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The President's Daily Brief

February 25, 1976

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

General Secretary Brezhnev gave an impressive performance in delivering his five-hour report to the Soviet party congress yesterday. His stamina, enunciation, and aura of command seemed better than at any time during the past two years, according to our embassy.

Brezhnev devoted unusual attention to foreign policy. He stressed continuity and said that detente has been successful and will be maintained. The Soviet leader characterized this policy, despite its problems, as the leading trend in world affairs. He was realistic, however, and underscored Soviet concern over the difficulties detente has encountered in the West.

On China, Brezhnev was abrupt and tough. He even omitted standard Soviet references to eventual rapprochement in implying that all concessions must come from Peking.

Brezhnev gave considerable emphasis to "proletarian internationalism," a phrase that connotes Soviet leadership of the Communist world. This clearly was meant as a retort to the French, Italian, and other parties that have been making increasing efforts to emphasize their "independence" of Moscow. Brezhnev stated unequivocally that there can be no compromise on views that contradict communist ideology.

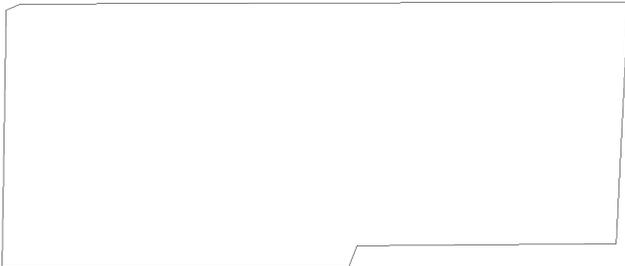
In his discussion of domestic affairs, Brezhnev reasserted past policies, gloried in his leadership's successes, and defended traditional ideological positions. He focused particular attention on the Central Committee meeting of May 1972 which approved former president Nixon's visit to Moscow, despite the war in Vietnam. Brezhnev hinted that there was opposition at this "turning point" and boasted of his correct decision.

(continued)

Brezhnev's review of economic performance and plans hit the same themes as outlined to the USSR Supreme Soviet in December. He was disappointed in last year's results in the agricultural and consumer sectors but promised to do better during this five-year plan period. Brezhnev referred to the 15-year plan and the new constitution he had once promised for the Congress, saying that work on these items had not been completed.

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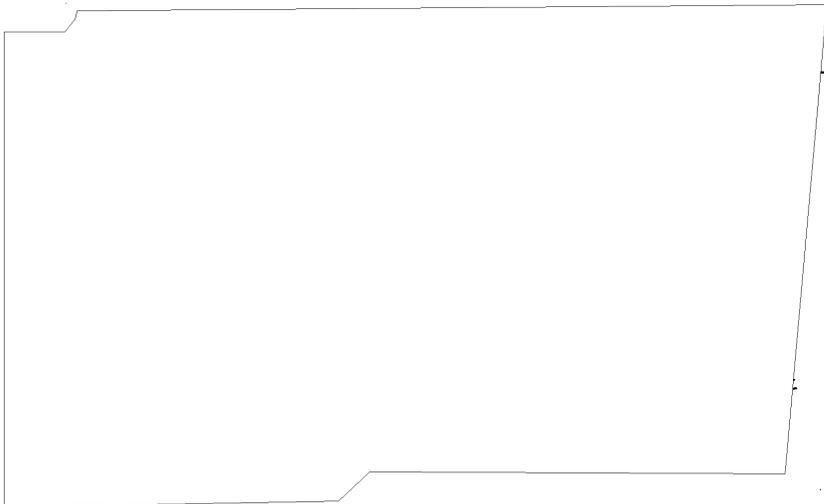
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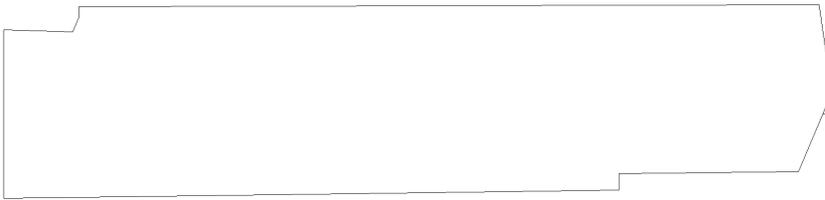
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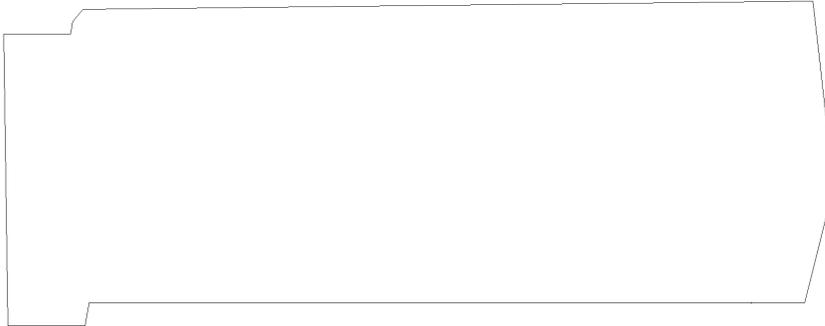
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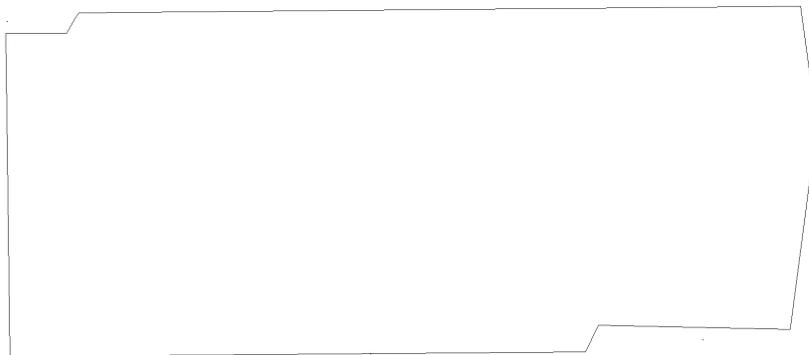
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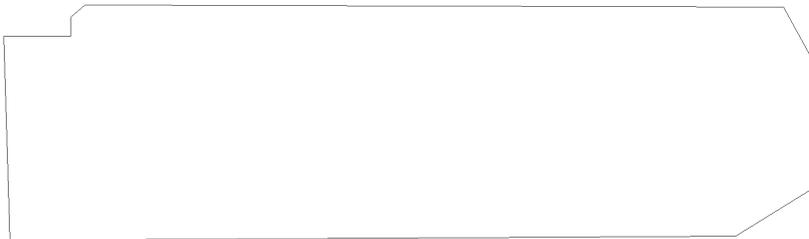
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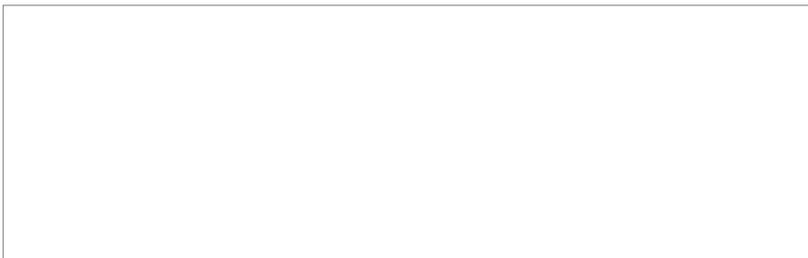
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EGYPT-USSR

