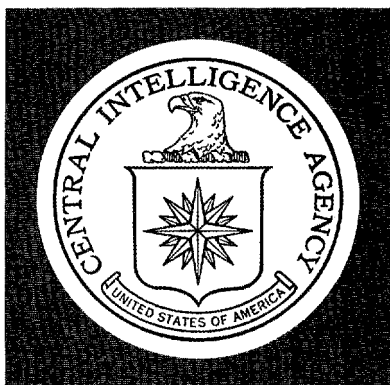
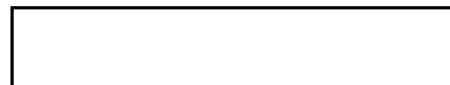


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Vietnam: There have been no major Communist-initiated military actions in the past few days, and most indications point toward only scattered, small-scale attacks in the near future.

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There is growing evidence that the Communists are putting greater long-term emphasis on the use of guerrilla tactics, and of accompanying political action, throughout much of South Vietnam. This development often is consuming assets which previously had been used in main force, large-unit warfare.

Prisoners and captured documents reflect widespread efforts to upgrade Viet Cong guerrilla activities and to rely more heavily on sapper units both now and in future offensive periods. There are some reports of personnel transfers from main force units downward into local and guerrilla units. Recent reports from areas around Saigon indicate that allied pre-emptive operations have made use of regular infantry tactics virtually impossible for the Communists without unacceptable losses to their forces. Most sources suggest the enemy does not intend to press main force warfare in the immediate Saigon vicinity.

This shift in Communist tactics in South Vietnam may be an outgrowth of an evolving Hanoi strategy which evidently calls for a sharp decline in the number of replacements coming from North Vietnam during the next few months at least. Greater use of guerrilla warfare could help to reduce personnel losses during this period and still maintain a credible Communist military threat.

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Communist China: "War preparations" have become a major domestic propaganda theme in recent months but there are no signs that the Chinese are making efforts at military mobilization.

Peking apparently continues to believe that the recent border incidents with the Soviets justify giving high priority to military preparedness, but the regime's propaganda has been restrained and stops short of creating war hysteria. Moreover, many aspects of the war readiness propaganda are obviously designed to further important domestic goals. Appeals to prepare for war are repeatedly linked to the need to restore political unity and discipline, to stimulate industrial and agricultural production, and to restrict consumer consumption.

Radiobroadcasts from provinces in the border regions are predictably most alarmist regarding the Soviet threat. Heilungkiang radio recently went so far as to cite "Soviet revisionism" as China's "principal and most dangerous enemy."

[redacted] scattered mass meetings where preparedness is invoked against the Soviet threat, but [redacted] there is no talk of carrying the attack to the enemy, no evidence of general air raid drills, and only isolated mention of shelter building.

[redacted] consumer rationing, restrictions on taking leave, and the levy of a ten-percent grain tax in rural areas as measures of war preparedness.

Western diplomats in Peking suggest that the central leadership may be preparing to place more emphasis on national defense industries and perhaps has reached agreement to strengthen certain branches of the armed forces. There is little evidence to support this speculation, although Premier Chou En-lai reportedly delivered a speech after the ninth

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party congress in which he gave first priority to defense-related production.

At this stage, Peking appears to be preparing primarily for an extended period of heightened tension with Moscow rather than for any imminent Soviet military action.



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USSR: The effect of lunar mass concentrations--called mascons--may have been a contributing factor in the crash of Luna 15 following an attempt at what apparently was to have been a soft landing.

The spacecraft almost certainly deviated from its planned trajectory during its orbital flight due to irregularities in the force of the moon's gravity caused by mascons. Mascons--discovered by US scientists less than a year ago--are large masses of dense material at or near the lunar surface which disturb the path of objects in lunar orbit. These orbital perturbations are cumulative, increasing with each succeeding revolution.

The Soviets may not have anticipated the magnitude of the problem despite published US concern. They may be able to use the information collected as a result of the Luna 15 mission, however, to allow planning for future flights using orbits similar to those of Luna 15.

