

DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

State Dept. review completed

Secret

№ 041

16 July 1971

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Approved For Release 2003/05/19 : CIA-RDP79T00975A019500080001-7

Approved For Release 2003/05/19 : CIA-RDP79T00975A019500080001-7

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No. 0169/71
16 July 1971

Central Intelligence Bulletin

CONTENTS

COMMUNIST CHINA - US: Chinese bid for expansion of indirect trade. (Page 1)

USSR-US: Mack Trucks negotiations break off. (Page 2)



25X1

BOLIVIA-CUBA-CHILE: Bolivia may be preparing to resume diplomatic relations with Cuba and Chile. (Page 4)

UGANDA: Undisciplined army troubles government. (Page 5)

YEMEN (SANA): Communist countries demand debt repayments. (Page 6)

COMMUNIST CHINA: Military men continue to be awarded high government posts. (Page 7)

AFRICA: Cholera continues to spread relentlessly. (Page 8)

USSR-SINGAPORE: First Soviet warship visit (Page 10)

COMMUNIST CHINA - TURKEY: Diplomatic relations (Page 10)

IRAN: Additional oil revenue (Page 11)

ARAB STATES - MOROCCO: Sadat-Qadhafi meet (Page 11)



25X1

~~SECRET~~

SECRET

COMMUNIST CHINA - US: Since the US relaxation of restrictions on trade with Communist China last month the Chinese have indicated that they will welcome an expansion of indirect Sino-US trade.

Although Peking has made it clear that the Taiwan question will continue to inhibit direct trade with the US, the Chinese recently have increased their imports of US goods through foreign firms and have approached foreign exporters with the US market in mind. China has maintained that such trade is desirable as long as Peking is not officially informed of the US nationality of the supplier or customer.

The Chinese have made their views known to foreign visitors and through their commercial representatives in Hong Kong, who reportedly have been advised to establish companies to trade with the US on an unofficial basis. It is not clear, however, whether this move has received final approval from Peking. China is also said to be considering allowing a small number of American company officials to attend the Canton trade fair this fall. It is questionable whether these businessmen would be permitted to engage in trade or would be restricted to "observer" status.



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16 Jul 71

Central Intelligence Bulletin

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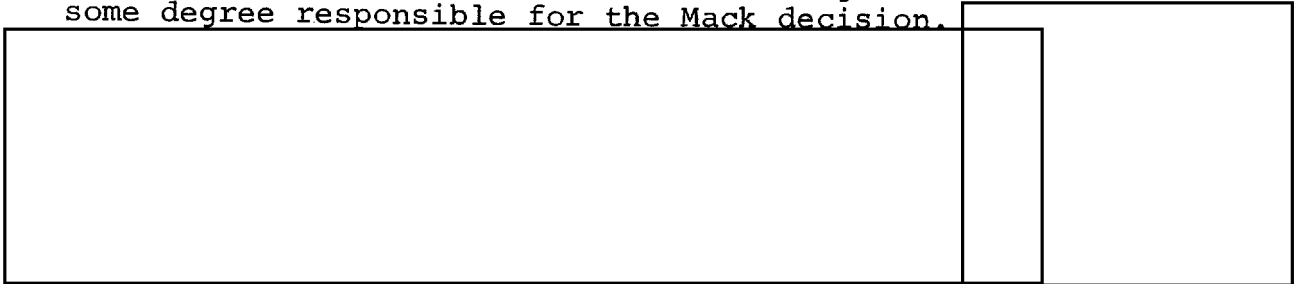
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USSR-US: Mack Trucks has broken off negotiations with the Soviets for participation in the Kama Truck Plant, the largest single construction project of the current five-year plan.

The US firm takes the position that the Soviet approach to the project is at odds with the methods employed by US industry and that the time schedule proposed by the Soviets is unrealistic. Under a recent protocol, Mack Trucks had been prepared to assume substantial engineering and management responsibilities for designing and equipping the Kama plant. Future negotiations cannot be ruled out if the Soviets are willing to modify their requirements. Potential Soviet expenditures with Mack Trucks and other US firms for the project have been estimated in the range of \$140-\$200 million.

Protracted difficulties in obtaining Western technical and financial assistance will almost certainly delay the completion date of the Kama complex from 1974 to the end of 1976 at the earliest. Moscow is almost certain to suspect that Washington is in some degree responsible for the Mack decision.

