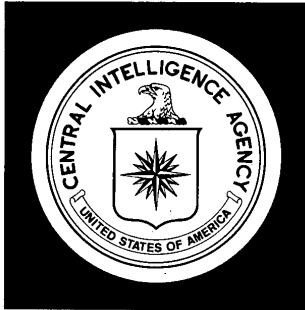


[Handwritten mark]



The President's Daily Brief

March 8, 1975

5

[Redacted box]

~~*Top Secret 25X1*~~

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
declassified only on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

March 8, 1975

Table of Contents

South Vietnam: Heavy fighting continues in the central highlands with indications that intensified combat will soon break out elsewhere. (Page 1)

Turkey: The Turkish military is becoming increasingly concerned about the government crisis. (Page 2)

Iran-Iraq: The Shah, apparently as a result of his agreement with Iraqi strongman Saddam Husayn earlier this week, yesterday began pulling out of Iraq the military units he had sent to support the Kurds. (Page 4)

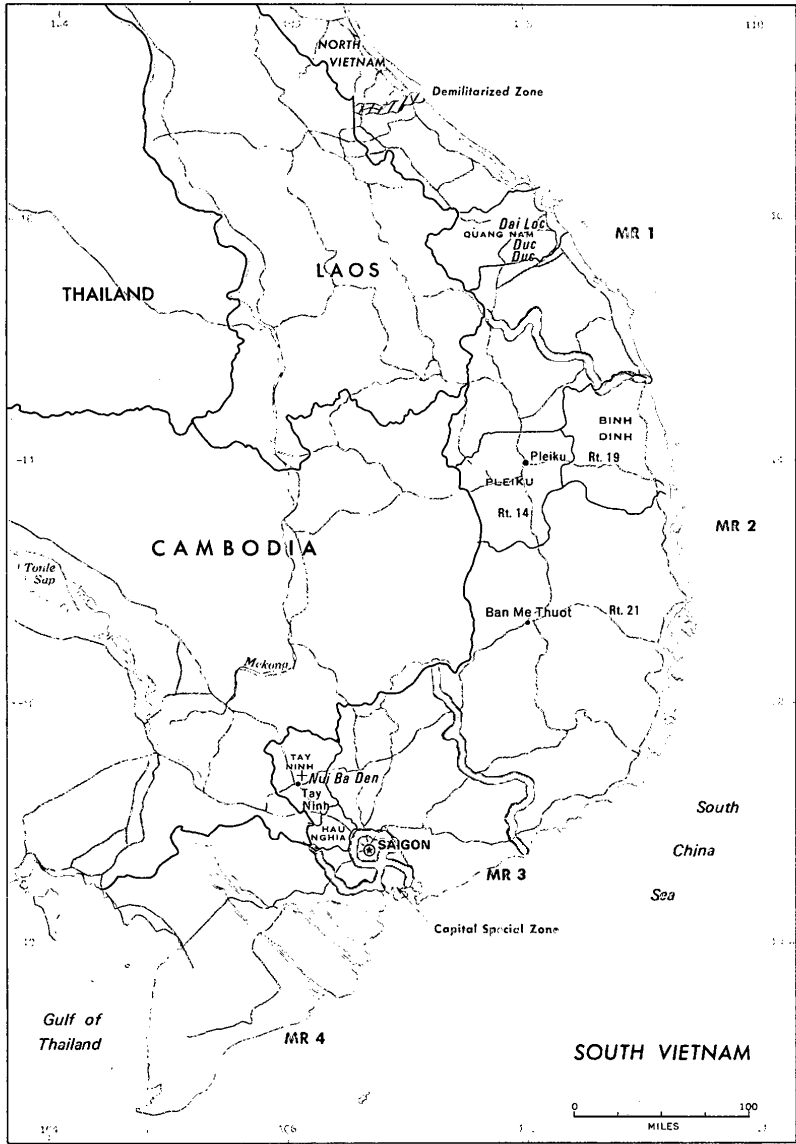
Egypt: An interagency intelligence memorandum assesses gaps in Egypt's military inventory and their effect on its ability to wage war. (Page 5)

Libya: For the first time in many years, Tripoli is having trouble making ends meet. (Page 6)

World Grain Outlook: The world grain situation has eased slightly in the last three months. (Page 7)

Notes: Cambodia; European Security Conference; Poland (Pages 9 and 10)

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Heavy fighting continues in the central highlands with indications that intensified combat will soon break out in other sections of the country. Government forces in Quang Nam Province have come under strong artillery attack, and units have been forced to pull back from lowland areas in Duc Duc and Dai Loc districts.