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El Salvador - Honduras: Delegates to the OAS foreign ministers meeting are convening this afternoon in a less than optimistic mood.

Seventeen foreign ministers are attending the first session, but their governments had hesitated to support the meeting with high-level representation, and many apparently will decline to collaborate in the formation of an Inter-American Peace Force (IAPF). Although Mexico is sending its foreign minister, it would have preferred the OAS meeting on a level below cabinet rank, since the resolutions coming out of the meeting are likely to be punitive. Brazilian Foreign Minister Magalhaes Pinto is not planning to attend today's meeting. The authoritative Jornal Do Brazil quotes foreign office sources to the effect that Magalhaes may attend later sessions depending on developments.

The Costa Rican foreign minister is attending, but is under instructions that leave him little maneuverability. He is to avoid branding El Salvador an aggressor even if the Salvadorans fail to pull their troops out of Honduras, and he cannot agree to motions toward establishing an IAPF.

Colombian Foreign Minister Lopez Michelson changed his plans for making preliminary mediation efforts in San Salvador en route to Washington, because there was "no point" in stopping there. Lopez commented pessimistically that "most of the foreign ministers have other things to do while the inter-American system sinks."

Honduras remains tense, and a leader of the opposition Liberal Party claims that unless Salvadoran forces have withdrawn or an IAPF has been committed by 27 July, Honduras will launch an all-out attack to drive the enemy troops out.

[redacted] In Tegucigalpa unsigned flyers are urging President Lopez

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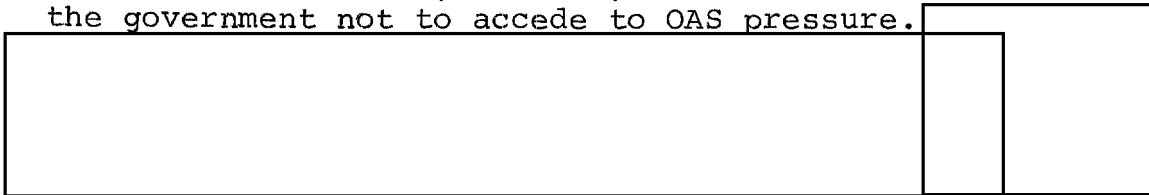
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to fight again. Criticism of the Lopez government for inaction against the occupation appears to be gaining momentum.

In El Salvador, government-controlled broadcasts continue to stress anti-Honduran propaganda but have softened attacks against the OAS. Privately owned radio stations, however, continue to exhort the government not to accede to OAS pressure.



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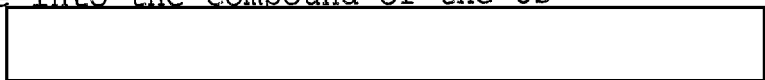
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Okinawa-US: Leftist elements are trying to intensify their struggle against the presence of US military bases by exploiting the recent "nerve gas" incident.

The leftists plan a large demonstration on 29 July to demand the immediate and complete withdrawal of all chemical warfare weapons from Okinawa. The influential Okinawa Teachers Association, one of the more moderate groups in the reversion movement, has announced that it will try to "maximize" participation in the demonstration.

The demonstration is also being called to build support for a "second wave" strike by the Military Workers Union. The strike, now tentatively set for three days next week, will protest disciplinary action taken by US authorities against Okinawan base workers after a strike last month in which some of the workers clashed with US soldiers. The union leadership is, however, having trouble deciding what tactics to follow.

The announcement by US authorities that "certain" chemical warfare agents would be removed from Okinawa has not completely soothed the islanders' emotions; on 25 July 75 leftist students protesting chemical agents broke into the compound of the US civil administrator.



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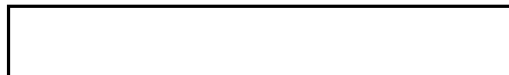
USSR: A prominent Soviet economist advocates cutting in half the number of construction projects in the USSR because he believes that delays in construction are responsible for the Soviets' technological lag behind the West.

