



The President's Daily Brief

2 August 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

2 August 1971

PRINCIPAL DEVELOPMENTS



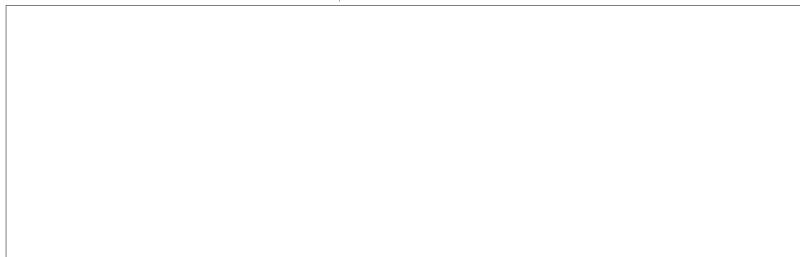
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Numayri has recalled the Sudanese ambassadors from
the Soviet Union and Bulgaria. (Page 2)

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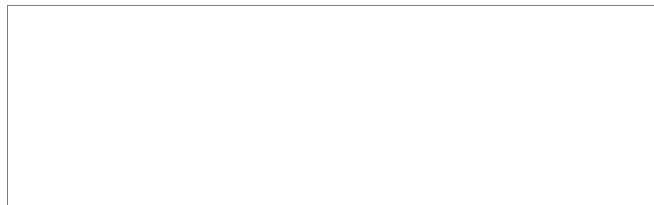
SOUTH VIETNAM



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SUDAN-USSR

Sudan has recalled its ambassadors from the Soviet Union and Bulgaria in response to the "biased campaign" being waged against the Numayri government by the Communist countries' news media.

This latest move, which stops just short of a formal break in diplomatic relations, follows a period of growing strain and disillusionment. Even before last month's abortive coup by Communist military officers, the Numayri government had been disappointed with the low level of Soviet economic aid. Events surrounding the coup and counter coup sharply accentuated the difficulties between the two countries.

Nu-
mayri is primarily distressed by Moscow's strident condemnation of the execution of the coup leaders and Sudanese Communists said to have been associated with them.

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Numayri told a Western journalist on Saturday that his government is continuing to investigate the role of Communist embassies in events leading to the coup. Perhaps in an effort to blunt the Soviet attacks, Numayri suggested that such vehemence must indicate that these embassies were "accomplices of the Sudanese Communists."

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Thus far we have seen no reaction from the Soviets to the recall of ambassadors. As we noted in The President's Daily Brief of 30 July, Moscow would probably prefer to avoid a severing of diplomatic relations. Numayri's actions to date have left the Soviets with little opportunity to shift to a more conciliatory line, however.

FOR THE PRESIDENT ONLY

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NOTE

Japan: The mid-air crash Friday of a Japanese Air Force plane and an All-Nippon Airways Boeing 727 has added to the problems of the beleaguered Sato government. After only four weeks on the job Defense Agency chief Masuhara has followed Japanese custom by taking responsibility for the incident and tendering his resignation, which Sato accepted at an emergency cabinet meeting today. Opposition Socialists attribute the crash to the alleged priority of military aircraft in Japanese airspace, and claim that US military planes in particular create congestion by monopolizing many air lanes. Sato will feel obliged to show some response to this criticism; immediately after the crash all Japanese Air Force training flights were suspended indefinitely.

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3 August 1971

PRINCIPAL DEVELOPMENTS

On *Page 1* we comment on yesterday's meeting of top Soviet leaders with all of Moscow's Eastern European allies except Romania.

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[redacted]
leftist politburo member Chen Po-ta has in fact been purged, apparently symbolizing Peking's repudiation of extremist policies. (*Page 3*)

[redacted] Chinese [redacted]

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(*Page 4*)

On *Page 5* we comment on this week's cabinet reshuffle in Australia.

At Annex we discuss Peking's changing approach toward economic and military aid to the underdeveloped countries.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR - EASTERN EUROPE

Yesterday's meeting of Brezhnev and two other top Soviet leaders with counterparts from all of the USSR's East European allies save Romania was meant to highlight Bucharest's isolation and to put pressure on it to conform to Soviet foreign policy.

The communiqué's formulations are generally routine, but the broad range of topics covered, from economic integration in CEMA to Vietnam and the Middle East, formalizes the seemingly informal vacation gathering in the Crimea and underscores Romania's deviant status.

In view of frequent bilateral meetings of Soviet and East European leaders in the past month capped by a CEMA summit in Bucharest last week, there was scant substantive reason for consultations, except for Romanian recalcitrance. Indeed, there is reason to believe that the meeting was called quite abruptly. East Germany's Honecker had been on vacation but was reported in yesterday's press as having met, presumably on 1 August, with the Soviet ambassador in East Berlin.

Romania has irritated Moscow in recent years by not siding with the Warsaw Pact positions on the Middle East war and Soviet disarmament proposals. Romania also has resisted Soviet plans to integrate CEMA, and did not suppress its delight that this goal, as defined at the CEMA summit last week, will take 15 to 20 years to implement.

Perhaps Ceausescu's greatest present sin, however, is to insist upon neutrality in the Sino-Soviet dispute, to cultivate good relations with Peking, and to welcome the thaw in Sino-US relations. The USSR is gravely worried about a possible rapprochement between Peking and Washington, and it suspects that Romania has assisted in nourishing these contacts. Unable to stop the Chinese, Moscow is determined at least to force the Romanians back into line.

(continued)

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The Romanians, judging by their recent behavior, have not been expecting a sharp squeeze from the Soviets. Earlier this summer, the Romanians were apprehensive that Moscow would try to force them to take part in a joint military exercise in Bulgaria or, alternatively, to permit Soviet troops bound for the exercise to cross Romanian territory. Such reports have died out and there are no indications that the Soviets have reopened the matter of Romanian participation. The exercise is scheduled to start in mid-August.

Having carried their dispute with Romania into the open in this fashion, however, the Soviets are not likely to let the matter rest. If Romania does not cease its misbehavior, Moscow may step up economic pressures, and insist on closer adherence to the Warsaw Pact's foreign policy goals. Ceausescu will be reluctant to appear to give ground under attack, but he may well decide to pull in his horns for a time.

FOR THE PRESIDENT ONLY

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COMMUNIST CHINA

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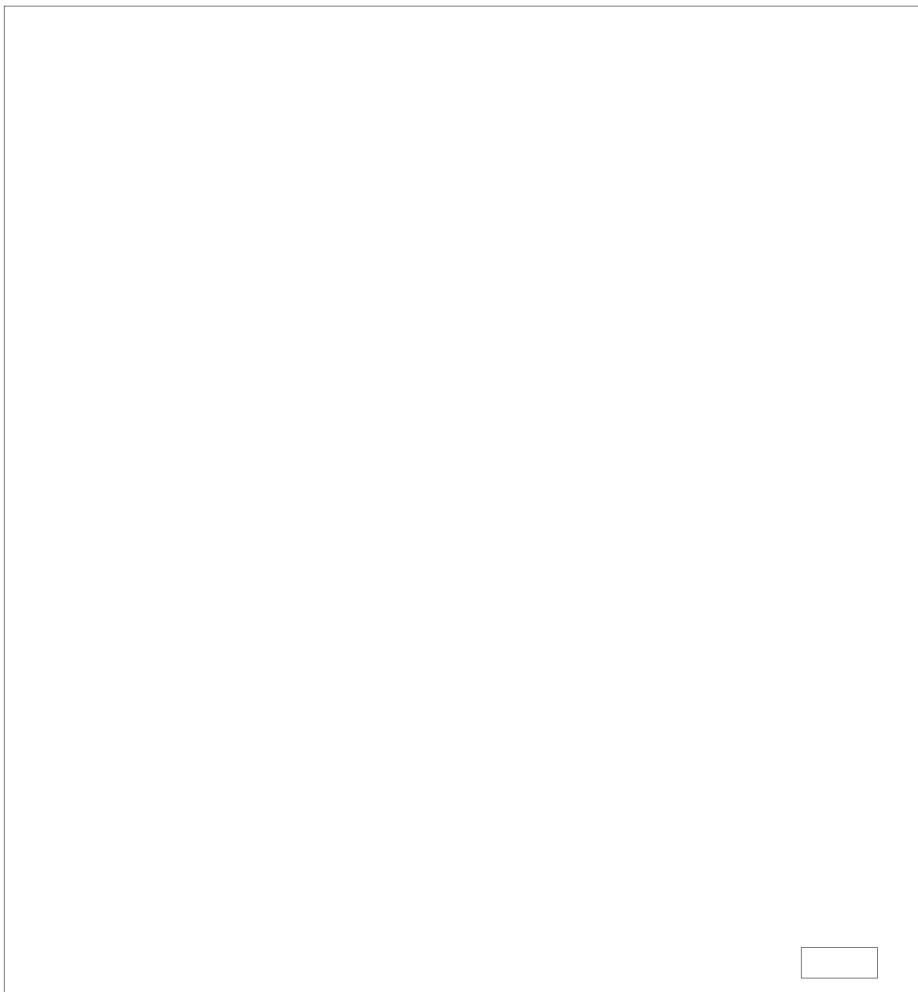
leftist
 politburo member Chen Po-ta had in fact been purged, as had been widely rumored in Western press reports. The official added that Mao Tse-tung had been alluding to Chen's failings in his interview with American journalist Edgar Snow last December when he condemned "hypocrites" who told lies during the Cultural Revolution.

The political demise of Chen, formerly the fourth ranking member of the politburo standing committee, seems intended to symbolize Peking's repudiation of extremist policies both in domestic and international affairs. Peking's handling of his downfall reflects the marked shift to the right that has occurred in the bitter struggle over power and policy within China's unsettled leadership coalition since the ninth party congress two years ago. The issues involved have been complex but clearly have included unsuccessful attempts by the leftists in Mao's inner circle to weaken Chou En-lai, to resist the reinstatement of many veteran party and government officials, and perhaps also to thwart the movement of China's foreign policy in several areas in the direction of more moderation and flexibility. The case against Chen Po-ta and the extremist "May 16 Corps" he allegedly organized appears to have been accompanied by a corresponding strengthening of Chou En-lai's personal position.

It is still uncertain whether Peking intends to make Chen a public scapegoat for the May 16 group's excesses.

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Chen's role in the group's activities is being discussed in local party meetings, but because other politburo members, including Madame Mao and Kang Sheng, also were involved, Peking may be reluctant to risk exposure of the full extent of leadership disunity through an open pillorying of Chen. The ranking of Madame Mao just behind Chou and ahead of Chief of Staff Huang Yung-sheng at the Army Day celebrations last weekend suggests that the jockeying between leftist and moderate elements within the regime has not ceased.



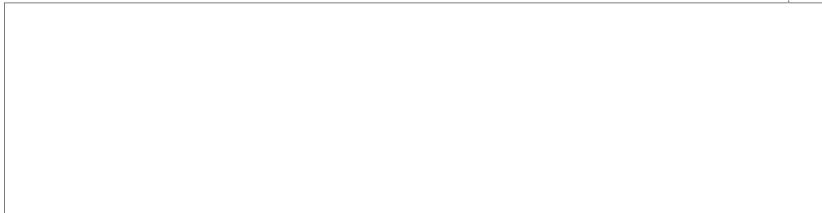
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COMMUNIST CHINA



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AUSTRALIA

Nigel Bowen, who replaced [redacted]
Leslie Bury as foreign minister in the cabinet re-
shuffle of 1 August, is a former attorney general
with five years of cabinet experience. Bowen's rep-
utation as an able and energetic minister and his
growing stature within the ruling Liberal-Country
Party coalition should give a boost to Prime Minis-
ter McMahon's current shaky position.

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[redacted]
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The four other ministerial changes involved in the
reshuffle are aimed at improving the government's
prospects in next year's parliamentary elections.

FOR THE PRESIDENT ONLY

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NOTE

Ceylon: The army commander, General Attygalle, has been caustically critical of politicians in the current atmosphere of nervousness over the possible renewal of insurgency and general deterioration of economic conditions.

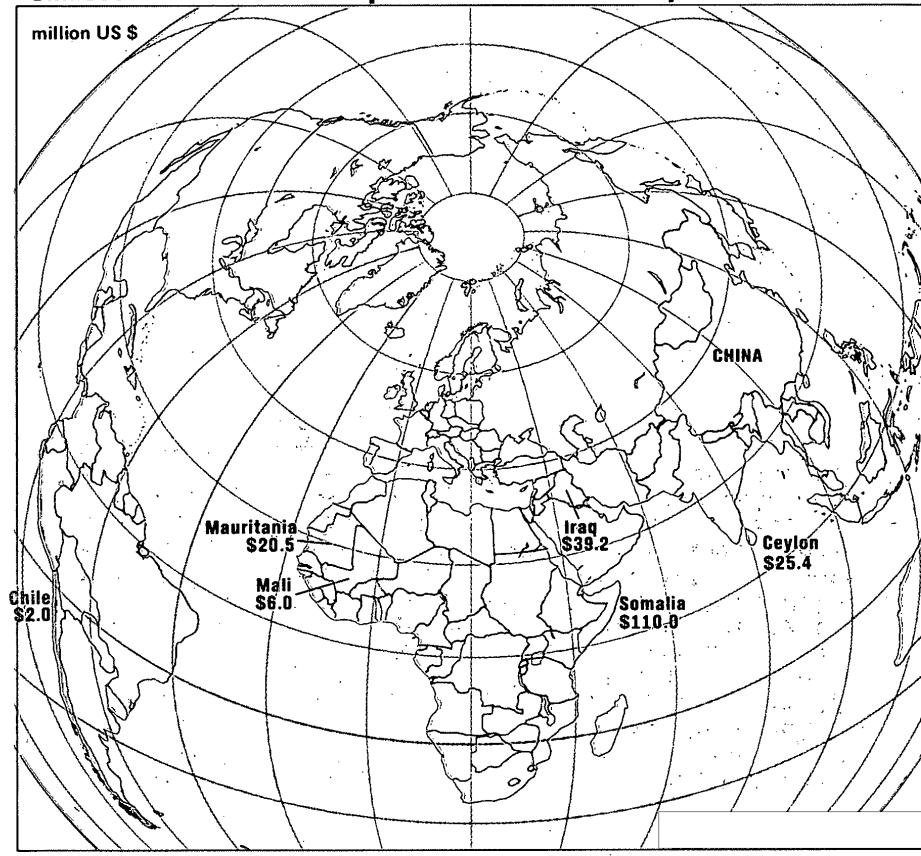
[redacted] Attygalle would mount a coup if he believed the country were going further to the left. In doing so, the General might choose to keep Prime Minister Bandaranaike at her post but move the government to the right. Attygalle has no strong political attachments.

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Chinese Aid to Underdeveloped Countries since 1 April 1971



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PEKING'S CURRENT FOREIGN AID POLICY

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The recent spurt of China's military and economic assistance to developing Afro-Asian states shows how much Peking has changed its approach to the underdeveloped world. It has moved away from its previous heavy-handed emphasis on ideology toward an increasingly pragmatic and flexible foreign policy. Steering clear of any new massive and onerous aid commitments such as the \$400-million Tan-Zam railroad project agreed to in 1970, Peking is relying instead on lesser amounts of selective support in a continuing effort to re-establish itself as a leading champion of third world interests. The Chinese in general are focusing attention on those states that show some promise of supporting Peking's international interests, particularly in the UN, and on those that are not overly committed to either the US or the USSR.

By far the largest amount of new aid is a \$110-million agreement negotiated early in June by a Somali delegation in Peking. The money will finance highway construction and underwrite several light industrial projects and agricultural programs. With this commitment, Peking, which has furnished aid to Somalia for many years, becomes the country's largest donor.

Also in June, China granted Iraq a credit of nearly \$40 million for plants, equipment, and technical assistance. The credit probably will be used to boost Baghdad's development of light industry. The Chinese also will provide Iraq with free military equipment--primarily small arms and ammunition. As in the past, much of this may be planned for onward shipment to the Palestinian fedayeen.

In May Peking extended a hard currency loan of \$25 million to Ceylon. The loan--largest of its type to be granted a non-Communist regime--is exceeded only by the \$100 million extended to Romania last November. The loan to Ceylon is not tied to any specific project, but will help make up losses in export earnings caused by the disruption of the April insurrection there. The Ceylonese also have accepted an offer of five small patrol boats--China's first military assistance to Colombo. Peking's assistance to Ceylon is intended not only to gain influence but to remove any trace of Ceylonese suspicion of Chinese involvement in the insurrection. The Chinese loan is in excess of the aid received from Washington and Moscow following the disorders.

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FOR THE PRESIDENT ONLY

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A loan in April of \$20.5 million to Mauritania will finance construction of basic economic projects such as a port at Nouakchott and a water pipeline. Peking has extended two loans to Mali totaling \$6 million, two-thirds of which will be used to purchase Chinese goods for sale in Mali and the remainder to bolster the government's budget. Peking has assured the Malians of its continued interest in financing the \$100-million Manantalli dam project. A new agreement providing for construction of several light industrial plants and a mineral survey is to be signed in the near future. Mali has recently received several small shipments of military equipment from China, as has Guinea, which signed a military aid agreement with Peking in early July. Guinea will receive several patrol boats and more arms and ammunition.

All of these recipients recognize the People's Republic and support its bid for UN membership. The Chinese, however, no doubt hope that the availability of their aid will help bring other third world governments to establish diplomatic relations with Peking and to support its cause in the United Nations. Last week, for example, a delegation from Sierra Leone was visiting Peking when its government switched recognition from the Nationalists to the Communists, and we presume the visitors had received assurances of economic assistance.

Extension of aid helps Peking to project the image of a dynamic Chinese economy capable of supplementing assistance from the US, the USSR, and other industrial powers. Peking's aid vastly overshadows Taipei's foreign aid program, which totaled \$16 million in fiscal 1971. Most regimes in the underdeveloped countries realize that China is unable to replace the more advanced nations as an economic benefactor, but the Chinese Communists are considered to be particularly well suited to help meet at low cost the needs of labor-intensive agricultural programs and construction projects such as roadbuilding and port development.

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THE PRESIDENT'S DAILY BRIEF

4 August 1971

PRINCIPAL DEVELOPMENTS

The Communists appear to have sent reinforcements from North Vietnam into northern Laos to try to counter the offensive by government irregulars on the Plaine des Jarres. (Page 1)

Southbound infiltration from North Vietnam apparently declined to a trickle during July, but Hanoi is ordering increased mobilization of reserve units at home. (Page 2)

Some Viet Cong provincial committees and propaganda agencies now in Cambodia may soon return to South Vietnam. (Page 3)

Soviet [redacted] Egypt [redacted] 50X1

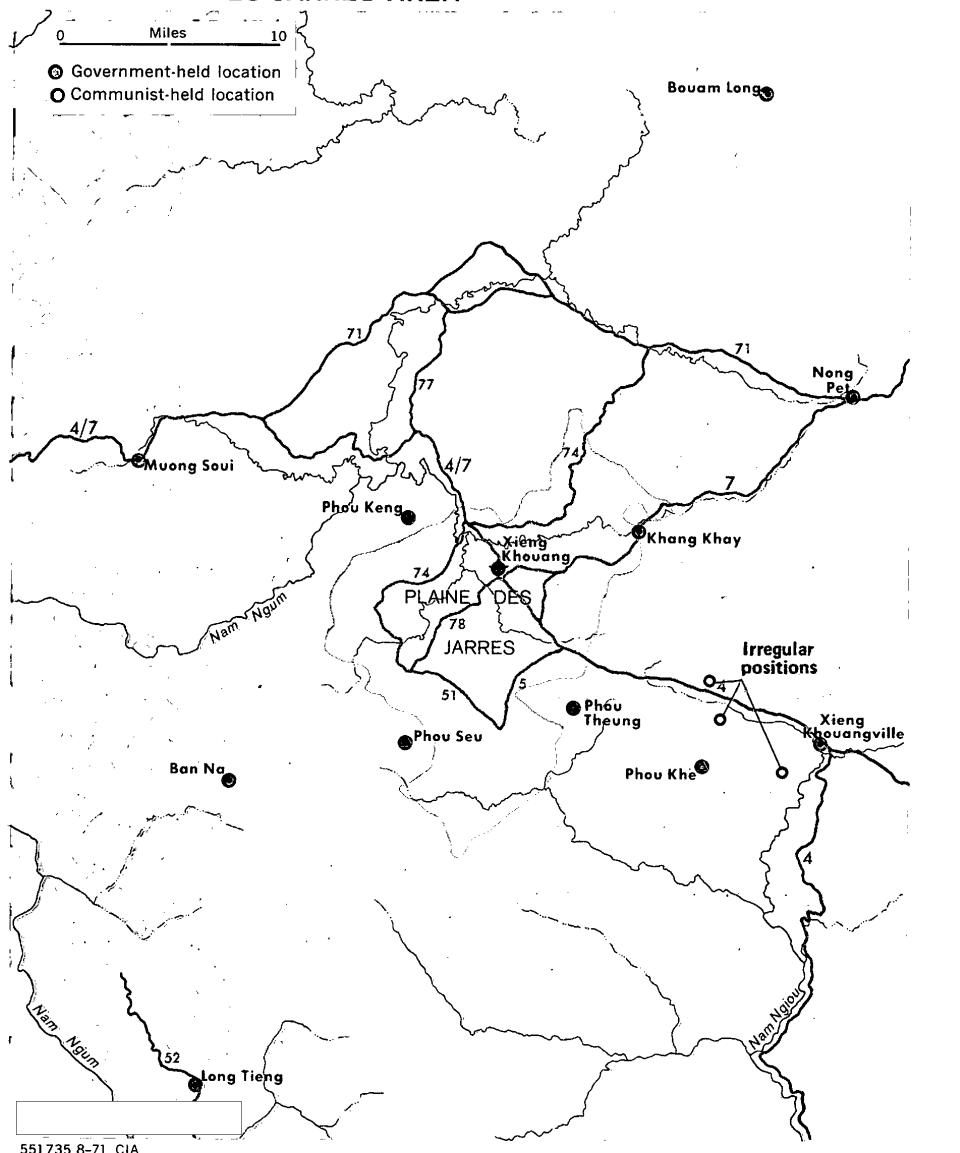
[redacted] Page 4.

[redacted] Page 5 Peking [redacted] 50X1

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FOR THE PRESIDENT ONLY

LAOS: PLAINE DES JARRES AREA



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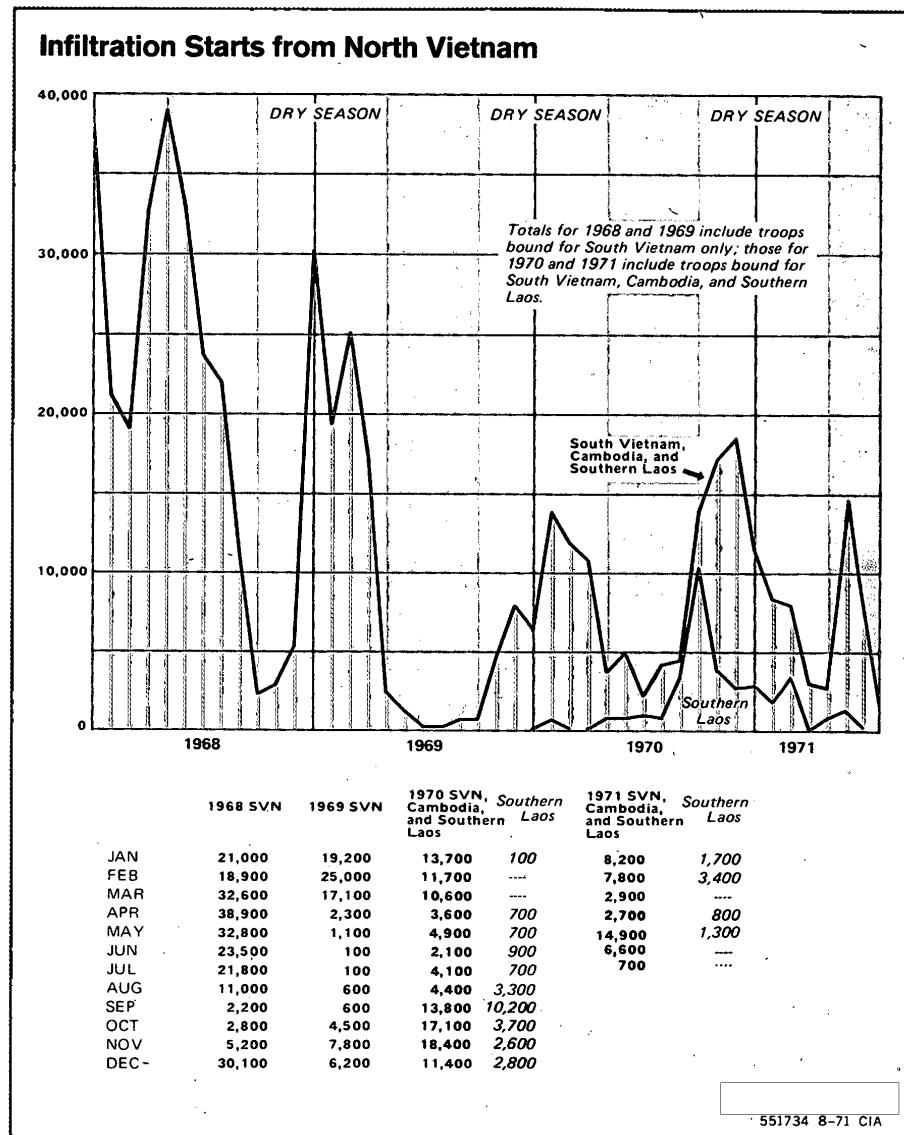
LAOS

Intercepts indicate that the North Vietnamese have moved a regiment of the 312th Division from North Vietnam to the area east of the Plaine des Jarres. The regiment had been garrisoned in Vinh for the past year. The division's other two regiments returned to Laos last winter and participated in the Communist dry season offensive against the Long Tieng complex.

The movement of this number of North Vietnamese troops into Laos during the rainy season is unusual, and suggests the seriousness with which the Communists view recent gains by Vang Pao's irregulars on the Plaine. In view of the difficulty the Communists have had in operating and supplying front-line units during the monsoon season, it may be some time before they can mount a sustained counteroffensive.

Vang Pao's irregulars, meanwhile, have pushed farther east of the Plaine. Elements of three irregular battalions have taken up positions about six miles from Xieng Khouangville and are now in position to recapture the town if they are ordered to do so.

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

NORTH VIETNAM

Intercepts from the infiltration corridor through southern Laos and northeastern Cambodia showed less than 700 North Vietnamese infiltrators moving south during July. Nearly 600 of these were en route to the central highlands or northern South Vietnam, and there were fewer than 100 troops heading for Cambodia and southern South Vietnam.

The pattern of southward movements we have observed over the past few months has suggested a seasonal tapering off of the infiltration effort as the rainy season peaked. It is possible that a few groups have recently been moving undetected as a consequence of new Communist restrictions on the use of lower power radios, but the tenor of most intercepts during July indicated that personnel manning the infiltration system were principally engaged in preparing for the upcoming dry season effort rather than in processing infiltration groups.

* * *

A new mobilization directive was sent in July from Premier Pham Van Dong's office to North Vietnamese Government agencies, farms, and commercial establishments. Recipients were told to organize a military reserve unit if they did not already have one, to enlarge existing units, and to begin new training programs in general military doctrine and in small arms and antiaircraft weaponry.

An editorial on the directive appearing in the official Communist Party newspaper on 29 July makes it clear that Hanoi's aim is to improve local defenses and facilitate recruitment and conscription procedures for the regular army. The regime may hope, by hammering on the mobilization theme, to keep popular energies focused on the war effort and related domestic pursuits. It may also be anticipating a higher level of fighting throughout Indochina for which adequate trained manpower must be made available. If Hanoi is planning to increase the pace of combat, we would expect to see additional preparations in the months ahead, including an increased flow of infiltration.

FOR THE PRESIDENT ONLY

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SOUTH VIETNAM

Since mid-June intercepts from a number of Viet Cong administrative units in Cambodia have referred to plans to return to their former operating areas in South Vietnam and along the border. Included are several Viet Cong provincial administrative commands and propaganda elements that had been in southern South Vietnam and border areas before they were forced to move deep into Cambodia by the allied attacks in April 1970.

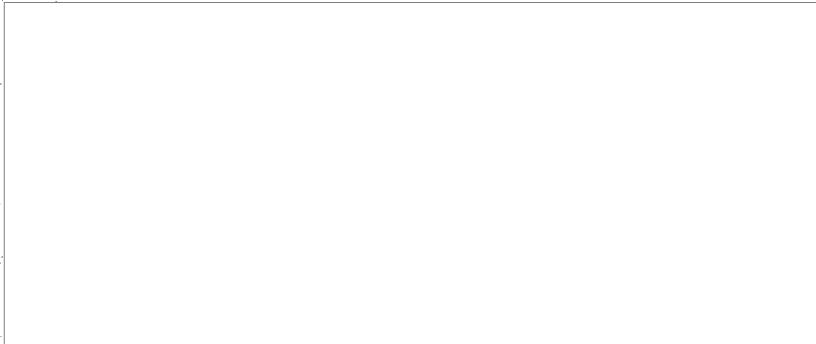
These messages support earlier clandestine reports that COSVN has ordered many of its subordinate cadres in Cambodia to return to their former areas in South Vietnam. The reports assert that these cadre are to assist in accelerating programs in subversion, political action, and organization of the party network at the grass roots. Their first task will probably be to assist in organizing Communist opposition to the South Vietnamese elections. A longer term purpose, however, may be to help the Viet Cong prepare for more active political work against the Saigon government as US military units continue to withdraw.

