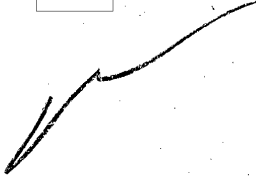




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The President's Daily Brief

September 19, 1974

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FOR THE PRESIDENT ONLY

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TURKEY

President Koruturk, as expected, accepted Prime Minister Ecevit's resignation yesterday and has asked him to continue in office until a new government can be formed.

Ecevit has told US Ambassador Macomber that it might take three to four weeks to form a new government, but assured him that this would not inhibit Turkish policy regarding Cyprus. He claimed that even the matter of making concessions in order to reach a political settlement could be handled during an election campaign.

There is little doubt, however, that Ecevit's leadership on the Cyprus issue will be affected and that concessions will be harder to make during a campaign. The Greeks have concluded that Cyprus will shortly take a back seat to politics in Turkey, and the Karamanlis government reportedly is even more eager than before to use the opportunity to hold its own national elections prior to the end of the year.

Once Koruturk has consulted with political party heads, he will, in all likelihood, name Ecevit to form another government. Ecevit's Republican People's Party has the largest representation in the 450-seat National Assembly, although it falls 41 votes short of a majority.

Democratic Party leaders have indicated they favor Ecevit's plan for early elections and Ecevit told Macomber that a coalition with the Democrats, which would give him a majority, was "likely, although not certain."

If Ecevit fails to organize a majority coalition, the President could still ask him to form a minority government or he could ask another political leader to try to form a government. In the latter case, there would probably be an effort to form a rightist coalition.

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OPEC

A straight application of the OPEC formula increasing member governments' take by 3.5 percent would indicate that the weighted average cost to the producing companies for crude oil will increase by at least 33 cents, to \$9.84 per barrel. Our analysis of the outcome of the OPEC meeting last week and of prevailing prices suggests, however, that the increase will be closer to 40-50 cents.

[redacted] company profits on their crude oil operations in the Gulf are on the order of 40 to 50 cents per barrel. If this is correct, it is likely that most of the increased cost of oil will be passed on to the consumer.

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Saudi Arabia was the dissident at the OPEC conference. The Saudis would not go along with the increases in royalties and taxes. They did say, however, that they would raise the average price of Saudi oil about 13 cents per barrel--still 20 cents below the stated objective of OPEC.

This would make Saudi oil the cheapest in OPEC. We believe, however, that the Saudis were posturing, and as in the past when the time comes to settle accounts with Aramco, the Saudis will insist on receiving retroactive revenue that will at least equal the OPEC formula. Aramco will doubtless price its oil with this in mind.

Other decisions at the OPEC conference included:

--As of January 1975, the rate of inflation in industrialized countries will automatically be taken into account when the oil producers adjust prices.

--A working committee will study a new system for long-term oil pricing.

--A study will be made on the subject of supply and demand. In the meantime, a number of countries reportedly have decided to cut back production.

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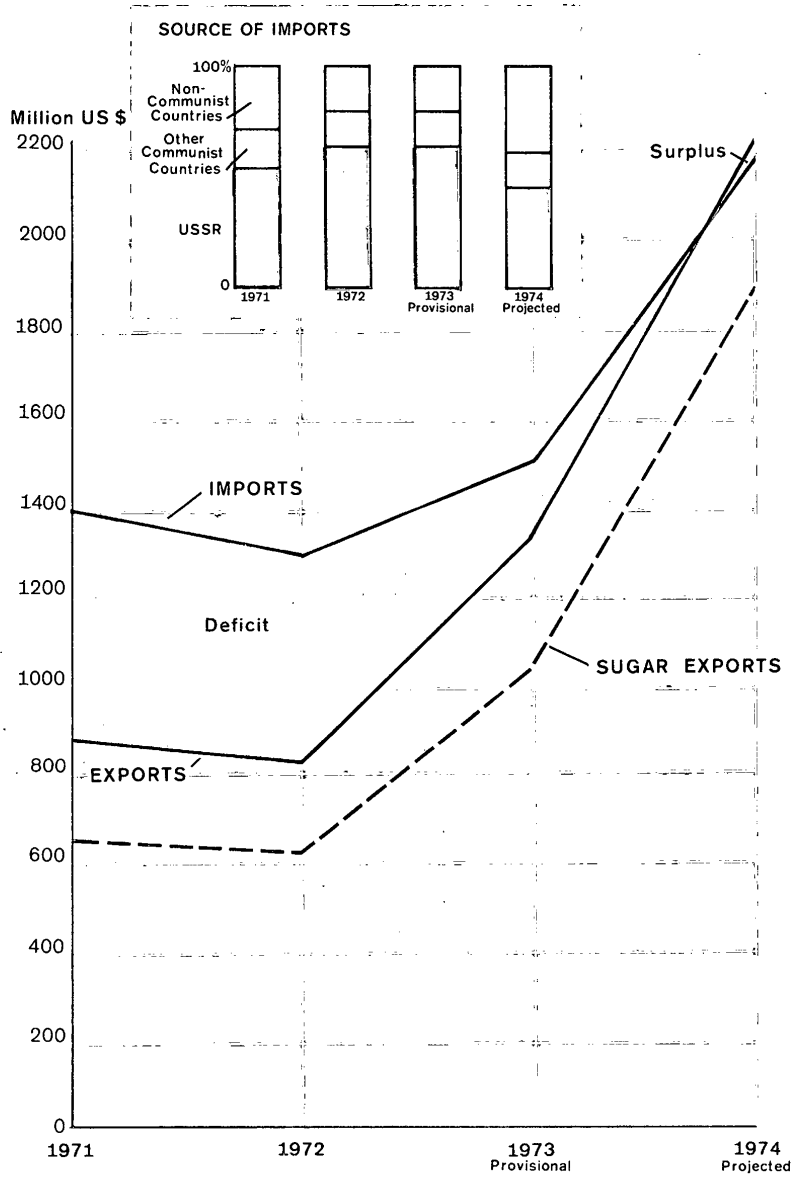
OAS-CUBA

