

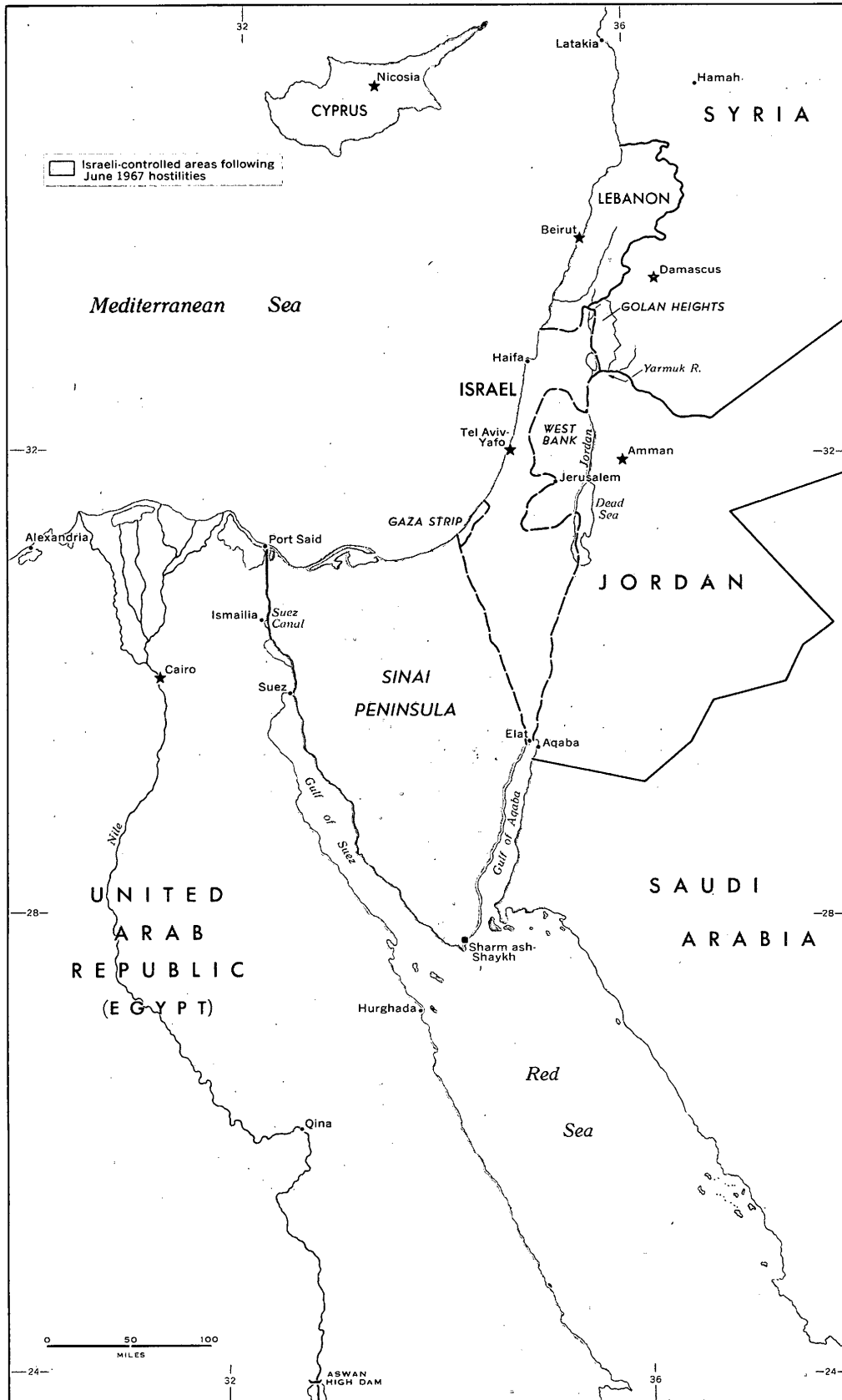
The President's Daily Brief

22 April 1969

