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The President's Daily Brief *LIBERAL.GR*

*July 18, 1974*

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 18, 1974

PRINCIPAL DEVELOPMENTS

Discussions of the Cyprus problem are expected to continue in London today. All major parties-- Greece, Turkey, the UK, and the Soviet Union-- appear to be stressing the search for a peaceful solution. (Page 1)



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Cyprus. (Page 2)

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Although bickering between Cairo and Damascus has prompted President Sadat to cancel a visit to Syria, President Asad reportedly has now agreed to visit Egypt in August. (Page 3)

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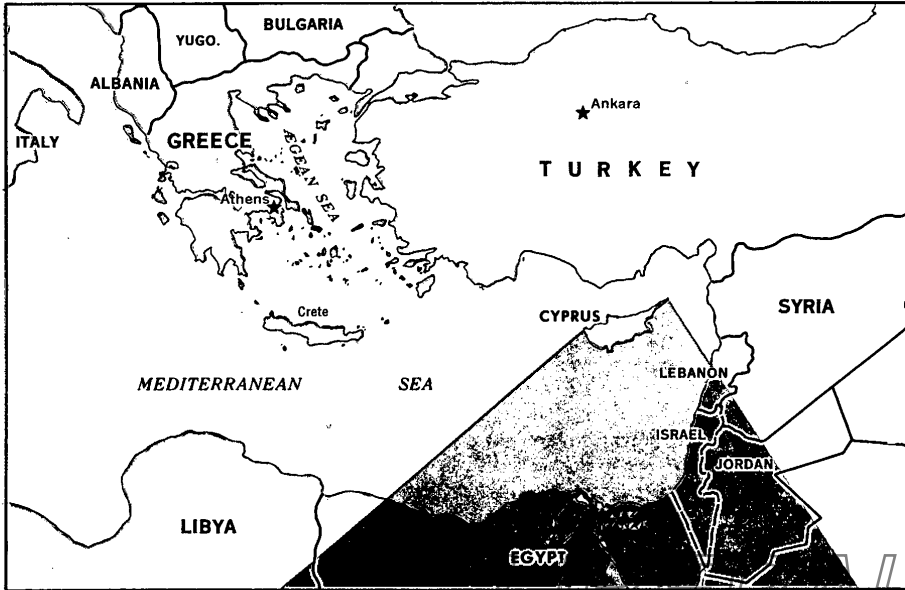
Egypt--for the present, at least--is refusing to release to the Palestine Liberation Organization the terrorists who murdered one Belgian and two US diplomats in Khartoum last year. (Page 4)

Lao Prime Minister Souvanna's condition has stabilized, and the immediate problem is to find an interim replacement whose decisions would be accepted by both Communists and non-Communists. (Page 5)

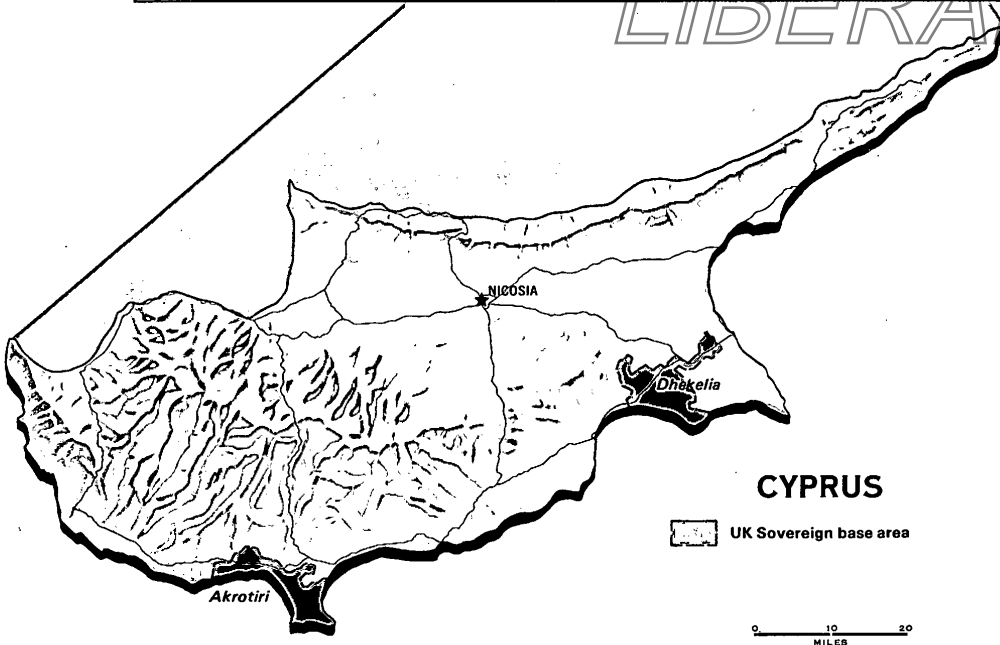
The Italian Communist Party's attempt to amend the government's austerity program has set the stage for a legislative struggle that could jeopardize the center-left coalition. (Page 6)

The composition of the new Portuguese cabinet indicates that the Armed Forces Movement, which organized the April coup, has increased its influence in the government. (Page 7)

Notes on USSR-Poland, Vietnam, Iran, and France appear on Page 8.



