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# The President's Daily Brief

*February 14, 1974*

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Exempt from general  
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exemption category 5B(1),(2),(3)  
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## THE PRESIDENT'S DAILY BRIEF

February 14, 1974

### PRINCIPAL DEVELOPMENTS

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Mrs. Meir's Labor Alignment appears to have reached an impasse in efforts to induce the National Religious Party to join a coalition government. (Page 2)

The Washington energy conference showed some shifts in power relationships within the EC. (Page 3)

The governors of EC central banks have discussed coordinating intervention to keep the EC's major floating currencies at rates that will avoid major shifts in trade patterns in the EC. (Page 4)

The bitter propaganda exchange between Seoul and Pyongyang appears to have ended prospects for any meaningful North-South accords for the present. (Page 5)



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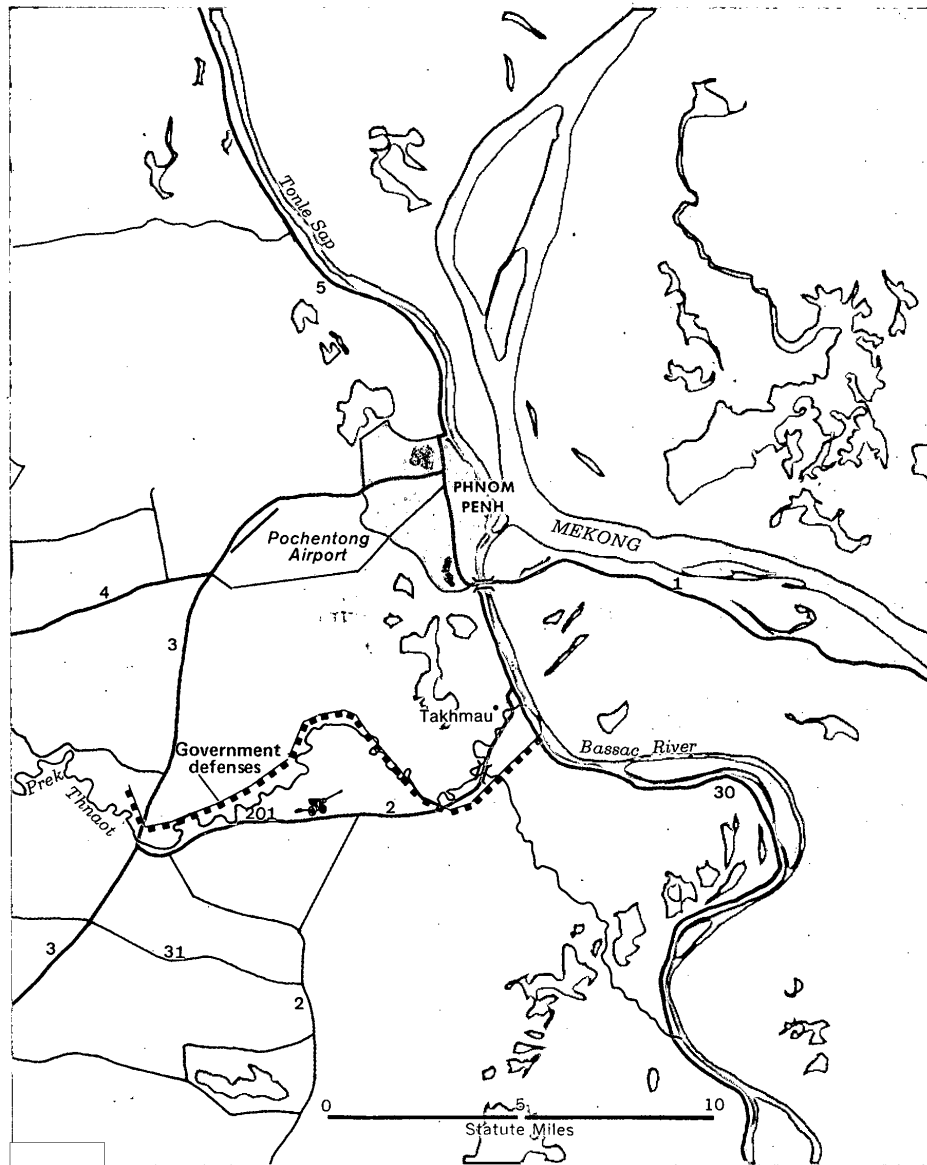
(Page 6)

Border fighting last weekend between Iran and Iraq may have been caused by Iranian road-building in a disputed border area. (Page 7)

The second of four Soviet space probes launched last summer arrived in the vicinity of Mars on February 12 and is now orbiting the planet. (Page 8)

FOR THE PRESIDENT ONLY

# Phnom Penh



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## CAMBODIA

The Khmer Communists apparently have decided to attempt another major push in the Phnom Penh area later this month. An intercept of February 11 indicates that the standing committee of the Khmer Communist Party reached the decision at a meeting last week, and instructions are now going out to battlefield commanders.

