



The President's Daily Brief

7 September 1973

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Exempt from general
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exemption category 5B(1),(2),(3)
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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

In Cambodia, Kompong Cham remains under strong Communist pressure, with the insurgents attacking government lines from three directions. (Page 1)

Pressure on sterling eased yesterday after the British Government announced it would guarantee Commonwealth countries that hold sterling reserves against exchange losses. The sterling rally helped the dollar make up most of the week's losses against West European currencies. (Page 2)

Italian police confiscated two SA-7 surface-to-air missiles from fedayeen operatives arrested near Rome who reportedly were planning a missile attack on an Israeli El Al airliner. (Page 3)

In Chile, after a lull of several days, anti-government protests are on the increase again. (Page 4)

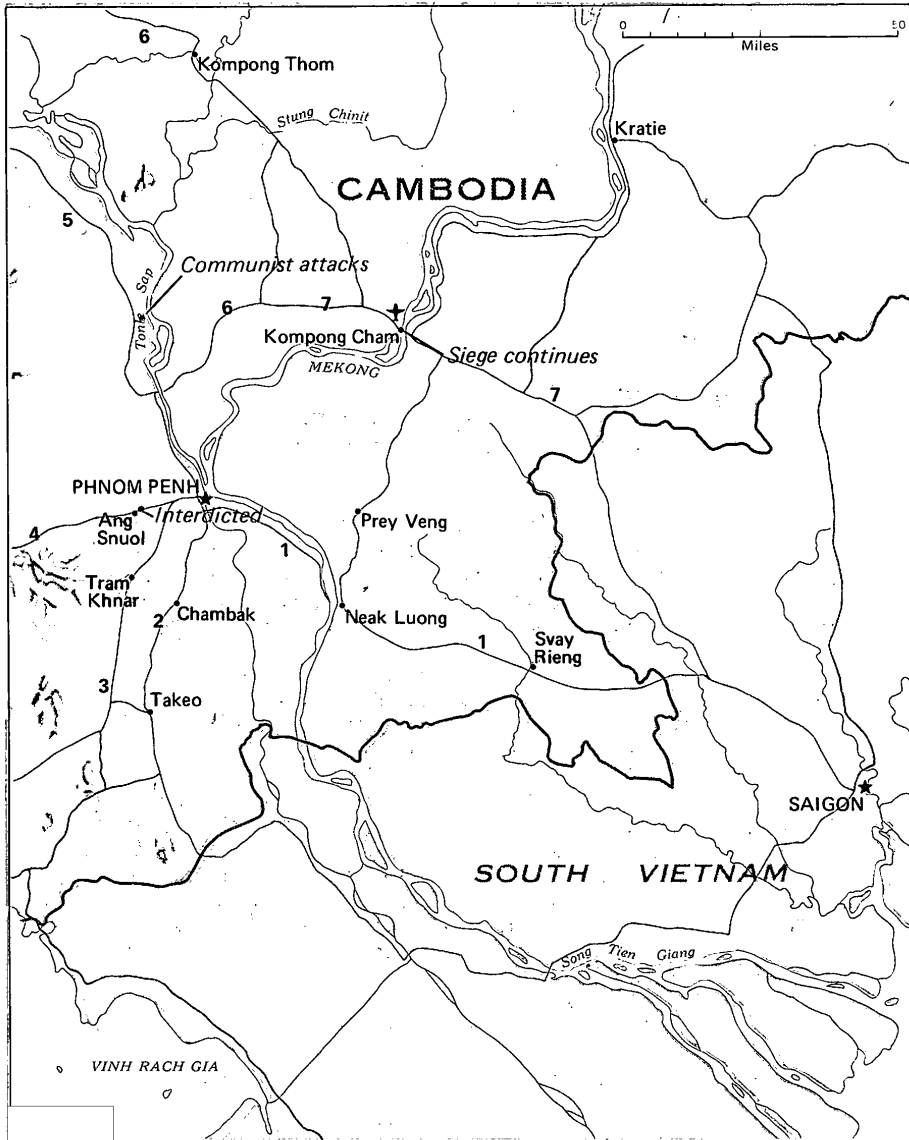
The Bonn government will consider next week its position on NATO burden-sharing and bilateral negotiations for a new two-year agreement to offset the costs of stationing US forces in West Germany. (Page 5)



