

The President's Daily Brief

January 2, 1974

45

Top Secret 25X1

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1)(c)(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 2, 1974

PRINCIPAL DEVELOPMENTS

Israeli and Arab forces are on [redacted] alert, but leaders of both sides appear disposed to go back to the Geneva talks today. (Page 1)

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Mrs. Meir will probably form Israel's new government without a change in coalition partners. Her principal opponent, the Likud group, did not gain enough seats to form a government or to force Mrs. Meir to take it into the coalition. (Page 2)

[redacted] Israel [redacted] Egypt [redacted]
(Page 3)

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A major reshuffle of China's military region commanders has taken place. The transfers separate military leaders from provincial power bases secured during the Cultural Revolution. (Page 4)

The Nigerian Government has sold its share of the country's total production for \$22.60 per barrel. Similar crude produced in the US has been selling for less than \$9.00. (Page 5)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

While both sides are maintaining [redacted] state of [redacted] alert, they apparently plan to continue for the time being to seek a negotiated peace settlement. Today's meeting of the disengagement talks in Geneva is expected to proceed as scheduled.

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Neither side has given any indication of a willingness to modify its position, but neither appears anxious to break off the talks at this point. For the immediate future, the principal Arab leaders appear inclined to wait and find out what type of government emerges from the Israeli elections.

There were only minor cease-fire violations on either front during the past two days. The Israelis continued to carry out aerial reconnaissance of both fronts. [redacted]

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ISRAEL

Monday's parliamentary elections failed to give any party a clear majority, and Mrs. Meir's Labor Alignment faces long and difficult bargaining over the make-up of a new coalition government. Any government probably will be cautious about concluding a peace agreement that includes extensive territorial concessions.

In a heavy voter turnout, the Alignment received just under 40 percent of the vote, losing, according to preliminary returns, 6 of its 57 seats. The Alignment-led government coalition lost 8 of its 77 seats. The total number of deputies to the Knesset is 120.

There will probably be no change in coalition partners in the new government when it is eventually formed. Mrs. Meir's major coalition partner, the National Religious Party (NRP), which lost only one seat, will probably seek to take advantage of the Alignment's losses to enhance its own position and influence within the government.

As anticipated, Likud, the rightist opposition group, emerged the big gainer, receiving just over 27 percent of the vote and increasing its Knesset seats from 31 to 38 or 39, according to the preliminary tabulations. Its leader, Menahem Begin, claimed at a post-election rally yesterday that Likud's strong showing demonstrated to all the world that there is in Israel a "clear majority" against any proposals to "repartition" the country. Likud failed, however, to gain enough seats to enable it to form a government or to force the Alignment to take it into a national unity government.

Final election results are not expected for several days. Counting of the ballots cast by voters in the military, an estimated 15 percent of the electorate, is particularly slow but is in any case not expected to change significantly the overall results.

FOR THE PRESIDENT ONLY

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EGYPT-ISRAEL

The diagram illustrates five identical horizontal rectangular components, each labeled with the dimensions '25X1'. The components are arranged vertically. Each component features a small rectangular cutout at its left end.

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CHINA

New Years Eve rallies reveal a massive reshuffle of politically powerful military region commanders. Chinese news agency reports indicate that the shifts involved commanders of seven of China's 11 military regions and the head of the army's General Political Department. No purges have resulted, but the transfers separate military leaders from provincial power bases secured during the Cultural Revolution.

It is not yet known whether the military region chiefs, all but one of whom headed their provincial party and government bodies, also exchanged the latter positions. If not, a majority of top provincial party and government jobs could revert to civilians for the first time in over seven years.

The shifts reflect the continuing power struggle in Peking. At least one of the provincial military region commanders, Politburo member Chen Hsi-lien, figured prominently in the politically motivated debates over education and other policies which were conducted in the media last summer. Chen has been moved from his Manchurian base to the Peking Military Region. He will thus be more directly accountable to his political opponents, but may also have the opportunity to play a greater role in the leadership councils in concert with his political allies.

Li Te-sheng, a party vice chairman and head of the army's General Political Department, has replaced Chen in Manchuria. On the surface, this switch represents a promotion for Chen and a demotion for Li, who had appeared to be a candidate for a top central military post.

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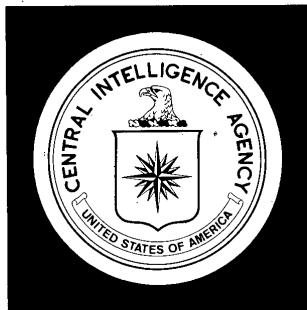
FOR THE PRESIDENT ONLY

NOTE

Oil: The Nigerian Government has found buyers for its share of total Nigerian production--14.5 percent (320,000 barrels per day)--at \$22.60 per barrel. Prospective purchasers earlier refused to buy oil at this price, but after the announcement of higher prices last week by the Gulf states, several US and Japanese oil companies expressed interest. Similar US-produced low sulfur oil, not regulated by the Cost of Living Council, has been selling at less than \$9.00.

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The President's Daily Brief

January 3, 1974

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THE PRESIDENT'S DAILY BRIEF

January 3, 1974

PRINCIPAL DEVELOPMENTS

There was extensive artillery fire along the Suez Canal yesterday after two days of relative quiet.

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25X1

(Page 1)

25X1

Soviet

India

(Page 2)

Communist troop infiltration to South Vietnam has increased in recent weeks, but it is still barely enough to replace Communist losses. Since late November, only 7,000 troops have been detected on the move, all of them headed for the central highlands and the COSVN area. (Page 3)

The strengthening of the dollar accelerated on the first trading day of the new year. The greatest dollar gain was recorded against the mark. The price of gold jumped \$3 an ounce yesterday, to \$115. (Page 4)

USSR

25X1

(Page 5)

Chinese

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Laos.

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(Page 5)

the Italians have again postponed the trial of Arab terrorists arrested last year for planning to down an Israeli airliner. (Page 5)

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FOR THE PRESIDENT ONLY

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ARAB STATES - ISRAEL

There was extensive artillery fire along the Suez Canal yesterday after two days of relative quiet. The firing was mostly in the central sector, and took place throughout the day. It apparently was on a more intensive scale than earlier sporadic exchanges, and an Israeli military spokesman stated that Israeli forces suffered eight wounded. It is not clear who began the shooting, but Cairo has said it intends to maintain pressure on the Israelis in order to keep world attention on the battle front. Egypt's Air Force remains on alert

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Israeli air reconnaissance over the Syrian front was heavy yesterday. Some artillery exchanges occurred, and the Israelis suffered three killed and two wounded.

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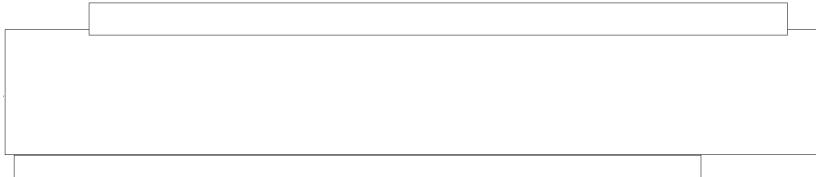
USSR-INDIA



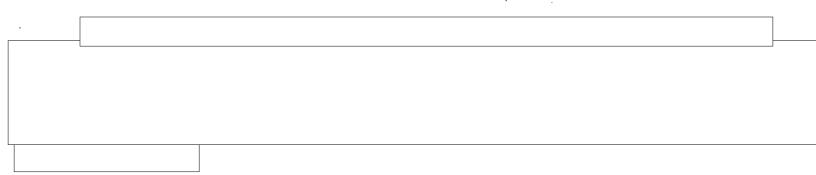
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FOR THE PRESIDENT ONLY

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VIETNAM

Communist troop infiltration to South Vietnam has increased in recent weeks, but it is still barely sufficient to replace Communist losses. Since late November only 7,000 troops have been detected moving through the system, all of them headed for the central highlands and the COSVN area. These troops are the first sent to these areas since last spring. In the period between September and late November, only 4,000 troops infiltrated to South Vietnam. The total of 11,000 is the lowest September-December figure in six years; on the average, about 40,000 men normally begin to move south at this stage in the dry season.

Nevertheless, North Vietnamese logistic units are moving large quantities of war materiel and food-stuffs through the North Vietnam and Laos panhandles. A message in early December from a major logistics headquarters near Vinh indicated that approximately 4,000 tons of arms and ammunition would move through that area during December. Later messages confirm the heavy shipments.

By early December, the supply activity had reached southern Laos, and numerous convoys have passed through the panhandle in recent weeks. One message has noted the arrival of several thousand tons of cargo, including 1,800 tons of ordnance.

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INTERNATIONAL MONETARY DEVELOPMENTS

The strengthening of the dollar accelerated on the first trading day of the new year. European and Japanese commercial and financial institutions sold local currencies previously obtained to satisfy domestic bookkeeping requirements, and pent-up demand for dollars--reflecting foreign energy problems--emerged.

The greatest dollar gain was recorded against the mark. Apparently the Bundesbank still has not intervened substantially to support the mark, despite repeated reports that it would do so once the dollar reached the old German central rate of 2.669. This rate was surpassed on December 21.

In Tokyo the current yen-dollar rate was maintained only through continued and heavy central bank intervention, amounting to over \$240 million.

The price of gold jumped \$3 an ounce yesterday, to \$115. Although it still is below the record \$127 an ounce of July 6, 1973, the gold price has reached record levels in terms of the mark, pound, and other major European currencies. The concurrent strengthening of gold and the dollar in recent months has reversed the situation of early 1973, when gold rose while the dollar weakened.

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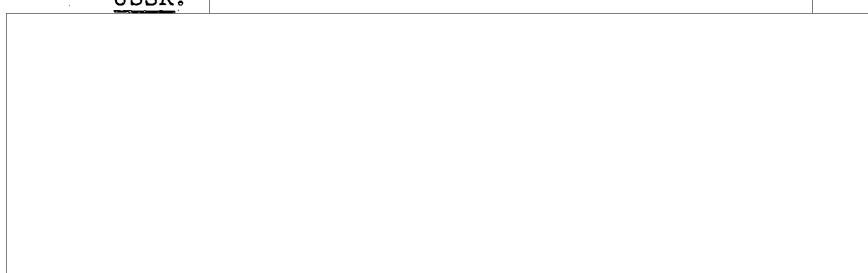
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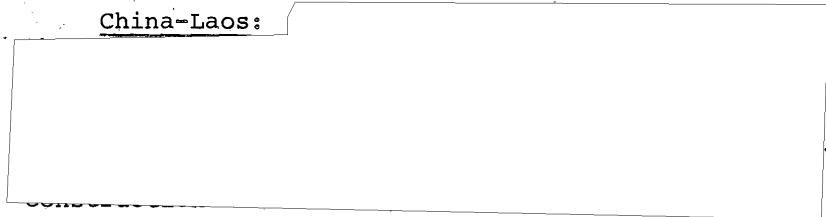
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China-Laos:

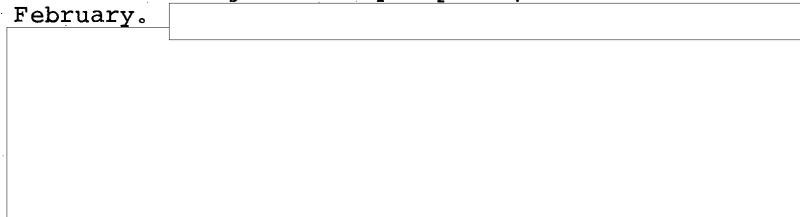
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Italy: The trial of three of the five Arab terrorists arrested in September for planning to down an Israeli airliner in Rome with Soviet-made missiles has again been postponed, this time until February.

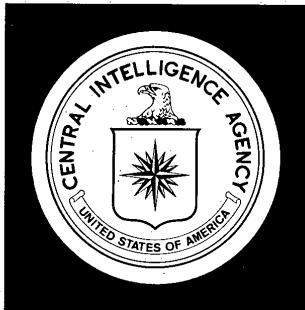
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The President's Daily Brief

January 4, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 4, 1974

PRINCIPAL DEVELOPMENTS

Israeli and Egyptian military negotiators made no progress on Wednesday, but the Israelis' proposals on "reciprocity" appear more flexible than their public statements. (Page 1)

The Canadians have indicated that they might boost their export tax on crude oil enough to bring the price for Alberta crude in line with prevailing world prices. (Page 2)

Efforts are being made to promote a meeting between OPEC and OECD to discuss prices of oil and industrial goods. (Page 3)

Tokyo and the EC Commission apparently have agreed to a pattern of trade controls intended to prevent disruption of European markets by Japanese exports. (Page 4)

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Notes on a Soviet [redacted] on a possible Egyptian cabinet shuffle, on the new Spanish cabinet, and on Japanese - North Vietnamese economic relations appear on Pages 5 and 6.

FOR THE PRESIDENT ONLY

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EGYPT-ISRAEL

Israeli and Egyptian military negotiators again failed to resolve their differences over the guidelines for disengagement when they met in Geneva on Wednesday. The two sides meet again today, but UN General Siilasvuo, the chairman, fears that the atmosphere will begin to sour if the negotiators do not shift from general principles to specific proposals.

The chief obstacle currently centers on Tel Aviv's demand that any Israeli withdrawal be accompanied by a reciprocal Egyptian concession. Following the Egyptian delegate's rejection of this concept at Wednesday's meeting, the Israeli delegate outlined his government's definition of "reciprocity." Noting that the depth of any Israeli withdrawal east of the canal would depend on the strength of Egyptian forces remaining on the east bank, he insisted that these forces must be thinned. Agreement is also necessary, he said, on exactly how many divisions and heavy weapons the Egyptians will be permitted to retain there.

Despite Siilasvuo's pessimism, the Israelis' proposals appear more flexible than their public statements. The former chief Israeli negotiator at the Kilometer 101 talks indicated in a newspaper interview last weekend, for example, that if Israel withdraws to the east bank the Egyptians should not be permitted to retain any military forces there.

The Egyptians apparently did not comment on the Israeli proposals at the meeting on Wednesday, but at the Kilometer 101 talks they had indicated that they might accept some thinning of forces.

A possible confrontation over Israeli blocking of supply convoys to the Egyptian Third Army is being threatened in the UN. According to UN reports, the Israelis have not allowed the supply convoys through for two days, and the Egyptian representative is threatening to call an emergency meeting of the Security Council to consider the issue immediately. Assistant Secretary General Urquhart believes that an acrimonious Security Council meeting is in prospect if the convoy is blocked again today.

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INTERNATIONAL OIL

Canadian Energy Minister MacDonald indicated late last week that Canada's export tax on crude oil could triple to \$6.50 a barrel by February 1. The tax, designed to see that the increase in the price of Canadian oil accrues to the government rather than to private companies, was first imposed on October 1 at 40 cents a barrel, and rose in stages until reaching \$2.20 on January 1. A \$6.50 tax would bring the average US price for Alberta crude to \$10.97 a barrel, in line with most of the crude oil in world trade.

An increasing amount of government-owned oil from other markets already is being sold at even higher prices, however.

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OPEC-OECD

An effort is under way to promote a meeting between the Organization of Petroleum Exporting Countries (OPEC) and the Organization for Economic Co-operation and Development (OECD)--some OECD countries hoping to halt the spiraling of oil prices, and OPEC members hoping to obtain more favorable terms for development and trade.

Britain is reported to be seeking a positive response to the Shah of Iran's proposal on December 23 for a meeting between OPEC and OECD. The British believe a response should be given before next Monday, when OPEC members meet in Geneva to discuss long-range pricing policies.

Iran's minister of finance suggested to Ambassador Helms on January 2 that the OECD Secretariat invite OPEC to engage in talks. The minister evidently thus hopes to get around opposition by Iraq and Kuwait to OPEC's taking any initiative in calling for a conference.

In New Delhi, OPEC Secretary General Khene called publicly for OECD-OPEC talks aimed at lowering the prices the industrialized countries charge for their exports. Khene called the oil price rise a part of the developing world's fight against "economic aggression" and said the price of oil would be lowered if the industrial nations lowered the cost of their exports.

So far, the response from the OECD members has been mixed. On December 28, Italy endorsed the idea of OECD-OPEC talks but said they should not interfere with members' bilateral arrangements with oil-producing countries. The French OECD delegate stressed the need to avoid hasty moves to establish contact with OPEC. He insisted that the differences in the energy problems of the US and Europe needed further clarification.

FOR THE PRESIDENT ONLY

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JAPAN-EC

Tokyo and the EC Commission apparently have agreed to a pattern of trade controls aimed at preventing disruption of European markets by Japanese exports. Japan will establish export controls, principally on electronics products, in return for removal of import controls imposed earlier by Italy and the Benelux countries.

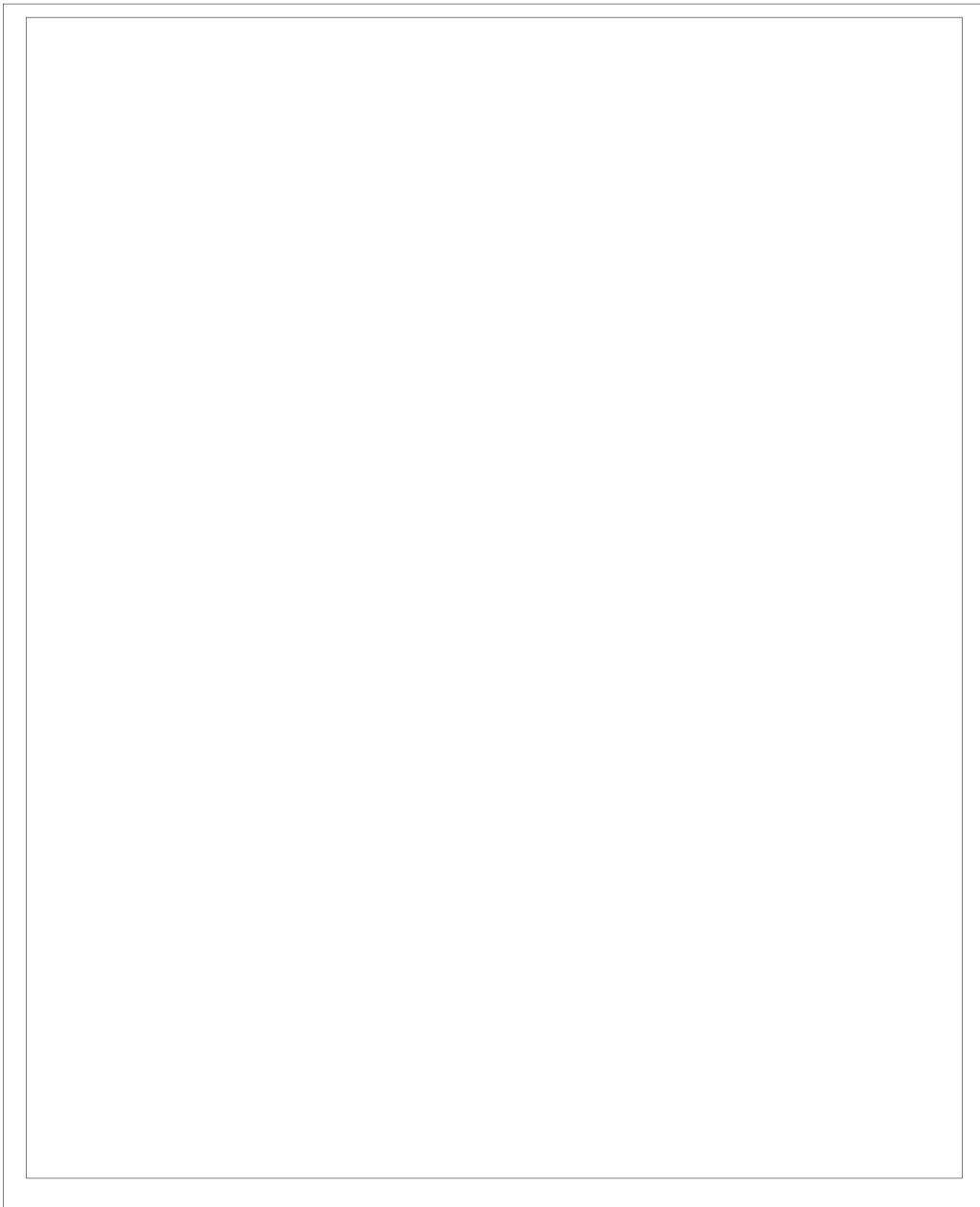
The EC's willingness to accept Japan's offer to restrain exports has removed a major irritant in their relations, but the arrangement agreed upon is only a temporary expedient. Attempts to conclude an overall trade agreement between the EC and Japan have failed, largely because Tokyo opposes certain provisions aimed at protecting the domestic markets of importing countries.

The Commission nonetheless wants to improve contacts with Tokyo so as to prevent trade disputes from hindering broader economic and political contracts. Commission President Ortoli is scheduled to visit Tokyo in mid-February.

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Egypt: President Sadat, who currently also serves as prime minister, has spent [redacted] several days discussing a cabinet shuffle [redacted]

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The most likely candidate for prime minister is Minister of Economy and Foreign Trade Hijazi, the architect of Egypt's "nonsocialist" economic policy begun before the war. This policy, and Hijazi himself, have been the targets of strong criticism from the USSR. Foreign Minister Fahmi, who reportedly will remain in the cabinet, also has been criticized by the Soviets, who appear to blame him largely for Cairo's improved ties to Washington.

Spain: The cabinet announced yesterday by newly appointed Premier Arias gives predominance to the more moderate elements of Franco's National Movement. The cabinet includes a number of pragmatic men who are interested in easing economic and political restraints to developing closer ties with NATO and the European Communities. The new interior minister is a tough law-and-order advocate, but rightists, including former acting premier Fernandez-Miranda, were the big losers. Opus Dei, the Catholic lay organization, also lost out with the ousting of its last remaining cabinet member, Foreign Minister Lopez Rado.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Japan - North Vietnam: The energy crisis is beginning to broaden Tokyo's economic relations with Hanoi. Japan has contracted to purchase up to 1.2 million tons of high-quality coal from North Vietnam over the next two years. This amount equals Japan's imports from North Vietnam in 1961 and more than triples those of last year, but still would satisfy less than one percent of Japan's coal needs. At the same time, Hanoi has agreed in principle to accept a team of experts from a Japanese government corporation to survey undersea oil resources in the Gulf of Tonkin. Two private Japanese oil companies have already sent survey missions to North Vietnam, and a third is reported to be negotiating for participation in an oil project.

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January 5, 1974

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exemption category SR(1)(2)(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 5, 1974

PRINCIPAL DEVELOPMENTS

Military activity was light along both the Egyptian and Syrian fronts yesterday. (Page 1)

Egypt

25X1

(Page 2)

The Viet Cong have reacted favorably to Saigon's latest offer on prisoner exchanges but have so far avoided any firm commitment. (Page 3)

An appraisal of developments in the money markets yesterday appears on Page 4.

Notes on a Chinese military delegation's coming visit to Pakistan and on Turkish reaction to Makarios' arms imports appear on Page 5.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

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Military activity was light on both fronts yesterday

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On the Suez front there was only sporadic artillery and light arms fire; two Israelis were reported wounded near Suez city. The heavy artillery exchange which began on January 2 has ended, and the Israelis allowed UN supply convoys to proceed to Suez city and to the Third Army on the east bank after stopping them on the two previous days.

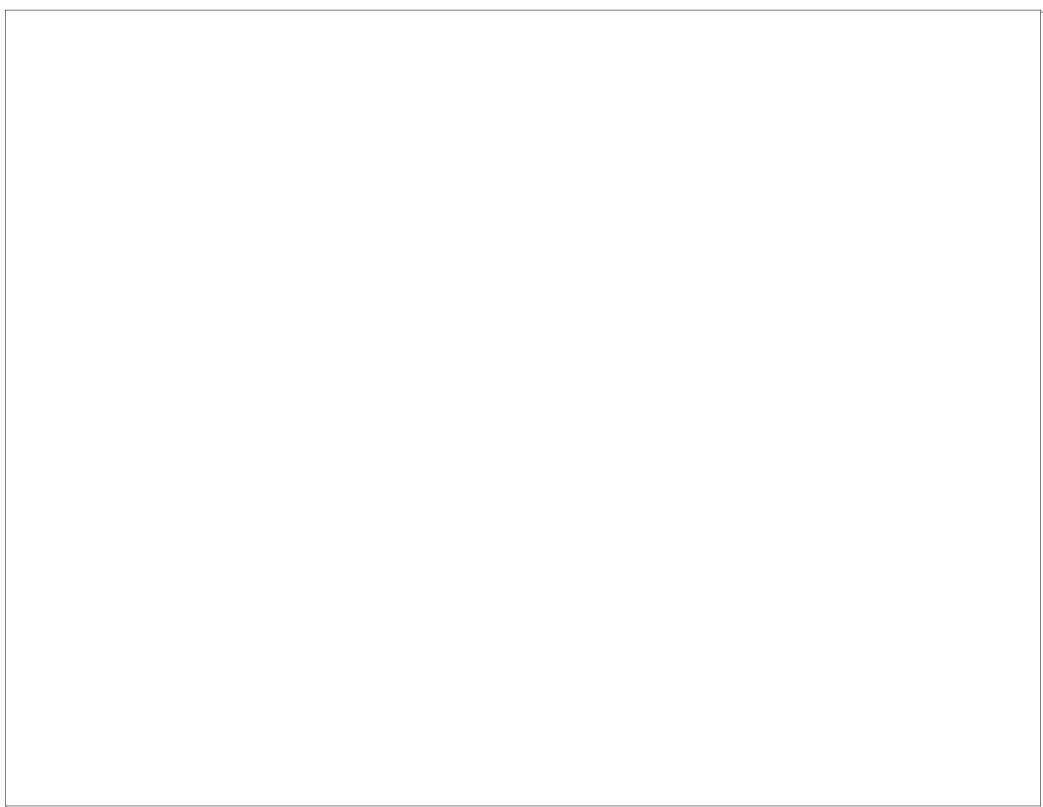
Israel

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FOR THE PRESIDENT ONLY

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EGYPT-USSR

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

The Viet Cong have reacted favorably to South Vietnam's most recent offer on prisoner exchanges but have avoided making a firm commitment. The South Vietnamese proposed the release of some 600 civilian detainees next week as a "first phase" of the new exchanges in return for the 410 remaining military prisoners held by the Communists. Saigon's chief negotiator has suggested to President Thieu that the government go ahead and free 1,500 prisoners even if the agreement falls through.

Attitudes at the top levels of the Saigon government and the Viet Cong will determine just how far the exchange will go. Although Thieu apparently authorized his subordinates to reach a new agreement, he may yet balk at the terms. In the past, he has sought to ensure the release of all South Vietnamese prisoners held by the Communists, including those in Laos and Cambodia. The Viet Cong have never firmly agreed to this provision.

FOR THE PRESIDENT ONLY

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar's latest surge eased on most European exchange markets yesterday. Although the Bundesbank's intervention approached \$400 million last week, its policy is still unclear pending the monthly meeting of central bankers on Monday. The Germans will apparently seek a united European approach to the problem. Sterling closed lower after a short-lived rally, and the dollar strengthened moderately against other major currencies in quiet trading.

The Bank of Japan sold \$400 million yesterday to maintain the 280 yen-dollar exchange rate. Japan's gloomy balance-of-payments prospects and the probability of further devaluation for the yen caused the strong downward pressure.

The price of gold fell \$2.75 an ounce to \$118.50. Recent large price fluctuations reflect a thin market rather than a change in supply and demand trends.

The full effect of the dollar's new strength is only beginning to become apparent. The fear of a general recession and of balance-of-payments problems will make multilateral trade negotiations more difficult and tend to weaken prospects for monetary reform.

FOR THE PRESIDENT ONLY

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NOTES

China-Pakistan: Chinese Army Deputy Chief of Staff Chang Tsai-chien begins a 12-day visit to Pakistan tomorrow.

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Chang is likely to survey Pakistani needs in some detail and discuss delivery arrangements. Additional Chinese aid may be forthcoming, particularly in light of recent Soviet pledges of additional military assistance to India.

Turkey-Cyprus: Turkish concern is growing over the arms shipment from Czechoslovakia to Cyprus last month for Makarios' personal security force. On Thursday, a Turkish Foreign Ministry official claimed the shipment included Snapper anti-tank missiles and asked for any information the US had on the shipment. He indicated that Turkey had also raised the matter with UN representatives on Cyprus. Although the recent arms shipment reportedly included some shoulder-fired anti-tank guns, the US Embassy in Nicosia doubts that any Snappers arrived in Cyprus recently. The Cyprus National Guard has had Snappers for several years, however.

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The President's Daily Brief

January 7, 1974

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declassification schedule of E.O. 14176
exemption category SBr(1),(2),(3)
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THE PRESIDENT'S DAILY BRIEF

January 7, 1974

PRINCIPAL DEVELOPMENTS

The Israelis remain publicly cautious on the withdrawal issue; the Egyptian press, meanwhile, is apprehensive that successful disengagement would end Israeli concessions. The Jordanians are feeling increasingly isolated from their Arab neighbors.
(Page 1)

Egyptian Foreign Minister Fahmi will visit Moscow this week, partly to size up the extent of Soviet support for Cairo's negotiating aims.

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The Egyptian interior minister has privately stated that the oil boycott will be lifted late this month when disengagement of Egyptian and Israeli forces begins. *(Page 5)*

In Cambodia, Communist forces have attacked government positions within four miles of Phnom Penh's airport; government forces have cleared Route 4 to the sea for the first time in nearly two months.
(Page 6)

Notes on Tanaka's trip to Southeast Asia and on China's economy appear on *Page 7*.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Defense Minister Dayan's public remarks on his return to Israel yesterday were guarded, indicating that he had reached an "understanding," but not "full agreement," with US officials. He also noted his uncertainty about whether proposals discussed in Washington will be accepted by his government.

Dayan's cautious approach was probably deliberate in order to avoid giving the impression that Tel Aviv is bowing to US pressures on disengagement. Leading Israeli newspapers yesterday criticized the government for making concessions "first for the Americans and then for the Egyptians."

Following Dayan's report to the cabinet, government officials told the press that the Israeli negotiators in Geneva have been instructed to submit new disengagement proposals. Such proposals may, however, be fairly general, as cabinet action on "more detailed and definite" proposals is expected later this week.

Nearly complete election returns announced yesterday, based on a late count of the military vote, indicate a conservative trend among the military that could further inhibit the government on the withdrawal issue. After Dayan's report to the cabinet, Deputy Prime Minister Alon issued only a guarded statement on withdrawal.

Israeli Foreign Minister Eban believes that the present government coalition can be reconstructed with a parliamentary majority permitting territorial concessions, but he has told Ambassador Keating that Israel cannot conclude a disengagement agreement until a new government is in place to ratify it. He foresees a month of political maneuvering before the new government can be formed.

On longer range issues, Eban indicated that Israel would demand "complete peace"--one including diplomatic recognition by the Arabs--to avoid meeting Arab demands for a "complete withdrawal." Arab reservations about a "complete peace," he said, would serve to justify Israel's reservations about a total withdrawal.

The Egyptians apparently anticipate an agreement on disengagement in the near future. Cairo editorialists have begun to shift their focus from criticism of Israeli procrastination to apprehensive commentary on the possibility that successful disengagement could mean the end of Israeli concessions.

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Jordan is increasingly feeling isolated from its Arab neighbors as negotiations proceed. Amman's relations with Egypt have been steadily cooling since the Geneva conference began, and [REDACTED]

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[REDACTED] the two delegations were in constant disagreement during the opening phase of the conference. Traditional Jordanian fears that Egypt will sell Jordan short in order to obtain a settlement in Sinai have been intensified. Indeed, a UN diplomat in Geneva who talked to Egyptian Foreign Minister Fahmi in late December has indicated that this may be Cairo's intent.

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Fahmi reportedly said that, while Egypt would not agree to a final settlement to which Syria was not also a party, Jordan is another matter. The diplomat gained the impression that Egypt is waiting for a crystallization of the Palestinian participation issue before determining its policy toward Jordan on settlement questions.

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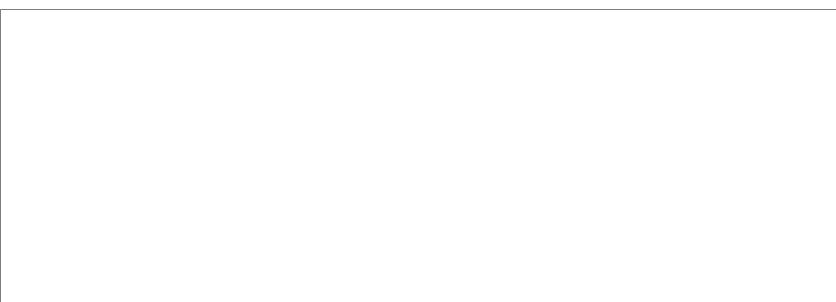
FOR THE PRESIDENT ONLY

Amman apparently is not having an easy time with Syria or Saudi Arabia either. President Asad is reported to have reacted angrily to the withdrawal last week of Jordanian troops from Syria. The US Embassy in Amman has indicated that relations are at best characterized by mutual distrust. Amman is also chagrined by Saudi Arabia's support for Palestine Liberation Organization participation in the Geneva conference. Other recent developments have indicated to the Jordanians a clear Saudi tendency to support Cairo's policies to the detriment of Amman.