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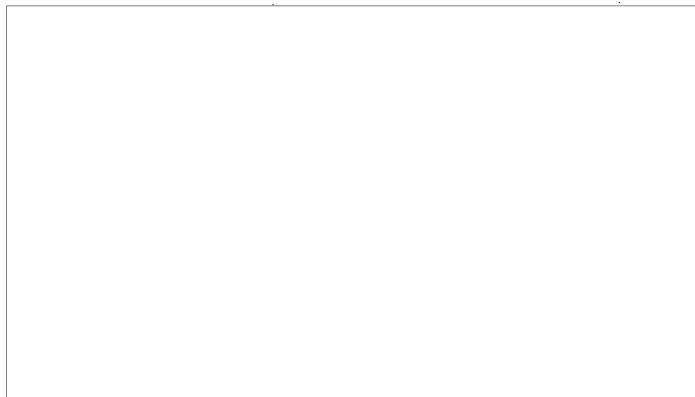
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EGYPT-USSR



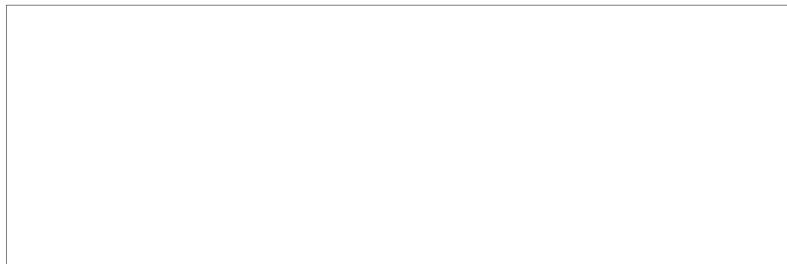
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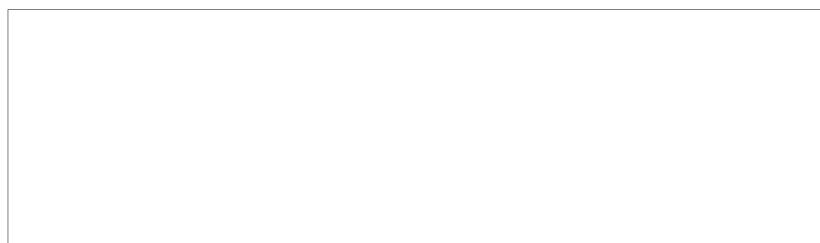
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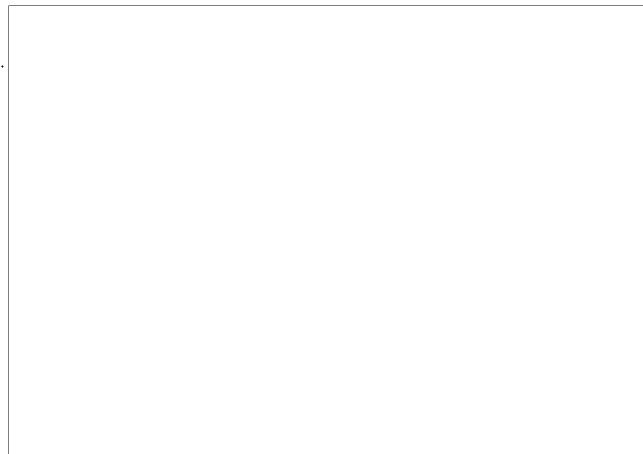
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NOTES

Bolivia:

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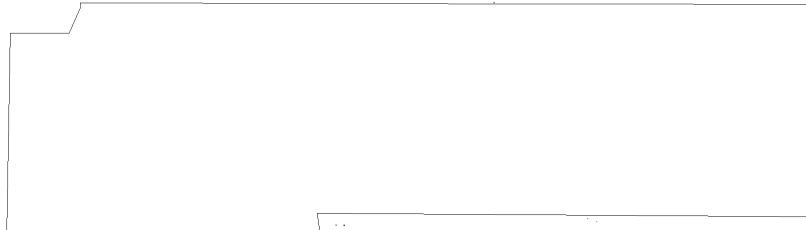
Guinea: There has been no independent evidence to support President Toure's claim, in calling for an emergency meeting yesterday of the UN Security Council, to have intercepted naval messages foreshadowing an imminent foreign attack. Toure has been predicting new attacks ever since the Portuguese-directed seaborne raid last fall, and Conakry's growing concern over its internal weakness is reflected in the intensified purge since mid-June of officials alleged to have been involved in the raid. During the past week, the regime has publicized "confessions" by some of these detainees that they were in league with the Portuguese or West Germans; veiled allusions to an "American network" suggest that an attempt may also be made to implicate the US in Guinea's troubles.

FOR THE PRESIDENT ONLY

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COMMUNIST CHINA

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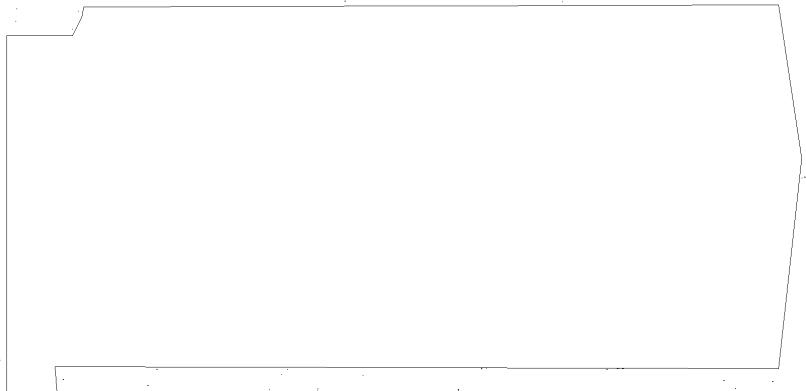
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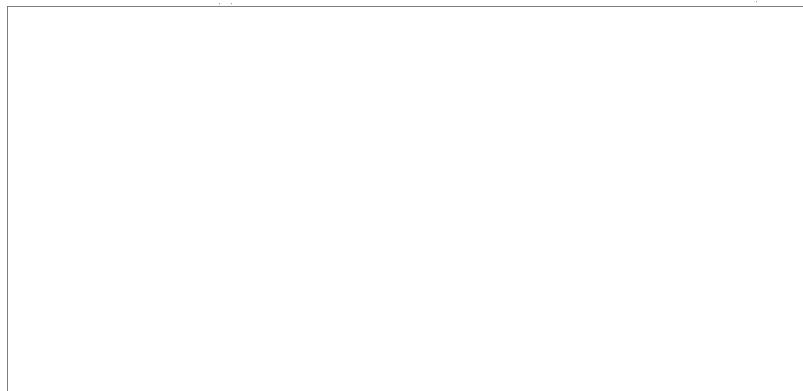
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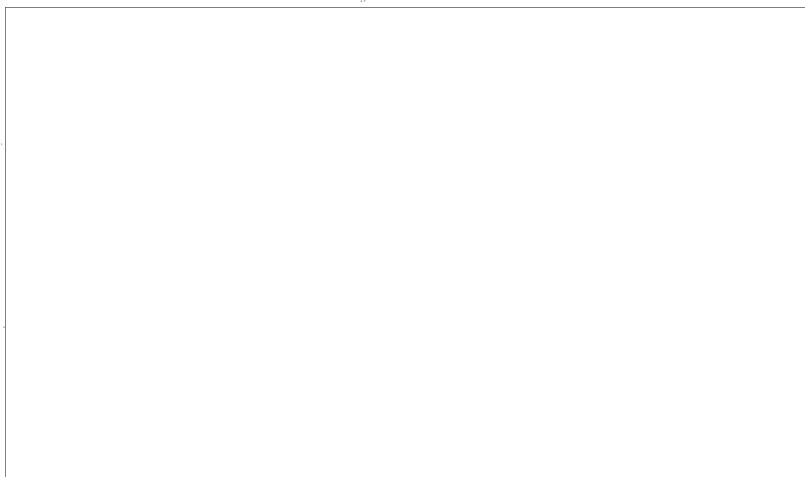
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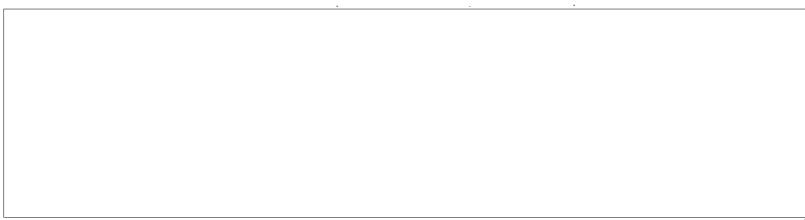
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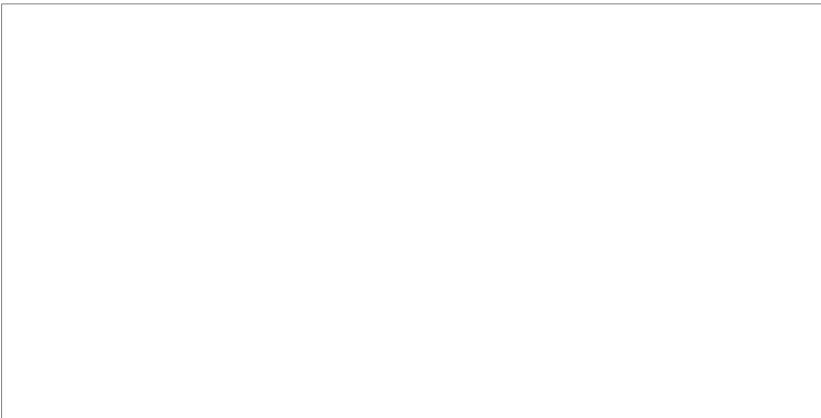
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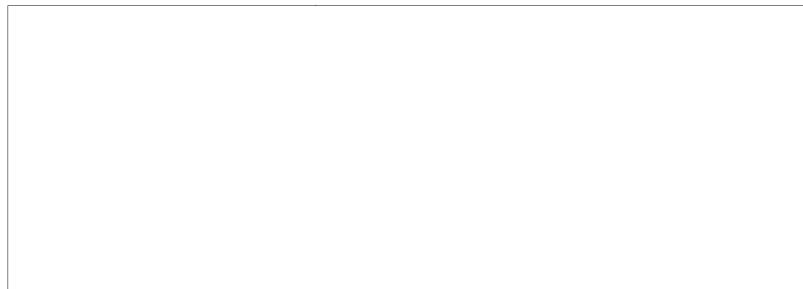
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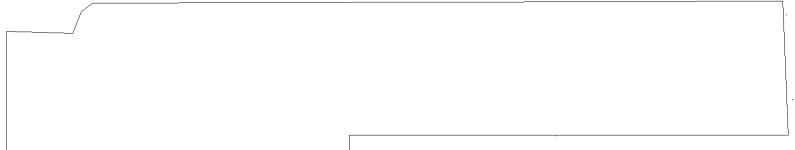
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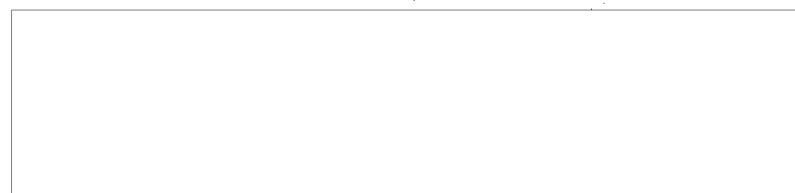
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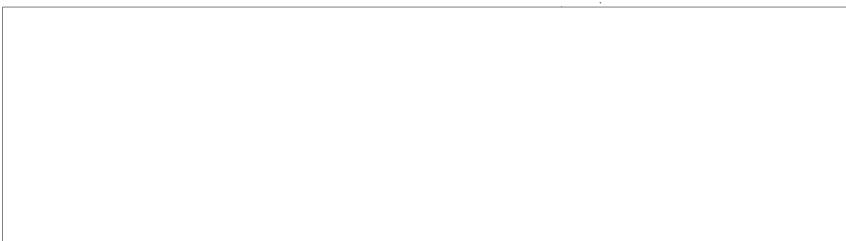
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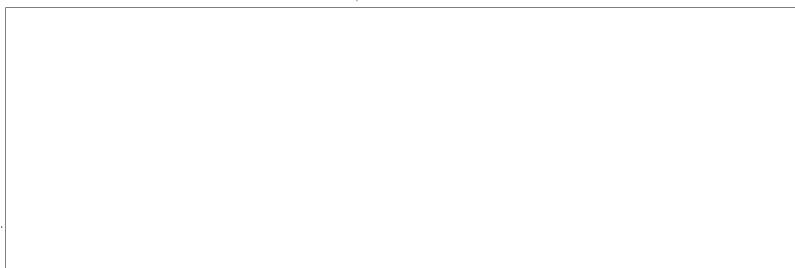
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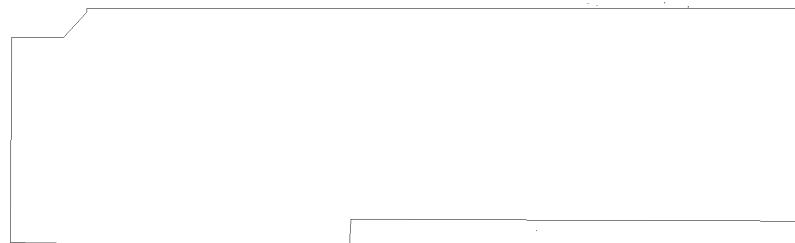
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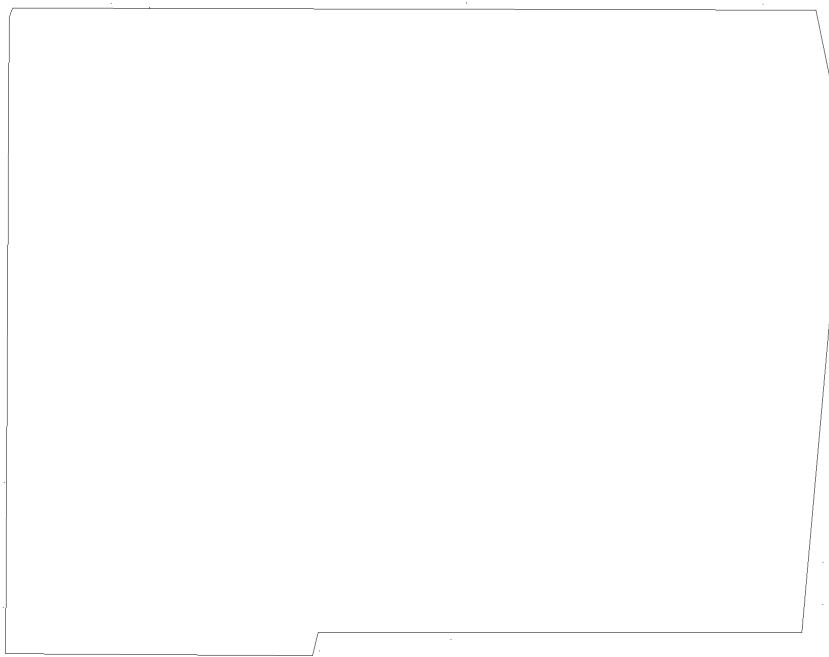
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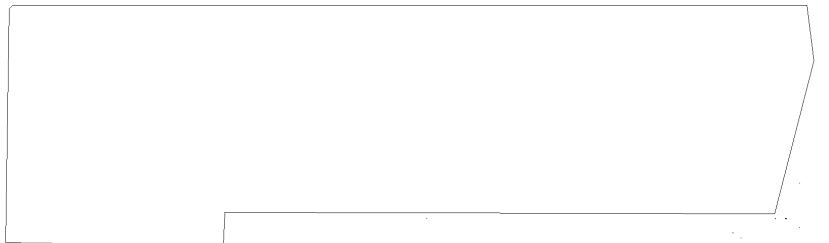
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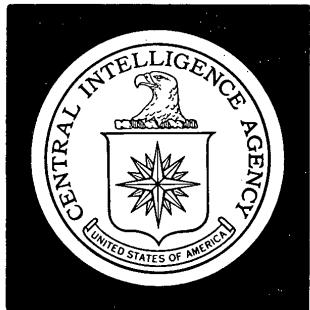


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5 August 1971

PRINCIPAL DEVELOPMENTS

South Vietnam

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(Page 1)

Soviets

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(Page 2)

Pakistan

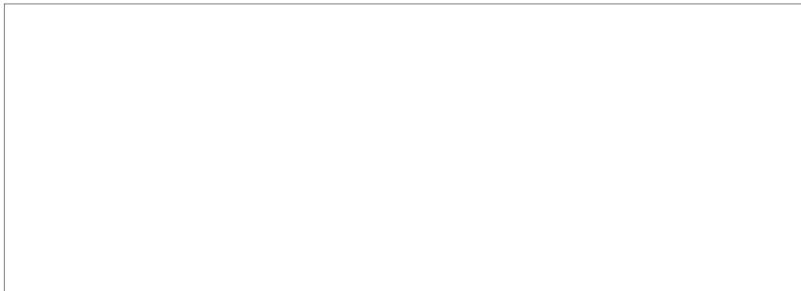
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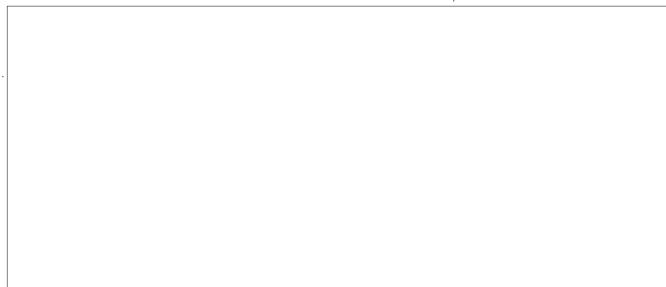
VIETNAM



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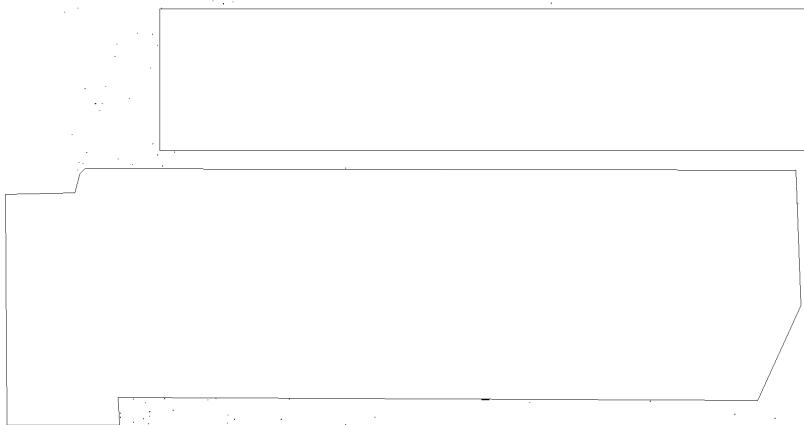


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USSR

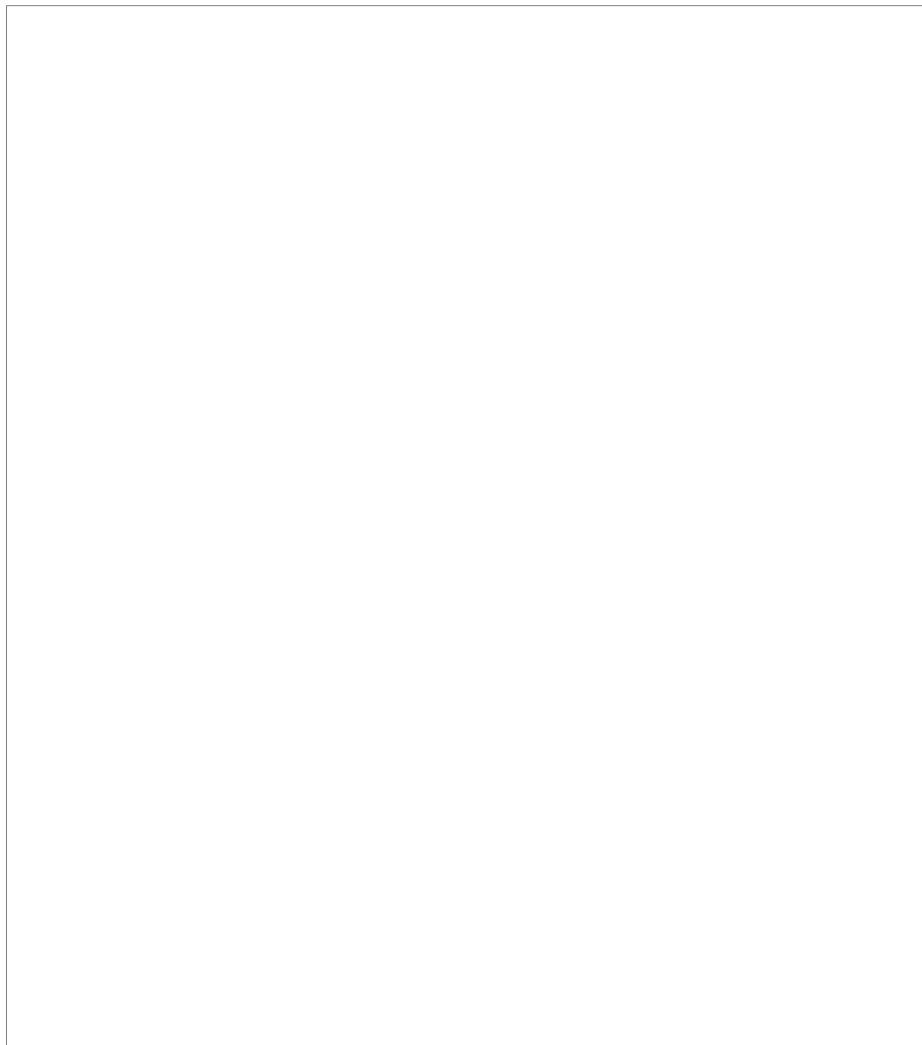


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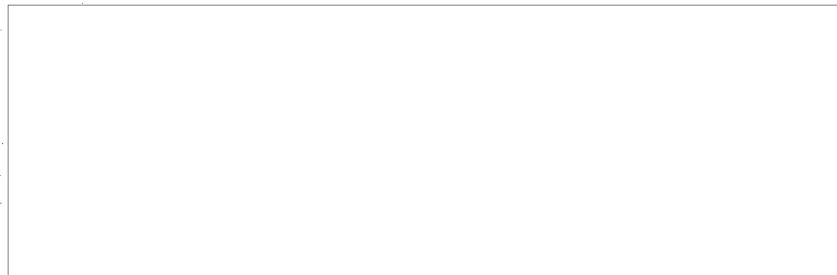
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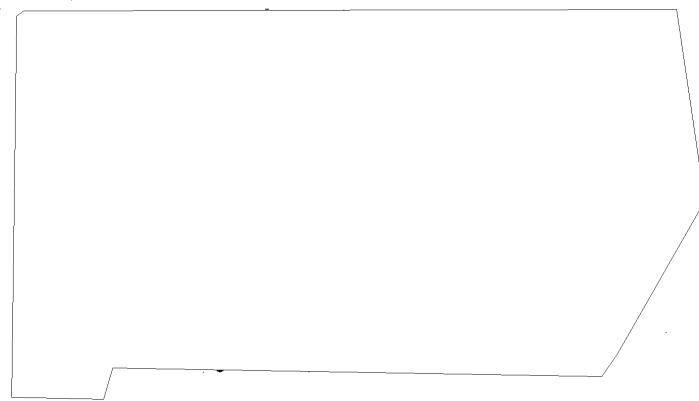


FOR THE PRESIDENT ONLY

PAKISTAN-INDIA



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NOTE

Chile - USSR - Eastern Europe: A Chilean arms purchasing mission will leave early this month for talks in the USSR and Eastern Europe

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6 August 1971

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

On Page 1
Soviets

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The Soviet SALT delegation now says it wants the US to table a zero-level ABM proposal, a reversal of Moscow's previous position on the subject. (Page 2)

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On Page 4, we comment on some of the objectives Cambodian Prime Minister - delegate Sirik Matak may have in mind as he begins his official visit to the US.

Jordan

(Page 5)

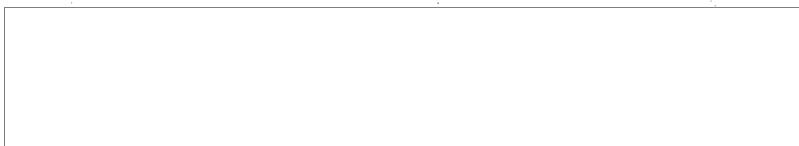
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Islamabad intends to bring East Pakistani leader Mujib to trial soon. (Page 6)

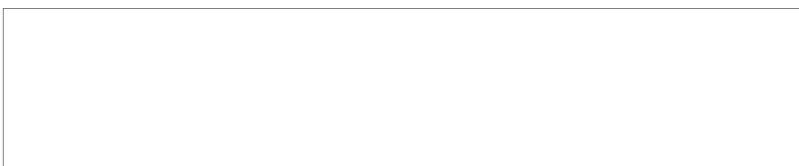
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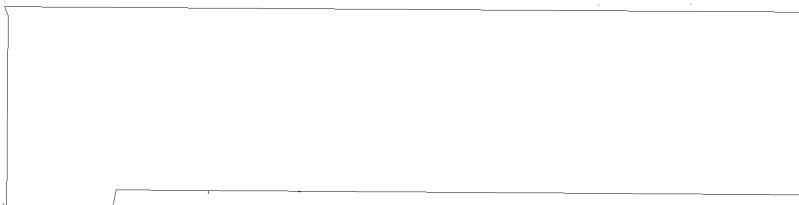
USSR



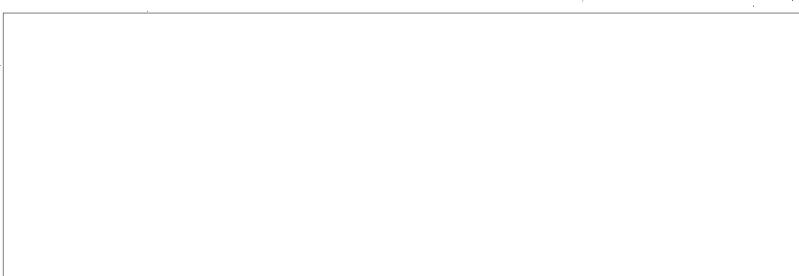
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SALT

Recent remarks by members of the Soviet SALT team indicate that the Soviet delegation wants the US to table a zero-level ABM proposal, but that there are sharp differences of opinion on this subject among the Soviet delegation members and probably in Moscow as well.

Semenov informed Smith on 25 July that he had come to Helsinki authorized to say that the Soviet Union would be interested in discussing zero-level ABM in greater detail to ascertain "if it was a realistic prospect." On the same day Semenov's deputy, Timerbaev, reiterated Soviet interest in the zero-level prospect to a member of the US delegation and suggested that the US introduce a zero-level proposal.

These approaches constituted a complete about-face on the subject. The Soviets turned down the concept of zero-ABM when the US advanced it at the last SALT round in Vienna.

Early this week the Soviet delegation's ranking military member in Helsinki, General Trusov, told his American counterpart, General Allison, that an ABM agreement should not require destruction of existing systems, and added that the Soviets do not intend to destroy their Moscow defense. He then decried the "inequality" of a 3-for-1 or 4-for-1 Safeguard-Moscow trade-off, but said that an offer to limit US sites to the two "northernmost" at Grand Forks and Malmstrom would not be as objectionable.

The next day, two senior members of the Soviet delegation disavowed Trusov's remarks, calling them "personal" views. They declared that the views and instructions of the Soviet Government were as conveyed by Semenov to Smith, and specifically that the Soviet delegation expected and awaited a new zero-level ABM proposal. The Soviets said that within both delegations and in both capitals there were "differing views" on such questions as an ABM ban, and that it was important not to be misled by "parallel conversations." The talk indicated that while the two Soviets were aware that Trusov had been negative about zero-level ABM, neither of them seemed to know of Trusov's remarks that a 2-for-1 Safeguard-Moscow proposal might be negotiable.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

This sequence provides added evidence for the point, made in The President's Daily Brief of 16 July, that SALT policy is a disputed matter among the Soviets. It is plausible to suppose that the military is highly averse to tearing down the Moscow system, and General Trusov's remarks on a 2-for-1 deal may represent the fallback position of those who want to avoid this.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CAMBODIA

US Charge Enders in Phnom Penh has reported some of the objectives Sirik Matak has in mind as he begins his official visit in the US today.

--Enders believes Matak will in all probability renew Lon Nol's request for US support for putting an additional 50,000 men under arms. The Cambodians evidently are giving serious thought to pushing to recapture Kratie city, some 100 miles northeast of Phnom Penh and the most important urban center in the northeast region. He may request US air support for this undertaking.

Matak and others in the Cambodian Government believe that a peace settlement in Indochina now looms as a real possibility. They are in favor of this (and have in fact established a high-level committee to plan for Cambodia's eventual involvement in negotiations), but they fear that the northeast, which has been in enemy hands since the summer of 1970, may end up permanently in Communist hands.

--On the economic side, Matak may want to discuss steps that both governments can take to speed up Cambodian use of US aid, including the possibility of untying some more AID funds.

Just before his departure, Matak received the bad news that Cambodian currency reserves dropped precipitously last month. It may cause him to press his points on the economy with more urgency.

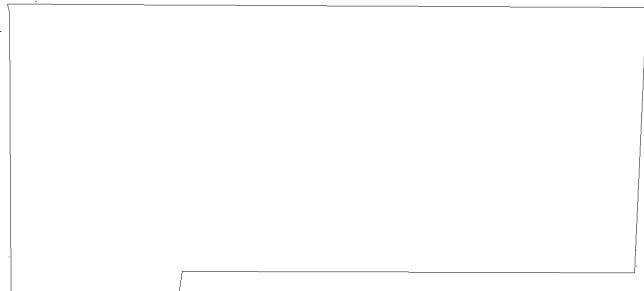
--Matak probably counts on his visit to help him strengthen his position.

Although Matak is the nation's most able and decisive administrator, his political future is still dependent on Lon Nol. The prime minister, who has had some unkind things to say about Matak lately, appears to be reasserting his position as the principal spokesman for the government in an increasingly turbulent political scene.

FOR THE PRESIDENT ONLY

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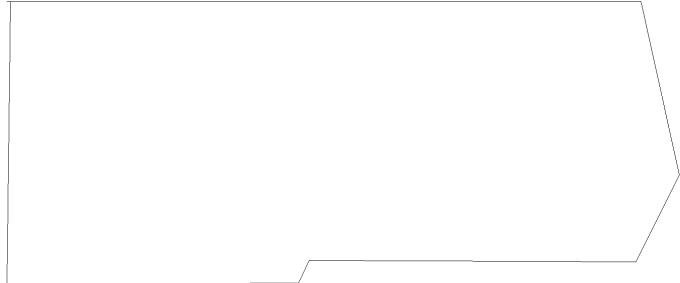
JORDAN



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Pakistan: Islamabad will soon bring imprisoned East Pakistani leader Mujibur Rahman to trial for treason, [redacted]. The case will be heard by a military court, perhaps as early as next week. President Yahya told a British newsman last month that he was determined to go ahead with an early nonpublic trial. Mujib's martyrdom would further reduce chances for a political settlement in East Pakistan.

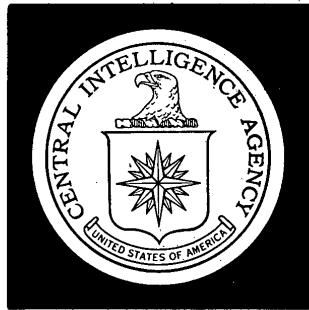
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Malta: Prospects appear favorable for an economic agreement with Libya following Mintoff's visit to Tripoli Wednesday. A few days earlier another Maltese delegation had failed to conclude a pact when some last-minute hitch appeared. A member [redacted] stated that Libya had requested refueling rights for its military aircraft and naval vessels. Meanwhile, the North Atlantic Council yesterday made substantial progress toward putting together a cash package for the British to offer to Mintoff, although the proposal falls far short of his demands.

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THE PRESIDENT'S DAILY BRIEF

7 August 1971

PRINCIPAL DEVELOPMENTS

Kadar convened an unusual meeting of top Hungarian party and government figures two days after signing the Crimean communique. (Page 1)

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Peking

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

HUNGARY-USSR-ROMANIA

On Wednesday, two days after signing the Crimean summit communiqué, Kadar convened an unusual joint meeting of the party's central committee, the government's council of ministers, and popular front leaders. The meeting produced a communiqué which included an uncharacteristically harsh foreign policy line:

Between the lines of the communiqué we read a serious concern over Budapest's relations with Moscow as well as a warning that this is not the time for independent flings. Kadar, in most respects one of Moscow's staunchest supporters, has been tacitly pushing for a more forthcoming attitude toward China for several months.

