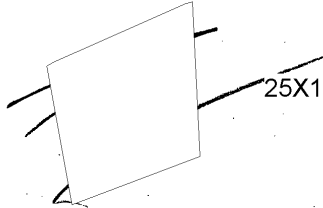


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The President's Daily Brief

February 16, 1974

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143

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

February 16, 1974

PRINCIPAL DEVELOPMENTS

European leaders are assessing the effects of France's isolated position and of Germany's strong stand on EC relations, in the aftermath of the Washington energy conference. (Page 1)

The South Vietnamese cabinet, with the exception of Prime Minister Khiem, resigned today at President Thieu's request. The shake-up apparently is part of a wider effort by Thieu to restructure the government. (Page 2)

South Korea reportedly is reinforcing some of the islands it occupies just south of the Northern Limit Line. (Page 3)

[Redacted] (Page 4)

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Tension apparently continues in the Jordanian Army in the wake of last week's mutiny. (Page 5)

No fighting has taken place along the border between Iran and Iraq since last Monday, but the situation in the area remains volatile. (Page 6)

The Economic Commission of the Organization of Petroleum Exporting Countries is studying the ramifications of recent oil price increases to determine whether prices should be changed on April 1. (Page 7)

Saudi Arabia has accepted a \$30 million subscription to the Eurodollar loan being made to France. (Page 7)

Notes on [Redacted] USSR-Libya, [Redacted] and French plans for marketing fighter aircraft appear on Pages 7 and 8.

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EC

In the aftermath of the Washington energy conference, European leaders are assessing the effects of France's isolated position and of Germany's strong stand on EC relations. Anxieties about the effect of the conference on European relations with oil producers and less-developed countries have faded, at least temporarily.

The West Germans, already shaken by the French decision to leave the joint float, are angry. Working-level Foreign Ministry officials say that Bonn's patience with Paris has worn thin and that Bonn will no longer tolerate a French veto on matters relating to European integration or to Europe's relations with the US.

Foreign Minister Scheel and Finance Minister Schmidt have openly criticized Paris for transforming the energy problem into a contentious political issue. Belgian Foreign Minister Van Elslande minced few words when he warned that France's "obstinate refusal to make reasonable compromises" is the real threat to European unity.

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Some European officials have compared the current EC trouble with that in the mid-1960s when France withdrew from active EC participation for several months. France will probably not do this now, however, because it is looking forward to assuming the chairmanship of the EC Council for six months, beginning in July.

France is already preparing for the next meeting of EC foreign ministers, at which it will press for approval of a plan for wide-ranging cooperation between the EC and Arab states.

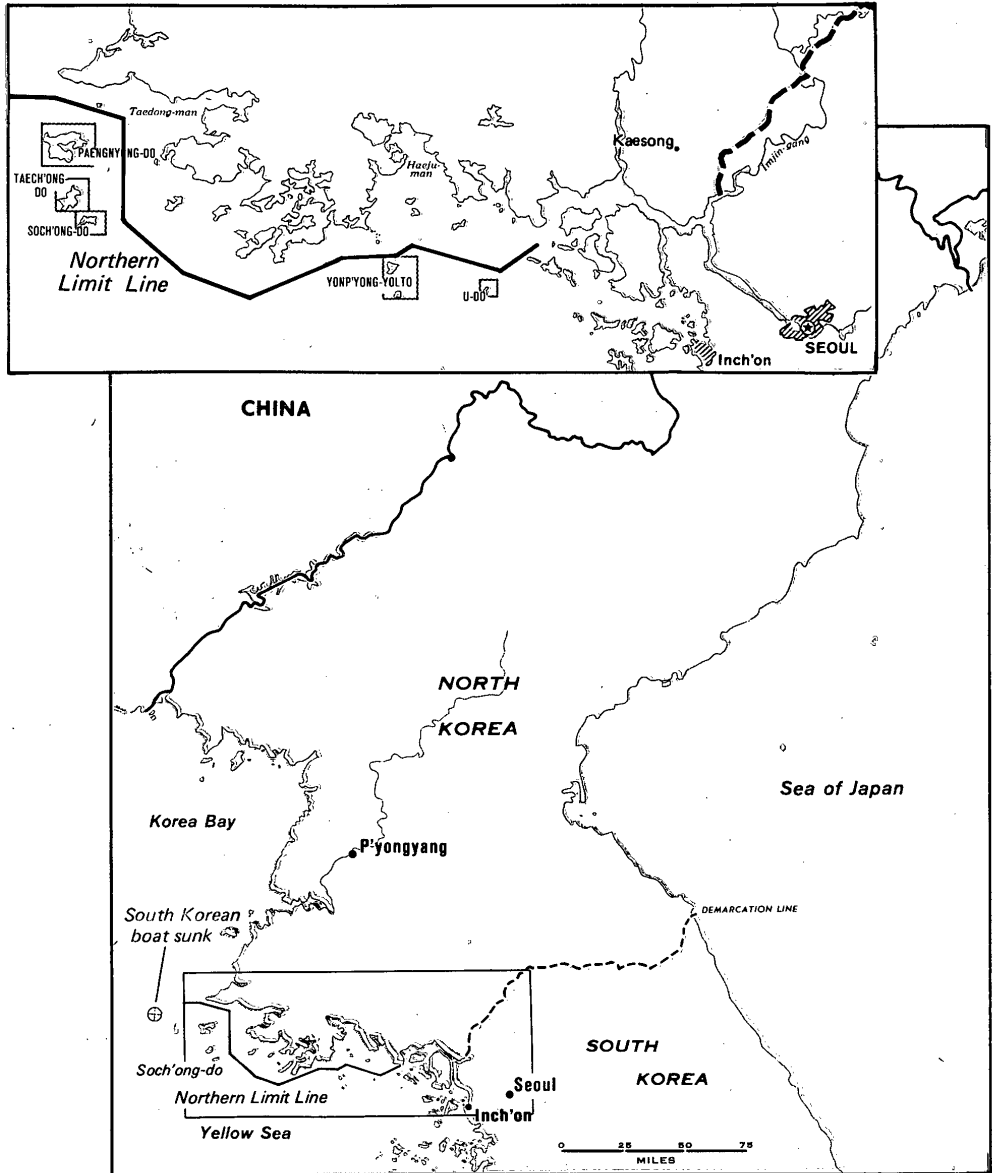
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SOUTH VIETNAM

