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The President's Daily Brief

June 27, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

June 27, 1974

PRINCIPAL DEVELOPMENTS

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Italian Prime Minister Rumor will probably get parliamentary approval of the government's austerity program, but continuing dissension within the coalition and reservations on the part of labor could imperil the program. (Page 2)

The Chinese, apparently concerned about their approaching harvest, are buying record amounts of grain for delivery this year, a total of 9.4 million tons. (Page 3)

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JORDAN

King Husayn has made public his threat not to participate in the Geneva peace talks unless a Jordanian-Israeli disengagement accord is worked out first. In an interview published in a Beirut daily on Monday, the King insisted that Israel would have to pull back a "reasonable depth" from the Jordan River as a prerequisite for Jordanian participation at Geneva, and that ultimately the Israelis would have to withdraw from the Arab portion of Jerusalem. Only then, he added, could a referendum be held on the West Bank to decide the area's future.

Husayn indicated that Jordan, Egypt, and Syria will also have to come up with a coordinated negotiating strategy before the Geneva conference reconvenes. By publicly threatening to boycott the talks and insisting on a coordinated Arab position, Husayn hopes to force Egypt and Syria to support his efforts to get Jordanian-Israeli disengagement negotiations rolling. He also hopes to spur the Israelis to be more responsive to his proposals.

The King reiterated that he had no objections to the presence of the Palestine Liberation Organization at the Geneva talks. He seemed to take a slightly harder position than on previous occasions, however, on the respective roles Jordan and the PLO should play. He said the Palestinian group's mandate should be limited to handling the still vaguely defined question of "Palestinian rights," while Jordan would negotiate the return of the West Bank and East Jerusalem to Arab custody.

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ITALY

The Italian political scene remains tense in the wake of the accord on economic issues that was reached by the four center-left parties last week. Parliamentary debate on the government's austerity program begins today. Prime Minister Rumor will probably be able to get it approved, but continuing dissension within the coalition and reservations on the part of labor could imperil implementation of the program.

The Socialists are still exuding confidence from their gains in the Sardinian regional election last week and will drive a hard bargain in discussions on how to implement the program. The Socialist Party directorate this week strongly implied that its approval was based on the assumption that the Communist Party and labor unions will be consulted as the measures are implemented.

The dominant Christian Democratic Party, meanwhile, is divided over the leadership of Amintore Fanfani and the policies he represents. The party's left wing appears to be gathering support for its view that Fanfani's policies are responsible for Christian Democratic defeats in the divorce referendum and the Sardinian elections. A party national council meeting is to be held next month, and the left wing is expected to challenge Fanfani's leadership at that meeting and try to shift the party's policies leftward.

The Communists are debating how best to capitalize on the Christian Democrats' weakened position. Several major Communist leaders think the party should try to bring down the Rumor government--a development they believe would ultimately lead to the replacement of Fanfani by a leader more sympathetic to cooperation with the Communist Party. Others hesitate to push the Christian Democrats too hard, fearing that such tactics could lead them to close ranks against the Communists.

