



The President's Daily Brief

January 5, 1974

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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

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(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.

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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.

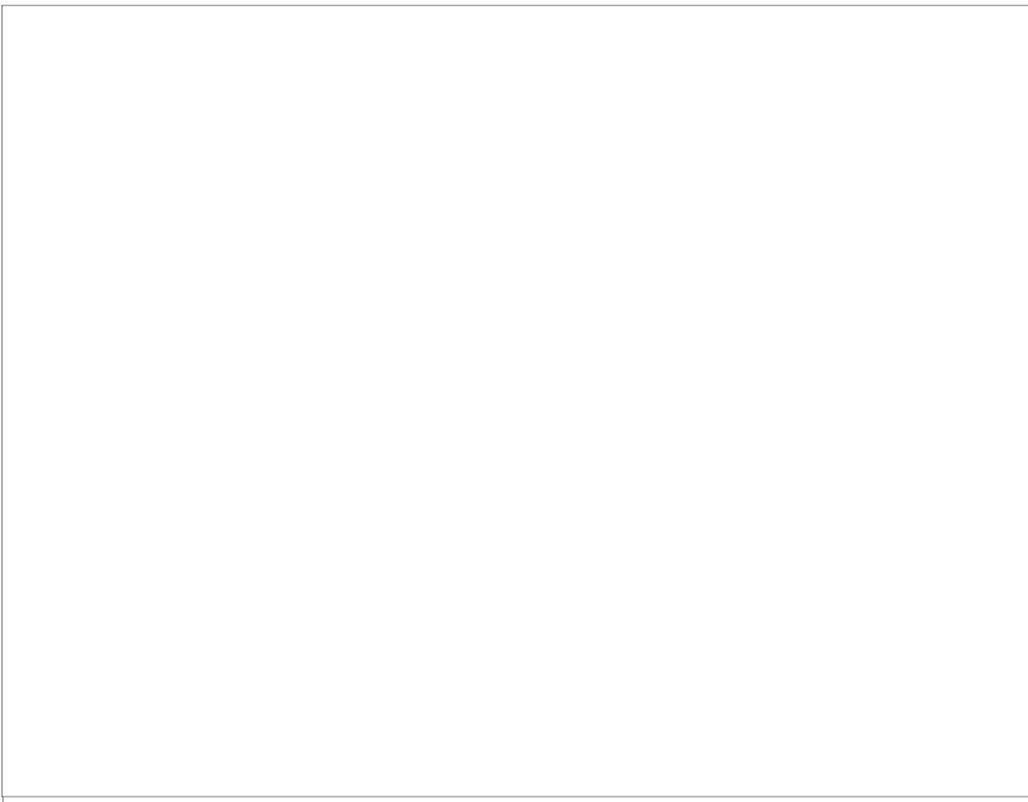
Israel

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EGYPT-USSR

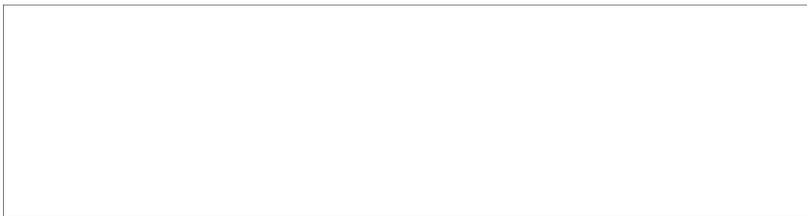
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SOUTH VIETNAM

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.

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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.

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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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