



The President's Daily Brief

December 4, 1974



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~~*Top Secret*~~

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FOR THE PRESIDENT ONLY

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Table of Contents

USSR: The major immediate consequences of the Vladivostok summit to the Soviets is the fresh momentum imparted to the process of detente. (Page 1)

Israel: Foreign Minister Allon apparently will not be able to make any commitments about the next stage in Middle East negotiations when he visits Washington next week. Meanwhile, public statements yesterday by Israeli leaders will make it more difficult for President Sadat to undertake new negotiations with Israel. (Page 2)

Notes: USSR; Vietnam; USSR-France; Iraq (Pages 4 and 5)

Annex: Canada

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USSR

The major immediate consequence of the Vladivostok summit to the Soviets is the fresh momentum imparted to the broader process of detente. Among other signs of Soviet satisfaction, the routine endorsement issued by the leadership after the summit is noticeably warmer than the comparable statement after the Nixon-Brezhnev meeting last July.

Reaction by the Soviet media to your meetings with Brezhnev, favorable from the outset, has become even more enthusiastic. An editorial in Izvestia on November 26 commented that it was impossible to overestimate the significance of the meeting; four days later, Izvestia characterized the summit as surpassing expectations.

Moscow television last night devoted nearly an hour of prime time to a review of the summit, and a portion of your news conference was shown on the evening news. Tass and Izvestia yesterday reported your statement that a firm ceiling on the nuclear arms race had been achieved, but neither provided any details.

Although the media have drawn heavily on the formal leadership statement for inspiration, much reporting and commentary have been based on world reaction--particularly the reaction in the US--to the meeting. Apparently seeking to reassure their domestic audience and allies of the continued viability of detente despite political and economic changes in the West, Soviet newsmen have reported extensively and positively on US public, corporate, and congressional reaction.

Moscow has, nevertheless, continued to warn that within the US, die-hard enemies, although a dwindling minority, are still trying to block the "constructive way" in bilateral relations. The Soviets have resumed public attacks on Senator Jackson after a lull following the trade-emigration compromise. Other old favorite targets, particularly US backing for Israel, are also drawing fire.

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ISRAEL

Israeli Foreign Minister Allon, who is scheduled to hold talks with Secretary Kissinger in Washington next week, apparently will not be empowered to make any commitments regarding the next stage in the Middle East peace negotiations. The Israeli press refers to Allon's mission as a "listening brief" to learn the Secretary's assessment of prospects for another round of talks with Egypt.

Allon told Ambassador Keating on Monday that the cabinet has given him the go-ahead to exchange views freely with US officials and then report back with his recommendations. He said he was aware that the trip might turn out to be the "most serious" one he had ever made to the US.

Israeli press speculation about the visit has been extensive, despite government efforts to limit public discussion. According to the press, the cabinet has not held any substantive discussions concerning Allon's visit.

Meanwhile, in an Israeli newspaper interview published yesterday, Prime Minister Rabin said that there are no realistic prospects for stable peace in the Middle East in the next several years. Israel's aim, he said, is to gain time while the US and Western Europe free themselves from their dependence on Arab oil.

Rabin said that "to stop Egypt from returning to Soviet influence," Israel was prepared to make additional withdrawals in the Sinai provided:

- the Egyptians do not advance into the evacuated area;
- the central Sinai passes remain under Israeli control; and
- such a withdrawal does not occur before the mandate for UN troops is renewed next spring.

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[redacted]
[redacted] Cairo believes Rabin's statements were intended for domestic consumption. Nevertheless, they will make it more difficult for President Sadat to justify to other Arabs any new unilateral Egyptian negotiations with Israel.