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CHINA

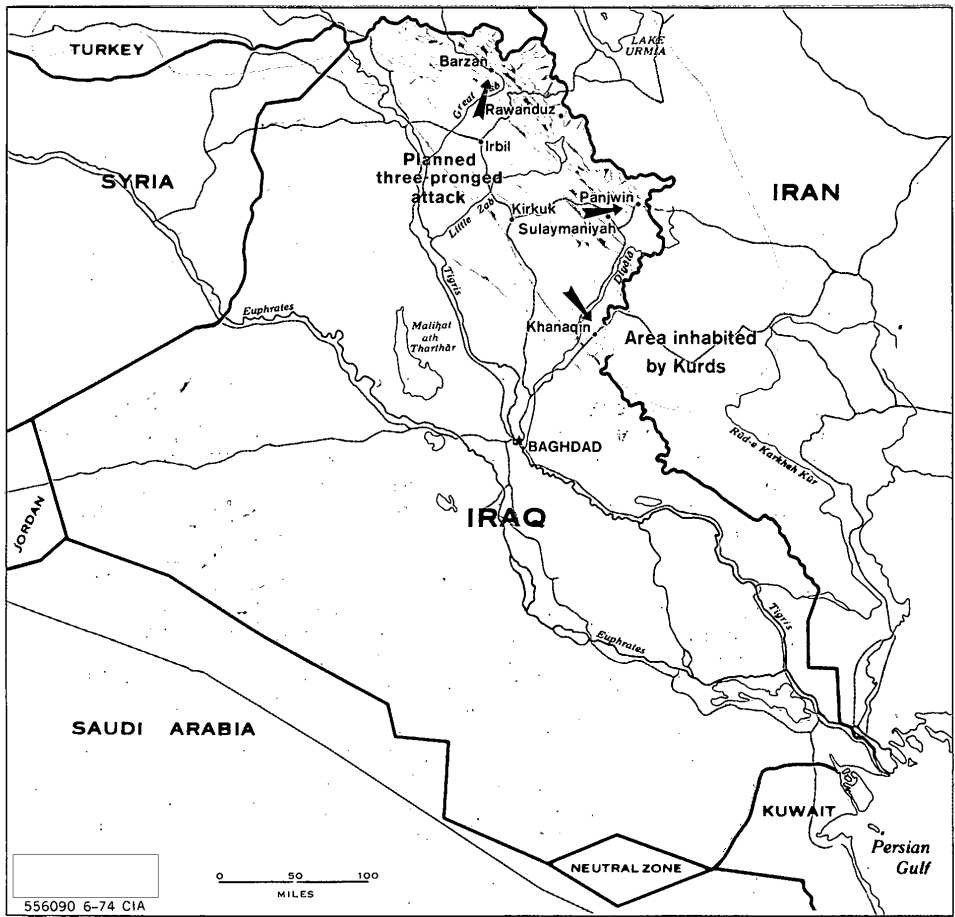
China is buying record amounts of grain this year in apparent concern about the approaching harvest. Peking has contracted for a total of 9.4 million tons of grain for delivery this year, including 3 million tons of US wheat and 1.1 million tons of US corn. Last year, it imported 7.5 million tons of grain; 4.1 million tons were of US origin.

Yesterday, the Canadian Wheat Board announced a \$350-million wheat sale to China--some 2 million tons--its largest since 1972. One of the two contracts for this sale is in addition to those anticipated in the three-year sales agreement reached last October. The Canadian official who announced the sale indicated that delivery will begin in July and will be concluded before the end of the year.

China has also signed a new purchase contract for 600,000 tons of US wheat, presumably for delivery beginning next month. This contract comes on the heels of an agreement with at least three traders to resume US wheat shipments that had been stalled for several months.

A small portion of the grain China is buying could possibly be diverted to North Vietnam and Albania. Earlier this year, China bought some 260,000 tons of corn from Argentina--230,000 tons for North Vietnam and the rest for Albania. China has also sent North Vietnam some Australian wheat and some 26,500 tons of US corn.

North Vietnamese food imports are already running at record levels, and Hanoi should be able to satisfy its minimum needs until rice is available from the spring crop. That crop should be reaching the markets in the next few weeks, but the outlook is for a poor harvest.



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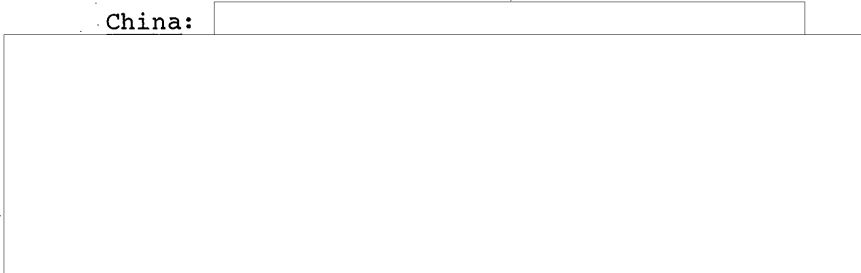
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NOTES

Iraq: The army may have launched a major drive against the Kurds in an attempt to isolate them and cut their supply lines with Iran. Tehran is concerned that the fighting may lead to more serious clashes between Iran and Iraq. On June 21, forces of the two countries reportedly exchanged fire for several hours at a point on the border some 100 miles northeast of Baghdad. The Iraqi government has tried before to prevent the Kurds from getting supplies from Iran, but has failed largely because of the mountainous terrain and stubborn Kurdish resistance.

China:

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Saudi Arabia - EC:

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An end of the embargo would clear the way for substantive talks between the Arab nations and the EC.

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Pakistan-USSR: Pakistani Prime Minister Bhutto will make an official visit to the USSR beginning on July 8. His main concern is expected to be the ramifications of India's detonation last month of a nuclear device. He is also likely to request clarification of the USSR's attitude toward Afghan-Pakistani relations, in light of Moscow's recent expression of support for "negotiation" of the dispute over Pushtunistan. Pakistan insists that this is an internal problem and that only "discussions," not "negotiations," are possible.

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