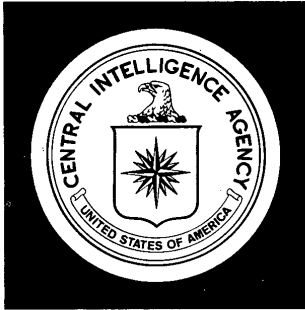


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The President's Daily Brief

December 19, 1974

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),2),3)
declassified only on approval of
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FOR THE PRESIDENT ONLY

December 19, 1974

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EGYPT-ISRAEL



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CYPRUS

President Makarios is moving to consolidate his position within the Greek Cypriot community before resuming inter-communal talks. According to the US embassy in Nicosia, he is trying to avoid either provoking his opponents on the far right or unduly arousing the expectations of his supporters.

Since his return to the island on December 7, the archbishop has solicited the views of former acting president Clerides and other Greek Cypriot leaders on the composition of a new government and on negotiating strategy for talks with the Turkish Cypriots. Clerides believes Makarios is inclined toward a government of national unity comprised of individuals representing all political interests. The cabinet ministers, however, would not serve as official representatives of any group or be responsible to them. Such an arrangement would permit Makarios to choose only those individuals who place their loyalty to him above their links to their respective political parties.

Clerides reportedly is trying to persuade Makarios to select a cabinet consisting chiefly of technicians and civil servants in order to deal more effectively with the many practical problems confronting the Greek Cypriot sector. Clerides has suggested to Makarios that such a cabinet could be assisted by a separate "advisory board," composed of the leaders of all political groups, which could counsel the archbishop on the negotiations with the Turkish Cypriots.

FOR THE PRESIDENT ONLY

USSR

Actual Soviet defense spending in 1975--including that for space and for military research and development--is likely to be 4 to 5 percent higher than last year. This contrasts with publicly announced budget figures, which show a continuing decline in defense spending during the coming year.

We estimate that Soviet defense spending has risen more rapidly during the past two years than during any equivalent time in the past. The chief reasons for this are the USSR's effort to modernize its strategic missile force, the continued deployment of new sea-based ballistic missile systems, and the increased expenditures for new tactical aircraft. Our estimate, based on calculations of the cost of observed changes in military and space programs and forces, is independent of the announced Soviet defense figure.

The publicly announced figure serves chiefly as a political and propaganda device, both internationally and domestically. Claims of declining defense spending for the past two years, although contradicting trends in observed programs, are in keeping with the image the Soviets are attempting to project with their policy of detente.

The announced figure--the only public defense statistic given each year by the USSR--has little usefulness as an indicator of either the level or trend in Soviet defense spending. For example, funds for military research and development--a major category of expenditure--are not included in the defense budget but are buried under the science sector of the state budget.

FOR THE PRESIDENT ONLY

USSR-US

A strongly worded Soviet condemnation yesterday of efforts to link Soviet-US economic relations with Soviet concessions on emigration apparently was intended to get Moscow's position firmly on the public record prior to final action by Congress on the trade bill.

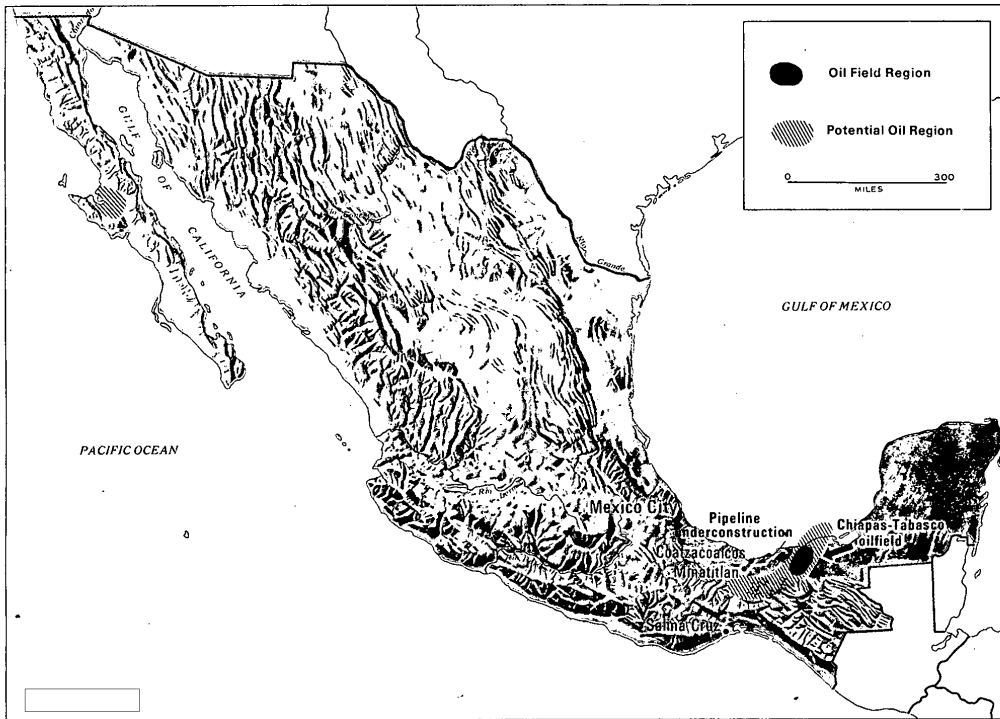
The Soviets evidently calculate that a last-minute reaffirmation of their position will not jeopardize passage of the bill. In the meantime, they have laid out a public position that will enable them to claim they did not renege on a promise if emigration rates do not come up to expectations.