Government counterattacks are under way at both ends of Route 19 in Pleiku and Binh Dinh provinces. Some positions apparently have been retaken, but the road remains interdicted at several points, and the government has encountered intense North Vietnamese resistance near some of the strategic mountain passes. Government commanders estimate that it could take them as long as a month to resecure the highway.

Communist forces have also cut Route 14 south of Pleiku City and Route 21 leading in from the coast to the southern highlands capital of Ban Me Thuot. South Vietnamese counterattacks are under way along these routes, but this communist action has isolated Pleiku City from resupply by land.

Senior South Vietnamese officials are predicting that a new round of fighting is about to begin in the provinces around Saigon and in the delta. The government is trying to recapture strategic Nui Ba Den (Black Virgin) Mountain in Tay Ninh Province before communist attacks begin. So far, resistance to the government's operation has been light.

South Vietnam [redacted] believes the level of renewed fighting will be well below that of last December because most of the communist units are understrength. [redacted] optimistic that South Vietnamese forces can contain the attacks and possibly deal the communists some setbacks.

25X1

25X1

FOR THE PRESIDENT ONLY

TURKEY

The Turkish military is becoming increasingly concerned about the government crisis; it may be considering direct intervention to break the deadlock that has blocked formation of a government for nearly six months.

Turkish military units [redacted] [redacted] have been on various forms of stand-by or alert status since February 28, with most indications being that this has been related to domestic problems.

25X1
25X1

The extent of the alert and the reasons for it are being tightly held by the military high command. Among the possibilities being speculated about in Ankara are:

- Reaction to Greek military unrest, including the buildup of Greek forces on islands off Turkey's coast.
- The threat of renewed violence between rival political and religious factions.
- Concern over growing unrest among junior officers and noncommissioned officers.
- The possibility of President Koruturk's resigning and the military's taking over the reins of government.

Adding to the anxiety in Ankara is prime minister - designate Irmak [redacted] [redacted] has so far been unsuccessful in his efforts to form a coalition government. Irmak may try a new approach next week, but his initial idea of a broad national coalition has clearly failed. The Democratic Party apparently turned down the idea of joining a coalition with Ecevit's Republican People's Party under the independent Irmak.

25X1
25X1

Armed forces officers [redacted] the political parties have betrayed the nation, with many holding the view that parliament should be dissolved and new elections called. [redacted]

25X1
25X1
25X1
25X1

[redacted]

(continued)

FOR THE PRESIDENT ONLY

Ecevit apparently is aware that a continued government stalemate could precipitate a military coup, and his party is urgently working to form a coalition with the Democratic Party.

Republican People's Party strategists reportedly believe that, if Irmak fails to form a government, the President will turn to Ecevit again. These strategists also believe the threat of military intervention may be sufficient to force the Democrats to swallow their objections to an election this summer and join a coalition.

The military may, in fact, be trying to create just this kind of fear among politicians in the hope of breaking the impasse. If no break comes, or if the President resigns, the military may see little choice but to step in and force new elections. This could even be done while retaining the Irmak government in its caretaker role.

FOR THE PRESIDENT ONLY

IRAN-IRAQ

Iran yesterday began withdrawing the military units it had sent into Iraq in support of rebellious Iraqi Kurds. The withdrawal apparently results from an agreement reached by the Shah and Iraqi strongman Saddam Husayn in Algiers on Thursday.

[Redacted]

25X1

[Redacted] Iranian mortar, artillery, and air defense units had been operating inside northern Iraq since last summer. They played a critical role in halting an Iraqi offensive last fall.

