



The President's Daily Brief

27 December 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

December 27, 1973

PRINCIPAL DEVELOPMENTS

Syria

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(Page 1)

The Arab oil exporters' decision to increase output in January will restore world oil supplies about to the level of last September, apart from the amount involved in the embargoes against the US and the Netherlands. (Page 3)

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Egypt

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The Soviet ambassador in Laos predicts that the Pathet Lao soon will begin negotiations toward a new coalition government. (Page 5)

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The Korean prime minister has appealed to opposition forces to enter a dialogue with the government. (Page 6)

Notes on the further strengthening of the dollar, the new Cambodian cabinet, Soviet and the Soyuz landing appear on Page 7.

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ARAB STATES - ISRAEL

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(continued)

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Israeli and Egyptian military negotiators met in Geneva yesterday for the first disengagement talks since discussions broke down last month at Kilometer 101. Both sides apparently reiterated the initial positions that had caused the breakdown: the Israelis calling for a mutual withdrawal of Egyptian and Israeli forces to opposite sides of the Suez Canal, and the Egyptians demanding that Israel evacuate all but about one third of the Sinai peninsula.

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INTERNATIONAL OIL

The Arab oil exporters' decision on Christmas Day to replace the 5-percent cutback in output scheduled for January with a 10-percent increase will mean a rise of about 2 million barrels per day in world oil supplies over December levels. Supplies will still be some 3 million b/d below September's output and over 4 million b/d less than the output that had been projected for January before the Middle East war. The 3 million b/d reduced supply of oil is roughly equal to the amount that the US and the Netherlands would lose if the embargoes were strictly applied against them.

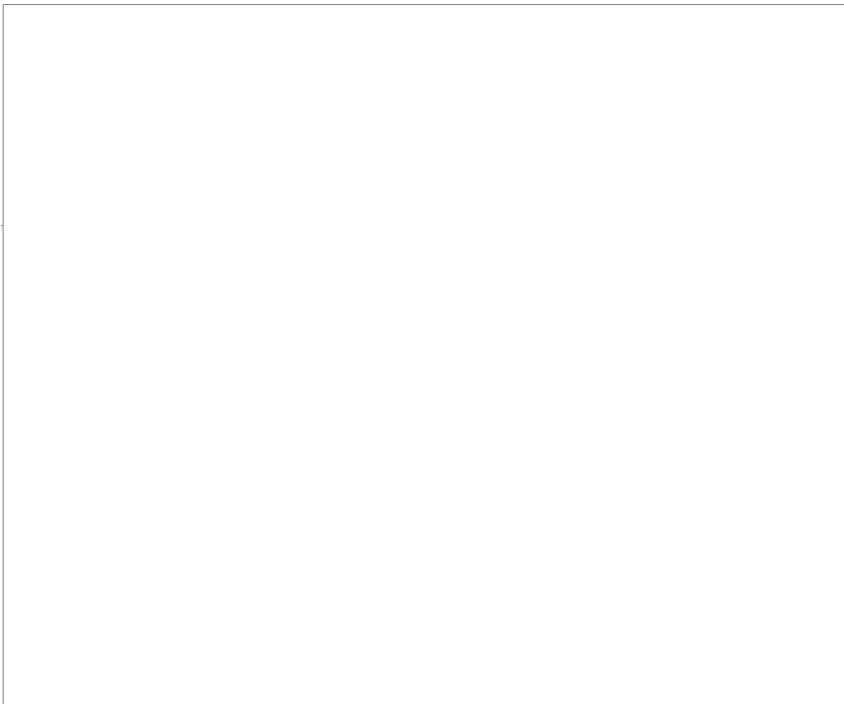
Despite the embargo, the US probably will continue to receive at least a share of the available oil proportionate to its pre-crisis imports. Well over 500,000 b/d of Arab and non-Arab crude may already be diverted from normal channels to the US, and another 500,000 to the Netherlands. As the Arabs increase production, the amount diverted will probably increase. Thus the US will lose relatively little of its total supply, perhaps no more than 5 percent.

