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The President's Daily Brief

November 16, 1974

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FOR THE PRESIDENT ONLY

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MIDDLE EAST

There have been no hostile actions on either the Sinai or Golan fronts in the wake of the partial Israeli mobilization yesterday, but the sharp increase in military tension shows no sign of abating.

Syria gave official notice to Secretary General Waldheim on Thursday that it had irrevocably decided not to renew the mandate of the UN observer force when it expires on November 30. This action will heighten Israeli nervousness that the Arabs might be considering a resumption of hostilities. Israeli public statements over the past several weeks have studiously kept open the possibility that Israel might launch a preemptive attack if war seems unavoidable.

The callup is estimated to have involved 30 percent of Israel's reservists. The Israelis have advised US officials in Washington that they are taking limited precautionary steps because the Egyptians and Syrians have been observed making advanced preparations on their respective fronts.

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Tel Aviv seems particularly worried about Syria's intentions. [redacted]

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[redacted] According to a US military observer in Egypt, the number of Egyptian tanks east of the Suez Canal has "increased greatly" during this period.

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CHINA

The appointment of 61-year-old Chiao Kuan-hua as foreign minister is a sign that the Chinese leaders are trying to ensure that present foreign policies continue after Mao and Chou pass from the scene. Chiao, who was the senior vice foreign minister, is a very close associate of Chou and has played a much more active role in foreign policy than the former foreign minister.

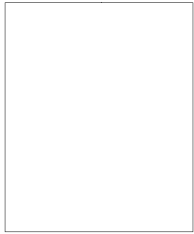


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Chiao's appointment may also be a sign that the National People's Congress, which will go through the formality of ratifying such assignments, will meet soon. The congress has been put off more than once because of wrangling over personnel appointments; agreement may now have been reached on other new assignments in addition to Chiao's.

Presumably, Chiao will play a large role in talks later this month with Secretary Kissinger and act, in effect, as a stand-in for Chou En-lai. This would allow the ailing Chou to keep close personal control over the conduct of negotiations.

Chairman Mao, who is still at his residence in Hunan, will probably also have what amounts to a personal representative at the Sino-US talks.



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WEST GERMANY

Chancellor Schmidt's recent statements that West Germany will turn to an anti-recessionary program around the first of the year may have more political inspiration than economic content. The program to which he referred is apparently still in the formative stage and has not yet been coordinated within the government.

There is a great deal of disagreement about how stimulative a program to adopt. The finance and economics ministries are confident that real growth of 2.5 percent will be achieved next year without further stimulation of the economy. They reportedly want a program that looks good but is limited to granting tax breaks for investment expenditures.

The two ministries and the Bundesbank see little leeway for additional expansionary measures. A major fiscal boost will come from a cut in income taxes scheduled for January 1, 1975, and additional measures are already programed to go into effect as employment and tax receipts slow.

Economic officials believe that a major relaxation of monetary policy would bring higher inflation. In addition, expanding the money supply would lower interest rates and lead to the movement of capital from the country and a lower exchange rate for the German mark.

Schmidt, on the other hand, says additional fiscal stimulus will be required to achieve even 2 percent growth next year. He is worried that rising unemployment, perhaps as high as one million this winter, will spell trouble for his Social Democrats at the polls.

The party has sustained a series of losses in state elections, most recently in Hesse and Bavaria last month. Party leaders want to reverse this trend in the four state elections next year, especially in May in heavily industrial North Rhine - Westphalia, West Germany's most populous state. The Social Democrats are also looking toward the balloting in November 1976 when a new Bundestag and chancellor will be chosen.

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Schmidt wants a program in hand by next month when he visits the US and also takes part in an EC summit meeting. He declared publicly earlier this week that Washington and Bonn have a joint responsibility to rally other nations in the fight against world inflation and unemployment. Other European leaders have been trying to persuade Schmidt to stimulate the West German economy in order to increase German demand for their exports. Schmidt will probably urge an expansionary economic policy on the US, as a way to help head off world recession.

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NOTES

USSR-China: Soviet Foreign Ministry official Mikhail Kapitsa told Ambassador Stoessel this week that China's recent statement about the Sino-Soviet border, proposing an agreement, was a "meaningless gesture" that merely restated Peking's position. Yesterday, Politburo member Kirilenko stated publicly that Moscow would continue to rebuff anti-Soviet slander but would remain ready to negotiate with Peking at any time.

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[redacted]

[redacted] Chi-nese diplomats have taken the line that the proposal merely reaffirmed a position long advanced privately, and they have implied that Peking was simply trying to seize the propaganda advantage from Moscow.

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Canada - South Korea: It is now doubtful that the Canadian government will decide to allow the sale of a nuclear reactor to South Korea. Canada is generally convinced of Seoul's desire to develop a nuclear weapons capability, even though Seoul has agreed to sign a safeguards protocol to the reactor sales agreement covering both the reactor and products developed through its use.

Libya: In reorganizing his cabinet earlier this week, President Qadhafi made only one significant new appointment. This was the naming of Major al-Munim al-Huni to the post of foreign minister--a position that had been vacant for nearly two years. Although first and foremost an Arab nationalist, al-Huni has more pragmatic views than his colleagues on inter-Arab and other international issues and seems more open-minded toward Washington. US officials in Tripoli believe that his appointment may improve US access to the Libyan leadership.

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Portugal: Left-wing and moderate members of the Armed Forces Movement are in the midst of a showdown over economic policy that may bring down President Costa Gomes, Prime Minister Goncalves, and the government. The Armed Forces Superior Council, an advisory group formed late last month to coordinate military activity in the government, has demanded the dissolution of the Armed Forces Coordinating Committee. No military alert has occurred

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