



The President's Daily Brief

January 25, 1975

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FOR THE PRESIDENT ONLY

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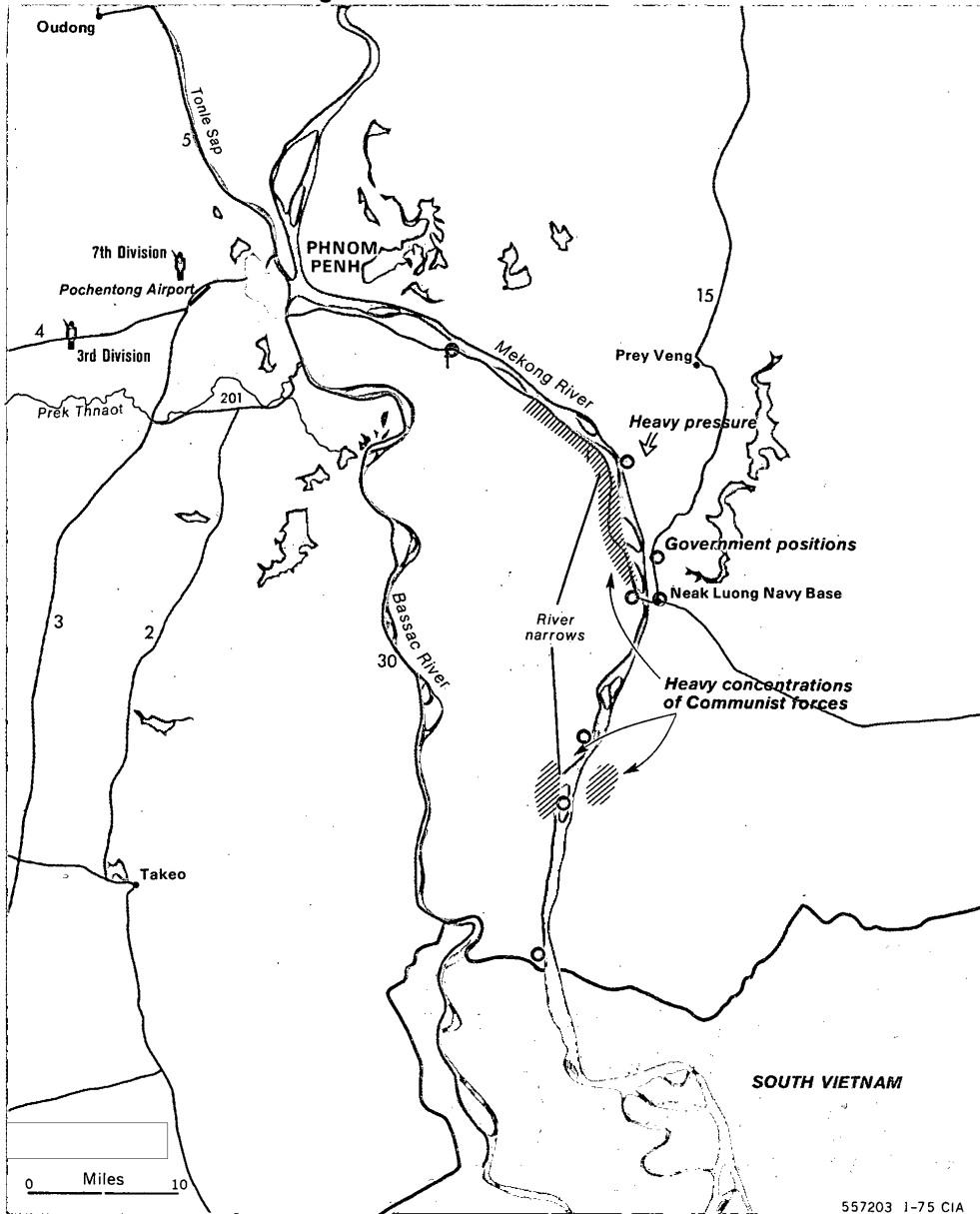
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Cambodia: Lower Mekong



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CAMBODIA

A second Mekong River convoy began the 60-mile run upriver to Phnom Penh today. Its size and makeup will make it more vulnerable than the previous one to communist attack.

