



The President's Daily Brief

July 25, 1975

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FOR THE PRESIDENT ONLY

July 25, 1975

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USSR

Continuation of a severe drought in most of the USSR's spring grain land has reduced sharply our estimate of this year's crop to 185 million metric tons and has prompted the Soviets to buy 14.5 million tons of grain.

The drought has been more widespread than in 1972 and, as a result, the spring grain harvest probably will be lower. An expected record harvest of winter grains, however, should ensure a total crop above the 1972 level of 168 million tons, which led to imports of 31 million tons.

The current crop forecast is 15 million tons under our end-of-June prediction. If the drought continues, the prospects for the harvest of spring grains that have not yet matured, such as corn, will worsen.

Problems also exist with other crops--particularly hay and other forage crops--in the drought-stricken area. A serious shortfall in fodder production would increase Soviet demand for grain.

This year's grain crop will be well under the normal grain requirement of about 210 million tons. Although it has purchased large quantities of foreign grain recently, Moscow will not necessarily try to fill the entire gap between domestic needs and production with imports. It is likely to dip to some extent into grain reserves. Livestock could be slaughtered to curb grain demand, but the high priority of Brezhnev's meat program makes this option unattractive.

Of the 14.5 million tons of grain recently purchased by the USSR, 9.8 million tons are contracted with US companies and will be largely filled from the US crop. The other contracts are with Canada, Australia, and France. Moscow may soon withdraw from the market to assess the evolution of both its own crop and world grain supplies. A new round of Soviet buying is likely later.

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TURKEY

The Turkish cabinet will meet today in what some government officials describe as a mood of muted anger over the refusal of the US Congress to lift the arms embargo. The Demirel government expects to come under pressure from the press and the opposition to take a strong stand.

[redacted]
[redacted] if Ankara has
to obtain arms [redacted] the army will
require an entirely new training program which
could take about five years.

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The Turkish National Security Council is [redacted]
[redacted] divided over what form retaliation should
take. [redacted]
[redacted]

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Alternatives [redacted] include the
suspension of operations or the closing of certain
US bases [redacted] Demanding mon-
etary compensation for use of the bases was another.
The Turks, whatever their final decision, are likely
to put the US installations on some sort of provi-
sional status, pending renegotiation--scheduled to
begin the end of July--of the defense cooperation
agreement.

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The action of the US Congress will be welcome
in Greece. The Greeks believe that continuation
of the embargo will eventually take its toll on
the Turkish armed forces and increase Turkish flex-
ibility on Cyprus. They also think it will help
limit what they view as Turkish expansionist ten-
dencies in the Aegean.

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PORTUGAL

Prime Minister Goncalves still has a mandate to form a new government, largely because President Costa Gomes failed to ask for his resignation. Moderate members of the Revolutionary Council are engaged in a last-ditch effort to keep Goncalves from remaining in power.

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The moderates' hope of unseating Goncalves was buoyed earlier this week when a caucus preceding the army assembly voted 56 to 1 against Goncalves.

Goncalves' fate now hangs between the Revolutionary Council

and the Armed Forces General Assembly, which is dominated by radical leftists. If the issue comes to a vote in the Armed Forces General Assembly, Goncalves probably will get a vote of confidence. If the Council moderates forestall a meeting of the assembly scheduled for today, their efforts to get rid of the Prime Minister may still succeed.

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Although Costa Gomes has clearly made a decision to allow Goncalves to try to form a cabinet,

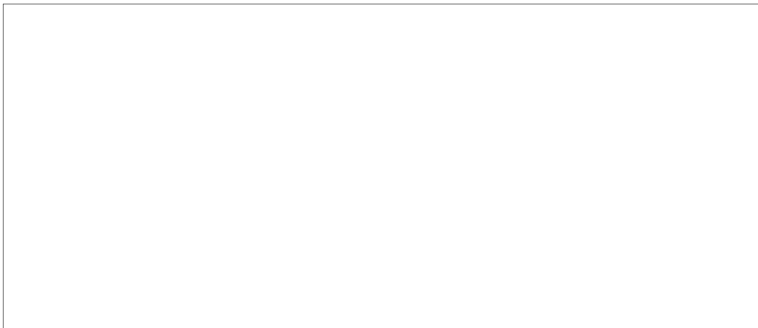
the President thinks Goncalves will fail to form a government or that, if he succeeds, he will later be brought down by the country's accumulating problems.