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There are signs that the informal agreement reached last March among Japanese opposition parties to bring down the ruling Liberal Democrats is foundering. (Page 5)

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CAMBODIA

Kompong Cham remains under strong Communist pressure. As the battle for the city enters its third week, the insurgents are attacking government lines from three directions. Only a few insurgents managed to infiltrate the center of the city on September 5, but not all of them have yet been rooted out.

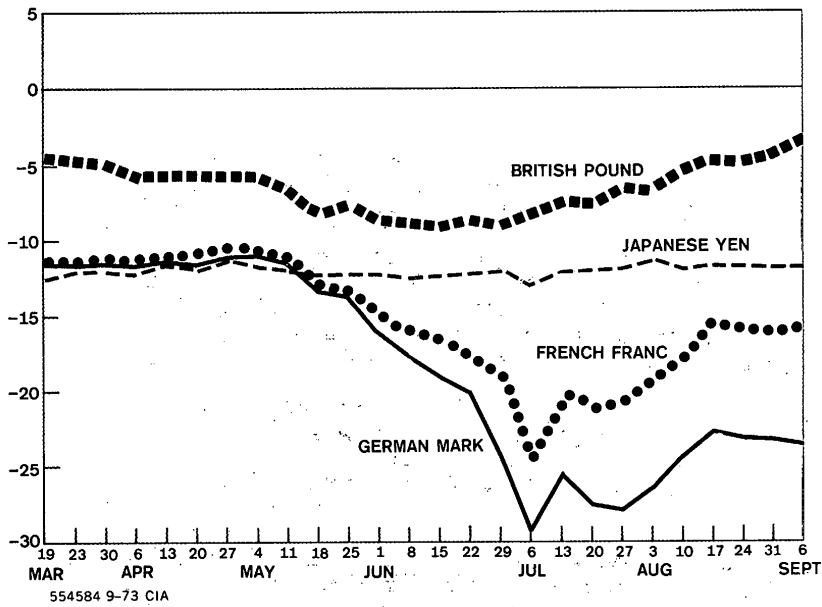
Government paratroops have set up a new defensive line across the southern section of the city to prevent further infiltration in that area. Other government forces moving along Route 7 toward Kompong Cham made slight headway yesterday, while two paratroop battalions at the airfield northwest of Kompong Cham are making their way back to the city to help shore up its defenses. In the meantime, 300 additional reinforcements have arrived by helicopter from Phnom Penh.

There are now between 5,500 and 6,000 troops defending Kompong Cham. Insurgent forces are estimated at between 4,000 and 5,000 troops.

Yesterday, the Khmer Communists again attacked Route 5 and stopped all traffic on the road about 35 miles northwest of Phnom Penh. A clearing operation apparently is underway. Route 4 is still closed 15 miles southwest of the capital.

Overland access between Phnom Penh and the port of Kompong Som has been blocked since August 26.

**PERCENT CHANGE SINCE 2 JANUARY 1973
IN THE VALUE OF THE US DOLLAR RELATIVE
TO SELECTED FOREIGN CURRENCIES**



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INTERNATIONAL MONETARY DEVELOPMENTS

Pressure on sterling eased yesterday after the British Government announced it would guarantee Commonwealth countries that hold sterling reserves against exchange losses. The pound fell yesterday morning to \$2.38--its lowest point since early February--before recovering to close at \$2.42.

Factors in the sterling drop are:

--the announcement earlier this week of a substantial second-quarter trade deficit;

--expectation that August trade figures will show a further deterioration;

--money market concern over London's commitment to an expansionary fiscal policy; and

--labor difficulties.

Sterling sellers converted their holdings into West European currencies, and these currencies gained relative to the dollar. The sterling rally late yesterday, however, helped the dollar make up most of the week's losses against West European currencies.

