES

Negotiations at the European Security Conference reached agreement on military-related confidence-building measures and several other issues early Saturday morning to make possible final acceptance of July 30 as the opening date for a summit conference in Helsinki.

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The order of speakers at the summit was determined by lot on Friday. Prime Minister Wilson will be first, General Secretary Brezhnev is thirteenth and you will be twenty-sixth.

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Egyptian military forces apparently remained on alert during the weekend, and yesterday an Israeli broadcast reported that Israeli troops in Sinai were ordered to alert status.

General military activity appeared normal in Egypt. [redacted]

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EGYPT

We present an Intelligence Alert Memorandum on the Possible Implications of Egypt's Action on the United Nations Emergency Force.

The announcement last week of Egypt's refusal to extend the UN Emergency Force (UNEF) mandate in the Sinai Peninsula has thus far raised little stir. There have been no charges that Egypt is readying itself for war, despite the fact that its armed forces are on an increased state of alert. Israel has apparently not mobilized its forces, although it is closely watching Egyptian forces. Many Israelis, at least in public, are interpreting the Egyptian move as a pressure tactic that can be waited out and that will in the end prove to have been only another empty threat.

This memorandum examines the immediate implications of the Egyptian move--the possibility that the Egyptians are not bluffing, that they will order UNEF's removal if the UN Security Council does not within a week or so adopt a resolution of some substance, and that they recognize and perhaps intend that this removal will heighten the possibility of military clashes. The memorandum is meant not necessarily to predict, but to call attention to the dangers inherent in the Egyptian actions.

At the UN

Egyptian spokesmen have demanded, as the price for UNEF's continued presence, that the UN Security Council adopt a resolution on Israeli withdrawal that would "break the present stalemate" and constitute a "major step toward peace." What precisely this would entail has been left unclear. Egypt's UN ambassador has insisted on a "clear-cut, unambiguous" resolution imposing sanctions on Israel.

This memorandum was prepared July 19, 1975, by CIA and reviewed by appropriate analytical elements of the Bureau of Intelligence and Research (INR)/Department of State, DIA, and NSA. INR believes the memorandum is excessively pessimistic regarding the imminence of a Sadat decision to abandon the negotiating track or to order the withdrawal of UNEF.

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In a more moderate vein, Egypt's second-ranking diplomat at the UN has said Cairo will seek a resolution that defines one of UNEF's duties as the supervision of Israeli withdrawals. Whether moderate or more hard lining, the resolution Egypt seeks would, at a minimum, be less ambiguous than past resolutions on the Arab-Israeli situation.

The Egyptians have been careful to avoid reference to the US in their focus on the UN; they have made it clear that they want the US to continue efforts to mediate an interim Sinai agreement. An Egyptian UN diplomat has specifically stated that Cairo wishes to avoid provoking a US veto. The Egyptians would almost certainly extend the UNEF mandate if an interim agreement could somehow be concluded or firm agreement reached on some major aspect of it before the mandate deadline on July 24. If no concrete progress is evident by that time, however, and the issue does in fact come before the Security Council as more than a pro forma mandate extension, the Egyptians may then use the debate as the acid test of the efficacy of US-managed negotiations. President Sadat will probably make some accommodation to avoid a US veto, but he may have reached the point of impatience at which he would be less willing to accommodate and would no longer shy away from putting the US on the spot.

Beyond the Security Council

It is quite possible that the UN debate could be drawn out beyond the mandate deadline in order to postpone any Egyptian decision finally to request the evacuation of the Sinai buffer zone. The decision--if in fact the situation comes to this point--could also be taken, however, by the July 24 deadline, and Egyptian and Israeli forces could be meeting head-on in at least small-scale clashes in the buffer zone by the end of the month. If the UNEF buffer is withdrawn, it is expected that the Israelis and Egyptians will patrol the vacated zone, raising the risk of clashes that could escalate into major hostilities. Both sides may well increase their force dispositions and mobilize reservists.

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In the event an extension resolution satisfactory to the Egyptians is negotiated within the next week or so, the danger of accidental clashes would of course largely be obviated. But successful maneuvering on this resolution would, in the absence of a further disengagement, only postpone the danger of military action. Sadat seriously intends that his action on UNEF should signal his impatience with the pace of negotiations, and any extension now is likely to be brief--no more, perhaps, than a month. At that time, if he were still unsatisfied in negotiations, Sadat would be even more likely to follow through with an order to evacuate the UNEF zone; the danger of clashes, accidental or otherwise, would then be even greater.

A grave danger in the current situation lies in the possibility that Sadat will perceive that his action on UNEF is not being taken seriously by either the Israelis or the US and that he will run the risk of war, exploiting this lack of concern to mask his military preparations. Sadat is acutely conscious of the fact that because he did bluff, and fail to follow through, in the years before the 1973 war, he became a laughing stock of the Arab world and lost the attention of the superpowers. He is proud of the fact that with the war he surprised the world with his seriousness--proved, as he puts it, that the Arabs were not a "dead corpse"--and he is not likely again to risk a reputation for empty posturing. Sadat's action on UNEF is a gambit to gain attention and exert pressure for more rapid movement in negotiations, but he is not unaware that, if it is unsuccessful, he must either take further action or lose credibility and diplomatic leverage.

The Egyptians have lost no time in calling attention to the parallels between the situation now and that in the summer of 1973. At that time, Sadat took his final test of the US to the UN Security Council and, when the US vetoed a resolution condemning Israel, he set in motion his war machine while seeming to be concentrating only on diplomacy. Sadat is a two-track strategist; in 1973 he showed that he was working on a military track while simultaneously giving diplomacy a chance to work, and in the years of negotiations since the war, he has seriously prepared for the eventuality of hostilities.

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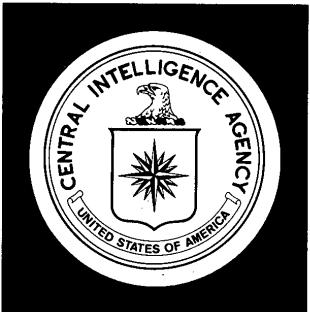
He is most likely to focus on the military option again when he perceives that his diplomatic efforts are not having effect and, equally important, that his political pressure is not being taken seriously. He would not signal his choice of a military over a diplomatic option, and he would not necessarily implement it immediately. The October war came more than two months after Sadat's final serious try at diplomacy through the Security Council debate in July 1973.

Sadat has said frequently that he would again take his case to the UN, if negotiations do not succeed, before going to war. If his Security Council effort fails, either next week or next month, he could decide that nothing more remains to be tried on the diplomatic track.

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July 22, 1975

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FOR THE PRESIDENT ONLY

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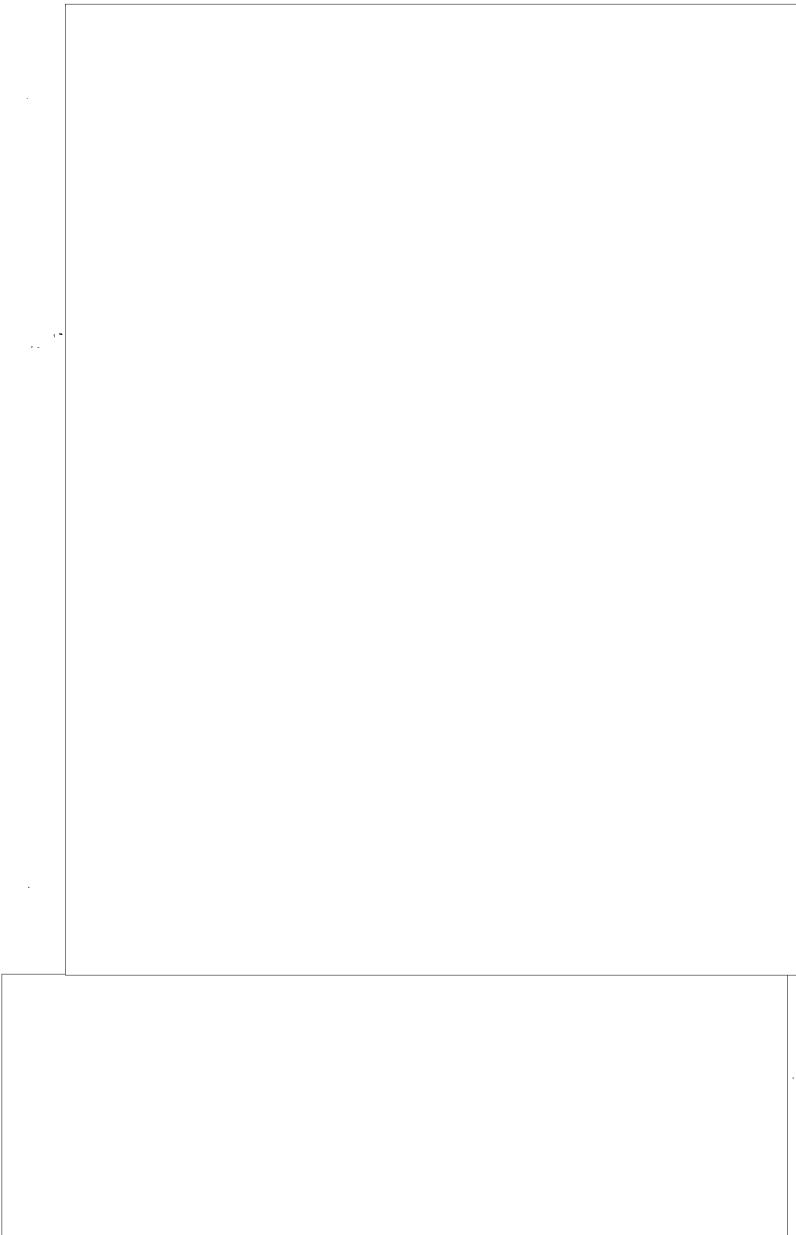
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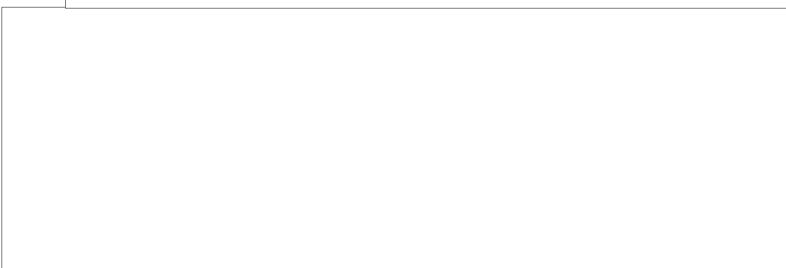
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ISRAEL-EGYPT



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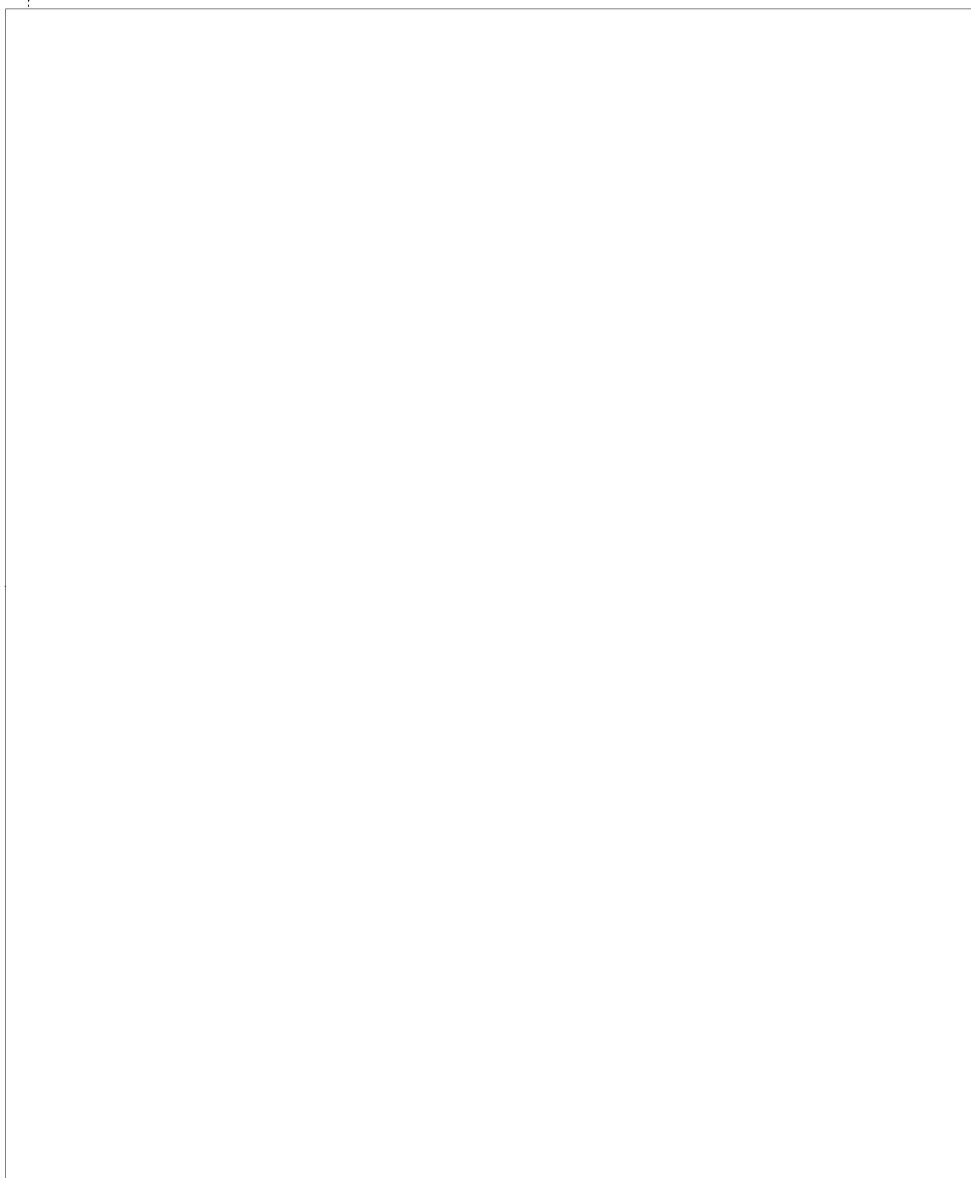