The South Vietnamese cabinet, with the exception of Prime Minister Khiem, resigned today at President Thieu's request.

Thieu asked those resigning to remain in a caretaker capacity until a new cabinet is formed. Some of the senior ministers reportedly will be named to posts in the new cabinet.

The shake-up apparently is part of a wider effort by Thieu to restructure the government. In reorganizing the cabinet, Thieu hopes to strengthen the prime minister's office and streamline the handling of pressing economic problems.



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KOREAS

Seoul may be reinforcing some of the islands it occupies just south of the Northern Limit Line. ROK ships are reported bringing construction equipment into the islands to support a defense buildup which Seoul hopes to complete over the next several months.

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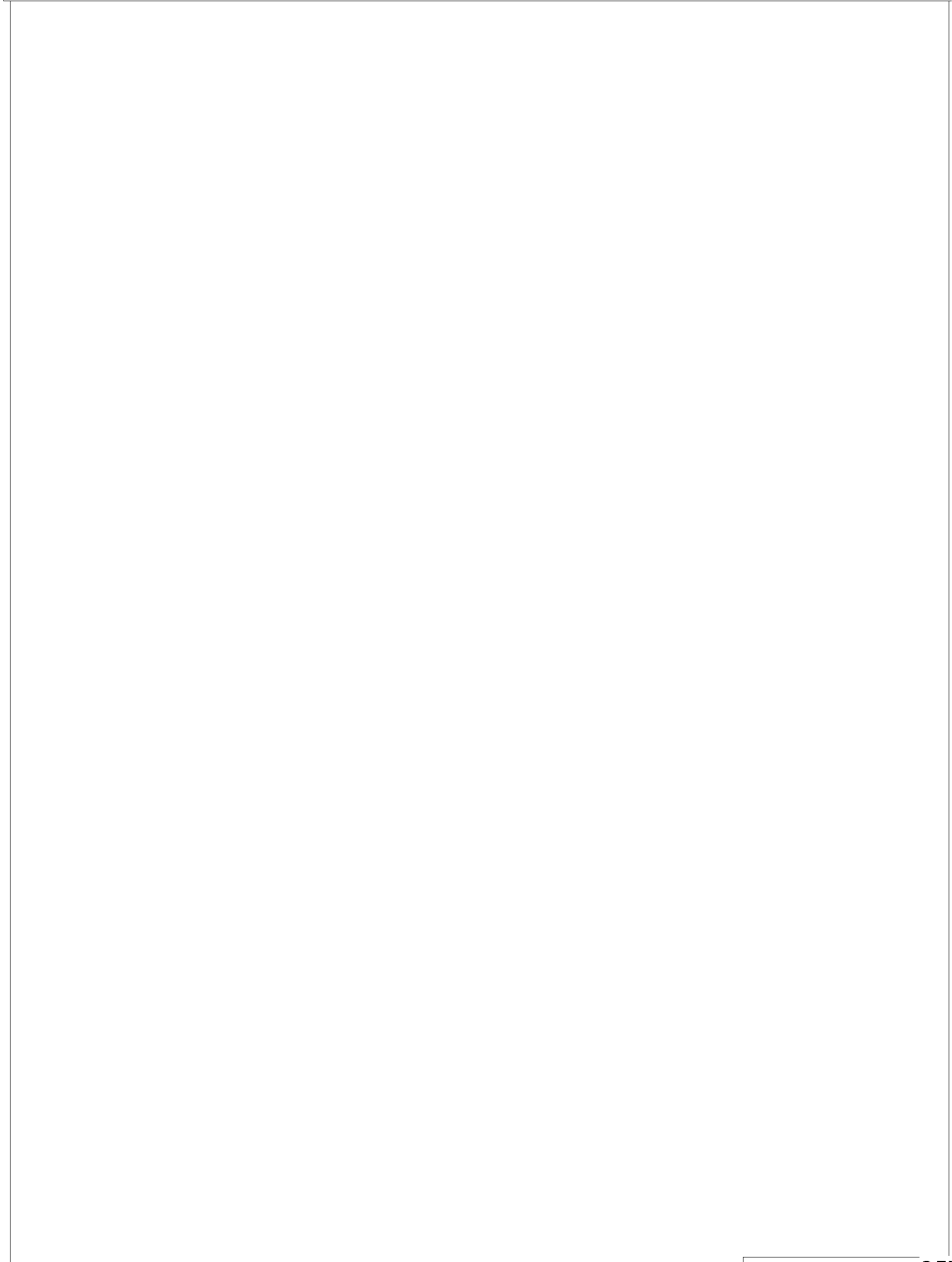
Pyongyang has not protested the reinforcement, but it continues to accuse Seoul of carrying out provocative activity in the vicinity of the islands. North Korea made its latest charges on February 15 in connection with the sinking of a South Korean fishing boat northwest of the Northern Limit Line. Pyongyang claimed the ROK craft had carried out a "hostile act of espionage" and stated that North Korean vessels had taken "proper self-defense measures."

