

The President's Daily Brief

4 September 1971



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PRINCIPAL DEVELOPMENTS

Today's Pravda article is Moscow's strongest public blast at Peking in over a year. (Page 1)

Vice President Ky's harsh tirade against South Vietnamese President Thieu is clearly designed to stir Thieu's opponents into action. (Page 2)

The severe flooding in northern North Vietnam has disrupted transportation and agriculture, but aid is already flowing in from both China and the Soviet Union. The flow of men into the infiltration system may also be affected, although there is unlikely to be any effect on supply movements to the southern battlefields. (Page 3)

Pakistan is strengthening its defensive forces along the West Pakistan - India border. (Page 5)

Some European views on the international monetary situation are discussed. (Page 6)

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USSR-CHINA

The lengthy article by "I. Alexandrov"--a pseudonym employed to indicate high-level party endorsement--in today's Pravda is Moscow's strongest public blast at China in over a year. It minces no words in indicating that Moscow sees malicious intent in Peking's invitation to President Nixon. The article sets the Chinese bid to the US President in the context of Peking's over-all foreign policy, which is branded as primarily motivated by "anti-Sovietism." It labels Chou En-lai's citation of a "threat from the north" in his recent interview with James Reston as mythical, pointedly noting that the USSR has no territorial claims against China.

A substantial section of the article attacks Peking's attempts to undermine Soviet domination of Eastern Europe. Although avoiding the stronger condemnations of Peking's alleged efforts to establish an "anti-Soviet axis" in the Balkans that have appeared recently in the East European press, it accuses the Chinese of "seeking to set socialist states at loggerheads." One principal theme in the article is the exhortation that Communists should "enhance in every way their vigilance against Maoism."

The article restates Soviet intentions to seek better relations with China, but unlike some pronouncements before the announcement of the President's visit, carries no note of conciliation. Indeed, the article seems somewhat defensive in justifying Kremlin policy toward China, suggesting that the leadership may be sensitive to criticism that it has been too easy on Peking.

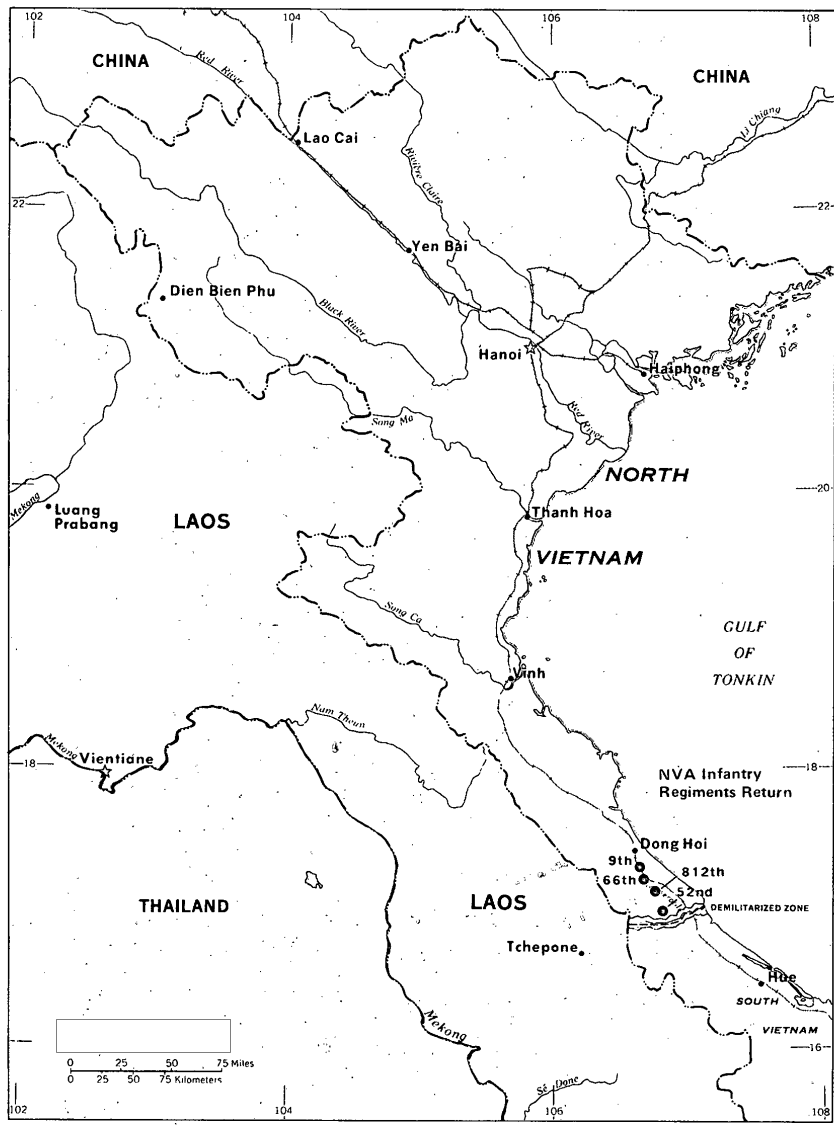
"Alexandrov's" treatment of China stands in marked contrast to recent Soviet handling of US motivations for improving relations with Peking. Pravda on 2 September, for example, presented a relatively balanced account of Secretary Rogers' speech to the American Legion, specifically noting his assurance that US China policy does not mean any lessening of interest in serious negotiations with the USSR. Such treatment suggests that US efforts to reassure Moscow on the visit are having some success and indicates that Moscow does not want to damage its wide-ranging contacts with Washington through harsh polemics.

