

1 August 1969 19 Top Secr^{50X1}

I. MAJOR PROBLEMS VIETNAM 50X1 50X1 SOVIET AFFAIRS Soviet space support ships in the Atlantic and Pacific are moving toward stations which would indicate another unmanned lunar mission within the next week or so. Europe 50X1

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II. OTHER IMPORTANT DEVELOPMENTS

Laos

There has been no major fighting since government	5
forces failed in their attempt to retake Muong Soui some	
two weeks ago. Heavy air strikes may be helping to pre-	
vent the enemy from following up tactical advantages.	
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CAMBODIA

Sihanouk, who has good reason for worry about his country's economy, is in another of his periodic slumps. His threat on Tuesday to resign as chief of state--not by any means the first--apparently was meant to set the stage for a major governmental shake-up, as well as to remind his domestic critics that there is no palatable alternative to his rule. Sihanouk gave no hint of what steps any new government might take to ease the country's malaise. He did, however, make it clear he has no intention of relinquishing his control of Cambodian affairs, even if he does step down.

INDONESIA

There has been an unexpected spin-off in Indonesia from the flight of Apollo 11. Conservative Muslim leaders, who were convinced in advance that the mission was not in accord with the Koran, have lost face. More liberal followers of Islam, as well as non-Muslims, view the moon shot's success as a welcome assist in lessening the hold of traditional Muslim leaders on the people.



2 August 1969

1.9 Top Source

I. MAJOR PROBLEMS

EUROPE

Both Paris and London seem ready to begin low-keyed discussions on the UK's entry into the EEC, but they remain suspicious of each other's motives. The British are resolved to make no special arrangements with the French and say they intend to keep other EEC members informed of the results of talks with the French. For its part Paris, still suspicious of Ambassador Soames, is trying to conduct discussions with the "highest levels of the Wilson government."

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II. OTHER IMPORTANT DEVELOPMENTS

COMMUNIST CHINA

Peking media so far have taken no notice of the US decision to relax restrictions on travel to Communist China. It may be no coincidence, however, that NCNA, two days after the Department's announcement, quoted an unnamed American at a Chinese exhibit in Copenhagen to the effect that the US "blockade" had kept him ignorant of the "new China."

Moscow is treating the subject with considerable circumspection. Such comment as there has been has been limited to scattered domestic and foreign radio broadcasts. These view the announcement with some foreboding as symptomatic of Sino-US collusion, with Peking courting Washington as part of its anti-Soviet course and Washington responding to a situation which "reactionary" US circles think exploitable.

EL SALVADOR - HONDURAS

Salvadoran troops 50X1 are removing everything of value and destroying much of

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FOR THE PRESIDENT ONLY

what they can't carry. Even if these charges of pillage

turn out to be false, other aspects of the cease-fire arrangements will continue to rankle the Hondurans. They are bitter that the Salvadorans got off without being declared aggressors or penalized in any way. Moreover, matters are not helped any by the Salvadoran radio's continued crowing about "diplomatic as well as military victory."

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4 August 1969 19 Top Secret 50X1

I. MAJOR PROBLEMS

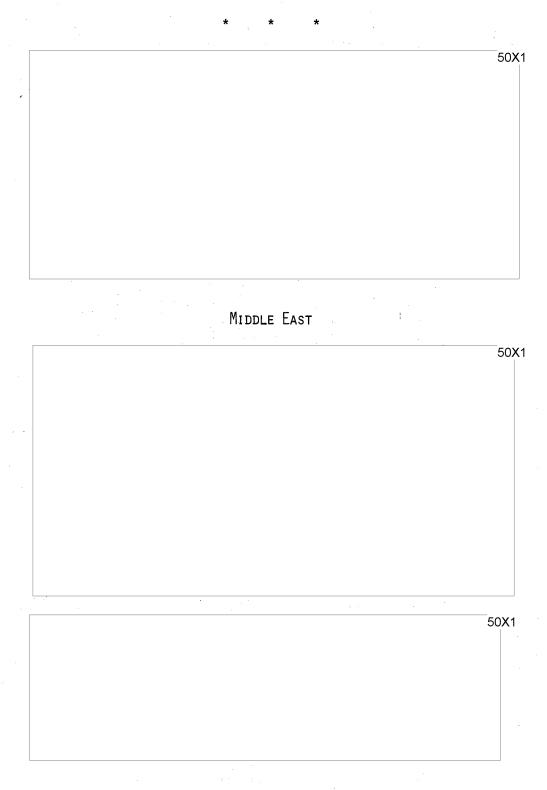
EUROPE

Fanfani's "exploratory mandate" was solely to determine whether there would be sufficient parliamentary support if the Christian Democrats made another attempt to form a one-party minority government. Saragat apparently had no intention of naming Fanfani to form such a government and on hearing his positive report yesterday the President asked Prime Minister Rumor to make a new attempt. Despite their early opposition to such an arrangement, the orthodox Socialists now evidently have agreed not to oppose such a government provided it is considered a temporary arrangement looking toward formation of another center-left coalition in the fall. The Unitary Socialists will support the government and the small Republican Party plans to abstain.

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II. OTHER IMPORTANT DEVELOPMENTS

EL SALVADOR - HONDURAS

Although all its troops have now left Honduras, the problems resulting from earlier Salvadoran migration have not been resolved.

Furthermore, leftist elements in both countries, quiescent during the fighting, are now trying to undermine public confidence in their governments. Honduran leftists are criticising President Lopez for lack of preparedness and for failure to withstand the Salvadoran assault. Salvadoran leftists are carping because President Sanchez withdrew under OAS pressure without effective guarantees for protection of their nationals in Honduras. They have questioned whether the Salvadoran Army really won anything.

Both presidents were in a shaky position before the invasion, and in its aftermath the spirit of national unity called forth by the emergency may dissipate so rapidly they will both be worse off than before.

COMMUNIST CHINA - USSR

A French press report quoting "informed Chinese sources" claims that a Chinese delegation is now in Moscow to negotiate a new trade agreement. The agreement, the first in two years, will probably provide for an exchange of Chinese agricultural and consumer goods for Soviet industrial products.

Despite their political differences, the two countries have continued to trade, and even this past year, when there was no formal agreement, a minimum level of trade (about \$100 million) was carried out.



5 August 1969

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I. MAJOR PROBLEMS

MIDDLE EAST

The need to placate Moshe Dayan and to give Labor Party campaigners something to talk about before the October national elections may push Golda Meir into an awkward corner. By allowing the party to adopt Dayan's hawkish formula for retention or control of key sections of the occupied territories, Mrs. Meir will make it all the more difficult for any future government to settle for anything less.

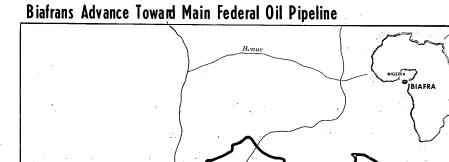
SOVIET AFFAIRS

The large-scale air exercise, involving Soviet,
Polish, and Czechoslovak units, ended on 2 August. As
it turned out, this exercise was the largest and most
complex of its kind ever held in Eastern Europe.

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neuvers had been in the works for several months.



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CAMEROON

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II. OTHER IMPORTANT DEVELOPMENTS

NIGERIA

Last June the Biafrans vowed to disrupt federal petroleum production, but in the ensuing months achieved only limited success toward that goal. On Saturday, however, an infantry unit thrust to within 15 miles of the Trans-Niger Pipeline and now has a good chance of intersecting it. If the Biafrans cut the line, Nigeria's total petroleum output could be reduced from its present 500,000 barrels per day to about 300,000.

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I. MAJOR PROBLEMS

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EUROPE

Rumor's cabinet, announced yesterday, shows an attempt to present as broad a political spectrum of the Christian Democratic party as possible. Former premier Aldo Moro, recently associated with the left wing of the party, was named foreign minister, and an extreme left-wing faction leader, Donat Cattin, was appointed minister of labor. The Socialists presumably exacted for their support a promise that the minority government will remain in office only until an attempt can be made to reconstitute a left-center coalition. There is speculation, however, that regional and local elections may be postponed from fall to next spring, which might permit this second government of Rumor to hold until that time.

SOVIET AFFAIRS

Moscow has used the propaganda journal, New Times, to make its sharpest comment yet on the President's visit to Romania.

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The fact that New Times is not an authoritative party organ suggests that the Soviets are not ready to commit themselves to a specific position. Nevertheless, a deputy editor of the journal called the article to the attention of the US Embassy last week, indicating it was probably meant to be an "unofficial" statement of Soviet policy.

In the article, "American ideologists" were charged with advocating extension of "suitable trade agreements" and license contracts to promote East European nationalism. The journal warned that machinations against socialism would "inevitably" evoke resistance from the USSR. Although no names were mentioned, the article clearly applied to Romania and the President's trip.

Soviet officials have implied that Moscow will oppose any subsequent steps to strengthen US-Romanian ties. Soviet displeasure with Romania has been shown by the protocol snub of sending a relatively low-ranking party secretary to head the delegation to the party congress beginning in Bucharest today. Brezhnev headed the delegation to the last such affair in 1965.

Hungary has been quick to take advantage of the opening provided by Gromyko's conciliatory line toward the West in his speech on 10 July. Ambassador Puhan sees a recent concession on US Embassy financial operations as a "significant break-through" which could lead to eventual settlement of such bilateral problems as financial claims, restrictions on embassy

activity, and a cultural agreement. Since the Hungarians have always been cautious in dealing with the US, these actions would appear to have Moscow's blessing and reflect Soviet interest in detente moves.

II. OTHER IMPORTANT DEVELOPMENTS

SOUTH KOREA

President Pak's threat last month to resign apparently did the trick. He now seems to have enough votes in the National Assembly for passage of the constitutional amendment which would allow him to run for a third term in 1971. The amendment is expected to emerge from the legislature in mid-september and to be submitted to a national referendum on 7 October.

Pak will doubtless carry the day, but the government may run into trouble from the students. They are planning to resume demonstrations against the amendment after returning from summer vacation late this month.



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MIDDLE EAST

Recent satellite photography reveals that Syria's first SAM site is now operational. Located near an airfield serving

Damascus, it probably will be used for training while other sites are set up. Soviet equipment for this and, presumably, future SAM sites has been in Syria for at least six months.

SOVIET AFFAIRS

Security and political preparations for the anniversary of the Soviet invasion of Czechoslovakia on 20 August are being given priority attention by the leaders of both countries. Czechoslovak party chief Husak and President Svoboda have gone to the Crimea, where they were joined by Brezhnev and Podgorny for talks which have continued since last weekend. There has been a press blackout on their activities, which suggests that major issues connected with the anniversary are being decided. The political chief of the Soviet armed forces, General Yepishev, arrived yesterday in Prague for "mutual consultations" with Czechoslovak military leaders.

The Soviet space center appears to be in late stages of preparation for a manned flight and for a lunar mission. Since these preparations overlap, Soviet intentions are not clear. We think it most likely, however, that the two operations are separate: there will be an unmanned moon shot and a manned shot in earth orbit.