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If Goncalves' power and influence are perpetuated, it will be interpreted in Portugal as a significant consolidation of Communist power. There is a good chance of a strong reaction from forces attempting to prevent a continuing move to the left; reaction among the Socialists and in the north of the country could be violent.

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In the last few days, allegations of US support of or involvement in the separatist movement in the Azores have become an important factor in the Lisbon maneuvering.



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earlier this week, a member of the President's household staff expressed the view that without the Azores, Portugal was of little consequence to the US. He added that, but for the Azores, the US might be willing to "allow" Portugal to go Communist in order "to vaccinate Europe" as a whole.

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Egypt's [REDACTED]

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MOSCOW has reacted gingerly to moves to suspend Israel from the UN and may be working privately to discourage the Arabs.

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[REDACTED] Moscow would obviously prefer to avoid having to cast this vote. A vote in favor of suspension would be such a one-sided action that it would undercut Moscow's efforts to win a role for itself in the Middle East negotiations. A vote against suspension, on the other hand, would damage Soviet standing in Arab capitals.

* * *

Pressure is increasing on Argentine President Peron to resign.

She has been absent from her offices for several days with what press aides describe as the "flu," and several politicians have called for an official explanation of the state of the President's health. These politicians apparently are demanding that she make a choice between resuming her daily duties or handing them over. A resignation for reasons of health may be the best way out for all concerned. For the moment, none of the opposition forces wants to assume the onus for forcibly removing the President [REDACTED]

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Japanese Foreign Minister Miyazawa's two-day trip to South Korea this week has helped clear the troubled atmosphere surrounding bilateral relations.

[redacted]
[redacted] strongly emphasized the need for US-Japanese-Korean cooperation. Specifically, the South Koreans pressed [redacted] support South Korean membership in the UN; Seoul is considering making its application next month [redacted]

[redacted] The South Koreans urged [redacted] a UN strategy that tacitly links the applications of the two Vietnams with the bids of the two Koreas.

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West German Chancellor Schmidt intends to [redacted] continue personal contact on economic and monetary matters, [redacted]

Schmidt [redacted]

[redacted] feels that heads of government must coordinate [redacted] and cooperate on plans for economic recovery.

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USSR - MIDDLE EAST

When Brezhnev discusses the Middle East with you next week in Helsinki, he will have some fundamental problems in Soviet-Arab relations on his mind. We present below an assessment of these problems.

The last few years--and particularly since the October 1973 war--have been tough ones for the Soviets in the Middle East. A major reason for Soviet difficulties has been the dominant US role in the effort to seek a solution to the Arab-Israeli conflict. Soviet gains in the Middle East have come when the Arab leaders had nowhere else to turn for support. Now, many of the Arabs are hoping that the US role as an intermediary will get them what Russian arms have failed to obtain.

The Soviets also have had to contend with the new international influence the Arabs derive from their oil money. Bankrolled by conservative nations such as Saudi Arabia, the Arabs are generally more independent and can turn to the West for some of their arms.

Many of Moscow's difficulties in the Middle East are, of course, of its own making. The Arabs became disillusioned when they saw that Moscow would subordinate Arab aims to Soviet interests. The strongly nationalist Arabs have been suspicious of long-term Soviet intentions and disturbed by Moscow's support of Communists and other leftists. The Soviets also have been inept and heavy handed in many of their dealings. Moreover, the quality of their military and technical aid has not stacked up well against that of the West.

