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The President's Daily Brief

June 25, 1976

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FOR THE PRESIDENT ONLY

June 25, 1976

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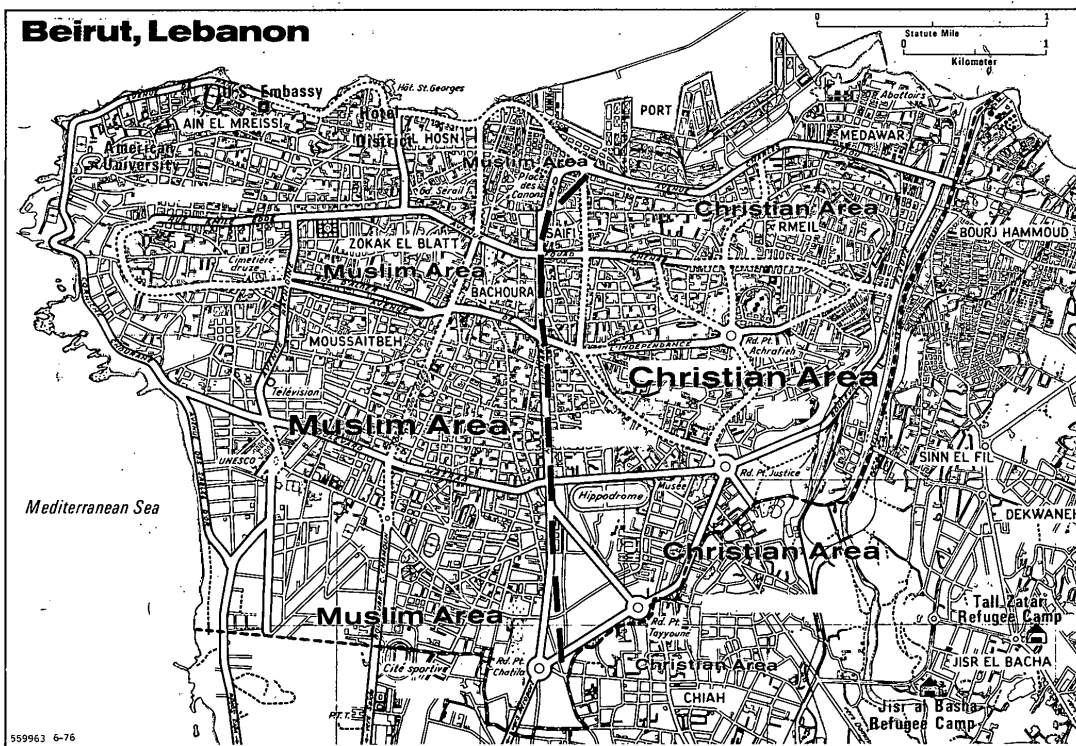
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World Grain: Our initial estimate of world grain production for 1976-1977--excluding rice--is a record 1,045 million tons. (Page 7)

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LEBANON: *Extreme right-wing Christian militias yesterday intensified their attacks on two Palestinian refugee camps in east Beirut. In addition to the usual heavy shelling, the offensive included armored assaults and ground fighting.*

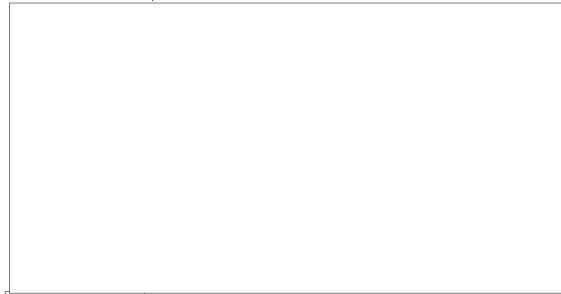
The Christians have taken heavy casualties but seem determined to continue the attack until fedayeen and leftist forces in the camps are no longer able to prevent movement from Christian enclaves in Beirut to more secure Christian areas northeast of the city. The Christians are not likely to achieve their full objective, however, unless the larger Phalanges Party militia becomes heavily involved.

Fighting spread yesterday to all sections of the capital except the area near the airport.

In that area, the Palestinians and Syrians are pushing ahead with implementation of the cease-fire negotiated by Libyan Prime Minister Jallud.