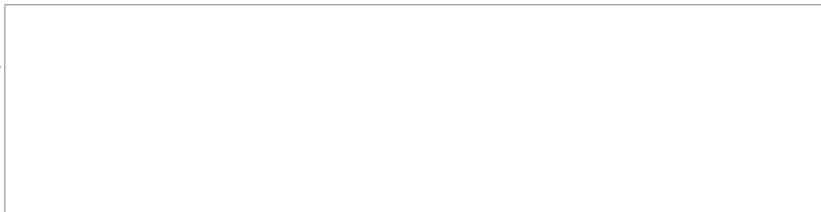
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Kadar resisted a Soviet attempt in June to stir up old animosities between Romania and Hungary. On 30 July Brezhnev and Podgorny talked with Kadar in Moscow, and we believe they criticized him for not sufficiently supporting the USSR's Romanian policy as well as for his initiatives regarding China. If the Soviets are adopting an increasingly tough attitude on the Romanian issue, they would almost certainly make a special effort to get Kadar in line early rather than risk a repetition of the moderating tack he took in 1968 on Czechoslovakia.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

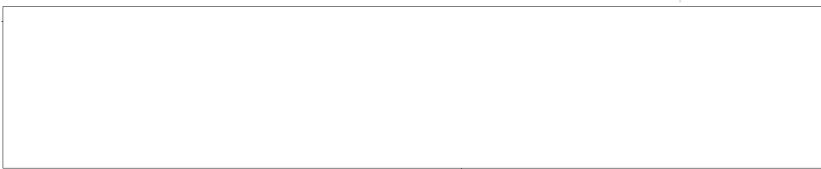
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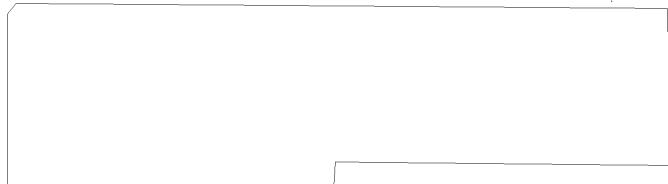
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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

USSR-India: Gromyko will arrive in India tomorrow. Moscow's messages to India counselling avoidance of war have thus far fallen on deaf ears in New Delhi, which apparently still hopes to receive advance assurances of Soviet support if fighting breaks out.

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[redacted]
the Soviets are apparently anxious to get a first-hand assessment of Indian intentions.

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Vietnam

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Malta: Mintoff has told US Ambassador Pritzlaff that following his visit to Tripoli on Wednesday he decided not to accept Libya's terms for an agreement. Without spelling out the Libyans' demands he said they want "the whole hog." Mintoff reiterated Malta's needs for immediate cash, and Ambassador Pritzlaff believes he hopes to gain time while the UK and NATO work out a package that would obviate any need to rely exclusively on Tripoli.

Communist China:

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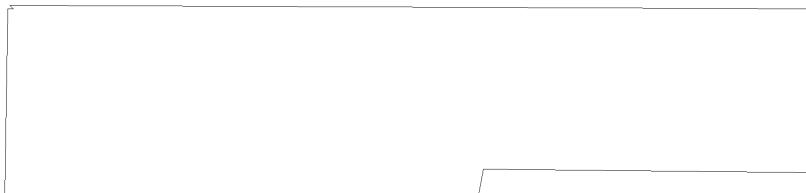
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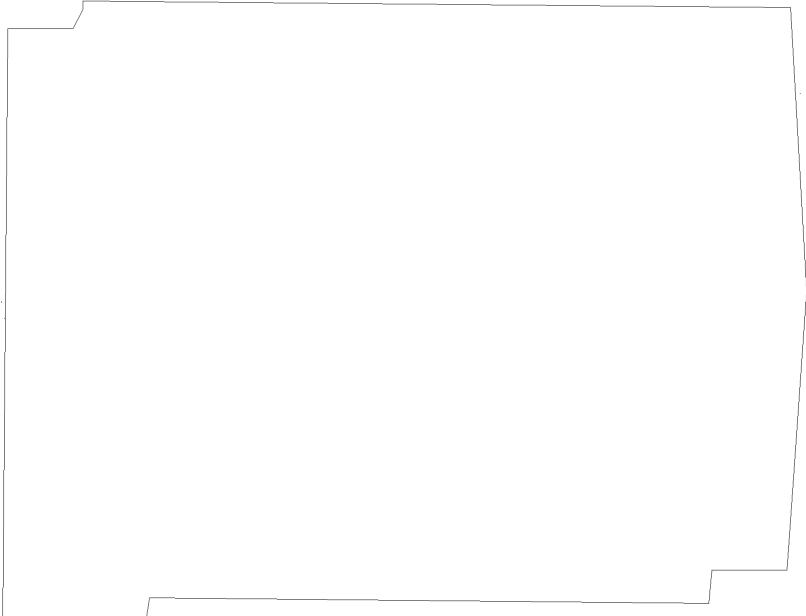
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COMMUNIST CHINA

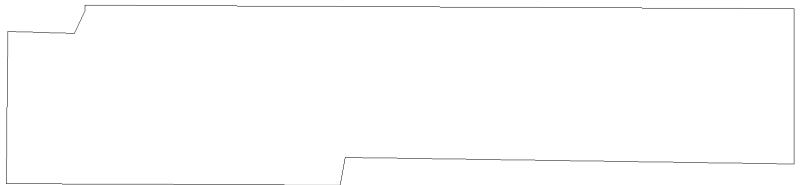
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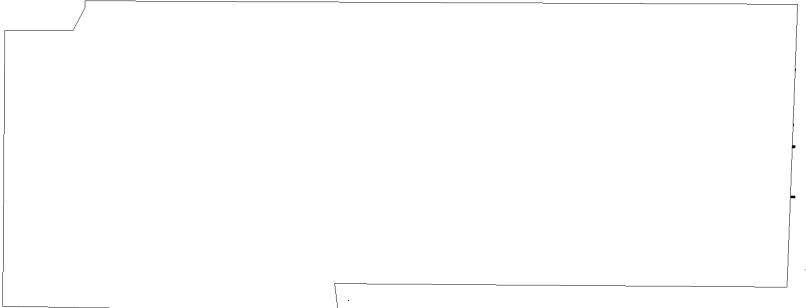
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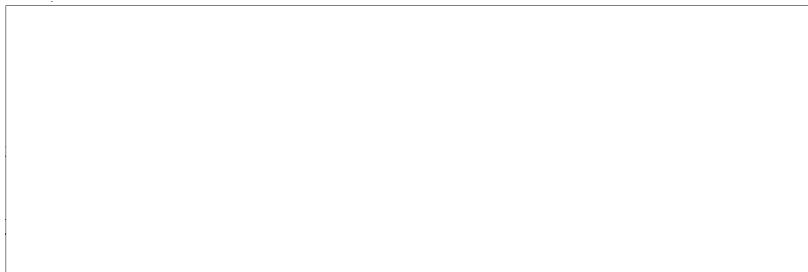
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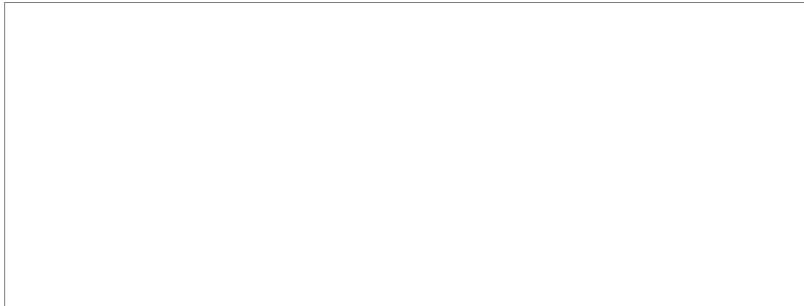
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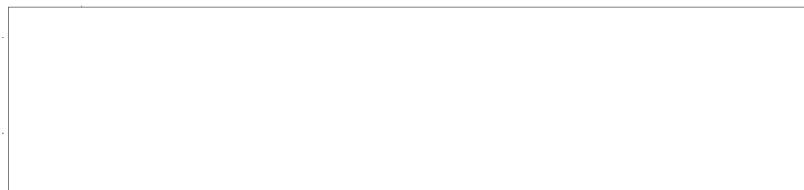
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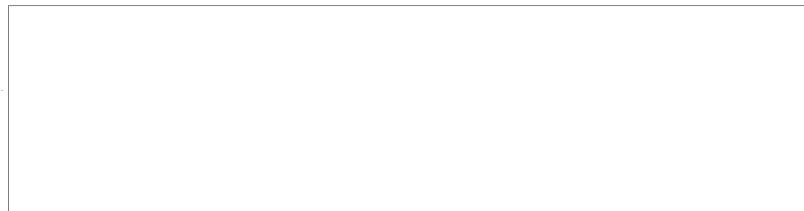
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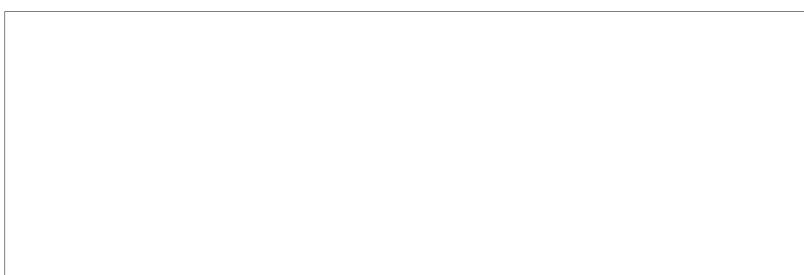
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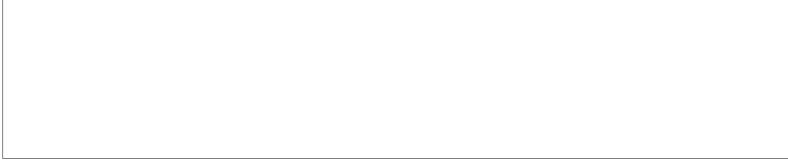
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9 August 1971

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THE PRESIDENT'S DAILY BRIEF

9 August 1971

PRINCIPAL DEVELOPMENTS

[India]

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Pakistan

(Page 1)

Government forces are continuing to make slow progress in both north and south Laos. (Page 3)

In South Vietnam, the Communist "summer campaign" has failed to materialize but signs persist that enemy action will pick up in the northern provinces soon. (Page 4)

The Organization of Petroleum Exporting Countries will seek direct "participation" in Western oil companies. (Page 5)

Soviets

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(Page 6)

Mintoff wants \$5 million by Thursday or British troops will be ousted from Malta. (Page 6)

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Cypriot

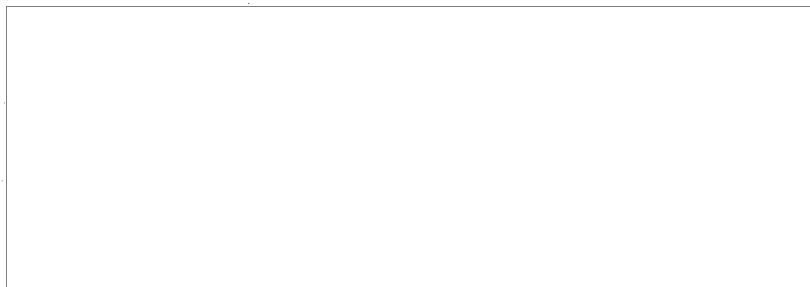
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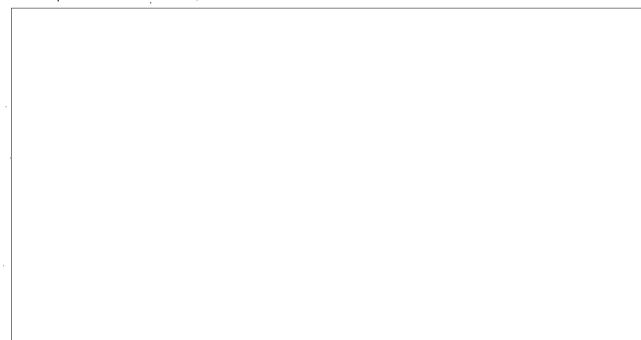
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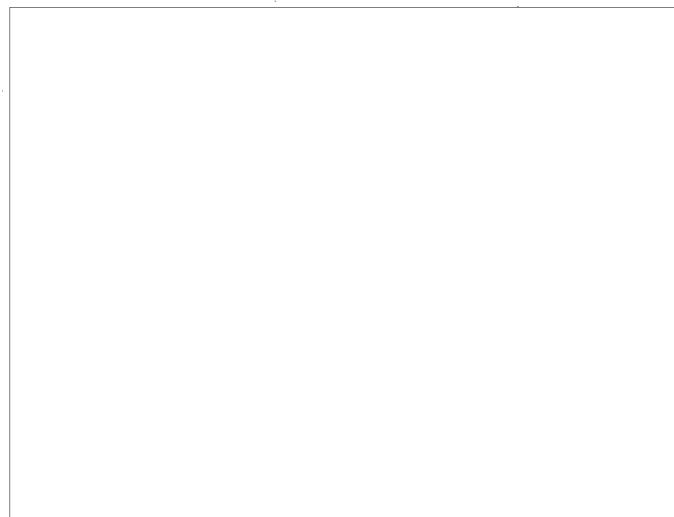
INDIA-PAKISTAN-USSR



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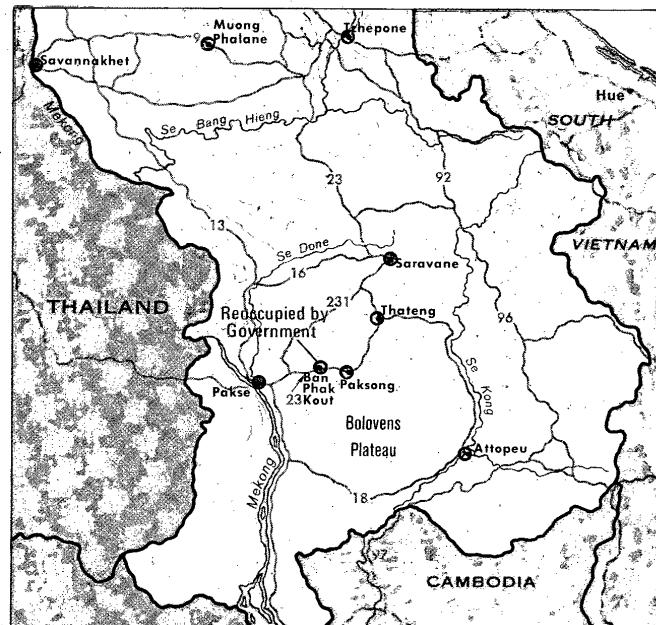
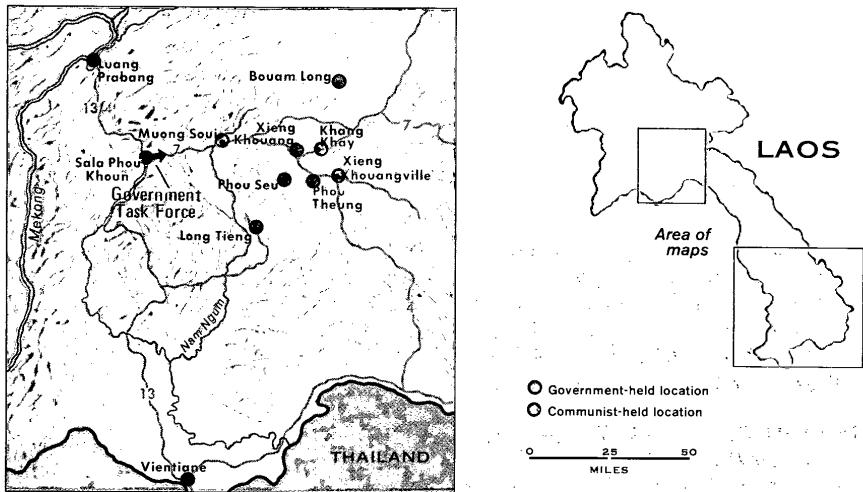
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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

LAOS

Vang Pao's irregular forces on the Plaine des Jarres have reported some heavy enemy shelling attacks and skirmishing, but they are continuing to consolidate their positions around the eastern portion of the Plaine. To the northwest a three-battalion government task force has begun to move eastward along Route 7 toward Muong Soui, which appears to be only lightly defended by the Communists.

In south Laos, government forces have occupied Ban Phak Kout on Route 23 about six miles west of Paksong. Stiff enemy resistance has repulsed efforts to move on toward Paksong, and air observers report "many" new enemy positions around that town. Government forces conducting sweep operations west of Saravane captured a rice and ammunition cache after driving off an enemy company. Intercepted messages indicate that elements of the 46th NVA Battalion are continuing their reconnaissance activities in the area in preparation for attacks.

On the political scene, Souk Vongsak, the Pathet Lao envoy in Vientiane, has returned to Communist headquarters at Samneua for "consultations" after delivering a message from Lao Communist leader Souphanouvong. The message reiterates the Communists' desire to solve the Lao problem peacefully, but vows to continue fighting until government attacks on the Plaine and in south Laos are "smashed."

In a meeting of the Lao cabinet Souvanna characterized the message as containing "nothing but threats." He did not, however, appear to attach great importance to Souk's departure, giving the impression that he, too, is prepared to await military developments before trying again to arrange peace talks.

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Intercepts indicate that Communist commanders continue to prepare for heavier fighting. Elements of the North Vietnamese 52nd Regiment are now ready to begin attacks near Fire Support Base Sarge in north-central Quang Tri Province. In northeastern Quang Tri, the North Vietnamese 31st Regiment has begun reconnaissance activities in preparation for "daytime attacks and nighttime ambushes." Communications of the North Vietnamese 84th Artillery Regiment also reflect continuing preparations in the same area.

Communist combat preparations appear even more advanced just south of the DMZ. A 200-round mortar bombardment of a South Vietnamese field position near Fire Support Base Fuller on 5 August and several smaller shellings nearby over the weekend may have signaled the opening round of action there. To the south, along the coastal regions of the northern provinces, most evidence suggests that a new effort will be launched in mid-August.

In The President's Daily Brief of 14 July we pointed to indications that a Communist "summer campaign" would soon be launched. Since then there have been signs that the enemy has experienced delays in getting the campaign under way. Unseasonably heavy rains in the DMZ area--where the enemy threat is currently strongest--may have disrupted planned attacks. Supply difficulties have forced enemy units in the western highlands and the central provinces to lie low, as have monsoon rains and South Vietnamese operations elsewhere. Nevertheless, evidence of continuing preparations strongly suggests that the Communists still intend to go ahead with a period of more intensive fighting.

FOR THE PRESIDENT ONLY

INTERNATIONAL OIL

The Organization of Petroleum Exporting Countries (OPEC) has set a new goal of obtaining direct "participation" in Western oil companies. OPEC will meet in a special session late this month to discuss various plans--most of them calling for a 20 percent equity in oil company operations.

Not content with five-year agreements reached earlier this year with the companies providing for increased revenues, OPEC member governments have begun exploring how they can share not only in oil production but also in transport, refinery, and marketing operations as well.

Bilateral discussions between the eleven OPEC member countries and Western companies are likely to begin soon. Wide differences in operating conditions and varying complications in agreements between governments and companies will require extensive discussions, however, before a plan acceptable even to OPEC members can be developed.

FOR THE PRESIDENT ONLY

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NOTES

USSR:

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Malta: Mintoff has told acting NATO Secretary General Kastl that Malta is faced with an urgent need for interim funds and wants NATO to provide \$5 million with "no strings attached" to meet current expenses. He warned that if this aid is not available by Thursday, he will order British forces to leave the following morning. Kastl, who is convinced of the seriousness of Valletta's economic difficulties, planned to call a special North Atlantic Council meeting to discuss the situation.

Cyprus-UN:

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10 August 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

10 August 1971

PRINCIPAL DEVELOPMENTS

On *Page 1*, we comment on the 20-year "friendship treaty" between the USSR and India.

The Pakistani Air Force has upgraded its alert posture in response to contingency preparations by the Indian Air Force; the Indians, meanwhile, have shifted some of their naval units to the Bay of Bengal for exercises. (*Page 2*)

On Saturday, Soviet-piloted Foxbats overflew Israeli-occupied territory for the first time. (*Page 3*)

Speculative activity in European money markets yesterday sharply weakened the dollar against most currencies. (*Page 4*)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDIA-USSR

Moscow's purpose in signing the Soviet-Indian "friendship treaty" yesterday was to forestall precipitate Indian action on the East Pakistan question. The 20-year treaty reflects Soviet willingness to support India, but also points up the limited nature of Moscow's commitment. The two countries agreed to consult with a view toward taking "appropriate effective measures" if either were attacked and to cut off assistance to the aggressor.

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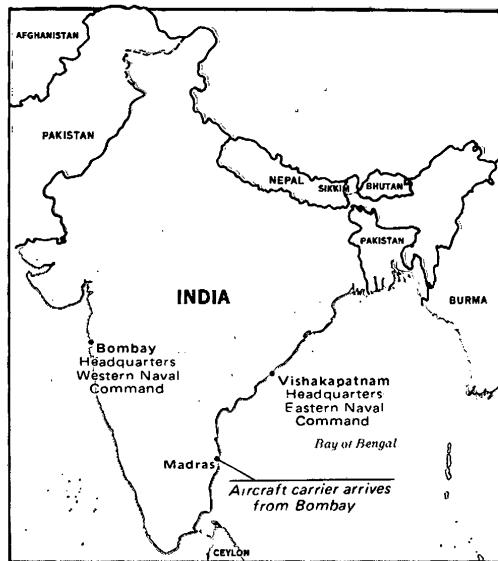
[redacted]
such a treaty has been under consideration for some time, but until now the two parties have hesitated to go through with it. The Soviets apparently believed, however, that the treaty was necessary at this time to prevent India from taking more drastic action in East Pakistan. Heightened tensions on the subcontinent appear also to have overcome Mrs. Gandhi's dislike of an agreement that might seem to conflict with India's non-aligned posture. This aspect of the treaty evidently still bothers New Delhi. Foreign Secretary Kaul was at pains to point out to Ambassador Keating yesterday that the Soviets pledge in the treaty to respect India's nonalignment.

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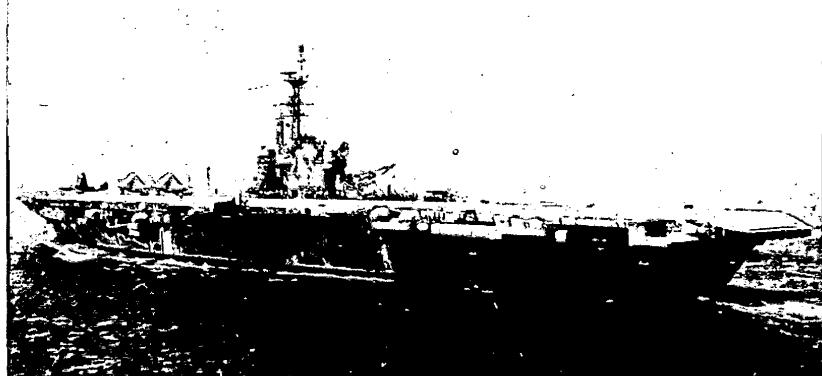
[redacted]
The treaty may give Mrs. Gandhi some respite from her more hawkish critics, but this effect could prove transitory as new sources of tension arise in South Asia. Islamabad's announcement that the treason trial of East Pakistani leader Mujib will begin tomorrow is one such element. If he is given a death sentence, pressure for intervention will increase in India.

FOR THE PRESIDENT ONLY

India Shifts Aircraft Carrier to Eastern Naval Command



Vikrant



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FOR THE PRESIDENT ONLY

PAKISTAN-INDIA

The Pakistani Air Force has recalled all personnel on leave in an effort to upgrade its alert, [redacted] The decision, which was made prior to the signing of the Soviet-Indian treaty, was in direct response to India's recent activation of several forward air bases [redacted]

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[redacted] and its dispatch of fighter squadrons to a number of bases near its borders with East and West Pakistan.

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Meanwhile, [redacted] India's only aircraft carrier has arrived in Madras and is participating in exercises in the Bay of Bengal with the Eastern Naval Command. The Vikrant, which had previously operated only in the Western Fleet, is scheduled to remain in the east for at least the rest of this month. Several other Western Fleet ships have been shifted to participate in the exercises.

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In addition to the current exercises, annual joint service maneuvers are scheduled for late September or early October. [redacted]

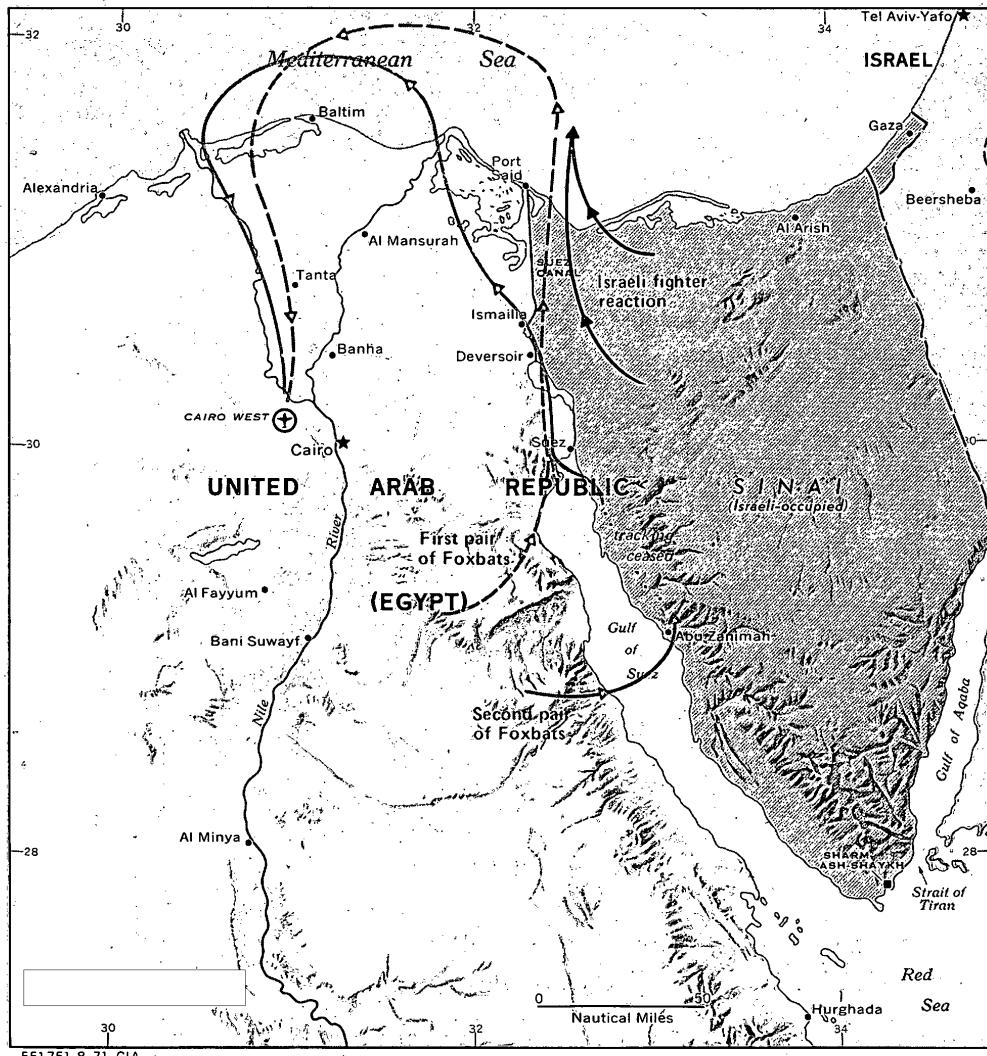
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these are planned in such a way that the units involved could be diverted quickly if required for military action against East Pakistan.

FOR THE PRESIDENT ONLY

Soviet-piloted Foxbats Overfly Israeli-occupied Sinai



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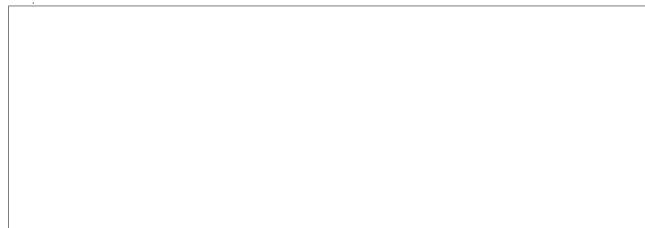
FOR THE PRESIDENT ONLY

USSR-ISRAEL-EGYPT

On 7 August Soviet-piloted Foxbat aircraft overflew Israeli-occupied territory for the first time. Intercepted Egyptian air defense communications indicate that a pair of Foxbats crossed the canal near Deversoir and passed over the Sinai coast about eight miles east of Port Said. The pair continued north for about 40 miles, then turned westward in an arc that carried them back over Egyptian territory between Baltim and Alexandria. Another pair of Foxbats, about five minutes behind the first, was tracked up to the Sinai coast at Abu Zanimah where tracking ceased. After they were picked up again, they flew north along the canal.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY SITUATION

Heavy speculative activity in European money markets yesterday sharply weakened the dollar against most currencies, and the price of gold spurted during the day to \$43.94 (in contrast to the officially set \$35.00), the highest since April 1968. Yesterday's activity related, at least in part, to a US Congressional panel's conclusion that the dollar is overvalued. In addition, Europeans continue to be concerned over the deteriorating US balance of payments.

Further weakening could occur in coming months if any of several possible developments take place. Among them might be a German refusal to accept more US Treasury notes for marks, a French demand for gold in exchange for dollar holdings, or massive speculative activity brought on by public awareness that the current American trade deficit is likely to widen.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTE

Malta: Ambassador Pritzlaff reports that evidence suggests that the groundwork is being laid within Mintoff's Labor Party for rejecting NATO's proposed \$15.6-million annual cash payment. The ambassador believes that Mintoff is also prepared to risk unfavorable domestic political consequences of carrying out his threat to order British forces to withdraw if \$5 million in emergency cash aid is not forthcoming by Thursday. As for prospects for Libyan aid, Tripoli is apparently driving a hard bargain with Mintoff. Libya has dangled a promise of unlimited aid if the British are ousted, but will otherwise provide no cash and only limited support to specific projects.

FOR THE PRESIDENT ONLY

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11 August 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

11 August 1971

PRINCIPAL DEVELOPMENTS

On *Page 1* we discuss Pravda's unusually balanced article yesterday concerning US China policy.

