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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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**No 582**

10 November 1972

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VIETNAM: Hanoi, Moscow, and Peking are taking different tacks in registering their dissatisfaction with the current state of the Vietnam negotiations, but all three have avoided positions that might jeopardize prospects for a settlement.

Of the three, Moscow lets its eagerness for a settlement show most clearly. Prior to 31 October, when Hanoi was talking about a deadline for signing the agreement, Premier Kosygin openly diverged from the North Vietnamese position by expressing the hope that the talks would continue. At the same time, TASS reported Dr. Kissinger's statement that the remaining issues are less difficult than those already settled. Speaking for the Soviet leadership on 6 November, Politburo member Mazurov noted that the agreement worked out in Paris "was not signed at the date fixed," but left open the possibility of further negotiation and called for signing "as soon as possible."

Moscow's public posture of caution tinged with hopefulness was also reflected in a remark on 30 October by General Staff Chief Kulikov, who expressed gratification that the war was winding down and that remaining problems could now be addressed by non-military means.

These comments reflect Moscow's assessment that, at long last, negotiations between Washington and Hanoi have reached a delicate and critical stage, and that nothing should be done to jeopardize prospects for agreement. Over the past year, the Soviets have come to regard the conflict in Vietnam more and more as an annoying obstacle in the way of Moscow's higher priority effort to cultivate relations with Washington. The North Vietnamese, of course, have been painfully aware of this, and the Soviets will be careful to avoid so alienating them as to leave the field open for increased Chinese influence in Hanoi. Moscow probably hopes, however,

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that its lukewarm support will help persuade Hanoi to be more flexible in addressing the issues still blocking agreement with the US.

The Chinese were slower off the mark with authoritative commentary than the Soviets were, but the line when it came was markedly stiffer than Moscow's. Last week, Peking issued four progressively tougher statements backing much of the North Vietnamese Government statement of 26 October and attacking Washington's response. The last and by far the strongest of them appeared in People's Daily over the signature "Commentator" on 3 November. It charged that Washington was stalling in order to renegotiate the "basic content" of an agreement the US already had accepted. The commentary was harsher in tone and focused more sharply on Washington's culpability and motives than anything the Chinese have said about Vietnam since President Nixon's Peking trip, and the four statements taken together amount to the clearest and strongest backing the Chinese have given Hanoi in months on important issues of the negotiations.

Peking obviously hoped to improve its standing with Hanoi vis-a-vis Moscow through these statements. Beyond that, the Chinese also appeared to be signaling genuine concern that an early settlement was imperiled. Commentator on 3 November said flatly that "if the US plan is successful...there will hardly be any prospect of restoring peace in Vietnam." Although Peking was careful not to rule out further US - North Vietnamese negotiations, the Commentator article clearly warned that it is "impermissible" for Washington to disregard the original agreement and that unless the US attitude changes, "it is unthinkable that a new meeting would produce concrete results."

Peking, having made its position clear, has said nothing directly regarding a settlement in recent days. The Chinese, however, have tried to

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keep faith with Hanoi by printing and broadcasting an unusually large volume of Vietnamese Communist and Western press reports that tend to disparage Washington and Saigon.

The Vietnamese Communists themselves have kept up a drumfire of propaganda castigating the US for delaying the conclusion of the agreement. They have, however, studiously avoided saying what the consequences would be if the US was not immediately forthcoming, and Xuan Thuy in fact made it clear in an interview last weekend that Hanoi would be amenable to a further round of negotiations. [REDACTED]

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CHILE: The military officers who joined the cabinet last week are already being challenged by some of President Allende's political allies.

Allende and his opponents both welcomed the prestige of Army General Prats in the interior ministry as guarantor of the truce that ended the exhausting 26-day protest shutdown. Allende's Marxist backers, however, were less enthusiastic. While Prats guaranteed there would be no reprisals, Socialist Party Secretary-General Altamirano has called for severe punishment of the strikers, and Finance Minister Millas apparently approved the dismissal or transfer of some 50 Central Bank employees who joined the protest. Furthermore, the government-dominated distribution network is alleged to be withholding goods from some merchants who closed down.

There are other indications that the Popular Unity coalition does not intend to return to the status quo ante after its most serious showdown with the opposition thus far. Dow Chemical installations--including a plant already slated for nationalization--remain in government hands, and there is little indication that they will be returned or that anti-UP employees will retain their jobs. This week, workers took over two firms that also retain some US capital in disputes over wage readjustments. On 8 November, Allende submitted legislation to establish worker participation in the management of companies either wholly or partially nationalized.

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THAILAND-CHINA: Bangkok is moving ahead to improve relations with Peking.

In a recent conversation with the US ambassador, the Thai Government's deputy director for Financial Affairs, Prasit Kanchanawat, said that Thailand would begin trading with China as soon as arrangements for a formal mechanism could be worked out. Prasit--who headed the Thai delegation to the Canton Trade Fair last month--indicated that Bangkok preferred to set up a state trading organization for Thailand, which he believed would take at least two to three months. The Chinese apparently have indicated an interest in purchasing sugar, jute, rubber, hard wood, and also some rice, if any is available. For their part, the Thais have indicated an interest in buying light manufactured items, fruits, and medicines.

