



The President's Daily Brief

March 14, 1974

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Gromyko's visit in Damascus apparently did not go well, and the Soviets are concerned that their position in Syria is declining. (Page 1)

The Khmer Communists have shifted their efforts to government enclaves in the countryside, apparently because of military reverses around Phnom Penh. (Page 2)

The return of North Vietnam's ambassador to Vientiane after a ten-year absence indicates Hanoi's satisfaction with the effectiveness of the cease-fire and its support for a coalition government. (Page 4)

Preliminary agreement has been reached for Japan to provide \$400 million to help the Soviets finance a coal-mining project in Yakutsk. The outlook is less favorable for joint development of oil, gas, or timber. (Page 5)

Venezuela's President Perez has said that his administration is prepared to work out a new arrangement with the foreign-owned oil companies operating in Venezuela. (Page 6)

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USSR-SYRIA

There is additional evidence that Gromyko's visit in Damascus did not go well and that the Soviets are concerned that their position in Syria is declining.

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The communiqué following the visit strongly suggests that Damascus did not buy Gromyko's portrayal of the USSR as the special protector of the Arab cause. In addition, a Soviet representative at the Geneva talks has expressed fears that Syria was now following the same wayward path as the Egyptians--away from the USSR and toward the US.

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The communiqué did not mention future Soviet military deliveries.

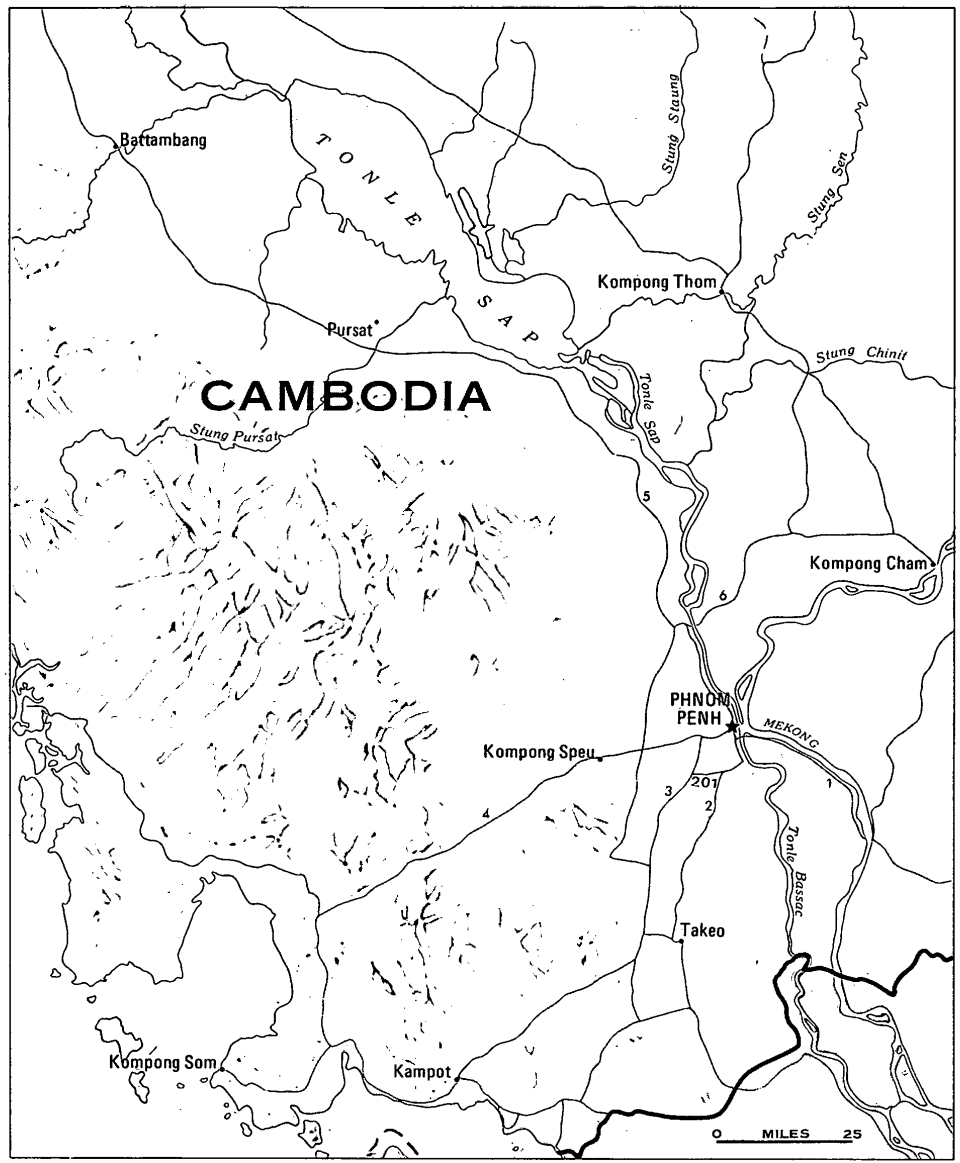
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The Arabs are interpreting the evident Soviet reluctance to meet their hardware demands as a pressure tactic. The tonnage of suspected Soviet military shipments to Syria is running at about prewar levels.