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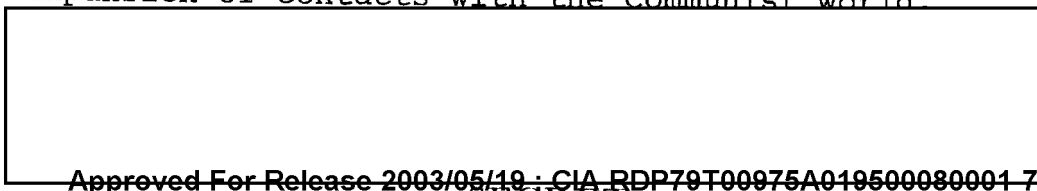
BOLIVIA-CUBA-CHILE: Bolivia may be moving toward resumption of diplomatic relations with Cuba and Chile.

Extreme leftist labor and student groups are demanding restoration of ties with Cuba. The national labor confederation has warned that if the government fails to act by 26 July, workers will send their own ambassadors "to maintain relations with the Cuban people."

The Bolivian foreign minister has stated that a Bolivian-Cuban rapprochement depends on political, economic, and other circumstances. Castro has praised the "revolutionary process" under way in Bolivia and expressed his confidence in the Bolivian people, but so far only the Chilean and Peruvian governments have been endorsed by Havana. Torres may be looking for a public statement that could be interpreted as approval of his government. Pressure from the "popular forces" could cause Torres to make the first public overture, but it may also provide him with an excuse when he feels the time is right to act.

Although there is considerable interest concerning the resumption of Bolivian-Chilean diplomatic relations in both countries, the issue of Bolivia's desire for an outlet to the sea at Chile's expense has thus far proven an insurmountable obstacle.

Torres has stated publicly his interest in maintaining diplomatic and commercial relations with all countries, based on "the principle of self-determination." Re-establishment of diplomatic relations with Chile after a nine-year break could help ease tensions dating back almost a century. Renewal of ties with Cuba would be consistent with the current trend of Bolivian foreign policy: "independence from the US" in world affairs and the expansion of contacts with the Communist world.



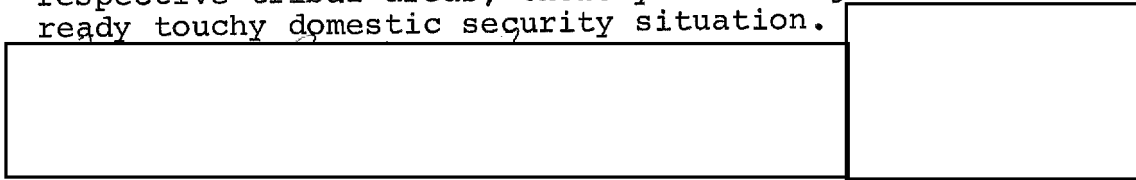
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UGANDA: The government continues to be troubled by an increasingly tribalized and undisciplined army.

During the past few weeks, serious incidents of fighting among troops have taken place at several military posts, the most recent clash occurring early this week at a major camp about 50 miles from Kampala, the capital. The violence is sparked by the persistent hostility between President Amin's fellow West Nile troops and northern soldiers who were the source of much of ex-President Obote's support.

Since the military government seized power last January, West Nile troops have been taking advantage of their new-found dominance to settle long-standing differences. Many northerners, particularly Acholi and Lango tribesmen, have been killed, beaten, indiscriminately arrested, or detained. The government has admitted that 670 officers and enlisted men have been killed in recent months, but it attributes the losses to border encounters with pro-Obote guerrillas infiltrating from Tanzania. Most observers discount this explanation, however.

General Amin has thus far done little to impose discipline on the army and in particular on his fellow West Nilers. As a result, the army command structure appears to be deteriorating, and some local commanders are reportedly exercising complete authority in their areas. There is also some concern that intra-army clashes may now spread to the respective tribal areas, thereby worsening the already touchy domestic security situation.



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YEMEN (SANA): Several Communist countries apparently are demanding that Yemen begin making debt repayments, further complicating its shaky financial position.