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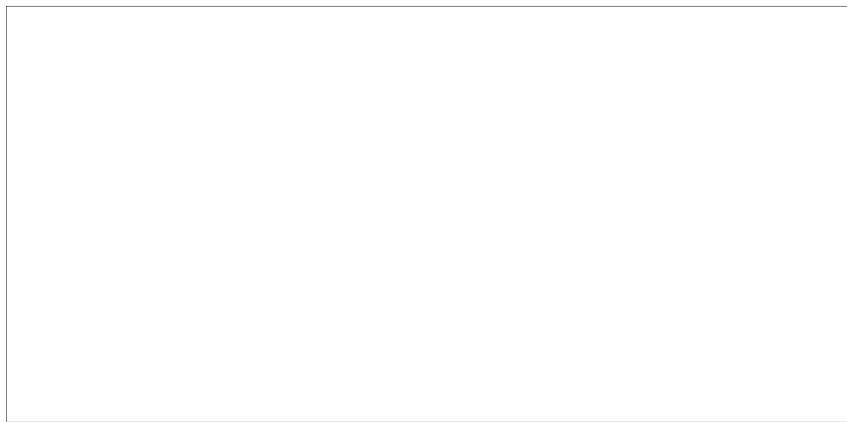
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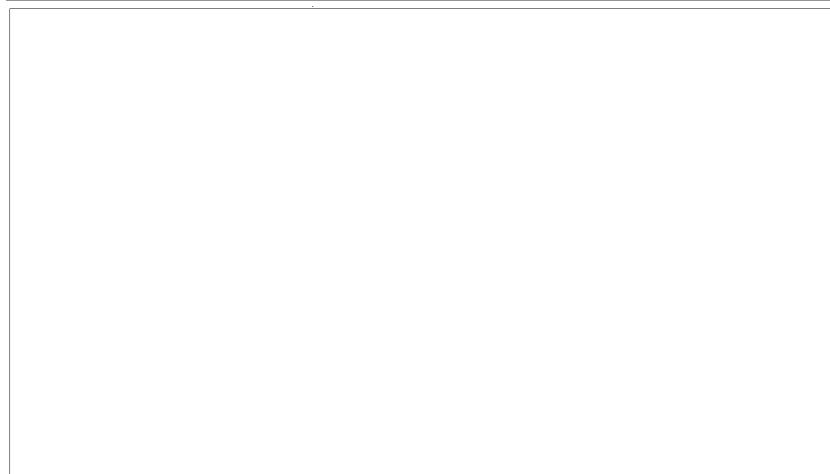
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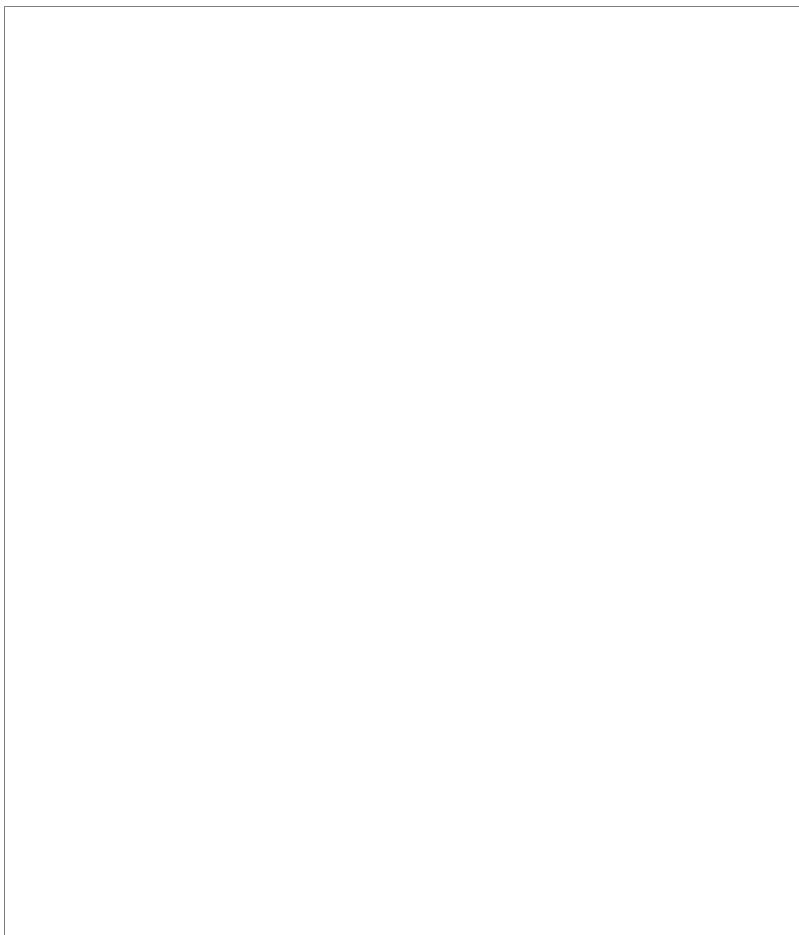
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

*Prime Minister Goncalves is still in
the center of the power struggle in Por-
tugal between moderates and Communists.*

The Communists are continuing to issue propaganda statements in support of Goncalves. The Socialists, meanwhile, are euphoric because they held successful rallies last weekend despite Communist and military attempts to stop them.

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FOR THE PRESIDENT ONLY

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SOMALIA

The Somali foreign ministry presented a note to the US embassy yesterday warning that continued US allegations of a Soviet base in Berbera could have "very serious consequences" for Somali-US relations.

The note states that the US has violated Somalia sovereignty by:

--Using a "spy apparatus" to take air photos of Berbera and other Somali territory.

--Distributing these photos to other countries for the sole purpose of damaging Somalia's reputation.

--Using US diplomatic personnel in Mogadiscio to indulge in "flagrant intelligence and spy activities."

The allegation of intelligence gathering by the US embassy in Mogadiscio may indicate that the Somalis intend to restrict even further the already circumscribed activities of US personnel; they are now not permitted to travel outside the city limits of the capital. President Siad may also move to reduce the size of the small US mission.

Although President Siad and other Somali officers privately admitted the existence of Soviet facilities in Berbera during Senator Bartlett's fact-finding trip in early July, the Somalis continue to deny publicly that there is a Soviet military presence in the Somali port.

The Organization of African Unity is currently meeting in Uganda, and the Somalis may feel the need to refurbish their third-world credentials. In an earlier protest note to the US in June, the Somalis proclaimed their deep commitment to a policy of nonalignment and insisted that a cardinal principle of their foreign policy was opposition to the establishment of any foreign military bases in the Indian Ocean region.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR.

Soviet security authorities took an unusually lenient approach to the Jewish activists who met recently with the visiting US Senate delegation.

Members of the Jewish group that met with the Senators said they were conscious of being under surveillance, but that they were not harassed either before or after the meeting. Only one of the three activists from other cities was prevented by local police from going to Moscow for the meeting.

The activists believe that this restraint stemmed from Soviet awareness that attempts to scuttle or harass the planned meeting would receive considerable publicity in the West and ultimately would redound to the political disadvantage of the USSR. One Jewish source added that while the security forces probably had no illusions about the views of some members of the US delegation on Jewish emigration and related issues, they let the meeting proceed on the assumption that the activists had little new to tell the Senators.

The security forces probably also knew that differences among the Jewish activists over tactics had complicated their planning for the meeting with the US delegation. The Soviets may have hoped that at least some of these differences would become apparent during the meeting and would demonstrate to the visitors that the Jewish community does not present a united front to the government. In the event, however, these differences do not appear to have inhibited the activists' discussions with the Senators.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

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Syria

Israel

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* * *

Iran has agreed to provide a unit for the United Nations Disengagement Observer Force on the Golan front.

Tehran's acceptance of a request by UN Secretary General Waldheim is indicative of the Shah's intention to play a more influential role in the Middle East. It also reflects his desire to strengthen moderate forces and promote a reduction of tensions in the region. Tehran is now waiting for formal approval by the Security Council and Israel.

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FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

July 23, 1975

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FOR THE PRESIDENT ONLY

July 23, 1975

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Egypt: President Sadat's speech yesterday had the effect of keeping tensions high in the Middle East
(Page 1)

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Turkey: Opposition criticism of the government's decision to postpone action against the US bases has been neither as severe nor as sustained as feared. (Page 3)

Notes: Angola; Portugal; Italy; Canada-USSR
(Page 4 and 5)

At Annex a discussion of CSCE: A Balance Sheet and Future Impact.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT

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[redacted] President Sadat maintained the tensions surrounding Middle East negotiations with his announcement last night that he has not yet decided whether to approve the extension of the UN forces' mandate in the Sinai, which expires tomorrow.

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Sadat acknowledged that the Security Council's appeal on Monday for a favorable Egyptian decision indicates a concern about "the gravity of the Middle East situation," but he said that in making its decision, Egypt will take into account the council's responsibility not only for easing tensions but also for "implementing" past resolutions on Israeli withdrawal.

Sadat implied that Egypt still expects the UN to adopt a resolution clarifying that the UN force will not be used to perpetuate the status quo. Foreign Minister Fahmi told Ambassador Eilts yesterday that Egypt still wants an "acceptable" resolution that states the urgency of movement toward a settlement.

Egypt's ambassador to the UN told Ambassador Moynihan yesterday that he expects Sadat to reply to the Security Council's appeal sometime today. If Sadat's response is positive, the Egyptian diplomat says an extension resolution could be based on the most recent UN resolution providing for UN forces in the Sinai, but it must also include a reference to the Security Council's appeal, Egypt's response, and a paraphrase of the Secretary General's recent report on the purposes of the UN force. The US embassy in Cairo has interpreted Sadat's failure to make a decision now on the UN mandate as an indication that he is leaving the door open for an extension.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Sadat did not mention the status of current negotiations at any point in his two-hour speech. The political congress he was addressing ends tomorrow, and he may speak again at its closing session.

The Israelis interpreted favorably Sadat's avoidance of the subject of negotiations. Quoting "senior observers" in Israel, Jerusalem's international news service reported their initial impression that Sadat is still interested in negotiations for an interim agreement and wants to keep the UN forces in Sinai.

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Israeli Defense Minister Peres told the Knesset yesterday that he was "taking seriously" the movement of Jordanian troops from the Syrian border to the Jordan River opposite Israeli forces. [redacted]

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[redacted] while the Jordanian deployment was "admittedly" of a "defensive nature," it could quickly change into an offensive posture. Peres did not suggest that Jordan had moved additional forces toward the Israel front over the past few days; rather he seemed to have had in mind movements that occurred over a month ago.