8 August 1969

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I. MAJOR PROBLEMS

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SOVIET AFFAIRS

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Soviet propagandists are doing a bit more saber-rattling than usual in their current anti-Mao campaign. Wednesday's issue of the military newspaper Red Star carried a belligerent article by Col. Gen. Vladimir Tolubko, the new commander of the Far East Military District. The article lauds the exploits of the Soviet Far Eastern army which defeated "Chinese militarists" 40 years ago. The heroes of 1929 are compared to the "heroes of Damansky Island," the site of the border clash in

March. The article warns the Chinese that "who comes to us with the sword will perish by it."

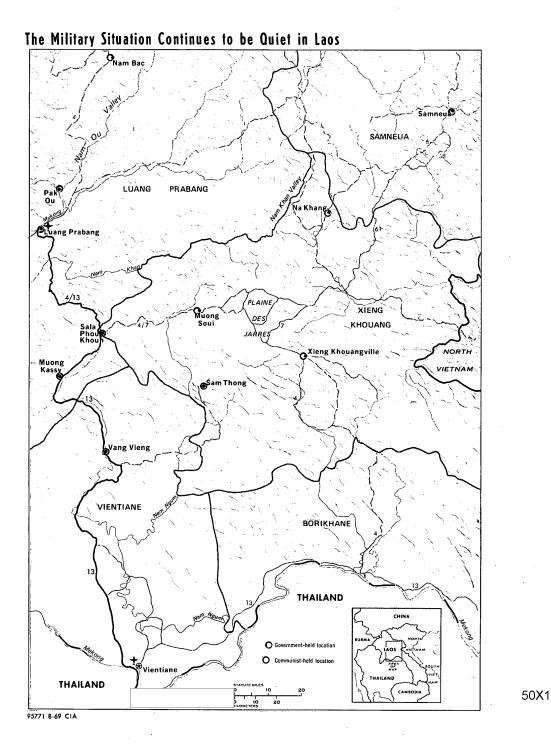
There is no obvious reason why the article was printed at this particular time. It did serve, however, to publicize Tolubko's accession to his new command in a dramatic way, and the Chinese are surely aware that he is the former number two man of the Soviet Strategic Missile Forces.

Recent satellite photography has uncovered another group of six silos under construction for the SS-9 ICBM. Construction on this group began last spring at an existing ICBM com-

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II. OTHER IMPORTANT DEVELOPMENTS

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Laos

The military situation is still quiet, but there are some	1.5
signs that the Communists may become more active west of the	
Plaine des Jarres between Luang Prabang and Vientiane.	50X1
Pathet Lao elements north of the road	50X1
junction at Sala Phou Khoun are moving to attack a number of	
government posts strung along Route 13. These same sources	
claim the Communists also intend to hit Luang Prabang air-	•
fieldan easy target which has frequently been attacked in	
the past.	
South of the road junction, reports have it	50X1
that the Pathet Lao are planning an early attack against the	
neutralist base at Vang Vieng with the help of North Vietnam-	
ese troops from the Muong Soui area. these	50X1
reports also claim the Communists intend to hit Vientiane airfield.	50X1
Communists may not be bluffing this time; an attack on the	
outskirts of Vientiane would have a highly unsettling effect	
on an already jittery Lao leadership.	

Meo leader Vang Pao, meanwhile, has launched an offensive east of the Plaine des Jarres in an attempt to cut Communist supply lines. This move, along with a series of planned attacks against enemy positions along the southern edge of the Plaine, is designed to prevent the Communists from pressing their attacks beyond Muong Soui. Vang Pao's plans call for the commitment of substantial numbers of troops who have been defending the bases north and south of the Plaine, thus making those bases somewhat more vulnerable.

CAMBODIA

Sihanouk's reluctance to delegate real authority is making it hard for him to find a new prime minister. General Lon Nol, his first choice, tried to beg off, but--presumably after some princely arm-twisting--has now agreed to have a go at forming a cabinet. Lon Nol had run afoul of Sihanouk during an earlier stint as prime minister, and has probably been angling for assurances that he will enjoy a relatively free hand this time.

Waiting in the wings in the event that Sihanouk and Lon Nol can't work things out is Prince Norodom Kantol, another former prime minister whose chief asset is unquestioned subservience to Sihanouk.

PERU

Although President Velasco has rejected IPC's appeal for reduction or cancellation of its alleged debt to the government, Foreign Minister Mercado has assured the US charge that Peru intends to "keep the doors open in substance and not just in form" for future efforts toward settlement. In his announcement on 6 August, the President said the case would have to be settled in court. All parties to the dispute are now awaiting Ambassador Irwin's return to Lima to renew talks on the IPC problem and, probably, other issues.

EL SALVADOR - HONDURAS

Salvadoran radio and press commentators continue to crow about their "military and diplomatic victory," and the government has refused to return Honduran prisoners of war. The POW's are being held until Honduran authorities release an estimated 11,000 Salvadoran civilians detained during the hostilities. Public resentment against El Salvador is so great, however, that Honduran officials fear the detainees may become victims of violence if turned loose. If the Hondurans are prodded into violence against the resident Salvadorans, the government of El Salvador could again succumb to pressure from the same firebrands who pushed it into the original attack.



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SOVIET AFFAIRS

The week-long lull in Soviet military air activity continues, but what it portends is still not clear. The small amount of flying that has been detected during this period appears to be limited mainly to essential tasks such as defensive fighter patrols and a few transport movements.

Zond-7, the unmanned lunar probe launched Thursday, seems to be on course and working satisfactorily. The probe will reach the vicinity of the moon on 11 August, loop around it, and return to earth for recovery, probably in the USSR, on 14 August.

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At the Romanian party congress now under way in Bucharest, both Ceausescu and the Soviet chief delegate, Katushev, have restated their respective regimes' disparate views, but they have avoided an open clash.

In his opening address, the Romanian party leader spoke of a system of sovereign Communist states but reiterated his opposition to the concept of blocs. His definition of imperialism could be applied to both Moscow and Washington. While vowing to preserve Romania's independence, he also took a conciliatory line toward the USSR.

Katushev, for his part, condemned "the perfidious practice of bridge-building"--an indirect reference to the President's visit. He also reminded all present that the Kremlin considers itself entitled to act against dissidents who threaten the socialist system. His speech met with strong opposition from the Yugoslav, Italian, and Spanish parties.

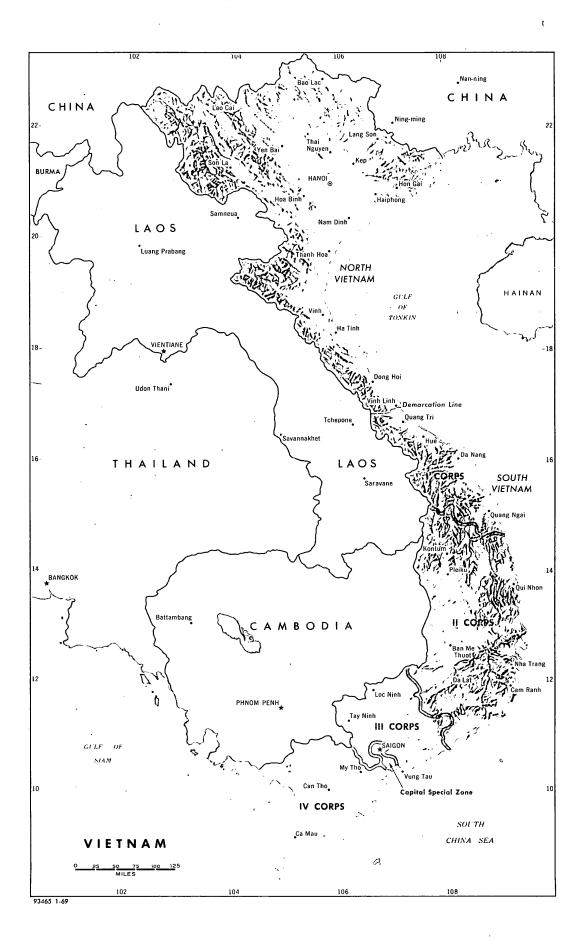
In Moscow yesterday, <u>Izvestia</u> published an article containing the first direct and authoritative Soviet statement linking criticism of the "bridge-building" concept with the President's trip. Moscow probably still plans to avoid an open break with Bucharest, however, as indicated by <u>Pravda's</u> publication of a lengthy summary of Ceausescu's congress speech.

Tensions are again rising in Czechoslovakia as the anniversary of the Soviet invasion approaches. Although Moscow would probably prefer to avoid violence at this time, it may regard repression—rather than further conciliation—as the best means of avoiding a flareup on 20 August. At annex we examine the reasons for Soviet concern.

EUROPE

The devaluation of the French franc took the international financial community, including the finance ministries and treasuries of the major Western countries, completely by surprise. Although it was generally accepted that devaluation was one option open to the Pompidou government in dealing with France's steadily declining external reserves, no one expected that it would come at this time, when a modicum of calm had returned to world exchange markets. The French have thus scored an impressive tactical success by pulling devaluation off amid a minimum of speculative pressures.

Devaluation will help considerably to slow the growth of French imports and should stimulate French exports, thereby beginning to reduce the French trade imbalance that had grown to serious proportions in 1968 and 1969. In the short term, devaluation will have to be buttressed by continued or perhaps even more restrictive policies aimed at slowing the present boom. In the longer run, however, it may help French economic expansion by easing pressure on the balance of payments.



The devaluation will have major repercussions throughout Western Europe, although competitive devaluations of other currencies is not expected. The French action will throw the EEC's agricultural financial scheme—and therefore the Common Agricultural Policy—into even greater disarray. The British pound almost certainly will come under speculative attack when the major foreign exchange markets reopen on Monday. French devaluation removes a principal source of speculative pressure for revaluation of the deutschemark, but even so the mark is still substantially undervalued against most other major currencies. A speculative crisis after the German elections thus may still occur.

VIETNAM

Reports indicate the enemy is getting in position for another round of attacks this month. One major focus may be Tay Ninh and Binh Long provinces in III Corps, where the Viet Cong 9th and the North Vietnamese 1st and 7th divisions are available for action. There are tentative indications that some enemy main force units in other parts of the country may also be on the move.

Ralliers and prisoners are reporting enemy plans for "high points" around 19 August and again on 2 September; both dates mark important Vietnamese Communist anniversaries. It was in much this same time frame that the Communists last year launched their relatively low-keyed August-September campaign, after a long summer lull.

MIDDLE EAST

Israel, alleging increased fedayeen and Jordanian Army activity, has sent its planes against Jordanian military targets three times in as many days. The Israelis claim that during the past week, the Jordanian Army, using tanks and artillery as well as small arms, had begun firing "at any target found," military or civilian, but primarily military. They profess the belief that this is not the result of local initiative but of a decision at a higher level.

Whatever the truth to these charges, the Jordanians may be in for some hard times unless they can cool things off along the cease-fire line.

