



The President's Daily Brief

15 August 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

15 August 1973

PRINCIPAL DEVELOPMENTS

Khmer insurgents are preparing for all-out attacks against Phnom Penh, but heavy casualties and supply difficulties could make an immediate effort impossible. Although government forces have the edge in troop strength and firepower, morale may prove to be the decisive factor. (Page 1)

The price of gold has continued to drop, largely because of rising interest rates in the US. (Page 2)

The USSR's recent anti-Chinese campaign is a way of forcing East Europeans to demonstrate their allegiance to Moscow, as well as a criticism of Peking's policies. (Page 3)

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The Egyptians see recent official and unofficial US statements as signs that the US is growing increasingly worried about the possible political leverage of Arab oil. (Page 5)

Notes on problems facing Peron in Argentina, last week's Israeli-Egyptian air clash, and Japan [Redacted]

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[Redacted] Indonesia [Redacted]

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CAMBODIA

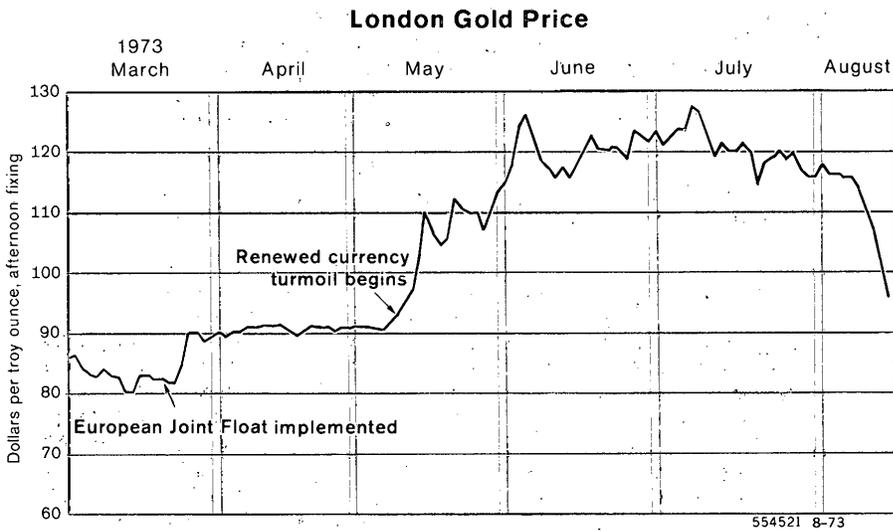
The Khmer insurgents are ordering an ambitious series of attacks against Phnom Penh timed to coincide with the cessation of US bombing.

The insurgents can be expected to hit government forces as hard and as quickly as possible, but the "instant" all-out effort urged by the Khmer Communist command may prove impossible. Intercepted insurgent messages indicate that recent US air attacks have inflicted heavy casualties on some units, and some continue to experience supply difficulties. Flooding in the area of the capital may also hamper preparations.

Based on its edge in troop strength and firepower, government forces should be able to withstand any attacks the insurgents are likely to mount in the next few days. The defense of Phnom Penh, however, will hinge primarily on the morale and psychological attitude of its defenders. Government troops are already suffering from morale problems, and no one can say with assurance how they will react psychologically to the US bombing halt. Leaders in Phnom Penh, buoyed by the recent slackening of insurgent activity, are expressing confidence that government forces can hold their own.

In the past, however, army field commanders have taken a pessimistic view of their troops' willingness to fight without the boost of US air support. In terms of measurable physical capabilities, the insurgents should not be able to overrun Phnom Penh at this time. But the army's morale and attitude--the key factors--are hard to measure and impossible to quantify. If a defeatist mood develops within the army, even moderate insurgent pressure could cause resistance to crumble.

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INTERNATIONAL MONETARY DEVELOPMENTS

The price of gold continued its sharp drop, falling to \$95 an ounce yesterday.

Rapidly rising US interest rates remain a key factor, since they induce money managers and speculators to bypass gold purchases in favor of investments producing interest. The rising rates also account for much of the dollar's growing strength with respect to other currencies.

Swiss banks offered unusually large quantities of gold for sale in London and Zurich at the end of last week, an action which suggests profit-taking by small holders. There is no firm evidence yet that speculators are unloading on a large scale. Most of the gold buying in the last month has been for commercial use, in contrast to the speculative purchases which overshadowed commercial buying from May to mid-July.