The USSR and East Germany have made a coordinated move to put economic pressure on the Yemeni Government [redacted] Early this month, the Soviet ambassador in Sana demanded that Yemen begin making repayments on its debts to the USSR estimated between \$50 and \$60 million. A few days later, the East Germans demanded repayment on its loans and Yugoslavia, probably motivated primarily by a desire to recover its loan, followed suit. This is the first known instance of Communist countries coordinating their actions in debt problems with less developed countries.

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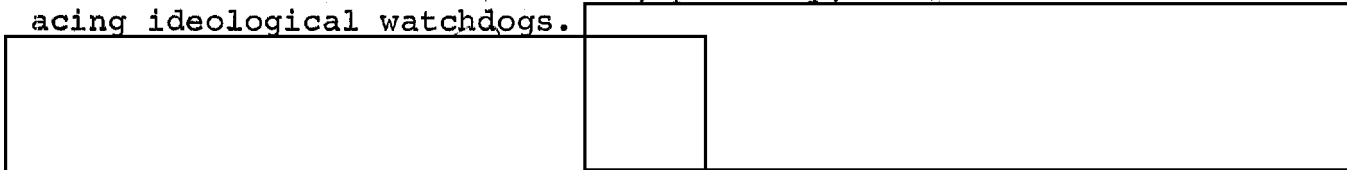
COMMUNIST CHINA: Another military man has been formally assigned to a high government post.

The recent identification of a former regional military officer, Li Yao-wen, as vice minister of foreign affairs marks the first time that an army man has been given a specific post in the Foreign Ministry, although a number of military men have accompanied ministry officials at government functions during the past three years. Army careerists have been awarded top posts in at least four other ministries in the past six months, and it appears that no civil unit in the central hierarchy will be free of direct military influence as a result of the sweeping reorganization under way in the wake of the Cultural Revolution.

Staffing the revamped government apparatus has been a prolonged and controversial process. In particular, uncertainty over the impact of this infusion of military administrators on the operation of China's central bureaucracy may be contributing to the delay in convening the long-awaited National People's Congress--the civil government counterpart of the national party congress held two years ago.

In any case, the effectiveness of these relatively inexperienced soldier-bureaucrats will depend heavily on their ability eventually to establish smooth working relationships with the growing number of returning civilian specialists, many of whom may tend to regard their military overseers as an unwelcome encumbrance and, possibly, as menacing ideological watchdogs.

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AFRICA: Serious cholera outbreaks continue to occur in widely scattered areas of the continent.

The latest reports come from Chad, Sudan, and Morocco, while cases continue to be reported from countries that had been infected earlier, such as Kenya and Uganda. The seriousness of the situation has generated a wave of rumors and scares in neighboring countries, as well as a series of border closings intended to confine the spread of the disease. Authorities in most countries have moved quickly to cordon off infected areas, administer mass vaccinations, and treat the victims, but it appears likely that there will be further outbreaks.

Chadian authorities have had to deal with a full-fledged epidemic since the first cases were reported there in mid-May. Cases now total some 7,500 with over 2,300 deaths, but officials admit privately that many more cases and deaths have gone unreported. The rate of infection in the original areas north and west of Fort Lamy has dropped sharply in the face of mass inoculations and other measures made possibly by a heavy influx of French and other foreign assistance. New cases are now being reported in other areas, however, especially in the eastern section of the country bordering Sudan.

Sudan itself has had cholera in the south for some time, but cases--possibly as many as 40 per day--are now occurring in Khartoum, and there are indications of cases farther north as well. Sudanese officials deny the presence of cholera anywhere in the country, but admit to an "acute health crisis" caused by what they describe as "gastritis...which may result in death in less than five hours." Health authorities have started an inoculation campaign against "summer diseases," but have apparently not instituted any other measures.