* * *

Conflicting loyalties among the military in Syria have prevented the initiation of hostilities

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EGYPT-USSR

A Soviet official in Cairo has confirmed that Egyptian Foreign Minister Fahmi will visit Moscow this week. In a conversation with a US diplomat on January 4, Deputy Tass Director Yedrashnikov said he did not know the entire purpose of Fahmi's trip. Yedrashnikov suggested that, among other things, the Egyptian Foreign Minister would make a plea for more technical and military assistance. Fahmi may do this, but he will probably be even more interested in sizing up the extent of Soviet support for Cairo's negotiating aims.

In Egypt's view, Washington is better able than Moscow to help the Egyptians achieve a satisfactory peace settlement. Nonetheless, Egyptian dependence on Soviet military aid and, in lesser degree, political support dictates that Cairo keep its ties to the USSR in good repair.

The Soviets will expect a thorough account of Cairo's negotiating plan. Yedrashnikov's remarks pointed to one area of serious concern. The Soviet official was especially interested in how the second phase of Israeli withdrawal in the Sinai would be achieved. He expressed concern that after the initial pullback of forces from the canal, the Egyptians will have little leverage to bring about further Israeli withdrawals.

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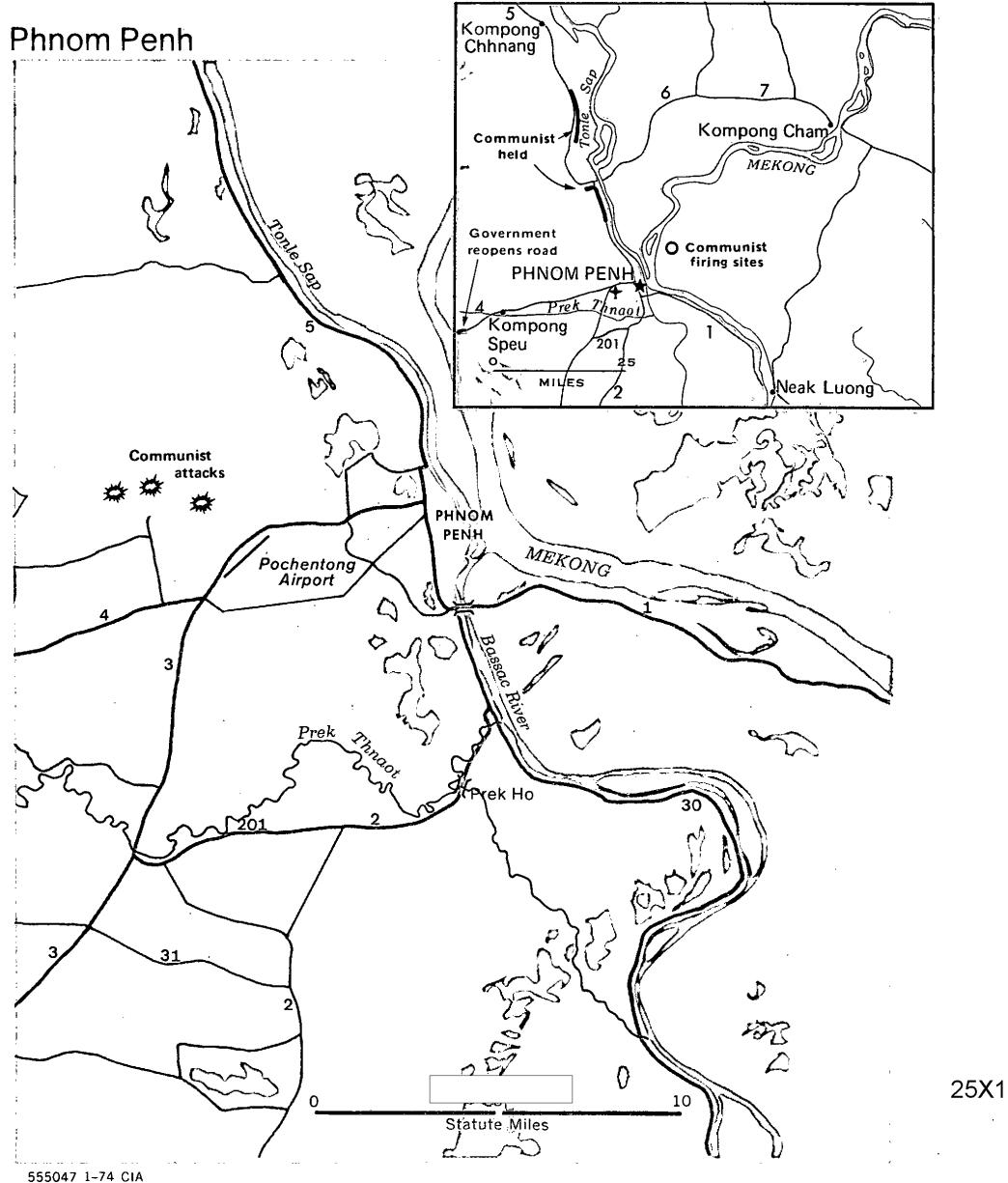
ARAB STATES - OIL

Egyptian Interior Minister Salim has told his subordinates that the oil boycott against the US will be lifted when the disengagement of Egyptian and Israeli forces begins, according to a source of the US Interests Section. In briefing department heads on January 4 following his return from consultations with President Sadat in Aswan, Salim predicted that disengagement would occur at the end of January.

Although there is no confirmation that the oil-producing states have decided on this relaxation, a further softening of the Arab position seems quite possible. Saudi Arabia has already relaxed its initial position that the boycott could not be lifted until the conclusion of a final peace settlement. Now it may have been persuaded, possibly with Egyptian prodding, that progress on disengagement would be sufficient cause for lifting, or at least easing, the boycott. There have been no indications that Sadat and King Faysal have recently been in direct contact

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CAMBODIA

Khmer Communist forces attacked several government positions within four miles of Phnom Penh's airport over the weekend. The attacks have diverted government troops from clearing operations near Route 5 north of the capital. Intercepts during the past week have indicated preparations for large-scale attacks against Phnom Penh's northwestern defenses.

On the east bank of the Mekong just upstream from Phnom Penh, the Communists continue to shell and probe government positions. Intercepts indicate that the Communists are moving additional heavy fire-power into positions from which they launched rocket and artillery attacks against Phnom Penh last week. Such shellings are likely to remain sporadic, however, because the gun crews would otherwise be more vulnerable to air strikes and counterfire.

Southwest of the capital, government forces have reopened Route 4, Phnom Penh's lifeline to Kompong Som on the coast. Communist resistance was light. The highway had been interdicted for nearly two months. Major repairs may be necessary, however, before resupply convoys can safely resume using the road.

FOR THE PRESIDENT ONLY

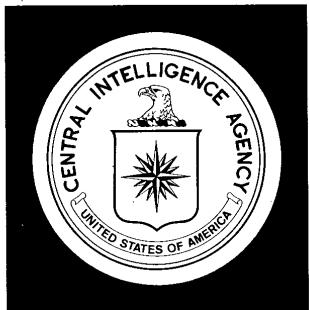
FOR THE PRESIDENT ONLY

NOTES

Japan: Prime Minister Tanaka begins a ten-day good-will mission to the Philippines, Thailand, Singapore, Indonesia, and Malaysia today. His main purpose will be to counter criticism, especially in Thailand and Indonesia, that Japanese economic activity is of little local benefit. Although Japanese exports, investment, and economic assistance will be trimmed in the near future, Foreign Ministry officials hope that by strengthening political links Tanaka will indirectly improve Tokyo's long-term access to the region's resources, markets, and investment opportunities.

China: The economy apparently grew at a moderate rate last year. Agriculture clearly improved over 1972 when poor weather hurt grain and cotton crops; People's Daily has reported record crops for 1973. Piecemeal evidence suggests that industrial production increased by about 8 percent, the same rate as in 1972. Imports grew much more rapidly than exports, resulting in a deficit of some \$500 million with hard currency countries.

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The President's Daily Brief

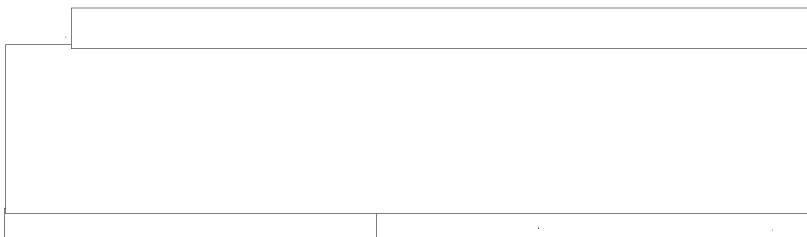
January 8, 1974

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exemption category 5B(1)(2), (3)
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THE PRESIDENT'S DAILY BRIEF

January 8, 1974

PRINCIPAL DEVELOPMENTS

Egyptian delegates at the Geneva disengagement talks have shown their first impatience at Israel's failure to offer concrete proposals. (Page 1)

Hanoi is sending a substantial shipment of military supplies to the Cambodian Communists. (Page 2)

Military conscription in North Vietnam apparently declined sharply last year. (Page 3)

South Korea's President Pak will issue a proclamation today outlawing all efforts to revise the constitution. (Page 4)

Soviet [redacted]

Afghan [redacted]

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(Page 5)

French arms sales rose by 50 percent last year.
(Page 6)

Panama's General Torrijos seems pleased with recent signals from Washington, and he is likely to fore-stall any major violence on the tenth anniversary tomorrow of the destructive riots protesting the US presence in the Canal Zone. (Page 7)

Peron is considering new measures to combat the wave of kidnapings that is discouraging potential foreign investors in Argentina. (Page 8)

A note on monetary developments appears on Page 9.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL-EGYPT

The failure of Israeli representatives to present a concrete proposal at the disengagement talks in Geneva yesterday brought on the first show of Egyptian impatience at the lack of specifics.

Asking for understanding of his government's current domestic problems, General Gur said that Israel was not yet prepared to present a formal proposal. He said he had no instructions to go beyond the disengagement "models" he had put forward on January 4 and emphasized that they did not constitute "proposals." One of the models, presented in the form of a general principle for disengagement, involved an Israeli withdrawal to a point 35 kilometers east of the Suez Canal and called for a reduction in the strength and the armament of Egypt's forces on the east bank.

Egypt's General Maghdub had opened yesterday's session with the suggestion that the US and the USSR be invited in to define the cease-fire lines of October 22 if the Egyptians and Israelis could not themselves decide on a wider disengagement. The proposal was probably meant as a spur to movement rather than as an indication of serious intent. Following hasty consultation with Jerusalem, Gur relayed his government's flat rejection of super-power involvement.

Maghdub indicated in essence that the two sides had nothing to negotiate until they could exchange ideas on clearly defined territorial issues. When the UN's General Siilasvuo suggested that the negotiators not reconvene until both sides could present specific proposals, Gur urged that the meetings be continued primarily for appearances' sake. The next meeting is scheduled for tomorrow.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA - NORTH VIETNAM

The Khmer Communist logistic position has improved as the result of a substantial shipment of military equipment from the Vietnamese Communists. An insurgent message of January 1 states that the total shipment--the first detected in the North Vietnamese infiltration system directly earmarked for the Khmer Communists--will amount to 900 tons, plus 296 trucks. The munitions will add significantly to the Khmer Communists' ability to sustain a high level of combat this year, and the trucks will alleviate some of the insurgents' chronic distribution problems.

The wording of this and other messages suggests that the scheduled shipments represent most if not all of Hanoi's contribution to the Khmer Communist military effort this dry season. Hanoi may judge that this level of support is enough to retain some leverage with the insurgents while avoiding a more extensive supply effort that might dramatically alter the present military balance.

During the last week in December initial deliveries of some 150 tons and 96 trucks were made to the Khmer Communists in northeast Cambodia. Intercepts indicate that the insurgents are wasting little time in allocating some of the new small arms, heavy weapons, and ammunition to battlefield areas near Phnom Penh. The Khmer Communist Central Committee has also stated that, with the new equipment, five or six fresh battalions can be formed east of the Mekong and a similar number in two other regions near Phnom Penh.

The new deliveries are part of an arrangement under which the insurgents have agreed to sell 5,000 tons of rice to Vietnamese Communist forces in the central highlands of South Vietnam. As another part of the deal, Vietnamese Communist forces are to be allowed to move through areas of the Cambodian southern border provinces of Kampot and Takeo, the scene of numerous armed clashes between Vietnamese and Khmer Communist units.

During the initial years of the Cambodian conflict, the insurgents received the bulk of their equipment and supplies from Vietnamese Communist units operating in Cambodia. Following the general withdrawal of these units to South Vietnam in mid-1972, the Khmer Communists appear to have depended largely on stockpiled material, some local accommodations with Vietnamese Communist units along the border, and the sale or capture of war materiel from Cambodian government stocks. During the past six months, Khmer Communist messages have referred to persistent shortages of arms and ammunition.

FOR THE PRESIDENT ONLY

NORTH VIETNAM

Military conscription in North Vietnam appears to have declined sharply in 1973, and the reduced recruitment suggests that Hanoi's military plans for early 1974 do not call for heavy fighting.

Current troop infiltration trends are generally in line with this low level of recruitment. So far, fewer troops have left North Vietnam for South Vietnam and nearby areas of Laos and Cambodia by this stage of the dry season than in any year since 1969.

North Vietnamese propaganda suggests that a new induction drive has begun, but these troops will not be ready for infiltration for several months. Some reports indicate new recruits are being given six months training. If that is typical, the new troops will not be ready to move south until early summer.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH KOREA

Recent evidence of open political dissent apparently has strengthened President Pak's resolve to resist major political change. US officials have been informed that today Pak will proclaim that efforts to revise the constitution will be regarded as criminal activity.

The government's recent attempts to conciliate dissenters had encouraged them to press openly for concessions. Two respected members of Pak's own party had resigned from the party in protest against his authoritarian policies, and prominent members of the two opposition parties appealed publicly for liberalization.

Even while proclaiming new emergency measures, Pak seems likely to continue his appeals for popular support. His annual address to the nation later this week will provide a further opportunity to pursue that course, as well as to explain the actions taken today.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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AFGHANISTAN-USSR

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

FRANCE

Arms sales to foreign customers earned the French about \$1.5 billion last year, according to a government estimate reported in Le Monde. This is an increase of almost 50 percent over the year before. Sales of aeronautical equipment were up sharply, and orders for ground, naval, and electronic materiel were also higher than in 1972.

France is currently the world's third largest arms supplier. Over the past few years it has turned increasingly to developing countries for lucrative sales contracts. Last year Abu Dhabi and Zaire, for example, signed contracts to purchase Mirage fighters; China bought several helicopters. The French have also sold antitank missiles to Middle East countries not affected by Paris' embargo on sales to belligerents in the 1967 war.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

PANAMA

The tenth anniversary tomorrow of the destructive riots protesting the US presence in the Canal Zone is likely to be peaceful. A handful of radicals might try to stage an incident in or near the Canal Zone in the hope of creating a martyr, but the Torrijos government probably is prepared to forestall such action.

General Torrijos was pleased with the appointment of Ambassador Bunker as chief US negotiator, and he considers the White House announcement that it will seek congressional approval to transfer two airfields in the zone to Panamanian jurisdiction as further evidence of US seriousness in the negotiations.

Torrijos' nationalism and his fear of signing the "wrong" treaty are likely to remain the chief obstacles. He knows that getting a treaty advantageous to Panama would be his regime's most important accomplishment, but he also realizes that he cannot afford to sign a new treaty that does not satisfy Panama's aspirations for full sovereignty in the zone at an early date.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARGENTINA

Peron and his advisers are disappointed that the security measures they have taken so far, including a shake-up in military leadership, have had little impact on the extreme leftist groups that have been kidnaping foreign businessmen. They are concerned that the security situation, together with uncertainty created by Peron's poor health, is keeping potential investors away. Some foreign companies have already moved their executives out of the country.

The government has recently sent the Argentine Congress bills to give police and the courts wider means to combat terrorism; the congress is still studying them. [redacted]

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The contemplated actions do not seem likely to bring any early dramatic successes against the well-organized terrorists. The passage of new legislation might encourage the police to step up countermeasures, but the military's wish to avoid involvement may be a more important factor. New service chiefs, like their predecessors, apparently view terrorism as essentially the Peronists' own political problem.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTE

International Monetary Developments: The dollar strengthened again in major currency markets yesterday as Japan abandoned its support of the 280 yen per dollar exchange rate. Japan's central bank allowed the yen to fall by 6.5 percent. Moderate intervention began only when the exchange rate fell to 300 yen to the dollar. Sterling and the Danish krone fell to record lows in active trading, and all other major European currencies also weakened dramatically. Intervention by the Bundesbank yesterday reached \$113 million as the mark continued to fall.

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The President's Daily Brief

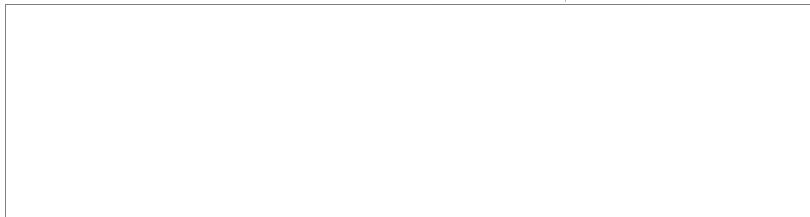
January 9, 1974

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exemption category SR(1)(2)(3)
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THE PRESIDENT'S DAILY BRIEF

January 9, 1974

PRINCIPAL DEVELOPMENTS

USSR [redacted] **Syria** [redacted]

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[redacted] **France** [redacted]

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Saudi Arabia [redacted]

(Page 3)

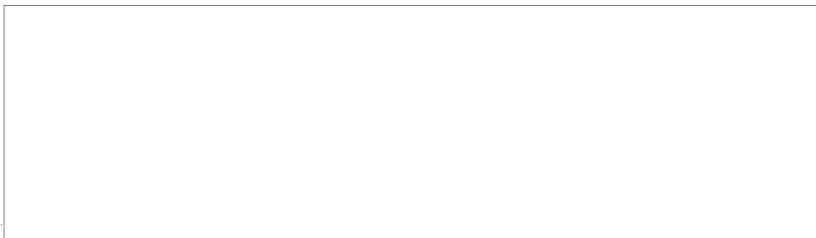
In an effort to curb demands for political reform, South Korean President Pak has decreed that persons agitating for constitutional or other political changes will be subject to courts-martial and imprisonment. (Page 4)

Notes on the concern of both government and communist officials in Laos over possible coups and Jamaican Government negotiations with its foreign-owned bauxite industry appear on Page 5.

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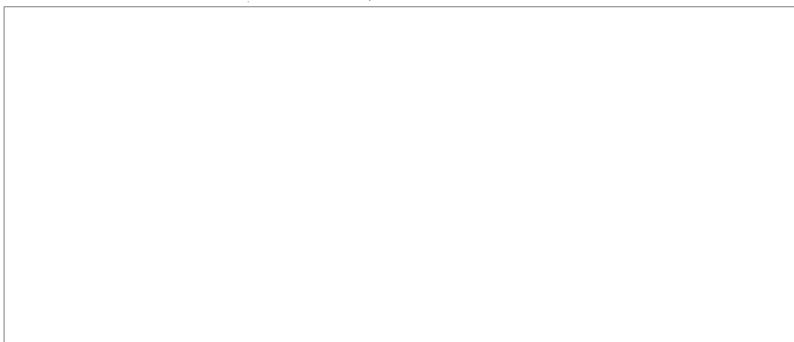
SYRIA-USSR



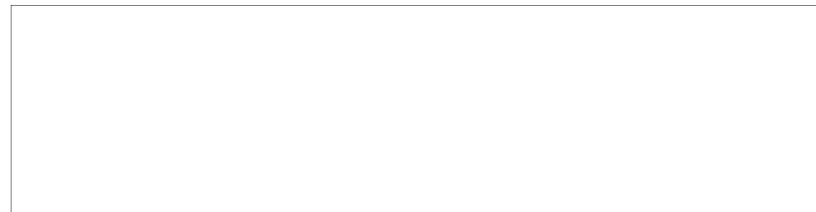
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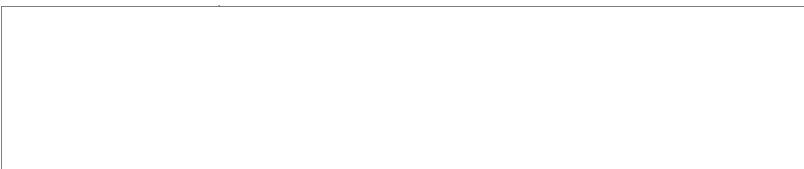
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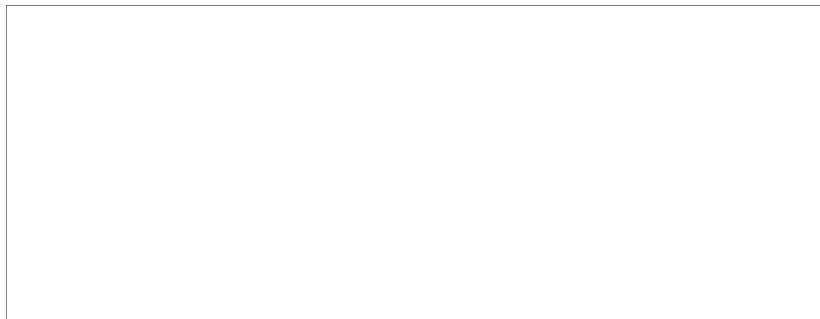


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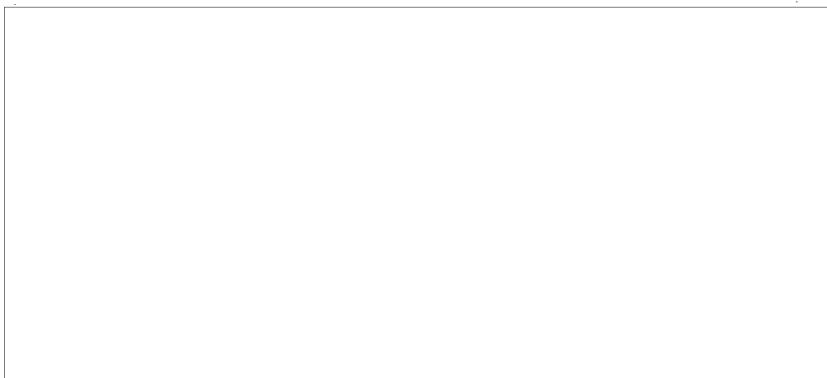


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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SAUDI ARABIA - FRANCE



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH KOREA

President Pak has decreed that in the future, persons agitating for constitutional changes and other political reforms will be subject to courts-martial and imprisonment. His action--the first direct move to curb calls for basic political reforms which in effect would undermine the authoritarian nature of his regime--was prompted by an extensively circulated petition for reform, as well as by critical statements of senior politicians. The decree also reflects Pak's frustration over his failure to mollify critics through conciliatory gestures and appeals for popular support.

Pak is gambling that the threat of government repression will be enough to silence his critics. Similar emergency measures in 1971 and the martial law decree in 1972 effectively halted open opposition. After more than two years of authoritarian rule, however, Pak's opponents are better organized and more determined to press their case. Most politicians will probably find it prudent to keep quiet, but militant Christians and intellectuals may view the action as a challenge which cannot go unanswered. Thus there is a potential here for a serious confrontation.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Laos: Both the government and the Pathet Lao have shown some nervousness recently that rightists may be planning a coup. Although there is no firm evidence of serious plotting, the rightists are again voicing their concern that Prime Minister Souvanna is prepared to sell them out if necessary to gain Lao Communist agreement on a new government.

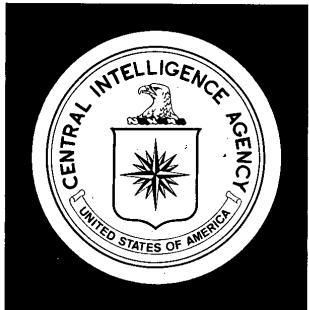
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Jamaica: The Jamaican Government is preparing to negotiate with the foreign-owned bauxite industry, and Prime Minister Manley has reiterated that nationalization is not being considered now. He has warned, however, that his attitude could change. The government had planned to begin discussions for increased benefits from the bauxite companies in mid-1974, but implications of the energy crisis apparently prompted Manley to decide on discussions next month.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

January 10, 1974



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declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 10, 1974

PRINCIPAL DEVELOPMENTS

Israeli and Egyptian negotiations in Geneva have adjourned until Tel Aviv is ready to make a concrete proposal. (Page 1)

The arrival of Prime Minister Tanaka, combined with a surfacing of anti-US feeling, has brought students back into the streets of Bangkok. (Page 2)

An estimated 2,500-3,000 North Vietnamese troops left Laos in December--the first significant withdrawal of North Vietnamese combat units since the cease-fire in February 1973. (Page 3)

In South Vietnam, government forces are reported to have begun a new drive in the central highlands to recapture an outpost. A seesaw battle has been raging in the highlands since the signing of the cease-fire agreement a year ago. (Page 4)

(Page 5)

Notes on the dollar's position, the exile of a Bolivian political leader, and a Brazilian loan to Chile appear on Page 6.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

At their meeting yesterday, Israeli and Egyptian negotiators were able to agree only on the date of the next meeting--January 15. The Egyptians said there was no point to the talks as long as Israel did not come forward with a concrete proposal, and the Israelis replied that they were not yet ready to do so.

According to General Siliusvuo, the UN chairman of the talks, the Egyptians are showing increasing impatience. The meetings, nevertheless, are still not unfriendly and the Egyptians are prepared to await developments elsewhere.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

The arrival of Prime Minister Tanaka, combined with a surfacing of anti-US feeling, has brought students back into the streets of Bangkok. Some 10,000 students held a mid-morning rally yesterday to protest Japanese economic "imperialism."

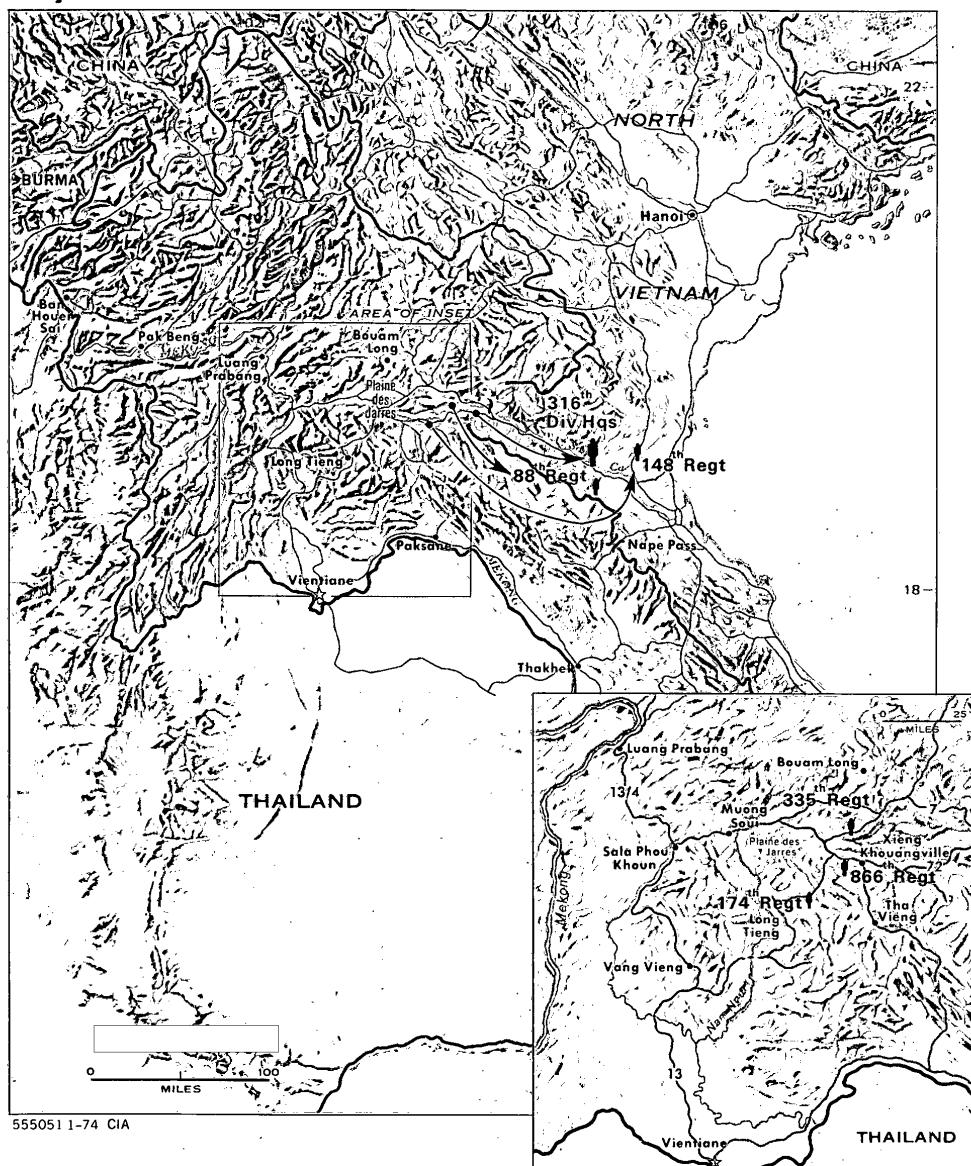
During the course of the demonstration, some 3,000 students broke away from the main body to march on the US Embassy. The students protested CIA interference in Thai internal affairs and demanded that Ambassador Kintner leave the country. They dispersed later in the evening following assurances from the prime minister's office that government officials would meet with student leaders.

According to a Bangkok press report, several hundred other students threw three plastic bombs at a Japanese department store and a trade office in the vicinity of Tanaka's hotel.

Until now, Thai students have been preoccupied with domestic affairs, and anti-US sentiment has not been a major student issue. Student leaders have seized on the recent CIA letter episode to galvanize public opinion and are pressing the government to take a hard line with the US over the incident. Given the Sanya government's sensitivity to student political pressure, some type of formal protest may be forthcoming.

FOR THE PRESIDENT ONLY

Major NVA Withdrawals from Laos



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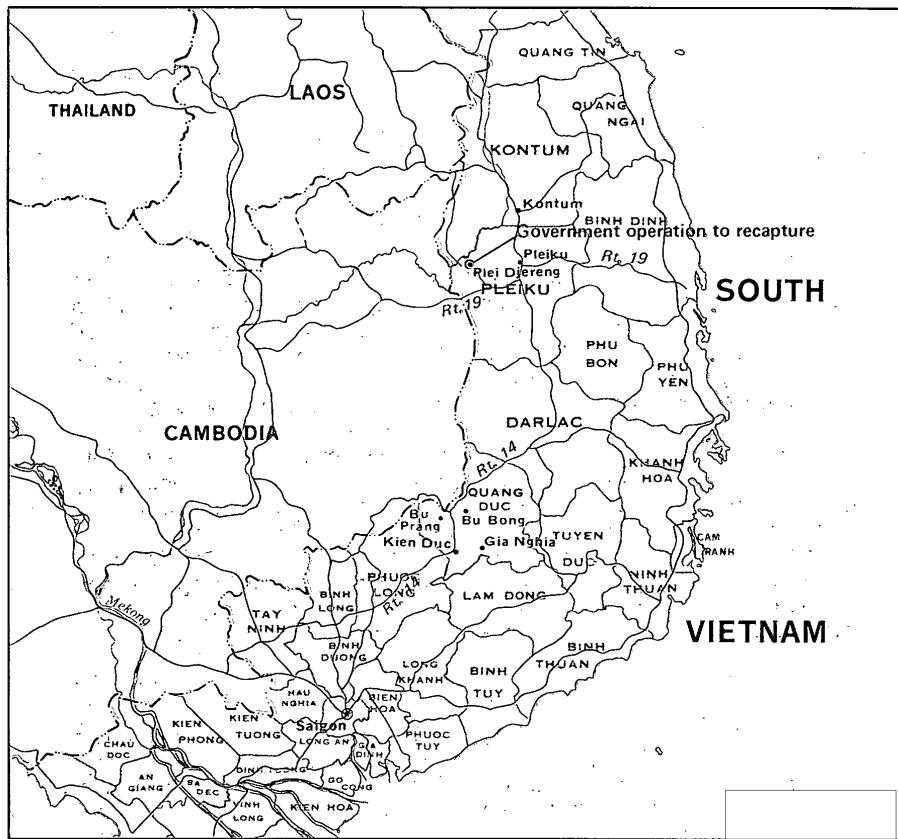
LAOS

Major elements of the North Vietnamese 316th Infantry Division returned to North Vietnam in December, according to recently available communications intelligence. This is the first significant withdrawal of North Vietnamese combat units from northern Laos since the February 1973 cease-fire. The moves suggest that Hanoi is satisfied with the effectiveness of the cease-fire in the north and that it anticipates no early resumption of major hostilities there.

Division headquarters and two of the division's three regiments apparently have been moving toward the border for several months. The headquarters and one of the regiments have spent the better part of the past seven years in Laos. The other regiment arrived in late 1972 to reinforce combat-weary North Vietnamese units in the Plaine des Jarres area during the closing days of the war.