II. OTHER IMPORTANT DEVELOPMENTS

USSR-CHINA

The border navigation talks in Khabarovsk, begun on 18 June, have ended--apparently on a successful note. According to TASS, the two sides signed a protocol on the improvement of shipping on border waterways for the current season. The seeming success of the talks shows that on matters of mutual practical advantage, the Soviets and the Chinese can reach agreement despite the tensions between the two countries. The next annual meeting will be held in China.

CZECHOSLOVAKIA

Nearly a year after their intervention in Czechoslovakia, the Soviets have achieved only some of their aims; now they are bracing for possible demonstrations on the anniversary of the invasion.

The Soviets have reason to be concerned. The Czechoslo-vak population is ignoring official appeals for calm; provocative handbills continue to appear. Most of them call for peaceful anti-Soviet and antiregime demonstrations, but tension is so high that a small wrong move could set off riots. In the past few weeks there have been instances of violence against the Soviets.

Conservatives in the Czechoslovak party, probably confident of Soviet backing, are openly critical of party chief
Husak for proceeding too slowly in recreating an orthodox Communist regime. They are calling for arrest and trial of the liberals and other anti-Soviet and anti-Communist individuals. They want a condemnation of Dubcek, accompanied by his public recantation. They want the government to follow the party's orders again, and demand that nonparty groups such as labor unions and student groups profess their fealty or disband. Most of all they want the leadership to state publicly that the invasion was justified.

Husak, who condemned the invasion last year, has so far withheld an endorsement of it. He is opposed to the return of terror and wants to run a carefully controlled version of Dubcek's "participatory" government. In talks now going on

in the Crimea Brezhnev and Podgorny are undoubtedly pressing demands similar to those of the conservatives on Husak and President Svoboda. They may also be calling for a purge of Dubcek's appointees and their replacement by reliable conservatives.

The same kind of pressure is probably being exerted in Prague by General Yepishev, chief political officer of the Soviet armed forces. Since his arrival, a purge of liberal and anti-Soviet officers in the Czechoslovak armed forces seems to have reached further into the upper levels of the Defense Ministry. Yepishev may also be looking at the readiness posture of Soviet forces in Czechoslovakia and trying to determine how reliable the Czechoslovak armed forces would be in the event of a crisis.

be on alert during the anniversary, apparently as a precautionary measure. Although Soviet forces may be moved to alert positions near the cities--possibly under the guise of exercises--they would probably not be used unless Czech demonstrators get out of hand.

In any event, there is a possibility that military exercises involving the Soviet forces in Czechoslovakia will be taking place at the same time as the anniversary. One unconfirmed report said that a Warsaw Pact exercise would be held during the period 18-23 August.



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FOR THE PRESIDENT ONLY

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The Soviet chief delegate to the Romanian party congress, Katushev, visited a machine tool factory on Friday.

While he repeated several major points of his generally critical address to the congress, he spoke in a friendly vein and ended with the declaration "long live the unshakeable friendship between Romania and the Soviet Union." The entire text of his remarks were carried by the Romanian party daily

Scinteia on Saturday. The declaration of friendship was absent in Katushev's address to the congress and may reflect Moscow's desire to soften the impact of his critical remarks at the congress.

The Soviets again successfully test fired the PL-1 ballistic missile on Saturday. The missile flew some 3,100 miles from Plesetsk to Kamchatka. The maximum range of this missile is not yet known,

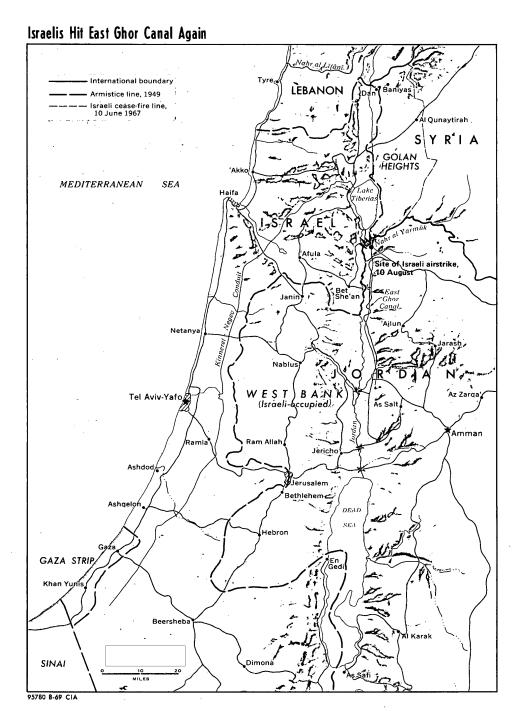
this missile is not yet known,

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MIDDLE EAST

Israeli planes again severed the East Ghor Canal yesterday at the same place where it was cut in late June. King
Husayn's spokesman asked the US to inform Israel that workers
would attempt to repair the canal and, if they were fired on,
the result would be escalation "on a scale never before witnessed
on the Jordanian-Israeli front."

When told of the Jordanian position, the Israeli foreign ministry said Tel Aviv could not allow the canal to be repaired without more solid guarantees against related military actions. The last time the canal was cut the Israelis fired on workers attempting to repair the break and it was three weeks before they would allow repairs to be made. Amman later indicated that only a small contingent of workmen would survey damages to the canal today and Husayn instructed the army to exercise restraint, at least throughout the morning.

The Jordanians are in a highly emotional state and the consequences could be as serious as they predict.

VIETNAM

The North Vietnamese delegation to the Paris peace talks requested a private meeting with Mr. Habib on 9 August, the first time since January that the Communists have taken the initiative in asking for a private meeting. Nguyen Minh Vy, who represented the North Vietnamese, offered nothing new. He did, however, ask for clarification of a number of points raised by Habib, including such matters as requirements for

mutual troop withdrawal, its relation to the political process in South Vietnam, and our views on a neutral South Vietnam.

Vy told Habib that the North Vietnamese thought the private meetings were worthwhile and that Hanoi does not want long gaps between them. He said that was why he had asked for this one.

Vy's performance suggests that the North Vietnamese want to keep the channel of private meetings open and functioning but that they are not yet ready to begin transmitting any real message of their own. Habib made it clear to Vy, however, that the US expects Hanoi to begin opening up now that we have fully explained our position on a number of points.

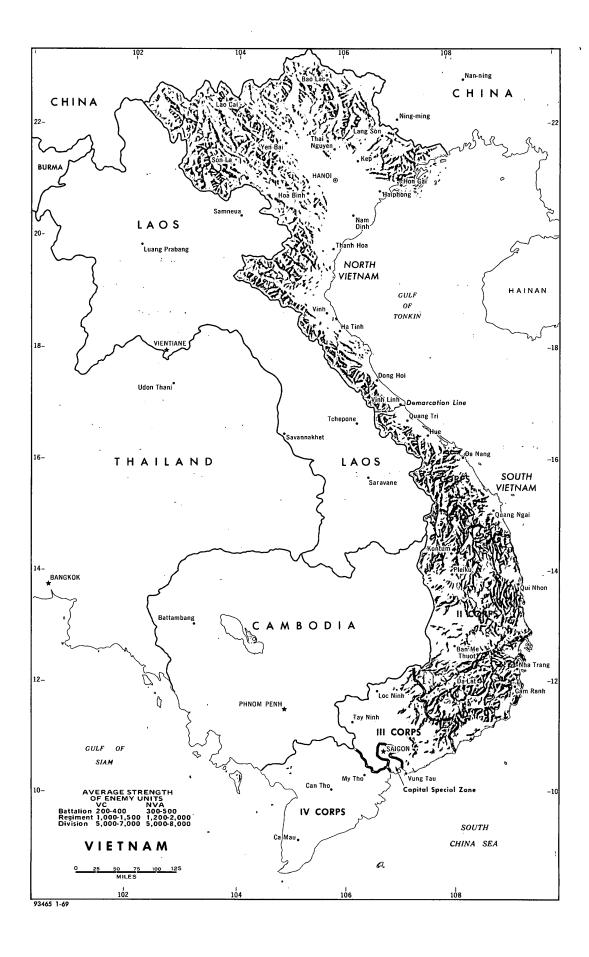


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VIETNAM

Communist forces shelled over 100 allied targets last night and also carried out some ground attacks. In the ground fighting, directed mainly against US positions near the Cambodian border in the northern III Corps area, preliminary reports put US casualties at 28 killed and 187 wounded, compared with 240 enemy killed.

The shelling has been fairly light. A few rockets were launched against targets on the outskirts of Saigon, Hue, and Da Nang without serious effect.

This latest Communist "high point" was preceded by weekend attacks near the Demilitarized Zone, against US positions
in Tay Ninh Province, and against South Vietnamese army units
in coastal Binh Thuan Province. The ground actions, along
with the shellings, may indicate the start of the enemy's
"autumn offensive," expected to occur around two major Communist holidays in mid-August and early September. Communist
units are in position to launch followup attacks in many parts
of the country.

South Vietnam's three major cities do not seem to be under major ground threat, but they could come under terrorist harassment. There are many indications that the Communists intend to emphasize guerrilla and sapper operations in their coming drive.

SOVIET AFFAIRS

Flight activity within all Soviet air components resumed

FOR THE PRESIDENT ONLY

yesterday, but at levels somewhat lower than normal for a Monday.

ZOND-7, the unmanned lunar probe, has gone around the moon and is now on its way back. It should return to earth on Thursday.

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Soviets could send a crew around the moon in September.

MIDDLE EAST

Israeli troops fired a "few shots" at the small party of Jordanians which came to inspect the damaged East Ghor Canal, in spite of threats by King Husayn's spokesman that such action would result in escalation of the conflict to unprecedented levels. The Israelis are demanding "suitable guarantees"—unspecified—that Jordan will restrain terrorists and the Jordanian army in exchange for permission to repair the canal without interference. Leaders of both Jordan and Israel seem totally unyielding in their demands on each other, and emotions are so high on both sides that serious fighting may break out.

NIGERIA

Military leaders are becoming more and more gloomy over the federal forces' inability to defeat Biafra or even

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umors abound in Lagos	50
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Prime Minister Forbes Burnham and the other leaders of his government fear that "hawks" in Venezuela will seize the disputed territory that makes up the western two-thirds of Guyana. This concern has probably been heightened by what the Guyanese consider the easy treatment given El Salvador by the OAS.

Lacking the military strength to forestall Venezuela, the Guyanese are considering ways to build up political support in the rest of the world.

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13 August 1969

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Soviet Affairs	50X1
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The group of Soviet warships in American waters has completed its Caribbean operations, which included port visits to Havana, Martinique, and Barbados. Most of the ships are headed east into the Atlantic.

EUROPE

The EEC proposal to adjust the Common Agricultural Policy to the devaluation of the franc by removing France from the uniform pricing system for 28 months was opposed by the Dutch. The Hague fought for a short term arrangement and the resulting compromise exempts France for the 1969-70 crop year only. The Dutch wanted to deny the French a definite solution in order to keep pressure on Paris--presumably to open discussion of British membership.