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Libyan Prime Minister Jallud on Wednesday succeeded in arranging a meeting of leaders of all principal fedayeen groups.

Although nothing concrete was accomplished, the session did represent at least a symbolic reconciliation of the independent and Syrian-controlled organizations.

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*Palestine Liberation
Organization*

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*Syrian President Asad
is to arrive in Belgrade
today for talks with
President Tito, who is
trying to ease the Leb-
anese crisis by urging
the principal leaders
involved in the con-
flict to settle their
differences.*

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EGYPT-SYRIA: *The prime ministers of Egypt and Syria, who met yesterday in Riyadh, appear to have made some progress toward resolving their governments' differences.*

Their largely superficial communique indicates a lasting reconciliation is highly unlikely, however. The two sides seem to have skirted fundamental issues, leaving these for later consideration by Foreign Ministers Fahmi and Khaddam.

The communique declared that a joint military-political committee under the foreign ministers' guidance will be formed to define the "strategic requisites" for the liberation of territories under Israeli occupation. This is an implicit recognition that the two sides remain far apart on their basic approach to negotiations with Israel.

The new committee may have trouble even getting off the ground. Vesting the committee's leadership in Fahmi and Khaddam, who are long-time antagonists, is almost a guarantee of failure.

The communique also looks forward to a summit meeting in Riyadh among presidents Sadat and Asad and King Khalid, but this is predicated on prior agreement by the foreign ministers' committee, which first will present its recommendations to the presidents.

The meeting produced a relatively innocuous statement on the situation in Lebanon that contains enough to satisfy both sides without requiring concessions from either.

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EGYPT-USSR: [redacted]

[redacted] the Soviets recently have shown a willingness to resume some limited military assistance to Egypt.

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The Soviets reportedly delivered four overhauled Egyptian MIG-21 engines in May [redacted]

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[redacted] Moscow also is reported to be delivering jeeps, trucks, and other light equipment.

This information is in line with recent statements by the Soviet ambassador in Cairo, who has said that Moscow had decided to make sporadic shipments of small quantities of military-related equipment to demonstrate that the door to a resumption of a military relationship is still open.

Another Soviet official in Cairo, who is familiar with the Egyptian spare parts problem, has stated that Moscow has no intention of resuming a regular flow of spare parts.

Although the overhauling of a dozen or so engines will not arrest the general decline in Egyptian air force combat readiness, Moscow's gestures will not go unnoticed by senior Egyptian military officers. They are becoming increasingly dissatisfied with President Sadat's inability to replace deteriorating Soviet hardware with Western equipment.

* * *

PORTUGAL: A hospital spokesman said last night that Prime Minister Azevedo--who suffered a severe heart attack on Wednesday--was conscious, but his condition remains critical.

The National Electoral Commission has announced that the election will proceed as scheduled unless Azevedo dies before the polls close.

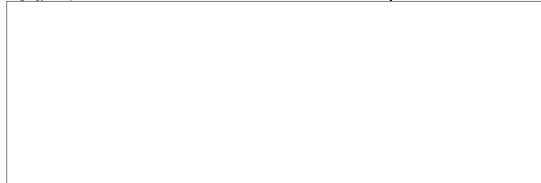
The all-military Revolutionary Council is anxious to avoid the

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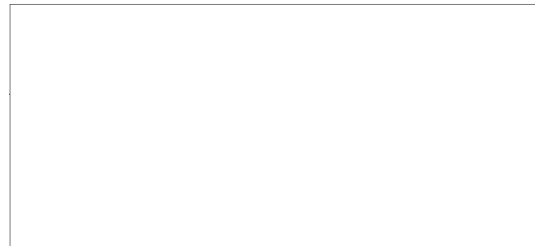
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political problems that would result if the election is put off.



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The campaign will officially end at midnight tonight, which is also the deadline for candidates to withdraw from the race. An Azevedo aide told the US embassy in Lisbon yesterday that staff assistants were prepared to pull their candidate out of the competition, but they cannot do so unless he personally signs the form.

Interior Minister Almeida e Costa has been named interim prime minister, but the question of who serves in the position might be reopened if the election has to be rescheduled. In that event a move to have Socialist leader Soares form a government could develop.

Both Eanes and Azevedo have stated that, if elected, they would designate Soares to head a Socialist government. For the present, however, the decision belongs to President Costa Gomes who continues to favor a national unity formulation that would include the communists.

