



*The President's Daily Brief*

*5 January 1973*

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

President Lon Nol has told Ambassador Swank that his government now may have a channel to the Khmer Communists and that the modalities have been discussed with Soviet representatives. [redacted]

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[redacted] (Page 1)  
Meanwhile within his government, the President's brother, Lon Non, appears to be maneuvering against two key figures. (Page 2)

The impasse over Malta's demands for additional payment for the British facilities continues, with Italy pressing for increased contributions by all NATO participants in the arrangements except Britain. (Page 3)

On Page 4 we discuss Fidel Castro's new agreements for continuing substantial economic aid from the USSR. [redacted]

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Venezuela may be preparing to ship some petroleum to Cuba. (Page 5)

A top Chilean Communist figure has stressed the indispensability of continued military participation in the Allende government. (Page 6)

The Panamanian Government is about to proceed with its request that the UN Security Council meet in Panama City in March. (Page 7)

A Soviet decree on aircraft hijacking calls for the death penalty in some circumstances. (Page 8)

FOR THE PRESIDENT ONLY

CAMBODIA

In a conversation with Ambassador Swank on 3 January, President Lon Nol expressed some rare interest in establishing a high-level political dialogue with the Khmer Communists. The Cambodian leader stated that the government now may have a channel to the insurgents, and added that the modalities of contacting them have already been discussed with Soviet representatives in Phnom Penh.

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[Redacted]

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[Redacted] First Minister Hang Thun Hak claimed that he has "very recently" made contact through an unidentified intermediary with Sihanouk's "minister of interior," Hou Youn, who allegedly has been operating in the countryside since the early days of the war. Hak said that, although this link had not yet produced anything significant, he was encouraged that it would eventually result in a substantive dialogue.

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[Redacted]

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[Redacted] The Soviets recommended that Phnom Penh agree to the establishment of a legal Communist party which would take part in new national elections and be included in a new government. Hak passed these concessions on to Lon Nol, endorsing them in the process. According to Hak, the President first reacted unfavorably but eventually agreed to permit him to proceed "as he saw fit for the time being."

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*Lon Nol's new-found concern with the political aspects of the Khmer Communist problem may stem from recognition that his primary approach so far--the rallier program--is likely to continue to be unsuccessful. He may also be curious to learn the Khmer Communists' private terms for negotiating, particularly whether they would be willing to disavow Sihanouk. Publicly, the Communists have shown no sign of any willingness to compromise.*

FOR THE PRESIDENT ONLY

CAMBODIA

President Lon Nol's brother, Brigadier General Lon Non, who has steadily expanded his role in the government, now appears to be maneuvering against two key government figures--First Minister Hang Thun Hak and the able Army Chief of Staff, Major General Sosthene Fernandez. [redacted]

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[redacted] Lon Non has ordered that First Minister Hak be investigated for "leftist" activities. General Fernandez claims that Lon Non is circulating rumors that Fernandez is plotting a coup against the president. Fernandez says these allegations have cost him much of Lon Nol's confidence, thereby complicating his efforts to implement badly needed military reforms.

*The government can ill afford the loss of Hak or Fernandez or the political stress that would result from their departures. If Lon Nol does not soon put his brother on a shorter leash, his own ebbing popularity is likely to decline further-- particularly among the military.*

## FOR THE PRESIDENT ONLY

### MALTA

Prime Minister Mintoff continues to demand that if British facilities are to remain, Malta must receive an additional \$3.4 million in cash as compensation for losses suffered when the pound floated. The North Atlantic Council yesterday failed to agree on any new offer. Italy has been pressing for increased contributions of some \$2 million by all participants except the UK.

Mintoff is under pressure from his cabinet and party to avoid a complete break with the UK. In an effort to reduce that pressure by suggesting that he has an alternative, he flew to Tripoli yesterday. Mintoff is aware, however, that even a large Libyan subsidy would not solve the problem of employment for the nearly 6,000 workers dependent on the British presence.

*Mintoff may well believe that the allies will bow to his demands as they did last year. Operating on this premise, he may lock himself into a posture from which it will be politically impossible to retreat, and so bring about a British departure regardless of the effect this would have on his country's fragile economy.*



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USSR-CUBA

Agreements concluded during Fidel Castro's recent visit to Moscow give Cuba another \$370 million for development aid and a grace period until 1986 for repaying its \$3.5 billion debt to the USSR. Moscow also agreed to continue financing for at least the next three years Cuba's annual trade deficit with the USSR, which has been averaging some \$350 million annually. This deficit, however, will be reduced by the Soviet offer to nearly double the price it pays for Cuban sugar and nickel.

