

The President's Daily Brief

30 June 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

30 June 1973

PRINCIPAL DEVELOPMENTS

The Nixon-Brezhnev meeting has stirred some concern in Western Europe over implications of closer US-Soviet relations and especially the agreement on prevention of nuclear war. (Page 1) Brezhnev's visit to Paris failed to allay French suspicions of superpower diplomacy. (Page 2)

Major European currencies remained strong against the dollar following the revaluation of the mark yesterday morning. (Page 3)

The quick collapse of yesterday's rebellion in Chile has strengthened Allende's hand. (Page 4)

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On Page 5

[Redacted] Soviet-Egypt [Redacted]

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The Viet Cong's PRG reportedly does not now intend to establish a capital in South Vietnam. (Page 6)

[Redacted] China

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(Page 7)

Notes on Cambodia and Mexico appear on Page 8.

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WESTERN EUROPE

Reaction to the US-USSR summit has focused on the consequences for the Western alliance of the trend toward closer US-Soviet relations and of the provisions of the agreement on prevention of nuclear war. The summit seems likely to increase concern about the role Europe can play between the superpowers.

Britain's reaction has been by far the most positive. Foreign Secretary Home "welcomed with satisfaction" the summit outcome and judged that the interests of the alliance had been fully protected, but cautioned that the CSCE would be the test of Soviet willingness to turn phrases into practice.

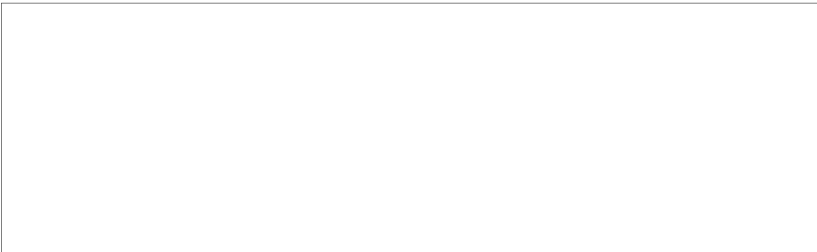
The French read the meeting as re-emphasizing superpower dominance in international affairs; they have officially stated that Paris is outside "bloc politics" and will not be bound by decisions of the US and USSR. One official said privately that the agreement on prevention of nuclear war has diminished the credibility of the US nuclear deterrent and shown that the US would prefer a protracted conventional engagement in Europe to an early use of nuclear weapons.

West German officials are worried that the nuclear agreement might be construed as a blanket "no first use" pledge that would limit the US response to a conventional Soviet attack on Western Europe. Bonn's ambassador to NATO [redacted] to raise these concerns; West Germany is urging a prompt and unambiguous reaffirmation of the US commitment to a nuclear defense of Europe. In addition, the Germans are [redacted] as worried as the French about the trend toward increased US-Soviet bilateralism.

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FRANCE-USSR

Despite public statements of satisfaction with the results of Brezhnev's stopover in Paris, the French are privately disturbed. Brezhnev evidently attempted to dispel French suspicions of a US-Soviet "Holy Alliance" potentially inimical to the interests of the lesser powers. According to an official French spokesman, Brezhnev assured Pompidou that "there was no discussion of third countries, nor of France," during his talks in Washington; the French apparently made no attempt to conceal their skepticism at this.

French satisfaction over the visit was apparently balanced by a realization of the degree to which it was overshadowed by the US-USSR summit.



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The Pompidou-Brezhnev talks focused on security questions affected by SALT, MBFR, and US-Soviet bilateral arrangements. [redacted] Pompidou was even more forceful than during his January trip to the USSR about his intention to stay out of MBFR, and that Brezhnev did not press him. Paris also considers it premature to talk about concluding the European security conference at the summit, even if Pompidou were offered the chairmanship.

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Despite these differences, Pompidou accepted an invitation to visit the Soviet Union again early next year, and progress was made on several large-scale economic deals.

Exchange Rate Changes Relative to the Dollar Since
the European Joint Float was Introduced on 19 March

(Figures in Percent)

	<u>7 May*</u>	<u>1 June</u>	<u>28 June</u>	<u>29 June</u>
Mark	-0.9	+5.6	+14.3	+16.2
Guilder	-2.1	+3.9	+10.3	+10.2
French franc	-0.4	+5.0	+9.9	+9.7
Sterling	+1.3	+4.6	+5.0	+5.0
Swiss franc	0	+5.8	+7.8	+11.3
Yen	-0.3	+0.1	+0.2	+0.2

**Dollar at strongest levels in recent months*

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INTERNATIONAL MONETARY DEVELOPMENTS

The major European currencies remained strong against the dollar following the revaluation of the mark yesterday morning. The mark now has appreciated against the dollar by 17 percent since early May, when the dollar was showing some strength, and by about 50 percent since early 1971.

