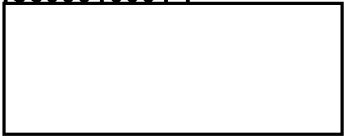


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Central Intelligence Bulletin

CONTENTS

Laos: The Communists have launched a counteroffensive in the Plaine des Jarres area. (Page 1)

Jordan: The fedayeen and government have reached a cease-fire pending talks on a new agreement. (Page 2)

Egypt-Israel: The Egyptians have suffered civilian casualties from an Israeli raid. (Page 3)

East Germany - West Germany: Stoph's proposal to begin talks was probably a tactical ploy. (Page 4)

Romania - Warsaw Pact: A Pact command post exercise reportedly will be held in Romania. (Page 5)

European Communities - Japan: The Commission is exploring a commercial agreement with Japan. (Page 6)

Nigeria: Reconciliation is off to a good start. (Page 7)

Turkey: Demirel's damaged leadership position will probably be rebuilt. (Page 8)

Bolivia: The government may be forced to institute a severe austerity program or devalue. (Page 12)

USSR: Intelsat equipment (Page 13)

USSR-Australia: Meat purchase (Page 13)

Czechoslovakia: Reform under fire (Page 14)

Italy: New government sought (Page 14)

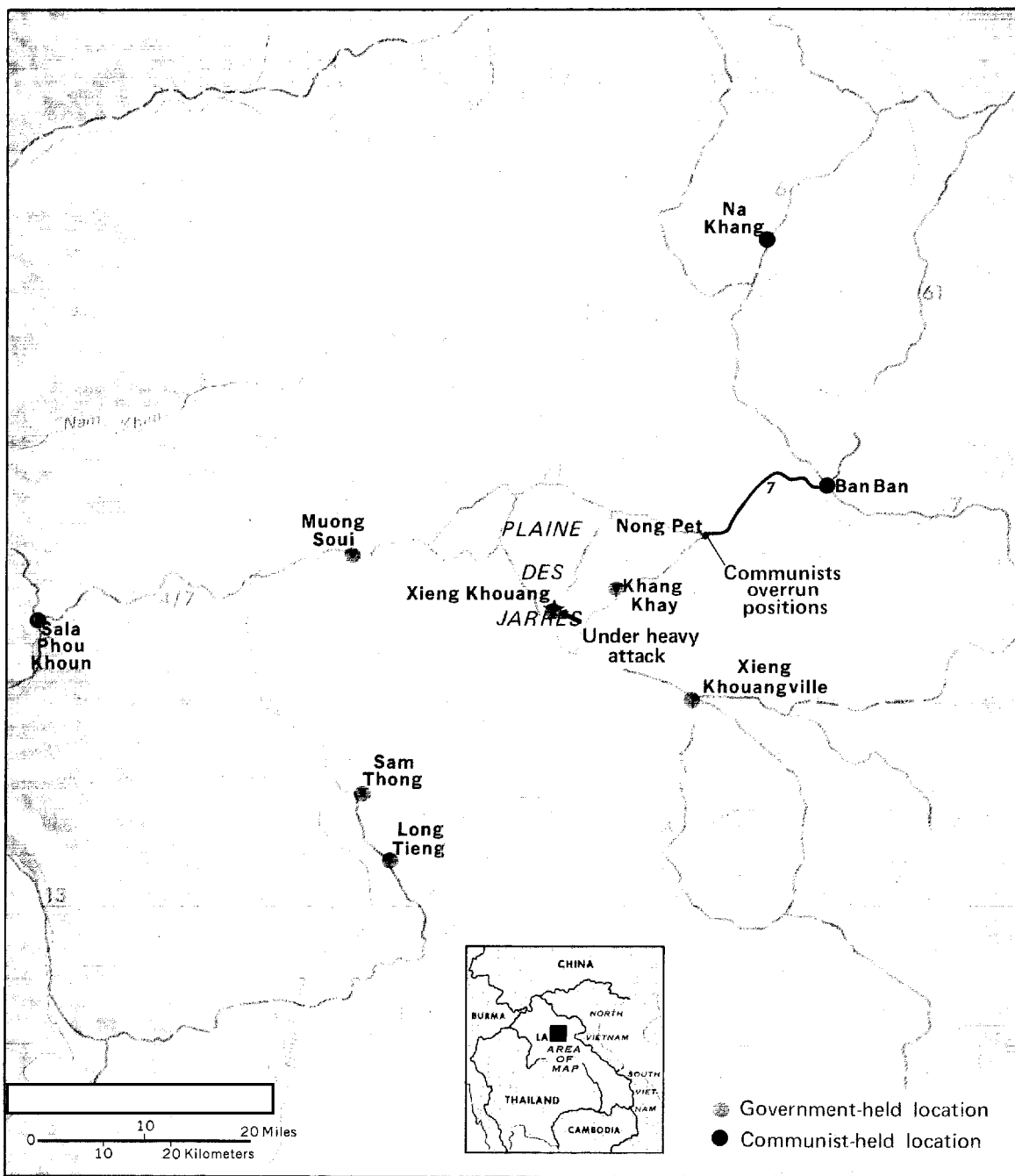
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Plaine des Jarres Under Communist Attack