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FEDAYEEN

Italian police confiscated two SA-7 (Strela) surface-to-air missiles from fedayeen operatives arrested near Rome on September 5. Italian investigators have said that the five Arabs arrested had planned a missile attack on an Israeli El Al airliner that day--the anniversary of the Munich massacre.

The Soviet-manufactured SA-7 is a hand-held weapon fired from the shoulder and could be directed against low-flying aircraft in the take-off or landing stage within a two-nautical-mile range. The missile is capable of being fitted with an infrared homing device. If the fedayeen have an assured source of supply of SA-7s, their capability to attack military and civilian aircraft will be significantly enhanced, and such a hit-and-run operation will involve less risk of capture than in-flight hijackings.

At this time it is not known how the Arabs arrested in Rome acquired their Strelas or how many are available to the fedayeen. It is unlikely that the Soviet Union has supplied them directly. Egypt, Syria, and Iraq possess the rockets in their arsenals; however, these countries have been reluctant in the past to equip fedayeen with sophisticated weaponry.

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CHILE

After a lull of several days, anti-government protests are rising again. Another series of short strikes has been called by assorted professional and commercial groups. The opposition Christian Democrats are again talking of launching impeachment proceedings against members of the President's cabinet. The lengthy truckers' strike seems as far as ever from settlement.

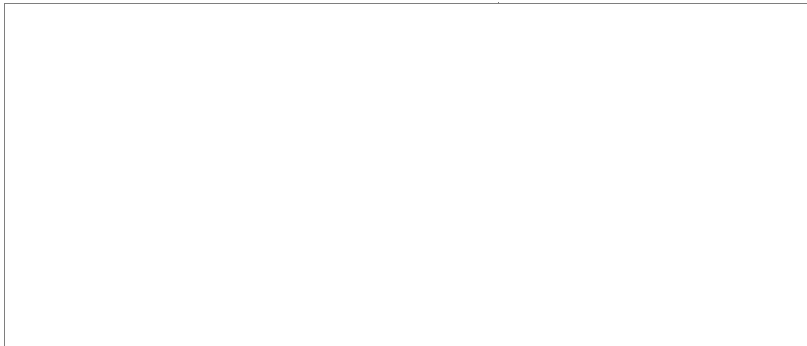
President Allende does seem to have headed off one dispute with the navy; he got his coalition leaders publicly to deny that they had accused the navy of subversive activity against the government. Still unresolved, however, is the navy's attempt to strip Socialist leader Altamirano of his congressional immunity and charge him with inciting mutiny in naval ranks.

Army and air force leaders, meanwhile, are acting with unaccustomed unanimity in their efforts to avoid being manipulated by either pro- or anti-government elements. They are concentrating on joint raids against illegal arms caches held by extremists both of the left and the right.

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NOTES

West Germany: The Bonn government will consider on Monday the German position on NATO burden-sharing and the imminent bilateral negotiations on a new two-year agreement to offset the costs of stationing US forces in West Germany. Finance Minister Schmidt confirmed to Senator Mondale earlier this week that Bonn's package will fall short of US expectations and will offer no significant increases in the key elements of the current agreement. In addition, West German officials are taking the position that the US should not expect Bonn to make other contributions--beyond the offset package--to the burden-sharing effort, since other alliance members are unlikely to agree to any meaningful contributions.



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Japan: There are signs that the informal agreement reached last March among the opposition parties to bring down the ruling Liberal Democrats is foundering. On a national level, the moderate Komeito and the Socialists are increasingly criticizing Communist policies as extremist. In two key cities, Tokyo and Kyoto, opposition party alliances with the Communists have recently been broken. In the months ahead the Communists will likely be as much of a target for criticism as the Liberal Democrats, and this will benefit Premier Tanaka's party in next year's elections to the Upper House. The Komeito and Socialists apparently began to reassess their alliance with the Communists after the stunning Liberal Democratic electoral upset in Tokyo last July. They apparently concluded that the general election last year had created a misleading impression of Communist strength.

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