



The President's Daily Brief

July 19, 1975

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
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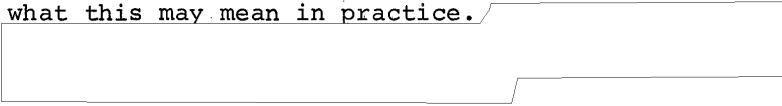
PORTUGAL

The power struggle between Communists and moderates appears to be nearing a showdown.

Despite Communist threats to prevent the demonstration in Oporto last evening, the Socialists opened all roads into the city and a crowd of more than 70,000 put on an impressive show of strength. Small groups of Communists dispersed quickly and there were reportedly only brief clashes.

A potentially more serious test of strength will likely occur today in Lisbon, where the Communists have set up a number of roadblocks in an effort to prevent another Socialist demonstration. Following a quickly summoned meeting of members of the Revolutionary Council yesterday afternoon, President Costa Gomes called in Socialist and Communist leaders for consultations and the military was put on full alert.

The spokesman for the Council subsequently announced that the roadblocks around Lisbon would be manned only by the armed forces--not to prevent people from entering Lisbon, but "to check only for possible reactionary elements." Discipline within the military is weak right now, and we are unsure what this may mean in practice.



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The Communists are increasingly apprehensive over whether they can retain the influence they have enjoyed through the radical officers who have dominated the Armed Forces Movement. The prospect of losing their main peg to power--Prime Minister Goncalves--appears to have stiffened their determination to meet the moderate challenge.



President Costa Gomes has decided he must support the moderates in their attempt to oust Prime Minister Goncalves in the Revolutionary Council meeting today or risk a further erosion of his own power base.

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Moscow has placed itself more fully and openly on the side of the Portuguese Communists and Armed Forces Movement in the current political crisis.

Over the past few days signed commentaries have appeared in Izvestiya and Pravda pillorying the Portuguese Socialists and expressing support for the Armed Forces Movement. The Izvestiya commentary, going further than Moscow has heretofore, asserts that the "new Portugal" can count on active economic and political support from the "socialist" countries.

Moscow's more forthright backing of the Armed Forces Movement and the Portuguese Communists suggests the Soviets expect the rapidly developing crisis will soon come to a head. The Soviets clearly want to be publicly aligned with the "progressive" forces, and they may be under pressure from the Portuguese Communists to take a stronger stand. If, as Moscow apparently believes, the Armed Forces Movement comes out on top, the Soviets will be in a better position in Lisbon. Even if things go badly for the Portuguese Communists, the Soviet gesture of support at a critical juncture could help protect Moscow from criticism within the communist movement.

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INDIA

We present the key points of an interagency memorandum, India's Political Prospects over the Next Year, July 18, 1975.

Prime Minister Gandhi's recent repressive actions, though technically lawful, have substantially changed India's political system.

She has dramatically tightened her control and is likely to remain in power for at least the next year.

--Within the Ruling Congress Party, opposition to Gandhi is unlikely to grow serious enough to jeopardize her position.

--Anti-Congress opposition groups will probably remain unable to mount a major challenge for some time.

--The security forces are likely to remain loyal to the Prime Minister's constitutional authority and to be able to contain protest activities.

The Indian Supreme Court's decision on Gandhi's alleged campaign violations is not likely to lead to her removal as Prime Minister.

--Even if the decision were adverse, she probably would take steps that would enable her legally to remain in office.

--In the unlikely event she did leave office, her likely successor would be Agriculture Minister Ram or Foreign Minister Chavan, either of whom would probably be less leftist-oriented than Gandhi and perhaps somewhat friendlier to the US and China.

The timing of the next national election will depend on Gandhi's reading of the mood of the country.

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--Under the state of emergency, the normal constitutional deadline for the next election-- March 1976--could be waived.

--Whenever the election is held, the Congress Party appears likely to win a majority.

In the foreign policy field, Gandhi may revive her campaign against alleged external threats, but she probably will not attempt foreign adventures or make any basic changes in policy over the next year.

India's longer term future is less clear.