The overall strategy outlined in the message calls for coordinated attacks on several fronts around Phnom Penh. The only detailed tactical plans contained in the message were for units southeast of the capital. Three Communist regiments there are scheduled to participate in a push up Route 1. The Communists evidently expect to begin the attacks around February 25.

How the Communists carry out these latest plans will be governed largely by whether they can overcome their shortcomings in command and control. In addition, many Communist units in the capital region have been in combat for almost two months and may need an extended period of rest and refitting. Such factors could delay increased Communist pressure against Phnom Penh until next month.

In any case, the Communists evidently intend to keep up their periodic shellings of the capital. An intercepted message yesterday indicated that insurgent gunners south of Phnom Penh have been ordered to try to hit new targets within the city.

## ISRAEL

Israeli Prime Minister Meir's Labor Alignment appears to have reached an impasse in efforts to induce the conservative National Religious Party to join a coalition government. Press reports from Tel Aviv indicate that the National Religious Party has at least temporarily withdrawn from coalition talks.

Faced with this predicament, Prime Minister Meir might form a narrow coalition excluding the National Religious Party. Foreign Minister Eban told Ambassador Keating on February 12 that unless the religious party softened its terms for participation, the Alignment would form a coalition with only the Independent Liberal Party and the new Civil Rights Party. Eban added that two cabinet seats would be held open for the National Religious Party. This, he contended, would entice it to rejoin the government eventually.

A coalition without the National Religious Party would give Mrs. Meir a one-vote margin in the 120-member Knesset--a margin Eban admitted would be "uncomfortable." He said that the Alignment had secured the tacit agreement of the Agudat Religious Front to throw its five votes to the government on national security issues and on votes of confidence. The Communists, he thought, would also support the government against the right on Middle East peace issues.

It remains doubtful whether the Alignment will carry through on its threat to go ahead without the National Religious Party. Mrs. Meir probably still thinks that participation by the National Religious Party, with its ten Knesset seats, is needed if she is to govern effectively.

## EUROPE

The Washington energy conference not only left France in isolation, but showed some shifts in the power relationships within the EC.

The decision of the conference to approve a call for "direct preparations of a conference of consumer and producer countries" contradicted the position paper that all the EC governments had accepted prior to the meeting. Although ostensibly a procedural matter, the French saw this point as raising the broad question of Europe's future relations with the US. They choose to stick to the view that acceptance of even a coordinating group composed of conference participants amounted to another European capitulation to "domination" by Washington--a charge to which many Europeans are on occasion sympathetic.

In this instance, the French were unable to carry the other EC members with them. Their failure stemmed in part from the Europeans' lack of confidence in their ability to cope with the energy crisis without US cooperation. It was also one of the first indications that, with the EC's enlargement, Paris cannot in every instance call the tune. The Germans, who are in a strong position because they hold the presidency of the EC Council, were not prepared to go along with the French, particularly since Bonn had the support of the British.

The immediate problems the community faces are no doubt difficult. The EC governments have postponed a meeting of foreign ministers scheduled for today at which the European-US declaration of principles was to have been discussed. The governments had also planned to announce after the meeting a wide-ranging offer of cooperation with the Arab states.

## EC

The governors of EC central banks met on Tuesday and discussed the possibility of coordinating intervention to keep the EC's major floating currencies--the pound, lira, and French franc--at rates that will not cause major shifts in trade patterns within the EC. On Monday, French Finance Minister Giscard d'Estaing had announced that the EC was considering "joint monetary action" and that the French hope to offer concrete suggestions when community finance ministers meet on February 18 to discuss the possibility of joint intervention.

Despite the willingness of EC members to talk about rules of conduct for their floating currencies, an effective agreement to maintain exchange rate patterns through intervention would be very difficult to achieve. On the contrary, uncertainties over exchange rates caused by the rise in oil prices, coupled with the recent easing of capital controls in several EC countries, will probably lead to significant currency adjustments this year. These could only be prevented by heavy intervention, if at all.

