



*The President's Daily Brief*

*24 February 1973*

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*FOR THE PRESIDENT ONLY*

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PRINCIPAL DEVELOPMENTS

The Japanese are preparing to negotiate major economic development deals with the USSR, without waiting for a peace treaty. *(Page 1)*

West German Chancellor Brandt will get his Social Democratic Party convention to reaffirm faith in the alliance with the US. *(Page 2)*

President Thieu has inaugurated a "popular front" in a first effort to bring South Vietnam's major political and religious groups into the government camp. *(Page 3)*

The North Vietnamese, the Chinese, and the Soviets have expressed satisfaction with the Laos cease-fire agreement. *(Page 4)*

Peru's President Velasco is in serious condition following emergency surgery yesterday. *(Page 5)*

At Annex, we discuss the effects of the Vietnam settlement on China and the USSR.

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JAPAN-USSR

The Liberal Democratic Party leadership and Japanese Government bureaucracies have agreed that economic issues should be negotiated separately from a Japan-Soviet peace treaty. Moscow's consistent refusal to return the Northern Territories/

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have overcome Japanese Foreign Ministry desires to use economic issues as political levers.

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*Many problems remain to be resolved before the Japanese side will actually initiate any agreement, however.*

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WEST GERMANY

At the express wish of Chancellor Brandt, the executive board of the Social Democratic Party is preparing a motion which affirms that the NATO alliance and the continued military and political presence of the US in Europe is essential for the preservation of the balance of power. The motion, to be presented for adoption at the party's national congress in April, also states that in order to maintain the US presence, the German Government must ensure that European nations do their best for the common defense.

Brandt, who was disturbed by left-wing criticism of the US after the renewed bombing of North Vietnam in December, has said that he regards passage of the motion a matter of principle. He has also indicated he is prepared to use his personal prestige and power as party chairman and chancellor to ensure that the motion is adopted.

*Brandt's espousal of this resolution reflects his convictions that Bonn's relations with the US should be as friction-free as possible, and that the Europeans should do more to strengthen NATO. On 18 January he suggested that the Eurogroup should serve as a forum for such efforts.*

*Beyond this, however, the motion is Brandt's first major effort to grapple with an anticipated left-wing challenge at the April convention. The left wing of the party is likely to be cast into considerable disarray in deciding whether or how to oppose Brandt's resolution at the party congress. The chancellor's stated readiness to put his prestige on the line should ensure that moderates and conservatives will rally to Brandt's side and adopt the motion.*

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SOUTH VIETNAM

President Thieu's new "popular front" held its public inaugural meeting yesterday in Saigon. The front brings together a wider range of groups than previously associated with the government, including some opposition forces. It is designed to be advisory to the government and may be made part of Saigon's contingent to the tripartite National Council for National Reconciliation and Concord. Government supporters also acknowledge that the front is intended to improve the government's image at the Paris conference next week and during Thieu's coming visit to the US.

The front is Thieu's first direct effort in several years to bring the country's major political and religious groups formally into the government camp. Earlier alliances foundered over mutual distrust and the president's unwillingness to give the politicians any meaningful role in his government. The role of Thieu's Democracy Party in the new "popular front" has not been spelled out, but one front participant claims that party cadre are to hold all of the key positions.

Reaction to the new front varies from optimism that it can become an effective counter-force to the Communists to suspicion that it is only for "show." The country's most influential opposition, the An Quang Buddhists, are cautious. Several An Quang senators attended the organizational meeting, but the An Quang hierarchy remains uncommitted.

*The participating groups will quickly become restive if the Democracy Party assumes the most important positions. The cooperation of several will depend on whether Thieu liberalizes his restrictive decrees on political parties and the press, and acts more forcefully against corruption.*

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INDOCHINA

International reaction to the announcement of a cease-fire in Laos has been positive. North Vietnamese leaders called the settlement a "success of... the three Indochinese peoples" and pledged Hanoi's support for its implementation. Peking's People's Daily hailed the agreement as a "tremendous victory for the Lao people." Soviet diplomats in Vientiane and TASS commentators in Moscow have likewise welcomed the agreement.

