

The President's Daily Brief

1 September 1969

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FOR THE PRESIDENT ONLY

VIETNAM

President Thieu announced his cabinet today. He said he was pleased with it despite the fact that it did not include all the elements and people he had hoped to get. There are a number of important new faces and stronger and more competent ministries to replace weak ones in the Huong cabinet. Premier Khiem will have more of a team and enjoy more respect and cooperation in the assembly. Khiem himself will continue as Minister of Interior. Senator Tran Van Don was offered the post of Veterans Affairs with title Minister of State but he refused. The post was then given to a member of his National Salvation Front. Tran Van Lam was named Foreign Minister. Nguyen Van Bong refused to serve as Minister of State but agreed to cooperate with the government while maintaining the Progressive Nationalist Movement in a posture of "constructive opposition."

LIBYA

A military group took the occasion of the absence of King Idris in Turkey to declare an Arab Republic of Libya early this morning. The so-called "Revolutionary Council" apparently controls Tripoli and probably Benghazi but whether it has mastered forces loyal to the King throughout the country is still unclear. The U.S. Charge is of the opinion that very junior officers seem to be running the show. The "Council" stated that the rights of all foreigners will be respected as well as Libya's international obligations.

The coup attempt would appear to be internally inspired. Many of the military have long been antagonistic to the

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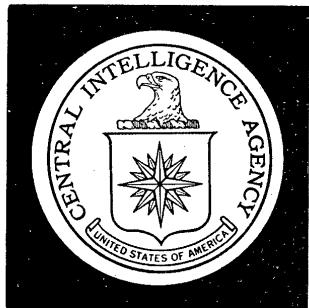
relationship between the King and the Shalhi brothers whom it was thought would be designated to take over control of the country after his death. The King is 80 years old, in ailing health and has frequently threatened to abdicate--the latest time last week. Apparently he made the threat once too often and some military officers have taken him up on it. There is at present no evidence of outside influence in the coup. While a republican government would doubtless be more militant in the Arab-Israeli situation than was the monarchy, there does not appear to be any direct connection between recent events in the Middle East and the coup attempt. It is too early to assess what a successful coup would mean as far as the two main U.S. interests in the area are concerned i.e., U.S. petroleum companies and Wheelus Air Force Base.

BRAZIL

President Costa e Silva suffered a stroke late last week and the military has decided to by-pass the constitution which would call Vice President Pedro Aleixo, a civilian, to take over during the President's incapacitation. Instead an institutional act was issued designating the three military ministers General Lyra Tavares (army), Admiral Rademaker Grunewald (navy) and Marshal Souza e Mello (air force) to take over the powers of the Presidency until Costa e Silva is able to resume his duties. The best estimate is that he will be incapacitated at least 60 to 90 days although [redacted] no one seriously believes he will^{50X1} be able to resume power. This is the first institutional act to be issued in the name of the military (as opposed to the President) since 1964.

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LIBYA

The identity of the members of the Revolutionary Command Council is still a closely guarded secret. With the exception of former Lt. Col. Abu Shuwayrib, the self-proclaimed leader, none of them have been identified. The few spokesmen of the group who have dealt with US and other diplomats have all been young officers making an effort to convey good will.

The council seems to be firmly in control, perhaps because potential opposition was so clearly surprised. Recognition of the council by Egypt and Iraq lends authenticity to its claim to govern, and fear of Egyptian intervention may inhibit some future counter move.

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The council has asked that activities at Wheelus Air Base be reduced, but there is yet no indication of what long-term plans the new leaders might have, if any. The chargé in Tripoli has been told the council will respect all agreements with the oil companies and that there is no need for concern for any members of the foreign community. There have been no incidents thus far to create doubts as to the council's good intentions.

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ISRAEL-SYRIA

Israeli leaders are holding their anger in check while they wait for the US and other nations to obtain the release of the men still held by Syria. The Italian chargé in Damascus has been negotiating with the Syrians, but he is not optimistic about an early release. TWA officials are also in Damascus hoping to arrange freedom for the prisoners and to work out a plan for the repair and return of the aircraft.

The French Embassy in Damascus made a demarche, and Moscow complied with a US request to convey Washington's views to the Syrians. The Soviet deputy foreign minister told Ambassador Beam that the incident would "arrange itself" if the Israeli government used restraint.

BRAZIL

Transfer of the presidential powers to a military triumvirate has caused little adverse reaction thus far, either domestically or internationally. The civilian political leaders in Brazil who could have opposed the move have been effectively muzzled since December. The general public, unorganized and disenchanted, is not likely to detect any real difference and much less likely to protest.

If Costa e Silva is incapacitated for a prolonged period--and many Brazilians believe he will never return to office--senior officers will intensify their pushing

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and showing to be in the best position possible when the presidential election comes up in January 1971. Military unity has been the key to such stability as Brazil has enjoyed. A prolonged dispute over the choice for the president's office could surface many partially hidden conflicts and jeopardize that unity.

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VIETNAM

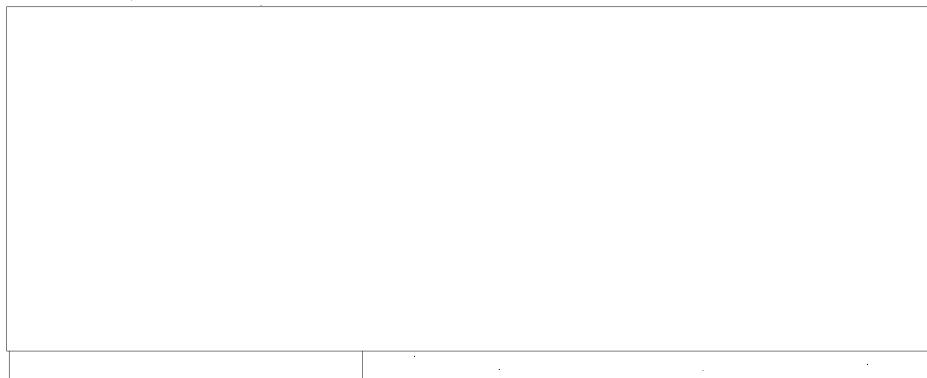
Ho Chi Minh may be dead or so seriously ill that he cannot be expected to live for long.

A communiqué issued by North Vietnamese authorities early on 3 September, Hanoi time, announced that during "the past few weeks" the 79-year-old leader "has not been well," and that a team of experts had been assembled to provide him with constant care. A later communiqué noted that "his sickness is developing and tends to become critical." These statements strongly suggest an attempt to prepare the populace for a subsequent death announcement.

In response to the interest in this subject expressed by the Office of the President in California, we offer at annex some preliminary speculation on the possible consequences of Ho's death.

MIDDLE EAST

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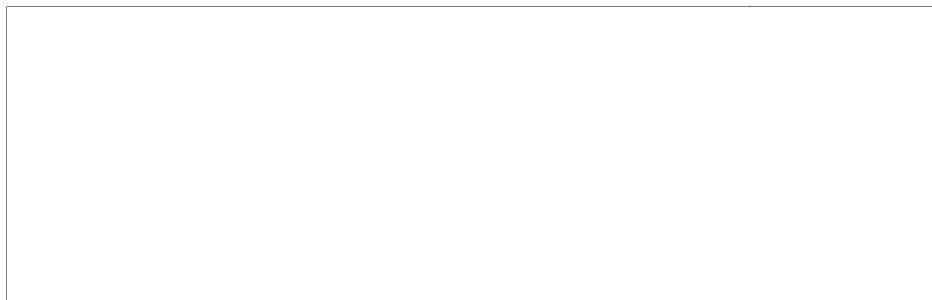
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SOVIET AFFAIRS



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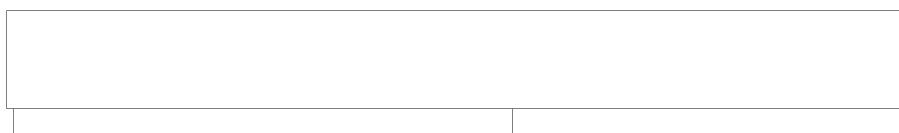


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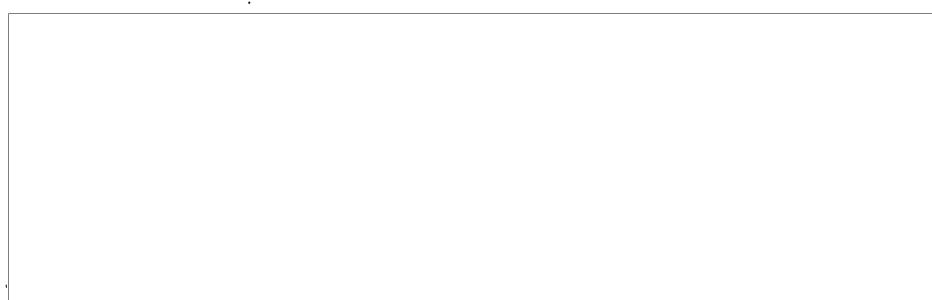
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LIBYA

The junta appears to be settling in. No opposition to its rule has appeared, and the republican radio is broadcasting long lists of those who allegedly have rallied behind the regime. King Idris arrived in Greece from Turkey today. His representative, Umar Shalhi [redacted]

[redacted]
[redacted]
[redacted] 50X1

[redacted]
[redacted] plans to come to the United States
to continue his search for support.

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In Tripoli the Revolutionary Command Council has announced that rather than appointing a government, it will run the country itself. Its composition remains a mystery;

[redacted] 50X1

Other than its tendency to use standard Arab radical rhetoric, there is no further evidence of the Command Council's political orientation.

BOLIVIA 50X1

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SPECULATION ON THE POSSIBLE CONSEQUENCES
OF HO CHI MINH'S DEATH

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In addition to today's announcements from Hanoi, a primary reason for believing that Ho Chi Minh may be dead or close to death is a series of Communist transport flights into North Vietnam during the past few days. Two special flights from Peking to North Vietnam were flown last week; this past weekend three separate VIP flights arrived from the USSR, China, and North Korea. Some of this travel could have involved medical assistance for Ho or delegations to North Vietnam's national day celebrations on 2 September, but the bulk of it probably reflected Hanoi's calling in representatives from its major Communist allies at a time of potential crisis. Both Moscow and Peking have important axes to grind in such a situation, but it is unlikely that the North Vietnamese would bring other Communist powers onto the scene if Ho were ill and the key issues were still in doubt.

Instead, it seems more likely that power probably already has passed--in fact, if not in name--to Ho's successors and that they have called together their principal allies to inform them of the shape of a post-Ho leadership lineup, to spell out future regime policies, to ask for continued Communist support, and perhaps to head off any heavy handed meddling from abroad.

The last time Ho acted out a public role was in mid-June in connection with the founding of the Communists' "Provisional Revolutionary Government." Rumors that he was ill have

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appeared since then in the Hanoi diplomatic community, but like similar reports in the past, they were never confirmed and never acknowledged by the regime. The first solid clue that Ho was perhaps seriously ailing came on 1 September when the regime held its national day rally and Ho failed to put in his customary appearance. Last year, North Vietnam made a special point of alleging Ho's good health.

Confirmation that Ho has been seriously ill helps to explain evidence of disarray in North Vietnam during the past few months. Since at least last spring, when the regime held a prolonged strategy review and seemed to have set a relatively firm course for itself, there have been frequent signs of pulling and tugging within the leadership about the war, the negotiations, and domestic policies.

One example of this may be the apparent switch in Communist tactics on how to deal with the Saigon government. At the time of the bombing halt last October, and into the first part of this year, the Communists acted as if they had decided they eventually would have to sit down and negotiate in a forum including the South Vietnamese Government. Their consistent refusal to follow through since then, except in the formal sessions in Paris, may be only a tactical ploy, but it could also reflect difficulty in agreeing how and when to implement what was a tough and basic decision. This could easily have become an unmanageable problem while Ho was still alive but perhaps not exercising a firm hand at the helm.

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Further evidence of indecision or debate in the leadership can be seen more generally in the Paris talks and in Hanoi's entire politico-diplomatic effort since last spring. Immediately after the North Vietnamese concluded their strategy review, the Liberation Front announced its ten-point program on 8 May. A month later the Communists announced the formation of a "Provisional Revolutionary Government" in South Vietnam, presumably as another step in their scenario for a political settlement. Hanoi's top man in Paris, Politburo member Le Duc Tho, returned to the talks in early May and at the end of the month injected a whole new Communist tactic by suggesting privately to Ambassador Lodge that the US and North Vietnam should take up all issues in secret, bilateral discussions.

The momentum involved in this series of initiatives from the Communists seemed likely to be followed by developments; instead, paralysis set in, and since then the Communists have done nothing but stall in Paris. Le Duc Tho left for Hanoi in early July for reasons which were never apparent in terms of Communist strategy, especially in view of the decisions which presumably were made earlier in the spring. It now seems apparent that he has been huddling with other top members of the leadership because of Ho's declining condition.

Similar evidence of indecision or debate can be gleaned from North Vietnamese media, where it has been readily apparent that a sharp dispute has been going on over agricultural policy, over the familiar issue of how much of North Vietnam's

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resources should be devoted to the war, and over when and how to crack down on abuses of Marxist orthodoxy in economic and social affairs. It is quite conceivable that the failure of Communist forces in South Vietnam to initiate some of the offensive actions they have planned may have been caused in part by a leadership crisis in Hanoi.

Ho's demise would, of course, remove the man who has been the dominant figure in the Vietnamese Communist movement for nearly 40 years and who probably has many times exercised a final judgment in deciding policy disputes. His successors will be men who have generally managed to work together over the years in pursuit of broad common goals, but whose public statements in themselves reflect profound differences of approach on many basic issues. Ho's lingering illness and the uncertainties thus created may well have complicated the problem of coming up with agreements on specific policies and tactics.

Some kind of consensus on the regime's future course and on a new leadership probably was worked out prior to the first announcement that Ho has been ill. Ho may even have given his personal stamp of approval to some new hierarchy. In the short run, this probably will result in maintenance of continuity, perhaps with some fairly early tactical shifts. Over the longer haul, however, a new leadership probably will have trouble making and carrying out major decisions, especially if they depart significantly from past ones, without the benefit of Ho Chi Minh's personal prestige and authority.

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Only four men on the Party Politburo have clear shots at some of the principal power previously wielded by Ho. In their nominal party positions conferred at the last Party Congress in 1960, they are (1) Party First Secretary Le Duan; (2) theoretician and National Assembly Chairman Truong Chinh; (3) Premier Pham Van Dong; and (4) Defense Minister Vo Nguyen Giap. Their relative standing today probably is somewhat different.

Le Duan almost certainly has lost ground in the past year or so because many others disagreed with his policies of sacrificing virtually everything for the struggle in the South. He may have been sustained until now only by reason of a close personal relationship with Ho.

Truong Chinh will almost certainly emerge as a dominant personality, and perhaps the principal figure, in a new regime. His views have been featured prominently for more than a year, and the country and the war probably have been headed in the directions he laid down in a long report last summer. A major question mark is his health. He spent nearly two months in East Germany between April and July receiving medical treatment and recuperating from an operation.

Truong Chinh probably is allied with Defense Minister Giap in advocating a cautious and protracted application of the tactics of a "people's war" to the struggle in the South, and in trying to ensure that the strength of the regime in the North is preserved and built up along strict Marxist lines.

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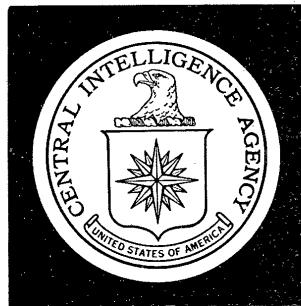
It is widely believed that Communist tactics in South Vietnam during the last year are a direct result of Giap's influence and that he probably opposed the more reckless offensive efforts of the first part of 1968.

Premier Pham Van Dong probably would retain his post or might even advance to the presidency in a post-Ho leadership lineup. He may well be a solid member of the Chinh-Giap camp and stay where he is as head of the government apparatus.

We cannot forecast with any confidence what specific policies might be pursued by a leadership dominated by Truong Chinh and supported by Giap and Pham Van Dong. All these men are deeply committed to the struggle in the South and bent on the achievement of at least certain minimal objectives before giving any ground themselves. Any shifts in policy probably would emerge only gradually, but they might well take the direction that much of the recent evidence suggests: preparing to fight the war over the long haul if this proves necessary, but being ready to shift the struggle largely to the political arena if the time seems right and enough opportunities for eventual Communist success are left open.

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VIETNAM

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Some tactical military shifts by the new North Vietnamese leadership may appear soon.

[redacted] 50X1

[redacted]

[redacted] 50X1

There are no signs yet, however, that any shift has actually begun. [redacted] intercepts in fact indicate that as recently as Wednesday some units were still under orders to attack.

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CZECHOSLOVAKIA

The carefully staged campaign to discredit Dubcek, Smrkovsky, and Cernik seems about to come to a climax. A plenary meeting of the party's central committee is scheduled for this month--it may in fact have begun already. The plenum will give Husak the opportunity to send the three men into political oblivion, as Moscow has long demanded.

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COMMUNIST CHINA

[redacted]

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SOVIET AFFAIRS

Recent satellite photography of the Kazan airframe plant shows a new prototype supersonic swing-wing bomber. The aircraft is about 140 feet long, has an extended wing span of about 105 feet, and apparently is powered by two engines mounted in the fuselage. It can be expected to undergo four to six years of testing before it is ready for operational service. This is the first evidence that the Soviets are working on a new strategic bomber.

* * *

Satellite photography has also disclosed a Y-class (Polaris equivalent) submarine at the Komsomolsk shipyard in the Soviet Far East. This confirms earlier estimates that Y-class units are in production at Komsomolsk as well as at Severodvinsk in European Russia, where nine of this class have been launched so far.

* * *

Continued unfavorable weather dims the outlook for the Soviet grain harvest this year. Cool weather delayed planting and retarded crop development during the spring and summer in the European USSR, while crops in the New Lands were harmed during June and July by hot, dry weather. More recently, excessive rain and wind have delayed and

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complicated harvesting. Only one-third of the crop, rather than the usual one-half, had been harvested by late August. Unprecedented effort and good weather will be needed throughout September to assure a satisfactory harvest.

MIDDLE EAST

The Lebanese Government's ability to curb the fedayeen based on its territory--already questionable--is diminishing as fedayeen strength grows.

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[Redacted] Israeli

warnings to Lebanon about fedayeen attacks probably will be ineffective.

The Israelis mounted another air strike against fedayeen bases on Mount Hermon yesterday.

LAOS

Vang Pao's guerrillas have occupied most of the Plaine des Jarres and have also made significant gains to the north of it.

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[Redacted] 50X1

[Redacted] 50X1

The ease of Vang Pao's advance suggests that the Communists were not preparing for a major drive west of Muong Soui,

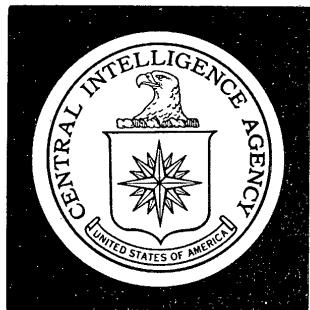
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as government leaders feared. The virtual absence of any Communist response, in fact, adds weight to claims of local villagers that large numbers of North Vietnamese left the Plain last month. There is little reason to doubt, however, that when the weather begins to improve in October the Communists will not only undo Vang Pao's effort but will also cut deeper into the government's overextended lines.

