



The President's Daily Brief

June 7, 1975

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June 7, 1975

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UK-EC

The British electorate's overwhelming endorsement of EC membership in the referendum on Thursday confirms that Prime Minister Wilson's gamble with his political future paid off. Over 67 percent voted in favor of remaining in the EC. Roughly 65 percent of the electorate turned out--less than normal for general elections, but sufficiently high for the government to declare that the voters had made clear their views. Wilson hoped that a positive vote in the referendum would put to rest, particularly within his own Labor Party, the question of Britain's European connection.

Now that the referendum campaign is over, Wilson is expected to move in two directions before the parliamentary recess in mid-July:

--shuffle the cabinet to move some of the vocal anti-marketeers to less important positions;

--address growing economic problems, especially rising inflation and unemployment. In particular, he will search more urgently than before for a substitute for the nearly defunct "social contract."

The unqualified British support for continued EC membership is being greeted with immense relief in the EC capitals. The Community can now devote more attention to problems that had been deferred while the British question preoccupied the Nine. The referendum is a major political success for the Community and could provide new forward momentum. At the least, it should temporarily still anti-EC sentiment in Denmark that was deriving inspiration from the UK.

London will move quickly to mend fences with its EC partners and assuage the considerable resentment currently felt in many quarters toward London. The Labor Party, for the first time, will

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now take seats in the European Parliament, and British representatives, including those from the trade union sector, will attend meetings of the economic and social committee.

No major changes in London's position on principal issues under EC competence are expected anytime soon, and Britain will continue a strong defense of its national interests in EC forums. British influence has been to broaden and liberalize the Community's external policies while making its machinery more pragmatic and less bureaucratic. This positive impact can be expected to continue, as will London's efforts to counter the EC's tendency to evolve along protectionist lines. Politically, British presence provides a healthy counterweight to potential French and German hegemony, either alone or in tandem.

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OPEC

Recent press speculation on an OPEC price increase of \$4 a barrel is misleading. We have several reasons to believe that the price hike on October 1 will be substantially less than most figures mentioned in the press.



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--Oil Minister Yamani of Saudi Arabia has stated that there will be no "sharp" price hikes, and Prince Fahd has indicated that Saudi Arabia wants a "stable" price.



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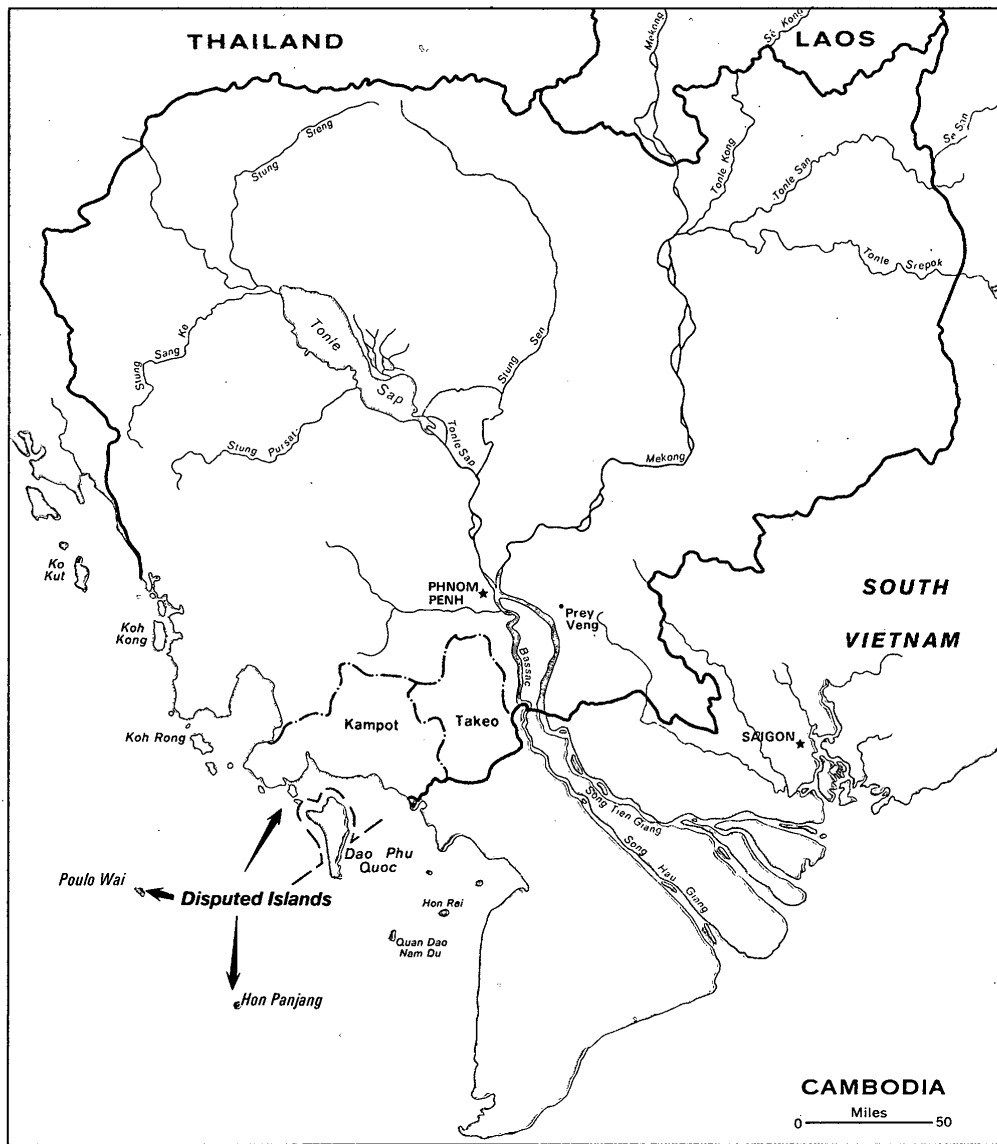
--The Shah of Iran has stated that, although a 35-percent increase would be justified, the actual increase would be less.