The withdrawals involve an estimated 2,500-3,000 troops. The third regiment of the 316th Division and two other infantry regiments remain in position to defend the strategic Plaine des Jarres region. There are no indications that these forces are contemplating early withdrawal.

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Government forces in the central highlands are reported to have begun a new effort to recapture a border outpost in Pleiku Province lost to the Communists last September. The attack plan of the regional commander, General Toan, includes the movement of two government regiments from Quang Duc Province to serve as reserves. Withdrawal of these units would leave the remaining government regiment in Quang Duc more vulnerable to Communist attack. A North Vietnamese regiment was detected moving into Quang Duc on January 6, possibly to coincide with the government withdrawals. There have been no other indications, however, that the Communists are preparing for new attacks in the area.

Toan's present operation is the latest in the seesaw battle that Communist and South Vietnamese forces have been conducting in the central highlands since the signing of the cease-fire agreement last January. Communist attacks on government positions in Kontum, Pleiku, and Quang Duc provinces last year netted some territory that the government has partially regained. The failure last week to retake two border outposts in Quang Duc may have encouraged Toan to try somewhere else.

This type of action is likely to be characteristic of military activity in the highlands for the foreseeable future. Such local skirmishing in the highlands is not likely to escalate into full-scale combat, but retaliatory attacks by one side or the other could spill over into other areas and promote a general increase in military activity in the coming months.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

UK

The impasse continues between the unions and the government over demands for increased pay.

A spokesman for the miners' executive committee said yesterday that the miners were not interested in "any more abortive meetings." The executive committee meets today to decide what to do. The miners' ban on overtime is likely to continue, and union leftists may push for more militant action. Already there have been localized walkouts, and some miners are calling for a shorter work week.

Coal production in Britain has now dropped by about 40 percent, and nearly a million workers are unemployed because of the energy crisis. The government's resolve to stand firm in the pay dispute with the railway workers could bring on wildcat strikes which would add to unemployment and fuel shortages.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

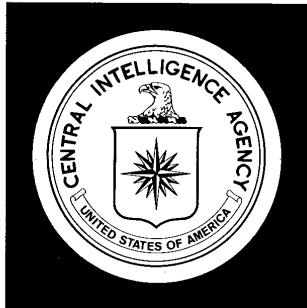
International Monetary Developments: The dollar's surge came to an abrupt halt on European money markets yesterday. The sizable gains of Monday and Tuesday evaporated as the dollar fell to its level of January 4. Bonn's announcement that it was removing all foreign exchange controls--introduced in 1972 to slow the flow of dollars into West Germany--was largely responsible for the shift out of dollars. Other factors in the reversal included signs of some improvement in Europe's oil situation, a reduction in Libya's previously reported posted oil price, and intervention by both the German and Japanese central banks.

Bolivia: By forcing into exile Paz Estenssoro, head of the country's largest political party, President Banzer has deprived dissidents of their strongest potential rallying point. Paz had a falling out with Banzer last November and ordered his party to withdraw from the cabinet. Paz may be able to retain control of the party, as he has during previous periods of exile. In any event, he will be looking for a chance to start plotting against Banzer.

Brazil-Chile: Brazil has agreed to provide a \$50 million loan to Chile--considerably less than the \$200 million that was being discussed in the weeks following Allende's demise. There is reportedly a clear understanding that the loan will be used for the purchase of Brazilian goods and services. The Brazilians may hope that future aid to Chile by the US and other countries will lessen the need for more extensive help from Brazil.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

January 11, 1974

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declassification schedule of E.O. 11652
exemption category 5B(1), (2), (3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 11, 1974

PRINCIPAL DEVELOPMENTS

The British are negotiating with Saudi Arabia for a long-term supply of crude oil. (Page 1)

Korean President Pak will propose a nonaggression agreement with North Korea in his coming New Year's press conference in an effort to regain the initiative in the North-South dialogue. On the domestic front, South Korean opposition groups seem determined to continue pressing for government liberalization. (Page 2)

In Cambodia, government forces have blunted the initial Khmer Communist drive against the northwestern defenses of Phnom Penh. (Page 3)

China

25X1

Laos. (Page 4)

At the North Atlantic Council meeting of January 9, the major European allies restated their opposition to participating in any multilateral scheme to reduce the costs to the US of stationing forces in Europe. (Page 5)

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(Page 6)

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Notes on a delay in South Vietnam's planned operation in Pleiku Province and on Tokyo's discouragement of capital outflow appear on Page 6.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

UK - SAUDI ARABIA

A high Foreign Office official has confirmed that the British are negotiating with Saudi Arabia for a long-term supply of crude oil.

He would not reveal the magnitude of the deal under discussion, but the US Embassy suggests that Britain probably will receive at least 200,000 bpd, or about 10 percent of its current consumption. The official contended that the negotiations were at Saudi rather than British initiative. The British, who are exploring various ways to meet their long-term oil needs, are ready, as the official put it, to "play in every game going." They will attend the Washington conference on February 11, and if OPEC asks for a meeting with oil consumers in the near future, they will accept, according to the Foreign Office official.

The British are less concerned about the effects on other oil-consuming countries of deals they may make than they are about the penalty at home of missed opportunities.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

KOREA

President Pak Chong-hui will propose a non-aggression agreement with North Korea in his coming New Year's press conference in the hope of regaining the initiative in the North-South dialogue. Under consideration for some months, Pak's proposal would commit both sides to:

- refrain from the use of force;
- adhere to a policy of noninterference in the internal affairs of the other; and
- respect the 1953 armistice agreement.

Pak has timed his offer to take advantage of a meeting of the vice-chairmen of the Coordinating Committee scheduled at Panmunjom this month.

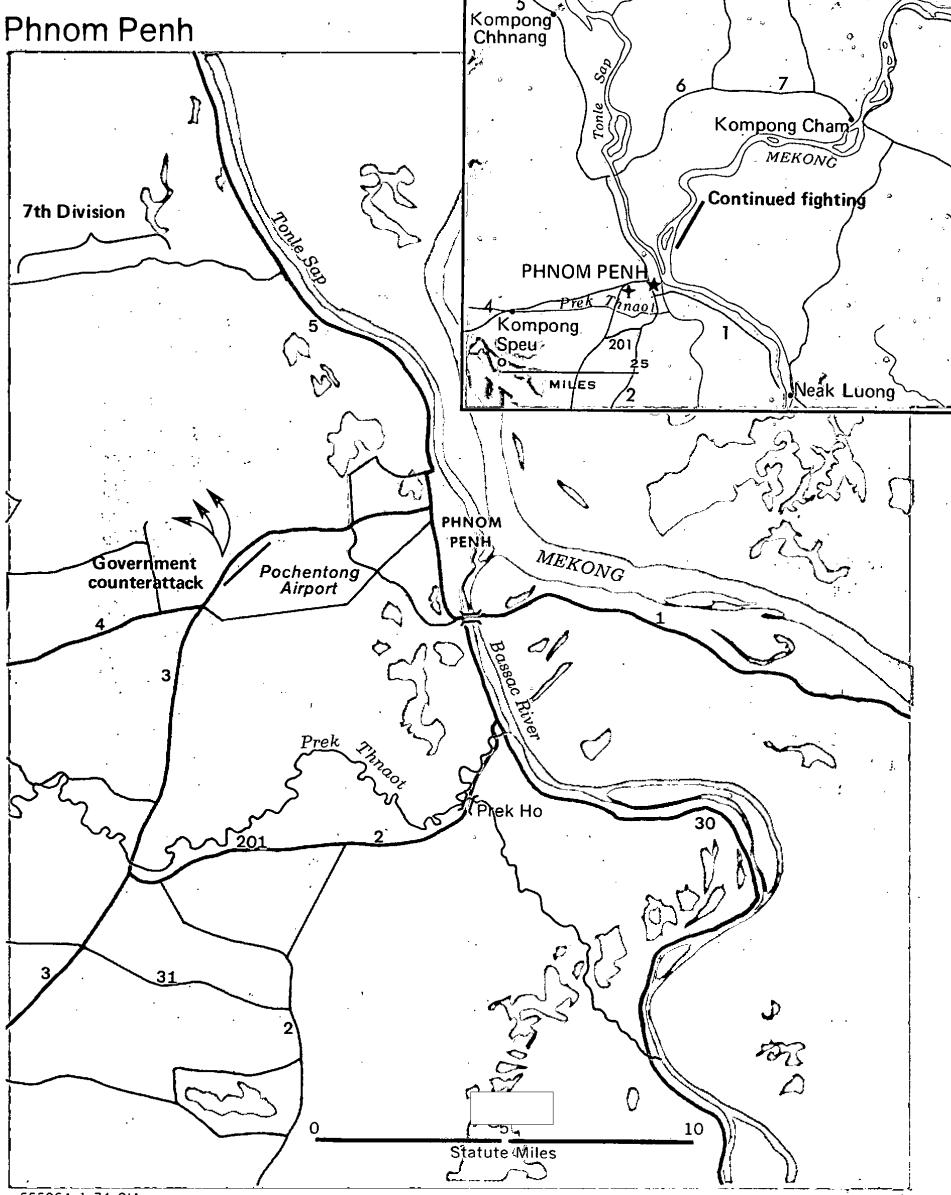
The proposal is similar in language to the joint North-South communique of July 4, 1972, and the North most probably will see it as offering no significant modification of Seoul's position. Pyongyang does not want a breakthrough in the stalled negotiations at this time; this would only ease Pak's current domestic burdens. The North Koreans may be intrigued, however, by the offer because it could open the door to discussion of issues Pyongyang has been advocating--a North-South peace treaty, the withdrawal of US forces from Korea, termination of the UN Command, and various forms of mutual force reduction in the peninsula. In any case, Pyongyang is likely to react cautiously, playing down Pak's proposal initially and taking time to seek clarification and amplification.

* * *

On the South Korean domestic front, opposition groups seem determined to continue pressing for government liberalization, despite the tough measures announced this week by President Pak against such agitation. Leaders of the New Democratic Party intend to challenge Pak's move on legal grounds, and efforts to collect a million signatures on a petition for reform reportedly will continue. The protesters run a high risk of arrest and imprisonment.

The government is trying both to tighten control and to put the best face on the situation. It is suppressing press coverage of the few arrests made thus far and has begun extensive surveillance of its critics. Government spokesmen are stressing that the new restrictions will apply to a very small "radical antigovernment" element.

Phnom Penh



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FOR THE PRESIDENT ONLY

CAMBODIA

Government forces have blunted the initial Khmer Communist drive against the northwestern defenses of Phnom Penh. Armor and infantry units are now taking the fight to insurgent units three to five miles northwest of the capital's airport, as the army's 1st Division has joined the counterattack. The airport is open despite occasional shelling; Phnom Penh itself continues to be hit by sporadic rocket fire.

With the government concentrating on defense of the city, the Communists are focusing new efforts against units of the 7th Division strung out along a secondary road west of Route 5. Elements of this division have been cut off for several days. A high-ranking Communist defector recently claimed that defeat of the 7th Division, perhaps the army's best, was a major insurgent objective.

Action is lighter on other fronts around the capital, although steady Communist shellings on the Mekong River's east bank are pinning down government troops in riverside villages just upstream from Phnom Penh.

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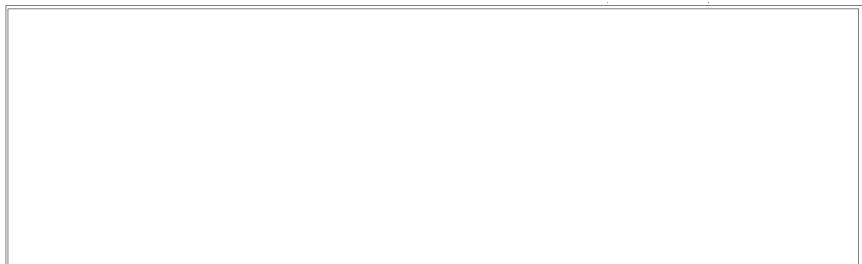
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The isolated provincial capital of Takeo is under increasingly heavy insurgent pressure, and the government is planning to send in reinforcements.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA-LAOS



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Prime Minister Souvanna Phouma said last week that he expected Peking to transfer to Lao control much of the road network upon formation of a coalition government. Chinese diplomats have long hinted that the status of the road operation in northern Laos--including relinquishing some portions to Lao control--might change once a coalition was firmly established.

This projected move appears to serve several Chinese interests:

- it may enhance China's position with the Lao Communists relative to that of North Vietnam and strengthen the Pathet Lao in their negotiations with Vientiane; and
- it underscores Peking's intent to reduce its presence in northern Laos in compliance with the Lao cease-fire agreements and signifies support for a coalition government.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NATO

At the North Atlantic Council meeting on January 9, the major European allies restated their opposition to participating in any multilateral scheme to reduce the costs to the US of stationing forces in Europe.

--The West Germans have long maintained that they contribute enough toward easing the US burden through their bilateral offset agreement with Washington.

--The British argue that they have an even greater balance-of-payments problem than the US.

--France refuses to consider burden-sharing proposals, on the ground that it is not a member of the NATO integrated military command.

There are signs that the allies see in current economic trends additional reason to resist US proposals. An Italian official, for example, has taken the line that the recent improvement in the overall US balance-of-payments position and the fuel crisis have altered the basic premises on which the US proposals were based. Even NATO Secretary General Luns suggested during the Council meeting that multilateral burden-sharing negotiations may be overtaken by economic events.

FOR THE PRESIDENT ONLY

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NOTES

Arab States

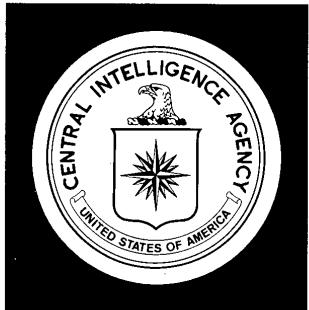
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South Vietnam: The government operation to re-take a border outpost in Pleiku Province, which was to start on January 9, has been delayed by difficulties in coordinating air support and making changes in unit assignments. Heavy air strikes are scheduled for today and the ground assault, involving elements of two South Vietnamese regiments, for January 14. Reconnaissance patrols report that the outpost is lightly defended. Five North Vietnamese battalions are located farther west, however. The regional commander, General Toan, has decided for the time being to move only one regiment from Quang Duc Province to serve as a reserve, because the North Vietnamese Army threat in Quang Duc remains strong.

Japan: Tokyo is discouraging capital outflows to prevent foreign exchange reserves--which at the end of 1973 were down to \$12.2 billion--from dropping below \$10 billion. Government permission will be required for purchases of US short-term treasury bills by private individuals, and Japanese security companies are being admonished not to increase holdings of foreign stocks and bonds. Tokyo hopes to avoid broader formal sanctions that would openly conflict with earlier capital liberalization programs. Japanese purchases of foreign securities totaled about \$1.7 billion in 1973.

FOR THE PRESIDENT ONLY

Top Secret



The President's Daily Brief

January 12, 1974



~~Top Secret~~^{25X1}

Exempt from general
declassification schedule of E.O. 14176
exemption category 5B(1),(2),(3)
declassified only on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 12, 1974

PRINCIPAL DEVELOPMENTS

The Venezuelan Government has let it be known that it intends to nationalize all private oil companies before 1983--the date set earlier for nationalization. Meanwhile, the companies have been ordered to pay 18 percent of their royalties to the government in crude oil, beginning in early April. (Page 1)

President Thieu intends to start pressing for constitutional amendments to strengthen his political position. One would allow him to continue appointing province chiefs; another would give him more voice in choosing Supreme Court Justices. Thieu seems to have enough clout to force the amendments through the National Assembly. (Page 2)

Former party secretary general Teng Hsiao-ping has been named to China's ruling Politburo and to the Military Commission, the party organization that sets military policy. His assignment is another move aimed at reasserting civilian control over the military. (Page 3)

In Indonesia, student leaders have been trying to channel popular economic frustrations into a movement with political influence. They hope that out of the demonstrations planned for Tanaka's visit next week will emerge widespread antigovernment protest. (Page 4)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

VENEZUELA

The Caldera government has announced, and President-elect Perez has concurred, that all private oil companies will probably be nationalized before 1983--the date set earlier for nationalization. There is even a slim chance that the government will start to move in this direction before Perez' inauguration in March.

Meanwhile, foreign oil companies have been ordered to pay 18 percent of their royalties to the government in crude oil, beginning in early April. At current production levels, this would amount to about 100,000 barrels a day. Venezuela may decide to sell this oil to other Latin American countries at preferential prices, in order to reap political dividends; it could also offer it on the world market in trade for needed commodities.

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VIETNAM

President Thieu plans to move ahead rapidly to obtain constitutional amendments that would strengthen the presidency.

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prior to the Tet holiday beginning on January 23, he will submit to the National Assembly an amendment to put off any election of province chiefs until after the current presidential term ends in 1975 and another to give him more voice in selecting Supreme Court Justices. Thieu is also considering yet another amendment that would permit him to run for a third term, but he is concerned about possible adverse US reaction.

Until recently, Thieu reportedly had planned to wait until late this year to push the amendments. The President's supporters have persuaded him, however, that now is a favorable time because the people--including the opposition--will be preoccupied with the Tet celebration. Thieu may also fear that if he delays, the military and economic situations may deteriorate. Nevertheless, he normally moves with great caution in such matters, and there could be further delays.

A two-thirds vote of the total Assembly membership is necessary for approval. Thieu has the firm support of nearly that many members, and he can probably persuade enough independents to vote for the amendments to ensure passage.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA

Former party secretary general Teng Hsiao-ping has been named to China's ruling Politburo and to the Military Commission, the party organization that sets military policy. Teng's nomination was probably put forth last month at the high-level meetings that approved the transfer of military commanders.

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The assignment of Teng, a civilian in his early seventies, to the party's Military Commission is another move designed to reassert civilian control over the military. The few civilians named to the Commission in the past either had a military background or held a military position while on it. Teng has not been publicly identified with a military title, but he may become head of the military's General Political Department. Similarly, in recent weeks civilians have been named as political commissars in several military regions.

Teng's return to the Politburo, a position he lost during the Cultural Revolution, is a clear message to the party that once-disgraced officials who have been rehabilitated should be returned to positions of responsibility. He was rehabilitated last April, but opposition from younger officials and military men who gained prominence during the Cultural Revolution prevented his restoration to the Politburo at the party congress last summer.

FOR THE PRESIDENT ONLY

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INDONESIA

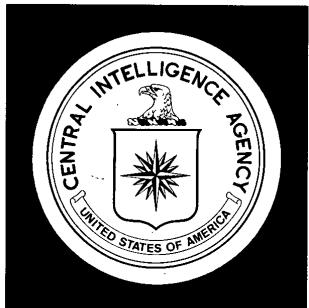
Key student leaders in Indonesia hope that anti-Japanese demonstrations planned to coincide with Prime Minister Tanaka's visit to Jakarta beginning Monday will develop into a broad antigovernment protest movement. Police believe that they can easily manage the student demonstration at the Japanese Embassy, but national security officials are more concerned about long-range student objectives and the recent spread of student agitation to the provinces.

Student dissidents have been trying for some time to use popular economic frustrations to build a movement with political influence, and the military is well aware of the students' potential for mischief. General Sumitro, the security chief and number-two man in the ruling group, has lately spent a great deal of time holding "dialogues" with dissident groups.

On Sumitro's recommendation, President Suharto met yesterday with a large delegation of student leaders in an effort to head off serious trouble. Suharto also decided to respond to student criticism of Indonesian economic policy and development programs. On January 7 he announced that the Second Five Year Plan, to begin in April, will devote more attention to social development and depend less on foreign capital.

FOR THE PRESIDENT ONLY

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The President's Daily Brief

January 14, 1974



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

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 14, 1974

PRINCIPAL DEVELOPMENTS

Minor violations occurred yesterday on both fronts in the Middle East. The Algerians may withdraw their military units from Egypt, Syria, and Libya. (Page 1)

The proposed union of Libya and Tunisia into an "Arab Islamic Republic" may never become much more than a paper agreement. Neither side has named a target date for complete merger, and the referendum to approve it has already been postponed. (Page 2)

European central bankers are concerned about the viability of present exchange rates in the face of increased oil prices. Several of them think current exchange rates have become outdated; French bankers stress that it is more important for the Europeans to maintain the joint float than to support individual rates vis-a-vis the dollar. (Page 3)

Communist units were active in the Phnom Penh area over the weekend. A rocket attack Saturday damaged the airport, but normal air operations continue.

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(Page 4)

25X1

Turkey's left-of-center Republican People's Party and the Islam-oriented National Salvation Party announced last night that they had agreed to form a coalition government. (Page 5)

Soviet

25X1

(Page 6)

Brezhnev's trip to Cuba reportedly is now set for January 18. (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Minor cease-fire violations continued to occur on both fronts yesterday. Sporadic firing broke out along the Syrian cease-fire line in the morning and by early afternoon had expanded into a heavy artillery duel. One Israeli was killed before the firing stopped, according to Jerusalem radio reports.

In Egypt, UN observers reported intermittent skirmishes between Israeli and Egyptian forces at several points along the Suez Canal. Four Israeli aircraft were involved in reconnaissance flights over the area south of Suez city. Otherwise, flight activity was limited on both fronts.

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FOR THE PRESIDENT ONLY

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LIBYA-TUNISIA

The proposed union of Libya and Tunisia into an "Arab Islamic Republic" may never become much more than a paper agreement. Neither side has named a target date for complete merger, and the referendum to approve it--initially scheduled for January 18--has already been postponed by Tunisian President Bourguiba until March 20.

The scheme is almost certainly a Libyan initiative. Qadhafi apparently turned to Tunisia in an attempt to recoup some of the prestige and influence he lost when plans for a Libyan-Egyptian merger failed last September. Since then, relations with Cairo have deteriorated further, and union with Egypt is now a dead issue.

Qadhafi had tried in late 1972 to win Bourguiba's agreement to forge a united country and offered to make him president, but Bourguiba resisted. What accounts for his recent change of heart is not clear. He may have been attracted in part by the financial benefits he expects from close union with Libya. Bourguiba may also see in the proposed merger an opportunity to exert a moderating influence on Qadhafi and to end Libya's isolation in the Arab world. This would seem an impossible task, however, since it would require a considerable mellowing of Qadhafi's views and behavior.

Bourguiba has publicly expressed the hope that Algeria, Mauritania, and Morocco will eventually join Tunisia and Libya in an even broader union. Earlier attempts to achieve unity in the Maghreb have foundered, largely because of deep mutual distrust and economic rivalry. Indeed, Algeria has already branded the Tunisian-Libyan merger, not without reason, an "unnatural construction."

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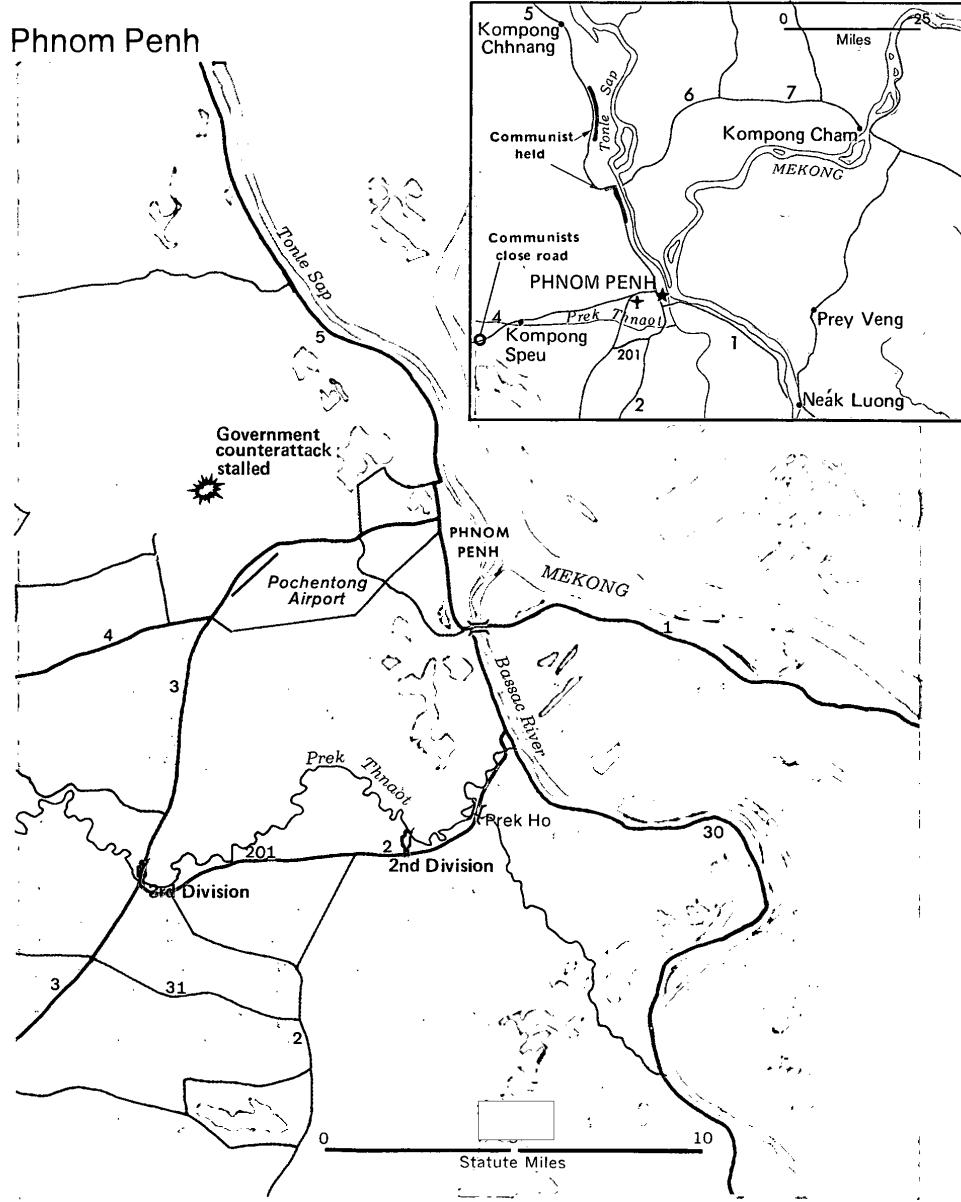
INTERNATIONAL MONETARY DEVELOPMENTS

At a closed meeting last week in Basel, European central bankers reportedly showed considerable concern about the viability of present exchange rates in the face of increased oil prices. Several of the participants suggested that current exchange rates have become outdated, and the French representative stressed that it is more important for the Europeans to maintain the joint float than to support individual rates vis-a-vis the dollar. There was general consensus on the necessity to preserve the float.

Finance ministers from major countries will meet on January 17-18 in Rome to discuss the impact of the energy crisis on the world monetary situation and on prospects for international monetary reform. The meeting was originally scheduled to take up monetary reform, but there is little chance for early progress on this issue.

FOR THE PRESIDENT ONLY

Phnom Penh



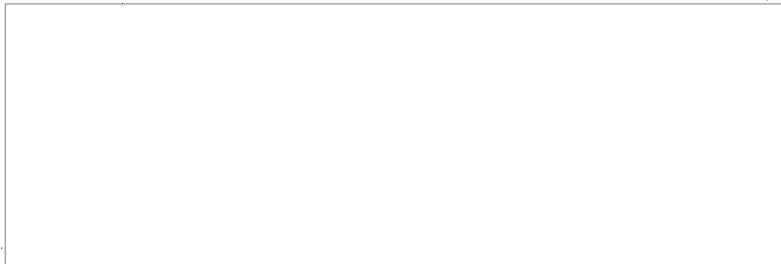
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FOR THE PRESIDENT ONLY

CAMBODIA

Military activity remained centered in the Phnom Penh region over the weekend. The Cambodian Army counterattack against Khmer Communist forces three to five miles northwest of the capital has bogged down in the face of stiff enemy resistance. Army commanders have committed additional armored units to this sector in an effort to break the deadlock there. A Communist rocket attack on January 12 damaged both the runway and the control tower at Phnom Penh's Pochentong airport, but normal air operations continue.



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Communist units again cut Route 4 southwest of Kompong Speu City over the weekend, forcing a truck convoy bound for Phnom Penh to turn back. Army commanders last week pulled major units back from the Route 4 front to counter the threat to Phnom Penh.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

Turkey's left-of-center Republican People's Party and the Islam-oriented National Salvation Party announced Sunday night an agreement to form a coalition government. The two parties have about 235 deputies in the 450-member National Assembly. The badly split legislature has been unable to form a government since the inconclusive elections in mid-October.

There have been indications that the Turkish military, restless over the three-month political stalemate, has been applying pressure to secure a government acceptable to it. Still, the coalition proposal presents Turkish officers with a dilemma. They have a strong secular tradition and have opposed allowing the National Salvation Party a part in the government.

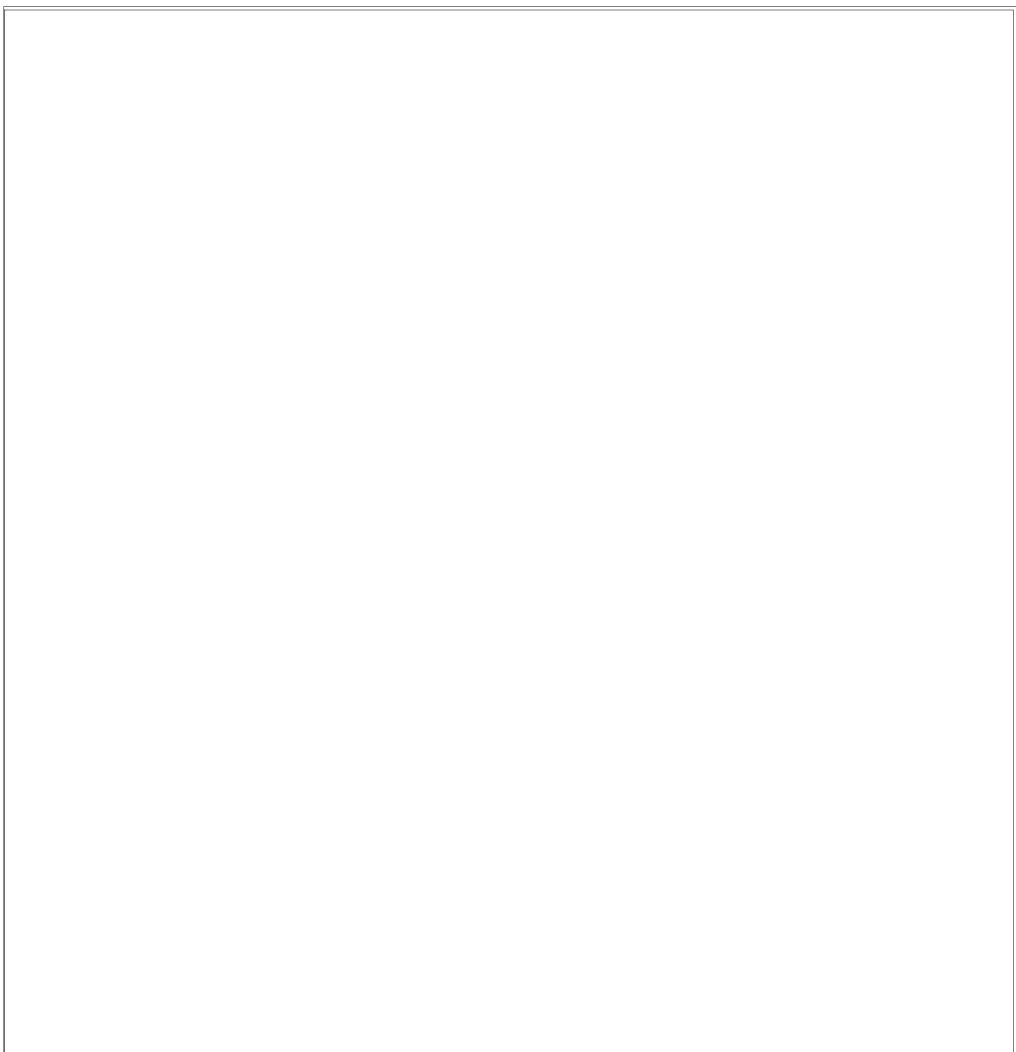
If the President accepts the coalition, the military may decide to let such a government take office and then assess its early performance. On the other hand, it might decide on strong pressure to bring about a broad national coalition or a government based on cooperation between the Republican People's Party and the Justice Party, the parties with the largest representation in parliament.

The Embassy in Ankara believes the military's decision could go either way.

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NOTES

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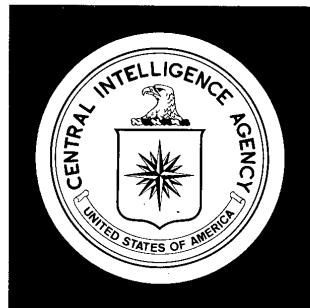
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USSR-Cuba: Well-informed Soviet sources reported on January 12 that party chief Brezhnev's trip to Cuba is now set for January 18, according to Western correspondents in Moscow.

