



*The President's Daily Brief*

31 May 1973

45

25X1



~~Top Secret~~

Exempt from general  
declassification schedule of E.O. 11652  
exemption category 5B(1),(2),(3)  
declassified only on approval of  
the Director of Central Intelligence

*FOR THE PRESIDENT ONLY*

THE PRESIDENT'S DAILY BRIEF

31 May 1973

PRINCIPAL DEVELOPMENTS

COSVN has ordered Communist forces in South Vietnam to prepare for peacetime activities by early June, and not to prepare for a renewal of fighting. *(Page 1)*

Chinese leaders appear to be in an increasingly sharp debate over agricultural policy. *(Page 2)*

The fluctuation experienced by the dollar in European money markets during recent weeks could continue indefinitely. *(Page 3)*

The Soviets and the Yugoslavs are quarreling about the use of \$540 million in Russian credits extended last summer. *(Page 4)*

*FOR THE PRESIDENT ONLY*

FOR THE PRESIDENT ONLY

VIETNAM

The Communists in the south have issued new directives to their forces "not to prepare for any renewal of fighting," but to press ahead with the economic and political development of Viet Cong - held areas. In the latest COSVN instructions, Viet Cong officials are being told that the talks between Le Duc Tho and Dr. Kissinger would lead to a "true political settlement," a "real agreement," and that there would be "no rekindling of the war."

This "once in a lifetime" opportunity is possible, according to COSVN, because by early June "all hostilities will end," the US will not return, and the Saigon government will accept a "real cease-fire agreement." COSVN also expects a cease-fire in Cambodia in June, which will facilitate trade and other economic endeavors in South Vietnam's border provinces.

*The Communist command apparently is trying to ensure that these orders are clearly understood by subordinate political and military officers. A provincial party officer who attended a briefing on these latest instructions reported that "the COSVN people are pushing us very hard." Intercepted communications show that similar orders have been passed to some COSVN main-force units. Although the units are authorized to occupy some villages if the opportunity presents itself, they are under orders "not to initiate military attacks." In northernmost Quang Tri Province, some North Vietnamese troops have been told to stay away from areas close to the government's front lines, effective May 30.*

## FOR THE PRESIDENT ONLY

### CHINA

Last year's poor harvest appears to have touched off an increasingly sharp debate among Chinese leaders over agricultural policy.

*The five-percent decline in China's grain production in 1972, caused primarily by poor weather, showed that the immense efforts of the past decade to improve irrigation and drainage are still insufficient to ensure a good crop against the vagaries of nature.*

*Recent radiobroadcasts suggest that the leadership is attempting to come to grips with the problem but has not been able to reach a unified view because of differences in political outlook. Pragmatic leaders, for example, appear to be behind broadcasts emphasizing a need for realism and careful regulation of corrective agricultural policies.*

*Their argument seems to be directed against the calls of militant leaders for more drastic measures, such as transformation of mountains and ravines into new croplands. Peasants, whose food rations and amenities have been cut because of floods and drought, would be asked to shoulder the burdens of such radical measures without compensation. Any such policy would be difficult to organize or administer.*

*Even though militant leaders appear to believe that peasant resistance could be overcome, it is doubtful that the measures they advocate will be adopted. Huge labor-intensive efforts to clear and terrace hillsides for cultivation would require more, not less, food for laborers. Given the continuing uncertainty over this year's weather and the outlook for the harvest, the situation would seem to call for a cautious agricultural policy rather than one of unrestrained development. It is nevertheless often the case that political reasons rather than economic logic dictate the decisions that are finally taken in China.*

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

INTERNATIONAL MONETARY DEVELOPMENTS

The dollar again came under pressure in European markets yesterday and now is at its lowest point, relative to the European joint float currencies, since the float was introduced on March 19.

*In part, selling reflected dealers reluctance to hold dollars during widespread market closings for the Ascension Day holiday today. In addition, Bonn's tightening of credit yesterday helped the mark to appreciate sharply relative to the dollar, causing some other currencies to follow suit.*

*The psychology of currency trading increasingly resembles that of the stock exchanges, as dealers respond to new political and economic developments throughout the world. The fluctuation experienced by the dollar in recent weeks apparently could continue indefinitely.*

Meanwhile, the price of gold continues to rise--\$115 in London yesterday--despite a sizable increase in total world sales of gold. Soviet gold sales for the first quarter of 1973 are equivalent to 60 percent of their total sales last year and may have netted the Soviets as much as \$250 million in foreign exchange. Total world sales of newly mined gold during the first quarter of this year are more than eight percent above the first quarter of 1972.

*FOR THE PRESIDENT ONLY*

NOTES

Yugoslavia-USSR: Belgrade and Moscow are squabbling over the use of \$540 million in Soviet credits extended to Yugoslavia last summer. The dispute concerns the effect of recent dollar devaluations on the prices each side is willing to put on individual projects. Belgrade insists that world prices before devaluation be the standard, but Moscow wants to add a nominal upward revaluation of the ruble. Last week the Belgrade daily Politika disclosed that none of the credits have been used and that negotiations are well advanced on only three of 38 proposed projects. This appears to be an effort by Belgrade to raise the dispute to the political level, which it hopes will generate pressure on Moscow to be more forthcoming.

The Netherlands: The newly formed center-left coalition government has reaffirmed the Netherland's commitment to NATO, but has linked it to an appeal for increased efforts to achieve understandings with the Soviets and East Europeans. This emphasis on Eastern relations is a significant departure for the Dutch, who have generally been skeptical about detente initiatives. The government will submit a white paper on restructuring the armed forces to parliament in the fall. Some officials also envisage a specialization of tasks within NATO that would allow West Germany or another country to assume responsibility for the Netherlands' air defense. Budget cuts already scheduled for this year will kill plans to buy a new generation of fighter aircraft.

*Top Secret*