



The President's Daily Brief

October 30, 1974

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~~Top Secret~~ 25X1

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

FOR THE PRESIDENT ONLY

October 30, 1974

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ARAB STATES

By reducing prospects for early talks with the Israelis on the future of the West Bank, and by making it more difficult for Sadat to negotiate a separate agreement for the return of more Sinai territory to Egypt, the summit conference in Rabat has cast the Arab negotiating position in a harder mold. There are signs that this more militant posture, largely the result of a shift in Syrian policy, may be paralleled by increased Arab attention to military preparations.

Syrian Foreign Minister Khaddam pushed for adoption of a resolution that would have precluded Egypt from negotiating a further disengagement in the Sinai and would also have set up a \$13-billion war fund.

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At the conclusion of the summit, it was announced the Arabs would, in fact, contribute \$2.35 billion annually to help build up the armed forces of Syria, Egypt, the PLO, and Jordan.

Encouraged by his victory at Rabat, Arafat seems on the verge at long last of setting up a Palestinian government in exile. Sadat urged him to do so in his speech at Rabat, and a spokesman for the PLO in Beirut said the decision of the summit cleared the way for the establishment of such a government.

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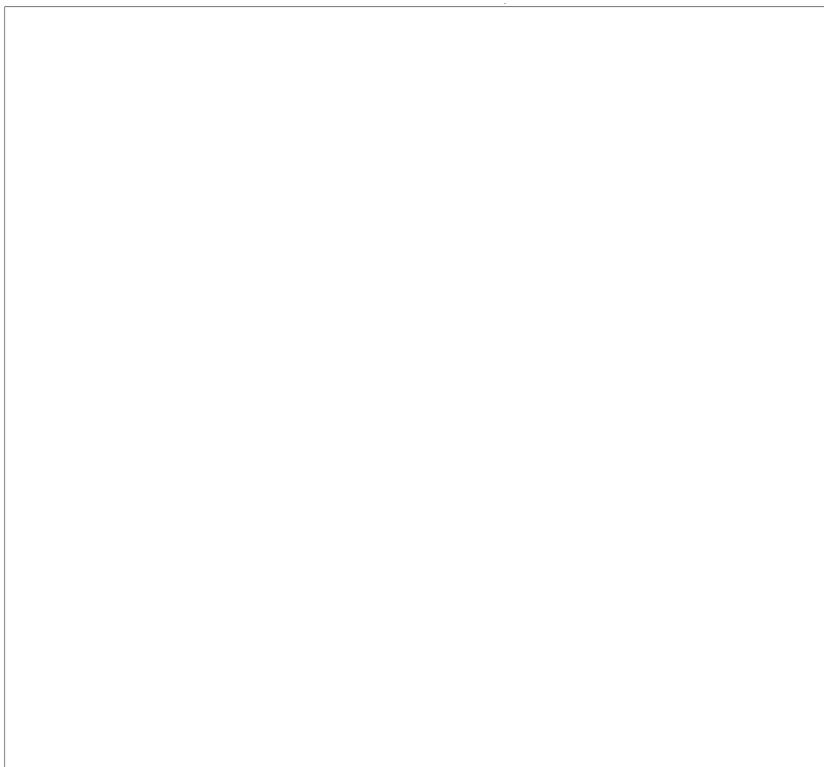
In an apparent effort to help Husayn save face, the other Arabs, in turn, decided that Jordan should be included in discussions with Egypt, Syria, and the PLO on Arab negotiating strategy at Geneva. A PLO spokesman declared yesterday, however, that his organization would not participate in any peace talks as part of a Jordanian delegation.

Presidents Sadat, Asad, and Boumediene, King Faysal, and Arafat will meet in Algiers later this week, presumably to hold post-summit discussions on Arab political and military strategy.

