



# The President's Daily Brief

*2 November 1973*



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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

2 November 1973

PRINCIPAL DEVELOPMENTS

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The Khmer Communists have publicly rejected Sihanouk's recent assessment that they will be unable to achieve a military solution in Cambodia during the forthcoming dry season and reiterated their opposition to a negotiated settlement. (Page 2)

Senior Thai officials have stated both publicly and privately that the new government will continue its close relationship with the US. (Page 3)

President Pompidou's proposal to his community partners for an EC summit has met with a mixed response. (Page 4)

The French are proposing a new, broader declaration of Atlantic principles by NATO. Within the EC, agreement on a new version of the US-EC declaration of Atlantic principles is almost complete. (Page 5)

The yen depreciated by more than one percent, and the dollar continued to gain strength yesterday. News of the Japanese currency adjustment led to a rise in the value of the dollar on European money markets. (Page 6)

The Chinese continue to augment their forces facing the Soviet Union. (Page 7)

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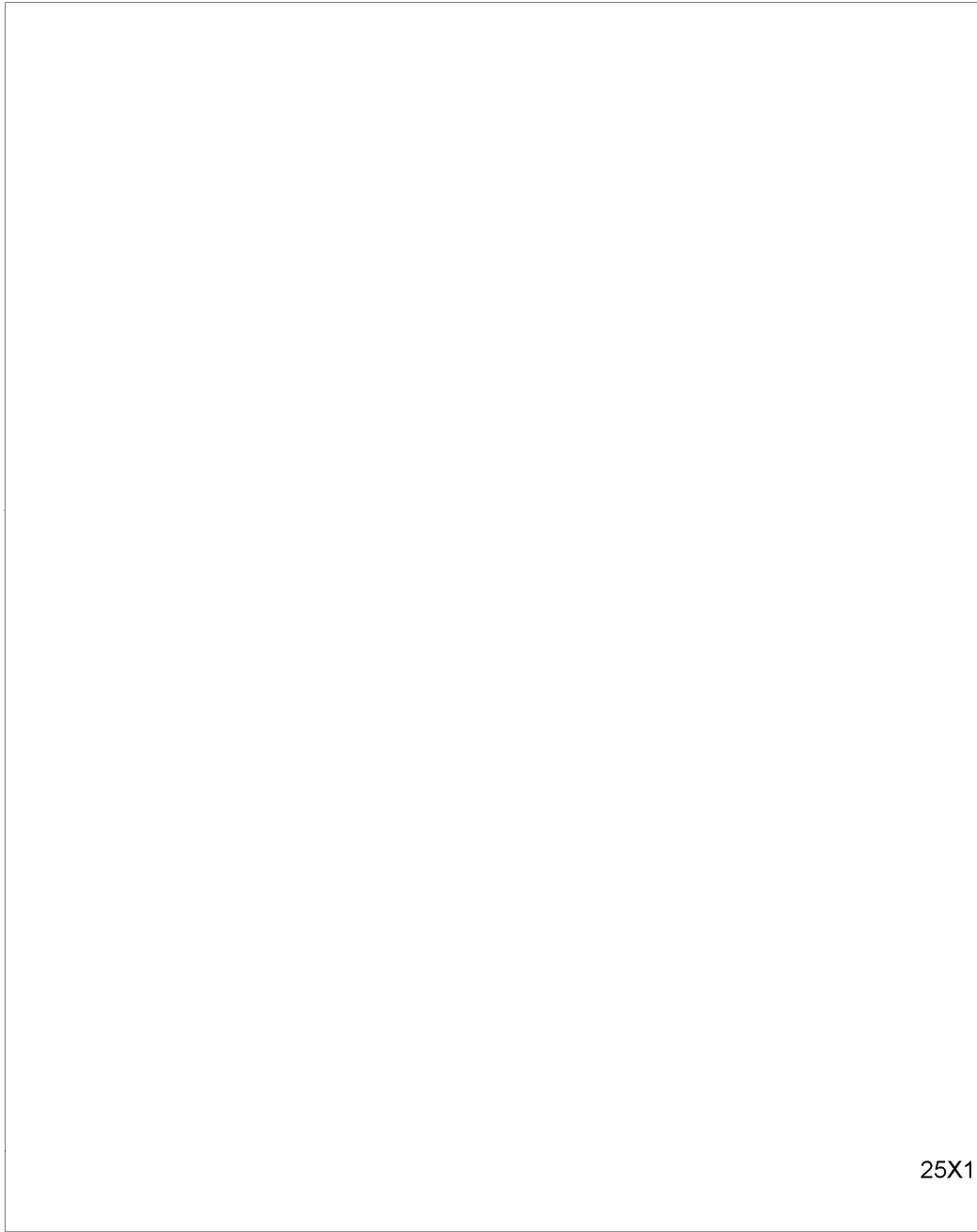
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ARAB STATES - ISRAEL

