



The President's Daily Brief

30 August 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

30 August 1973

PRINCIPAL DEVELOPMENTS

In Cambodia, insurgent forces yesterday moved against the government defense line south of Phnom Penh and continued heavy pressure on the provincial capital of Kompong Cham. (Page 1)

The declaration of union issued yesterday by Presidents Qadhafi and Sadat pays lip service to the Libyan principle of full merger but actually gives Egypt the gradual approach to union that it has sought. (Page 2)

The brevity of the Tenth Party Congress held in Peking from August 24 to 28 suggests that essential tasks were accomplished with relative ease but that the leadership preferred to avoid a full discussion of controversial issues. (Page 3)

The Soviets are launching a major anti-Chinese campaign and have stimulated a similar movement by their East European allies. (Page 5)

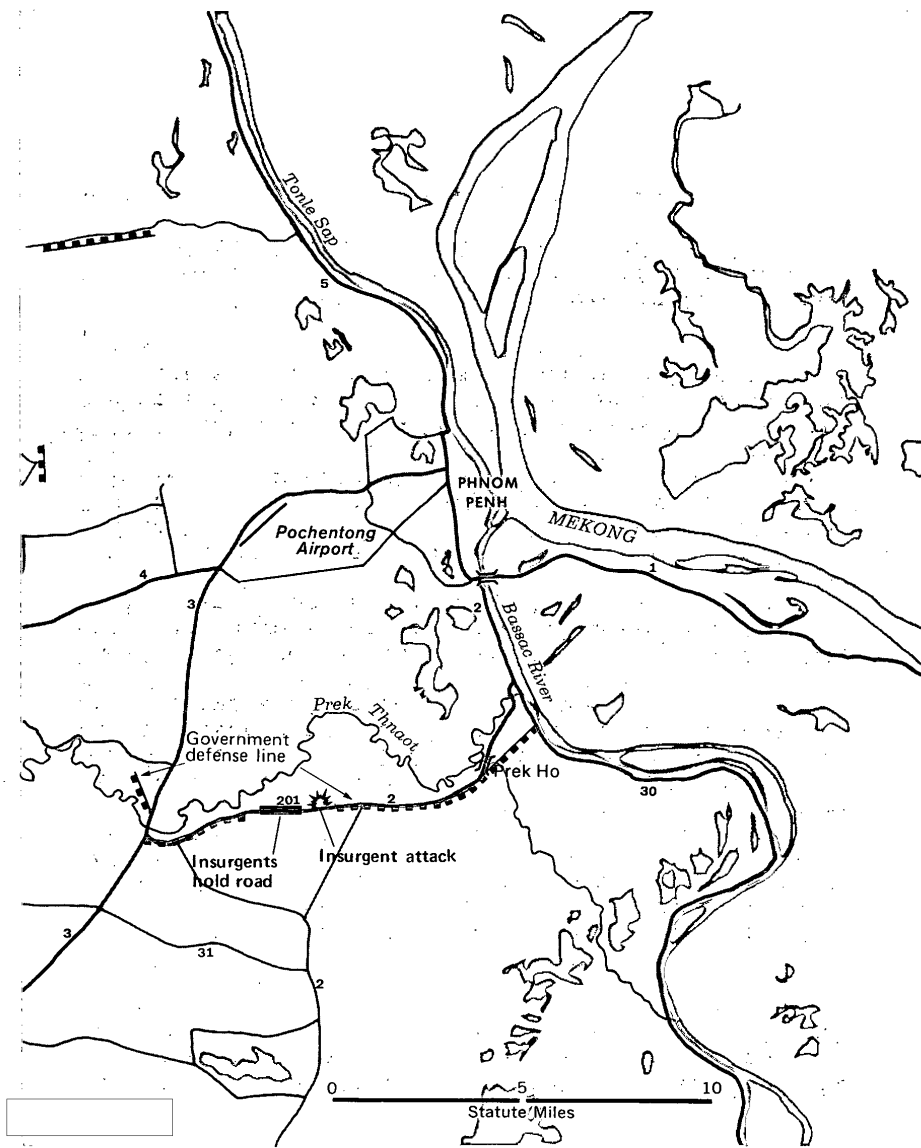
Chancellor Brandt's emissary, State Secretary Grabert, was in Moscow this week, presumably to discuss difficulties that have developed in Soviet - West German relations in recent months. (Page 7)

