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CONTENTS

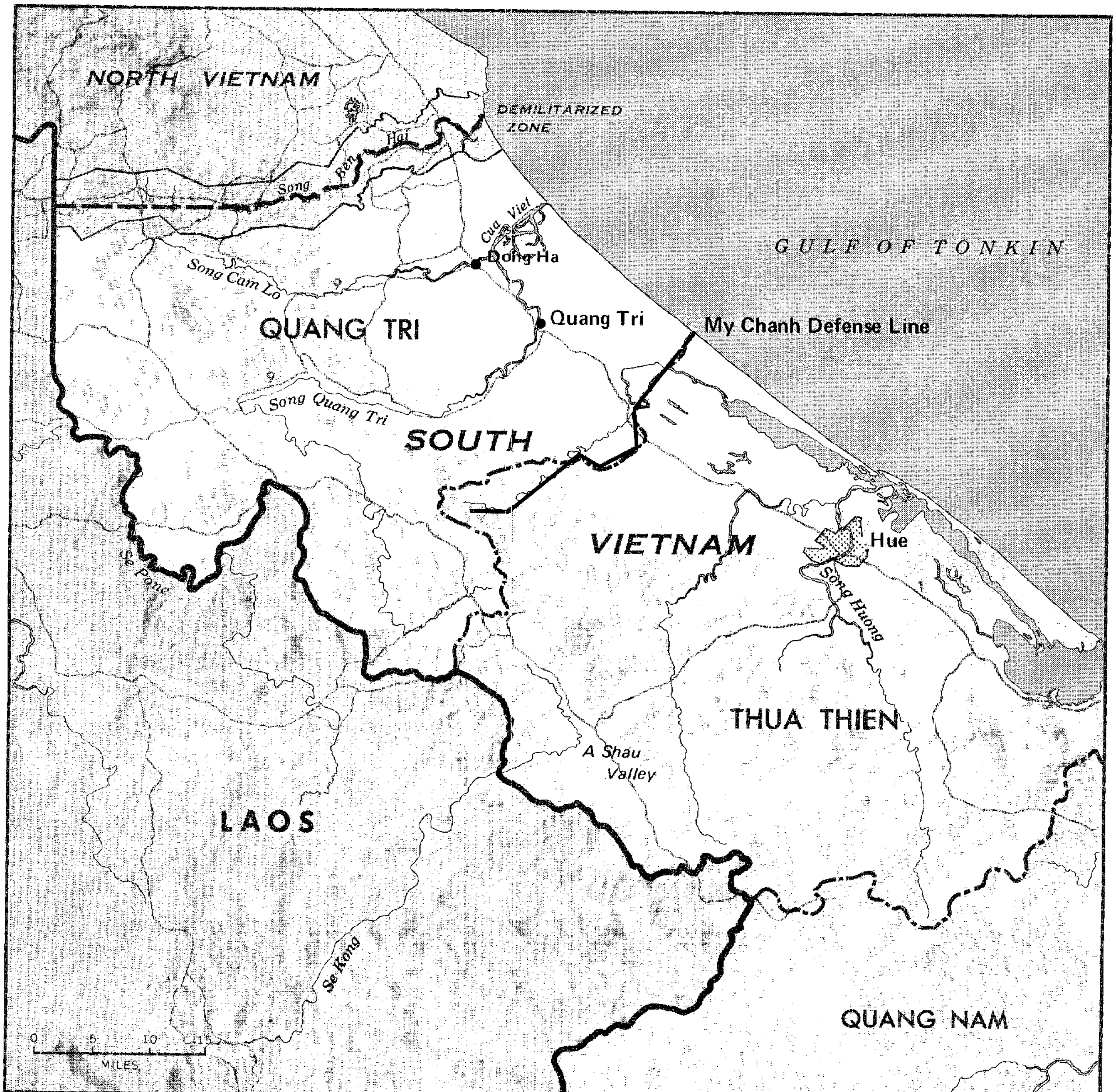
VIETNAM: COSVN, the Communist command in southern South Vietnam, has ordered further offensive action on the military and political fronts, possibly in the belief that negotiations with the US may be in the offing.

[redacted] 25X1

25X1 [redacted] Communist cadre were briefed on new directives from the southern command. The directives allegedly called for strenuous efforts to seize territory, gain control over more people, undermine the pacification program, and defeat the South Vietnamese Army.

