



The President's Daily Brief

18 August 1971

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The international economic situation is discussed on *Page 1*.

[redacted] South Vietnam [redacted] (*Page 3*) 50X1

The trouble between Jordan and Syria will be the most pressing business at the meeting of Arab heads of state that convenes in Damascus today. (*Page 4*)

Libya [redacted] Malta [redacted] [redacted] (*Page 5*) 50X1

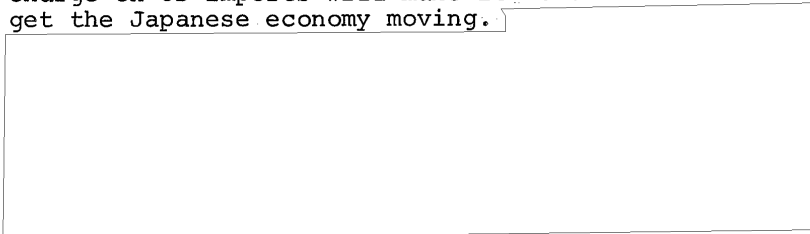
[redacted] Bolivia (*Page 6*) 50X1

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INTERNATIONAL ECONOMIC SITUATION

Japan and Canada were the only major countries to keep their foreign exchange markets open yesterday, and the Tokyo market opened again today. European governments are keeping theirs closed while deliberating on appropriate responses.

In Tokyo, the government has refused to permit the dollar to float in the belief that a depreciated dollar would hurt Japanese exports to the US at a time when the Japanese economy is sluggish. The government is also concerned that the ten-percent surcharge on US imports will make it more difficult to get the Japanese economy moving.



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The Japanese probably hope to keep their exchange market open and to maintain the existing dollar rate at least until some multilateral revision of the monetary system and exchange rates can be agreed upon. Tokyo probably realizes, however, that the present rate is not likely to be maintained much beyond the time that European exchange markets are reopened. Any depreciation of the dollar relative to European currencies and maintenance of the present yen-dollar rate would result in de facto devaluation of the yen vis-a-vis the European currencies, bringing a storm of protest from Europe. The Canadians believe that the rise in their currency against the dollar by nearly one-half cent in the last two days to a high of 99.3 cents by itself significantly affects their trade, and they claim that about one fourth of Canada's exports to the US will be adversely affected by the surcharge. Canada sold about two thirds of its total exports to the US last year; thus, the Canadians, already suffering from an unemployment rate over six percent, feel they will be particularly hard-hit by the US moves.

Press accounts of the EC monetary committee meeting yesterday in Brussels state that the committee decided the likeliest solution for the Community

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in the crisis is a joint upward float of the EC's currencies against the dollar. But accounts of a subsequent meeting of the EC Commission indicate that this body was having difficulty in forming concrete proposals on which the EC Council could act. The position of France, the principal opponent of a joint float proposal by Bonn last May, probably will be determined at the special cabinet meeting scheduled for this afternoon by President Pompidou. Under the present circumstances, Paris will be under greater pressure to participate in a coordinated EC response.

The UK hopes to coordinate its policy with that of the EC, and whatever decision the EC adopts will inevitably influence the policies of other European nations, notably Switzerland. Until these European policy-making processes are completed, most of the major foreign exchange markets probably will remain closed. A premature opening of the markets could precipitate a large, undesired run from the dollar, partly in reaction to the news that the US second quarter balance-of-payments deficit was the worst in history.

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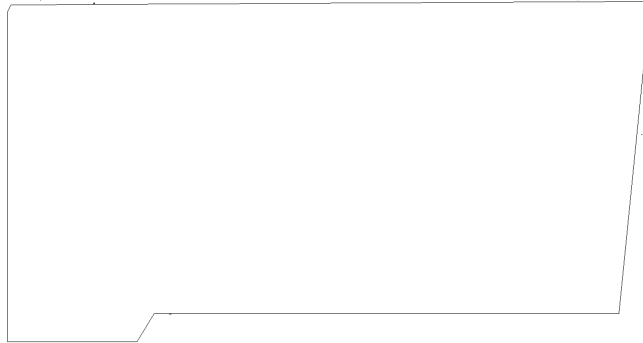
SOUTH VIETNAM