MIDDLE EAST

King Husayn has been talking about a reform of his cabinet for some time. Yesterday he reshuffled a few of the

FOR THE PRESIDENT ONLY

familiar political figures, ending up with a team as weak as its predecessors.

In a conversation with US officials, the King said his government would not repair the damaged East Ghor canal without Israeli permission. King Faysal of Saudi Arabia will make up the losses if the crops are lost because of the lack of irrigation, Husayn believes, and he is not able to offer Israel any stronger guarantees against attacks by the fedayeen than he gave in June.

CAMBODIA

General Lon Nol may have received a somewhat freer hand in forming a government than Sihanouk has given to previous prime ministers. The major surprise is Prince Sirik Matak, a forceful figure who has been openly critical of Sihanouk's economic and foreign policy. His decision to join the government as first deputy prime minister suggests that he expects to be more than a rubber stamp for Sihanouk.

Lon Nol has not yet chosen ministers for the economy, however, an area in which Sihanouk has called for sweeping reforms and which the Prince claims will be the principal testing ground for the new government. Further, Sihanouk is not likely to allow Lon Nol an important role in determining the course of foreign relations.

Lon Nol has a reputation for dealing firmly with antigovernment elements, particularly insurgents now active in the countryside. He has also advocated more aggressive military countermeasures against Vietnamese Communist incursions.

SOVIET UNION - COMMUNIST CHINA

The United States Intelligence Board yesterday approved National Intelligence Estimate 11/13-69 titled "The USSR and China." Its principal conclusions are:

- --Sino-Soviet relations have deteriorated since the Ussuri River clashes in March and there is little or no prospects for improvement. The potential for a war between them clearly exists.
- --A deliberate Chinese attack on the USSR is unlikely. The Soviets would probably not want to become involved in a prolonged large-scale conflict, but there is some chance that Moscow may think it could launch a strike against China's nuclear and missile facilities without getting involved in such a conflict. In any case, a climate of high tension, marked by periodic border clashes, is likely. Escalation in the scale of fighting, perhaps involving cross-border raids by the Soviets, is a possibility.
- --Moscow has recently shown a desire to improve the atmosphere of its relations with the West to obtain benevolent neutrals in a "containment" of the Chinese. Peking, which appears to regard the USSR as its most immediate enemy, will face stiff competition from the Soviets in attempting to expand its influence in Asia.



The President's Daily Brief

14 August 1969

Top Secret

VIETNAM

The latest surge of Communist military activity was shortlived; action yesterday and today was greatly reduced. This reinforces earlier signs that the autumn campaign will consist of a series of "highpoints" followed by periods of relatively light activity. The next attacks may be scheduled to coincide with the Communist holiday on 19 August, honoring Ho Chi Minh's takeover in Hanoi after the Japanese withdrawal in 1945.

* * *

Thieu and Huong met yesterday and issued a statement in which they agreed that a much more broadly based cabinet should be formed. This reinforces earlier indications that Huong has agreed to Thieu's plans for including more politicians in the cabinet, in contrast to the government of technicians which the prime minister had previously favored. There is no indication that they have agreed as yet on the make-up of the new cabinet, but it now appears likely that Huong will stay on as prime minister.

SOVIET AFFAIRS

Ceausescu demonstrated his unchallenged leadership over the Romanian Communist Party at the congress which ended on Tuesday. Seventy foreign parties sent delegations to the meeting.

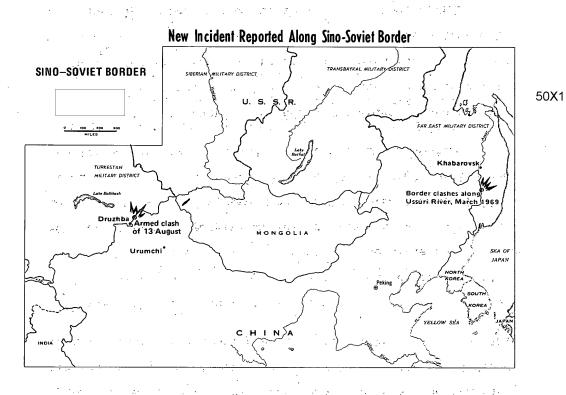
Ceausescu advanced numerous "second generation" Communists to national-level party positions by deftly manipulating

the composition of top-level bodies to ensure a membership tipped more to his favor. By electing representatives of the military and security forces, the intelligentsia and ethnic minorities, the congress advanced the image of national unity. At the same time the few "old guardists" still in top-level posts, although downgraded, were not displaced.

Romanian speakers at the congress reaffirmed Bucharest's independent course in foreign affairs. Ceausescu, in his opening speech, left little doubt about Romania's determination to resist any attack by "imperialists," which he defined in a way that could equally apply to both the US and the USSR.

Aware that the President's visit was still fresh in the mind of the Romanian people, Ceausescu tried to redress the balance. He labored to put the best face possible on Romanian-Soviet relations. He paid lip-service to Bucharest's attachment to CEMA and the Warsaw Pact. He also spent some time discussing the Soviet army's role in "liberating" Romania and predictably criticized the US four times in his speech.

Now that the congress is ended, Bucharest is prolonging its festive atmosphere until 23 August, when the country will celebrate the 25th anniversary of its "liberation." It seems doubtful at this point that the Soviets and their allies will send high-level delegations to this event. Some Romanian leaders are expected, however, to meet their allies on the highest-level on 9 September, in Sofia, when Bulgaria celebrates its 25th "liberation" anniversary. Unidentified diplomats in Bucharest have claimed that Moscow may take the Romanians to task at the Sofia meeting. The Romanians can be expected to hold their ground.



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EUROPE

There was a massive run on the pound sterling yester-day, triggered by announcement of an unexpected increase in the British trade deficit for July. The devaluation of the franc had already weakened the pound's position. If a run of this magnitude (\$500 million in Bank of England foreign exchange between noon and close of business to keep the sterling up) continues, the Bank has only a few days of reserves left unless it obtains additional resources from other nations. Prospects for this are not bright since London still owes \$6 billion which it borrowed to defend the pound in previous crises.

SOVIET UNION - COMMUNIST CHINA

Yesterday's clash between the Soviets and the Chinese is only the latest in a series of armed incidents that have occurred recently along this same stretch of the Sinkiang-Kazakhstan border. In June, the Chinese charged Moscow with an "armed intrusion" in which one of their soldiers was killed, while in May the Soviets claimed that Chinese troops had "illegally" occupied several square miles of their frontier territory.

	rexing was the first to publicize the latest clash	
app	arently in an attempt to portray the Soviets as the	
unre	easonable, aggressive party in the dispute.	50X1
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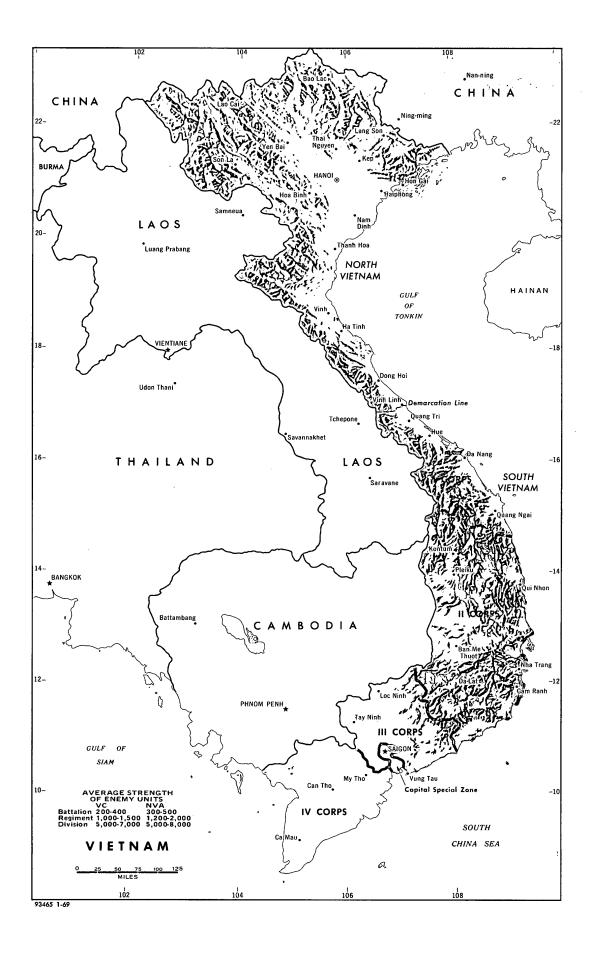
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The closest known Soviet Army	50X1
unit (an 1800 man motorized regiment) is at the Dzungarian	
Gate, near the border. No sizable Chinese Army units are	
known to be in the area of the reported clash.	

Recent developments, including the limited agreement on border river navigation signed in Khabarovsk last week, suggest that neither side wishes the inflamed border situation to get out of hand. Neither is likely to compromise fundamental positions, however, and questions of national prestige could lead to intensification of any even minor incident. This latest flare-up can only increase the explosive potential of the border situation.



15 August 1969

19 50X1 Top Secret



VIETNAM

Heavy ground fighting flared up again on 13-14 August in northwestern III Corps and near Da Nang. Five battalion-sized engagements, all centered around US bases, were reported in Binh Long Province. In neighboring Tay Ninh Province, another battalion-sized Viet Cong unit attacked an ARVN base camp five miles southwest of the provincial capital.

South of Da Nang, US Marines are maintaining contact with elements of a North Vietnamese regiment which has lost over 200 men since the latest "high point" of 11-12 August.

Attacks are also continuing against government refugee camps; three northeast of Quang Ngai city were attacked on 13 August.

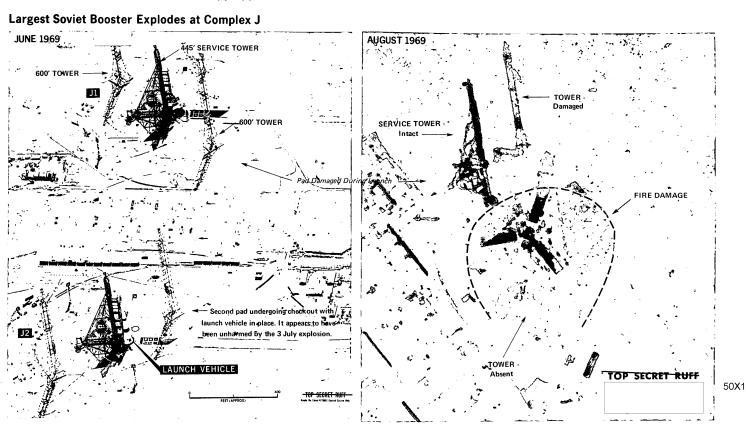
Tactical intelligence continues to indicate that a new "high point" will occur around 19 August. It also suggests that the Communists intend to sustain their new offensive in widely separated parts of the country well into September.

