

The President's Daily Brief

10 June 1972

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PRINCIPAL DEVELOPMENTS

On *Page 1* we discuss the coming high-level Soviet visit to Hanoi.

The North Vietnamese are making heavy use of trucks as an alternative to rail transport from China. In South Vietnam, we note little change in the military situation. (*Page 2*)

Signs point to a deterioration in the pound sterling after its strong showing last year. (*Page 3*)

Recent actions by Peru against US interests have interrupted the two-year-old trend toward better relations. (*Page 4*)

Israeli air and naval maneuvers are keeping Arab nervousness at a high pitch. (*Page 5*)

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USSR - NORTH VIETNAM

The North Vietnamese have confirmed [redacted] that Soviet President Podgorny will head a delegation to Hanoi for a four-day visit beginning 12 June.

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Soviet leaders have a busy schedule this month and there may be some slippage in the timetable. Nonetheless, a high-level Soviet visit to North Vietnam should take place soon.

It will not be an easy encounter. The North Vietnamese are clearly in need of Moscow's reassurance after the US-Soviet summit. We expect the Soviets to try to comply, but in ways that will not unduly disturb the US or dissipate the atmosphere generated at the summit. One such way--if Hanoi were willing--would be a joint request to the Chinese for cooperation in getting Soviet supplies to North Vietnam. At the same time, however, the Soviets will reiterate the view that negotiations offer the North Vietnamese as many advantages as fighting.

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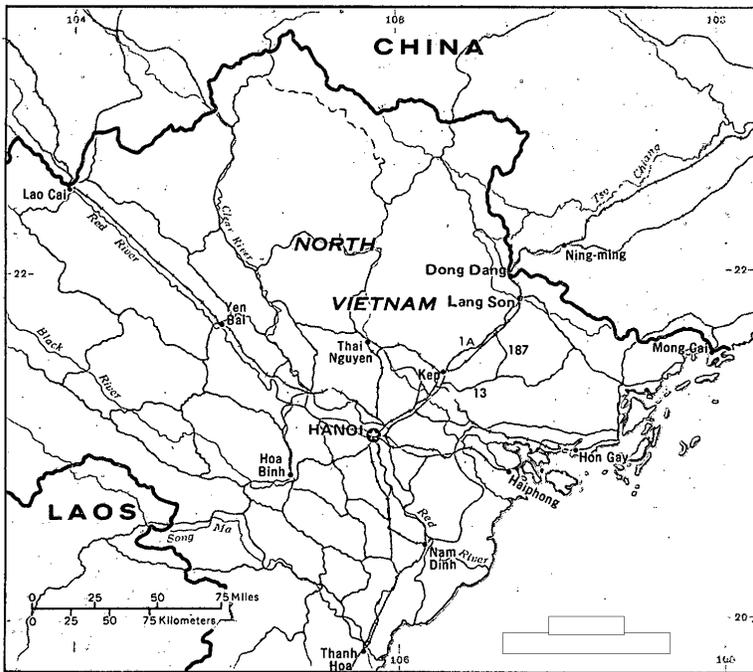
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Heavy Truck Traffic Between Lang Son and Hanoi



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VIETNAM

The North Vietnamese appear to be organizing an alternative to rail transport from China. US pilots report that on the night of 7 June they sighted an average of eight to ten southbound trucks per mile along the 90-mile stretch of Route 1A between Lang Son and Hanoi. They also observed heavy traffic on parts of Route 13, which connects with Route 187 from the Chinese border.

* * *

There has been little change in the military situation in South Vietnam. Although South Vietnamese airborne troops linked up with An Loc's defenders on 8 June, Route 13 is still blocked farther south. Enemy artillery is continuing to fire both on the town and on a fire support base to the south. In the central highlands, South Vietnamese defenders are continuing to press outward from Kontum City, and government forces south of the city have been augmented for another attempt to open the Kontum Pass.

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UNITED KINGDOM

Britain's balance-of-payments surplus on current account declined sharply from \$629 million in the fourth quarter of last year to \$78 million in the first three months of this year. The decline is attributable to a poor trade showing and reduced income from insurance, shipping, and other services. This, together with a gloomy economic forecast by a prestigious private research institute, portends a steady deterioration of the pound sterling after its strong showing last year.

A weakened pound is particularly unwelcome now because of the substantial foreign exchange costs that will come with entry into the European Community next year.

FOR THE PRESIDENT ONLY**PERU**

Recent actions by Peru are causing new strains in Peruvian-US relations. Late last month the Peruvian Government took the final legal steps expropriating the International Petroleum Company without compensation. Secret negotiations that could have resolved the three-year-old impasse with the US collapsed after press leaks aroused Peruvian nationalist sensitivities. Moreover, Peruvian courts have recently ruled against two other US businesses in cases involving millions of dollars in back tax claims. On the international scene, Peru's intention shortly to re-establish relations with Cuba is motivated in part by the desire to show independence of the US.

These actions interrupt the trend toward improved relations which had been developing since US emergency assistance after the earthquake two years ago. One reason for this is pent-up Peruvian resentment over US efforts to secure compensation for the oil company. The Peruvians see the US as penalizing them by seeking to prevent multilateral lending institutions from meeting Peruvian requests.

Another factor is Peru's growing confidence that it has access to alternative sources of financing for its economic development. Peru has promises of credits from Japan, West Germany, France, Spain, and the Soviet Union. A high-level Soviet delegation arrived in Peru last week to discuss economic and technical cooperation in the mining and petroleum fields. In addition, recent oil strikes in the Amazon lowlands may ultimately provide a major source of funds.

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NOTES

Israel - Arab States: Arab fears of retaliation for the Lod airport massacre are being fed by Israeli air and naval maneuvers. Frequent Israeli flights over Lebanon are continuing almost daily.



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Arab news sources have reported the presence of ships--presumably Israeli fast patrol boats--off the southern coast of Lebanon.

Egypt - West Germany: Cairo restored diplomatic relations with Bonn on 8 June. Egypt undoubtedly hopes to benefit economically from this move and already has a West German promise of some \$50 million for its Gulf of Suez - Mediterranean pipeline. Cairo may also be making a gesture of independence from the Soviet Union.

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