25X1

[Redacted]

25X1

[Redacted]

25X1

[Redacted] The withdrawal of Iranian forces from Iraq suggests the Shah has given Baghdad a free hand to pursue its military solution to the Kurdish problem to a conclusion in return for Iraq's acceptance of the Iranian position on border demarcation.

25X1

The Shah probably concluded that support of military resistance by the Kurdish forces was no longer a realistic policy. The Kurds, pushed back toward the Iranian border last fall, have not been able to regain any of their lost territory during the winter. Their failure left the Iraqi army in a good position to renew its offensive this spring and faced the Shah with the prospect of an even larger Iranian intervention if the Kurdish position was to be preserved.

FOR THE PRESIDENT ONLY

EGYPT

The following paragraphs present the major conclusions of an interagency intelligence memorandum on "Gaps in Egypt's Military Inventory and the Effects on its Wartime Capabilities."

Egypt's overall military capabilities today are somewhat less than prior to the October war.

--The army is nearly up to its prewar armored strength, but shortages of certain major military equipment still exist.

--Egypt has about only 70 percent of its prewar aircraft inventory.

Vis-a-vis Israel, Egypt's armed forces are weaker than in October 1973 because of the significant increase in Israeli inventories and capabilities. Thus, Egypt probably would have to rely on joint military action with Syria to a greater degree than in the October war.

Despite shortages, Egypt's armed forces are estimated to be capable of a strong defense against an Israeli attack or of mounting a major offensive of short duration in the Sinai. There is little information on Egypt's stockpiles of ammunition and spare parts, but Cairo probably could not sustain major military action without additional Soviet resupply.

Recent deliveries of Soviet aircraft and other military equipment--believed to be under prewar contracts--have not been sufficient to restore Egypt's war losses. The prospects for the full-scale resumption of Soviet military aid to Egypt are uncertain, but President Sadat will feel less need for such aid if he can negotiate a satisfactory new disengagement agreement with Israel.

As an alternative to renewed Soviet aid, Egypt's purchases of Western arms will improve its capabilities gradually over several years, but not for the near term. During this period, Egypt will continue to be dependent on Soviet and East European supplies of spares and ammunition to maintain its current level of combat readiness.

FOR THE PRESIDENT ONLY

LIBYA

During 1974 Libya cut oil prices in order to compete with Persian Gulf suppliers, but the cuts were too late and too little to offset falling tanker rates and reduced demand for low-sulfur crude. Now, for the first time in many years, Tripoli is having trouble making ends meet.

Libyan oil production fell sharply from 2 million barrels per day in January 1974 to 1 million barrels per day in December. Late in the year revenues began to lag behind current expenditures, and Tripoli drew down its foreign exchange reserves by more than \$200 million during November and December.

Although oil revenues remain depressed, the Libyans show no sign of restraining foreign exchange expenditures. The newly released 1975 development budget calls for a 50-percent increase in expenditures--the largest ever scheduled by the Qadhafi government. Large arms purchases are on the books, and there are no indications that Qadhafi's erratic aid program will be modified.

Libyan efforts remain focused on increasing oil sales. Following reductions of low-sulfur crude and freight premiums on January 1, the government further cut prices on lower grade crude oils in February. Moreover, the Libyan National Oil Company has been shaving prices of its independently produced oil even below prices charged to the oil companies.

[redacted] the Libyans reportedly are offering reduced prices, extended credit terms, and even balance-of-payments loans to obtain long-term oil purchases and industrial and agricultural cooperation.

25X1

Package oil deals and price shaving have enabled the National Oil Company to raise its independent production significantly since the third quarter of 1974, but total production has been fairly constant. The oil companies that market almost 90 percent of Libyan output maintain that large price reductions will be necessary to boost sales.

FOR THE PRESIDENT ONLY

WORLD GRAIN OUTLOOK

The world grain situation has eased slightly in the last three months, more so for wheat than for corn. We still forecast 1974/75 grain production (excluding rice) at 6 percent below 1973/74, but prices have fallen because of a sharp decline in grain fed to livestock in the US. This has released enough grain so far to meet foreign buying, which has been running ahead of estimates made three months ago.