SOVIET AFFAIRS

With the approach of the anniversary of the Soviet invasion, Czechoslovak authorities have reinforced the regular police and activated the "people's militia"—the Communist party's security units which are usually mobilized in times of potential crisis. Security officials are making preventive arrests of known criminals and dissidents whom they consider likely to generate trouble.

Party leaders have begun making daily appeals to the people to refrain even from quiet, non-violent demonstrations.

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The regime is probably being helped in this effort by unconfirmed rumors that Warsaw Pact exercises are to take place around major cities during the anniversary period, primarily for purposes of population control.

Trouble, if it comes, would most likely be from the more extreme of the country's disaffected youth, some of whom are said to have recently stolen small quantities of arms. Conservatives in the regime might attempt to fan any disturbances, hoping to precipitate the intervention of Soviet forces and the downfall of Husak and his moderate colleagues.

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In addition to correcting the problems with the booster, the Soviets probably will need six months to a year to repair the launch pad. The second pad nearby appears undamaged.

Zond 7 was recovered in the USSR yesterday after its eight-day circumlunar flight. Zond 7 seems to have been a

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full-scale rehearsal for a manned circumlunar flight, which would come as early as next month. A Soviet manned lunar landing mission may be two or three years away because it would need a larger booster which has not yet been successfully tested.

INDIA

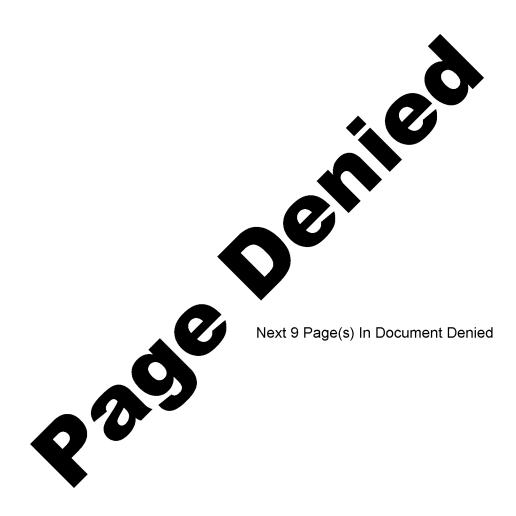
Mrs. Gandhi yesterday moved closer to a showdown with the Congress Party bosses by refusing to associate herself with a call to party members to vote for Sanjiva Reddy, the official Congress candidate for president. Her allies, meanwhile, are lobbying frantically for V. V. Giri, whom she backed for the party nomination last month.

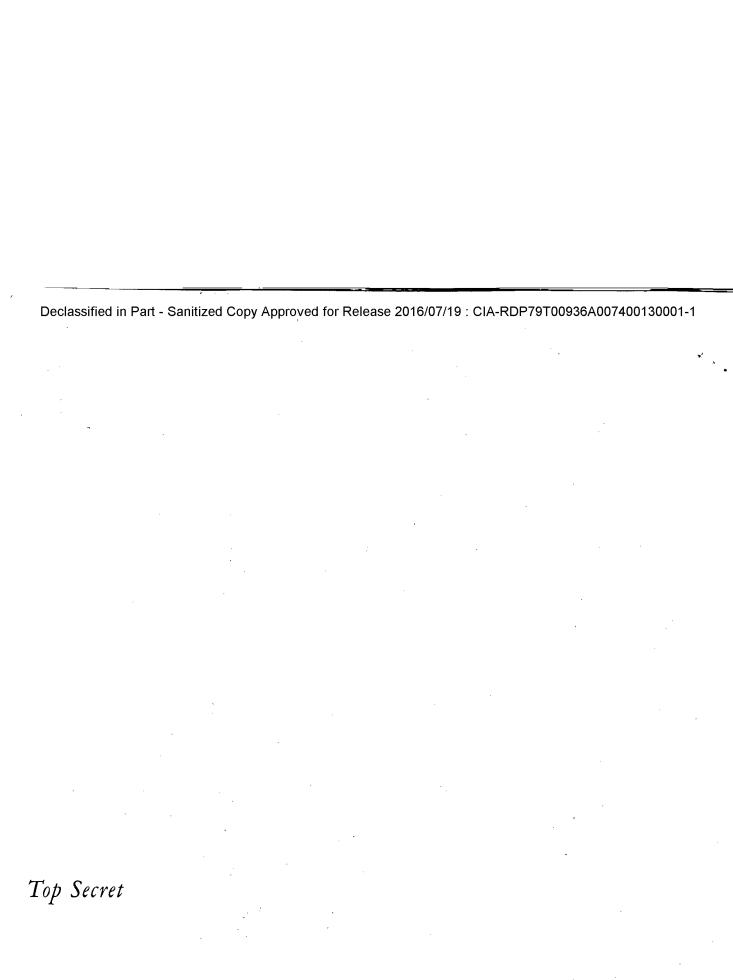
Some senior party leaders are trying to cool tempers on both sides. They have working for them the traditional reluctance of all party leaders (Mrs. Gandhi included) to do anything which risked the end of Congress rule. Moreover, we suspect Mrs. Gandhi is reluctant to jeopardize the gains she made in last month's test of strength with the bosses by mounting an all-out campaign against Reddy. The animosities are deep, however, and the conciliators have their work cut out for them.

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16 August 1969 19

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MIDDLE EAST

The Israelis are still preventing the repair of Jordan's East Ghor canal, which normally provides water for up to 40 percent of the East Bank's agricultural production. Our analysis suggests, however, that the immediate effects of the break will not be too severe. Much of the irrigated area was planted in grains and vegetables which already have been harvested. There are also sizable citrus and banana plantations, but sufficient water apparently is available from secondary sources for most of the citrus trees and some of the bananas. The Jordanians have also benefited this year from good harvests in non-irrigated areas.

Jordan will begin feeling the economic pinch much more sharply if the canal is not repaired within a month. (Political pressures, of course, are already acute as the Jordanians

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suffer yet another demonstration of their vulnerability.) By mid-September most of the banana trees will have died and it will be impossible to start the next crop cycle. Replacement of the banana orchards would take at least seven years.

EUROPE

The main trend in the money markets since the French devaluation has been a shift from sterling to marks. Pressure on sterling decreased late in the week, partly because many foreign exchange markets were closed yesterday. The French franc has been holding its own, but the flow of foreign exchange back to the Bank of France has been relatively moderate.

We expect the mark to remain strong, and the signs are clear that next week will be another one of tension, especially for the pound. A full-scale crisis is always possible.

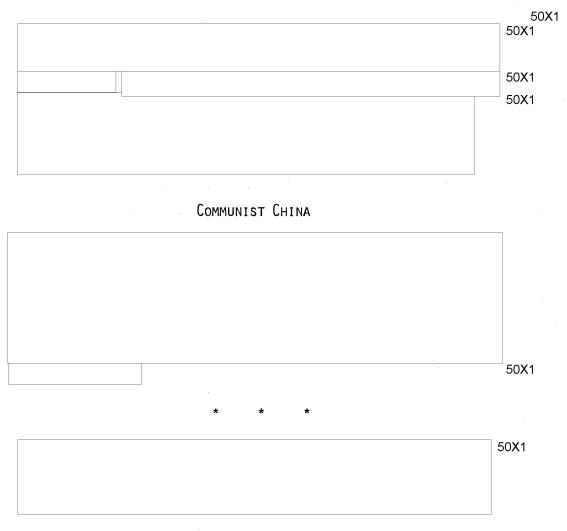
SOVIET AFFAIRS

Satellite photography has detected construction of another group of six silos for the SS-9 ICBM, the seventh new group started in 1969. About 175 silos are believed to be operational now. When all identified groups are completed--by mid-1971--270 SS-9 launchers will be in service.

SOVIET UNION - COMMUNIST CHINA

No new fighting has been reported along the border, but both sides are beginning to exploit the propaganda aspects of the incident. Soviet commentary has been sparse but Moscow is

beginning to elaborate on its version, while refraining from the emotionalism which characterized its propaganda after the March incidents. Peking's reaction has also shown restraint and reveals no intention to widen the scope of the dispute.



Laos

The Communists continue to maintain pressure on government forces in north Laos, although they have not mounted a major attack since the fall of Muong Soui almost two months

ago. On the government side, poor flying weather and the difficulty of moving troops overland have forced a temporary postponement of Vang Pao's efforts to move against the enemy in the southern portion of the Plaine des Jarres.

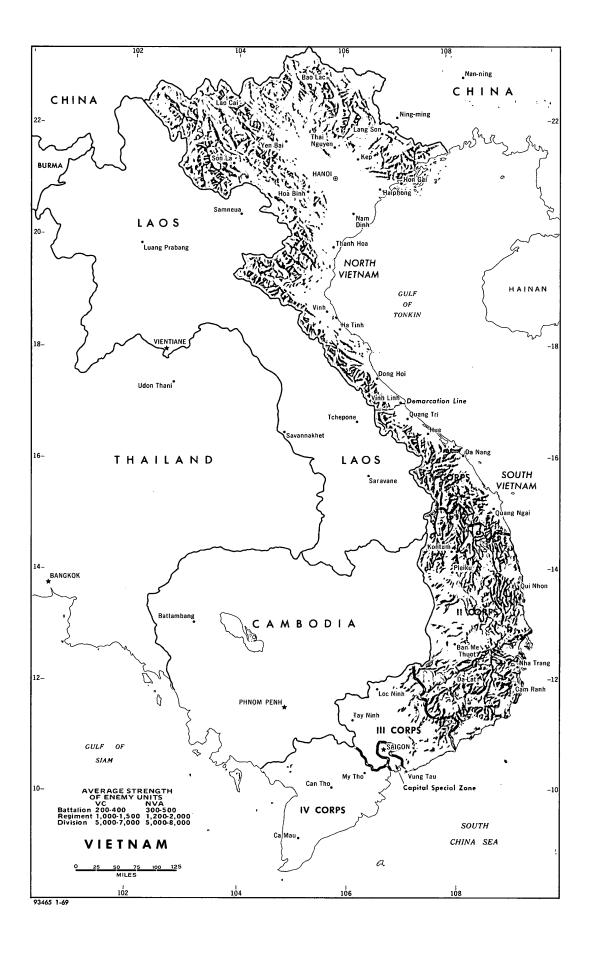
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18 August 1969

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Top Secret



VIETNAM

Ground action has tapered off
The most significant fighting
over the weekend again centered in the provinces north of
Saigon along the Cambodian border. The enemy probed allied
positions in Tay Ninh and Binh Long provinces, losing 60
troops killed while inflicting only light losses on US and
South Vietnamese forces.

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There was new evidence over the weekend that the enemy is shifting sizable forces from the central highlands southward toward the III Corps area around Saigon. Two regiments of North Vietnamese--with supporting artillery--have been located near the boundary between II and III corps. They may stay there to attack allied outposts, or they might continue southward to participate in Communist operations closer in toward Saigon.