Egypt and the USSR may have reached an informal understanding last December that could resolve, at least temporarily, the problem of Cairo's debt for economic and military assistance.

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The Egyptians do not acknowledge their own agreement, but the understanding apparently has been incorporated into the 1976 Soviet-Egyptian trade protocol which assumes an Egyptian surplus of about \$140 million. This would continue the arrangement on debt retirement that has been employed since 1973.

High cotton prices in 1974 gave the Egyptians a trade surplus with the USSR that permitted retirement of \$165 million of their debt. Last year, Cairo sold most of its cotton crop to the USSR and Eastern Europe, creating the probability of a sizable trade surplus again.

Cairo undoubtedly hopes to buy time with these repayment terms. As long as the Western cotton market remains weak and the USSR is willing to buy large amounts of Egyptian cotton, repayments would not constitute a serious economic burden for Egypt.

Soviet officials still consider the debt question unresolved and see it as a source of pressure on Cairo. As Western armaments are gradually integrated into the Egyptian military and Western export markets recover from the current recession, Egypt's bargaining position will improve. When that time comes, Cairo may balk at meeting annual debt repayments to the Soviet Union.

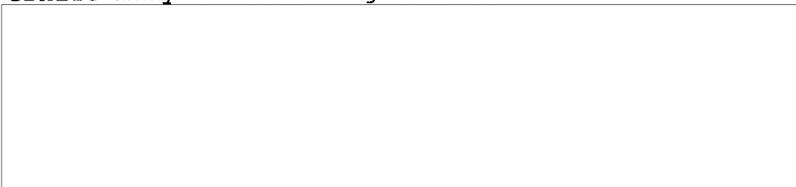
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EGYPT - USSR - WESTERN EUROPE

Cairo is continuing to try to reduce its dependence on the Soviets for maintaining front-line combat equipment.

President Sadat told our ambassador last week that Egypt has signed a contract with Rolls Royce of Britain to overhaul MIG-17 and MIG-21 aircraft engines. The work is to be carried out in Egypt. The move to sign the engine overhaul contract with Rolls Royce undoubtedly was prompted by Moscow's decision last month to stop servicing the engines.

Last year the Egyptians were seeking Italian and British electronics equipment to equip or modernize many of their fighters and naval craft.



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As a result of the changeover from Soviet arms to a mix of Communist and Western equipment, the short-term outlook for Egypt's military is one of reduced effectiveness. The cutback in Soviet arms deliveries already has impaired Egypt's military readiness. Moreover, substantial deliveries of many types of West European arms are still a long way off.

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