



The President's Daily Brief

14 May 1971

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Sadat's continuing purge of possible rivals is discussed on *Page 1*.

Favorable Japanese reactions to a Communist Chinese delegation may pave the way for a resumption of extensive contacts. (*Page 3*)

In response to the uncertain international monetary situation, free market gold prices have risen to their highest level since October 1969. (*Page 4*)

A clash with army troops may signal start of the active military phase by Burmese rebels. (*Page 5*)

The influx of East Pakistani refugees is straining Indian relief facilities and creating explosive new tensions. (*Page 7*)

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EGYPT

The "resignations" announced yesterday in Cairo, including Interior Minister Sharawi Goma, Minister for Presidential Affairs Sami Sharaf, and War Minister Fawzi, were augured in conflicting rumors of impending changes stimulated by the dismissal of Vice President Ali Sabri on 2 May. Goma, who controlled the internal security services, and Sharaf, with extensive connections in the Presidency, were considered two of the most powerful men in the nation.

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Al-though several of the figures deposed in this extensive shakeup cannot be characterized as leftists, most do qualify in some way as people whose first loyalty was not to Sadat. This suggests that Sadat's basic aim was to dispose of critics and possible rivals.

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Also, the successful elimination of possible challengers would give Sadat more freedom in working out the details of his attempted accommodation with the Israelis. Only Ali Sabri and his associates in the Arab Socialist Union are known to have openly opposed negotiations, but Sadat has had very few active supporters of his efforts. The need for loyal subordinates to implement his diplomatic policies and the prospect of sharper criticism if he fails to produce early results may, therefore, also be factors in the high-level purge. If he can neutralize the ousted ministers, Sadat will be able to exert personal control over the affairs of the country and deal with domestic and foreign problems in his own way.

A start has been made in filling the vacated posts with the announced appointment of a close Nasir associate, Mamduh Salim, as interior minister. Recently appointed governor of Alexandria, Salim's background in security work makes him technically qualified to head the Ministry of the Interior. Chief of Staff Muhammad Sadiq, the new minister of war, is reputed to have broader support in the military than did his predecessor.

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The boldness of Sadat's move indicates a high degree of confidence in his ability to make the changes stick. In this he appears to have been encouraged by the response to his cultivation of the major military commanders, who are reported to have given a firm endorsement when he consulted them on Ali Sabri's dismissal. The replacement yesterday of the lack-luster General Fawzi may have been intended to gain further favor with the military. A statement broadcast by Cairo Radio last night seemed designed to generate broad civilian support for Sadat's actions by implying that at least some of those ousted had been plotting to impose "tutelage and domination over the people" through "repression and terror."

Sadat will need all the support he can get; the men he has dismissed have strong claims to Nasir's mantle themselves and some, notably Goma and Sharaf, have had time to establish power bases of their own. The statement Sadat is scheduled to broadcast today should make clearer what he intends to do and how he expects to go about it.

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JAPAN - COMMUNIST CHINA

Wang Hsiao-yun, political leader of the Chinese ping pong delegation which recently spent a month in Japan, met with a wide variety of Japanese during his visit. In addition to seeing Peking's well-known friends in labor and the opposition parties, Wang held unprecedented meetings with two leading conservative aspirants for the prime ministership to sound out their attitudes on relations with China. He also met with the chairman of the Buddhist-based Komeito party and with a wide spectrum of business leaders, ranging from textile industry leaders to a Tokyo group close to Sato. The delegation extended numerous invitations for unofficial visits to the mainland. The Chinese avoided political subjects and refrained from public attacks on the Sato government.

This skillful Chinese diplomacy has resulted in a favorable public Japanese reaction to the visit. It has further increased pressure on Prime Minister Sato to take a more positive stance on the China issue. The way may now be open for a resumption of extensive Japanese-Chinese contacts.