Both fronts were quiet again yesterday except for an hour-long skirmish reported by the Israelis on the east bank of the Suez Canal. The Israelis claim the clash involved both artillery and tanks and developed when a company-sized Egyptian force moved toward Israeli lines near the Gidi Pass.

Israeli and Egyptian officers held a fourth meeting yesterday to discuss prisoners of war, but apparently reached no agreement.

Yesterday's informal UN Security Council meeting only sharpened the controversy over which nations should contribute to the UN Emergency Force. The Soviet Union demanded that the decision to utilize Canadian logistic units be withdrawn unless Warsaw Pact members are also included. For the moment, Canadian participation seems in doubt. Non-aligned states insisted that the council disregard the Israeli requirement that contributors have diplomatic relations with Tel Aviv. The nonaligned states have sided with the Arabs in pressing African nations--which the Secretariat believes should be represented on the force--to offer contingents only if they have severed relations with Israel.

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CAMBODIA

The Khmer Communists have bluntly rejected Sihanouk's recent public assessment that they will be unable to achieve a military solution in Cambodia during the forthcoming dry season. In a "birthday greeting" to the Prince on October 26, Sihanouk's in-country "defense minister," Khieu Samphan, stated that the war is entering a "decisive and irreversible phase" that will soon lead to "total victory." He referred to forthcoming dry season offensives "in all regions," perhaps indicating that the Communists intend a nationwide offensive rather than one aimed exclusively at the capital itself.

Samphan's message is almost insulting in its felicitations to Sihanouk while in the same sentence asking him to "accept our wishes...for the complete liberation of Cambodia during this dry season." It states that "all our people, cadres, and combatants will oppose any effort to negotiate with the government in Phnom Penh." A subsequent insurgent statement makes clear that the Khmer Communists will not negotiate with any third parties either. In this regard, the message seems to confirm Sihanouk's private statements that he wants a negotiated settlement in Cambodia but cannot get the leaders in the field to concur.

The bellicose tone of the message--the first authoritative public statement by the Khmer Communist leaders on their military intentions since the insurgent offensive against Kompong Cham fizzled in September--is reflected in the insurgents' tactical communications.

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THAILAND

Senior Thai officials, including army chief Krit, have privately indicated the keen interest of the new government in maintaining close ties with and support from the US. Foreign Minister Charunphan has stated publicly that Bangkok will continue its close relationship with the US.

At the same time, the government has moved to head off criticism that it is insensitive to the concerns of those who believe that the relationship with the US needs to be adjusted. Charunphan has reiterated Thailand's "total sovereignty" over US bases in Thailand and has stated that negotiations concerning the reduction of US forces will continue until a total withdrawal is achieved. He offered no timetable and stressed that the withdrawal would have to proceed gradually and in accordance with the security situation in Indochina.