Chile's cabinet reshuffle on Tuesday and the meeting of army generals on the same day appear to have had little impact on the slow-motion crisis there. (Page 8)

Argentina is granting long-term credits to selected Latin American countries as a means of furthering both political and economic goals. (Page 9)

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CAMBODIA

Khmer insurgent forces yesterday moved against the government defense line south of Phnom Penh by cutting Route 201. A government counterattack, however, has forced a partial insurgent withdrawal. Although one mile of road was still in Communist hands late in the day, a subsequent unconfirmed report claimed the government had regained control of the road. So far there has been little indication of the size of the insurgent force involved in the attack on the southern front. The Communist attack plan outlined in intercepted messages last week called for operations in this sector, and a recent message mentioned the Prek Ho bridge on Route 2 as a primary objective.

Elsewhere, Routes 4 and 5 remain cut some 30 miles from Phnom Penh. A recent message from the Khmer Communist Central Committee urges insurgent units to keep these highways closed "through September and October" so that insurgent forces can "attack Phnom Penh again." Forty-five miles northeast of Phnom Penh, the insurgents are keeping heavy pressure on the provincial capital of Kompong Cham. Several positions north of the city have fallen in the past few days, and insurgents have daily shelled and probed the perimeter to the west and south. The airstrip just northwest of Kompong Cham is within easy range of Communist artillery, and the Cambodian Air Force has begun to airdrop ammunition and supplies for the city.

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LIBYA-EGYPT

The declaration of union issued yesterday by Presidents Qadhafi and Sadat, while paying lip service to the Libyan principle of full merger, provides for little more than another round of planning and a few token steps toward unification. From last-minute negotiations, Sadat won the gradual approach to merger that he has sought, and he can continue his efforts to gain access to Libya's wealth without relinquishing, initially at least, any of Egypt's autonomy.

A constituent assembly, composed of 50 delegates from each country, will be selected on September 1 to draft a new constitution, nominate a president, and arrange for a constitutional referendum to be held in both nations. No specific deadline has been set for completion of these preparatory measures. The only gesture toward actual integration is an agreement to use an Egyptian-Libyan dinar as the unit of accounting between the two countries.

Sadat remains free for the time being to conduct Egypt's affairs on his own terms. Major policy differences with Libya pose few problems for the short term, and Sadat presumably hopes that in time he will be better able to counter Libyan efforts to influence Egyptian policy.

Qadhafi must feel the sting of this setback in his campaign for complete union. He has already warned that his participation in the merger and his leadership of Libya depend on the direction taken by the unified state.

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CHINA

The Tenth Party Congress held in Peking from August 24 to August 28 was unusually short.

Its brevity suggests that essential tasks were accomplished with relative ease, but that the leadership found it desirable to avoid a full discussion of controversial policy issues that were vigorously debated in the media prior to the congress.

Mao presided; Chou En-lai gave the political report, a role awarded in the past to the second-ranking party leader. The congress elected a new, larger Central Committee that includes a number of rehabilitated officials, and adopted a revised party constitution. It formally expelled Lin Piao from the party and touched off an attack on him, for the first time by name, in the media.

This on-going campaign against Lin and his followers was described as a primary task, leaving open the possibility of further purges or demotions. No names are yet available, but the new Politburo, to be formally "elected" by the new Central Committee, will apparently be a mix of moderate officials, radical ideologues, military men, and elder statesmen.

