

*The President's Daily Brief*

9 February 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

9 February 1973

PRINCIPAL DEVELOPMENTS

The military situation in Laos continues to deteriorate, but Prime Minister Souvanna Phouma believes that agreement on a cease-fire is near. (Page 1)

Vietnam  
(Page 2)

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New developments in the international monetary situation are discussed on Page 3.

Egypt and Libya are said to be moving ahead with their unification plans, but many major hurdles remain. (Page 4)

Moscow's relations with the fedayeen are becoming increasingly strained. (Page 5)

Senior Uruguayan military leaders have thrown down the gauntlet to President Bordaberry by demanding that he fire the new defense minister he appointed on Wednesday. (Page 6)

# LAOS



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● Government controlled      ● Communist controlled

*FOR THE PRESIDENT ONLY*

LAOS

Government forces yesterday abandoned Paksong on the Bolovens Plateau in the face of heavy shelling and strong ground attacks by elements of the North Vietnamese 9th Regiment. An effort is now being made to set up new defensive positions along Route 23 west of the town in hopes of maintaining at least a token government presence on the Plateau.

North of the Bolovens, the government campaign to recapture Saravane appears near collapse. Several of the irregular battalions that had been trying to move on the town now are retreating toward Khong Sedone. Government units still in the area, weakened by casualties and desertions, are unlikely to hold their ground against renewed Communist attacks.

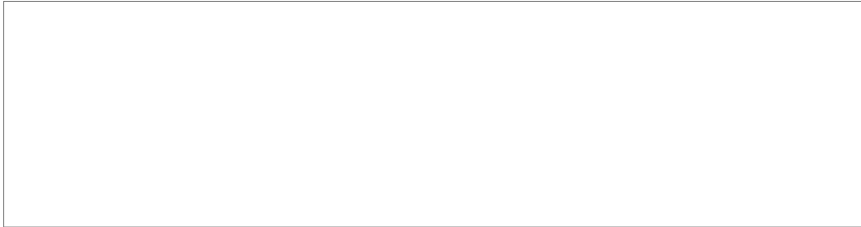
On Thursday the North Vietnamese also occupied Muong Phalane in the central panhandle. Government troops still hold hamlets north and south of the town. Skirmishing continues around Thakhek in the Mekong Valley, but the arrival of 1,400 irregulars will enable the government to regain the initiative in this area.

Little significant fighting has been reported in the rest of the country. In the far northwest, field commanders are hurriedly reorganizing their forces in anticipation of further enemy attacks. Irregulars from Nam Yu and nearby positions abandoned late last week have joined other government troops to form a defensive line stretching north from Ban Houei Sai.

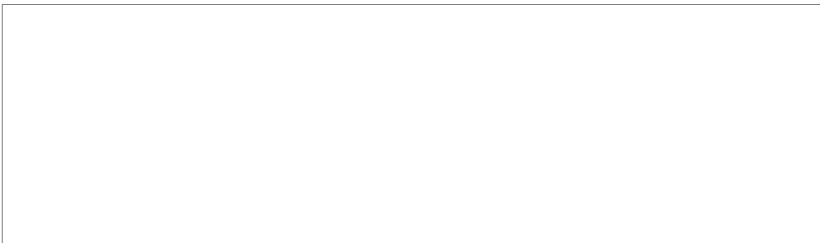
Meanwhile, Prime Minister Souvanna Phouma continues to meet with the senior Lao Communist representative, Phoumi Vongvichit, and remains optimistic that an agreement is near. The chief remaining obstacle is the Communist refusal to accede to Souvanna's demand that he be recognized as the only head of the neutralist faction. In an apparent effort to pressure the Pathet Lao to accept his terms, Souvanna yesterday called in the Soviet, British, and Indian ambassadors and the three International Control Commission representatives in Vientiane to explain the proposed agreement. He told the British ambassador that a cease-fire would be signed on 13 February and come into effect the next day.

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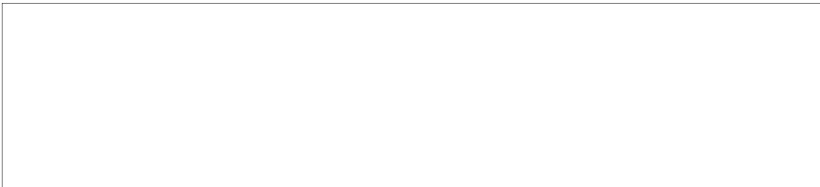
**VIETNAM**



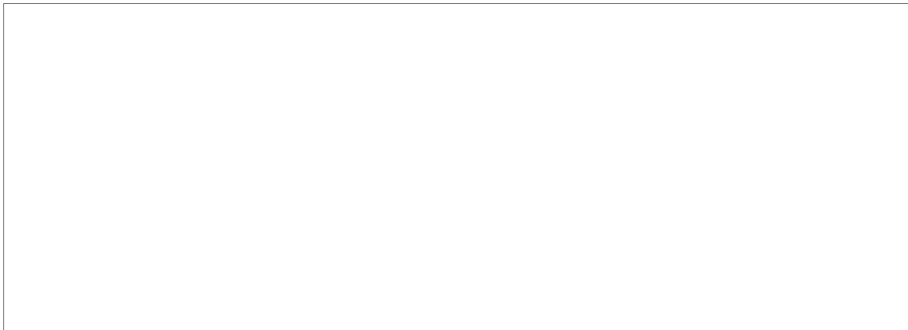
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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar fell below its floor yesterday, requiring the Bundesbank to intervene from the opening of the market. Total purchases by the central bank amounted to about \$1.7 billion, bringing total West German interventions since the crisis began on 1 February to about \$4 billion.

