



*The President's Daily Brief*

*15 February 1973*

45



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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

15 February 1973

PRINCIPAL DEVELOPMENTS

Tokyo allowed the yen to float sharply upward, but the dollar weakened against European currencies in early trading today. (Page 1)

The North Vietnamese appear to be flying into the South near Khe Sanh, apparently to pick up released Communist prisoners, while in the North they continue to expand their oil pipeline system. Meanwhile, the South Vietnamese are considering strategy for talks with the Viet Cong. (Page 2)

Cambodia

[Redacted]

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(Page 3)

West Germany

[Redacted]

25X1

(Page 4)

As the first round of the French National Assembly elections approaches, long-standing strains within the governing coalition are worsening. (Page 5)

Campaign issues in Ireland's general election, scheduled for 28 February, are beginning to take shape. (Page 6)

At Annex, we examine the various possible outcomes of the French elections and their implications for the conduct of French foreign policy.

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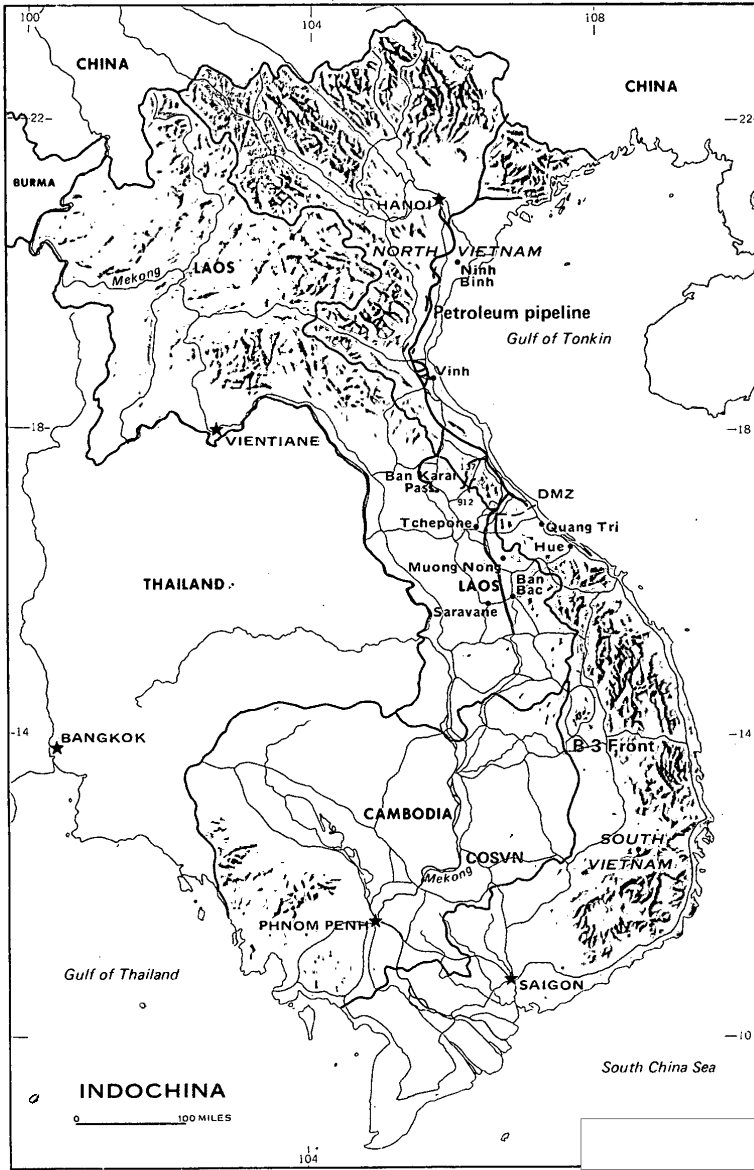
**INTERNATIONAL MONETARY DEVELOPMENTS**

The effective revaluation of the yen in early trading today was about 13.5 percent relative to the pre-devaluation market rate for the dollar. The Central Bank of Japan reportedly was permitting the yen to move with relative freedom in order to dampen foreign criticism, although the bank purchased some \$75 million to guide the float. Yesterday, the bank reportedly purchased some \$233 million, an unusually large intervention. Currency traders apparently believe the yen eventually will be revalued by at least 15 percent, and possibly as much as 20 percent relative to the dollar.