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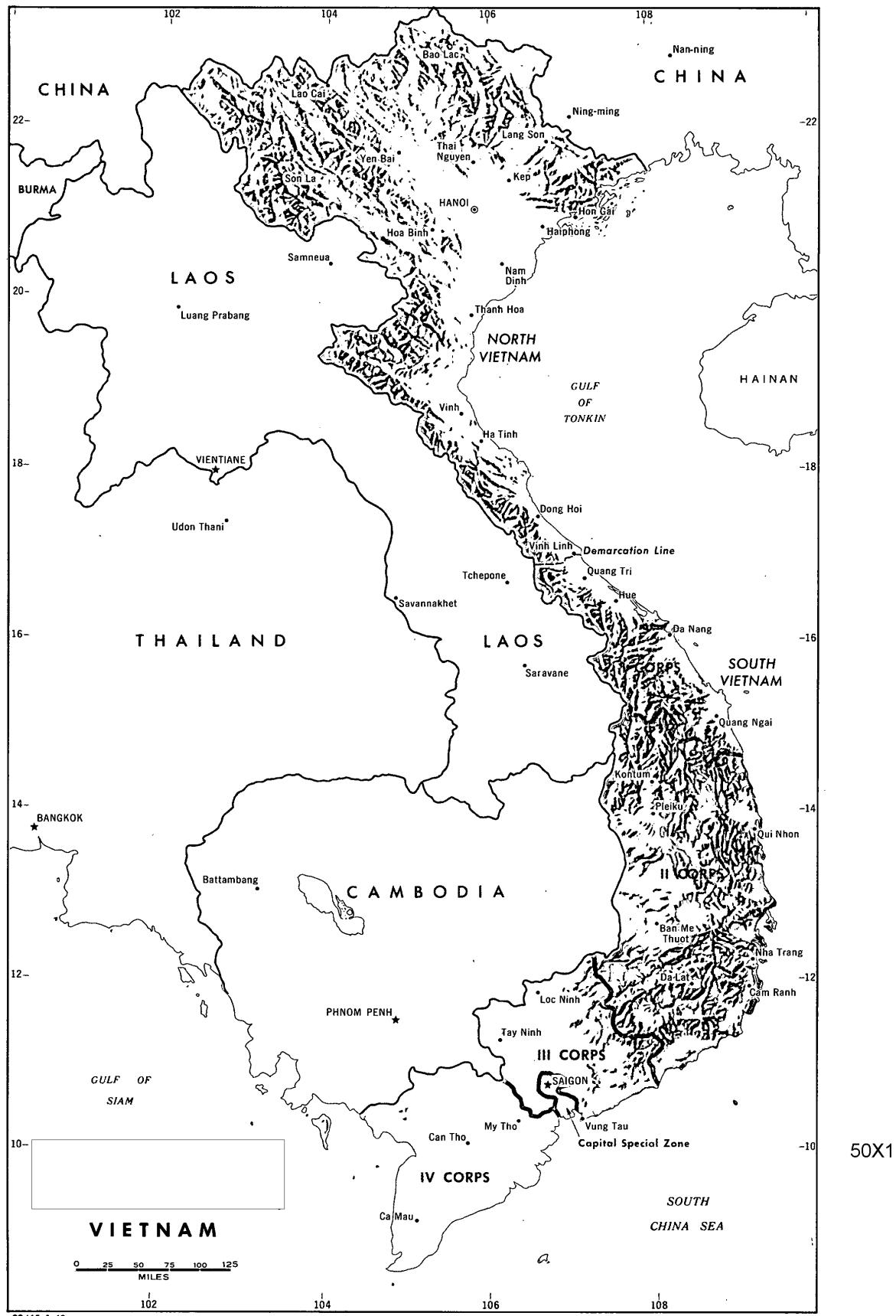


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FOR THE PRESIDENT ONLY

VIETNAM

Chou En-lai has already arrived in Hanoi to pay his respects to Ho Chi Minh. His haste may indicate that he wants to lay out China's case for the new leaders before other VIPs start their campaign.

In South Vietnam, rocket and mortar attacks increased to the highest rate since the night of 11 August. The two southernmost corps were the scene of almost four times as many attacks as the two in the north.

In Saigon, [redacted] the Viet Cong distributed leaflets and tracts calling on the people to mourn for Ho for the next seven days. 50X1

BRAZIL

Brazilian and US officials in Rio have released most of the information about the kidnapping of Ambassador Elbrick to the press [redacted] 50X1

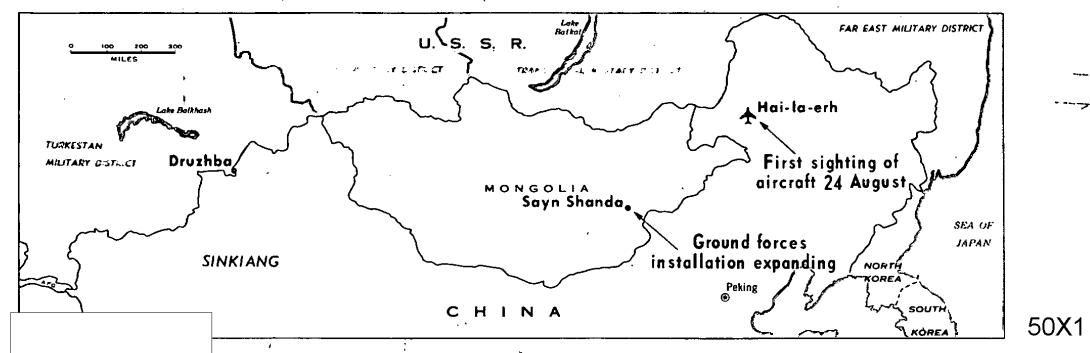
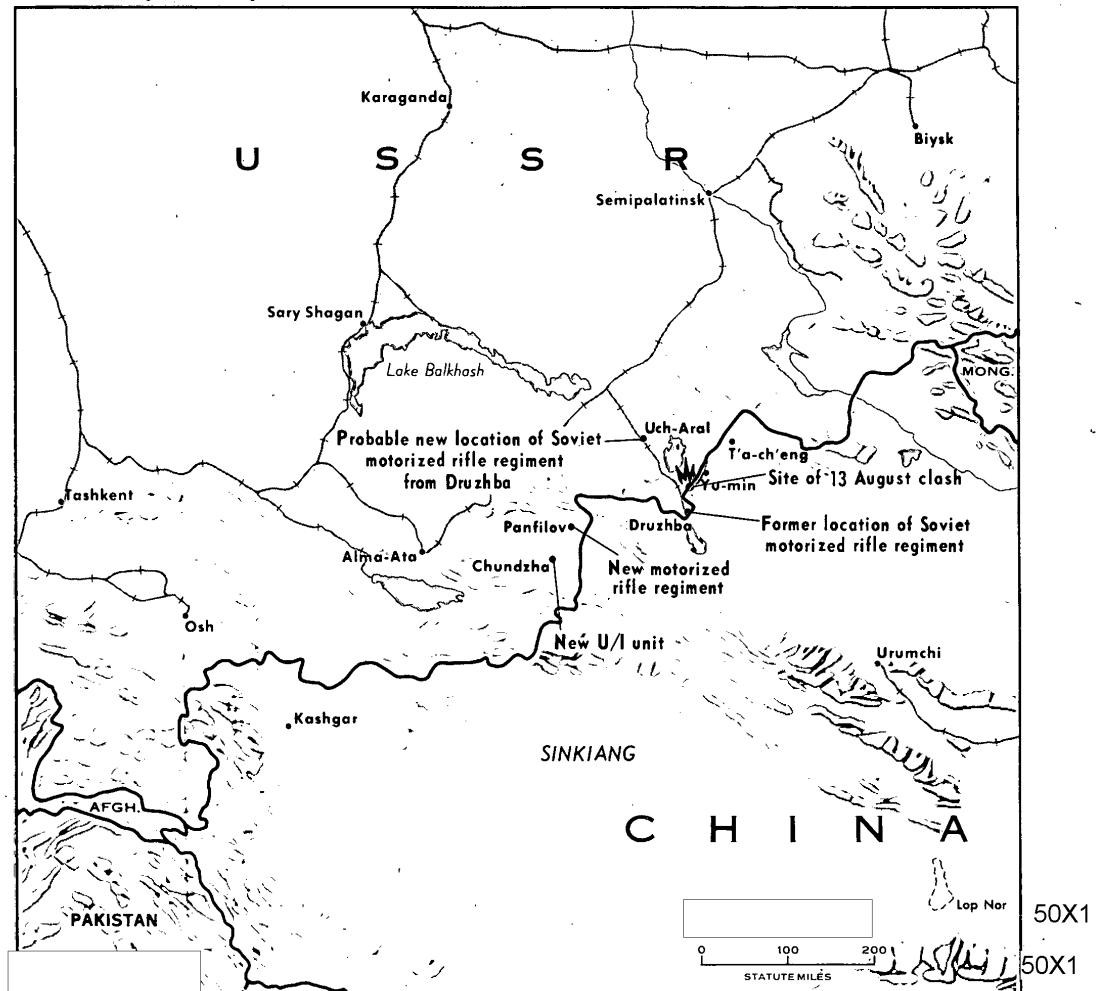
[redacted] Foreign Minister Magalhaes Pinto, during his call at the embassy, indicated that the kidnappers demands for Elbrick's release would be met [redacted] 50X1

[redacted] 50X1

[redacted] 50X1

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Military Activity on the Sino-Soviet Border



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SOVIET UNION - COMMUNIST CHINA

Satellite photography [redacted] shows some changes 50X1
 in the military forces on both sides of the border. On
 the Sinkiang border, the Soviets have added a motorized
 rifle regiment and a smaller unit and have withdrawn an-
 other regiment from its former vulnerable position at
 Druzhba. More than 1,000 miles to the east, in Mongolia,
 the Soviet army installation is being expanded. On the
 Chinese side, northwest of Harbin, about 21 MIG fighters
 were noted at Hai-le-erh, the first sighting of aircraft
 at that airfield.

MIDDLE EAST

It will be hard for Tel Aviv to stick to its assurances
 of minimum publicity when the first four Phantoms arrive to-
 day. [redacted]

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[redacted] Arab militants may take
 news of the delivery as the signal for anti-US demonstra-
 tions, particularly in Lebanon and Jordan and in those
 countries with extensive American oil installations.

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Soviet Deputy Foreign Minister Vinogradov told Ambas-
 sador Beam on Wednesday that Dobrynin will not be back in
 Washington before the opening of the UN General Assembly
 on 16 September. He gave no reason for the delay in
 Dobrynin's return, but it is possible that the ambassa-
 dor has not yet recovered from his long sickness. On the

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other hand, the Soviets may still be having trouble developing their positions on various issues outstanding with the US, and do not want to send the ambassador back to Washington with an empty briefcase.

* * *

Israel's punishing commando raids into Lebanon is unlikely to deter the fedayeen based there, and will further reduce President Hihu's chances of restraining the terrorists.

JAPAN

Radical students

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[redacted] are planning to protest Sato's late-fall visit to the US. They have already used Molotov cocktails for nuisance raids against the US and Soviet embassies, protesting Foreign Minister Aichi's trip to Moscow and Washington. They delayed his departure yesterday by hurling them on the airport runway.

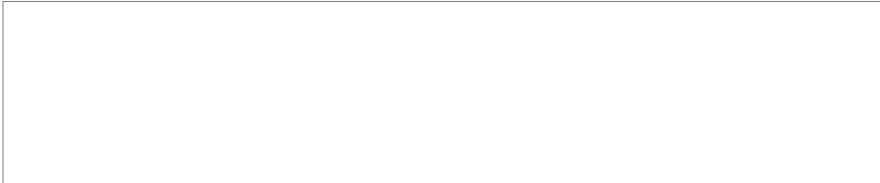
A power struggle among the several factions of the student movement is one cause of the adoption of "guerrilla" tactics. Another is that police have been highly effective in handling unified student demonstrations and violence in the past.

INDIA

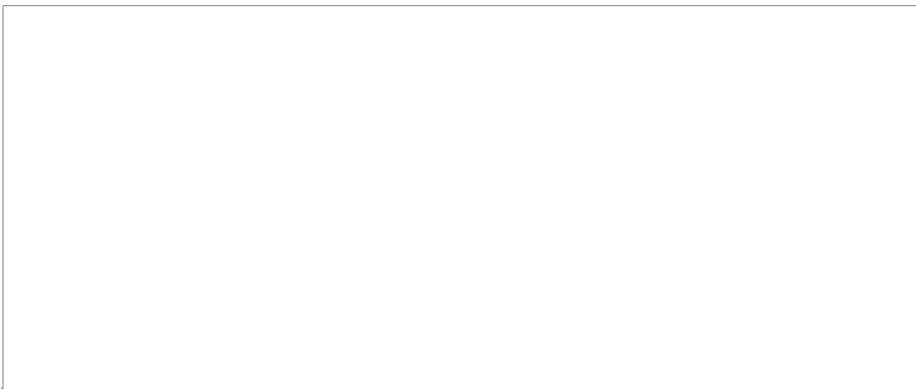
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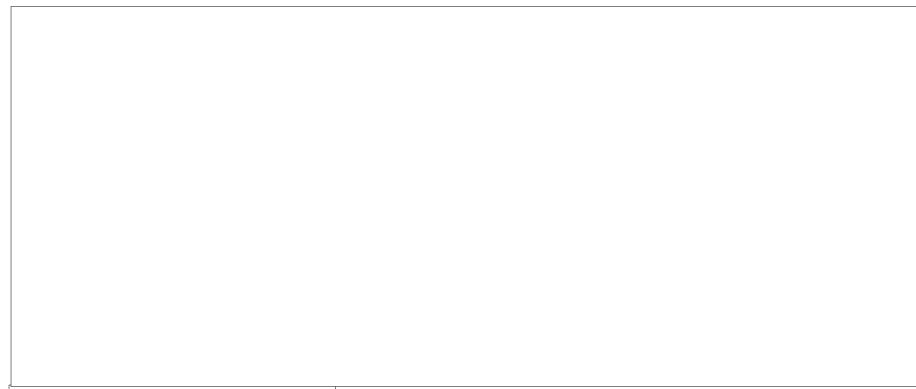
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SOVIET UNION - COMMUNIST CHINA

[redacted] volunteered to a 50X1
US Embassy official on Thursday that the Russians intend to use "new weapons" against China if there is a further outbreak of border fighting. He made the assertion in a context which did not exclude the use of tactical nuclear weapons.

The [redacted], sought to make it clear that he 50X1 was revealing the thinking of "higher levels" in Moscow. He has given the embassy accurate information in the past in connection with the Sino-Soviet issue. On this occasion he said that if the Chinese persist, as Moscow thinks they will, in provoking armed clashes along the border, the Soviets will use "new weapons" to demonstrate that they do not intend to be "bled white."

These are not entirely new notes. The letter which Moscow sent [redacted] Communist Party also had 50X1 said that Moscow was determined not to be bled white by the Chinese. As for weapons, a Soviet diplomat had claimed last spring that the Soviets had shown the Chinese a "new weapon or two" during the second clash on the Ussuri River. He denied, at the same time, that he meant nuclear weapons and his reference then may have been to improved conventional munitions such as controlled fragmentation artillery rounds.

In this most recent episode, however, [redacted] passed 50X1 up the chance given him to rule out the use of nuclear weapons against the Chinese. He claimed that Moscow would let the Chinese "know" before using "new weapons"--thereby implying a

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nuclear threat. At the same time he disavowed press reports that Moscow was planning a pre-emptive strike against China, ascribing these to a US attempt to disturb further relations between Moscow and Peking.

Despite the ambiguities of [redacted] meaning, he came as close as any Soviet source has yet come to saying that Moscow is ready to escalate its military response to Chinese border provocations.

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Chou En-Lai has already left Hanoi for Peking, and Kosygin is not scheduled to arrive in the North Vietnamese capital until today. Wittingly or not, the two thus have managed to avoid the embarrassment of a graveside meeting.

[redacted] 50X1

CZECHOSLOVAKIA - SOVIET UNION

The Czechoslovak party plenum scheduled to open on Thursday was postponed at the last minute, apparently as a result of disagreements between Husak and the party's conservatives. Meanwhile, [redacted] Prime Minister Cernik, one of the main targets of the conservatives, may survive the upcoming purges.

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Cernik has a reputation for turning up on the winning side in intramural Communist struggles. On 27 August, in what was

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widely regarded in Prague as an effort to save his own skin,
he made a sharp public castigation of Dubcek.

BRAZIL

There is mounting opposition in the Brazilian military to the government's decision to release 15 political prisoners in exchange for Ambassador Elbrick. A meeting of high-ranking officers and members of the ruling junta has been set for today to reconsider the question of the prisoners' release.

VIETNAM

Enemy military activity during the night of 4-5 September was typical of the "highpoint" tactics the Communists have used since early spring. Although 86 shellings were reported,

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mostly against military targets in III and IV corps, along with a few ground attacks northwest of Saigon, allied casualties and damage were light.

[Redacted box] 50X1

MIDDLE EAST

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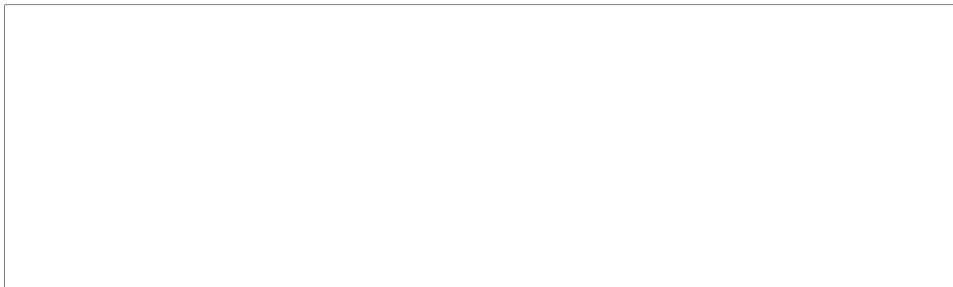
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MIDDLE EAST

The two Israeli prisoners are well and the Syrian Government may be getting ready to release them, according to an Italian diplomat stationed in Damascus. The Italian confirms that the Syrians were deeply embarrassed when the hijackers landed in Damascus. The release of the two Israelis, he says, has been delayed both by the international hue and cry over "Syrian piracy" and by the intransigence of extremists within Syria. He thinks the Syrians are now hunting for a gesture from the US which they can use to save face with the extremists.

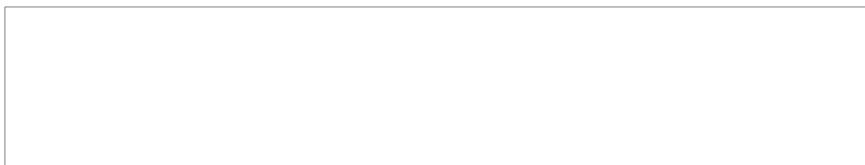
The Italian's version of the Syrian rationale for detaining the Israelis probably is right as far as it goes. We are fairly certain, however, that Damascus was also hoping Israel could be pressed into releasing the two Syrian pilots it holds. The recent conciliatory signs thus suggest the Syrians have given up this hope.

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FRANCE-ISRAEL

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EUROPE

The problems of the European Communities will probably dominate Pompidou's talks with Kiesinger this week in Bonn.



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We assume Pompidou will do his best not to be pinned down, and the Germans are unlikely to press him too hard.

In one important respect, German attitudes apparently have moved closer to those of France. Bonn now seems ready to try for an early agreement on the common agricultural policy, even though this could make British accession more difficult. Von Staden of the German Foreign Office tried to sweeten this pill by insisting to US officials that British interests would be kept in mind during any CAP negotiations, and by asserting that a CAP settlement need not be "everlastingly permanent."

BRAZIL

Brazilian security officials claim they are hot on the trail of Ambassador Elbrick's kidnapers. Even if the culprits are caught, however, the ruling triumvirate's days probably are numbered.



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IRAN

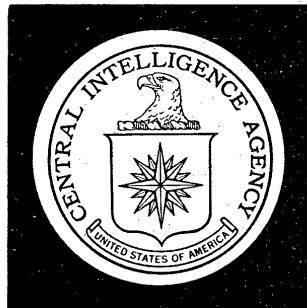
Negotiations between Iran and the western oil consortium on revenues for 1970 will begin in London this week. As usual, there is a large gap between Iranian demands and consortium revenue estimates.

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The meetings next week are likely to be a prelude to many months of stiff negotiations.

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MIDDLE EAST

Yesterday Israeli embassies in Bonn, Brussels, and The Hague were bombed by terrorists, as was the El Al Airline office in Brussels. Damage was slight, but three people were injured. The timing suggests the bombings were coordinated and were the work of a well-organized terrorist group. Because of its past performance and its continuing threats, the Popular Front for the Liberation of Palestine--which has already claimed credit for the embassy bombings--is indeed a prime suspect.

Spokesmen for the Front have announced on a number of occasions that it has begun a worldwide campaign against Israel. The Front is the only terrorist organization that has the US in its sights as well as Israel.

Thus far, the Front has claimed to have sabotaged the Tapline pipeline and to have hijacked the TWA airliner to Syria. Recently the Front has threatened to hijack an aircraft inside US borders.

El Al aircraft have been targets of Front activities three times. One leaving Rome in the summer of 1968 was hijacked to Algeria, one was attacked in Athens in November 1968, and another in Zurich the following February.

The Front also bombed the offices of an Israeli navigation company in London early in August.

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The Front has another reason for exploiting its reputation for successful action: contributions from sympathizers increase after each incident.

LIBYA

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biographic information on five of the nine cabinet members announced yesterday.

Mahmud Sulayman al-Maghribi, Prime Minister

Also minister of finance, of agriculture, and of agrarian reform. Released from prison last week, had been serving a four-year term for inciting riots in 1967 in the wake of the Arab-Israeli war. Before his arrest, was a lawyer with Esso, was on the liaison committee of the oil workers' union, and was a leader of the Libyan branch of the Arab Nationalist Movement--a Marxist, pan-Arab political party.