The Chinese have established a new large military area some 125 miles from the Soviet and Mongolian borders.
(*Page 2*)

The Chilean Communist Party is shifting toward a harder line on compensating the nationalized US copper companies. (*Page 3*)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-US-CHINA

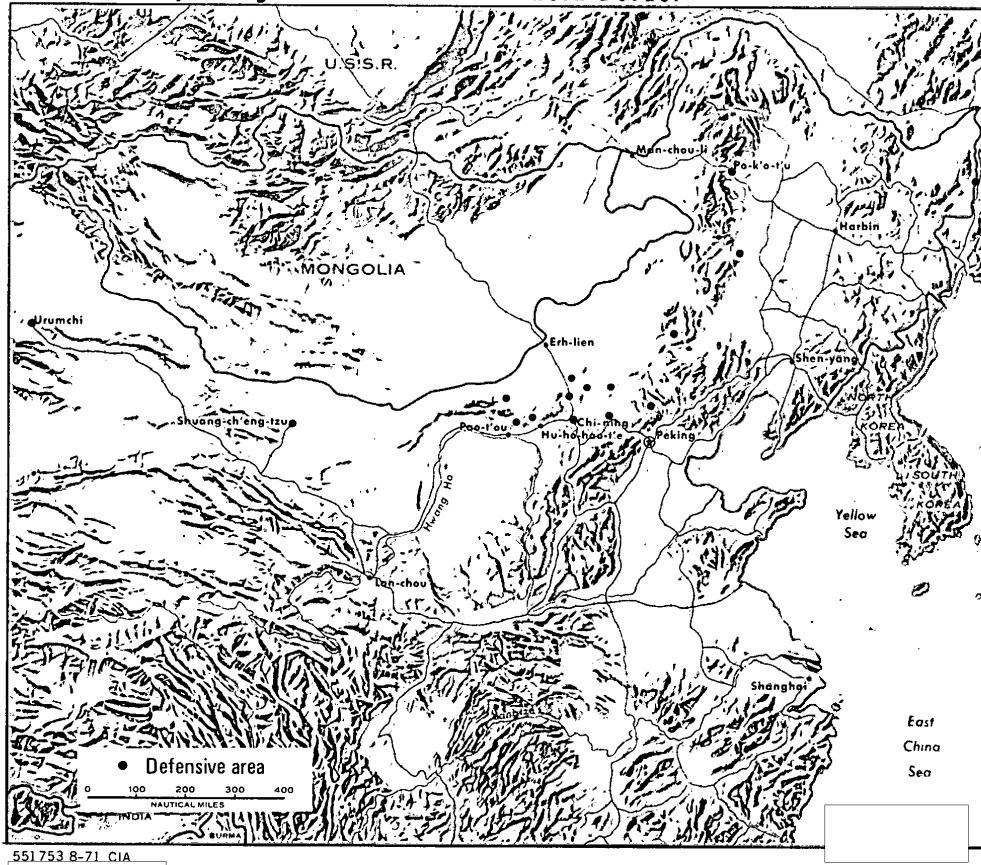
Yesterday's lengthy *Pravda* article on US China policy balanced standard Soviet expressions of suspicion of US motives with an admission that "progressive" and liberal American circles had long advocated initiatives toward China. The author, Georgy Arbatov--who directs the USA Institute of the Academy of Sciences--warned against "unscrupulous diplomatic maneuvers" which could upset delicate dialogues between the US and the USSR and he asserted that there are grounds for believing that US policy will remain as "obstinate" as before.

In an attempt to come to grips with the origins of Washington's current China policy, Arbatov speculated that desire for domestic political gain, for distracting attention from pressing domestic problems, and for delaying an end to the Vietnam war all were factors. In addition, he took note of the political differences and uncertainties between Peking and Washington, commenting that these will become more evident as Sino-American relations evolve toward a stage of political decisions. He concluded that actions, not words, toward the USSR and world problems will ultimately explain the changes in US policy and will point the way to what will eventually emerge from the struggle between the various forces and motives shaping US policy toward China.

The rather low-keyed weighing of pros and cons in *Pravda*'s article seems intended to put the recent steps in China-US relations in long-range perspective and to assure the Soviet reader that there is no reason yet to be overly concerned. Arbatov's article indicates that, while Moscow is suspicious of "anti-Soviet" aspects of these developments, it believes that Peking and Washington will confront a good many problems to be resolved and that final judgment can be reserved.

FOR THE PRESIDENT ONLY

Chinese Improving Defenses Near Northern Border



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FOR THE PRESIDENT ONLY

COMMUNIST CHINA

Recent satellite photography shows that the Chinese have established a large military area near Po-ko-tu, approximately 125 nm. from the Soviet and Mongolian borders. Currently over 100 barracks and about 75 artillery and AAA pieces are scattered along a 32-mile stretch of the Man-chou-li/Harbin railroad, one of the two rail links between the Soviet Union and China, and construction is continuing.

This is the latest example of China's slow but steady efforts to establish defensive areas within 200 miles of its Soviet and Mongolian borders. The facilities usually consist of caves, trenches, vehicle revetments, artillery and AAA positions, and some permanent buildings. Positions are generally placed to defend transportation routes.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHILE

The Communist Party is moving closer to accepting the Socialist position that recently nationalized major US copper companies should not receive compensation. Communist leaders are said to have decided to recommend that Allende make large deductions for "excessive profits" of Anaconda and Kennecott on their Chilean investments. Only \$15 million would then remain to be paid on what the party leaders estimate to be a book value of \$536 million in the three large nationalized mines.

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Until now, the Communists had been backing Allende's reluctance to threaten Chile's international economic standing with a flat refusal to compensate the US companies. Allende's Socialist colleagues believe that a confrontation with the US would mobilize mass support for the President and enable him to move faster toward "socialization."

FOR THE PRESIDENT ONLY

Top Secret



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12 August 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

12 August 1971

PRINCIPAL DEVELOPMENTS

Both India and Pakistan are becoming more concerned about each other's short-term military intentions.
(Page 1)

On *Page 2*, we comment on the intensified polemics between Moscow and Bucharest.

Northern Ireland

50X6

(Page 3)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INDIA-PAKISTAN

The alert status being maintained by the military forces of both India and Pakistan has apparently led each to be concerned about the short-range intentions of the other.

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In talking with Deputy Chief of Mission Sober on 11 August, Pakistan's chief of staff General Hamid Khan took a more relaxed view. Although he acknowledged the risks involved in the current military situation, he said it was clearly not in Pakistan's interest to have war. He added that he did not at this point see any indication that India wants war and that he considered the alert measures in both countries to be precautionary moves. Hamid admitted that the increased insurgent activity in East Pakistan was "keeping Pakistani forces busy" although he implied that the army could cope with the problem.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR-ROMANIA

The Soviet weekly Literaturnaya Gazeta yesterday reprinted an article from the Polish party daily of 30 July, which indirectly but clearly criticized Bucharest's policies. Claiming that China views the USSR as its chief enemy, the article commented that "all nods of approval for Peking's splitist policy cannot be considered as anything but harmful to the unity of the socialist community." This was followed by a warning that there can be no "neutral stand" on this issue and that "the attitude toward the Soviet Union and the CPSU is a gauge of the attitude toward the fundamental interests of the socialist community."

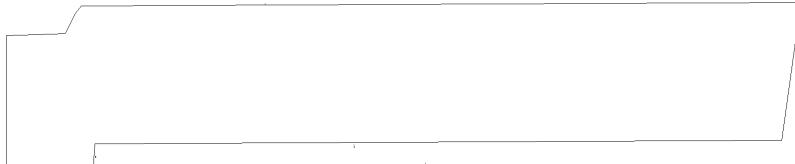
Romania shows no sign of backing off from its independent stance. An article yesterday in the party daily Scinteia reaffirmed Bucharest's desire to strengthen links with "all socialist countries" (read China included). The Romanian article also condemned "imperialism" for using tactics such as "domination and...economic and political pressure,...the installment of puppet regimes...and even overt military intervention." While the imperialists were not specifically named, the Soviets will see the article as still another infuriating example of Romania's following a pro-Peking line.

If the scheduled visit of a Chinese military delegation to Romania actually takes place later this month, the Soviets will not be made any happier. Should Moscow want to increase the pressure on Romania, a Warsaw Pact exercise tentatively scheduled in Bulgaria in late August would offer opportunities for intimidating posturings. Although such moves would clearly worry the Romanians, it is doubtful that they would have any basic effect on Bucharest's determination to maintain its independent stance.

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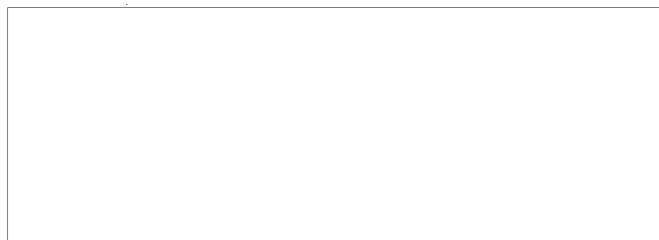
NORTHERN IRELAND



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FOR THE PRESIDENT ONLY

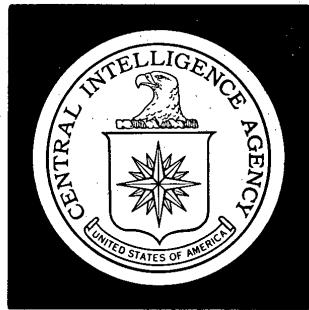
FOR THE PRESIDENT ONLY

NOTE

Arab Federation: Presidents Sadat of Egypt, Qadhafi of Libya, and Asad of Syria are meeting today in Damascus to approve a constitution and a set of basic principles for their new Federation of Arab Republics. Although details are not expected to be made public until after 15 August, indications continue to be that the new federation will be only a nominal union with each state retaining its sovereignty. A referendum on participation in the federation is still scheduled to be held in each of the three countries on 1 September. Sudan's Numayri stayed away from the formative meeting last April, but has recently announced that Sudan will join the federation in January.

FOR THE PRESIDENT ONLY

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13 August 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

13 August 1971

PRINCIPAL DEVELOPMENTS

Border clashes have caused a rupture in Syria's relations with Jordan. (Page 1)

Syria is evidently attempting to play a mediatory role between Sudan and the USSR. (Page 2)

Soviets

50X1

(Page 3)

South Korea

50X1

Chinese Communists. (Page 4)

Mintoff is still not satisfied, but London's more conciliatory approach may bring agreement. (Page 5)

Bahrain's ruler says he will end his special protected relationship with the UK tomorrow and seek UN membership. (Page 5)

The Arab Federation planning meeting has been rescheduled for 18 August and may include Numayri. (Page 5)

The recent burning of a major opium refinery in Laos apparently was a ruse. (Page 5)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SYRIA-JORDAN

Cross-border clashes have prompted Syria to break relations with Jordan and to close its air space to Jordanian planes. The Syrians charge that a small Jordanian patrol--two tracked vehicles and one jeep--crossed less than a mile into Syrian territory on Wednesday and killed a Syrian at an observation post. Troops also traded fire across the border yesterday.

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Incidents across the border are frequent. Units of the Palestine Liberation Army are regularly stationed near the Syrian border town of Daraa, and some Syrian Army units were moved to the border area last month, possibly to keep the fedayeen troops under control. On their side, the Jordanians have concentrated troops as a defense against fedayeen incursions. Fedayeen firing across the border has been met by Jordanian reprisal shellings and each side has strayed into the other's territory on occasion.

Syria's motives for publicizing the recent incidents and citing them as a pretext for stern measures against Jordan are unclear. Damascus may be trying to refurbish its pro-Palestinian image, which has been tarnished by its quiet cooperation with Jordan in restraining the fedayeen.

The Syrians may also be hoping to one-up the Egyptians. An Egyptian-Saudi negotiating team is now in Amman with a peace plan--blessed by Cairo--that would give the fedayeen virtually nothing, although paying lip service to previous agreements "guaranteeing" them some freedom of activity.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SYRIA-USSR-SUDAN

The Syrian vice president and foreign minister arrived in Khartoum on 11 August after spending two days in the USSR. While in Moscow, the Syrians met with Acting Foreign Minister Kuznetsov and with a high-ranking Soviet party official responsible for relations with the nonruling Communist parties abroad.

The timing of the visits strongly suggests that the Syrians are trying--at Moscow's behest--to ease the tensions that have disrupted Soviet-Sudanese relations and damaged the Soviet image throughout the Middle East.

Sensitive about the Syrian visit, Numayri has publicly denied that it constitutes "mediation" between his government and Moscow. After yesterday's discussions, however, the Sudanese deputy premier said that Khartoum is "prepared to take positive steps" to improve relations with the USSR and praised Soviet support for the Arabs against Israel.

A Soviet Government minister in Moscow recently told an Arab visitor that the USSR is also looking to Egypt to help Moscow with its problem in the Sudan. Apparently in response, the Egyptian press has put emphasis on the theme that Soviet-Sudanese tensions can only divide the Arab world and bring about a reduction of Soviet aid.

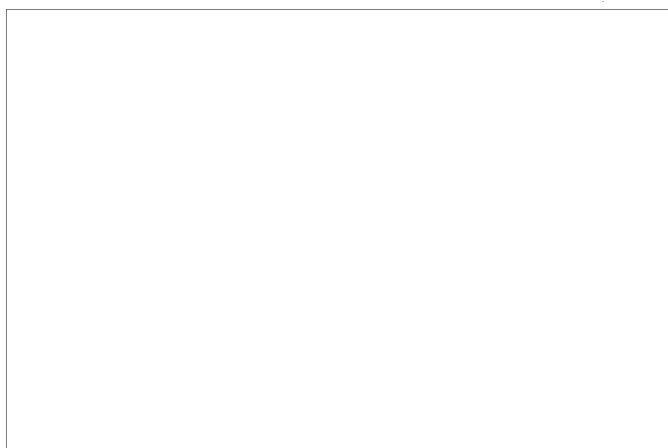
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USSR



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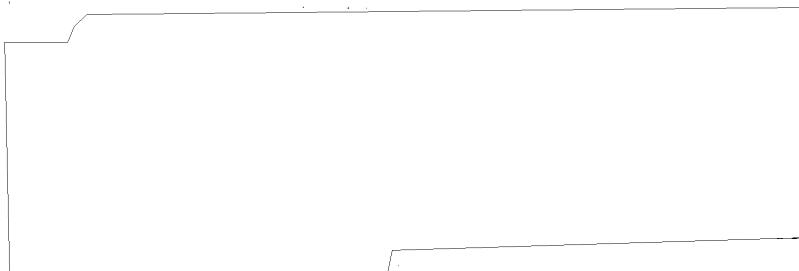


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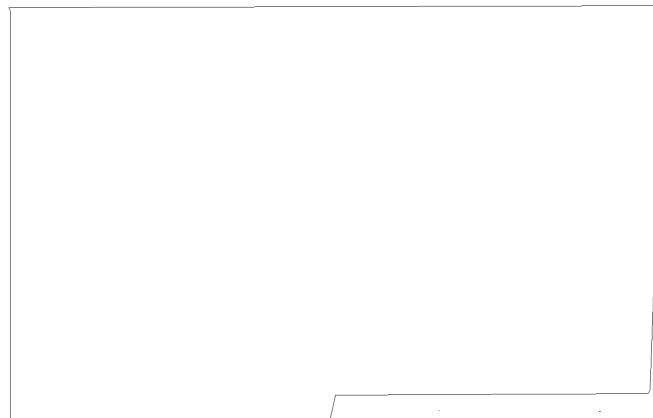
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SOUTH KOREA - COMMUNIST CHINA



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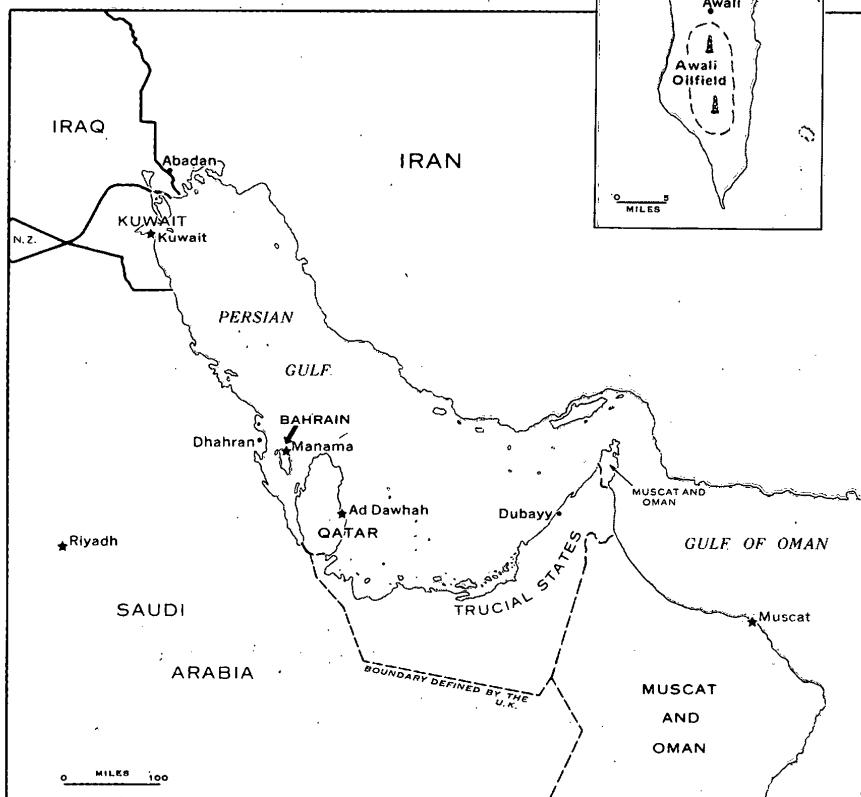
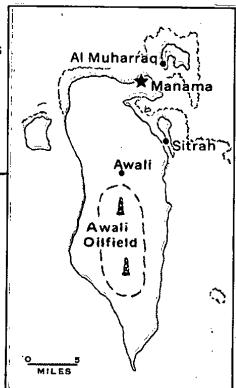


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Sheikhdom of BAHRAIN

Area: 230 sq. miles
plus group of smaller islands
Population: 210,000
Religion: Muslim
Language: Arabic
Government leader: Sheikh Isa



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FOR THE PRESIDENT ONLY

NOTES

Malta-UK: Mintoff is still not satisfied, but London's more conciliatory approach and its offer of an emergency cash payment tied only to a pledge to negotiate "in good faith" may bring him around. Another factor favoring an agreement is Mintoff's lack of a ready alternative. The Libyans have apparently proved to be tough bargainers and the Soviets presumably would be reluctant to take on the large financial commitment Malta is demanding from the West. The Soviets, however, have made a friendly gesture to Mintoff by offering to repair several merchant ships in Maltese drydocks this year.

Bahrain: The ruler of Bahrain has informed London that he intends to end his special protected relationship with the UK tomorrow and to apply for UN membership. Bahrain has been toying with a declaration of independence since June, but it has hesitated to take the plunge because of Saudi Arabia's refusal to acquiesce. King Faysal--the patriarch of the Arabian peninsular states--has no direct way to block Bahraini independence, but his indirect influence on the tiny sheikhdoms of the area is already strong and will become even more so after the British withdrawal, which is to take place before the end of this year. Concern over what Faysal might do could cause the Bahrainis to reverse or defer their decision.

Arab Federation: The planning meeting of the proposed federation, which had been scheduled to convene in Damascus yesterday, was put off at the last minute until 18 August. Sadat, Qadhafi, and Asad will lead their respective delegations. Contrary to earlier indications, it now appears that Khartoum will send a high-level group to the planning meeting, possibly including Numayri.

Laos: That major opium refinery deliberately destroyed in northwest Laos last month (see The President's Daily Brief of 27 July) was apparently burned as a ruse by operators who anticipated a Lao Government crackdown. Opium operations have since begun at a new facility nearby. Former Lao armed forces chief General Ouan Rathikoun remains deeply involved in the opium operations in this area. He is said to have tipped off smugglers to the government's suppressive plans. Other Vientiane authorities seem to be trying to gain greater controls over the ethnic Chinese in northwest Laos, some of whom are engaged in the narcotics trade.

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14 August 1971

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THE PRESIDENT'S DAILY BRIEF

14 August 1971

PRINCIPAL DEVELOPMENTS

The Berlin negotiations have generated new momentum toward an accord. (Page 1)

Moscow is reacting vigorously to Peking's cultivation of Balkan governments. (Page 2)

Laotian Government forces have met stiff enemy resistance in the south but have continued to advance slowly on the Plaine des Jarres. (Page 3)

Jordan	Syria	(Page 4)	50X1
Bolivia. (Page 4)			50X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

BERLIN TALKS

The negotiations among the four ambassadors this week generated new momentum toward an accord, but several problems still remain. Moscow is still reluctant to satisfy the Allies regarding its responsibility for guaranteeing unimpeded access and is still arguing for East German spot checks of West German travelers and sealed shipments. The Soviets show no sign of agreeing to let West Berliners travel in the USSR on West German passports. The Soviets have suggested a new formula that might open a way around the impasse over Federal German presence in West Berlin, but they are still reluctant to agree in advance to all of the steps that would be involved.

The next ambassadorial meeting, scheduled for Monday, may show whether this week's forward movement will be maintained. A direct confrontation over the Soviet desire for a consulate in West Berlin has so far been avoided by discussing other sections first. Soviet Ambassador Abrasimov told the Allies at Tuesday's session that he could not accept a Berlin agreement that did not include a Soviet Consulate-General. The Allied position is that a consulate will be considered only if satisfactory wording is reached on other sections of the agreement.

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FOR THE PRESIDENT ONLY

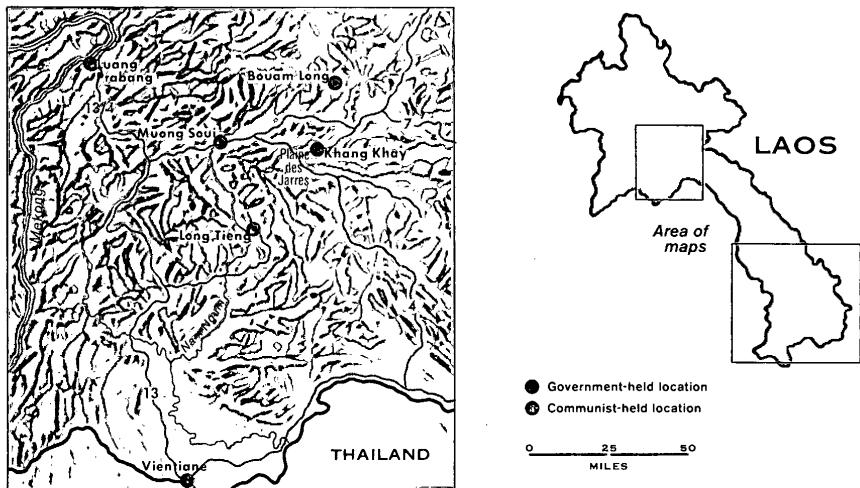
USSR-CHINA-BALKANS

Moscow is responding more vigorously to Peking's efforts to erode Soviet influence in the Balkans. Romania has now been linked with the Balkan heretics--Albania and Yugoslavia--in a Soviet-inspired warning to recalcitrants who continue to cultivate relations with the Chinese.

Yesterday a Hungarian newspaper, clearly at Soviet behest, reported that Chou En-lai planned to visit Tirana, Belgrade, and Bucharest this fall. (There is no confirmation of this, although there have been other reports to this effect.) The article warned that if this should result in an "anti-Soviet axis," an "extremely dangerous situation" would be created.

The Hungarians are particularly vulnerable to Soviet pressure on this score because they too have been attempting to improve relations with China. The Soviets recently forced Hungarian Premier Fock to cancel a trip he had been planning to make to Peking.

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LAOS

Three Lao Army battalions which were hit hard by North Vietnamese units on 11 August have been forced to abandon their attempt to move from the northwest toward Paksong on the Bolovens Plateau. Stiff enemy resistance has also blocked government attempts to overrun Communist positions west of Pak-song. In Saravane, just north of the Plateau, efforts are being made to re-establish the civilian government following reoccupation of the town by government forces. [redacted] two North Vietnamese units are now in the area south of the town.

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In north Laos on the Plaine des Jarres, some of Vang Pao's irregular units are now about two miles from Khang Khay, one of the tentatively-agreed sites for Lao peace talks, should they get under way.

Prime Minister Souvanna announced yesterday that his intentions as of that time were to respond to the latest Communist message by suggesting that the Communists appoint a plenipotentiary representative empowered to begin negotiations. He said he intended to reply only because he does not want to break contact with the Communists and that he expects no positive response from the Pathet Lao.

FOR THE PRESIDENT ONLY

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NOTES

Jordan-Syria:

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Syria
used jet aircraft against Jordanian tanks yesterday.
As of early this morning we had no reports of re-
newed fighting.

Bolivia:

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THE PRESIDENT'S DAILY BRIEF

16 August 1971

PRINCIPAL DEVELOPMENTS

There has been some easing of the tension between Jordan and Syria, but any early reconciliation still seems unlikely. (Page 1)

On Page 2, we discuss developments in the UK-Malta negotiations.

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Chile. (Page 3)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

JORDAN-SYRIA

Both Syrian and Jordanian forces remain in a high state of readiness, but tensions have eased somewhat in the absence of any new border clashes since Friday, and both governments appear more conciliatory. Neither has expelled the other's diplomats despite the break in relations. The Jordanian press has continued to put the blame for the border incidents on the fedayeen and has made no mention of Syrian air attacks against Jordanian armor. For their part, the Syrians have reopened the border to non-Jordanian vehicles and passengers, and President Asad did not even mention the fighting in a speech on Saturday.

In contrast to the conciliatory Jordanian attitude toward Syria, King Husayn was adamant in rejecting proposals put forth last week by Saudi Arabian Foreign Minister Saqqaf and Egyptian President Sadat's personal emissary Khuli, who have been trying to mediate between the Jordanian Government and the fedayeen. Husayn countered these proposals, which aimed at a reconciliation under the earlier Cairo-Amman agreements, with a call for ending economic and political pressures on Jordan, and for a ban on secret fedayeen organizations and on terrorist and infiltration activity in Jordan.

Press reports from Damascus, where Saqqaf and Khuli went on 13 August to meet with fedayeen leader Yasir Arafat, indicate that the fedayeen refuse to accept Husayn's terms and will agree only to the original Saqqaf-Khuli proposals. The Jordanian attitude toward the fedayeen will make it difficult for the Syrians to take any early steps to re-establish relations and could force Asad to adopt an even harder line toward Jordan as he tries to keep some credit with the fedayeen.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

MALTA-UK

Prime Minister Mintoff has now firmly rejected the second of the British proposals made last week on the amounts of aid and cash London and certain NATO allies are prepared to offer. The British have agreed, under pressure from some NATO members who think London is taking too hard a line, to consider sending Mintoff a still more conciliatory message; details are to be worked out in a North Atlantic Council meeting early this week. London also appears willing for the first time to agree to present Mintoff a firm figure on the emergency financial aid he claims is so vital.

There have been signs that Mintoff intends to keep the negotiations alive. He did not carry out his threat to oust British troops on 13 August if no agreement had been reached, and he has now given London until the 18th to reply. He also told the German ambassador on Friday that he would accept an offer from Bonn or Washington of an interest-free, "no-strings-attached" loan of \$4.8 million.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

USSR-Chile-China

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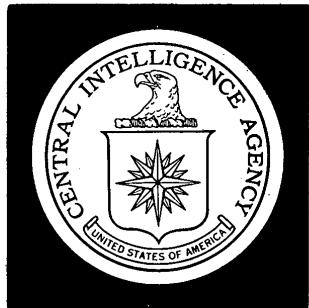
Ireland

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Bahrain: Bahrain's ending of its protectorate relationship with Britain and assumption of full independence on Saturday have been greeted calmly by its neighbors. Iran sent a message of congratulations that amounted to virtual recognition, while Kuwait and Saudi Arabia also sent their congratulations. A statement by Sheikh Isa that Bahrain's independence would not affect its "readiness to accede" to some federation of the Persian Gulf amirates apparently reassured Kuwait and Saudi Arabia, who strongly favor eventual federation of all the amirates. Qatar is expected to follow Bahrain's lead shortly and will probably also receive prompt recognition by its neighbors.

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17 August 1971

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THE PRESIDENT'S DAILY BRIEF

17 August 1971

PRINCIPAL DEVELOPMENTS

Reactions to the new US economic policies are discussed on *Page 1*.

Lon Nol's government is seeking to reduce the South Vietnamese presence in Cambodia. (*Page 2*)

Fragmentary reporting shows that the Bengali insurgency is persisting in East Pakistan. (*Page 3*)

Chinese
(*Page 4*)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC DEVELOPMENTS

The new US economic policies have been greeted with equanimity by most foreign government officials, but foreign businessmen are showing concern. Japanese leaders voiced surprise at the moves even though admitting that they had been expecting some action. Press reports indicate understanding of the US economic situation and an inclination to be helpful. Officials noted approvingly that the US actions were not aimed at any particular country. Businessmen, however, expressed their concern over the impact on the international monetary mechanism and a possible revival of trade curbs. Comment elsewhere, although sketchy, was along similar lines.

Suspension of the dollar-gold convertibility has led to the temporary closing of nearly all major industrialized countries' foreign exchanges and gold markets yesterday. The notable exception was Japan, where the Bank of Japan refused to allow the dollar to float, absorbing over \$600 million yesterday and \$300 million more thus far today as it continued to support the yen-dollar parity. Meanwhile, Tokyo's stock market continues to register a sharp decline, apparently in anticipation of lost export opportunities in the US.

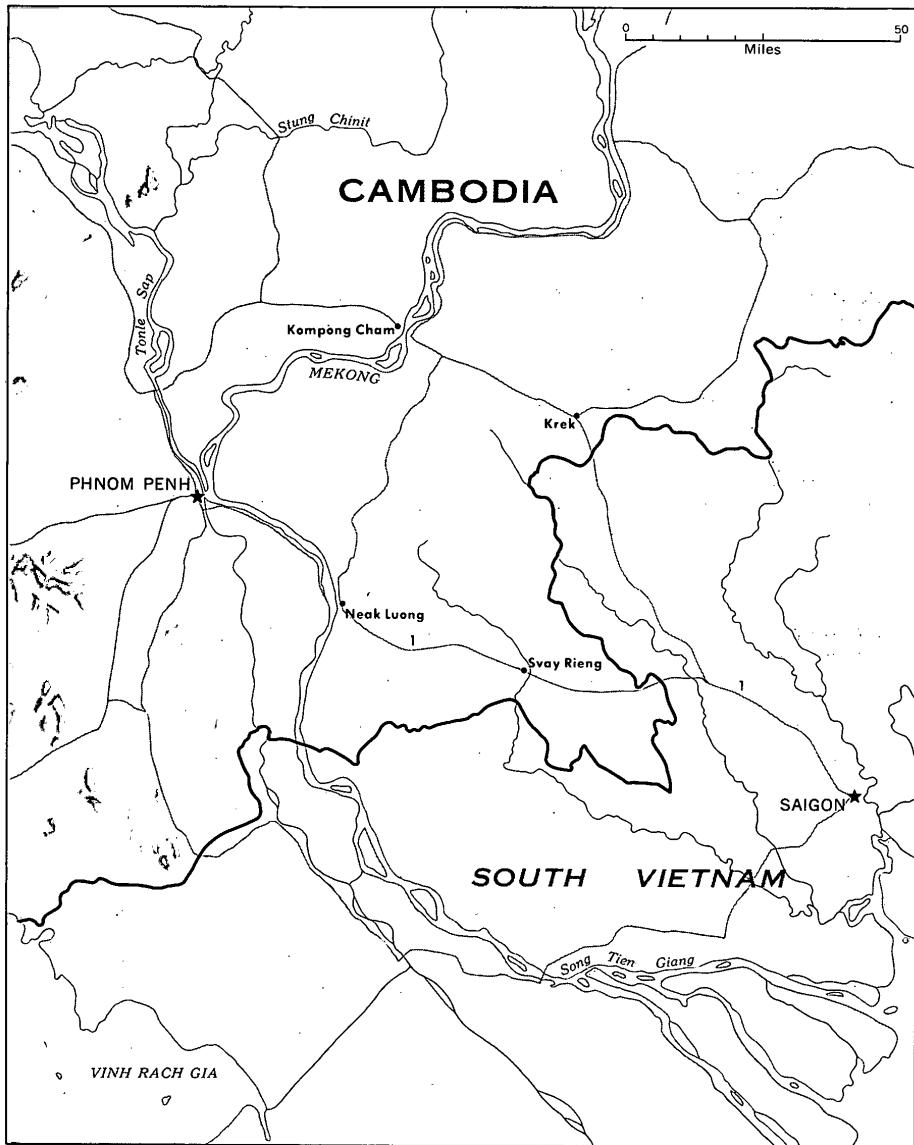
Most major exchange markets will be closed again today as officials discuss what actions to take. Treasury Under Secretary Volcker's meeting in London yesterday with his European financial counterparts is to be followed by a European Community (EC) Monetary Committee meeting in Brussels today.