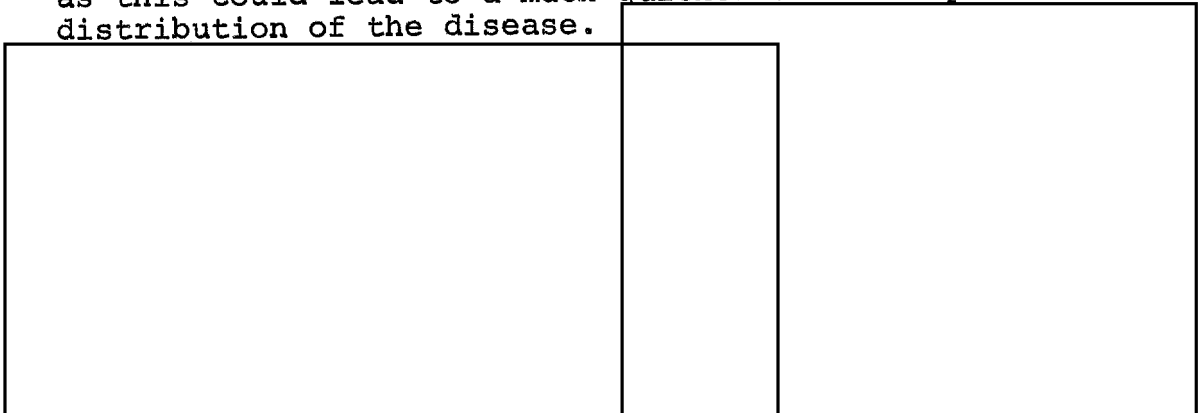
In Morocco, authorities moved quickly in an effort to prevent the disease from spreading after it was first reported in Nador, an eastern maritime

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province, but outbreaks seem likely to occur elsewhere in the country nevertheless. Morocco is the first Mediterranean littoral country to be infected this year, and the proximity of the Spanish-held port of Melilla, from where a ferry service operates to ports in southern Spain, raises the danger of the disease moving to Europe.)

Although the current outbreaks appear sporadic and random in nature, the disease is nevertheless following a generally predictable geographic pattern in its steady spread. Outbreaks in major population centers, such as Khartoum, are particularly alarming as this could lead to a much quicker and widespread distribution of the disease.



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USSR-SINGAPORE: The first Soviet warship to visit Singapore anchored there early yesterday. The Kotlin-class destroyer and an accompanying naval oiler had been deployed in the Indian Ocean and were returning to home waters. A Soviet shipping delegation recently met with Singapore authorities, but there have been no indications that any arrangement was reached covering the future use of Singapore's shipyard facilities by Soviet commercial or military ships.



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COMMUNIST CHINA - TURKEY: Ankara may be stalling in its talks with Peking on establishing diplomatic relations. A Foreign Ministry official has confirmed the substance of a recent Turkish magazine article disclosing that the negotiations are stalemated over the future of Turkish relations with Nationalist China. Ankara apparently wants more time in which to observe developments elsewhere on the issue of Chinese recognition. They are particularly interested in President Nixon's impending China statement on the recognition issue, and also wish to keep in step with Iran, which has slowed the pace of its talks with Peking. It seems likely that relations will nevertheless be established before the next session of the UN General Assembly.



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IRAN: The Shah appears to be the winner in the current round of negotiations for additional revenue from the Western Oil Consortium outside the framework of the five-year OPEC settlement. [redacted]

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[redacted] the Consortium has agreed to meet Iranian demands for payment of port dues, compensation for losses sustained from oil barter deals because of increased posted prices, and for payments connected with oil supplies for the Abadan Refinery. As a result Iran could receive an additional \$24 million in revenue this year. Although small compared with the \$400 million added revenue from the OPEC settlement, the increase will help Iran to meet its burgeoning foreign currency obligations and give the Shah some solace for what he considers the more favorable treatment given to Libya and other radical states by the oil companies. [redacted]

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ARAB STATES - MOROCCO: Libyan Prime Minister Qadhafi and Egyptian President Sadat are meeting in Mersa Matruh with delegations from Sudan and Syria to discuss the situation in Morocco. The Egyptians sought to mask the true reason for the conclave, which suggests that Sadat foresaw some stormy sessions with Qadhafi, whose public support of the Moroccan rebels probably annoyed the Egyptian leader. Qadhafi's persistence in his extreme stand on the Moroccan situation must also be causing the Egyptians concern about future wrangling over foreign policy issues within the tripartite Federation of Arab Republics, which is scheduled to come into being after 1 September. [redacted]

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[SPECIAL NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 15 July 1971 approved the following special national intelligence estimate:

SNIE 91-71 "Short-Term Outlook for
Argentina"

25X1

16 Jul 71

Central Intelligence Bulletin

13

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