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The President's Daily Brief

November 7, 1974

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FOR THE PRESIDENT ONLY

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FRANCE - ARAB STATES

France is continuing to court the Arabs on several fronts, while at the same time stressing the dangers of continued high oil prices and counseling moderation on the Palestinian issue.

The US embassy in Paris believes the French are inclined to recognize a Palestinian government in exile if one should be formed. A senior French official has told a US embassy officer that France's major problem in granting recognition would be juridical. Paris has never given initial recognition to a government that does not control any territory, although it has continued to recognize governments that have lost their territory.

The US embassy believes, despite the official's denial, that Quai officers responsible for Middle East affairs probably assume not only that the formation of a Palestinian government may be imminent but also that French interests would be served by discreet encouragement of such a move and by immediate recognition.

The embassy also suspects that France is attempting to use the recognition question to further its efforts to obtain cooperation agreements with the Arab states. The French are pressing strongly to gain assured oil supplies at acceptable prices and substantial French participation in Arab industrial and military development. Looked at another way, French involvement with the Arabs is so pronounced that Paris probably would feel impelled to recognize a Palestinian government just to preserve the status quo in its relations with the Arabs.

The French have taken other steps to please the Arabs. Paris voted to allow the PLO observer status during the UN General Assembly debate on the Palestinian issue, and Foreign Minister Sauvagnargues maintained an uncompromising stand during his visit to Israel last week, after meeting with Yasir Arafat in Beirut.

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Paris also believes its continued position outside US-sponsored energy groups will gain it favor with the Arab oil producers.

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At the same time, France is making some efforts to influence the Arabs and Palestinians to take more moderate stands.

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[Redacted] The French have also made several representations to the Arab oil producers stressing deep concern over the dangers that lie ahead if the burden of oil price rises is not alleviated.

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WEST GERMANY - SAUDI ARABIA

Bonn's economic minister and representatives of major West German industries are in Saudi Arabia trying to attract Saudi investment in West German industry.

The West Germans apparently have in mind a deal similar to the one they concluded in July with Iran; that agreement included a \$60-million purchase of Krupp stock. West German officials calculate that active participation by oil producers in West German industry may lessen the likelihood of future oil cutoffs. Saudi Arabia now supplies 23 percent of Bonn's oil imports. In addition, German industrialists are interested in attracting investment because tight money and lower profits have made money scarce for expansion.

Over recent months, the Saudis have shown interest in increasing their long-term holdings; they would presumably find investment possibilities in West Germany particularly attractive because of the strength of its industry and of the Deutschemark.

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PALESTINIANS

The US consul general in Jerusalem reports that a large majority of residents of the Israeli-occupied West Bank identify with the Palestine Liberation Organization as the only effective Palestinian representative of their cause. The Israelis claim that a majority of West Bankers do not support the PLO, but are afraid to speak out for fear of retaliation.

A large body of West Bank intellectuals, professionals, and students reportedly go beyond a sense of identification and give active political support to the PLO, and some West Bankers keep in touch with the PLO leadership in Beirut. Few, however, take part in the subversive activities of the fedayeen organizations.

The smaller number of West Bankers who oppose the PLO are mostly businessmen. They are critical of the radical political and economic views of most PLO leaders, and fear that a return of the PLO to the West Bank would bring violence affecting their interests. These are the people who are afraid to voice their opposition, both out of fear of retribution and in awareness that they are a minority.



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West Bank residents remain divided on the question of who should govern the area in the event the Israelis agree to a territorial compromise. Although most West Bankers support the PLO as the Palestinians' bargaining agent in international forums, fewer would like to see it assume exclusive control over an independent Palestinian state.

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Many traditional leaders on the West Bank, for example, join the PLO in its demand for an autonomous Palestinian entity free of ties to Israel or Jordan. These traditional figures are, nevertheless, eager to protect their own positions and would prefer a coalition government made up of PLO and non-PLO Palestinians.

The Israelis are increasingly apprehensive that pro-PLO sentiment on the West Bank will grow quickly in the wake of the concessions made to Yasir Arafat by the Arab heads of state at their recent meeting in Rabat. Tel Aviv is particularly concerned that this pro-PLO feeling will be translated into terrorist activity in the occupied territories.