Total worldwide grain consumption will not decline as much as production, however, so that stocks of major producers are expected to fall by over 20 million tons--mostly in the US--to a new low of about 85 million tons by mid-1975.

Wheat

World import demand for wheat is estimated at 65.3 million tons for 1974/75, up 1.3 million tons from our December estimate and 3.4 million tons above exports in 1973/74. Larger import demands of Brazil, South Asia, Mexico, and northern Africa have more than offset the highly publicized cancellations in recent weeks by the USSR and China. The largest share of the Chinese cancellations pertain to wheat shipments from the 1975 harvest.

We estimate world wheat production in 1974/75 to be down by over 20 million tons, or 5.6 percent. Production declines in Argentina, Australia, Canada, India, and the USSR were not offset by bumper harvests in Europe and the US.

Wheat available for export may reach 67.6 million tons--some 2.3 million tons above import demand--if the US and Canada draw down stocks to minimum acceptable levels. This estimate--3.6 million tons higher than our December estimate--is a result of smaller quantities of wheat being fed to livestock in the EC and an increase in the US crop. Australia will also have larger quantities available for export than a year ago.

(continued)

FOR THE PRESIDENT ONLY

Foreign demand for US wheat and flour is forecast at 31.2 million tons--200,000 tons above our December estimate and 100,000 tons above 1973/74 exports. This quantity can be exported, but stocks would be drawn down to a record low of under 5.6 million tons, approaching minimum pipeline requirements.

Corn

We estimate world import demand for corn in 1974/75 at 41.8 million tons--14 percent more than forecast in December and about the same as in 1973/74. The increase is due primarily to less feeding of wheat to livestock in the EC, prompted by lower import prices for US corn and crop shortfalls in other West European countries and Mexico. This higher level of demand can be met only if US stocks are drawn down to minimum pipeline requirements and US domestic use continues to decline.

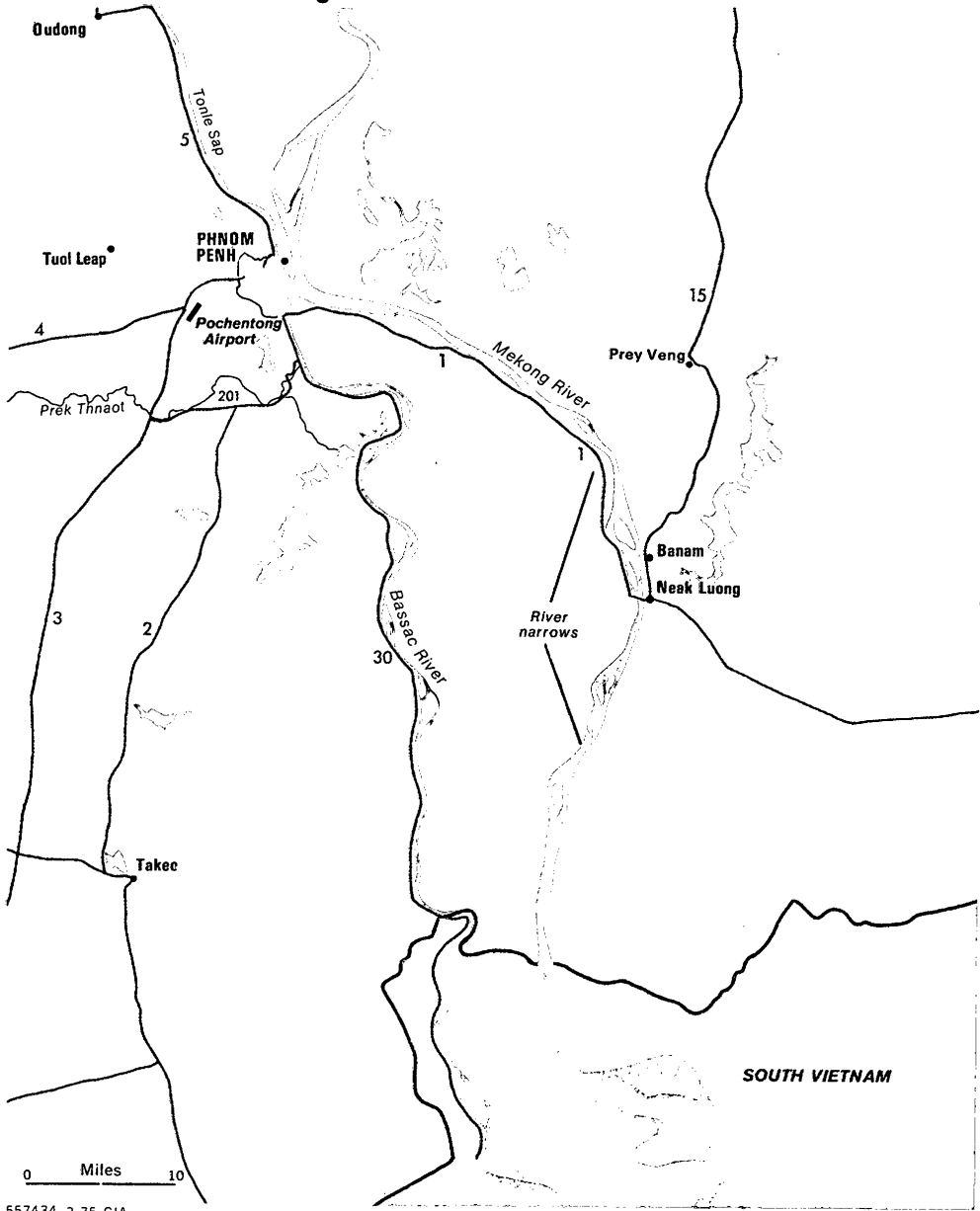
We estimate export demand for US corn at 28.2 million tons, up 4.7 million tons from three months ago. This level of exports is contingent upon a 19-percent drop in US consumption. The increase is the result of foreign buying to take advantage of falling US corn prices, which have dropped 25 percent since mid-December.