FOR THE PRESIDENT ONLY**SOUTH VIETNAM**

Ky told members of the foreign press corps yesterday that he would destroy Thieu and "his clique" even if "I have to sacrifice my life to do it." Ky asserted that there is great unrest among the people and the armed forces and questioned whether many generals are really loyal to Thieu. The vice president gave his threat a sense of immediacy by claiming that many unpredictable events could take place, "perhaps tonight or tomorrow," and warned his listeners that those who lived near the palace should be prepared to move.

Ky's public threat to use force to oust Thieu is in keeping with his campaign to force a change in Thieu's election plans. Though he is clearly trying to generate more positive opposition to Thieu, Ky still seems to lack much military support and would be unlikely to disclose his intention publicly if he really planned to mount a coup. One of the vice president's chief political lieutenants is currently in the US, and Ky's remarks may have been intended partly for US ears. He may hope that by stirring up the South Vietnamese political situation even further, the US might be brought to persuade Thieu to postpone and reorganize the presidential election. Although Ky may succeed in whipping up strong antigovernment feeling among some opposition elements, others will be alarmed at his intemperate language and take care not to be identified too closely with him. Ky's press spokesman later attempted to soften the impact of some of the vice president's inflammatory statements.

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NORTH VIETNAM

Premier Pham Van Dong has characterized the serious floods in the northern half of the country as worse than the catastrophic flood and famine in 1945 that caused hundreds of thousands of deaths. Government leaders have directed that every assistance be provided to flood victims and that stockpiles of cement and steel be drawn upon to reinforce and repair dikes. The premier's office has warned that looters and speculators will be severely punished.

US weather data during August indicate that the northwest region of North Vietnam received up to 20 inches of rain above average; elsewhere precipitation was near normal levels. The runoff from rivers flowing down to the coast presumably has caused serious flooding in the Red River delta. Hanoi is experiencing some flooding, and the main rail line from Hanoi to China was disrupted on at least two occasions in recent weeks.

The extent of crop damage cannot yet be determined, but any losses are likely to be made up by the USSR and China; flood relief provides both with an opportunity to demonstrate their continued support of the North Vietnamese. The Chinese began flood relief flights to Hanoi on 30 August and dispatched 90 rail cars carrying steel wire for use in flood control. Mao, Lin, and Chou have expressed their official sympathy and promised all possible aid. The USSR, not to be outdone, is sending via the Soviet Red Cross foodstuffs, medicine, fabrics, and tents for the flood victims.

It is highly unlikely that the floods will affect continuing preparations in southern North Vietnam for the coming dry-season supply push into Laos and southward. The Communists have established military stockpiles in the North Vietnamese panhandle that will enable them to withstand any temporary disruption to the transport system in the north.

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Flooding in the northern part of the country, however, may affect Hanoi's infiltration timetable. Normally, the dry-season flow of men begins in October, but the disruption of transportation and heavy rains may have interrupted activities at the major training bases in the north.

Infiltration figures for August indicate that few personnel moved through the pipeline. [redacted]

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[redacted] only three small groups of infiltrators moving through the system; these had a combined strength of less than 100-- all specialists and most headed for Military Regions 1 and 2 in South Vietnam.

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Over the past few weeks, four North Vietnamese infantry regiments have pulled out of South Vietnam's Quang Tri Province and now are in southern North Vietnam. [redacted] two regiments of the 304th Division returned to Quang Binh Province in mid-July, and one regiment of the 324th Division moved north sometime in late July or early August. Late last month, one regiment of the 320th Division also headed northward. In each case, the regiments are rejoining parent divisions that have been in southern North Vietnam since mid-spring.

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The four regiments entered Quang Tri Province from Laos or North Vietnam shortly after Operation Lam Son 719 last March and applied heavy but sporadic pressure on South Vietnamese outposts along the DMZ during the summer. Their departure suggests the summer campaign in this area has ended and the units have gone home to refit.

