



*The President's Daily Brief*

*23 May 1970*

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*Top Secret*

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

In Saigon, President Thieu is trying to shift some of the onus for the country's economic troubles to the National Assembly. (Page 1)

The military situation in Laos is brought up to date on Page 2.

West German negotiator Bahr returns to Bonn today to report on the latest round of his talks with Soviet Foreign Minister Gromyko. (Page 3)

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In Cambodia the fighting centers on the government's continuing effort to retake Tonle Bet in Kompong Cham Province. (Page 5)

The Israelis almost certainly plan a new attack into Lebanon in retaliation for the attack on the school bus. (Page 5)

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SOUTH VIETNAM

President Thieu is trying to shift some of the onus for the country's economic difficulties to the National Assembly. In requesting immediate Assembly action to give him certain limited tax decree powers, Thieu threatened that it might otherwise be necessary to devalue the piaster. Thieu had informed the cabinet on 16 May of his intent to take such an approach.

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Thieu also told the cabinet that he is actually against devaluation because he fears that resulting price rises would spark a new wave of political unrest worse than the discontent arising from last fall's austerity taxes. He warned his cabinet that a crisis might develop that could become severe enough to bring down the regime.

*Thieu surfaced the idea of special economic decree powers earlier this year. He obviously anticipates considerable legislative resistance to granting him decree powers of any kind, and he apparently has settled on the threat of devaluation as one way to force the Assembly to give him what he wants. If this fails, he probably hopes to blame the legislators for devaluation or any other unpopular economic measures that the government may take.*

*It seems likely that Thieu's attempts to divert popular reaction against additional tax measures away from his regime will fail. Some measures must be found to limit South Vietnam's inflation, particularly its impact on the military and officialdom, and these measures will generate new discontent among whatever groups must bear the cost. Moreover, it will be extremely difficult for Thieu, as the man in charge, to avoid the blame, no matter how he stage-manages the new measures.*

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LAOS

Taking advantage of the first clear weather in six days, government forces in the Long Tieng - Sam Thong region yesterday resumed operations to extend their defensive perimeters. No major contacts with Communist forces developed, although four rockets hit the base at Sam Thong.

The situation at the isolated Bouam Long outpost remains stable, but the North Vietnamese are moving in additional forces. A unit, possibly a regiment of the North Vietnamese 312th Division that was located 16 miles southeast of Bouam Long in early March, has now moved to within three miles of the base.

In the south, intercepted messages have provided the first good information on the major Communist units threatening Saravane. Since 3 May, one North Vietnamese battalion apparently has moved southeast from the Savannakhet area to join with another battalion already known to be in the vicinity of Saravane. Its arrival lends some credibility to the Laotian estimate that as many as three battalions of Communist troops may be within striking distance of Saravane.

On the southeastern edge of the Bolovens Plateau, government forces are attempting to retake PS-38, the guerrilla base abandoned to the enemy on 9 May. Laotian irregular units had reached the perimeter of the base on 21 May, but were pausing until a break in the weather permitted supporting air strikes.

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## WEST GERMANY - USSR

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West German negotiator Egon Bahr reports that the Soviets are now concentrating on the European border question in the Bonn-Moscow talks. On 15 May, Gromyko gave Bahr what the latter calls a "non-paper" spelling out Soviet requirements on the issue. As in the past, the Soviets said they want irrevocable West German recognition of all postwar boundaries, most specifically the Oder-Neisse and the East - West German borders. But the Soviets also indicated this time that they would not let other issues get in the way of progress on the central issue of the borders.

Bahr told Gromyko that a number of Soviet formulations were still not acceptable to Bonn--especially the demand for formal recognition of specific borders. As the Germans have told the Poles, Bahr said, Bonn is willing to "respect" the Oder-Neisse frontier "now and in the future." Final confirmation, however, must await conclusion of a peace treaty.

*Bahr told reporters yesterday that it is his personal view the two sides are now theoretically in a position to enter formal negotiations. He returns to Bonn today for consultations.*

*There is still a wide gap between the two sides on the frontiers issue, and due allowance must always be made for Bahr's tendency to take an upbeat line on these talks. The two sides, nevertheless, met almost daily this week. The Soviets, perhaps encouraged by Bonn's flexibility in talks with the Poles and East Germans, are working hard to find common ground with the Germans.*

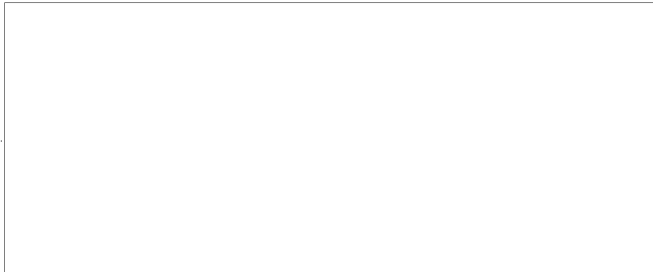
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TURKEY



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NOTES

Cambodia: The government's continuing effort to recapture the Mekong River town of Tonle Bet in Kompong Cham Province dominates the military scene today. Western journalists report that four Khmer Krom battalions are enveloping the town, held by one Communist battalion. Despite Communist troop movements in several other provinces, no other significant fighting has been reported.

Israel-Lebanon: Yesterday's fedayeen attack on an Israeli school bus almost certainly will provoke a new Israeli attack into Lebanon. The poor results of Tel Aviv's search and destroy operation on 12 May are an added incentive to the Israelis to go back and do a more thorough job.

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