Charunphan is trying to leave open the possibility of relations with Peking by referring to Bangkok's desire to have good relations with governments of different ideological persuasions. He has made it clear, however, that there will be no change in Thailand's relations with Taipei, and has recommended that a new Thai ambassador be sent to Nationalist China. Such a move would make early diplomatic recognition by Peking impossible.

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## FRANCE-EC

President Pompidou's proposal to his community partners for an EC summit has met with a mixed response. He suggested that the summit be held before the end of the year and be the first in a series of regular gatherings. Pompidou said the initial meeting should decide on a procedure for convening representatives of the Nine to define common attitudes for future crises.

Pompidou is clearly dissatisfied with allegations of Europe's "inadequate" role during the Middle East crisis and hopes to exploit similar sentiment to emphasize the distinction between European and US interests. The French leader also wants to establish that Western Europe's detente with the East is independent of that between the US and USSR.

Although Paris has taken the lead in making clear European unhappiness about US actions in the Middle East crisis, EC members are very much aware of their continuing dependence on the US. They hope, therefore, to make sure that steps toward European unity do not take on an aura of confrontation with the US.

Pompidou initially suggested regular EC summits during a press conference on September 27. At that time the Germans, Italians, and British responded positively--possibly because they were looking for additional ways to invigorate the community.

Bonn has reiterated its support in response to Pompidou's latest proposal. Other EC members, such as the Netherlands, may be reluctant to participate unless France indicates willingness to cooperate in a community oil-sharing program. The Dutch also fear that regular summits may have a debilitating effect on existing EC decision-making machinery. All members harbor lingering suspicions that Pompidou may primarily be seeking to magnify France's role in the EC.

*FOR THE PRESIDENT ONLY*



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NATO-EC

The French are proposing a new, broader declaration of Atlantic principles by NATO. Paris has won allied approval to defer consideration of the declaration for two weeks, however, to let irritations over US-European disagreement about cooperation on the Middle East subside.

The new draft will be added to Paris' earlier defense-oriented paper. The French Ambassador told NATO Permanent Representatives on October 30 that this latest draft takes into account important matters about which several allies had been concerned. These presumably include aid to developing nations, stressed by the Netherlands, and broad political and economic considerations which allies not in the EC had insisted be included. Paris originally had wanted to reserve these subjects for the US-EC declaration. According to a US Embassy source in Brussels, the second French draft will even contain some reference to burden-sharing, although it will not go as far as the US wished.

Within the EC, agreement on a new version of the US-EC declaration of Atlantic principles is almost complete. A remaining problem is the extent of US-EC consultation arrangements. The Europeans want assurances that consultation is binding and reciprocal. The next round of talks is expected to begin on November 14.

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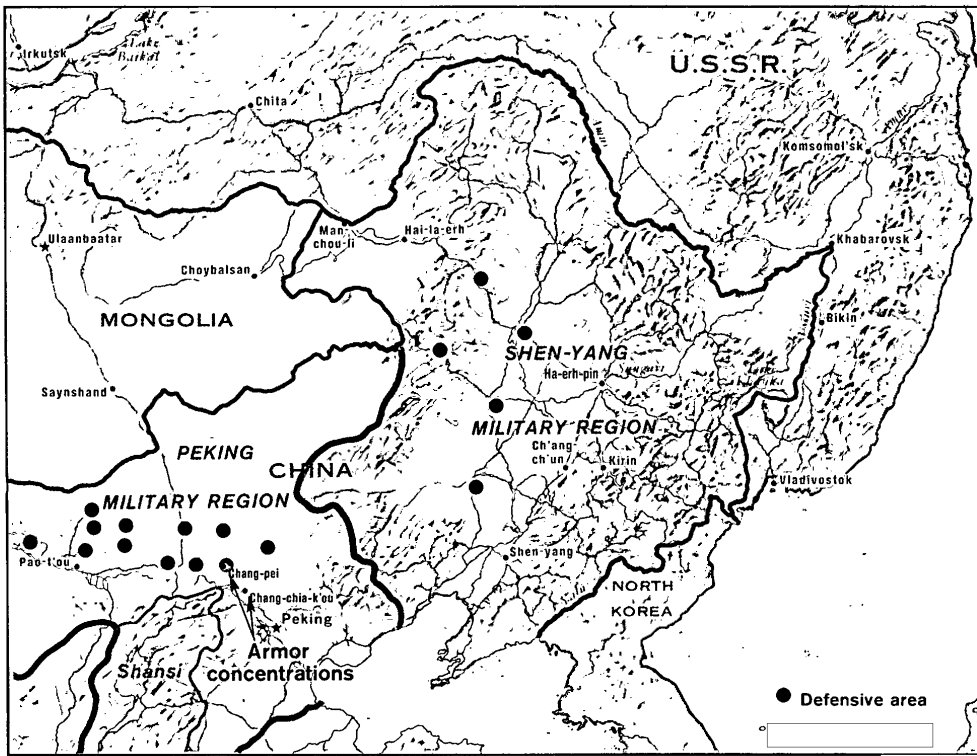
JAPAN - MONETARY DEVELOPMENTS