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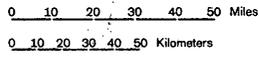
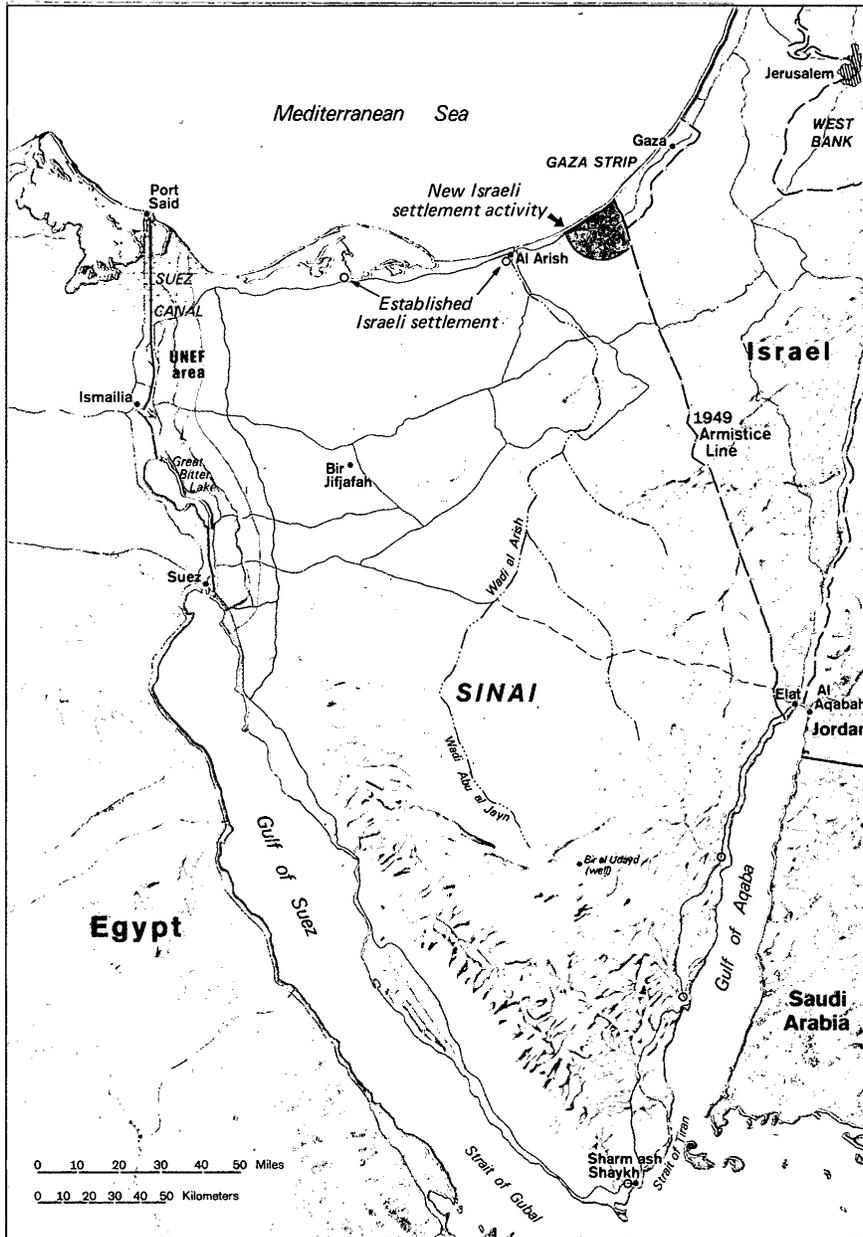
EGYPT

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ISRAEL SETTLEMENTS IN THE SINAI



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ISRAEL-EGYPT

A senior Egyptian official, acting on instructions from President Sadat, approached Ambassador Eilts on Friday with a formal complaint against alleged Israeli plans to remove Bedouin tribesmen from northeastern Sinai and build Israeli settlements there. The Egyptian official said that Sadat may take the issue to the UN Security Council, unless the Israelis cancel their plans.

The Egyptians charge that early last week Israeli military authorities told tribesmen in northeastern Sinai that unless they choose one of four compensation schemes, they will be evicted without compensation. The Israelis are said to want the land to establish four new settlements.

