

The President's Daily Brief

November 1, 1974

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

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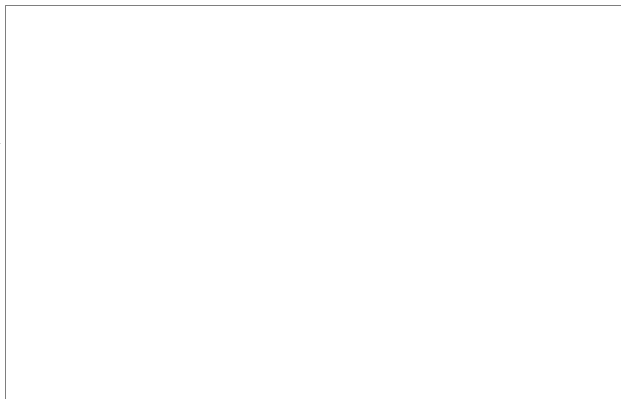
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USSR



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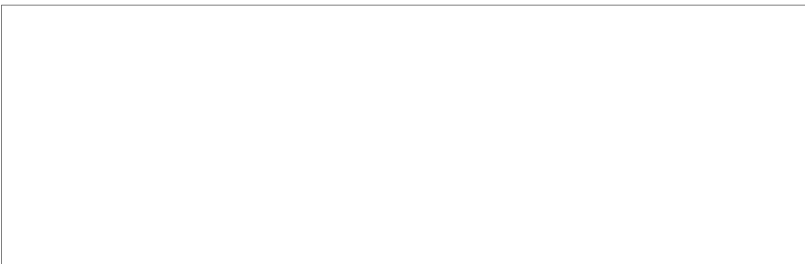
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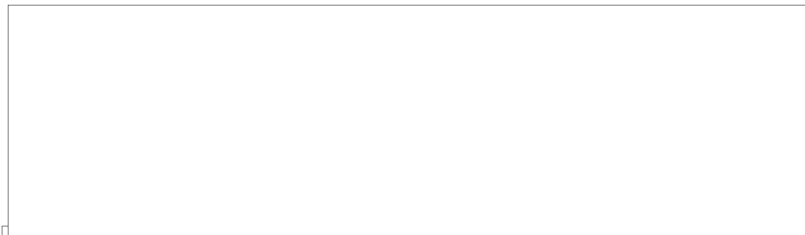
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ARAB STATES - ISRAEL

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SOUTH VIETNAM

The government may have trouble replacing the four cabinet ministers who resigned last week. At least two people have turned down the Ministry of Information portfolio, and potential candidates in the opposition ranks say they are unwilling to join the Thieu government without assurances of a "change in policy."

President Thieu, however, appears to be in no hurry to fill the vacancies.

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Rumors persist that as many as six other cabinet ministers will leave. Additional resignations could come as part of a general shake-up designed to deflate opposition charges of government inefficiency and corruption.

Demonstrations and incidents, meanwhile, are continuing. More are scheduled for today, which is South Vietnam's National Day. Most so far have been minor in scale and handled easily by the police, who have created no martyrs. President Thieu appears to be determined not to have any violent confrontations in Saigon during the next few days. Central Saigon has been cordoned off, and large numbers of police have been posted throughout the city. This massive police presence appears to be contributing to exaggerated press reporting on the situation.

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SPAIN

Prime Minister Arias has reiterated his intention to continue the program of gradual political liberalization even though two liberal ministers were dropped from the cabinet on Wednesday.

Arias told members of a Spanish labor organization that the government was determined to give the people a voice in the highest institutions. He pledged laws to improve working conditions and to give workers a larger voice in settling labor disputes. Moderates and liberals remain concerned, however, that the cabinet change signals a turn to the right and the shelving of any meaningful liberalization program.

The government has again postponed the trial of five leaders of the clandestine Socialist trade union which was scheduled to begin this week. The labor leaders were charged in 1971 with "illicit association" and "possession of illegal propaganda." Rightists have insisted on stiff penalties. The government postponed the case this time on grounds that new evidence against one of the accused requires further study by the court.

The real test of Arias' liberalization program will come when the Prime Minister presents his bill to permit the formation of political associations, which he has promised by the end of the year. Rightists object to associations, fearing they will become full-fledged political parties and usurp the role hitherto reserved for Franco's National Movement. Far more serious polarization could result if Arias' program is further watered down.

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WEST GERMANY - IRAN

West Germany's drive to strengthen relations with Iran derives from Bonn's determination to develop sources of oil that are both secure and diversified. As part of this effort, Bonn is likely to go on trying to get the EC to extend duty-free status to Iran's petroleum products.

Early this year, Tehran expressed interest in negotiating a new trade agreement with the EC. The suggested pact would assure free access to West European markets for manufactured items produced by Iran within the framework of EC-Iran cooperative arrangements, and duty-free status for petroleum products from a refinery to be constructed by the Germans. Iran's willingness to give West Germany a contract to construct a petroleum refinery is in large measure contingent on Bonn's support in obtaining an EC commercial agreement along these lines.

Other EC members and the US have pointed out to Bonn that a preferential agreement with Iran would contravene both provisions of GATT and previous EC commitments to the US to avoid special trading arrangements.

Some EC governments, however, may be under strong pressure from their own energy officials, as well as from Iran, to deal on Tehran's terms. Their obvious dilemma is that, whatever their decision, they will anger either a major oil producer or a major ally.

The matter assumes particular importance within the context of the EC's efforts to develop a program of economic cooperation with the Arabs. Other oil producers presumably would resent preferential treatment accorded Iran by the EC and would demand similar arrangements for themselves.

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NOTE

Eastern Europe - USSR: CEMA's International Investment Bank is having trouble floating a \$1.3-billion Eurodollar loan because of the scarcity of medium- and long-term funds in international money markets. The bank probably will have to settle for several smaller loans stretched out through next year. The loan is for purchasing Western equipment for two development projects in the USSR: \$1 billion for pipe and other equipment which East European countries will provide for a 1,650-mile gas pipeline from central Asia to Eastern Europe, and \$300 million for a Siberian metallurgy project, probably development of copper and nickel deposits.

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