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Moscow's reaction thus far has been mechanical, branding the situation as a "deep crisis of American capitalism" with a "cure" to be administered "at the expense of the working people."

FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

CAMBODIA - SOUTH VIETNAM

The Lon Nol government is calling for a reduction of the South Vietnamese presence in Cambodia in an effort to demonstrate its military self-reliance and to reduce the likelihood of further depredations by South Vietnamese forces.

The Cambodian Navy plans on 1 September to replace the South Vietnamese Navy in escorting and protecting all ship convoys on the Mekong River from Cambodia's border with South Vietnam to Phnom Penh. The plan is counter to the recommendations of South Vietnamese and US officials, who have suggested the take-over take place gradually over a period of time. Phnom Penh has also formally requested that the South Vietnamese vacate their major base on the Mekong at Neak Luong, and a Cambodian delegation is said to have arrived in Saigon yesterday to begin working out a schedule for the South Vietnamese withdrawal.

[redacted] the Cambodians want to have immediate, complete control of military operations on the Mekong because they cannot work with the South Vietnamese with the "mutual trust" that a phased turnover would require.

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The Cambodians seem ill-prepared to replace the South Vietnamese in maintaining security along the river. Their navy has less than half the number of boats now being used by the South Vietnamese--most of them are in bad condition--and it does not have adequate support facilities. Despite its clear desire for control over the Mekong, Phnom Penh probably recognizes that it will have to continue to rely on Saigon for many forms of military support for the foreseeable future.

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PAKISTAN

Fragmentary reporting shows that the Bengali insurgency is persisting in East Pakistan.

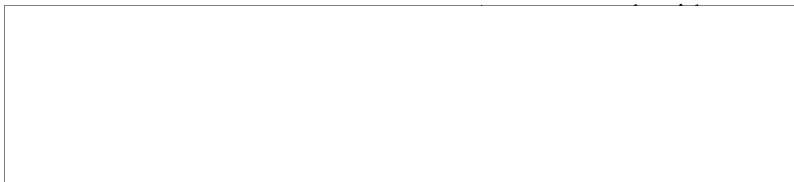
The bombing on 11 August of the Dacca Inter-continental Hotel is the most widely publicized recent incident. Such bombings usually do little physical damage but have been frequent in Dacca and Chittagong, where they may be causing some people to leave the city. Other guerrilla activity continues to include assassinations, destruction of bridges, mining of roads, and damage to facilities of the jute industry, Pakistan's largest foreign exchange earner.

Rumors of an impending guerrilla offensive are circulating, but the guerrillas do not appear strong enough to challenge the army openly, despite their ability to prevent the army from re-establishing effective control.

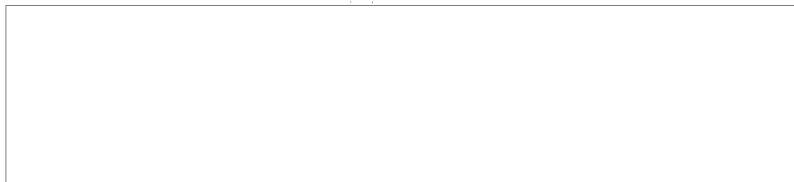
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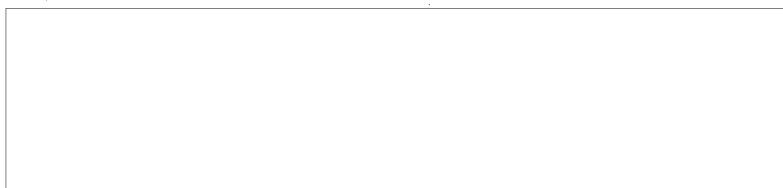
COMMUNIST CHINA



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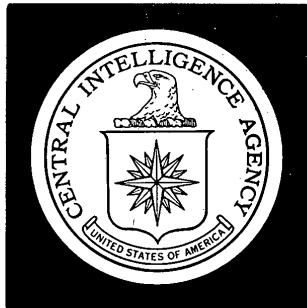
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THE PRESIDENT'S DAILY BRIEF

18 August 1971

PRINCIPAL DEVELOPMENTS

The international economic situation is discussed
on Page 1.

South Vietnam

(Page 3)

50X1

The trouble between Jordan and Syria will be the
most pressing business at the meeting of Arab heads
of state that convenes in Damascus today. (Page 4)

Libya

Malta

50X1

(Page 5)

Bolivia

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Page 6.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC SITUATION

Japan and Canada were the only major countries to keep their foreign exchange markets open yesterday, and the Tokyo market opened again today. European governments are keeping theirs closed while deliberating on appropriate responses.

In Tokyo, the government has refused to permit the dollar to float in the belief that a depreciated dollar would hurt Japanese exports to the US at a time when the Japanese economy is sluggish. The government is also concerned that the ten-percent surcharge on US imports will make it more difficult to get the Japanese economy moving.

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The Japanese probably hope to keep their exchange market open and to maintain the existing dollar rate at least until some multilateral revision of the monetary system and exchange rates can be agreed upon. Tokyo probably realizes, however, that the present rate is not likely to be maintained much beyond the time that European exchange markets are reopened. Any depreciation of the dollar relative to European currencies and maintenance of the present yen-dollar rate would result in de facto devaluation of the yen vis-a-vis the European currencies, bringing a storm of protest from Europe. The Canadians believe that the rise in their currency against the dollar by nearly one-half cent in the last two days to a high of 99.3 cents by itself significantly affects their trade, and they claim that about one fourth of Canada's exports to the US will be adversely affected by the surcharge. Canada sold about two thirds of its total exports to the US last year; thus, the Canadians, already suffering from an unemployment rate over six percent, feel they will be particularly hard-hit by the US moves.

Press accounts of the EC monetary committee meeting yesterday in Brussels state that the committee decided the likeliest solution for the Community

FOR THE PRESIDENT ONLY

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in the crisis is a joint upward float of the EC's currencies against the dollar. But accounts of a subsequent meeting of the EC Commission indicate that this body was having difficulty in forming concrete proposals on which the EC Council could act. The position of France, the principal opponent of a joint float proposal by Bonn last May, probably will be determined at the special cabinet meeting scheduled for this afternoon by President Pompidou. Under the present circumstances, Paris will be under greater pressure to participate in a coordinated EC response.

The UK hopes to coordinate its policy with that of the EC, and whatever decision the EC adopts will inevitably influence the policies of other European nations, notably Switzerland. Until these European policy-making processes are completed, most of the major foreign exchange markets probably will remain closed. A premature opening of the markets could precipitate a large, undesired run from the dollar, partly in reaction to the news that the US second quarter balance-of-payments deficit was the worst in history.

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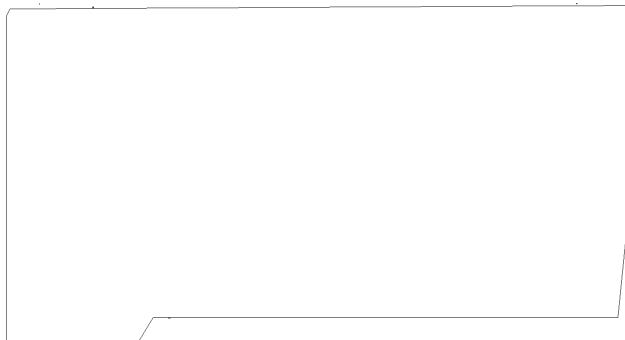
SOUTH VIETNAM



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FOR THE PRESIDENT ONLY

ARAB STATES

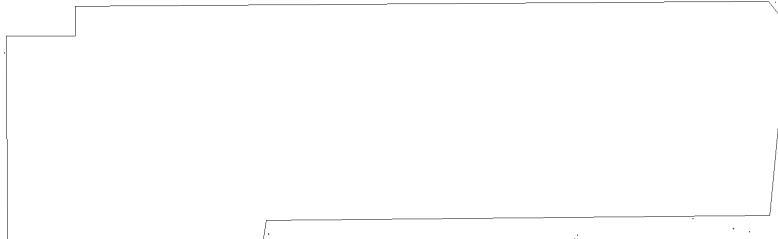
The trouble between Jordan and Syria will be the most pressing business at the meeting of the Egyptian, Libyan, and Syrian heads of state convening in Damascus today. Their efforts to deal with the problem are apt to generate some heat in view of the wide differences between Qadhafi, who is pressing for sanctions against Jordan, and Sadat, who is committed to the current efforts of an Egyptian-Saudi Arabian mission to mediate between Jordan and the fedayeen. The three leaders will very likely continue the discussions, begun at their meeting in Tripoli on 30 July, which aimed at devising a formula for an agreement between King Husayn and the fedayeen.

The formal purpose of the meeting is to approve the draft constitution of the new Federation of Arab Republics which the three governments have agreed to establish. The endorsement is expected to be pro forma, and the constitution will then be submitted to a plebiscite in each country on 1 September. Little popular enthusiasm for this latest attempt at Arab unity has developed, and this has prompted the Libyans and Syrians to conduct "educational campaigns" in an effort to drum up support for it.

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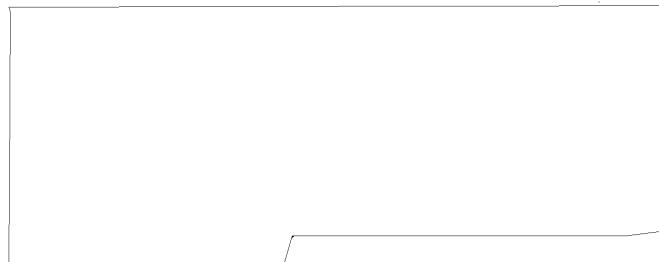
MALTA



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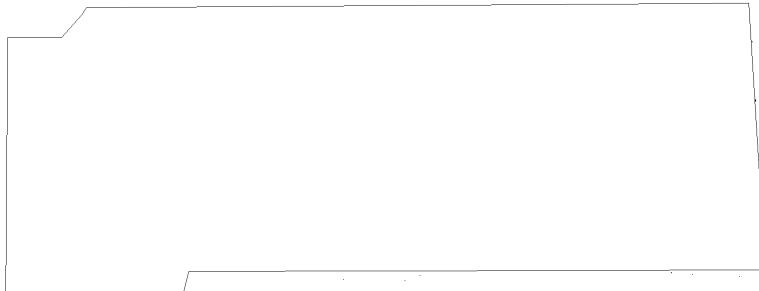


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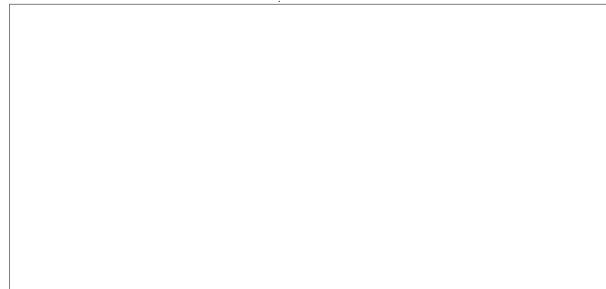
BOLIVIA



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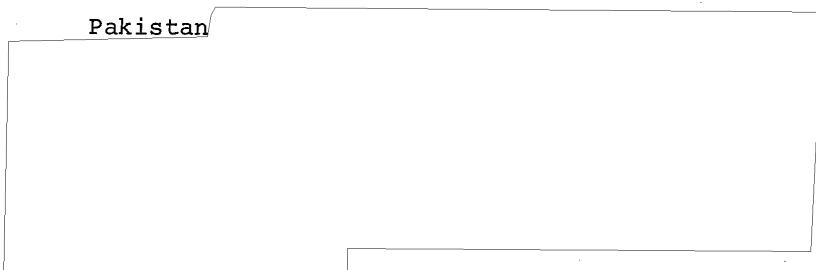


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The President's Daily Brief

19 August 1971

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THE PRESIDENT'S DAILY BRIEF

19 August 1971

PRINCIPAL DEVELOPMENTS

On *Page 1* we summarize the latest international economic developments, including today's suspension of foreign exchange transactions by the Japanese central bank.

Soviet

(*Page 3*)

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(*Page 4*)

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The Chinese are constructing a shipyard near the central Yangtze that might be intended to produce nuclear submarines. (*Page 5*)

Mintoff has signed a short-term aid agreement with Libya. (*Page 5*)

France

(*Page 5*)

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC DEVELOPMENTS

The Japanese central bank today suspended foreign exchange transactions indefinitely after hectic trading brought in \$600 million in the first few hours. Japanese dollar purchases this week have totaled about 2.2 billion.

Japanese economic leaders appear to be leaning toward some readjustment of the yen-dollar currency ratio. Sato has asked the Finance Ministry to study the possibility of widening the margin within which the dollar would be allowed to fluctuate. Following a meeting with acting Foreign Minister Kimura yesterday, the chairman of the Japan Chamber of Commerce stated that he favored a yen revaluation if the US ten-percent import surcharge was rescinded. Any adjustment in the exchange rate would be much easier for the beleaguered Sato government if it appeared to be the inevitable result of depreciation of the dollar on European exchange markets, thus avoiding the impression that Tokyo is bowing to pressure from Washington.

The task of the EC finance ministers' meeting in Brussels this afternoon to seek a common policy vis-a-vis the US dollar has been handicapped by the refusal of Paris to float the franc. The EC monetary committee had concluded earlier that a coordinated float of the five EC currencies against the dollar would be the most likely course of action, but the French delegate had then been unable to speak since his government's official position had not yet been determined. The French will table an alternative proposal involving the establishment of a dual rate system, similar to that practiced by the Belgians. By this proposal, a floating exchange rate would apply to capital transactions but central banks would continue to support fixed dollar-EC currency parities for commercial transactions.

According to a Bonn Foreign Office official, West Germany still holds that the EC should move promptly to act in cooperation with the US and should avoid any retaliatory measures. Both Economics Minister Schiller and EC Commissioner Dahrendorf, however, have hinted that "protective" measures, such as subsidies to certain export-oriented industries, might be in order.

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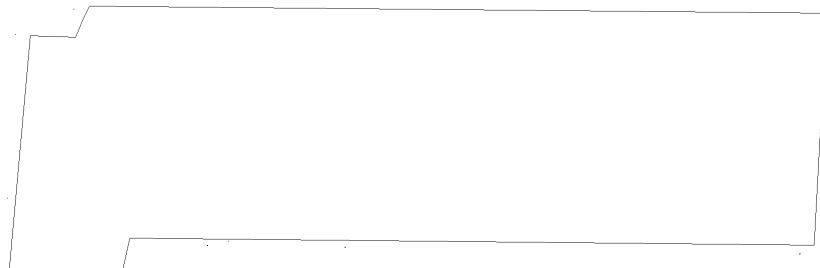
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The strong international reaction against the surtax indicates that the US will be subject to rough questioning when this issue comes up in the GATT council, which is tentatively scheduled to meet on 24 August. A high GATT official believes the Council will have a working party, possibly chaired by GATT Director General Long, to examine the question. A GATT decision that a temporary surcharge is warranted on balance-of-payments grounds could constrain other countries from retaliating against the US by withdrawing equivalent tariff concessions.

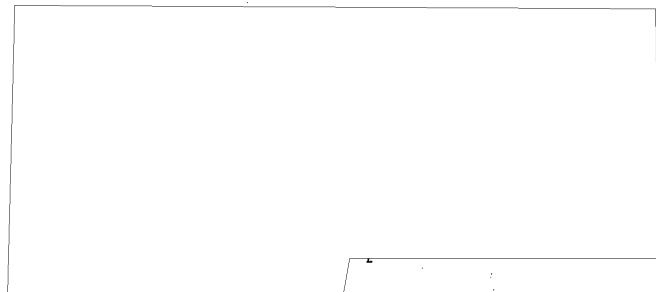
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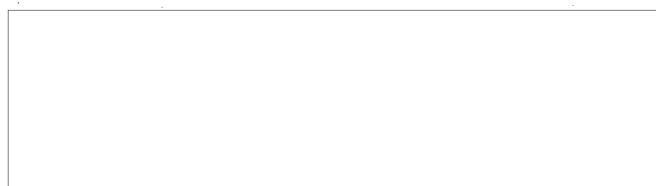
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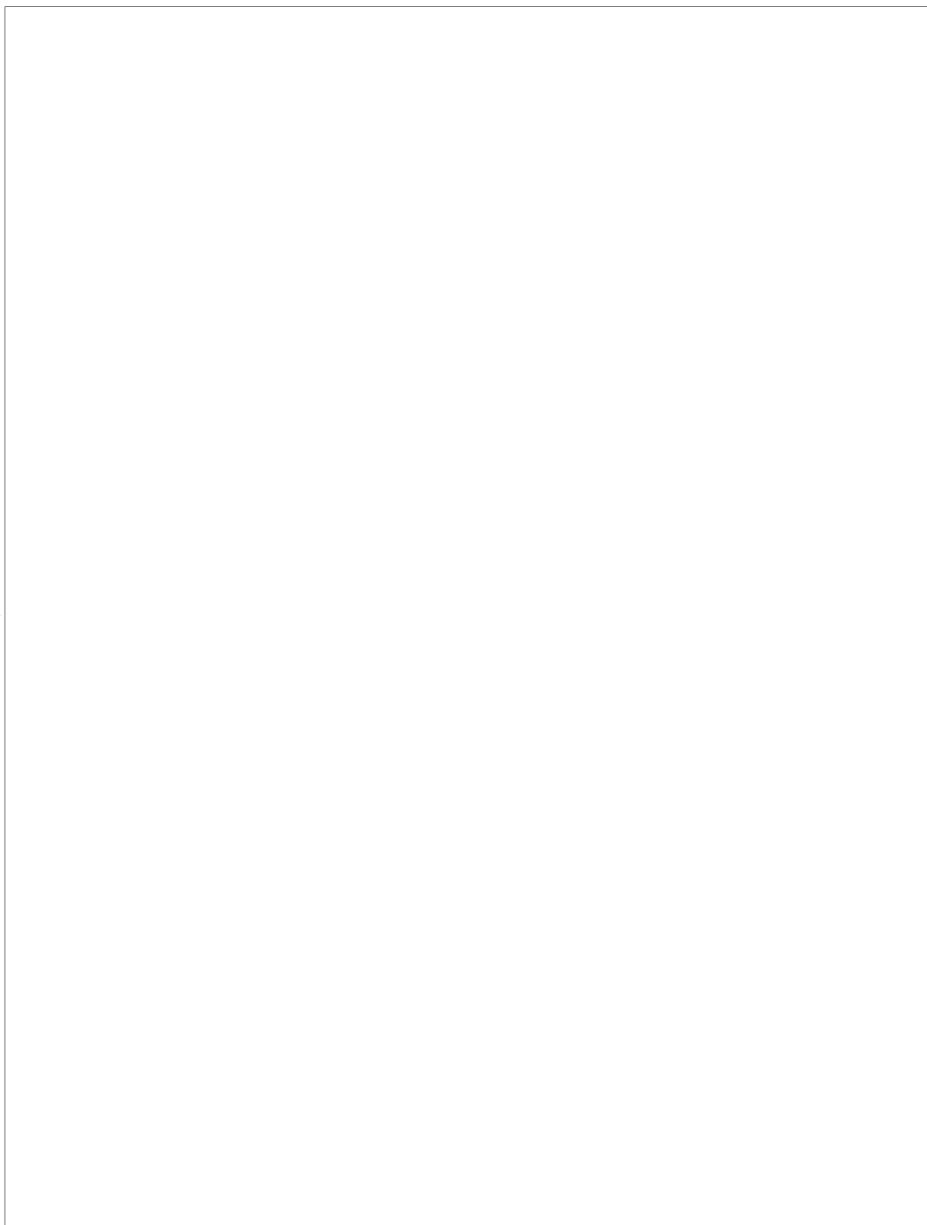


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EGYPT



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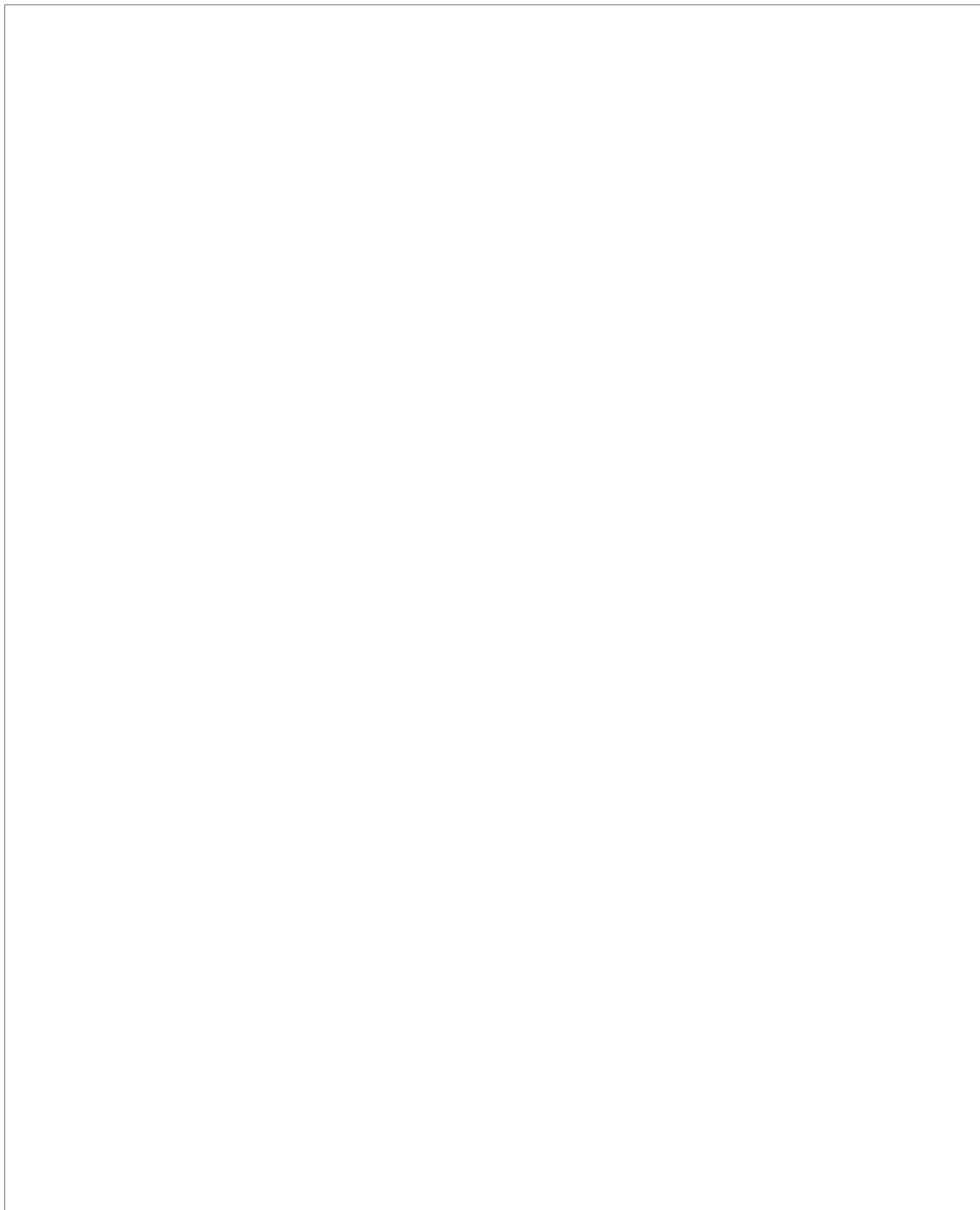
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FOR THE PRESIDENT ONLY

NOTES

Communist China: Recent satellite photography shows a new shipyard in the early stages of construction on a small lake just off the Yangtze River south-east of Wu-han in central China.

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[redacted] a nuclear submarine production facility is being built at this location. China has four currently active submarine production yards, including Hu-lu-tao where the new Mao-class unit--which may be nuclear-powered--has been built.

Malta: During his visit to Tripoli on Tuesday, Mintoff signed a short-term aid agreement which, according to a US Embassy source, provides "more" than London's offer of an interim, reimbursable payment of \$4.8 million. Mintoff is said to have pledged only to follow through on his orders to remove the small NATO presence. He may also have laid the groundwork for a larger Libyan aid package in the event that his continuing negotiations with London break down.

France:

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South Vietnam:

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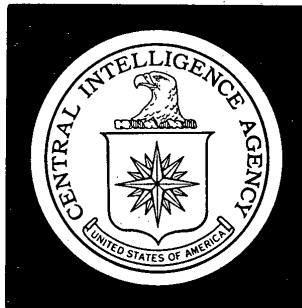
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Bolivia

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

20 August 1971

PRINCIPAL DEVELOPMENTS

International monetary developments are discussed on
Page 1.

In Romania, Ceausescu convened an unusual meeting
yesterday of all important party and government bod-
ies. (Page 2)

Bolivia is under a state of emergency and the situa-
tion there is murky. (Page 3)

India

(Page 4)

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Brazil

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Page 5.

The Burmese Government has had some success this sum-
mer in pushing back U Nu's insurgents. (Page 6)

Big Minh's withdrawal from the presidential race will
increase dissatisfaction with the Thieu government's
election policies. (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY DEVELOPMENTS

The failure of the European Communities (EC) Council in Brussels to agree early this morning on a common policy toward the dollar is a sharp setback to European unity. The Germans, determined to maintain the existing deutschemark float, urged the Six members jointly to float their currencies, while the French, adamantly opposed to revaluing the franc, argued for a two-tier exchange market in which commercial transactions would be carried on with fixed parities. These deep-seated differences proved stronger than the desire of all to preserve Common Market unity.

A communiqué issued after the Brussels meeting indicated that the Council will not meet again until 13 September. There now seems no chance for an overall solution before exchange markets reopen Monday with each country adopting its own arrangements vis-a-vis the dollar. Although the central banks of the Six will be urged to intervene on the exchange markets to keep fluctuations within the EC to a minimum, some disturbances of commerce and finance are likely and may, if stability is not soon restored, create serious difficulties for the Community's agricultural policy.

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Yesterday, European commercial banks engaged in limited dollar trading and exchange rates firmed somewhat, but news of the failure to reach agreement in Brussels will tend to depress the exchange value of the dollar and cause a further rise in the gold price today. In Tokyo, the situation on the exchange market had calmed as of early this morning after heavy dollar sales yesterday, but it is becoming increasingly difficult for the Japanese Government to stick to its public position that the yen will not be revalued.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

ROMANIA-USSR

Ceausescu convened a highly unusual meeting yesterday of all leading party and government bodies. The meeting was called to hear and endorse unanimously a report by Premier Maurer on last month's CEMA meeting at Bucharest and a discourse by Ceausescu on his Asian tour.

The meeting apparently is intended to provide a clear demonstration of internal solidarity in the face of criticism by Bucharest's allies of its obstructionist tactics in CEMA and of Ceausescu's independent stance in foreign affairs, especially his trip to Peking. Since the Crimean summit conference (discussed in The President's Daily Brief of 3 August), criticism of the trip has spread from Hungary--where it appeared first at the behest of Moscow--to the media of other East European capitals.

Yesterday's meeting occurred one day after Soviet Ambassador Drozdenko called on Ceausescu. Romanian media have described their talk as "comradely," a term that implies disagreement. If Drozdenko adopted a menacing approach, yesterday's unusual meeting may have been intended as a defiant reaction. Ceausescu has in the past been willing to compromise without sacrificing national interests, although since late June he has been particularly assertive.

There continues to be no evidence of any overt military pressure being directed against Romania.

FOR THE PRESIDENT ONLY

BOLIVIA

The Torres government has declared a state of emergency and called on workers and "popular forces" to defend the nation. These steps followed rioting and some deaths yesterday in the antigovernment stronghold of Santa Cruz, apparently touched off by the government's moves against rightist military and civilian coup plotters in La Paz and outlying areas.

Some reports indicate that at least part of Santa Cruz has fallen to the rebels, although government sources claim the situation there is returning to normal.

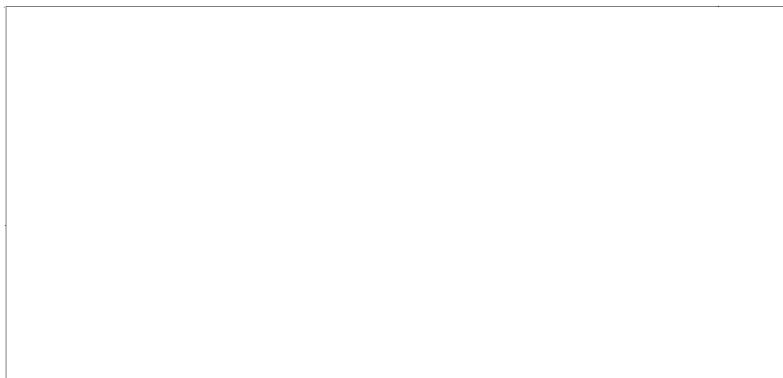
La Paz is quiet and there are already progovernment civilian groups patrolling the city. To the south of the capital, the important mine worker's union at Catavi has mobilized its armed militia to help the government. There have been reports that military units in several outlying provinces have joined the insurrection, but confirmation is lacking.

The situation is murky, but it appears that the coup action is not well coordinated and that some elements that had earlier agreed to participate have not done so. If Torres is able to control La Paz for several days he may have enough time to rally needed support from workers and students.