[redacted] 25X1

The directives may simply be designed to get one more all-out effort from Communist cadres. Communist commanders have tried in the past to exhort their forces to better performance by holding out the prospect of a cessation of the war after certain objectives, usually the occupation of larger areas, are achieved. [redacted] 25X1


NORTH VIETNAM
DEMILITARIZED ZONE
Song Ben Hai
Cua Viet
Dong Ha
GULF OF TONKIN
Song Cam Lo
Quang Tri
My Chanh Defense Line
QUANG TRI
Song Quang Tri
SOUTH
VIETNAM
Hue
Song Huong
Se Pone
THUA THIEN
A Shau Valley
LAOS
Se Kong
QUANG NAM
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South Vietnamese forces have moved at least three miles north of the My Chanh defense line in a major drive into Quang Tri Province. Details are still sketchy, but early reports indicate that some heavy fighting has occurred west of Route 1, where South Vietnamese paratroopers have encountered substantial resistance, and about eight miles southeast of Quang Tri City, where a marine task force is attempting to move north along the coast.

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The offensive is being supported by intensive air, artillery, and naval bombardments, directed mostly against Communist artillery positions in the foothills to the west of Route 1. To head off any Communist flanking attack against Hue, a brigade of South Vietnamese paratroops from An Loc and two regular army regiments have moved into the defensive positions previously manned by the forces now on the attack in Quang Tri. Nevertheless, Saigon's forces are stretched somewhat thin northwest of Hue, with few reserves available to meet any major enemy effort along the western approach.

Prior to the government offensive, the Communists attacked South Vietnamese frontline positions in the vicinity of the government's staging area for operations west of Route 1, but were turned back.

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A supplementary economic and military aid agreement between China and North Vietnam was signed yesterday in Peking. The agreement came almost two months after North Vietnam's chief negotiator arrived in China, suggesting that things did not go as smoothly as the Vietnamese may have wished. As is customary, the amount of the aid, which includes "gratuitous" military equipment and materiel, was not disclosed. [redacted] 25X1

ISRAEL-LEBANON: Israeli officials intend to maintain constant diplomatic and military pressure on Beirut to force Lebanon to curb fedayeen activities against Israel.

These officials are under no illusion that Israel itself can solve the fedayeen problem, and they believe that the Lebanese must crack down on the fedayeen the way King Husayn did in 1970-71. The Israelis clearly want to put a complete stop to terrorism from the north. On 28 June Defense Minister Dayan warned that henceforth Israel would emphasize a "deterrent" policy and would take action inside Lebanon to prevent commando activities rather than undertake new defensive measures within Israel. Dayan said Israel would not wait for the fedayeen to strike, but would strike them first.

The Israelis may be asking Beirut to do more than it is capable of in cracking down hard on the fedayeen. Beirut nevertheless appears to be making some attempts to meet Israeli demands despite Lebanese Army weaknesses and domestic political differences regarding the fedayeen. President Franjiyah announced yesterday that the fedayeen have agreed to suspend at least temporarily operations against Israel. It is questionable, however, whether all fedayeen groups will honor the agreement. A spokesman in Damascus for the more radical Popular Front for the Liberation of Palestine (PFLP) has publicly rejected the idea of freezing fedayeen operations, stating that it was necessary to maintain them on all Arab borders. 25X1

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TURKEY: The government's ban on opium cultivation is running into new criticism and opposition in parliament.

Several prominent politicians representing both major parties recently have been criticizing various aspects of the ban; 112 members of parliament, from the predominant Justice Party, are sponsoring legislation to permit the resumption of poppy cultivation under strict government controls. Under this plan, the farmers would be allowed to resume opium poppy cultivation, but government factories would process the entire crop, presumably for pharmaceuticals. Although the growers would be forbidden to extract opium from the plants, the proposed scheme would allow traffic in illicit opium to increase and greatly complicate the problem of government control.

The Melen government, however, appears determined to continue the ban and to move ahead with related compensation and crop substitution projects. The prime minister reportedly has said he would never reverse the ban. Nevertheless, with national elections only 15 months away, the opium question could become a thorny campaign issue. 25X1

FRANCE: The accord reached by the Communist and Socialist parties on a common program for governing puts them in a stronger position to face elections. The accord, however, papers over substantial differences about key policy issues and basic party goals.

Both sides apparently made a number of concessions in the accord, which among other things would nationalize much of French industry and financial institutions, freeze France's nuclear program at its current level, restrict the powers and term of the president, and grant major benefits to workers. The Communists in particular seem to have abandoned some long-held demands, perhaps spurred by fears that the Socialists would try to construct a non-Communist opposition if the impasse over an accord continued.

The accord does represent an important step forward in Communist-Socialist cooperation and may prove an attractive vote-getter in the parliamentary elections, which must be held by next spring. Nonetheless, the document is vague--probably deliberately--and reflects the inability of the parties to agree fully on certain crucial issues. NATO as such is not even mentioned, despite the fact that the Communists want to withdraw while the Socialists want to stay in until both NATO and the Warsaw Pact are dismantled. The accord merely calls for an end to military groupings. The commitment to take part in the construction of Europe and to support its institutions is a significant concession by the Communists. There are nonetheless disagreements as to how Europe should develop and function.