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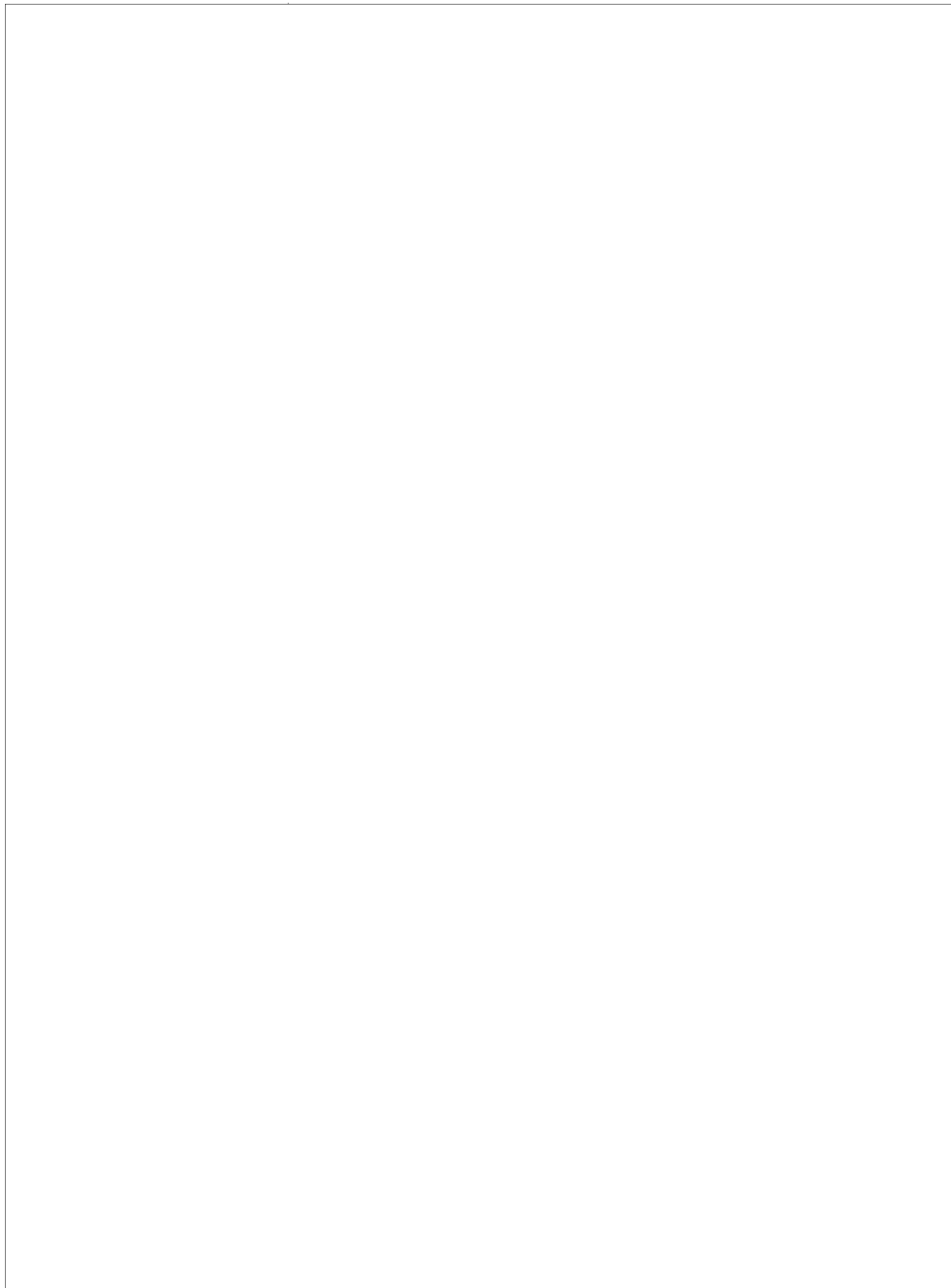
23 April 1969

