

*The President's Daily Brief*

*3 August 1971*

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*FOR THE PRESIDENT ONLY*

THE PRESIDENT'S DAILY BRIEF

3 August 1971

PRINCIPAL DEVELOPMENTS

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

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

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Chinese [redacted]

(*Page 4*)

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

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

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## USSR - EASTERN EUROPE

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

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

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

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

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

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

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

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## COMMUNIST CHINA

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

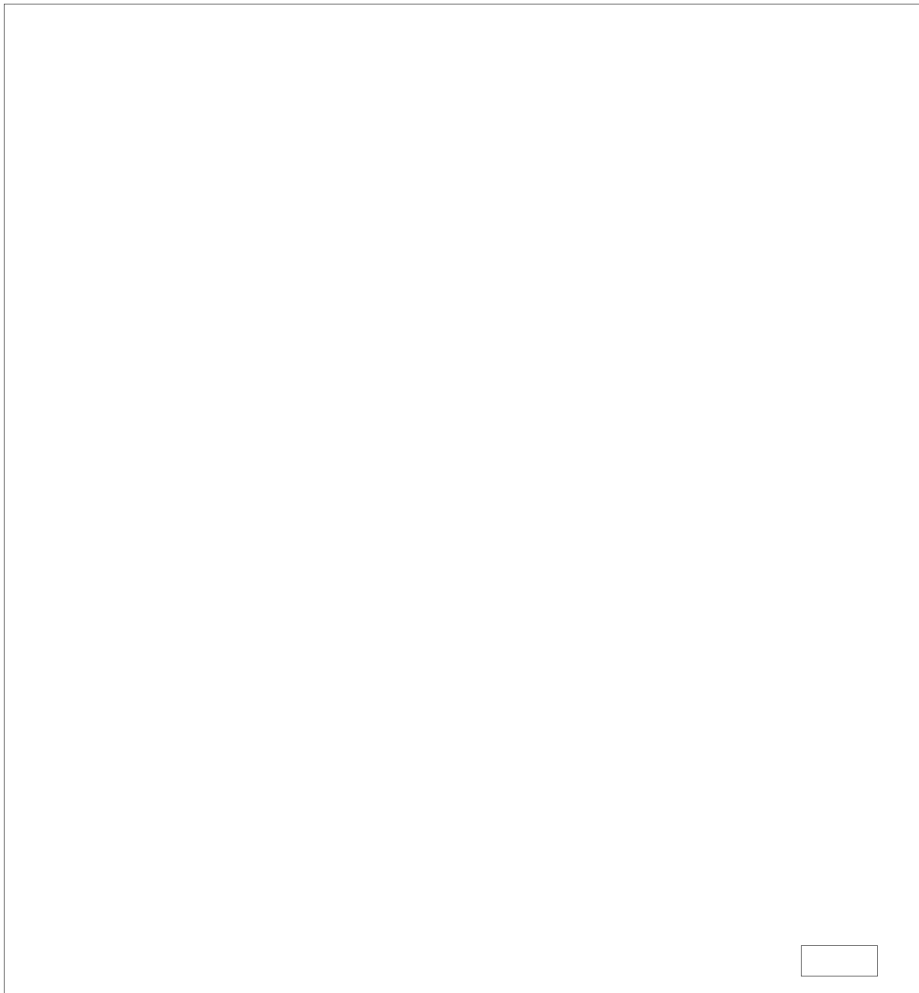
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*The political demise of Chen, formerly the fourth ranking member of the politburo standing committee, seems intended to symbolize Peking's repudiation of extremist policies both in domestic and international affairs. Peking's handling of his downfall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

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

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

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**COMMUNIST CHINA**



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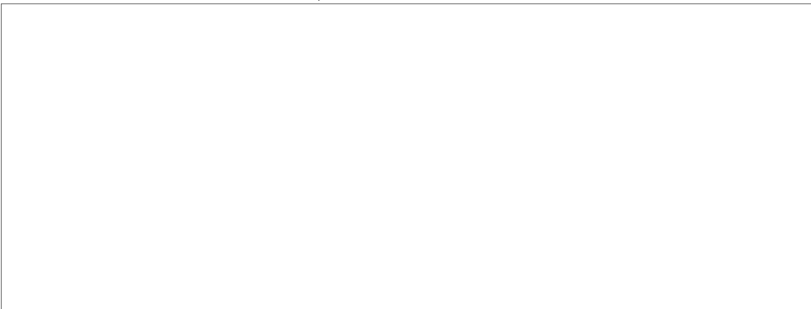
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AUSTRALIA

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

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



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NOTE

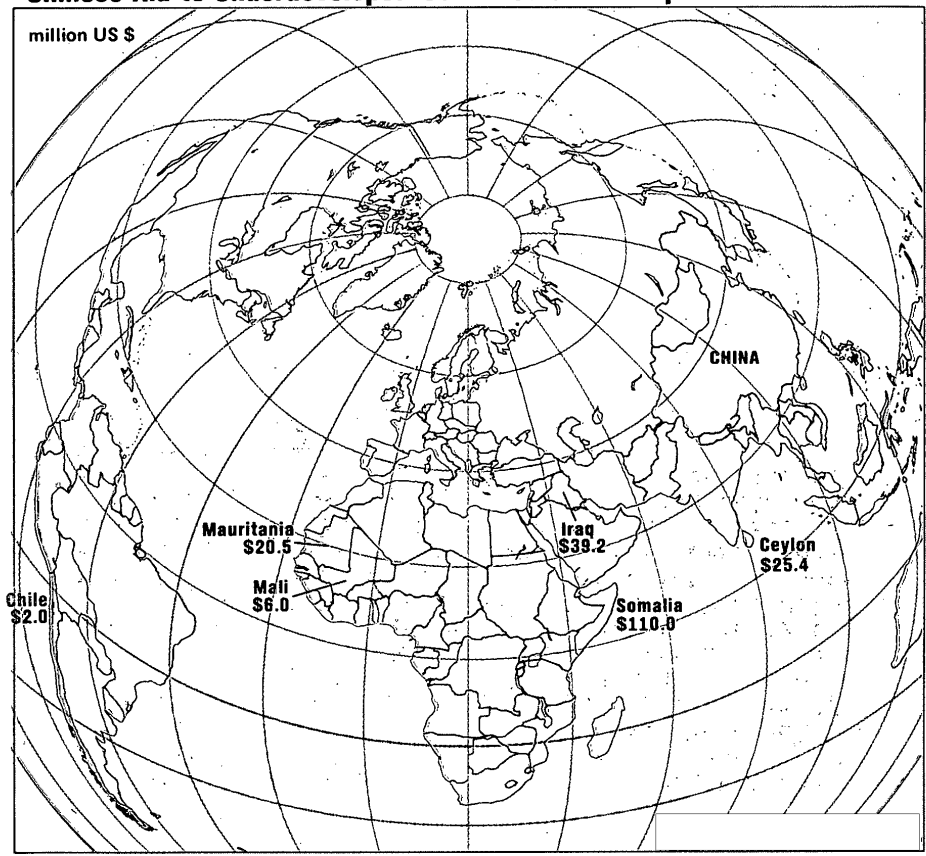
Ceylon: The army commander, General Attygalle, has been caustically critical of politicians in the current atmosphere of nervousness over the possible renewal of insurgency and general deterioration of economic conditions. [redacted]

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

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### Chinese Aid to Underdeveloped Countries since 1 April 1971



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PEKING'S CURRENT FOREIGN AID POLICY

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

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

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

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

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

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

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

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