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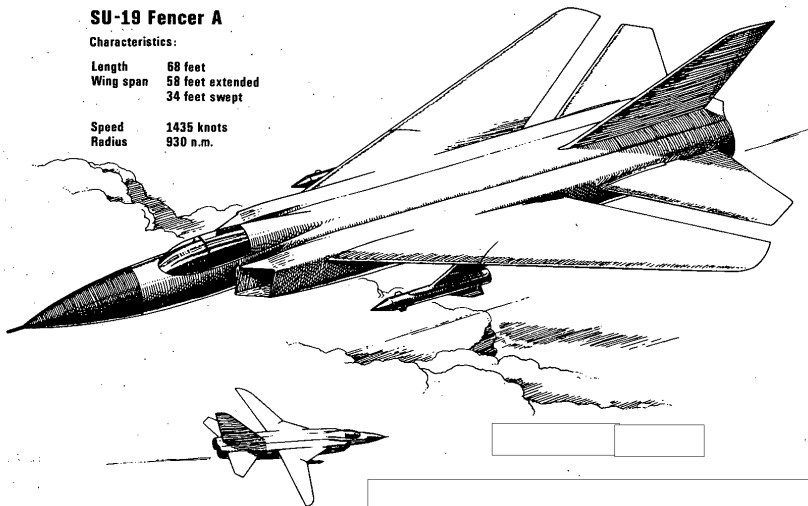
Foreign Minister Allon's statement to the Knesset yesterday--that Cairo had given the US private assurances at the time the Egyptian-Israeli troop disengagement pact that it will allow Israeli cargoes through the Suez Canal--will further complicate Sadat's position.

SU-19 Fencer A

Characteristics:

Length 68 feet
Wing span 58 feet extended
34 feet swept

Speed 1435 knots
Radius 930 n.m.



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NOTES

USSR: The newest Soviet fighter-bomber, the SU-19, now appears to be operational. [REDACTED]

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[REDACTED]

The SU-19 is a swing-wing aircraft similar to but slightly smaller than the US F-111. The SU-19's range--almost 950 nautical miles--and improved weapons, including a capacity to carry nuclear bombs, significantly enhance the long-range ground-attack capabilities of Soviet tactical aviation forces. The SU-19 will probably replace the older IL-28 and YAK-28 light bombers now in use. The Soviets may choose not to replace them on a one-for-one basis, however, because the SU-19 is considerably more expensive than the older bombers.

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Vietnam: Hanoi is sending more troops south than originally planned. Recent intercepts indicate that the North Vietnamese are supplementing their earlier plan to dispatch an estimated 10,000 men. According to one intercepted message, 11 additional groups--estimated to total some 5,000-6,000 men--are to enter the pipeline. Six of these new groups will augment units along the infiltration corridor, while five will go to the highlands. An additional three groups--thus far totaling some 1,000 men--have been detected entering southern South Vietnam. The three groups probably are part of a regiment, and their movement to southern South Vietnam is in keeping with Communist plans for a new round of fighting there this winter.

USSR-France: Soviet party leader Brezhnev goes to France today for the latest in a series of semi-annual working meetings between top officials of the two nations. No major political agreements are anticipated, but both governments will use the occasion to discuss further bilateral economic cooperation and to lay out their positions on such issues as the European Security Conference and the Middle East. Brezhnev and Giscard will sign recently negotiated agreements to enhance long-term economic and industrial cooperation. They will probably also discuss ways of implementing them and perhaps will conclude an agreement on export credits as well. One of Brezhnev's purposes in meeting Giscard is to round out his effort to establish relationships with the new leaders in the West.

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Iraq: There are a number of indications that President Bakr is seriously ill. [redacted]

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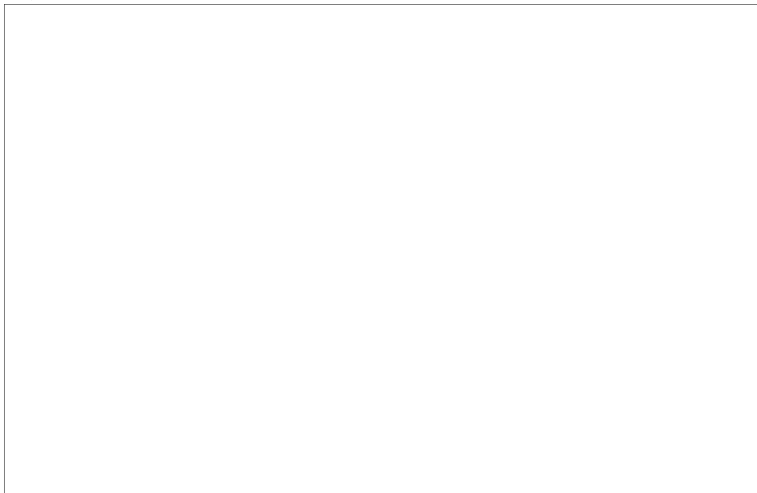
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[redacted] He has been out of public view for more than two weeks and has not been performing official functions. This has fed rumors in diplomatic circles that Baath Party strong man Saddam Husayn Tikriti may soon assume the presidency. Such a transition would probably be untroubled, and Saddam Husayn's success in shaping the new cabinet last month is a clear indication that he is making the major decisions in government affairs. Saddam Husayn's weakness is that he does not command the degree of loyalty from the military that Bakr does.