Trading was unsettled at the opening of European markets today, with the dollar under attack. The mark and Swiss franc showed strong early gains, as traders apparently were still unsure of the durability of this week's currency settlement. Yesterday's sharp retreat on Wall Street may also have been a factor. Trading yesterday on European markets was extremely cautious. At the markets' opening, the dollar was near to its ceiling against most fixed currencies, but it declined somewhat during the day.

Meanwhile, the price of gold spurted to a postwar European high of \$72.30 yesterday in London. The interest in gold buying was worldwide, and included purchasers from the Middle East who generally make speculative purchases only in anticipation of higher prices.

### Developments in Communist Logistics



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VIETNAM

North Vietnamese transport planes appear to be flying into northern South Vietnam to an airfield near Khe Sanh, perhaps to pick up released Communist prisoners. A North Vietnamese message from the Khe Sanh area stated "there will be a post to exchange prisoners of war at the airfield." A North Vietnamese unit is surveying the area for a suitable radar site, suggesting that the North Vietnamese intend to continue flights there long after the prisoners are exchanged.

\* \* \*

[redacted] the petroleum pipeline system in North Vietnam is being expanded. About 80 miles of new construction has been noted between Ninh Binh and Vinh, and a new pipeline is being built into China from the border. In addition, the North Vietnamese have also extended the existing pipeline in southern Laos 50 miles south from Muong Nong.

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*The new pipelines in North Vietnam may be steps toward a system that ultimately will allow Hanoi to import and ship more than one type of fuel. The extension in Laos will make trucks now being used to haul gasoline down to the Ho Chi Minh trail available for other duties.*

\* \* \*

South Vietnamese Prime Minister Khiem has appointed a cabinet-level task force to study strategy for the bilateral political talks with the Viet Cong.

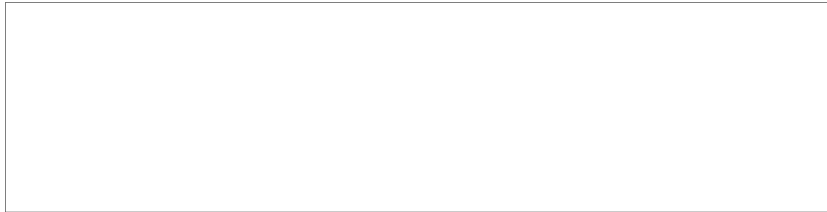
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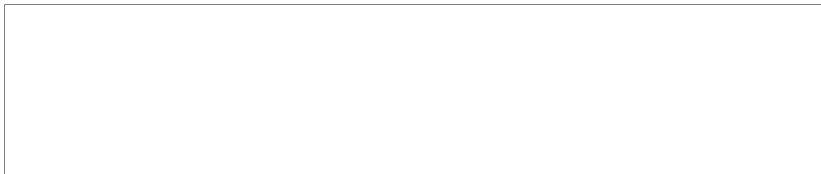
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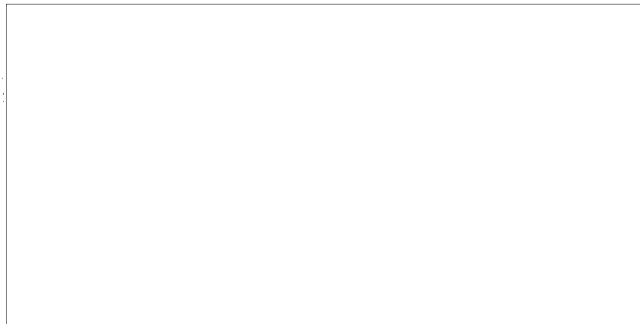
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**WEST GERMANY**



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FRANCE

The first round of the National Assembly elections are now less than three weeks away and the long-standing strains within the governing coalition are being exacerbated by the prospect of significant electoral losses. For example, Giscard d'Estaing, leader of the Independent Republican Party, is strongly critical of President Pompidou for mismanaging the campaign, primarily by neglect.

