



The President's Daily Brief

August 1, 1974

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THE PRESIDENT'S DAILY BRIEF

August 1, 1974

PRINCIPAL DEVELOPMENTS

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Greek

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UN outposts
on Cyprus reported several cease-fire violations
yesterday. (Page 1)

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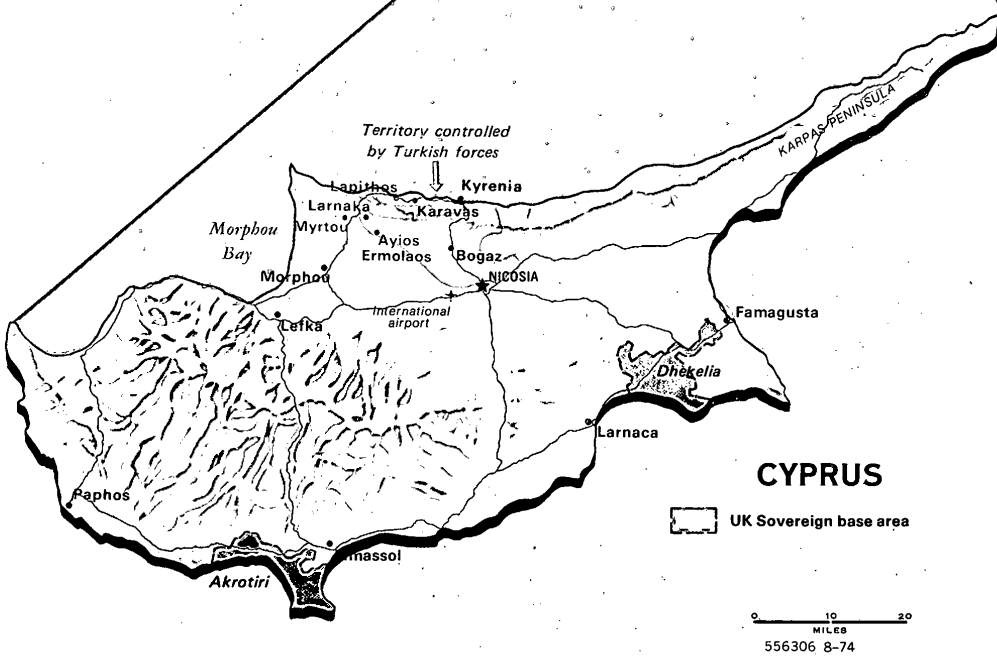
China has replaced the Soviet Union as the leading
Communist customer for US exports. (Page 3)

Moscow's midyear economic report indicates a second
straight year of above-average growth. (Page 4)

The Communists were on the verge of overrunning a
district capital in northern South Vietnam yesterday,
and three other district capitals remain under heavy
pressure. (Page 5)

Notes on Israel-Egypt and Iran-Afghanistan appear on
Page 6.

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CYPRUS

Greek Prime Minister Karamanlis has publicly welcomed the cease-fire accord as a "starting point" for a just solution

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[Redacted]

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Karamanlis also expressed concern that the confrontation was costing Greece over \$16 million per day. He has since announced demobilization of some 200,000 reservists called up for duty.

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Turkey views the agreement as a victory for both its army and its diplomats, and the general consensus is one of satisfaction that Ankara's "minimum demands" have been met. The US embassy in Ankara believes Turkey wants to keep indefinitely a secure territorial base on Cyprus that would include a portion of the northern seacoast. This base would not only improve Turkey's bargaining position in future negotiations, but would also enable it to threaten a counter-erosion should efforts be made in the future to link Cyprus with Greece.

In Cyprus, President Clerides welcomed the Geneva accord as a step toward peace, but expressed dismay at the concessions asked of Greek Cypriots. Turkish Cypriots have already moved their administration from Nicosia to Kyrenia, which reportedly will serve as the "capital" of the Turkish Cypriot sector. Turkish Cypriot leader Rauf Denktash told a US embassy official that a cantonal arrangement under a federal government might emerge on the island. He foresaw a continuation of the arrangement for a Greek Cypriot president and a Turkish Cypriot vice president, but the Turkish canton would enjoy almost complete autonomy.