LATE NOTES FOR THE PRESIDENT'S DAILY BRIEF OF
22 APRIL 1969

I. MAJOR PROBLEMS

EUROPE

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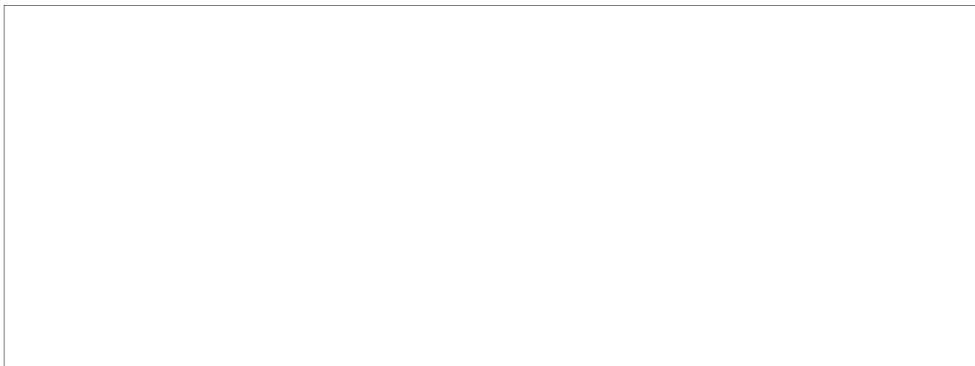


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MIDDLE EAST

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SOVIET AFFAIRS

Support for the chain of student sit-in strikes in Czechoslovakia appears to be dwindling and Rude Pravo today charged that the strikes were interference in the internal affairs of the Communist Party. (Reuters, 23 Apr)

* * *

There is nothing significant to report on Vietnam

II. OTHER IMPORTANT DEVELOPMENTS

PERU

President Velasco's address to the nation last night turned out to be something less than "momentous." It was defensive in nature, consisted largely of a general appeal for support, and introduced no new departures. He expressed the view that the IPC case was closed although his government was willing to remain open to a continuing dialogue. He did not refer to the fact that a Peruvian delegation is scheduled to leave for Washington this week to continue the talks.

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KOREA

The North Korean government today issued a statement on the EC-121 incident. The complete text is not yet in, but the summary would indicate an accusation that the US infiltration into North Korean air space by a "large-size reconnaissance plane" was raising a "new war clamor." The statement adds,

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"Our counterattack and self-defense measures...are a legitimate exercise of sovereignty...which fully conforms to international law." (FBIS 17, 19, 20, 21, etc.)

Preliminary reports indicate that a North Korean guard post this morning fired an estimated 30 rounds of recoilless rifle fire and 300 rounds of machine gun fire across the DMZ at a position manned by troops of the South Korean 7th Division who returned the fire. The fight lasted 35 minutes and no casualties were reported.

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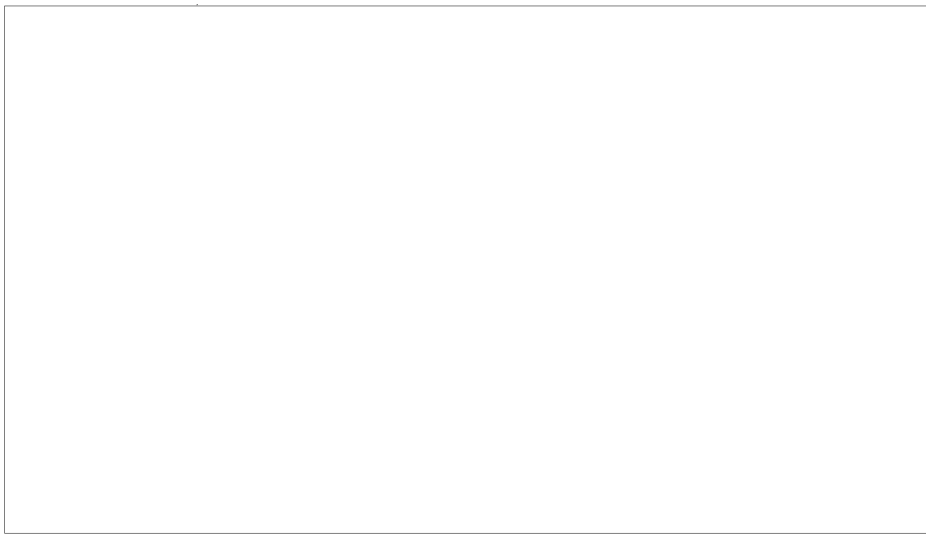
I. MAJOR PROBLEMS

