

The President's Daily Brief

January 31, 1975

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FOR THE PRESIDENT ONLY

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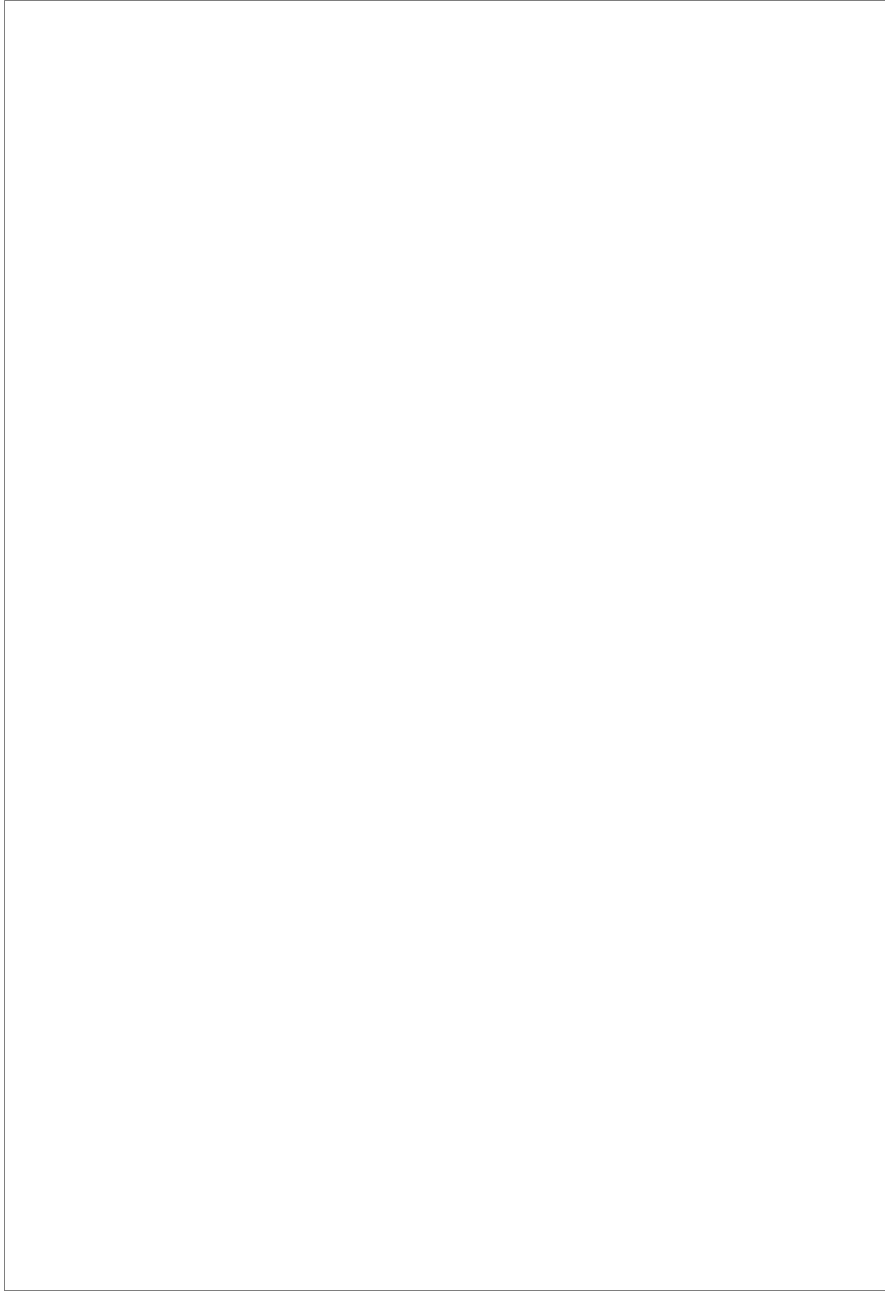
