



The President's Daily Brief

June 18, 1975

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FOR THE PRESIDENT ONLY

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ISRAEL-EGYPT

The Israeli cabinet yesterday declared that it is ready to make further concessions to achieve an agreement with Egypt, provided Cairo does the same.

Apparently responding to the Israeli announcement, Egyptian officials indicated that they are "moderately optimistic" about the prospects for disengagement and hinted publicly for the first time that Cairo might be flexible on the duration of an agreement. In the aborted negotiations last March, Egyptian insistence on yearly review of the UN peacekeeping mandate was a serious stumbling block.

The Egyptian officials, however, cautioned that any agreement would have to be part of an overall settlement and indicated that they are still awaiting the results of the US policy reassessment before deciding on the advisability of proceeding with disengagement talks.

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ITALY

The returns from Sunday's provincial and municipal elections confirm the marked turn to the left registered in the regional vote.

In the provincial contests--which involved the largest part of the electorate--the Communists, Socialists, and the more extreme left together polled close to 46 percent, a 4- to 5-percent increase over the total received in the 1972 parliamentary and 1970 regional elections. The Communists again were the main winners; the Christian Democrats hit a postwar low; the Neo-Fascists and the rest of the right also declined.

The municipal count gave the Communist Party first place in such major cities outside the red belt as Milan, Naples, and Venice, but Communist participation in the municipal government looks possible only in Venice. The Communists augmented their positions in their strongholds such as Florence and Bologna. In other cities where municipal elections were not held--Rome and Genoa, for example--the regional returns show the Communists in first place.

The results reinforce the Socialist Party's position as the Christian Democrats' most important partner at the local level. The nationwide decline of the Liberal Party has deprived Christian Democrats in many localities of the possibility of forming centrist coalitions. The Socialists in some places now have the choice of joining the Christian Democrats in a center-left government or the Communists in "frontist" administrations.

The Socialists are likely to behave at the national level as though the parliamentary balance had shifted in their favor. The Christian Democrats now appear to have two alternatives: either reach an agreement with the Socialists on the terms for a new center-left government or move toward early national elections. Although renewing the coalition seems the more likely course, many difficulties lie along the way.

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Not the least of these difficulties is the dissent within each party over how to deal with the other. Socialist leader De Martino seems inclined to try to use his new leverage to resume participation in the government on improved terms. Some influential Socialists, however, will argue against doing so, now that the Communists' opposition status proved more profitable at the polls than the Socialists' participation in the government with the Christian Democrats.

The Christian Democrats, for their part, probably face a major internal battle over the party's leadership and policies. Party chief Fanfani--on whom both the Communists and Socialists centered their campaign attacks--will almost certainly be ousted. The new leader will then face the task of drawing a consensus from quarreling party factions over how to stop the erosion of Christian Democratic appeal.

Political leaders, including the Communists, have still not gone beyond their initial cautious comments on what amounts to the largest shift in Italian voting patterns since 1948. Serious assessment of the election results will begin tomorrow with a meeting of the Christian Democrats' party directorate.

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CUBA

Fidel Castro--through a variety of gestures and channels--has signaled that he is ready to begin the process of normalizing relations with the US.

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[redacted] Castro also has sent letters to Senators McGovern and Sparkman stating his intention to return the \$2-million ransom paid by Southern Airways in 1972. In addition, a number of individuals involved in US hijackings have been expelled from Cuba.

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Castro realizes the process is likely to be a long one, but he appears to believe he can strike a deal that would allow Cuba access to US goods--especially technology and food stuffs--while allowing the more complex matters to be hammered out later.

[redacted] If the US were to lift its embargo on food and medicines, Havana would release 35 American prisoners, nine of whom are political prisoners. If the US publicly signaled its appreciation for this gesture, Havana would be willing to begin discussions concerning the complete lifting of the embargo and the status of expropriated US property.

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[redacted] Castro's record indicates that he would also want to discuss at this stage the return of the US naval base at Guantanamo Bay, as well as other outstanding issues, as a prelude to full commercial and diplomatic ties.

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Castro's apparent willingness to negotiate without a full lifting of the US embargo may be the result of two factors.

--Cuba's economic prospects have deteriorated as a result of a decline in the world market price of sugar, which has plummeted to 13 cents a pound from a high of 65 cents last November. A decline in non-communist purchases of Cuban sugar may make as much as 1 million tons available for export to the US.

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--Castro thinks an election year will tie your hands. He probably reasons that if he can get negotiations started this year, things will have proceeded far enough by next spring to permit substantial trade without formal ties.

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PORTUGAL

The imbroglio over control of the Portuguese Socialist Party's newspaper Republica remains unresolved. [redacted] the newspaper plant remain closed for at least another day because "conditions of work are not guaranteed."