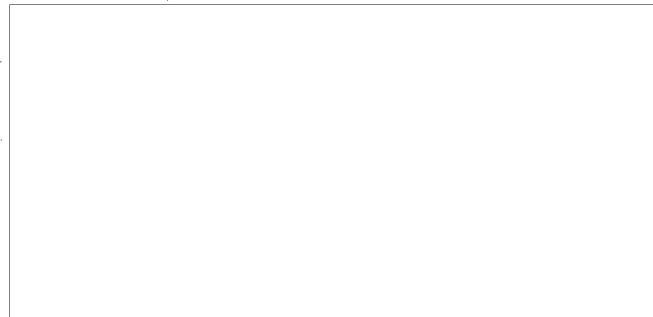
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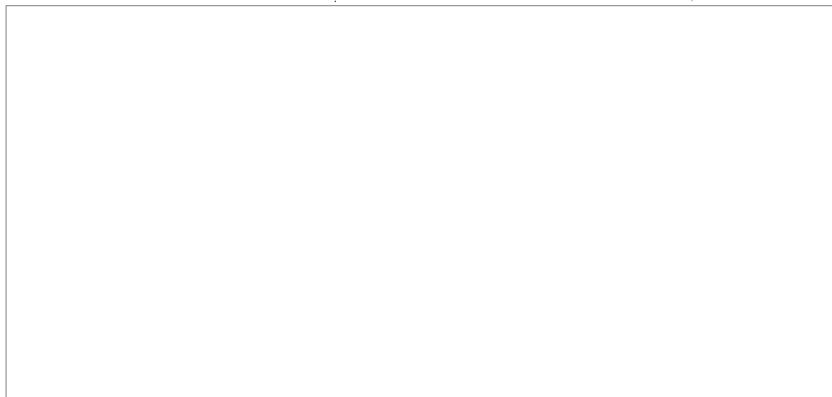


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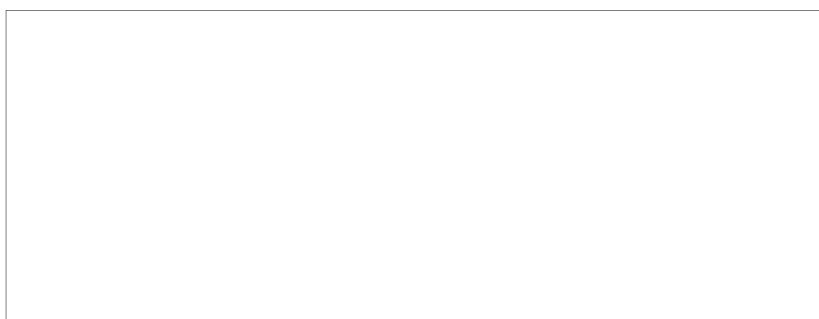
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BRAZIL-US

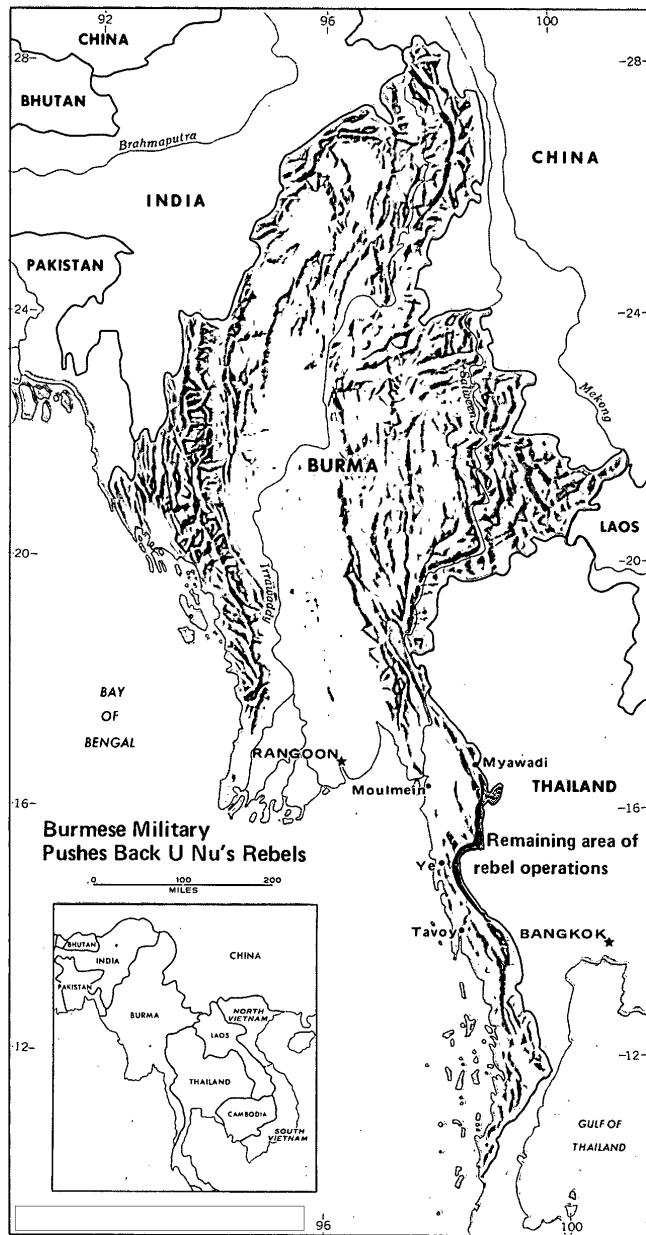


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FOR THE PRESIDENT ONLY

BURMA

Former prime minister U Nu's insurgents have been driven out of their advance positions and back to the Thai border, according to the Burmese deputy commander in the area. The officer admitted that earlier this year the insurgents had posed a threat to the cities of Moulmein and Tavoy, but he claimed that the main routes around Myawadi used by the rebels to infiltrate from their bases in Thailand have now been sealed. He said that the rebels are now trying to avoid contact with Burmese forces.

In addition to the Burmese military success in reducing the insurgents' operational area, U Nu's position appears to have been weakened by troubles with his reluctant minority allies in Burma. The Karen, the main ethnic minority group in the Burma-Thai border area, have backed Nu only in order to get weapons and their leader is now trying to organize an antigovernment front excluding Nu's ethnic Burmese exiles.

FOR THE PRESIDENT ONLY

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NOTE

South Vietnam: Big Minh's withdrawal today from the presidential race will add to the already growing dissatisfaction over the government's handling of both the presidential and Lower House contests. Although Minh appears convinced of his allegations that Thieu is rigging the election, his charges are also calculated to discredit the elections in the eyes of both domestic and foreign observers. Despite the fact that Thieu is now the only presidential candidate, he seems likely to go ahead with the election as scheduled on 3 October and make it a popular referendum on his government's policies.

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THE PRESIDENT'S DAILY BRIEF

21 August 1971

PRINCIPAL DEVELOPMENTS

[redacted] Soviet [redacted]

China

Page 1.

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Presentation of new US ABM proposals is expected to quicken the pace of SALT. (Page 3)

Our latest assessment of international economic developments is given on Page 4.

There are indications that Sudanese-Soviet tensions may be easing. (Page 5)

Israel

(Page 6)

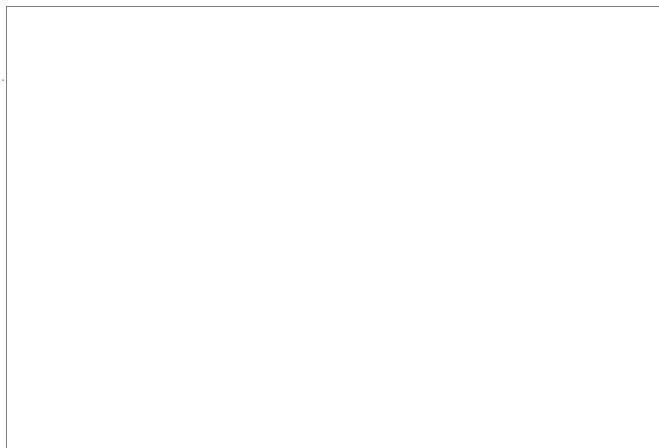
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In Bolivia, time appears to be running out for Torres as the rebels gain control of most provincial cities. (Page 7)

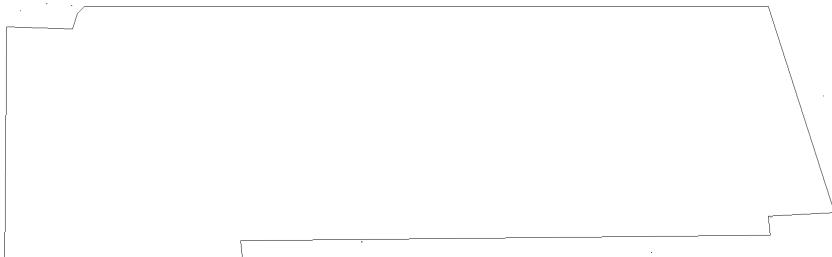
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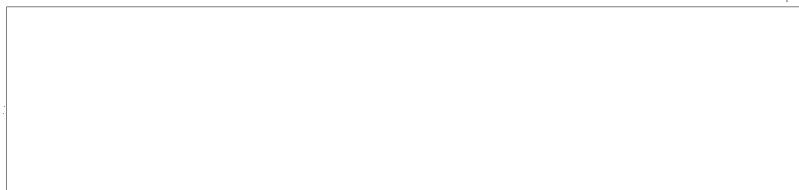
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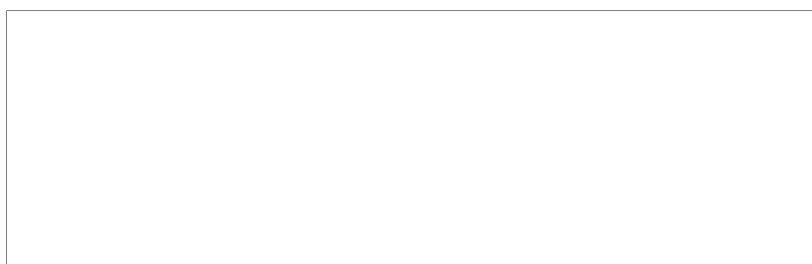
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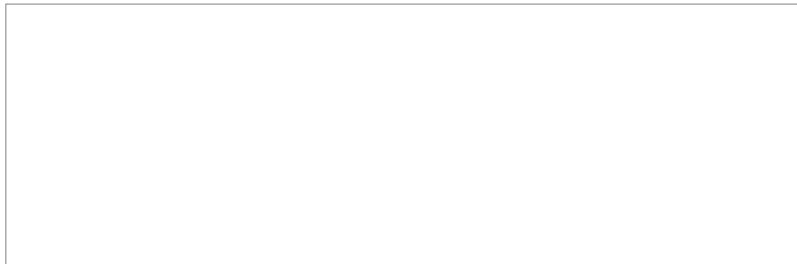


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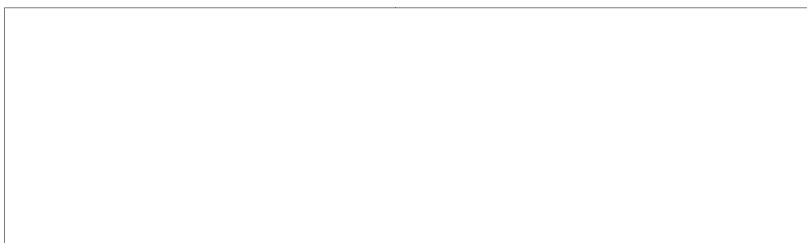
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SALT

The pace of the talks seems bound to quicken with the new US ABM proposals presented by Ambassador Smith yesterday. (It allows for either side to choose between two 100-launcher sites protecting ICBM fields and one 100-launcher NCA defense.) There is not much reporting as yet on Moscow's reaction, but the Soviets have clearly been hoping for US movement to a two-and-one ABM plan, and their earlier remarks provide some clues as to what might be expected.

On 11 August Timerbaev and Kishilov had volunteered the information that their delegation had come to Helsinki prepared to deal with a possible two-and-one Safeguard/Moscow proposal. Their remarks indicated that, in discussing such a plan, they might well press for an equal number of interceptors. Kishilov has also stated that if the US wishes two sites, it will have to be on a "two-and-two" basis. Moscow could initially counter with either of these lines.

The Soviet proposal of 10 August which allowed for US protection of one "administrative-industrial" site in return for the Moscow NCA system indicated at least a willingness to accept the principle of protection of dissimilar targets. Earlier, the Soviets had refused to do this.

The US offensive arms limitation proposal tabled on 27 July has not yet been discussed in depth. Semenov has made an effort to assuage US concern about this, but it is clear that the Soviets would like to nail down something on ABMs before going on to offensive discussions.

There are additional indications that Moscow will balk at the freeze on SLBMs proposed in the US draft. Timerbaev, Kishilov, and Semenov have all stated that this should not be a subject for treatment in an interim accord, and should be dealt with in a future offensive limitations agreement. In an effort to drive home Moscow's seriousness on this point, Timerbaev threatened that "the question of FBS would arise" if the US insisted on including SLBMs in the freeze agreement. Semenov made a less direct threat along the same lines.

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC DEVELOPMENTS

Most Japanese businessmen now feel some adjustment in the yen-dollar parity is inevitable.

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[redacted] the Japanese Government would like to try to tie yen revaluation to a reduction, or elimination, of the ten-percent import surcharge imposed by the US. In other financial developments, heavy dollar selling resumed on the Tokyo foreign exchange market this morning amid reports that exchange controls might be further tightened. The Bank of Japan purchased about \$2.3 billion to maintain the yen-dollar rate from 16 through 20 August. Also the Tokyo stock market was again down this morning, reversing a brief upsurge on Friday.

All the major European foreign exchange markets are expected to reopen on Monday. As a result of the failure of the European Community (EC) council to agree upon a common position yesterday, each government will follow independent policies with respect to its own foreign exchange market. For example, West Germany will resume floating its currency, and France will introduce a dual rate system. The EC countries, however, have pledged to minimize the exchange rate fluctuations among their currencies and although some disruption of commerce and finance is unavoidable, it is not likely to be serious enough to force an early solution.

These make-shift arrangements are expected to prevail at least until 13 September when the EC finance ministers again will seek to resolve their differences. Two days later, the Group of Ten key Western industrial nations will gather to discuss the broader need for exchange rate adjustments and other reforms to the monetary system.

The members of the EC now are turning their attention to the US import surcharge, which GATT will take up next week. [redacted] the Belgians, French, and possibly the Italians, are disposed to take a hard line against the surcharge, while the attitude of the Dutch will depend on whether it believes it is administered in a discriminatory way.

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FOR THE PRESIDENT ONLY

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SUDAN-USSR

The period of bitter mutual recriminations touched off by the execution of leftist coup leaders and three top local Communists last month may be coming to an end. Both countries appear to be edging toward more normal--although still cool--relations. Sudanese spokesmen have stressed recently that Khartoum does not wish to perpetuate the state of hostility with Moscow and that trade agreements with the USSR and Eastern Europe would be honored. Some Soviet military advisers are reported to be resuming their activities, curtailed since the coup.

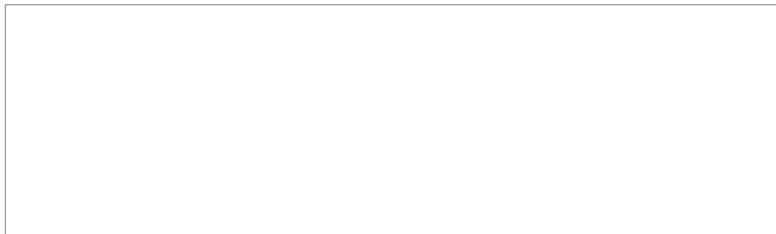
On the Soviet side, critical comments in the Soviet press have subsided and the Soviet ambassador in Khartoum has returned to Moscow for reassignment, presumably as a further gesture to appease Numayri.

Sober reflection presumably has persuaded Numayri that he could not sacrifice vital Soviet military aid and advisory programs to emotions of the moment. The Soviets, for their part, have apparently decided that abandonment of their efforts to defend local Communists is an acceptable price to pay for recovery of their position in Sudan.

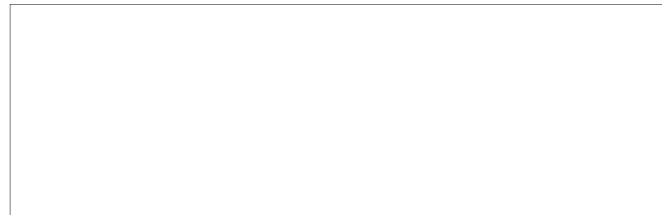
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ISRAEL-USSR



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BOLIVIA

Nearly all of the important military units outside La Paz have now joined the rebels and Torres retains the backing only of leftist labor and student elements and major air force units in the capital. The army units in La Paz--whose support is essential for the coup's success--have remained uncommitted.

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Little fighting has been reported as the rebels have extended their control from city to city, but serious clashes could occur if troops move on La Paz. Several truckloads of miners armed with rifles and dynamite arrived in La Paz yesterday, according to press reports

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The rebels apparently have no clear plans for governing the country. Although rebel leaders in Santa Cruz yesterday proclaimed former Colonel Hugo Banzer--a prime organizer of the rebellion--president of Bolivia, it is far from certain that he will assume the presidency in the event Torres is deposed. Banzer was reported to have been captured in the early stages of the rebellion and other military leaders have taken over the direction of the rebel movement. Leaders of the Bolivian Socialist Falange and the center-left National Revolutionary Movement have also played major roles in the rebellion and presumably would have important positions in a successor government.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Ceylon: The government has responded to recent coup rumors

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[redacted] and to increased insurgent activity, by tightening security around Prime Minister Bandaranaike and by extending the curfew to key towns in outlying areas.

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Pakistan: Yahya has told Ambassador Farland that he plans to remove Military Governor Tikka Khan about 1 September and appoint A. M. Malik, a Bengali civilian, as governor of East Pakistan. Tikka--known as the "Butcher of Baluchistan" for his part in suppressing a tribal rebellion in West Pakistan--is generally regarded as the person most to blame for army brutality in the East. Although Malik, the Refugee Coordinator in the East Wing, has been described as a tired old man, his appointment should at least lessen some of the foreign criticism of Yahya's policies in the East.

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23 August 1971

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THE PRESIDENT'S DAILY BRIEF

23 August 1971

PRINCIPAL DEVELOPMENTS

Vice President Ky's decision not to campaign again threatens to make a mockery of the South Vietnamese presidential elections. (Page 1)

The new Bolivian Government, headed by retired Colonel Banzer, will abandon the leftist policies of the Torres regime and chart a course of moderation in domestic and foreign affairs. (Page 3)

Hectic and confused trading conditions are expected as major money markets open this morning, but central banks in most countries intend to intervene firmly to prevent further substantial appreciation of their respective currencies vis-a-vis the dollar. (Page 4)

Peking's low-key denunciation of the US dual representation proposal serves to remind the international community of China's terms for joining the UN. (Page 6)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

SOUTH VIETNAM

Vice President Ky's decision not to campaign in the October presidential election again raises the spectre of an uncontested travesty. Ky may have concluded that the odds were stacked too heavily against him to allow a respectable showing. Even in a relatively honest election, his inadequate financial support, the dearth of popular appeal for his candidacy, his northern background, and his role in suppressing the Buddhist protest movement in 1966 all would have lessened his chances of mounting a strong challenge to Thieu.

Ky delayed his decision in order to sound out various political and religious groups, and he may have been discouraged by their reactions. Following an earlier press conference, two of Ky's aides told embassy officials that the attitude of the An Quang Buddhists would be a decisive factor in Ky's decision.

In view of the An Quang leadership's reluctance openly to endorse Big Minh, whose defeat they felt would then hurt their own political options, it is unlikely that they would have given much encouragement to another sure loser--and especially to the man who crushed their protest movement in 1966.

Ky's proposal--allowed by the constitution--that he and Thieu resign and permit the Senate chairman to assume control of the government and call for new elections is a possible way out of the present imbroglio. Thieu, however, has all along taken a relatively complacent attitude about the possibility of a one-man race and has suggested that the election could be a referendum on his policies.

The widespread criticism of Thieu's methods following Minh's actual withdrawal will no doubt continue in an even stronger fashion now that Ky has also backed out. Nonetheless, Thieu is most unlikely to be willing to relinquish control and thus probably will conclude that it is better to ride out the storm rather than risk the uncertainties of an interregnum period and new election.

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FOR THE PRESIDENT ONLY

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Attacks by North Vietnamese forces along the Demilitarized Zone eased up this weekend, but there are fresh reports that a new round of Communist military activity and political agitation is scheduled for sometime this week. Intercepts indicate that a Viet Cong unit in the north of the country has been ordered to "create tension and discord," starting on 24 August, and that some unidentified units have moved into the area north of Saigon; agents also report that the Communists plan attacks in the central highlands. The Communist actions apparently are intended to embarrass the government on the eve of the Lower House elections next Sunday; there is no evidence they involve large-scale military operations.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

BOLIVIA

The new government led by retired Colonel Hugo Banzer is avowedly anti-Communist and will reverse the leftist policies of the Torres regime. A political conservative, Banzer probably will adopt a moderate nationalist stance while remaining receptive to foreign investment.

The government's control is firm but it is likely to experience many strains in its formative period. Banzer is inheriting a chaotic financial and political situation. The old hatreds between the military, who are likely to be the leading force in the coalition, and the two political parties that participated in the coup are strong. Moreover, past bitterness between the moderate leftist National Revolutionary Movement (MNR) and the moderate rightist Bolivian Socialist Falange (FSB) may make it difficult for them to cooperate in the new government.

Banzer, at least initially, probably will receive strong support from leaders of the private sector who provided financial backing for the coup. Other governments in Latin America, concerned by Bolivia's leftist drift under Torres, will extend moral support, if not rapid recognition.

Late yesterday Banzer appointed most of his cabinet, which appears to be evenly split between the MNR and the FSB. The foreign minister, Mario Gutierrez, is a respected member of the FSB. Finance Minister Raul Lema, an MNR leader, served in the government of President Paz Estenssoro in 1964. Most of these individuals, as well as some of the key military figures, appeared before a mass rally in La Paz late yesterday afternoon. Banzer himself was given an animated reception by the crowd.

All organized resistance has ended in La Paz and the interior, although armed civilians are still at large. Some sniping, looting, and terrorist activity remains a possibility in coming days. In addition, leftist organizations have called for a general strike, according to press reports.

The government faces a difficult problem in working toward restoring a degree of harmony among contending political groups. The bitterness and violence of the recent period could continue if the new administration indulges in repressive action against the left.

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INTERNATIONAL MONETARY DEVELOPMENTS

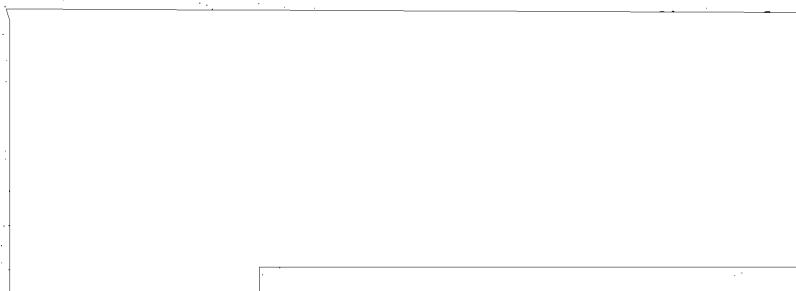
The European Community's failure last week to come up with a common policy can be attributed in part to personality clashes between the German and French finance ministers, according to sources of the US Mission to the EC. Although doctrinal differences and inadequate preparation were also important factors, the personal antipathy between the two made positions more rigid and brought about misunderstandings. Most of these sources, while not "wildly optimistic," nevertheless do not rule out the possibility that the EC Council may move toward, and perhaps achieve, a common position at the 13 September council meeting.

When most foreign exchange markets open today, trading conditions are likely to be hectic and confused because of the backlog of foreign exchange transactions and the diverse trading arrangements. However, the various central banks are expected to intervene both to inhibit fluctuations and prevent any substantial appreciation of their currencies vis-a-vis the dollar. The dollar is expected to be devalued from two to ten percent in the various West European markets.

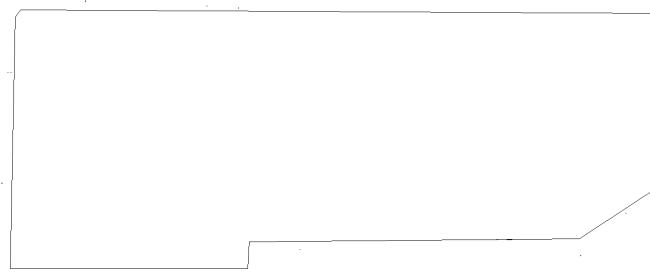
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EGYPT-USSR



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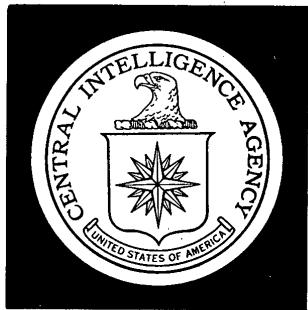
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NOTE

Communist China - US - UN: Peking's denunciation of the US "dual representation" proposal represents Communist China's official response to Washington's inscription of its proposal on the General Assembly agenda. The statement, issued by the Foreign Ministry on 20 August, is primarily a low-key exposition of Peking's position. It accuses the United States of pushing a "two Chinas" policy, firmly declares this is totally unacceptable to the Communist government, and reiterates that the mainland regime will not enter the UN unless the Nationalist government is first expelled. In setting forth its position in these uncompromising terms, Peking probably hopes to convince wavering states that no deal on the representation issue was reached with Dr. Kissinger last month and that passage of the US resolution would keep the mainland out of the UN for at least another year.

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24 August 1971

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THE PRESIDENT'S DAILY BRIEF

24 August 1971

PRINCIPAL DEVELOPMENTS

On *Page 1* we discuss the probable impact of the preliminary Berlin agreement on the movement toward detente in Europe.

The dollar showed surprising strength yesterday in the reopening of major foreign exchange markets in Europe. (*Page 3*)

In southern Laos, the government is mounting a new assault to retake Paksong on the Bolovens Plateau. (*Page 4*)

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South Vietnam

(*Page 5*)

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Indo-Soviet

(*Page 6*),

Peking

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(*Page 7*).

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Bolivia's new regime has reacted harshly toward recalcitrant leftist students. (*Page 8*)

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BERLIN-EUROPE

The preliminary Berlin agreement will add powerful impetus to the movement toward detente in Europe. Although there remains the negotiation of details by Bonn and Pankow which may take several months, Pankow is not likely to be able to hold out against Soviet insistence upon an agreement. The entire package must thereafter be approved by the Big Four. This step will open the way for the Bonn coalition to present for ratification, well in advance of the 1973 elections, the treaties signed last year with Moscow and Warsaw.

In a larger context, West Germany will regard the agreement, which required fewer concessions than Bonn was ready to make, as a signal victory for its Ostpolitik. Bonn's success will also increase its confidence in dealing with its Western allies, in particular the French, who were not always helpful in the Berlin talks and whose support is less necessary now.

Agreement on Berlin will also satisfy NATO's prerequisite for moving toward a Conference on European Security. Soviet spokesmen are already putting new steam behind this project. The members of NATO, some of whom want to give preference to force reductions rather than attend a conference devoted largely to atmospherics, will be under pressure to speed their preparation of a negotiating position.

The Soviets also see themselves as gainers. They will view the Berlin agreement, plus the treaties which Bonn will probably ratify in due course, as a milestone in their postwar efforts to gain Western acceptance of their primacy in Eastern Europe and of East Germany's legitimacy as a sovereign state. With the way cleared for further detente initiatives, the USSR, while not overlooking opportunities to play off one West European nation against another, will target its diplomacy primarily upon the American presence and role in Europe.

East Germany, in contrast, looks askance at the agreement and the prospects that it opens. The agreement itself voids Pankow's claim to full control over its own territory, and detente threatens to weaken East Germany's defenses against Bonn's efforts to normalize relations between the "two states of the German nation." East Germany will try to

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block any broad inter-German accord--as opposed to the talks on access--by demanding full diplomatic recognition and admission to the UN, but its campaign to limit contacts with West Germany to a bare minimum will tend to isolate it from its allies.

Most other East European states, on the other hand, will welcome the Berlin agreement. These states will see it as advancing the trend through which they are acquiring national security by eliminating a German challenge to their present boundaries and as perhaps allowing greater access to the Western economic technology and financing they hope to use to achieve domestic tranquillity. Others, particularly Romania, will see it as abetting the process by which they hope to loosen Soviet control.

FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY SITUATION

Trading was slow and cautious on the major European foreign exchange markets that reopened yesterday. The dollar declined at the opening in most markets, but it recovered somewhat and the declines averaged less than two percent at the close.

The dollar's surprising strength is probably attributable to demand stemming from outstanding dollar obligations. Renewed public statements of uncertainty about eventual parities, however, may result in future fluctuations in exchange rates.

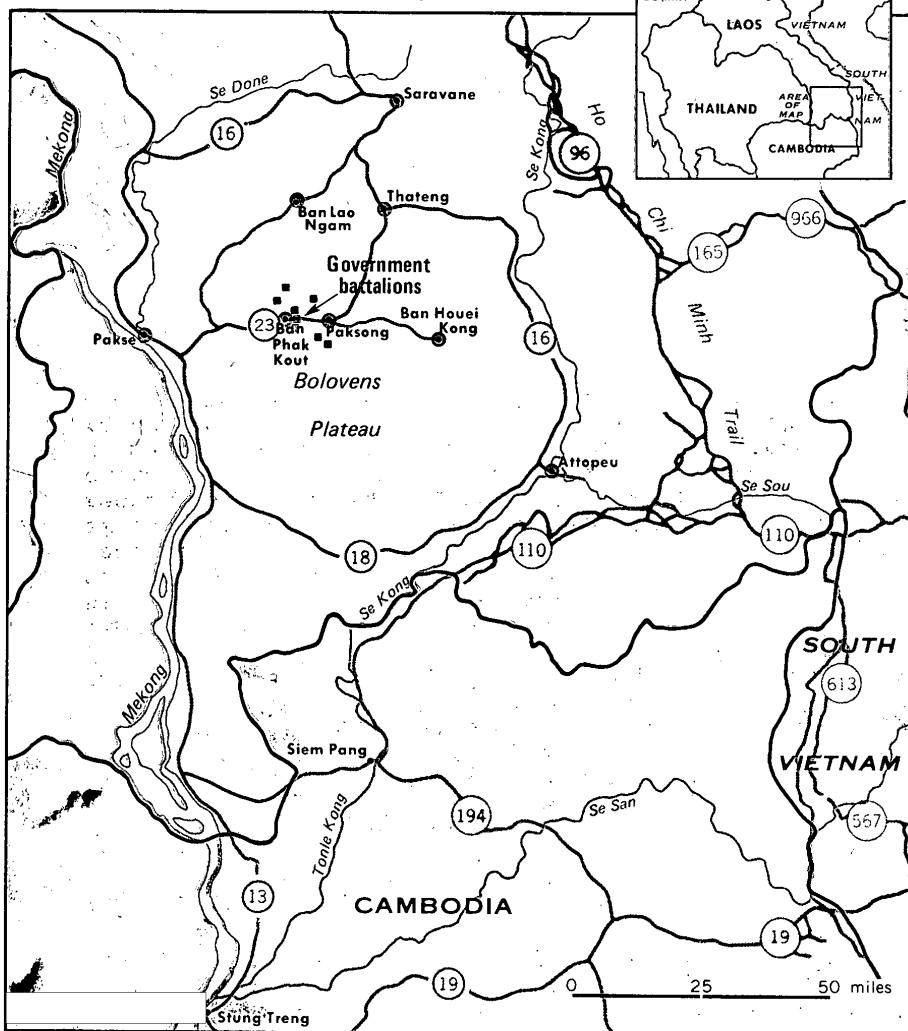
Tokyo's foreign exchange market was generally calm yesterday with the Bank of Japan buying only about \$10 million to maintain the yen-dollar parity. Japanese stock prices declined by about four percent.

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FOR THE PRESIDENT ONLY

LAOS: Bolovens Plateau Area



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- Communist-held location
- Government-held location

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FOR THE PRESIDENT ONLY

LAOS

The government is mounting a new three-pronged assault against Paksong on the Bolovens Plateau. Three battalions of irregulars are moving toward the town from the northwest, two others have been airlifted into positions to the southeast, and three Lao Army battalions are pushing slowly eastward along Route 23. Two of the army battalions have reported continuing contact with the enemy.

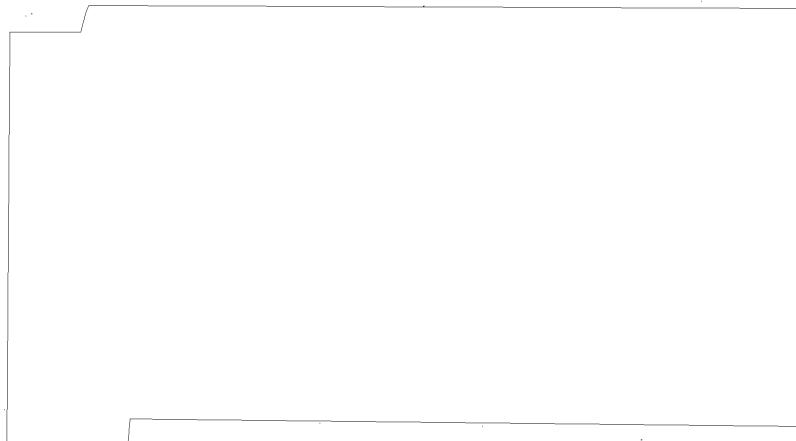
Earlier government efforts to recapture Paksong were repulsed by determined North Vietnamese resistance. An enemy counter-attack on 18 August dispersed four Lao Army battalions and inflicted heavy casualties. Air observers report that the enemy is continuing to build up defenses in and around Paksong.