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[Laos: The Communists have launched a major counteroffensive against government forces in the Plaine des Jarres.

In an important first step toward moving back into the Plaine, a large number of Communist troops supported by tanks and armored cars began pushing into the Nong Pet area on 11 February. The enemy thrust has been directed against the several groups of government guerrillas who have been blocking Route 7, the northeastern gateway to the Plaine, since last August. Preliminary reports indicate that the government has lost most of the strategic hilltops overlooking Nong Pet, and it apparently will be only a short time before the entire area is in enemy hands.

On the Plaine, government forces were able to thwart a North Vietnamese attack against General Vang Pao's forward headquarters at Xieng Khouang airfield. According to initial accounts, the enemy lost over 70 killed while government casualties were light. The airfield was the scene of a costly enemy commando raid in mid-December.

Although General Vang Pao had hoped to make the Communist capture of the Plaine as difficult and expensive as possible, rapid loss of key terrain features overlooking the Plaine could upset these plans.



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[Jordan: Arab fedayeen and King Husayn agreed late yesterday to a cease-fire pending the working out of a new, apparently less restrictive agreement on fedayeen activities.

The announcement from Amman followed a series of meetings yesterday and the day before between the King and fedayeen leaders, and after fedayeen defiance of the King's new restrictions and clashes between fedayeen and police in Amman. The two sides agreed to cease "all provocative acts" and to suspend "all measures and steps causing tension." The latter provision apparently means a suspension of the King's 11-point restriction order of 10 February. The two sides are to begin discussions immediately on a new arrangement.

The King appears at this point to have backed down rather quickly and to have lost another battle with the fedayeen. He had the military muscle to follow through on a showdown, but it would have been bloody. Husayn was also under strong pressure resulting from domestic and foreign support of the fedayeen.

25X1 [redacted] fedayeen forces, following the announcement of the King's restrictions on 10 February, withdrew from the front lines into Amman and took physical control of parts of the city. Some Jordanian Army reinforcements were moved into the capital, but they never really got into the fray and generally sat on the sidelines awaiting orders from Husayn. No figures on government casualties have been released. Apparently about a dozen fedayeen were killed in the two days. [redacted]

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Egypt-Israel: The Egyptians have suffered a large number of civilian casualties, apparently for the first time, as a result of an Israeli air raid.

Israeli aircraft yesterday struck a steel reinforcing rod factory some ten miles north of Cairo. Egypt claimed some 70 persons were killed and almost 100 wounded in the attack. The Israeli radio subsequently announced that there had been no change in Tel Aviv's policy of hitting only military targets, and that if a civilian target had been struck it was "the result of a mistake."

It is not clear how much pressure will be exerted on Nasir to retaliate for the Israeli raid. He had previously indicated that if Egypt suffered large civilian casualties in one of the raids, he would feel compelled to strike back at Israeli civilian targets no matter what the price. Nasir may decide, however, that he is too weak at present to risk retaliation. In any event, he will exploit the propaganda windfall provided by this incident, and almost certainly hopes that the bad publicity will cause Israel to cease its raids near Cairo.

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13 Feb 70

Central Intelligence Bulletin

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East Germany - West Germany: East German Premier Stoph's proposal to Chancellor Brandt to begin talks next week probably was more a tactical ploy than a serious offer to negotiate.