Most of these factors are at the root of Moscow's problems with Egypt and President Sadat. Indeed, the single most helpful development to the Soviet position in the Middle East probably would be Sadat's departure. Moscow resents Sadat's criticism of Soviet policies, opposes his reliance on the US and Saudi Arabia, and sees his moderate domestic policies undercutting the USSR's natural "progressive" allies. Since the October war, the Soviets have sought to bring Sadat back into the fold by withholding economic and military aid.

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Sadat recently has begun to counterpunch with greater vigor. He has placed restrictions on Soviet port rights. The Soviets now fear he may move against their advisers and technicians who are still in Egypt and that he might cancel the Soviet-Egyptian treaty--which Moscow still regards as an important symbol of its presence in the Arab world.

Faced with a further deterioration in relations, the Soviets seem to have flinched. They invited the Egyptian Finance Minister to Moscow this week

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[redacted] but Soviet distrust of Sadat and dissatisfaction with his policies run so deep that Moscow is unlikely to offer major concessions on military aid.

The Soviets also have problems with Iraq--heretofore Moscow's stronghold on the Persian Gulf. The Iraqis have at least temporarily ended their civil war with the Kurds and eased their conflict with Iran. These were the major factors propelling Baghdad into dependence on Soviet arms. Since early last year, Iraq has used its oil money to order more than \$800 million in Western arms and is increasingly turning to the West for technical assistance on its ambitious development plans.

Even Moscow's remaining friends in the region, such as Syria, are showing signs of restlessness. The Soviets have been unhappy that their substantial military and economic aid has not bought them more influence over Syria's negotiating policies toward Israel. Syrian President Asad has long resisted Soviet requests that he sign a friendship treaty, and he too has recently been looking to the West for help with some economic projects. Moscow is ready to go to considerable lengths, however, to keep its relationship with Syria in fairly good shape.

The Palestinians present a different kind of problem. In some ways, Arafat is too conservative for Soviet tastes, and Moscow has sought to build up Palestinian leftists as potential challengers. The Soviet Union, nonetheless, has been frustrated in dealing with the fractious fedayeen groups and knows that identification with Palestinian extremism harms the Soviet image in the West.

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At present, Brezhnev can point to Libya as a plus. Substantial arms sales to Tripoli during the past year or so have won Moscow an opening to develop closer relations. But Moscow and Libya base their relationship on shaky ground--their common opposition to Sadat--and it could collapse under Libyan suspicions of Soviet intentions.

With this many problems, Brezhnev realizes he is dealing with a weak hand when he talks to you on the Middle East. The Soviets have not been able to come up with an effective alternative to our diplomacy. Their own effort to get the Geneva conference going this spring did not get off the ground.

Brezhnev badly wants a Soviet role in the Middle East negotiations. He needs this for reasons of Soviet prestige and to keep homegrown critics of his Middle East policies at bay. He seems willing to accept even the appearance of consultations, and he is sure to try to pin you down to an ironclad commitment to go to Geneva after the current disengagement talks run their course.

Brezhnev also is likely to stress the dangers inherent in the Arab-Israeli conflict. He has boasted that he harped on this point to President Nixon until late into the night at San Clemente in the summer of 1973. He has claimed that if President Nixon had listened, war might have been averted.

Brezhnev's stress on this point is partly tactical--to underscore the need for the US to work with Moscow for a settlement. But a good portion is also genuine. The Soviets have little enthusiasm for a new round of fighting in the Middle East. It would confront them with an expensive effort to aid the Arabs--who they think would lose--and entail the risk of a confrontation with the US. There still would be no guarantee that Soviet influence in the region would prosper after the war. Indeed, the Soviets have considerable anxiety that it would not.

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While Brezhnev is probably disillusioned about the value of the USSR's Middle East investment and may be lowering his sights, he has not given up hope that events will eventually run his way. He probably judges that a comprehensive settlement is, at best, a long way off. Israel and its "foreign supporters" can be held accountable and, perhaps out of discouragement, the Arabs will again turn to Moscow for support. In the meantime, the Soviets will energetically use their considerable assets--military aid, economic support, responsive political groups, and clandestine operations--to preserve their position in the region.

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