Military activity elsewhere in Laos remains relatively light. Vang Pao's irregular forces on the Plaine des Jarres continue to skirmish daily with Communist units located in an arc to the east of the Plaine, but little new territory has been gained or lost.

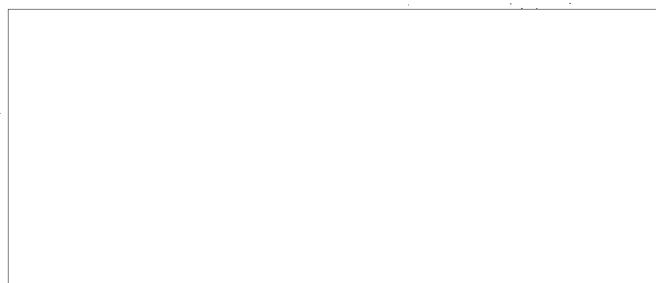
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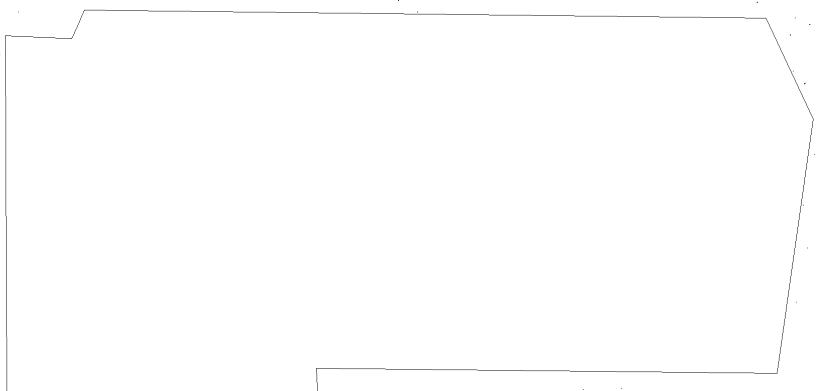
SOUTH VIETNAM



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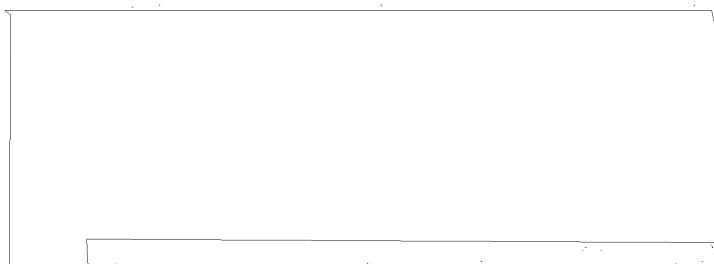
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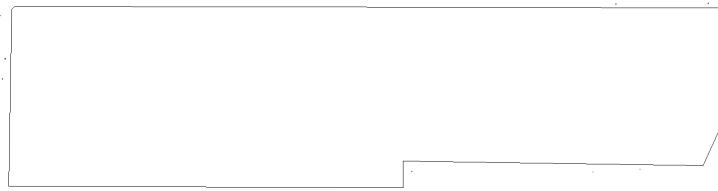
INDIA-USSR



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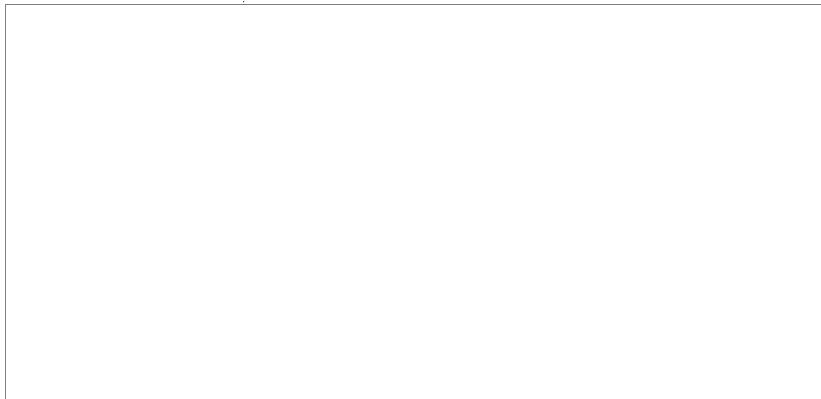


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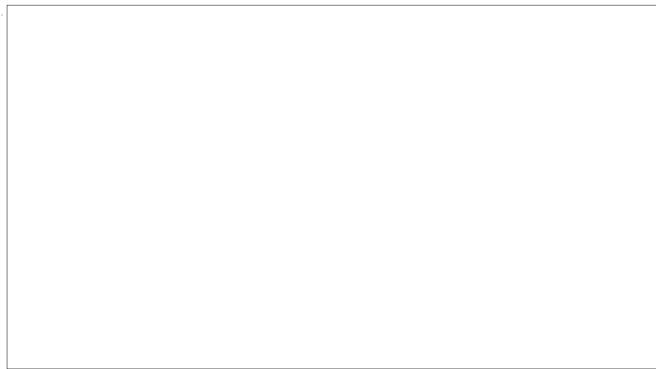
FOR THE PRESIDENT ONLY

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COMMUNIST CHINA - PAKISTAN



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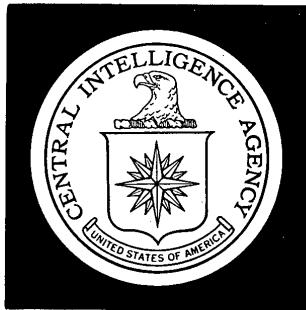
NOTES

Bolivia: Occasionally heavy small arms fire continued in parts of La Paz last evening, especially in the university area which was the scene yesterday of the only major violence since the ouster of General Torres. The firing on leftist students barricaded in the university and the strafing of their building by an air force plane followed the breakdown of negotiations with the students. Although the reported casualties from the incident may be somewhat exaggerated, President Banzer's firmness toward the students is likely to serve as a warning to other potential troublemakers still at large--including leftist miners, workers, and peasants--that he will deal swiftly with attacks on his new administration.

Warsaw Pact: A long-rumored joint Warsaw Pact exercise in Bulgaria apparently is not going to occur this month; instead, preparations for a Bulgarian national exercise are now under way. Numerous bloc-instigated reports of the planned exercise may only have been intended to generate pressure on Romania. The relative calm displayed by Bucharest in the face of this war of nerves suggests that it had a good reading on the intent of these reports all along.

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THE PRESIDENT'S DAILY BRIEF

25 August 1971

PRINCIPAL DEVELOPMENTS

[redacted] 50X1
Soviet [redacted] Romania. (Page 1)

The Yugoslavs are taking a tough stand regarding upcoming talks between Tito and Brezhnev in Belgrade. (Page 2)

Moscow apparently is seeking to exploit Tokyo's current dissatisfaction with US policies on China and economic matters. (Page 3)

[redacted] 50X1
(Page 4)

Foreign exchange markets remained calm yesterday as efforts to find longer-term solutions to the crisis continued. (Page 6)

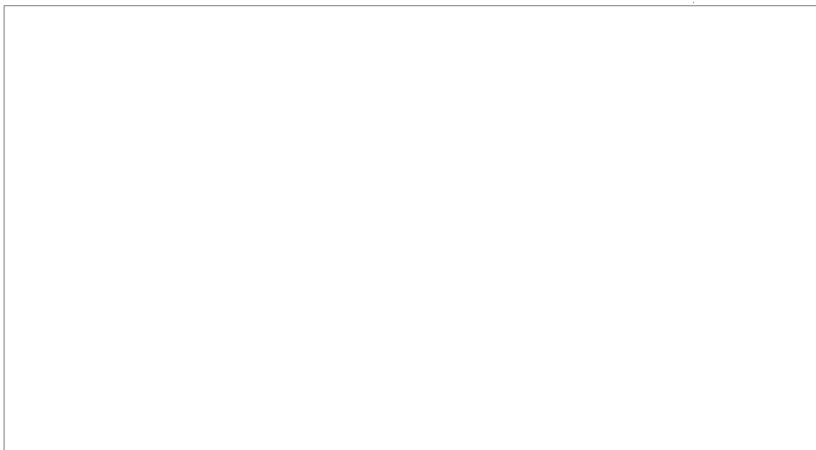
India [redacted] 50X1
Pakistan [redacted]
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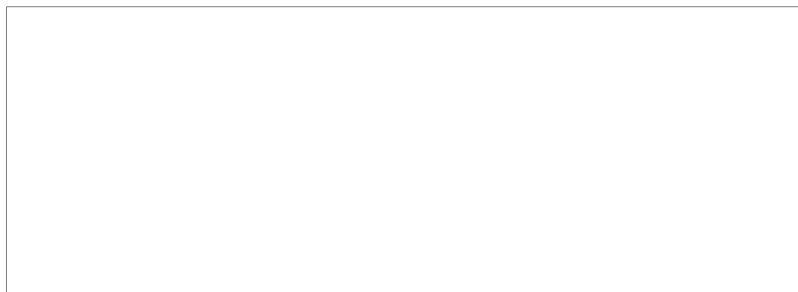
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USSR-ROMANIA

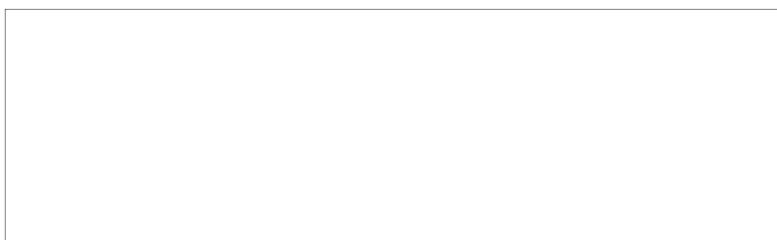
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YUGOSLAVIA-USSR

The Yugoslavs believe that, because the visit of Brezhnev to Yugoslavia on 22-24 September is Moscow-initiated, Belgrade has a tactical edge in seeking important concessions. Tito's negotiating position centers on a demand that any communiqué include a renewal of the Soviet declarations of 1955 and 1956 guaranteeing Yugoslavia's sovereignty and the right of all Communist parties to pursue "different roads to socialism." Belgrade is also demanding that Moscow clamp down on the activities of Yugoslav émigrés in the USSR.

Tito's demands are likely to be more than Moscow can accept, thus casting doubt on whether the visit will take place on schedule. Tito, however, appears determined to hold his ground. On 19 July Belgrade publicly denied Soviet-inspired reports circulating in Eastern Europe alleging the formation by Romania, Yugoslavia, and Albania of a pro-Chinese "axis" and accused Moscow of dictating the foreign policy of its allies. This accusation clearly indicates Yugoslav willingness to fuel latent anti-Soviet sentiment throughout the area.

Brezhnev probably wants to assess the new Yugoslav governmental apparatus and to make known his views on Belgrade's policies before Tito's visit to the US in October. He may also be seeking ways to weaken Yugoslav-Romanian solidarity, to block growing Chinese influence in the Balkans, and to enlist Belgrade's support for new peace initiatives.

FOR THE PRESIDENT ONLY

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USSR-JAPAN

Soviet diplomats have made a number of approaches to the Japanese in the last several weeks to suggest that closer Japan-USSR ties could counter improvements in US-China relations.

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Soviet efforts to exploit Tokyo's dissatisfaction with Washington's China policy and recent US economic moves were predictable. The Soviets may also be encouraging Sato to accept a long-standing invitation to visit the USSR.

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In order to make meaningful headway with the suspicious Japanese, Moscow will have to do something more than just sympathize with Japan's current frame of mind. It could, for instance, offer some concessions on fishing in waters around the Kurils. The chief of the policy committee in Sato's Liberal Democratic Party will be visiting Moscow next week; his reception may give some additional clues about how seriously Moscow intends to pursue better relations with Japan.

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USSR

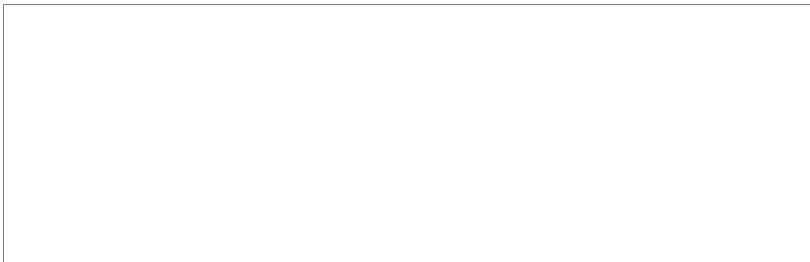
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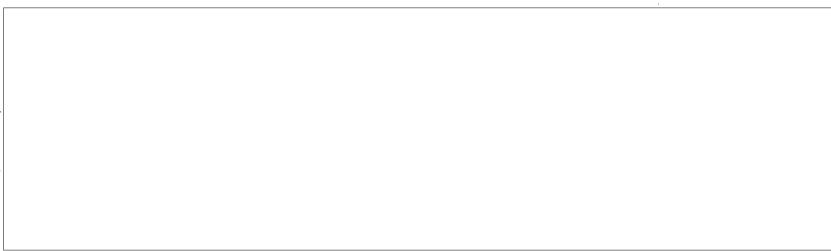
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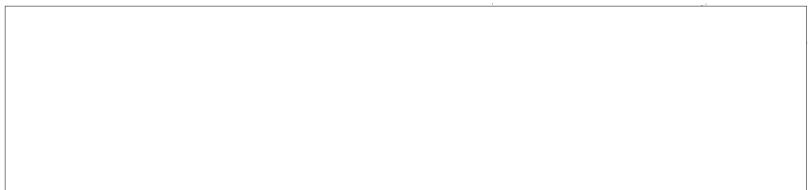


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INTERNATIONAL ECONOMIC DEVELOPMENTS

Foreign exchange markets remained calm yesterday as efforts to find longer-term solutions to the crisis continued.

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European Community members may meet before their Council session now scheduled for 13 September in another attempt to work out common exchange-rate policies. Although some French officials have been talking about a Brandt-Pompidou meeting, there is reluctance to go into a summit session unprepared; a Benelux proposal for the Community finance ministers to meet in early September, with the foreign ministers also present, may be an acceptable alternative. German officials have commented that a Community meeting would be preferable to bilateral talks with the French and have said that their two ministers could be available on 4 September.

At the special General Agreement on Tariffs and Trade (GATT) Council meeting held to discuss the ten-percent surcharge on imports into the US, the European Community strongly denounced it and, as expected, reserved the right to retaliate if the surcharge is not removed. The Community also called for establishing a working group to study the US action and deliver a report before the end of September.

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NOTE

India-Pakistan

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THE PRESIDENT'S DAILY BRIEF

26 August 1971

PRINCIPAL DEVELOPMENTS

President Yahya Khan of Pakistan has indicated he favors a meeting between his representatives and a Bangla Desh delegation. (Page 1)

With the visit to Tokyo this week of a leading Chinese specialist on Japan, Peking apparently hopes to capitalize on the favorable "China mood" in Japan. (Page 2)

The latest international economic developments are reviewed on Page 3.

An unusually large number of Soviet ships are involved in a naval exercise in the Black Sea. (Page 4)

Differences within the revolutionary coalition in Bolivia have surfaced. (Page 4)

At annex is an assessment of Sunday's Lower House elections in South Vietnam.

FOR THE PRESIDENT ONLY

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PAKISTAN

President Yahya Khan, in reply to a "hypothetical" suggestion by Ambassador Farland, said that he would look with favor on an unpublicized meeting in a "neutral" third country between his representatives and a Bangla Desh delegation, should such a possibility develop. Ambassador Farland had informed Yahya on 24 August of recent US contacts in Calcutta with an Awami League representative who said that the group's leaders are interested in a compromise settlement with the government of Pakistan.

Despite Yahya's statement, negotiations remain unlikely as long as he refuses to consider releasing East Pakistani leader Mujibur Rahman, who currently is on trial in West Pakistan. Yahya is said to have decided against executing the East Pakistani leader, but it is highly unlikely that he would consider halting Mujib's trial and releasing him. Awami Leaguers have said consistently that Mujib would have to participate in any final settlement, and they would probably be reluctant to agree to any talks without prior assurance that his release would at least be a subject for discussion.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

CHINA-JAPAN

The visit this week to Tokyo of Wang Kuo-chuan, a leading Chinese specialist on Japan, suggests that Peking hopes to capitalize on the prevailing favorable "China mood" in Japan, and possibly strengthen it. Wang, who is making the trip to attend the funeral of a long-time Japanese advocate of closer Sino-Japanese relations, almost certainly is prepared to meet important Japanese officials, possibly including members of Prime Minister Sato's cabinet; Sato himself has expressed interest in meeting with Wang. The visit no doubt will increase pressures on the Sato government to take new initiatives toward improving Tokyo's relations with Peking. It also could affect current discussions in Japan on how to approach the question of Chinese representation in the UN this fall.

FOR THE PRESIDENT ONLY

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INTERNATIONAL ECONOMIC DEVELOPMENTS

The chairman of the Group of Ten continues to urge that the Committee of Deputies meet to discuss currency revaluation prior to the Group's proposed meeting of finance ministers in London in mid-September. The London conference would draft recommendations for changes in exchange rates for the annual meeting of the International Monetary Fund in Washington later in the month. Press reports of an IMF staff working paper on revaluation received a stormy reception in Europe. Suggested revaluations of 15 percent for the yen, 13 to 14 percent for the mark, and seven percent for the French franc and pound were rejected by European officials as being excessively high.

The dollar continued to weaken slightly against most European currencies yesterday. The Japanese yen closed higher as commercial banks reversed themselves and purchased dollars to comply with government guidelines that they maintain certain dollar balances.

FOR THE PRESIDENT ONLY

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NOTES

USSR: [redacted] an unusually large number of Soviet ships are involved in a naval exercise in the Black Sea. At least 18 warships, including both of the navy's antisubmarine helicopter carriers, have been noted active in the western area of the Black Sea; naval aviation also was active. Other Soviet military activities in eastern Europe are at seasonal levels

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[redacted] Although apparently not aimed directly at the Romanians, this activity will reinforce Soviet psychological pressures on Bucharest.

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Bolivia: Incipient differences within the political coalition which overthrew the Torres government, reported in The President's Daily Brief of 23 August, have already surfaced. One faction of the Nationalist Revolutionary Movement has called for the party to quit the coalition in protest over President Banzer's suppression of the leftist students. Although it is unlikely that the party's leaders would choose to withdraw after so many years out of power, this kind of bickering could command a lot of Banzer's attention. Banzer also faces the possibility of some dissatisfaction among army officers

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Ceylon: The government, which increasingly fears a renewal of large-scale insurgent activity, has recently imposed nighttime curfews in four additional administrative districts; a nightly five-hour curfew was already in effect in the Western Province, which includes Colombo.

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[redacted] insurgent groups have increased kidnappings and other terrorist acts in an effort to obtain guns and money.

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FOR THE PRESIDENT ONLY



FOR THE PRESIDENT ONLY

SOUTH VIETNAM'S LOWER HOUSE ELECTIONS

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Government supporters are expected to win a majority of the 159 seats in the Lower House election on 29 August. The high degree of interest in the election has produced sizable slates of candidates from each political party and religious group, with about eight contenders expected to compete for each seat.

Religious groups continue to play a more influential role than political parties in South Vietnam's politics. The An Quang Buddhists are the strongest such group and should be able to elect the largest bloc of opposition candidates in the Lower House. An Quang influence is greatest in Military Region 1, but could be important in some contests in the coastal provinces of MR-2, possibly in Saigon, and in a few areas of MR-3. A strong An Quang showing could result in a more cohesive opposition bloc than exists in the present House. There apparently is dissension, however, between An Quang leadership in Saigon and several local pagodas in the provinces over the choice of candidates, and this may reduce their chances for a strong showing. Several An Quang groups in MR-1 are refusing to support the official church candidate and may split the local An Quang vote between two candidates, thus allowing a government candidate to win.

The influence of the Catholic Church is second only to that of the An Quang. The hierarchy of the church itself--as opposed to the weak and divided Catholic political parties--can be expected to marshal Catholic voters behind chosen candidates, and these should do particularly well in MR-3 with its heavily Catholic population. Candidates in Tay Ninh backed by the Cao Dai church and those with Hoa Hao support in certain areas of the delta are also virtually assured of election.

The political parties have neither the disciplined organizations nor the geographic spread to have much impact, but a few parties, including the Farmers-Workers Party (FWP), which is backed by the Vietnamese Confederation of Labor, may get some of their candidates elected.

Thieu has chosen not to rely on the parties, which he continues to regard with contempt, but to use the government bureaucracy in an all-out effort to ensure a new progovernment majority in the House. Lists of candidates selected for government support have been forwarded to the province chiefs, and it appears in some cases that the province chiefs are using strong-arm tactics to ensure a government victory.

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FOR THE PRESIDENT ONLY

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District and village chiefs in some areas have been told that their jobs depend on a government victory, and other local officials have been threatened with transfers to less desirable posts. Some military units are reportedly being ordered to vote for government candidates, and in Hue troops may be moved closer to the city in order to vote in local contests. There are reports from scattered provinces of opposition candidates under surveillance by the police, of campaign workers being roughed up or threatened with the draft, and of military personnel in civilian clothes disrupting political meetings. Many opposition candidates are complaining bitterly, and a few have threatened to withdraw.

How much of this government pressure reflects the initiative of province chiefs beyond guidelines from the palace is hard to determine. Concerned over their own political futures, they will be sorely tempted to use the enormous leverage they enjoy to produce a satisfactory result.

There is no indication that blatant vote-rigging has been ordered by Thieu personally, although he has been determined to deny victory to certain opposition figures. The central government has assisted its favorites with financial backing and in some cases by selecting a constituency where victory seems assured.

Government candidates are expected to do well in MR-3 and in the highlands of MR-2 and fairly well in MR-4, so that even in a relatively honest election, the government should be able to secure a numerical majority. MR-1 and Saigon are traditionally antigovernment, and the An Quang may give government candidates a hard race in coastal MR-2 as well.

The general disillusionment and unrest already generated by recent developments in the presidential race has clearly increased the danger of a popular reaction against government manipulation of the Lower House election. If, for example, An Quang candidates do badly in centers of Buddhist strength, and particularly if it is obvious that this is due to official interference, widespread protests probably would occur. Under these or similar conditions, some opposition groups might well adopt more militant tactics and take to the streets.

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THE PRESIDENT'S DAILY BRIEF

27 August 1971

PRINCIPAL DEVELOPMENTS

Communist China has completed the long, politically arduous process of reforming its provincial party apparatus, but the thorny problem of re-establishing civilian dominance throughout the party and government hierarchies remains unresolved. The stage would appear to be set, however, for convening the long-delayed National People's Congress, probably sometime before the end of the year. (Page 1)

Laotian Premier Souvanna's announcement of a plan for neutralizing the Plaine des Jarres and withdrawing all forces under properly controlled supervision gives the Communists a fresh opportunity to show whether they are interested in winding down the war in north Laos. (Page 3)

The North Vietnamese are getting ready for their annual dry season movement of supplies to the south, this time with substantially more air defense measures than last year. (Page 4)

The Japanese may have decided to float or revalue the yen in the near future. (Page 5)

Chinese-supported insurgents are again active in northeast Burma. (Page 6)

Japan and Communist China have agreed to double the size of their trade offices in Tokyo and Peking. (Page 7)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

COMMUNIST CHINA

The recent formation of four provincial party committees brings the arduous, nine-month process of reconstructing the provincial-level party apparatus to a close. Analysis of the overall make-up of the committees indicates that it is heavily weighted in favor of moderate elements, although political compromise between divergent interests is still the order of the day. The first party committees to be formed appeared to be perfunctory endorsements of leadership arrangements which had been hammered out during the Cultural Revolution. By late spring, however, the regime began to encounter serious leadership controversies in some of the remaining provinces--disputes that reportedly extended into the ranks of the central leadership itself.

Hard bargaining between conflicting interest groups resulted in the appointment of new provincial chiefs in a majority of these troublesome units. Although the provincial heads who were ousted during this process represented a wide spectrum of political affiliations, the majority of those dropped were aligned with forces associated with the more radical policies of the Cultural Revolution.

The top leadership of the new party committees frequently parallels that of the provincial administrative bodies set up during the Cultural Revolution, but there are significant differences. The military, which was already the dominant element, has clearly strengthened its influence; the armed forces have expanded their numerical representation in the ranking positions on the new committees to well over 60 percent. Rehabilitated party veterans--including several who were bitterly attacked during the Cultural Revolution--have likewise proliferated, occupying about 30 percent of the major party posts. Representation of "leftist" activists, often the largest single group on the original governing bodies, has been reduced to a single post on most party committees; furthermore, in those provinces which have had chronic factional violence, radical activists have been excluded altogether.

Although the party restructuring process is now formally completed, there are still many questions to be answered. For instance, the revolutionary committees established earlier still exist and overlap the new party committees, which have been declared the leading bodies in the province, and it is by no

FOR THE PRESIDENT ONLY

means certain which is more influential. Another complicating factor is the expanded role of the military and the resulting thorny problem of civilian versus military control of the party structure. Until the regime begins to address these problems in an authoritative manner, the prospects appear doubtful for the new party apparatus to regain its pre-1966 image as an infallible monolith and as an essentially civilian structure that "commands the gun."

For the immediate future, the stage now seems to be set for convening the long-delayed National People's Congress. Mao himself told Edgar Snow last fall that it was important to get party-building well established on correct lines before holding the congress. The weight of evidence now points to the convening of the congress before the end of the year.

FOR THE PRESIDENT ONLY

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LAOS

Prime Minister Souvanna has said that if the Communists agree to his proposal to neutralize the Plaine des Jarres, government attacks in that area could "easily be ended" and all forces withdrawn under "properly controlled supervision." Souvanna took this new line in an interview with the Lao Press Agency on the eve of his departure for a six-week foreign vacation and visits to Thailand, France, and the US. He did not indicate whether he would forward the specifics of his neutralization and withdrawal plan in a formal message to the Communists. The plan has never been proposed to the Communists and, indeed, is still in the drafting stages.

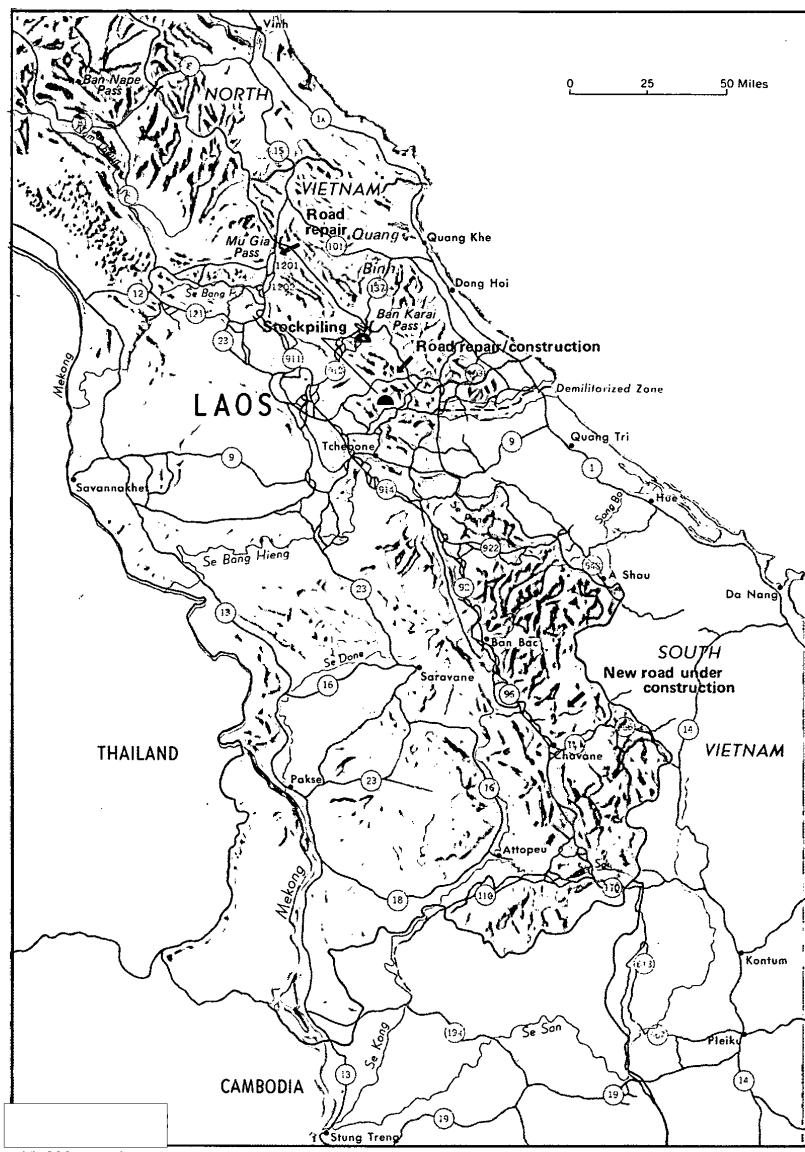
To facilitate a meeting with the Communists, Souvanna said he was ready to send his plenipotentiary representative to Khang Khay--his former neutralist headquarters on the Plaine. Khang Khay, he declared, was a "propitious" location because of the proposed neutralization. He also took pains to assure the Communists that his absence from the country would in no way hinder any forward progress on talks and noted that his representative would be able to contact him at all times.

It is uncertain how--or even if--the Pathet Lao and their mentors in Hanoi will react, particularly because the proposal has not yet been floated in a formal message. The Communists have made it clear [redacted]

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[redacted] that they envision no progress toward Lao peace talks as long as Vang Pao's forces control the Plaine des Jarres. Earlier this month they withdrew their special envoy in Vientiane for "consultations" after accusing the government of making "nibbling attacks" on the Plaine. The proposal does, nevertheless, give the Communists an opportunity to show whether or not they have any interest in working toward an accommodation on the war in north Laos.

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FOR THE PRESIDENT ONLY

NORTH VIETNAM

Conventional antiaircraft artillery strength
in the southern panhandle of North Vietnam has
roughly doubled since the end of July.

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[redacted] some 12 AAA regi-
ments are now located in the lower panhandle, in-
cluding at least five that previously had been in
the country's northern heartland. Moreover, un-
usually large quantities of AAA munitions passed
south through the Vinh area last week.

Fighter aircraft also have moved into the
southern part of the country for the first time
since May. Three MIG-21s, piloted by experienced
North Vietnamese fliers, flew to an airfield in the
upper panhandle early this week and have been con-
ducting training exercises and defensive patrols.
A few MIGs flying out of panhandle airfields this
spring attempted to shoot down slow-moving US air-
craft, but with little success.

A similar but somewhat smaller air defense
buildup took place in this sector late
last summer just before the 1970-1971 dry
season. The buildup almost certainly is
aimed at protecting Communist supply lines
running through the North Vietnam and Laos
panhandles.

In fact, Communist logistic forces seem poised
for an early start on the dry season supply push.
Recent reports from air observers indicate that
large quantities of supplies are being stockpiled
in forward areas near the Ban Karai Pass and the
western Demilitarized Zone routes in North Vietnam.
Most major routes into and within Laos are being
maintained despite rains and bombings; two new
cross-border routes are under construction as well.

