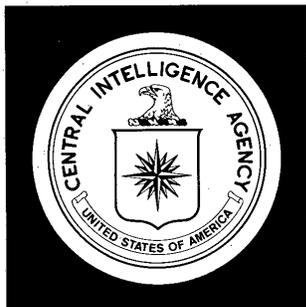


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The President's Daily Brief

January 29, 1975

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FOR THE PRESIDENT ONLY

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Table of Contents

Cyprus-USSR: President Makarios is considering greater Soviet participation in the Cyprus problem. (Page 1)

NATO: The allies have accepted, in principle, our suggested reply to the Soviet freeze proposal of last November. (Page 3)

Laos: Major steps are finally being taken to resettle refugees. (Page 4)

Notes: Israel; USSR; China; China; Canada; Ecuador (Pages 5 and 6)

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CYPRUS-USSR

The lack of progress in the intercommunal talks has reportedly prompted President Makarios to consider greater Soviet involvement in the Cyprus problem. Makarios' interest follows on the heels of a Soviet demarche to the interested parties calling for a solution similar to the Greek Cypriots' proposals.

The Soviet demarche, made recently in Athens, Ankara, and Nicosia, opposes the Turkish proposal for a biregional federation with a weak central government, and supports instead a cantonal or multi-regional solution under a strong central government. Moscow also backs the Greek side's demand that all refugees be allowed to return to their homes.

Makarios is reported to be consulting with his advisers on how to make the best use of Soviet support.

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[redacted] Makarios is certainly aware that there is a limit to the amount of pressure Moscow is willing to put on Ankara. He probably believes, however, that he can still get a better deal by internationalizing the talks and giving the Soviets a larger role.

To gain a role for itself, Moscow had earlier pressed for a wider forum to deal with the Cyprus issue instead of direct negotiations between the interested parties. More recently, the Soviet ambassador in Nicosia hinted to Makarios that Moscow would be interested in some sort of guarantor role, perhaps indirectly through the UN Security Council. Makarios might press for a guarantor role for Moscow if he decides to abandon the intercommunal talks in favor of "internationalizing" the Cyprus issue. He may also press London to give up its Cyprus bases, which Moscow would like to see dismantled.

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Makarios' consideration of a greater Soviet role rises out of frustration with the slow pace of the intercommunal talks and the rigidity of the Turkish and Turkish Cypriot negotiating position. He recently demonstrated his intention to seize the negotiating initiative by submitting a position paper to the Turkish side dealing with all issues under discussion. Makarios believes that if no agreement is possible, it should be determined soon so he can turn to a different forum.

The Greek government and Greek Cypriot negotiator Clerides are likely to press Makarios to give the intercommunal talks more time to succeed. In the event of a deadlock in the talks, however, Makarios may yet seek a broader forum and greater Soviet involvement.

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NATO

With the convening of the fifth round of the force reduction talks in Vienna tomorrow, the NATO allies have accepted, in principle, a US suggestion on how the West should reply to the "freeze" proposal submitted by the Soviet delegation last November.

The Soviets proposed that each direct participant in the force reduction talks freeze the size of its forces in Central Europe for the duration of the negotiations.

The US has suggested that the West inform the Soviets that their proposal is unacceptable; that a freeze agreement should be negotiated only as part of an agreement to reduce forces; that a freeze could come into effect when a reduction agreement is signed; and that discussions of reductions should have priority.

The US suggestion is designed to prevent the Vienna talks from being diverted from their main task of negotiating reductions in forces. It is a compromise that takes into account the desire of the West Europeans not to appear to reject the Soviet proposal flatly. Some of them had wanted to make a specific counterproposal because they feared a possible adverse public reaction if they rejected the Soviet offer out of hand.

All the NATO allies welcomed the US suggestion, although the West German representative in NATO's senior political committee has suggested amendments. The committee will continue its deliberations this week, and the North Atlantic Council will probably consider the matter at a special meeting on January 31.

