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TO RODMAN/LORD FOR MR. KISSINGER
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FEBRUARY 14, 1973

MEMORANDUM FOR MR. KISSINGER

FROM: THE SITUATION ROOM

SUBJECT: MORNING NEWS SUMMARY

THE WASHINGTON POST, NEW YORK TIMES, AND BALTIMORE SUN ALL
HEADLINE THE DEVALUATION OF THE DOLLAR THIS MORNING.

PRESIDENT NIXON'S DRAMATIC DEVALUATION OF THE DOLLAR BY 10 PERCENT -- THE SECOND IN THE PAST 14 MONTHS -- HAS EASED MONETARY TENSION THROUGHOUT THE WORLD. IT IS AS YET UNCERTAIN WHETHER THIS MOVE WILL HELP CURE THE RECORD U.S. TRADE DEFICIT WHICH IS THE MAIN PURPOSE OF THE DEVALUATION. HOWEVER, SOME IMPORTED GOODS WILL CERTAINLY COST MORE IN THE U.S. ONE UNRESOLVED KEY TO THE PROBLEM IS THE EXTENT TO WHICH JAPAN WILL ALLOW THE YEN TO FLOAT AGAINST THE DOLLAR. THE PRESIDENT HAS ALSO ANNOUNCED THAT HIS TRADE LEGISLATION, SOON TO BE SENT TO CONGRESS, WILL BE AIMED AT GETTING "A FAIRER SHAKE" FOR AMERICAN BUSINESS. (A-1)

RELATED DEVELOPMENTS TO DEVALUATION: PRESIDENT NIXON SAID HE WILL SEEK BROAD NEW AUTHORITY TO RAISE TARIFFS "TO GET A FAIR DEAL AND A FAIR SHAKE FOR AMERICAN PRODUCTS ABROAD." STATING THAT "DEVALUATION OF THE DOLLAR IS AT BEST ONLY A TEMPORARY SOLUTION OF THE PROBLEM," THE PRESIDENT SAID "THAT IS WHY TRADE LEGISLATION MUST FOLLOW." THE LEGISLATION TO BE REQUESTED FROM CONGRESS WOULD ALLOW THE PRESIDENT TO INCREASE OR LOWER TARIFFS AT HIS DISCRETION. (A-4)

CONGRESSIONAL LEADERS IN THE INTERNATIONAL TRADE FIELD EXPRESSED APPROVAL OF THE PRESIDENT'S DECISION TO DEVALUATE THE DOLLAR, BUT NOT WITHOUT ISSUING A STREAM OF WE-TOLD-YOU-SO'S ABOUT THE NIXON ECONOMIC POLICY. (A-6)

WEST GERMANY HAILED THE DEVALUATION OF THE DOLLAR AS A STEP THAT SHOULD RELIEVE THE RECENT SEVERE PRESSURE ON THE MARK, WITH A MINIMAL AMOUNT OF DAMAGE TO THE GERMAN ECONOMY. FINANCE MINISTER SCHMIDT SEES THE DEVALUATION AS A "VINDICATION" OF BONN'S POLICIES. ECONOMIC CIRCLES IN BONN SEE SCHMIDT AS

HAVING PULLED OFF A SINGULAR COUP AND BRINGING WEST GERMANY OUT OF THE CURRENT MONETARY CRISIS IN MUCH BETTER SHAPE THAN BELIEVED POSSIBLE A FEW DAYS AGO. (A-17)

AS THE DOLLAR SETTLED TO NEW RATES YESTERDAY, WORLD LEADERS MOVED TO STABILIZE INTERNATIONAL MONEY MARKETS AFTER TWO WEEKS OF TURMOIL. FINANCE MINISTERS OF THE EUROPEAN COMMON MARKET MEET IN BRUSSELS TODAY. MONEY MARKETS CLOSED IN EUROPE AND ASIA YESTERDAY WILL REOPEN TODAY. (A-17)

JAPAN HAS ALLOWED A LIMITED UPWARD FLOAT OF THE VALUE OF THE YEN. THE GOVERNMENT ANNOUNCED THE FREEZING OF THE YEN'S PARITY FOLLOWING THE DOLLAR DEVALUATION. THE INITIAL DEVALUATION SHOULD BRING THE EXCHANGE RATE FROM 308 YEN TO THE DOLLAR TO 277.21. (A-8)