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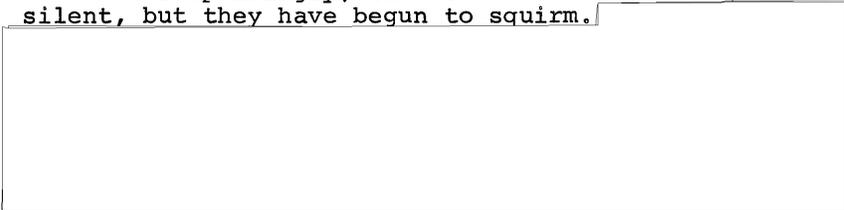
USSR - CHINA - EASTERN EUROPE

The Soviets are orchestrating an anti-Chinese campaign that seems aimed as much at forcing the East Europeans to demonstrate their allegiance to Moscow as it is at condemning Peking's policies.

When East European party leaders gathered in the Crimea late last month, Moscow had to settle for a thin veneer of unity. To achieve this it had to forego any mention of China in the communiqué, lest the Romanians take exception. Over the past several days, however, the Soviets and their more submissive allies have taken the gloves off. They have denounced Peking harshly and stressed the need to close ranks against the Chinese apostasy.

Pravda led the way last week with a major editorial charging that the Chinese leadership represents a force hostile to the Socialist world. Taking their cue, Moscow's more loyal allies--the Poles and the Bulgarians--chimed in at once. The Czechs took the unusual step of reprinting the full text of the Pravda article, and pointed to its "exceptional significance."

Not surprisingly, the Romanians have remained silent, but they have begun to squirm.

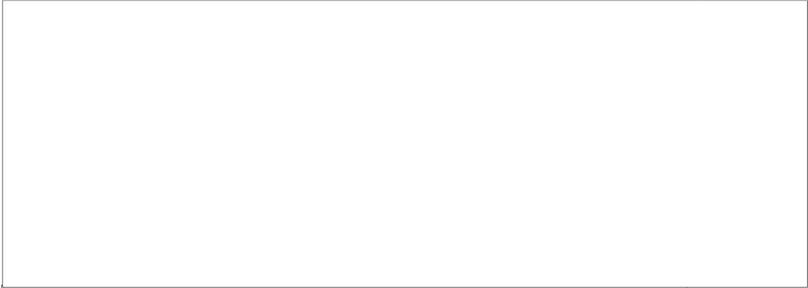


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The Romanians, of course, have good reason to be on their guard. They are only too well aware that the USSR is trying to use the China issue to forge more Soviet-style unity in Eastern Europe, and to assert Moscow's self-assumed right to define the limits of permissible behavior for Socialist states. As contacts increase between Eastern European countries and China on the one hand, and Western Europe on the other, Moscow will find it both more necessary and more difficult to impose conformity, and Romania will see that much more need to keep resisting.

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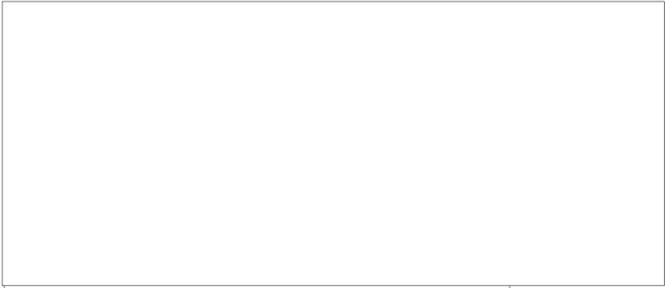
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EGYPT

The Egyptian press and radio have been giving extensive coverage both to the Standard Oil Company's appeal for a more pro-Arab Middle East policy by the US and to Assistant Secretary Sisco's statement that the world energy situation plays a part in US policy.

Most commentators welcome Standard Oil's position, but write off the likelihood that it will have an effect, and dismiss the Sisco statement as a calculated attempt to stave off Arab moves to use oil as a form of pressure. They say the US veto in the UN last month is a more accurate gauge of intention than a statement by a government official.

Nevertheless, the papers point out that the comments do show that the US is worried about the political leverage of Arab oil. They see the criticism raised by Israel and Jewish organizations in the US as an indicator of Israeli concern that US policies might, in fact, shift. Editorials are warning against false optimism, but Cairo will be studying both official and unofficial American moves for any further signs of change.

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NOTES

Argentina: Peron's behavior since his return in June has thrown increased doubt on whether he is up to coping with the country's serious economic and political problems. The naming of his wife as his running mate in the presidential election has blocked efforts to achieve a national conciliation slate with the opposition, and has done nothing to unify the fractious Argentine community. The wide support he has enjoyed is likely to dissipate unless he soon shows greater initiative, forcefulness, and sense of purpose. There are already signs that disaffected Peronist extremists may again resort to violence.

Israel-Egypt: The Israeli plane originally reported to have been downed on August 9 after an engagement with an Egyptian aircraft apparently returned safely to Israeli-held territory.

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Japan-Indonesia:

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