--The Kuwaitis reportedly are beginning to doubt that a price rise this year would be in Kuwait's interest



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Interior Minister Amouzegar--one of the few authoritative Iranian spokesmen besides the Shah--undoubtedly stated the truth when he said that the size of the price increase in October is as yet undetermined, but will be between "zero and 35 percent." Our current estimate is that it will be at the lower end of this range, perhaps less than \$1.00. The increase in October might well be followed by a somewhat larger increase in early 1976.



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CAMBODIA-VIETNAM

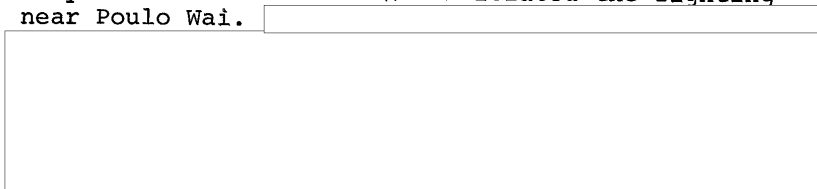
Fighting has broken out between Vietnamese and Cambodian communist forces near the disputed Poulo Wai Islands.

Intercepted messages on Thursday and yesterday reveal that over 25 Cambodians and "many" Vietnamese were killed or wounded in a clash between Cambodian and Vietnamese gunboats. The messages also suggest that Vietnamese aircraft were involved in the fighting.

The potential for such an incident has been building since late April when the new regime in Phnom Penh moved quickly to assert its claims to a number of off-shore islands. Cambodian troops sent to Poulo Wai, in fact, were ordered to "fight diligently" against any Vietnamese attempts to occupy islands.

The Cambodians also occupied disputed islands north of Phu Quoc and may have dispatched a garrison force to Hon Panjang, some 50 miles southeast of Poulo Wai. On the mainland, Cambodian troops in the southeastern provinces of Takeo and Kampot have clashed with the Vietnamese over territorial rights along the ill-defined border

Senior officials on both sides have been trying to keep the disputes within bounds and it is as yet not clear which side initiated the fighting near Poulo Wai.



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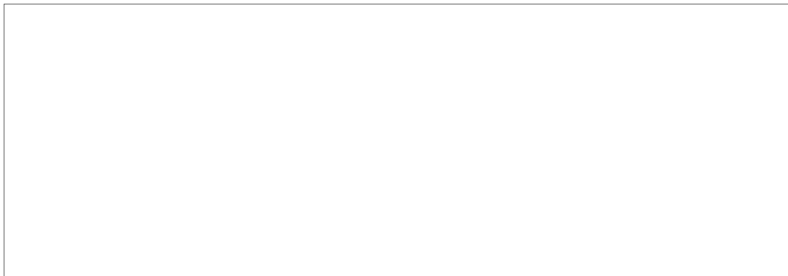
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LAOS

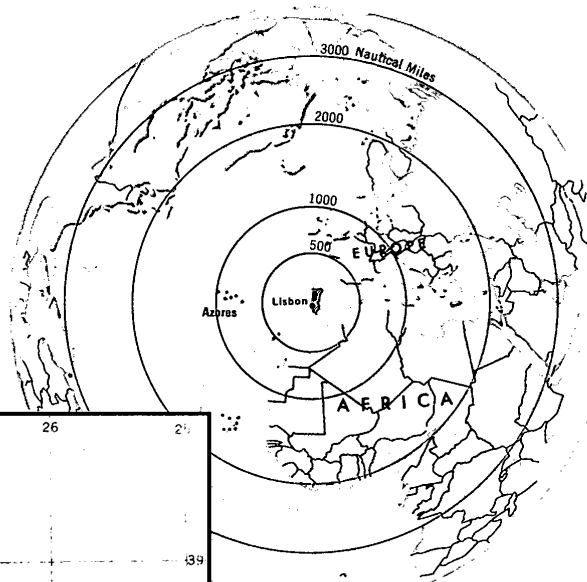
There have been no major anti-US demonstrations or disturbances in Vientiane for nearly a week, but harassment of Americans continues unabated.

