



The President's Daily Brief

17 August 1971

46



~~*Top Secret*~~

50X1

FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

17 August 1971

PRINCIPAL DEVELOPMENTS

Reactions to the new US economic policies are discussed on *Page 1*.

Lon Nol's government is seeking to reduce the South Vietnamese presence in Cambodia. (*Page 2*)

Fragmentary reporting shows that the Bengali insurgency is persisting in East Pakistan. (*Page 3*)

Chinese
(*Page 4*)

50X1

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

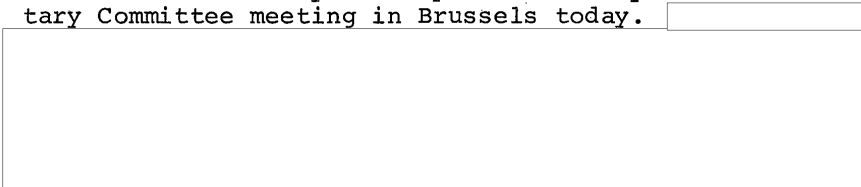
INTERNATIONAL ECONOMIC DEVELOPMENTS

The new US economic policies have been greeted with equanimity by most foreign government officials, but foreign businessmen are showing concern. Japanese leaders voiced surprise at the moves even though admitting that they had been expecting some action. Press reports indicate understanding of the US economic situation and an inclination to be helpful. Officials noted approvingly that the US actions were not aimed at any particular country. Businessmen, however, expressed their concern over the impact on the international monetary mechanism and a possible revival of trade curbs. Comment elsewhere, although sketchy, was along similar lines.

Suspension of the dollar-gold convertibility has led to the temporary closing of nearly all major industrialized countries' foreign exchanges and gold markets yesterday. The notable exception was Japan, where the Bank of Japan refused to allow the dollar to float, absorbing over \$600 million yesterday and \$300 million more thus far today as it continued to support the yen-dollar parity. Meanwhile, Tokyo's stock market continues to register a sharp decline, apparently in anticipation of lost export opportunities in the US.

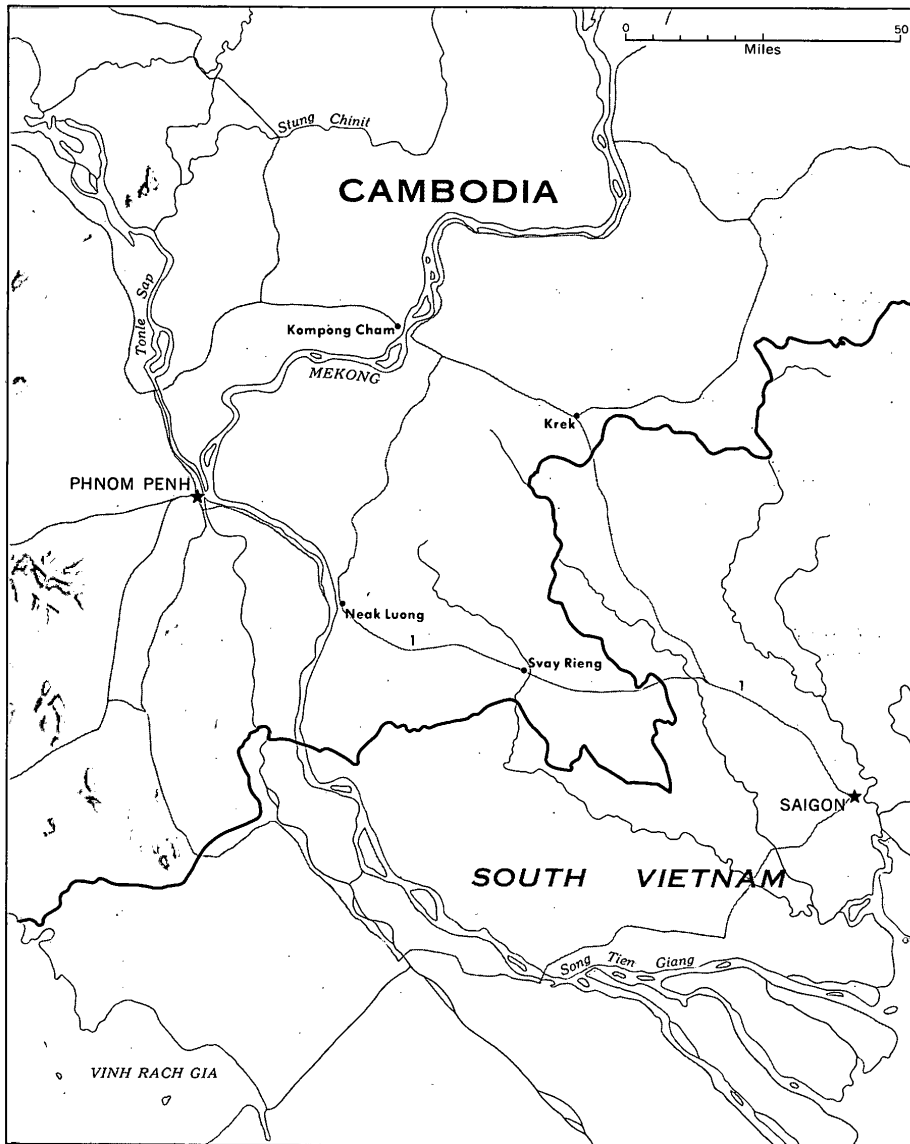
Most major exchange markets will be closed again today as officials discuss what actions to take. Treasury Under Secretary Volcker's meeting in London yesterday with his European financial counterparts is to be followed by a European Community (EC) Monetary Committee meeting in Brussels today.