The Western Allies hope to reach final agreement by that time, and make their definitive reply as early as possible in the new round of negotiations.

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LAOS

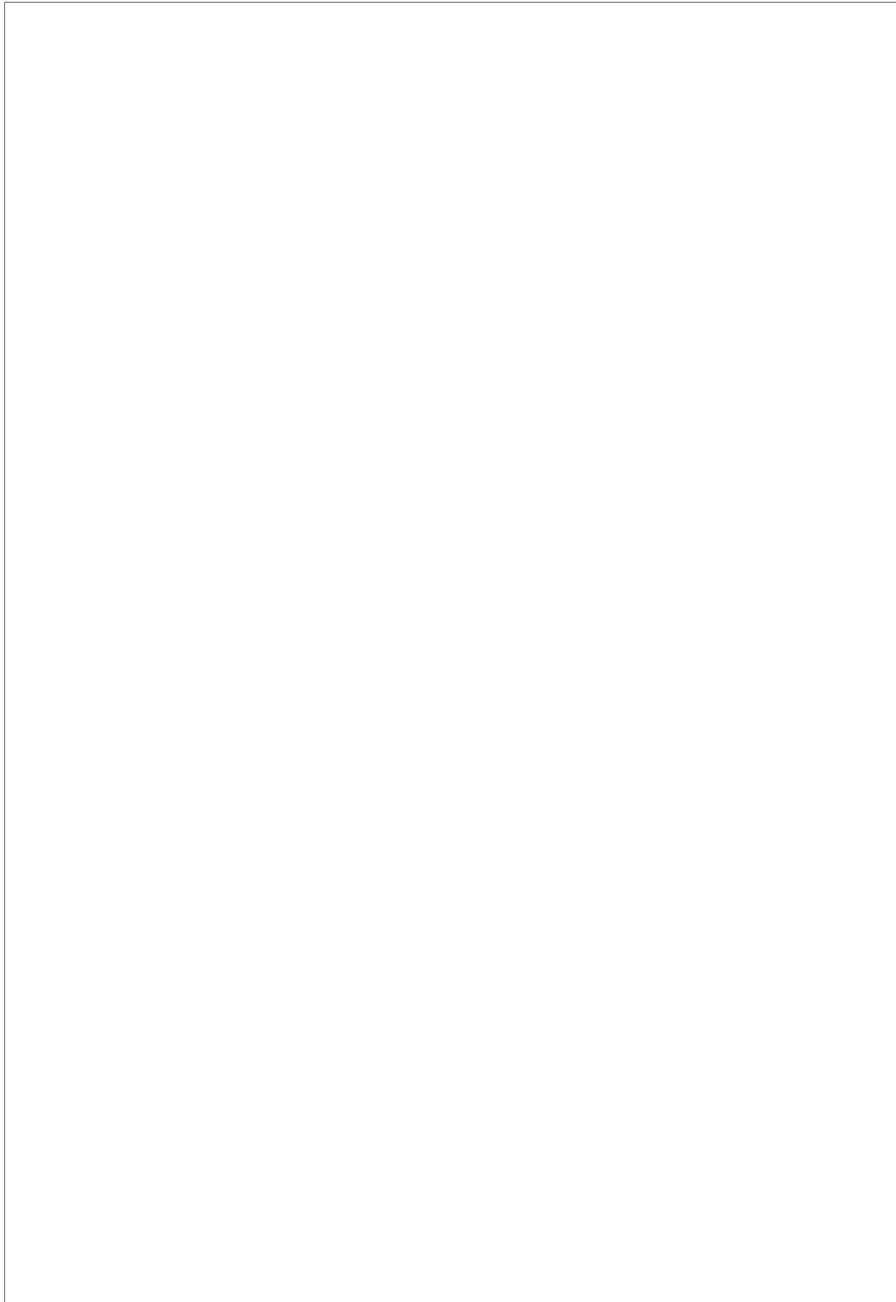
Nearly two years after the cease-fire, major steps are finally being taken to resettle the country's large number of refugees. The Pathet Lao may be in line for a population windfall if these refugees opt to return to their homes in the Communist zone. Their presence there would be extremely valuable to the Communists when national elections are eventually held.