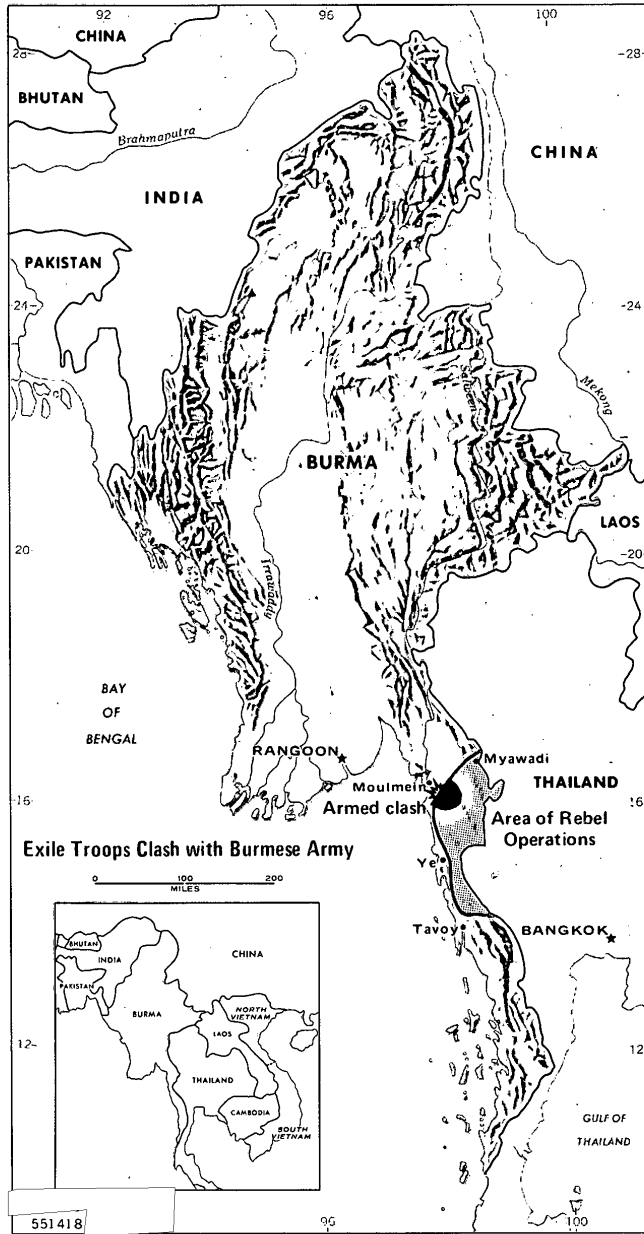
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GOLD

Free market gold prices reached \$41.30 per ounce yesterday, the highest level since October 1969. Uncertainty regarding the future of the international monetary system and recent purchases of \$422 million of US Treasury gold by the central banks of Belgium, the Netherlands, and France are contributing to the unsettled market.

These purchases bring the US monetary gold stock to its lowest level since World War II, covering less than one quarter of US short-term liabilities to foreigners.

The increase of the free market gold price, however, does not signal the imminent collapse of the two-tier system, in which monetary authorities deal in gold at \$35 per ounce, but the free market price is determined by supply and demand. Until new German and Dutch currency parities are fixed, however, the free market price of gold probably will fluctuate in an erratic manner.



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BURMA

Rebel forces of former prime minister U Nu killed five Burmese Army troops near Moulmein on 5 May, while suffering only one fatality themselves



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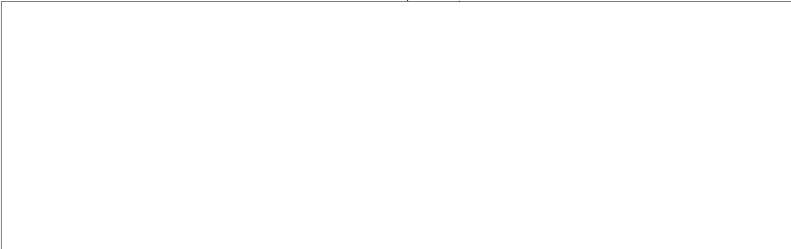
Since the first of the year, rebel bands which have ranged through the remote border areas of eastern Burma have concentrated on recruiting and propaganda and have generally tried to avoid military contact. U Nu's forces may now feel ready to open the oft-postponed military phase of their plans.

The military capabilities of U Nu's some 500 men under arms remain extremely limited. Nevertheless, continuing rebel action around Moulmein--where antiregime sentiment is still strong following the forceful suppression of a student uprising last November--could bring to life the relatively subdued Burmese public interest in U Nu's resistance movement.

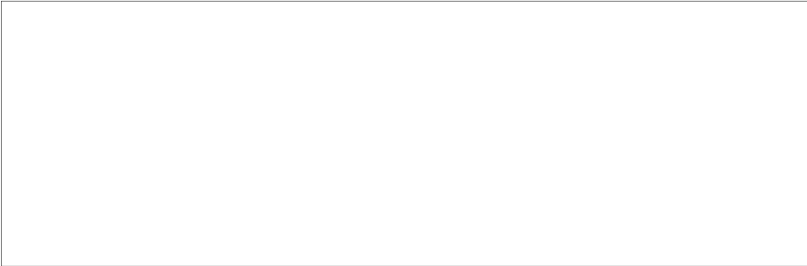
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NOTE

India-Pakistan: The influx of about two million East Pakistani refugees has sorely strained Indian relief facilities, and sharply rising food prices in the border areas are antagonizing the local Indian population. New Delhi is concerned that tension between the residents and the refugees could lead to violence between Indian Hindus and East Bengali refugees, many of whom are Muslim.

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