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11 APRIL 1972

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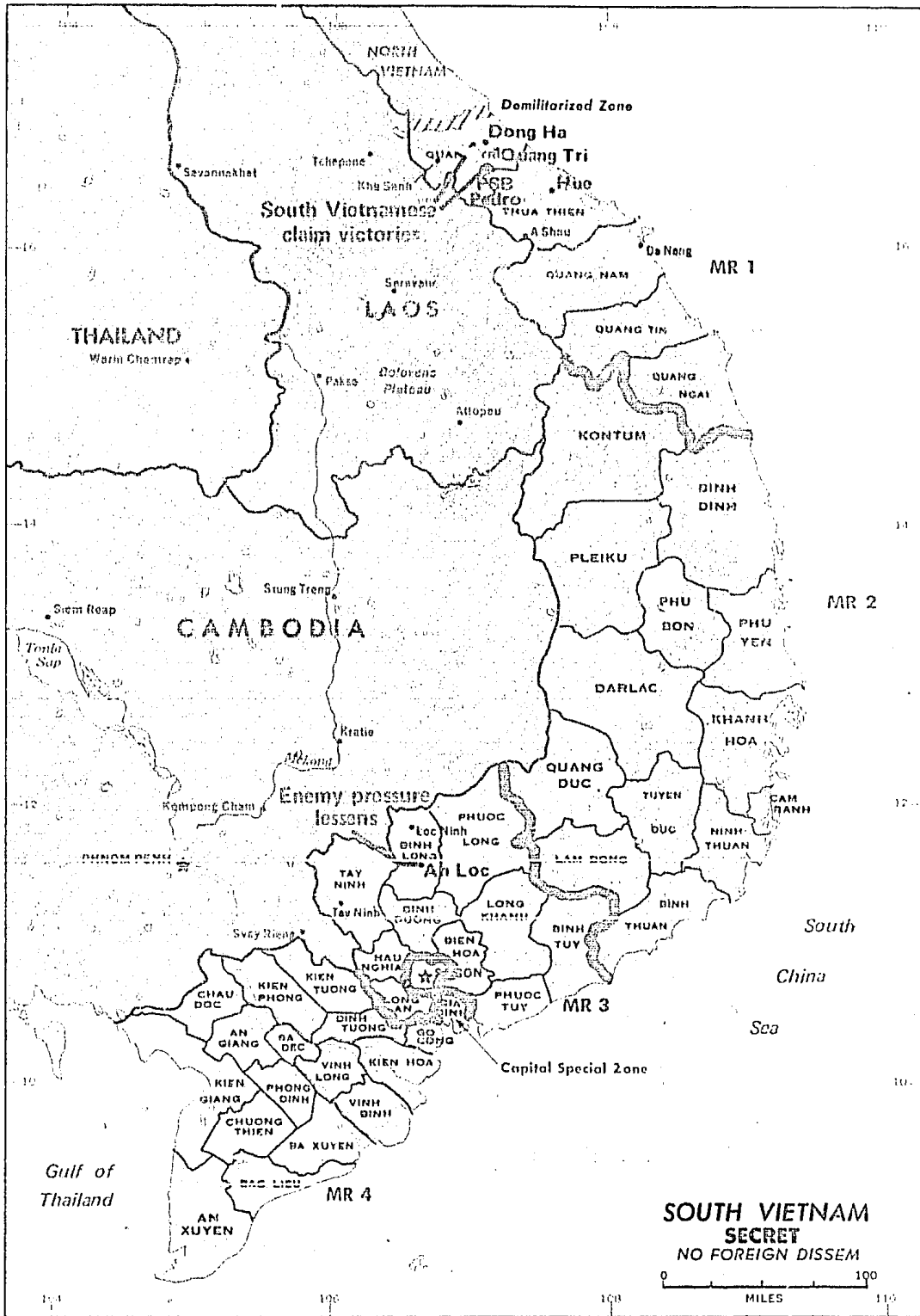
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SOUTH VIETNAM: South Vietnamese forces are reporting some successes in the northern provinces and enemy pressure has eased momentarily along the Cambodian border north of Saigon.

West of Quang Tri city, at Fire Support Base Pedro, Saigon forces report that they killed several hundred North Vietnamese troops and destroyed more than a dozen tanks on 9 April. They are claiming hundreds more enemy dead and nine additional tanks knocked out near Dong Ha where another strong Communist push reportedly was stopped in weekend fighting. There have been a number of other smaller battles in Quang Tri Province. It now appears that the North Vietnamese have committed all of the 202nd Tank Regiment, with some 140-160 tanks, south of the DMZ. South Vietnamese troops also report killing scores of North Vietnamese while beating back enemy assaults in Thua Thien Province west of Hue on 9-10 April.

The commander of ARVN forces in the northern military region, General Lam, has asserted that his troops have inflicted severe damage on the attacking North Vietnamese forces. However, sensors in both the eastern DMZ area and in western Thua Thien continue to show extensive enemy movements, indicating that additional strong Communist attacks are being prepared.