*The new agreements represent Moscow's recognition that Cuba cannot meet its debt obligations and that a renewed effort, however costly, is needed to rationalize and develop its sluggish economy. The Soviets have chafed at the poor performance of the Cuban economy despite large and increasing infusions of aid. Since 1970, Castro has been more receptive to Soviet advice and seems to have reduced his own meddling in economic matters. His enthusiasm about the agreements, however, may be tempered by the realization that they tie his country more closely to the USSR and will restrict his freedom of action in political matters.*

\* \* \*

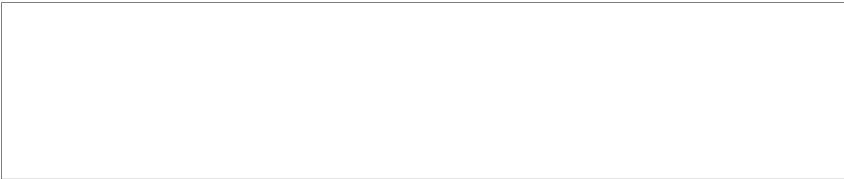


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When the station is operational, probably by the end of the year, it will significantly improve both civil and military communications between Havana and Moscow.

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## FOR THE PRESIDENT ONLY

### VENEZUELA-CUBA

Two leading officials of President Caldera's party are now saying that Venezuela is prepared to ship some of its petroleum to Cuba "if the Cuban Government offers good prices and favorable conditions of payment." One official told a party rally in late December that Venezuela was negotiating with the USSR to provide part of the petroleum which Moscow supplies to Cuba. Some press reports claim that shipments may be up to 100,000 barrels a day.

*This amount would be little more than three percent of Venezuelan production, but would satisfy over 75 percent of Cuba's import requirements.*

*Since coming to office in March 1969, Caldera's Christian Democratic government has moderated the strident anti-Castro tone of earlier government statements. Exchanges of low-level delegations are increasing, and a Prensa Latina office has been allowed to operate in Caracas. More recently a telephone link has been inaugurated.*

*An accommodation with Cuba would meet with little opposition in Venezuela. There are differences over timing, but almost all political parties favor a rapprochement. Few military leaders favor ties with Cuba, but they would be unlikely to mount any strong opposition to such a move.*

*FOR THE PRESIDENT ONLY*

CHILE

In a year-end briefing of fellow Communist leaders, Labor Minister Figueroa emphasized the indispensability of military participation in the government and the positive contributions of the officers involved.

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Throughout his briefing, Figueroa showed the pragmatism that has made the Communist Party President Allende's most valuable political ally. He dwelt heavily on the inefficiency, dissension, and disorganization of the Popular Unity parties and warned that these defects will help the opposition in the congressional elections on 4 March.

*While the Communists and the armed forces undoubtedly share concepts of authority and discipline, their basic mistrust of each other's power remains.*

**FOR THE PRESIDENT ONLY**

**PANAMA**

Within the next few days the Torrijos government plans formally to ask the United Nations Security Council to meet in Panama City from 15 to 21 March, according to UN sources. With 11 of the 15 council members firmly in favor of such a meeting, Panama has more than enough votes to carry the motion. It has not submitted an agenda but plans to focus attention on the canal negotiations as a major issue.

*Having put the details of the negotiations in the public record last month, General Torrijos may believe that he can go into some depth on Panama's efforts to gain control of the Canal Zone without creating the kind of diplomatic bombshell that might harm Panamanian interests. Torrijos is likely to wait until the last minute, however, before deciding how far Panama will go in attacking the US at the meetings.*

FOR THE PRESIDENT ONLY

NOTES

USSR: A Soviet decree on aircraft hijacking calls for the death penalty in cases involving death or serious injury and for prison terms of up to 15 years and confiscation of property in other instances. The decree seems intended primarily to show other governments that Moscow is concerned over a serious international problem. The Soviet Union, however, will not support the US draft convention, providing for stiff sanctions against countries that harbor hijackers, which will be discussed next week by the International Civil Aviation Organization. Moscow believes that international sanctions should be imposed only by the UN Security Council, where it has a veto.

USSR: [redacted]

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[redacted] the Soviets have increased the number of tanks in their active field forces beyond our current estimates. The standard number of tanks in the tank battalion of Soviet motorized rifle regiments is being increased from 31 to 40. An additional tank battalion--beyond those organic to the regiments--is now directly subordinate to some Soviet motorized rifle divisions in Eastern Europe. Depending on the extent to which these changes have been implemented, Soviet ground forces in Eastern Europe may now have from 500 to 1,200 more medium tanks than the 7,800 currently listed in our estimates. In the China border area, there may be some 9,000 Soviet medium tanks rather than the previous estimate of 8,100.

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Uganda: President Amin's announcement yesterday of the seizure of a large number of British companies will speed the departure of the 3,000-person British community and perhaps other Westerners as well. The president has labeled his moves against the British, as well as his expulsion of the Asians and Israelis, as an effort to put the economy in the hands of Ugandans. The trend is toward replacement of the West as a source of aid by Arab and Eastern benefactors.

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