Preliminary accounts of the proceedings indicate a meteoric rise in party status for Wang Hung-wen, a young Shanghai official who was aligned with the radical faction during the Cultural Revolution, but who is probably more acceptable to moderate leaders than are Madame Mao and some others. Another significant promotion is that of Chang Chun-chiao, a former leftist who apparently has also been moderating his views; he may be performing the duties of party secretary general.

Judging from the communiqué, the congress ratified the basic premises and directions of China's post - Cultural Revolution foreign policy. The Soviet Union was clearly labeled China's chief enemy, both as the most dangerous threat to Chinese security and as Peking's foremost ideological foe. The congress called on the Chinese populace to be on guard against a surprise Soviet attack.

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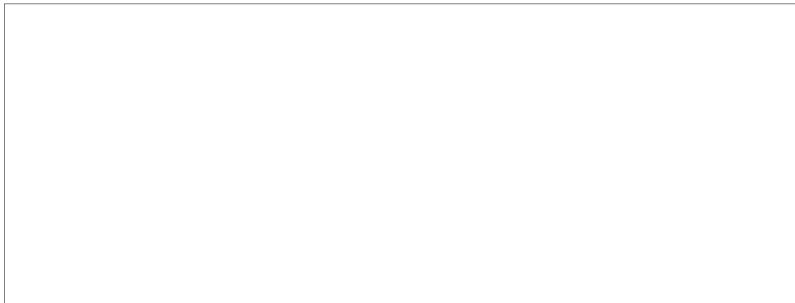
The congress also reaffirmed Peking's strong interest in playing a leadership role among third world countries, reiterating its opposition to attempts by the US and the USSR to dominate international politics. It called on Communist, Socialist, and Third World countries as well as states chafing at big-power "bullying" to join China in a broad, united front against "imperialism, colonialism, neocolonialism, and in particular against the hegemonism of the two superpowers."

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--the Soviet Politburo communiqué on the Crimea meeting of August 3 cited the need for a "collective analysis" of current issues, marking high-level interest in a new conference;

--a Pravda article on August 7 by "I. Aleksandrov" (a pseudonym associated in the past with major policy pronouncements on China) expressed Moscow's concern over communist unity and the need for broader policy coordination by communist states;

--Brezhnev, speaking on August 15 at a public rally at Alma-Ata, gave a gloomy assessment of Soviet relations with China; he echoed Aleksandrov and cited Peking's "subversive activity against the socialist countries" as the cause for current Sino-Soviet tensions;

--finally, a second Aleksandrov article in Pravda on August 26 invoked the three most recent communist conferences (1957, 1960, and 1969) and accused the Chinese leadership of inciting "individual communist parties...to assume a 'neutral' position with respect to the principal disagreements between the Maoist and the international communist movement."

In addition to Moscow's own efforts against the Chinese, the Soviets have been orchestrating a similar movement by their staunchest allies in Eastern Europe.

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Despite these indications of a preliminary campaign to call another international meeting, it does not appear that the Soviet leaders have really faced up to the serious problems such a conference would create for themselves.

Even the question whether to hold a conference would be divisive, given the inevitable opposition of the Romanians and the Yugoslavs, various West European Communists, and the North Vietnamese, and the reluctance of many others to stand up and be counted.

If history is a guide, any preliminary soundings with regard to an international meeting would be accompanied by letters to the Italian and French parties, for example, explaining the need for a conference. Until evidence such as this appears--and it would come promptly through penetrations in these parties--the current propaganda campaign must be considered more a threat than a decision by the Kremlin to call for another meeting.

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USSR - WEST GERMANY

Chancellor Brandt's emissary, State Secretary Grabert, was in Moscow this week, presumably to discuss difficulties that have developed in Soviet - West German relations in recent months.

--In negotiations to establish diplomatic relations with Czechoslovakia, Bulgaria, and Hungary, Bonn has argued that its prospective embassies should represent West Berlin institutions as well as its citizens. The three East European countries, undoubtedly at Soviet insistence, have refused to accommodate Bonn on the issue.

