



# The President's Daily Brief

*March 20, 1974*

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*FOR THE PRESIDENT ONLY*

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The reaction in South Asia to plans for expansion of the US naval facility on the British island of Diego Garcia and to movements of US warships into the Indian Ocean area has been generally unfavorable. (Page 1)

UK renegotiation of terms of the EC accession treaty will focus on the common agricultural policy, British contributions to the EC budget, and the opening of the EC market to raw materials produced by Commonwealth countries. (Page 2)

Tokyo is moving cautiously in oil discussions with the Arabs because it believes the long-term outlook is for a decline in oil prices. (Page 3)

Prince Sihanouk, who returned to Canton yesterday from Laos and North Vietnam, has underscored the Khmer Communists' position against negotiations. (Page 4)

A note on USSR-Cuba appears on Page 5.

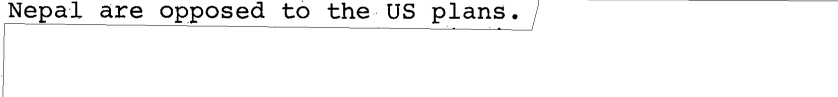
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SOUTH ASIA

The reaction in South Asia to plans for expansion of the US naval facility on the British island of Diego Garcia and to movements of US warships into the Indian Ocean area has been generally unfavorable. Pakistan alone has informed Washington that it will not voice objection to the US decision on Diego Garcia.

India, Sri Lanka, Bangladesh, the Maldives, and Nepal are opposed to the US plans.



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A British Foreign Office spokesman said yesterday that no ministerial decision has yet been made on proceeding with plans for Diego Garcia. Lower level defense and Foreign Office officials still say they expect the project to be approved.

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UNITED KINGDOM

A British Foreign Office official has stated that UK renegotiation of terms of the EC accession treaty will focus on three points:

- the common agricultural policy, which is raising prices for the British consumer;
- British contributions to the EC budget, which now are \$190 million a year larger than the amount the UK receives from the EC;
- the opening of the EC market to raw materials produced by Commonwealth countries.

Prime Minister Wilson alone will decide what must be done to fulfill Labor's election pledge to renegotiate. Foreign Secretary Callaghan is expected to explain general British expectations at a meeting of EC foreign ministers on April 1-2.

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JAPAN - MIDDLE EAST

Tokyo is now moving cautiously in oil discussions with the Arabs because it believes that the long-term outlook is for a decline in oil prices. Although the Japanese discussed economic cooperation with Saudi Arabia earlier this year, serious follow-up talks are not likely to take place until at least next month. Tokyo probably will try to avoid signing any long-term bilateral oil deals with the Saudis.

A proposal to barter crude oil for \$1 billion in credits for industrial projects in Iraq may fall through unless agreement can be reached on the price of the oil. Negotiations with Iran for construction of an oil refinery there also have stalled. The Japanese want naphtha produced at the refinery for use in Japan, but Tehran wants the Japanese to help finance construction of a petrochemical complex that would use the naphtha locally.

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CAMBODIA

Prince Sihanouk, who yesterday returned to Canton from Laos and North Vietnam, has underscored the Khmer Communists' position against negotiations. In a delayed broadcast of a speech delivered in Sam Neua on March 12, Sihanouk rejected the possibility of any talks with the Lon Nol government and again said that any negotiations would have to be between representatives of his "government" and Washington. The Prince also lashed out at "bigger and stronger" countries--almost certainly China and the USSR--which "prefer to compromise with American imperialism...if not literally throwing themselves into its arms."

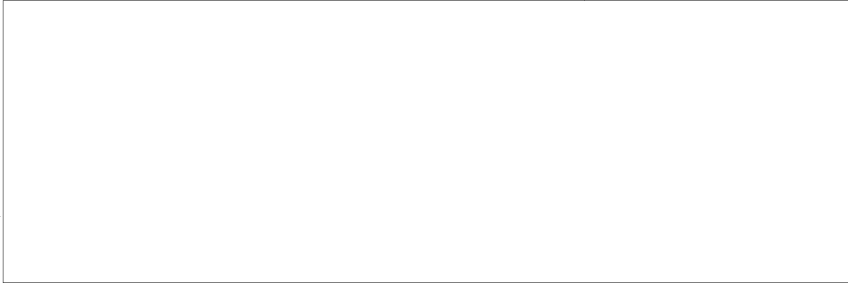
Sihanouk's tough line jibes with recent statements by [redacted] Khmer Communist official [redacted]. This official indicated that the Communists were worried that "certain great powers" were waiting until the end of the dry season to exert pressure for talks.

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