



The President's Daily Brief

13 August 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Military activity in the Phnom Penh area is at its lowest level since April. (Page 1)

Occidental Petroleum's acceptance of the new terms for continuing its operations in Libya probably will spur Persian Gulf countries to seek better terms from oil companies operating there. (Page 2)

[REDACTED]

[REDACTED] The Saudis have been under mounting pressure to use their oil as a "political" weapon. (Page 3)

The UN Security Council meets today to hear complaints against Israel filed by Lebanon and Iraq over the Israeli intercept of a Lebanese civil aircraft last Friday. Some Arab governments have hinted at possible retaliation in kind for the Israeli operation. (Page 4)

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CAMBODIA

Military activity in the Phnom Penh area is at its lowest level since April. Government commanders are taking advantage of the lull in enemy attacks to expand their defense perimeter.

An enemy message intercepted on August 9 stated that the insurgents were preparing to resume their operations in the Phnom Penh area "within 10 or 15 days at the latest." Other messages, however, suggest that the Communists have suffered heavy losses from air attacks and are troubled by at least localized supply shortages. The insurgents are also attempting to organize additional sapper attacks. The discovery by police on August 8 of two arms caches within the city may have disrupted these plans.

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LIBYA

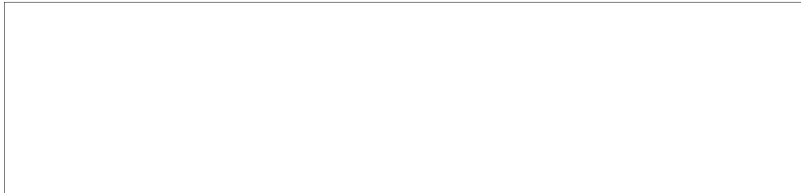
On August 11 Tripoli nationalized a majority share of Occidental Petroleum's Libyan assets and threatened to take the remaining 49 percent if the company resisted the action. Occidental acquiesced and will receive compensation on the basis of net book value--a low valuation method. The company also agreed to market Libya's share of the production and will pay a high price for the government-owned oil--more than a 50 percent increase over that previously paid by Occidental. Occidental produces about 15 percent of Libya's oil and exports most of it to Western Europe.

The Oasis Group of companies, which accounts for almost 40 percent of Libyan production, is scheduled to meet next with Libyan officials and probably will face demands to accept the same settlement as Occidental. Three of the Oasis partners--Continental, Marathon, and Amerada-Hess--have relatively little oil production outside of Libya and probably will acquiesce. Shell, the other partner, has most of its production in the Persian Gulf countries and Nigeria, and probably will resist Tripoli's demands in order to keep the Libyan terms from spreading to other oil-producing countries.

It is almost certain that acceptance of Tripoli's terms by Occidental and three of the Oasis partners will spur the Persian Gulf countries to seek improved terms from the oil companies.

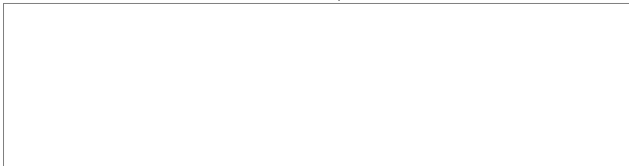
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SAUDI ARABIA



Current daily oil production in Saudi Arabia is about 8 million barrels, and ARAMCO--owned by four US companies and the Saudi Government--had hoped to increase production to about 9 million barrels a day by the end of the year. It is not clear whether Faysal intends to cut back total oil exports or whether he will seek to decrease Saudi oil actually coming into the US, which currently amounts to only 300,000 barrels out of total US oil imports of 6 million barrels daily. If the Saudi King does order a production cutback, other Arab oil producers may follow suit.

Foreign visitors who have met recently with Faysal confirm that he has been increasingly critical of US policy in the Middle East since the Security Council veto. The Saudis also have been under growing pressure from other Arabs to use the country's oil and rapidly mounting cash reserves as levers to get the US to modify its stand on Arab-Israeli questions.



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ISRAEL



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Defense Minister Dayan's public statement justified the action in similar terms and described George Habbash--the fedayeen leader who was scheduled to be on the airliner and who was the target of the operation--as a mass murderer.

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The UN Security Council will meet today to consider complaints against Israel filed by Lebanon and Iraq, which had chartered the Lebanese airliner. Although the Lebanese have not yet drafted a resolution, Beirut has called on the international community to impose sanctions against Israel. Iraq will take a tough line at the UN if Lebanon does not. A complaint also has been lodged with the International Civil Aviation Organization, which is scheduled to meet in Rome later this month to consider legal sanctions against states that encourage or condone hijacking.

In the Arab world, the action is being met with predictable indignation, and some Arab governments have hinted they may retaliate in kind.

The fedayeen are probably somewhat disconcerted at the ability of Israeli intelligence to pinpoint Habbash's travel plans and at the implications this has for their freedom of movement. Nevertheless, they will make propaganda capital out of Israel's failure to capture Habbash. They are not likely to be deterred from efforts to retaliate.

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