FOR THE PRESIDENT ONLY

Top Secret

Noted by DCI
1/15/74



The President's Daily Brief

January 15, 1974

3

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Exempt from general
declassification schedule of E.O. 11652
exemption category: S(B)(1), (2), (3)
declassified only on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 15, 1974

PRINCIPAL DEVELOPMENTS

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Iraq

Syria

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(Page 1)

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President Bourguiba is reported to have already decided to cancel the agreement to merge his country with Libya. He has also removed his foreign minister, probably for pushing too hard on the merger.
(Page 2)

There are indications that the North Vietnamese recently held a Central Committee plenum--their first in two years. Hanoi has accelerated troop infiltration to South Vietnam although the rate of infiltration remains significantly below that of recent years.
(Page 3)

In South Korea, President Pak yesterday announced another emergency decree, this one aimed at undercutting those critics who have been calling for political reform. (Page 5)

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The Soviet Union

25X1

Soviet leaders apparently intend ostracism and public vilification for Solzhenitsyn, rather than criminal action, at least for the time being. (Page 7)

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Notes on a British proposal to barter for Iranian oil and on the next Brazilian president appear on Page 9.

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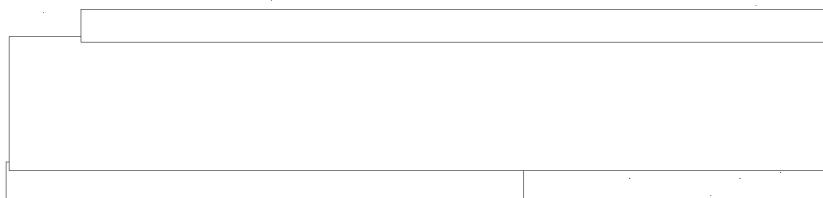
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FOR THE PRESIDENT ONLY

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TUNISIA-LIBYA

President Bourguiba has already decided to cancel the agreement he signed three days ago to merge his country with Libya

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In a move to tighten his control over and ensure the complete loyalty of his close advisers, Bourguiba also changed part of his cabinet yesterday. Foreign Minister Masmoudi, a long-time supporter of closer ties with Libya, was replaced by Bourguiba's loyal cabinet director, Habib Chatti. Although Masmoudi's removal had been rumored for some time, the timing of his dismissal suggests he pushed too hard for union with Libya.

The cabinet changes also affected the Ministries of Defense, Equipment, and Social Affairs. The most significant switch moved Minister of Equipment Khefacha, Bourguiba's first cousin and most loyal minister, to the sensitive post of defense minister.

This ministerial realignment is in accord with other evidence that Qadhafi and Masmoudi overwhelmed Bourguiba in a moment of weakness.

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Moreover, his three key associates--his wife, son, and the prime minister--were absent; they would have advised against the merger. Bourguiba now stands to lose considerable prestige no matter how he handles the affair.

Another union fiasco could be a severe personal blow to Qadhafi. His move toward Tunisia was essentially an effort to pull himself out of the political isolation which has weighed heavily on him since the failure of the Libyan-Egyptian union last fall. The Libyan leader's strong domestic position can probably withstand such a failure, but his personal reaction may lead to another round of resignation threats.

The political embarrassment of publicly retracting the union announcement could force both sides to agree on a face-saving compromise. Bourguiba may decide that a protracted period of preparations for the merger would give him enough time to negotiate his own terms or pull back more gracefully.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NORTH VIETNAM**

There are signs that the North Vietnamese recently held a Central Committee plenum--their first in two years.

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The Central Committee meets to ratify important leadership decisions and to adopt resolutions providing guidelines on key policy matters. Hanoi held its 20th plenum in early 1972, not long before the spring offensive. The more important 19th plenum in late 1970 dealt with the growing South Vietnamese threat to Laos and endorsed a new line on domestic economic development. It may also have approved early preparations for the offensive that eventually was launched in 1972.

A text of new Central Committee resolutions is not yet available, but if a plenum was held recently, it will probably be mentioned in Hanoi's media before too long. Public treatment would provide insights into Hanoi's line on key issues like the conflict in the South and the long-overdue party congress.

* * *

Hanoi has accelerated troop infiltration to South Vietnam, although the amount of infiltration remains significantly below that of recent years.

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(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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Thus far in the current dry season, which began in September, Hanoi appears to have sent about 45,000 troops south.

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An intercept of last November suggested that approximately 11,000 troops would move south to the COSVN area and the central highlands each month from December through April or May. If such a rate should be maintained by the North Vietnamese, it would result in a total of 80,000 to 90,000 for the dry season.

CIA analysts believe that this total would allow the Communists to rebuild understrength units and build a sizable manpower pool in the southern half of the country. DIA analysts, however, take the position that although the Communists could indeed rebuild understrength units, they could not develop a sizable manpower pool. Neither could they replace personnel losses at current levels of combat.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH KOREA

President Pak yesterday announced his third emergency decree, aimed essentially at undercutting those critics who have been calling for political reform. The decree lists measures to alleviate the growing economic burden of the average South Korean by stabilizing the cost of basic commodities and otherwise slowing the rate of inflation. It also rescinds some unpopular economic legislation, lowers taxes, and provides for pay increases and more jobs. In presenting this decree, Pak claimed that those pressing for political change, though few in number, have been diverting the government's attention from measures to cope with economic difficulties.

Although the new decree will have considerable appeal, informed South Koreans will see the government's action as not much more than a diversionary tactic, and the demand for basic political change will continue. The regime is prepared to use the full authority of earlier decrees to intimidate those not otherwise dissuaded by conciliatory actions. It has recently arrested and interrogated senior opposition politicians, intellectuals, and clergy. Most have been released after several hours, however.

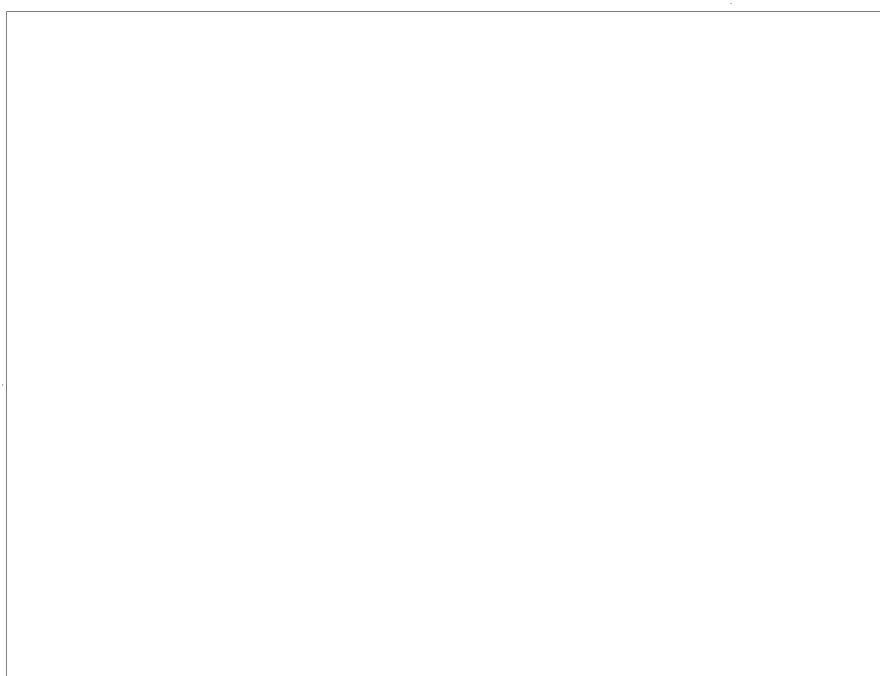
Pak is likely to persist with this carrot-and-stick approach. He presumably hopes that it will forestall a public challenge to his authority, which in turn would precipitate a serious political confrontation.

FOR THE PRESIDENT ONLY

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USSR



FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR

The official press campaign against Solzhenitsyn intensified yesterday with a lengthy Pravda article denouncing his behavior as anti-Soviet and threatening that he "merits the fate of a traitor." Like previous commentaries, however, Pravda carefully sidestepped the sensitive issue of what precise penalties may be in store for him.

Solzhenitsyn's action in authorizing publication of Gulag Archipelago has put the Kremlin leaders in an uncomfortable position. They can let him go unpunished only at the cost of eroding their control over Soviet intellectuals. At the same time, they are painfully aware that strong punitive measures against him would invite adverse reaction abroad that could cast a shadow over Moscow's overtures toward the West.

Ostracism and public vilification, rather than criminal penalties, are apparently what the Soviet leaders have in mind for Solzhenitsyn, at least for the time being. A deputy editor of Pravda told US Embassy officials on January 10 that, although Solzhenitsyn broke the law, foreign policy considerations would probably prevent strong action against him.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

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UK

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

UK-Iran: London has proposed a deal with Tehran involving the barter this year of about \$300 million worth of steel, cement, textiles, and other products for Iranian oil. The deal could bring the UK about 100,000 barrels a day with no cost in foreign exchange. Iranian officials have expressed interest and may already have given the British a list of the goods they want.

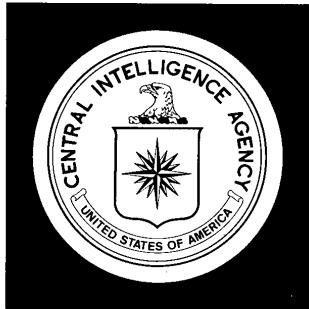
Brazil: A special electoral college will ratify today the selection of retired General Ernesto Geisel as Brazil's next president. Named by President Medici as his successor last June, Geisel will assume office on March 15. Like his predecessor, Geisel is expected to give priority to economic development. He will probably stress an independent, but not radically nationalistic, foreign policy and a growing Brazilian role in world affairs.

FOR THE PRESIDENT ONLY

Top Secret

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Notes by DCI
1/16/74



The President's Daily Brief

January 16, 1974

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~~Top Secret~~ 25X1

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

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 16, 1974

PRINCIPAL DEVELOPMENTS

In Israel, Mrs. Meir's government has come under increasing attack for what domestic critics fear is its readiness to make unilateral concessions in the disengagement talks with Egypt. (Page 1)

There are more signs that Tunisian President Bourguiba has had second thoughts about union with Libya. Yesterday, the Tunisians took steps apparently aimed at putting it off indefinitely. (Page 2)

After agreeing at yesterday's Council meeting to a community representation at next month's conference of oil-consuming countries, the EC foreign ministers will now attempt to work out a common position. (Page 3)

General Secretary Brezhnev's forthcoming visit to Cuba will provide an occasion for revolutionary rhetoric, but his private comments will probably be low on anti-imperialist fervor and high on the benefits of peaceful coexistence. This will not sit well with Castro, who sees dangers for his regime in Soviet-US detente. (Page 4)

Security officials in Jakarta imposed a dusk-to-dawn curfew following yesterday's anti-Japanese rioting by students. More troops are being brought into Jakarta to help restore order, and Prime Minister Tanaka has modified his schedule in order to avoid direct confrontation with the protesters. (Page 5)

The Cambodian Government's conscription campaign to expand the army's general reserve has faltered. Although by the end of November some 12,000 new trainees had entered the army, inductions have slowed to a trickle since then. (Page 6)

The Kuwaiti minister of defense has acknowledged that his country is negotiating with Moscow for arms. (Page 7)

In Turkey, President Koruturk has named Bulent Ecevit prime minister-designate, paving the way for a coalition of Ecevit's left-of-center party with the right-wing National Salvation Party. No major departure from Turkey's pro-Western foreign policy is likely. (Page 8)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

Mrs. Meir's government is under increasing attack for what domestic critics fear is its readiness to make unilateral concessions in the disengagement negotiations with Egypt. The rightist Likud bloc, which scored significant gains in the recent parliamentary elections, charges the government with conducting the negotiations with Cairo through Secretary Kissinger as if it had no choice but to "surrender in stages." Likud spokesmen claim that the talks are leading to a unilateral withdrawal that would endanger the state. Yesterday, Likud demanded that approval of the government's proposals for an agreement with Cairo be the first item of business when the newly elected Knesset opens next Monday.

The Israeli press also is expressing misgivings. Even US security guarantees, in the view of some papers, would not be enough to compensate Tel Aviv for giving up its demand that Egyptian forces on the east bank of the Suez Canal be thinned in return for an Israeli withdrawal. The daily with the largest circulation in the country has called such an arrangement a trap for Israel, arguing that Washington would be unable to fulfill its commitment when the chips are down.

Perhaps partly in response to criticism that it is not tough enough with Cairo, the government yesterday halted the daily supply convoys to Suez and the encircled Egyptian Third Army. Defense Minister Dayan had warned publicly on January 14 that Israel might take this action if cease-fire violations continued. At least 18 Israelis reportedly have been killed and 88 wounded in fighting on the Egyptian and Syrian fronts since the cease-fire.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TUNISIA-LIBYA

Evidence continues to mount that President Bourguiba has had second thoughts about union with Libya. Yesterday the Tunisians moved to put it off indefinitely. Prime Minister Nouira announced that the constitution would have to be revised before a referendum on the merger could be held. Amending the constitution would cause, at the least, considerable delay, and could help to kill the project altogether. The procedure requires two readings, at least three months apart, in the National Assembly, and then a two-thirds majority for approval.

Nouira, who has long opposed closer ties with Libya, also threw new doubt on the terms of the declaration on the merger. He stated flatly that there would be further negotiations "to determine the concept of the union and the stages of its implementation."

President Bourguiba's bizarre handling of the proposed merger will weaken his prestige and lead to political maneuvering by presidential hopefuls around him. This can be expected to increase as preparations continue for a congress of Bourguiba's party next October, which will be followed by national elections in November.

President Qadhafi has not yet reacted to Tunisia's delaying tactics; the Libyan radio continues to hail the union as if the merger plans were still on the track.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

EUROPEAN COMMUNITIES

The EC foreign ministers, having agreed at yesterday's Council meeting to a community representation at next month's conference of oil-consuming countries, will now attempt to reach a common position. French Foreign Minister Jobert supported the consensus that Commission President Ortoli and German Foreign Minister Scheel, in his role as Council president, would represent the community in Washington. Although Jobert said Paris still had reservations about attending, the other EC foreign ministers now expect to be present.

In leaving its own attendance in doubt, France presumably hopes to win support among its community partners for a position that would minimize the US role in European energy arrangements made after the conference. The French therefore want to move EC energy consultations with other countries to the OECD forum--or even the UN--as quickly as possible and keep such talks focused on long-term goals.

The Commission has already made suggestions for a community position that attempt to answer the French concern that any energy action group not appear to set the consuming countries against the producers. The Commission stresses that priority should be given to a dialogue with the oil producers, that the EC's position should be communicated to OPEC, and that consideration must be given to the non-producers among the developing countries.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**USSR-CUBA**

General Secretary Brezhnev is due shortly in Havana on his first visit there. Plans for the visit had been announced unusually far in advance, not long after Brezhnev returned from the US, a sign that he saw the trip as a way to demonstrate that he is not neglecting his Communist allies.

The occasion will call for revolutionary rhetoric, but Brezhnev's private comments to the Cubans will probably be low on anti-imperialist fervor and high on the benefits of peaceful coexistence. This will not sit well with Castro, who sees dangers for his regime in Soviet-US detente.

The Cuban leader continues to believe he can ill afford to ease his own anti-US stance. Castro still points to the "threat" of US aggression, in order to mobilize Cubans in support of regime policies, and he has used the economic "blockade" to explain away many of his own failures.

Despite this, Brezhnev may take the line that Cuba would profit from a less intransigent attitude toward the US. The USSR, which still underwrites the Cuban economy to the tune of more than \$1 million a day, would also expect to benefit from any shift in Cuban political attitudes that brought an improvement in Cuba's economic position. Brezhnev's general approach is not likely to overcome Castro's misgivings, however, and Brezhnev is not likely to press strongly enough to alienate the Cuban leader.

The Soviets will be eager to obtain Castro's support for the organizational steps they want to take toward another world Communist conference. Preparations are already under way for a series of regional meetings of Communist parties, and there are reports that representatives of several Latin American parties will meet in Havana during Brezhnev's visit. The Soviets will need Castro's cooperation to get their campaign off to a propitious start.

Economic and military aid will certainly be discussed during Brezhnev's visit. Moscow's extensive use of Cuban military facilities could give Castro leverage in seeking more Soviet arms, but there has been no sign that major new agreements will be made.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDONESIA

Security officials in Jakarta imposed a dusk-to-dawn curfew following yesterday's anti-Japanese rioting by students. Vandalism and burning continued well into the night and at midnight police were still trying to disperse 1,500 students gathered near the Japanese Embassy and several Japanese businesses. Additional troops are being brought into Jakarta to help restore order, and Prime Minister Tanaka's schedule has been modified to avoid direct encounters with the protesters.

Indonesian officials, hoping to avoid a major army-student confrontation, have ordered troops to withhold fire except in self-defense. Even so, at least four persons have been killed and several seriously wounded.

Dissident students have long been planning to protest Tanaka's visit with demonstrations against Japanese economic domination of Indonesia and alleged collusion among government officials, Japanese, and local Chinese businessmen. Much of the vandalism has occurred in Chinese commercial districts, and security officials fear that serious anti-Chinese rioting may develop and spread to other parts of the country.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

The government's conscription campaign to expand the army's general reserve, launched in mid-October with a goal of obtaining 25,000 new troops, has faltered. Although by the end of November some 12,000 new trainees had entered the army, inductions have slowed to a trickle since then.

A fundamental problem is that the manpower pool on which the government can draw is drying up. Certain provincial cities have large numbers of males eligible for the draft, but provincial officials have not yet shown much inclination to implement the conscription law. In addition, the National Police have had little success in rounding up draft evaders. Government officials involved with the draft met recently to plan corrective measures; they told local draft officials to "get tough," and asked for the appointment of an assistant to the defense minister to oversee the program.

At present, Cambodian Army combat strength stands at between 110,000 and 130,000 troops out of an overall strength of almost 210,000. The 37,000-man general reserve has borne the brunt of the heavy fighting in the Phnom Penh region during the past year. Total Khmer Communist combat strength is estimated at 50,000 to 60,000 troops, of which 12,000 to 15,000 are estimated to be committed to operations near Phnom Penh.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

KUWAIT-USSR

The Kuwaiti minister of defense acknowledged on January 13 that his country is negotiating with Moscow for arms

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[redacted] This is the first time Kuwait has expressed interest in Soviet weapons. With the exception of a \$1-million contract for antiaircraft guns ordered from Yugoslavia in 1970, all arms purchases have been from the West.

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After border skirmishes with Iraq last March, the Kuwaiti Parliament in early July approved a request for \$1.4 billion to strengthen the country's military capability. Negotiations with the US for a wide range of military equipment, including jet fighters, air-to-surface and antitank missile systems, and tanks, have been under way since April 1973, but have thus far resulted in only one small contract for trucks.

The Kuwaitis are [redacted] close to concluding a deal with France for Mirage interceptors, and have also shown interest in surface-to-air and antitank missiles made by the French and West Germans. Kuwait's interest in Soviet arms could be a pressure tactic to encourage Washington, Paris, and Bonn to be more forthcoming.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TURKEY

President Koruturk yesterday named Bulent Ecevit prime minister-designate, paving the way for a coalition of Ecevit's left-of-center party with the right-wing National Salvation Party. The two parties have already agreed on coalition terms and will probably announce a cabinet soon.

The military would have preferred a coalition in which the Islam-oriented National Salvation Party did not play an important role; moreover, senior officers have shown concern over what they consider Ecevit's leftist tendencies. They will closely monitor the government's activities but seem willing for the present to give it a chance.

The new coalition has a precarious majority of only eight seats in the National Assembly, and there is an ideological gulf between the two parties. Ecevit has little experience in foreign affairs, and will probably concentrate first on domestic problems. No major departure from Turkey's pro-Western foreign policy is likely. Ecevit's party does advocate, however, more assertive behavior in NATO, reconsideration of the ban on opium poppy cultivation, and nationalization of petroleum resources. These are all issues on which its coalition partner can agree.

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The President's Daily Brief

January 17, 1974

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exemption category 5(b)(1),(2)(B)(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 17, 1974

PRINCIPAL DEVELOPMENTS

[French]

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(Page 1)

Israeli troops again halted supply convoys for Suez
and the encircled Egyptian Third Army.

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The Libyans are taking unusual military measures,
possibly in response to Middle East press reports
that the US is considering an invasion of Arab oil
fields. (Page 2)

Tunisia has effectively shelved its agreement for
a union with Libya. (Page 3)

Indonesian youths continued to roam Jakarta's streets
yesterday; the army, thus far lenient, may take
sterner measures. (Page 4)

Tokyo is taking a serious look at its economic ac-
tivities in Southeast Asia because of anti-Japanese
reactions encountered by Prime Minister Tanaka dur-
ing his visits there. (Page 5)

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[Argentine]

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(Page 6)

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Notes on [] Cuba []
North Korea [] Egypt [] Page 7.

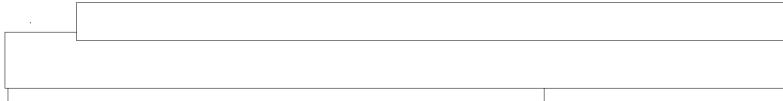
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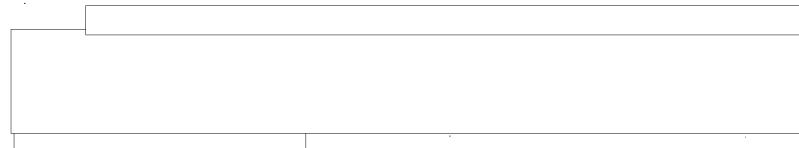
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FRANCE



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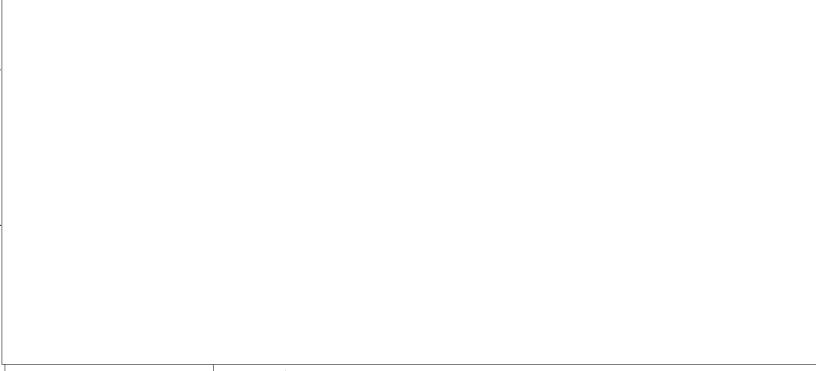
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

For a third day in a row, Israeli troops yesterday halted supply convoys for Suez and the encircled Egyptian Third Army because of continuing cease-fire violations. An Egyptian protest can probably be expected. Defense Minister Dayan said on January 14 that Israel would stop the convoys if the violations continued. Israel is concerned over the casualties its troops have taken since the cease-fire was declared. Twenty-four men have reportedly been killed and 93 wounded.

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* * *

[REDACTED]

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[REDACTED]

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* * *

The Libyans are taking unusual military measures, possibly in response to recent Middle East press reports that the US is considering an invasion of Arab oil fields.

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The Libyans took similar precautions last September in the wake of press stories about US desert warfare exercises. During the October war, Libyan leaders expressed alarm over reports they received of a potential US-Israeli invasion along Libya's eastern coastline near the Egyptian border.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TUNISIA-LIBYA

Tunisia has effectively shelved its agreement for a union with Libya. Newly appointed Foreign Minister Chatti announced yesterday that his country will never unite with Libya as long as Morocco or Algeria opposes such a union. While avoiding a public statement that the merger is null and void, Chatti characterized the agreement as a declaration of principle rather than a program for concrete action.

The Tunisian Government, anticipating adverse reactions both at home and from Libya, has ordered special security measures throughout the country and has closed the border with Libya. Two days ago, there was a rally at Tunis University with anti-Bourguiba overtones, and Tunisian security authorities are concerned over the possibility of mass marches on Tunis by Libyan demonstrators.

Students will continue to be the most likely troublemakers. They believe a merger would bring new job opportunities and a greater role for Tunisia in Arab affairs. By contrast, middle-class Tunisians and probably the military distrust Qadhafi and therefore oppose union.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDONESIA

Groups of Indonesian youths continued to roam Jakarta's streets yesterday. Vandalism declined slightly, but a building owned by the state oil company was burned--the first incident involving government property. Student demonstrators, numbering as many as 5,000 at times, called for changes in government economic policies and for dismissal of presidential advisers closely identified with Japanese and overseas Chinese business interests.

State security chief General Sumitro served notice last night that the army will no longer be lenient; it will now arrest anyone who disturbs the peace. Army units failed to enforce the Monday night curfew and Tuesday's ban on assembly in groups of five or more. During the initial outbreak, troops reportedly stood by as youths burned stores and automobiles.

The army's failure to prevent a general breakdown of urban security has already given rise to recriminations among top military leaders, particularly against General Sumitro, and could lead to political realignments within the ruling elite.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

JAPAN - SOUTHEAST ASIA

Tokyo is taking a serious look at its economic activities in Southeast Asia as a result of the anti-Japanese reactions encountered by Prime Minister Tanaka during his visits to Southeast Asian countries, particularly Indonesia. Chief Cabinet Secretary Nikaido announced yesterday that the government will shortly develop guidelines for the conduct of private business overseas. These probably will mean extensive governmental supervision. According to press reports, Japan will also exercise increased control over economic assistance, whether extended by the government or by private entities.

Japanese opposition parties can be counted on to raise the issue of Japan's economic activities abroad when the Diet reconvenes on January 21. A Socialist Party official has already attacked the government's Asian policy, claiming that it is based on "economic intrusion" and "great-nation chauvinism."

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARGENTINA

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

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USSR-Cuba:

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North Korea - Egypt

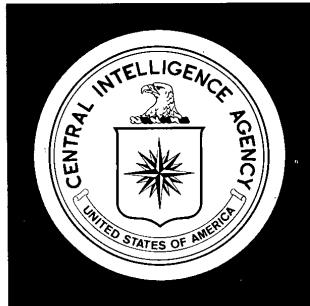
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Notes by SCS

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The President's Daily Brief

January 18, 1974

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Exempt from general
declassification schedule of E.O. 11652
exemption category SB(1)(2)(3)
declassification on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 18, 1974

PRINCIPAL DEVELOPMENTS

Press reports indicate that Syria has threatened to break relations with Egypt because of Cairo's agreement to disengage forces. If these reports are accurate, Syrian President Asad may be in trouble. The Israeli Government is under fire from conservatives; demonstrations are threatened for Sunday. (Page 1)

The Indonesian Government has clamped down on dissent following several days of street violence in Jakarta. (Page 3)

Intercepted messages indicate that the Khmer Communists plan a major attack against Phnom Penh's southern defenses in the near future. (Page 4)

Israel's tank inventory is estimated to be greater now than before the war as a result of its absorption of large numbers of captured armor. (Page 5)

Recent improvements in the Ho Chi Minh Trail permit North Vietnamese infiltrators to move now by truck at a much faster pace than previously. (Page 6)

Chinese and South Vietnamese nationals may have clashed recently over Chinese occupation of one of the disputed Paracel Islands. (Page 7)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

Syria threatened to sever relations with Cairo yesterday following the announcement of the Egyptian-Israeli disengagement agreement, according to a press report from Damascus. If the report is accurate, President Asad may have been forced to make the threat by those in the military and Baath Party who strongly oppose negotiations with Israel.

"Authoritative sources" were quoted by the press report as stating that Damascus viewed the disengagement agreement as an act of treachery that would lead to the "liquidation" of the Palestinian question and of Arab interests as a whole.

Asad's position could be seriously weakened by this turn of events. Only a few days ago he seemed ready to enter negotiations.

Asad was said to have called a meeting of political leaders to announce that Syria would attend the Geneva conference. To underscore the decision, he reportedly named the Syrian delegation and said he intended to reshuffle the cabinet, presumably to replace those opposing such a move. Most prominent among those rumored to be replaced was Foreign Minister Khaddam, who is said to have threatened to resign rather than represent Syria at the peace talks.

Syria's reaction could pose particular problems for Egyptian President Sadat. He can point to success in the disengagement talks as a counter to militant Arabs who contend that only war can bring progress toward a complete Israeli withdrawal, but without Asad's support Sadat has less of a counter to charges that Egypt is negotiating unilaterally, disregarding Arab interests.

Sadat had already been planning a trip to Damascus, as well as other Arab capitals, presumably to coordinate positions in the aftermath of the negotiations. The trip now takes on added urgency. Egypt clearly regards Syrian-Israeli disengagement as a necessary next step, and views Syrian participation in the broader Geneva negotiations as a key factor in the talks.

Sadat probably hopes he can convince the Syrians that Cairo does not intend to abandon the Arab cause for the sake of a comprehensive bilateral settlement with Tel Aviv, and that Syrian participation in the coming talks could benefit Damascus.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

As yet, there has been no reaction to the disengagement announcement from Saudi Arabia or other Arab oil-producing states. Neither has there been any indication whether it will lead to a lifting of the oil embargo and an increase in production.

The evidence suggests that King Faysal may not have made up his mind whether to declare an end to the embargo in conjunction with disengagement on the Egyptian front. The terms and timetable of the accord may be a telling factor in his decision.

Israel views its approval of the accord as a major concession to the Arabs. Tel Aviv will likely regard Cairo's adherence to the agreement as the prerequisite for further steps toward a comprehensive settlement. Although the Meir government conceded that it had to make the first move, it is likely to proceed cautiously in withdrawing its forces from the Suez Canal into the Sinai, constantly alert for any sign Cairo is not keeping its end of the bargain.

The government has already come under sharp criticism for making the agreement with Cairo. The right-wing Likud--the country's second largest political grouping--is calling for street demonstrations on Sunday to protest the alleged "surrender and one-sided withdrawal."

Mrs. Meir's efforts to form a new coalition government will probably not be affected by the agreement. Likud, her major domestic political opponent, is not in the running for coalition membership, and the parties that are do not share Likud's opposition to territorial concessions in the Sinai.

Moscow quickly issued the text of President Nixon's statement, including the phrase that the disengagement agreement had been reached "with the help of the Government of the United States of America." The Soviets did not, however, report any of the related remarks made by the President. Moscow obviously is not pleased with the fact that it played little or no role in bringing about disengagement. The Soviets, nevertheless, have little choice but to support the agreement as a step toward a Middle East settlement.

FOR THE PRESIDENT ONLY

INDONESIA

The government has decided to clamp down on dissent in the wake of this week's urban violence in Jakarta. According to a government statement:

- demonstrations that can lead to disorder will be prohibited;
- universities will be "protected" from political activities;
- newspaper reporting will be "regulated"; and
- those responsible for the recent disorders will be punished.

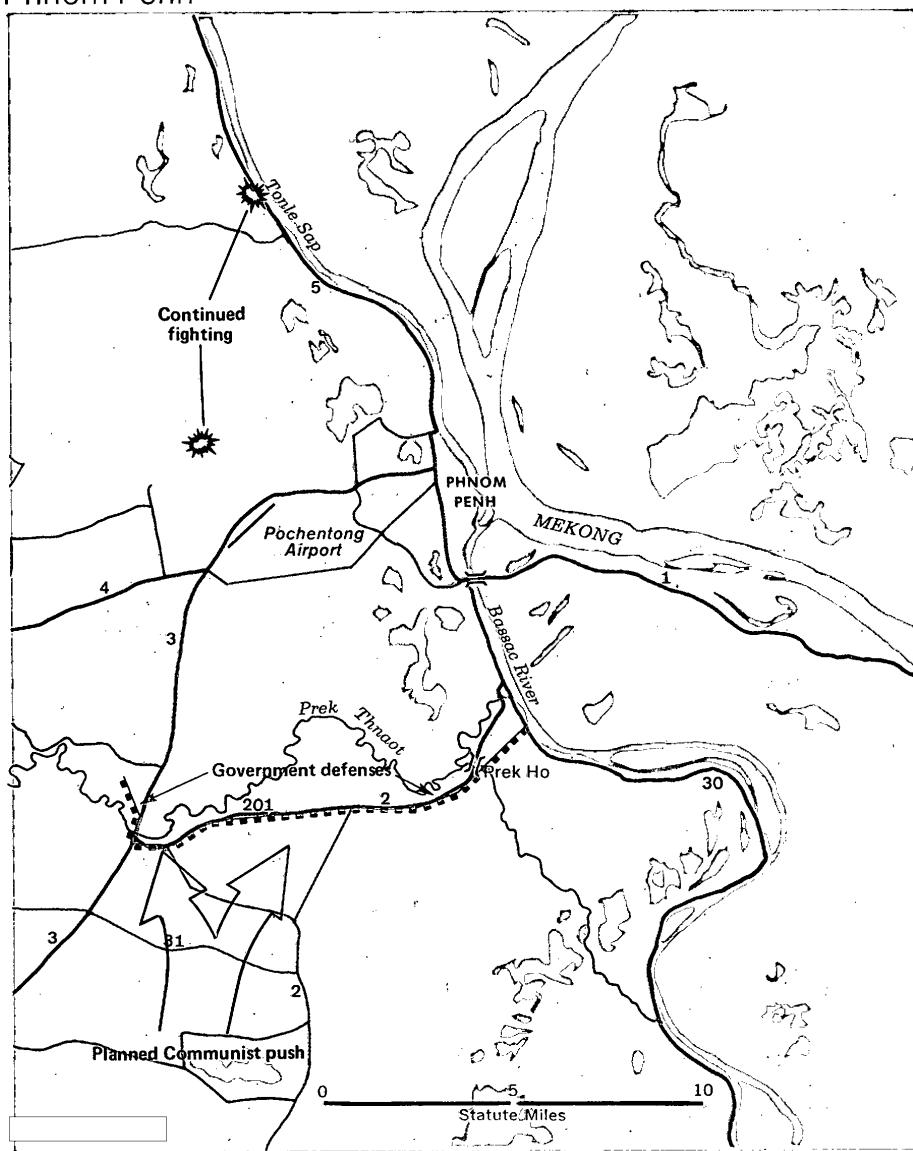
This morning, troops occupied the University of Indonesia, and the government shut down three radio stations and a newspaper.