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In London, Archbishop Makarios gave guarded approval to the cease-fire agreement.

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Last night in the UN Security Council, the USSR vetoed a draft resolution on the role of the UN peace-keeping force in Cyprus. Soviet UN delegate Malik, who returned from Moscow during the

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session, said he lacked instructions to concur on any "new function" for UN troops. The veto does not affect the continuation of the UN force under its existing mandate, which in June was extended for six months.

* * *

UN outposts reported several cease-fire violations yesterday northwest of Nicosia. Greek National Guard units apparently were forced to withdraw from Karavas and Lapithos, and a UN patrol pulled out of Lanarka after Turkish forces began shelling the town.

In Kyrenia, sniper fire continued periodically, and Turkish patrols were making house-to-house searches to eliminate the snipers. [redacted]

[redacted] six small landing craft were unloading cargo at Kyrenia late yesterday morning.

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US embassy officials also reported yesterday that virtually all troops, tanks, and wheeled vehicles previously concentrated around the Turkish military headquarters at Bogaz have disappeared. Presumably, the Turks pushed these forces outward in order to develop the widest possible perimeter before the UN inspects cease-fire lines.

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CHINA-US-USSR

China has replaced the Soviet Union as the leading Communist customer for US exports. During the first half of this year, the value of US exports to China was almost \$520 million--75 percent of the value of such exports for all of 1973. Exports to the USSR for the same six-month period were worth about \$315 million.

If, as expected, the present pattern of Sino-US trade continues, US sales to China in 1974 will reach \$1 billion. US sales to the USSR this year will probably fall well short of \$1 billion--down from the record \$1.2 billion in 1973--because of a substantial decrease in US agricultural deliveries.

In contrast, agricultural exports to China have grown; they account for 80 percent of US sales to China for the first half of this year. Contracts for delivery of US agricultural commodities in 1975, however, are thus far well below this year's level. Accordingly, prospects for US-China trade next year are less bright.

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USSR

Moscow's midyear economic report was a favorable one and included good news for the population. Judging from the performance for the first six months, Soviet GNP will increase by about 5.5 percent in 1974. This would be the second straight year of above-average growth.

Civilian industrial production in the first half of this year grew by 6.5 percent, compared with the same period last year; there was a substantial increase in production of energy and machinery. As for consumer goods, textiles and leather footwear scarcely met the plan, but production of some highly prized durables--automobiles, for example--continued to grow rapidly. The food industry performed well, with meat production up 12 percent, compared with the first half of 1973.

The promise of a good year in agriculture accompanies reports of strong industrial performance. Abundant rainfall has brightened prospects for meeting the 1974 goal of 205.6 million tons of grain.

