



The President's Daily Brief

9 August 1969

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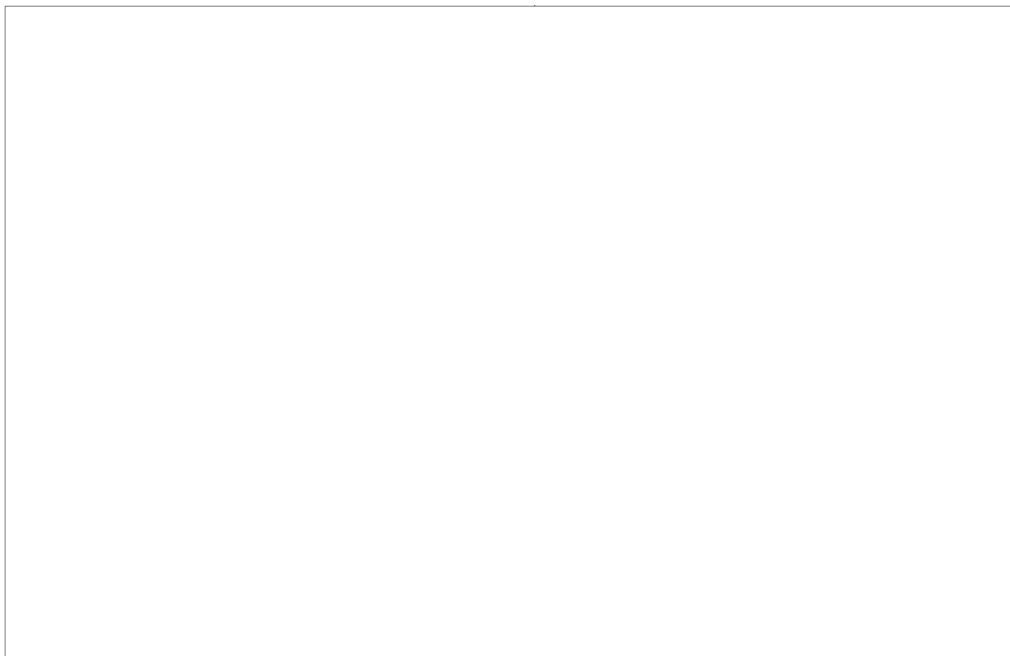
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I. MAJOR PROBLEMS

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SOVIET AFFAIRS

The week-long lull in Soviet military air activity continues, but what it portends is still not clear. The small amount of flying that has been detected during this period appears to be limited mainly to essential tasks such as defensive fighter patrols and a few transport movements.



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Zond-7, the unmanned lunar probe launched Thursday, seems to be on course and working satisfactorily. The probe will reach the vicinity of the moon on 11 August, loop around it, and return to earth for recovery, probably in the USSR, on 14 August.



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At the Romanian party congress now under way in Bucharest, both Ceausescu and the Soviet chief delegate, Katushev, have restated their respective regimes' disparate views, but they have avoided an open clash.

In his opening address, the Romanian party leader spoke of a system of sovereign Communist states but reiterated his opposition to the concept of blocs. His definition of imperialism could be applied to both Moscow and Washington. While vowing to preserve Romania's independence, he also took a conciliatory line toward the USSR.

Katushev, for his part, condemned "the perfidious practice of bridge-building"--an indirect reference to the President's visit. He also reminded all present that the Kremlin considers itself entitled to act against dissidents who threaten the socialist system. His speech met with strong opposition from the Yugoslav, Italian, and Spanish parties.

In Moscow yesterday, Izvestia published an article containing the first direct and authoritative Soviet statement linking criticism of the "bridge-building" concept with the President's trip. Moscow probably still plans to avoid an open break with Bucharest, however, as indicated by Pravda's publication of a lengthy summary of Ceausescu's congress speech.

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Tensions are again rising in Czechoslovakia as the anniversary of the Soviet invasion approaches. Although Moscow would probably prefer to avoid violence at this time, it may regard repression--rather than further conciliation--as the best means of avoiding a flareup on 20 August. At annex we examine the reasons for Soviet concern.

EUROPE

The devaluation of the French franc took the international financial community, including the finance ministries and treasuries of the major Western countries, completely by surprise. Although it was generally accepted that devaluation was one option open to the Pompidou government in dealing with France's steadily declining external reserves, no one expected that it would come at this time, when a modicum of calm had returned to world exchange markets. The French have thus scored an impressive tactical success by pulling devaluation off amid a minimum of speculative pressures.