Security officials now admit that most of the violence was caused by nonstudent street toughs, but they are nevertheless arresting student leaders as an object lesson. Officials are publicly blaming the students for starting something they could not control, while many of the students themselves are appalled at the outcome of the anti-Japanese protests and are working with the authorities to restore order.

The rapidity with which the protest escalated proves that the students' criticism of Japanese business practices and of the high living of the Jakarta elite struck a sympathetic chord among the general population. The subsequent violence, however, may well have canceled any gains the student movement might have made. The new government line suggests that the violence also gave pause to those within the ruling group who were beginning to champion the students' cause.

FOR THE PRESIDENT ONLY

Phnom Penh



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FOR THE PRESIDENT ONLY

CAMBODIA

Recent intercepted messages indicate that the Khmer Communists plan a coordinated attack against Phnom Penh's southern defenses. As many as three Communist regiments will reportedly attack the western end of the defense line between Routes 3 and 4. If the Communists penetrate the city's outlying defenses, they evidently intend to hit targets in and around Phnom Penh itself. The overall operation could involve 4,500 troops.

The Communist move may not develop entirely as planned, however. Units located southeast of the capital have postponed participation until early next week, and others have failed to launch preliminary attacks on schedule. Many of the units involved are made up of inexperienced troops or have already seen heavy combat this dry season.

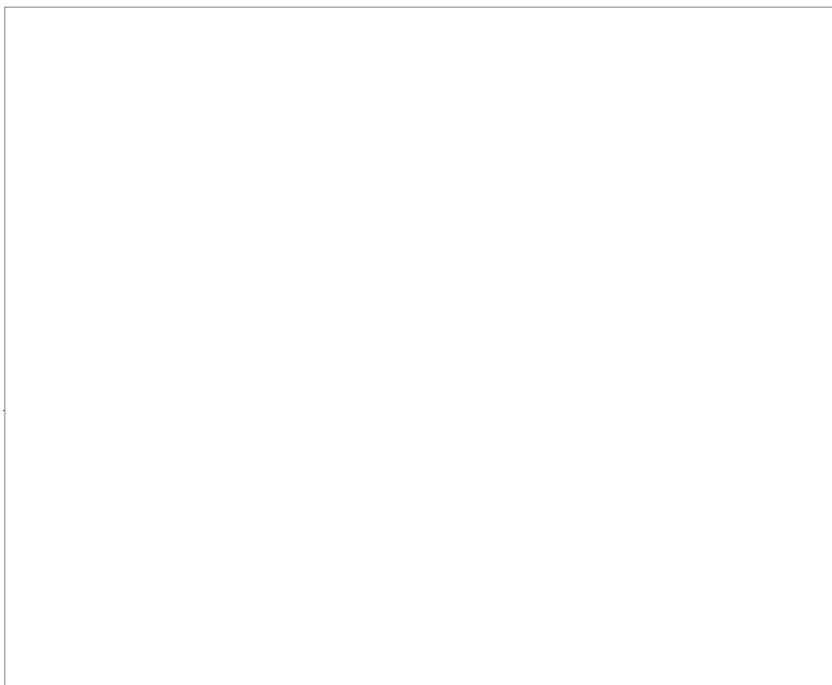
In anticipation of the attack, the government has approximately 5,000 troops, backed by artillery and armored units, in positions south of Phnom Penh. But most of the army's reserve force is already tied down, and the government will be hard pressed to find substantial reinforcements for either the south or the northwestern front, where heavy fighting continues.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ISRAEL

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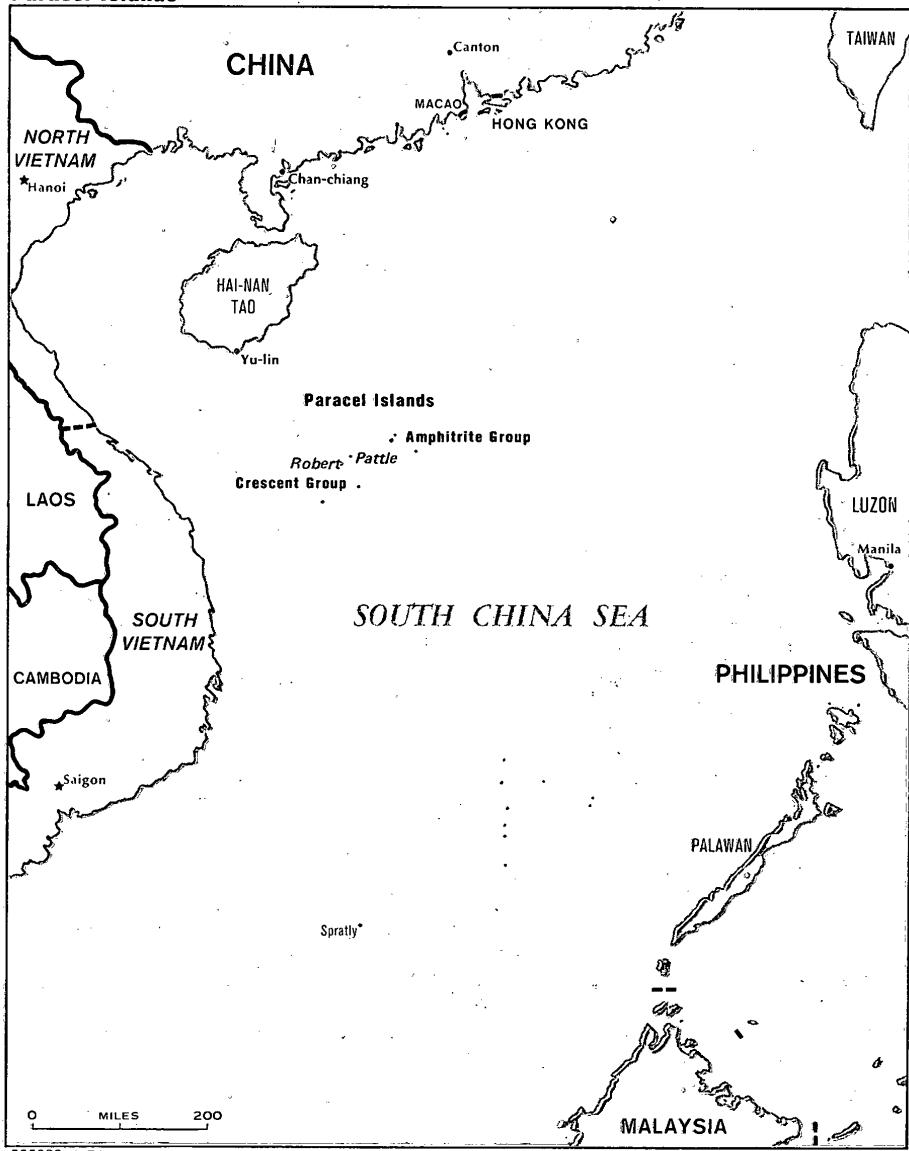
INDOCHINA

Intercepted communications suggest the North Vietnamese have so improved the Ho Chi Minh Trail complex that they can now use trucks throughout most of the system to transport infiltrating troops. Infiltrators can reach South Vietnam's northern provinces in less than a week, the central highlands in about three weeks, and the COSVN area in about a month. After arriving in South Vietnam, however, it still takes another two weeks to integrate the troops into their units.

The overall improvement of the infiltration system has taken place since the cease-fire. It appears to be part of North Vietnam's long-range plan to build firm and effective links with Communist-controlled areas in the south, and is not necessarily related to any short-range military intentions. In fact, parts of the network in South Vietnam and Laos are still under construction.

FOR THE PRESIDENT ONLY

Paracel Islands



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FOR THE PRESIDENT ONLY

CHINA - SOUTH VIETNAM

Chinese and South Vietnamese nationals may have clashed on January 16 over Chinese occupation of Robert Island in the disputed Paracel Islands. Saigon reports that South Vietnamese soldiers fired on the Chinese when they set up tents and raised their flag over the island. In what may be a response to the incident, two Chinese naval air force jet fighters yesterday performed an unprecedented flight from Hainan Island to the Paracels and back.

Both Peking and Saigon have claimed the Paracels and have maintained a military presence on some of them since the mid-1950s. For the past two years, the Chinese have been constructing a naval facility on one of the islands that could effectively service naval combatants.

The Paracels have strategic and economic importance to the Chinese. They are used as radar and weather sites, and their proximity to the main shipping lines of the South China Sea permits surveillance of ocean traffic. For its part, South Vietnam has moved in recent years to reinforce the number of troops manning its outposts, particularly on Pattle Island.

The renewal of interest in the islands may have been prompted by the prospect of finding oil on them or under the surrounding waters. The Chinese are constructing a large drilling rig on one island which could be used for oil, gas, or sulphur exploration.

FOR THE PRESIDENT ONLY

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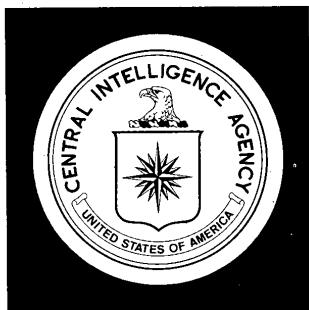
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The President's Daily Brief

January 19, 1974

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Exempt from general
declassification schedule of E.O. 13652
exemption category SR(1)(2)(3)
declassified due on approval of
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 19, 1974

PRINCIPAL DEVELOPMENTS

President Sadat has left Egypt for a tour of Arab capitals that will end in Syria, seeking to dispel doubts about the disengagement accord. (Page 1)

Soviet [redacted]

25X1

[redacted]
25X1

Chinese forces drove South Vietnamese Marines off an island in the Paracels yesterday. (Page 4)

Thai Prime Minister Sanya has offered to resign in the face of charges that his government has been ineffective in dealing with public disorder. (Page 5)

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Soviet [redacted]

(Page 6)

[redacted]
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(Page 7)

President Bourguiba [redacted]

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[redacted] is leaving for a rest in Switzerland.

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(Page 8)

Notes on Japan-Iraq, Indonesia, North Korea, South Korea, and Angola-Zaire appear on Pages 9 and 10.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MIDDLE EAST

President Sadat left for Saudi Arabia last night, beginning a tour that over the weekend will also take him to several Persian Gulf states and Syria.

He will arrive in Damascus on Sunday. While there, Sadat will try to convince President Asad that Egypt is not seeking a unilateral settlement with Israel.

Public Egyptian comments on the disengagement agreement signed on January 18 have been designed to allay Syrian misgivings. Sadat said yesterday that the negotiations should concentrate on Syrian-Israeli disengagement before the Geneva conference is resumed.

By implying that the conference may not be reconvened until Syria has achieved progress to match Egypt's, Sadat probably hopes to make it clear to Syria and the other Arab states that Cairo will not act except in concert with all Arabs. Indicative of the kind of problems which Sadat may encounter from some Arabs, a fedayeen broadcast from Bagdad last night bitterly attacked Cairo's agreement with Tel Aviv as "treasonous."

Egypt is trying to adapt its comments to Syrian policy. Syrian Foreign Minister Khaddam insisted earlier this week that disengagement of forces on the Egyptian and Syrian fronts must occur simultaneously, and be linked to an Israeli commitment to withdraw from all occupied Arab territory. Syria's willingness to enter into talks with Tel Aviv may hinge in large part on whether Damascus is satisfied with whatever understanding Sadat has reached with Israel on future withdrawal.

According to an Iraqi broadcast, the Syrian Government has denied an earlier press report that Damascus threatened on Thursday to sever relations with Cairo over the terms of the Egyptian-Israeli agreement.

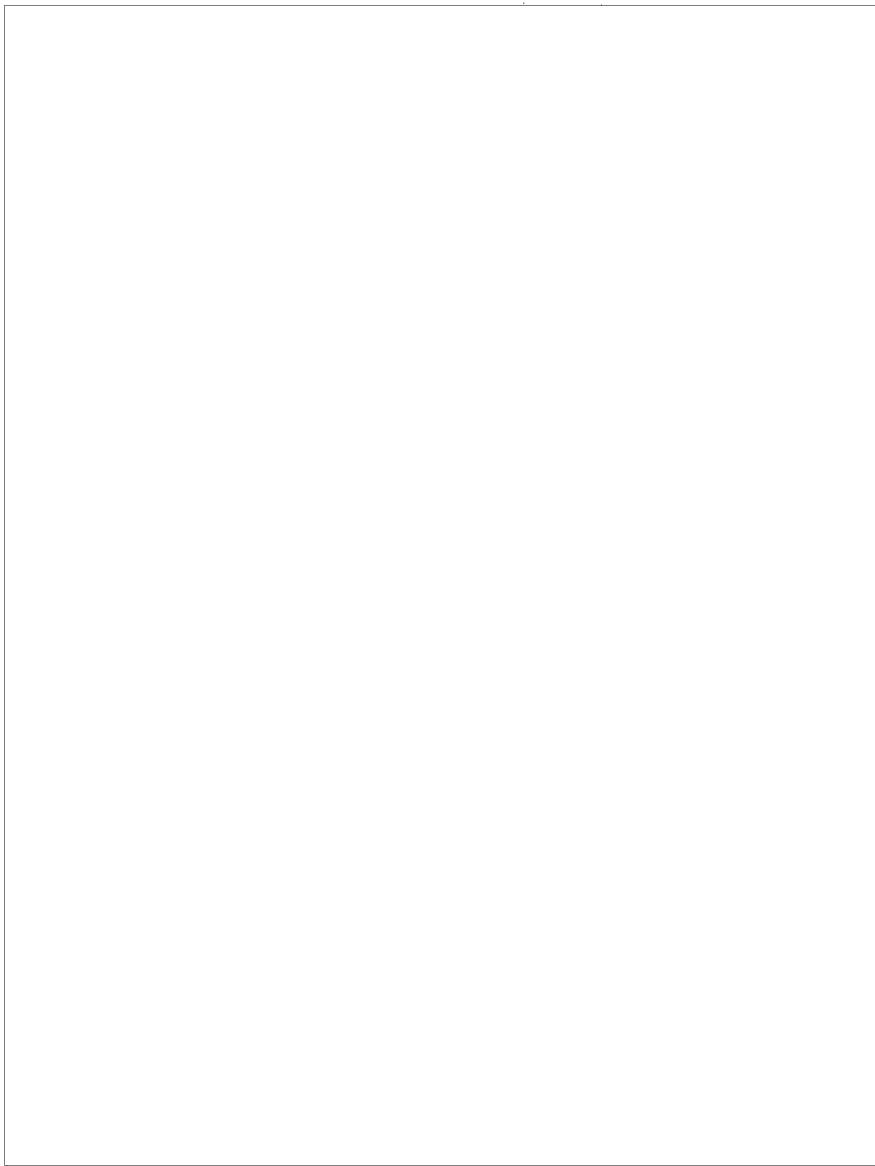
FOR THE PRESIDENT ONLY

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USSR - MIDDLE EAST

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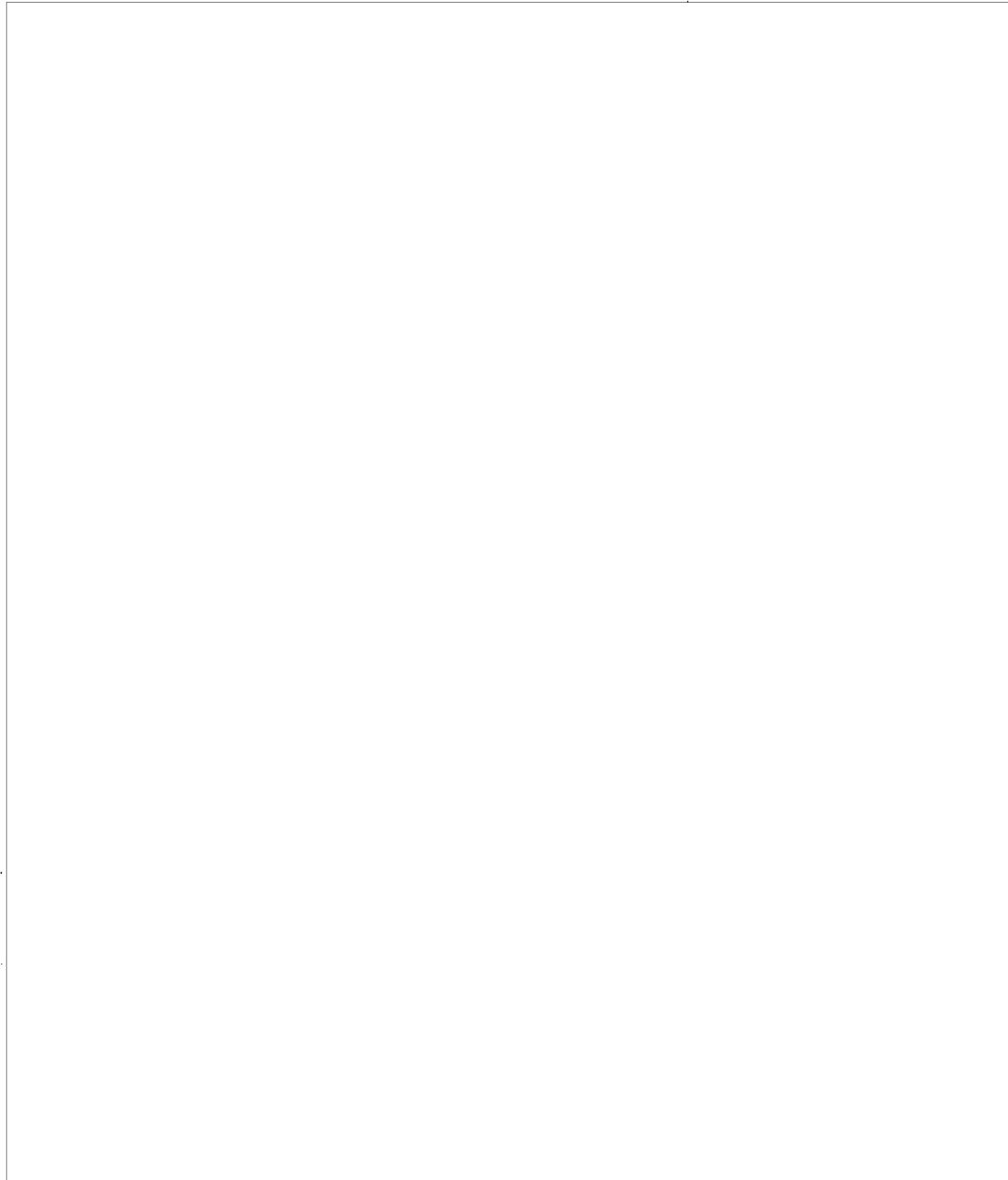
[redacted] the Soviets have publicly reacted calmly to the disengagement announcement. Press reports had suggested that the announcement would be issued simultaneously in Moscow as well as in Cairo, Tel Aviv, and Washington, but the Soviets in fact merely reported President Nixon's announcement of the agreement. In their subsequent reporting, the Soviets have, so far, confined themselves to brief factual coverage--although they have tended to slight Secretary Kissinger's role in the talks.

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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

CHINA - SOUTH VIETNAM

Early this morning Chinese and South Vietnamese troops clashed on an island in the Paracels believed to be Duncan Island.

South Vietnamese authorities reported that about 75 marines landed on the island and were surrounded by at least two companies of Chinese troops. Prior to the South Vietnamese landing, at least two Chinese ships and perhaps more were anchored off the island, and two or three Chinese jet fighters again overflew the area.

The South Vietnamese have pulled their forces from the island, reporting three marines killed and two wounded. Saigon has also recalled naval and troop reinforcements that had set out for the Paracels.

South Vietnamese naval units exchanged fire with Chinese ships near Duncan Island; a Chinese ship and all of the South Vietnamese ships were hit, and at least one South Vietnamese vessel has sunk. Firing was also reported between one of the Chinese ships and a South Vietnamese fighter aircraft, apparently sent to escort the ships back home.

The South Vietnamese are unlikely to seek further combat in view of the apparent Chinese determination to use force. Each side will accuse the other of starting the fighting, but it is unlikely that either seeks a prolonged military confrontation over the islands.

Both sides have long maintained some presence in the Paracels. The current flare-up appears to have been touched off by a recent renewal of conflicting claims to other islands in the South China Sea. Last fall, the South Vietnamese repeated their claim to the Spratly Islands, a group south of the Paracels, prompting a Chinese Foreign Ministry statement earlier this month that reaffirmed China's claim. At the same time, Peking repeated its claim to other island groupings in the South China Sea, including the Paracels, as well as "the natural resources in the sea around them."

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

THAILAND

Prime Minister Sanya has offered to resign in the face of repeated charges that his government has been ineffective in dealing with public disorder.

Sanya

[redacted] is to meet with King Bhumibol today to request that he be allowed to step down. The King, however, probably will reject his request.

The tumultuous student demonstrations last week against Japan and the US have also served to aggravate concern within the conservative elite--and particularly among army officers--that the government is losing control.

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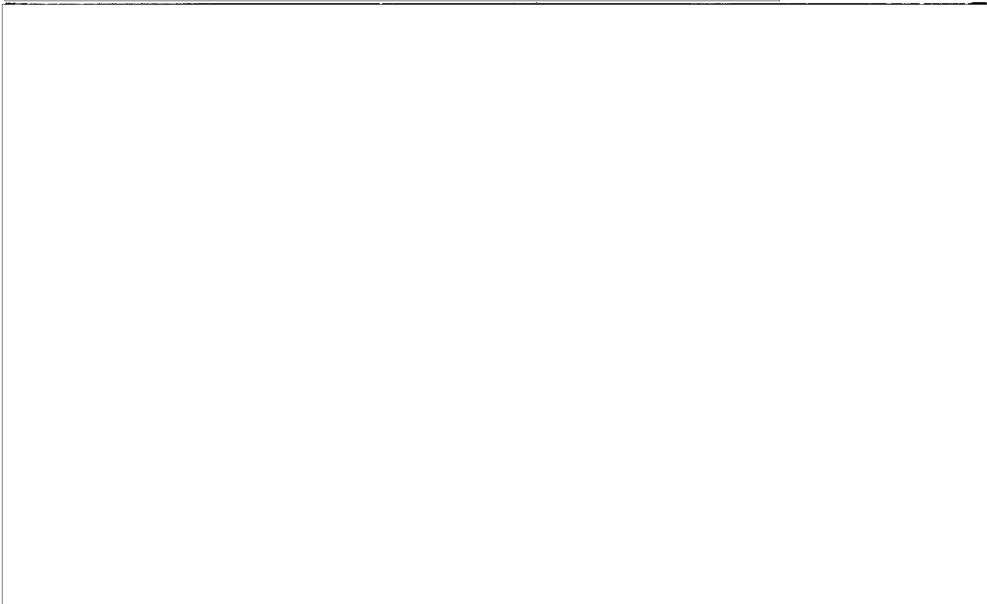
[redacted]

While the King shares Krit's concern, he is deeply committed to a civilian form of government and would probably turn to the military only as a last resort. Moreover, the situation in Bangkok has returned to normal, which should help to settle Sanya's nerves and ease the army's concern. If Sanya insists on stepping down, the likely outcome is the formation of a new civilian government, perhaps with some military officers in key cabinet positions.

FOR THE PRESIDENT ONLY

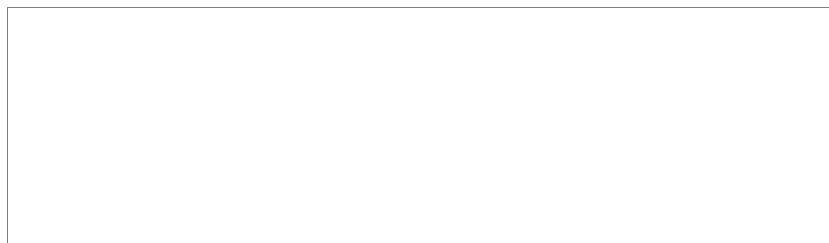
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FOR THE PRESIDENT ONLY

USSR



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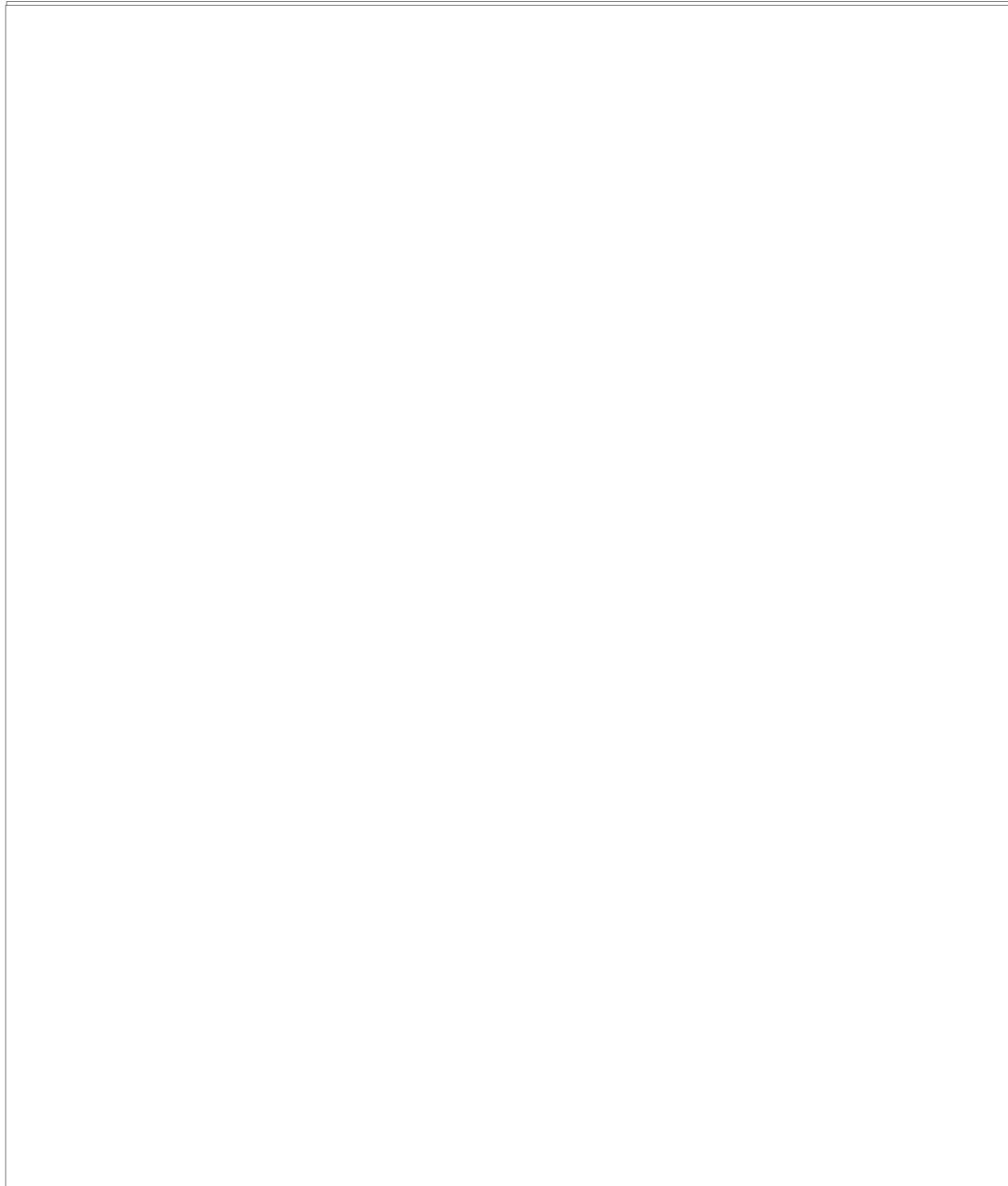
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FOR THE PRESIDENT ONLY

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FOR THE PRESIDENT ONLY

USSR

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

TUNISIA

[redacted] Tunis radio has announced that Bourguiba
is leaving today for a rest [redacted] in
Switzerland.

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The issue of succession once more dominates Tunisian politics. Bourguiba has been vacillating on reforms necessary to ensure an orderly transfer of power. His recent actions, especially his rapid retreat from an agreement to merge Tunisia with Libya, will weaken his prestige and eventually his capacity to govern.

Bourguiba probably values his friendship with the US more than ever as he approaches the end of his rule. Most of the presidential hopefuls around Bourguiba, such as Prime Minister Nouira, also attach importance to friendly ties with the US. When Bourguiba passes from the scene, however, Tunisia's foreign policy will probably become more visibly nonaligned and less pro-Western.

Among the more prominent contenders for power, Mohamed Masmoudi, the recently dismissed foreign minister, is the least favorably disposed to the US. He is the chief Tunisian advocate of closer ties with Libya and as foreign minister he sought a more active role for Tunisia in Arab politics.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Japan-Iraq:

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Indonesia: Jakarta is now quiet, but radical students in the East Java city of Surabaya are demanding that the government close down local entertainment spots by January 19; otherwise, the students threaten to close them forcibly. Although the number of students involved is very small, police fear that in the aftermath of the Jakarta riots it would not take very much to spark a rampage in Surabaya. Local authorities are attempting to persuade the Chinese owners of the offending establishments to close down temporarily until the tension subsides.

North Korea: In recent weeks the North Korean Air Force has begun routine flights near the Demilitarized Zone and the Northern Limit Line. North Korean sorties, including these flights, have increased almost 50 percent above normal since early December. Pyongyang presumably wants to be able to respond quickly should its dispute with South Korea over offshore islands produce an incident.

South Korea: Seoul plans to double the manpower in its navy and to acquire several new warships by the early 1980s. The navy is to expand to about 55,000 men, exclusive of the 26,000 marines whom the navy absorbed last fall. The modernization plan calls for acquisition of two submarines, three destroyers, and one destroyer escort as well as several naval attack aircraft, tactical missiles, and patrol boats.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

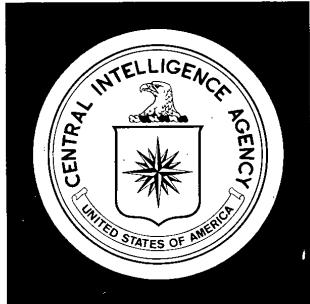
Angola-Zaire: Portuguese officials in Angola believe there may be a marked increase in guerrilla activity in the near future, perhaps with the assistance of the Zairian Army.

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While Zaire's President Mobutu would probably not commit his own forces to the fighting, he could provide logistical and advisory support. The Portuguese believe they can counter the insurgent threat.

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The President's Daily Brief

January 21, 1974

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exemption category 5B (3)(2)(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 21, 1974

PRINCIPAL DEVELOPMENTS

Israeli Chief of Staff Elazar yesterday announced that Israeli forces will begin their withdrawal from the west bank of the Suez Canal on January 25.
(Page 1)

Egyptian Foreign Minister Fahmi is scheduled to go to Moscow today, presumably to try to convince the Soviets that Cairo has not cooperated too closely with the US in negotiating the disengagement agreement. The Soviet delegation in Geneva has suggested that the Geneva talks be reactivated soon. (Page 3)

Paris' decision to float the franc unilaterally has prompted major foreign capitals to shut their international money markets, out of fear of a run to dollars or gold. Prospects for the survival of the joint float are still poor. (Page 4)

Fighting was light and indecisive along Phnom Penh's southern defenses over the weekend, and there is still no indication as to when the Khmer Communists will commit major elements to the campaign. (Page 5)

The Chinese gained complete control over the Paracel Islands yesterday after following up yesterday morning's air strikes with an amphibious assault. (Page 6)

President Peron has publicly declared war on terrorist groups in Argentina following yesterday's massive guerrilla attack on an army garrison south of the capital. (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ARAB STATES - ISRAEL

Israeli Chief of Staff Elazar yesterday announced that Israeli forces will begin their withdrawal from the west bank of the Suez Canal on January 25. The first area to be evacuated will be that south of the Cairo-Suez road. This withdrawal will reopen the road to Egyptian traffic, thereby freeing the encircled Third Army.

The announcement came after a meeting yesterday between Elazar and Egyptian Chief of Staff Gamasy at Kilometer 101. Their meeting was the first of several scheduled to work out arrangements for implementing the disengagement agreement signed on January 18. Since the accord was signed, no significant cease-fire violations have been reported.

Egyptian officials are making determined efforts to marshal wide Arab backing for the agreement with Israel. President Sadat over the weekend took his case to the leaders of Saudi Arabia, Syria, Kuwait, Bahrain, Qatar, and the United Arab Emirates. Although most appeared eager to be briefed on the details of the disengagement accord, none proffered enthusiastic public support.

