



The President's Daily Brief

4 January 1972

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Our assessment of the state of affairs in Communist China, based on Peking's annual New Year's editorial, is on *Page 1*.

Comments on Mujib's release from house arrest in Pakistan, and reports of Bangladesh Government efforts to restructure its economy are on *Page 3*.

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COMMUNIST CHINA

Peking has issued a low-key New Year's Day pronouncement which touts China's diplomatic and economic progress but is uninformative on political subjects. The joint People's Daily, Red Flag, and Liberation Army Journal editorial avoids a public airing of the recent leadership upheaval, and its emphasis on unity and re-education suggests that no sweeping purge in the ranks of the army or party is in the offing. Nevertheless, in warning that much work remains to be done on the provincial level, the editorial indicates that local party bodies will be at least selectively revamped.

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Eventual changes in the local power structure will most likely further dilute the influence of both civilian and military ultraleftists. The political status of the military establishment is still in question, and the editorial's stress on the importance of conventional military activities, as opposed to the army's political chores, underscores the sensitivity of this issue.

The editorial offers indirect testimony of Chou En-lai's influence. Reflecting predictable Chinese pleasure over Peking's enhanced international position, the statement devotes considerable attention to Peking's entry into the UN and its new diplomatic ties abroad. The United States is treated in a relatively neutral and a markedly low-key fashion. By contrast, the Soviet leadership, including party chief Brezhnev, comes in for some polemical criticisms. Contrary to last year, when Japan was characterized as a major Chinese adversary, there is almost no anti-Japanese commentary. The Taiwan issue is treated in unusual detail, reflecting Peking's serious concern over the future of the island.

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Peking has also released selected statistics on the performance of the Chinese economy in 1971. This is the most year-end data that the Chinese have released since 1959.

Our preliminary analysis of these statistics indicates that industrial output grew at a rate of about ten percent over the

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previous year. This is less than the 17-percent growth we estimate for 1970, but growth that year was atypical because the Chinese easily put back into use much plant capacity previously idle. In 1971, the Chinese relied more on new facilities.

Chinese living standards remained adequate, even though bad weather kept agricultural output at the level of the previous year, when 215-220 million tons of grain were produced. China has food reserves, however, and could afford to buy more abroad if needed.

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PAKISTAN-BANGLADESH

By freeing Bangladesh President-designate Mujibur Rahman unconditionally, Bhutto apparently intends both to satisfy pro-Bengali international opinion and to pave the way for the repatriation of Pakistani troops and civilians from the east. Bhutto, who from the time he returned to Pakistan to replace Yahya said he would release the Sheikh, nevertheless delayed this action for some time, presumably to try to extract some meaningful concession from Mujib. He seems to have finally decided that Mujib's unconditional release was the only way to limit Indian influence in the former province.

As Bhutto tells it to Ambassador Farland, Mujib has been poorly informed about the course of the war and is despondent to learn that Indian troops occupied all East Pakistan. Bhutto says that Mujib is determined to resist Indian domination.

Because Mujib has been out of touch for some nine months, it may be difficult for him immediately to assert his authority as head of government. Also, some of the Bangladesh leaders who have been organizing the government in Dacca may be reluctant to give the revered Mujib real authority.

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The Bangladesh Government is moving ahead in restructuring the economy. It has taken control of 274 firms, in addition to the jute and tea sectors that were taken over last week, and ceilings have been set for private salaries. A food corporation has been formed to procure and distribute rice, and efforts are being made to get fertilizer and machinery into those areas where the rice crop currently is being planted. Some money and food have been allocated for the returning refugees. Trade pacts with the USSR, Bulgaria, and Czechoslovakia are said to be near consummation.

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Although the Bangladesh rupee has been devalued by about one third, this will not necessarily improve the new country's foreign trade. Most sectors of the economy, including shipping and industry, must first be set in order. Dacca's major exports, raw jute and jute manufactures, are suffering from a declining world demand as consumers switch to synthetic fibers. A return to prewar economic conditions will require substantial inflows of foreign aid.

New Communist Road Construction



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NOTES

Laos: North Vietnamese units, including elements of five or six infantry regiments, are edging closer to Long Tieng and its outlying defenses. An intercept of 2 January between unidentified North Vietnamese units refers to sending in assault elements in coordination with "our big artillery." A similar message of 1 January refers to taking three more days to "be prepared."

South Vietnam: The Communists are constructing a new road within the DMZ which branches off Route 102 toward the central region of northern Quang Tri Province, [redacted]

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[redacted] the Communists are working to repair rain and bomb damage on the road they began last May through the western corner of the DMZ and into Quang Tri Province. These roads will shorten the supply line to enemy forces in this region of South Vietnam.

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