West German officials decided to revalue after the Bundesbank had to buy about \$900 million worth of European currencies Thursday, for a total of \$1.6 billion in the last two weeks or so. These inflows, which came mainly from Europe, were threatening Bonn's new anti-inflation program.

The revaluation will keep the joint float intact for at least a while longer. It already has brought the mark from the top to the bottom of the European band and relieved pressures on the band created by the mark's rapid climb. The revaluation, however, represents another windfall for money managers and speculators who bet on a mark revaluation. It may encourage them to try their hand again, thereby keeping the international currency markets unsettled. The mark may even remain the traders' favorite; it is little more than three months since it was last revalued.

Tokyo may now face the prospect of European pressure to have the yen appreciate further. Otherwise, Japanese products are likely eventually to enter European markets in even greater quantities. The Bank of Japan has been able to manage the yen-dollar rate through its rigorous system of controls. Since March, the Bank reportedly has sold \$3 billion to keep the yen near its present rate.

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CHILE

President Allende stands to profit from the ill-conceived military rebellion that collapsed within three hours yesterday. The events may provide just the boost he needs to overcome his current political crisis and resume building a socialist Chile at his own pace.

The Santiago-based Second Armored Battalion rebelled in the hope that the rest of the military and the police would join. Instead, the bulk of the army and the carabineros came to the government's defense. When loyal troops arrived at the presidential palace, the rebels surrendered.

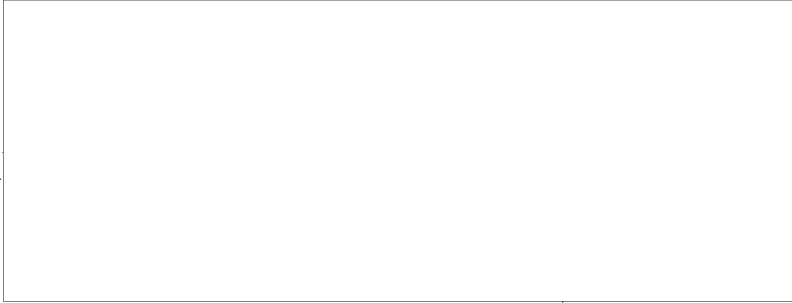
Allende may now be able to purge known enemies from the armed forces and thus frustrate the more serious coup-plotting that has been under way. Army commander Prats and other armed forces leaders will emerge with an enhanced public image as defenders of constitutional order. On the other hand, the pre-emption of a possibly better organized military move may reduce their chances of obtaining major concessions for returning to the cabinet and allow Allende to bring them back in largely on his own terms.

Yesterday's events may also strengthen Allende's hand in dealing with his increasingly obstreperous Communist and Socialist supporters. He can now claim to have survived an attempted military coup without having to call on their street brigades.

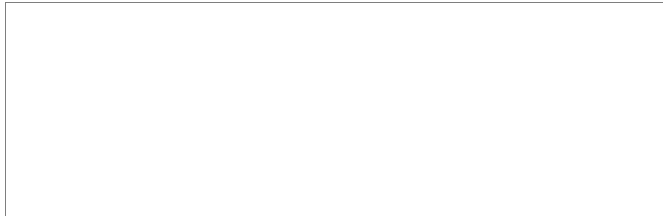
The quick suppression of the revolt certainly will dishearten much of the civilian opposition. Those elements who have been trying to provoke military intervention by fostering violence, strikes, and other economic disruption will now have to re-examine their strategy.

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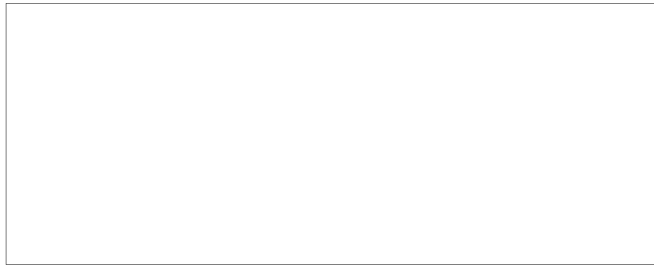
EGYPT-USSR



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VIETNAM

The Viet Cong's Provisional Revolutionary Government does not intend to establish a capital in South Vietnam, according to Le Chan, North Vietnam's information chief in Paris. The PRG's goal, he says, is not to divide the South into two separate political "groups," but rather to have one "government of national concord" with a single capital.