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EC - PUERTO RICO: *The EC Nine failed to agree among themselves on Community representation at the Puerto Rico summit.*

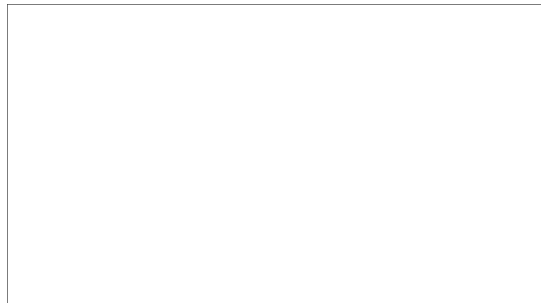
A compromise which would have enabled EC officials to attend the meeting was in the making last week. The proposal specified that unless the Community itself were represented at future summits, those invited could not take an independent position on any matter coming under EC competency unless all Nine were represented at the meeting.

France opposed fixed procedures for future summits--although it would have agreed to EC attendance at Puerto Rico--and the compromise failed. The French probably had some support from other members who are similarly reluctant to have their hands tied in this fashion.

The larger members will make a strong effort to smooth things over at the EC Council which convenes immediately after the summit. They want to retain their maneuverability but will be susceptible to a compromise because they do not want to face this issue each time a summit is proposed. The Dutch--among those most unhappy over this breach in EC solidarity--take over the EC presidency for the remainder of the year on July 1 and will chair the EC summit.

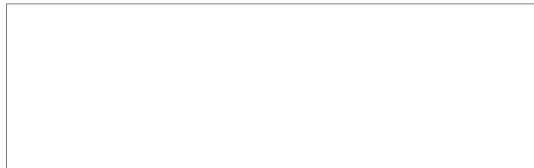
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WORLD GRAIN: Our initial forecast of world grain production for 1976-77 (excluding rice) is a record 1,045 million tons, 6 percent above 1975-76. The US Department of Agriculture's latest estimate is 1,053 million tons.

We estimate world wheat production at 365 million tons, up 7 percent over 1975-76. We are forecasting a decrease in global import demand by 7 million tons from last year. Larger supplies in all the major exporting countries point to keen competition during the coming year.

Foreign demand for US wheat is estimated at 27.7 million tons, the smallest in five years. Such a low level of export volume would allow US carryover stocks to increase 37 percent to more than 20 million tons by July 1, 1977.

We forecast world feedgrain production at 680 million tons--up 7 percent--due to larger US and Soviet harvests.

Global demand for corn imports, we estimate, will be down 8 percent from 1975-76. With this figure foreign demand for US corn would drop 6.8 million tons in 1976-77, to about 35.4 million tons. This export volume in turn would allow a stock addition of 9.9 million tons, raising US carryover stocks to 18.8 million tons by September 30, 1977.

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NOTES

The European Communist Party Conference finally is scheduled to take place in East Berlin next Tuesday and Wednesday, according to an announcement made yesterday by the East Germans.

The announcement came after 20 months of preparatory talks involving representatives of 28 East and West European communist parties. Preparations were prolonged mainly because of differences over the content of the conference document. The announcement did not reveal any details about the document, but the Italian Communist Party's foreign policy chief recently claimed that it acknowledges the autonomy of individual parties--including their right to develop along national lines.

A number of the parties have already indicated they would not be represented in East Berlin by their party leaders. If so, Breznev may be reluctant to attend. As matters now stand, additional differences between Moscow and the independent-minded parties could surface at the conference.

* * *

The Soviets may soon assign Backfire bombers to their Baltic Fleet.

On June 18, at least three Backfires from the Soviet navy's only operational Backfire unit near the Black Sea flew to an airfield in the Baltic Sea area. The flight probably was made to familiarize Backfire air crews with conditions at that airfield, where satellite photography shows the runway has been lengthened and where air-to-surface missile equipment associated with the Backfire has been sighted.

The Backfire, capable of high-speed attack at both high and low altitudes, is intended to replace the Soviet navy's standard intermediate range bomber, the aging TU-16. Some 30 Backfires have been delivered to operational military units since series production began in 1973. Of these, 16 have gone to the navy. The Soviets produce about two Backfires a month.

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