NORTH KOREA

The North Koreans still give no indication of the fate of the three crew members of the downed helicopter. Pyongyang radio so far has confined itself to brief statements confirming that the helicopter has been downed over North Korean territory. The first statement, broadcast yesterday at 10:39 a.m. EDT, was strikingly less martial than routine daily propaganda output. It almost certainly was intended to be a holding piece to give the regime more time to assess

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the	incident	and	the	US	response.						

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The North Koreans have not yet answered our request for a meeting of the Military Armistice Commission on Wednesday. Pyongyang did not release two pilots captured in a similar incident in 1963 until a year later when the US submitted an official "apology."

Laos

Souvanna Phouma seems about to begin the politically tricky business of reshuffling the military high command. He has indicated to his generals that he intends to "promote" the armed forces commander, General Ouan Rathikoun, to an important civilian position in the Ministry of Defense. He has also told Ambassador Godley that he plans other sweeping changes.

Souvanna will need some clever footwork. Long-entrenched senior officers are already maneuvering to hang on to their jobs, while their would-be successors jockey for favored position. The generals, whose political allegiance lies with the rightists, may also try to dilute Souvanna's efforts to strengthen the pro-Souvanna neutralist faction. Souvanna thinks this is necessary to counter the Communists' effort to portray their "patriotic neutralists" as the "true" neutralist representatives in the tripartite government.

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19 August 1969

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VIETNAM

Sporadic enemy activity marked the Vietnamese Communist holiday of 19 August. The attacks fell far short of what had been forecast in intelligence reports during the past few weeks. Allied spoiling operations may account for part of the shortfall, but the original Communist objectives probably were overinflated in many cases.

MIDDLE EAST

The Israeli Labor Party has approved nearly all of a draft platform plank on the occupied territories. One key paragraph still has to be ratified, but on the whole the plank appears to be a substantial victory for Dayan and his militants. Much is made of the need for setting up permanent settlements, and incorporation is clearly—although not explicitly—the goal.

All this confirms our belief that Dayan has no intention of bolting the party but that he intends to push as hard as he can to improve his faction's position within it. We note, incidentally, that Shimon Peres, his chief lieutenant, is now being mentioned for a cabinet post.

WEST GERMANY

Bonn has decided to go back to the US and UK for further clarification of the NPT. This move will improve chances that the treaty will not become an election campaign issue next month. Furthermore, Science Minister Stoltenberg, a frequent critic of the NPT, has said that

it may be unwise to postpone a decision on signature much longer. This suggests that opposition may be lessening.

NORTHERN IRELAND

Prime Minister Chichester-Clark is to meet with Harold Wilson in London today for the first time since disorders broke out. They are expected to discuss a new division of authority between the provincial and national governments. Wilson will probably try to use Belfast's dependence on British troops as a lever to extract concessions to the Catholics.

Any new constitutional arrangements would require recalling parliament from its summer recess. Wilson is not
eager to do this, because the government has gotten solid
non-partisan support in the crisis up to now. Moreover,
parliamentary debate might raise the issue of partition of
Ireland and thus give Dublin a fresh opportunity to intervene.

London appears to have accepted the fact that the commitment of British troops could be only the beginning of a long-lasting and embarrassing responsibility.

SOVIET UNION - COMMUNIST CHINA

We have received from the Australians the text of a message sent by Moscow to the Australian Communist Party (and probably to other parties as well). The message gives details of alleged Chinese border violations and cites recent speeches by Brezhnev and Gromyko as proof

of the Soviets' desire for peaceful negotiations with Peking. The document, claiming 233 violations in June alone, takes note of "war hysteria" in China and refers to Peking's "war preparations" campaign. It follows Soviet propaganda, however, in attributing this campaign to "internal considerations" of the Chinese leaders and says China does not want to risk a big war.

The message accuses Peking, nevertheless, of planning to turn the Sino-Soviet frontier into a "bleeding wound" of endless small armed conflicts. It adds that Moscow will take additional measures to safeguard its frontiers.

The language of the message raises the possibility that the Soviets are seeking to justify stronger punitive measures in border areas. It does not appear designed to justify larger-scale military action, however, given the statement that China does not want a larger war and the omission of any reference to Peking's nuclear program.

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The votes cast last Saturday in India's hotly contested presidential election will be counted tomorrow. The delay is the result of the complicated voting system, in which members of both the national and the state legislatures cast ballots. Sanjiva Reddy, the initial favorite, lost a good deal of ground to the candidate of Mrs. Gandhi's faction last week, and we expect the result to be close.

PAKISTAN

Air Marshal Nur Khan and Vice Admiral S. M. Ahsan, who only recently had rejoined their respective services after serving four months as deputies to Yahya, have now been named governors of Pakistan's two provinces. The ambitious Nur Khan, who will be heading the West Pakistan government, may now have a better chance to establish an image distinct from Yahya's; Ahsan, meanwhile, is saddled with the virtually insoluble problems of the eastern sector. These appointments also suggest that a return to civilian rule will be slow indeed in coming.



20 August 1969

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Top Secret 50X1

SOVIET AFFAIRS

Riot police are patrolling in central Prague today to prevent demonstrations similar to the minor ones which were quickly snuffed out yesterday afternoon and evening in Wenceslaus Square. The police were overzealous in trying to avert a major disturbance, using tear gas to break up a passive and apparently unorganized crowd estimated at several thousand. Such overreaction by police could lead to more serious conflicts before the anniversary period is over tomorrow.

There is no evidence 50X1

of additional Soviet troops either moving into Czechoslovakia

or even close to the Czech borders from the USSR, Poland,

Hungary or southern East Germany. Some of the Soviet troops

in Czechoslovakia may have moved closer to the cities, how
ever, to handle any disturbances that the Czech army or se
curity troops cannot control.

There are rumors that pro-Soviet hardliners plan to generate disturbances designed to bring about military intervention and ouster of Husak. We consider it unlikely that conservatives would initiate or provide the impetus for spontaneous acts of violence but they might try to take advantage of unrest to strengthen their positions.

* * *

The Chinese chose the eve of the anniversary of the Soviet invasion to issue another lengthy attack on the USSR as the aggressor in the prolonged border dispute. The

note charges the Soviets with more than 400 provocations during June and July, and denounces Moscow for talking about normalizing the situation while actually adopting measures which intensify tensions. Moscow meanwhile pointedly commemorated the thirtieth anniversary of a victory over the Japanese on the Manchurian border.

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A Soviet space official says the USSR will try to land an unmanned probe on Mars before the US. The Soviet Mars shot that failed last March may in fact have been such an attempt. The next opportunity for Moscow will come in the spring of 1971, two years before the US Viking.

VIETNAM

SOUTH KOREA

Opposition to President Pak's proposed amendment to allow himself a third term will intensify as the government party jams through legislation establishing procedures for a national referendum. Passage is expected on 31 August. The amendment itself is to be voted on by the National Assembly on 13 September, after which comes the referendum, the last major step in the amendment process. The government, expecting a new wave of student demonstrations against the amendment, is reinforcing police units in the capital.

COMMUNIST CHINA

Serious fighting is continuing in a dozen provinces, including several previously stabilized areas in east and south China. Peking's current difficulties may be a result of trying to use a "carrot and stick" approach. The central government issued a harsh directive last month ordering factionalists to cease fighting and to surrender their arms within a month. On the other hand, People's Daily took pains to point out that rival factions must be "treated equally" and that their leaders must be "protected." Much of the provincial disunity stems from the dissatisfaction of factional leaders with the present provincial power structure but there will be no solution as long as Peking's attitude remains equivocal.

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21 August 1969

19 Top Secret

VIETNAM

A commentary in yesterday's issue of Hanoi's party newspaper Nhan Dan took a tough line on the subject of negotiations. Nhan Dan argued that continued US support for the Thieu government, "intensification" of the war, and the Vietnamization program all demonstrate that the US is trying to prolong the war and partition Vietnam permanently, rather than negotiate a settlement.

Nhan Dan's uncompromising line is readily apparent in such assertions as that the US "must" unconditionally pull out forces, that a provisional government "must" be set up to organize elections, and that the elections "must" be held after US troops have been completely withdrawn.

Articles of this kind are often nothing more than rhetorical posturing and do not necessarily offer a good guide to Hanoi's intentions. The line taken by Nhan Dan fits other current evidence, however, that the Communists have—for the moment at least—dug their heels deeply into a rigid interpretation of their ten—point program. Presumably they are hoping that the current round of military activity and the deadlock in Paris eventually will rebuild pressures on the US to make additional concessions.

SOVIET AFFAIRS

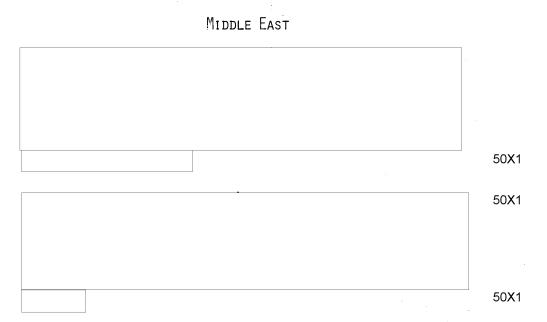
Recent satellite photography shows that construction of two new groups of ten launchers each began this summer at existing SS-11 complexes. By the end of 1971, when all

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SS-11 groups now identified are completed, there will be 810 operational SS-11 launchers. There are now about 630 operational SS-11 silos.

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CZECHOSLOVAKIA

For the most part, demonstrators in Prague and elsewhere have avoided violence. The workers in Prague are staging a "walk-to-work" protest today, leaving busses and streetcars all but deserted. A continuation of "passive resistance" will not threaten police control, although an unforeseen incident may trigger sporadic disorders.

The government press is stepping up its attacks on Dubcek, apparently in an effort to discredit him and his government completely.

INDIA

Prime Minister Gandhi's most recent success, the election of V. V. Giri as president, will make it all the easier for her to chip away further at the old guard which controls much of the Congress Party organization. She may attempt, fairly soon, to unload party president Mijalingappa—the chief Congress Party backer of Giri's opponent.

President Giri and Mrs. Gandhi probably will cooperate closely, particularly on any decision to form a new government or to call new elections. She can also count on the support of the Congress Party parlimentarians who backed Giri.



The President's Daily Brief

22 August 1969 19 Top Secret 50X1

VIETNAM

Huong resigned this morning, according to the press. We have no details yet.

* * *

There is fresh evidence that Hanoi has spent a good deal of its time this year putting its own house in order.

--A series of agricultural reforms has been put into effect. Aimed at getting farmers back on the socialist track, these measures among other things attempt to restore the prewar authority of the collective and to crack down on individual profiteering.

--The screws are being tightened on local officials to improve military recruiting and the quality of local forces. This summer, General Giap has spoken out twice on this problem, which almost certainly results from the extremely heavy troop infiltration between late 1967 and early this year. (The need to allow local authorities to rebuild their military units may help to explain the drastic cutback in infiltration this spring.)

