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The President's Daily Brief

December 7, 1974

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FOR THE PRESIDENT ONLY

December 7, 1974

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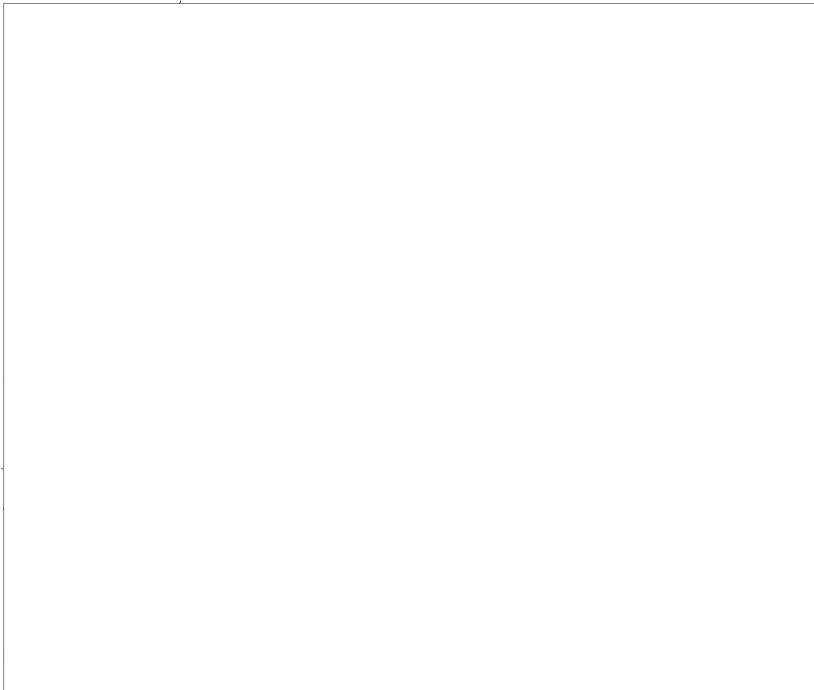
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USSR



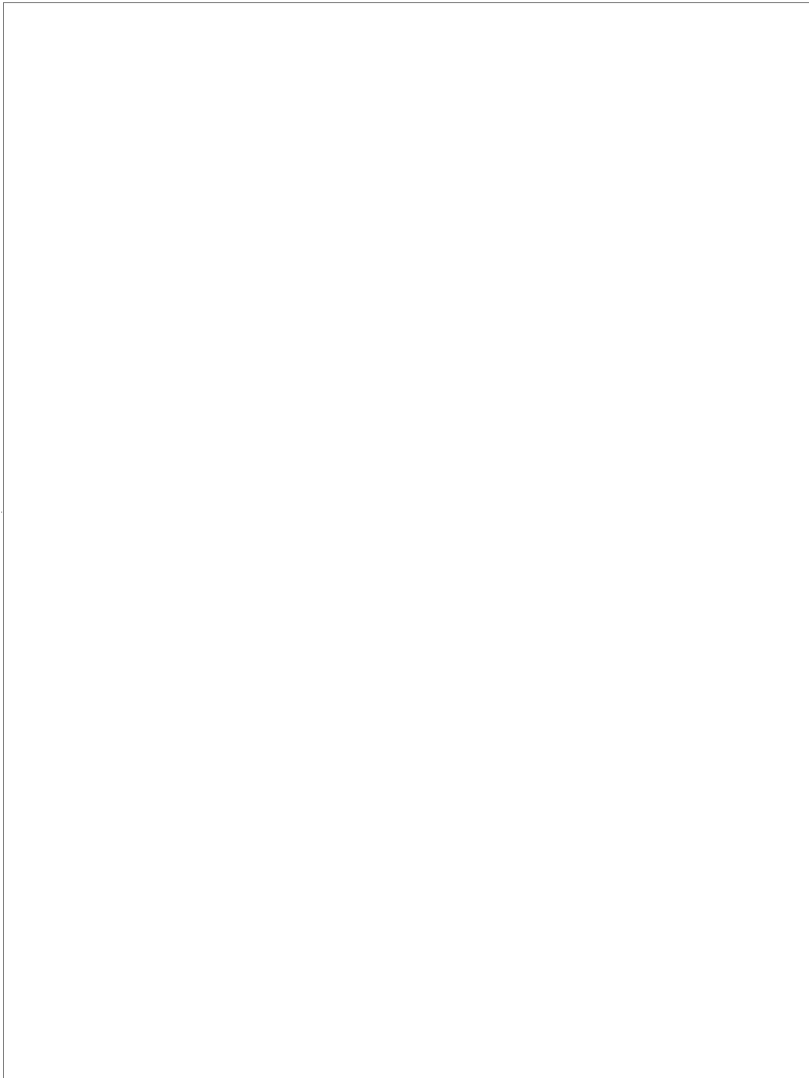
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CYPRUS

Archbishop Makarios returned to Cyprus this morning after a five-month exile. He is well aware of the emotions his return will arouse and will try to avoid any action that could kill his chances of again becoming leader of all Cypriots. He may not, however, be able to control emotional outbursts from within his own Greek Cypriot community; his supporters and opponents are now more sharply divided than when he fled the island last July.