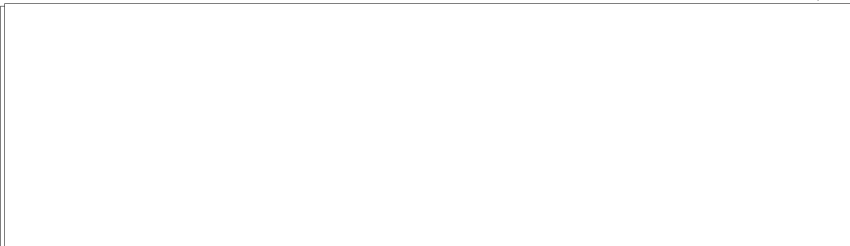
*We did not expect any other reaction. Both the Soviets and the Chinese, for reasons of their own, have a strong interest in keeping the level of conflict in Indochina fairly low. Neither this settlement, nor the Vietnam agreement, however, will bring any improvement in Sino-Soviet relations. At Annex, we explore the reasons for such a judgment.*

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NOTES

Peru: President Velasco is in serious condition following emergency surgery yesterday for an abdominal aneurysm. The military government he has headed since its inception in 1968 is capable of carrying on with a minimum of disruption. Temporary leadership will be provided by Prime Minister Mercado, who also holds the posts of minister of war and army commander. Should Velasco fail to recover, Mercado almost certainly will be named president by the three armed services chiefs sitting as the revolutionary junta. As president, Mercado might be more amenable to moderating influences than Velasco and would make changes in the pace and style of the military government. We would not expect, however, any lessening of the armed forces' commitment to domestic change or to a staunchly independent foreign policy.

International Monetary Developments: The dollar made a modest recovery yesterday in late trading on European markets, but not enough to offset a sharp drop during early trading. For the first time since the devaluation, several European central banks made small purchases in the spot market to support the dollar. In Japan, the dollar closed slightly higher, in part because of rumors that Tokyo intends to slow the issuance of shipbuilding export licenses. Meanwhile, gold closed at \$84 yesterday on the London market, a slight drop from Thursday's closing price.



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THE VIETNAMESE SETTLEMENT AND SINO-SOVIET RELATIONS

The Vietnam settlement will not bring any improvement in Sino-Soviet relations. Rather it will intensify and spread the competition between Moscow and Peking not only in Southeast Asia but--more importantly--with the US. The net result will be to increase US leverage in both Communist capitals.

In Indochina, the policies of the USSR and China will each be designed to prevent the other from gaining a dominant position in the region in the aftermath of the war. Neither can expect to gain a leading role in Hanoi, which maintained its independence even when it sorely needed military aid and had few economic supporters. Nevertheless, neither will feel that it can leave the field to the other. In their efforts to curb the other's chances, both are likely to see advantages in a US presence in Hanoi; Izvestiya has already made it clear that the USSR would welcome the establishment of diplomatic relations between the US and the DRV.

In Laos and Cambodia, the Chinese are better positioned than the Soviets, who can therefore be expected to back solutions which check the growth of Chinese influence. In Cambodia this means the Soviets will support whomever gives most promise of keeping out Sihanouk. In Laos it may lead the USSR to align itself behind the North Vietnamese.

Both parties, however, share an interest in keeping the level of local conflict in Indochina fairly low in the immediate future. They will not want problems in the area to reach proportions which lead to new international crises. This gives them each an interest in limiting the flow of arms to the area, including to North Vietnam.

We expect Sino-Soviet competition to heat up in Southeast Asia. The end of the fighting opens the way for Chinese diplomatic advances in Thailand, Malaysia, and neighboring countries. In response, the Soviets are reviving their vague proposal for Asian collective security, which at least serves to remind the Asians that, if US commitments are reduced, there remains an alternative to accommodation with Peking. Moscow may also seek to push India forward as a counterweight to China.

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On the larger world scene, Moscow and Peking will view the settlement as removing a major obstacle in their bilateral relations with Washington. Each will also be aware, however, that it must share this advantage with its rival, and each will be suspicious that the other is making better use of it. The Soviets will conclude from the US-PRC communiqué of 22 February that the US and China have moved past the Taiwan problem and are developing close relations, despite disclaimers, on an anti-Soviet basis. The Chinese will worry that, with Vietnam removed from center stage, projects for Soviet-US cooperation will now multiply. The result will be to intensify their struggle for advantage in the greater power centers of the world--Japan and Europe, but above all in the United States.

A2

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