



# *The President's Daily Brief*

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DAILY BRIEF  
11 JANUARY 1967

1. South Vietnam

Nguyen Huu Hanh, 42-year-old governor of South Vietnam's national bank and a top regime financial adviser, is rapidly emerging as the enfant terrible of our economic relations with Saigon.

Hanh, who has been considerably less than cooperative on a number of economic matters, now is demanding that US counterpart funds be slotted solely against military expenditures. Monday, during a meeting with Ky and Hanh, Ambassador Porter explained again that we were committed to counterpart support of the civil side of the budget as well as the military. He made no headway with Hanh and got little help from Ky.

Hanh also has been finding ways to avoid making good on the recent understanding that Saigon would hold down its foreign exchange balance.

2. Soviet Union

The leadership has fanned out across the country to brief regional party leaders on the regime's policies.

Such campaigns have occurred several times in the past few years, but never before on this scale. Since Brezhnev kicked off the campaign a week ago, 19 of the highest civilian leaders and some military brass have spoken in more than 30 cities.

What they are saying is being tightly held, but we think they are transmitting to the working level Moscow's concern over events in China. Those attending these briefings by top leaders are in turn carrying the message to the grass roots.

Moscow may also be raising the bogey of an increasingly hostile China to generate greater production effort on the home front.

### 3. Communist China

The war of the posters goes on.

In some of those seen in Peking today, the Red Guards denounced a third major military figure, who had seemed to be in good standing. Others displayed yesterday indicate that Premier Chou En-lai--who is under fire himself--has defended six of his protegés, all vice premiers. Chou is said to have claimed these men were making self-criticisms and should be allowed to continue their work.

Meanwhile, an official Peking editorial today contained a sweeping statement on the economic disorder created by the cultural revolution, implying that the problem is serious and affects the whole nation.

Speaking for Mao and his supporters, it charged that the opposition had used promises of higher pay and so forth to induce factory workers to leave their jobs, "resulting in the closing down of some factories." This appears to be an admission that local party officials are using workers' organizations to battle the Red Guards.

The Chinese press and radio have reported strikes and absenteeism in at least seven major cities.

### 4. Indonesia

Sukarno's long-awaited statement on his role in the October 1965 coup--read on the radio yesterday--was defiant rather than abject. He asserted that congress had no right to demand an accounting from him and claimed that, anyway, the whole "affair" had been a "complete surprise" to him.

This performance will not satisfy the new regime, and will spur on those who want to get rid of Sukarno in a hurry. Nevertheless, we expect Suharto to continue to make haste very slowly.

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## 5. Yugoslavia

The Yugoslavs are riled over what they consider gross interference from Moscow in their internal affairs.

It seems that back in December the Soviets sent Belgrade a note expressing concern that Tito's recent reorganization of his party would reduce its overall authority. The note also accused Belgrade of suppressing those who favored a strong party--an obvious reference to the sacking of Tito's heir-apparent Rankovic in July.

This will revive bitter Yugoslav memories of attempts by both Stalin and Khrushchev to influence affairs in Yugoslavia. Tito will probably try to smooth things over during his forthcoming trip to Moscow--but is unlikely to change his domestic policies or attend a European Communist meeting which the Soviets would also like.

## 6. Bahamas

Yesterday's elections came off without violence--but without a victory for any party. However, the strangle hold of the white-controlled party that has long dominated the islands has been broken by the Negro majority, who see their gains as a racial triumph.

The governor-general now has the unenviable task of trying to form a coalition government, and may have to give up and call a new election. Foreign investors who have basked in the Bahamas' lack of taxes are understandably perturbed.

## 7. Iran

The Shah has finally done it. He has bought some armored personnel carriers, anti-aircraft guns, and other hardware from the Soviets. The stuff should start to appear in March; payment, in the form of agricultural and manufactured items, will begin next year.

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8. Yemen

Yemeni royalists are again accusing the Egyptians of using chemical weapons in recent bombings. The Yemenis claim about 200 persons died as a result of one attack, with many others blistered and blinded.

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The last confirmed use of gas bombs by Egyptian bombers was in June 1965.

9. India

With elections just over a month away, the ruling Congress Party's prospects are weakening. The party, riddled by dissension and without a leader anywhere near Nehru's class, will probably end up with a reduced majority in the national parliament and could lose control of several state governments. Such reverses would increase pressure to dump Mrs. Gandhi after the elections.

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