Salih Masud Abu Yasir, Foreign Affairs

The name is sometimes transliterated as "Buwaysir." Has been a political exile in Egypt since 1955, fleeing charges of complicity in the assassination of one of the king's confidants. Before 1955, was prominent politician and was a deputy in Parliament. Was chairman of Parliament's Foreign Affairs Committee in 1952. Owned a newspaper at that time which advocated close ties with the US as a balance to British and French influence.

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Adam Said al Hawwaz, Defense

A lieutenant colonel and member of the Revolutionary Command Council, age 31. In Benghazi last week, was in contact with a US Embassy officer who described him as idealistic and eager to improve the lot of the average Libyan. At that meeting, Hawwaz expressed a desire to cooperate with the US. Seems to be an apolitical nationalist without ties to pan-Arab movements.

Musa Ahmad, Interior

Also a lieutenant colonel, age 32, with 12 years uninterrupted army career. Was a first lieutenant in 1961, made his present rank early last month. [redacted]

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Muhammad al-Jadi (also uses al-Qadi), Justice

Age 36, an anti-Communist trade unionist (IFTCU), president of the Libyan workers' union at Wheelus Air Base, date unknown. In 1967, was chief translator for Shell and company's representative in the Petroleum Workers Union. Reportedly a Baath Party member.

VIETNAM

North Vietnamese talks with Kosygin and company Sunday seem to have covered a wider range of topics than the earlier Sino-Vietnamese discussions. That the Paris conference and economic aid were among the subjects discussed is indicated by the presence of Le Duc Tho and Xuan Thuy, and Le

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Thanh Nghi--Hanoi's economic affairs expert. None of these took part in the talks with Chou En-lai.

Delegations from East European and several Afro-Asian countries are en route to Hanoi for Ho's funeral. Except for the Romanians, the contingents from eastern Europe are traveling aboard Soviet aircraft flying the southern route that skirts China. The Romanians are flying via Peking.

A Chinese delegation headed by Vice Premier and Politburo member Li-Hsien-nien arrived in Hanoi Sunday. Since Chou's brief visit is now being billed by the Chinese as a condolence call by a "party delegation," Li's delegation presumably represents the Chinese government. Li has been performing some of the functions of China's foreign minister; next to Chou himself, he would be the most logical candidate to head a state delegation.

BOLIVIA

General Ovando, who has been talking coup for many months,

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[redacted] stated he planned to take power
"sometime this week."

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No one doubts that Ovando could oust President Siles any time he decides to move. Most military leaders support

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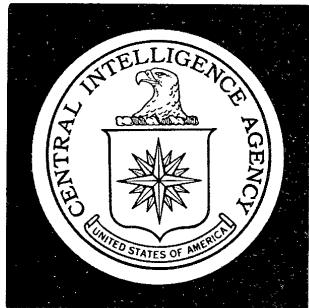
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him, and civilian political groups that could oppose him are
too weak to offer significant resistance.

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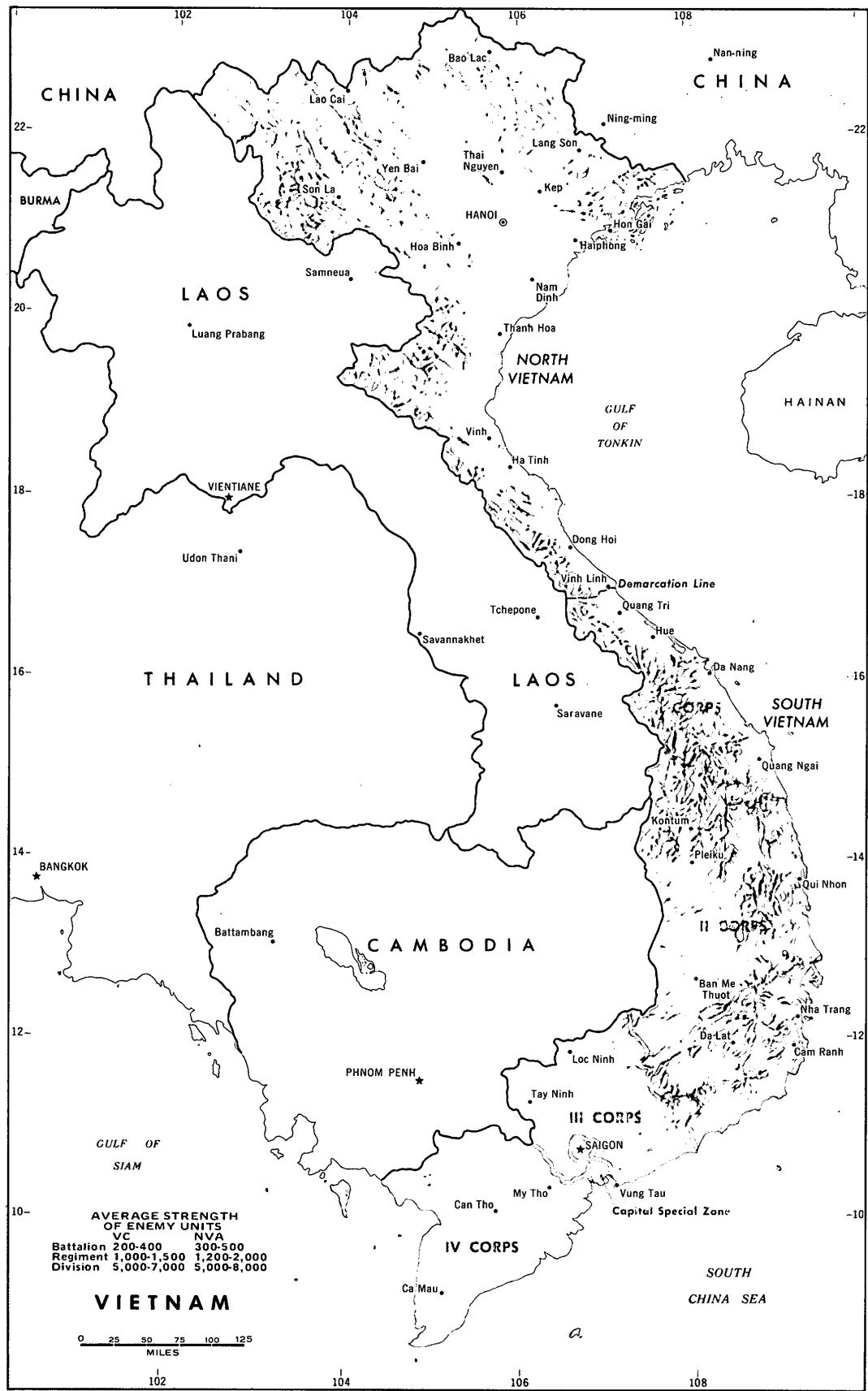
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VIETNAM

Intercepted Communist messages indicate the enemy intends to resume widespread offensive action after the 72-hour stand-down ends this evening. One message, for instance, directed a Communist unit in the DMZ area to "turn grief into combat action," and a North Vietnamese regiment in III Corps admonished its battalions to be "really sure" to resume operations "continuously in great numbers, and in all areas after the cease-fire."

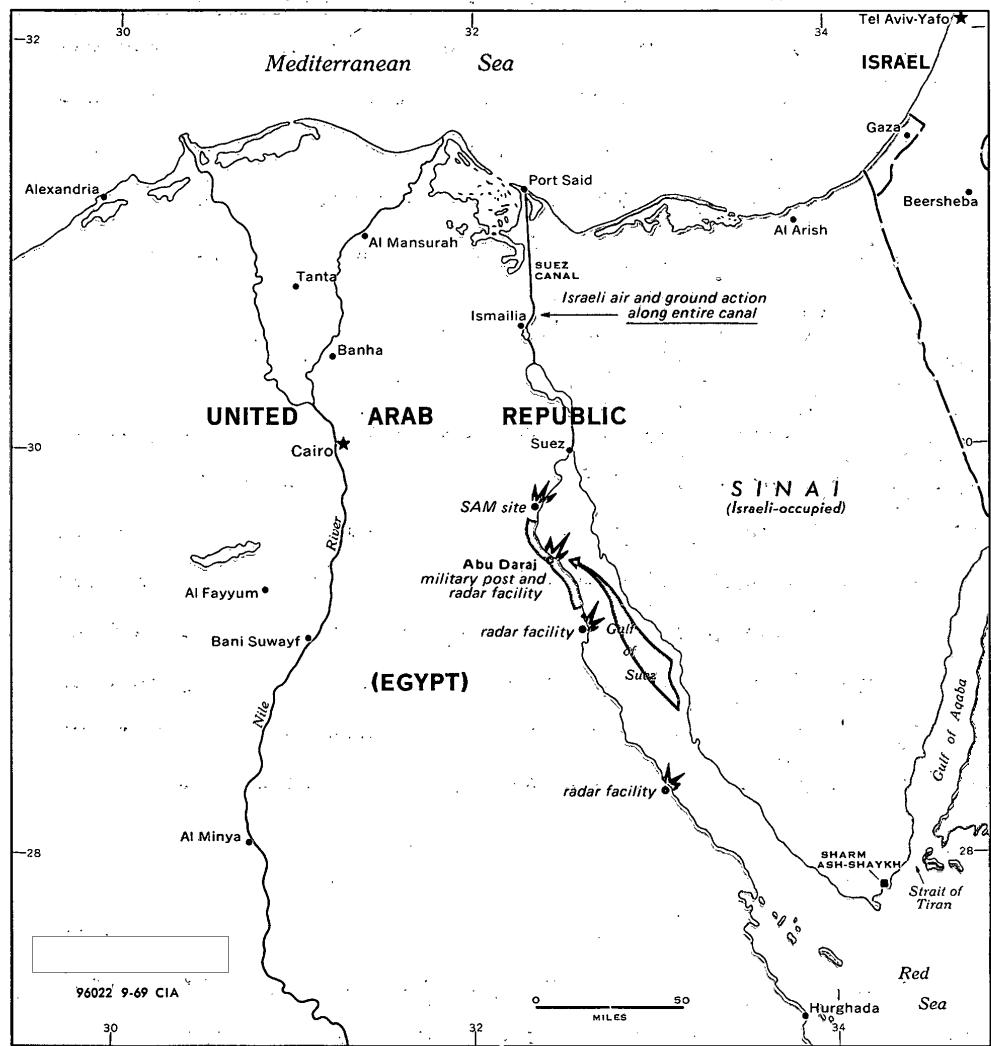
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MIDDLE EAST

Israeli spokesmen are saying yesterday's large-scale raid was a riposte to repeated Egyptian aggressions along the Suez Canal. Its main purpose was to drive home to the Egyptians that two can play the game of violating the cease-fire line. Another, if unspoken, purpose of the raid may have been to ease domestic pressure in Israel, more than usually intense

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ISRAEL RAIDS EGYPT'S GULF COAST



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right now because of Syria's refusal to release the two Israeli passengers of the hijacked TWA plane and the recent rash of fedayeen bombings of Israeli installations in Europe.

The Egyptians seem to have offered no significant resistance during the ten-hour operation. The attacking force landed near Abu Daraj, on the Gulf of Suez about 35 miles south of Port Suez, and pushed some 15 miles north and south with about a dozen tanks and armored personnel carriers. The Israelis also carried out extensive air strikes and support operations along the canal against military posts, radar installations, and an SA-2 SAM site along the coast of the Gulf of Suez. Israel claims to have killed more than 100 Egyptians and admits to the loss of one aircraft.

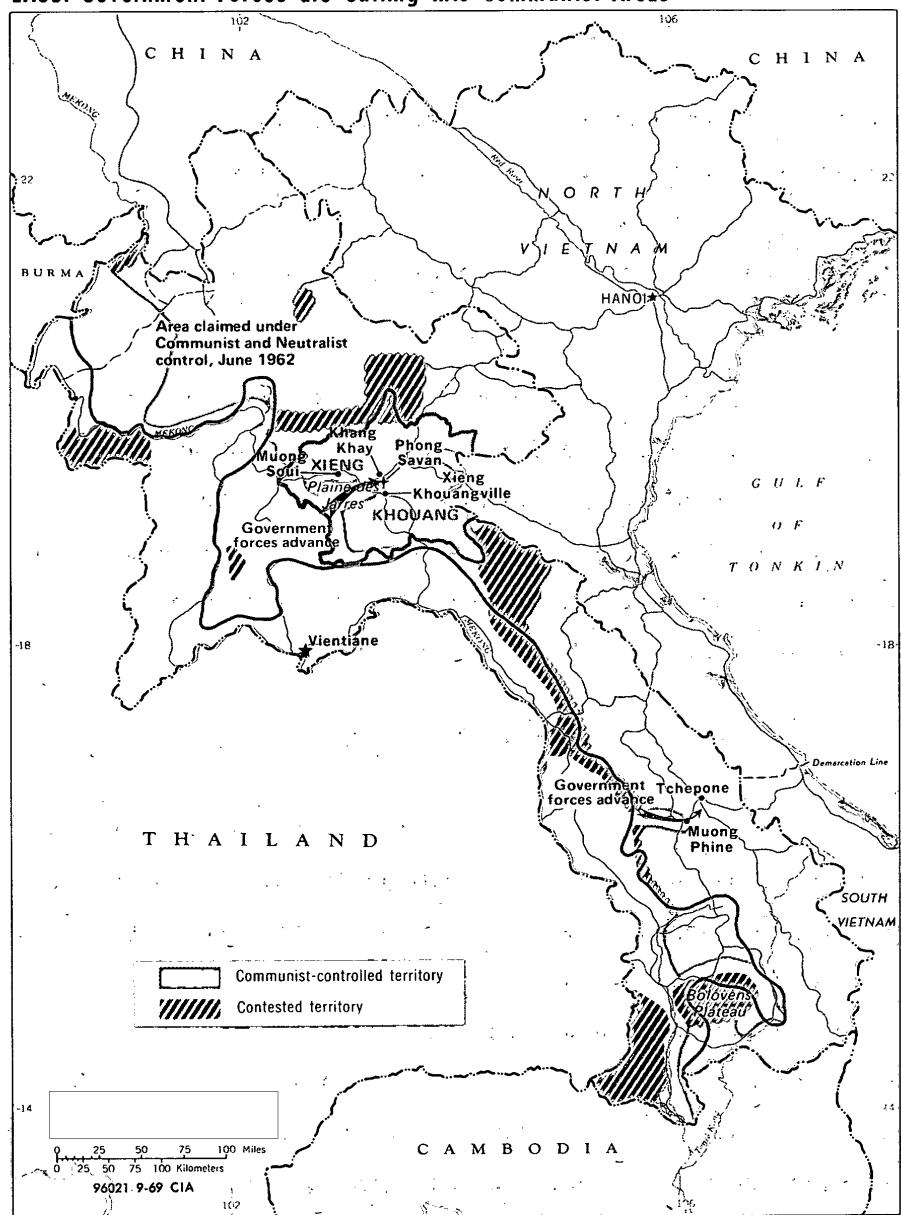
COMMUNIST CHINA

The army is clamping down on unruly factionalists in several provinces, intervening to break up armed conflict between rival groups and in some instances recovering large quantities of weapons. According to intercepted messages factionalists in most locations are fleeing to evade arrest and hiding their arms. We would expect, however, that troublemakers in some areas may still try forcibly to resist.

It is still too early to tell how far this particular drive will go. Earlier in the Cultural Revolution, during periods when Peking declared open season on the more obstreperous of the Red Guard groups, the army cracked heads with a vengeance.

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LAOS: Government Forces are Cutting into Communist Areas



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BRAZIL

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LAOS

Vang Pao's troops are now occupying virtually all of the Plaine des Jarres. Advance elements are on the outskirts of Khang Khay, the military and administrative headquarters for Pathet Lao and dissident neutralist forces in Xieng Khouang Province. A guerrilla company has captured Phong Savan airfield. Because of their political sensitivity, Phong Savan and Khang Khay heretofore have been off limits to both air and ground assault.

Intercepts indicate that elements of at least four North Vietnamese regiments are still in the vicinity of the Plaine, but Communist intentions remain unclear. Refugees have said that Pathet Lao troops are pulling out of the Khang Khay area, and the town itself may fall to guerrillas by default. Vang Pao has also deployed three battalions south of the Plaine to retake Xieng Khouangville.

In the south, guerrilla troops have occupied Muong Phine, a town long held by the Communists on the edge of the infiltration corridor. The guerrillas apparently hope to push eastward into the Tchepone area, a key North Vietnamese logistic

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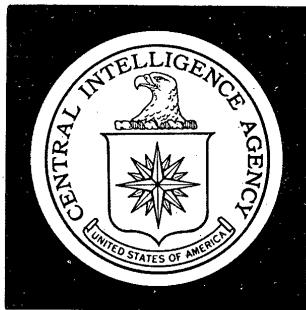
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and command center. The capture of Muong Phine is the government's deepest penetration into the supply corridor in several years.

Although bad weather may forestall immediate enemy moves, the Communists are almost certain to react sharply in both the north and the south. Such reaction would not only be designed to erase recent government gains but probably would also hit at government strongholds from which offensives have been mounted.

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VIETNAM

Enemy action overnight consisted largely of scattered shellings of allied bases in the provinces around Saigon, according to preliminary reports. There are continuing indications, however, that the enemy is planning activity on a larger scale for the near future, probably in the form of widespread shellings that marked earlier "high points." Some ground probes against allied installations are also likely.

MIDDLE EAST

An International Red Cross official confirms that the two Israelis being held by the Syrians are well. [redacted]

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[redacted]
The Red Cross official has the impression that Syria still is in no hurry to release them. Damascus apparently is still hoping for some sort of quid pro quo from Israel.

SOVIET AFFAIRS

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LAOS

Government guerrilla forces moving northeast of the Plaine des Jarres have occupied Khang Khay, the military and administrative headquarters for Pathet Lao and dissident neutralist forces in Xieng Khouang Province. The town, which was also the site of a Chinese Communist diplomatic mission, had been abandoned by the enemy.

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SOVIET UNION - LIBYA

BRAZIL

Factions within the Brazilian military are still trying to agree on a single leader to replace the triumvirate. We have many rumors but no good information on whom they will pick. We doubt, however, that the maneuvering will go on

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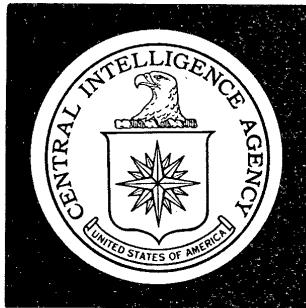
much longer, since most officers are in agreement that nothing could put the cherished unity of the military in greater jeopardy than an extended leadership crisis. The decision could come in a high command meeting scheduled for 18 or 19 September.

LATE ITEM--MIDDLE EAST

An Israeli military spokesman has announced that Egyptian aircraft attempted to strike into Sinai this morning. Tel Aviv claims the attack was turned back and that two of the planes were shot down. Cairo radio, in its announcement, states the attack was directed at "enemy forces and air defense positions" in the central and northern parts of Sinai.

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SOVIET UNION - COMMUNIST CHINA

We have nothing to confirm the Japanese Communist Party chief's assertion to the press that the initiative for yesterday's meeting between Kosygin and Chou came from Moscow, but the idea seems plausible.

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Thus, whatever the genesis of the meeting, the green light obviously came at the last minute.

The fact that the meeting took place at all is an index of the danger Moscow and Peking see in the growing tension between them. Given the shortness of the meeting, the lack of advance preparation, and the evident absence of any give on either side, it is unlikely that the two premiers achieved anything substantial. At the very most their talks may have put a temporary brake on the deterioration in relations.

COMMUNIST CHINA

Peking may be finding itself in the position of having cried wolf for too long on the subject of war threats, a theme it has played on for some time to shore up various unpopular domestic causes. Now when the regime seems more actively concerned to gird the public for possible conflict with the Soviet Union, its "war preparations" propaganda is encountering widespread apathy and skepticism.

Broadcasts from several provincial centers have criticized "certain individuals" and also local army units for

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their failure to "understand" the Soviet threat and have said that these elements must be re-educated. Other broadcasts have urged peasants not to become "benumbed by feelings of peace" or "slacken vigilance" in making preparations for war.

CZECHOSLOVAKIA

Ultraconservative pressures for the ouster of Dubcek and parliamentary leader Smrkovsky from their party and other official positions are becoming intense. Their fate--and that of other reformists--may be decided next week, when the central committee is expected to meet in plenary session.

President Svoboda still seems to be trying to hold off the attackers, but Husak is said to be wavering after earlier having said he would not tolerate purges or political trials. This may be Husak's last chance. If he caves in now, he risks becoming once and for all a captive of the ultras.