Despite this strong wording, Pyongyang may try to play down the immediate incident. It has reportedly released a second fishing vessel captured in the encounter and has agreed to return the surviving crew member of the sunken vessel.

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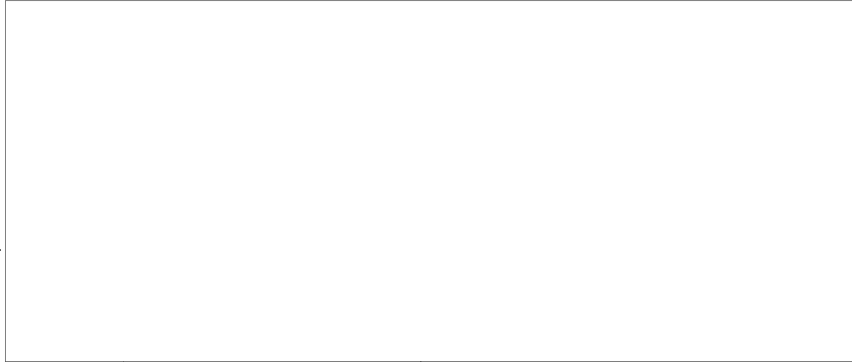


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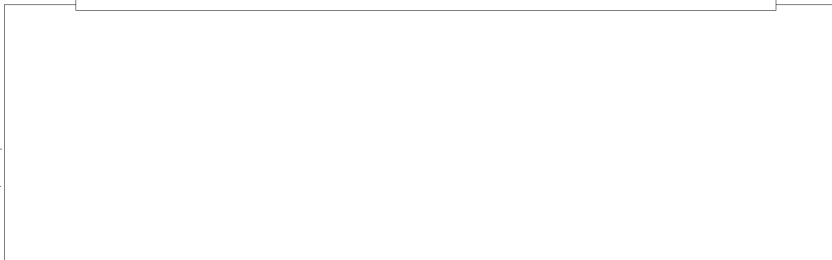
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JORDAN

Tension reportedly continues to run high in the Jordanian Army in the wake of last week's mutiny.

[redacted] an investigation into the causes of the mutiny is now in full swing, and about 100 enlisted men--mostly senior non-commissioned officers--have been arrested. Junior officers and enlisted men are apprehensive.

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Unless King Husayn takes more positive steps than he has thus far to deal with the grievances that sparked the insurrection, he could be faced with worse trouble. Husayn reportedly intends to make personal appearances at more army units, to wipe out the debts of enlisted men as well as officers, and to establish a special royal secretariat to handle army complaints.

Thus far, however, the King has not admitted that the unpopularity of army chief of staff Bin Shakir and Prime Minister Rifai is among the main causes of lingering unrest.

