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# The President's Daily Brief

*December 18, 1974*

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PORTUGAL

*The US embassy in Lisbon reports that political tensions are on the rise once again. Serious differences have developed within the government over the following issues:*

--Disputes over the long-overdue economic program, which is being discussed by the cabinet this week. Prime Minister Goncalves reportedly has rejected the draft as being too conservative.

--Unhappiness within the government over Goncalves' unilateral arrest of 12 businessmen last week.

--Rejection of the draft press law at Communist Party leader Cunhal's request.

--Goncalves' acceptance of Cunhal's demand that universities remain closed.

One of the most disturbing elements of the controversy is Goncalves' apparent alliance with Cunhal on the matter of the press law and the student problem. The press law, which was expected to be completed three months ago, is supposed to curb abuses of freedom of the press and would presumably cut back Communist control in this area. Portugal's universities, which have been closed since the coup in April, were scheduled to open for the fall term. Student unrest, particularly among Maoist and Communist student groups, has delayed their opening.

The embassy's reports suggest that Goncalves and Cunhal are pitted against Vitor Alves and Ernesto Melo Antunes, both prominent members of the Armed Forces Movement. If this is the case, it would be the first time the Communists have directly challenged the Movement's authority. Cunhal's public statement over the weekend in favor of nationalizing banks may be an indication that the Communists are preparing to shed their moderation.

## WORLD GRAIN

*The world grain outlook has worsened. Because of short corn harvests in the US, Western Europe, and the USSR, we now forecast production in 1974-75 (excluding rice) down 6 percent from the previous year, rather than 4 percent as anticipated in October. Grain consumption will drop, too, but not as much as production. Stocks are expected to fall, mostly in the US, by 20 million tons between mid-1974 and mid-1975.*

Foreign demand for US wheat and flour is likely to remain at last year's level. Exports in this quantity would reduce US stocks by one fourth to a new low--only three and a half months of domestic supply.

We estimate export demand for corn at 23.5 million tons. Although down from last year, exports of this size would mean a reduction in US reserves by 45 percent, leaving an amount equal to domestic needs for about three weeks.

Major uncertainties remaining in the world grain market include:

--transport problems in Canada, Argentina, and South Africa;

--decisions of the Canadian Wheat Board on drawdowns of wheat stocks;

--the amount of wheat substituted for corn in feeding livestock in EC countries;

--the extent of decrease in US grain consumption;

--decisions on additional commercial grain purchases by India;

--availability of new financial aid to lesser developed countries for grain purchases;

--purchasing policies of oil-producing Middle East countries.

UK

*Britain may be forced to borrow from other governments within six months if oil producers do not continue to invest in sterling.*

Recent Saudi sales of sterling suggest that Saudi Arabia has decided to limit sharply future increases in its sterling holdings, despite British and Saudi statements to the contrary. Until recently, sterling had accounted for 13 percent of Saudi foreign assets. Growing uncertainty about the pound could induce other oil producers to reduce their sterling investments, and this in turn would make it much more difficult for the British to finance their massive current account deficit--expected to reach $8.5 billion this year--without raising interest rates to unacceptable levels.

The skittishness of oil producers no doubt reflects their bleak assessment of Britain's economic prospects. We expect inflation in the UK next year to reach at least 20 percent, one of the highest of any developed country. Trade and current account balances continue to worsen, with little prospect for a turnaround. Output, employment, and investment in new modern facilities are waning.

Many banks were hesitant to extend loans to Britain earlier this year, and additional borrowing in private markets will prove difficult. The British will probably have to rely on other governments for needed credits if the oil producers do cut back on their sterling holdings.

## VENEZUELA

*President Carlos Andres Perez has received significant backing for a summit meeting in Caracas of all Latin American chiefs of state--including Fidel Castro--in mid-1975.*

Within the past two weeks, Perez has garnered support from 13 Latin American nations, and Caribbean leaders tentatively scheduled to meet next month are expected to lend additional support.

An agenda has not yet been circulated, but Venezuelan statements indicate that Perez intends to focus on at least three main areas of interest to Latin Americans:

--the restructuring of the OAS;

--the establishment of a permanent forum for Latin leaders to meet and discuss Latin American problems;

--fair market prices for Latin raw material exports and access to foreign technology.

Perez disclaims any intention to assume a role of leadership in Latin America, but Venezuelan leaders privately are pleased with the new-found influence that their massive oil revenues are bringing. The emergence of the Venezuelan President as a major leader in Latin America will not be viewed indifferently by other Latin powers; they already see Venezuela's wealth and ambitious leadership as a challenge to their traditional spheres of influence.

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USSR: The Soviets are testing a more fully equipped version of their Molniya communications relay satellite. According to Tass, the new satellite, Molniya-3, will be used for both domestic and international communications. Moscow has indicated that the Molniya-3 will also support the hot line with Washington. The Soviets launched the satellite from Plesetsk in November, placing it into an elliptical orbit similar to those of previous Molniyas. The use of an elliptical rather than a stationary orbit means that the Soviets will have to orbit a number of these satellites before they can sustain continuous communications.

Greece: Prime Minister Karamanlis yesterday nominated Mikhail Stassinopoulos to be interim president of Greece. Parliament is expected to approve the nomination. Stassinopoulos will hold the largely ceremonial post until the electorate chooses a president on the basis of the recently drafted constitution, which also is about to be submitted to parliament for approval.

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