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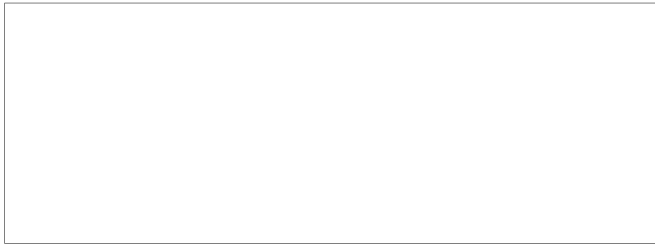
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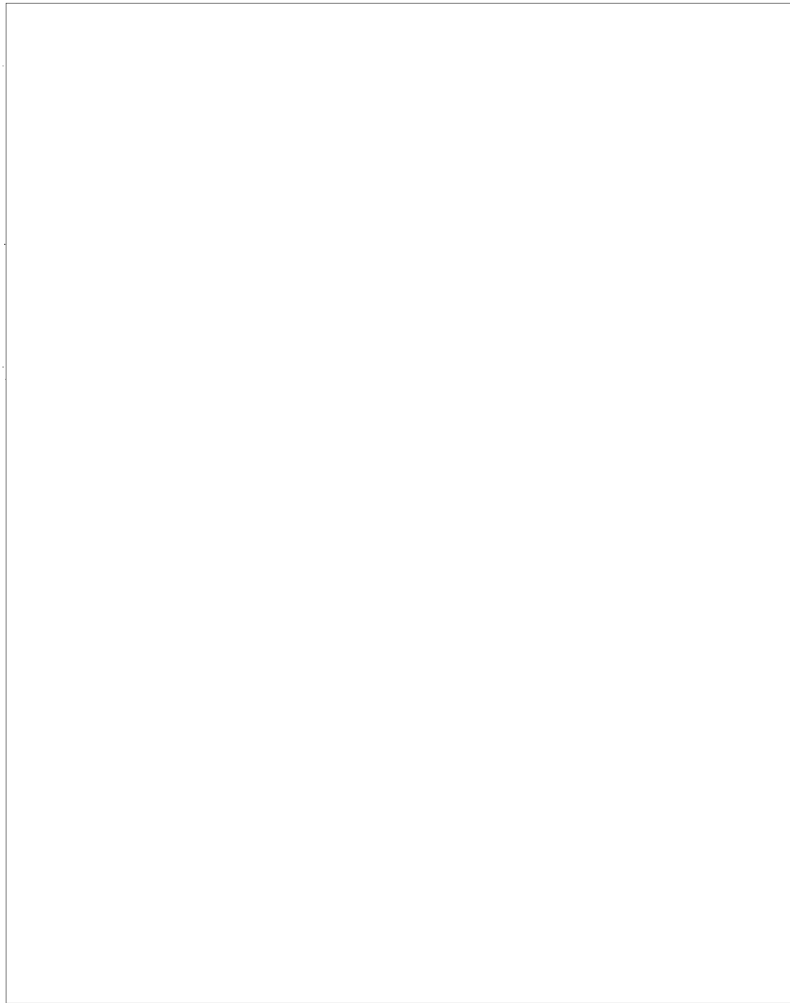
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ISRAEL



