

*The President's Daily Brief*

4 June 1969

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*FOR THE PRESIDENT ONLY*

I. MAJOR PROBLEMS

EUROPE

The Bonn coalition seems to have reached a compromise on whether or not to break relations with Cambodia. Under a formula expected to receive final cabinet approval today, the SPD can take comfort from the fact that the Hallstein Doctrine has not been cited and that a formal break will be avoided. On the other hand, Kiesinger will get his way with the closing of the embassy in Phnom Penh and the restriction of aid to those projects already committed. Cambodia will be free to make its own decision concerning its embassy in Bonn; Phnom Penh's ambassador is also accredited to France and resides in Paris.

SOVIET AFFAIRS

Czechoslovak conservatives have pressured Husak into appointing hard-liner Lubomir Strougal to a newly created post as his deputy. Since Strougal also heads the highest party organ in the Czech portion of the country, he now becomes Husak's equal in everything but name. (Husak is a Slovak). Other moves taken since the plenum last week also suggest that Husak's position is weakening.

Moscow seems to have been giving Husak a chance to prove himself, but it is unlikely that the Soviets would stand in the way of his replacement by Strougal, who is considered thoroughly orthodox in their eyes.

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There is nothing significant to report on the Middle East or Vietnam.

II. OTHER IMPORTANT DEVELOPMENTS

BRAZIL

We understand the Costa e Silva government is greatly irritated by press stories that the US has made public the freeze on its aid programs for Brazil. The Brazilians say the freeze--instituted after Brazil's turn toward authoritarianism last December--was "officially" surfaced in the AID request to Congress. Its existence is widely known in the Brazilian Government, but the Brazilians thought it would be kept out of the public domain. Now they say they will have to respond in some fashion, and their irritation will color their reception for Governor Rockefeller.

CHILE

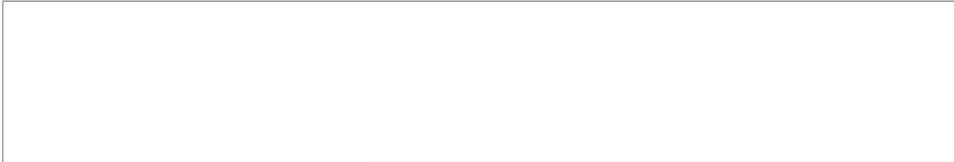
The negotiations between the Chilean Government and Anaconda Copper promise to be difficult. President Frei is pressing to acquire a controlling interest in the company's operations. He says that if he settles for anything less than this, the Chilean legislature will nationalize the company.

Anaconda has backed a good distance away from its initial intransigence, but it remains extremely reluctant to

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yield control of its operations. If nationalization does become an issue, the company has attached a \$900-million price tag to its properties; the Chileans are thinking in terms of the book value of \$300 or \$400 million.

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