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FOR THE PRESIDENT ONLY

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TURKEY

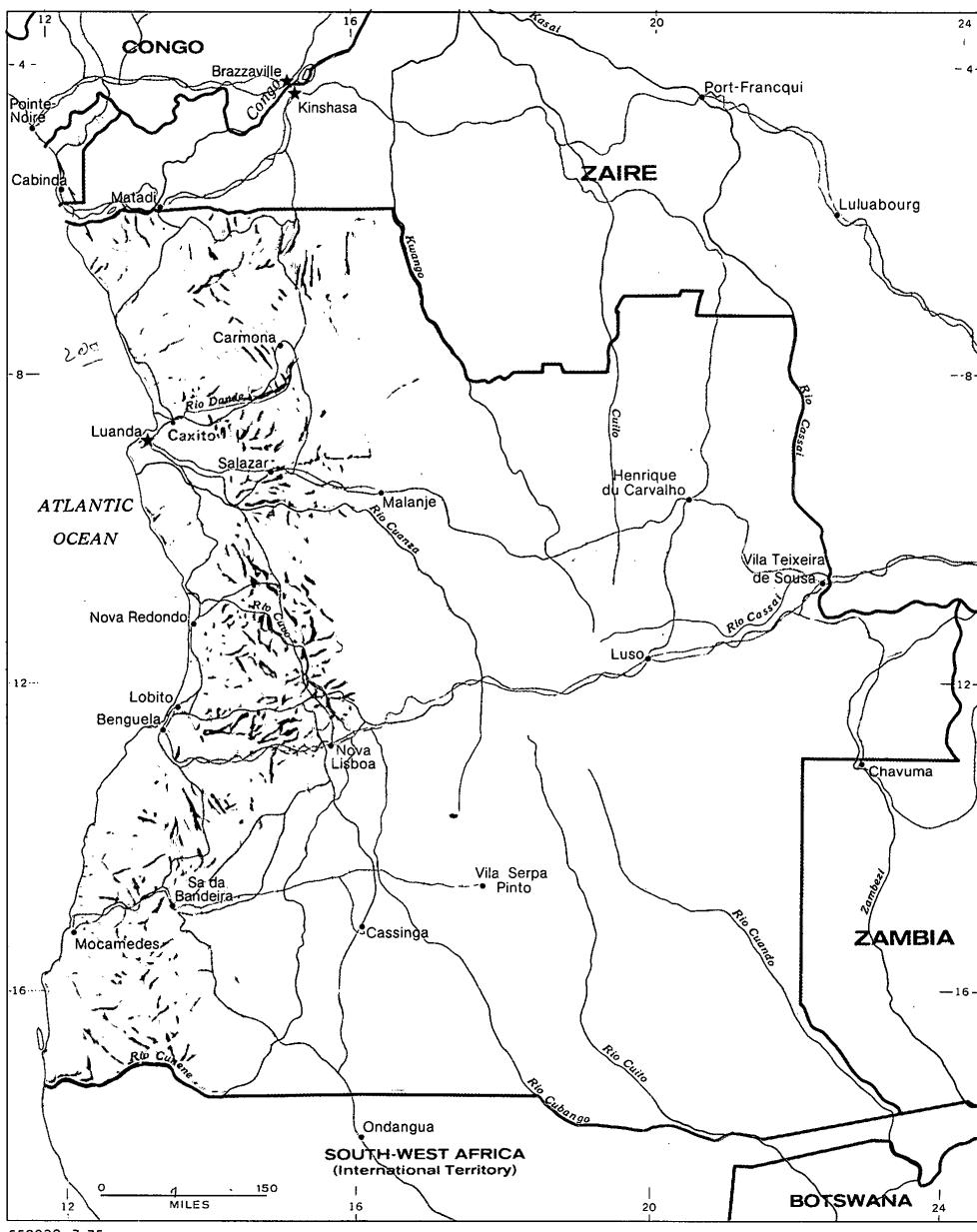
Opposition criticism of the Demirel government's decision to postpone action against the US bases has been neither as severe nor as sustained as the government had feared.

One leader of the opposition Republican People's Party has told a US embassy official that the party was exercising restraint because of the realization that there is little sentiment in Turkey for loosening ties with the US. Our embassy believes that Republican leaders do not want to open themselves to the charge that they forced the government to retaliate against US installations.

The Turkish government, despite this rather mild reaction, probably still believes that domestic political pressures require a new defense cooperation agreement with the US. According to the latest assessment from our embassy, the content of the new agreement will depend on the outcome of the Congressional debate on the arms embargo. Our embassy in Ankara believes the Turks will probably announce some form of provisional status for US installations as early as the end of this month, pending renegotiation of the defense agreement.

FOR THE PRESIDENT ONLY

ANGOLA



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FOR THE PRESIDENT ONLY

NOTES

An effort by troops of Angola's National Front to drive on Luanda has stalled near Caxito, 40 miles northeast of the capital, an area dominated by the rival Popular Movement for the Liberation of Angola.

The Portuguese military [redacted] in Luanda [redacted] protect it against an [redacted] offensive by the Front. [redacted] help defend the city for the Popular Movement if the National Front marches on the city. Recent substantial Soviet arms deliveries to the Popular Movement and harsher press treatment of the rival National Front indicate that Moscow is more firmly casting its lot with the Movement. [redacted]

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Two Portuguese Socialist Party officials' rejection of a request that they join the cabinet apparently reflects their party's continued commitment to a joint strategy with Revolutionary Council moderates of preventing Prime Minister Vasco Goncalves from forming a new government.

The two Socialist leaders [redacted] declined to accept cabinet posts [redacted]. The Prime Minister's position was further eroded by the refusal of three other non-communist members of the former cabinet to take posts proffered by Goncalves, and by the desertion of his key leftist economic advisers. Anti-communist mobs, meanwhile, defied the Revolutionary Council and continued to attack Communist Party headquarters and officials in northern and central Portugal.

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FOR THE PRESIDENT ONLY

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Amintore Fanfani yesterday resigned as leader of Italy's Christian Democratic Party after losing a vote of confidence at its national council meeting.

If he is replaced with another individual, rather than the "collegial leadership" desired by Prime Minister Moro, the new leader will almost certainly be a moderate who has reached an agreement with the party left. By ousting Fanfani, the Christian Democrats have met one of the conditions the Socialists have set for their joining a new center-left coalition government. The Socialists also want the Christian Democrats to shift their policies to the left and begin formally to consult the Communists on the content of the government's program.

* * *

The two Soviet cosmonauts aboard Salyut-4 are planning to leave their space station on Saturday for the return trip to Earth after 63 days in space.

This mission sets a new Soviet record for manned space flights, but it falls short of the 84-day record set by the crew of Skylab-4 in 1974.

* * *

Canada plans to close its ports on the east coast to the Soviet fishing fleet after July 28, according to the Canadian ambassador in Moscow.

The Canadians intend to take this step because of "consistent and flagrant" violations of existing fishing agreements and the failure of the Soviets to respond to 15 official approaches made by Canada. The Trudeau government has been under heavy pressure from its fishing industry and political leaders in the maritime provinces to halt overfishing by foreign fishing fleets--especially Soviet and Japanese--in Canada's North Atlantic waters. The Soviets appear to be the principal violators.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLYA
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X**CSCE: A BALANCE SHEET AND FUTURE IMPACT**

The summit of the Conference on Security and Cooperation in Europe is the culmination of negotiations that were frustrating as well as educational for all participants. For the Soviets the route to the summit was longer and bumpier than they anticipated. Nevertheless, they can, with some justification, view the successful conclusion of the conference as a triumph for their diplomacy. Moscow will gain more credit than anyone else for having persuaded the heads of 35 states to come to Helsinki in the name of European security. For Brezhnev, in particular, it will be a welcome accomplishment only six months before the next, and probably his last, party congress.

Soviet gains derive, in a sense, from the process of CSCE rather than from any specific wording of the document to be signed. In return for Western endorsement of the principle that post - World War II borders are inviolable, the Warsaw Pact states in principle accepted some constraints on their future behavior. The burden of implementing the agreements covering expanded human contacts, increased cooperation, and a reduction of political and military tensions will fall primarily on the communist states--but the pertinent articles give them considerable leeway on interpretation.

Constant exposure to the negotiating tactics of the Soviets was a useful reminder to the Europeans of the limits of detente diplomacy. The maintenance of solidarity throughout the negotiations was a major Western achievement.

The Inviolable Borders Question

The reason for Moscow's 20-year quest for inviolable frontiers in Eastern Europe rests in Soviet insecurity--a concern greater than would seem appropriate given the military balance in Europe, but nonetheless real. If the Soviet achievements at CSCE seem to be in the areas of atmosphere, psychology, and perception, they are no less meaningful to Moscow.

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FOR THE PRESIDENT ONLY

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The Soviets made a number of concessions in the wording of the CSCE agreement, but it may be that none was as significant as the unwritten obligation they assumed. The kinds of gains the Soviets have made at CSCE are exploitable only if the atmosphere remains undisturbed in Europe and Soviet behavior remains within the limits of acceptability. While no one would argue that CSCE will prevent the Soviets from taking any action that they considered vital to their interests, the CSCE atmosphere could have an effect on how Moscow weighs the pros and cons of any significant destabilizing action. There will almost certainly be differences within the Soviet leadership and between the USSR and the West over what is permissible, and the burden will be on the West to keep the margins as narrow as possible.

The Soviets also made some significant concessions to get CSCE. Before the conference began, Moscow had to:

- work out a satisfactory agreement on Berlin;
- accept US and Canadian participation;
- agree to enter the force reduction talks (MBFR).

In the conference itself, they were compelled to accept the idea that a CSCE agreement would include more than a statement of amorphous principles; indeed, it would cover tangible areas of considerable sensitivity to a closed society. There is good ground for skepticism about the practical consequences of the Soviet concessions of freer movement of people and ideas and the military-related "confidence-building measures." Nonetheless, the Soviets have, for the first time, accepted the principle that such matters are legitimate concerns of the European community and a legitimate part of "European security."

Movement of People and Ideas

CSCE was made possible when the participants agreed to trade recognition of the inviolability of frontiers for improvements in the "freer movement of people and ideas." In a sense, this represented an exchange of present realities for future possibilities. The West calculated that, while it was indicating acceptance of Europe's division, it might at the same time set in motion processes that could eventually attenuate that division.

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FOR THE PRESIDENT ONLY

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The Soviets did everything possible, short of scuttling the conference, to minimize their obligations on freer movement of people and ideas. In long months of tough bargaining, the West gradually retreated from its far-reaching objectives. Most of the surviving provisions are couched in terms of intent rather than obligation. The operative verbs are usually "intend," "hope," "encourage," "facilitate," "study." The Soviets consistently, and successfully, opposed inclusion of the verb "will."

Furthermore, many of the articles contain other escape hatches for the Soviets. The provision on improved working conditions for journalists, for example, contains a clause barring expulsion of journalists engaged in professional activity, but it adds the proviso that their activity must be "legitimate." In the USSR, the Soviets will determine what is legitimate.

The texts are divided into two broad categories: "human contacts" and "information." The Soviets, in assessing the risks involved in these items, probably employed a different division, distinguishing between provisions affecting Soviet citizens directly and those concerning the activity of foreigners in the Soviet Union. In the first category are statements dealing with family reunification, marriage between nationals of different states, travel, radio broadcasting, and other activities related to the dissemination of information. The second category consists primarily of improved working conditions for journalists, although items such as travel and tourism also fall into this category.

The Soviets negotiated hard to neutralize the impact of both texts, but if past experience is a guide they will be more concerned about provisions affecting Soviet citizens. The article facilitating marriage between nationals of different states is not likely to be particularly troublesome because the number of cases will probably remain small. The provisions dealing with family reunification and "contacts and regular meetings on the basis of family ties" may be more difficult because of increased emigration in recent years. The Soviets are not, however, obligated actually to increase the flow of emigrants. Furthermore, these provisions, as well as clauses having to do with travel, tourism, contacts among professional and religious groups, and similar subjects, are well covered in Soviet law, and there is little doubt that Moscow will apply its law to whatever degree is necessary to maintain control.

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FOR THE PRESIDENT ONLY

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On radio broadcasting, the CSCE text does little more than apply pressure on the Soviets to refrain from reinstituting the jamming of Western broadcasts. Moscow stopped most jamming just as the second stage of CSCE was beginning, obviously in an effort to eliminate the topic as a source of contention.

Such provisions are not likely to affect the Soviet political order, nor are they likely to touch the lives or the imagination of the USSR's people. They will, however, raise certain problems. Any tough Soviet statements or actions against individuals whose plight gets attention in the West will be viewed as a violation of the spirit, if not the letter, of CSCE. There is a good chance that Soviet dissidents will seize on CSCE provisions to argue their cases, and resorting to legalisms or the various escape clauses in the CSCE document will not get the Soviets off the hook. Western publicity will be the main weapon in the arsenal of Soviet citizens seeking greater personal freedom. In short, the Soviets are more vulnerable to the cause célèbre than they were before CSCE.

Future Impact on the East

With CSCE out of the way, at least until 1977, the Soviets will now turn to other multilateral forums to keep the process of detente moving forward. They are already talking about the necessity for complementing political detente with "military detente," and their public focus no doubt will now shift to Vienna and the MBFR negotiations.

Moscow, however, will feel itself under no special pressure to make concessions to the West in Vienna as a result of CSCE. The once tight linkage between the two negotiations has disappeared, and the West will lose the option of trying to use Soviet intent in CSCE as a lever for progress in MBFR.