These are the kinds of things which both Giap and fellow-politburo member Truong Chinh have been advocating for some time. In essence, both argue that the war in the South could be pursued more effectively through greater reliance on long-term guerrilla warfare (as opposed, for instance, to the all-out attack at Tet, 1968). They also think the party must pay more attention to preserving and strengthening

its position in North Vietnam. It is beginning to look as if they have carried the day, although presumably not without considerable debate in the party councils.

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SOVIET AFFAIRS

The demonstrations in Prague were large yesterday, but the security forces had no trouble handling them.

Other forms of protest were more successful; the US Embassy reports that a boycott of transport services was 90 percent effective and that shopping was sharply curtailed.

The situation is quiet now. Some civil unrest could develop in the next few days, but the threat of a national crisis should ease now that the anniversary of the invasion has passed.

MIDDLE EAST

We have nothing to indicate that yesterday's fire in the al-Aqsa Muslim shrine in Jerusalem was anything but accidental, caused perhaps by faulty wiring. Arab radio commentators, however, are predictably holding the Israelis responsible. There have already been some anti-Israeli demonstrations in East Jerusalem, and others can be expected. There may also be an Arab attempt to destroy a comparable synagogue.

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Some demonstrations may have anti-US overtones; the Voice of the Arabs in Cairo has accused the US of complicity because Washington condones Israeli moves to "Judaize" Jerusalem.

PAKISTAN

S. M. Ahsan, East Pakistan's governor-designate, has told US Embassy officers that Yahya wants to accelerate the return to civilian rule. He says Yahya has told him to begin negotiating a constitution acceptable to East and West Pakistan and to the martial law regime.

The regime believes East Pakistan's most popular leader, Sheikh Mujibur Rahman, holds the key to the success of these efforts. To win his support it is willing to guarantee him the prime ministership—but only if he will forgo East Pakistan's traditional demands for broad regional autonomy and agree to a strong central government.

Sheikh Mujib obviously will have to do a good deal of soul searching. Ahsan gave no indication what the regime will do if Mujib turns down the offer.



The President's Daily Brief

23 August 1969 19 Top Secret

VIETNAM

General Tran Thien Khiem, now deputy prime minister and interior minister, has been asked by President Thieu to take over Huong's job and form a new government, according to Saigon radio. Thieu has let it be known on several occasions recently that he would like to make Khiem prime minister. Evidently speculation on Khiem did not draw too much fire, thus Thieu was emboldened to go through with the appointment.

The two men have worked together closely for some years, and Khiem has a number of other things going for him in Thieu's eyes. He is a southerner, has the support of the military, is not a politician, and--according to Thieu--can get along with the National Assembly. This latter consideration, if true, would be particularly important because Huong's greatest problem was his growing inability to work with the Lower House.

Thieu and Huong apparently came to a final parting of the ways over inability to agree on the composition of a new cabinet or on what Huong's role would be.

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Probably more fundamental, however, was the inability of two very different individuals to work comfortably together. Huong will stay on the job only until Khiem's new cabinet is formed.

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Several scattered shellings of allied installations occurred on 22 August, but ground fighting generally remained light. Eleven Communist rockets struck the Da Nang airbase, killing one American and wounding 41. Two rockets hit the city of Hue, and another shelling took place in Tam Ky.

SOVIET AFFAIRS

During an informal luncheon on 18 August, Boris Davydov, Second Secretary of the Soviet Embassy in Washington, asked a State Department official what the United States would do if the USSR were to attack and destroy Communist China's

nuclear installations. Such a move would eliminate the Chinese nuclear threat "for decades," Davydov said, and the US would have nothing to fear from it.

It may be that Davydov's point-blank question was self-inspired. He is uninhibited--unusually so--and often speaks unreservedly on a variety of subjects. For instance, in the same week he had two wide-ranging conversations with other US officials in which he did not raise this question. If Davydov was in fact executing an assignment to probe US reaction, we would expect the same question repeated by other and more authoritative Soviet contacts.

MIDDLE EAST

Muslim delegates at the United Nations share the anger and frustration that the al-Aqsa mosque fire has generated throughout the Muslim world. In addition to their appeal for an inquiry, they may attempt to reopen the debate on the status of Jerusalem.

Thus far no serious violence has resulted from Arab demonstrations in Jerusalem and in Arab countries, although Israeli security forces in Jerusalem had to fire warning shots into the air to break up a mob. Agitation seems to be taking an anti-US coloration, particularly in Jordan where a mob has threatened the embassy.

Prime Minister Golda Meir, on behalf of her government, has publicly expressed regret about the damage to the Muslim shrine. Muslim leaders generally have ignored her statement, however. King Faysal issued an appeal to the Muslim world

in which he accused "wicked Zionism" of criminal aggression and called for a "jihad" to liberate "the holy places in dear Palestine."

Israeli police have captured a Christian from Australia who, they believe, is responsible for the fire. An Israeli official told the US consulate that the suspect had confessed in the presence of the Australian ambassador.

CAMBODIA

The Lon Nol government has devalued its currency. This, although only a first step, may indicate a new determination to undertake the economic reforms so sorely needed for so long. At the very least, the devaluation is evidence that the new government has Sihanouk's strong support.



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VIETNAM

The new premier, Tran Thien Khiem, was to some degree a controversial figure during the intrigues and coups of the post-Diem era, and he probably has some important enemies. There has been little adverse criticism of him since mid-1967, however, when Thieu brought him back from his "exile" as ambassador to the US and later to Taiwan. Like Thieu, Khiem is an ambitious man and something of a lone wolf. Thieu and Khiem have worked well together in the past two years, and there is no reason now to doubt that they will continue to cooperate with each other.

The president and his new prime minister probably discussed future cabinet appointments before Khiem took the job--Thieu seems to have had a pretty good idea of the slate he wants--but we do not yet know how many potential ministers have been firmly lined up.

MIDDLE EAST

Muslims everywhere are still indignant about the fire in the al-Aqsa mosque, but have not as yet adopted a specific course of action. Their UN delegates decided Saturday not to call for a Security Council meeting. The foreign ministers of the Arab states, meeting in Cairo, may endorse the suggestion that an Arab summit meeting be held soon.

Most Muslim leaders have either ignored or rejected

Israeli statements of regret, and Israel's detention of the

alleged arsonist is generally scorned as an unsubtle subterfuge.

The incident will reinforce opposition to Israeli occupation of territory the Arabs claim as their own, because it symbolizes the impossibility of permitting Israeli custody of Muslim holy places.

CZECHOSLOVAKIA

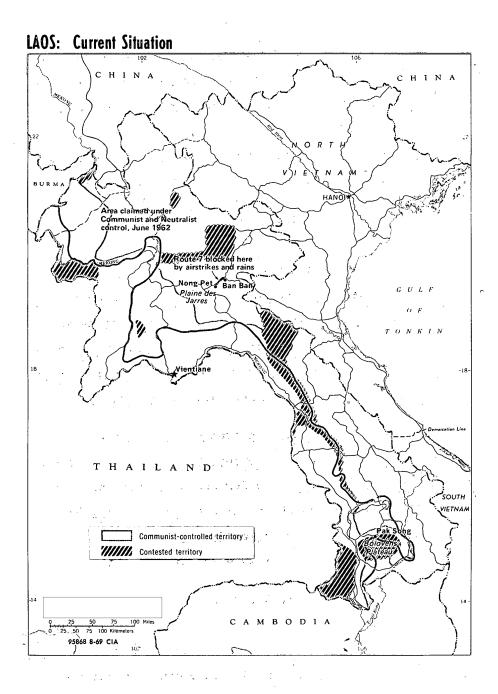
The introduction of a series of repressive legal provisions last week clearly reflects the increased influence of pro-Soviet hardliners in the government and suggests they fear more demonstrations may be coming. Individuals arrested for either potential or real opposition to the regime face severe punishment and loss of their civil rights.

Rude Pravo, the main party daily, inferred in a recent article that Dubcek and former liberal leader Josef Smrkovsky were partly responsible for the demonstrations marking the first anniversary of the Soviet invasion. It is probably only a matter of time before Dubcek and Smrkovsky are demoted even further than they have been in the past year.

NORTH KOREA

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Recent photography gives the first evidence that North						
Korea may intend to	deploy Styx cruise missiles near the					
Demilitarized Zone.		50X1				



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Laos	
Heavy monsoon rains and air strikes continue to ham-	
per Communist forces in the north.	50X1
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In a belated reaction to the government offensive against Route 7, Communist forces on 22 August mounted several sharp probes against government forward positions south of the road. They will almost certainly continue to exert pressure in order to safeguard the flow of supplies into the Plaine des Jarres area.



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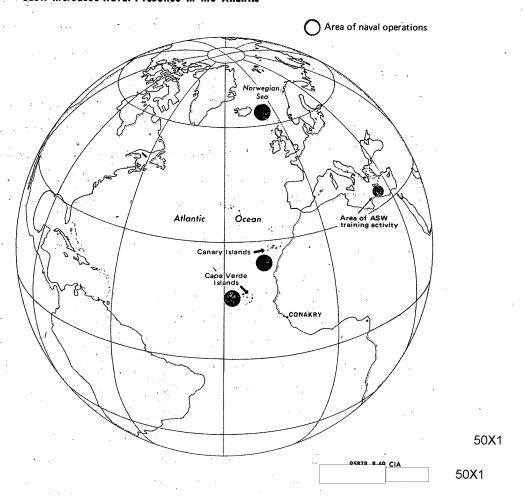
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USSR Increases Naval Presence in the Atlantic



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SOVIET AFFAIRS	
The Soviet Navy has been unusually active in the last	
ten days:	
Five surface ships came out of the Northern Fleet	
area on Saturday,	50X1
Some of these may	50X1

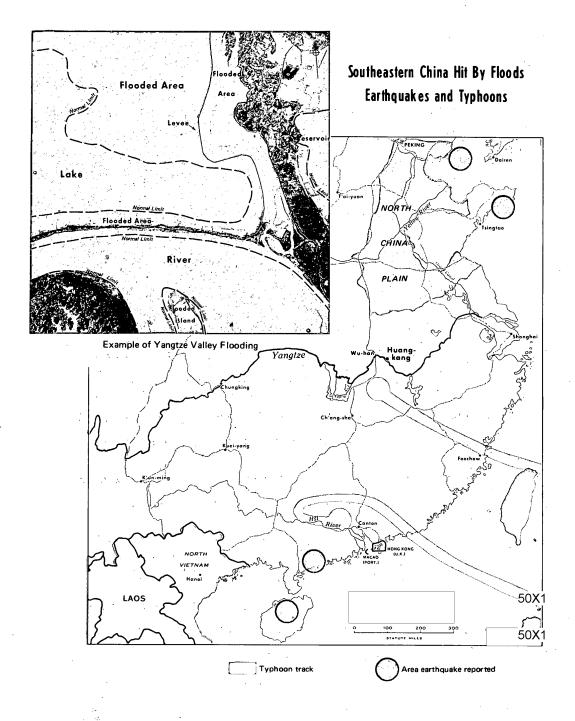
be on the way to relieve units that have been in the Mediterranean since April.