MIDDLE EAST

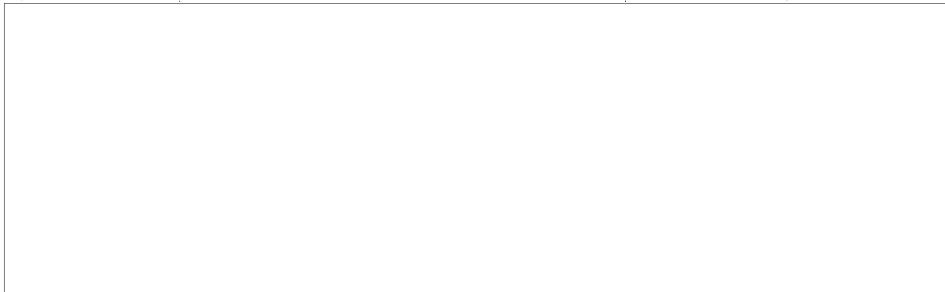
Moscow took a notably anti-US tack in its first comment on Tuesday's Israeli foray into Egypt. A Pravda article yesterday charged that the root of Tel Aviv's militarism lay chiefly in the US. It also claimed the raid showed the need for "urgent measures to eliminate the consequences of Israel's imperialist aggression." We read the article as a none-too-gentle effort to prod the US into extracting further concessions from the Israelis.

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SOVIET AFFAIRS

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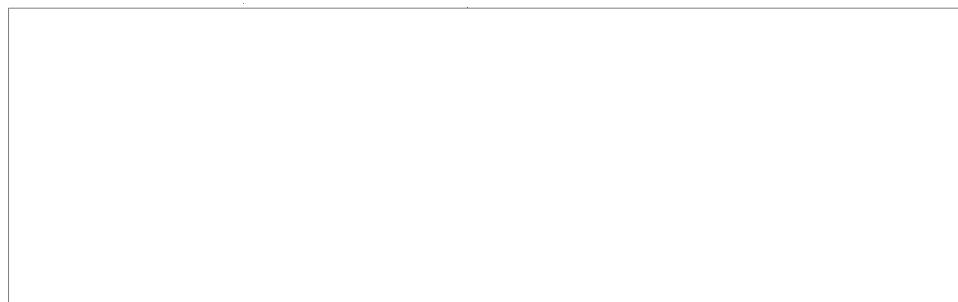


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CAMBODIA - NORTH VIETNAM

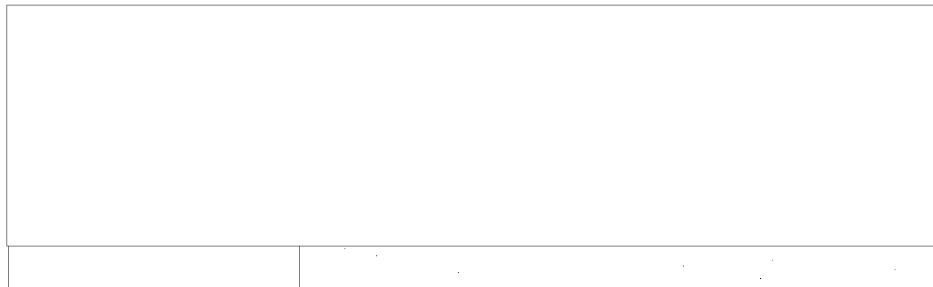
Sihanouk appears to have used the occasion of Ho's funeral to open new substantive talks with North Vietnamese leaders. On his return to Phnom Penh, he indicated that the talks had touched on the major issues that have been an increasing source of tension between the two sides over the past year. Without spelling out what was said, Sihanouk claimed that Pham Van Dong had made "many promises." He also made clear to his listeners his low estimate of the value of Vietnamese "promises."

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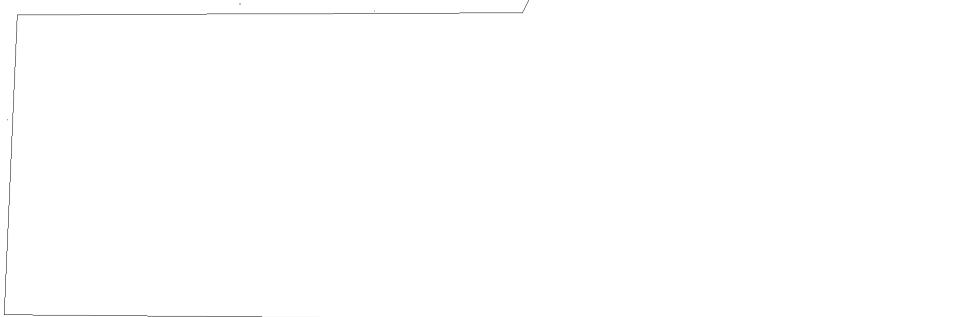
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The Cambodians have been trying to get the North Vietnamese to sign a border agreement for almost five years.

Hanoi's position has been that this issue must be settled with South Vietnamese Communists.

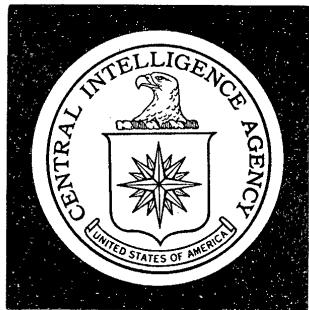
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The importance of Cambodia to the Communists' war efforts, and the fact that Sihanouk is now holding up arms and ammunition deliveries to Communist forces, may make North Vietnam more responsive to his urgings. In any event, this question presumably will be the major topic during Pham Van Dong's forthcoming trip to Cambodia.

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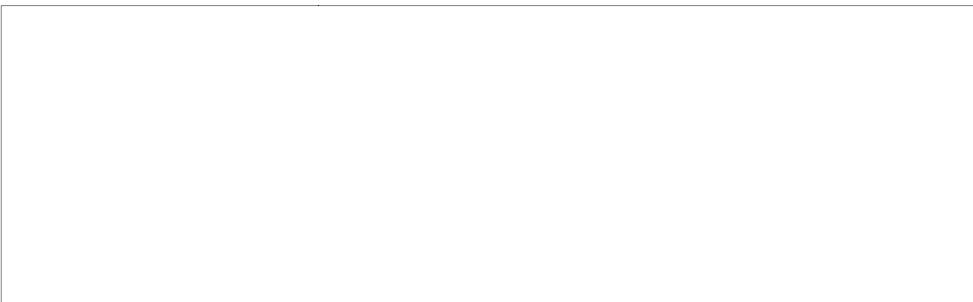
SOVIET UNION - COMMUNIST CHINA

Moscow has refrained from almost all anti-Chinese propaganda since the Kosygin-Chou meeting. The Soviets may be testing Peking's intentions with this relative silence, and by demonstrating a willingness to tone down the polemics, they also buttress their claim to be the aggrieved party. It is still too early to tell whether the Chinese will ease up on the border or in their propaganda, but chances are they probably won't--at least for very long.

If--as seems more and more likely--the Soviets took the initiative in arranging the meeting, they had good reason to do so. Moscow's deteriorating relations with Peking have been hurting it on several levels. The Soviets believe the Chinese are trying to bleed them white on the border and fear Peking may be prepared to continue the skirmishes indefinitely. The Soviets also find themselves at a political disadvantage, since both their enemies and their allies consider them vulnerable because of preoccupation with the Chinese.

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JAPAN - SOVIET UNION



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SOVIET AFFAIRS

Satellite photography shows eight SS-11 ICBM silos to be under construction at an IRBM complex in the western USSR. Two more have been discovered at an MRBM complex, also in the western part of the country.

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MIDDLE EAST

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The nine Egyptian TU-16 bombers which have been kept in Algeria since January are returning to Egypt. Three have already landed at Cairo, and the others are scheduled to return within the next week. Egypt probably believes it can safely recall the bombers now that protective shelters have been completed at five airfields.

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MIDDLE EAST

Israel's repeated air attacks in the northern Gulf of Suez area--yesterday's was the fifth in six days--may foreshadow heavier ground and air action against Egyptian forces along the Gulf or the Suez Canal. We note that these strikes have been accompanied by public warnings from Dayan of "heavier blows" to come on the cease-fire lines, and from Allon of the possibility of "larger-scale ground, air, and sea actions."

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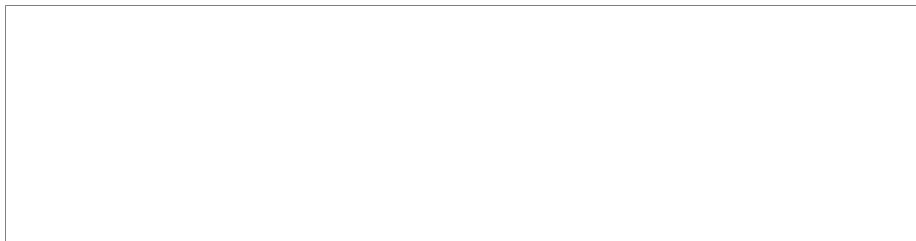


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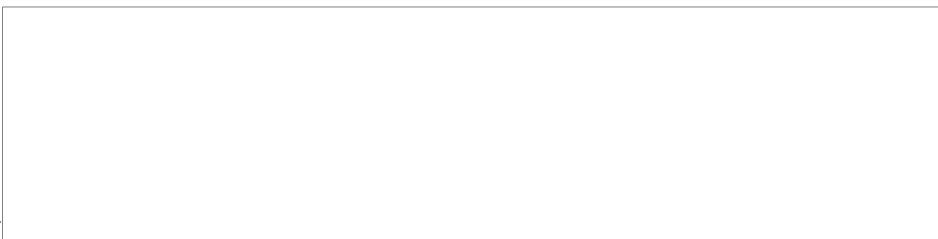
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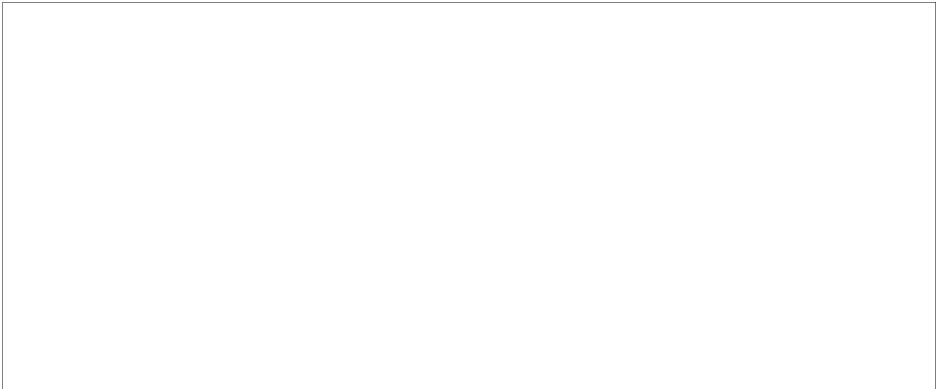
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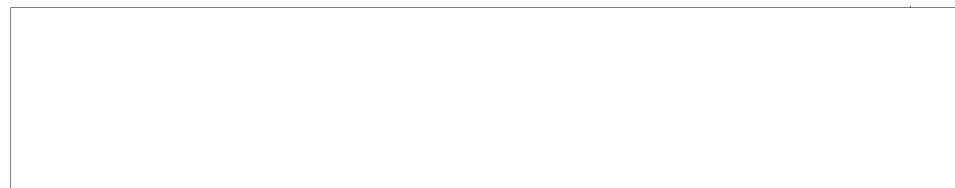
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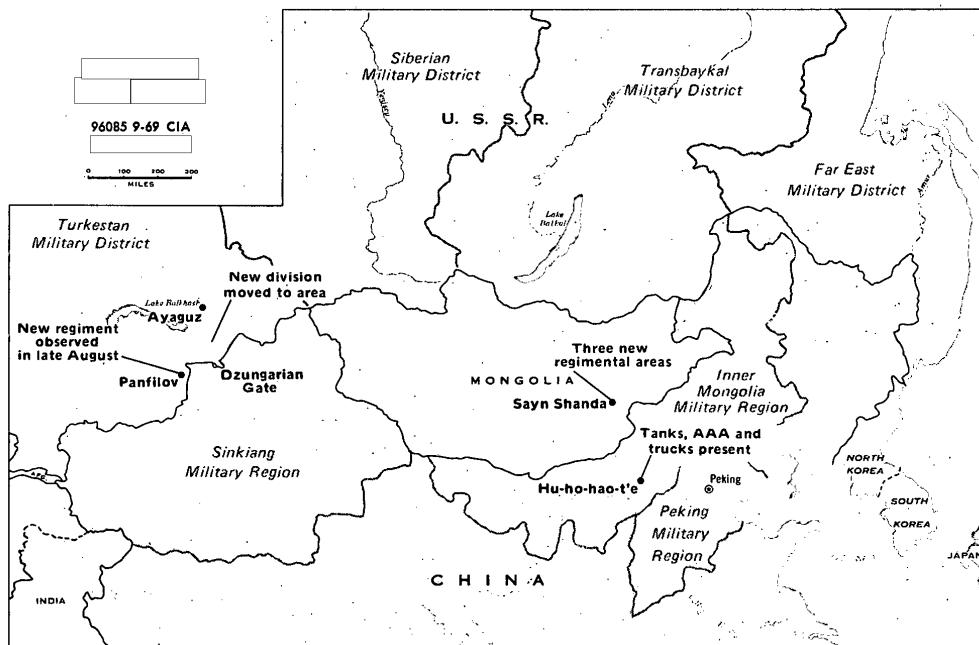
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New Ground Forces Move Into Sino-Soviet Border Areas



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SOVIET UNION - COMMUNIST CHINA

The Soviets continue gradually to increase their strength on the China border. Satellite photography of early September indicates that the military installation at Sayn Shanda in Mongolia will be expanded to accommodate a division. Three new regimental areas have been identified; the installation previously housed one or two regiments. The small number of vehicles present indicates that the new units have not yet arrived.

In the Turkestan Military District, a division probably has been moved to the Ayaguz - Dzungarian Gate area near the Sinkiang border. More than 100 tanks--enough for at least a tank regiment--are at Ayaguz, and extensive storage facilities are being constructed in this area.

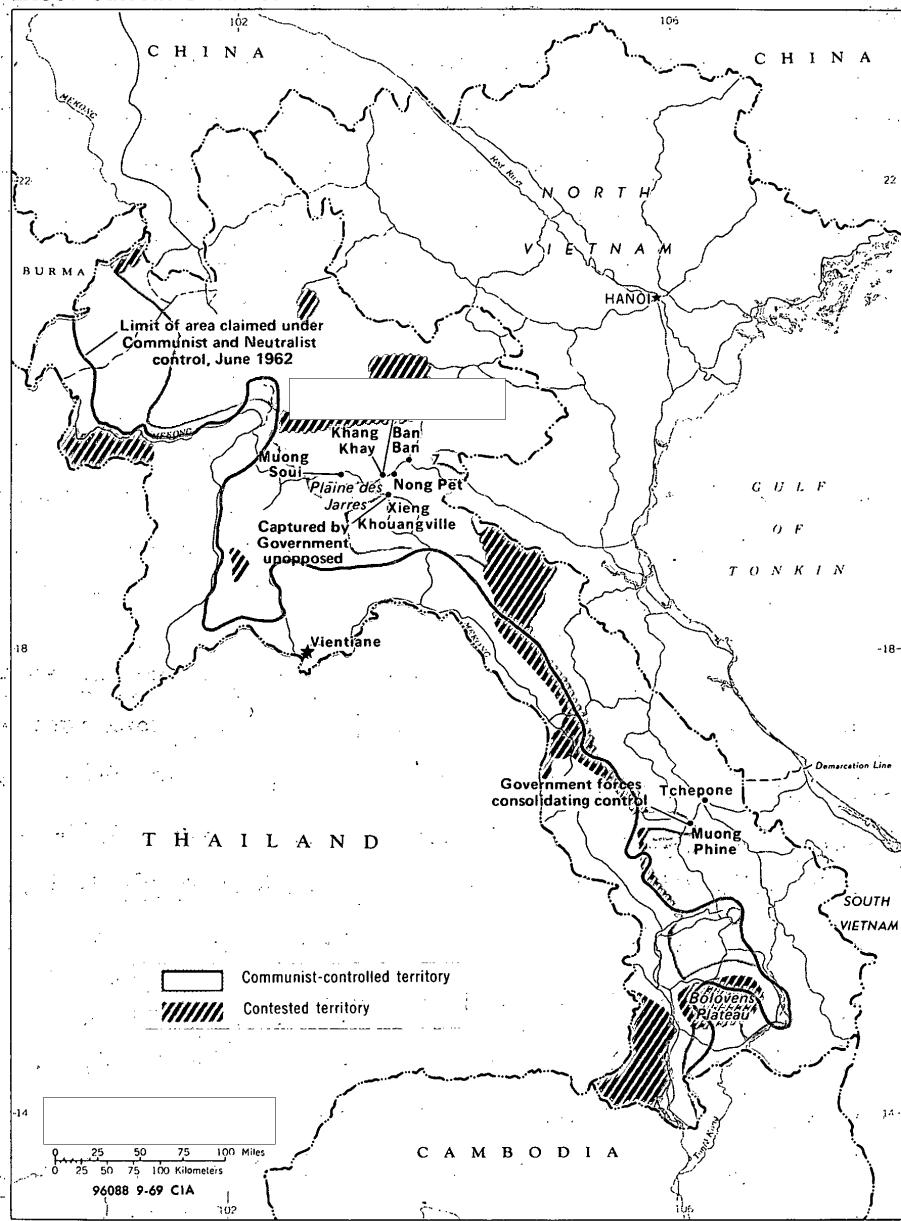
In China, at least 70 tanks, 18 antiaircraft pieces, and 70 trucks are located just north of Hu-ho-hao-t'e in Inner Mongolia. This is the closest that Chinese tanks have been noted to the Mongolian border.

LAOS

Government troops moved unopposed into Xieng Khouangville and the surrounding hills on Friday. Elsewhere in northern Laos, however, they have made only slight progress. Large stocks of Communist supplies are being destroyed in the Khang Khay area, but determined enemy resistance continues on the northern periphery of the Plaine des Jarres. Although there

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LAOS: Current Situation



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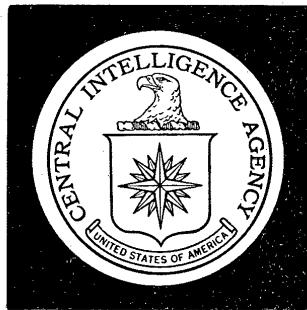
is still no evidence of enemy preparations for a major counter-action, the Pathet Lao news agency has warned of "unprecedentedly heavy blows" against the government offensive.

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In southern Laos, government forces are consolidating their control over the recently captured Muong Phine area. Intercepts show the Communists are closely watching this operation, which threatens their base at Tchepone and the infiltration corridor to South Vietnam. They have ordered reconnaissance and preparations to "strike back."

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CZECHOSLOVAKIA

The Czechoslovak party is still maneuvering on the question of how to deal with last year's liberals--led by Dubcek and Smrkovsky. The on again - off again central committee session is now rumored to have been postponed until the end of the month.

In the meantime, Husak is in the process of informing other parties of his "political intentions." Yesterday he met with Gomulka, with whom he is on friendly terms, in the border city of Ostrava. Since Gomulka is very close to Moscow, the meeting will boost Husak's prestige and could strengthen his hand against the ultraconservatives who are demanding immediate and drastic action against the liberals.

