



# The President's Daily Brief

*18 July 1973*

45

~~Top Secret~~<sup>25X1</sup>



Exempt from general  
declassification schedule of E.O. 11652  
exemption category 581(1)(2)(3)  
declassified only on approval of  
the Director of Central Intelligence

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

18 July 1973

PRINCIPAL DEVELOPMENTS

On *Page 1* we discuss the deteriorating military situation in Cambodia.

The EC Commission is considering contingency plans in case the monetary situation continues to erode, but it is powerless to act as long as member countries remain divided on basic issues. (*Page 2*)

The French have reversed their previous opposition to dealing with defense issues in a forum that is community-related, but separate from NATO. (*Page 3*)

Libyan President Qadhafi, badly stung by differences with the Egyptians over the proposed merger, is sponsoring a "march on Cairo" to demand his own formula for union. (*Page 4*)

The new leader in Afghanistan is unlikely to make any major shifts in present policies, but there could be changes in emphasis. (*Page 5*)

Peron's efforts to form a national unity government in Argentina are stirring up opposition among leaders of the Peronist left, who fear a shift to the right. Peron's strategy is likely to combine domestic policies designed to attract moderates with an "anti-imperialist" foreign policy. (*Page 6*)

25X1

A note on East Germany - Berlin also appears on *Page 7*.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

Since late May, the Khmer Communists have shifted their attacks from isolated provincial capitals and distant stretches of key highways to the Phnom Penh area. According to the latest estimate of the US defense attache, 57 enemy battalions totaling 17,000 men are now located within a 25-mile radius of the capital.

The bulk of these units are concentrated south and southwest of Phnom Penh, but sizable forces are also operating north and northwest of the city. Despite continued heavy air strikes, the insurgents have gained ground against numerically superior government defenders, increasing the flow of refugees toward the capital.

*Barring major manpower and supply problems or unusually early flooding during the present rainy season, the insurgents in the Phnom Penh area should be able to sustain their attacks for the next few weeks.*

*Prospects for any dramatic improvement in the Cambodian Army's performance are bleak. It is beset by poor leadership and by slackening morale. The recent steady fighting has severely sapped government strength and only intense US air support has limited insurgent gains. Few units remain in the capital's general reserve, and each new threat prompts a complex juggling of units from less active fronts.*

FOR THE PRESIDENT ONLY

EC-MONETARY

The EC Commission is considering contingency plans in case the monetary situation deteriorates further. Among the plans being examined, one calls for stronger capital controls within the EC, and another for US-EC cooperation to reduce surplus dollars held outside the US.

Should the European joint float collapse, the Commission would consider calling an EC summit meeting to discuss major steps toward European economic and monetary union.

*The Commission apparently is under strong pressure to show some community-level response to recent events, but it is powerless to act as long as member countries remain divided on basic issues.*

*Some additional tightening of capital controls is possible, but the community has not found a set of workable measures on which it can agree. Moreover, additional controls would run counter to one of the main purposes of monetary union, the free movement of capital within the EC.*

*FOR THE PRESIDENT ONLY*

FRANCE-EC

A French Foreign Ministry official has suggested that the political directors of the EC foreign ministries could begin discussing defense issues as part of their overall work program. He contended that such talks could be kept separate from talks on military matters in the Eurogroup of NATO.

*Heretofore, the French have opposed such discussion. Their new willingness to deal with defense issues in a forum that is community-related, but separate from NATO, is another sign that Paris is actively reviewing its position on intra-European issues--particularly those affecting relations with the superpowers.*

FOR THE PRESIDENT ONLY

LIBYA

President Qadhafi, deeply frustrated by the negative Egyptian attitude toward his concept of union and the cultural revolution, apparently hopes to counter with a dramatic show of popular support for his position. Several thousand Libyans reportedly are to depart for Egypt today in a motorcade scheduled to arrive in Cairo on July 23--the anniversary of the Egyptian revolution. The demonstrators intend to present President Sadat with a charter charging him to establish a "complete" union based on "popular" and Islamic principles.