The yen depreciated by more than one percent, and the dollar continued to gain strength before the Bank of Japan intervened yesterday. Until recently, the central bank had kept the exchange rate at about 265 yen to the dollar by intervening almost daily. The gradual erosion of the yen in October despite intervention, however, induced the bank to set the unofficial intervention point at 270 to the dollar.

Pressure on the yen has been strong for some months because of Japan's declining trade surplus and record long-term capital outflows. Underlying this downward pressure is the belief that the declining trade surplus and large balance-of-payments deficits will continue. If the dollar's strength holds, Tokyo may allow the yen to float toward an exchange rate of about 280 yen to the dollar to avoid a further sharp decline in foreign exchange reserves.

News of the Japanese currency adjustment led to a rise in the value of the dollar on European money markets yesterday, even though European currencies appreciated relative to the yen.

### Newly Deployed Armor Along Sino-Soviet Border



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CHINA

The Chinese continue to augment their forces facing the Soviet Union.

[redacted] two new armored concentrations northwest of Peking adjacent to a major route to the north. One concentration at Chang-pei contains over 160 tanks and assault guns. The second at Chang-chia-kou includes over 60 tanks. These forces constitute at least one armored division.

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The newly identified units may have been moved north from Shansi Province, where there has been a corresponding decrease in the number of armored vehicles. The Chinese now have three to five armored divisions deployed in the Peking Military Region.

Since the Sino-Soviet border clashes in 1969, the Chinese have significantly strengthened their forces in this region. Two armies were deployed there between 1969 and 1971, and an additional army apparently was formed there last year from existing units. Defensive positions have been constructed in advantageous terrain north of Peking.

The Chinese objective apparently is to make a ground invasion or occupation of Chinese territory from the north costly, while Peking's growing missile force acts as a deterrent against a Soviet nuclear attack.

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Turkey: Republican Peoples Party leader Bulent Ecevit has promised to review the ban on opium production if he succeeds in forming a government. He apparently does not wish to make a move in sharp opposition to US and European sentiment, but reportedly feels that some poppy cultivation must be legalized because of pressure from influential growers.

[Redacted] an Ecevit government would allow a poppy crop for export medical purposes. It would also press the US for additional funds for crop substitution and compensation to farmers.

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South Korea - Japan: Seoul and Tokyo have worked out an agreement to settle difficulties caused by the kidnaping of South Korean opposition leader Kim Tae-chung by Korean agents in Japan three months ago. The Korean Prime Minister will apologize to the Japanese today and will provide assurances that Kim, who was released from house arrest in Seoul on October 26, will not be restricted or punished. The South Koreans have agreed also to dismiss an intelligence officer identified by Tokyo as involved in the abduction.

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