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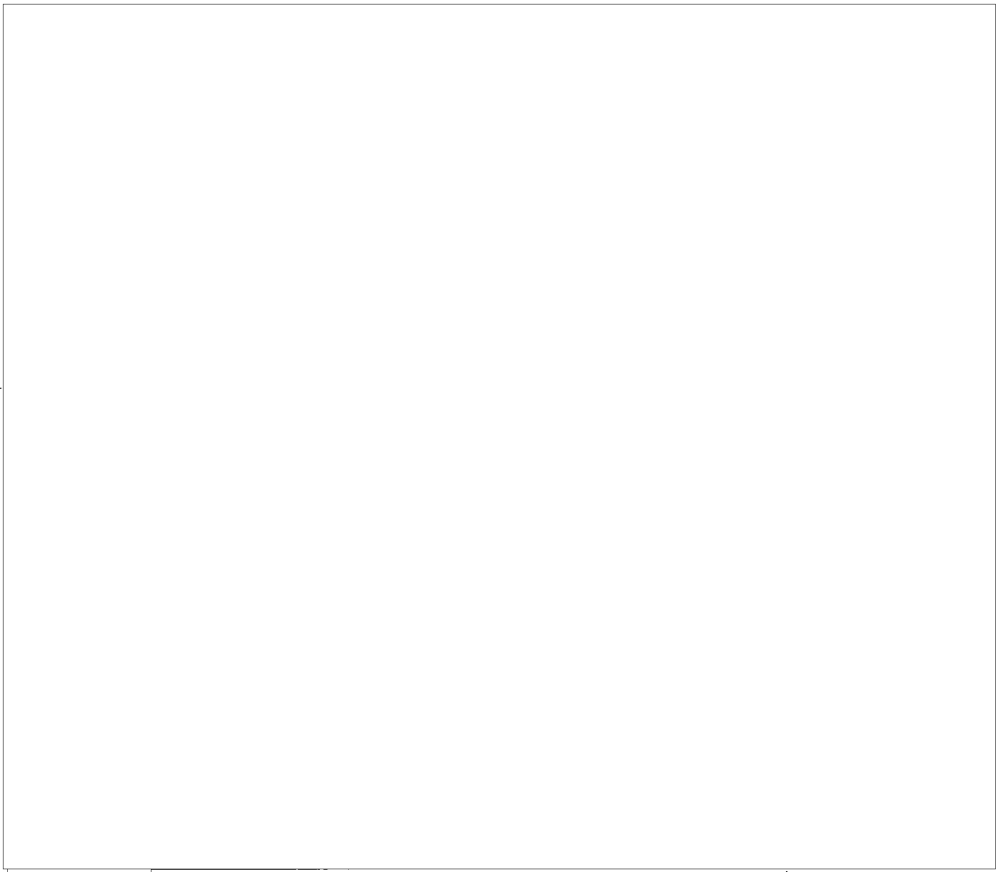
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Chan rejects the view that the PRG wants to avoid setting up a capital for fear the South Vietnamese or the US would bomb it. He says US air intervention is now unlikely and that the South Vietnamese will be discouraged by Communist anti-aircraft installations.

Recurrent reports that the PRG was on the verge of establishing a capital in the South reached a peak just before the fourth anniversary of the founding of the PRG on June 6. On that date, however, Liberation Radio announced only that several Communist and third-world countries had sent ambassadors to an undisclosed location in northern South Vietnam to present their credentials to the PRG.

