



The President's Daily Brief

March 2, 1974



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THE PRESIDENT'S DAILY BRIEF

March 2, 1974

PRINCIPAL DEVELOPMENTS



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The new French cabinet which reflects renewed cooperation between President Pompidou and orthodox Gaullists, is designed to tackle the country's economic problems. (Page 2)

Italian politicians are meeting this weekend to see if Prime Minister Rumor's coalition government can be saved following the resignation of Treasury Minister La Malfa. (Page 3)

The European Community is proceeding to explore prospects for extensive cooperation with the Arab States. (Page 4)

The situation in the Ethiopian capital of Addis Ababa has begun to ease and the Emperor is said to have acceded to some of the dissidents' demands for reforms. (Page 5)

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During February, North Vietnam continued a moderate rate of troop infiltration into the South. (Page 7)

Notes on Egypt-Israel, Iran-France, and Australia - New Zealand appear on Page 8.

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FRANCE

The new French cabinet, announced yesterday, is smaller by a third and apparently is designed to handle the country's economic problems more efficiently. There were no dramatic portfolio changes, but the manner in which the cabinet was shaped is another reflection of President Pompidou's interest in patching up his differences with the orthodox wing of the Gaullist party.

Pompidou and Prime Minister Messmer consulted only three advisers in their deliberations leading to the cabinet changes. One of these, Pierre Juillet, has been attempting to arrange a reconciliation between Pompidou and the Gaullist "barons," and his inclusion in these discussions suggests that the cabinet changes--unlike the previous change of government--were coordinated with party leaders.

In addition, Pompidou has recently had conferences with Gaullist leaders Michel Debre, Jacques Chaban-Delmas, and Roger Frey. The recent appointment of Frey to a prestigious consultative office is another sign that the barons have drawn closer to Pompidou.

Pompidou has also appeased the Gaullists with the recent nationalistic trend of his foreign policy. They had previously suspected Pompidou of diverging from De Gaulle's principles. The depth of the reconciliation is not certain, however. There is no evidence that Pompidou has agreed to support Chaban-Delmas as the governing coalition's candidate in the next presidential election.

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ITALY

Leaders of Italy's four center-left coalition parties will meet this weekend to determine whether Prime Minister Rumor's government can be preserved. If these efforts fail, Rumor will probably step down. According to one report, he may do so today.

The Republican Party directorate yesterday endorsed Treasury Minister La Malfa's withdrawal from the government, but refused to accept his resignation as party leader. Although the directorate stopped short of promising to support the government in parliament, it indicated that the Republicans would "act responsibly," a tactic used in 1971 to keep a center-left coalition alive for almost a year after a similar Republican withdrawal.

To keep the party's support Rumor will have to mediate the long-festering dispute between the Republicans and the Socialists over basic economic policy that led to La Malfa's resignation.

So far, however, no one has suggested dissolving parliament and holding new elections. Party leaders reportedly fear the electoral repercussions of the energy shortage, inflation, austerity measures, and a simmering scandal involving alleged pay-offs to politicians by the oil companies.

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EC

The European Community is proceeding to explore prospects for extensive cooperation with the Arab states. The Nine have demonstrated rare unanimity in support of this move and are likely to give it their final approval at a meeting of foreign ministers on March 4, if a postponement is not requested by Britain or Italy where governments may be changing.

Under the plan, the West Germans, who now hold the chairmanship of community bodies, would initiate talks with the Arab states in order to explore the possibilities of cooperation in such fields as industry, agriculture, energy, raw materials, science and technology, financial cooperation, and vocational training. This would be followed by the establishment of joint commissions and a meeting of the EC and Arab foreign ministers this fall.

At the same time, the EC governments participating in the follow-up work of the Washington energy conference are responding cautiously to the agenda proposed by the US at the first organizational meeting of the Energy Coordinating Group earlier this week. Reaction is tentatively favorable to the US suggestion that the High Level Group of the Organization for Economic Cooperation and Development handle conservation and demand restraint, accelerated development of conventional energy resources, and oil sharing. Proposals that ad hoc groups, or the coordinating group itself, handle such matters as energy research and development or producer-consumer relations will run into the objections of those EC members who are opposed to establishment of new international groups to handle the energy crisis.