We have no specific information to confirm the Egyptian charges, but Israel has been gradually setting up new settlements in that part of the Sinai, and resettling Bedouin tribesmen. Over recent months, the Israelis themselves have publicized some of this activity.

* * *

The National Religious Party's return to the cabinet yesterday will strengthen conservative influence in the Israeli government and act as a further drag on any efforts to adopt a flexible negotiating position in talks with the Arabs. The Religious Party is particularly strongly opposed to returning the Israeli-held West Bank, with its numerous Jewish religious sites, to Arab control.

The new coalition--essentially the same as the one headed by Mrs. Meir--gives the government a majority of eight votes in the 120-member Knesset. No significant cabinet changes occurred as a result of the Religious Party's return.

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KUWAIT

Kuwaiti oil receipts will exceed \$6 billion in the second half of 1974, or five times first-half revenues. The current account surplus will jump to an estimated \$5.8 billion, compared with less than \$1 billion in the first half. Whereas Kuwait has traditionally invested in the UK, the new surplus funds are moving in increasing volume to the US.

Kuwaiti investment in the US is soaring. The investments are diverse; they range from resort and other real estate to stocks. By the end of the third quarter, they topped \$2 billion, more than three times the value at the end of the second quarter. Continuing concern over the ability of the Eurodollar market to absorb additional petrodollars will probably stimulate a substantial flow of Kuwaiti funds into the US during the present quarter.

Kuwait should have little problem managing its growing wealth. Its investment institutions and financial managers are the most sophisticated in the Middle East. The bulk of the funds will be handled by the Ministry of Finance, with three public-private investment companies also playing an active role.

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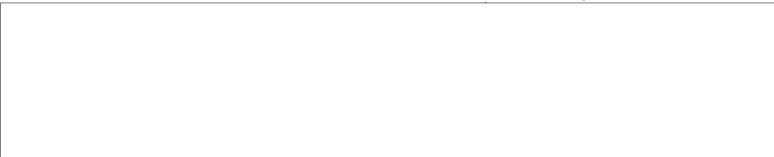
VIETNAM

Communist cadre in the South are being briefed on the party's strategy for 1975. The evidence available so far suggests that the communists are planning a mixture of political and military action at a level similar to that of this year.

This is the sense of an enemy document captured recently in the delta. Setting forth next year's strategy, the document reaffirms the guidelines of a key resolution adopted earlier this year. That resolution directed communist forces in the South to try to undermine the government's authority by both political and military action, but not to bring the fighting up to a level that would jeopardize the cease-fire agreement.

The new document was issued in late August after a conference of communist leaders in the South to review the "anti-pacification" campaign. Although the paper praises communist military forces for succeeding in expanding control over the countryside, it concedes that the government retains the upper hand and that the communists must rely increasingly on military force and terrorist tactics to influence the populace.

The captured document outlines a detailed recruitment program to reinforce communist units in the countryside. It stresses that local forces should get their own house in order and not expect a surge of help from the North.



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It is clear, nonetheless, from what we see the communists doing as well as from their documents, that they mean to maintain fairly intense military pressure in the coming months. Infiltration into southern South Vietnam is about to resume. A recent intercepted message shows that seven battalion-size groups (totaling about 3,500 men) headed there are scheduled to pass through southern North Vietnam during late November and early December.

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In North Vietnam, meanwhile, there is some recent evidence of widespread dissatisfaction with the government's policies. A highly unusual editorial in the September issue of the party's theoretical journal warns that "nonrevolutionary, nonsocialist" ideology has gained widespread acceptance. The article goes on to denounce those who "would deny the necessity to resort to revolutionary warfare to liberate the nation."

There is no sign, however, of any purge of party ranks, nor of a tough crackdown on dissent. The editorial may be meant primarily as a warning, especially to party members, to keep a tight rein on those who may have begun to question Hanoi's long-standing policies.