The disarray in the government camp in recent months and the hope of capitalizing on it gave new impetus to the two parties. They hope through the accord to make more credible their claim to represent a workable alternative to the Pompidou government.

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They are handicapped, however, by divisions within the Socialist Party and by the fact that the two parties together hold less than one sixth of the seats in the Gaullist-dominated parliament. Finally, they may discover that the accord serves to re-unite the Gaullists as nothing else could. De Gaulle's emphasis on the "Communist threat" was a key factor in the massive Gaullist parliamentary victory in 1968. [redacted]

25X1

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CZECHOSLOVAKIA - WEST GERMANY: Another round of talks aimed at normalizing relations opens today in Prague.

In the scheduled two-day session, Czechoslovak Deputy Foreign Minister Goetz and West German State Secretary Frank will grapple with the problem of the Munich Agreement of 1938, the issue that has deadlocked previous negotiations. Prague has demanded that West Germany declare the agreement null and void from the beginning. For legal reasons, including the citizenship status of the Sudeten Germans, Bonn has refused. The Brandt government had agreed to declare the agreement unjust from the beginning and therefore invalid now, but has given no indication it is willing to go further.

Czechoslovak leaders have been conciliatory in recent public statements. On several occasions party chief Husak has avoided use of Prague's strict formulation on the Munich agreement and has stated that Czechoslovakia was ready to negotiate a treaty with West Germany. The Czechoslovaks, who initiated the resumption of the talks, have little to gain by prolonging the impasse and may be prepared to explore possibilities of a compromise. 25X1

CENTRAL AMERICA: The already troubled Central American Common Market is on the verge of a new crisis as a result of Costa Rican intransigence.

Troubled by fiscal and balance-of-payments problems, Costa Rica has delayed payment of a US$22.2-million debt it owes to the four other Market countries. Nicaragua has threatened to suspend exports to Costa Rica, and other member states seem ready to follow.

The Central American Monetary Council is prepared to help Costa Rica resolve its payment difficulties but insists in return that the Figueres government effect a stabilization plan that would probably have to include currency devaluation and the reduction of government expenditures. Figueres has vetoed both proposals and has rebuffed several efforts by the council to mediate a solution.

The Common Market, for many years the shining example of Latin American integration, has fallen on hard times since El Salvador and Honduras briefly went to war in 1969. Over the past few months, the two have made serious efforts to resolve outstanding problems, particularly their long-standing border dispute. Secret negotiations in Guatemala have reached the point where a modicum of flexibility could yield impressive results, but this step continues to elude the negotiators.

Despite continued problems there seems to be a general consensus that the Common Market ought to be saved. Nevertheless, prospects for its early revitalization, are not good. 25X1

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INTERNATIONAL MONETARY DEVELOPMENTS: Major European money markets were generally quiet yesterday in the wake of the decision to maintain existing exchange rate bands, but new measures, perhaps only temporary, have been introduced to restrict short-term capital movements. When major continental foreign exchanges opened yesterday for the first time since last Thursday, the US dollar opened under its previous low against most currencies and declined somewhat. Central banks did not have to provide much support for the dollar, which closed above its floor. Sterling experienced little movement during light trading and its dollar value remained about four percent below the old central rate. Switzerland and Italy will restrict short-term capital movements while West Germany, in an effort to halt a renewed speculative inflow of dollars, will tighten rules that increase the cost of foreign borrowing by German firms. 25X1

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PAKISTAN: Industrial production dropped almost six percent in the fiscal year ending this month, and over-all economic growth amounted to only 1.7 percent, according to preliminary figures from Islamabad. Per capita income declined for the second straight year. The principal reason for the industrial recession was the loss of markets in Bangladesh. Pakistan's most important industry, cotton textiles, was especially hard hit. Although textile exports rose sharply, the increase was not enough to offset the loss of sales to Bangladesh. Labor unrest, especially in recent months; the low level of investor confidence; and power shortages resulting from drought conditions also contributed to reduced industrial output. The drought last year also resulted in disappointing food crops, but a bumper cotton crop enabled the agricultural sector to show a 2.8-percent increase in output in the fiscal year and contributed to a significant growth in exports. [redacted] 25X1

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GUYANA: The government has temporarily closed its state-owned alumina plant because of the depressed international market for aluminum. Unless the Guyana Bauxite Company (GUYBAU) is willing to sell alumina at a loss, the plant may be closed considerably longer than the three-week period announced. An extended shutdown would lead to a significant loss of much-needed foreign exchange and could heighten current labor unrest at the GUYBAU facility. In addition, the depressed market conditions should further discourage the threatened nationalization proceedings against the US-owned Reynold's Guyana Mines in the near future. Since the government take-over in July, GUYBAU has encountered increasing difficulty in marketing alumina and metal grade bauxite and recently has been forced to sell alumina at cost while cutting back sharply on bauxite output. [redacted] 25X1

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