To the north of Saigon, Communist attacks against the capital of Binh Long Province, An Loc, have eased, but government reinforcements en route to the city are still being delayed by a Communist blocking force on Route 13. Senior South Vietnamese officers are particularly concerned about the situation in Binh Long as the North Vietnamese continue to move troops into the province and seem bent on seizing and holding territory. The army has been ordered to make a "maximum effort" to keep An Loc out of enemy hands. }

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There is additional evidence that the Communists are telling their troops that the current offensive is the biggest and most important ever. In a notebook captured in the recent fighting northwest of Saigon, the author wrote that the current campaign would be greater than that of Tet 1968 and a "more decisive success than Dien Bien Phu." In the central highlands a recently captured North Vietnamese prisoner says that his unit was told the offensive there would last through June.

Elsewhere in the country the Communists continue harassing attacks, but there were no new major engagements. (SECRET NO FOREIGN DISSEM)

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PAKISTAN: President Bhutto and Wali Khan, the leader of the National Awami Party (NAP), while trying to avoid an open confrontation, are running the risk of a showdown.

Following the breakdown in the agreement between the NAP and Bhutto, Wali announced that a coalition headed by the NAP would be the de jure government in the Northwest Frontier Province. He may not, however, intend for it to exercise power in place of the existing representatives of the central government. One NAP leader told reporters that the de jure chief minister would issue no orders.

Bhutto has not moved directly against Wali, but is trying to undercut him. The government plans to publish the correspondence of the political leaders in an effort to place the blame for the dispute on the NAP. [REDACTED]

[REDACTED] Bhutto intends to end martial law during the National Assembly session beginning 14 April, thereby depriving Wali of his main issue.

Bhutto is also trying to threaten Wali's prospects for political control in the Northwest Frontier Province by forming an alliance with a faction of the moderate Muslim League, the second strongest party there. Wali's group is still the stronger, but it does not have a majority in the provincial assembly.

The US Embassy believes that neither of the political leaders wants the situation to deteriorate into civil disorder. The embassy, nevertheless, warns that Bhutto's "patience may wear thin at Wali's continual grasping for more, and a showdown could develop." (CONFIDENTIAL)

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CHILE: Impatient with what it considers President Allende's "rightist deviations," the hardline leadership of his Socialist Party is insisting on more radical means to consolidate the power of the Popular Unity (UP) coalition.



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Both major coalition parties appear confident of winning the 1973 congressional elections. The Socialist leaders' growing dissatisfaction with the preference of Allende and the Communists for legality, however, led Sepulveda on 5 April to tell Socialist colleagues that "painful decisions" might soon have to be faced. He even hinted at a Socialist break with the UP.

The problems of power have aggravated strains in the 20-year Socialist-Communist political alliance, but a total break seems unlikely. Many Socialists oppose the party's present leadership, and its insistence on radical alternatives could lead to another in the long series of Socialist splits.
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ARGENTINA: Political violence was brought to a new and dangerous level yesterday with the assassination of General Sanchez and the murder of the Fiat executive kidnaped last month.

General Juan Carlos Sanchez was machine-gunned in his car yesterday, by the same People's Revolutionary Army (ERP) responsible for the kidnaping of Italian industrialist Oberdan Sallustro on 21 March. The assassination of Sanchez, commander of the II Army Corps in Rosario, came a few hours before Sallustro was shot when police closed in on a "people's prison" in a suburb of Buenos Aires.

Coming hard on the heels of the violence in Mendoza last week, the two murders are likely to bring even greater pressure on President Lanusse. Last Friday he announced the suspension of the utility rate increase that touched off four days of violence in Mendoza and other provincial cities, but this does not reach the heart of the problem. Rapidly rising inflation and growing unemployment, particularly in the provinces, have created a situation where violence is always just below the surface, and left-wing terrorists and labor agitators have all the conditions necessary to create serious trouble for the government.

The military high command yesterday issued a communiqué pledging their continued support for President Lanusse and his effort to move Argentina toward elections next year. If the economy and the security situation continue to deteriorate, however, many officers will begin to search for an alternative to Lanusse and his political and economic policies. (CONFIDENTIAL)

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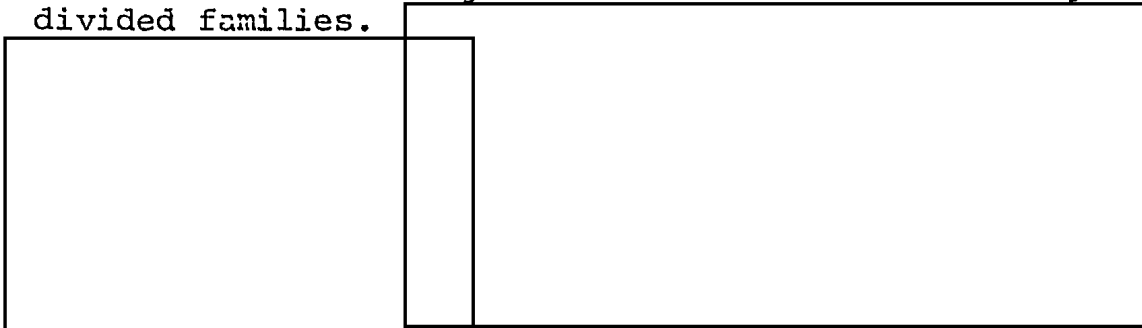
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KOREA: Seoul and Pyongyang have agreed to move to formal Red Cross discussions within a month.