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*At Annex, we examine the various possible outcomes of the election and their implications for the conduct of French foreign policy.*

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IRELAND

Campaign issues for the general election on 28 February are just beginning to take shape. [redacted]

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[redacted]

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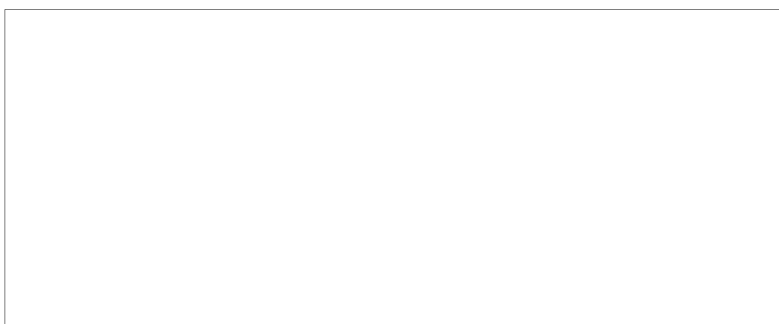
[redacted] The government is most vulnerable to charges that its policies have resulted in excessive unemployment and inflation, but the opposition has not yet exploited this weakness.

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*Under Ireland's complex system of proportional representation, small vote shifts in a few critical districts could have major consequences, and the final outcome of the election may hinge on local contests between strong opposition candidates and colorless Fianna Fail incumbents. Prime Minister Lynch will have to campaign hard if his own strong popularity is to rub off on his weaker Fianna Fail colleagues.*

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NOTES



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Uruguay: The appointment of a former military judge to head the Ministry of Interior, which controls the nation's internal security forces, has strengthened the military's ability to deal with corruption and the economic problems that led to its confrontation with President Bordaberry. With this gain in power, the military has allowed one of Bordaberry's closest advisers to become minister of defense. He may have been chosen to help forestall any civilian-military conflict in the new National Security Council. Another blow up between the generals and the civilian politicians could well lead to the ouster of Bordaberry.

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**THE IMPLICATIONS OF THE FRENCH ELECTIONS**

Whatever the outcome of the French elections on 4 and 11 March, it is certain over time to have some effect on the future French role in Europe and in the Atlantic Alliance. The Gaullist Party, the largest component of the governing coalition and the largest single party in the Assembly, seems due for some losses, though perhaps not as serious as recent polls would suggest.

We think, after the dust has settled, President Pompidou will be faced with one of four basic political situations. These, and their implications for French foreign policy, are described below.

1. The present coalition parties could emerge with a reduced but working majority in the Assembly.

--Because the Independent Republicans may well gain seats at the same time the Gaullists suffer losses, Independent Republican leader Valery Giscard d'Estaing would have a greater voice in government.

--A more even division of power between the Gaullists and the Independent Republicans would not, of course, bring major changes. It would however, dilute the present strong Gaullist coloration of the government.

--Giscard and his party hold slightly more favorable attitudes toward the European Communities and the Atlantic Alliance than the Gaullists, as well as less strident positions on the Middle East, Vietnam, and other aspects of foreign policy.

--If the Gaullists suffer heavy losses, the president could even offer Giscard the prime ministry. This would give Giscard a better shot at the presidency in 1976.

2. Secondly, the governing coalition could lose enough seats to force it to take in some elements now in the opposition center.

--The president would be likely to seek a new prime minister and bring the center parties into his cabinet.

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--The immediate impact on government policies would not be profound but, over time, the influence of moderate political leaders could have a favorable effect on Franco-US relations.

--A government so composed would be more cooperative within the Atlantic Alliance, take a less intransigent stand on many aspects of the European Communities' relations with the US, and perhaps eventually take a more positive line on the Middle East and other foreign policy issues.

3. In the third situation, less likely than the preceding two, the government's losses could be so extensive that it would have to rally the right wing of the Socialist Party as well as most of the centrists to form a majority.

--Edgar Faure, now minister of state for social affairs and leader of the left wing of the Gaullist movement, might under these circumstances be asked to form a new government.

--Such a government would probably increase the stress on France's independence of the US and its "special relationship" with the USSR.

4. Finally, the Communist-Socialist alliance could win a clear majority in the Assembly--the least likely of the four possibilities.

--Pompidou would have a wide range of constitutional options to keep the left at bay, and there is little prospect that the old predominance of parliament could be revived.

--The Assembly could refuse to pass desired legislation, but this assumes unity of views among disparate leftist elements. In any event, the government can often get along without the Assembly's concurrence.

--The president's most likely move would be to name a minority government and challenge the left to overthrow it by censure. Present rules make censure a difficult procedure.

--Nonetheless, prolonged hostility between president and parliament would test the institutions of the Fifth Republic, and the fallout would surely weaken the government's conduct of foreign relations.

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