[redacted]
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The mutineers believe the government would not have taken any action to control food prices or prevent shortages if they had not acted. The troops have not yet even been officially notified of the promised pay raise, although it has been announced over Radio Amman.

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IRAN-IRAQ

No fighting has taken place along the border between Iran and Iraq since last Monday, but the situation in the area remains volatile.

During the fighting last weekend, Iranian troops moved several miles inside Iraq and there is no sign that they have withdrawn. Each side is unsure of the intentions of the other, and a minor incident could bring on another clash.

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In private talks with US Embassy officers, the Shah and other Iranian officials have tried to play down last week's fighting. The Shah has also let it be known that he will allow the Iraqi ambassador-designate to present his credentials today.

At the UN, the Security Council has adjourned until February 20, after meeting last night to hear Iraq and Iran trade charges of aggression.

Council members are expected to search for a compromise that can dissuade Iraq from insisting on full debate. The smaller states on the Council, in particular, seem anxious to avoid having to take sides in the clash between the two oil producers.

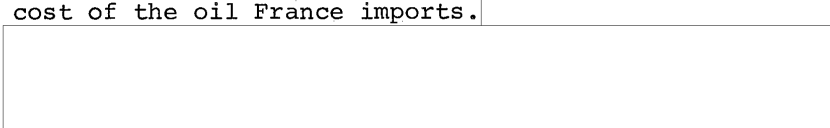
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NOTES

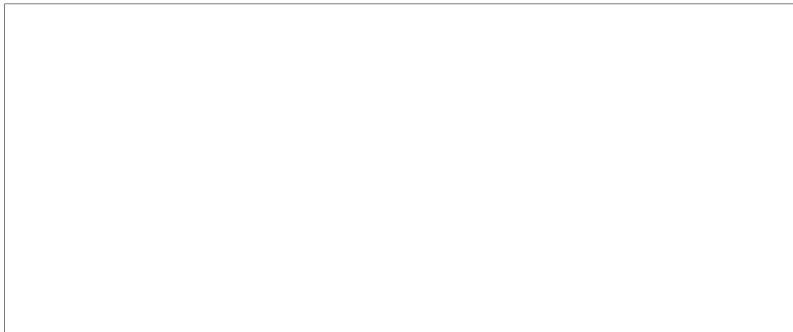
Oil: The Economic Commission of the Organization of Petroleum Exporting Countries, based in Vienna, is studying the ramifications of recent oil price increases to determine whether prices should be changed on April 1. Most commission members are trying to counter Saudi Arabia's claims that prices are already too high; some members are even toying with the idea of another price hike. The commission is also deliberating a long-term oil pricing policy based on the price of energy substitutes--a concept pushed by the Shah. The commission's recommendations will be considered when the organization's executive board convenes in March.

Saudi Arabia - France: Saudi Arabia has accepted a \$30 million subscription to the recent \$1.5 billion Eurodollar loan being made to Paris. The loan, which nine major international banks are arranging, will be used to help defray the increased balance of payments cost of the oil France imports.

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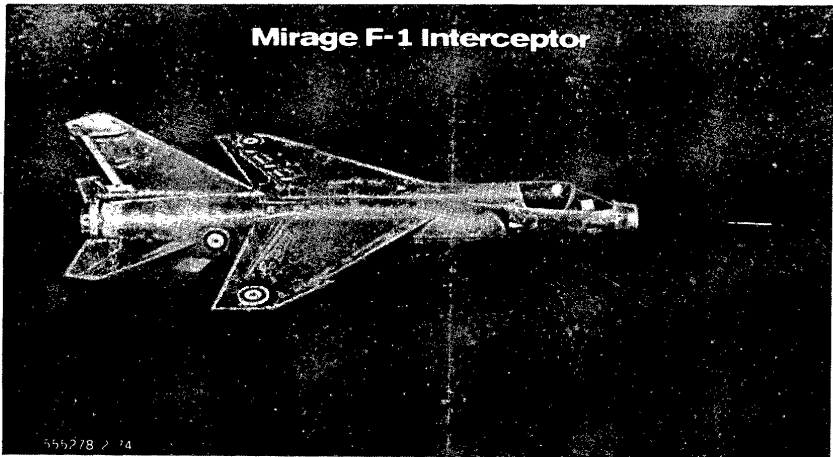


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France - Western Europe: Avions Marcel Dassault Company has proposed that France, Belgium, the Netherlands, and Australia jointly build a "Mirage F-1 International" aircraft, according to the French press. The proposal reportedly has the financial backing of the French Government and is apparently part of France's efforts to capture the European market for fighter aircraft during the second half of the 1970s. The F-1 International--or Super Mirage--is the planned export model of the Mirage F-1, an aircraft just now entering France's inventory. Its speed and altitude capabilities would be greater than the F-1, but it will probably not be operational before 1976.

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