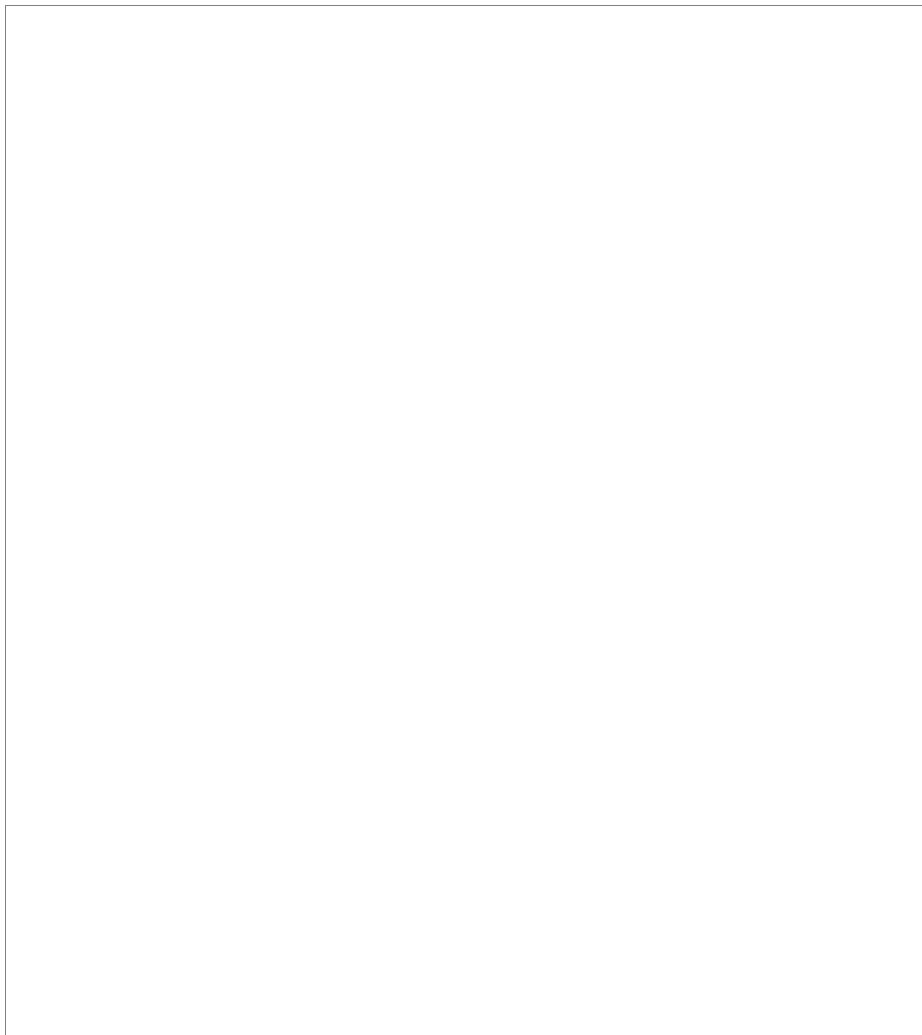
The Czechoslovaks apparently also feel they need another reading on Soviet attitudes before they call the central committee together. This presumably is the reason for Cernik's quick trip to Moscow this morning.

MIDDLE EAST

General Bull plans to recommend closure of most of the truce observer posts along the Suez Canal. If UN headquarters accepts his recommendations, only six of the original 16 posts--three on each side of the canal--will still be manned. Bull's justification is twofold: first, the cease-fire no longer exists and his teams look silly trying to police it; and second, the danger to the teams is unacceptable.

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Cairo has announced that Nasir will not be visiting the Soviet Union "this month or in the immediate future." The visit--which would have combined talks on political and military subjects [redacted] --had been 50X6 laid on some time ago; Nasir's conservative rivals in the Muslim world, by scheduling the Islamic summit for the period he was planning to be away, forced the postponement. For their part the Soviets, who have a good deal on their plates at the moment, probably are just as happy to see the visit put off.

SOVIET AFFAIRS

Recent satellite photography shows that a new group of ten silos for the SS-11 is being constructed at an existing ICBM complex. About 650 SS-11s are now operational. When construction is completed on all identified ICBM groups--by about mid-1971--the Soviets will have 1,360 ICBMs, including 820 SS-11s.

VIETNAM

Sihanouk seems to have made at least one concession to the Communists when he went to Hanoi for Ho's funeral. Phnom Penh radio has announced that he concluded a "commercial treaty" with the Provisional Revolutionary Government. The terms have not been publicized, [redacted]

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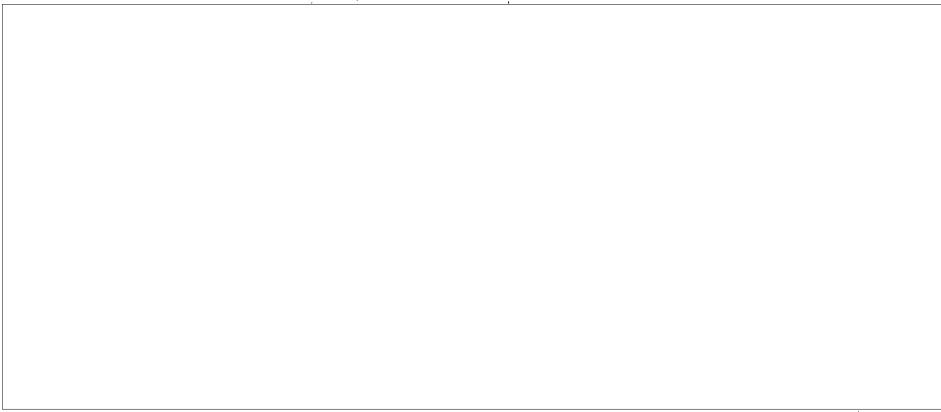
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Last May Sihanouk slapped an embargo on all supply shipments to the Viet Cong. Even though the ban on arms shipments presumably still applies, publicizing the semicovert flow of nonmilitary supplies is a gain of sorts for the Communists--at least it may bring down the costs of this traffic. For his part, Sihanouk may have considered the agreement a small enough price to pay to inveigle the Vietnamese Communists into a new round of talks on the frontier issue and Communist bases in Cambodia.

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PERU

The Velasco regime is firmly in the saddle in Peru as it nears the end of its first year in office. Since the ouster of the Belaunde government last October, Velasco has pushed forward with a whole series of measures apparently designed both to solidify his popular support and to bring about far-reaching changes in the country's economic and social structure.

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We suspect he will unveil a further installment in this program on 3 October, the anniversary of his takeover, or on 4 or 9 October, the anniversary of his first moves against the International Petroleum Company.

At annex today we discuss one of Velasco's key decrees, the land reform law announced last June.

BRAZIL

There has been no news overnight from Rio de Janeiro, where the Brazilian military has been trying since yesterday morning to agree on a successor to Costa e Silva. The delay is understandable; the high command also has to decide how long the successor is to hold office, and in addition it apparently is trying to keep from bending the constitution any more than necessary.

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PERU'S LAND REFORM PROGRAM

Last June, with the mixture of idealism and opportunism which has become his trademark, President Velasco promulgated one of the most far-reaching land reform laws ever introduced in Latin America, and one which over the long run stands a better chance than most such laws of actually going into effect. CIA economists have examined the new law and have reached the following conclusions about its impact and prospects:

--The reform could benefit between 300,000 and 500,000 peasants (most of them Indians), and in the process it would largely do away with one of the most oppressive feudal land tenure systems in Latin America. Even so, substantial numbers of rural people would remain landless or with plots too small to feed themselves adequately.

--If the law is fully implemented, it will have its most far-reaching effects in the mountains of the interior, where most of Peru's small landholdings are located. Larger holdings will be permitted along the coast, where commercial agriculture is concentrated. The large coastal sugar plantations (including two owned by W. R. Grace) have been expropriated but will continue to operate, first under government supervision and then as cooperatives.

--The reform is likely to reduce the amount of agricultural output at first, as the producers consume more themselves and as marketing patterns are disrupted. Peru

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therefore will probably become a net food importer early in the 1970s.

--Land reform should benefit the country over the long run, but it comes when the economy is slack. The direct cost to the government should not be too great, but funds for pump-priming purposes, such as credit and technical assistance, will be thinly spread. The need to import more food for the cities could create balance-of-payments problems.

All this assumes that the government will actually follow through. This is by no means certain, although it is a better bet under Velasco than under previous regimes. So far the government has taken property mainly in the coastal region; the interior, which presents more difficulties both politically and economically, has hardly been touched. Our guess, however, is that Velasco will press ahead with as much reform in these areas as his resources permit. Some new move on this front could come as part of the anniversary festivities in early October.

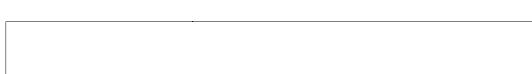
The social changes brought on by the land reform could trigger major changes in Peru's political structure. The oligarchy's power will be reduced, perhaps substantially. Simultaneously the Indians for the first time will have a chance to become a significant political force. At least for a while they probably will be firm (though not necessarily very active) supporters of the regime. In the longer run, however, they could turn out to be a new and volatile factor in Peruvian politics.

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FRANCE

A review of last week's meeting of Gaullist parliamentarians has led the Embassy to conclude that Pompidou and Chaban-Delmas are starting the new political season in relatively good shape on both the political and parliamentary scene. This assessment was borne out early this morning when Chaban-Delmas' policy statement before the National Assembly yesterday won a vote of confidence by 369 votes to 85 with eight abstentions. This is hardly surprising since the Gaulists hold a clear over-all majority and all of them but four abstainers voted for the motion as did the Independent Republicans and Centrists who have ministers in the government. The opposition came from the Socialists and Communists.

However, some hard battles will be fought over the next few months on the economic and social fronts where labor particularly may be harder to cope with than parliamentarians. The government's understanding of these problems was shown by the fact that the premier's statement yesterday was largely a critical appraisal of France's administrative, economic and social situation. He spoke of the "frailty" of the economy, the "defective working" of the state, and the "archaic and conservative" social structure and called for the building of a new society. At no time, however, did Chaban-Delmas attack General De Gaulle by name. The press quotes one deputy as commenting that the speech could have been made by opposition leaders Mitterand or Mendes-France.

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De Gaulle himself is another potential source of trouble.

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The present government undoubtedly dreads the prospect of a De Gaulle press conference and will do everything possible not to provoke him to such action. The feeling in Gaullist circles is that the General will break his silence only if Pompidou deviates too far from cherished Gaullist foreign policy positions.

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SOVIET AFFAIRS

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COMMUNIST CHINA - SOVIET UNION

The Chinese can hardly be said to have cooled it since last week's meeting between Kosygin and Chou En-lai. Peking yesterday called attention to the possibility of an atomic attack launched by "social imperialism"--a clear allusion to recent public speculation concerning a possible Soviet pre-emptive strike against China. The statement, part of a slogan for this year's National Day celebrations on 1 October, is an unprecedented Chinese attempt to portray the USSR as

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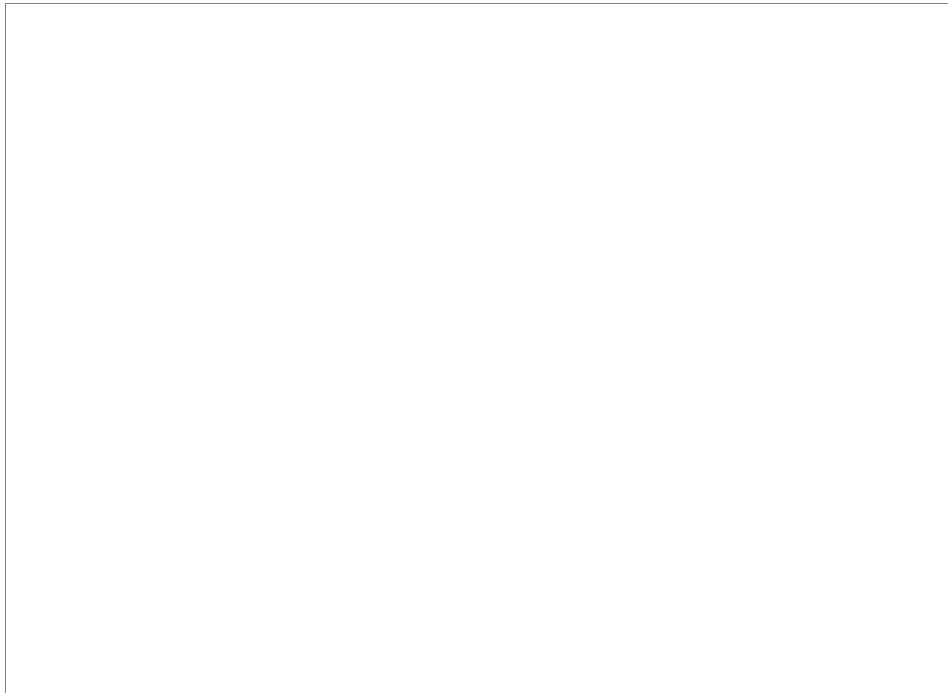
the aggressive party in the dispute. As such, it is likely only to further aggravate tensions between Moscow and Peking.

Meanwhile, the stream of standard anti-Soviet invective from Peking is continuing with no change in content or volume. On 14 September, for instance, New China News Agency publicized the showing in several foreign countries of a Chinese documentary depicting the "Atrocities of the New Tsars" along the border.

The Soviets' polemical stand-down is still in effect but is unlikely to continue much longer in the face of such outbursts.

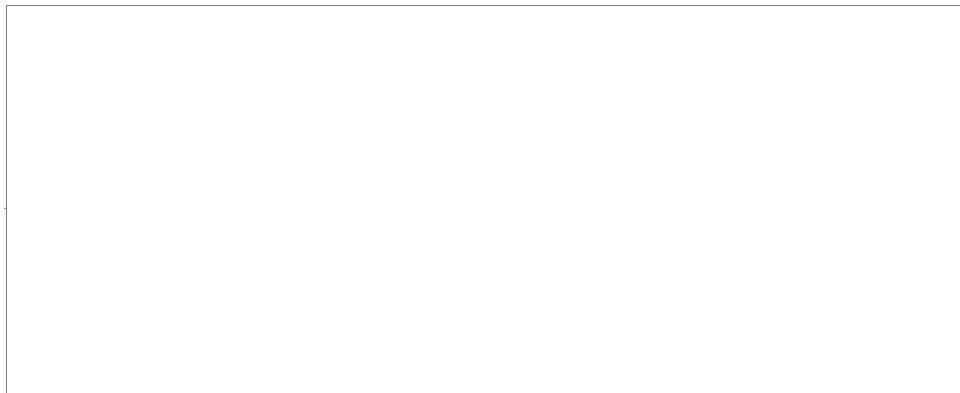
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BRAZIL

The consensus is that no immediate solution to the question of Costa e Silva's successor is in the offing. Yesterday was set aside for consultations within the three armed services and another meeting of their high commands is scheduled today. There is little optimism that agreement on one name will emerge from this meeting, however, as considerable negotiating and "politicking" are still going on. Still to be decided, also, are the questions of whether to convene Congress to legitimize the eventual decision and whether the man chosen should fulfill Costa e Silva's term plus one of his own or should merely finish out the present term. The army and air force are said to favor the long-term solution with an army four-star general to be chosen as successor but lack of agreement on a name may force the military to compromise on the stop-gap solution.

KUWAIT



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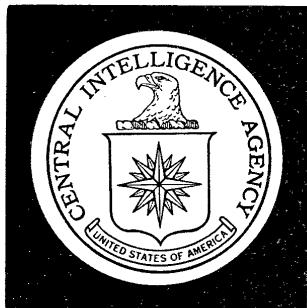
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EGYPT

Nasir last week again resorted to his time-honored means of keeping disgruntled military elements off balance--another purge of high-ranking officers.

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JAPAN

The outline of a purported white paper on defense policy, possibly leaked to test popular reaction, has just appeared in a Tokyo newspaper. It calls for Japan to develop its self-defense capability to the point where it could meet any threat except "all-out war," in which case it would have to depend on the US nuclear retaliatory capability.

We expect some hot and heavy public debate on the draft paper. Although the Japanese people are gradually moving closer to government views on defense, opposition forces will raise the specter of resurgent militarism. Critics are likely to zero in on the designation of Communist China as a threat

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to its non-nuclear neighbors, as well as on the strong implication that Soviet air and naval activity near Japan is a threat. Earlier attempts to publish a defense policy paper failed because of opposition charges that designation of any country as a threat would be a hostile act in violation of Japan's "peace" constitution.

The appearance of the white paper coincides with growing public debate over the role of Japan's "self-defense" forces and the US-Japan defense relationship. The timing of the paper may be aimed in part at reassuring the US that Tokyo intends to devote greater attention to military matters following the reversion of Okinawa to Japan.

WEST GERMANY

Voters will elect a new parliament on 28 September, and it appears that Kiesinger's Christian Democratic Union will maintain its position as the leading party.

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A great many voters are still telling pollsters they are undecided, but in past elections the CDU picked up the largest portion of previously uncommitted votes.

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EL SALVADOR - HONDURAS

Both nations are still shilly-shallying around instead of trying to patch up their quarrel, and as a result both are experiencing considerable domestic unrest. Their fellow members in the Central American Common Market have tried to induce reconciliation, and they will try again during the UN General Assembly.

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VIETNAM

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EUROPE

The European Community Council of Ministers met this week to lay plans for a summit conference to be held at The Hague in mid-November. Although they discussed the subject of enlarging the Community, the foreign ministers made no progress. The French position on this topic is still unclear. While they assert that a real policy change has taken place since De Gaulle's resignation, Pompidou may prefer to postpone consideration of enlargement while he concentrates on domestic problems; he is still unsure in his relations with old-line Gaullists. It is also not clear how far France's partners will push her on this issue when the summit meeting is held. The Germans may press Paris to accept a specific date for opening negotiations with Britain, and the Italians still talk about

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holding out on the agricultural financing issue until the French agree to a date.

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FRANCE

Despite his understanding of the socio-economic problems facing the country, Chaban-Delmas has joined Pompidou in issuing strong warnings to French labor that "law and republican order" will be maintained. There is some evidence that the Communists are backing away from the militant posture taken by labor boss Georges Seguy in a speech earlier this week. Their leaders are determined to achieve respectability. They are concerned lest Seguy's rabble-rousing make them appear to be an irresponsible minority.

The government has already announced its readiness to discuss a wide range of economic problems aimed at dealing with worker unrest and at preventing the spread of strikes over working conditions. The settlement yesterday of the railway strike may improve the psychological climate and set a precedent for meeting other labor demands. A number of unions in the nationalized and public sectors will meet with

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management in the next few days to discuss grievances. If its recent austerity measures are to remain viable, the government is limited in what it can concede on wages, however.

SOVIET UNION - COMMUNIST CHINA

Various resident press correspondents in Moscow claim that Sino-Soviet border incidents have ceased since the Kosygin - Chou En-lai meeting. Some of them add that the Chinese have agreed to hold high-level talks with Moscow while others say no reply has yet been received from Peking, but the Soviets will continue their stand-down in polemics until they get an answer.

Moscow's attempt to portray the meeting as a success shows that it wants to appear to be exhausting all possibilities for peaceful discussions. The Kremlin leaders undoubtedly think that leaking reports of Kosygin appealing for talks will enhance their image, whether the Chinese respond or not.

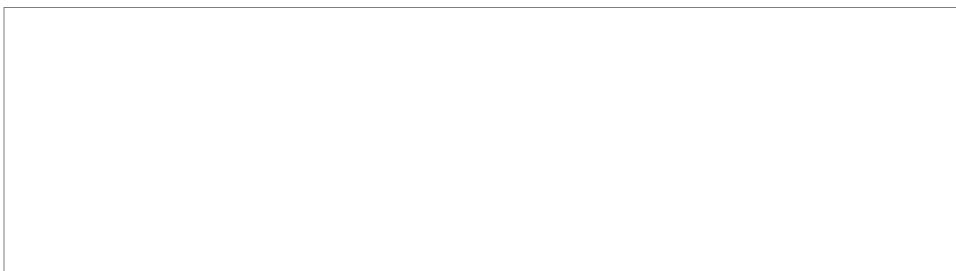
There has still been no Chinese reaction to the meeting other than the terse communiqué a week ago yesterday. Furthermore, Peking's polemics against Moscow have continued uninterrupted.

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MIDDLE EAST

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NIGERIA

We have a report that some federal military officers,
restive over the stalemate in the civil war, are considering
a move against Gowon.

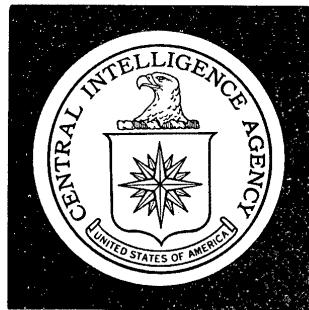
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The

removal of Gowon would place great strains on the federation
because of the difficulty--if not impossibility--of finding
an acceptable successor.

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SOVIET UNION - COMMUNIST CHINA

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Meanwhile, Peking appears increasingly concerned with the need to alert the Chinese people to the possibility of a Soviet attack and to counter Soviet political maneuvers. Kosygin's trip is probably viewed by the Chinese, according to the consul general in Hong Kong, as designed to fix on them the responsibility for any further border clashes. Moreover, the

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Chinese may fear that Moscow's announcement of a halt in incidents leaves the Soviets in a position to make any future clashes seem all the more serious, thus justifying military measures against the mainland itself.

CZECHOSLOVAKIA

The party presidium met yesterday and announced that the on again - off again plenary session of the central committee will be held next Thursday "to discuss a report--on the present situation and tasks facing the party." The session is certain to deal with the fate of Dubcek and Smrkovsky. The presidium accepted an "invitation" of the Soviet central committee and government for a Czechoslovak party and state delegation to visit Moscow in October--probably to report the results of next Thursday's meeting.