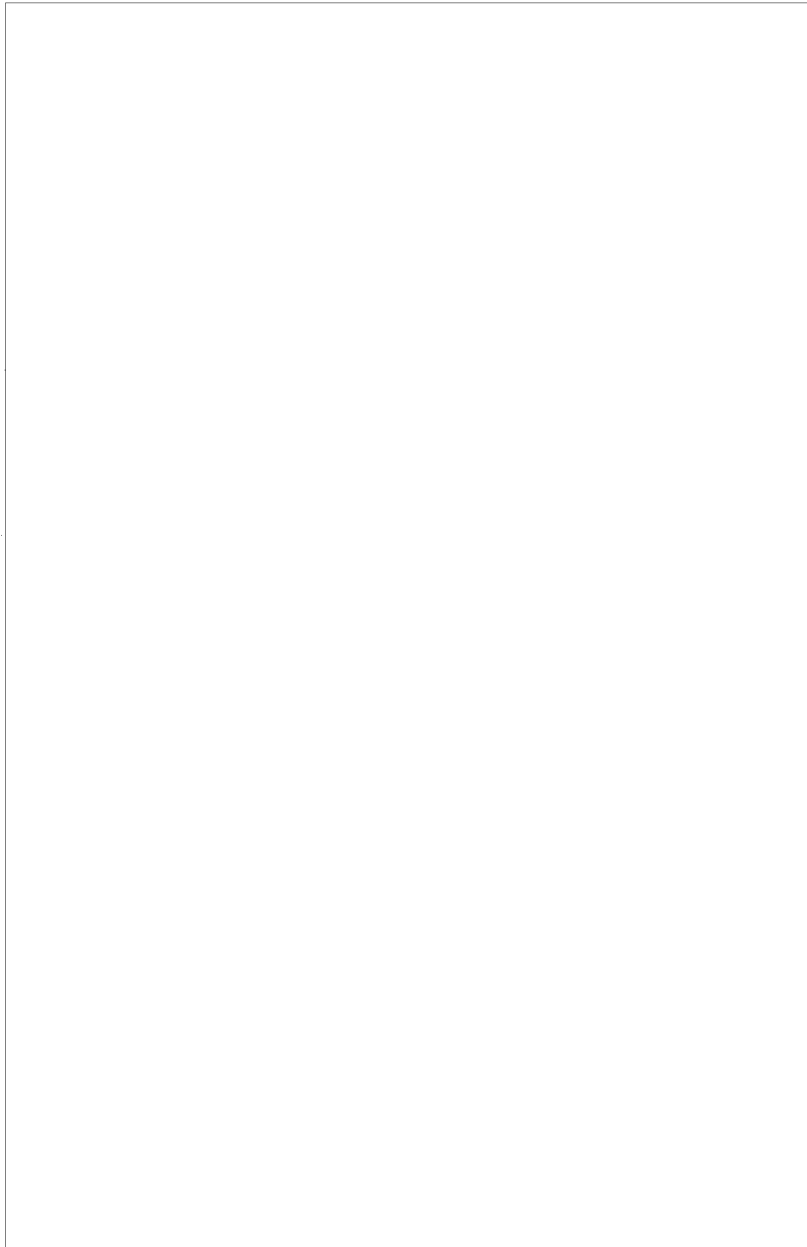
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TURKEY