The Soviets may do more to promote regional agreements in Europe. Some manifestations of this have already been seen in the revival of Soviet interest in the long-dormant proposal for a nuclear-free zone in Scandinavia and the first tentative probes toward becoming involved in Nordic economic cooperation. It is conceivable that the Soviets may eventually undertake similar initiatives in the Mediterranean. On a broader front, they may revive their proposal for a world disarmament conference. A major thrust of Soviet activity in the post-CSCE era will be outside the sphere of official conferences and multilateral initiatives. In particular, the Soviets will push for advancement of their idea for pan-European trade unionism.

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FOR THE PRESIDENT ONLY

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The Soviets have some work to do within the communist movement in Europe as a result of CSCE. They have been heavily engaged in organizing a meeting of the European Communist parties. One purpose of this meeting is to strengthen Moscow's voice on the ideological front in anticipation of post-CSCE pressures. In addition, the Soviets would like to have a more influential voice in determining the priorities, tactics, and policies of the various West European Communist parties. The growth in the influence and the potential governing role of these parties give Moscow more reason than before to do what it can to make sure that their activities contribute to, rather than complicate, Soviet policies.

Future Impact on the West

Almost three years of hard negotiations have tempered Western expectations for CSCE. West Germany, the Netherlands, and, to a lesser extent, the Belgians will value CSCE for what it did not do. Their primary goal, for domestic political reasons, has been to block any external interference in their political affairs and assure that CSCE could not be used to hinder progress toward West European unity.

In West Germany, the coalition government may come under attack from the Christian Democrats and some West Berlin politicians for not securing stronger language preserving Bonn's right to achieve national reunification through peaceful means, but it should be able to ride out such protests.

The conference poses a dilemma for other Western states such as the UK, France, and Italy. Detente has become an important part of their foreign policies, and they cannot afford to dismiss the conference as inconsequential. On the other hand, too much emphasis on the positive results of CSCE could encourage overblown expectations for detente, weaken West European resolve, and increase pressures for reductions in defense expenditures. Detente euphoria could conceivably increase pressures on the West for concessions in the force reduction talks.

Concern in some Western quarters about such euphoria, however, appears exaggerated at this stage. The prolonged bargaining at CSCE has probably reinforced the predilection in the West to assume very little, be patient and, above all, maintain solidarity.

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In summary, the agreements that will be signed in Helsinki touch on virtually all areas of critical interest to Europe. But they will not in themselves have a decisive impact on European events, and the future course of detente in Europe will be much more affected by:

- the maintenance of West European solidarity and, in particular, the unity of the EC Nine;
- continued West European cooperation with the US;
- the possible emergence of new leadership in Moscow;
- the growth of economic interdependence between East and West;
- the progress of force reduction and strategic arms negotiations;
- the reaction to increased communist influence in Europe, particularly in Portugal and Italy;
- increased competition for influence in the Mediterranean; and
- development of a growing community of interest among the poorer states of southern Europe that could increasingly turn the attention of richer north European leaders inward.

These problems illustrate how difficult it may be to move beyond the stage of cold-war confrontation into the new era of negotiated detente presaged by the CSCE. The CSCE agreements will not assure this outcome, but at least they provide a touchstone measuring the commitment of both East and West to further this process.

Top Secret

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The President's Daily Brief

July 24, 1975

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FOR THE PRESIDENT ONLY

July 24, 1975

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Egypt-Israel: There has been no indication of a decrease in the status of Egypt's military alert following President Sadat's statement yesterday extending the UN force mandate for three months. (Page 1)

Saudi Arabia: Crown Prince Fahd has made statements suggesting that the Saudis may be adopting a more conciliatory attitude toward the USSR and the East European communist countries. (Page 3)

Portugal: Portugal was relatively calm yesterday; the president's office denied reports that a move is afoot to restructure the present military regime. (Page 5)

Thailand-Philippines-SEATO: Thai Prime Minister Khukrit does not want to disband the Southeast Asian Treaty Organization. (Page 6)

Notes: Norway-USSR; USSR; Cyprus (Pages 7 and 8)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EGYPT-ISRAEL

So far there has been no indication of a decrease in the status of Egypt's military alert in the wake of President Sadat's statement yesterday extending the UN force mandate for three months.

In a letter to the Security Council president, Foreign Minister Fahmi cited the council's appeal for an extension as justification for Cairo's positive response. Last week Fahmi had called on the UN to live up to its responsibilities--which he never clearly specified--before Egypt could renew the mandate.

Sadat may have so abruptly relaxed his political pressure over the UN issue because he believes prospects for negotiating an interim agreement are encouraging. His exercise in brinkmanship over the renewal question has served in the meantime at least two of his political objectives. It shows the domestic and Arab audience that he remains "tough" in his demands despite his tactical negotiating relationship with the US and reminds his wider international audience (including Israel) that he can, if he wishes, recreate a crisis at virtually any time he is not satisfied that negotiating progress is being made.

The military exercise is likely also to prove useful politically with the Egyptian military leadership and practical as a partial rehearsal of Egyptian planning.

At the same time, by backing down from his tough stance without achieving visible progress, Sadat has left unfulfilled Arab expectations that he could force the pace of negotiations.

The Israelis will draw satisfaction from the fact that they kept their powder dry for six days before reacting to Egyptian military demonstrations. Prime Minister Rabin fired the first shot in the next round with his statement yesterday that negotiations for an interim agreement will not be concluded "without a face-to-face parley" between

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Egyptian and Israeli delegations. The negotiations are taking a long time, he said, because of the Egyptians' insistence on dealing through the good offices of the US.

The Israeli embassy in Washington, worried about the impact of Rabin's statements, has been quick to point out that Rabin's remark concerning face-to-face talks was not a demand for new ground rules, but rather was a reference to Israeli and Egyptian representatives working out directly the details of negotiations as they did during the last disengagement.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SAUDI ARABIA

Saudi Crown Prince Fahd has made statements to the press recently that suggest the Saudis may be adopting a more conciliatory attitude toward the communist governments of the Soviet Union and Eastern Europe.

Fahd told a North Yemeni newspaper in early July that "Saudi Arabia follows an open-door policy toward all countries of the world, whether eastern or western, and has economic relations with all states." His interview was then replayed by the Saudi press, probably at the encouragement of the Saudi ministry of information. Fahd was quoted during the same week by a Beirut daily as saying, "We want good relations with both East and West on the same footing. We will conduct our relations with foreign states in the light of our best interests and according to the positions adopted by those countries toward our causes."

Such comments contrast sharply with the late King Faysal's uncompromising hostility toward communism, which he invariably equated with Zionism. The Saudis are unlikely to go so far as to exchange diplomatic representatives with the Soviet Union at present; such a dramatic shift in Saudi policy would be undertaken only after protracted deliberation.

The Saudis may see several advantages, however, in a more open policy toward the Soviets.

--They could see such a stance as a useful signal to the US that results must be forthcoming in Arab-Israeli negotiations if Washington is to continue its close ties with Riyadh.

--They may wish to prevent the breach in Arab-Soviet relations from widening, perhaps with a view to Soviet support for Egypt in the event of renewed fighting with Israel.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

--They may hope their more conciliatory posture will encourage the Soviets to allow a marginally greater degree of religious freedom to Muslims within the USSR, a factor mentioned by Fahd in one of his statements.

The Soviets, who have been interested in developing a relationship with Saudi Arabia for some time, have publicly noted Fahd's statements. They may follow up with low-key demarches to find out whether there has been an actual change in Riyadh's attitude. Recently, a senior Soviet diplomat said Soviet UN representative Malik was maintaining "limited contacts" with the Saudis in New York.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

Portugal was relatively calm yesterday. The US embassy reports that a government reorganization is being considered as a possible way out of the crisis. The restructured regime would be headed by an 11-man directorate drawn from the Council.

The Socialist leadership, meanwhile, has shown no serious weakening of its resolve to continue the struggle to oust the Prime Minister. At the same time, however, the concern of party leader Soares that he may be unable to retain full control of party membership may be borne out. The US embassy reports learning that four renegade Socialists from the party's extreme left have agreed to join the government Goncalves is still trying to form.

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West European socialist leaders plan to meet in Stockholm in August to devise means to support the Portuguese Socialist Party. West Germany's former chancellor Brandt, Austrian Chancellor Kreisky and Swedish Prime Minister Palme plan to take advantage of the presence of European leaders at Helsinki to organize the Stockholm meeting.

If all those who have been invited attend, the meeting should bring together the socialist heads of government of Norway, Sweden, Denmark, Finland, the Netherlands, West Germany, Austria and the UK. The French Socialist leader, Francois Mitterrand, and the two Italian Socialist leaders, Pietro Nenni and Giuseppe Saragat, will probably be invited. Portuguese party chief Soares expects either to attend himself or to send another leading party official.



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND-PHILIPPINES-SEATO

Thai Prime Minister Khukrit Pramot has stated that Thailand does not wish to disband the Southeast Asian Treaty Organization.

Khukrit said SEATO was important to Bangkok since it would symbolize Thailand's only link with the US once US forces are withdrawn.

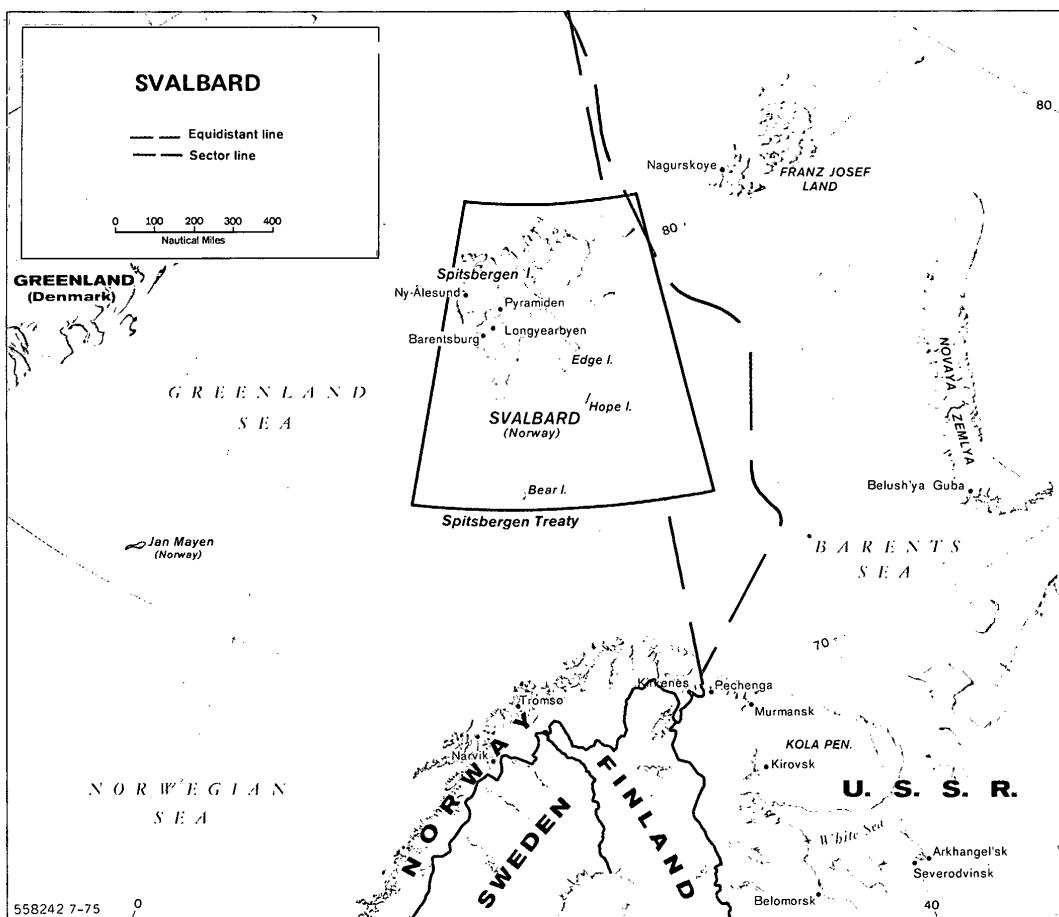
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A Thai foreign ministry official told a US official that while Khukrit wants the treaty to remain in effect, he would be willing to study suggestions that SEATO headquarters, now in Bangkok, either be disbanded or converted into an economic development organization. Khukrit reportedly wants to delay making a decision on these recommendations, however, until he has had a chance to learn the views of other member nations.

The future of SEATO is likely to be high on the agenda when Thai Foreign Minister Chatchai travels to New Zealand and Australia early next month. The Australians have already indicated their desire to do away with the formal organization while keeping the treaty in force.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

NOTES

Disagreement over national boundaries in the Barents Sea and administrative problems on Svalbard continue to strain relations between Norway and the Soviet Union.