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USSR



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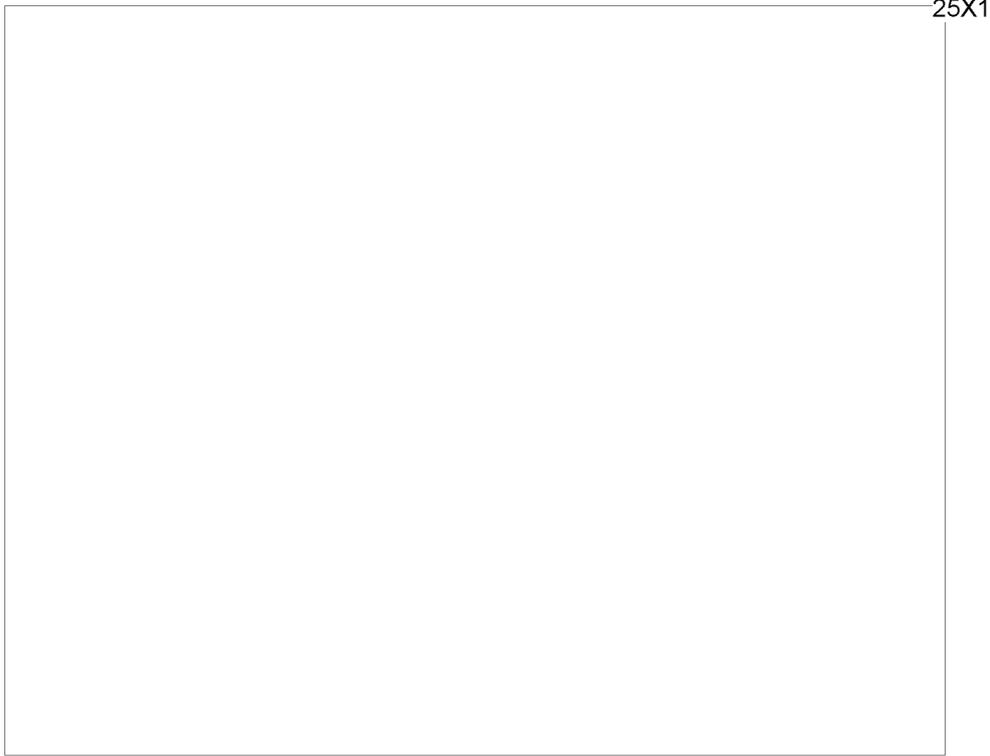
ARGENTINA

Leftist terrorists have threatened to kill wives and children of army officers as part of their effort to goad the military into repressive measures that would undermine public support for Mrs. Peron's government.

Although the leftists in the past have not carried out such threats, they have continued to assassinate army officers in reprisal for guerrillas killed last month in northwestern Argentina.

Military leaders understand the terrorists' political strategy and have tried to avoid participation in antiguerrilla activity. Nevertheless, military officers are frustrated and angry over the terrorists' campaign, and an increase in attacks against officers, but especially attacks on their families, would probably bring retaliation.

The violence over the past few weeks has stimulated renewed activity by quasi-official right-wing groups. The Argentine Anti-Communist Alliance, the most prominent group, has issued a new series of threats to assassinate several prominent Argentines known for their leftist sympathies.



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NOTES

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China:

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Oil Prices: Saudi Arabia has told other Arab oil states at the Arab Summit in Rabat it wants a "symbolic cut" in world oil prices. According to the most recent press report, the Saudis assured the other producers they would accept the decision of the Organization of Petroleum Exporting Countries, and would take no unilateral action. This account differs sharply from an earlier press report. The proposed oil price reductions closely resemble a plan recently put forward by Saudi Minister of Petroleum Yamani, who suggested reducing posted prices by about 40 cents, then raising the tax on equity oil to the consuming countries and the independent oil companies by about 35 cents per barrel. A symbolic cut in prices will do little to alleviate financial problems associated with the high price of oil, and OPEC probably in any event will soon eliminate posted prices as it moves toward a single pricing system.

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