Most observers expect some violence, particularly from people who lost friends and relatives in the bloody aftermath of the coup that toppled Makarios' regime. The first violence could well occur at a mass rally at noon today in Nicosia, which Makarios is scheduled to address.

Makarios has already sought to undercut the chances for violence by calling for unity and reconciliation among Greek Cypriots; he says he has "forgiven" those who sought his overthrow.

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Makarios returns with significant assets. He still enjoys the support of a majority of Greek Cypriots, will control the church and its wealth as well as the state bureaucracy, and has the public if not the private blessing of the government in Athens. His opponents on the right and center-right are divided and politically weak.

Ultimately, Makarios' political future depends on his ability to wrest concessions from the Turks and Turkish Cypriots. When Makarios fled the island last July, Cyprus was relatively prosperous and dominated by its well-to-do Greek Cypriot majority. Now, the island's economy is in ruins and approximately 200,000 Greek Cypriots are dispossessed. Many of them expect a miracle from Makarios. If he fails to make progress, their support for him will dwindle rapidly and serious disorders might ensue.

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CAMBODIA

Prime Minister Long Boret reportedly plans to submit his resignation soon as a roundabout way of trying to increase his authority over the armed forces.

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Long Boret will agree to remain in office only if President Lon Nol appoints Cambodian Armed Forces Commander in Chief Sosthene Fernandez to the additional post of defense minister. Despite his poor relations with Fernandez, Boret hopes that bringing him into the cabinet as defense minister would assure some degree of civilian influence over the army. He believes this necessary if he is to have any success in tackling the problems of economic deterioration and corruption.

Long Boret probably is counting on the US embassy to weigh in with Lon Nol should a showdown develop over his resignation. He is likely to delay action on the matter until Ambassador Dean returns from consultations in Honolulu.

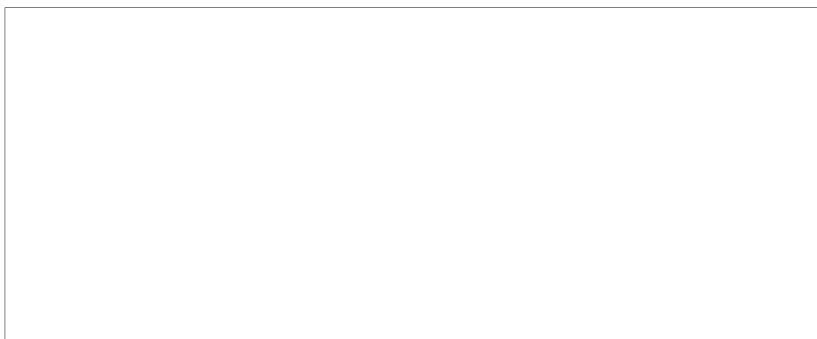
Fernandez' inclusion in the cabinet would not necessarily result in a significant increase in civilian authority over military affairs. Military commanders would probably continue to take orders directly from Lon Nol should Fernandez be appointed defense minister.

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AUSTRALIA

The country's economic downturn, probably the steepest among the smaller OECD countries, has worsened considerably since midyear, and a political scandal has now added to the woes of Prime Minister Whitlam and his Labor Party.

Real GNP, after falling at a 5.3-percent annual rate in the second quarter, declined at a 12-percent annual rate in the third, and unemployment has risen sharply. Last year, the Australian economy grew by 4 percent.



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NOTE

Brazil: Top Brazilian officials are trumpeting an oil find off the coast of Rio de Janeiro State. The news has already triggered a rise in stock market prices in Brazil. The finance minister has claimed that the find could make Brazil nearly self-sufficient in oil by 1980; the energy minister has also taken a very optimistic line, despite a call for caution by the head of the state petroleum enterprise. The actual extent of the oil discovery will not be known for some time; government leaders seem to be using the news to offset recent political and economic setbacks.

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USSR - MIDDLE EAST

Moscow responded to the October Arab-Israeli war with a massive re-supply effort, re-equipping Arab countries with armored equipment, anti-tank weapons, SAMs, and jet fighters. What follows is an assessment of the impact of that resupply on Arab recipients.