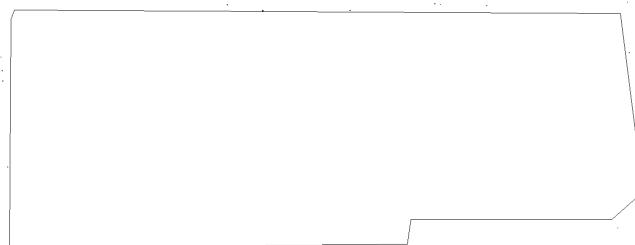
FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC DEVELOPMENTS

Dollar selling is heavy on the Tokyo foreign exchange market after the Bank of Japan relaxed restrictions on the amount of dollars Japanese commercial banks are required to hold. The Bank of Japan purchased about \$600 million yesterday and \$400 million during the first hour of trading today. The relaxed restrictions enable commercial banks to sell dollars, thus transferring any loss that would accrue from dollar depreciation to the Bank of Japan.

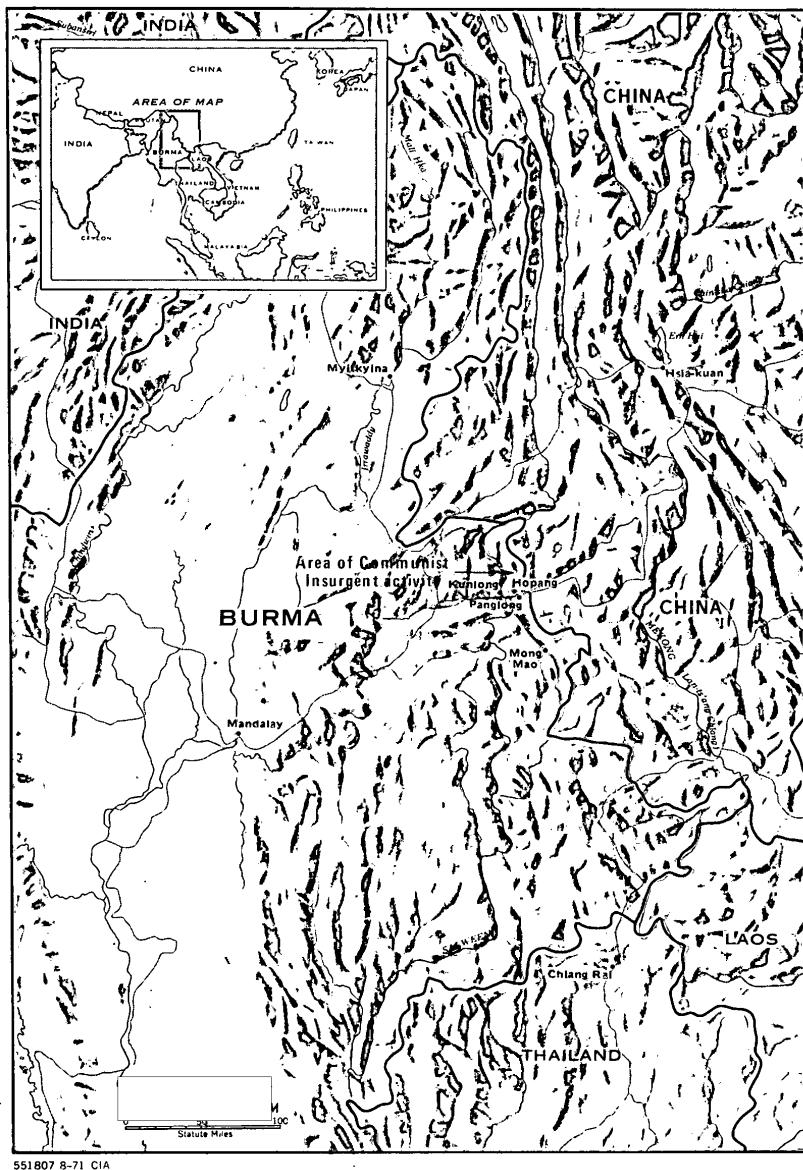
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In other international economic developments yesterday, the Council of the General Agreement on Tariffs and Trade established a study group to investigate the compatibility of the US import surcharge with GATT regulations. This group will report to the Council by 20 September and will confer with the International Monetary Fund to determine the nature of US balance-of-payments difficulties.

FOR THE PRESIDENT ONLY



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BURMA

[redacted] Chinese-supported

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Communist insurgents have become more active in northeastern Burma. On 20 August, an army camp at Panglong was overrun. The insurgents have mortared the regional military garrison at Kunlong and have seized the town of Hopang, ten miles east of Kunlong.

Burma had received the impression during General Ne Win's visit to Peking in early August that China regards Communist insurgency as an internal Burmese affair in which it will not interfere. The revival of activity by the Chinese-backed rebels, however, may jolt Rangoon's optimistic view that improved state relations will result in a "drying up" of Chinese support to Burmese insurgents.

Reinforcements are being sent to Kunlong, but Burmese military reaction probably will be restrained as long as the insurgents remain east of the Salween River, an area under Communist control for two years.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTE

Japan - Communist China: Agreement has been reached to double the size of the Japan-China trade offices in Tokyo and Peking. Announcement of the agreement, following conclusion of the annual, secret trade negotiations in Peking, came on the eve of the arrival in Tokyo of Wang Kuo-chuan, a prominent Chinese expert on Japan.

The timing of the announcement may be intended to tantalize the Japanese over the prospects for increased trade and contacts with China once Tokyo takes a more "progressive" attitude toward Peking. The Sato government no doubt will cite this development as evidence of its willingness to enlarge contacts with China.

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28 August 1971

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THE PRESIDENT'S DAILY BRIEF

28 August 1971

PRINCIPAL DEVELOPMENTS

Satellite photography shows two additional ICBM silos of the smaller type and five of the larger type at Soviet operational complexes. (Page 1)

In Cambodia, new strains on government unity will require Sirik Matak's immediate attention when he returns to Phnom Penh this weekend. (Page 2)

On Page 3

Havana has sharply reduced its aid to insurgents in Latin America.

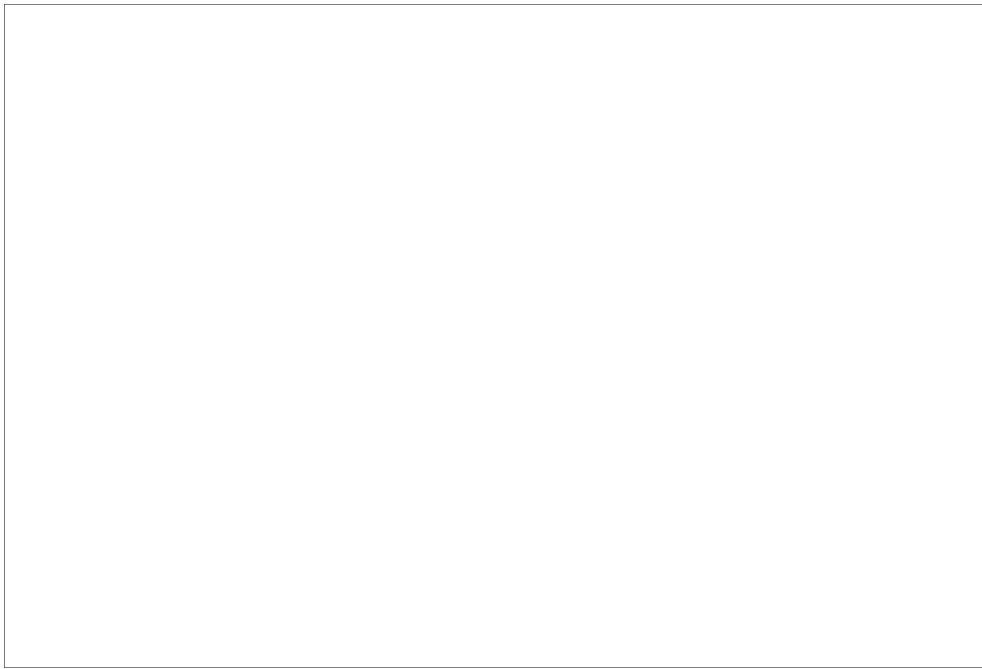
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International economic developments are reported on Page 4.

The Soviets are preparing another unmanned lunar landing mission. (Page 5)

Satellite photography does not show any Soviet military activity that could be construed as an imminent threat to Romania. (Page 5)

FOR THE PRESIDENT ONLY



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FOR THE PRESIDENT ONLY

USSR

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Preliminary analysis of photography [redacted]

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[redacted] confirms two additional new ICBM silos of the smaller type and five of the larger type at operational complexes. There are now 66 of the smaller type and 25 of the large type under construction in the USSR. None were detected at complexes where they had not been identified earlier.

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The smaller silos are at Derazhnya where the SS-11 is deployed with the SS-4 MRBM, and at Pervomaysk where the SS-11 is deployed with the SS-5 IRBM. The larger silos have been identified at five of the six SS-9 complexes.

Each of the five SS-9 complexes now has five of the large silos; Derazhnya and Pervomaysk each have 33 of the smaller silos.

Construction continues at a Tyuratam test facility which is believed to be involved in the development of a missile for at least one of the new type of silos. The latest photography of the facility-- where all versions of the SS-9 were initially tested-- showed what appear to be missile transporters some 80 feet in length. This is about 20 feet shorter than transporters seen there previously. The different size suggests a new missile, rather than another version of the SS-9, will be involved.

Analysis of the photography is continuing and further details may become available.

FOR THE PRESIDENT ONLY

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CAMBODIA

A rift between Lon Nol and Chief of State Cheng Heng is putting a new strain on government unity. Lon Nol thinks Cheng Heng is the leader of a "third force" seeking to compromise with Hanoi and Peking. For his part, Cheng Heng is upset, as are a number of other officials, over the arbitrary manner in which Lon Nol has conducted governmental affairs in Sirik Matak's absence.



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Matak will have to devote immediate attention, too, to the dispute between the National Assembly and the government over the regime's lackluster economic policies. Lon Nol is trying to avert a possible no confidence vote by the Assembly against Finance Minister Sok Chhong or perhaps the entire government.

If the Assembly should call for Sok Chhong's resignation, the rest of the cabinet would probably favor resigning also. Matak's influence would be needed to dissuade the cabinet from such a course.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**CUBA**

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[redacted]

Havana has sharply reduced its aid to guerrilla-oriented revolutionary movements in Latin America. The defector's reliability has not been established and he remains under study.

[redacted] training in guerrilla warfare and other paramilitary subjects is now given only to small, select groups. Logistical support still continues to be given to some rebel groups but it is restricted to very small amounts of arms, ammunition, and communications equipment. According to the official, the turning point in Cuban support to guerrillas occurred in early 1968 after Cuban-assisted rebel groups suffered several reverses. The government, [redacted] thereafter drastically reduced its aid to national liberation movements and concentrated on Cuba's pressing domestic problems.

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[redacted] Chile, Peru, Uruguay, Bolivia, and Guatemala--in that order--as the most important Latin American countries to Havana's foreign policy. [redacted] Fidel Castro has issued instructions to maintain complete cooperation with Chile at all costs. In Peru no operations are to be undertaken for fear of upsetting the favorable trend of events. Cuba considers subversive groups in Nicaragua, Colombia, and Venezuela too disorganized, undisciplined, and untrustworthy to merit more than token support. Except for Mexico, all other Latin American countries are considered unworthy of Cuban attention. Mexico is a special case because it has always been a base for Cuban operations against other countries; Castro has prohibited operations against the Mexican Government and assistance to any Mexican subversive group.

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[redacted] Castro reassessed his policy of supporting rebel groups in early 1968, following the Che Guevara fiasco in Bolivia the previous year, and chose to adopt a more realistic foreign policy. Castro's speeches over the past two years show clearly that he has emphasized the building of special ties with Chile, Peru, and Bolivia (before the recent coup), and that he is currently more interested in ending Cuba's isolation than in "exporting revolution."

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INTERNATIONAL ECONOMIC DEVELOPMENTS

First reports from the Japanese exchange market this morning indicate the newly floated yen appreciated by 5.2 percent. The governor of the Bank of Japan told the press that the bank would support the dollar if the yen appreciated too much. He did not indicate at what point the bank would intervene but private Japanese bankers are predicting that the yen will be allowed to appreciate by 6 percent. Japanese official reserves now stand at about \$12.5 billion after purchases of \$1.8 billion on Thursday and Friday.

Large gold sales by speculators in European markets yesterday drove the free market price down to \$41.12 per ounce. This represents a decline of \$1.87 in the past two weeks. Speculators apparently are beginning to conclude that there is little likelihood of an early increase in the official price of gold. Moreover, the floating of many major currencies favors the chances for a permanent, general realignment of foreign currencies, and this reduces pressure for an increase in the official dollar price of gold.

FOR THE PRESIDENT ONLY

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NOTES

USSR: Preparations are under way for a Soviet unmanned lunar landing mission using the SL-12 booster; the launch from Tyuratam appears to be planned for the first week in September. This will be the first Soviet lunar probe this year. The mission, like earlier ones, could involve the return of soil samples or the landing of a sensor-equipped lunar rover vehicle. Newer and more advanced scientific experiments are also possible.

Warsaw Pact: Satellite photography through [redacted] strengthens the conclusion that there is no military activity in western USSR that could be construed as an imminent threat to Romania. The photography shows no signs of troop concentrations or alerts. At military installations, there was no massing of civilian trucks indicative of a mobilization, nor were there any concentrations of military transport aircraft similar to those photographed prior to the Czech invasion of 1968. Photography [redacted] showed preparations then under way for the exercises now taking place in Bulgaria, but there was nothing unusual near the Bulgarian-Romanian border, and military activity appeared normal elsewhere in Eastern Europe, including Romania.

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The President's Daily Brief

Sunday - 29 Aug 71



~~Top Secret~~

PDB CABLE - SUNDAY - 29 August 1971

INTERNATIONAL ECONOMIC DEVELOPMENTS: Some Japanese

[redacted] claim that the yen was held to a five percent change in parity yesterday because of the participation of the Bank of Japan. Others insist that the Bank will avoid intervening unless the exchange rate changes more than 7-7.5 percent from parity.

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Much of the sting of the decision to float was eased for the Japanese business community by the government's defense of parity during the past two weeks, which enabled banks and exporters to sell dollars to the Bank of Japan and thereby reduce their losses after the float. Timing of the float may also have been responsive to the nearly total absence of new import and export business resulting from the uncertainty about the exchange rate. The Japanese vice minister of finance for international affairs has stated that the float may persist for "at least one year" if no early decisions are reached on multilateral parity adjustments.

The addition of the yen to the roster of floating currencies increases the volatility of the exchange markets, but it also increases the hesitancy of traders to engage in large deals. In the aftermath of the decision to let the yen float, the British have moved to forestall further speculative inflows of dollars from abroad against the stronger pound. Following a national holiday on Monday, British banks will not be allowed to pay interest on any increase in sterling accounts held by

FOR THE PRESIDENT ONLY

foreigners. Non-residents also will be prohibited from acquiring additional holdings of British Government securities.

[redacted] 50X1

LAOS

Lao Communist leader Souphanouvong has responded negatively to the message Prime Minister Souvanna sent to him on 18 August, which reaffirmed Souvanna's desire to begin peace talks. Souphanouvong's reply published today by the Pathet Lao news agency stated that Souvanna's proposal to discuss a cease-fire and a bombing halt in northeast Laos--particularly in the Plaine des Jarres region--is "unrealistic" and a "crafty maneuver" aimed at serving the military schemes of the US and "the reactionaries."

The message reiterated the Communist contention that an immediate cease-fire and bombing halt throughout the country is the most effective way to re-establish peace.

The Communists have also rejected Souvanna's more recent proposal for a neutralization of the Plaine, which he mentioned in a press interview on 26 August. The next day the Lao Communist representative in Vientiane, Soth Pethras, told journalists that Souphanouvong's position is that the Plaine cannot be neutralized until allied bombing of Communist troops and the Ho Chi Minh trail is halted. Soth also turned down Souvanna's proposal that the Pathet Lao participate in next year's National Assembly elections.

SOUTH VIETNAM

The Lower House elections are proceeding so far with only a few minor disturbances at the polling places. Early reports indicate that the voter turnout is moderately heavy.

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The President's Daily Brief

30 August 1971

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THE PRESIDENT'S DAILY BRIEF

30 August 1971

PRINCIPAL DEVELOPMENTS

An initial assessment of South Vietnam's Lower House elections is on Page 1.

The Bangla Desh government may be relying on the US to arrange talks with Islamabad. (Page 2)

In Laos, the Communists have rebuffed Prime Minister Souvanna's latest efforts to get peace talks started. (Page 3)

East German efforts to portray the Berlin agreement as a victory for Pankow's claims to sovereignty seem designed to counter doubts about it within party ranks. (Page 4)

Trading on the Japanese foreign exchange market was light again this morning, and the value of the yen in relation to the dollar was virtually unchanged. (Page 5)

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SOUTH VIETNAM

Despite some opposition claims to the contrary, [redacted] *irregular-*

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ties were not a major factor in the Lower House elections yesterday. Opposition groups are busy documenting complaints, most of which are coming from Military Region IV--the Delta. None of several threatened opposition demonstrations ever materialized, however, and Communist efforts to disrupt the elections were on a small scale and were generally ineffective.

Voter participation was higher than in last year's Senate elections and in the previous Lower House elections in 1967. The sizable turnout is helping the government discredit opposition charges that disillusionment over the presidential campaign has caused widespread voter apathy in South Vietnam.

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PAKISTAN

A representative of the exiled Bangla Desh government has told an officer of the US Consulate General in Calcutta that the Bengalis believe sufficient pressure to force the Pakistani Government into discussions with Bangla Desh can only be exerted by one of the Great Powers, and that Bangla Desh authorities accordingly have canceled all other efforts to open contacts with Islamabad. The American officer reported that, although the Bengali acknowledged that his government understands that the US has not offered to undertake such an effort, it apparently assumes the US Government will do so.

The Bangla Desh government may in fact be relying solely on the US to arrange talks with Islamabad. Indeed, there is no evidence that any very serious efforts have been made through other channels.

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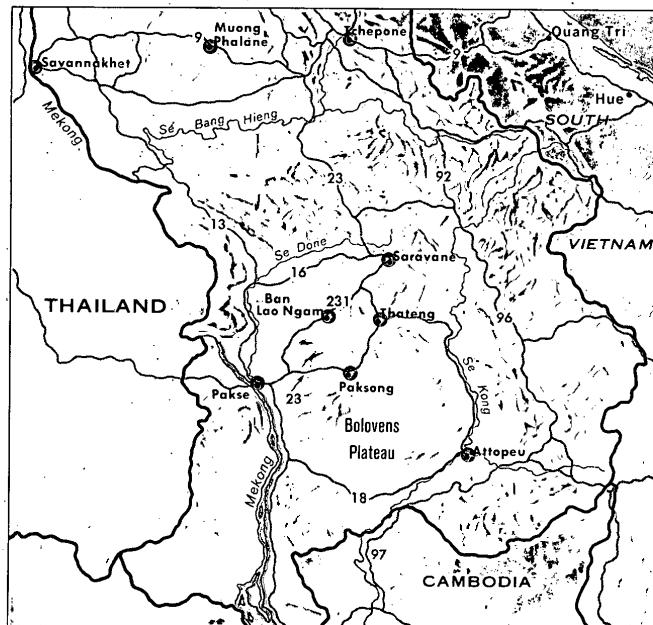
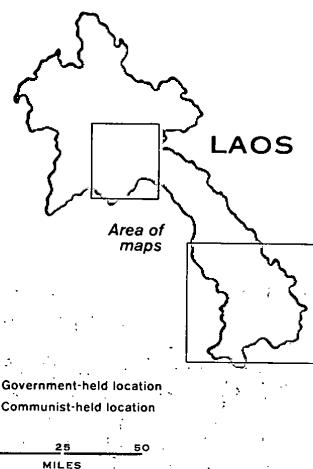
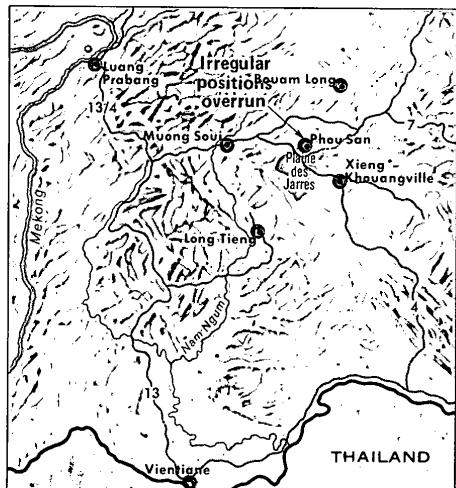
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The Bangla Desh representative claimed that 15,000 more guerrillas have entered East Pakistan, and he confirmed that an attempt will be made to sabotage the Padma, a ship carrying US-supplied military equipment to Pakistan.

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LAOS

Lao Communist leader Souphanouvong has dismissed Prime Minister Souvanna's message of 18 August, which proposed discussions for a cease-fire and a bombing halt in northeast Laos, as "unrealistic" and a "crafty maneuver." Souvanna's more recent suggestion for neutralizing the Plaine des Jarres, discussed in The President's Daily Brief of 27 August, was similarly brushed aside. The Pathet Lao representative in Vientiane told a press conference that Souphanouvong remains opposed to such a step as long as allied bombing of Communist troops and the Ho Chi Minh trail continues.

* * *

On the military front, the Communists during the past few days have made some gains against government units in the north. Three irregular battalions were forced to withdraw from four major positions in the northern foothills of the Plaine des Jarres on 27 August, following a series of heavy shelling and ground attacks. On 28-29 August, the Communists carried out similar strong attacks against three other irregular battalions on the northeastern part of the Plaine, forcing them to abandon the government's remaining positions there.

In south Laos, government forces attempting to retake Paksong on the Bolovens Plateau continued to run into scattered Communist resistance over the weekend and made no significant advances. An irregular reconnaissance team that moved briefly into Paksong on 27 August reported that villagers said the few North Vietnamese troops remaining in Paksong were sick and dispirited.

FOR THE PRESIDENT ONLY

EAST GERMANY - BERLIN

Party leader Honecker is taking a direct hand in the regime's expected effort to portray the tentative Berlin agreement as a victory for East German claims to sovereignty.

Honecker touted the East German and Soviet roles in reaching the agreement despite alleged Western obstructionism, and asserted that the accord recognizes and strengthens East Germany's territorial integrity.

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These propaganda claims, echoed in Honecker's interview with the major party daily on 27 August, seem designed to counter doubts within party ranks as details of the agreement leak out, and to guide the party's thinking during the subsidiary, inter-German negotiations on Berlin.

The first inter-German exploratory session last week deferred substantive negotiations until the governments of the four powers approve the draft accord.

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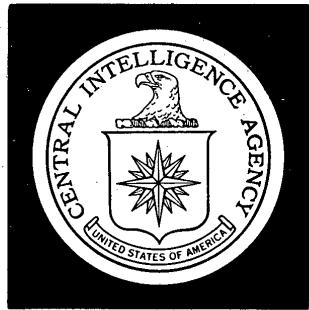
FOR THE PRESIDENT ONLY

NOTE

International Financial Developments: Trading on the Japanese foreign exchange market was light again this morning of the first full day of the market's operation since the decision to float the yen, and the yen's value in relation to the dollar was virtually unchanged. Japanese Finance Minister Mikio Mizuta has stated that the decision enables Japan to take "joint action with European countries which are also floating their currencies" and to demand withdrawal of the ten-percent US import surcharge. In an effort to dispell fears over the effect of the action, he announced that relief would be given to exporters hurt by the revaluation.

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The President's Daily Brief

31 August 1971

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THE PRESIDENT'S DAILY BRIEF

31 August 1971

PRINCIPAL DEVELOPMENTS

South Vietnamese military and government leaders appear to be less than unanimous in their support of President Thieu's election policy. (Page 1)

[Redacted] Laos [Redacted]

50X1

(Page 3)

[Redacted]

50X1

(Page 4)

The Soviets apparently now are advancing Gunnar Jarring as their candidate to succeed UN Secretary General U Thant. (Page 5)

[Redacted] Canada [Redacted]

(Page 5)

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SOUTH VIETNAM

[redacted] President 50X1
 Thieu met with senior South Vietnamese Army generals last week to seek assurance that they would back his plan to go ahead with the presidential elections on 3 October as scheduled. Although most of the generals readily pledged their support, some were noncommittal. A number of generals asserted that they were military men, not politicians, but would carry out Thieu's orders. Several felt Vice President Ky's exclusion from the race had been unfair, and at least one--Military Region I Commander General Lam--asserted that the senior military men should be allowed to meet together with Ky as he was also a military colleague. Lam did, however, express full agreement with Thieu's policy.

A number of cabinet ministers also met last weekend, [redacted] and drafted a proposal suggesting the presidential election be postponed. The ministers, who are concerned that a one-man race could create a difficult political situation for the government, believe that Thieu should not resign, but that a special session of the National Assembly should be convened to amend the election law and reorganize the contest. 50X1

Thus, it would appear that military and government leaders are less than unanimous in their support of Thieu's election policy. Thieu, however, has given no indication that he is considering changing his mind. While voting last Sunday, in fact, he announced that he would be back on 3 October, the date set for the presidential elections. Thieu probably would be concerned by any signs of opposition from his military commanders, although he is not likely to be worried by suggestions from some of his less influential cabinet ministers.

Ky has also been meeting with some of the generals, and he might be encouraged to oppose Thieu more strongly if he saw cracks in the President's military support. Ky, who has had a tendency to overrate his

FOR THE PRESIDENT ONLY

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own support in the past, met recently with the chief of the Joint General Staff, General Vien, and came away optimistic that Vien would support him in any future political moves. Vien, however, told Ky-- as he did the senior generals before their meeting with Thieu--that the army's job was to stay out of politics.

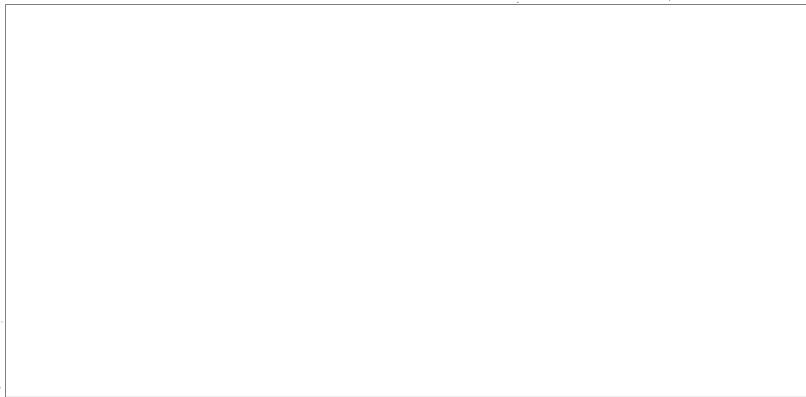
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Progovernment candidates are winning the bulk of the seats in Sunday's Lower House elections. Unofficial returns indicate that a majority of the deputies in the new 159-member House will be responsive to Thieu. Candidates backed by the opposition An Quang Buddhists did well in the northern provinces--their main center of strength.

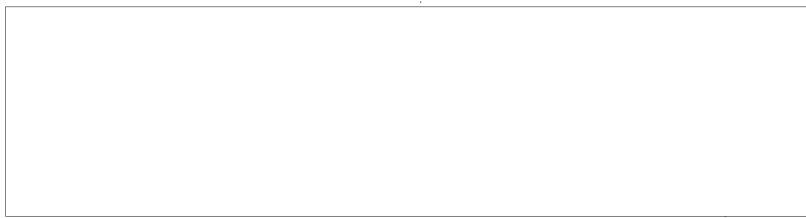
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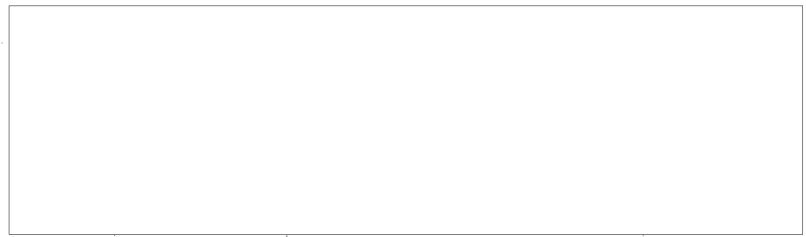
LAOS



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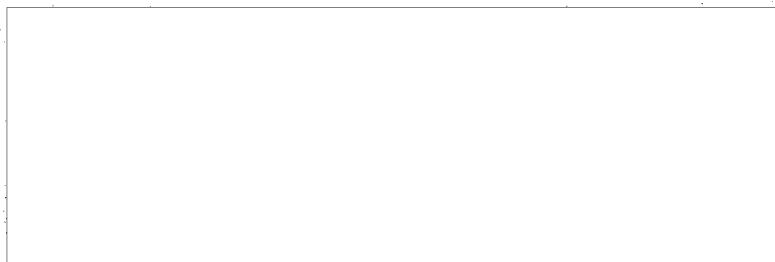


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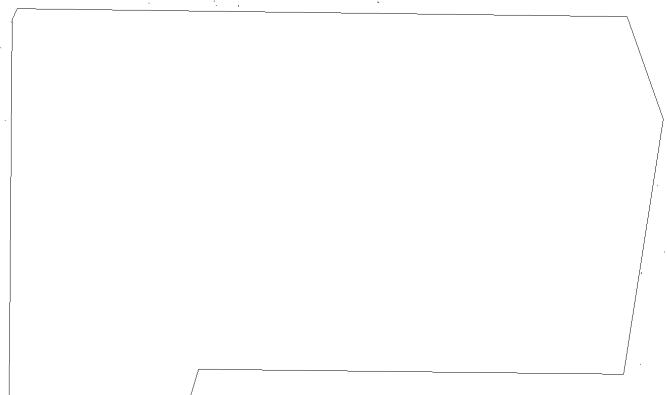
FOR THE PRESIDENT ONLY

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JAPAN



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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**NOTES**

UN: [redacted] the Soviets and their allies now are boosting Gunnar Jarring to succeed Secretary General Thant. Moscow is still trying to convince Thant to remain on the job, but Jarring seems to be the contingency candidate if, as seems likely, Thant does retire. Soviet representatives may also be floating Jarring's name to direct support away from the declared Nordic candidate, Max Jakobson of Finland. Jakobson's writings on Finnish neutrality have rankled the Soviets in the past, and the Kremlin is concerned that a dynamic figure like Jakobson might create waves on other matters if he becomes Secretary General. Peking's support of Jakobson is another factor that makes Moscow suspicious of his candidacy.

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USSR-Canada: [redacted]

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International Economic Developments: The latest quotations from the Japanese exchange market indicate that the yen has appreciated about six percent since it was floated on Saturday. [redacted]

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[redacted] According to a late press report, Tokyo is sending a formal note to Washington asking for removal of the import surcharge as a response to the Japanese decision to float the yen.

(continued)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

Malta-NATO: The North Atlantic Council yesterday reached no agreement on additional contributions to Malta for continued British base rights on the island. Italy was prepared to raise its pledge if others--including the UK--did likewise, but the British said they were "irrevocably" opposed to offering more. The UK-NATO offer of \$20.4 million in cash and aid, plus prospective bilateral aid packages from some NATO members, is short of Valletta's expectations. Prime Minister Mintoff, however, apparently still hopes to negotiate an accord with the British in order to avoid entanglements with Libya and the USSR that would compromise Malta's independence.

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