Sadat is particularly eager that Syria's President Asad withhold criticism of Egypt's initiative in negotiating with Israel. Syria so far has not issued an official reaction to the agreement.

At home, Egyptian officials are appealing for popular support for the agreement by stressing the concessions made by Tel Aviv. Egypt's only political party, the Arab Socialist Union, issued a statement on January 19 minimizing Egypt's commitments under the agreement and emphasizing that Cairo had accepted the buffer zone "on the basis that it can move any amount of its forces and equipment" to the east at any time if necessary.

The Egyptian media have publicized the general terms of the agreement and have praised it as completing implementation of the earlier six-point accord. Al Ahram has cautioned, however, that the latest agreement is but a preliminary step toward the implementation of more basic UN resolutions and that disengagement must also be applied to the Syrian front.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Libya, Iraq, and radical fedayeen groups have criticized Egypt for signing the agreement with Israel. Opposition from the Palestine Liberation Organization may be restrained somewhat when Chairman Yasir Arafat returns to Beirut from Cairo; Arafat has already denounced the position taken by the PLO in his absence.

Israel's leaders continue to defend the agreement in their efforts to counter criticism from the opposition Likud bloc. The Jerusalem Post has published a front-page story purporting to give details of the secret bilateral accords signed by Egypt and Israel with the US; the story may have been leaked by government officials hoping to play up provisions of the agreement that could help reduce domestic opposition.

Likud is calling for mass protest demonstrations to coincide with this week's opening of the new Knesset. An initial rally in Tel Aviv Sunday night drew a crowd estimated at several thousand. Following an address by Prime Minister Meir tomorrow, the Knesset is scheduled to debate the agreement.

FOR THE PRESIDENT ONLY

USSR-EGYPT

Egyptian Foreign Minister Fahmi is scheduled to go to Moscow today, according to Cairo's Middle East News Agency. Part of his task presumably will be to convince the Soviets that Egypt has protected its own interests and has not cooperated too closely with the US in negotiating the disengagement agreement.

In Geneva, Soviet Ambassador Vinogradov--who heads the Soviet delegation to the Geneva conference--on January 17 largely reiterated the criticism voiced the previous day in Moscow by Foreign Minister Gromyko to the Egyptian ambassador there

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[redacted] Vinogradov told the Egyptian ambassador in Geneva that Cairo had forgotten its true friends and that he was under pressure from certain Arab states to reconvene the Geneva conference. When asked to identify these states, Vinogradov reportedly backed off. Vinogradov's deputy, Y. D. Pyrlin, got in touch with the US delegation in Geneva on January 18 for the first time in two weeks and suggested that the Geneva talks be reactivated soon.

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INTERNATIONAL MONETARY

In reaction to France's unilateral decision to let the franc float, West Germany, Japan, Belgium, and the Netherlands have closed their international money markets. Foreign capitals are fearful that traders will step up their movement into dollars or, to a lesser extent, gold.

Paris' decision will put more pressure on the industrial nations to resolve financial problems resulting from higher oil prices.

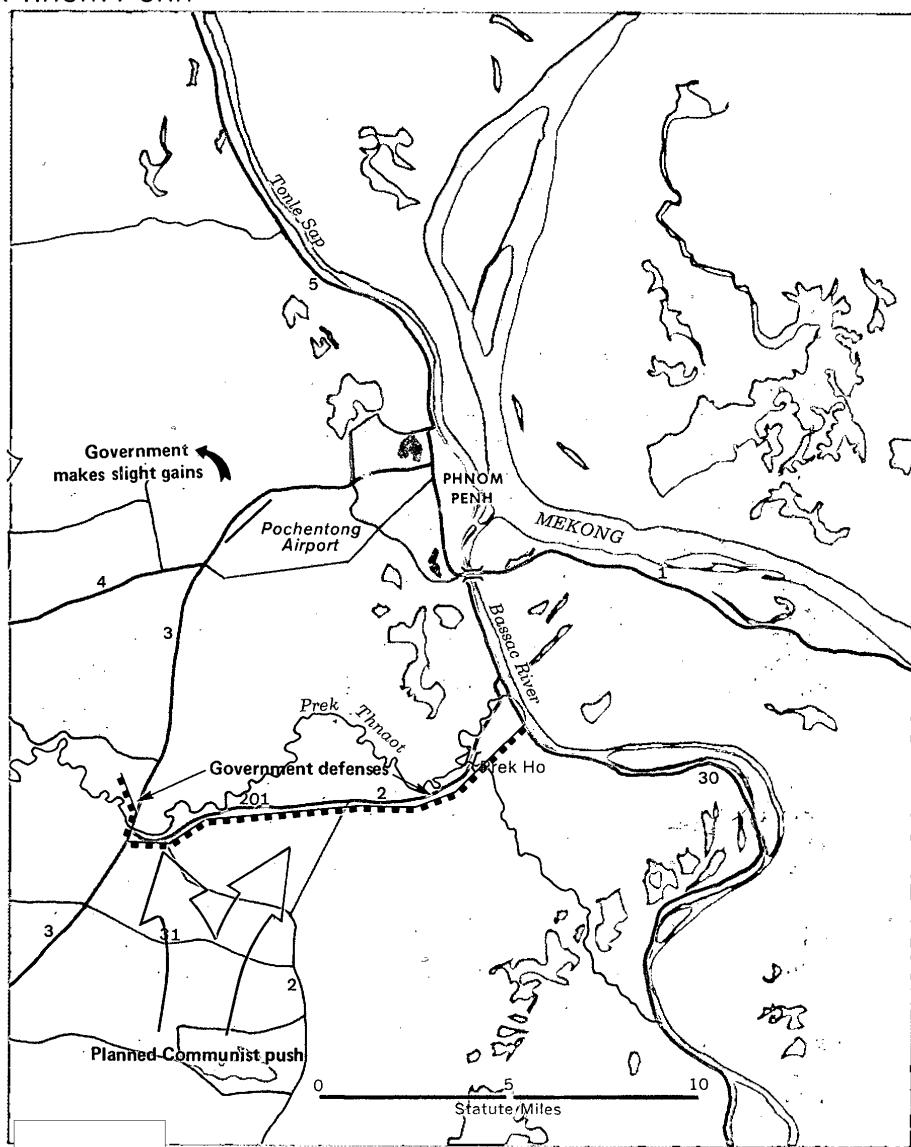
Finance ministers and central bank governors from the Benelux countries met yesterday to discuss the issue. They called for a meeting of Common Market countries to consider ways to maintain what is left of the European joint float.

Although the French action eases the strains on the joint float, its prospects for survival are poor. With the French pullout, the mark is the only major currency left. The Scandinavian and Benelux nations--the other participating countries--will be reluctant to draw down their reserves to support a truncated float.

The French decision clearly reflects the heavy reserve losses Paris has experienced in defending the franc; France has spent over \$2 billion since last fall to maintain the franc's position in the joint float. Some French observers predict that Paris will take further steps, such as tightening exchange controls, to protect its reserves.

FOR THE PRESIDENT ONLY

Phnom Penh



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FOR THE PRESIDENT ONLY

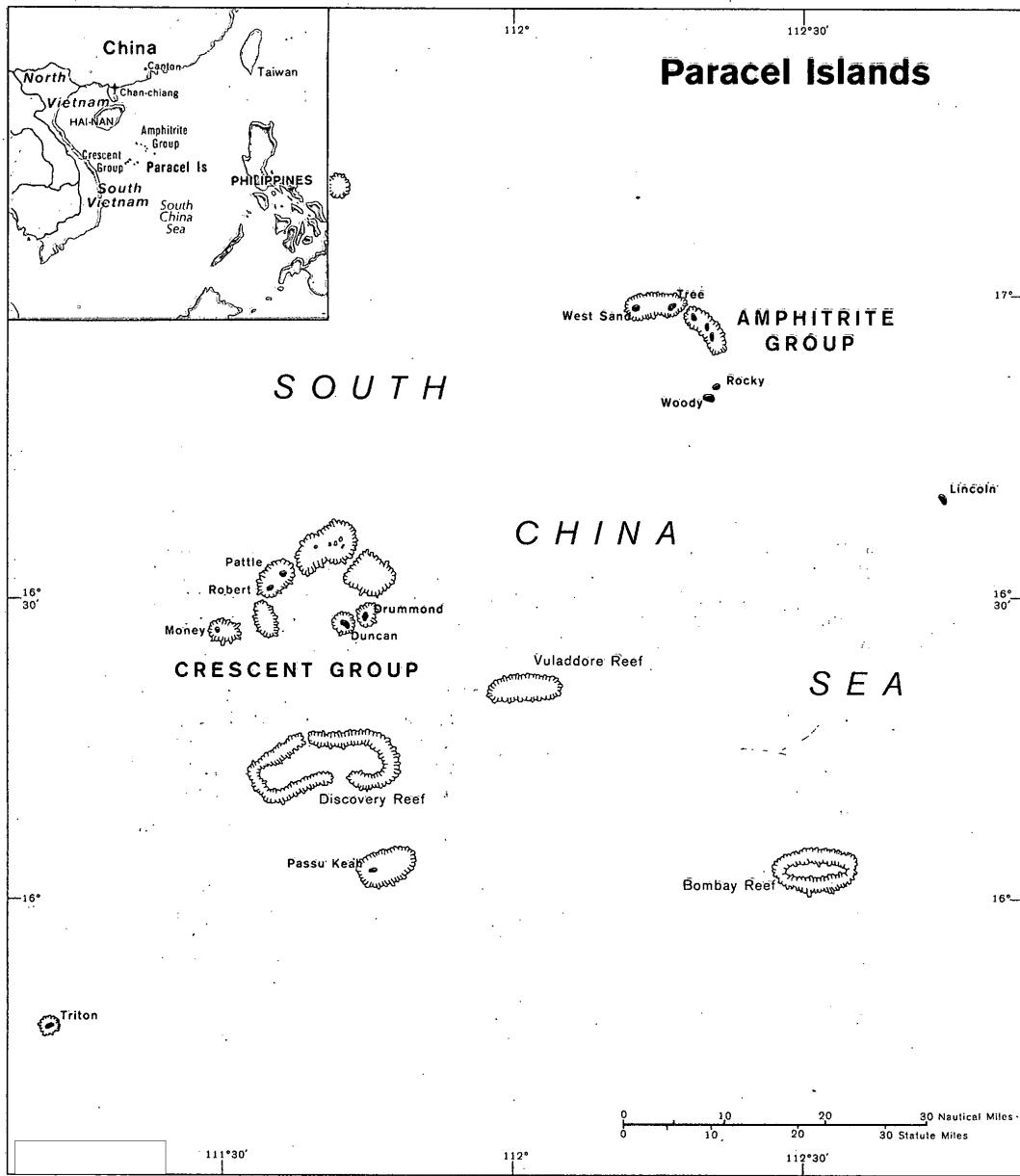
CAMBODIA

Fighting was light and indecisive along Phnom Penh's southern defenses over the weekend. Several minor Communist penetrations along the western end of the defense line were due more to jittery government defenders than to serious enemy pressure. Inconclusive skirmishing also occurred along the Bassac River southeast of the city.

There is still no indication as to when the Khmer Communists will commit major elements to the campaign. An intercepted message indicates that government pressure has made it difficult for at least one Communist unit to move into position. Other messages, however, make it clear that heavy fighting is in the offing.

Northwest of Phnom Penh, government troops made their first gains in over two weeks against enemy units dug in north of the airport. Recent intercepted messages reveal Communist concern over their inability to maintain pressure on the northern front until a major thrust occurs in the southwest.

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

CHINA - SOUTH VIETNAM

The Chinese gained complete control over the Paracel Islands yesterday. According to a South Vietnamese spokesman, the Chinese followed up yesterday morning's air strikes with an amphibious assault on Pattle, Money, and Robert islands and further clashes with South Vietnamese troops. Saigon has ordered its naval and air forces to withdraw from the area, and the South Vietnamese have abandoned their troops on the islands. Among those left behind is an American liaison officer from the defense attaché's office.

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Saigon has not commented as yet on casualties suffered in yesterday's fighting. It had admitted to some 8 killed, 39 wounded, and at least 67 missing in previous actions.

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Until recently, the South Vietnamese had maintained a presence only on Pattle Island. The appearance of Saigon's troops on neighboring islands may have provided the stimulus for Peking's military actions.

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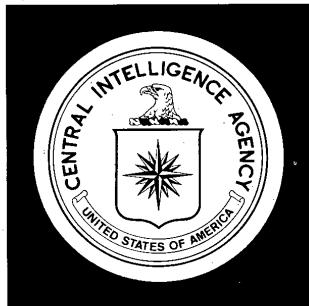
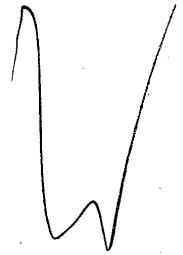
NOTE

Argentina: President Peron has publicly declared war on terrorist groups in Argentina following yesterday's massive guerrilla attack on an army garrison some 300 miles south of the capital--a battle described as the biggest guerrilla operation so far. Recent government efforts to stem mounting terrorism have not been successful, and Peron can be expected to take stronger measures. He will undoubtedly press for quick passage of an antiterrorist bill now before Congress, and may push for more active military participation in countersubversion.

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Notes by DCI
1/22/74



The President's Daily Brief

January 22, 1974

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declassification schedule of E.O. 11652
exempting category 5B(1)(2),3
declassification approved by
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 22, 1974

PRINCIPAL DEVELOPMENTS

The French franc declined sharply relative to the dollar and other European currencies yesterday. Gold was fixed at \$138 an ounce in London after reaching a record \$141.74 during trading. (Page 1)

Chinese military elements remain active in the Paracels, but no additional fighting with South Vietnamese forces has occurred. The North Vietnamese have taken unofficial note of the incident. (Page 2)

China

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(Page 3)

Tokyo registered a \$10.1-billion balance-of-payments deficit for 1973, in contrast to a \$4.7-billion surplus in 1972. (Page 4)

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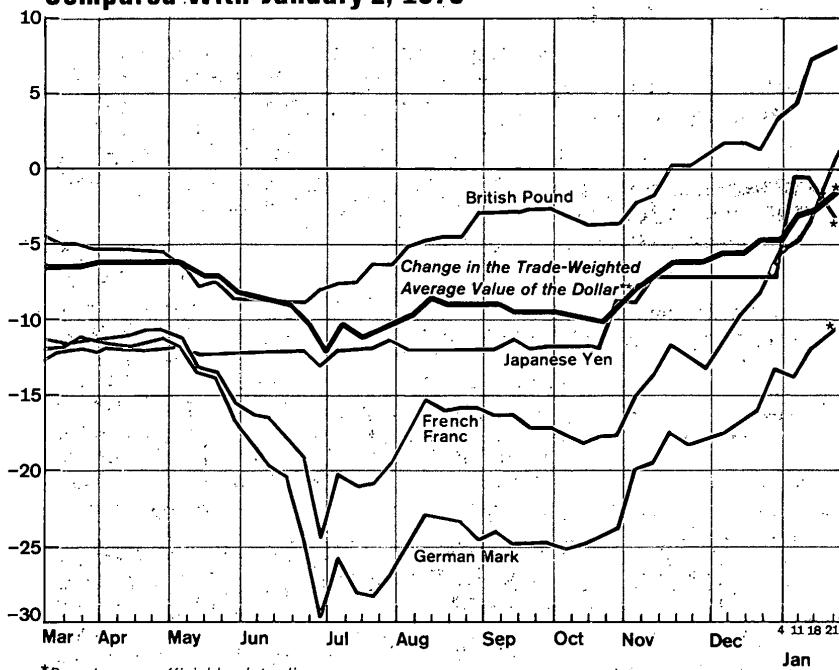
some poppy cultivation must be allowed in southwestern Turkey. (Page 5)

Notes on Australia's plans to recognize North Korea and the Lao prime minister's expectations for a new coalition government appear on Page 6.

Recent major political developments in China are reviewed at Annex.

FOR THE PRESIDENT ONLY

**Percent Change In the Value of the US Dollar
Relative to Selected Foreign Currencies
Compared With January 2, 1973**



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FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY DEVELOPMENTS

The French franc declined sharply relative to the dollar and other European currencies yesterday following Paris' decision to float the franc. Gold was fixed at \$138 an ounce in London, up more than \$8 over Friday but below the record \$141.74 reached during trading. The Paris and London currency exchanges were open Monday, but official exchanges in the seven remaining joint float countries plus Austria and Japan were closed to give officials time to assess the situation.

The weakened European joint float will resume today when the remaining members reopen their currency exchanges. The decision to continue the float was reached in Brussels yesterday after a meeting of the finance ministers of the five EC participants; the two non-EC participants, Norway and Sweden, concurred in the decision.

The decline of the franc--4.5 percent relative to the dollar--came despite a reported \$75 million in official dollar sales on the Paris exchange. The French apparently will attempt to slow the franc's depreciation through moderate intervention. Paris also moved to reduce speculative pressure on the franc by strengthening its foreign exchange controls. Other European currencies traded on the London exchange declined by smaller amounts. Sterling again closed at a record low relative to the dollar.

Japan ordered the Tokyo foreign exchange market to close for an unspecified period. The Japanese will pay particular attention to the course of the German mark before reopening the Tokyo market. If the remaining joint float currencies are allowed to depreciate further, Tokyo will almost certainly allow the yen to decline relative to the dollar.

Fears are spreading that the franc float will touch off a round of competitive devaluations by nations seeking a trading edge to offset their higher oil bills. International action will be needed to stem these fears.

FOR THE PRESIDENT ONLY

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VIETNAM-CHINA

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Chinese military elements remain active in the area of the Paracel Islands, but no additional fighting with South Vietnamese forces has occurred.

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Saigon is seeking an emergency meeting of the UN Security Council on the matter, but it may have considerable difficulty finding the necessary nine votes to convene such a session.

The North Vietnamese have taken unofficial note of the fighting, and their treatment indicates the trouble they are having with the issue. According to a French press report, "authorized sources" in Hanoi stated that preserving territorial sovereignty is a "sacred cause" for every nation, but that "the frequently complex disputes over territories and frontiers between neighboring countries demand careful and circumspect examination." While Hanoi does not have any direct claim to the Paracels, it does not want in any way to recognize Saigon. To scotch any hint of de facto recognition, the sources reiterated that Hanoi recognizes only the Provisional Revolutionary Government as the legitimate representative of the South Vietnamese.

FOR THE PRESIDENT ONLY

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CHINA

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JAPAN

Tokyo registered a \$10.1-billion balance-of-payments deficit for 1973, in contrast to a surplus of \$4.7 billion in 1972. Official foreign exchange reserves have been drawn down by one third to a level of \$12 billion.

Both trade and capital accounts deteriorated. The trade surplus fell to \$3.8 billion from \$9.0 billion in 1972 as a business upswing and soaring commodity prices pushed up the import bill by 70 percent. Exports rose nearly 30 percent, but the growth of export volume was slowed by resistance to higher prices on some products and by an inability to keep up with demand for others. The trade surplus with the US apparently dropped even faster than the surplus with the rest of the world.

The net outflow of long-term capital swelled from \$4.5 billion in 1972 to a record \$9.7 billion in 1973. Investment abroad increased in response to Tokyo's relaxation of capital controls and rising production costs in Japan. Tokyo also encouraged Japanese banks to expand substantially their overseas lending during the year.

Japan's balance of payments will register another large deficit in 1974. Higher oil prices alone will increase import costs by at least \$11 billion, and Japan's exports will have to increase relatively fast to avoid a trade deficit. Tokyo has already moved to discourage capital outflows and encourage inflows, and further efforts to limit this year's payments deficit can be expected. The imbalance, however, will remain large and should mean continued downward pressure on the yen, at least in the months immediately ahead.

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TURKEY

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[redacted] some opium-poppy cultivation must be permitted in order to improve the economic situation of peasants in former opium-producing areas in southwestern Turkey. An easing of the ban now in force, even if stringent controls are imposed on cultivation, would jeopardize recent progress in eliminating Turkey as a major source of illicit opium.

Although the ban was not a major issue during the election campaign last fall, all major parties promised to help the farmers in former poppy-growing areas. Opposition to the ban has remained strong in those areas despite efforts by Ankara, with US financial backing, to compensate farmers for their lost income. The farmers have still lost money because they have not been able to sell various opium by-products.

With the onset of the spring planting season, pressure to ease the ban on opium-poppy cultivation will increase. It will probably be some time, however, before the new coalition government reaches a definitive decision on the matter.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Australia-Korea: Australia informed Seoul yesterday that it will proceed with negotiations to recognize North Korea. Canberra will wait until Seoul has a chance to respond, but the Australians have made clear that their decision is firm. Australia has reassured South Korea that it will not downgrade ties with Seoul and has attempted to ease South Korean annoyance by promising to encourage socialist countries to recognize Seoul.

Laos: Prime Minister Souvanna now expects the new coalition government to be formed early next month. According to Souvanna, Soth Phetrasy, head of the Lao Communist delegation to the Joint Central Commission to Implement the Agreement, says that the Communists' chief political negotiator will return to Vientiane later this week with a list of Pathet Lao ministers for the new government. Souvanna has been urging such a step for weeks.

FOR THE PRESIDENT ONLY

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CHINA: "THE PARTY COMMANDS THE GUN"

The new year has already seen two major developments in China--the unprecedented rotation of eight high-ranking military men, in effect dislodging nearly all of them from well-entrenched provincial bases, and the reinstatement of the once-disgraced Teng Hsiao-ping to the Politburo and his appointment to the important Military Affairs Commission. These moves are at least as important as the reconstitution of the Politburo at the Tenth Party Congress last August.

The recent changes reduce the danger that disaffected provincial military leaders can combine with ultraleftists in Peking to oppose the moderate policies that have been in effect at home and abroad for the past several years. In addition, prospects for convening the overdue National People's Congress have now improved, and it may also be possible to fill high military posts in Peking. Nevertheless, the latest moves do not signal an end to political problems within the leadership; indeed, they run the risk of creating new ones.

Military Commanders Shifted

The rotation of military commanders speeds up what had been a gradual effort to ease provincial military leaders out of top party and government posts. As early as the spring of 1971, Chou En-lai had expressed uneasiness over the pervasive role of the military in provincial affairs, and the question of the army's proper place was unquestionably a major element in the demise of Defense Minister Lin Piao the following autumn. In the aftermath of that, a return to civilian party leadership in the provinces was never really in doubt; the only question was how rapidly it could take place. A selective purge of military men in provincial leadership posts began at once, but did not run its course until the summer of 1972. The effort to reduce the power of provincial military leaders then slowed considerably.

Plans for a further large reduction in the number of military in provincial party posts were probably made in preparation for the Tenth Party Congress. These plans, however, evidently met stiff opposition

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The resistance of the military [redacted] may well have postponed a more drastic dilution of the army's political role than that which occurred at the party congress. The number of military men on the central committee was significantly reduced, but those on the Politburo who had avoided being implicated in Lin Piao's abortive military coup were able to retain their positions.

The Return of Teng Hsiao-ping

The complete rehabilitation of Teng Hsiao-ping, who had been party secretary general before the Cultural Revolution, very likely was also discussed at the congress. The fact that he was not then named to the Politburo indicates that opposition to such a move had not been overcome by the summer. This opposition may have existed among military figures who wished to retain a significant political role for the PLA, as well as among ultraleftists who had helped engineer his downfall in 1966. Teng's appointment to the Military Affairs Commission also strongly suggests that he will play a significant role in the formulation of policy affecting the military--quite possibly in connection with a redefinition of the army's political role. His posting strongly affirms the principle that the "party commands the gun."

Final plans for the rotation of the regional commanders, as well as Teng's appointment, probably were worked out at high-level meetings after the congress. Unlike the provincial military figures who vanished after the Lin affair, the men involved were rotated, not purged. The media continue to record their appearances in their new bailiwicks and have in fact given most of them considerable publicity. Nevertheless, the only titles they now hold pertain strictly to their military duties. The regime will almost certainly find it easier to appoint civilian cadre to the leading party and government posts in the several provinces affected by the rotation than would have been the case had it left the military commanders in place and attempted to deprive them of their party and government positions.

(continued)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

The Struggle Is Not Over

The military leaders were permitted to save face, and this testifies to their still formidable strength. Indeed, the way the media are currently treating the military--giving only limited praise while emphasizing the necessity for discipline and party control--suggests that Peking is wary of that strength and may even anticipate further trouble from among the army's leaders.

A clearer reading of the regime's attitude toward the army will be possible when the top positions in the military establishment are filled. Marshal Yeh Chien-ying, a 75-year-old member of the Standing Committee of the Politburo, still seems the logical choice for defense minister. A close associate of Chou En-lai, Yeh has in effect filled the post since Lin Piao vacated it. Teng Hsiao-ping seems a good candidate for the job of chief of the General Political Department, a post apparently vacated by the transfer to Manchuria of Li Te-sheng, who has held the job for several years. There are several possible candidates for chief of staff. All this suggests that further bargaining lies ahead.

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*Noted by
DCI 1/23/74*



The President's Daily Brief

January 23, 1974

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Exempt from general
declassification under E.O. 14176
exemption category 3b, (1)(2)(3)
declassified only on approval of
the Director of Central Intelligence

THE PRESIDENT'S DAILY BRIEF

January 23, 1974

PRINCIPAL DEVELOPMENTS

Leaders of the Labor Alignment in Israel anticipate success in forming a new government with their two most important pre-election coalition partners.

(Page 1)

Communist units throughout South Vietnam have orders to stand down during the three-day Tet holiday, which begins today. (Page 2)

Preliminary discussions appear to be under way for the sale by France to China of Mirage III fighter aircraft. (Page 3)

Thai Prime Minister Sanya has quashed speculation that his government is about to step down. (Page 4)

FOR THE PRESIDENT ONLY

ISRAEL

Leaders of Prime Minister Meir's Labor Alignment anticipate success in forming a new government with their two most important pre-election coalition partners, the National Religious Party and the Independent Liberal Party. This week the two parties provided some grounds for Labor's optimism when they supported its candidate for speaker of the Knesset against a challenge by the conservative Likud bloc.

A Labor Alignment deputy minister informed US officials late last week that agreement between Labor and the National Religious Party is "virtually complete." In private talks with Labor representatives, leaders of the National Religious Party have indicated they might endorse a flexible foreign policy differing little from that of the current caretaker government.

The December election not only reduced the Labor Alignment's strength in the Knesset, but has restricted Prime Minister Meir's options in allotting ministerial posts. The shift to the right makes it all the more necessary, for example, to accommodate the views of Defense Minister Dayan on security issues. On the other hand, Mrs. Meir cannot afford to yield to those--like Dayan--who wish to replace Abba Eban as foreign minister. Eban is backed by Finance Minister Sapir, who has great influence among Labor Party regulars.

The Prime Minister will probably appoint to the cabinet familiar political figures rather than seek fresh faces. This would solve her most immediate problem--forming a government that will safely carry on present policies--but it may lead to a more open struggle for control of the Labor Party among the younger political leaders.

SOUTH VIETNAM

Recent intercepts from Communist units throughout the country show that they have orders to stand down during the three-day holiday which starts today. According to agent reports, many units were planning to celebrate Tet early in order to permit "increased vigilance" in case of military operations by the government.

There will apparently be little respite, however, in western Pleiku Province. Fighting in this area has been heavy since last week, when Saigon launched an operation to recapture the border outpost at Plei Djereng. The South Vietnamese currently hold the upper hand, but the Communists have sufficient strength in the area to counterattack at any time.

FRANCE-CHINA

Preliminary discussions appear to be under way for the sale by France to China of Mirage III fighter aircraft. A recent French press article claimed that China is interested in buying some 30 to 40 Mirage IIIs and possibly obtaining the rights to produce the aircraft in China under license. The article also stated that the Chinese are interested in acquiring the new F-1 Super Mirage when it becomes available.

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Acquisition of significant numbers of the Mirage III--a Mach 2 fighter--would greatly improve the intercept and ground attack capabilities of the Chinese Air Force. For several years, the Chinese have been developing a new high-speed interceptor of their own, but the status of that program is uncertain. If the French agree to licensed production of the Mirage in China, the Chinese would gain access to advanced technological processes that their aircraft industry currently lacks.

The Mirage F-1 is the latest aircraft produced by Dassault-Breguet. The F-1 Super Mirage, an improved model of the F-1, is expected to fly some time in 1976, and production models are expected to be available in 1978. Dassault officials claim that the avionics planned for this aircraft will be comparable to those carried by the US F-15.

THAILAND

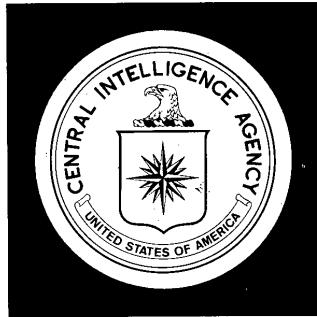
After consulting with the King, Prime Minister Sanya has issued a tough statement quashing speculation that his government was about to step down. Sanya said that his government still enjoys the confidence of the King, but threatened that he would resign if the National Assembly did not pass the tax bills that had been rejected earlier. He strongly implied that his challenge to the National Assembly had the firm backing of the King.

Sanya's statement is another sign of the extent to which the King has been drawn into the political process. Sanya also referred to the King's "interest" in recent student disturbances--an oblique but nonetheless clear signal from the palace for the students to get off the streets and back into the classrooms.

Sanya's threat last week to resign was prompted by charges that his government had been ineffective in dealing with public disorder. He has ordered the police to crack down on student law breakers, but the police have been reluctant to take such action for fear of arousing a new wave of student hostility. At least for the moment, however, public sympathy for the students is waning, and this should make the job easier for both Sanya and the police.

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The President's Daily Brief

January 24, 1974

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Exempt from general
declassification under E.O. 13526
exemption category 5B(1), (2)(3)
declassified only on approval of
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THE PRESIDENT'S DAILY BRIEF

January 24, 1974

PRINCIPAL DEVELOPMENTS



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Egypt's acceptance of the disengagement agreement and renewed calls by Sadat for Palestinian participation in the Geneva talks have created havoc among the fedayeen. Arafat's efforts to develop a unified Palestinian policy on peace negotiations have been set back. (Page 2)

Soviets

Egypt

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(Page 3)

France apparently is ready to sell 30 Mirage F-1 interceptors to Libya. The deal may involve an exchange of oil for the aircraft. (Page 4)

In Argentina, President Peron's call for a national mobilization against terrorists has, at least temporarily, united most Argentines behind him and isolated his opponents. (Page 5)

Popular discontent in India over persistent economic problems is causing fresh worry among leaders of the ruling Congress Party. The party was shaken by four by-election defeats earlier this month, and will have to perform more effectively if it is to avoid more serious setbacks in the months ahead.
(Page 6)

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On Page 7 are notes on Venezuelan oil developments, and Chilean political moves.

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FOR THE PRESIDENT ONLY

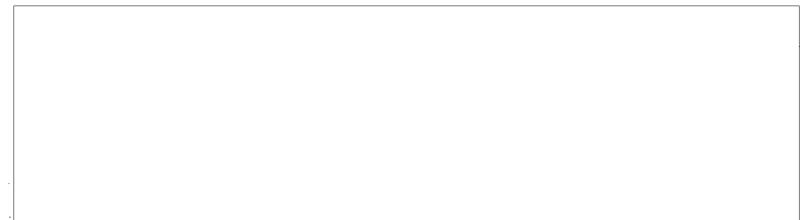
UNITED KINGDOM



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FOR THE PRESIDENT ONLY

FEDAYEEN

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Egypt's acceptance of the disengagement agreement and renewed calls by President Sadat for Palestinian participation in the Geneva talks have created havoc within the Palestine Liberation Organization. PLO Chairman Yasir Arafat, also the head of Fatah, the largest fedayeen group, is caught between his apparent commitment to back Sadat and the need to deal with widespread opposition to the Egyptian move among other fedayeen leaders.

Prompted by the leader of the Syrian-backed Saiqa organization, non-Fatah members of the PLO Executive Committee voted on January 19 to condemn the Egyptian-Israeli disengagement agreement as a betrayal of Palestinian interests. Arafat, who was in Cairo conferring with Sadat at the time the committee's decision was announced, quickly branded it "illegal." [redacted]

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Whatever the message Arafat is bringing from Sadat, there is no sign that it will ease fedayeen unhappiness with Egypt or suspicions about Arafat's motives. Saiqa, second to Fatah in size and importance, will continue to reflect Syria's apprehensions about Egypt's unilateral negotiations with Israel. The smaller fedayeen organizations have little alternative to opposing Cairo's policy if they wish to ensure continuing support from their patrons in Iraq, Libya, and Syria.