*Qadhafi presumably hopes that the rally will force Sadat to abandon his gradualist approach to merger. The march, however, is likely to run into difficulties before it ever reaches Cairo. The logistical problems of transporting the demonstrators across the Libyan desert will be formidable, and the march could run into trouble when it reaches the Egyptian border.*

25X1

25X1

[Redacted]

*Should the cavalcade ever reach its destination, it could prove very embarrassing to President Sadat.*

25X1

Whatever its impact on the Egyptians, the march is certain to contribute to turmoil in Libya. Qadhafi's prolonged absence from Tripoli--he is now in Benghazi--has caused a serious leadership vacuum.

[Redacted]

25X1

*Qadhafi apparently is not yet ready to put his own house in order, nor is he willing to moderate his position on union, despite considerable pressure from the Revolutionary Command Council and President Sadat. His decision to sponsor the march clearly indicates that he is willing to place his prestige and perhaps his leadership on the line.*

FOR THE PRESIDENT ONLY

AFGHANISTAN

Former prime minister Daud appears to be in control in Kabul, although the situation in the rest of the country is still unclear.

Judging by Daud's performance during his ten years as prime minister--1953 to 1963--he will make no major shifts in Afghan policies, but there could be changes in emphasis.

Some regard him as a Soviet stooge



25X1

25X1

Daud is, in fact, probably more responsible for the present close relationship to Moscow than any other Afghan, but he is likely to retain Afghanistan's traditional policy of trying to play the great powers against each other.

25X1

In Pakistan, Daud is remembered as a long-time advocate of independence for the country's two frontier provinces, whose inhabitants are closely related to the Afghans. Independence for Pushtunistan is the only specific foreign policy issue the new government has mentioned publicly, and relations with Pakistan could deteriorate.

For the US, Daud may be harder to deal with than the previous prime minister or the King. He is likely to be more suspicious of US motives, generally less cooperative, and somewhat more pro-Soviet. Nevertheless, there is no reason to think he will reverse present Afghan foreign policies.



## FOR THE PRESIDENT ONLY

### ARGENTINA

Preparations are under way to install Juan Peron in the presidency, and a date should be set shortly for elections--August 26 has been mentioned most frequently. Efforts are continuing to establish an electoral alliance between the Peronists and the middle-of-the-road Radical Party by bringing Radical leader Ricardo Balbin onto the ticket as Peron's vice presidential candidate.

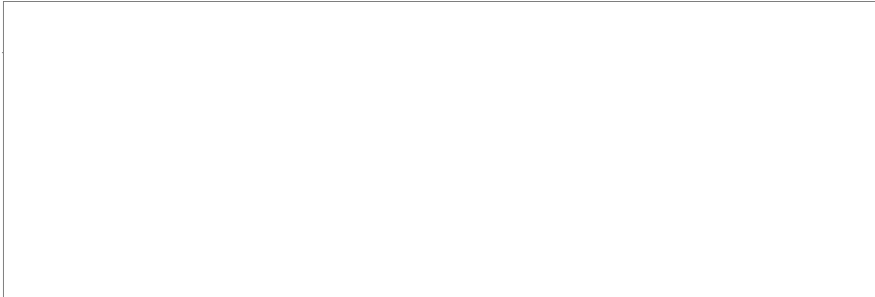
*It is doubtful that Peron will face any significant opposition, although an attempt might be made to organize a leftist electoral front.*

The Peron-Balbin alliance could run into opposition from Peronists who fear that Peron, who is 77 years old and has several health problems, will not live out a full term. More important, leaders of the Peronist left are concerned that the proposed alliance, which has the blessing of the military, signals a shift to the right.

*To contain this rising opposition, Peron appears to be trying to isolate the extremists while attracting a broad spectrum of political moderates into his government of "national unity." This tactic is likely to include a tough line against extremists and terrorists, combined with moderate economic policies. To maintain the support of the moderate and nationalistic left, Peron will probably emphasize an "anti-imperialist" foreign policy and make a concerted drive for "Third World" leadership.*

*FOR THE PRESIDENT ONLY*

NOTES



25X1

East Germany - Berlin: The East Germans have reversed themselves and are again issuing entry permits for West Berliners who wish to visit between July 28 and August 5. Earlier, they had sought to restrict the entry of West Berliners severely for fear that the Soviet-sponsored World Youth Festival would be disrupted by uninvited hecklers. A combination of bad publicity, informal Western protests to the Soviets, and perhaps a touch of Soviet pressure seem to have caused the East Germans to change their minds.

*Top Secret*