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CYPRUS

Discussions of the Cyprus problem are expected to continue in London today.

[Redacted]

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Turkish Prime Minister Ecevit and Defense Minister Isik also met with Prime Minister Wilson and other officials for talks in the context of the 1960 treaty, under which Britain and Turkey--along with Greece--are guarantors of Cyprus' independence.

Before leaving for the UK, Ecevit told the US ambassador that he would explore with the British "all peaceful solutions before considering others." He said that Ankara hopes the status quo ante can be restored without Turkish military intervention. If the new Cypriot regime does retain control of the island, Ecevit said, Turkey may be willing to hold off intervention if a corridor to the sea can be guaranteed to Turkish residents of the island.

Ankara is calm, and there has been no attempt to arouse public sentiment on the Cyprus issue, although all political factions would support a firm Turkish reaction.

High-level Greek officials have assured the US embassy that Athens will not use this week's semi-annual rotation of half of their 950-man contingent of regular Greek forces on Cyprus to increase the size of the unit.

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[Redacted]

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Moscow issued an official statement on Cyprus last night that was moderate in tone and avoided any implication that the Soviet Union sees its security affected by developments on the island. The statement reiterated support for Cypriot independence and the "legitimate" government of President Makarios and demanded the immediate removal of all Greek military personnel from the island. The Soviets did not promise, however, to actively assist any Cypriot movement to return Makarios to power.

[Redacted]

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It is not surprising that the Soviets would give general assurances to Ankara, but it seems unlikely that they have made any firm commitment of military backing.

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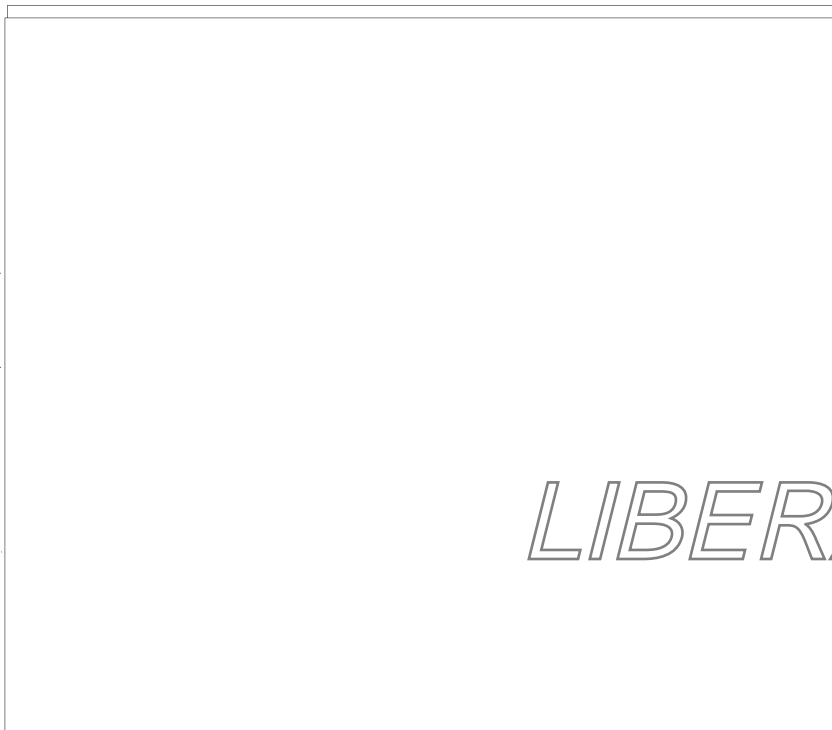
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**EGYPT-SYRIA**

Recent bickering between Cairo and Damascus has been serious enough to cause President Sadat to cancel a planned visit to Syria. President Asad has now reportedly agreed, however, to visit Egypt in August.

Each side appears uncertain of the intentions of the other with regard to negotiations with Israel. Damascus is concerned that Cairo will leave the other Arabs behind in attempting to achieve its own objectives. The Syrians are still bitter over Egypt's unilateral acceptance of a cease-fire in October and its decision to proceed with disengagement on the Suez front before agreement was reached on the Golan front.

Cairo has sought to reassure the other Arabs both publicly and privately that Egypt will not take further unilateral action, and Sadat is irritated by Syria's harping on the matter.

 The Egyptian leader may try to confine future contacts to Asad, whom he regards as more reasonable and amenable to Egyptian views.

