



The President's Daily Brief

29 June 1973

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~~*Top Secret*~~ 25X1

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LATE ITEM

According to late press reports this morning, West Germany has revalued the mark upward by 5.5 percent. The growing strength of the mark has been creating problems both for the dollar and the European joint float. These problems are discussed on page 1.

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PRINCIPAL DEVELOPMENTS

The dollar remained under heavy pressure in Europe yesterday, as traders continued to favor the mark. The growing strength of the mark is also causing problems for the European joint float. *(Page 1)*

The Soviets appear to be deactivating a number of their SS-7 intercontinental ballistic missile launchers at 17 operational "soft" sites. *(Page 2)*

The Japanese are worried that the US embargo on soybean exports may lead to more permanent controls. *(Page 3)*

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INTERNATIONAL MONETARY DEVELOPMENTS

The dollar remained under heavy pressure in Europe yesterday, as exchange traders continued to favor the mark. The growing strength of the mark is also creating problems for the European joint float. European central banks have been forced to intervene heavily to maintain the band.

The Bundesbank reportedly purchased some \$400-600 million in various European currencies yesterday. Last week, the bank purchased nearly \$400 million in guilders to keep the Dutch currency within the band. Other central banks sold smaller amounts of marks; the French Central Bank sold marks for the first time since the joint float was initiated.

The mark's strength is generating pressures that could force some restructuring, or even the breakup, of the band. Exchange rate changes may be considered as an alternative to abandoning the band, however.

There are strong rumors in Europe that the mark will be revalued, despite a denial yesterday by West German Finance Minister Schmidt. Many Germans, including the economics minister, are not opposed to revaluation, and believe it would help the government's anti-inflation efforts.

If the mark is not revalued, the other members of the joint float may consider devaluing their currencies relative to the mark. They fear that over the long term, the appreciation of their currencies would adversely affect their trade with the US and other countries outside the joint float. These countries probably are also unwilling to allow the drain of marks from their treasuries to continue indefinitely.

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JAPAN

The US embargo on soybean exports on June 27 has led to an immediate increase in Japanese commodity prices; soybean prices alone rose five percent. Tokyo has closed its futures market for soybeans, and one official said that the Japanese might be forced to take unspecified emergency measures.

Although Japanese officials have attempted to downplay for domestic audiences the significance of the embargo, they clearly are worried that the restriction will lead to more permanent controls that could be extended to grains as well.

Japan depends on the US for about 90 percent of its soybean supply and roughly half of its total supply of corn, wheat, and sorghum. The Japanese currently have a two-month stock of soybeans and had contracted for the remainder of their needs for 1973. The embargo could invalidate some of these contracts.

Tokyo already has argued that, as the largest consumer of US agricultural exports, Japan should be given special consideration in any future allocation of commodities available for export.

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NOTES

Argentina: The new Peronist government has placed before Congress its bill to transfer foreign investments to Argentine nationals. The bill does not involve outright expropriation, but would require the sale of majority holdings to Argentines, limit capital and profit remittances, and severely restrict new foreign investment. Nearly all of the estimated \$3 billion total foreign investment, of which about half is US, could be affected.

Egypt-Israel: [redacted]
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[redacted]
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Morocco-Syria: Over 400 Moroccan infantry troops are now in Syria, [redacted]
[redacted] More than 2,000 Moroccan Army personnel are scheduled to be sent to Syria.

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