In a letter delivered in Bonn yesterday, Stoph proposed that he and Brandt meet on 19 or 26 February to discuss an "arrangement by treaty" establishing normal relations between the two Germanies.

Although he did not say so specifically, Stoph implied that the draft treaty sent to Bonn last December by party leader Ulbricht would serve as the basis for discussions. Much of his letter is devoted to rehashing the treaty's main points, and Stoph noted "with regret" that Bonn has yet to reply to Ulbricht's proposal.

The East German move was somewhat surprising, especially because Ulbricht had indicated last month that Pankow would not rush to begin talks. It is possible that the East Germans have been influenced by the course of West German negotiations with the Poles and Soviets. Last fall, the Soviet response to the Allied overture on Berlin was instrumental in leading the East Germans to propose technical talks with Bonn.

The East Germans, nevertheless, clearly still differ with their allies concerning the desirability of relations with West Germany, and they may hope that Bonn will reject their offer. Pankow could then cite the West German refusal as evidence that Bonn cannot be trusted.

Bonn no doubt realizes that a simple rejection of Stoph's offer would play into East German hands. Therefore, while perhaps rejecting Pankow's timetable, the West Germans are expected to respond favorably to the East German offer. Chancellor Brandt clearly stated his willingness to engage in "government-level" negotiations in his state of the nation address last month. Brandt, although aware that prospects for a successful outcome are not good, is likely to conclude that an attempt to negotiate should be made.

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Romania - Warsaw Pact: A Warsaw Pact command post exercise reportedly will be held in Romania this year.

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[redacted] said that he learned of the exercise from the chief of the Romanian Defense Ministry's foreign liaison office. The Romanian officer said the exercise would involve about 300-500 "players"--presumably staff personnel--but no troops or air units from other Warsaw Pact countries. He would not say in what month the exercise would be held, nor did he indicate which countries would participate. He told both the US [redacted] attachés that there would be no Pact maneuvers "with troops" in Romania in 1970.

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No Warsaw Pact exercise has been held in Romania since 1962. President Ceausescu has denounced the holding of military maneuvers "on the territory or near the frontiers of other states," and Bucharest has been especially reluctant to allow Pact maneuvers in Romania since the invasion of Czechoslovakia in 1968. The Romanians obviously fear that Pact troops might not leave once the maneuvers end. An exercise of the type described by the Romanian officer would enable Romania to fulfill at least part of its obligation to the Pact without jeopardizing its sovereignty. [redacted]

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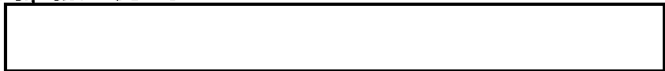
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European Communities - Japan: The EC Commission is exploring the outlook for an EC-Japan commercial agreement.

EC Commissioner Deniau will visit Japan next week. His discussions with Japan will be a major test of the Commission's authority as negotiator of trade agreements for the Communities. According to the Treaty of Rome, the Commission should have fully assumed that role from the member states by the end of this year. The common commercial policy agreed to last year implements the treaty requirements with the exception of negotiations with some East European countries, which will not be included until 1972.

A primary issue will be how far the EC is willing to go in reducing existing discriminatory measures against Japanese exports in return for the removal of Japanese non-tariff barriers to trade. Such liberalization would facilitate expansion of trade between Japan and the EC and would help to set the stage for Japan to lower barriers to its trade with the US.



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Nigeria: The federal government's reconciliation policy is off to a good start, but the restoration of a normal political and economic situation in the secessionist area will take time.

The military occupation of the former Eastern Region has gone well so far, and earlier troop discipline problems have been overcome. [REDACTED]

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[REDACTED] the Easterners have generally been reassured by the conduct of federal troops and have been fraternizing freely with them.

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The Ibos' willingness to forget the past so quickly probably results in part from the government's massive relief program. Malnutrition and suffering have been severe, however. Relief operations are improving, but a month after the end of the war, food distribution is still not well organized.

A major problem in the enclave is that there is still virtually no Nigerian currency in the hands of the people. Federal officials are working out the details of a currency exchange, which is reportedly to get under way tomorrow.