Devaluation will help considerably to slow the growth of French imports and should stimulate French exports, thereby beginning to reduce the French trade imbalance that had grown to serious proportions in 1968 and 1969. In the short term, devaluation will have to be buttressed by continued or perhaps even more restrictive policies aimed at slowing the present boom. In the longer run, however, it may help French economic expansion by easing pressure on the balance of payments.

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The devaluation will have major repercussions throughout Western Europe, although competitive devaluations of other currencies is not expected. The French action will throw the EEC's agricultural financial scheme--and therefore the Common Agricultural Policy--into even greater disarray. The British pound almost certainly will come under speculative attack when the major foreign exchange markets reopen on Monday. French devaluation removes a principal source of speculative pressure for revaluation of the deutschemark, but even so the mark is still substantially undervalued against most other major currencies. A speculative crisis after the German elections thus may still occur.

VIETNAM

Reports indicate the enemy is getting in position for another round of attacks this month. One major focus may be Tay Ninh and Binh Long provinces in III Corps, where the Viet Cong 9th and the North Vietnamese 1st and 7th divisions are available for action. There are tentative indications that some enemy main force units in other parts of the country may also be on the move.

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Ralliers and prisoners are reporting enemy plans for "high points" around 19 August and again on 2 September; both dates mark important Vietnamese Communist anniversaries. It was in much this same time frame that the Communists last year launched their relatively low-keyed August-September campaign, after a long summer lull.

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MIDDLE EAST

Israel, alleging increased fedayeen and Jordanian Army activity, has sent its planes against Jordanian military targets three times in as many days. The Israelis claim that during the past week, the Jordanian Army, using tanks and artillery as well as small arms, had begun firing "at any target found," military or civilian, but primarily military. They profess the belief that this is not the result of local initiative but of a decision at a higher level.

Whatever the truth to these charges, the Jordanians may be in for some hard times unless they can cool things off along the cease-fire line.

II. OTHER IMPORTANT DEVELOPMENTS

USSR-CHINA

The border navigation talks in Khabarovsk, begun on 18 June, have ended--apparently on a successful note. According to TASS, the two sides signed a protocol on the improvement of shipping on border waterways for the current season. The seeming success of the talks shows that on matters of mutual practical advantage, the Soviets and the Chinese can reach agreement despite the tensions between the two countries. The next annual meeting will be held in China.

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CZECHOSLOVAKIA

Nearly a year after their intervention in Czechoslovakia, the Soviets have achieved only some of their aims; now they are bracing for possible demonstrations on the anniversary of the invasion.

The Soviets have reason to be concerned. The Czechoslovak population is ignoring official appeals for calm; provocative handbills continue to appear. Most of them call for peaceful anti-Soviet and antiregime demonstrations, but tension is so high that a small wrong move could set off riots. In the past few weeks there have been instances of violence against the Soviets.

Conservatives in the Czechoslovak party, probably confident of Soviet backing, are openly critical of party chief Husak for proceeding too slowly in recreating an orthodox Communist regime. They are calling for arrest and trial of the liberals and other anti-Soviet and anti-Communist individuals. They want a condemnation of Dubcek, accompanied by his public recantation. They want the government to follow the party's orders again, and demand that nonparty groups such as labor unions and student groups profess their fealty or disband. Most of all they want the leadership to state publicly that the invasion was justified.

Husak, who condemned the invasion last year, has so far withheld an endorsement of it. He is opposed to the return of terror and wants to run a carefully controlled version of Dubcek's "participatory" government. In talks now going on

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in the Crimea Brezhnev and Podgorny are undoubtedly pressing demands similar to those of the conservatives on Husak and President Svoboda. They may also be calling for a purge of Dubcek's appointees and their replacement by reliable conservatives.

The same kind of pressure is probably being exerted in Prague by General Yepishev, chief political officer of the Soviet armed forces. Since his arrival, a purge of liberal and anti-Soviet officers in the Czechoslovak armed forces seems to have reached further into the upper levels of the Defense Ministry. Yepishev may also be looking at the readiness posture of Soviet forces in Czechoslovakia and trying to determine how reliable the Czechoslovak armed forces would be in the event of a crisis.

some Czechoslovak forces will be on alert during the anniversary, apparently as a precautionary measure. Although Soviet forces may be moved to alert positions near the cities--possibly under the guise of exercises--they would probably not be used unless Czech demonstrators get out of hand.

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In any event, there is a possibility that military exercises involving the Soviet forces in Czechoslovakia will be taking place at the same time as the anniversary. One unconfirmed report said that a Warsaw Pact exercise would be held during the period 18-23 August.

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