The Turkish government appears to be moderating its hard line with regard to Cyprus and the Aegean dispute as the February 5 deadline for a cutoff of US military assistance approaches.

Following meetings with his National Security Council and political party leaders, Prime Minister Irmak announced on Wednesday that Nicosia airport may soon be opened under joint management and that the port of Famagusta would be reopened to international navigation.

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Turkish Cypriot leader Denktash [redacted] will propose the following at his meeting with Greek Cypriot negotiator Clerides today:

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--The opening of the Turkish-controlled port of Famagusta to Greek and Greek Cypriot shipping in return for similar facilities for Turkish shipping through Limassol.

--The return of about 5,000 Greek Cypriots to certain villages near the edge of Turkish-controlled territory.

--A guarantee by the military that Greek Cypriots would not be harassed.

[redacted] there would be no early withdrawal of the Turkish front line.

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The positions of the two sides have been so far apart on the question of the ports that there is little prospect that the issue will be resolved by February 5.

On the dispute with Greece on the Aegean, Irmak told the press that "in principle" Turkey favors taking the controversy to the International Court of Justice as the Greek prime minister proposed earlier this week. Irmak noted, however, that Turkey still intends to carry out seismic exploration in the Aegean beginning next month.

[redacted] the Turkish National Security Council agreed with the General Staff assessment that action must be taken to try to avoid the threatened halt in US military assistance. The announcement that a commando brigade of some 1,000 troops was being withdrawn from Cyprus was part of this effort.

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[redacted] no further troop reductions are expected before February.

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FRANCE--EGYPT

French Foreign Minister Sauvagnargues yesterday gave the US ambassador in Paris some views on Egyptian President Sadat's visit.

The French minister confirmed that France would supply Egypt with 50 Mirage fighter aircraft. Continuing negotiations will determine whether Egypt gets model III or the newer F-1. Sauvagnargues did not detail other arms sales, but General Badri, Egypt's minister of war production, is still in Paris talking to suppliers.

Sadat asked President Giscard for agreement in principle to supply Egypt with an 800-megawatt nuclear reactor--to be used solely for industrial purposes. Giscard did not refuse, but said formal approval would depend on the outcome of talks on controls and guarantees. Sauvagnargues said France is looking for a middle way between safeguards such as those defined by the International Atomic Energy Agency--which the French believe are not strong enough--and more stringent safeguards which impose control over the entire nuclear cycle of the importing country.

Sauvagnargues told Ambassador Rush he had been reluctant to include in the final joint communiqué the statement that French military sales would partially make up for Egypt's 1973 war losses. France wished to avoid the implicit insult to the Soviets, but Egyptian Foreign Minister Fahmi was insistent.

Giscard expressed amazement over Sadat's vehement criticism of the Soviets, according to Sauvagnargues.

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The USSR recently canceled some wheat contracts in what appears to be a reaction to commodity market price fluctuation rather than any basic change in the USSR's demand for grain.

The Soviets originally contracted for almost 7 million tons of wheat and corn for delivery in fiscal 1975, some at a peak price of \$200 per ton. A major portion was bought to meet Soviet grain requirements without drawing down stocks because the 1974 grain harvest was below expectations. A small part of the imports, however, probably represented a hedge against tight world supplies and a shortfall in Soviet grain output in 1975. Grain prices have dropped to about \$160 per ton and may go lower, and the Soviets apparently want to get out of their hedge contracts in light of good prospects for Soviet winter grain. Some 100,000-200,000 tons of US wheat may be involved in current negotiations the Soviets are conducting to cancel contracts or switch them to corn.

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The UK has announced a four-year plan to decrease its current account deficit of \$8.7 billion by shifting resources from consumption to investment.

The Labor government intends to halve food subsidies and subsidies to unprofitable nationalized industries while increasing investment in industry and agriculture, particularly in the coal and gas sectors. It is aiming for an average annual growth rate of 3 percent in gross domestic product in the next four years while holding the rise in living standards to a range of 0.4 to 1.7 percent a year. Britain's intentions, however, may be overtaken by short-term financing difficulties. If a sell-off of sterling by private holders should develop this year, the government might have to tighten up on private consumption even more rapidly than indicated in the White Paper.

* * *

Thailand's Democrat Party leader Seni Pramot may be able to form a viable government despite the lack of a clear mandate from the election last Sunday.



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conservative parties throw their support behind the politically moderate Democrat Party. If this were done, the Democrats would have a working and perhaps stable majority in the lower house. There is some evidence that Seni would be amenable to such a solution; it is far from clear, however, that the Democrat Party membership is ready to endorse a coalition with the right.

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Portugal's moderates appear to have emerged somewhat strengthened and more cohesive from the political maneuvering of the past week.

The violence last weekend by leftist extremists against the first congress of the center-right party and the threat of new violence in demonstrations that had been scheduled for today seem to have alerted moderates inside and outside the armed forces to the danger from the left. If the most violence-prone extremist group defies the government ban on demonstrations today, the government may declare the organization illegal. Moderates are said to be encouraged by the aggressiveness of the Socialist Party in opposing the Communists and the more extremist groups.

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