MIDDLE EAST

The Arabs and Israelis are both making it known that more serious military clashes may be imminent. The Israelis told the embassy in Tel Aviv yesterday that another terrorist attack on Elat was being readied. Perhaps to build a case for an "active defense" attack on Iraqi forces in Jordan, they have also claimed that Iraqi artillery shelled Israeli targets in Monday's exchange over the Jordanian border. Jordanian Prime Minister Rifai warned yesterday that if the Israelis continue to hit civilian targets, Jordan will have to retaliate in kind.

Warnings such as these are not to be taken as predictions of what are essentially unpredictable events. They are, however, accurate indices of the continuing rise in Arab-Israeli tensions.

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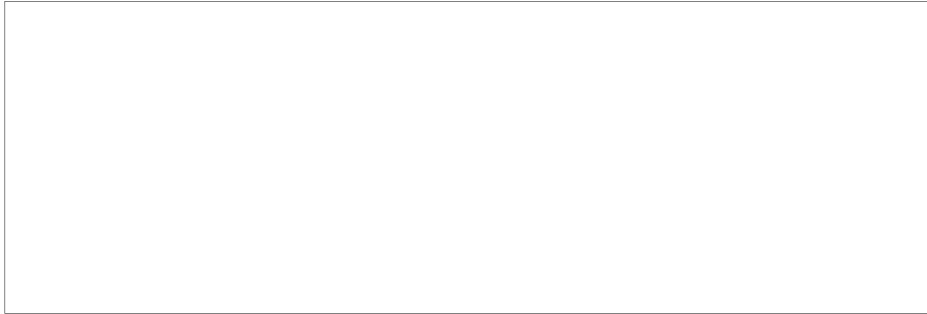
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SOVIET AFFAIRS

The CEMA (Council of Economic Mutual Assistance) summit meeting to be held tomorrow and Thursday in Moscow will present a show of unity, but is not likely to accomplish anything of major importance.

Most of the East European countries, all of whom will be represented by their party and government leaders, feel that CEMA, as presently organized, is unable to meet their technological, trade, and monetary requirements, and advocate major changes. Given the acrimonious history of recent CEMA meetings, no substantive economic agreement is likely and the best that can be hoped for is a public display of political solidarity. Thus, serious economic disagreements will be papered over for the sake of public appearance, and the Soviets may use the occasion to discuss with their allies the current Czechoslovak situation in the aftermath of last week's party changes in Prague.

At annex we give some background on CEMA's problems.

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EUROPE

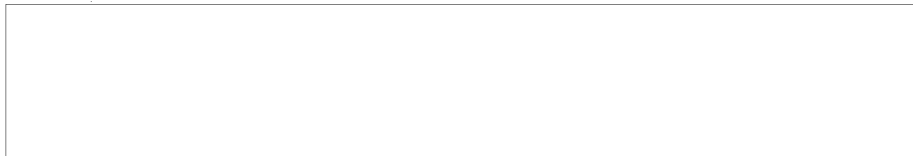
Canada's NATO colleagues are deeply concerned over Ottawa's contemplated force reductions in Europe but hope to limit their effect. West German Foreign Minister Brandt believes that Canadian Foreign Minister Sharp and Defense Minister Cadieux both oppose Trudeau's decision and will be looking for arguments at the May Defense Planning Committee (DPC) meeting for a stretchout or reversal of the prime minister's action.