Syria

Syria has been the principal beneficiary. Soviet arms delivered so far this year--worth more than \$400 million--were ordered under agreements concluded during the October 1973 war and during President Asad's visit to Moscow last April.



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As a result of Soviet deliveries, Syria's ground forces are now better equipped than they were at the beginning of hostilities in October 1973. While the army is capable of only limited offensive action against Israel, it could put up effective resistance to an Israeli attack.

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The Syrian air force, with over 450 combat aircraft, is now the largest fighter force in the Middle East. The Syrians, however, lack enough qualified pilots and well-trained technicians. The air force could not prevent deep penetration raids by the Israelis, nor could it provide adequate ground support for Syrian ground forces.

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Syrian air defenses have improved since October of last year. The Syrians have seven additional surface-to-air missile batteries

and may be forming still more.

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While Moscow will remain its major source of arms, Syria has also discussed arms purchases with the UK, France, and West Germany.

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Egypt

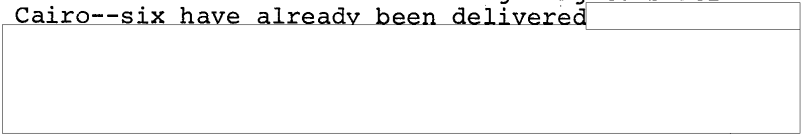
Moscow halted arms deliveries to Egypt this year in April because of deteriorating relations between the two countries. Seaborne deliveries resumed in August, but apparently no major equipment has arrived.

The Soviets are holding out the prospect of significant new deliveries in connection with next month's visit by Brezhnev to Cairo. Moscow may deliver some MIG-23 aircraft ordered by Egypt prior to the October 1973 war.

The Egyptians have also been shopping for arms elsewhere, and Arab oil producers have taken steps to encourage them to shift away from Soviet weapons. Saudi Arabia has ordered 36 Mirage fighters for Cairo--six have already been delivered

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The British recently concluded an agreement that will enable Cairo to assemble and eventually manufacture helicopters for military use. The Egyptians are already receiving British Sea King helicopters ordered last year and paid for by Saudi Arabia.

In the short run, Sadat will have to depend primarily on Moscow for military equipment. Quite aside from possible political complications, neither France nor the UK maintains large reserve stocks of such equipment. The negotiation of long-term contracts with realistic lead times--one to two years--would be required before either country could supply Egypt with large quantities of major equipment.

Despite the slowdown in Soviet deliveries, Egypt's ground forces have the materiel to launch an attack on the same scale as the October 1973 offensive. Egypt's air force losses have not been fully replaced, but the air force's contribution to the war effort was minor.

More important, Egypt has only a minimal supply of surface-to-air missiles. It now has some 15 more SAM firing batteries than in October 1973, but probably fewer missiles. Israeli air attacks could quickly draw down stocks of those missiles, forcing Cairo to appeal urgently for Soviet aerial resupply, as it did during the October war.

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Libya

The Libyans concluded a major arms agreement worth several hundred million dollars with Moscow last May. Although the scope of the accord has not been fully confirmed, it is apparently the largest ever between the two countries.

Key items in the package are said to include MIG-23 jet fighters, surface-to-air missile systems, T-62 tanks, and possibly even TU-22 medium bombers and a few submarines.

The Libyans nonetheless do not want to rely solely on the Soviets. Agreements with the West during the first half of this year were worth about \$300 million and included purchases from France of 30 Mirage F-1s and six missile-armed patrol boats. Between 1970 and 1973 Tripoli paid almost \$475 million for military equipment from the US and Western Europe, compared with about \$150 million from communist sources.

The Libyans have neither the trained manpower nor the logistical support to operate and maintain most of the equipment they are buying, and they will need long-term assistance from both the Soviets and Western suppliers.

Iraq

The Iraqis have received this year some of the USSR's most sophisticated weapons, including guided-missile patrol boats, two squadrons of MIG-23 jet fighters, and tactical surface-to-surface rockets. In addition, East European countries have agreed to supply some \$100 million worth of ammunition and support equipment.

Moscow has so far put off Iraqi requests for a new arms accord, but high-level talks planned for the near future may result in new Soviet commitments.

Meanwhile, Iraq has purchased almost \$300 million in arms from West European countries and Yugoslavia this year. The Iraqis have also been trying to acquire British-built Hawker-Hunter jet aircraft from other Arab countries, presumably for use against the Kurds.

Despite the military aid it is receiving from the USSR and elsewhere, Iraq's capability to participate in an Arab-Israeli war is less now than it was a year ago. About 80 percent of its ground forces are tied down fighting the Kurds in the northern part of the country, and it is unlikely that Baghdad could free more than a token force anytime soon.

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