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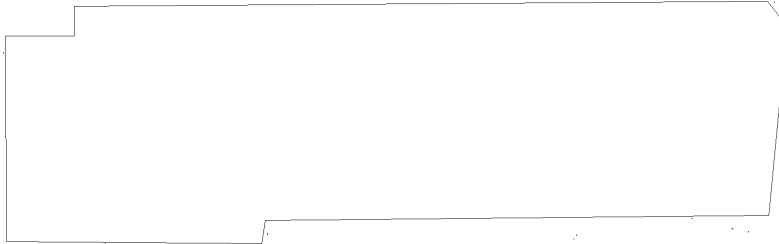
ARAB STATES

The trouble between Jordan and Syria will be the most pressing business at the meeting of the Egyptian, Libyan, and Syrian heads of state convening in Damascus today. Their efforts to deal with the problem are apt to generate some heat in view of the wide differences between Qadhafi, who is pressing for sanctions against Jordan, and Sadat, who is committed to the current efforts of an Egyptian - Saudi Arabian mission to mediate between Jordan and the fedayeen. The three leaders will very likely continue the discussions, begun at their meeting in Tripoli on 30 July, which aimed at devising a formula for an agreement between King Husayn and the fedayeen.

The formal purpose of the meeting is to approve the draft constitution of the new Federation of Arab Republics which the three governments have agreed to establish. The endorsement is expected to be pro forma, and the constitution will then be submitted to a plebiscite in each country on 1 September. Little popular enthusiasm for this latest attempt at Arab unity has developed, and this has prompted the Libyans and Syrians to conduct "educational campaigns" in an effort to drum up support for it.

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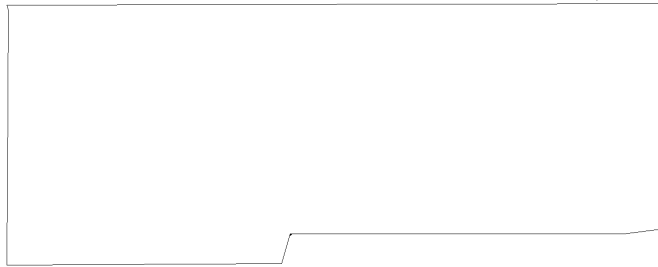
MALTA



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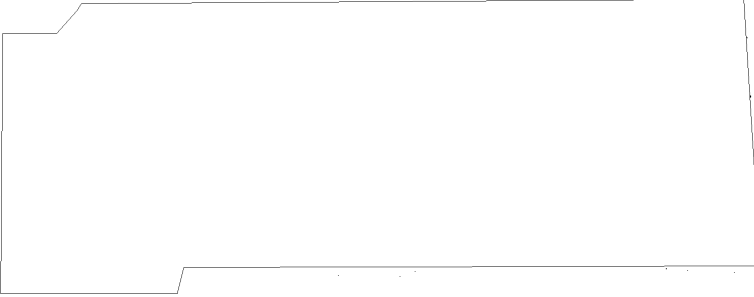


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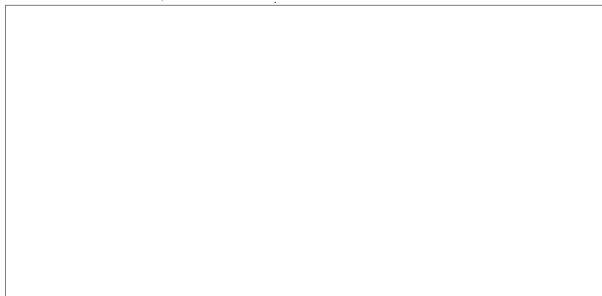
BOLIVIA



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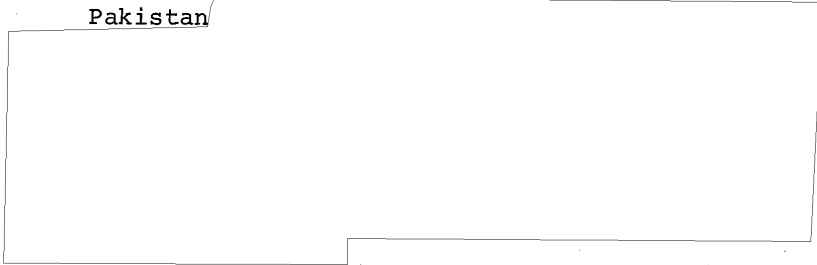


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