Another problem for General Gowon is the belief among many minority tribesmen in eastern Nigeria, and among some elements within the federal government as well, that too much is being done for the Ibos. Probably in part as a concession to these elements, Lagos has established a military tribunal to screen secessionist army officers who are seeking reinstatement in the Nigerian Army. The tribunal presumably will decide which officers were "misguided" into secession and which were the "misguiders," but there are no indications that a large-scale purge is in the offing. [REDACTED]

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Turkey: Prime Minister Demirel's leadership position has been damaged by the Assembly's rejection of the budget, but political observers in Ankara believe that he will be able to recover most of the lost ground.

Demirel is still in firm control of the Justice Party, although he has lost, at least temporarily, the votes of the 41 members of the party's conservative wing. He needs only 13 votes, however, to regain a bare majority in the lower house. His majority in the Senate has not been affected by the present controversy. Demirel has several possible courses of action available, including forming a coalition with one of the smaller parties and some of the independents.

As parliament resumes today, the only matter of immediate urgency is the need to pass a budget, either interim or final. It must be approved by 28 February, the end of the Turkish fiscal year. Meanwhile, political bargaining probably will delay consideration of other important matters.

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Bolivia: The Ovando government may either have to institute a severe austerity program or devalue its currency.

These politically unpalatable choices loom in the wake of a forecast by the International Monetary Fund (IMF) that Bolivian reserves may drop as much as \$12 million in 1970. Although reserves increased by \$6 million in late 1969, a loss is expected because of the overvaluation of the currency and Bolivia's takeover of the Gulf oil operation. The IMF has been conferring on Bolivia's financial woes since before the coup that brought Ovando to power last September.

Some of Ovando's ministers favor devaluation and believe that they can persuade the military to go along. An austerity program, which might prove less damaging for the government's prestige, would be fought by a variety of sectors.

Bolivia will probably ask for US financial support, especially for the military, if it accepts the IMF's devaluation plan.

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USSR: Since late 1969 Soviet trade officials have several times expressed interest in obtaining equipment used in Intelsat ground stations. The Soviets announced plans in early 1969 for their own stationary-orbit communications satellite, called Statsionar. Since Statsionar would operate on many of the same frequencies as Intelsat, the Soviets may want to use Intelsat equipment in their own program. They may also want to copy the Intelsat equipment or to test its compatibility with their own ground stations. Statsionar is supposed to be in operation by December 1970, but problems with the failure-prone SL-12 launch system may cause delays. [REDACTED]

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USSR-Australia: The Soviet Union recently contracted to buy some 30,000 tons of beef and mutton from Australia, for delivery by 30 June, to help offset Moscow's shortfall in domestic meat production. This deal alone, valued at nearly \$30 million, will boost Australia's total meat exports ten percent over those of 1969. [REDACTED]

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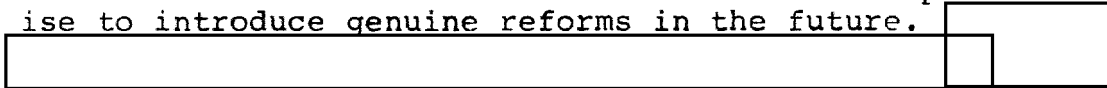
additional meat sales may be negotiated with other Communist countries, including Czechoslovakia, Romania, and Hungary. Canberra is encouraging such exports as a means of reducing its heavy dependence on the US market, where its meat exports are limited by quota. The Soviet purchase is probably a one-time sale, however. [REDACTED]

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Czechoslovakia: Another reform from Dubcek's liberal Action Program--the granting of rights to group interest associations--is under fire. Early in 1968 organizations such as those for industry and trade and communal enterprises were authorized to protect the rights of their individual members even in the face of Communist Party opposition. They also were to operate independently of the party's control machinery. Recently, however, the Czech party bureau issued a directive that presages abolition by the end of March of those interest groups accused of failing to support the party. The withdrawal of this reform probably will generate minimal resistance from the organizations themselves, but it will add to popular disaffection and cast further doubt on Husak's promise to introduce genuine reforms in the future.



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Italy: President Saragat requested yesterday that Mariano Rumor attempt formation of a new Italian government. Negotiations looking toward a new center-left coalition including the Christian Democrats, the Socialists, the right-wing Unitary Socialists, and the Republicans are expected to last several weeks. The Socialist Party must still resolve some conflict in its ranks.



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