The convoy consists of two tankers, two ammunition barges, and a large Cambodian navy escort. At the last minute, two coastal steamers carrying rice refused to leave. The convoy will be protected by shield barges.

In terms of who controls what along the lower Mekong, the situation remains unchanged. Government troops still hold several recently established beachheads south of Neak Luong--including one at a river narrows. Insurgent forces hold most of the riverbanks along the lower reaches, however, and are keeping heavy pressure on government riverside positions north of Neak Luong. They have directed heavy fire against navy vessels trying to provide support to these positions.

In the Phnom Penh area, combat has picked up considerably in the past few days. Elements of the Cambodian army's 3rd Division have fought several sharp engagements with insurgent units near Route 4 west of Phnom Penh, and the army's battered 7th Division on the city's northwestern defenses is again under pressure. Pochentong airport continues to be the target of sporadic rocket attacks, and shellings against the military fuel depot on Route 5 north of the city have destroyed some stocks.

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UK-CSCE

The British, who have been reluctant to offer concessions to the East at the European security conference in Geneva, now advocate compromise. They have also suggested that the pace of work be accelerated in order to wind up the negotiating stage of the conference around the end of March.

Delegates from EC countries speculate that the British may be seeking to lay the groundwork for a successful visit by Prime Minister Wilson to Moscow next month. The British suggestion would be welcome in Moscow. The Soviets want the negotiations to be over this spring so that a summit finale to the conference can be held this summer. Some of the Nine, particularly the West Germans, oppose the setting of a specific date.

Foreign Secretary Callaghan has said he wishes to discuss the security conference when he meets with Secretary Kissinger next week. He will probably solicit US views on the new British proposals, which also include:

--A proposal that NATO signal the Soviets that the West is willing to drop one of its demands concerning military-related "confidence-building measures."

--A suggestion that the West offer a compromise on the issue of follow-on machinery to the conference; the British favor a regular meeting of senior officials to review the general East-West situation, with the first meeting to take place a year after the conference ends.

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VENEZUELA

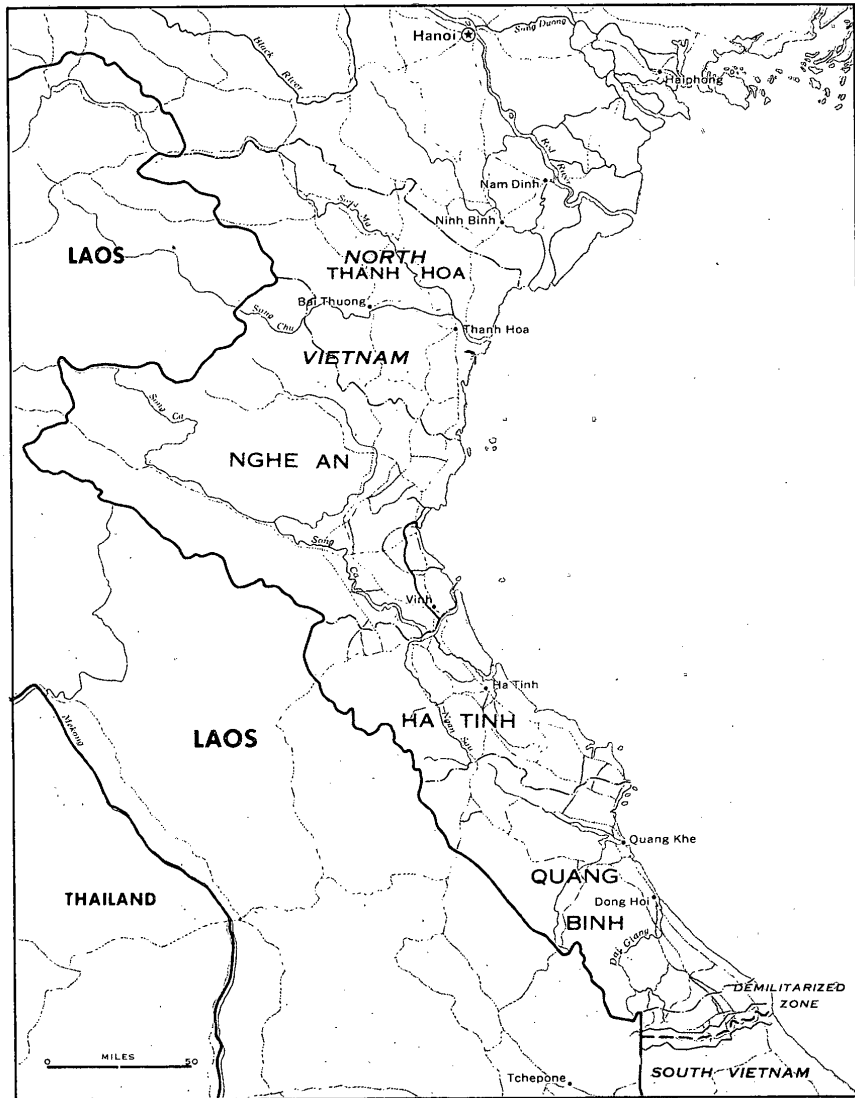
The Venezuelan government may be planning to retaliate against the US if provisions of the Trade Reform Act discriminate against Venezuelan interests.