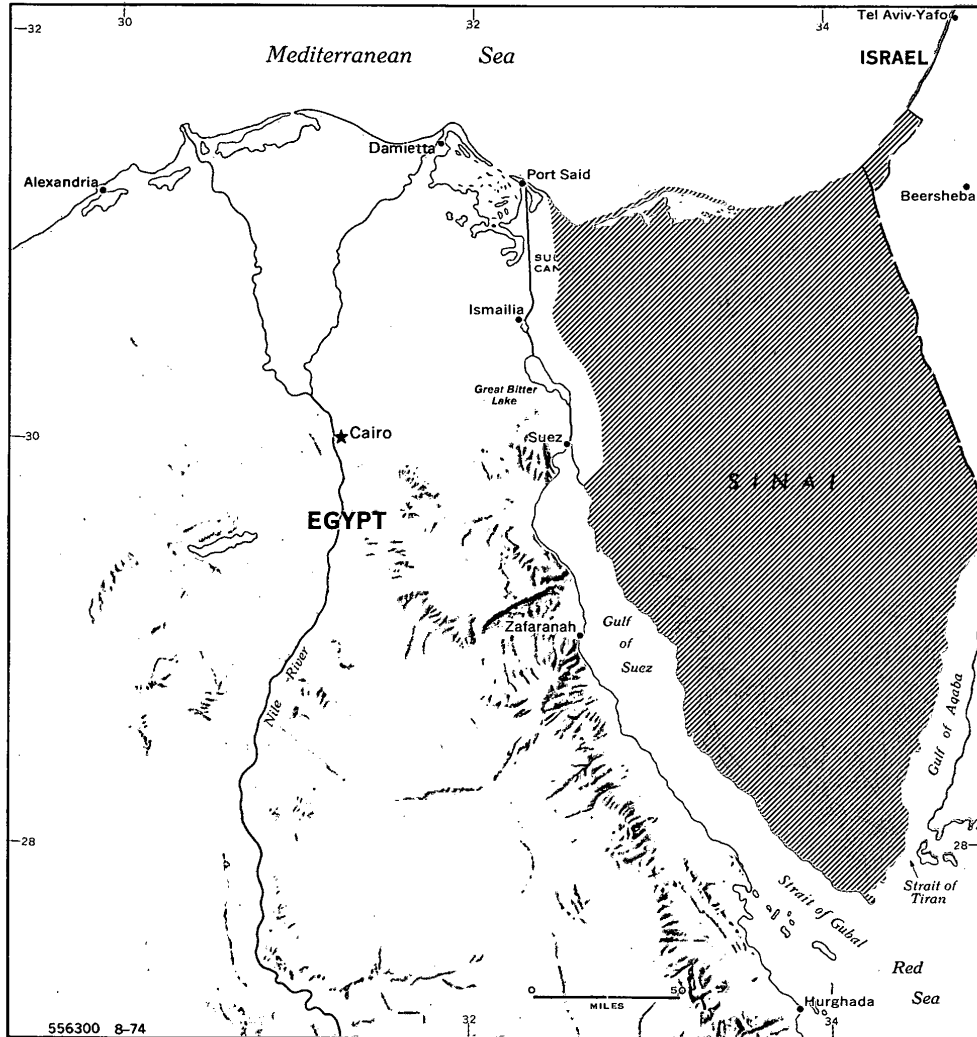
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SOUTH VIETNAM

Sharp fighting continues in the coastal areas of the northern provinces of South Vietnam. The Communists yesterday were on the verge of overrunning Thuong Duc, a district capital in Quang Nam Province. If it fell, it would be the first district seat to be lost by the government in Military Region 1 since the cease-fire. Three other district capitals in Quang Nam--Duc Duc, Dai Loc, and Que Son--remain under heavy pressure.

In Binh Dinh Province, the country's second largest province in both territory and population, the Communists have launched attacks on outlying government outposts, and successfully blocked a six-mile segment of National Route 1--the major north-south highway. They have also taken several villages they have long sought to control in the coastal region.

The basic situation in the north is fairly typical of conditions throughout much of South Vietnam. The government controls the population and food producing areas, and the Communists hold large uninhabited areas in the heavily jungled mountains. The current fighting is largely for control of the populated farming areas bordering the Communist zone. Since the January 1973 cease-fire, the government has steadily extended its control in this marginal area and has been resettling refugees in the newly claimed territory.



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NOTES

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Israel-Egypt:

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Iran-Afghanistan: Iran's aid agreement with Afghanistan, signed last week, opens the door to project assistance for the Afghans estimated at from \$1.5 billion to over \$2 billion and ultimately could lead to a lessening of Kabul's reliance on Moscow for economic aid. The Shah is considering projects that would tie the Afghan economy closer to Iran's. These include rail and road links with Iran, factories that could supply the Iranian market, and a joint export development bank. Moscow's economic program in Afghanistan has averaged \$10-15 million annually for the past several years.

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