Continuing Uncertainties

Current demand for US grain exports could change as a result of the following:

- Transport or port problems plaguing grain shipments from Canada, Argentina, and South Africa.
- The North African drought, which could raise wheat import requirements above current projections.
- The amount of corn substituted for wheat in livestock feeding in the EC.
- The extent of the decrease in US grain feeding.
- Resumption of Soviet corn purchases to take advantage of lower prices.

Cambodia: Lower Mekong



FOR THE PRESIDENT ONLY

NOTES

Airlift operations in Cambodia continued at Phnom Penh's Pochentong airport on Friday, despite sporadic Communist rocket and artillery attacks. No further damage to aircraft or facilities occurred.

The government force trying to retake the town of Tuol Leap and eliminate insurgent artillery and rocket positions in the area has bogged down in the face of stiff resistance. Fighting in other areas around the capital was relatively heavy but inconclusive.

* * *

The Soviet embassy in Washington has agreed to US-proposed language for use at the European security conference in Geneva that says national borders can be changed, in accordance with international law, by peaceful means and by agreement."

West Germany has pushed hard for such a clause and is urging other Western participants at the conference to endorse the formula quickly before the Soviets change their minds. Bonn's concern is justified. Yesterday, the Soviet delegation submitted an apparently non-substantive wording change. In addition, East and West must still decide exactly where the formula will be placed in the text. The Soviets continue to be intransigent on other outstanding issues. Last week they even reopened several science and technology items that Western countries had thought were settled.

(continued)

FOR THE PRESIDENT ONLY

* * *

On Tuesday the Polish Politburo gave "important priority" to expanding economic relations with the US by implementing economic and scientific-technical agreements signed during party leader Gierek's visit to the US last fall.

A Foreign Ministry official recently said Warsaw had concluded that the disappointing lags in implementing the agreements with the US were largely the fault of Poland. Polish officials have indicated that they have plans to increase trade with the US despite Poland's ballooning hard currency debt with the West. Warsaw not only will increase its industrial purchases, but also will buy more agricultural products because of bad winter weather. To facilitate expanded trade, Poland is seeking to eliminate long-standing bilateral problems by such moves as agreeing to redeem pre - World War II Polish government bonds.

FOR THE PRESIDENT ONLY

Top Secret