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SOVIET AFFAIRS

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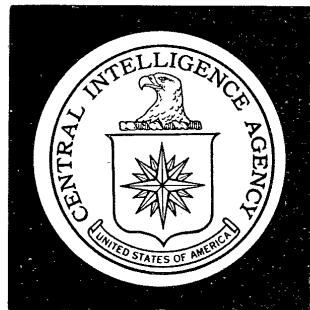
EUROPE

The most recent British Gallup Poll, conducted late last week, asked the national sample whether Britain should join the Common Market or drop the idea altogether. The result:

Try to join	26 percent
Drop the idea	57 percent
Don't know	17 percent

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COMMUNIST CHINA

There have been several rumors and much speculation over the past week that Mao Tse-tung is either severely ill or dead. The most recent report, and the one offering the most detail, comes from Time magazine's Moscow correspondent, who got it from an unnamed but "very authoritative" Soviet official. According to this version, Mao had a stroke on 2 September and is now in a critical state, kept alive only by a massive medical effort. A triumvirate of Lin Piao, Chou En-lai and Ch'en Po-ta is running things.

Coming--as most of them do--from Moscow, the rumors could be part of the Soviet Union's war of nerves with China. We note also that on many past occasions, Mao has confounded the rumormongers by suddenly reappearing after long absences in apparent good health.

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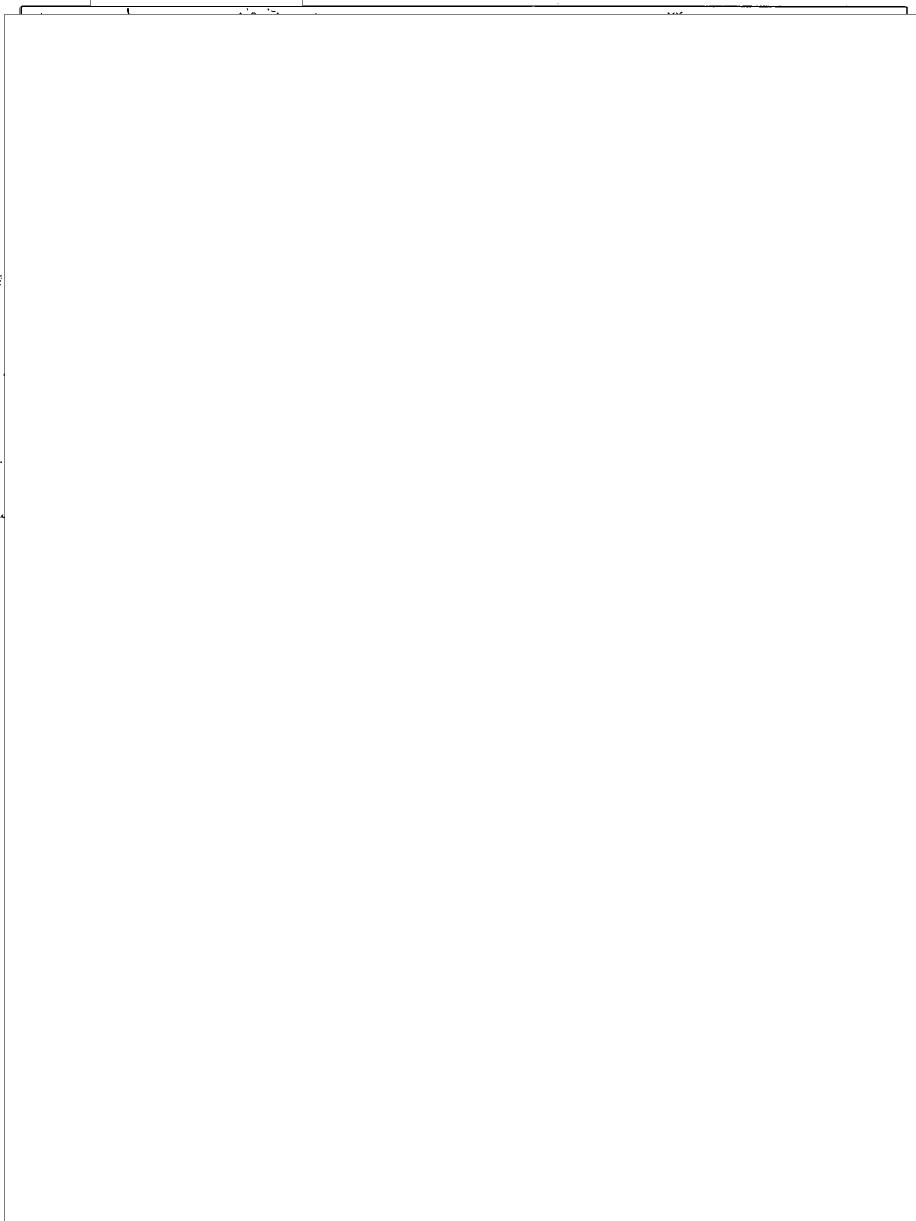
Several other circumstances lend credence to the current story:

--Mao has been out of public sight since 19 May, about 18 weeks.

--The Mao cult seems to have been toned down recently. Mao badges have become less evident, and the slogan "long

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LAOS:



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life to Mao," formerly heard before every news broadcast, had disappeared by the end of August.

--Both Mao and Lin were absent from Vietnamese Embassy funeral observances for Ho in Peking (Brezhnev attended the Moscow occasion).

--The brevity of Chou's visit to Hanoi on 4 September could be explained, at least in part, by his need to return quickly to an ailing Mao.

The real test of the current rumors will come soon. The regime's 20th anniversary will be celebrated on 1 October, and Mao has never missed an anniversary observance.

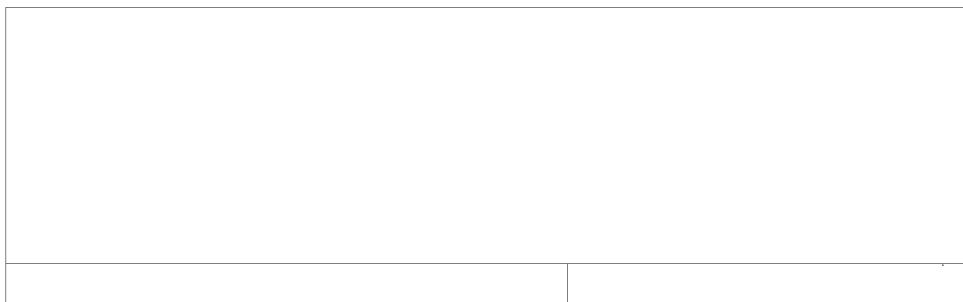
LAOS

Vang Pao's forces are running into increasing enemy resistance as they attempt to push north of the Plaine des Jarres. Several small but sharp Communist counterattacks have kept government troops off balance in the northwest portion of the Plaine and near the junction of Routes 7 and 71. The government hopes to hold the junction area as long as possible to forestall enemy reinforcements from North Vietnam.

Time is on the Communists' side, however. Heavy rains, which have hampered their ability to supply front-line troops, will start to taper off in the next few weeks. Better weather will also permit the Communists to bring in fresh troops from North Vietnam if they choose to do so. Government troops, on the offensive for over a month, are increasingly weary.

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SOUTH KOREA

President Pak's maneuvers to legalize a third term for himself are creating an increasing hullabaloo throughout the country. He may find less support than he originally expected when his constitutional amendment is submitted to a national referendum--probably late in October.

Students are braving rough handling by the police and stiffer penalties to demonstrate against the third term. High school students have assumed the lead, now that the universities are closed, and because they are younger they evoke greater public sympathy if injured by police.

ISLAMIC SUMMIT

Muslim leaders are meeting in Rabat today to discuss the protection of their holy places in Israeli-occupied territory. The most notable absentee is Egypt's Nasir, who is home nursing his influenza and, perhaps, his chagrin over King Hassan's refusal to postpone the meeting.

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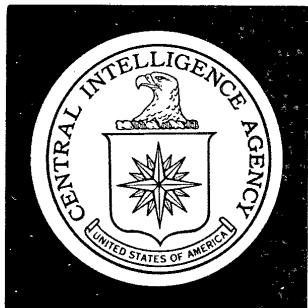
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Presummit statements by the participants indicate that
the discussions will be loosely organized and open-ended.

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MIDDLE EAST

Repair work on the East Ghor Canal in Jordan finally began Saturday afternoon, but by the next evening the Israelis were already complaining that a number of mortar shells had landed in a kibbutz not far from the break in the canal. If incidents like this--which we would guess was the work of the fedayeen--keep up, Israeli military restraint is likely to be short-lived.

* * *

Embassy Amman reports that the Jordanian Government is also finding it more and more difficult to control the fedayeen in the towns. Over the past few weeks, the police have refused to act in at least two cases where fedayeen killed prominent non-Arabs. Neither would they intervene in the kidnaping of a newspaper editor or in a youth riot in Amman. One important reason for the ineffectiveness of the police is the fact that most of them are Palestinians sympathetic to the fedayeen.

The government is relying increasingly on bedouin tribal elements, long a major prop of the monarchy, to take up the slack left by the police, but this does not seem to be enough. Many private citizens are said to be arming themselves and setting up their own vigilante units. The embassy believes the government must soon take firm steps to establish its sway or risk losing the backing of its traditional elements of support.

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SOVIET AFFAIRS

A Canadian Embassy official in Washington informed the Department of State last Friday that Gromyko would be returning home from the UN meeting by way of Ottawa. Later the same official stated that the Soviet foreign minister had canceled the Canadian visit because he had to be back in Moscow by 3 October.

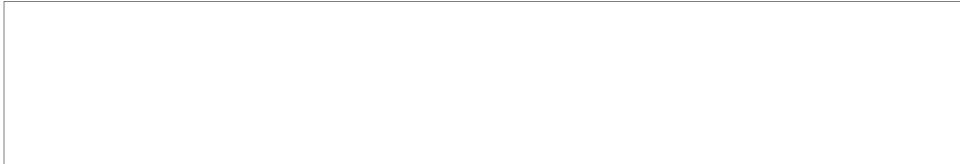
The most logical explanation for such a deadline would be a plenary session of the central committee, although we do not now have any evidence that such a meeting has been called. The last session was held in June, following the international Communist conference, and normally two are held each year. Furthermore, Sino-Soviet relations would seem to require discussion.

* * *

Preparations are under way for another Soviet unmanned moon shot using the SL-12 booster. The mission probably will be similar to Luna-15 and could come within the next few days. Luna-15 failed in an attempted soft landing on the moon in July.

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VIETNAM



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LIBYA

Cracks are already beginning to show up in the civilian government facade set up by the military junta. Prime Minister Maghribi in particular seems to be drawing fire from several quarters; even junta chief al-Gaddafi is said to be dissatisfied with Maghribi's performance. We would expect the junta to go slowly in making changes, however, if only to avoid giving the impression that it is having trouble getting organized.

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BOLIVIA

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armed

forces commander General Ovando held a press conference yesterday at which he announced his resignation in the wake of charges by an opposition deputy that his presidential campaign is being financed by US oil companies.

Ovando took a strongly anti-US position at the press conference, claiming that the charges were an American plot to discredit him and that "the imperialists do not favor my candidacy because of my nationalist position." This line may generate the popular support he has thus far failed to attract. Ovando has been talking coup for some time, and he may view the current situation as an opening for a move that, if not putting him overtly in power, would at least install a government favorable to his candidacy.

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SOVIET AFFAIRS

The Soviets failed yesterday in an attempt to send an unmanned probe from Tyuratam toward the moon. An SL-12 booster succeeded only in placing the probe in a temporary parking orbit.

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[REDACTED] The mission of this probe probably was to be similar to that intended for Luna-15, which crashed on the moon during an attempted soft landing last July. This latest mishap may delay Soviet plans for a manned circumlunar flight, which would also use the SL-12 booster.

COMMUNIST CHINA

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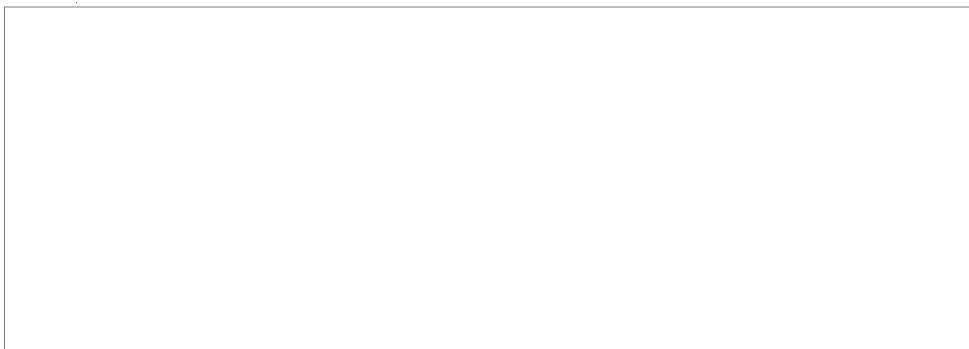
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MIDDLE EAST

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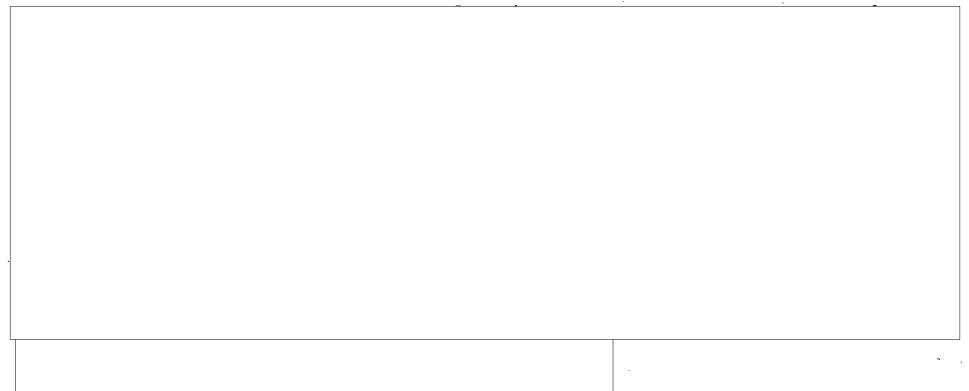
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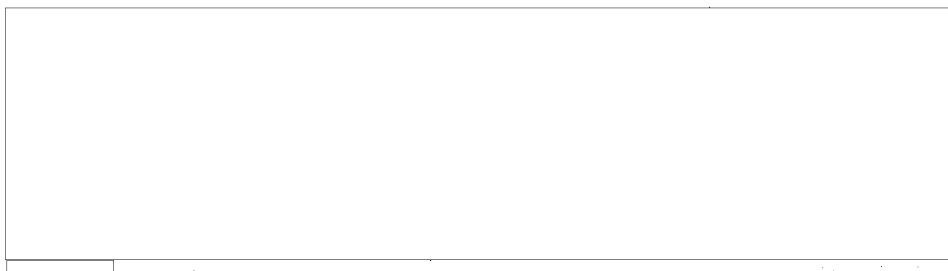
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VIETNAM

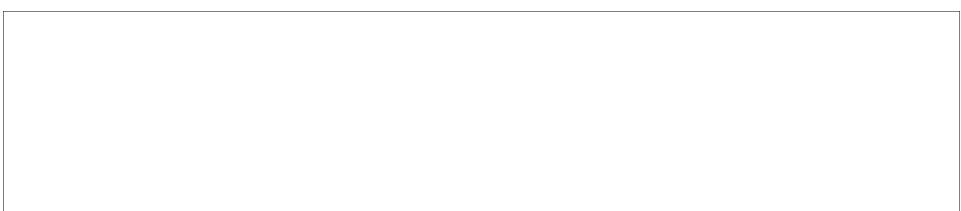
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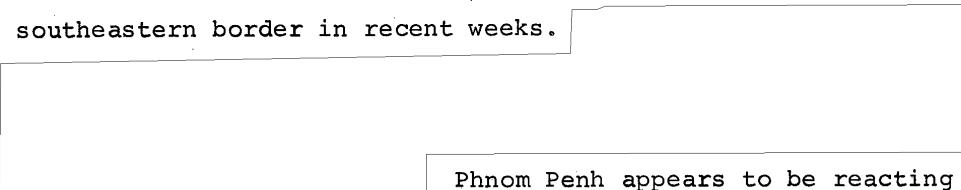
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CAMBODIA

Fighting between Cambodian security forces and Vietnamese Communist elements has increased substantially along the southeastern border in recent weeks.



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Phnom Penh appears to be reacting

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to a substantial increase in Communist use of infiltration routes into the Mekong Delta and a shifting of base areas as a result of recent flooding.

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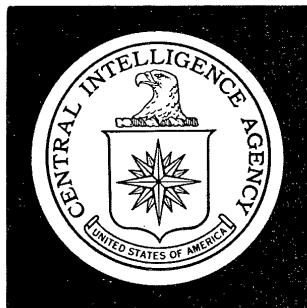
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ITALY

The seven-week-old Rumor government is facing its first test in trying to cope with widespread one-day strikes. It is now preparing to face hostile interrogations on the labor situation in the reconvened Chamber of Deputies. The government's major concern at the moment is to obtain a labor settlement conducive to continuing Italy's economic growth.

While management is prepared to grant 25 percent wage increases over the next two years, it is reluctant to give in to other union demands, such as the right to assemble on plant premises during working hours and the right to negotiate piece-work rates. Both unions and political leaders are almost compelled to back labor demands through fear of being outflanked on the left by pro-Chinese "worker power" organizations, which seem to have contributed to the recent wildcat strikes.

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VIETNAM

North Vietnam filled its two top government positions by moving 81-year-old Ton Duc Thang from the vice presidency to the presidency and assigning the vice-presidential chair to party stalwart Nguyen Luong Bang. Unfortunately, these moves give no real clue to the government's policies or intentions. The new president is likely to be a mere figurehead. Bang was one of the founders of the party and has served ably in a number of party posts. He's not had much to do with governing, however, so his policy predilections are unknown.

CANADA-USSR

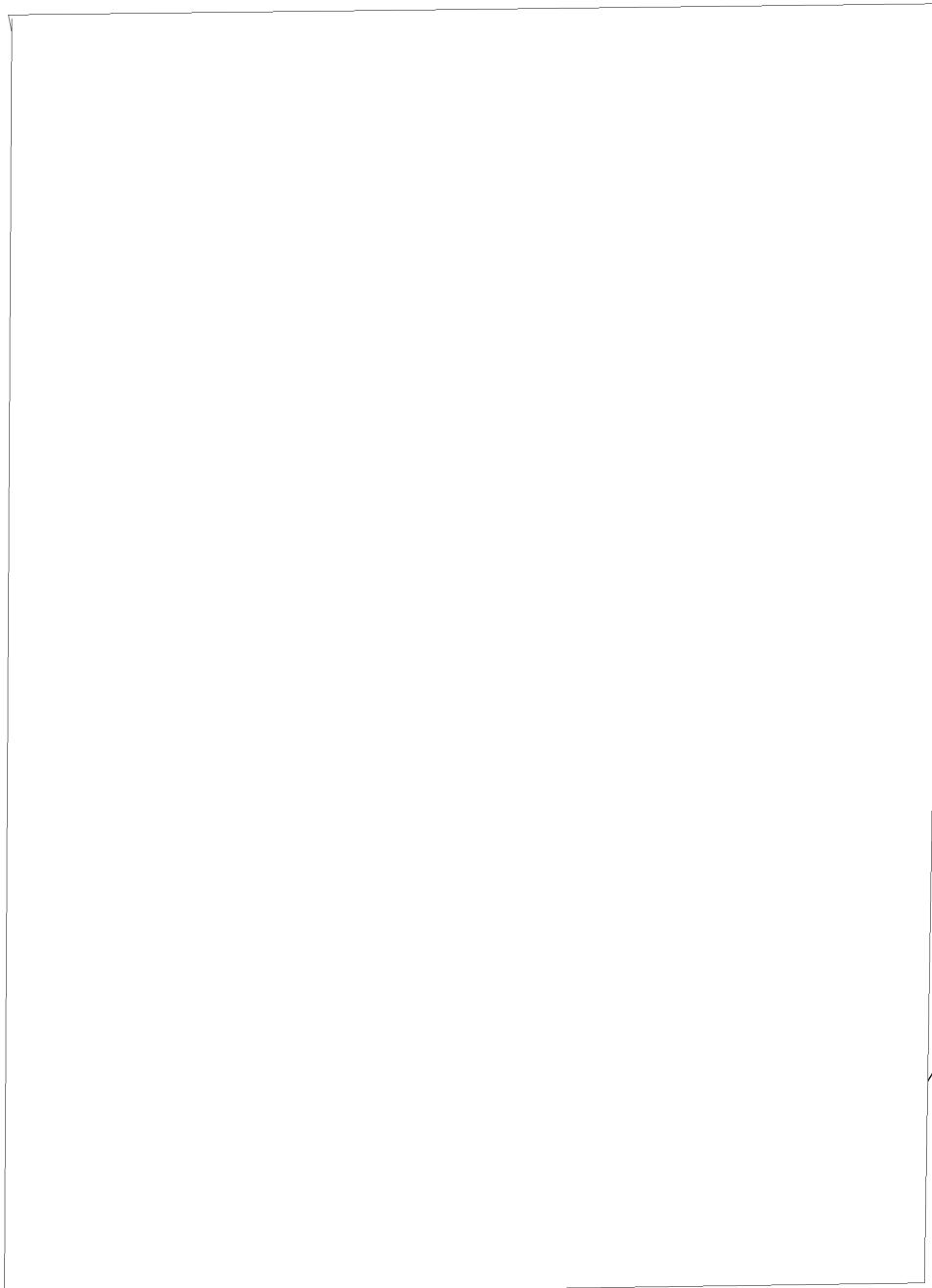
Gromyko will apparently now stop off in Ottawa after all. The latest word is that he will squeeze the visit in during the first three days in October on his way home from the UN session. The Canadians have a number of things to talk about--the wheat agreement, technical and scientific exchanges, European security, the Middle East, Asian collective security, and Vietnam. They might also touch on their efforts to establish diplomatic relations with Communist China and on the treaty to limit military uses of the seabeds. The invitation to Gromyko serves another purpose for the Canadians--it will help to deflect recent Soviet overtures for a high-level Canadian visit to Moscow.

