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The President's Daily Brief

August 26, 1975

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FOR THE PRESIDENT ONLY

August 26, 1975

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PORTUGAL

Military leaders continued their high-level meetings yesterday, but there is no clear sign of any action to remove pro-Communist Prime Minister Goncalves.

President Costa Gomes may be trying to hammer out a compromise formula under which Goncalves would be replaced as prime minister in return for certain concessions to his supporters. The President may be convinced that any other solution would risk provoking armed conflict among factions of the armed forces. We cannot exclude the possibility, however, that Costa Gomes is engaged in delaying tactics designed to drain the anti-Goncalves group of its energies and resolve.

Whatever his motivation, the result of Costa Gomes' efforts has been to provide Goncalves and his supporters with an opportunity to strengthen their position. Last week, the Communist Party was clearly worried about its future. By Sunday, it was again on the offensive. Yesterday, the Communists announced that they have joined in a united front with seven extremist revolutionary groups to carry out "offensive action." The group plans a mass demonstration in Lisbon tomorrow to kick off nationwide rallies to support "unity of the revolutionary forces."

The Communist move seems calculated to rally support behind Goncalves and to divide his opponents. The newly formed front group announced that it favors a government program combining the positions of the Goncalves forces with those of the faction led by security chief Otelo de Carvalho. Just last week, the Carvalho group was reported to have joined the anti-Communist Antunes group in demanding Goncalves' removal.

USSR: Major Grain Growing Regions



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USSR

Our end of August estimate of the Soviet grain crop is 170 million metric tons, up slightly from the previous forecast of 165 million tons.

The revision reflects more the receipt of new information than an improvement in Soviet crop conditions. Recent rains improved the outlook for potatoes and sugar beets, but came too late to give much relief to grains. This year's conditions, marked by the worst drought in the past two decades, make an estimate of the crop unusually uncertain. The Soviets have been unusually reticent in publishing information on crop conditions and yields, even at the local level, and have kept this year's large grain imports a secret at home.

The total shortfall in Soviet production in relation to expected requirements will probably be about 50 million tons, much more than the world market can provide. Since mid-July the Soviets have purchased 15.3 million tons of grain, including 9.8 million tons from the US. Confirmation of rumored purchases would boost the total to more than 16.5 million tons. Moscow apparently continues to search for available grain

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In addition, the USSR will limit its grain shipments to client states. Eastern Europe's grain import requirements in FY 76 will be about 9 million tons, close to the average for past years. Moscow usually supplies about one half of these requirements, but most or all of this year's needs probably will be filled by the US.

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Moscow asked Eastern Europe to look to the West for all of this year's grain imports, with financing to be provided by the USSR. Such a request by Moscow is unprecedented but is plausible, given the present US hold on grain sales to the Soviets. Moreover, Yugoslavia reportedly is in the market for 1 million tons of wheat, even though both our estimates and Belgrade's own statements

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show no domestic need for such a transaction. The Yugoslavs may be seeking the wheat on behalf of the Soviets.

Soviet imports are not constrained by port capacity. Assuming reasonable scheduling, ports in the USSR can handle up to 36 million tons of grain imports a year. Total deliveries in 1973 reached 24 million tons, two thirds of present port capabilities, with no major delays reported. Although the domestic transport system can handle grain shipments of these magnitudes, there would be a diversion of freight cars from other uses and consequent short-term economic disruptions.

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NOTES

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China again has publicized the dispatch of troops to factories in Chekiang Province, apparently to warn other provinces of the consequences of factionalism that disrupts production. Peking has not used troops in this capacity since the upheavals of the Cultural Revolution in the mid-1960s.

Over 10,000 troops have been sent to factories in the provincial capital of Hangchou since July 19 to quell long-standing factional disputes that have been disrupting production and causing civil disorder.

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The speed with which the Greek government announced yesterday that the death sentences imposed on the three leaders of the 1967 military coup would be commuted to life imprisonment suggests that Prime Minister Karamanlis is more concerned about heading off adverse reaction by some elements of the military than he is about criticism from the political opposition.

Prolonged suspense as to whether the three defendants would be actually executed might prompt reaction from supporters of the junta who are still in the military. Although opposition leaders have reacted angrily to the haste with which the government announced the eventual commutation of the sentences, they lack the parliamentary votes to capitalize on the issue.

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