



The President's Daily Brief

7 September 1971

48

50X1

Top Secret



FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

7 September 1971

PRINCIPAL DEVELOPMENTS

Major international economic developments are reviewed on *Page 1*.

A spectacular prison break by more than 100 terrorists has severely undermined public confidence in the government of Uruguay. (*Page 2*)

Serious frictions may be developing among the rulers of Sudan. (*Page 3*)

Malta's Prime Minister has rejected Britain's latest offer. (*Page 3*)

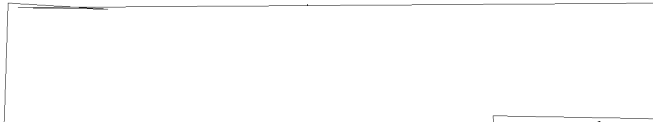
FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL ECONOMIC DEVELOPMENTS

The week opened with only minor adjustments among exchange rates on markets in Europe. Intervention by the Bank of Japan maintains the yen about six percent above parity.

European officials are alerting the public not to expect a quick resolution of the monetary problem. Their motive seems to be to avoid a series of increased expectations and subsequent disappointments. Soundings that may lead to a least common denominator reaction to US moves will be sought at many meetings between European states scheduled this month as well as in the ad hoc consultations taking place in the wake of the Group of Ten meeting last week.



50X1

For the time being, market uncertainties will keep international commercial transactions at a reduced level. Sales of ships on the London market, for example, are reported to be at a virtual standstill. As time passes, however, the postponement of normal trade will result in pressure on governments to move toward a settlement.

The Latin American economic grouping--bemoaning the status of less developed countries "left out" of world councils on topics affecting them--has drafted an appeal to the US cataloging its concern over the import surcharge and potential foreign aid cuts. These countries have also proposed a restructuring of the world monetary system. In the meantime, they wish their interests to be protected by the addition of a Latin American representative to the Group of Ten.

FOR THE PRESIDENT ONLY

URUGUAY

The mass escape from prison on Monday of 106 Tupamaro terrorists has severely undermined public confidence in the administration of President Pacheco. The smoothly organized tunneling operation may have had the assistance of prison guards. A similar tunneling effort earlier this year failed only because of the effects of heavy rains. The latest escape follows the mass breakout of 37 female members of the band in July as well as the success of yet another of the group's leaders in walking away from jail by using a simple ruse.

The shocked police seem to be in a state of ineffective rage. Pressures will grow on Pacheco to impose strict extraconstitutional controls in an attempt to counter the terrorists, who are believed by many to be an imminent threat to the security of the nation. Earlier this year, frustration at the ineffectiveness of the government's efforts to bring the Tupamaros to heel led to the formation of counter-terror units in the security forces. Now their extralegal activity is likely to increase. At the same time, the already formidable capabilities of the terrorist group have been improved with the escape of a number of its top leaders. Political violence can be expected to become more common, especially because this is an election year.

President Pacheco is running for re-election in November, primarily on a law-and-order platform. His campaign has suffered a disaster, and he and his Colorado party are already under attack from the opposing left-wing electoral coalition, the Frente Amplio. Only the implementation of rapid and uncharacteristically efficient counter-measures will restore any degree of public confidence that the administration is capable of meeting the problems posed by the Tupamaros. Such measures, however, do not appear to be in the offing, and in the short term, the government will probably follow a familiar script, considering cabinet and other resignations, as well as imposing emergency security measures to tighten controls on the media and the population.

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

NOTES

Sudan: Serious frictions may be developing between Prime Minister Numayri and two key members of the Revolutionary Command Council. One of them, the minister of interior, is said to oppose Numayri's plan to dissolve the council and to install himself as president with full executive authority. Perhaps associated with this situation, there are rumors circulating in Khartoum that an attempt to assassinate Numayri may be made before the presidential election on 15 September. There are allegations that two attempts already have been made on Numayri's life since his return to power in late July.

Malta: Mintoff has rejected London's latest negotiating proposal and demanded that Heath come to Malta with a more generous one. British officials in London indicate that the Prime Minister will not go, and stress the generosity of the UK-NATO package, which has now edged up to about \$22.2 million. A speech by Mintoff on Saturday still appeared to leave room for an agreement with Britain, but he could use the occasion of Malta's current week-long National Day observance to announce acceptance of Libyan or even Soviet financial assistance instead.

Top Secret