NORTH VIETNAM WILL RELEASE AN ADDITIONAL 20 U.S. POWS "IN THE NEXT FEW DAYS." JERRY FRIEDHEIM SAID THIS ACTION WAS "APPARENTLY IN CONNECTION" WITH YOUR VISIT TO HANOI. HE DID NOT, HOWEVER, SAY IF THIS WAS A GOODWILL GESTURE BY HANOI, WHETHER YOU HAD REQUESTED A SPEED-UP IN POW RELEASE, OR WHETHER THE U.S. WAS MAKING ANY NEW MOVES OR CONCILIATORY GESTURES OF ITS OWN TO ACCOUNT FOR THE HANOI ACTION OR IN RESPONSE TO IT. (A-1)

THE FIRST GROUP No Objection To Declassification in Full 2012/02/13 : LOC-HAK-256-2-15-9
IPPINES TODAY FOR THE U.S., CUTTING SHORT A LONG-PLANNED AND
EVIDENTLY OVER-PLANNED ADJUSTMENT PERIOD BETWEEN CAPTIVITY
AND NORMAL LIFE. (A-1)

U.S. AND CUBAN AUTHORITIES HAVE CONCLUDED A HIJACKING AGREE-
MENT, WITH ONLY PROCEDURAL DETAILS OF SIGNING AND EXCHANGE
OF TEXTS TO BE WORKED OUT. THE PRESIDENT YESTERDAY CASUALLY
REMARKED TO REPORTERS THAT HE HAD DISCUSSED THE AGREEMENT WITH
SECRETARY ROGERS, ADDING THAT THE SECRETARY "WILL BE ABLE TO
FILL YOU IN AT THE APPROPRIATE TIME." REPORTEDLY, THE PRESI-
DENT'S DISCLOSURE CAUGHT THE STATE DEPARTMENT UNPREPARED. (A-1)

THE WHITE HOUSE CHIEF OF THE SECRET SERVICE DETAIL HAS BEEN
ABRUPTLY REMOVED AFTER AN EVALUATION BY HIS SUPERIORS. IN
MAKING THE ANNOUNCEMENT, ZIEGLER DENIED SUGGESTIONS THAT A
"RIFT" BETWEEN H. R. HALDEMAN AND THE FORMER SECRET SERVICE
CHIEF LED TO THE REMOVAL. (A-2)

A POST EDITORIAL SEES THE DEVALUATION OF THE DOLLAR AS A HIGHLY
SUCCESSFUL EXERCISE IN FINANCIAL DIPLOMACY BY THE ADMINISTRATION.
HOWEVER, IT ASKS FOR HOW LONG HAS THE CURRENCY CRISIS BEEN RE-
SOLVED. NO SYSTEM OF RATES WILL LAST VERY LONG WHILE THE PAT-
TERN OF WEALTH KEEPS SHIFTING. CRISES SUCH AS THIS WILL CON-
TINUE UNTIL NATIONS CAN AGREE TO REBUILD THE WORLD'S MONETARY

END PAGE TWO

SYSTEM TO PROVIDE FLEXIBLE, RATHER THAN FIXED, RATES. ONE POSITIVE OUTCOME OF THE CURRENT CRISIS IS THE PRESIDENT'S DECISION TO PRESS AHEAD RAPIDLY WITH TRADE LEGISLATION. (A-14)

YOUR ARRIVAL IN HONG KONG IS NOTED AFTER THREE DAYS OF TALKS IN HANOI, AND PRIOR TO YOUR DEPARTURE TO PEKING. (A-18)

IN PHNOM PENH, THE CAMBODIAN GOVERNMENT, IN A MAJOR POLICY SHIFT, HAS DECIDED TO OFFER POLITICAL CONCESSIONS TO COMMUNISTS IN THE EVENT OF SERIOUS PEACE NEGOTIATIONS. REPORTEDLY, LON NOL HAS AGREED TO OFFER FRESH LEGISLATIVE ELECTIONS AS PART OF AN OVERALL SETTLEMENT. (A-18)

FROM VIENNA, NATO AND WARSAW PACT NEGOTIATIONS HAVE RESOLVED MOST OF THE PROCEDURAL ISSUES THAT HAVE BEEN HOLDING UP PREPARATORY EAST-WEST FORCE REDUCTIONS. THE SOVIET UNION HAS ABANDONED ITS DEMAND THAT THE TALKS BE OPENED TO NEUTRAL EUROPEAN COUNTRIES WHILE ROMANIA HAS DROPPED ITS INSISTENCE ON FULL PARTICIPATION. THE ONLY REMAINING OBSTACLE IS HUNGARY'S PROPOSAL THAT IT BE GIVEN A LIMITED PART IN THE TALKS. (A-21)

