



The President's Daily Brief

12 May 1971

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The international monetary situation is discussed on Page 1.

Recent statements by Ceausescu indicate renewed inter-party squabbling between the Romanians and the Soviets. (Page 2)

In reaction to initiatives by the opposition Labor Party, the Australian Government has taken a more accommodating position toward Communist China. (Page 3)

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In the face of [redacted] and economic difficulties, the government of Panama is trying to project a more leftist, nationalistic image vis-a-vis the US. (Page 4)

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Jordan [redacted]

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[redacted] (Page 5)

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INTERNATIONAL MONETARY SYSTEM

Measures instituted by several European governments over the weekend appear to have provided a breathing space for more considered action. Foreign exchange markets have been relatively quiet. The Deutschemark and the Dutch guilder stabilized around two or three percent above the old dollar parities. In London, demand for dollars increased as speculators, apparently unwilling as yet to unload marks and guilders, sold pounds to buy dollars needed to cover transactions made last week and due this week. In addition, there probably was some movement from sterling directly into marks and into Eurodollars, which pay a higher interest rate. Consequently, sterling yesterday hit its lowest point in weeks.

Although both Bonn and The Hague may permit their currencies to float for some time, they will probably come under increasing pressure to adopt fixed rates again as the situation stabilizes. In moves which could serve to shorten the period of floating, Bonn has banned interest payments on foreign deposits and will require commercial banks to obtain licenses for any such deposits above 50,000 marks. These steps are intended to shield Germany from massive capital inflows at such time as the float ends.

Some of the early political fallout from the crisis is now evident. With varying degrees of feeling, most Europeans hold the US basically responsible for the crisis. At a meeting with Ambassador Schaetzle on Monday, EC Commissioner Barre in effect predicted serious difficulties in US-European relations should there be any intimation from Washington that the US is benefiting from the difficulties the crisis has caused the Common Market.

Within the community, it is now widely assumed that Paris is concerned about the pre-eminence which the mark has achieved and that it is highly resentful of German assertiveness.

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Paris will be more eager to facilitate British accession. At the same time, however, the French may also strengthen their insistence that steps be taken to assure that sterling not achieve the role of the community's reserve currency. Sterling's future is likely to be one of the main themes of Pompidou's meeting with Heath later this month.

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ROMANIA-USSR

Ceausescu has strongly reasserted his country's independent foreign policy. At the Romanian party's 50th anniversary celebrations last week, the party leader flatly rejected the idea that the Communist world movement should be directed from Moscow, and insisted that there is no contradiction between Romania's pursuit of national interests and the preservation of international socialist unity. Ceausescu also implicitly reaffirmed his criticism of the Soviet intervention in Czechoslovakia in 1968.

Ceausescu disputed recent Western press allegations that Romania is backing away from its nationalistic stance. To quell doubts on this score, he asserted that the principles of independence are as essential to Romania as air is to life.

Ceausescu's revival of contentious issues that have been dormant in past months and his frequent praise of the Chinese Communists are sure to irritate Moscow. In addition to his downgrading of the USSR's contribution to the building of socialism in Romania--the theme of Moscow's sparse commentary on the anniversary--his reference to the necessity for strengthening party unity suggests that he still fears the Soviets might try to cultivate ultra-conservative elements in the Romanian party.

Although Ceausescu is known to prefer regular consultations to iron out problems with the Soviet leaders, the two sides have not met in recent months. Brezhnev did not hold private discussions with Ceausescu during the Soviet party congress.

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AUSTRALIA - COMMUNIST CHINA

Yesterday Prime Minister McMahon declared that, in view of Peking's apparent receptivity to wider contacts, his government will try to open a "dialogue" which might lead over the longer term to a normalization of relations with mainland China. He asserted, however, that Peking's record of subversion dictated caution and that he would take no steps that would prejudice Australia's relations with Nationalist China.

McMahon's statements are an attempt to dilute the impact of the announcement, made only a few hours earlier by opposition Labor Party leader Whitlam, that Peking had agreed to receive a Labor delegation in June. Although it has been Labor Party policy to recognize Communist China, Whitlam's planned Chinese venture is also designed to capitalize on domestic unhappiness over Peking's rejection of wheat purchases from Australia this year. Early last month, the Chinese had sought to exert pressure on Canberra for recognition by informing the Australian Wheat Board that henceforth purchases would be made only from "friendly" states.

Loss of the Chinese market, which has absorbed about 30 percent of Australia's wheat exports, has upset farmers whose support is important to the Liberal-Country Party coalition government.

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PANAMA

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As an obvious slap at the US, Torrijos has now granted asylum to three US servicemen who escaped from a military stockade in the Zone, and the Panamanians have arrested two other US soldiers who, they say, tried to kidnap the asylees.

These moves appear to be part of a larger Panamanian Government plan to project a more leftist, nationalistic image and to develop an organized political base among such groups as students, labor, and the rural poor. This suggests that the government is convinced that a new canal treaty, with attendant economic advantages, will not be possible this year. It apparently hopes instead, by revolutionary rhetoric and channeling discontent against the US, to muster support behind its efforts to gain full jurisdiction over the Canal Zone and to divert attention from any downturn in the economy.

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JORDAN

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NOTES

Argentina: Government forces moved last night to thwart coup plotting by extreme nationalist military officers against President Lanusse. Several colonels are reported to have been arrested, and orders issued for the arrest of a retired general. The conspirators apparently were drawn together by their opposition to Lanusse's plan to hold elections within three years and by his negotiations toward that end with followers of former dictator Juan Peron.