Yesterday, a so-called "protest committee" claiming to represent some 2,700 Lao employees of AID demanded that American officials give an extra three months' severance pay to these employees on top of the termination benefits already promised them. In an effort to keep the AID dissolution negotiations on track and to protect the safety of the 200 or so Americans still in the Lao capital, US officials had little choice but to acquiesce.

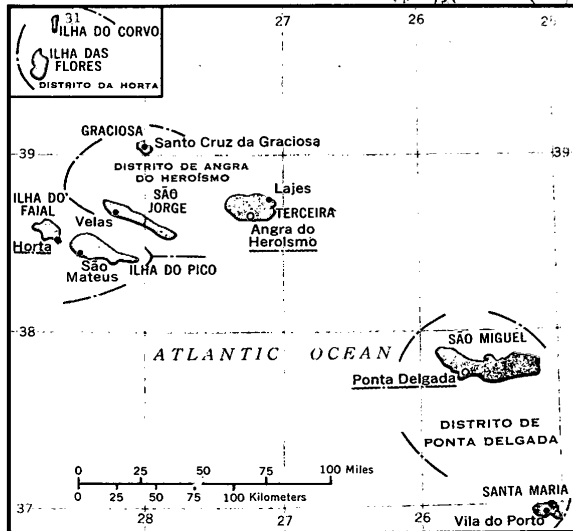
The Lao communists, for their part, are continuing to enter the private residences of American AID personnel, ostensibly for the purpose of inventorying the "furniture." In some cases, they have confiscated refrigerators, stoves, and air conditioners--probably in the belief that AID personnel will attempt to remove these appliances when they leave Laos on or before June 30.



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AZORES



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FOR THE PRESIDENT ONLY**PORTUGAL-AZORES**

The local military have taken over the Azorean island of Sao Miguel, after a protest demonstration forced the resignation of the civil governor and apparently touched off a separatist effort to seize control. Separatists apparently sought to exploit a demonstration by some 3,000 Azoreans who occupied the Portuguese civil governor's office in Ponta Delgada yesterday afternoon.

The separatists closed Ponta Delgada airport and took over a local radio station. The airport was later reopened, apparently on orders of the military governor. There were early indications that some army members on Sao Miguel had acquiesced in the separatist effort. After some vacillation, the military appear to have decided to remain loyal to Lisbon, at least for now. A communiqué issued in Lisbon last night claimed that the situation was fully under the control of the Armed Forces Movement.

The military governor's tie to Lisbon appears to be weak, however, and may be cut if Portugal's ruling military authorities seek to retaliate for yesterday's events. So far, apparently, no one has been arrested, and separatists are thus free to try to capitalize on the support they received yesterday and to try again, perhaps with more preparation. Coordination with groups outside Ponta Delgada was not established yesterday, and nothing happened on other islands. US military officials at Lajes air base, on Terceira Island, report the situation there remains calm. There was no interference with the seven NATO ships--including a US and a Portuguese ship--visiting Ponta Delgada.

Lisbon's initial reaction to the developments was subdued, but charges of a rightist attempt to thwart the Portuguese revolution are sure to arise. Leftists are likely to make an effort to link the US to the disturbances.

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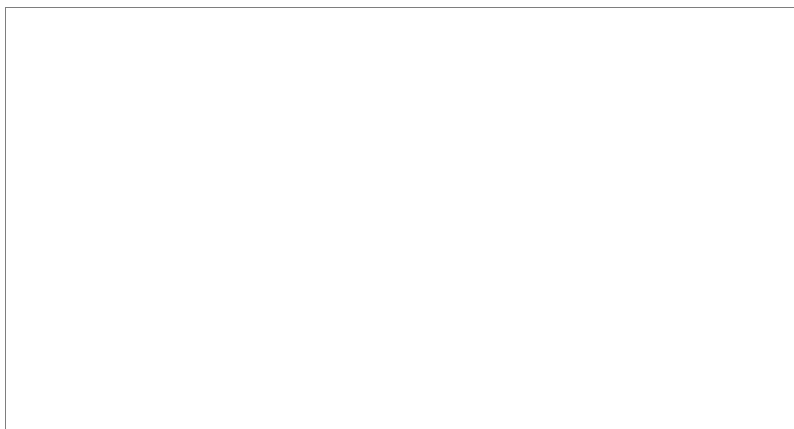
Portugal's military rulers have announced that the Socialist newspaper *Republica* will reopen, but they refused a Socialist demand to transfer the communist printers who shut the paper down last month. The Socialists apparently have not yet decided whether to accept this solution or to resign from the government. Socialist Party chief Soares reportedly has extended the deadline for decision from today until Monday.

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PORTUGAL

Renewed fighting in Angola between contending native groups is posing serious problems for Portugal's ruling Armed Forces Movement, which is divided on how to deal with its African colony.

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Meanwhile, the influx of white refugees from the Portuguese colony could cause additional problems for Portugal's leaders. As many as 5,000 Portuguese emigrants may have already left Angola, with 1,500 returning home. As many as 50,000 more are said to have booked passage. The refugees who do return to Portugal will not only swell the ranks of the unemployed, but also reintroduce into Portugal's turbulent political life a large number of conservative military officers who view present political developments in Lisbon with alarm.

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ARGENTINA



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