The Soviet community on Svalbard--currently numbering about 2,000--is pressing Norway for "administrative reforms." While the Norwegians admit that some revision may be necessary, they are concerned that the reforms would infringe on their sovereignty over the area. The continuing friction is making the Norwegians edgy.

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FOR THE PRESIDENT ONLY

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The third round of the Cyprus intercommunal talks, previously scheduled for today, has been postponed because of UN Secretary General Waldheim's preoccupation with Middle East developments.

No new date has been set, but the talks will probably resume shortly in Vienna. The EC Nine meanwhile have made a demarche to Greek Cypriot and Turkish Cypriot leaders, as well as to Athens and Ankara, urging that no side take any action to disrupt the negotiations. The EC is specifically worried about Turkish Cypriot leader Denktash's threat to expel five Greek Cypriots from the north for every Turkish Cypriot prevented from leaving the south. Denktash now hints that his plan might be postponed, at least until after the next round of talks is held.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

July 25, 1975

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FOR THE PRESIDENT ONLY

July 25, 1975

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Turkey: The Demirel government expects to come under pressure from the press and opposition to take a strong stand on retaliation for the refusal of the US Congress to lift the arms embargo. [] (Page 2)

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Portugal: Prime Minister Goncalves still has a mandate to form a new government, though moderates are engaged in a last-ditch effort to keep him from remaining in power. (Page 3)

Notes: Egypt; USSR; Argentina; Japan - South Korea; West Germany (Pages 5 and 6)

At Annex we present an assessment of some fundamental problems in Soviet-Arab relations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

Continuation of a severe drought in most of the USSR's spring grain land has reduced sharply our estimate of this year's crop to 185 million metric tons and has prompted the Soviets to buy 14.5 million tons of grain.

The drought has been more widespread than in 1972 and, as a result, the spring grain harvest probably will be lower. An expected record harvest of winter grains, however, should ensure a total crop above the 1972 level of 168 million tons, which led to imports of 31 million tons.

The current crop forecast is 15 million tons under our end-of-June prediction. If the drought continues, the prospects for the harvest of spring grains that have not yet matured, such as corn, will worsen.

Problems also exist with other crops--particularly hay and other forage crops--in the drought-stricken area. A serious shortfall in fodder production would increase Soviet demand for grain.

This year's grain crop will be well under the normal grain requirement of about 210 million tons. Although it has purchased large quantities of foreign grain recently, Moscow will not necessarily try to fill the entire gap between domestic needs and production with imports. It is likely to dip to some extent into grain reserves. Livestock could be slaughtered to curb grain demand, but the high priority of Brezhnev's meat program makes this option unattractive.

Of the 14.5 million tons of grain recently purchased by the USSR, 9.8 million tons are contracted with US companies and will be largely filled from the US crop. The other contracts are with Canada, Australia, and France. Moscow may soon withdraw from the market to assess the evolution of both its own crop and world grain supplies. A new round of Soviet buying is likely later.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**TURKEY**

The Turkish cabinet will meet today in what some government officials describe as a mood of muted anger over the refusal of the US Congress to lift the arms embargo. The Demirel government expects to come under pressure from the press and the opposition to take a strong stand.

[redacted]
 [redacted] if Ankara has
 to obtain arms [redacted] the army will
 require an entirely new training program which
 could take about five years.

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The Turkish National Security Council is [redacted]
 [redacted] divided over what form retaliation should
 take. [redacted]

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Alternatives [redacted] include the suspension of operations or the closing of certain US bases [redacted]. Demanding monetary compensation for use of the bases was another. The Turks, whatever their final decision, are likely to put the US installations on some sort of provisional status, pending renegotiation--scheduled to begin the end of July--of the defense cooperation agreement.

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The action of the US Congress will be welcome in Greece. The Greeks believe that continuation of the embargo will eventually take its toll on the Turkish armed forces and increase Turkish flexibility on Cyprus. They also think it will help limit what they view as Turkish expansionist tendencies in the Aegean.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PORUGAL

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Prime Minister Goncalves still has a mandate to form a new government, largely because President Costa Gomes [redacted] failed to ask for his resignation. Moderate members of the Revolutionary Council are engaged in a last-ditch effort to keep Goncalves from remaining in power.

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The moderates' hope of unseating Goncalves was buoyed earlier this week when a caucus preceding the army assembly voted 56 to 1 against Goncalves.

Goncalves' fate now hangs between the Revolutionary Council [redacted]

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[redacted] and the Armed Forces General Assembly, which is dominated by radical leftists. If the issue comes to a vote in the Armed Forces General Assembly, Goncalves probably will get a vote of confidence. If the Council moderates forestall a meeting of the assembly scheduled for today, their efforts to get rid of the Prime Minister may still succeed.

Although Costa Gomes has clearly made a decision to allow Goncalves to try to form a cabinet,

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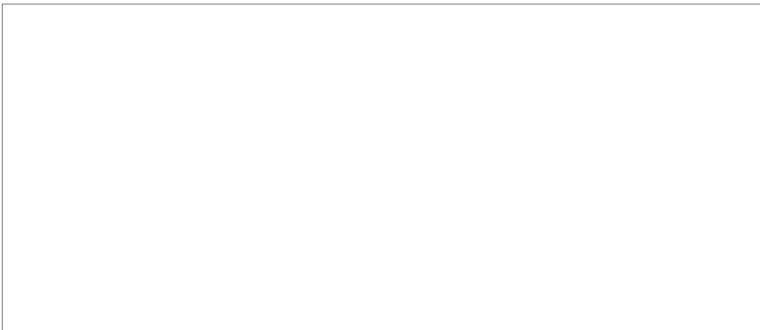
[redacted] the President thinks Goncalves will fail to form a government or that, if he succeeds, he will later be brought down by the country's accumulating problems.

If Goncalves' power and influence are perpetuated, it will be interpreted in Portugal as a significant consolidation of Communist power. There is a good chance of a strong reaction from forces attempting to prevent a continuing move to the left; reaction among the Socialists and in the north of the country could be violent.

(continued)

FOR THE PRESIDENT ONLY

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In the last few days, allegations of US support of or involvement in the separatist movement in the Azores have become an important factor in the Lisbon maneuvering.

[redacted]
earlier this week, a member of the President's household staff expressed the view that without the Azores, Portugal was of little consequence to the US. He added that, but for the Azores, the US might be willing to "allow" Portugal to go Communist in order "to vaccinate Europe" as a whole.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

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Egypt's [redacted]

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Moscow has reacted gingerly to moves to suspend Israel from the UN and may be working privately to discourage the Arabs.

[redacted] 25X1

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Moscow would obviously prefer to avoid having to cast this vote. A vote in favor of suspension would be such a one-sided action that it would undercut Moscow's efforts to win a role for itself in the Middle East negotiations. A vote against suspension, on the other hand, would damage Soviet standing in Arab capitals.

* * *

Pressure is increasing on Argentine President Peron to resign.

She has been absent from her offices for several days with what press aides describe as the "flu," and several politicians have called for an official explanation of the state of the President's health. These politicians apparently are demanding that she make a choice between resuming her daily duties or handing them over. A resignation for reasons of health may be the best way out for all concerned. For the moment, none of the opposition forces wants to assume the onus for forcibly removing the President

[redacted] 25X1

[redacted] 25X1

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Japanese Foreign Minister Miyazawa's two-day trip to South Korea this week has helped clear the troubled atmosphere surrounding bilateral relations.

[redacted] 25X1
[redacted] 25X1
[redacted] 25X1
[redacted] strongly emphasized the need for US-Japanese-Korean cooperation. 25X1
Specifically, the South Koreans pressed [redacted] 25X1
[redacted] support South Korean membership in 25X1
the UN; Seoul is considering making its application 25X1
next month [redacted] 25X1
[redacted] The South Koreans urged [redacted] 25X1
[redacted] a UN strategy that tacitly links the applications 25X1
of the two Vietnams with the bids of the two 25X1
Koreas.

* * *

West German Chancellor Schmidt intends to continue personal contact on economic and monetary matters,
[redacted] 25X1
Schmidt [redacted]
[redacted] 25X1
[redacted] 25X1
[redacted] feels that heads of government must coordinate [redacted] 25X1
[redacted] and cooperate on plans for economic recovery. 25X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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USSR - MIDDLE EAST

When Brezhnev discusses the Middle East with you next week in Helsinki, he will have some fundamental problems in Soviet-Arab relations on his mind. We present below an assessment of these problems.

The last few years--and particularly since the October 1973 war--have been tough ones for the Soviets in the Middle East. A major reason for Soviet difficulties has been the dominant US role in the effort to seek a solution to the Arab-Israeli conflict. Soviet gains in the Middle East have come when the Arab leaders had nowhere else to turn for support. Now, many of the Arabs are hoping that the US role as an intermediary will get them what Russian arms have failed to obtain.

The Soviets also have had to contend with the new international influence the Arabs derive from their oil money. Bankrolled by conservative nations such as Saudi Arabia, the Arabs are generally more independent and can turn to the West for some of their arms.

Many of Moscow's difficulties in the Middle East are, of course, of its own making. The Arabs became disillusioned when they saw that Moscow would subordinate Arab aims to Soviet interests. The strongly nationalist Arabs have been suspicious of long-term Soviet intentions and disturbed by Moscow's support of Communists and other leftists. The Soviets also have been inept and heavy handed in many of their dealings. Moreover, the quality of their military and technical aid has not stacked up well against that of the West.

Most of these factors are at the root of Moscow's problems with Egypt and President Sadat. Indeed, the single most helpful development to the Soviet position in the Middle East probably would be Sadat's departure. Moscow resents Sadat's criticism of Soviet policies, opposes his reliance on the US and Saudi Arabia, and sees his moderate domestic policies undercutting the USSR's natural "progressive" allies. Since the October war, the Soviets have sought to bring Sadat back into the fold by withholding economic and military aid.

(continued)

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FOR THE PRESIDENT ONLY

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Sadat recently has begun to counterpunch with greater vigor. He has placed restrictions on Soviet port rights. The Soviets now fear he may move against their advisers and technicians who are still in Egypt and that he might cancel the Soviet-Egyptian treaty--which Moscow still regards as an important symbol of its presence in the Arab world.

Faced with a further deterioration in relations, the Soviets seem to have flinched. They invited the Egyptian Finance Minister to Moscow this week

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[redacted] but Soviet distrust of Sadat and dissatisfaction with his policies run so deep that Moscow is unlikely to offer major concessions on military aid.

The Soviets also have problems with Iraq--heretofore Moscow's stronghold on the Persian Gulf. The Iraqis have at least temporarily ended their civil war with the Kurds and eased their conflict with Iran. These were the major factors propelling Baghdad into dependence on Soviet arms. Since early last year, Iraq has used its oil money to order more than \$800 million in Western arms and is increasingly turning to the West for technical assistance on its ambitious development plans.

Even Moscow's remaining friends in the region, such as Syria, are showing signs of restlessness. The Soviets have been unhappy that their substantial military and economic aid has not bought them more influence over Syria's negotiating policies toward Israel. Syrian President Asad has long resisted Soviet requests that he sign a friendship treaty, and he too has recently been looking to the West for help with some economic projects. Moscow is ready to go to considerable lengths, however, to keep its relationship with Syria in fairly good shape.

The Palestinians present a different kind of problem. In some ways, Arafat is too conservative for Soviet tastes, and Moscow has sought to build up Palestinian leftists as potential challengers. The Soviet Union, nonetheless, has been frustrated in dealing with the fractious fedayeen groups and knows that identification with Palestinian extremism harms the Soviet image in the West.

(continued)

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FOR THE PRESIDENT ONLY

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At present, Brezhnev can point to Libya as a plus. Substantial arms sales to Tripoli during the past year or so have won Moscow an opening to develop closer relations. But Moscow and Libya base their relationship on shaky ground--their common opposition to Sadat--and it could collapse under Libyan suspicions of Soviet intentions.

With this many problems, Brezhnev realizes he is dealing with a weak hand when he talks to you on the Middle East. The Soviets have not been able to come up with an effective alternative to our diplomacy. Their own effort to get the Geneva conference going this spring did not get off the ground.

Brezhnev badly wants a Soviet role in the Middle East negotiations. He needs this for reasons of Soviet prestige and to keep homegrown critics of his Middle East policies at bay. He seems willing to accept even the appearance of consultations, and he is sure to try to pin you down to an ironclad commitment to go to Geneva after the current disengagement talks run their course.

Brezhnev also is likely to stress the dangers inherent in the Arab-Israeli conflict. He has boasted that he harped on this point to President Nixon until late into the night at San Clemente in the summer of 1973. He has claimed that if President Nixon had listened, war might have been averted.

Brezhnev's stress on this point is partly tactical--to underscore the need for the US to work with Moscow for a settlement. But a good portion is also genuine. The Soviets have little enthusiasm for a new round of fighting in the Middle East. It would confront them with an expensive effort to aid the Arabs--who they think would lose--and entail the risk of a confrontation with the US. There still would be no guarantee that Soviet influence in the region would prosper after the war. Indeed, the Soviets have considerable anxiety that it would not.

