

The President's Daily Brief

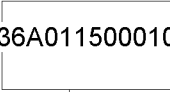
2 March 1973

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~~Top Secret~~ 25X1

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

On *Page 1* we report the status of the BSO capture of US and other diplomats in Khartoum.

Major money markets are closed today following yesterday's unprecedented selling of the dollar in Europe. (*Page 2*)



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In Vietnam, an intercept shows that the Communists are worried that they cannot conceal a concentration of men and materiel near an ICCS team site in western Quang Tri Province. (*Page 4*)

Peking has stepped up its propaganda favoring the reunification of Taiwan with the mainland. (*Page 5*)



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FEDAYEEN-SUDAN

This morning the Black September Organization continues to hold US Ambassador Noel, DCM Moore, and three other diplomats in Khartoum as hostages for guerrillas imprisoned in Jordan. The terrorists seized the Saudi Arabian Embassy yesterday at the end of a reception in honor of the departing Moore. Noel, Moore, and the Belgian chargé were slightly injured but have received medical treatment. The Saudi ambassador and the Jordanian chargé are also in custody.

After initially making more extensive demands, the BSO team is now focusing on the release of senior BSO official Muhammad Awadh and 16 others held in Jordan. The Jordanians captured them last month as they prepared to kidnap the Jordanian prime minister. Amman has refused to free the Awadh group, and announced that it will accept no bargaining with the terrorists. King Husayn is scheduled to fly back to his capital today from Morocco.

The Sudanese Government has ruled out the use of force and has been stringing out talks with the terrorists. They have extended their deadline for satisfaction of their demands several times.

FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY DEVELOPMENTS

Major money markets are closed today following sustained and unprecedented selling of the dollar throughout Europe yesterday. Total European central bank purchases in support of the dollar yesterday amounted to almost \$4 billion. West German intervention alone reached almost \$2.8 billion, a one-day record. Dutch purchases of \$604 million were almost twice that country's total interventions before last month's dollar devaluation.

The closing of the major exchange market amounts to a tacit admission that fixed currency rates cannot be maintained. A decision to introduce a joint EC float is the most likely outcome of the present situation. This decision would require answers to such problems as the system of intervention to be used, the capital controls to be allowed, and the position of the now-floating pound and lira relative to the other countries' currencies.

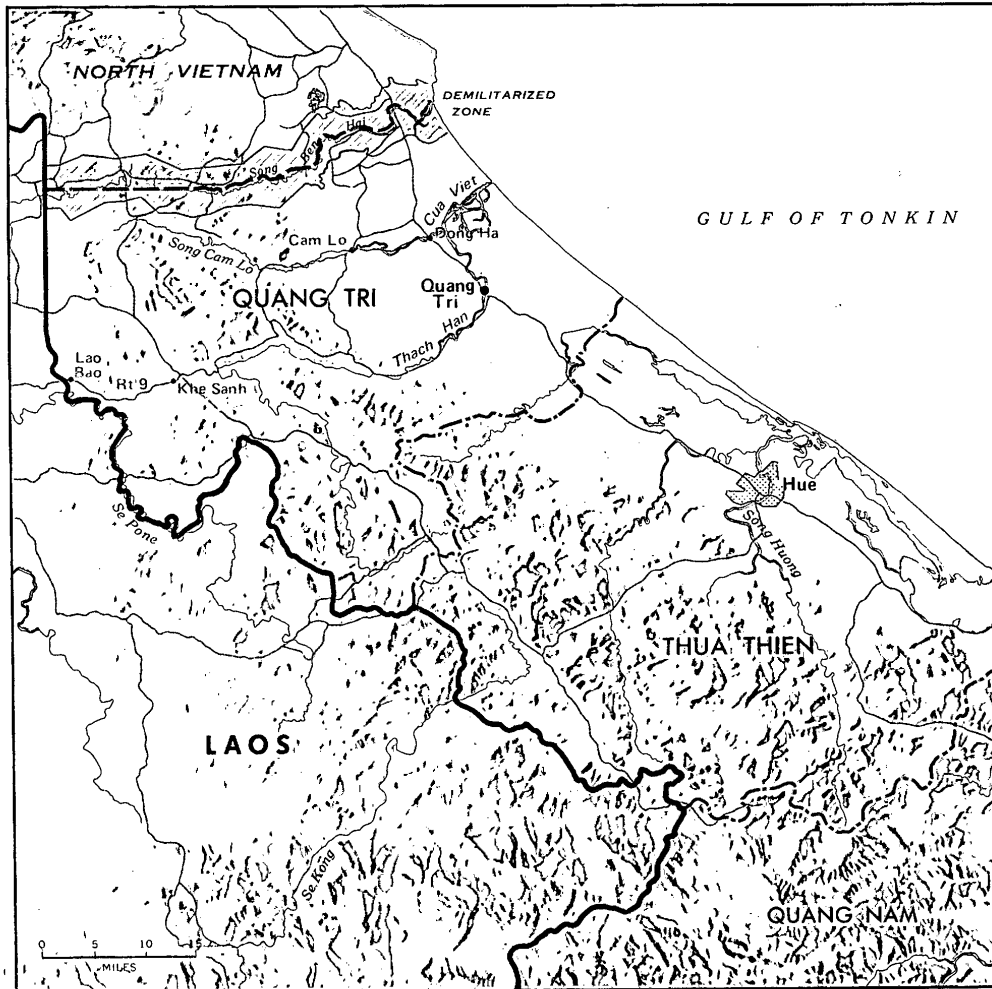
In Japan, the Finance Ministry has stated that it intends to await developments in Europe before deciding when to open its exchange market. The yen closed yesterday with a revaluation of 15.6 percent compared with its old dollar rate--up from 14.5 percent the previous day.

