



The President's Daily Brief

5 December 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

5 December 1973

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PRINCIPAL DEVELOPMENTS

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Arab leaders are trying to close ranks in anticipation of Secretary Kissinger's visit.

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Heavy attacks by North Vietnamese units in Quang Duc Province have dealt the South Vietnamese a severe setback and could link the Communist-held area not far from Saigon to the supply road leading to the DMZ. (Page 3)

Abu Dhabi, which produces 7 percent of all Arab oil, will make no further production cuts in January. (Page 4)

The Japanese Government is increasing its aid to Arab states to help ensure a steady flow of oil. (Page 5)

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Most of the NATO allies remain vague about or opposed to US suggestions for burden-sharing. (Page 6)

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Today's notes include reports on [Redacted] new strength for the dollar and gold in European money markets, failure of Turkey's President to form a government, and the chaotic Danish political situation following yesterday's elections. (Page 7)

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ARAB STATES - ISRAEL

Arab leaders are trying to close ranks and present a united front when Secretary Kissinger tours the area just prior to the Geneva peace conference on December 18. Syrian leaders are expected to consult in Cairo before the Secretary's visit.

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[redacted] Syria has bowed to pressures and will attend the peace conference.

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[redacted] predicting that Egyptian-Libyan relations will return to normal by the end of the week. High-ranking officials from Egypt, Syria, and Tunisia have visited Tripoli recently to try to placate Libyan President Qadhafi and persuade him that Arab countries should bury their differences because of the new situation in the confrontation with Israel.

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The Israeli cabinet held a special session yesterday. Local political observers suggested that it was held to instruct Defense Minister Dayan for his visit to the US this week or to discuss Prime Minister Meir's exchange of views with Undersecretary Rush on Monday.

General Siilasvuo has failed again to get the Egyptian-Israeli disengagement talks going. Both sides appear to be waiting for talks with US officials before continuing negotiations on the subject.

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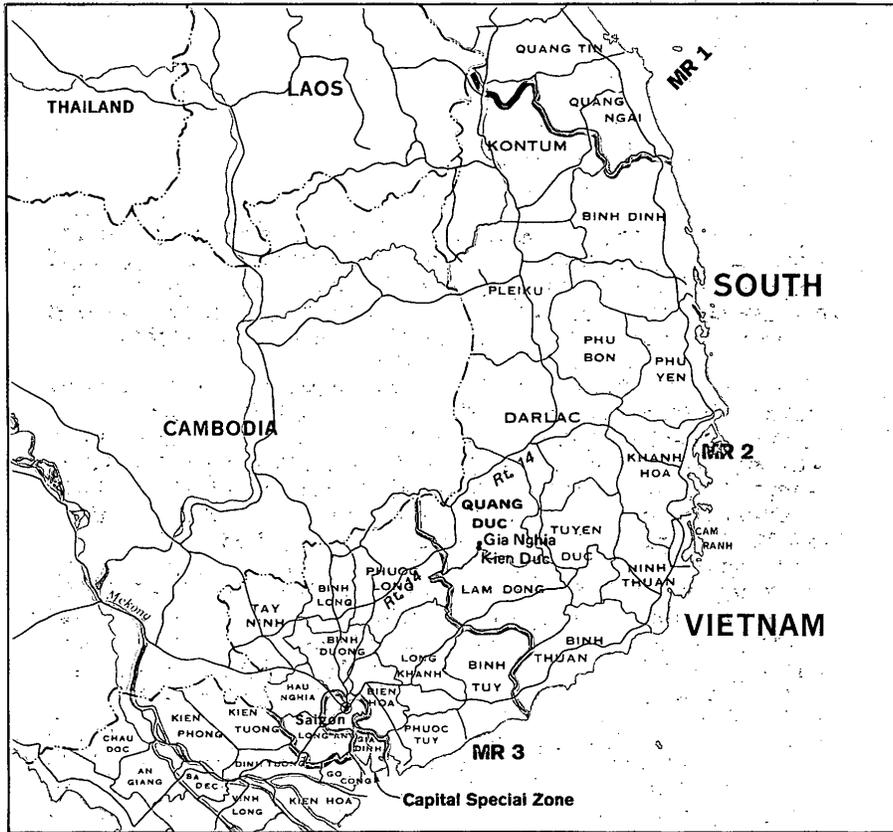
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SOUTH VIETNAM

North Vietnamese units have overrun Kien Duc, in Quang Duc Province, and are threatening the provincial capital at Gia Nghia, 12 miles away. Field reports indicate that the Communists effectively used tanks and artillery to support their attacks, despite heavy government air strikes and artillery barrages.

The Communist assault came as the South Vietnamese were completing preparations for a campaign of their own to retake several border camps in the province that has been in Communist hands since early November. Intercepts show that the Communists were aware of the government plans, moved in fresh troops, and ordered all units in the area into a high state of readiness. A one-day delay in the government's offensive, caused by the late arrival of reinforcements, apparently enabled the North Vietnamese to beat Saigon to the draw.

The loss of Kien Duc, the first district capital to be captured by the Communists since the ceasefire, will be a severe psychological blow to South Vietnamese units in the highlands. Moreover, if the Communists hold their gains in Quang Duc, they will have secured the remaining link in their north-south supply corridor to bases north and west of Saigon.