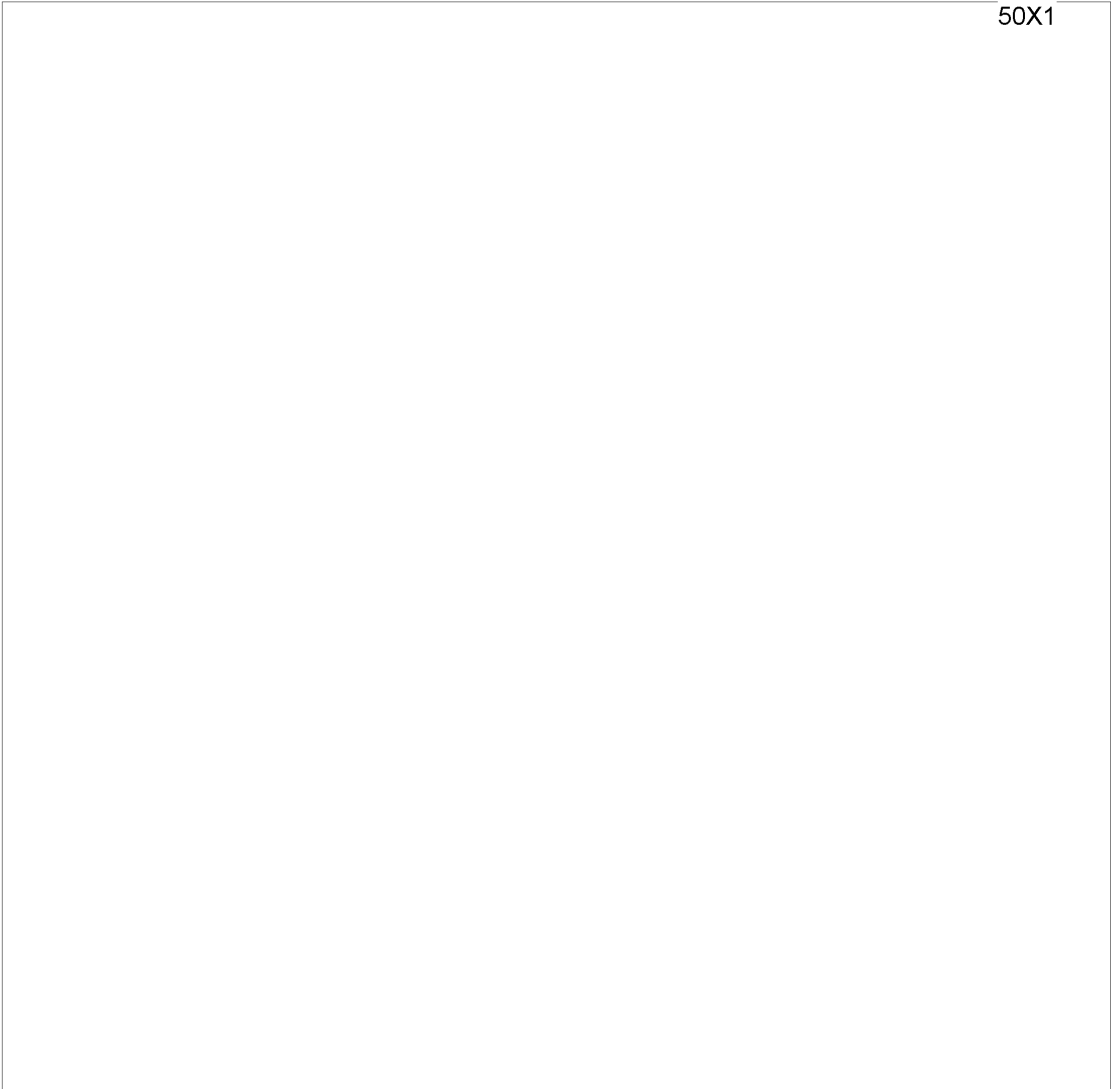
The Germans fear the gap left by a Canadian withdrawal could not be closed and that the decision might lead the US to reduce its troop commitments in Europe. The Dutch are also unhappy with the impending Canadian withdrawal and see little likelihood that West Europeans will be able to take up the slack.

Both NATO Secretary General Brosio and the Germans are seeking multilateral efforts, prior to the DPC meeting, to influence the scope, timing, and character of any force reductions by Canada. Such concerted action might have this effect, but it will almost certainly not deter Ottawa from reducing, perhaps substantially, its military forces in Europe.