--Monsoon failures and the inability of the government to get the economy moving could lead to serious unrest and instability.

--This could lead to even more sweeping controls and repressive measures.

--Gandhi might succeed in cowing all opposition by such action, but the chances of either the Congress Party replacing her or of the military stepping in to assume power would increase as would the possibility of general instability.

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NOTES

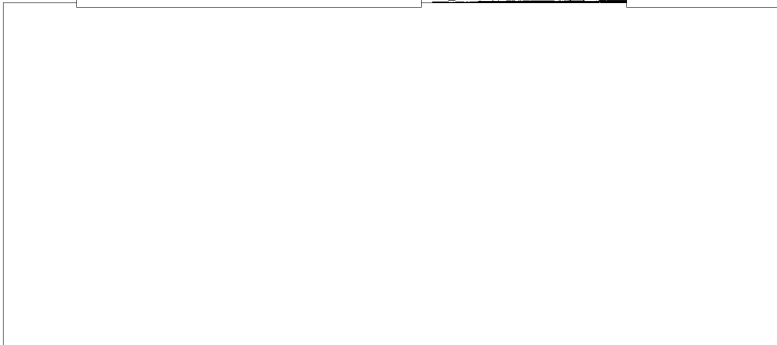
Egypt



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Syrian-Israel



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Canada announced yesterday that it will put phase two of the Foreign Investment Review Act into effect on October 15, giving the government full control over new foreign investment in the country. The move will be used to implement Prime Minister Trudeau's goal of keeping foreign ownership of new resource projects under 50 percent.

Under the expanded act, government screening of all foreign takeovers of Canadian firms will be extended to cover the large number of representative offices currently being set up by foreign banks. Foreign-controlled firms are particularly concerned because Ottawa now has the authority to limit their expansion into new lines of business. Ottawa will be tempted to use the act to pare US involvement in the economy. US firms own or control 44 percent of Canadian manufacturing, 58 percent of the petroleum industry, and 43 percent of the mining industry. Last year, US firms accounted for 95 percent of the \$445 million in new foreign direct investment.

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North Korea has consented to reopen talks with Seoul as part of a campaign to project an image of flexibility and reason.

Pyongyang has agreed to resume Red Cross negotiations next week on such problems as the reunion of separated families. At the same time, the North is sounding a softer note on its preconditions for a resumption of talks by the North-South Coordinating Committee to explore possibilities for political accommodation. The North Koreans are particularly anxious to enhance their prospects for membership in the conference of nonaligned nations in August and for passage of a resolution favorable to their interests at the UN General Assembly this fall.

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[redacted] North Korea will announce a new peace proposal Sunday which could in essence be its proposed UN resolution.

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Iran, Iraq, and Saudi Arabia failed to agree on new steps to strengthen regional security cooperation during this week's Islamic Conference.

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[redacted] no decisions were taken because the majority of states were uninterested in moving quickly on the subject. Earlier this year, the Shah of Iran was encouraged by political developments in the Gulf to believe that the time was ripe for a formula under which Iran could play a greater peacekeeping role on the Gulf's western shore. The main obstacle to an agreement was apparently Saudi Arabia, with the smaller Gulf states probably following its lead. The Saudis do not believe a regional security arrangement is warranted and they certainly do not share the Shah's perception of a power vacuum on the western side of the Gulf that Iran should help fill. The Iranians can be expected to put the results of the conference in the best possible light. Nevertheless, the Shah's failure to get some sort of an agreement on security cooperation is a disappointment for him.

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Holden Roberto, the head of the National Front for the Liberation of Angola, reportedly has left Zaire to direct the Front's military operations in northern Angola.

Since the Angolan transitional government was established last January, Roberto has been under considerable pressure from Zairian President Mobutu, his chief backer, and from other Front leaders inside Angola to move to Luanda. His refusal to do so has seriously impaired the Front's military and political effectiveness. If Roberto is indeed in Angola, it appears too late for him to reestablish a military presence in the capital. The past week's fighting has left the Front virtually isolated to its tribal base in the north after being forced out of Luanda by the rival Popular Movement for the Liberation of Angola.

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