EGYPT-USSR

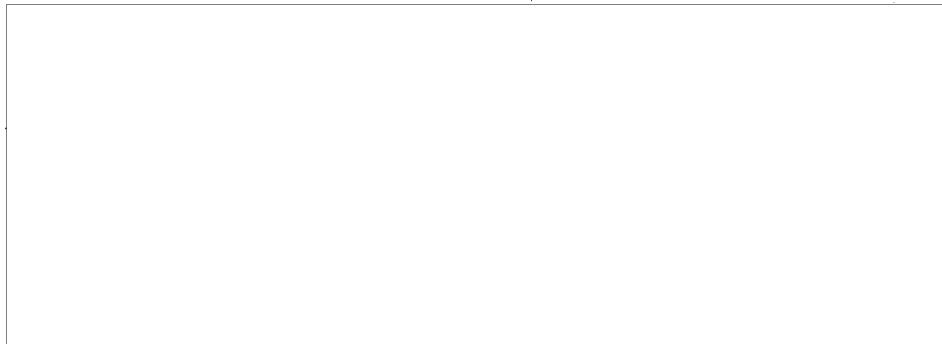
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LAOS



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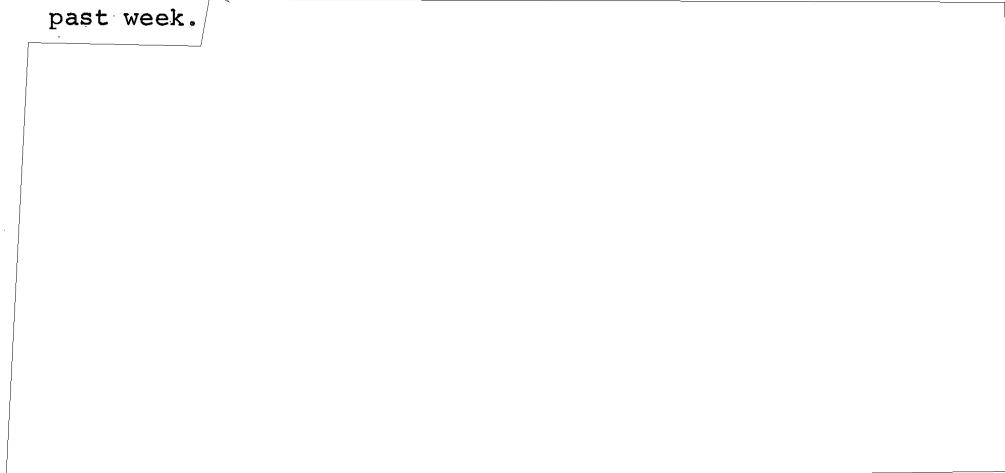


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KOREA

South Korea's improved coastal defense operations have thwarted three North Korean infiltration efforts over the past week.

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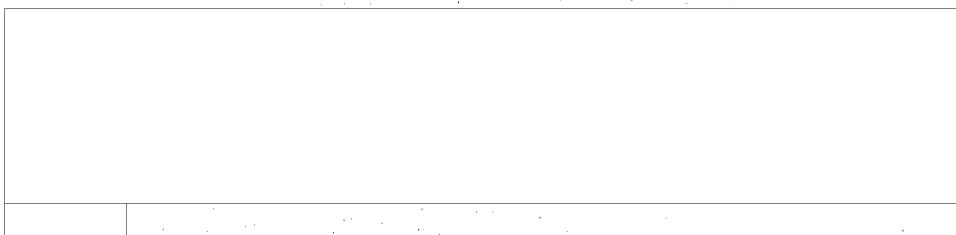
Thus far this year, there have been 22 encounters with North Korean sea infiltrators, compared with 19 last year and 46 in 1967. Activity along the Demilitarized Zone has been relatively low, however. Pyongyang's emphasis on agent infiltration, rather than commando raids, suggests that the North Koreans are hoping to exploit unrest over the third term issue and build up their subversive apparatus in the South.

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CZECHOSLOVAKIA

The party's 183-man central committee may drop as many as 60 members--all of them reformers--in today's meeting. They may even be expelled from the party. Dubcek, however, seems to rate a little better treatment. The moderates, led by Husak, cannot prevent Dubcek's demotion, but they may prevent his expulsion.



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BOLIVIA



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BRAZIL

The army high command reportedly has offered the presidency to four-star General Emilio Medici, the favorite candidate of President Costa e Silva's followers and probably of

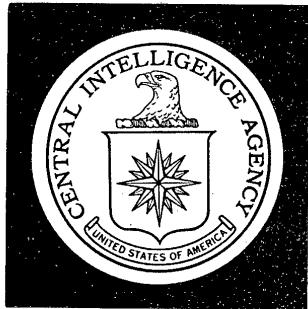
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the majority of the army generals. Three-star General Albuquerque Lima, a nationalist with strong support from younger officers, can still give Medici some tough opposition, however, for the army's decision must be ratified by the armed forces joint command. Albuquerque Lima still may be able to sell the idea that military unity is more important than the traditional factors of rank and seniority.

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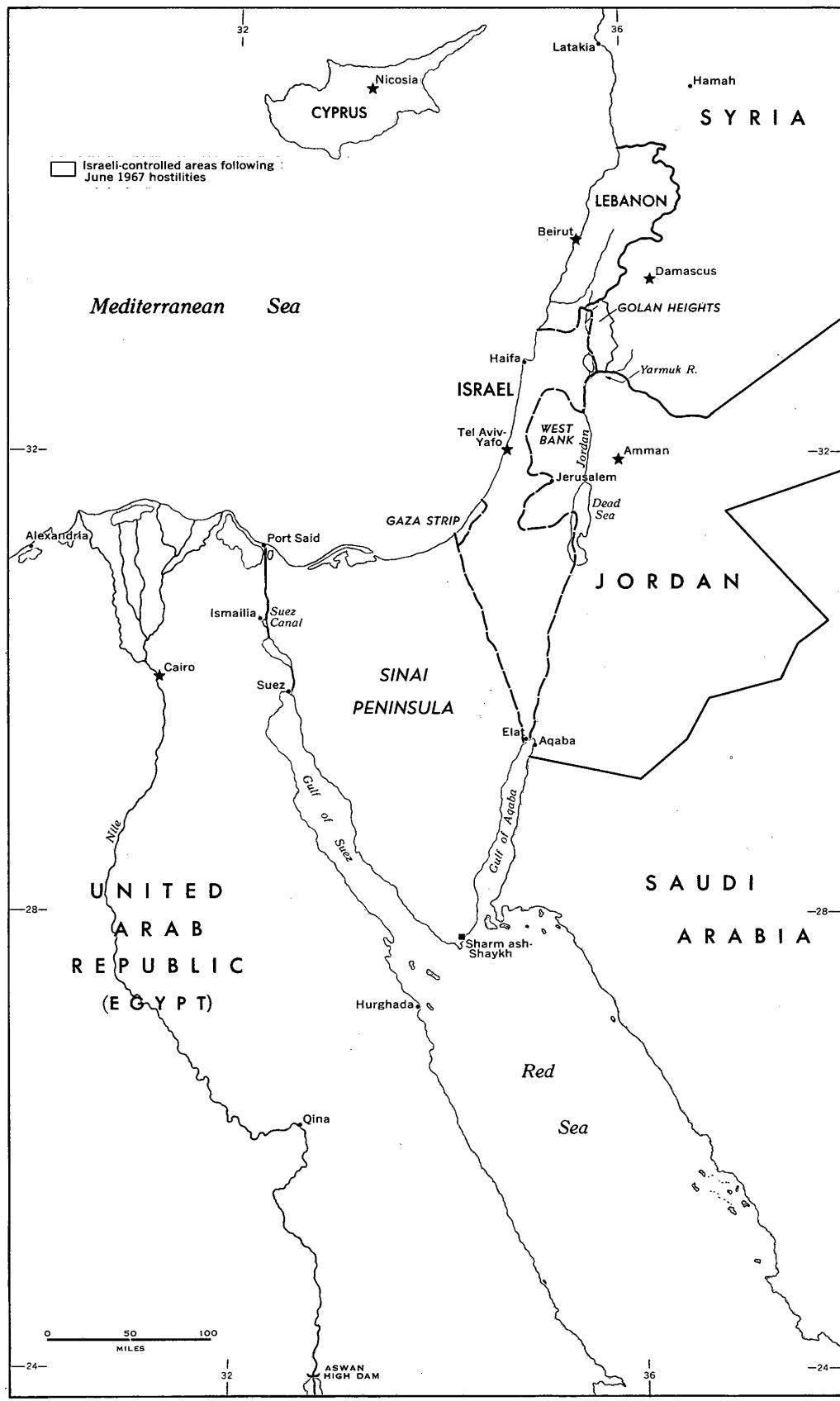


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MIDDLE EAST

Israeli air strikes are doing little to discourage the Egyptians from their military actions. Artillery duels along the Suez Canal happen nearly every day, and Egypt has carried out a number of cross-canal commando raids to mine roads. One of the mines killed two Israelis and wounded six others Tuesday, prompting a heavy Israeli air strike in reprisal.

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The chief of the US mission in Cairo, Donald Bergus, has made an extensive review of the situation in Egypt as he sees it. Among the points he makes are the following:

--Despite his many reverses, Nasir is probably here to stay. To most Egyptians, he continues to personify their most important aspiration--dignity.

--The nature of Nasir's regime is changing. Most of the small coterie of loyal associates who worked closely with Nasir for many years are now out of the picture. Their eclipse, combined with the sorry state of Nasir's grass roots party, leaves the military as the only effective self-perpetuating body in

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Egypt. Relations between Nasir and the military are therefore of crucial importance.

--Even though a coup cannot be completely ruled out, there are a number of factors working against this possibility, most importantly, Soviet influence in the military establishment.

--The Soviets and Nasir are locked in a relationship which, while at times painful to both, is likely to persist because of its mutual benefits. For the Russians, their position in Egypt has permitted them after 300 years of effort to become a full-fledged member of the board of directors of the Middle East. The Soviets doubtless have long-term aspirations for exclusivity in the area, but for some time they probably will be ready to co-exist with the US and other Western powers on the basis of the mutual recognition of the legitimacy of each other's interests.

--For official Egyptians, the Soviets have been a welcome sheet anchor--providing essential military and economic support at not too much cost to Egyptian independence. The Egyptians of course would prefer a situation where the US also tried to play a more active diplomatic and economic role in Egypt.

--Nasir is under no illusions as to his military capability or the time needed to improve Egypt's position. He would prefer a political settlement, but he doubts it will come to pass. He believes Israel has no interest in a settlement as long as he leads Egypt.

--In light of these factors, Nasir has taken the classic Egyptian pose of standing pat, talking big, punishing the enemy as much as possible and taking the counterblows stoically.

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--Two developments, if they were to occur, might lead Nasir to alter his course: a decline in Soviet support for "active defense," and a conviction that a peace commensurate with Egyptian dignity might be attainable.

LIBYA

The US presence at Wheelus Air Base may be jeopardized by two recent incidents. Libya's foreign minister has already said that the smuggling of a Libyan Jewish citizen to Malta by a US school teacher may be a "dangerous case of espionage" organized by Israel from within the base, and has asked that the American involved in the incident be returned for trial.

As far as we know, the Revolutionary Council has not learned that another Libyan [redacted] was smuggled out by the Wheelus Office of Special Investigations on 3 September.

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[redacted] a business associate of the notorious Shalhi family, probably fled the country to avoid arrest on charges of corruption during the reign of King Idris.

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Ambassador Palmer, who was not informed of the operation until 24 September, and Col. James, CO of Wheelus, are checking on the possibility that other Libyans may have used Wheelus as an escape route.

The US Embassy has agreed to a Libyan request for full customs and immigration control at the base. Soldiers inspected the cargo of an American military plane that arrived at Wheelus yesterday.

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VIETNAM

Foreign Minister Dinesh Singh says he now favors raising New Delhi's consular relations with Hanoi to a higher level. He clearly was swayed by his discussions in Hanoi at the time of Ho's funeral. According to Singh, Hanoi sees closer relations with New Delhi as an important counterpoise in its attempts to maintain independence of Peking.

New Delhi is not likely to take any action until after Singh's visit to the United Nations next week, where the foreign minister plans to discuss the subject with Secretary Rogers. The matter is still a vexing one for India. Since his return from Hanoi, Singh has said he views the North as a "government in authority" in contrast to the uncertain situation in the South. Without a similar upgrading of its consulate in Saigon, however, India's long-standing neutrality between North and South--particularly in its role as ICC chairman--would be compromised.

* * *

Politburo member Truong Chinh gave the keynote speech at the session of the national assembly which put an official stamp of approval on the selection of a new president and vice president on 23 September. It is the most significant policy statement from Hanoi since Ho Chi Minh's death.

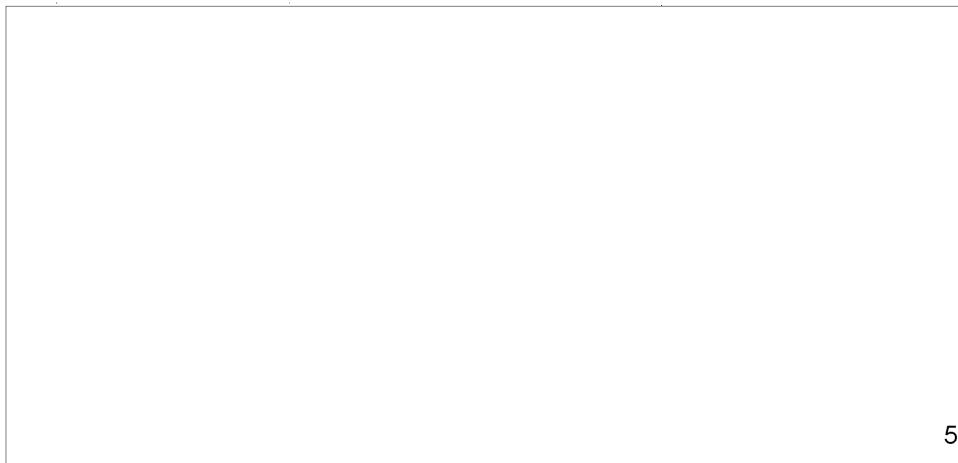
Truong Chinh's statement reaffirmed the priorities which he laid out on behalf of the politburo more than a year ago. He again implied that the war in the South must not impinge on the regime's objective of "building socialism" in North Vietnam. The war itself took a secondary place in his

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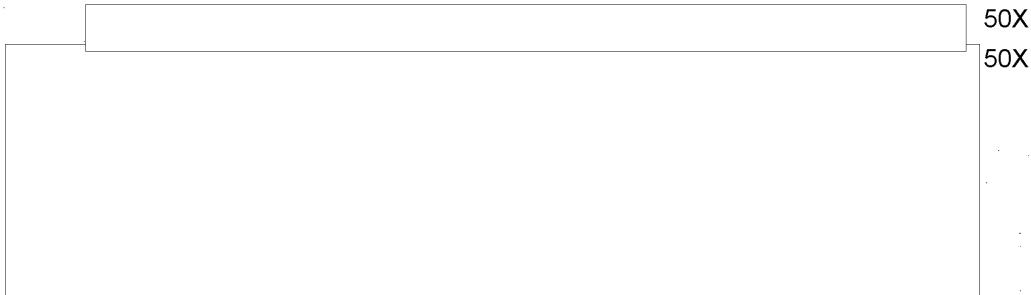
presentation, even though he argued that strengthening the North is the best way to be able to persevere with the struggle in the South.

* * *



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COMMUNIST CHINA



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EUROPE

The West German Bundesbank's clampdown on dealings in its own currency has blunted the heavy flow of speculative capital to West Germany. It has also considerably reduced speculative pressure throughout European markets on other currencies--notably the French franc, sterling, and, to a lesser extent, the

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dollar. Before the West German action, they were being sold off in heavy volume by purchasers of marks who anticipated a revaluation following Sunday's election in West Germany.

Western European foreign exchange markets probably will remain quiet today, but another burst of activity may follow the opening of the West German foreign exchange markets on Tuesday.

CZECHOSLOVAKIA

The central committee met yesterday and apparently will meet again today. There is still no word on decisions reached, but all signs continue to indicate that many of the party's reformist elements will be purged from the committee and perhaps from the party.

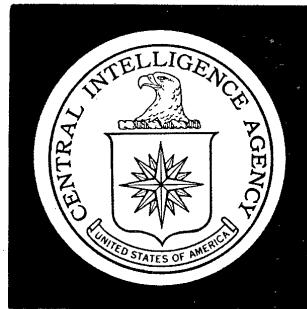
BOLIVIA

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[redacted]
just about everybody
in Bolivia expects General Ovando to take over the country today. We know that he can; we don't know whether he will.

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BOLIVIA

The new government installed by General Ovando yesterday shows a strong leftist and nationalistic orientation.

Fifteen cabinet ministers--nine civilians and six military officers--were sworn into office immediately following the coup. The civilians are all young, strongly nationalistic, and, with the possible exception of the finance minister, sharply critical of US policies in Bolivia. The US Embassy reports that the military men in the cabinet are strong personalities, which might indicate that early strains are likely to arise in the government.

Ovando gave evidence that he intends to follow a nationalistic policy by announcing that his first act would be to annul the petroleum code, a move obviously aimed at the US-owned Bolivian Gulf Oil Company. The new government may be planning to obtain greater revenues from the company through increased taxes or a demand for part ownership. Ovando has hinted on various occasions, however, that he would consider outright expropriation of the company if circumstances warranted such an action.

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Ovando said on the radio yesterday that the armed forces had

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taken power "to offer people a nationalistic and revolutionary alternative to the Siles government," which he characterized as perpetuating "a system of privilege and submission to foreign monopolistic interests."

In statements echoing those of Peruvian President Velasco, Ovando reiterated after official swearing in ceremonies that the change in government was not a coup but "a national left revolution aimed at structural changes." He stated that his government was now studying a plan for complete administrative reform and "wished to form an ideological confederation with Peru." Regarding relations with the US, Ovando said his government did not have any problems with the American people, and did not expect any with the US Government. He closed his press conference by referring to his government as "the second republic."

WEST GERMANY

Some late polls have shown the SPD in the lead as the West German election campaign goes down to the wire. We believe, however, that the recent wave of labor unrest and the renewed controversy over revaluation will, if anything, work to the CDU's benefit.

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SOVIET UNION

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PAKISTAN

The government may again have a tiger by the tail in East Pakistan. The US consul general in Dacca reports that Bengali student leaders, having defied two official summonses to appear and account for offenses they allegedly committed last week, have taken refuge on the Dacca University campus and are calling for a general student strike on Monday. At the same time some East Pakistani workers have gone on strike in defiance of martial law prohibitions.

The regime has the strength to maintain order in East Pakistan's urban areas, but its response to these challenges has been surprisingly sluggish so far. It is using the euphemism "work abstentions" for the strikes in an effort to avoid a test of strength with the workers, and it has not shown much

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determination to bring the students to book either. The province's ever-watchful politicians will find it hard to refrain for long from capitalizing on the discontent.

There is no trouble so far in East Pakistan's rural areas, where disturbances would present a far greater security problem. There have been a few unconfirmed reports from sources of the Consulate General, however, of an increase in agitation among the peasants by antiregime extremists.

