



*The President's Daily Brief*

10 May 1971

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*FOR THE PRESIDENT ONLY*

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

There is still no progress on the problem of repatriating diplomatic personnel from Calcutta and Dacca. (Page 1)

Results of the Brussels meeting on the monetary situation are assessed on Page 2.

Paris has promised to propose a solution to the problem of London's contribution to the EC budget at today's ministerial session. (Page 4)

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INDIA-PAKISTAN

There has been no progress since the first of the month on the problem of repatriating diplomatic personnel from Calcutta and Dacca. Pakistan insists that its specially assigned representative in Calcutta be allowed individual interviews with those members of the staff of Pakistan's Deputy High Commission who have opted for Bangla Desh. Indian officials, however, claim they have no power to force the disaffected Pakistanis to meet one-by-one with Islamabad's representative. Until such interviews take place, the Pakistanis refuse to schedule the reciprocal exchange of personnel.

New Delhi alleges that Sen Gupta, its deputy high commissioner in Dacca, and his staff are still being subjected to severe restrictions on movement and communication and that some of the staff may now be running out of food. Consul General Blood tried Saturday to call on Sen Gupta, but was turned away by a Pakistan Army officer. The officer said he had orders not to allow the Indian diplomat to leave his residence.

*The two countries thus continue to behave toward each other with accustomed irascibility. Relations between them may soon become even more strained over the massive influx of East Pakistani refugees into India.*

*This problem may be aired today in the UN Economic and Social Council (ECOSOC) if India obtains permission to speak on the situation in East Pakistan. Islamabad is expected to insist that the issue is an internal matter, not subject to debate before ECOSOC or any other international body. The Indians plan to charge the government of Pakistan with committing "atrocities and barbarities" that have resulted in massive numbers of refugees fleeing across the border of East Pakistan into neighboring Indian states. According to a senior Indian official, the Indian representative will also demand that a way be found to relieve the East Pakistanis from the "oppression" they currently suffer. The same official claims that a "conservative" estimate of the number of refugees presently in India is 1.8 million and that the influx continues at a rate of 50-60,000 a day.*

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INTERNATIONAL MONETARY SITUATION

At the Brussels meeting yesterday, the Germans initially proposed that all European Community currencies be permitted to float in relation to the dollar, and offered monetary support to keep them within agreed margins. Although this would have been a step toward monetary union, the other members--France and Italy in particular--were not prepared to go this far and the proposal was rejected.

The compromise that was finally worked out will permit only Bonn to allow the mark to float, apparently within limits and for an unspecified period of time. At a press conference last night, Economics Minister Schiller said it remains his government's "present aim" to return eventually to the prefloat rate of exchange.

Of the four other countries that joined West Germany last week in discontinuing official trading in dollars, only the Netherlands is again following the German lead in allowing its currency to float against the dollar. Switzerland and Austria have revalued their currencies outright, and Belgium evidently intends to rely on its dual exchange rate system. The French and Italians have announced their intention to maintain their present parities.

*The stopgap of floating rates will have to be supplemented by additional measures. Floating of the mark will be accompanied by a renewal of domestic controls on the inflow of foreign funds into Germany. It may be difficult for the community to agree on how to control capital movements and to regulate the Eurodollar market.*

*If the float of the mark is held to about 2.5 percent on either side of parity in order to limit the adverse effects on the Common Agricultural Policy, speculators may still believe that the mark is undervalued. On the other hand, a wider fluctuation would cause measures to be taken to compensate the German farmer, who will receive less as the mark floats upward. Bonn nevertheless has agreed not to take unilateral measures to help its farmers pending an attempt by the ministers to find a community solution at a meeting tomorrow.*

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*French Finance Minister Giscard d'Estaing has publicly acknowledged that the measures approved yesterday will make it impossible for the Six to narrow their exchange rate margins on 15 June as they had intended to do in keeping with the projected plan for monetary union. Whether the delay will be a prolonged one will obviously depend on how the money markets respond to the various stabilization measures.*

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EC-UK

At a meeting of the EC ministers today, Paris has promised to propose a solution to the problem of Britain's contribution to the community budget which may open a drive to settle by summer the main issues involved in London's bid for Common Market membership.

*The negotiations have been deadlocked on this issue since last December, and if France's proposal is approved by the other five members, it will be considered when they meet with the UK tomorrow and Wednesday. The French proposal on financing will apparently be a formula rather than a precise figure. The fact that Paris is taking the initiative marks a change from its earlier position which left the next move up to London.*

The problems of continued access to an enlarged community for New Zealand dairy products and Commonwealth sugar will also be discussed at the EC-UK meeting.

*Following a talk with President Pompidou last week, New Zealand Prime Minister Holyoake confirmed that Paris may also suggest that the dairy and sugar problems simply be set aside until after British entry, with the understanding that they then would be dealt with fairly.*

*It is doubtful that any of these issues can be settled in a two-day meeting--the Six had already agreed with the British in March that an additional session could be held later this month. The other EC members, however, have strongly urged Paris to be more forthcoming, and its new proposal on financing may be a sign of increased flexibility.*

Over the weekend Prime Minister Heath reversed his previous position and announced that he will discuss the accession issue when he meets with President Pompidou in Paris on 20-21 May.

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*It has long been speculated that at such a meeting Pompidou might seek to extract concessions from Heath in return for entry, but the international monetary crisis of the past week--in which German economic pre-eminence was once more apparent--may have made Britain's accession seem politically more desirable to Paris than before.*

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