VIETNAM

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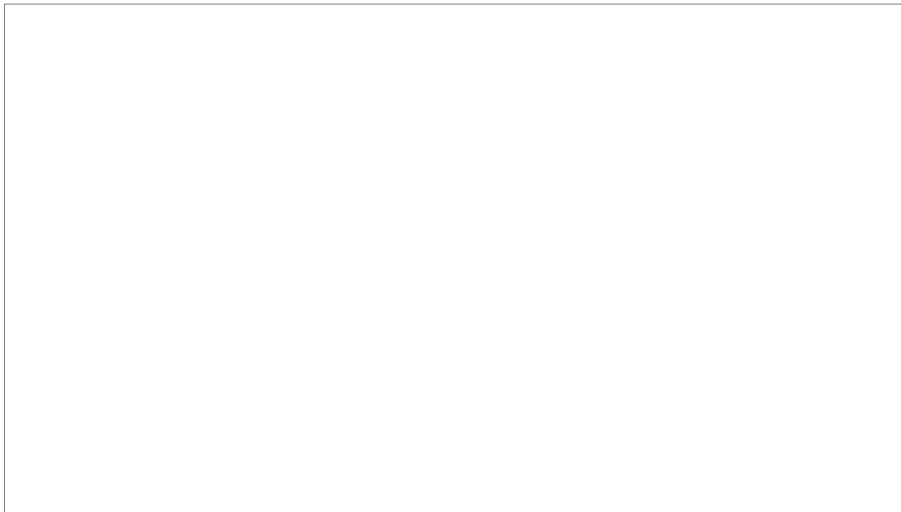
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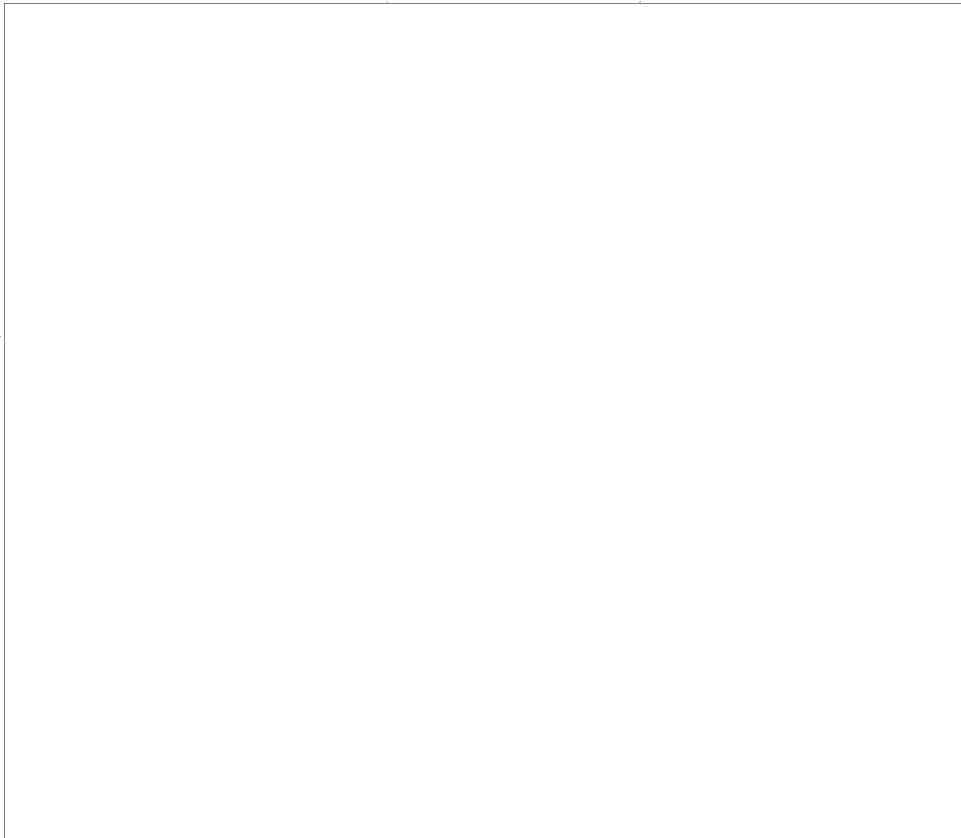
II. OTHER IMPORTANT DEVELOPMENTS

PERU

The Cerro de Pasco Mining Company fired twelve labor leaders yesterday after unions at the company's installations rejected a government order to resume work. Although the company's action was perfectly legal, it is likely to provoke an angry response that could spread to other US-owned companies. Given the current atmosphere in Peru, the government cannot be expected to go to the aid of US firms with much vigor.