[redacted] Vene-
zuela's plan would involve a significant increase in the royalties foreign oil companies are required to pay, as well as a cut in overall petroleum production by 14 percent, rather than the 10 percent announced earlier this week as a conservation measure. Income taxes Venezuela levies on the companies might also be raised above the new rate announced this week.

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The possibility that Venezuela is planning retaliation came to light as the OPEC countries met in Algiers yesterday. Caracas planned to play an active role at the meeting in discussing the trade act's implications for OPEC.

Venezuela hopes all the oil-producing countries will take a strong position on the act. Although a projected world oil surplus in late spring would dampen the effect of a Venezuelan cutback, Caracas apparently is prepared to implement its plan unilaterally if necessary.



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NOTES

North Vietnam's 316th Division, or at least part of it, may be moving to South Vietnam from its normal area of operations in Nghe An Province of North Vietnam.

Personal messages sent by members of the division suggest this. One came from Quang Binh Province, the southernmost province in North Vietnam; another indicated that its sender was "en route to South Vietnam." The division's communications pattern has changed slightly; there have been no intra-division communications noted since January 18, and the division headquarters has not been observed communicating with its military region since January 20. This evidence is far from conclusive, but if the 316th Division does move into South Vietnam it would be the first North Vietnamese division to do so since the cease-fire agreement.

* * *

Bahrain is demanding formal reassurance that the US will not use facilities on the Persian Gulf island for hostile military action against any Arab state.

The Bahraini foreign minister has assured the US ambassador that the government has no intention of submitting the Middle East force stationing agreement to the National Assembly for approval, but that a scheduled debate could bring a "sense of the assembly" motion criticizing the stationing agreement. The foreign minister also insisted that the government needs to be able to demonstrate that the US presence brings tangible benefits. This, he said, would require that the annual rent for the lease agreement be increased to \$4 million, a six-fold rise over the amount agreed to in the accord of 1971.

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Japanese unemployment unexpectedly rose about one third in December and further increases are likely over the next few months.

The 1 million unemployed are still only about 2 percent of the labor force, but the number is up from 700,000 in November and is the highest figure in about 20 years. Most of the unemployment increase has occurred in manufacturing, where producers appear to have given up on a quick upturn in sales and are trying to reduce record inventories by temporary closings or work force reductions. A record number of bankruptcies and unemployment benefit applications point to rather serious strains on the system, and Tokyo is under increasingly heavy pressure to ease its anti-inflationary policies to boost demand and production. Industrial output levels are nearly 15 percent below the levels a year earlier, and producers' stocks of unsold goods are still on the rise. Further production cuts have been announced for the next several months in many industries.

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