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ETHIOPIA

The situation in Ethiopia has begun to stabilize. The number of troops in Addis Ababa has been reduced, army units guarding key points have been replaced by police, and roadblocks have been lifted.

Leaders of the military dissidents have decided to enter into direct negotiations with Emperor Haile Selassie. Their demands, which the Emperor reportedly has already accepted, call for educational, economic, and land reforms and the prosecution of corrupt officials. These demands are for the most part not new, but they were largely ignored by the former government.

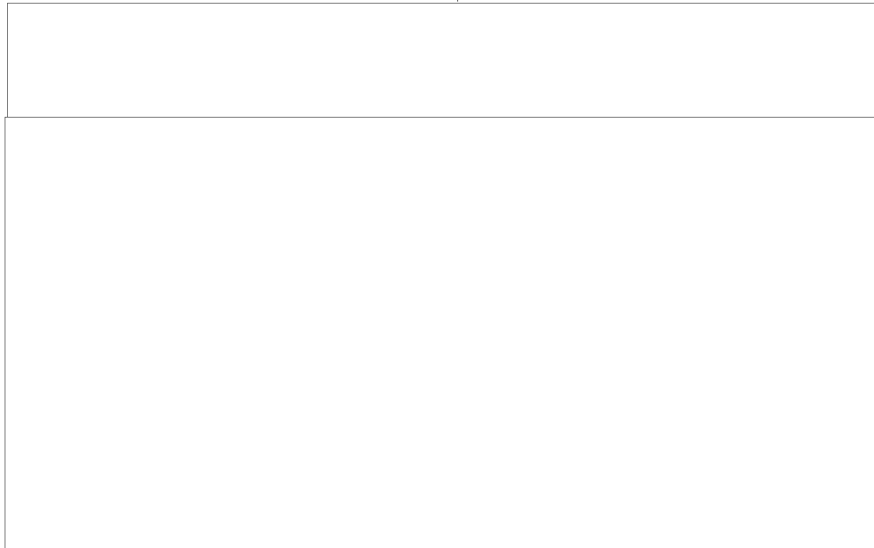
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Some of the dissidents pressed for the ouster of Prime Minister Endalkatchew, but the majority favored an accommodation. Endalkatchew has enhanced his position by taking a conciliatory stance toward demands for reform and has promised to take into consideration talent, youth, and experience in appointing the rest of the cabinet. The demand for Endalkatchew's removal could be renewed, however, if the new government fails to carry out the promised reforms.

The growing opposition of students, teachers, and labor unions to the new Prime Minister, however, introduced a new element into the situation. A major demonstration yesterday by students opposing Endalkatchew was dispersed by army units. The students had marched on the Emperor's residence, calling for Endalkatchew's ouster, land reform, free elections, and freedom of the press.

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USSR



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NORTH VIETNAM

Hanoi continued a moderate rate of troop infiltration to South Vietnam during February, and a recent intercept indicates additional troops will be moving south in March.

According to intercepts, 16 groups, totaling about 8,800 troops, started south last month. Of this total, some 5,600 troops are going to the southern half of South Vietnam, about 1,700 are earmarked for the central highlands, and approximately 1,500 are heading toward areas along the northern and central coast.

Since the North Vietnamese are now using vehicles to transport troops to their destinations, most of the infiltrators should arrive in the next few weeks. Intercepts also suggest that fewer infiltrators are now being lost along the way due to sickness and injury than in the past, when most infiltration was by foot.

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NOTES

Egypt-Israel:

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Iran-France: Iran has placed an order, valued at more than \$100 million, for six large missile-armed patrol boats from France. The vessels are larger and faster than the Soviet OSA-class missile patrol boats in Iraq's naval force and will help protect Iran's offshore oil facilities. This purchase moves Iran toward the Shah's goal of quadrupling his fleet by 1978. Because of the large number of back orders for this patrol boat, delivery to Iran may not take place for two to three years.

Australia - New Zealand:

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