This round of recriminations is another setback to Arafat's efforts to develop a unified Palestinian policy on peace negotiations. [redacted]

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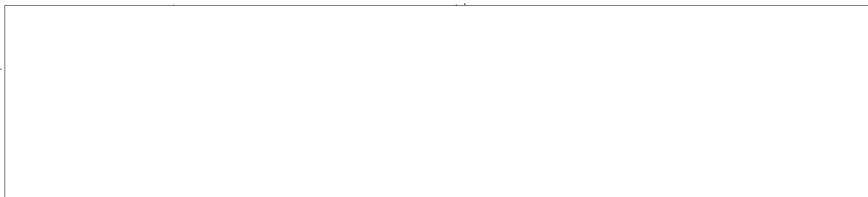
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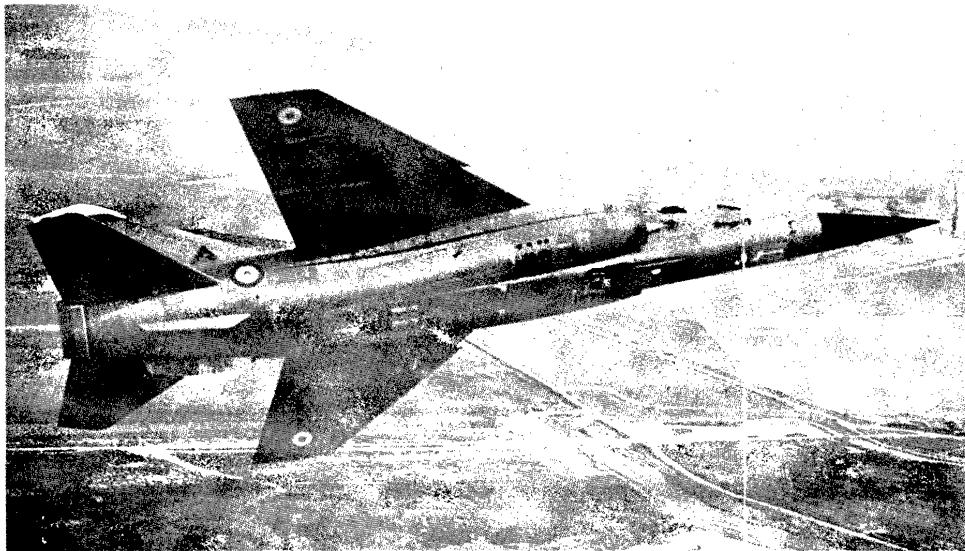
USSR-EGYPT



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Mirage F-1 Interceptor



LIBYA-FRANCE

France apparently is ready to sell 30 Mirage F-1 interceptors to Libya. President Qadhafi had expressed interest in buying these aircraft during his visit to France last November

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The deal may involve an exchange of oil for the Mirages.

France has previously sold Libya 120 Mirage 5 and III aircraft, about 100 of which have already been delivered. The F-1 has greater range and maneuverability. The Libyans have also purchased and deployed the French Crotale surface-to-air missile system and are seeking additional radars from France to bolster Libya's air defense.

ARGENTINA

President Peron's call for a national mobilization against terrorists has, at least temporarily, united most Argentines behind him and isolated his opponents.

The bloody attack by Marxist guerrillas on a military garrison last weekend has caused widespread outrage in a society that had become somewhat inured to violence. The raid also was a tactical disaster. Some 20 terrorists were apparently killed and hundreds of suspected extremists are being rounded up.

Military leaders have been reassured by Peron's tough response. Although their role in the counter-terrorist drive is still not clear, most officers see recent developments as marking the end of Peron's restraint toward the extremist groups. The President's criticism of provincial authorities for being soft on leftists was particularly welcomed by the military.

The left-leaning governor of Buenos Aires Province, where the guerrilla incident occurred, has already been forced to resign and there are press reports that the province will be taken over by central government officials. The governor and leftist labor leaders in Cordoba Province are also under fire.

The left-wing youth of the Peronist Movement has condemned the terrorists, but also criticized as "repressive" the new antiterrorist legislation now before Congress. Despite their continued protest against the draft legislation, it will undoubtedly be promulgated soon. Although recent events have given Peron a unique opportunity to strike a hard blow at the terrorists, his strong reaction runs the risk of driving the Peronist left wing into the extremist camp.

* * *

On the foreign affairs front, the government is putting pressure on the local Ford subsidiary to sell 1,500 passenger cars and 1,000 heavy trucks to Cuba in violation of OAS sanctions. Argentine officials say that if Ford does not comply, the company will be forced to sell the vehicles to the Argentine Government at a punitively low price for subsequent delivery to Cuba. Moreover, if Ford does not sell, it would not meet the export quota imposed by the government and thus would lose a proportionate share of the domestic market. Ford has already applied for a waiver from the US Treasury.

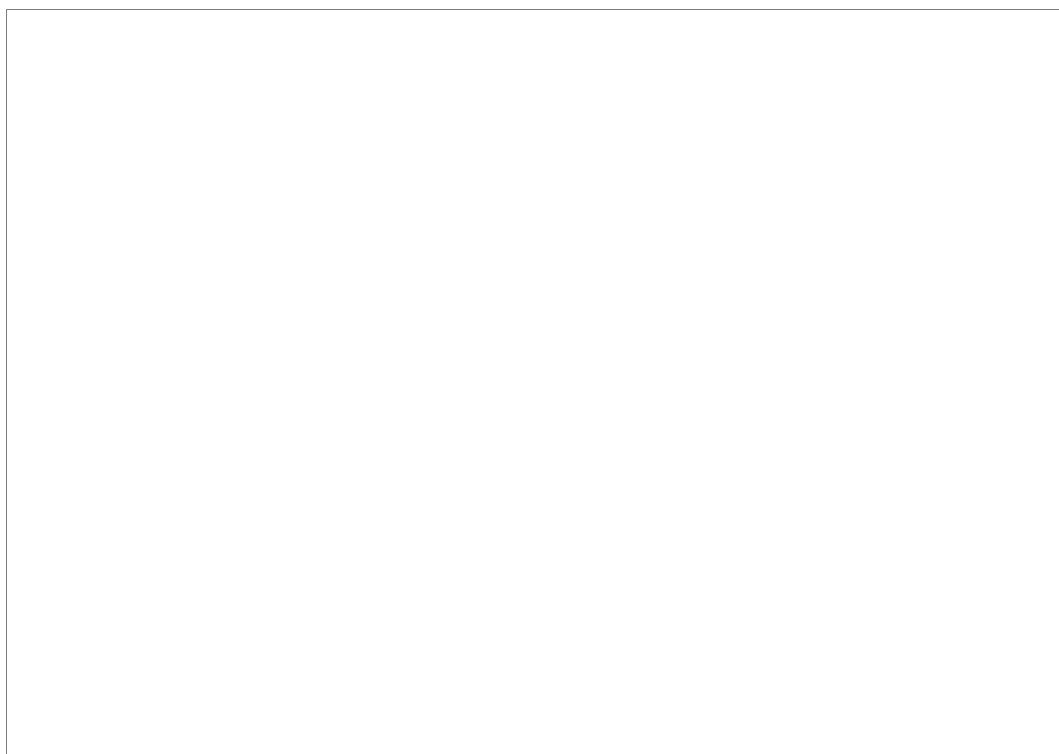
INDIA

Popular discontent over continuing economic problems--recently aggravated by higher prices for oil--is causing fresh worry among leaders of the ruling Congress Party.

Earlier this month the Congress Party was shaken by four by-election defeats in Maharashtra State, heretofore a party stronghold. Coupled with a surge of antigovernment demonstrations in many areas, these defeats have raised questions of what may be in store next month when four states and a union territory elect new legislatures. The most important of the five approaching polls is in the north central state of Uttar Pradesh--Prime Minister Gandhi's home base and, with a population of 90 million, India's largest state. Mrs. Gandhi has exerted every effort to win this one, and victory seemed assured until the Maharashtra defeats showed the depth of the public's disenchantment with the party.

Mrs. Gandhi's government does not face re-election until 1976, and as yet there are no signs that a viable alternative to her party and its programs is in the making. It is clear, however, that the party's appeal is waning, and that her administration will have to perform more effectively if she is to escape more serious political consequences in the months ahead.

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NOTES

USSR: [Redacted]

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Venezuela: The Caldera government, which only recently ordered foreign oil companies to pay 18 percent of their royalties in crude oil, beginning in early April, reportedly is considering raising this figure to 30 percent. This move would be consistent with Venezuela's increasing interest in using its oil for political advantage by selling to other Latin American countries at preferential prices.

Chile: The government this week issued a regulation banning specific activities by moderate and conservative political parties. Unlike the leftist parties, which were outlawed, these parties have been permitted an "inactive" existence. The junta's desire to "depoliticize" the country apparently continues to outweigh the argument, pressed by the Christian Democrats, that only Communists or other leftists skilled in clandestine activity stand to gain from the moratorium.

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Note by DCI

1/25/74



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January 25, 1974

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Exempt from general
declassification schedule of E.O. 11652
exemption category 5(R)(1), (2), (3)
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THE PRESIDENT'S DAILY BRIEF

January 25, 1974

PRINCIPAL DEVELOPMENTS

Implementation of the Egyptian-Israeli disengagement agreement will formally begin today. (Page 1)

The communiqué marking the end of Egyptian Foreign Minister Fahmi's visit to the Soviet Union called the disengagement agreement a positive step, but indicated that fundamental questions still remain to be settled at Geneva. (Page 3)

Communist gunners shelled Phnom Penh yesterday, causing numerous civilian casualties and minor damage. (Page 4)

The dollar weakened slightly in major European centers yesterday but still remains above last week's levels against most European currencies. (Page 5)

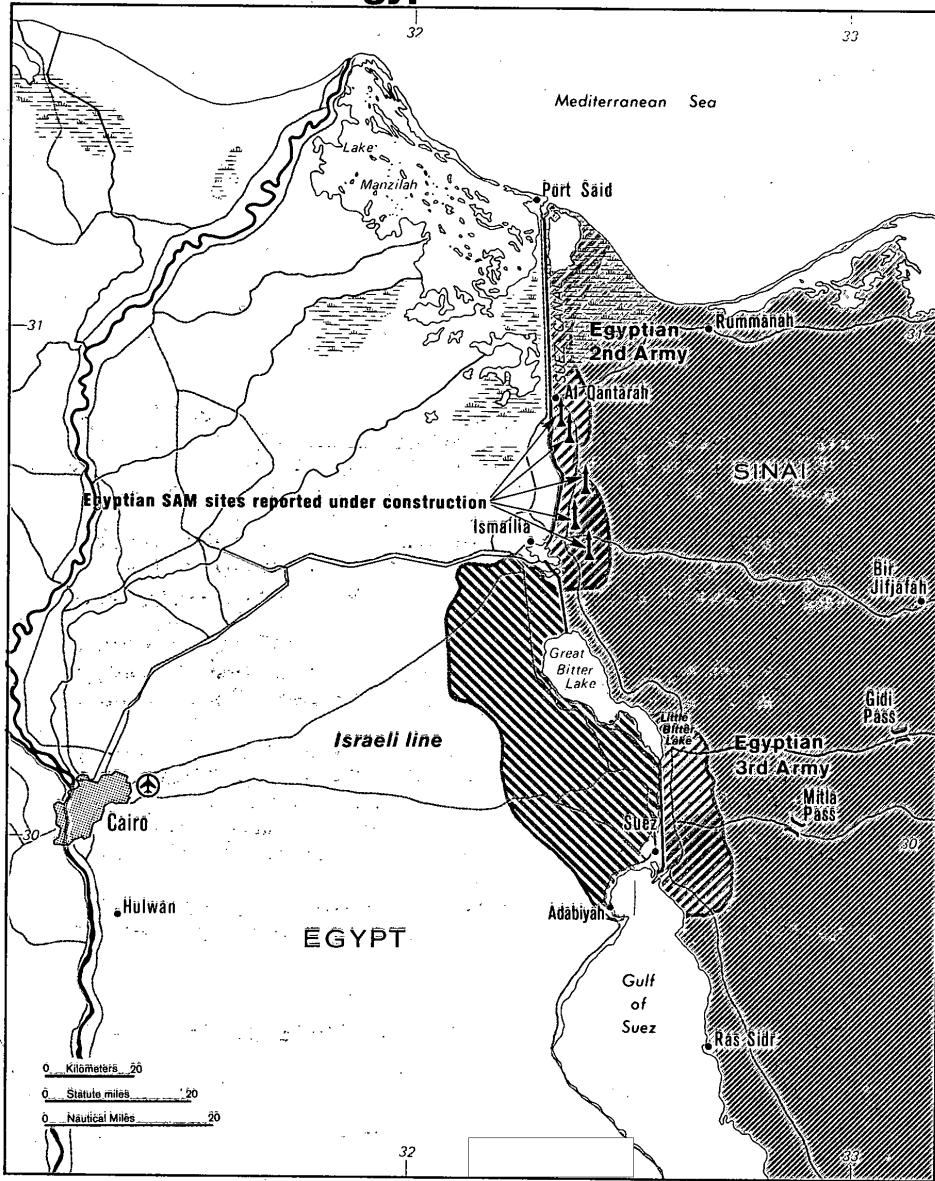
Notes on the USSR [redacted] a Soviet warning to US firms on business ventures in Romania, Chinese [redacted]
Page 6.

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FOR THE PRESIDENT ONLY

Egyptian Front



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EGYPT-ISRAEL

Implementation of the Egyptian-Israeli disengagement agreement will formally begin today.

The Israelis have been moving military equipment off the west bank of the Suez Canal for several days, but final agreement on the details and the timing of implementation was reached only yesterday. The Egyptian and Israeli chiefs of staff met at Kilometer 101 to complete the detailed implementation agreement, which was worked out by military negotiating teams in a week-long series of meetings. Evacuation will begin from the southernmost portion of the west bank salient, according to Israeli sources, and disengagement is to be completed within 40 days.

The Egyptian military leadership is now disturbed that disclosure of the full scope of disengagement will bring an adverse reaction from military commanders who have thus far been briefed on the agreement only in general terms. The US Interests Section in Cairo notes that civilian officials may also be expecting too much from the agreement, but there is no indication that President Sadat will have unmanageable domestic problems on his hands as a result.

Israeli military officials, in the meantime, recently expressed concern about Egypt's good faith in carrying out its end of the bargain.

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Egyptians have been building five new surface-to-air missile sites on the east bank of the canal in the Second Army area. Under the terms of the disengagement agreement, no missiles or permanent, fixed installations for missile sites will be permitted in this area when disengagement has taken effect.

The Israeli military has been concerned that the construction of the missile sites, which they claim has continued since the disengagement agreement was signed on January 18, may foreshadow a repetition of the 1970 situation, when the Egyptians violated the August cease-fire agreement by moving missile sites to forward positions near the Suez Canal.

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EGYPT-USSR

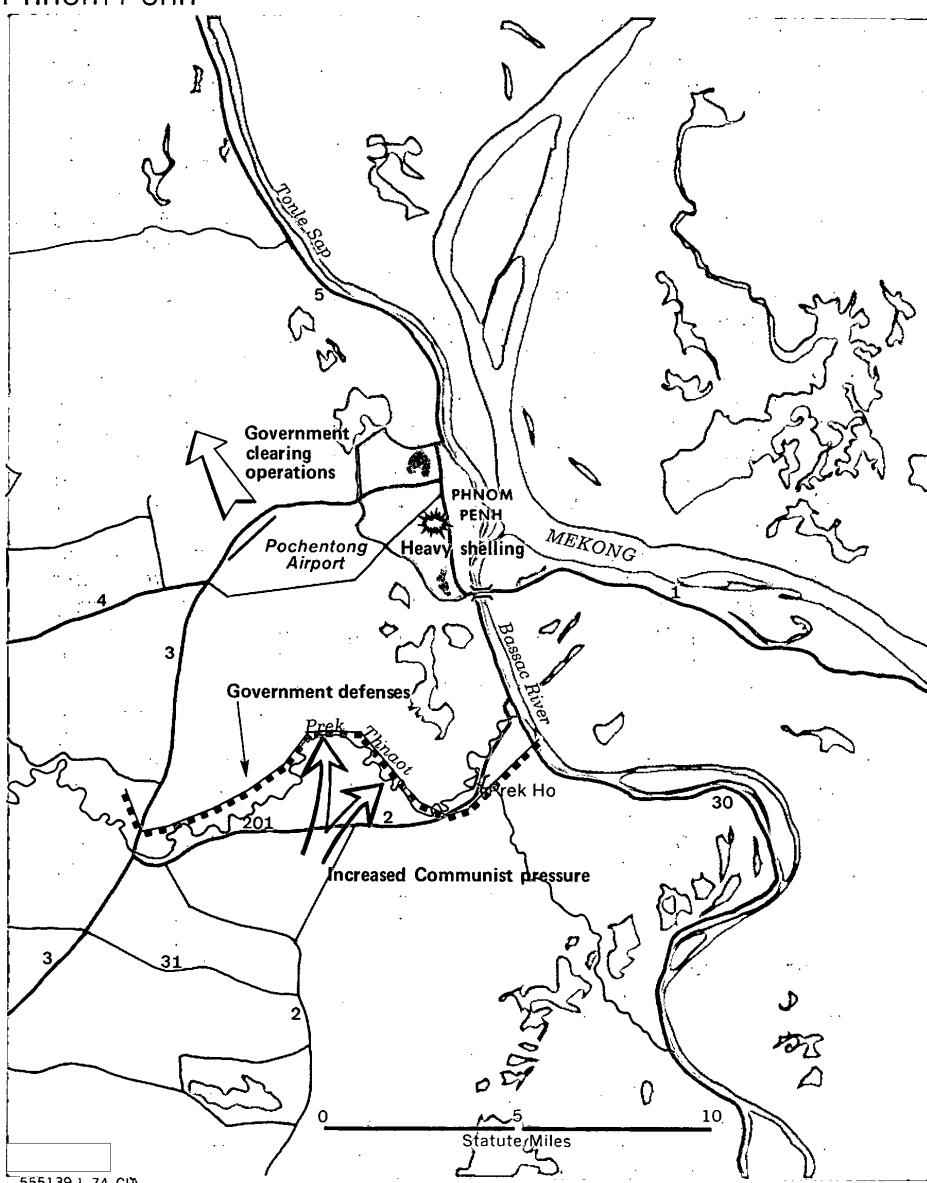
The communiqué marking the end of Egyptian Foreign Minister Fahmi's visit to the Soviet Union called the disengagement agreement a positive step, but indicated that fundamental questions still remain to be settled at Geneva. Moscow's preoccupation with getting the talks back to the Geneva forum was also evident in an earlier statement on Fahmi's talks with Brezhnev and Podgorny.

The communiqué pointedly refers to the necessity for closer coordination between Cairo and Moscow, indicating that the Egyptians felt constrained to make some gesture to meet Soviet objections to their exclusion from the disengagement talks. There is a specific reference to coordination at all levels in Geneva. This probably means that the Soviets intend to play a more obtrusive role in Geneva than heretofore. The Egyptians, who rejected Soviet participation in the deliberations of the military committee at Geneva, apparently gave some ground, at least to the extent of agreeing to keep the Soviets abreast of developments in any future bilateral talks. It is doubtful, however, that Fahmi committed Egypt to giving the Soviets a role that would allow interference with the smooth progress of negotiations. In fact, the communiqué tries to calm possible US apprehension by stating that closer Egyptian-Soviet coordination will not "inflict damage on anyone."

The statement gives some prominence to the Palestine question by stating that Palestinian representatives should be accorded equal participation in Geneva in the "nearest future." The Soviets have been taking the line with the fractious fedayeen that the Palestinians eventually would be represented at Geneva. President Sadat has been telling Arab leaders in recent days that the Palestine question would now be moved near the top of the Geneva agenda.

The communiqué makes no reference to future Soviet military aid to Egypt, despite the fact that Fahmi made a strong pitch to Gromyko for such assistance. Fahmi indicated Cairo is concerned over what it regards as Soviet foot-dragging on re-equipping its forces. Moscow, which has been upset over its seeming lack of leverage in Cairo and at Egyptian proclivity to deal with the US at its expense, may be doing little to reassure the Egyptians on this point.

Phnom Penh



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CAMBODIA

Military action is centered in the Phnom Penh region. Communist gunners yesterday used captured 105-mm. howitzers to shell the capital, causing numerous civilian casualties and minor damage.

Such attacks are expected to continue. An intercepted message of January 23 called for Communist gunners to fire 50 to 100 rounds into the city "in the next two or three days" and for lighter shellings "on the following days."

Northwest of the capital, Cambodian Army units have seized the initiative from the Khmer Communists and are now mopping up north of the city's airport.

With the easing of the threat in the northwest, the government is moving some units from that sector to strengthen defenses south of Phnom Penh. Government combat strength in the south will soon be over 8,000 troops--almost double the estimated Communist strength.

Activity on the southern front has been limited to relatively small-scale engagements along the Prek Thnaot River battle line. Although the Communists have had difficulty deciding where to direct their major effort, they have still been able to push government forces north of the river in several areas.

INTERNATIONAL MONETARY DEVELOPMENTS

The dollar weakened somewhat in major European centers yesterday but still remains above last week's levels against most European currencies, especially the French franc and lira. Sterling, aided by an easing of Eurodollar rates, closed at its highest level relative to the dollar since January 14. The price of gold reached \$141 an ounce on the London market.

The French franc's improvement against the dollar was aided by central bank dollar sales of \$40 million. The Bank of France has sold approximately \$330 million since its decision to float the franc last weekend. At the same time, the franc has been depreciating relative to most other European currencies.

The remnants of the European joint float came under some pressure yesterday as the Norwegian crown reached the top of the band and the Danish crown, Belgian franc, and Dutch guilder sank to the bottom.

In Tokyo the dollar opened fractionally lower today, with no apparent intervention by the central bank. The Bank of Japan sold about \$70 million yesterday to maintain the exchange rate at 300 yen to the dollar.

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NOTES

USSR: [redacted]

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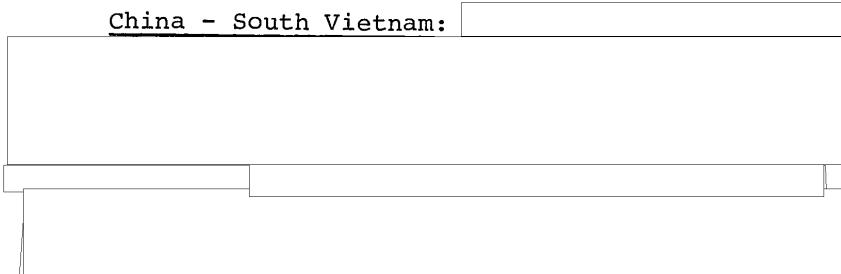
USSR: Soviet officials have warned US firms seeking to expand trade with Bloc countries that business ventures in Romania could jeopardize the firms' trade relations with the USSR. Moscow apparently does not want Romania to appear to be benefiting economically from an independent foreign policy because of the possible impact on other East European states.

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China - South Vietnam: [redacted]

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January 26, 1974

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declassification schedule of E.O. 11652
exemption category 5B(1), (2), (3)
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THE PRESIDENT'S DAILY BRIEF

January 26, 1974

PRINCIPAL DEVELOPMENTS

The Egyptians have agreed to remove by February 20 the five recently constructed surface-to-air missile sites on the east bank of the Canal. (Page 1)

Evidence suggests that world oil supplies are rising faster than demand, as producers begin to increase output while demand in consuming countries slackens. (Page 2)

Australian Prime Minister Whitlam leaves Monday on a 16-day trip through Southeast Asia designed to emphasize Canberra's new interest in regional affairs. (Page 3)

Chinese [redacted]

25X1

[redacted] (Page 4)

25X1

The conference of the West European communist parties opening today in Brussels will probably be dominated by the question of relations between the parties and Moscow. (Page 5)

25X1

Notes on China [redacted]

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[redacted] appear on Page 6.

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EGYPT-ISRAEL

The Egyptians have agreed to remove by February 20 the five recently constructed surface-to-air missile sites on the east bank of the Canal. They gave their consent just prior to the conclusion of the disengagement implementation agreement on January 24, according to UN sources.

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FOR THE PRESIDENT ONLY

INTERNATIONAL OIL

There is increasing evidence that world oil supplies are rising faster than demand. Oil production outside the Communist countries will be about 2 million barrels per day (b/d) more this month than December and only 3.5 percent below the level of September, the last month when oil operations were normal.

Some producers, both Arabs and non-Arabs, have increased output. Saudi Arabia is producing some 400,000 b/d more than it is allowed under the Arab producers' cutback formula, probably to meet commitments to the UK, Belgium, and Japan. Production in Iran has gone up 300,000 b/d since September, and Iraqi production is back to pre-war levels. Kuwait and Libya have not boosted production, however, and Venezuela has ordered a 200,000 b/d cutback, apparently for conservation reasons.

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Oil demand in the consuming countries is clearly much lower than last fall. Near-zero economic growth, a variety of conservation measures, and consumer and government reactions to higher prices are all factors. Stocks of many petroleum products are at high levels on the US East Coast and in Western Europe. [redacted]

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AUSTRALIA

Prime Minister Whitlam leaves Monday on a swing through Southeast Asia, his first since taking office a year ago. His 16-day visit to Malaysia, Thailand, Laos, Burma, Singapore, and the Philippines is designed to emphasize Canberra's new interest in playing a leading role in regional affairs.

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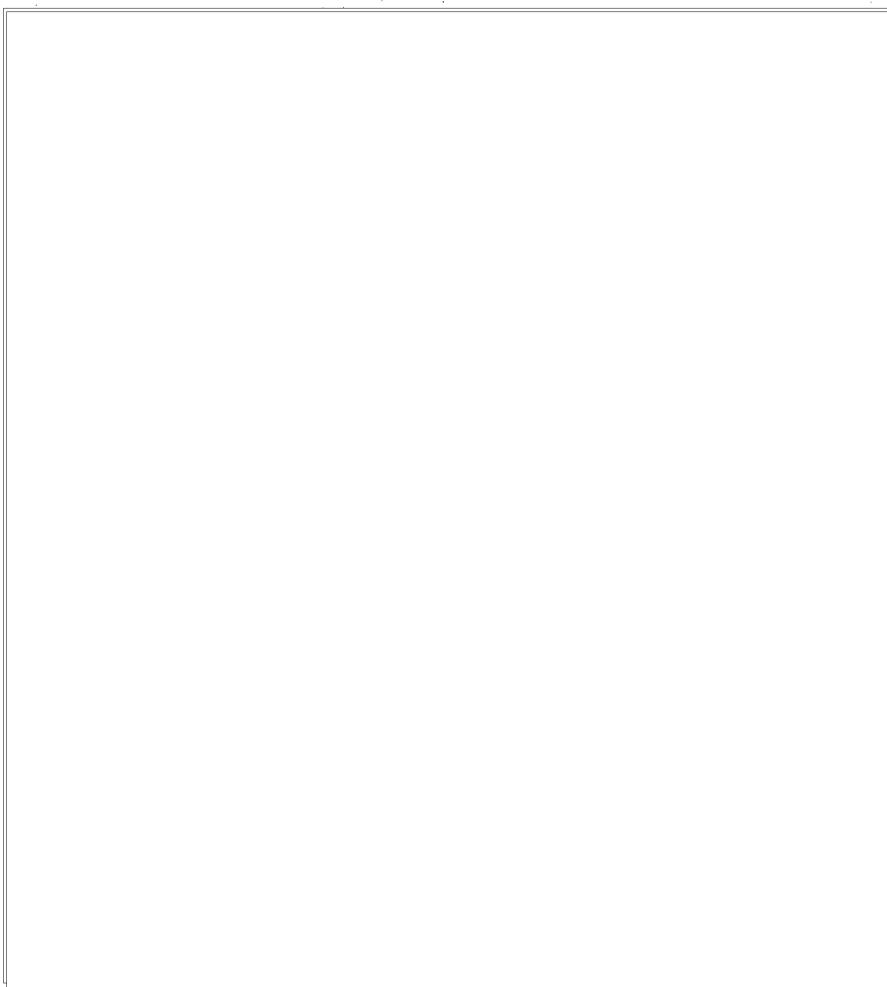
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CHINA - SOUTH VIETNAM



WEST EUROPEAN COMMUNIST PARTIES

The conference of West European communist parties, which opens today in Brussels, will probably be dominated by the question of relations between the Western parties and Moscow.

The Italian Communists hope that the conference will lead to a coordinated strategy, independent of the Soviets if necessary, on a broad range of West European economic, social, and defense issues. The Soviets are particularly concerned over the Italians' intention to air fully the question of Soviet policy toward dissidents. The Italian, French, Swiss, and Spanish parties have said they were "hostile" to Moscow's suppression of Solzhenitsyn's works, although they did not agree with the author's criticism of the Soviet system.

One key to the outcome of the conference will be the role adopted by the French Communist Party. Although the French acted as a brake on the Italians during the preparatory stage, they have moved closer to the Italian position on European issues and advocate, for example, the development of means by which to exert concerted pressure on the EC. This stand and the party's qualified criticism of Moscow's handling of Solzhenitsyn do not, however, reflect serious disagreement with the Soviets.

Differences among the western parties themselves--and indirect pressure from Moscow--will probably keep the conference from producing the clear and independent statements on European issues that the Italians would like.

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NOTES

China: [redacted]

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USSR-Somalia: [redacted]

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Bangladesh-USSR: [redacted]

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USSR: [redacted]

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(continued)

Australia: Australia has decided to delay recognition of North Korea for a few weeks, until Seoul's new ambassador arrives in Canberra and has an opportunity to meet with Prime Minister Whitlam. Canberra will make an attempt in the meantime to persuade an East European country to recognize Seoul. Chargé Harrop was told, however, that Canberra has made a decision to recognize Pyongyang, and will do so soon, perhaps before Parliament reconvenes February 28.

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January 28, 1974

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Exempt from general
declassification schedule by O.O. 11652
exemption category 5B(1), (2)(i), (3)(C)
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THE PRESIDENT'S DAILY BRIEF

January 28, 1974

PRINCIPAL DEVELOPMENTS

The recent shellings by Cambodian Communists have increased apprehension in Phnom Penh, but a general exodus from the city does not seem imminent.

(Page 1)

Egyptian Foreign Minister Fahmi's visit to Moscow helped to ease tensions and resulted in some concessions on military aid to Egypt. (Page 2)

The cease-fire has been broken on the Egyptian and Syrian fronts, but Israel has announced that disengagement in the Sinai will begin sooner than scheduled. (Page 3)

North Korea has denounced the South's proposal for a nonaggression pact but later suggested that the two sides' coordinating committee meet again on January 30. (Page 4)

President Suharto is planning to announce major changes in the Indonesian Government. (Page 5)

The resignation of eight Peronist congressmen in protest against tough new antiterrorist legislation is another blow to Peron's splintering movement.

(Page 6)

FOR THE PRESIDENT ONLY

CAMBODIA

Recent shellings by the Khmer Communists have increased war-weariness and apprehension in Phnom Penh, but a general exodus from the city does not seem imminent. Most of the estimated 10,000 families that streamed from the hard-hit southwestern quarter into the heart of the capital on Saturday have now returned to their homes. Government authorities, meanwhile, are instituting tighter population control measures to try to prevent a recurrence of panic.

Communist gunners south of Phnom Penh in the vicinity of the Prek Thnaot River are still within range of the capital, and their shelling of the southwestern sector of the city resumed early this morning. The Communist high command in recent intercepts has encouraged continued artillery attacks and has called on insurgent units around Phnom Penh to seek out and exploit gaps in the city's outlying defenses.

There was little significant ground fighting in the Phnom Penh region over the weekend. Government forces made only limited progress in attempting to drive the Communists away from Phnom Penh's southwestern defense line. Cambodian Army operations in this sector have been hampered by a lack of cooperation and coordination among local commanders.

On the political front, Prince Sihanouk has concluded his brief visit to North Vietnam. Before leaving Hanoi on January 26, Sihanouk again publicly ruled out any negotiations with the Lon Nol government and the formation of a coalition government. He also reiterated that diplomatic relations could be established between his "government" and the US once Washington ceases to "interfere" in Cambodian affairs and terminates all forms of aid to Phnom Penh.

EGYPT-USSR

Egyptian Foreign Minister Fahmi's visit to the Soviet Union earlier this month resulted in a lessening of tensions between the two countries and some military aid concessions for Cairo.

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The Soviets agreed to fulfill contracts for military shipments signed before the outbreak of the October war, and also to send a delegation to Cairo in the near future to negotiate "less onerous" payment terms. No new military aid agreements were discussed. These arrangements appear to be a compromise between Egyptian efforts to have military debt payments postponed and Moscow's demands for full payment.

Both sides, in addition, agreed to the need for more flexibility in their relations, and Egypt pledged to expand economic and cultural cooperation with Moscow. This cooperation, however, will apparently fall short of giving the Soviet Union the sort of special military privileges it had enjoyed in the past.

MIDDLE EAST

The calm on the Egyptian front was broken yesterday by two hours of sporadic artillery fire. Shooting started in Syria on Saturday as Israeli engineers worked to strengthen their positions. It resumed again on Sunday.

Jerusalem, nonetheless, has announced that, while its forces are pulling back from the west bank, other Israeli forces in the Sinai, south of the Egyptian Third Army, will begin to withdraw now. Israeli troops in the latter area had been scheduled to withdraw at a later stage. They are being pulled back now because the Egyptians refuse to thin out the Third Army until the Israeli forces facing it begin to withdraw.

Israeli troops withdrawing from the west bank are said to be destroying Egyptian missile sites, despite an order by Chief of Staff Elazar to leave all military and civilian installations intact.

The Egyptians, for their part, may have begun to demobilize some of their troops.