(continued)

FOR THE PRESIDENT ONLY

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While Brezhnev is probably disillusioned about the value of the USSR's Middle East investment and may be lowering his sights, he has not given up hope that events will eventually run his way. He probably judges that a comprehensive settlement is, at best, a long way off. Israel and its "foreign supporters" can be held accountable and, perhaps out of discouragement, the Arabs will again turn to Moscow for support. In the meantime, the Soviets will energetically use their considerable assets--military aid, economic support, responsive political groups, and clandestine operations--to preserve their position in the region.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

July 26, 1975

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FOR THE PRESIDENT ONLY

July 26, 1975

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Turkey: The Turkish cabinet decided yesterday that operations at US defense installations will be suspended as of today with the exception of NATO-related activities at Incirlik airbase.
(Page 1)

Portugal: The Armed Forces General Assembly last night appointed a triumvirate to lead the country. Presumably in response, the Socialists and Popular Democrats have called demonstrations. (Page 2)

Notes: Israel-Egypt; NATO-Portugal; Australia; Angola; USSR-Nigeria; Thailand-Cambodia
(Pages 4, 5, and 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

The Turkish cabinet decided yesterday that operations at US defense installations will be suspended as of today with the exception of NATO-related activities at Incirlik airbase. This was the essence of both a public announcement and a diplomatic note to the US.

The diplomatic note states that the Turkish government no longer regards its defense cooperation agreement with the US as valid. Consequently, it is suspending activities at Diyarbakir, Karamursel, Sinop, Belbasi, and the non-NATO activities at Incirlik. These installations and communications facilities will be placed under the "full control and custody" of the Turkish army.

Foreign Minister Caglayangil told Ambassador Macomber that it would be Monday or Tuesday before Turkish officers actually take control. As of 10 am. this morning in Turkey, all installations were operating normally without interference.

Probably with deliberate intent, neither the public announcement nor the note to the US clarifies what is meant by "full control and custody." The definition of "suspension of activities" may also be used as a bargaining ploy by the Turks. Negotiations on the facilities have been scheduled for next week.

FOR THE PRESIDENT ONLY

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PORtUGAL

The Armed Forces General Assembly last night appointed a ruling triumvirate of President Costa Gomes, Prime Minister Goncalves, and security chief de Carvalho to lead Portugal. Its decision apparently means that the Communist-supported Goncalves has survived the moderates' attempt to remove him from power. The Socialists and Popular Democrats have called demonstrations tonight, apparently to protest the decision.

Emphasizing that a strong political leadership is essential at this time, the Assembly:

- Concentrated "political-military power" in the triumvirate.
- Relegated the former ruling Revolutionary Council to an adviser of the new three-man leadership.
- Reaffirmed a law promulgated earlier this year that empowers the Assembly to name the members of the Revolutionary Council.

Key moderate leaders of the Council were absent from the Assembly session; rumors in Lisbon have it that they have resigned.

If Goncalves has indeed retained his power, the reaction from those opposing the country's drift to the left is likely to be strong and taken into the streets. In an apparent warning to the Socialists and also to other demonstrators who have been attacking Communists throughout the country, the Assembly advocated firm action against those who "create a climate of popular agitation" and hinder the construction of socialism. Labor Minister Costa Martins, reportedly a confidant and political ally of Goncalves, on Thursday told US embassy officials that continued opposition by the Socialists and Popular Democrats to the policies of the Armed Forces Movement would probably result in the cancellation of municipal and parliamentary elections promised later this year.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

A moderate note was struck by President Costa Gomes in his opening address to the Assembly. He appealed for a slowdown in the revolution, warned against antagonizing the West, and acknowledged that the military no longer had the support of all the Portuguese people. The President's remarks could have some influence on attitudes in Lisbon

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The Azores question was also taken up by the Assembly. Its communiqué said that reports were heard and that measures to solve the islands' problems were discussed.

In the most authoritative statement made by any Portuguese leader in recent days, Costa Martins told the US labor attaché that, while the Portuguese may be passive, the government would do everything in its power to defeat a move toward Azorean independence. He emphasized that the islands are entirely different from the African colonies; they are populated by Portuguese and are an integral part of Portugal, he said. The Azores were reported calm yesterday after a group of Portuguese sailors were beaten by an angry mob on Thursday night.

FOR THE PRESIDENT ONLY

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NOTES

The Israelis reportedly are demobilizing the civilian reservists recalled to duty earlier this week

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Tel Aviv asserts that there are now some 15,000 to 20,000 Egyptian troops and some 41 tanks on the east bank of the canal. The disengagement agreement permits only 7,000 men and 30 tanks in this area. The Israelis claim that the buildup has occurred over the past five months, but has been greatest since July 15. They say they intend to protest the excess tanks to the UN command, but not the extra troops because of the difficulty of supporting the claim. The Israelis report that they have detected no Egyptian violations on the west bank of the canal.

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NATO

Portugal

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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The Australian Labor government has been further weakened by the controversy over Prime Minister Whitlam's firing of former deputy prime minister Cairns.

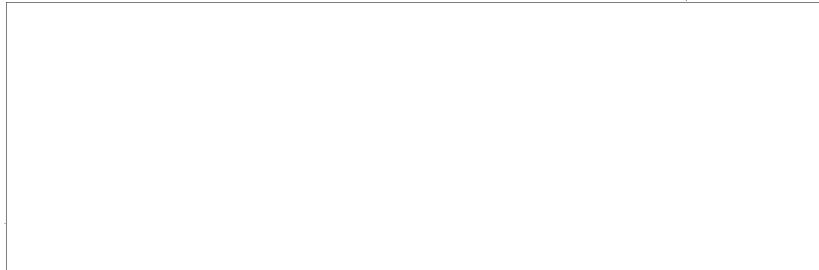
The Labor Party's standing has dropped to a record low in recent opinion polls--well below 40 percent in most samplings. Whitlam faces sharp questioning from the Labor Party Executive next week. Many members of the Executive hold Whitlam personally responsible for the Labor government's troubles, and he will be taken to task for his tendency to act arbitrarily without consulting the party hierarchy.

* * *

The National Front for the Liberation of Angola apparently succeeded in pushing the Popular Movement for the Liberation of Angola from the town of Caxito, 40 miles northeast of Luanda, on Thursday night.

The Front regards Caxito--an important junction along a major supply route into Luanda--as a key staging area for forcing its way back into the capital. The Front apparently is consolidating its position in the Caxito area.

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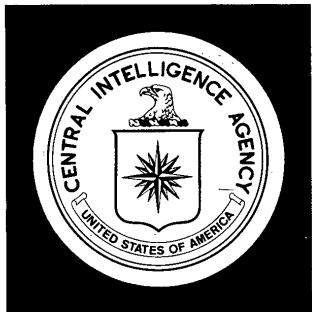
The Thai foreign ministry is studying the results of a recent meeting of low-level Thai and Cambodian officials near the Thai border.

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The two sides are said to have discussed trade and diplomatic relations, opening of the border, and the possibility of additional meetings. Such border contacts have taken place before, but this is the first time that issues broader than local trade have been discussed. If the contact was made on orders from Phnom Penh, it could lead to a more formal and higher level dialogue. The Cambodians certainly are not yet ready to move toward a resumption of diplomatic ties, however, and they may only be trying to relax the situation along the border and expand trade in order to alleviate local supply shortages.

FOR THE PRESIDENT ONLY

Top Secret



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July 28, 1975

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FOR THE PRESIDENT ONLY

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Turkey: The government is beginning to implement its decision to take control of US bases, but Turkish officials still do not seem sure how far they wish to modify defense relationships with the US and are leaving themselves room for maneuver. (Page 1)

Portugal: The installation of an executive triumvirate--presumably to reduce differences within the ruling military--is more likely to heighten those disagreements. (Page 3)

Latin America - Cuba: The OAS seems certain to move tomorrow on the Cuba sanctions issue. (Page 5)

Notes: Angola; USSR; China (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

The Turkish government is beginning to implement its decision to take control of US bases and has asked for assurances that operational activity at the bases has been suspended. Turkish officials still do not seem sure about the extent to which they want to modify defense relations with the US, however, and they are leaving themselves room for maneuver.

Operations related to the primary mission of four US-run common defense installations ceased yesterday in response to the Turkish note of last Friday. All activities at the Incirlik installation are continuing, however, because of the difficulty in distinguishing between NATO-related activities which are permitted by the Turkish note and others that are prohibited. Other US installations and facilities are continuing to operate normally.

Turkish commanders are set to take over control of the four designated [redacted] installations tomorrow. Director General for International Security Affairs Yavuzalp told Ambassador Macomber yesterday that instructions to Turkish commanders call on them to treat US military personnel as "members of a friendly and allied force."

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US officials in Turkey are particularly concerned that the Turks will insist on having access to highly sensitive areas within the installations.

According to a Turkish radio broadcast, the Turkish government has called for an extraordinary meeting of the NATO Council to explain its actions against the US bases.

Operations were continued at the bases through Saturday when it appeared that the Turkish government--having made a major publicity impact by its announcement of the suspension and takeover--would refrain from zealously implementing its decision. An inquiry by the acting chief of the General Staff about the status of operational activity on Saturday, however, led to the suspension of operations yesterday.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Turkish officials have thus far been vague about other steps they will take. Yavuzalp, for example, told the US ambassador yesterday that the extent of the shutdown did not "exceed" Turkish requirements, but he did not elaborate. Nor did he comment when the ambassador informed him that the cessation of operational activity has been delayed by a day and that all activities were continuing at Incirlik.

Prime Minister Demirel appears to have left the details of altering Turkey's defense relationship with the US in the hands of the Turkish General Staff. The General Staff has usually argued for moderation in reacting to the embargo, but pique may cause them to take actions that will be difficult to reverse when passions cool.

According to a preliminary embassy assessment, the ability of the US forces to carry out their mission will depend as much on the zeal with which the new restrictions are interpreted and carried out as on the restrictions themselves.

Reaction by the political opposition and press has been outrage at the decision of the US House of Representatives to continue the embargo. The opposition has given grudging approval to the moves of the Demirel government against the bases. Principal opposition leader Ecevit called for even stronger measures and for a general review of Turkish foreign policy.

FOR THE PRESIDENT ONLY

PORUGAL

The installation of an executive tri-mviroate--presumably to reduce differences within the ruling military--is more likely to heighten those disagreements.

Present evidence suggests that differences between security chief Otelo de Carvalho and Prime Minister Goncalves are wide and unbridgeable. This is probably no less true of Otelo and the third member of the triumvirate, President Costa Gomes, who appealed in the assembly meeting for a slowdown in the revolution because it was out of touch with the people.

[redacted]

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Reaction to the new triumvirate from the Communists--whose support for the latest change was lukewarm at best--suggests that they may be apprehensive about the elevation of Otelo--whom they have good reason to fear--to such a position of authority. It must also be evident to the Communists that not only has their future become directly linked with that of Goncalves, but also that the moderates--both in the military and in the democratic parties--are far from ready to capitulate.

It remains unclear at this point how the moderate military officers will move. Aware that their effort to unseat Goncalves would fail in the radical assembly last week, key moderate officers refused to attend despite entreaties by Costa Gomes and others. Instead, they held their own meeting at the foreign ministry.

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[redacted] Although a move by the moderates could come this week, they may delay a decision until Foreign Minister Antunes, who will accompany Costa Gomes to Helsinki, returns to Portugal.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Both the Socialists and the moderate leftist Popular Democratic Party have expressed opposition to the new triumvirate. The Socialists sought to identify the party with the pro-Western remarks made by Costa Gomes during the assembly, while both the Socialists and the Popular Democrats denounced the new governing body as illegal.

A Socialist protest rally on Saturday night in Evora--some 75 miles east of Lisbon--was attacked by the Communists, resulting in dozens of injuries. Portuguese troops were required to intervene as some 6,000 Socialists and Communists battled with clubs and rocks. Yesterday Socialist leader Mario Soares addressed another protest demonstration in the north, and Catholics in the far northern town of Braganca defied the military by holding a rally protesting the seizure of the church radio. The Popular Democrats were said to be planning a rally on the island of Madeira.

Whether the triumvirate can temporarily bridge the differences within the government may become clear when and if a new cabinet is announced, either today or tomorrow. Any respite in the country's turmoil is likely to be brief, given the economic problems that are expected to come to a head in the next few weeks and the problems in the Azores and Angola.