*The crisis is becoming a test of wills between the Bundesbank and international money speculators. It is also stirring new waves of anxiety about policy directions in Washington.*

*Concern is increasing, for example, over what new trade concessions the US may demand to help cure its balance-of-payments deficit. The recent GATT preparatory meeting for the future multilateral trade negotiations made it clear that the Europeans are not disposed to go very far in discussing trade matters until they have a better idea what negotiating authority the US administration will seek from Congress.*

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*At the same time, some German financial commentators have publicly alleged*

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*that the US may be encouraging the speculative flows and is not unhappy with the resulting de facto devaluation of the dollar. Many Europeans are expressing the wish for a united response to the crisis, but no consensus has yet appeared on what measures should be adopted. Current proposals include a joint two-tier system in the European Communities to control capital movements or possibly even a common floating of community currencies.*

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Meanwhile, the Japan foreign exchange market, which has already closed today--Tokyo time--reacted strongly to the increased activity on the European markets yesterday. The yen remained at its intervention point, with the Bank of Japan buying \$240 million. This nearly matches the largest purchase by the central bank during the current crisis.

FOR THE PRESIDENT ONLY

EGYPT-LIBYA

[redacted] plans for union are proceeding on schedule. Union will be formally proclaimed on 1 September, and the constitution will be ratified and a unified cabinet named within a month or so afterwards. Later steps, such as the election of a congress and the passage of laws covering all aspects of the unity arrangements, are to stretch out over a much longer period, probably well into 1974.

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*Many major hurdles remain before unity can become a reality. Cairo is not prepared to surrender any significant degree of authority to the Libyans, and is reluctant to involve itself in another abortive merger such as the one with Syria from 1958 to 1961. The Egyptian leaders' primary interest remains in ensuring continued access to Libyan funds.*

*The Libyans also have misgivings. President Qadhafi fears that mounting pressure on the Cairo government to break the Middle East stalemate may undermine President Sadat's position. The developing rapprochement between Egypt and Jordan causes him to suspect that frontline states may abandon the "battle of destiny" with Israel. Qadhafi and other members of the Revolutionary Command Council are also trying to allay widespread anti-union sentiments in Libya by insisting that the union will truly be a reciprocal partnership.*

*Qadhafi has signaled his intention to retain a major voice by suspending cash transfers to Cairo except those earmarked for arms purchases. Despite his reservations, however, he continues to prepare for union and to press for advancing the timetable.*



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**USSR-FEDAYEEN**

The strains are growing in Moscow's relations with the fedayeen. The primary irritant is the continuing emigration of Soviet Jews to Israel. Departures this year are at about the same rate as last year, when some 32,000 Jews left the USSR, mostly for Israel.

Fedayeen resentment has also been heightened, however, by a belief that the Soviets had a part in foiling a Black September terrorist operation against a transient center in Vienna used by Soviet Jews en route to Israel.

*The Soviets have long counseled the fedayeen against counterproductive terrorism and would not hesitate to thwart a fedayeen plot that might embarrass them. Whether or not Moscow was involved, the incident illustrates the growing lack of trust between the fedayeen and the Soviets. There are likely to be more such frictions as long as large-scale Jewish emigration continues.*

*FOR THE PRESIDENT ONLY*

**URUGUAY**

The senior army and air force leaders have thrown down the gauntlet to President Bordaberry by demanding that he fire the new defense minister he appointed on Wednesday. They did so after the new minister--a retired general--took a strong stand against further military meddling in politics. Bordaberry has defied the demand and has appealed for popular support.

*Although top navy leaders continue to support the president, we doubt that they would be able to offer more than token resistance should the army and air force decide to force the ouster of either the defense minister or the president.*

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NOTES

Chile: Because of a shortfall in its wheat production, Chile is seeking to boost this year's imports to some 1.3 million tons, 73 percent above the 1972 total. Santiago has signed contracts with Argentina, the USSR, Australia, South Africa, Romania, and Bulgaria for about half its needs, but has been unable to obtain any more from them. Chilean officials state that the US and Canada are the only possible sources for the balance of this year's requirements. The wheat from the USSR amounts to 100,000 tons and is part of the 1 million ton Soviet-Australian grain deal concluded late last year.

Cyprus: Archbishop Makarios was returned unopposed to the presidency for a third time yesterday as tens of thousands of his supporters held a peaceful mass demonstration in Nicosia. Followers of General Grivas made no attempt to disrupt the rally.

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