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An Egyptian military spokesman has announced that the Cairo-Suez road will be reopened to civilian traffic on Tuesday. Initially, only government employees, journalists, and other sanctioned groups will be allowed to use the road. Individuals who have valid residence cards, issued by Suez district, will be allowed to use the road beginning February 5.

KOREA

Pyongyang has denounced Seoul's January 18 proposal for a nonaggression pact, claiming that it could only perpetuate the country's division. A party daily editorial on January 26 accused Seoul of making the offer simply to justify its rejection of Pyongyang's long-standing formula to settle the problem, which includes withdrawal of all US forces, arms limitation, and a peace treaty.

The editorial did not completely close the door on Seoul's offer, however, and, in a separate move, Pyongyang proposed that the vice-chairmen of the North-South Coordinating Committee meet on January 30. The North will probably use the meeting for further denunciations of Seoul's proposal but will also probe for indications that it signals a softening of the South's opposition to US withdrawal, ending the UN command, and a formal peace treaty.

Pyongyang's strong reaction reflects determination to prevent Seoul from gaining the initiative in their on-going dialogue. Pyongyang also wants to thwart any attempt by Seoul to use progress in the talks to divert attention from its pressing domestic problems.

INDONESIA

President Suharto is planning to announce soon major changes in his government:

[redacted]

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--Dissolution of the national security command which has been an important element in the power base of General Sumitro. Suharto's closest personal adviser, General Ali Murtopo, has worked assiduously to blame the recent violence on his rival Sumitro.

[redacted]

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--Steps to cleanse the presidential household of its image of corruption and ostentatious living.

[redacted]

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Such changes would be a victory for Suharto's closest advisers

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ARGENTINA

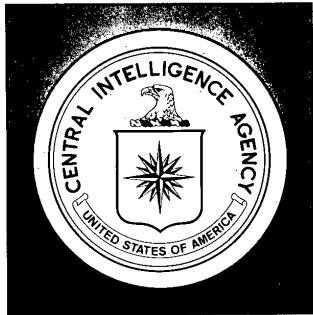
The resignation of eight Peronist congressmen in protest against tough new antiterrorist legislation is another blow to President Peron's splintered movement.

The controversial law enacted on Friday gives Peron broad powers to combat subversion, but left-wing Peronists and opposition political parties charge that it will enable the government to use repressive measures indiscriminately to stifle opponents. When the eight deputies met with Peron to express their opposition to the measure, they were curtly informed that they could leave the party if they did not support Peron's position. After their resignations, Peron expelled them from his party.

This first open breach in Peronist ranks brought a rash of violent incidents over the weekend that appear to be the work of opposing Peronist factions. Although the leftists' sagging enthusiasm for Peron will probably not lead to extensive bolting from his party, increased attacks on the left by right-wing extremists and security forces might drive Peronist guerrilla organizations into the Marxist terrorists' camp. Some of these groups cooperated in opposing the military government while Peron was in exile.

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The President's Daily Brief

January 29, 1974



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declassification schedule of E.O. 11652
exemption category SR(1)(2), (3)
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THE PRESIDENT'S DAILY BRIEF

January 29, 1974

PRINCIPAL DEVELOPMENTS

The Khmer Communists continue to shell Phnom Penh from positions on the southern front despite government counterfire and air strikes. (Page 1)

China has announced it will release the one American and 48 South Vietnamese captured in the Paracels last week. Military activity around the islands is light. (Page 2)

Indonesian President Suharto is shaking up his government in the wake of anti-Japanese riots during Prime Minister Tanaka's recent visit. (Page 3) 25X1

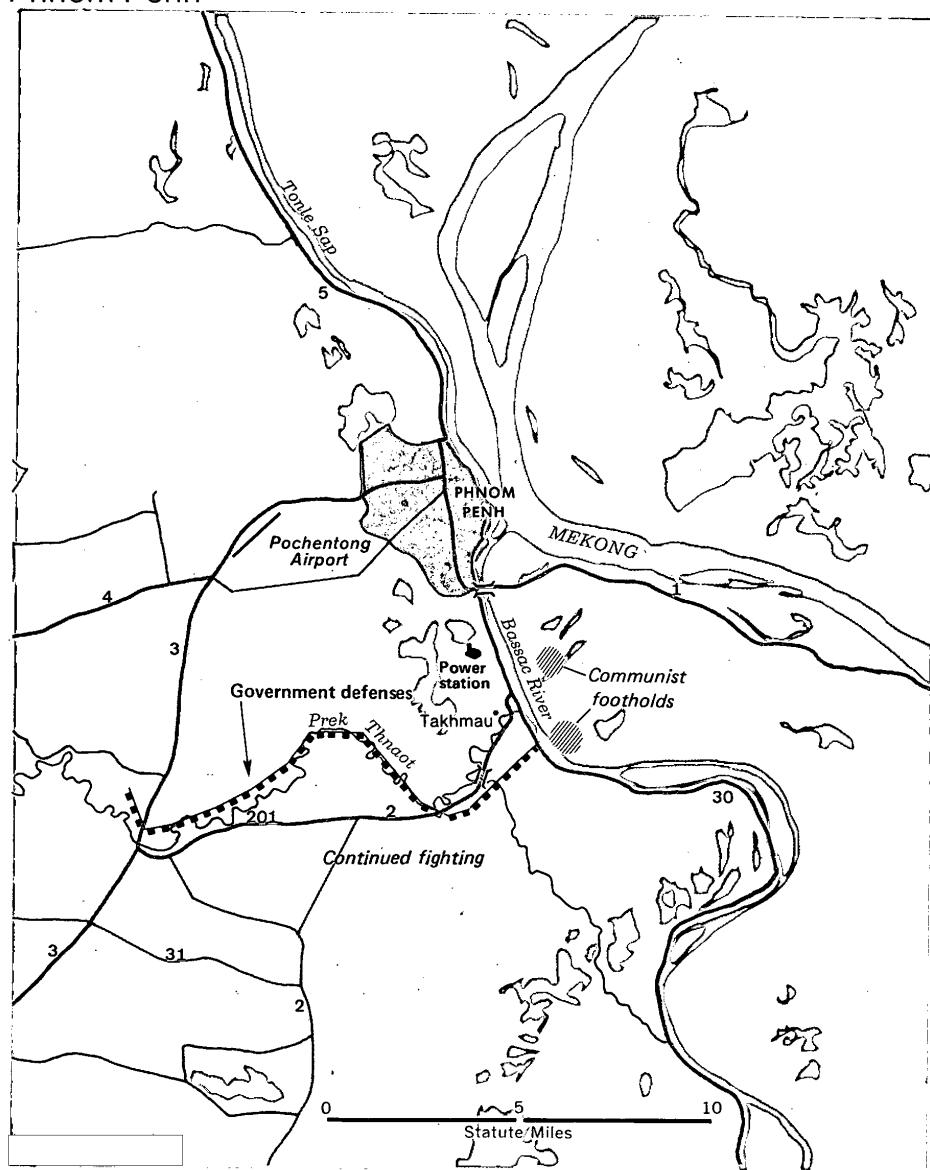
French Foreign Minister Jobert did not conclude any specific agreements during his recent visit to Saudi Arabia. (Page 4) 25X1

Soviets (Page 5) 25X1

A note on the coming annual talks between the USSR and China on river navigation appears on Page 6.

FOR THE PRESIDENT ONLY

Phnom Penh



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CAMBODIA

The Khmer Communists are continuing to shell Phnom Penh from positions on the southern front despite government counterfire and air strikes. Along the Prek Thnaot River battle line, the Cambodian Army counterattack has faltered.

Southeast of the capital, opposite Phnom Penh's southern suburb, Takhmau, Communist elements operating along the Bassac River now control two short stretches of riverbank. The insurgents' gains put them within mortar range of the capital's primary electric power station.

Action has been relatively light on Phnom Penh's northern fronts in the past few days, although local villagers have reported a buildup of Communist troops near Route 5 some 15 miles northwest of the city. Intercepted messages last week reflected Communist plans to renew pressure in the northwest.

CHINA - SOUTH VIETNAM

The Chinese Government announced today that it will release "in batches" the 48 South Vietnamese and one American captured during the recent fighting in the Paracel Islands. The first group to be released consists of Gerald Kosh, whom the Chinese describe as "ill from hepatitis," and five wounded South Vietnamese.

They will be turned over to Red cross officials at the Hong Kong border on January 31. No date for release of the rest of the prisoners was announced.

The South Vietnamese Government has said that "at least 67" of its men are missing as a result of the fight in the Paracels.

* * *

This morning, a number of Chinese jets flew over the Paracels. Yesterday there were none over the islands, marking the first time since January 17 that Chinese aircraft did not patrol at least in the vicinity of the Paracels.

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The South Vietnamese apparently continue to stay away from the islands.

INDONESIA

President Suharto yesterday, as part of a broader government shake-up, announced the dismissal of General Sumitro as head of Indonesia's national security command. In an apparent effort to balance this action politically, Suharto also abolished the post of personal aide to the president, a position that has been held by General Ali Murtopo, Sumitro's principal rival.

Rather than abolish the national security command as planned, Suharto has now decided instead to assume Sumitro's place. Sumitro had used the security organization to influence the course of many nonsecurity aspects of national policy, and his ouster is an obvious move to circumscribe his political strength.

Sumitro retains his post as deputy commander in chief of the armed forces, and therefore remains a powerful figure. On balance, it appears that Sumitro has lost more power than Murtopo, who may well keep his role as a close adviser of Suharto without the formal title.

FRANCE - SAUDI ARABIA

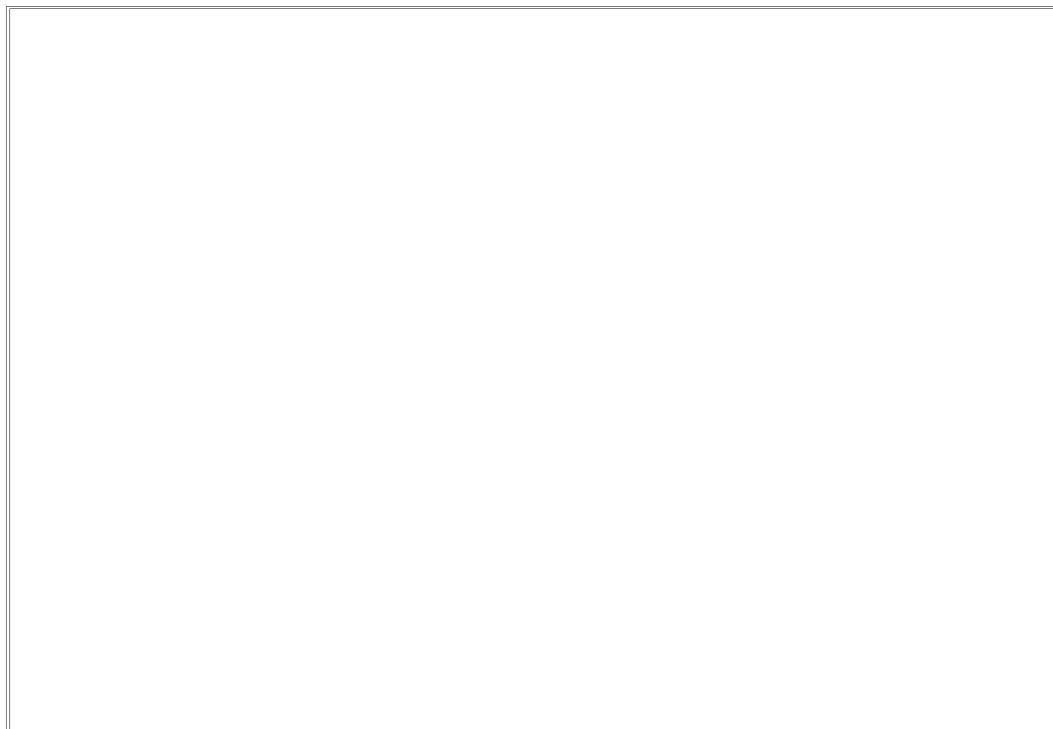
French Foreign Minister Jobert did not conclude any specific agreements during his recent visit to Saudi Arabia. Both French and Saudi officials report that the talks were confined to generalities, and a member of the French delegation described the atmosphere of the talks as "somewhat cool."

In toasting Jobert at a formal dinner on January 24, the Saudi Minister of State for Foreign Affairs, Omar Saqqaf, noted that any improvement in the already good relations between France and Saudi Arabia would not be made at the expense of Saudi Arabia's traditional friendships. Saqqaf's remarks have not been reported in either the Saudi or French media.

Jobert denied at a press conference that his visit had been intended to conclude an oil deal. He said, however, that the talks were directed toward establishing a foundation for long-term cooperation in economic development, and added that oil and other agreements would come later. He referred to the possibility of returning to Saudi Arabia within six months.

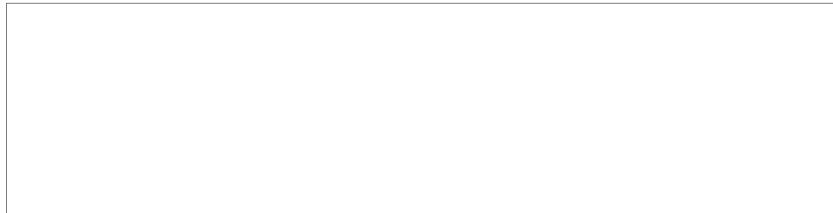
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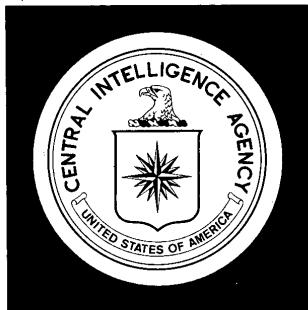


NOTE

USSR-China: Despite heightened polemics over alleged Soviet espionage activity in China, Peking has agreed to attend the annual Sino-Soviet talks on river navigation scheduled for February 5 in the Soviet Far Eastern city of Blagoveshchensk. The sessions do not usually achieve any substantive results, but they are a forum where each side can try to gauge the negotiating climate.

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The President's Daily Brief

January 30, 1974

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declassification schedule of E.O. 14176
exemption category 5B(1), (2)(i), (3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 30, 1974

PRINCIPAL DEVELOPMENTS

The USSR and East European countries are also going to have to pay considerably higher prices for Arab oil. The Iraqis, for example, are insisting that Moscow pay the price now being asked of Western customers--about \$17 per barrel. (Page 1)

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The Belgian Government announced yesterday that it intends to use the EC Council session today for debate on the future of the community. The target is France [redacted]

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[redacted] (Page 2)

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The South Vietnamese are trying to exploit Hanoi's obvious embarrassment over China's seizure of the Paracels. (Page 3)

Moscow sold nearly 300 metric tons of gold for more than \$900 million last year. (Page 4)

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[redacted] Soviet [redacted] (Page 5)

Notes on Vietnam, Bulgaria, the USSR, and Australia appear on Page 6.

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FOR THE PRESIDENT ONLY

USSR - ARAB STATES

The Soviets too are probably going to have to pay considerably higher prices for Arab oil. Earlier this month, Iraq reportedly stopped shipping crude oil purchased by the USSR until a dispute over prices is resolved. Baghdad is insisting that Moscow pay the price now being asked of Western customers--about \$17 per barrel. As a result, Soviet plans to obtain 400,000 barrels per day of Iraqi oil during 1974--three times the estimated 1973 level--may be in jeopardy. Soviet purchases probably would be on a barter basis, as in the past.

The Soviets and East Europeans have encountered similar problems with other Arab oil producers. Soviet purchases of crude from Libya apparently ceased late last year when Tripoli notified Moscow that it would not load Soviet tankers unless Moscow paid higher prices. Syria has refused to export oil to Hungary under a 1973 contract calling for a price of \$5.50 per barrel. Damascus is offering to deliver crude oil this year at a price of \$18 per barrel, but Budapest is waiting for the USSR and Bulgaria to conclude price agreements with Syria.

Little of the oil purchased by Moscow is destined for the USSR, which is self-sufficient in crude oil. Most of the oil purchased abroad is sent to Eastern Europe, which relies on the Arabs for some 15 percent of its imports. If Arab oil deliveries to the USSR are substantially reduced, Moscow probably will continue to provide most of Eastern Europe's needs by cutting back on exports to the West. Even if the volume of Moscow's sales to Western Europe declined, however, Moscow's hard currency earnings would rise as long as sales are made at current high prices.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

BELGIUM

The Belgian Government announced yesterday that it intends to use today's European Community Council session to begin debate on the broad question of the community's future development. The real object of the debate will be the French [redacted]

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[redacted] The Council had been called into session exclusively to resolve the contention over regional development policy.

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Brussels has now made publicly clear its growing pessimism over the drift of EC affairs, in which the smaller members are being reduced to pawns in the struggle for national advantage by the larger powers. Belgian feeling was crystallized by the French decision to float the franc, one consequence of which was to force the Belgian franc into the emerging Deutschemark zone.

The Italians and Dutch share Belgium's dissatisfaction. Both countries are tending to put more emphasis on ties with the US, while at the same time deplored the community's failure to push ahead with unification.

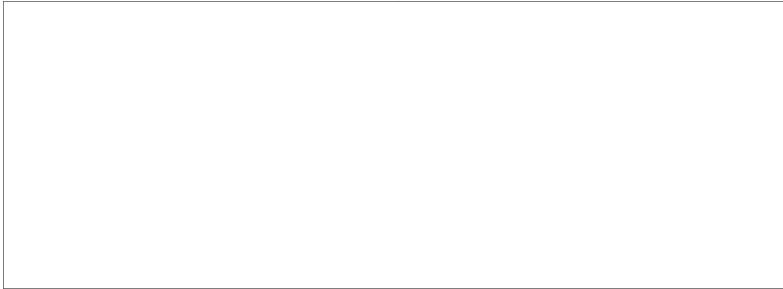
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VIETNAM-CHINA

The Thieu government is trying to capitalize on Vietnamese Communist embarrassment over Saigon's recent clash with the Chinese in the Paracel Islands. South Vietnamese delegates to both the bilateral talks in Paris last week and the Joint Military Commission in Saigon this week have proposed that the Viet Cong join them in protesting China's "armed aggression." The Viet Cong, of course, refused.

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USSR-GOLD

Moscow earned more than \$900 million from the sale of nearly 300 metric tons of gold last year. This is a record high; the Soviets had sold 158 metric tons of gold for nearly \$300 million the year before.

The Soviets resumed large-scale gold sales in 1972, after a six-year hiatus, to help finance a record \$1.4 billion hard-currency trade deficit resulting from large grain imports. Imports of grain last year contributed to an even greater hard-currency trade deficit. The record gold sales probably covered about half of last year's deficit.

The USSR probably will not have to sell gold to balance accounts in 1974. Its hard-currency balance of trade should improve considerably, largely because of reduced grain imports and higher prices for its oil exports.

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USSR

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The AN-22 is Moscow's largest aircraft; it is slightly smaller than the US C-5A.

When production of the AN-22 began in 1967, the Soviet press indicated that 100 would be built. Initially, the Soviets had problems with the performance of the aircraft; excessive vibration may have been responsible for the crash of two AN-22s during long international flights. They performed well, however, during the airlift last October.

Until this is produced, however, the Soviets will continue to rely heavily on the AN-12, the medium transport that has been the workhorse of the Soviet fleet, as well as

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Moscow may also be able to supplement its present capability by using a new medium transport, the IL-76, four or five of which have already been produced.

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NOTES

Vietnam: Troop infiltration to South Vietnam continues. Intercepted messages suggest that North Vietnamese infiltration groups have entered the system almost daily in recent weeks, all of them headed toward central and southern South Vietnam. Total infiltration for the 1973-74 dry season now amounts to about 48,000 troops. An intercept of January 22 from a training camp in central North Vietnam disclosed that another 2,700 fresh troops will be sent south soon, apparently after they return from Tet leave. According to the message, about 1,600 of these will go to South Vietnam and 1,100 to central Laos. These will be the first troops to go to the Lao panhandle since November.

Bulgaria-US: On January 26, Kaiser Industries and the Bulgarian Ministry of Foreign Trade signed a memorandum of understanding on industrial and economic cooperation. The memorandum calls for Kaiser to produce studies on a number of high-priority projects, including a 12-million-ton steel complex, a large cement plant, reconstruction of port facilities, and possibly an aluminum combine. Kaiser estimates the potential value of the projects at \$5-\$20 billion over a 20-year period. Kaiser will seek financing from government as well as private sources, and is willing to be repaid largely in products. Only three days before, a similar agreement was signed by Kaiser in Moscow.

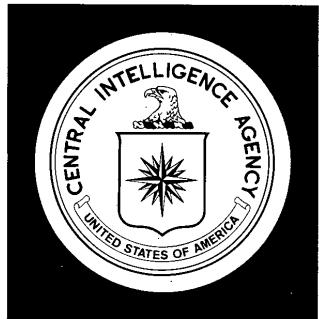
USSR: The Soviets yesterday brought back to earth an unmanned Soyuz spacecraft that had been in orbit since November 30. The 60-day flight probably was a test of the endurance of the Soyuz capsule in preparation for longer manned missions with a Salyut space station.

Australia: Australian Prime Minister Whitlam has assured Kuala Lumpur that Canberra is willing to keep an air squadron in Malaysia as long as the Malaysians want it. Australia withdrew its ground combat contingent late last year from the five-power defense arrangement with the UK and New Zealand covering Malaysia and Singapore, and had indicated that it would remove its air unit by mid-1975. Whitlam's promise should help convince Malaysia and Singapore that his Labor government remains interested in contributing to their security, despite Labor's basic opposition to the stationing of Australian troops abroad.

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The President's Daily Brief

January 31, 1974

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Exempt from general
declassification schedule of D.O. 11652
exemption category 5B(1)/(2)(d)
declassified only on approval of
the Director of Central Intelligence

THE PRESIDENT'S DAILY BRIEF

January 31, 1974

PRINCIPAL DEVELOPMENTS

An item on South Vietnam and the Spratly Islands appears on *Page 1*.

A new COSVN resolution tells Communist cadres in South Vietnam that a large-scale offensive will not be feasible for some time and that political tactics against the Saigon regime should be emphasized. (*Page 2*)

President Asad may name a new cabinet soon in an effort to generate wider support for Syria's eventual attendance at the Geneva peace conference. (*Page 3*)

Iraq apparently is moving troops and heavy military equipment back into Syria. (*Page 4*)

Libya

Egypt

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(*Page 5*)

Moscow and Peking are trying to maintain a degree of normalcy in their state relations. (*Page 6*)

The dollar, which had appreciated after the float of the French franc, is now weakening in most European markets as other currencies rise. (*Page 7*)

Japanese power companies have signed a ten-year agreement to purchase uranium enrichment services from a French-led European consortium. (*Page 8*)

The West Indies island of Grenada, which is scheduled to receive independence from Britain on February 7, is on the brink of civil war. (*Page 9*)

FOR THE PRESIDENT ONLY

SOUTH VIETNAM - SPRATLY ISLANDS

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A press report yesterday from Saigon, citing "military sources," stated that a force of three ships and 200 troops will register a "symbolic claim" to the islands, suggesting that the Vietnamese may stop short of permanent occupation.

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The landings, scheduled to begin on January 31, could lead to another clash with the Chinese Communists, although Peking would be far more reluctant to mount military operations in the Spratlys than in the Paracels. Ambassador Martin is trying to get the Vietnamese plans canceled.

Saigon's plans probably represent an effort to regain face after losing the Paracels. A ministerial decree of last September incorporated several islands in the Spratly chain--located in the South China Sea about 300 miles from Saigon and about 450 south of the Paracels--into the local administration of South Vietnam's Phuoc Tuy Province. Shortly thereafter, Saigon sent a naval expedition to the Spratlys to station a 64-man force on one island and plant markers on the other islands claimed.

Unlike the Paracels, Peking's claim to the Spratlys has not been reinforced by any permanent presence. To counter Saigon's move militarily, Peking would have to move naval units into the area and would have to operate beyond the range of its fighter aircraft and at the outer range of its tactical bombers.

There is also a possibility of a confrontation with two other claimants to the Spratlys--Nationalist China, which has had a garrison of a few hundred on one of the Spratlys since the mid-1950s, and the Philippines, which has at least 200 men on two or three other islands. According to the Saigon press report, the Vietnamese troops are under orders to avoid a fight with Chinese Nationalist forces. This injunction presumably applies to Filipino forces as well, although the Philippine-occupied islands are among those marked for landings in Saigon's operation.

SOUTH VIETNAM

A new COSVN resolution tells Communist cadres in South Vietnam that a large-scale offensive will not be feasible for some time to come [redacted]. The high-level instructions, known as COSVN Resolution 12, concede that the South Vietnamese Government is too strong and Communist forces too weak for a Communist military victory. Communist forces are to remain vigilant, defend "liberated areas," and concentrate on rebuilding and retraining. Only if Saigon's forces encroach extensively on Communist territory will full-scale conflict erupt; this is the "least desirable" of many possibilities.

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Politically, the new resolution calls on the Viet Cong to spruce up their political apparatus, improve life in the liberated areas, organize pressure groups to participate in popular protests against the government, and increase efforts to force Saigon's compliance with the political provisions of the cease-fire agreement. New diplomatic initiatives, including changing the name of the Provisional Revolutionary Government to a "people's republic" and trying to gain wider recognition for it from foreign countries, will be coupled with these local efforts.

This is the first indication that COSVN has issued a resolution to southern forces based on the results of the 21st Central Committee plenum, but one has been expected. Its contents, [redacted] are in line with indications from other sources that the Communists are not planning large-scale warfare in the South anytime soon.

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The main purpose of the resolution, other than to outline the specific guidelines of the new strategy, is to make clear to cadre that patience is the order of the day. Cadre are to remember that the party knows best and to recognize that it will be a long and difficult struggle to achieve final victory. According to the source, a "revolutionary victory" is not anticipated until sometime between 1979 and 1984.

SYRIA

President Asad may name a new cabinet soon in an effort to generate wider support for Syria's eventual attendance at the Geneva peace conference. The Italian ambassador in Damascus told a US official he had learned that Asad plans to announce a cabinet reshuffle and to obtain approval for Syria's participation in the peace talks at a congress of the National Progressive Front which he intends to call shortly. The front is an organization that includes all of Syria's major political parties.

Syria's minimum conditions for participating in the Geneva conference are still unclear. Asad will probably not commit Syria to attend the talks until a Syrian-Israeli disengagement agreement has been worked out and the related Israeli POW issue has been resolved.

At various times, the Syrians have called for the return of Syrian refugees to areas occupied by the Israelis during the October fighting in exchange for a list of Israeli POWs. At other times, the Syrians have taken a much tougher position, insisting that before they will deliver a POW list, Tel Aviv must agree in principle to negotiate a total withdrawal from the Golan Heights.

IRAQ-SYRIA

Baghdad apparently is moving troops and heavy military equipment back into Syria.

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Iraqi ammunition convoys have crossed into Syria over the last few days.

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Iraqi troops, tanks, armored vehicles, and artillery are also moving into Syria.

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During the war, Iraq sent two armored divisions and two infantry brigades to the Syrian front. These forces went home after the cease-fire.

EGYPT-LIBYA



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The Libyan Government sent at least one Mirage squadron of some 18 to 24 aircraft to Egypt last spring and ten more Mirages after the outbreak of the Middle East war in October. The Mirages saw some action during the war, and five may have been lost in combat.

[Redacted] All of the Mirages
in Egypt apparently were piloted by Egyptians.

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USSR-CHINA

Despite the rancor caused by Peking's recent ouster of a few Soviet diplomats, both sides are trying to maintain some degree of normalcy in their state relations.

Yesterday, Peking quietly inaugurated direct air service to Moscow. In the past, the Chinese had been able to fly only as far as Irkutsk. Under an agreement signed in Moscow last July, they will now make weekly flights between Moscow and Peking. Since the agreement was signed, the two sides have been clearing up technical problems like the use of flight corridors and ground station service.

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The Soviets meanwhile continue to give relatively low-key treatment to the alleged spying incident. [redacted]

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar, which had appreciated after the float of the French franc, is now weakening in most European markets, as other currencies rise. Only the franc and the lira remain below their January 18 levels.

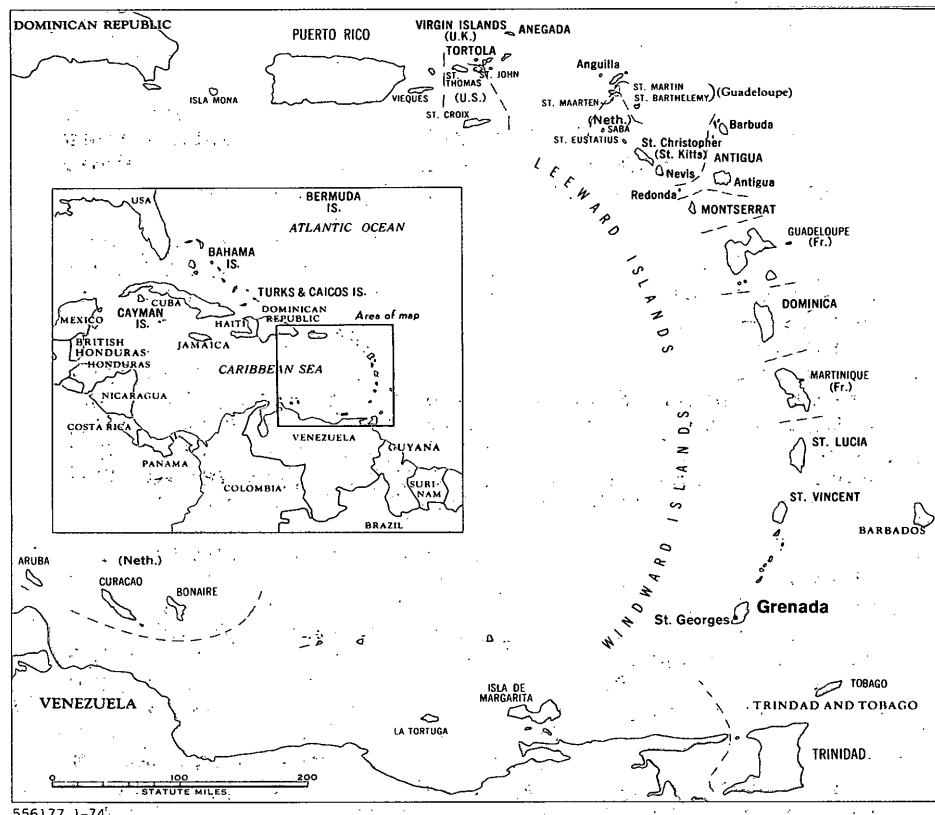
Sterling has rallied--reaching its highest point since January 4--primarily because of high domestic interest rates rather than any significant improvement in Britain's economic outlook. The easing of capital controls in West Germany, Belgium, and the US has had the effect of reversing the dollar's rise. Luxembourg also has eased controls, and other European countries are likely to follow suit. The market reaction has probably been excessive, however, since underlying economic conditions should contribute to the dollar's long-term strength.

In Tokyo, the dollar also drifted downward, allowing the central bank to remain out of the market for the fourth consecutive day--the longest respite since last July. Disciplinary action against three of Japan's biggest banks last week for speculating against the yen helped to ease the situation. Hints of oil price cuts, a slightly more optimistic outlook for the Japanese economy, and the removal of US restraints on capital outflows have also played a role.

JAPAN

Japanese power companies have signed a ten-year agreement to purchase uranium enrichment services from a French-led European consortium, EURODIF, starting in 1980. The agreement calls for an annual supply of enriched fuel equivalent to 25 percent of Japan's projected demand in 1980. The price is about one-third higher than Japan pays for US services, but EURODIF's repayment terms and conditions are more favorable.

The Japanese have been anxious to reduce their complete dependence on the US for enrichment services. Over the past several months, they have talked with the Soviets as well as with EURODIF and another European consortium about supplying enriched uranium. The agreement with EURODIF will be particularly welcome to Japanese industrialists, who have been concerned about the ability of the US to meet worldwide demand in the mid-1980s. Tokyo is considering accelerating construction of nuclear power facilities.



GRENADA

The West Indies island of Grenada, which is scheduled to achieve independence from Britain on February 7, is on the brink of civil war. Premier Gairy and his supporters are attempting to suppress a coalition of opponents who fear that, after independence, his government will be even more authoritarian than it is now and unable to keep the island on its feet economically. If the situation gets worse, independence may be postponed.

A general strike is now in its fourth week, primarily because Gairy has refused to make any concessions whatever--even in response to relatively moderate appeals for conciliatory moves by the government. Since he has also resisted their demand that he abolish the secret police, the moderates have now joined radical elements in demanding that Gairy resign.

The strike is supported by most of the urban workers and middle class. It has paralyzed and isolated the island. Dockworkers in Barbados and Trinidad-Tobago have refused to handle Grenada-bound cargo, and fuel and food supplies are nearly exhausted. Looting, much of it done by the secret police to punish merchants who support the strike, has been widespread in the capital and in two other principal towns. About 200 US citizens live in Grenada, but they are apparently in no immediate danger. There are few, if any, US tourists on the island.

While the British are not as yet planning to postpone independence, they have canceled plans to send a member of the royal family to Grenada to mark the occasion.

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