FOR THE PRESIDENT ONLY

LATIN AMERICA - CUBA

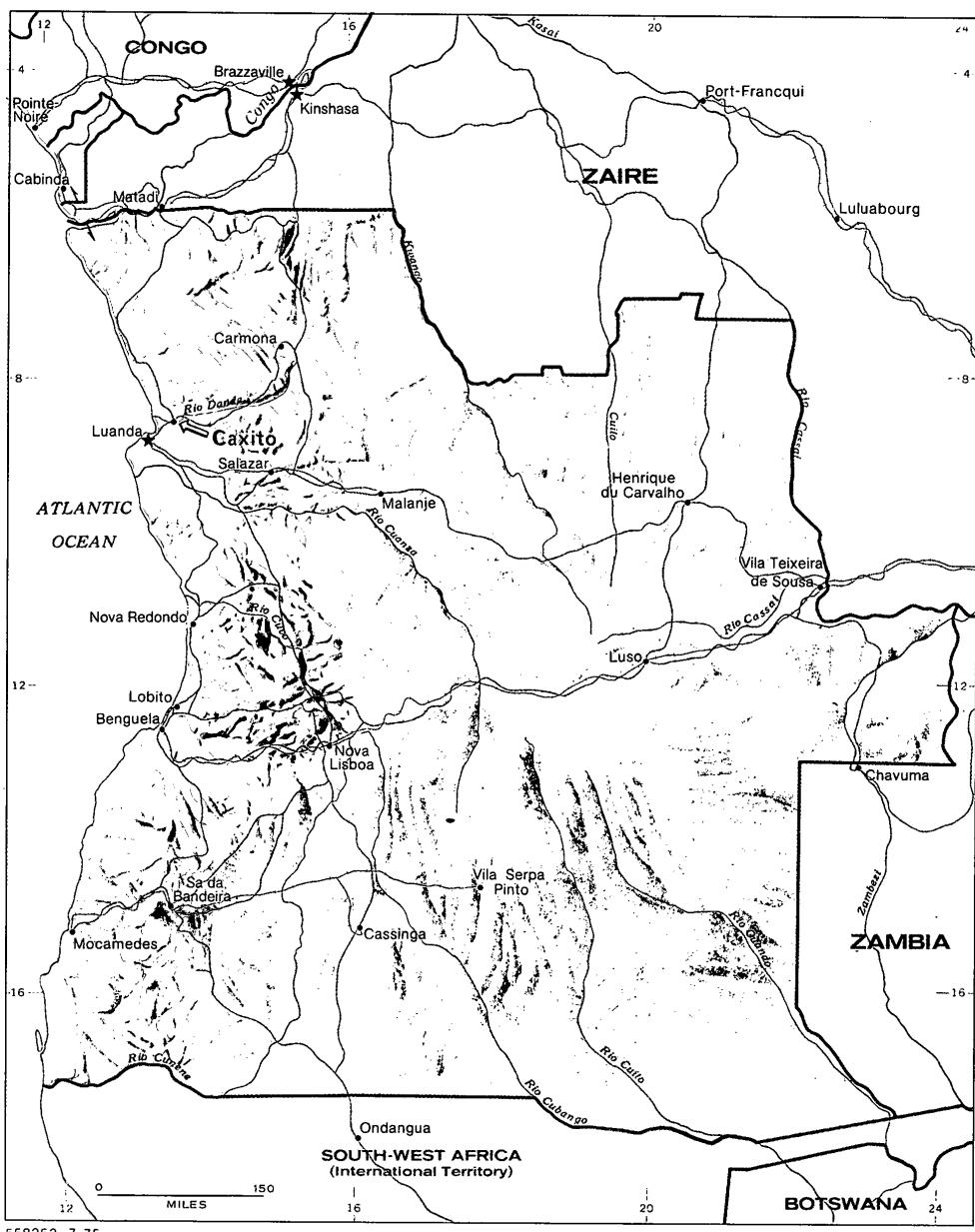
The OAS seems certain to move tomorrow on the Cuba sanctions issue. The resolution being offered to the OAS foreign ministers, who will be meeting at San Jose, Costa Rica, will grant freedom of action to treaty signatories regarding their conduct of relations with Cuba. A second development affecting Cuba's relationship with Latin America will be a meeting in Panama, also tomorrow, which is to establish a new regional economic group.

The resolution that will be presented at San Jose will ignore the substance of the 1964 charges against Havana. Relations with Cuba would become a bilateral matter rather than one controlled by the OAS.

Representatives of about 15 governments, including Cuba, will meet in Panama to create a purely Latin American association--the Latin American Economic System--that in some ways will parallel the OAS. One of the functions of the new organization will be to serve as a forum for Latin and Caribbean governments to work out their differences so that they can present unified positions to the US in the OAS.

Despite its obviously improved status, Cuba is a long way from respectability in Central and South America. Strongly anti-communist governments, particularly Chile, Paraguay, and Uruguay, will continue to regard Castro as a pariah. Other governments that are less hostile but nevertheless cool toward Havana will critically examine Cuba's conduct within Latin organizations such as the new economic group.

ANGOLA



FOR THE PRESIDENT ONLY

NOTES

The National Front for the Liberation of Angola does not appear to have moved its forces much beyond the town of Caxito that it captured last week.

The Front's plans for further action may be determined partly by the need for continued logistic support from Zaire and the results of fighting elsewhere in Angola with forces of the rival Popular Movement for the Liberation of Angola. The Portuguese have switched signals since last week when the Portuguese commander ordered his troops to establish a perimeter around the city to protect it against an offensive by the Front. The Portuguese high commissioner told the US consul general on Saturday that he intended to follow a policy of strict neutrality, implying that the Front would not be opposed. He said he doubted that the Front had the strength to enter Luanda.

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Soviet Foreign Minister Gromyko has made clear to Ambassador Stoessel that Moscow will try to avoid taking a position on the question of Israeli expulsion or suspension from the UN.

Gromyko claimed that Moscow had no firm advance warning of Arab intentions to press for Israeli expulsion. He argued that any General Assembly decision to exclude Israel from its sessions--either by expulsion or suspension--would go against the UN Charter. Gromyko said the UN Charter must be preserved as it stands. He reiterated Moscow's view that Israel should seek its security in the territorial guarantees of the "strongest powers."

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The Chinese placed an earth satellite in orbit on Saturday. 25X1

[Redacted] This is
the third satellite the Chinese have launched. The
other two were launched in 1970 and 1971 [Redacted]

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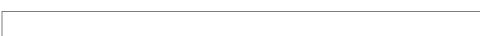


The President's Daily Brief

July 29, 1975

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~~Top Secret 25X1~~



Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
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FOR THE PRESIDENT ONLY

July 29, 1975

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Turkey: The cabinet meets today to evaluate progress made in implementing the government's decision to suspend operations at selected US installations and to turn control of them over to the Turkish army. (Page 1)

Nigeria: Lagos Radio this morning broadcast an announcement by the head of the presidential bodyguard stating that the armed forces had replaced General Gowon as head of government. The announcement said that the coup had been bloodless, but did not mention the whereabouts of Gowon, who may be at the African summit meeting in Uganda. (Page 2)

Portugal: Socialist leader Soares has again called for a "government of national salvation" to replace the ruling three-man junta. He referred favorably to President Costa Gomes and again strongly attacked Prime Minister Goncalves. (Page 3)

Notes: Syria-Israel; Egypt (Page 4)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

The cabinet meets today to evaluate the progress made in implementing the government's decision to suspend operations at selected US installations and to turn control of them over to the Turkish army. The suspension of operations is to be monitored continually by the Turkish general staff.

Instructions to the 11 Turkish teams who will take command today of five US-run installations makes clear that the Turks expect to have access to all areas of the bases.

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The Turkish general staff has confirmed that operations at the US Coast Guard long-range navigation station at Kargaburun must be suspended. Kargaburun has not been classified as a common defense installation as have the other bases where activity has been halted. The foreign ministry told the US embassy yesterday that the general staff did not believe Kargaburun either directly served Turkey's national defense interests or was essential to the well-being of US troops. This statement is consistent with a comment by the Minister of Interior on Sunday that activity would be continued only at installations which the Turkish general staff believed were needed.

The instructions to the Turkish teams do not apply beyond a transitional period pending negotiations. Ankara's longer range intentions may become evident at today's special meeting of the North Atlantic Council in Brussels. The Turkish NATO delegation has informed the US that it will present a statement describing the measures Turkey has taken on the installations and prospects for the future.

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In Cyprus, Turkish Cypriot leaders are meeting today to consider measures against US installations in the Turkish Cypriot zone that have been closed since the Turkish invasion last summer. Senior Turkish Cypriot officials hint they may declare the Turkish Cypriot zone an independent state. Ankara has thus far opposed such a move.

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NIGERIA

Lagos Radio this morning broadcast an announcement by Colonel Joseph Garba, head of the brigade of guards, in which he declared that the Nigerian armed forces have "decided to effect a change in the leadership of the federal military government," and that General Gowon "from now" ceases to be head of government and commander in chief of the armed forces.

Garba also announced a dusk-to-dawn curfew, suspension of Nigerian Airways operations, and the closing of all Nigerian airports and borders.

Garba claimed "this has been a bloodless operation," suggesting that forces responsive to him were in control of at least Lagos itself and that the coup has been successful. He claimed that he was acting "in consultation with my colleagues," but there is as yet no information as to what units, if any, are acting in concert with the brigade of guards. Garba obviously has control of the Lagos radio station. The brigade of guards is the presidential bodyguard, an important unit stationed in the Lagos area.

The broadcast made no reference to the whereabouts of General Gowon. The general had previously announced that he would be attending the summit meeting of the Organization of African Unity, which is scheduled to open today in Kampala, Uganda. He is probably out of the country.

FOR THE PRESIDENT ONLY

PORtUGAL

Portuguese Socialist Party leader Mario Soares yesterday called again for a "government of national salvation" to replace the ruling three-man junta in Lisbon.

In a news conference Soares said that the government must be built around a noncontroversial figure capable of rallying popular support. He was referring to President Costa Gomes. On Sunday the Socialists had called on Costa Gomes to construct a broadly based government from the various political parties and the factions in the Armed Forces Movement.

Soares also made a hard-hitting attack on Prime Minister Goncalves and warned of the danger of a dictatorship by "one group" or one man.

Goncalves is expected to announce the membership of the new provisional cabinet shortly after General Otelo de Carvalho, who with Costa Gomes and Goncalves make up the ruling triumvirate, returns from Cuba on Wednesday. The US embassy believes that Otelo will also serve as one of two vice prime ministers and that the ministers and state secretaries will be leftist "non-party technicians."

The uncertain situation in Portugal led to reports yesterday that Costa Gomes would not attend the European security conference summit. Last night, however, Radio Lisbon reported that Costa Gomes and his delegation will depart for Helsinki on Thursday.

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	Syrian-Israel	

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Turkey: The take-over yesterday of US-run joint defense installations occurred without incident. (Page 1)

Egypt: Cairo's decision last month to limit Soviet access to Egyptian naval facilities reportedly prompted a Soviet protest. (Page 2)

Nigeria: Yesterday's bloodless military coup appears to have been successful. (Page 3)

Ethiopia-Sudan: Deterioration in Ethiopian-Sudanese relations may be responsible for reports of renewed fighting in southern Sudan. (Page 4)

Notes: Portugal; Uganda; Argentina; China; EC-Israel-UN (Pages 5 and 6)

FOR THE PRESIDENT ONLY

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TURKEY

The take-over yesterday of US-run joint defense installations occurred without incident.

In a speech yesterday in Brussels, Turkish ambassador to NATO Eralp did not clarify Ankara's long-range intentions toward the bases, nor did he specifically ask the NATO allies to help him out with military sales. He did say, however, that Ankara wanted to establish a new basis of cooperation in future negotiations with the US to ensure a continuous and sufficient defense support to Turkey independent of "whims of certain ethnic pressure groups."

Publicly Eralp has taken a harder line, implying that he did not know whether his government would agree to start talks while the arms embargo continues. He also said that at the installations now run by the Turks, US personnel will be there merely to show the Turks how to run them.

In Cyprus, meanwhile, the Turkish Cypriots, doubtless at Ankara's behest, are now preventing US personnel from entering our Foreign Broadcast Information Service station [redacted]

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[redacted] in the Turkish Cypriot zone.

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EGYPT

Egypt's decision in June to limit Soviet access to Egyptian naval facilities prompted a Soviet protest early this month.

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[redacted] renewed access would depend on a favorable decision by Moscow on outstanding Egyptian military and economic requests.

[redacted]
[redacted]

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[redacted] The Soviets have been denied access since early June to facilities at [redacted]
[redacted] the Gulf of Sollum and [redacted]
[redacted] have lost their priority status in the use of facilities at Alexandria.

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since the Soviets had consistently said they were "studying" Egyptian requests for the replacement of war losses and debt rescheduling, the Egyptians would "study" the Soviet protest and inform Moscow of the results after the Soviets reached a decision on Egyptian requests.

