



The President's Daily Brief

Sunday - 29 Aug 71



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PDB CABLE - SUNDAY - 29 August 1971

INTERNATIONAL ECONOMIC DEVELOPMENTS: Some Japanese

claim that the yen was held to a five percent change in parity yesterday because of the participation of the Bank of Japan. Others insist that the Bank will avoid intervening unless the exchange rate changes more than 7-7.5 percent from parity.

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Much of the sting of the decision to float was eased for the Japanese business community by the government's defense of parity during the past two weeks, which enabled banks and exporters to sell dollars to the Bank of Japan and thereby reduce their losses after the float. Timing of the float may also have been responsive to the nearly total absence of new import and export business resulting from the uncertainty about the exchange rate. The Japanese vice minister of finance for international affairs has stated that the float may persist for "at least one year" if no early decisions are reached on multilateral parity adjustments.

The addition of the yen to the roster of floating currencies increases the volatility of the exchange markets, but it also increases the hesitancy of traders to engage in large deals. In the aftermath of the decision to let the yen float, the British have moved to forestall further speculative inflows of dollars from abroad against the stronger pound. Following a national holiday on Monday, British banks will not be allowed to pay interest on any increase in sterling accounts held by

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foreigners. Non-residents also will be prohibited from
acquiring additional holdings of British Government
securities.

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LAOS

Lao Communist leader Souphanouvong has responded negatively to the message Prime Minister Souvanna sent to him on 18 August, which reaffirmed Souvanna's desire to begin peace talks. Souphanouvong's reply published today by the Pathet Lao news agency stated that Souvanna's proposal to discuss a cease-fire and a bombing halt in northeast Laos--particularly in the Plaine des Jarres region--is "unrealistic" and a "crafty maneuver" aimed at serving the military schemes of the US and "the reactionaries."

The message reiterated the Communist contention that an immediate cease-fire and bombing halt throughout the country is the most effective way to re-establish peace.

The Communist have also rejected Souvanna's more recent proposal for a neutralization of the Plaine, which he mentioned in a press interview on 26 August. The next day the Lao Communist representative in Vientiane, Soth Pethrasy, told journalists that Souphanouvong's position is that the Plaine cannot be neutralized until allied bombing of Communist troops and the Ho Chi Minh trail is halted. Soth also turned down Souvanna's proposal that the Pathet Lao participate in next years National Assembly elections.

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SOUTH VIETNAM

The Lower House elections are proceeding so far with only a few minor disturbances at the polling places. Early reports indicate that the voter turnout is moderately heavy.

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