The Soviet Union believes West Germany is trying to expand ties with West Berlin beyond the limits permitted by the Quadripartite Agreement. The Soviets have, therefore, insisted on a narrow interpretation of its terms.

--Moscow takes the position that foreign and national forces in Central Europe should be reduced at the same time and in the same proportion. The Soviets seem to assume that Bonn holds an opposite view, and they apparently fear that reductions applying only to US and Soviet forces would leave the West Germans disproportionately strong.

--Moscow holds Bonn responsible for much of the trouble it has had at CSCE preparatory talks on the subject of "freer movement," a topic which is likely to remain a major source of East-West discord at the CSCE second stage, which begins next month. The Soviets maintain that West German pressure on the issue is directed at developing closer ties with East Germany.

--Finally, Moscow is disappointed that detente has not generated more economic cooperation between the USSR and West Germany. Brezhnev requested lower interest rates on German credits in May

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A West German draft proposal for subsidizing export credits to foreign countries, which is likely to be approved within the next two weeks, however, would remove a serious obstacle to the conclusion of industrial cooperation projects.

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CHILE

The cabinet reshuffle on Tuesday and the meeting of army generals on the same day have evidently had little impact on the situation. The slow-motion crisis continues and President Allende has seen fit to cancel his trip to Algiers for the nonaligned conference next week.

The President's hand has nonetheless been at least temporarily strengthened. The three military services and the national police are again all represented in his cabinet. Indecisiveness among high army generals--their meeting apparently ended in a decision to wait and see--seems to have precluded for now a concerted military effort to force Allende to modify his policies.

The new army chief, General Pinochet, is giving first priority to overcoming disunity in his service. He is also trying to overcome long standing animosity among all the military services.

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Extremist groups of both the right and the left have suffered reverses in recent days. The leader of the rightist Fatherland and Freedom group has been arrested and is said to have confessed his group's responsibility for recent widespread terrorism. Leaders of the Movement of the Revolutionary Left are said to have decided to act more cautiously after seizure of some of their personnel and arms caches by naval units.

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ARGENTINA

Argentina is granting long-term credits to selected Latin American countries as a means of furthering both political and economic goals. The credits--\$10 million to Peru, \$100 million to Chile, and \$200 million to Cuba--are intended to challenge US-Brazilian influence in South America as well as to promote the export of Argentina's manufactured products.

These arrangements would strengthen Argentine ties with the Andean Group and would promote Peron's "third position" in foreign policy. The credits to Cuba have the additional advantage, for both countries, of challenging OAS members that still favor sanctions against Havana.

From an economic standpoint, this aggressive credit policy will indeed stimulate nontraditional exports since the three countries involved would not purchase large amounts of Argentine manufactures without these generous credit terms. On the other hand, Argentina can maintain these markets only by continuing to grant large credits--a policy that could eventually cause difficulties in view of the poor payment record of the three countries.

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NOTES

Kuwait: The government has asked Gulf Oil and British Petroleum, who own the Kuwait Oil Company, to give up their concession rights and enter into an agreement similar to that existing in Iran--100-percent ownership by the government. The companies would be compensated and would continue to operate the oilfields and market the oil as contractors. The 100-percent feature would not necessarily be a financial improvement for Kuwait--that would depend on the amount of compensation and the price at which the companies buy oil from the government--but its political attractiveness is likely to lead Saudi Arabia, Qatar, and Abu Dhabi to seek renegotiation of their own agreements with Western oil companies.

Canada: The special session of the House of Commons called today to deal with the national railroad strike will force the minority Trudeau government to contend with debates on inflation and spiraling food prices. Representatives of the New Democratic Party--the government's informal coalition partner--are thinking about forcing an election over the price of food

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The leader of the Conservative opposition has announced he will seek a vote of confidence, but the administration should be able to weather it if the NDP stays in line.

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