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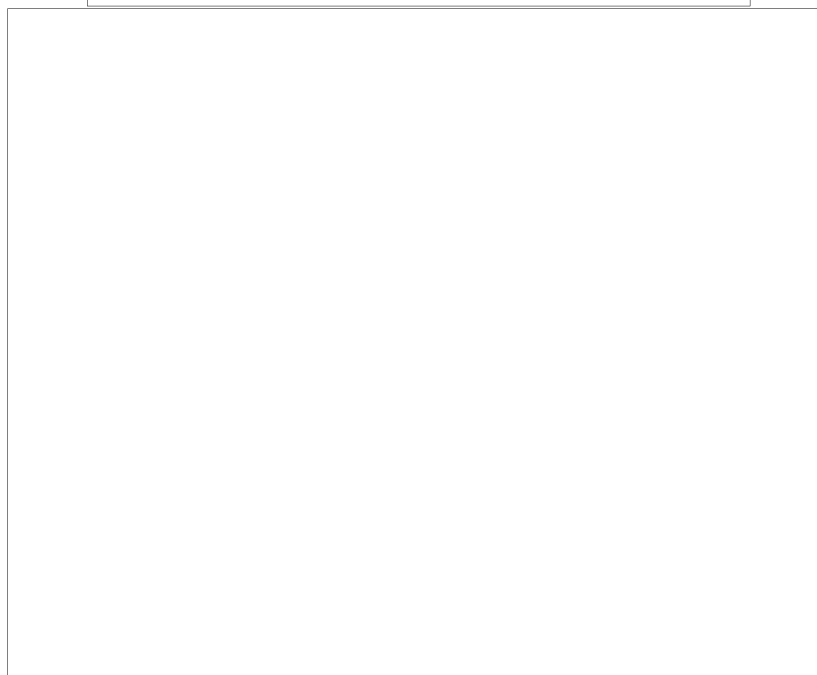
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SPAIN



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LEBANON

Syrian Foreign Minister Khaddam has arrived in Beirut to join the prolonged consultations on the formation of a Lebanese cabinet.

Khaddam is probably trying to support Lebanese Prime Minister-designate Karami. Syria is widely known to have pressed President Franjiah to appoint Karami and would be embarrassed to see him fail. Khaddam presumably is pressing Franjiah to get concessions from the right-wing Christian Phalangists. In return, he may be assuring the President that Syria is making an effort to rein in Lebanese socialist leader Kamal Jumblatt, who is now in Damascus for consultations.



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LAOS



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NOTES

The Turkish note delivered to the US embassy yesterday, stipulating a 30-day grace period during which the status of US bases will remain unchanged, made no reference to NATO.

A subsequent public statement by the Turkish foreign minister emphasized that whatever the ultimate decision on the arms embargo and US facilities, the Turks will try to avoid any serious repercussions in their relations with the US on other matters. Within a few hours after the foreign minister's statement, opposition leader Bulent Ecevit issued a press release criticizing the government's soft response to the arms embargo.

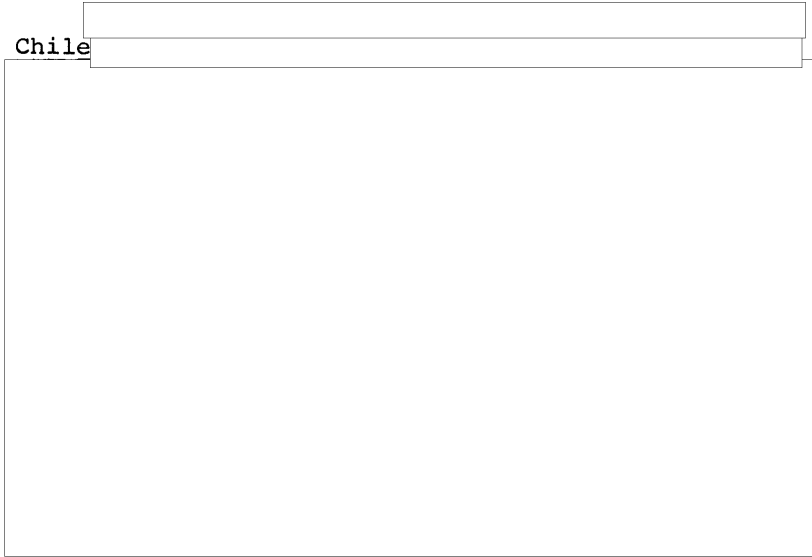
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Portugal and Romania signed the first friendship treaty between a NATO and a Warsaw Pact country during the recent visit of President Costa Gomes to Bucharest.

The treaty stresses similarities between policies of the signatories and the nonaligned world. The two countries, each somewhat alienated within its own bloc, apparently find some solace in their new bilateral relationship.

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Chile



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