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PAKISTAN

The Pakistani Army has completed the precautionary movement of additional forces into forward positions near the India - West Pakistan border, [redacted]

[redacted] The mission of these troops--estimated to number about 5,000--is to blunt and contain any Indian attack until Pakistani forces could counterattack. Pakistan has also completed the organization of two new infantry divisions to replace those sent last spring to East Pakistan and is now forming a third.

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In East Pakistan, Islamabad is organizing three brigades--about 18,000 troops--consisting of non-Bengali East Pakistanis. These troops are to be responsible for maintaining internal order in the event of hostilities.

These preparations--defensive in nature--stem from Pakistan's uncertainty about India's intentions. Pakistani officials assume, however, that India will continue to support efforts by the Bengali guerrillas to gain control of a section of East Pakistan. Such action could yet lead to major hostilities in view of Islamabad's belief that the best way to defend East Pakistan is to attack in the west.

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INTERNATIONAL MONETARY DEVELOPMENTS

Europeans are increasingly taking the position--in part as a sop to France--that an over-all adjustment of exchange parities should be accompanied by some increase in the price of gold. In recent remarks, some French, Dutch, British, and German officials have all requested a gold-price increase as part of a general settlement. For the French, this position reflects long-standing views on what is required. A high Dutch Finance Ministry official claims that a "modest"--perhaps five-percent--increase could be decisive in fostering a joint Common Market adjustment offer. Some British Treasury officials also are taking the line that a small increase in the official gold price might facilitate monetary reform.

Early removal of the US import surcharge remains a major aim. In an argument that may be used increasingly, the Belgian Treasury director has referred to the difficulty of effecting parity changes while the surcharge persists and distorts judgment on what the rate should be.

In the view of some European officials, there will continue to be uncertainty about the proper response to the US pending clarification of US expectations. According to a Dutch official, a definitive statement is needed most urgently on what the US wants in the monetary, commercial, and burden-sharing fields and what it is prepared to give "in addition to elimination of the surcharge."

Despite the emergence of common themes on the European side, there are still no signs of a reconciliation of French differences with the other European Community members. The Italians--who have also called for a devaluation of the dollar to accompany other currency revaluations--will meet separately with the Germans and French this weekend at the ministerial level. Paris, however, presumably is still resisting any common Community position that would require revaluing the franc. France appears determined not to lose the edge in intra-European trade it gains from the present upward-trending German and Dutch currencies.

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On the basis of monthly data now available, it appears that European central banks absorbed record amounts of dollars during August. British reserves increased by \$937 million despite debt repayments of \$626 million. In France the increase was \$1.08 billion. The French increase resulted from Bank of France support of the "commercial" franc, which has hovered near its lowest permitted level since the introduction of the two-tier market. In Tokyo, the Bank of Japan reportedly continued to buy dollars heavily yesterday to restrict the yen's appreciation.

In another development, Canadian Prime Minister Trudeau plans to take special measures to assist industries hurt by the US import surcharge. The measures are to be announced at the resumption of Parliament on Tuesday, 7 September. Ottawa hopes to cushion the impact of the surcharge on the economy's recovery. No details are available, but the measures will probably include tax relief.

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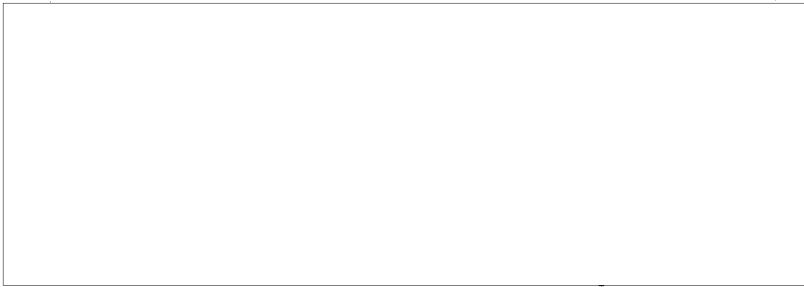
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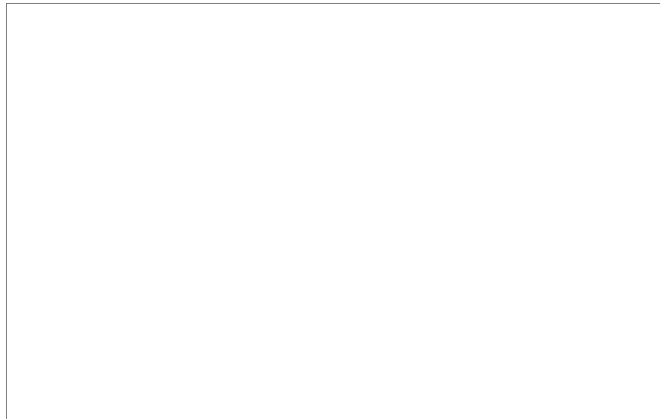
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