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SOVIET UNION - INDIA



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Meanwhile, the Soviets have requested a long-range agreement for use of Indian port facilities for supply, maintenance, and repair of Soviet ships. Extensive military assistance to India gives the Soviets leverage in pressing for a port agreement. New Delhi showed no signs, however, of agreeing to any permanent ties which would compromise its policy of nonalignment, although ad hoc permission for individual ships to visit Indian ports will continue to be granted.

KOREA

Peking yesterday broke its week-old silence over the shutdown in an official news release attacking Moscow's "collusion" with the US after the incident. While denouncing the Soviets' assistance and cooperation during the past week as "active service provided to US imperialism," the article cited a "news report" source stating that the US plane "intruded" into North Korean airspace. The dispatch made no mention of who shot down the plane and managed to avoid any direct expression of support for North Korea's action.

Peking's statement contrasts with its announcement last year concerning the seizure of the Pueblo which promised China's "firm support" for Pyongyang's "just stand."

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THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (CEMA)

CEMA was formed in 1949, during the period when Moscow--in the Stalinist pattern--was forcing heavy industrialization on all the East European countries. Parallel development of this sort, without any adaptation to market forces, fostered inefficient, competitive economies, rather than a complex of complementary trading partners.

The proper role of CEMA has long been a subject of dispute--at times acrimonious--among the member countries. For political reasons, the Soviet Union and Poland believe that the organization should promote greater economic cohesiveness. Czechoslovakia, East Germany, and Hungary are interested in increased cooperation, but are apprehensive lest Soviet domination increase. Rumania, at the other end of the scale, is extremely sensitive to any move that impinges on its sovereignty. Thus, it is not surprising that CEMA has been most effective in technical areas of cooperation among its members--such as the railway freight car pool and the integrated electric power network--where conflicts of national interest are minimal.

All the countries rely and will continue to rely on bilateral barter trade with one another--a major factor in the inefficiency of their economies. In their bilateral trade negotiations, the countries run head on into gross price distortions that result from artificially set prices which do not reflect costs or scarcity. There is no multilateral medium of exchange to settle trade imbalances. The

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CEMA International Bank for Economic Cooperation provides only a limited clearing service for trade imbalances which must still be settled by bilateral negotiations.

The Soviets have recently engaged in a series of bilateral talks with the East European countries on development of the five-year trade plans for 1971-75. These plans will also be considered at length in CEMA committees.

In its day-to-day work, CEMA has evolved into a service-type organization, currently housed in a new headquarters building in Moscow and employing personnel from all member states. It is a clearing house for administrative, technical, and financial guidance to its members in their bilateral trading arrangements with each other. The members have also not been averse to having CEMA's technical staff wrestle with such problems as pricing of items, joint investment projects, and problems of currency convertibility.

CEMA also explores means of achieving the benefits of large-scale production through cooperation, economies that are not possible within a single country. It is obvious, however, that no CEMA member, including the USSR, will surrender control over the development of its economy to an international authority. Areas where a start toward integration can be made are indeed limited. They might include more cooperation in research and development, selected industrial specialization, and increased enterprise-to-enterprise contacts. Multilateral planning probably will continue to be limited largely to coordination of trade requirements

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specified in the national plans of the individual member countries.

CEMA members will find it difficult to break out of the vicious circle of their economic dependence on the USSR. They must buy the agricultural and industrial materials they need from the USSR because they cannot sell goods in the West. Their manufactures will not be able to compete significantly in Western markets until major changes are made in the Communist systems of economic management and unless specialization greatly increases among the CEMA members. Trade with the West will probably grow even more slowly during the 1970s than it has in the last 10 to 15 years.

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