LIBYA

The Libyan education minister resigned on Tuesday, apparently as a result of disagreement with Prime Minister Maghribi.

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We expect more fallings-out among the civilians in the government, many of whom belong to mutually antagonistic political groups. Unless major differences develop between the cabinet and the all-powerful junta, however, we do not anticipate a full-scale government shakeup.

The Libyan Government, meanwhile, concerned over the possibility that its opponents are drawing aid and comfort from within Wheelus Air Force Base, has further restricted access to the base. All vehicles are now being inspected, and entry permits issued to private citizens, American and foreign, have been suspended.

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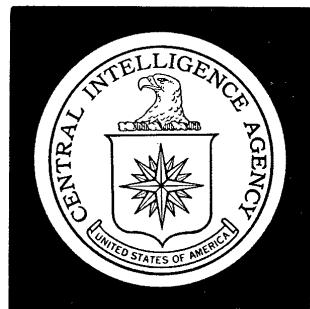
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BRAZIL

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WEST GERMANY

Kiesinger's Christian Democrats emerged again as the leading party in yesterday's Bundestag election, but the shape of the next government is still uncertain.

With 46.1 percent of the vote, the Christian Democrats (CDU) were off 1.5 percent from their 1965 showing. The Social Democrats (SPD), obviously benefiting from their constructive role in the grand coalition since 1966, scored their most impressive tally yet, with 42.7 percent of the vote, an increase of 3.4 percent over four years ago. The neo-Nazi National Democrats (NPD), by failing to gain the five percent necessary for entry into parliament, suffered a crippling blow in their once promising effort to become a force in national politics.

The small Free Democratic Party (FDP) got only 5.8 percent of the vote as compared with 9.5 percent in 1965. As a result of its poor showing, it is likely to become even more fractious and thus less attractive as a coalition partner for either of the large parties. An SPD-FDP link-up, while still possible, would have only a very narrow, unstable parliamentary majority. Demoralized by the party's dismal showing, it is even possible that several deputies of conservative bent will prove susceptible to attractive offers from the CDU. The shift of only seven Free Democrats could give the CDU a majority in its own right.

A renewal of the grand coalition of Christian Democrats and Socialists faces several difficult but probably not

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insurmountable problems, including what to do about inflation, the bitter controversy over possible revaluation of the mark, and the differing assessments over prospects for rapprochement with the East. The Socialists likely would demand a nearly co-equal status in such a government on the basis of their newly won seats. In any event, coalition negotiations could well extend well beyond the start of the new parliament on 20 October.

A significant aspect of the election outcome is the poor showing of the radical parties of right and left, thus bellying oft-expressed fears that the grand coalition would tend to encourage the growth of political extremists. Also, the success of the Socialists, combined with the decline of the FDP and the failure of the NPD, probably improves the prospects of enacting basic reform in the electoral laws toward a system closer to the essentially two-party systems which prevail in Britain and the US.

CZECHOSLOVAKIA

As the results of the recent central committee plenum slowly seep out, it seems clear that the ultraconservatives registered significant gains, but Husak appears to have retained control of the party. Among the 29 members dropped from the central committee were former foreign minister Hajek and Josef Smrkovsky. One of the major targets of the extremists, Smrkovsky will also lose his position as deputy chairman of the federal assembly.

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Dubcek lost his seat on the presidium and his post as chairman of the federal assembly. He was not purged from the central committee, however, which probably reflects Husak's influence. Dubcek's place in the presidium will be taken by the relatively moderate Josef Kempny. Kempny is now one of only four men who hold seats on both the party presidium and the secretariat. Also named a deputy premier, Kempny should be one of the most powerful political figures in Czechoslovakia.

The new federal government appointed over the weekend also seems to be fairly moderate. Most of the men replaced had been under attack for their roles in the poor showing of the economy. Premier Cernik, Defense Minister Dzur, and Foreign Minister Marko, who had come under political attack, managed to hold on to their jobs.

WARSAW PACT EXERCISE

On Saturday, military units from the Soviet Union, Czechoslovakia, East Germany, and Poland wound up the six-day exercise dubbed Oder Neisse 69. It was the largest exercise Pact forces have ever held in Poland and one of the largest they've ever held anywhere.

The maneuvers were highly publicized, and seemed designed to demonstrate Pact unity and combat readiness rather than to train troops.

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Northern Laos

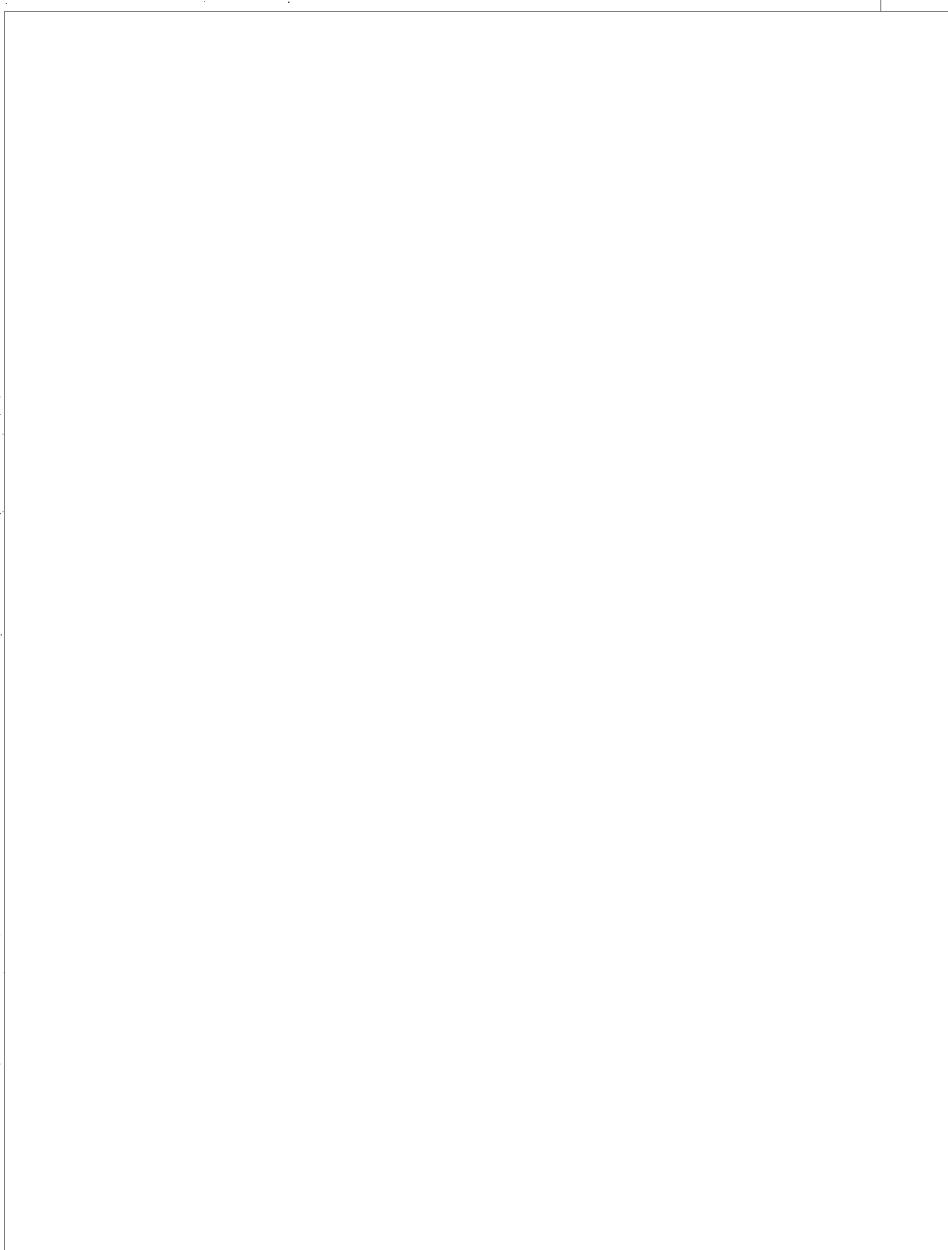
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LAOS

Evidence that North Vietnam is sending sizable troop
reinforcements into north Laos continues to accumulate. 50X1



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In the meantime, General Vang Pao's government forces continue to clean up around several recently captured high-ground areas on the northern fringes of the Plaine des Jarres, and enemy resistance on all fronts in the Plaine seems to have slackened for the moment. Government units also appear to be on the verge of retaking Muong Soui, the former neutralist headquarters which was overrun in late June.

* * *

The enemy has had some sizable losses in equipment and supplies during recent government operations in northern Laos. Our analysts, taking a look at the categories and their valuation, have concluded that these losses as of mid-September totaled some \$6.5 million. These are some examples:

<u>Item</u>	<u>Quantity</u>	<u>Value, US dollars</u>
Medical supplies	551 tons	1.5 million
Ammunition	2,156 tons	1.1 million
PT-76 tanks	14	739 thousand
Trucks	109	545 thousand
Recoilless rifles	411	428 thousand

Most of this material was abandoned by the Communists, and much of it was still usable.

VIETNAM

The Chinese have given the North Vietnamese delegation to Peking's National Day ceremonies a warm welcome. The delegation, headed by Premier Pham Van Dong, was met at the

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airport Saturday by Chou En-lai and other high-ranking officials. At a banquet Chou gave the Vietnamese that evening, he reasserted China's "powerful backing" for North Vietnam and its call for Hanoi to persevere until final victory is achieved.

The day before the delegation reached Peking, China and North Vietnam announced a new agreement covering economic and military aid for 1970; no specifics on the nature or scope of the aid are provided. Since 1965, China has accounted for about one fourth of the some \$3 billion in economic and military aid given North Vietnam by other Communist countries. Almost half of China's aid has been economic--mainly food-stuffs.

Hanoi and Peking are fulsome in their praise of each other in their propaganda coverage of both the delegation's arrival and the aid agreement. In the case of China, this contrasts markedly with its performance during last year's 1 October celebrations, when the subject of Vietnam was virtually ignored.

ETHIOPIA

General Iyassu, the chief of staff of the Ethiopian Army, recently reiterated his long-standing concern over unrest in the army in a conversation with Ambassador Hall. Iyassu admits he no longer is in close touch with his younger officers, but he says he can vouch for the fact that discontent is growing among them. Ethiopia's growing financial difficulties

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have aggravated their unhappiness, but their basic complaint seems to be that the government, which at best was never very innovative, is losing whatever forward momentum it had as Haile Selassie ages. Iyassu says the young officers are studying the Libyan example closely and that a coup is a real possibility.

Iyassu is something of an alarmist, and what he says must be taken with reserve. It is true, however, that signs of unrest among the younger generation of Ethiopians have been accumulating at a fairly steady rate. Up to now Haile Selassie, with practiced Byzantine craft, has kept the young people's aspirations under control, aided by the inertia which pervades Ethiopian society. Age has quite clearly slowed him down, however, and his touch is no longer as sure as it once was. Political turmoil, anticipated when Haile Selassie's long reign ends, could break out even before he goes.

BOLIVIA

Obviously, General Ovando has been paying a great deal of attention to happenings in Peru. He has selected a US-owned petroleum company--Bolivia Gulf--to be the symbolic bête noire of his struggle to gain support from the people. Like the coup itself, the pressure on Gulf was telegraphed well in advance. [redacted]

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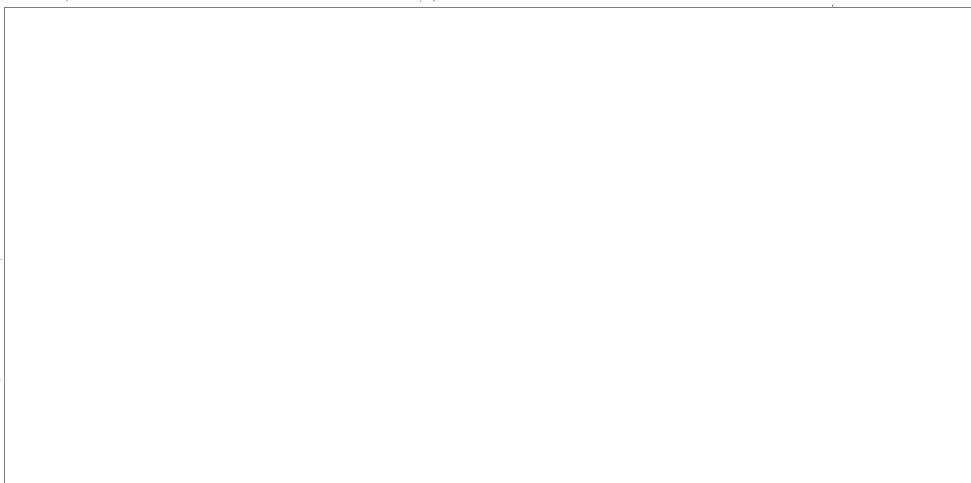
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At this stage, Ovando seems to be thinking less about actual nationalization and more about ways to squeeze extra government revenue out of the company. Ovando undoubtedly has a number of obligations that only money can fulfill, among them a promise to increase wages for miners.

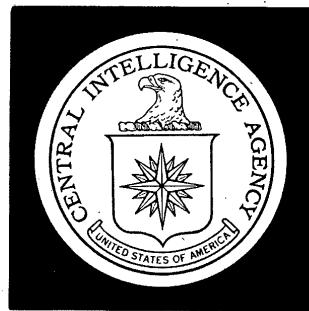
SOVIET UNION

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SOVIET UNION

Yesterday the Soviets flight-tested a modified SS-11 ICBM--the fourth test in a series which began last July.

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USSR - COMMUNIST CHINA

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US Embassy reports have cited private conversations in which Soviet officials stated that Kosygin and Chou had agreed tentatively that the two nations would discuss the border situation. Rumors going around the diplomatic circuit in Moscow only a week after the Kosygin-Chou meeting of 11 September indicated the Chinese may have offered some kind of counterproposal requiring a substantive reply [redacted]

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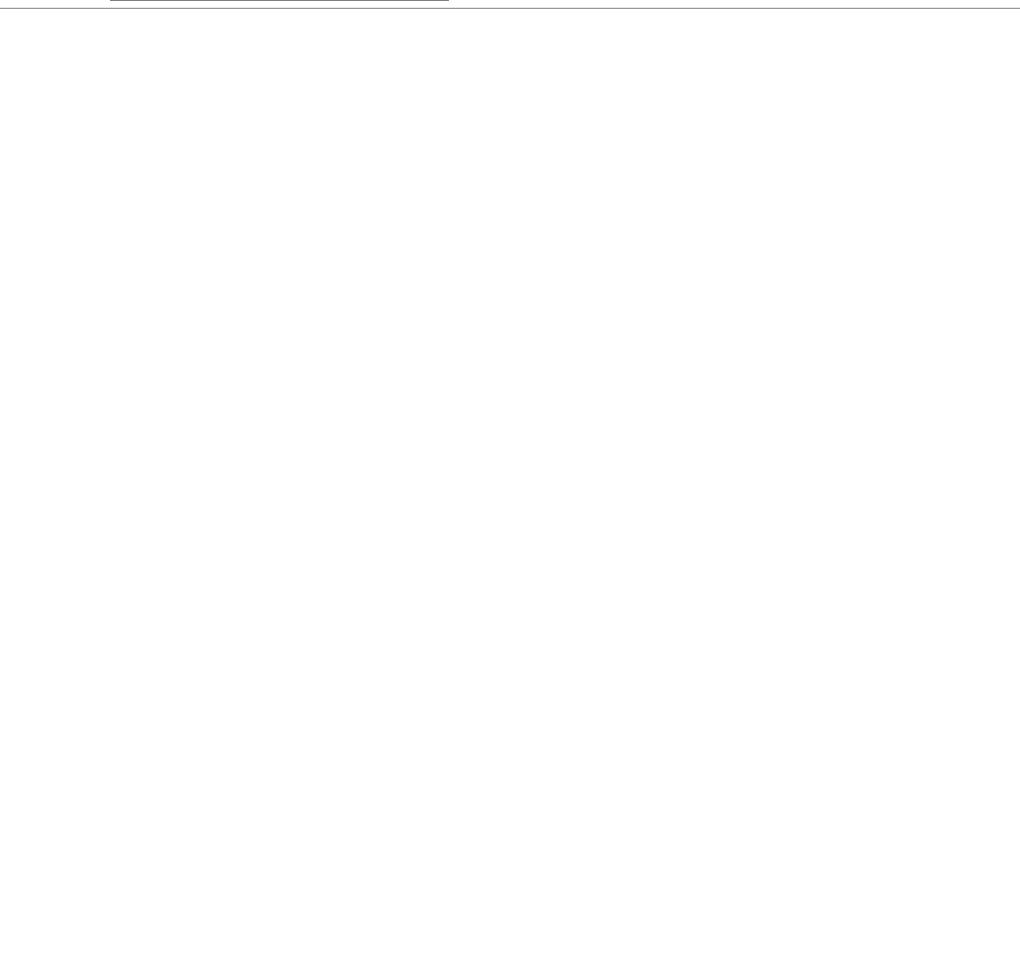
There is no evidence that the exchange goes beyond the border issue. The Soviets have claimed that Kosygin made other proposals for tempering the Sino-Soviet dispute, and that Chou agreed only to consider them. The Soviets say that Kosygin refused to discuss ideological matters--on which

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Chinese

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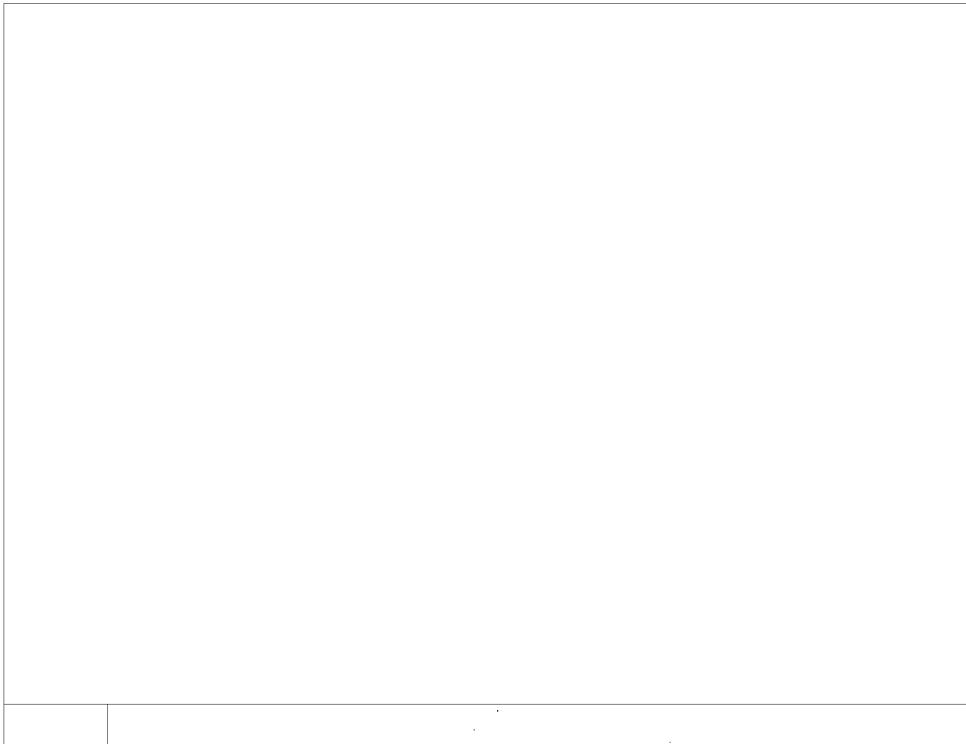


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there is little hope of reconciliation--and that Chou reiterated China's intention to continue its opposition to Moscow on political issues.

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COMMUNIST CHINA



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WEST GERMANY

The government's decision yesterday to permit its currency to fluctuate freely will have the dual effect of dampening speculation and of buying time until the new government is established and a definitive settlement of the exchange rate issue accomplished.

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Without a guaranteed, fixed exchange rate, speculation on revaluation has become much more risky. The DM rate may be subjected to some downward pressure in coming days if present holders of speculative balances sell them off. The longer-term trends of supply and demand, however, probably will tend to push the rate moderately higher until the Bundesbank decides to "peg" its currency again.

CZECHOSLOVAKIA

A sweeping purge is under way. Party chief Husak says that the most important task--the purging of liberals from local party organizations--will be completed by the end of the year. The mechanism to be used will be a reissuance of party cards; this probably means many rank and file members will be expelled.

Thus far, Husak has been able to forestall holding political trials. He has warned, however, that he will not tolerate open opposition. For the moment, the ultraconservatives are trying to force recantations from deposed liberals. If they succeed in this, Husak will be under pressure to make examples of at least some of last year's leaders.

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