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VIETNAM

The Communists are worried that they cannot conceal a large concentration of men and materiel in western Quang Tri Province near an ICCS team site. According to an intercepted message of 26 February, North Vietnamese units were "crowded together elbow-to-elbow" along a 12-mile stretch of Route 9 between Lao Bao and Khe Sanh awaiting "orders" to move on to Cam Lo and Dong Ha. There were also artillery, "missile," and antiaircraft emplacements on high ground on both sides of the road. The message warned that the Communists could no longer use the border town of Lao Bao for assembly and storage of equipment because the ICCS team had already arrived there.

* * *

Substantive political talks between the Thieu government and the Viet Cong will be delayed until at least 12 March, according to a sensitive South Vietnamese intercept. The two sides had earlier agreed to open the negotiations this week. The intercept indicates that the Viet Cong are threatening to put off the talks even longer--until 18 March--unless the Thieu government designates the official head of its delegation immediately. The Viet Cong have also informed Saigon that the head of their delegation will not be Madame Binh, "but a man."

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CHINA - NATIONALIST CHINA

In the wake of last week's Sino-US communiqué, Peking has stepped up its propaganda campaign stressing reunification of Taiwan with the mainland. For the first time since 1965, mainland media have given wide publicity, including extended broadcasts beamed to Taiwan, to the anniversary of an uprising of native Taiwanese against Nationalist officials shortly after World War II.

The speeches quoted are generally conciliatory in tone. While they stress Peking's determination to "liberate" Taiwan, they make no reference to the use of force. The speakers call for "unity of action" on the part of the mainlanders and local Taiwanese, but the main appeal for reunification is clearly addressed to officials of the Nationalist government itself. A former Nationalist general calls specifically for direct negotiations, adding that secret or open informal contacts might be a first step.

Since last autumn Peking has been engaged in a largely private two-pronged effort on the Taiwan issue. Chou En-lai and other Chinese leaders have told visiting foreigners that Peking does not contemplate the use of force to regain the island, that the reunification process might take several decades, and that present foreign investments on the island would initially not be disturbed. At the same time, Peking has used the themes of reconciliation and leniency to encourage Taiwanese living abroad to visit the People's Republic.

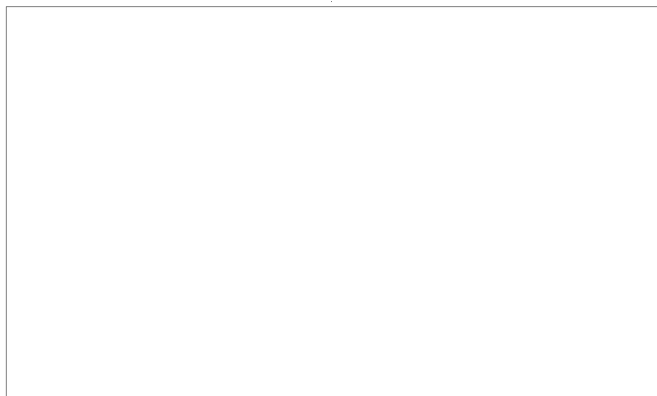
While the Communists obviously judge the time is ripe to move this campaign into higher gear, they have neither privately nor publicly spelled out their terms for reunification.

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JAPAN



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NOTES

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Ireland:

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China-US:

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Over the last few months, Peking purchased about 90,000 tons of US cotton worth about \$75 million. China's cotton crop last year was not good, and there are reports of cuts in this year's cotton ration in at least one province.

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Pakistan: Islamabad reportedly plans to continue its current high levels of wheat imports despite projections that a record domestic crop will be harvested this spring. The government hopes to import about 1.2 million tons during the next fiscal year, compared with 1.5 million tons this year, predominantly under US PL-480. Pakistani officials are worried, however, that the US may not fulfill their total needs. If they purchase the entire 1.2 million tons commercially, the cost will be about \$130 million, equivalent to 20 percent of Pakistan's annual export earnings.

Chile: Santiago has canceled ITT's managerial rights in the Chilean Telephone Company under a law that went into effect on Tuesday. Under a pending constitutional amendment, the government is seeking to nationalize all telephone company assets in a manner similar to the take-over of US copper companies in July 1971, in order to pay little or no compensation for the expropriated property. ITT values its telephone property investment at more than \$150 million, of which some \$108 million is insured by OPIC.

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Morocco:

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