



The President's Daily Brief

19 June 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

The dollar moved lower yesterday on all major European exchange markets, hitting record lows in three of them. (Page 1)

Poland, concerned that its obstructionist tactics in the ICCS have halted the trend toward improved relations with the US, is considering withdrawal from the commission. (Page 2)

Brazil's President Medici has named Ernesto Geisel to succeed him when his term ends in March next year. (Page 3)

North Vietnam

(Page 4)

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West Germany's highest court turned down a second challenge to the inter-German treaty, thereby clearing the way for the exchange of instruments of ratification tomorrow. (Page 4)

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INTERNATIONAL MONETARY DEVELOPMENTS

Following the release of the annual report of the Bank of International Settlements (BIS), the dollar yesterday moved lower on all major European exchange markets, hitting record lows in three of them. Central bankers meeting in Basle as members of the BIS are pessimistic about the adequacy of recent US anti-inflationary measures. They tend to agree with the BIS staff assessment that the short-term international economic outlook is bleak, and that the present high rate of world inflation will continue for some time. The bankers do not believe recent increases in interest rates in Belgium, Canada, the Netherlands, West Germany, and Japan can stem such inflation.

At the meeting, many bankers voiced strong opposition to [] proposals for exchange adjustment on the basis of objective criteria. As a result, doubts are increasing that an agreement on monetary reform can be reached before the September meeting of the International Monetary Fund.

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POLAND

Ambassador Trampczynski, in Warsaw last week on home leave, told Ambassador Davies that he had spent much of his time discussing with top party and government officials the possibility that Poland might withdraw from the ICCS. Trampczynski suggested that Warsaw had two choices: withdraw from the ICCS or become more objective from the US viewpoint. He said he expected a final decision in about a month.

Left unspoken was the fact that Poland cannot become a more objective ICCS member until Warsaw gets new instructions from Moscow.

The Poles are increasingly concerned, however, that their obstructionist tactics in the ICCS have caused a halt in the trend toward improved relations with Washington. Trampczynski's sounding suggests that Warsaw may be willing to go some distance to get these relations back on the upswing.

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BRAZIL

President Medici has named Ernesto Geisel to succeed him when his term ends in March next year.

Medici, approaching 70, has no desire for another term. At the same time, he has no inclination to reopen national politics to public participation.

Geisel was selected by Medici, who then made his choice known to the senior military commanders whose backing seems assured. Geisel has considerable political clout among the military; he is known as the "12-star general" because he is a retired four-star general and has two brothers who retired with the same rank. He has a good reputation as an administrator and is currently chief of Brazil's politically potent "Petrobras" oil company.

There will be no general election of the new president in January. Geisel will be selected--most likely without opposition--by a carefully screened electoral college. Geisel has shown no sign of wanting to change Brazil's basic policy directions.

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NOTES



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West Germany: The West German Constitutional Court yesterday turned down the Bavarian state government's second request in three weeks to block ratification of the inter-German basic relations treaty. The way is now clear for Bonn and Pankow to exchange instruments of ratification tomorrow, bringing the treaty into force on June 21.

Iraq-USSR: [redacted] the Iraqi port of Umm Qasr shows a variety of Soviet combat equipment, including 130-mm. field guns, light tanks, armored personnel carriers, reconnaissance vehicles, and at least four BMP infantry combat vehicles. The BMP is the most modern Soviet troop carrier, and the Soviets have only recently begun to export it outside Warsaw Pact countries. Equipment for the SA-2 missile system was also seen at Umm Qasr.

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Libya: Equipment for the SA-2 missile system has been identified for the first time in Libya. [redacted] the equipment at a firing site near Tripoli. About 20 SAM sites have been completed or are under construction in Libya.

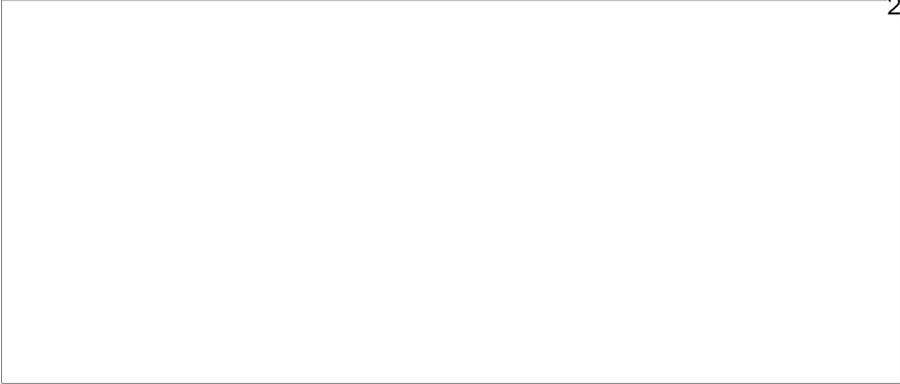
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Malaysia-China: Malaysia may establish diplomatic relations with China late this summer. A Malaysian delegation, led by the deputy prime minister, is going to Peking in the next month or two, and the announcement of official ties could be made during the visit. Malaysia's Prime Minister Razak-- who had promised to coordinate such a step with Indonesia--presumably believes Jakarta is resigned to Kuala Lumpur's determination to establish relations with China. Jakarta remains reluctant to follow suit.

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