- --The Soviet warships that visited Cuba last month have split into two groups. Three of the ships are in the Canary Islands area; four others are near Cape Verde and may be headed for Guinea.
- --Another naval group is off the Canary Islands, probably on its way to the Indian Ocean.
- --Antisubmarine training centered around the helicopter cruiser Moskva is continuing in the central Mediterranean.
- --An amphibious force east of Cyprus is expected to join Egyptian units soon in exercises west of Alexandria.

None of these moves has any particularly aggressive overtones. They are an outgrowth, rather, of the longstanding Soviet efforts to carry out more extensive naval activity away from home waters.

INDIA

Prime Minister Gandhi has won another round in her struggle with old guard Congress Party leaders. Their attempt to censure her for supporting victorious presidential candidate V. V. Giri failed yesterday when the party's executive body decided to take no action on the matter.



COMMUNIST CHINA

The worst flooding of the Yangtze River in recent years occurred last month. We do not yet know the extent of the damage, but recent satellite photography shows considerable inundation of villages and destruction of crops in some of the hardest hit areas, such as the important agricultural region around Wuhan. Other natural disasters that have hit Communist China this summer include several earthquakes and two typhoons.

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SOVIET AFFAIRS

The Soviet press gives an impression that Moscow is undecided about how to deal with the US these days. A recent issue of <u>Izvestia</u>, commenting on the closeness of the Senate ABM vote, interpreted it as a sign that public opinion had the "military-industrial complex" on the run. It suggested that the USSR might be able to negotiate seriously with Washington on limiting arms. On the other hand the weekly <u>Za Rubezhom</u> (Life Abroad) took a more standard and critical line, warning of the difficulties involved in doing business with the US. <u>Pravda</u> has hit the same note.

This is the closest to a public debate we are likely to see in the USSR. We do not know which individuals or factions sponsor the various articles but they suggest that considerable heat has been generated in the Soviet leadership.

* * *

An article in <u>Pravda</u> yesterday gave the strongest public Soviet endorsement yet to the present Czechoslovak leadership. It referred approvingly to the "measures taken by the party and state" and asserted that the Czechoslovak party is in "complete command of the situation"—the first time the Soviets have made such a statement. <u>Pravda</u> also stated, however, that anti-Soviet elements had "morally put themselves in the dock as criminals," suggesting that Moscow expects Husak to suppress the remaining vestiges of liberal opposition.

MIDDLE EAST

Notwithstanding the continuing Arab furor over the al-Aqsa mosque, the Israelis clearly consider the case closed and are giving priority again to their more usual concerns. For instance:

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--An Israeli spokesman has called attention to what he termed a record number of incidents in the past week along the frontiers with Syria and Jordan. The implication is clear that some kind of Israeli action is in prospect here, too, and that it will be more extensive than the air strikes against Jordan of the last two days.

SOUTH KOREA

President Pak has snuffed out opposition within his own party to the constitutional amendment allowing him a third term in office. Even opposition legislators now agree the amendment will be approved by the National Assembly and confirmed in the subsequent referendum. The only significant opponents still in the field are the students. The government knows this and is strengthening the security forces accordingly.



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MIDDLE EAST

The hullaballoo over the fire in the al-Aqsa mosque continues in the Muslim world. King Faysal of Saudi Arabia, in a long, emotion-packed meeting with Ambassador Eilts, defended his recent call for Muslims to mount a holy war against Israel. According to Faysal, the al-Aqsa mosque fire was intentionally set by the "international Zionist-Communist conspiracy," and the continued existence of the conspiracy threatens all the shrines of the holy land, Muslim and Christian alike. On the other hand, the only warlike action taken by the Arab foreign ministers during their meeting in Cairo this week was a vote of support for the fedayeen. Apparently the Arab leaders are waiting to see what comes out of the UN General Assembly meeting which begins next month.

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FOR THE PRESIDENT ONLY

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Soviet Deputy Foreign Minister Semenov, wrapping up a lengthy commentary on the US proposal for settlement in the Middle East, emphasized the Soviet desire to continue bilateral talks. He also stressed, however, Moscow's belief that the UN should assume a more significant role than it has thus far in providing safeguards for both sides. Furthermore, Semenov said, areas of difference should be "reduced" before the General Assembly session in September when Foreign Minister Gromyko will be prepared to continue discussions with Secretary Rogers.

SOVIET AFFAIRS

The Soviet delegation to the 25th anniversary of the Slovak national uprising is headed by Kiril Mazurov, a member of the Politburo. The designation of such a high-ranking man is yet another sign of Moscow's satisfaction with the recent performance of the Czechoslovak leadership. Furthermore, Tass announced yesterday that party leader Husak has been awarded the Order of Lenin. He was the only major political figure in a list of about 40 Slovaks so honored for their role during the 1944 uprising.

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DOMINICAN REPUBLIC

Initial reports indicate that the nationwide transport strike which began yesterday was generally effective in both the capital and the second largest city but only scattered disturbances were reported. Communist plans to spark widespread unrest was apparently stymied by President Balaguer's tough public stand and a show of military force. Balaguer's political foes, however, hope to use the strike as a club in their campaign to get him to renounce any intention of running for re-election next year.



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SOVIET AFFAIRS

Yesterday's <u>Pravda</u> contains another lengthy attack on Communist China, distinguished by the sternness of its warning to the Chinese to forego further armed provocations in the border regions and unique in its appeal to the rest of the world to recognize the danger presented by China. The editorial seems to go far beyond what would be necessary to influence domestic opinion. By alluding to Chinese nuclear weapons and pointing out that a Soviet-Chinese conflict "would not leave a single continent on the sidelines," the Soviet writer conjures up the specter of a full scale nuclear war. <u>Pravda</u> also states that "most serious representatives of capitalist countries" are also concerned about Chinese aggressiveness.

VIETNAM

The Viet Cong have increased their proselyting of South Vietnamese troops, according to many sources. The problem seems particularly severe in IV Corps. Documents captured in the delta have advised Communist cadre to keep an eye on the morale of South Vietnamese forces and exploit their general desire for peace and lack of confidence in the Saigon government.

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MIDDLE EAST

As part of its policy of establishing its presence in the occupied territories, Israel is adding six new settlements to the seventeen or more already set up in the Golan Heights, the Jordan River Valley, and northern Sinai. The policy is not universally popular in Israel. Its opponents argue that such moves undermine Israeli demands for a negotiated peace, but these arguments have been ignored or overruled by Defense Minister Dayan and others who claim that Israel must look to its defenses, for peace is far away.

There are grounds for Dayan's thesis. El Erian, the Egyptian chargé at the United Nations, told Ambassador Yost that some of the proposed commitments in the US peace draft would "impose limitations on Arab sovereignty" which would be "psychologically very difficult for Arabs to accept."

In Jordan, King Husayn complained to a New York Times correspondent about the failure of the US to effect the reopening of the East Ghor canal. Husayn's confidence in US abilities to influence Israel has always been subject to ebb and flow with changing circumstances, but he now seems to have convinced himself that the US has become indifferent to the course of events and has "written him off."

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JAPAN

The government apparently has backed away from an early signing of the Nuclear Nonproliferation Treaty. Although publicly uncommitted, it had previously indicated it would sign prior to the UN General Assembly session next month. Sato, with an eye toward next year's national elections, prefers not to add to the conservatives' problems over Okinawan reversion and extension of the US-Japan security treaty by going against public opinion on this issue. Opposition to the treaty stems largely from fear that Japan would permanently commit itself to second class status by renouncing its nuclear option.

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Soviet Affairs		

SYRIA

Damascus has said it intends to hold "for the time being" the six Israeli nationals aboard the hijacked TWA plane but plans to release other passengers shortly. The Palestinian fedayeen group that asserts it was responsible for seizing the aircraft claims it will try one of the Israelis for crimes against "many Palestinians." We have no evidence that the Syrian Government is a party to this plan.

Israel is unlikely to take any retaliatory action so long as the fate of its nationals is in doubt, but we would expect some punitive measures eventually.

EL SALVADOR - HONDURAS

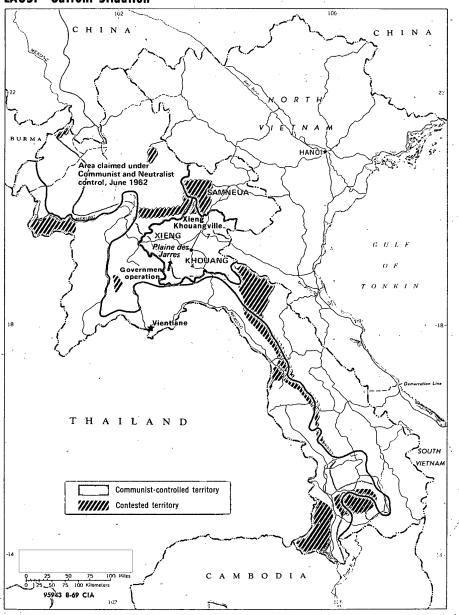
The feeling is growing in both countries that a resumption of hostilities is inevitable. Honduras has been following Salvadoran arms purchases with alarm, and border incidents such as yesterday's shallow incursion by about 90 Salvadoran troops are likely to feed its concern. El Salvador is skeptical

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of the OAS's ability to protect Salvadorans residing in Honduras or to moderate the climate of anti-Salvadoran feeling. Moreover, continued press coverage of Honduran mistreatment of Salvadorans may lead to strong pressure on the government to seek by force what it apparently is unable to gain by negotiation.

Although President Sanchez and most military leaders do not favor aggressive action at this time, the chief of staff has openly advocated another attack. Military successes in July left many Salvadorans with the feeling that Honduras would be an easy nut to crack.

Salvador's aggressiveness may	also be	encouraged by its	
superiority in military equipment.	It has	recently acquired	
more aircraft			50X1
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Laos

Meo leader Vang Pao's guerrilla forces have pushed deep into the Plaine des Jarres and have taken some positions in Communist hands since 1962. The government advances came with unexpected ease, suggesting that the offensive may have taken the enemy by surprise. North Vietnamese forces in the area may have been thinned out in recent weeks, as villagers in the area have reported.

Vang Pao has long talked about retaking the entire Plaine.

The momentum of the Plaine des Jarres operation, which was originally intended as a diversion, may lead him to expand his

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objectives. A similar situation developed in late April when Vang Pao, after initial successes against the Route 4 area, pressed on to capture the enemy stronghold of Xieng Khouang-ville. That offensive precipitated a sharp enemy rebuff and led to the loss of a number of government holdings near the Plaine.

Vang Pao's current efforts are not directed toward regaining his bases in Samneua and northern Xieng Khouang Provinces, from which the guerrillas were driven during the past dry season. Vang Pao has successfully retaken these bases every year during the rainy season, and unless he does so again fairly soon, the Communists will be in a stronger position in the north than they have been since 1962. The rainy season will end in early October.