THE NEW YORK TIMES

JOHN FINNEY COVERS THE PENTAGON'S ANNOUNCEMENT THAT 20 MORE AMERICAN PRISONERS WILL BE RELEASED IN WHAT APPEARS TO BE A GOODWILL GESTURE IN LIGHT OF YOUR RECENT TRIP TO HANOI. IT STILL IS NOT CLEAR WHETHER THE U.S. OR NORTH VIETNAM TOOK THE INITIATIVE TO SPEED UP THE PRISONER RELEASE AND DEFENSE SPOKESMAN FRIEDHEIM WOULD NOT ELABORATE ON THE SITUATION.

(A-1)

OFFICIAL CAMBODIAN SOURCES SAID THAT THE GOVERNMENT HAD DECIDED IN PRINCIPLE TO OFFER THE COMMUNISTS A ROLE IN COUNTRY-WIDE ELECTIONS AS PART OF AN OVERALL SETTLEMENT OF THE WAR IN CAMBODIA. THE SOURCES STRESSED, HOWEVER, THAT SUCH AN OFFER WOULD BE MADE PUBLICLY WHEN SERIOUS PEACE NEGOTIATIONS WERE ABOUT TO BEGIN. (A-15)

YOUR ARRIVAL IN HONG KONG HAS BEEN CHARACTERIZED AS BEING A REST STOP BEFORE YOUR DEPARTURE FOR PEKING. IT IS BELIEVED THAT YOU ARE PREPARING A REPORT FOR PRESIDENT NIXON ON YOUR TRIP TO HANOI. ONLY FORMAL ENGAGEMENT SCHEDULED IS YOUR MEETING WITH THE GOVERNOR, SIR MURRAY MACLEHOSE. (A-15)

MALCOLM BROWNE REPORTS ON THE DEADLOCKED LAOTIAN NEGOTIATIONS. ALTHOUGH THE LAOTIAN GOVERNMENT AND PATHET LAO REMAIN LOCKED IN CONFLICT, OPTIMISM WAS EXPRESSED BY BOTH SIDES THAT A CEASE-FIRE AGREEMENT COULD BE REACHED SOON. (A-16)

THE U.S. AND CUBA REACHED AN AGREEMENT DEALING WITH HIJACKINGS.

SOME PROCEDURAL DETAILS SUCH AS TIME AND PLACE OF SIGNING THE ACCORD REMAIN TO BE WORKED OUT. (A-1)

THE BALTIMORE SUN

HANOI'S VIETNAM NEWS AGENCY CHARGED YESTERDAY THAT MOST OF THE VIET CONG PRISONERS RELEASED IN SOUTH VIETNAM WERE IN "BAD SHAPE DUE TO SAVAGE TORTURE AND INHUMANE TREATMENT."

(A-1)

JOSEPH ALSOP ENTITLES HIS ARTICLE, "NIXON'S VIETNAM EFFORTS MUST NOT BE UNDERMINED." ALSOP INDICATES THAT INITIAL REPORTS FROM YOUR MISSION IN HANOI ARE CAUTIOUSLY HOPEFUL. NORTH VIETNAM SEEMS TO BE TALKING WITH A LARGE DEGREE OF SINCERITY. MR. ALSOP ELABORATES ON THE POTENTIAL FRONTAL ATTACK THAT MAY DEVELOP TOWARD THE PRESIDENT'S EFFORTS TO USE "RECONSTRUCTION AID" AS A LEVER FOR PEACE. SENATOR FULBRIGHT HAS ALREADY SUGGESTED TURNING OVER AID CONTROL PROGRAMS TO AN INTERNATIONAL BODY. ALSOP BELIEVES THAT IF THE UN WERE TO HANDLE SUCH A SITUATION, IT WOULD BE UNSUCCESSFUL. OVERALL, THE SENATORS WHO HAVE BEEN THE ANGRICEST OPPONENTS OF THE WAR IN INDOCHINA ARE THE ONES WHO SEEM MOST EAGER TO REDUCE THE CHANCE FOR PEACE IN INDOCHINA. ALSOP CONCLUDES BY SAYING THAT THE REAL HEART OF THE CEASE-FIRE AGREEMENT IS IN CLAUSES COVERING CAMBODIA AND LAOS, DUE TO THE VITAL BASES AND SUPPLY LINES USED BY THE NORTH VIETNAMESE. THE PRESIDENT NEEDS THE ENDANGERED LEVERS OF PEACE FOR PEACE TO BE