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EGYPT-FEDAYEEN

Egypt--for the present, at least--is refusing to release to the Palestine Liberation Organization the terrorists who murdered one Belgian and two US diplomats in Khartoum last year. [redacted]

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[redacted]

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The terrorists were released by Sudan in late June, ostensibly to serve out their sentences under the control of the PLO. If Cairo turned them over, they almost certainly would be taken to either Lebanon or Syria and given complete freedom.

Egypt's determination to hold the terrorists is largely a result of President Sadat's reluctance to offend the US. Cairo has also refused to release a group of commandos who last December carried out an attack on a US airliner and hijacked a second aircraft in Rome.

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LAOS

Prime Minister Souvanna's condition has stabilized

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[Redacted]

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The immediate problem is still to find an interim replacement whose decisions would be accepted by both Communists and non-Communists. Neither the Lao Protocol of September 1973 nor the Lao constitution addresses the problem of providing a temporary substitute should the prime minister be incapacitated.

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[Redacted]

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ITALY

The Italian Communist Party's attempt to amend the government's austerity program has set the stage for a legislative struggle that could jeopardize the center-left coalition. The dominant Christian Democrats are caught up in an internal feud, and their Socialist coalition partners are torn between responding to labor's unhappiness with the austerity program and keeping the coalition intact.

The Communist amendments would soften the impact of the austerity measures on workers and force those with higher income to shoulder more of the burden. The proposals are certain to appeal to organized labor and tempt the Socialists and the Christian Democratic left to side with the Communists.

The Communists' decision to force the issue is a tactical shift. The party apparently wants to exploit the weakened position of the Christian Democrats and to prevent a decline of Communist influence with organized labor.

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Disarray within the Christian Democratic Party will complicate efforts to meet the Communist challenge. The Christian Democrats' key deliberative body--the National Council--will meet today, with left-wing factions in revolt against the party leadership.

The government may find it necessary to accept some of the Communist proposals. If the Communists are able to force changes that substantially reduce the revenue the austerity measures were designed to produce, a new government crisis may ensue.

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PORTUGAL

The organizers of the April coup have gained increased prominence in the Portuguese cabinet announced yesterday. Although the majority of the new cabinet members are civilians drawn from the parties previously represented, military officers from the Armed Forces Movement comprise the largest group and hold the key ministries. Some shift to the left may have occurred, but the Communists were not especially favored.

The change of cabinets and the installation of Goncalves as Prime Minister have made it clear that President Spinola himself cannot act against the wishes of the Armed Forces Movement. Most members of the movement are "idealists" without attachment to any particular political philosophy.

As the chosen candidate of the movement, Goncalves will have more clout than his civilian predecessor in dealing with unyielding economic and labor problems. He also appears committed to the holding of legislative elections next March and to early negotiations with rebels in Portugal's African territories.

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NOTES

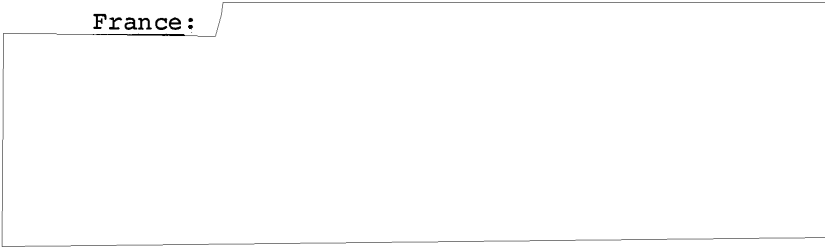
USSR-Poland: Soviet party chief Brezhnev arrives in Warsaw tomorrow for a four-day visit that will include ceremonies commemorating the 30th anniversary of Communist rule in Poland. Brezhnev will deliver at least two speeches; one before the Polish parliament on July 21 will probably be a major speech on US-Soviet relations and detente. The Soviet leader may also suggest a pan-European conference of Communist parties.

Vietnam: The North Vietnamese continue to move large quantities of supplies in South Vietnam's Military Region 1, according to intercepted messages. This logistic effort, normal for this time of year, is probably partly intended to support recent Communist tactical activity in the area. In addition to resupply activity, aerial reconnaissance shows that a series of new, short roads and a number of new military-related facilities have been built within artillery range of ARVN positions south of Hue. These newly cleared or improved roads lead off a main route running eastward from the A Shau Valley and appear to be access roads to new military encampments. The encampments include occupied anti-aircraft installations and what are probably field artillery sites.

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Iran: Iran's purchase of a one-fourth interest in the steel-manufacturing component of Krupp gives the Shah access to the whole gamut of Krupp activities, including possible inputs to Iran's defense industry. The deal involves the transfer of Krupp's technological know-how to Iran and the nomination of an Iranian member to the supervisory board of the holding company for the Krupp enterprises. Krupp is planning a variety of projects in Iran. In addition to steel, the company's proposals include factories for cement, sugar, and automobile parts and port installations.

France:



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