Estimates of the total number of refugees in Laos vary widely. USAID, which has for years been deeply involved in providing material assistance and food support for refugees in the non-Communist zone, estimates that there are some 700,000. Prime Minister Souvanna Phouma, on the other hand, claims that fully 1,000,000 of the nation's population of 3,000,000 fall into the category of displaced persons or refugees. Other coalition government officials believe the figure to be in the range of 400,000 to 500,000. Regardless of the specific number, refugees constitute a significant percentage of the Lao population.

The Pathet Lao--who control two thirds of the country, but less than one third of the population--are fully aware of the refugees' potential significance. The Communists have been waging an intensive propaganda campaign among the refugees in an attempt to persuade or coerce them into returning to their native lands. The effectiveness of the propaganda effort has been enhanced by the refugees' own sense of neglect and the non-Communists' failure to convince them to remain in place.

Given the enormous logistic problems involved, however, and the extreme weakness of the coalition government's administrative machinery, it is likely that only a relatively small number of refugees will actually be resettled in the next few months.

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[redacted] [redacted]

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The latter could become vulnerable to Egyptian observation and artillery fire after any further withdrawal of Israeli forces in the Sinai.

* * *

A Soviet nuclear-powered submarine--an E-1 torpedo attack unit-- [redacted] in the port of Berbera, Somalia [redacted] thus confirming the use of facilities there by nuclear units.

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Two Soviet nuclear-powered submarines were in the area last March, but it was not clear whether they entered the port. Aside from ports in Cuba--and now Berbera--Soviet nuclear-powered submarines normally do not make port calls.

* * *

China has canceled contracts for 601,000 tons of US wheat scheduled for delivery this year and is negotiating for the cancellation of an additional 500,000 tons.

These contracts--worth about \$160 million--represent all of the current commitments of US grain to China. China's reasons for cancellation probably include over-contracting in 1974, a better grain harvest last year than expected, a tight foreign exchange situation, and lower prices now than when the contracts were negotiated. China still plans to purchase 5.6 million tons of grain for delivery this year.

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Chinese Premier Chou En-lai, in his report of January 13 to the National People's Congress, charted a course of carefully planned but comparatively slow growth for China's economy over the next five years.

The Chinese economy appears to have grown in 1974 by about 4 percent--down from the 7 percent gain of 1973. Among the factors holding back the rate of industrial growth last year were the persistent imbalances among the extractive, processing, and finishing industries, highlighted by shortages of coal and scrap steel; the overburdening of railroads and congestion at major ports; and sporadic work stoppages, lowered worker morale, and reduced productivity. A respectable increase in agricultural output was not enough to offset these problems.

* * *

Canada intends to propose changes in the bilateral North American Air Defense treaty, which expires in May.

Ottawa wants more effective control over the use of its own military forces during emergencies and greater US respect for Canadian airspace. Canada may offer to make the new accord effective for five years, rather than two as in the present agreement. A spokesman for Canada's External Affairs Ministry has said that his government planned to reach agreement with the US well before the expiration date.

* * *

Ecuador has levied heavy fines against the US fishing companies that operate the four tuna boats seized on Saturday for unlicensed fishing inside the country's 200-mile territorial sea limit.

The fines total more than \$250,000, and the confiscated catch, which may be offered for sale back to the companies, is valued at \$235,000 or more. Thus far, Ecuador has not invoked its new law prohibiting all foreign fishing boats, even those with licenses, from a 40-mile zone along the shoreline. Nevertheless, the authorities' insistence that the four boats were seized near the 40-mile limit leaves open the possibility of harsher penalties after ships' logs and other data--including the US reaction--are studied.

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