Israeli military authorities early this week deported four prominent West Bankers charged with offenses ranging from signing a petition supporting the PLO to membership in the illegal Palestine National Front. Tel Aviv obviously hopes this action, together with hints that Israel might reconsider its policy of allowing limited commercial contacts with Jordan's East Bank, will inhibit West Bankers from offering public expressions of support for the PLO.

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SOUTH YEMEN - EGYPT - USSR

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USSR-IRAQ

Soviet Defense Minister Grechko will visit Iraq late this year [redacted]

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[redacted] *Preceding him in Baghdad will be the chief of staff of the Soviet army.*

This will be Grechko's second visit to Iraq this year. The main purpose may be to talk about Iraq's requests for more military aid from the Soviet Union, but the visit may also reflect Moscow's concern over Iraq's movement toward nonalignment and away from dependence on the USSR. [redacted]

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Despite signs that Baghdad is trying to diversify its sources of military equipment, the USSR remains Iraq's main arms supplier. Last year, Moscow provided \$335 million in military assistance, including TU-22 supersonic medium bombers, SU-20 fighter bombers, and a guided-missile boat. This year, Iraq has received 23 MIG-23 fighters, the first delivered to any country other than Syria.

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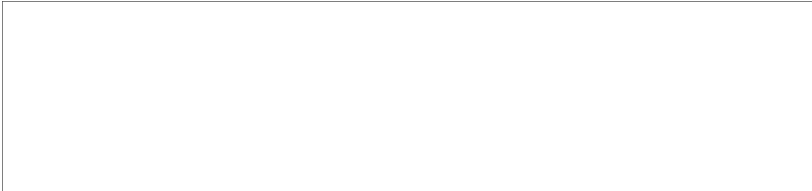
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SPAIN-US

The Spanish say they want a new defense relationship with the US.

At the opening round of negotiations to renew the US-Spanish cooperation agreement, they stopped short of asking for a mutual defense treaty, but said they want joint military planning and the coordination of Spain's defense with that of the US and NATO.

The Spaniards are trying to exploit a bilateral declaration of principles governing US-Spanish relations that was signed in July to parallel a NATO declaration. They argue that the declaration went beyond provisions of the agreement governing the use of defense facilities in Spain and signaled a stronger US commitment to grant Spain equal treatment in the defense field with NATO.

Another round of talks is to take place in Washington early next month. On the agenda for that meeting are the nature of the defense relationship and the coordination of Spain's role with the Western defense system.

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NOTES

Argentina: President Maria Estela Peron declared a nationwide state of siege yesterday in the face of growing terrorist violence. The declaration includes suspension of habeas corpus and freedom of assembly and leaves few legal restrictions on governmental power. The declaration is fully supported by members of the military high command, suggesting that the armed forces, which have generally let the police handle anti-insurgency, now intend to participate more fully.

Portugal: Political violence spread to the northern industrial town of Oporto yesterday when leftists set fire to the local office of the moderately conservative Social Democratic Center Party. That party's headquarters in Lisbon was sacked Monday night. Press accounts indicate the government has condemned the incident in Lisbon and is trying to arrest the leftist ringleaders.

Spain: Rumors are sweeping Madrid that Prime Minister Arias is resigning. Sources close to the Prime Minister's office have told the US embassy that they consider a resignation most unlikely, but they hesitate to commit themselves to a flat denial. The persistence and detail of these rumors suggest they come from the far right. This group is opposed to Arias' modest liberalization program and may feel that further pressure on Franco is necessary following Arias' statements last week that the departure of two of his ministers would not mean an end to his liberalization program.

USSR: An unmanned Soviet space probe, Luna 23, landed on the moon early yesterday morning. The spacecraft is expected to collect a small soil sample and return to earth, with recovery in the USSR early next week.

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[Redacted] The Soviets have attempted at least four missions of this sort since mid-1969. Only Luna 16 in September 1970 and Luna 20 in February 1972 were successful; both stayed for about 24 hours and returned to earth with less than a pound of soil.

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