V. A. Trapneznikov claims in Pravda that introducing new technology into Soviet industry takes almost twice the time that it should. He says this is the result of delays in project documentation, insufficient financing, and inadequate supplies of construction materials, mechanized equipment, and labor.

The Soviet construction industry is chronically inefficient and consistently fails to meet the ambitious investment plans of the leadership. Last year the value of unfinished construction amounted to a record of 80 percent of the total value of the year's investment program. In order to reduce this backlog and concentrate on priority projects, Gosplan chairman Baybakov announced last December that the number of new construction projects planned for this year would be approximately half the number planned for 1968.

Last month Moscow issued three decrees directed at basic problems of the Soviet construction industry. The decrees authorize bonuses for the timely completion of projects and for high-quality work; they also establish new planning methods to ensure greater control over the construction process and to improve design and estimate work. Similar decrees in the past have not resulted in significant improvements in Soviet construction practices.

Although delays in construction inhibit technological progress in the USSR, this is only one of many factors responsible for the technological gap between the developed West and the USSR. Closing this gap probably will remain an unattainable goal for the Soviets without a basic reform in their present system of planning, priorities, and economic administration. The current economic reform involves no such fundamental changes.



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Brazil: Armed forces commanders are concerned that recent criticism of the government combined with continuing terrorism will undermine public confidence.

A pending investigation into charges of corruption and nepotism against President Costa e Silva may further strain military unity. The charges, by a maverick hard-line general, have weakened the authority of the army minister [redacted]

[redacted] Some key hard-line officers, while granting that the allegations may be true, feel that their circulation has undermined the loyalty of the officer corps.

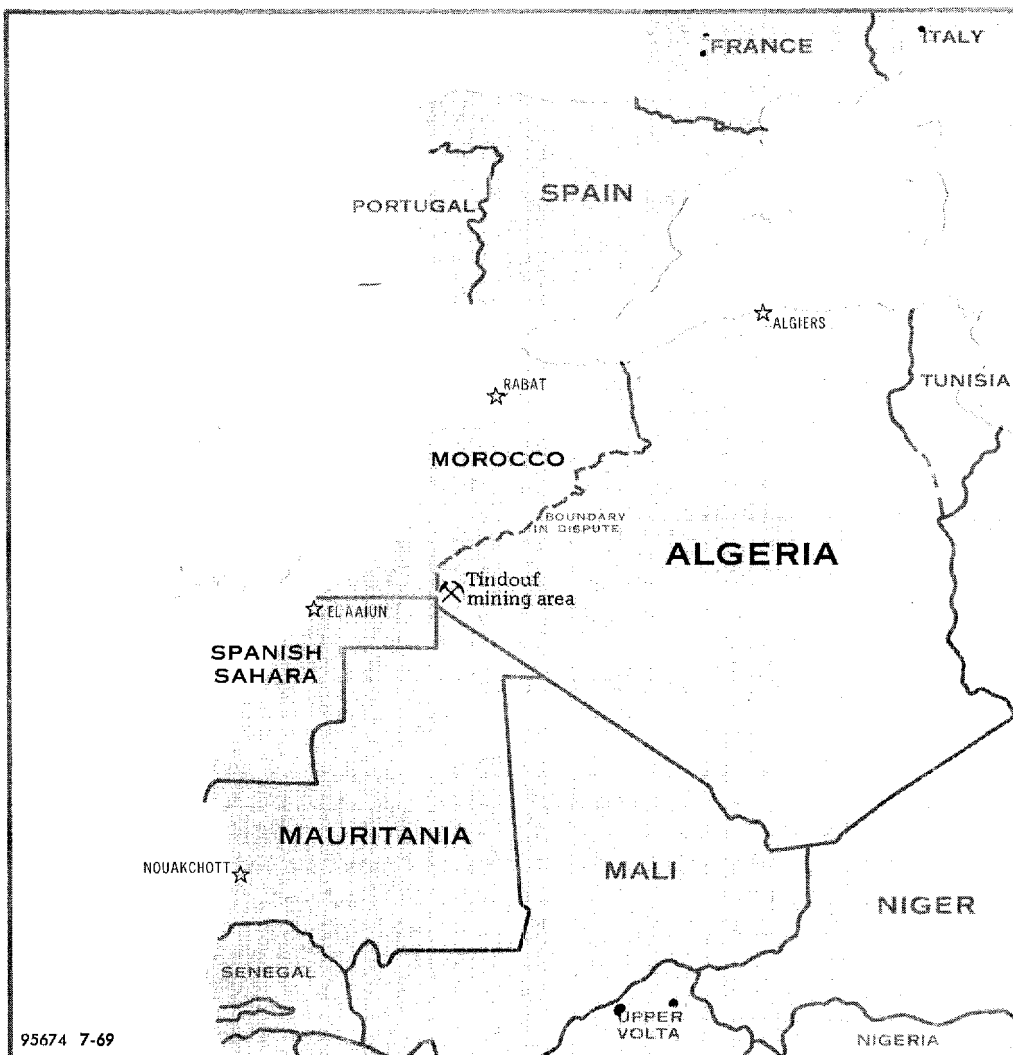
Military commanders at the same time are worried about the effect of continuing terrorism on the public. In Sao Paulo, the city most affected by terrorism during the past year, the past week saw new robberies of banks and commercial firms, three cases of possible arson, and threats of new attacks against a building housing several US firms that was bombed just prior to Governor Rockefeller's visit. Some Sao Paulo residents fear that the next level of terrorism will be kidnappings to obtain funds to finance the terrorists' activities.