There are no indications that the North Vietnamese intend to extend the fighting to other areas, but serious new Communist attacks could be triggered by government retaliatory actions elsewhere, or by continued Communist successes in the highlands.

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ARAB STATES - PETROLEUM

Abu Dhabi Petroleum Minister Otaiba has publicly announced that his country is planning no further oil production cuts for January. Otaiba had previously told a US official that this policy had been decided secretly at the Algiers Summit Conference last week and was intended to apply to all producing countries.

Abu Dhabi produces only 7 percent of all Arab oil, and if it continued cutting back through March, its output would have gone down to 900,000 barrels per day.

Abu Dhabi has been exceedingly generous with its pledges of financial support to the Arab cause. Although its commitment of \$250 million is less in absolute terms than that of its neighbors, the money represents more than 80 percent of its foreign exchange reserves. Algeria, Saudi Arabia, Kuwait, and Libya have pledged 40, 33, 12, and 10 percent of their respective foreign reserves.

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JAPAN - ARAB STATES

The Japanese Government is increasing its aid to Arab countries to help ensure a steady flow of oil. Tokyo recently gave the International Red Cross a \$1-million grant to aid wounded Egyptian soldiers and will raise its yearly UN contribution for Palestinian refugee relief from \$1 million to \$5 million in 1974. Japan will also expedite loans agreed to earlier this year--a \$30-million project loan to Syria and a \$10-million commodity loan to Egypt.

Tokyo is considering loan requests from Iraq, Jordan, Libya, Sudan, Morocco, Algeria, and Tunisia, as well as a second request from Cairo. Saudi Arabia is also seeking further technical assistance. Japanese Deputy Prime Minister Miki will soon visit the Middle East to discuss the Arab requests.

Tokyo also is reportedly willing to help finance reopening the Suez Canal, and may join with private lenders in a \$500-million credit to Iraq to finance construction of an oil refinery, pipelines, and a liquefied petroleum gas plant. In addition to official aid, the Arab countries would like to secure sizable amounts of Japanese private capital and assistance to help industrialize their economies.

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NATO

The response to US suggestions on how the NATO allies might help to reduce the US balance-of-payments deficit has varied:

--Belgium, Canada, Denmark, West Germany, The Netherlands, and Norway support the idea that the US' share in all or some portions of the NATO budget be reduced. All NATO states agree only that the question should be studied.

--Denmark, Italy, The Netherlands, and Norway favor increased purchases of military equipment in the US. Turkey will continue to buy large amounts of US materiel, while the British have suggested London might make additional purchases.

--Only The Netherlands is willing to assume the additional budgetary costs resulting from stationing US troops in that country.

--West Germany and Canada maintain that their major contributions to burden-sharing are made through bilateral offset arrangements. The West Germans, however, have offered less than half of what the US desires in the offset agreement.

Other NATO states either are adamantly opposed to contributing to a multilateral burden-sharing system or have reservations about doing so. The British, for example, have stated that they will not participate in any multilateral NATO budget relief schemes because of their own military balance-of-payments deficit. The Turks also refuse to participate. Luxembourg is still examining the issue, while France, Greece, Iceland, and Portugal have made no commitments and apparently are reluctant to contribute at all.

Bonn's attitude toward its bilateral offset agreement with the US will have a decisive effect on the other allies. If the West Germans continue to offer only about \$1.4 billion, the other NATO states will be hard pressed to make up the difference required by the Jackson-Nunn amendment for a full offset of costs. If Bonn substantially increases its offer, others will be encouraged to make additional contributions.

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NOTES

Korea: Seoul and Pyongyang are giving only low-keyed propaganda treatment to developments along the Northern Limit Line, but North Korean vessels continue to patrol across the line.

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Indications of how North Korea intends to press its claim to these coastal waters may become evident at today's preliminary meeting of the South-North Coordinating Committee. An incident could occur when Seoul sends the next resupply ferry to the islands

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International Monetary: The dollar again strengthened markedly against major European currencies in light trading yesterday in continuing response to European oil uncertainties. The guilder was under the most pressure, with the Dutch central bank intervening in moderate amounts to keep its currency within the European band. The price of gold also moved up more than \$5 in a day. Gold apparently has joined the dollar as some traders' preferred alternative to the European currencies.

Denmark: The political scheme of things is in shambles following yesterday's election. All five traditional parties were big losers as voters flocked to four new parties of the center and right. High taxes, inflation, and too radical a pace toward change cost the incumbent Social Democrats 46 of their 70 seats in parliament, and the government is expected to resign today. The four new parties, plus the Communists who are back after a 13-year hiatus, took 60 of the parliament's 179 seats. The disparate platforms of the ten parties will be hard to reconcile and it may be some time before a new government can be formed.

Turkey: President Koruturk confessed yesterday that he has failed to promote formation of a government based on the results of elections on October 14. His only proposed solution is to form a national coalition government representing all parties. Some, if not all parties, have rejected participation in a coalition. Koruturk did not call for new elections, saying the matter was for parliament to decide. He left the impression that the military do not intend to intervene again unless chaos resulted from "unjustified political squabbles."

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