[redacted]
[redacted]

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It is by no means certain that the Soviets have turned conciliatory on the debt issue. The Cairo press has reported that an air of optimism surrounds Ismail's talks in Moscow, but the scheduled conclusion of his mission has been postponed at least twice, and Soviet media have yet to mention even his presence in the Soviet Union. There has been no indication so far that Moscow is prepared to accede to Egyptian demands for the replacement of military equipment lost in the 1973 war or to sign a new arms agreement.

FOR THE PRESIDENT ONLY

NIGERIA

The overthrow of General Gowon in yesterday's bloodless military coup appears to have been successful. No overt opposition to the coup among the military or civilian population has yet surfaced. Gowon apparently is still in Kampala, Uganda, where he had been attending the OAU summit meeting.

Several changes in Nigeria's military government have been announced, with more likely to come. The new chief of state and commander of the armed forces is Brigadier Murtala Mohammed, a 37-year-old Hausa tribesman from northern Nigeria. He played a key part in the 1966 coup that eventually elevated Gowon to power and has since had a checkered history of allegiance to Gowon.

The appointments announced thus far seem to reflect a balance of Nigeria's competing tribal and regional interests. None of the new appointees served under Gowon on the Supreme Military Council, Nigeria's highest decision-making body. Although they have not made any policy statements thus far, what little is known of some of the appointees suggests they may be inclined to pursue a somewhat more nationalist and less conservative course than did Gowon.

Nigeria's new military rulers may have moved against Gowon because of what they regarded as his indecisive leadership, and their exclusion from policy-making positions. The coup came at a time when grumbling was increasing among both civilians and the military over the government's seeming drift in the face of accumulating economic problems, such as inflation, commodity shortages, and unemployment.

The status of Gowon's former senior colleagues on the Supreme Military Council and the other commanders of the army's principal units is unclear. Nigeria's fragile post - civil war political stability could be undone if the new regime does not receive broad support from army leaders. Gowon's role in maintaining stability rested in large part on the fact that he came from a minority tribe and took a consensus approach to Nigeria's domestic problems.

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ETHIOPIA-SUDAN

Deterioration in Ethiopian-Sudanese relations may be responsible for reports of renewed fighting in southern Sudan.

The Ethiopians have claimed that since early July nearly 12,000 southern Sudanese have crossed the border to escape tribal fighting. According to a UN official, the refugees have complained about continuing strife between northern and southern Sudanese, but there is no evidence to indicate that the long civil war, which ended in 1972, is being renewed. Our embassy in Khartoum believes that some of the Sudanese refugees have crossed into Ethiopia merely in search of better living conditions.

Ethiopia's handling of the story, in fact, may be designed to pressure Sudan against giving assistance to Eritrean secessionists. Although we cannot corroborate evidence of such assistance, Addis Ababa apparently believes that Sudanese territory is being used as a rebel staging area. The setting up of a camp for Sudanese army deserters and threats to get involved in the fighting appear to be a ploy by Ethiopia to pressure Khartoum into re-examining its support for the Eritreans.

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NOTES

Portuguese Prime Minister Goncalves is still forming a government. Final action is probably being delayed until General Otelo de Carvalho returns from Cuba today.

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President Costa Gomes has postponed his departure for the Helsinki summit, probably to attend the swearing in of the new government. Most likely, a new foreign minister will accompany Costa Gomes when he goes to Finland on Friday. Foreign Minister Antunes is not expected to be reappointed, and press reports indicate Admiral Rosa Coutinho is a leading candidate to replace Antunes. Europeans who have met him consider Coutinho a lightweight.

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Uganda

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Argentina's President Maria Estela Peron apparently is bowing to growing pressures to step aside, at least temporarily.

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A period of convalescence away from the capital could open the way for Peron to become a figure-head or to confer power on her constitutional successor, Senate head Italo Luder. The President met with cabinet and military officials yesterday for the first time since she fell ill more than a week ago.

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The Chinese grain crop will top the record 255-million-ton harvest last year, if average weather holds throughout the remainder of the growing season.

We believe that China is not likely to require much more than the 4 million tons of wheat already booked for 1975 delivery from Canada and Australia.

* * *

The EC Nine still are trying to come up with a plan of action to deal with Arab efforts against Israel in the UN.

President Giscard and Chancellor Schmidt agree that formal demarches to the Arabs--either by the EC or by individual members--would be counter-productive at this time. They intend instead to try to get Community agreement to take quiet but persuasive action in selected Arab, nonaligned, and African capitals where it might be most effective.

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The President's Daily Brief

July 31, 1975

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FOR THE PRESIDENT ONLY

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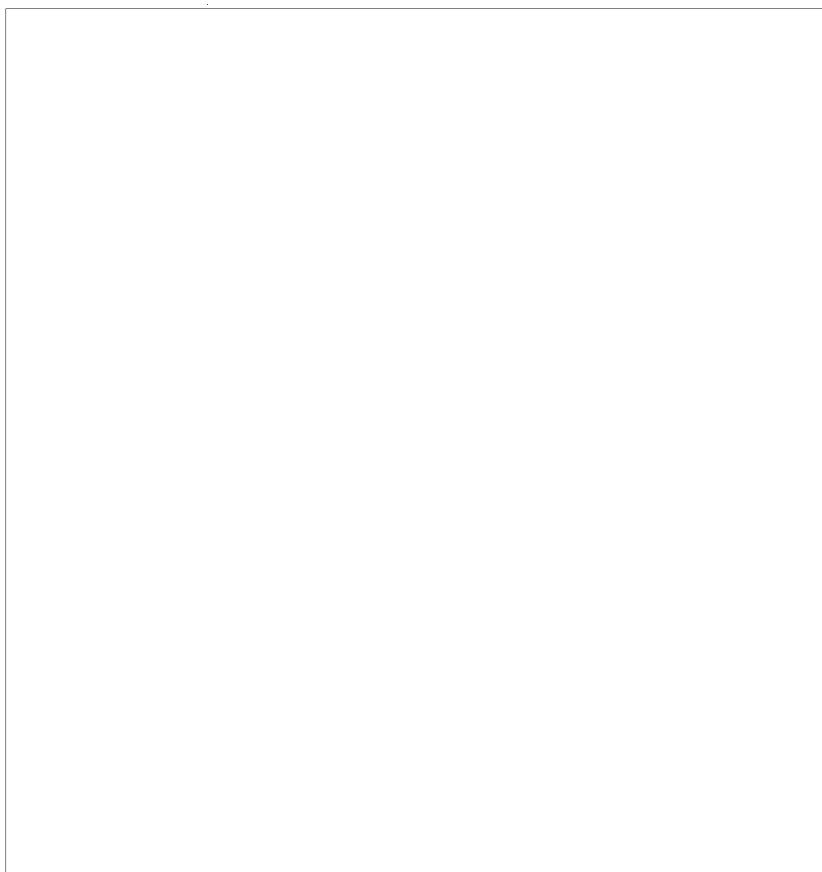
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TURKEY

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PORUGAL

The new executive triumvirate met for the first time yesterday following the return of General Otelo de Carvalho from Cuba, presumably to discuss the new government.

The Revolutionary Council, now reduced to an advisory role, met for 12 hours last night to discuss Prime Minister Goncalves' proposed cabinet. The meeting was attended by Foreign Minister Antunes and other moderates, who had refused to participate in last week's meeting of the Armed Forces Assembly that had turned over power to the triumvirate.

A communiqué issued after last night's session declared that the members of the Revolutionary Council have delegated all their powers to the triumvirate. According to a Council spokesman, the composition of the new government has not been decided. He said that because President Costa Gomes is departing for the Helsinki summit tomorrow, a new government will not be sworn in for the next few days.

Upon his arrival in Lisbon, Carvalho repeated comments he made several weeks ago to the effect that it is no longer possible to carry out a socialist revolution in Portugal by peaceful means and that he is prepared to use force. Even allowing for his flamboyant personality, Carvalho's remarks sound ominous and may intimidate the moderates.

The three-day national labor congress that ended on Sunday confirmed the determination of the Communists to retain their grip on the upper echelons of the trade union movement. The congress was convened at this time in order to install a Communist-dominated national leadership before the individual unions--in which the non-communists have been showing some strength--could hold their internal elections.

The congress approved with only minor changes an "orientation and action" program prepared by the national confederation and heard a speech from Prime Minister Goncalves--characterized by the embassy as "ranting"--in which he said that the unions' struggle is a "fight to the death against capitalism."

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AZORES-PORTUGAL

The military governor of the Azores, General Magalhaes, reportedly "shocked" the armed forces general assembly in Lisbon [redacted] when he stated that there is a real danger of Azorean independence.

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[redacted] Azorean demands for self-rule. [redacted]

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--The majority of the population in the Azores supports independence.

--The majority of the Portuguese military on the islands is also sympathetic.

--Establishment of a governing board for the Azores composed of leftists will be met with violence.

--The Azoreans identify more with the US than with Portugal.

The new leadership in Lisbon is unlikely to go as far as granting the Azoreans complete self-rule. [redacted]

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[redacted] Magalhaes is extremely popular in the islands, but Azoreans fear that Portugal's radical leaders will try to appoint a majority of local communist sympathizers and leftist nationalists to such a board--a move that would almost certainly be met by a storm of protest. Conceivably it could trigger a move for independence.

The islands are an important bargaining chip in Portugal's relations with the US and perhaps its greatest source of leverage with the West. These considerations are expected to weigh heavily in determining Lisbon's response to sentiment in the islands.

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USSR

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The USSR will incur the largest hard-currency deficit in its history this year--perhaps on the order of \$3 billion. Imports of Western equipment and grain will be up substantially, and export growth will be negligible because of recession in the West. The USSR will have no difficulty in financing this anticipated deficit by gold sales and credits.

Last year the Soviets incurred a hard-currency deficit of only \$900 million. Higher prices for Soviet exports--particularly oil and raw materials--led to a 58-percent increase in hard-currency earnings to \$7.6 billion; imports were up 30 percent to \$8.5 billion. In the fourth quarter of 1974, however, exports went down and Soviet imports rose rapidly, both developments being a result of the growing recession in the West.

Since last October, the USSR has incurred monthly trade deficits with its principal Western trading partners. Continuation of this pattern would mean a Soviet deficit of \$3 billion or more in hard-currency trade by the end of 1975.

--Imports of machinery and equipment this year, based on the large volume of Soviet contracts for Western plants and equipment placed in 1973 and 1974, will reach a level of \$3.3 to \$3.8 billion.

--Recent contracts for Western grain will bring Soviet grain imports this year to roughly \$1 billion--double the 1974 level. Additional Soviet grain purchases are likely, perhaps some for 1975 delivery.

--Increases in sugar imports will exceed decreases in meat imports by about \$200 million.

--Imports of steel products will approximate last year's high level of \$1.9 billion.

(continued)

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--The continuing Western recession will make it difficult for the USSR to increase its hard-currency exports.

Moscow is in good shape, however, to finance a deficit of \$3 billion in 1975. Its cash position improved in 1974 despite the trade deficit. The Soviets sold roughly \$700 million in gold, obtained a net of \$600 million in medium- and long-term credits, and earned several hundred million dollars from arms sold to the Middle East after the October 1973 war.

A large part of the Western machinery and equipment delivered in 1975 will be covered by long-term credits. Net credits should exceed \$1.4 billion. Moscow has already obtained \$350 million in medium- and long-term Eurocurrency loans since December. Western bankers say that the Soviets could raise substantially more on the Eurocurrency market.

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The USSR has lots of gold to sell. It produces more than ~~300 tons~~ of gold annually and has more than six times that amount in reserves. Sixty-two tons, worth \$325 million, reportedly were sold in the West in the first half of 1975, and an additional ~~50-ton~~ sale to Arab buyers has been rumored. Soviet gold sales during the balance of the year could rise considerably without depressing prices if as we expect, South Africa sells less.

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By late 1975 or early 1976, Soviet exports should resume their growth in response to the expected recovery of Western economies. To avoid a further deterioration of its debt position, Moscow probably will then give priority to cutting the trade deficit rather than to further expanding imports.

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NOTES

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	Saudi Arabia	25X1
<i>and France</i>		25X1

* * *

South Korea's renewal of its application for UN membership yesterday is likely to present the Chinese and Soviets with difficult decisions in the Security Council.

In the past, Moscow and Peking have supported North Korea, which has opposed UN membership for the two Koreas on grounds that this would ratify the division of the country. This year, South Korea has linked its application with those of the two Vietnamese states by getting US agreement to veto one or both of the Vietnamese applications if the Chinese or Soviets should veto South Korea's. The Vietnamese will probably ask the Chinese and Soviets to avoid taking any action that would jeopardize their applications. The Soviets have been non-committal; the Chinese would almost certainly side with Pyongyang if they have to choose between the Vietnamese and the Koreans.

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