



The President's Daily Brief

3 March 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The Black September Organization apparently plans further terrorist action in the Middle East following the execution of the three diplomats in Khartoum yesterday. *(Page 1)*

The dollar continued to weaken yesterday, chiefly in unofficial trading since most major foreign exchanges were closed. *(Page 2)*

West Europeans are showing a growing inclination to look to the USSR for uranium enrichment services. *(Page 3)*

A Soviet naval exercise in the Mediterranean may be imminent. *(Page 4)*

Argentine military leaders have reaffirmed their commitment to the 11 March election but have expressed concern over the support some political groups are giving to terrorists. *(Page 4)*

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FEDAYEEN - ARAB STATES

The Black September Organization is planning another terrorist action "within 48 hours" of its operation in Khartoum, according to information given the US Embassy in Beirut yesterday. Among the operations being considered is the abduction of the US ambassador to Iran. Another target is the Jordanian prime minister. Jordanian police have been alerted to two groups of fedayeen who have moved to positions in southwestern Syria near the Jordanian border.

In Khartoum the terrorists, having executed the three diplomats, were reported demanding safe conduct for themselves and their remaining hostages--the Saudi ambassador and the Jordanian chargé--to another country. A BSO spokesman, presumably relaying a message from Khartoum, reiterated today that the fate of the two hostages depends on the satisfaction of the Palestinians' demands.

The guerrillas continue to demand the release of senior BSO official Muhammad Awadh--the planner of the Munich operation--and 16 others held in Jordan.

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar continued to weaken yesterday, chiefly in unofficial trading since most major foreign exchanges were closed. Most European currencies appreciated about two percent against the dollar. On the French exchange--the only major official market open yesterday--the central bank withdrew from trading after it had made extensive dollar purchases.

The dollar's fall below the market floor, despite the bank's support with reported purchases of over \$500 million, indicates that capital controls have limited effectiveness when stronger currencies, such as the mark, are not bearing the brunt of speculative activity.

Japan's foreign exchange market remains closed today. When trading resumes--after the situation in Western Europe settles down--the yen float will continue. In interbank trading yesterday, the yen appreciated substantially.

The EC finance ministers will meet on Sunday in an effort to develop a common position.

In the event that the ministers decide on a float, the modalities probably will be kept secret, and the float itself is likely to be a "dirty" one. Existing capital controls and two-tier systems probably will also be retained.

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USSR - WESTERN EUROPE

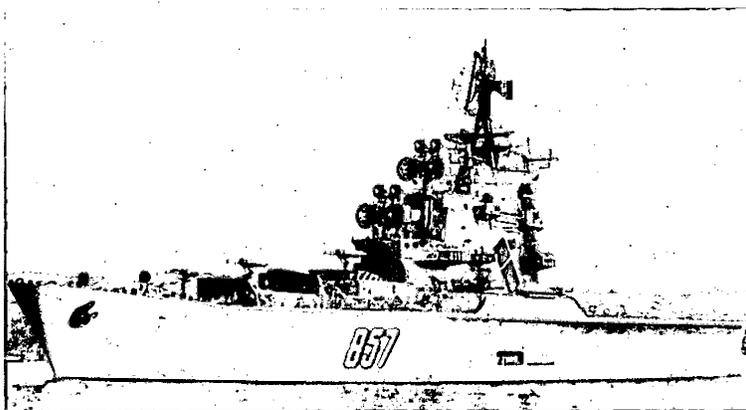
A West German power company is sending a delegation to Moscow this month to explore prospects for getting the USSR to enrich enough uranium to provide the initial loading of a new 1,200-megawatt nuclear reactor.

The US is currently the source of all West Germany's enriched fuel.

Moscow already has concluded an agreement with France to provide uranium enrichment services and has discussed doing so with several other countries, including Sweden and Japan. Moscow's willingness to deal with a West German company suggests that it expects an IAEA-EURATOM safeguards agreement to be completed soon. The impasse over that issue has delayed West German ratification of the Non-Proliferation Treaty, to Moscow's dismay.

West Europeans are irritated over the recent increase in US charges for enrichment services and changes in contract procedures, and this is a factor in their growing inclination to deal with the Soviets. Looking to Moscow may be only a temporary or partial expedient, since they presumably are reluctant to become dependent on the USSR. These problems may spur increased interest in the development of an EC enrichment facility.

Soviet Helicopter Carrier, Moskva



Length 620 feet
Beam 112 feet
Draft 27 feet
Displacement . . 20,000 tons
Armament 2 twin SA-N-3 launchers
 2 twin 57-mm mounts
 1 twin SUW-N-1 ASW rocket launcher
 2 12-barrel MBU 2500A rocket launchers
Helicopters . . . 18-20 KA-20/25



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NOTES

USSR: The helicopter carrier Moskva, accompanied by a guided-missile destroyer, transited the Bosphorus and entered the Mediterranean on 2 March. The Moskva was last in the Mediterranean in April 1970. A total of six Soviet combatants have made the same passage in the last three days, suggesting that a naval exercise is imminent. The Soviets now have a total of 13 major surface combatants with their Mediterranean squadron.

Argentina: The armed forces leaders have issued a communiqué reaffirming their commitment to the 11 March election but expressing concern over the support some political groups are giving to terrorists. Although for the time being the military has decided against proscription of the Peronists, the tone of the communiqué suggests that serious terrorist activity could still result in a move to block them.

Iraq: Baghdad has agreed to give the Iraq Petroleum Company oil worth about \$300 million as compensation for all claims against the government, including nationalization of IPC properties in 1961 and last June. This sum equals about two years' earnings from the fields nationalized in June. In turn, the company will pay Iraq about \$350 million in back taxes, and will "endeavor" to more than double production from its fields in southern Iraq. Both oil production and government revenue probably will increase substantially as a result of the agreement.

Korea: Pyongyang has postponed the next round of North-South talks that were scheduled to begin on 6 March. North Korea cited "unavoidable internal reasons" as the cause of the delay, which may reflect a desire to review its negotiating strategy following Foreign Minister Ho Tam's consultations with Chou En-lai in Peking last month. The Chinese may have given Ho some further advice on dealing with the South, especially on the US troop presence and the Korean issue at the UN.

(continued)

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The Yemens: The two countries have interrupted their unity talks, and neither seems serious about a negotiated merger. Sana is fearful that unity would mean domination by Aden's Marxist regime but is reluctant to torpedo the negotiations. Aden seems to be using the talks only to gain time, while building its military strength. Both Yemens accepted the concept of merger under pressure from other governments, but this was as much from a desire to stop fighting as an expectation that unity could be achieved. Aden, which clearly wants to control Sana, is quite prepared to work toward its goal through paramilitary activity and agitation.

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