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For their part, the Syrians, like the Egyptians, discouraged Gromyko's overtures about economic assistance. Damascus evidently has awarded several construction contracts to the French, to the Soviets' considerable chagrin.



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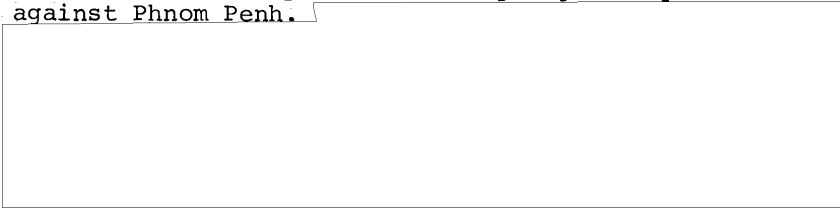
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CAMBODIA

The Khmer Communists have shifted their efforts to government enclaves in the countryside, apparently as the result of a series of military reverses in the Phnom Penh area.

An intercept from a senior member of the Khmer Communist Central Committee specifically states that the party has decided to attack government-held towns in the provinces. Other messages show continuing diversion of Communist forces from the Phnom Penh area for a major push against the southwestern city of Kampot. At least three Communist regiments along with substantial quantities of materiel are being committed to the Kampot front. Some messages suggest that other units may soon begin leaving the capital area to participate in attacks on the northern provincial capital of Kompong Thom.

The transfer of insurgent units from the capital region indicates that the Communists have temporarily scrapped plans for a major ground push against Phnom Penh.



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Although the Communists badly need a victory in the outlying provinces to offset their lack of success around Phnom Penh, they may also need time to resolve major internal problems. A message from the Central Committee to a regional subordinate on March 9 stated that "our military leadership is weak," and "our overall leadership is foolhardy in its outlook." Other messages have disclosed Communist concern over factionalism in insurgent ranks and over growing resentment among the peasantry against oppressive Communist policies and population control measures.

* * *

In Phnom Penh, most schools reopened on March 6 after being closed for almost two months, but shut down again on March 11 when the teachers resumed

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their strike for better wages. The teachers have vowed to work only the first ten days of each month until the government acts on their demands.

Radical students in the capital are pressing for a commemorative ceremony on March 17 for student-teacher activists killed a year ago by some of General Lon Non's men. The government has decided not to permit such a ceremony because it might turn into an antigovernment rally. The government has also vetoed any public observances on March 18, the fourth anniversary of Sihanouk's ouster. City officials have been instructed, however, that should local disturbances occur on either date, they should refrain from using firearms.