The resolution to reconsider sanctions against Cuba will be discussed today at a meeting of the permanent council. There is practically no opposition to raising this question, but debate may develop over the lack of any mention of Cuban subversion in the resolution.

The three sponsoring governments--Costa Rica, Venezuela, and Colombia--prefer to avoid the subversion issue. They fear that Castro would react unfavorably to any new OAS effort to hold him up to judgment, and that this would cancel out the progress that has been made toward normalizing Cuba's relations in the hemisphere. Brazil, Chile, Uruguay, and Bolivia have noted the draft's failure to raise the question, however, and will present amendments. Whatever terms are finally endorsed, an examination of the issue seems assured.

A meeting of foreign ministers to take the final tally for and against continuing the sanctions will probably be scheduled for November.

CUBA: FOREIGN TRADE



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CUBA

The economic outlook for Cuba has brightened considerably this year. The improvement, which has put the economy on the soundest footing since Castro took over, is due to:

--A tripling of world sugar prices.

--A good sugar harvest of six million tons.

--A substantial increase in economic assistance from non-communist countries.

Export earnings, almost all from sugar, are likely to jump more than 65 percent, to \$2.2 billion in 1974. This would enable Havana, for the first time under Castro, to avoid a trade deficit.

Because of the sharp rise in price, Cuba will earn more than \$1 billion from the sale of 35 percent of the sugar crop to non-communist countries, compared with \$320 million in 1973. The rest of the crop is being sold to communist countries, principally the USSR.

Increased imports from non-communist countries this year will go a long way toward neutralizing the lingering effects of the US denial program. Imports of several thousand US-designed Argentine automobiles and trucks, under a \$1.2-billion Argentine trade credit, will assist the ailing transport sector. Credit purchases of Canadian locomotives and coastal tankers will also help.

Over the next several years, economic assistance from non-communist countries probably will average about \$250 million a year. This is about half the amount Cuba receives from communist countries.

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NORTH KOREA

Pyongyang has quietly turned to the West for major supplies of modern machinery and equipment.

This is a deliberate policy shift to reduce North Korea's dependence on the USSR and other communist countries for capital equipment. The plant import program is aimed at developing export-oriented industries and at strengthening industries supplying goods for agriculture, food processing, and consumer manufacturers.

The North Koreans also have attempted to circumvent the US trade embargo by working through third parties. Pyongyang seems particularly interested in US-made mining equipment and aircraft.

Since 1970 the North Koreans have signed contracts with firms in Japan and Western Europe for more than \$500 million worth of industrial plants and related equipment. Current negotiations could increase the value of the plant import program to \$1 billion. Medium-term Japanese and West European credits--for record grain imports as well as for capital imports--permitted North Korea to run a trade deficit with non-communist trading partners of almost \$170 million last year.

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NOTES

Syria-Israel: [redacted]

[redacted]

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India: [redacted]

[redacted] will
take place in late September or early October. The
source said the test has been scheduled earlier
than originally planned because analysis of the
first one has been completed and because the govern-
ment believes the time is politically appropriate.

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[redacted]

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