If the Vietnamese Communists ever did intend to set up a PRG capital, there are several possible explanations for their failure to follow through:

- They may simply have decided that they occupied no site worthy of the designation.*
- Hanoi may have passed the word that establishment of such a capital was not consistent with its contention that Vietnam is one country.*
- The Communists may have backed off as a result of the Kissinger-Tho talks.*



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CHINA

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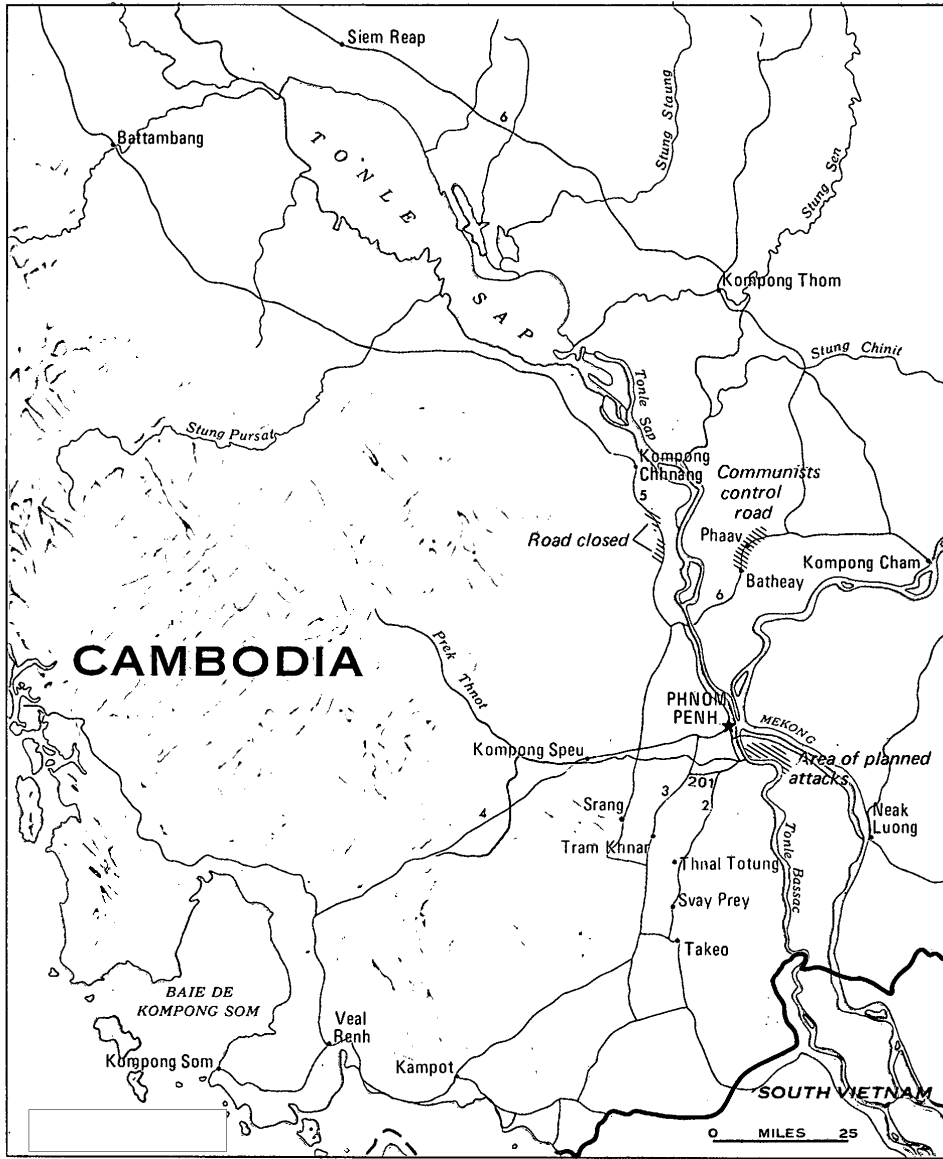
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NOTES

Cambodia: The Communists have gained control of a ten-mile stretch of Route 6. Communist forces have also returned to the offensive on Route 5, and Phnom Penh is again cut off from the rice stocks in the northwest. Government reinforcements yesterday began moving to reopen Route 5 and to blunt the insurgent drive on Route 6. South of Phnom Penh, government troops have made little progress in clearing Routes 3 and 201. Elements of two Khmer Communist regiments have been ordered to attack along the east bank of the Bassac River in this sector. These units, however, took substantial casualties in the fighting along the Mekong late last month and may not be up to a major effort. Meanwhile, another truck convoy arrived in Phnom Penh yesterday over Route 4, but Communist units are edging closer to the highway town of Kompong Speu, and this road could be closed at any time.

Mexico: Contrary to recent reports, Mexico is not applying for observer status in the Council for Mutual Economic Assistance. According to a Mexican Embassy official in Moscow, Mexico wants to expand trade relations with CEMA countries, but it is not seeking any formal ties with CEMA itself. He asserted that such a move would arouse strong domestic political opposition.

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