The agreement comes after almost eight months of preliminary haggling at Panmunjom over the agenda for the formal meetings that will focus on reuniting divided families.

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The beginning of plenary sessions does not necessarily mean that significant progress in the negotiations is in the offing. While Pyongyang has consistently pressed for more rapid action, Seoul has remained cautious. Its decision to move now probably reflects increased interest in testing Pyongyang's intentions as well as demonstrating a positive attitude.

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The North Koreans have long pressed for broadening the Red Cross talks to include a range of political issues. Their response to Seoul's overture may indicate that Pyongyang too believes that the formal sessions could also be useful in that context. Moreover, both sides may calculate that the plenary meetings, which will be held alternately in Seoul and Pyongyang, will provide more private and favorable circumstances for a dialogue on sensitive issues than Panmunjom offers. (SECRET NO FOREIGN DISSEM)

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YUGOSLAVIA: The recent wave of resignations by enterprise directors in Slovenia indicates that the long-standing conflict over the allocation of foreign exchange earnings among the republics has yet to be resolved.

The resignations, triggered by a recent federal cabinet decision to reduce the portion of foreign exchange earnings that individual enterprises can use for importing raw materials, are a protest against the federal government's development policy. This is part of the larger economic issue that precipitated the riots in Croatia last November. Some officials in the more developed republics--Slovenia and Croatia--have long argued that their economies are stagnating because valuable hard currency is being siphoned off to the less developed republics to support uneconomic investments. Firms in Slovenia and Croatia complain that they are unable to use their hard currency earnings to purchase modern technology in the West.

The current dispute centers on economic losses anticipated by Slovenian firms engaged in the assembly of products from imported parts. The federal government hopes that by reducing the foreign exchange retention quota, imports of parts and raw materials will decline. Slovenian businessmen argue, however, that profits and foreign exchange earnings will decline because export plans will be upset.

Although some Slovenes are directly challenging federal authority in this matter, they are not prey to nationalist agitation, as was the Croat leadership in its dispute with Belgrade last year. If the Slovenes continue to restrict their opposition to the economic sphere, no political upheaval is likely. Periodic squabbles between regional and federal officials, however, are likely. (CONFIDENTIAL)

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USSR-TURKEY: Soviet President Podgorny's one-week visit to Turkey, which begins today, probably will be a routine affair. The Turks will resist signing either a friendship or consultation agreement with the Soviets, but Ankara may agree to a "declaration of principles" to record a desire for improved relations. Podgorny, who is returning the visit of President Sunay to the USSR in 1969, probably will not complain to the Turks about the current Turkish crackdown on leftists. (CONFIDENTIAL)

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EGYPT-JORDAN: Cairo's move to cut off all commercial dealings with Jordan by the end of this month will have little impact. Trade between the two countries has been increasing, but it remains relatively unimportant for both. The closure of Egyptian airspace to Jordan's commercial airline, a move that is reportedly under study in Cairo, would be more serious. With both Egyptian and Syrian airspace closed, the airline would lose all practical direct access to Lebanon and Western Europe. (CONFIDENTIAL)

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FINLAND-US: A senior Foreign Ministry official has complained that the US is opposing Helsinki's efforts to achieve an agreement with the EC. The official told the US economic counselor in Helsinki on 6 April that US lobbying in EC capitals to prevent shortening the tariff reduction period on paper amounted to "interference in the internal affairs of a foreign country." The charge reflects Finland's frustration in negotiations in which an equitable tariff on paper, a commodity that constitutes a significant portion of Finnish exports to an expanded EC, is the keystone of any agreement. The Finnish Government may have a tough time getting parliamentary approval for any agreement with the EC. If a subsequent draft agreement is rejected because of the tariff on paper, the US probably would be publicly blamed. (CONFIDENTIAL NO FOREIGN DISSEM)

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PERU-FRANCE: French efforts to improve relations apparently have failed to lessen Peru's determination to break relations if Paris resumes nuclear testing in the Pacific. President Velasco has told the US ambassador that, although he realizes France is trying hard to avoid such a rupture, his public stance on the issue makes the announced Peruvian intention irreversible. A final test, of marginal scientific value to the French, was canceled last year after Peru protested. Since then France has cultivated assiduously the Velasco regime in an attempt to forestall an adverse reaction when testing in the atmosphere resumes this summer. (SECRET NO FOREIGN DISSEM)

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