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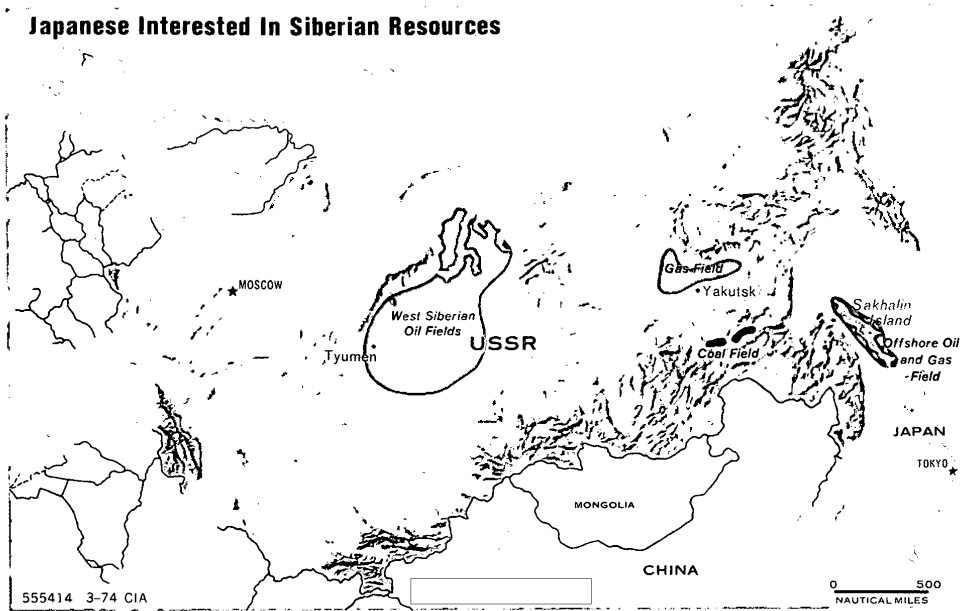
LAOS - NORTH VIETNAM

The return of North Vietnamese Ambassador Le Van Hien to Vientiane yesterday after an effective absence of nearly ten years is a further manifestation of Hanoi's support for a coalition government and of its satisfaction with the effectiveness of the Laos cease-fire.

Hien's presence should buoy the spirits of Prime Minister Souvanna, who has been discouraged over the recent lack of movement toward forming the new government. Soviet Ambassador Vdovin told the US ambassador earlier this week that Hien's arrival is linked to the early establishment of a coalition.

The North Vietnamese have supported the Vientiane peace agreement and have withdrawn at least four infantry regiments from Laos over the past year. Despite the Soviet Ambassador's comments, however, Hanoi probably sees little reason to pressure the Pathet Lao to move more briskly in the negotiations to implement the agreement.

Japanese Interested In Siberian Resources



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USSR-JAPAN

Preliminary agreement has been reached on an economic deal in which Japan would provide \$400 million to help finance a coal-mining project in Yakutsk. In return, Japan would get more than 5 million tons of coking coal annually for 16 years beginning in 1983.

The terms of the Japanese credit and the price of the coal are among the important details to be worked out at negotiations in Tokyo later this month. The Japanese, who found the Soviets more disposed to negotiate than before, are confident that an agreement will soon be reached.

The outlook is less favorable for joint development of oil, gas, or timber. Of these, exploration for Sakhalin oil has the best chance of success. Soviet trade and banking officials are expected in Tokyo soon to discuss Japanese loans for this project. The USSR has been asking for \$200 million; the Japanese have been offering substantially less. One obstacle to the Yakutsk oil and gas project is Japan's need for US equipment. Participation of US firms is threatened by restrictions on Export-Import Bank financing for the USSR.

The Soviets in general are reluctant to share their vital resources and want generous terms. Moscow regards Japan as the country hardest hit by the energy crisis and believes it will eventually have to come to terms with the Soviets.

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VENEZUELA

President Carlos Andres Perez told a visiting US official this week that his administration is prepared to work out a new arrangement with the foreign-owned oil companies operating in Venezuela.

Perez said that continuing the present concessionary arrangement for ten years--when the concessions begin to expire--was impossible. Nevertheless, he hoped that the oil companies would make the first move by presenting their ideas, and he promised that his administration would respond to their suggestions.

Perez' remarks, both private and public, indicate that he intends to proceed at a measured but steady pace, disregarding leftist and nationalist calls for immediate nationalization. He appears willing to hear the recommendations of the companies as well as those of a commission that he intends to set up to advise the government on possible alternatives in operating the oil industry.

Once these recommendations are forthcoming, Perez is expected to draw up legislation to take over the oil industry. Although he has set no timetable, he clearly does not intend to allow the talks with the oil companies to continue indefinitely.

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Perez' overwhelming electoral mandate and his party's strong position in the new Congress enhance the prospects for a petroleum policy that will have the support of most Venezuelans, and encourage further investments.

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Although US oil company officials have avoided public comment on the future of their operations in Venezuela, they are generally optimistic that they will be able to secure terms that afford some protection to their \$1.5-billion investment.

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