The recent French decision to float the franc independently, as well as the earlier British and Italian decisions to float the pound and the lira, was made largely out of fear of massive reserve losses similar to those they sustained while trying to maintain fixed rates. Thus, it is highly unlikely they would agree to use their reserves for heavy intervention, particularly since they will need those reserves to finance balance-of-payments deficits resulting from higher oil prices.



## KOREA

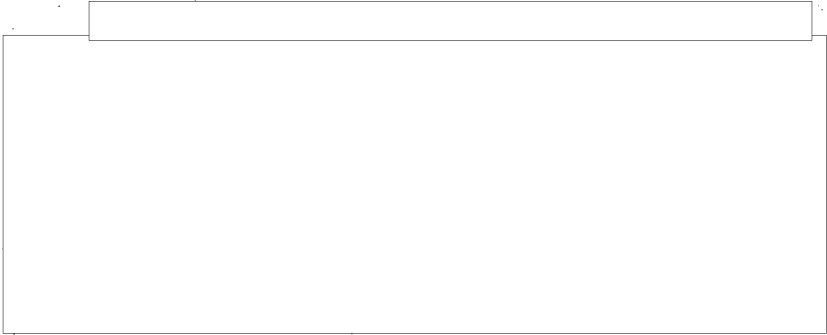
The bitter propaganda exchange between Seoul and Pyongyang appears to have ended, at least for the time being, prospects for any meaningful North-South accords. The immediate background of the exchange is the dispute over South Korean access to islands off the Korean west coast, but other factors are feeding the deterioration in relations.

Seoul has magnified the territorial sea dispute in order to claim that the North Korean military and subversive threat has increased and thereby to justify its own crack-down on domestic political unrest. Seoul supports its case by pointing to recent belligerent statements from North Korean leaders.

Pyongyang's statements are indeed strong--the harshest since North Korea began the dialogue with the South in 1971. The North Koreans accuse the Pak government not only of repression but also of hostility to the commonly accepted goal of Korean national unification. They emphasize what they call Seoul's provocative naval activity in the area of the western islands and stress that North Korea is willing to meet any hostile move by the South.

Pyongyang intends these statements to exacerbate what it sees as a gradually crumbling political situation in South Korea, and wants to avoid any move that might help Pak improve his domestic position. This accounts for the relatively low military posture that the North has adopted on the territorial seas dispute. There has been no significant harassment for over a month, and there have been no clashes or incidents that Pak could use to rally support. Pyongyang has also worked to prevent even an appearance of progress in the ongoing North-South dialogue; it has rejected Seoul's concept of a nonaggression pact and rebuffed other ROK efforts to generate some forward movement in their talks.

SOUTH VIETNAM



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*FOR THE PRESIDENT ONLY*

## IRAN-IRAQ

The border fighting last weekend between Iran and Iraq may have been caused by Iranian road-building in a disputed border area. [REDACTED]

[REDACTED] an Iranian construction crew ignored repeated warnings from Iraqi border guards to cease work on a road that the Iraqis claimed was being built on their side of the border. On February 4, the Iraqis opened fire but were driven back. The Iranians later seized a strategic hill overlooking the construction site, but on February 10 the Iraqis recaptured it using artillery and armor. The Iranians again counterattacked and pushed several miles inside Iraq.

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The Shah's instructions to his troops to hold the territory they have gained may have prompted Iraq to call for a Security Council meeting, rather than make another attempt to retake the area by force. Iran's military moves in the area also undoubtedly account for its opposition to Security Council involvement. Consultations are continuing at the UN in an effort to avert the formal Security Council session now scheduled for Friday morning. Secretary General Waldheim has informally offered to send an observer to the Iran-Iraq border area.

*FOR THE PRESIDENT ONLY*

## USSR

Mars 5, the second of four Soviet space probes launched last summer, arrived in the vicinity of Mars on February 12 and is now orbiting the planet.

Two days earlier, Mars 4 passed within about 900 miles of the planet. In a rare disclosure of failure, the Soviets announced yesterday that Mars 4 was also intended to orbit the planet but failed. There is a possibility that Mars 4 released an instrument package to obtain data and pictures from the planet's surface.

The two other space probes--Mars 6 and 7--should arrive in early March.

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