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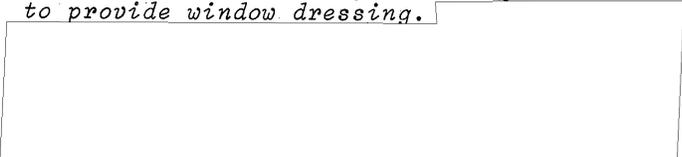
Pakistan-India: Both countries have accepted Swiss good offices in their dispute over the repatriation of diplomatic personnel in Dacca and Calcutta. Pakistan has refused to allow repatriation of the Indians unless Deputy High Commissioner Masud--a West Pakistani--is allowed to interview individually each East Bengali defector from its mission in Calcutta. The Bengalis, however, have refused to see Masud except as a group. The presence of a Swiss diplomat at individual meetings has been suggested as a way around the impasse.

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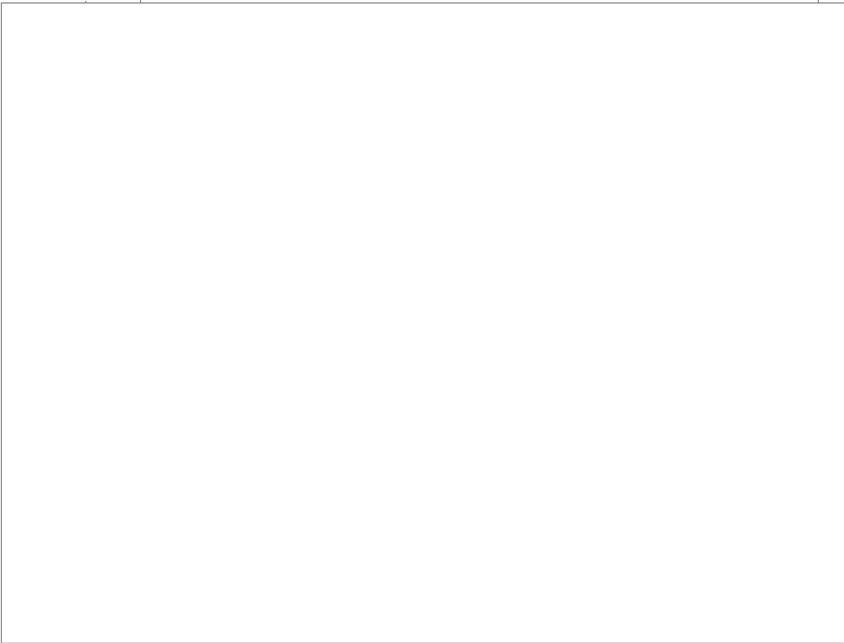
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USSR

The 24th Communist Party Congress last month elected a new central committee in addition to adding four new faces to the Politburo. The central committee usually meets two or three times a year to rubber stamp the Politburo's conduct of Soviet affairs, but twice since Stalin's death it has also served as the final court of appeals in leadership disputes. The composition of the 241-man central committee is politically significant as a roster of important central and regional officials in the Soviet hierarchy; a few farmers, workers, and representatives of other elements in Soviet society are always included to provide window dressing.



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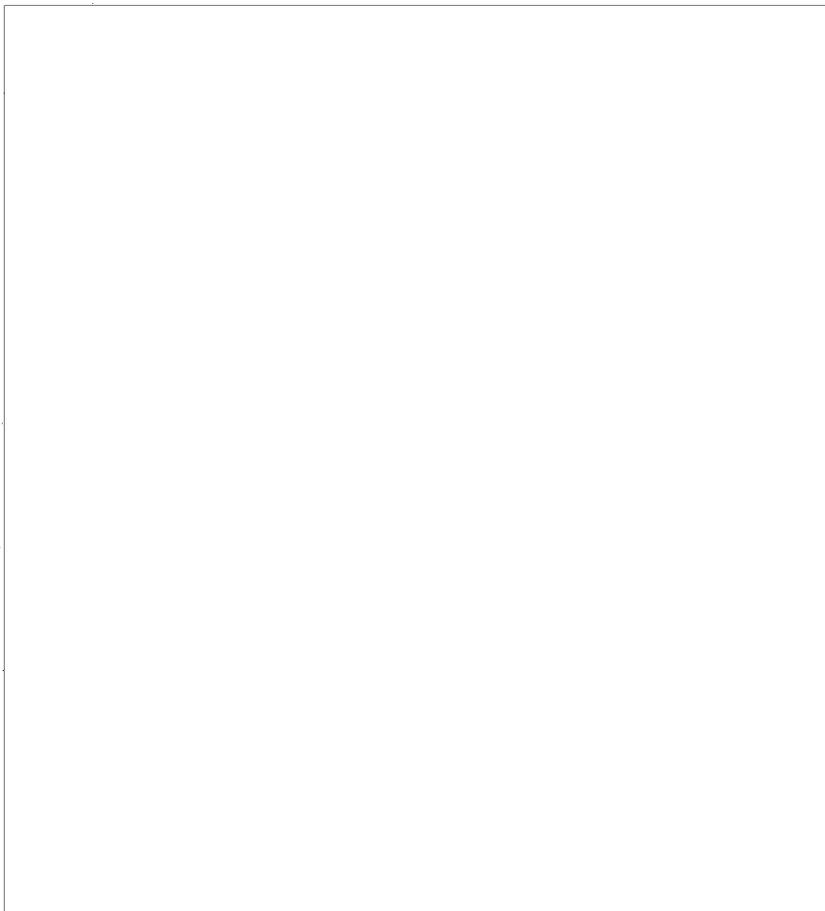
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