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CANADA



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Canadian Prime Minister Trudeau visits Washington when US-Canadian relations are beset by economic and trade problems, impending Canadian defense cuts, and environmental concerns. The Prime Minister wants to diversify Canada's foreign relations in order to lessen dependence on the US, but he recognizes that the need for economic and security ties between the two countries limits Canadian moves in this direction.

Trudeau is in a fairly strong position at home. His Liberal Party gained an 18-vote majority in the House of Commons in the election last July, after two years as a minority administration. The Liberals hold a 46-seat lead over the second largest parliamentary party, the Progressive Conservatives. Trudeau should continue in control for at least three more years.

The Prime Minister



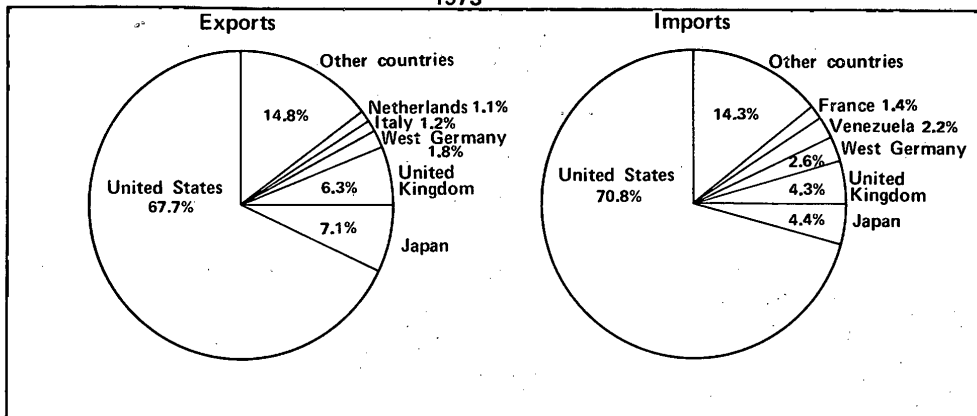
is able to view Canada's complex national and international problems realistically and practically. He commented in a recent interview, "I think it would be a very unwise government which would say, 'We've got the US in a bind because they need our energy.' They could have us in a bind over so many other things."

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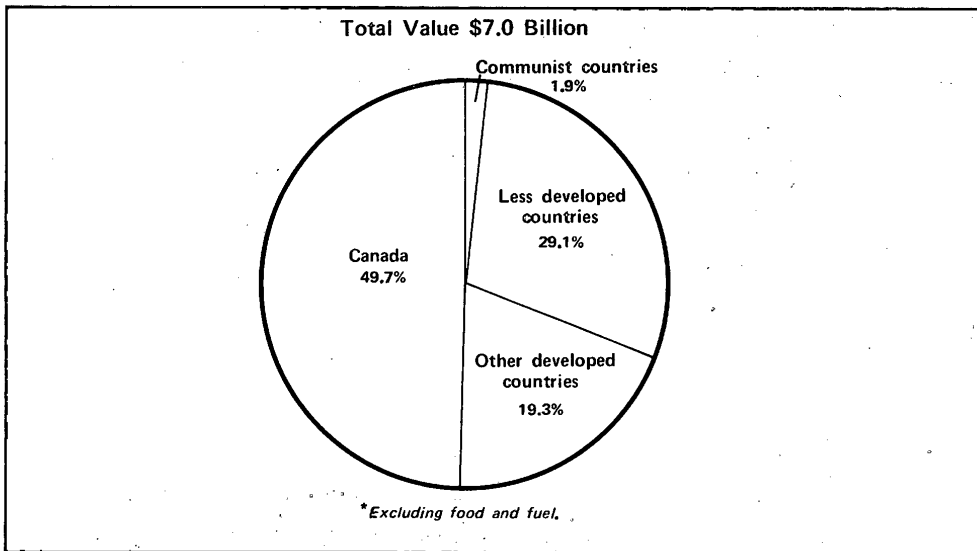
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**CANADA'S PRINCIPAL TRADING PARTNERS
1973**



UNITED STATES RAW MATERIAL IMPORTS, 1973*



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Energy

The worldwide economic downturn has caught up with Canada--a fact that affects Ottawa's position on a number of issues involved in Canadian-US relations. After achieving a growth rate of 5.5 percent during the first half of 1974--a record exceeding that of any other industrial country at the time--real output in the second half of the year will register little or no gain.