Serious economic dislocations next spring now seem unlikely in Europe and Japan, but economic growth rates will be substantially below pre-October projections.

The earlier decision by Persian Gulf members of OPEC to raise prices \$4 a barrel, when matched by other OPEC producers, will double the world oil bill in 1974 to about \$100 billion, assuming little or no growth in consumption by major oil importing countries. The additional cost resulting from the new hikes will be about \$10 billion for the US, \$23 billion for Western Europe, and \$8 billion for Japan.

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EGYPT



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USSR-LAOS

The Soviet ambassador in Laos predicts that the Pathet Lao will agree early in 1974 to begin negotiations toward a new coalition government. According to Ambassador Vdovin, Soth Phetrasy, the senior Pathet Lao representative in Vientiane, has told him the Communists will soon drop their condition for neutralization of the two capitals before negotiations could begin. Phetrasy recently returned from consultations in Hanoi and Sam Neua and could be carrying new instructions.

Vdovin informed the US chargé on December 24 that he would do everything possible to facilitate the negotiations. Earlier he had told the British ambassador he might go to Sam Neua to try to convince the Pathet Lao that Prime Minister Souvanna is acting in good faith.

Vdovin acknowledged that the Pathet Lao had delayed implementation of the Lao accords. He agreed that this probably results from concern over the physical security of their leaders as well as a desire to accommodate their North Vietnamese allies, who may--for reasons of their own--be opposed to the early formation of a Lao coalition government.

Vdovin believes Peking is satisfied with the agreement in Laos and is supporting Souvanna's efforts toward the early formation of a new government. Vdovin's moderation on the subject of the Chinese probably owes much to the recent Chinese withdrawal of about 4,000 antiaircraft artillery forces from Laos. This reduces Peking's overall strength there to some 25,000 engineer, infantry, and support troops. Withdrawal of these forces remains a major Soviet goal.

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SOUTH KOREA

In an address to the nation yesterday, Prime Minister Kim Chong-pil told domestic critics that the government would not bend to demands for political reform and revision of the constitution. He appealed to opposition groups to end their dissent and to institute, instead, a quiet dialogue with the regime. He implied that continued unrest would lead to repressive government action.

Kim's statement was prompted by the recent attempt by 30 prominent South Koreans to petition publicly for reform. The Prime Minister hopes to avoid a head-on confrontation between the unyielding President Pak and his critics--Christians, students, intellectuals--who want to reduce presidential authority. In an effort to strengthen his appeal, Kim emphasized that continued instability in South Korea would benefit the North.

The Prime Minister's remarks are not likely to ease the situation. Should the present pattern of dissent persist, a serious confrontation may well occur in the next month or two.

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NOTES

International Monetary Developments: The new price of Persian Gulf crude oil has led to further strengthening of the dollar in international money markets. The price increase has more seriously affected European and Japanese economies than the US because of its adverse impact on importers' balance of payments and domestic price levels. In Tokyo, the dollar rate is above the 300 yen level in the forward market and dealers expect further devaluation. In Paris, the dollar closed yesterday at a new post-devaluation high against the franc, and gains against other European currencies should be reflected today.

Cambodia: Prime Minister Long Boret's new 16-man cabinet--announced in Phnom Penh yesterday--holds out some hope for improvement over its predecessor, according to an initial assessment by the US Embassy. It contains much less dead wood and the portfolios have for the most part been distributed more rationally. President Lon Nol's Socio-Republican Party dominates the cabinet, but Sirik Matak's Republican Party, the "independents," and the military are also represented. The new ministers meet today to address such problems as the teachers' strike, a lagging conscription drive, and general economic malaise.

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USSR: Soyuz 13 with two cosmonauts aboard landed yesterday after an eight-day mission. According to TASS, both cosmonauts are in good health following a successful recovery.

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