



The President's Daily Brief

15 December 1973

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~~Top Secret~~

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

December 15, 1973

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PRINCIPAL DEVELOPMENTS

Large-scale movements of facing Israeli and Syrian forces apparently have occurred in the past few days.

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[Redacted]

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(Page 1)

[Redacted]

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(Page 3)

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Libya [Redacted] Italy [Redacted]

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[Redacted] (Page 4)

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The Soviets [Redacted]

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[Redacted]

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[Redacted] Japan [Redacted] (Page 6)

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Japan's prices rose last month at the fastest rate since the Korean War. Another boost in the central bank discount rate seems likely. (Page 7)

The continuing strengthening of the dollar may push it above current central bank rates and test the willingness of the Bundesbank and others to defend the rates. (Page 8)

Notes on China's development of offshore oil resources [Redacted] appear on Page 9.

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ARAB STATES - ISRAEL

Large-scale movements of Israeli and Syrian forces apparently have occurred along the Syrian front over the past few days.

UN truce observers reported seeing heavy traffic of Israeli tanks and wheeled vehicles near Al Qunaytirah on Wednesday evening. Additional movements of Israeli tanks and artillery were observed west of Syrian-held Sasa that same evening. The next night, the observers reported large-scale movements of Syrian vehicles opposite Al Qunaytirah and near Sasa on both sides of the Israeli salient into Syria.

Substantial Israeli and Syrian forces are already stationed in the areas of the reported movements, and it is not known whether the sightings represent a redeployment of forces there or an augmentation of them. For the past week, [redacted]

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[redacted] Syria has been putting its civilian and military forces on a wartime footing.

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[redacted] significant Syrian troop movements have occurred along the Golan front and that Syrian forces there have been reinforced. The reported Israeli troop movements may be in reaction to the Syrian activity.

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An assessment by the US defense attaché in Tel Aviv concludes that Israel's military leadership does not seek renewed warfare and views the Geneva conference as desirable, despite widespread fears that Israel will be pressured into giving up the fruits of victory in two wars.

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[redacted]

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(continued)

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[Redacted]

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[Redacted]

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In fact, an increase in terrorism on the West Bank since October has caused Israel to impose some drastic security measures there, while there have been few terrorist incidents in Israel proper. [Redacted]

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JORDAN

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LIBYA-ITALY

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USSR

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JAPAN

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JAPAN

Inflation accelerated last month, with wholesale prices rising 3.2 percent to a level 22 percent above November 1972. The energy crisis was a major factor; fuel prices rose about 10 percent from the previous month. The prices of copper and paper also rose sharply.

Japan's prices rose faster in November than in any month since the Korean War, despite the deflationary impact of a record balance-of-payments deficit during the month. Long-term capital outflows doubled from the October level and short-term outflows increased significantly because of the weakening of the yen. These outflows more than offset a trade surplus of \$380 million.

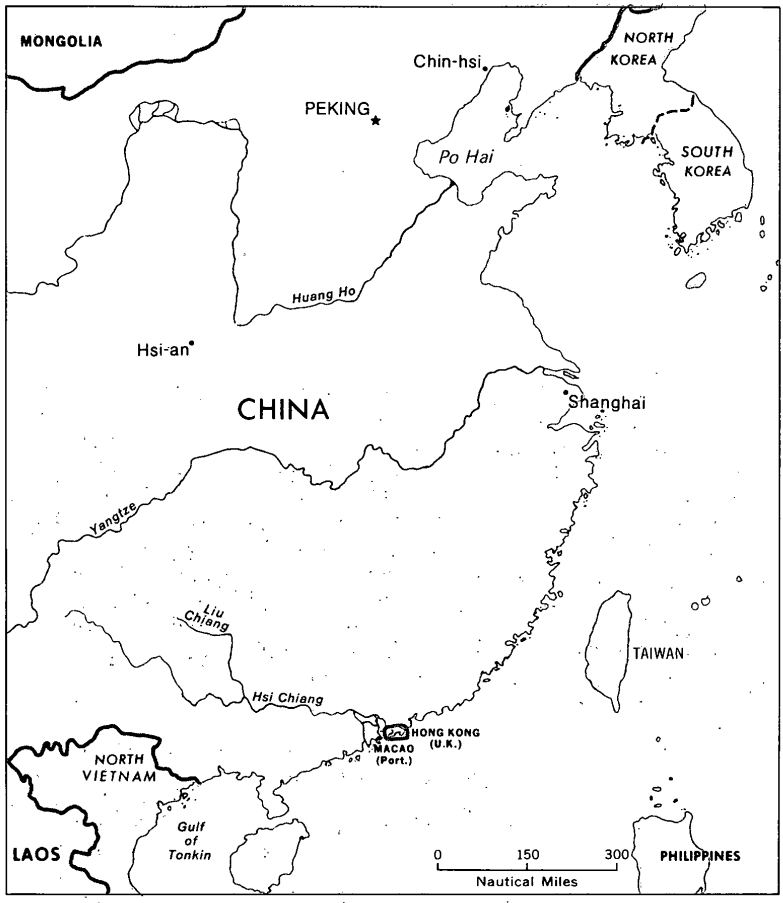
Tokyo's response to its inflation problem will probably be another sharp rise this month in the central bank discount rate--to at least 8 percent--and a more austere government budget for the fiscal year beginning April 1. In the short-term, such measures are unlikely to slow the advance of prices to an acceptable rate and they could intensify the slowdown in economic activity that will result from the energy crisis.

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar continued to strengthen this week, rising to its highest average level relative to other major currencies since the devaluation last February. Growing confidence in the long-range prospects of the dollar may push it above the current central bank rates. This in turn will test the willingness of the Bundesbank and others to defend these rates.

West German officials have long regarded the present central rate of 2.67 marks per dollar as appropriate for maintaining long-range stability. So far, the dollar has shown little tendency to rise above this level. If substantial upward pressures on the dollar occur, however, the Bundesbank may find that support for the central rate would conflict with regional European and West German priorities. An attempt to maintain the 2.67 rate, when all float currencies are weakening against the dollar, could strain the European joint float.



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NOTES

China: Over the past two months, Chinese officials have been telling Japanese businessmen and overseas Chinese leaders that Peking may consider inviting foreign firms to participate in developing offshore oil in China's Po Hai Gulf. Prospects for earning foreign exchange and acquiring technology-- as well as for countering Soviet overtures to Japan-- have apparently softened Chinese opposition to earlier foreign proposals for joint ventures. Crude oil output in China last year reached 30 million tons, compared with 7.5 million in 1965. As transportation and handling problems are resolved, China could export 6 to 10 million tons annually by 1976.

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France:

[Redacted]

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