Canadian energy policies are a major irritant to the US, which obtains one fourth of its crude oil imports from Canada. Ottawa recently has:

--announced plans to reduce oil exports to the US by 20 percent in 1975, with another 20-percent reduction likely in 1976 and a total phase-out by 1982;

--more than doubled oil prices for US consumers and cut production to maintain prices; and

--boosted natural gas prices for US consumers by two thirds, while raising domestic prices only slightly.

Canada, furthermore, is discouraging development of potential oil reserves. Higher taxes have prompted a 10-percent cutback in drilling this year. Failure to set tax and environmental guidelines has slowed exploration of Arctic and offshore areas. Ottawa is insisting on Canadian majority ownership of new pipelines that would carry oil or gas to continental US markets.

Development of nonfuel resources has been hurt by increased federal and provincial taxes on mining. Several large projects have been postponed or canceled. Much of the output from some of these projects would go to the US, which receives half its imports of nonfuel minerals from Canada.

Foreign Investment and Trade Issues

Canada is also taking a tougher attitude toward foreign investors, 80 percent of whom are Americans. Trudeau is pursuing his campaign promise to limit foreign ownership in new resources projects to 40 percent. Ottawa is also overseeing foreign investment in manufacturing. Since controls were introduced last spring, the review board has rejected five applications by US firms to buy into Canadian companies.

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Canada is concerned about its trade balance with the US. It probably will incur a small bilateral deficit in 1974, compared with a \$600-million surplus in 1973.

In multilateral trade negotiations, Ottawa will favor tariff changes that encourage exports of processed materials and manufactures rather than raw materials.

Canada Looks to Europe and Japan

Trudeau wants to strengthen Canadian economic ties with the EC and Japan. He followed up Canada's proposal for a trade agreement with the EC by a trip to Paris and Brussels in October. His trip restored a degree of warmth to relations with France, but he did not receive a firm commitment from the EC on a trade pact.

The Prime Minister plans to visit other EC capitals early next year. Meanwhile, Canada is preparing more specific proposals in its continuing attempt to reach an economic arrangement with the Nine.

Efforts to strengthen economic ties with Japan--already a major trading partner of Canada--remain largely in the talking stage. Further improvements in economic relations depend on the reconciliation of Canada's desire to increase exports of manufactures and processed raw materials with Japan's desire for more raw materials.

Defense Issues

Canada's security is also caught in the economic crunch. The cabinet is studying defense budget cuts that probably will affect Canada's commitments to UN peacekeeping, NATO, and Canadian responsibilities for joint defense of the North American continent.

The peacekeeping function is expected to bear the brunt of any defense cuts. Largely because of inflationary pressures, Canada has allowed its military manpower to fall well below the authorized strength of 84,000 and is considering cutting troop levels to 75,000.

NATO membership remains a cornerstone of Canada's security policy, and the importance of cooperation with the US on continental defense is clearly recognized. Even so, reduction in Canada's minimal commitments to NATO and adjustments in defense arrangements with the US may be required.

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A3

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Canada and the Middle East

The official Canadian position on the Israeli-Arab dispute remains one of impartiality, but unofficial sentiment normally has tended to support Israel. Of late, there has been a slight shift away from the Israelis.

Canada recognizes the right of Palestinians as a whole to representation in international discussions on the Middle East. Canada can be expected to abstain, however, on votes in international organizations on recognition of the Palestine Liberation Organization. It did so in the recent UN General Assembly vote on inviting that organization to take part in debate on the Palestine question.

Law of the Sea

The Prime Minister may bring up issues related to Law of the Sea. In recent months Canada has frequently supported positions at variance with the US on this subject. Its policy has moved closer to that of the less developed coastal states and away from identification with the interests of the larger maritime powers.

Canada, for example, favors extending national economic and scientific research zones beyond 200 miles to the limits of the continental margin. It also supports strict unilateral control of pollution standards and regulatory powers for scientific research in a wide area beyond traditionally territorial waters.

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