50X1



50X1

Moscow's reaction thus far has been mechanical, branding the situation as a "deep crisis of American capitalism" with a "cure" to be administered "at the expense of the working people."



FOR THE PRESIDENT ONLY

CAMBODIA - SOUTH VIETNAM

The Lon Nol government is calling for a reduction of the South Vietnamese presence in Cambodia in an effort to demonstrate its military self-reliance and to reduce the likelihood of further depredations by South Vietnamese forces.

The Cambodian Navy plans on 1 September to replace the South Vietnamese Navy in escorting and protecting all ship convoys on the Mekong River from Cambodia's border with South Vietnam to Phnom Penh. The plan is counter to the recommendations of South Vietnamese and US officials, who have suggested the take-over take place gradually over a period of time. Phnom Penh has also formally requested that the South Vietnamese vacate their major base on the Mekong at Neak Luong, and a Cambodian delegation is said to have arrived in Saigon yesterday to begin working out a schedule for the South Vietnamese withdrawal.

50X1

the Cambodians want to have immediate, complete control of military operations on the Mekong because they cannot work with the South Vietnamese with the "mutual trust" that a phased turnover would require.

The Cambodians seem ill-prepared to replace the South Vietnamese in maintaining security along the river. Their navy has less than half the number of boats now being used by the South Vietnamese--most of them are in bad condition--and it does not have adequate support facilities. Despite its clear desire for control over the Mekong, Phnom Penh probably recognizes that it will have to continue to rely on Saigon for many forms of military support for the foreseeable future.

FOR THE PRESIDENT ONLY

PAKISTAN

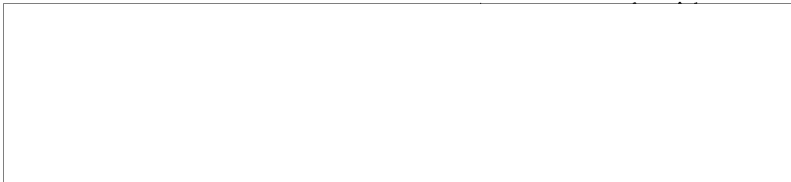
Fragmentary reporting shows that the Bengali insurgency is persisting in East Pakistan.

The bombing on 11 August of the Dacca Inter-continental Hotel is the most widely publicized recent incident. Such bombings usually do little physical damage but have been frequent in Dacca and Chittagong, where they may be causing some people to leave the city. Other guerrilla activity continues to include assassinations, destruction of bridges, mining of roads, and damage to facilities of the jute industry, Pakistan's largest foreign exchange earner.

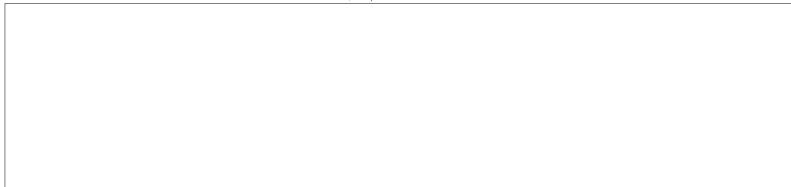
Rumors of an impending guerrilla offensive are circulating, but the guerrillas do not appear strong enough to challenge the army openly, despite their ability to prevent the army from re-establishing effective control.

FOR THE PRESIDENT ONLY

COMMUNIST CHINA



50X1



50X1



50X1

Top Secret