The authoritative statement, broadcast by Tass, cited "leading circles in the USSR" as flatly rejecting any attempts at interference in Soviet internal affairs. In addition to the emigration issue, Moscow criticized those who were seeking economic information of a purely domestic nature. This is probably a reference to Soviet reluctance to exchange data on agricultural crops and trade.

To underscore its message, Tass also carried, in English and Russian, a letter on the emigration question from Foreign Minister Gromyko to Secretary Kissinger, dated October 26. In the letter, Gromyko denied that any agreement exists on numbers of emigrants, and reiterated the position that the number of people who wish to emigrate from the USSR is declining.

Soviet leaders may have felt that the statements were necessary to counter any suspicions in the USSR or elsewhere that the Kremlin had shown weakness in dealing with Washington on this issue. Such a show of sensitivity is reminiscent of an attack on "outside interference" that Brezhnev made at a dinner for Treasury Secretary Simon on the eve of the compromise announcement last October.

Mexico New Oil Regions



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MEXICO

Pemex, the Mexican state oil monopoly, is expanding the east coast port of Coatzacoalcos into a major petroleum export center. This appears to confirm Mexico's intention to proceed with large-scale development of the Chiapas-Tabasco oil fields. If so, oil exports could reach 300,000 barrels per day by the end of 1975.

In addition to increasing oil storage capacity and constructing new piers, a pipeline already is being built to connect Coatzacoalcos with the Minatitlan refinery. A bifurcated line is also being built to connect the Chiapas-Tabasco oil fields to Coatzacoalcos and the Pacific port of Salina Cruz. Pemex is installing loading buoys off both ports to service very large tankers.



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NOTES

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USSR: [redacted]

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USSR-France: The French-Soviet agreement signed during party chief Brezhnev's visit to Paris calls for France to provide up to \$2.5 billion in long-term credits for Soviet purchases of French capital goods. [redacted]

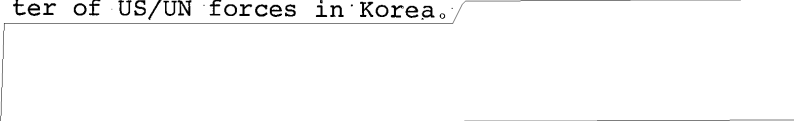
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USSR-China: The proposed list of commodities to be exchanged under the 1975 Sino-Soviet trade agreement indicates no significant change in the size or composition of trade over that of the past three years. The Chinese want to buy more trucks and cranes and three additional 200-MW electrical generators next year. Aircraft and spare parts imports will be roughly the same. The ruble value of trade this year will be about 210 million rubles, worth \$277 million at the current exchange rate.

(continued)

FOR THE PRESIDENT ONLY

Koreas-UN: The General Assembly's decision Tuesday calling for the Security Council "in due course" to examine the UN role in Korea is a setback to North Korean hopes of marshaling Third World support against the US military presence in South Korea. The North Koreans, however, made effective use of the months of backstage diplomatic preparation and the week or so of committee debate on the issue to call attention to the dual character of US/UN forces in Korea.



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Cuba: Cuba has been slowly working its way back into the Latin American regional group at the UN. Its most recent move is to bid for the Latin American seat vacated by Venezuela on the committee for decolonization. Over the objections of some members of the group, General Assembly President Bouteflika seems likely to appoint Cuba to the seat. Cuba would probably take advantage of a seat on this committee to push its efforts to inscribe the "colonial case of Puerto Rico" on the decolonization agenda.

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