The commander of the Second Army, which is based in Sao Paulo, has proposed that he and the commanders of Brazil's other three army regions assume full responsibility for all security forces and declare all-out war on terrorists and subversives. To increase its effectiveness, the army is enlarging its garrisons in the city and state of Sao Paulo and tightening its control of Brazil's state militia. [redacted]

[redacted]

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Morocco-Algeria: Postponement of King Hassan's official visit to Algiers is the first snag to appear during the year-long detente in relations between Morocco and Algeria. The action could stir up some of the undercurrents of animosity that run within each government.

Hassan's visit, intended to reciprocate one by Boumediene to Rabat last January, is now planned for late September. It had been scheduled for early August, although specific dates had not been set.

The snag apparently involves differences between Morocco and Algeria over Spanish Sahara, which both Morocco and Mauritania covet and in which Algeria has expressed an interest. The King, [redacted]

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[redacted] asked Boumediene for assurances that Algeria would not cause difficulties in the event Rabat could make a deal with Mauritania to divide Spanish Sahara between them. [redacted]

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[redacted] Boumediene favors accommodating the King, but the "hawks" within the Algerian Government hold out for unspecified concessions on the part of Morocco.

[redacted] the Algerians asked that Morocco abandon its claim to the mineral-rich Tindouf area of southwestern Algeria, and they would not accept oral assurances that this claim would not be pressed. [redacted]

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[redacted]

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(Map)

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Italy: The right-wing Socialists yesterday rejected Premier Rumor's effort to re-form a Christian Democratic-Socialist coalition, thus prolonging the government crisis. President Saragat may now ask the Christian Democrats to form a minority government alone. That party's left wing may make difficulties, however, since it--unlike the party majority--wants left-wing Socialists in any new government even if the right-wing Socialist party still refuses to participate.

[Redacted]

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Kenya: The government has taken a first step toward easing the tensions aroused after the assassination of Tom Mboya by appointing three of his fellow Luo tribesmen to high government posts. Mboya's crucial portfolio for economic development was given to Joseph Odero-Jowi, until now Minister for East African Affairs and a former close associate who is capable and pro-Western. These appointments may allay the Luos' fears that their archrivals from the Kikuyu tribe are seeking to eliminate them completely from the government.

[Redacted]

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Colombia-USSR: President Lleras reportedly will not further facilitate the entry into Colombia of the growing number of Soviet cultural exchange representatives.

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Lleras may feel that the visits of Soviet artistic, athletic, and labor delegations have become too frequent, but he did not rule out the use of courtesy visas like those issued recently to a large Soviet ballet troupe.

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