As a further indication of Bangkok's interest in improving its relations with Peking, Prasit also tried to sound out US reaction to the possibility of Thailand moving away from Taiwan along the lines of the recent Japanese move. [redacted]

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[redacted] when Prasit first went to Peking in August, he was empowered to tell the Chinese that Bangkok would be willing to downgrade its relations with Taiwan if Peking proved amenable to improving its relations with Thailand. It is not clear, however, whether Prasit did indeed make such a pledge. Although Prasit told the US ambassador that Thailand felt no need to establish full diplomatic relations with China soon, if and when they decide to take the step the Thais are not likely to let the Taiwan issue stand in the way. [redacted]

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EUROPEAN COMMUNITIES: Because of strong US pressure, the EC is showing signs of modifying its demands for preferential EC access to Mediterranean markets.

The EC Council's consideration of a "Mediterranean policy" to guide future association agreements with countries in the area is still in an early stage, but US opposition to such "reverse preferences" is clearly having some effect. Prior to Council discussion of the subject this week, the new EC members in particular had called for serious attention to the "political implications" of the proposed policy. At the meeting itself, Britain and Germany asked, in effect, that reverse preferences be generally limited to the more developed Mediterranean states--some of which may eventually become full EC members. Although France and Italy still insist on the principle of reciprocity, the Commission has now suggested that this be attained in ways other than by tariff concessions.

Further Council sessions next month will indicate whether or not this week's discussion represents a "breakthrough" on reverse preferences--as Commissioner Dahrendorf claims. Although the community hopes to have new arrangements in the Mediterranean come into force in early 1974, such problems as defining how the proposed policy will be applied to each country and agreeing on trade concessions for Mediterranean agricultural products may require considerable time to resolve. The requests of Greece, Turkey, Malta, Spain, and Israel to benefit from the EC's general preferential scheme for less developed countries will apparently not be acted on until the scope of the Mediterranean policy becomes clear.

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USSR: Small-time speculators are exploiting this year's harvest problems by purchasing produce in state stores, where prices are fixed, and re-selling it in collective farm markets, where prices are free to respond to supply and demand conditions.

According to the Soviet press, a "raid" on a collective farm market in Kuibyshev discovered that cabbage purchased from the state store for 6 kopeks a kilo was being sold for 60 kopeks. A similar investigation in Tbilisi found a factory worker selling state store potatoes--which cost 10 kopeks a kilo--for 70 kopeks. In Dushanbe, courts are holding special sessions in the markets to punish speculators on the spot.

Both the potato and vegetable crops were seriously affected by last summer's drought. There have been sporadic shortages and some local restrictions on purchases of potatoes and cabbage. In September, some vegetable prices in the Moscow collective farm market were roughly double the level of September 1971. In past years the administrators of local free markets have placed price ceilings on produce, but so far this year there have been no indications that a lid has been placed on prices. Authorities probably are unwilling to risk losing any free market supplies in a year of shortages. This fall the leadership has taken pains to reassure the population that adequate food supplies are available, but panic buying and distribution problems have aggravated the supply situation.

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HONDURAS: The commander of the air force has joined the ranks of those who have long believed that President Cruz must go.

In a recent conversation with the US defense attaché, Air Force Commander Colonel Soto Cano described the 17-month-old Cruz administration as the worst in the country's history. He noted that neither major political party supports Cruz, that financial conditions are deplorable, and that nothing was being done to solve the many social and economic problems. He implied that the military, too, had finally realized that it can no longer continue to buttress the crumbling regime and is prepared to act. Soto stated that although little was accomplished under the previous administration of General Oswaldo Lopez, now chief of the armed forces, the military has no choice but to back Lopez' return to power.

Cruz has been recognized as a failure from the beginning, and most sectors of society have come to accept--or actively encourage--his overthrow. Traditional somnolence and procrastination, however, have worked in Cruz' favor despite a seemingly endless parade of situations which could have been used to justify his removal.

The fact that the usually optimistic Soto has spoken out against Cruz may indicate that the military has reached the limits of its patience. Much depends on the readiness of General Lopez to assume the presidential sash; if he continues to delay, the military may seek someone else to lead the coup. [REDACTED]

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EAST GERMANY: The flow of East German refugees to West Germany has tripled since the implementation last June of the Four Power and inter-German transit agreements on Berlin. US officials in Berlin state that through October, 199 refugees reported to West Berlin authorities and that many others probably entered West Germany. One of Pankow's principal concerns regarding the Berlin accords was that they would result in a sharp increase in illegal departures. The continued flight of refugees could create difficulties in improving East-West German relations. The East Germans have not yet raised the issue with Bonn, perhaps because they want to avoid adding to Brandt's re-election problems. Pankow has initiated stricter traffic control measures inside East Germany, but these do not involve Berlin transit traffic. [redacted]

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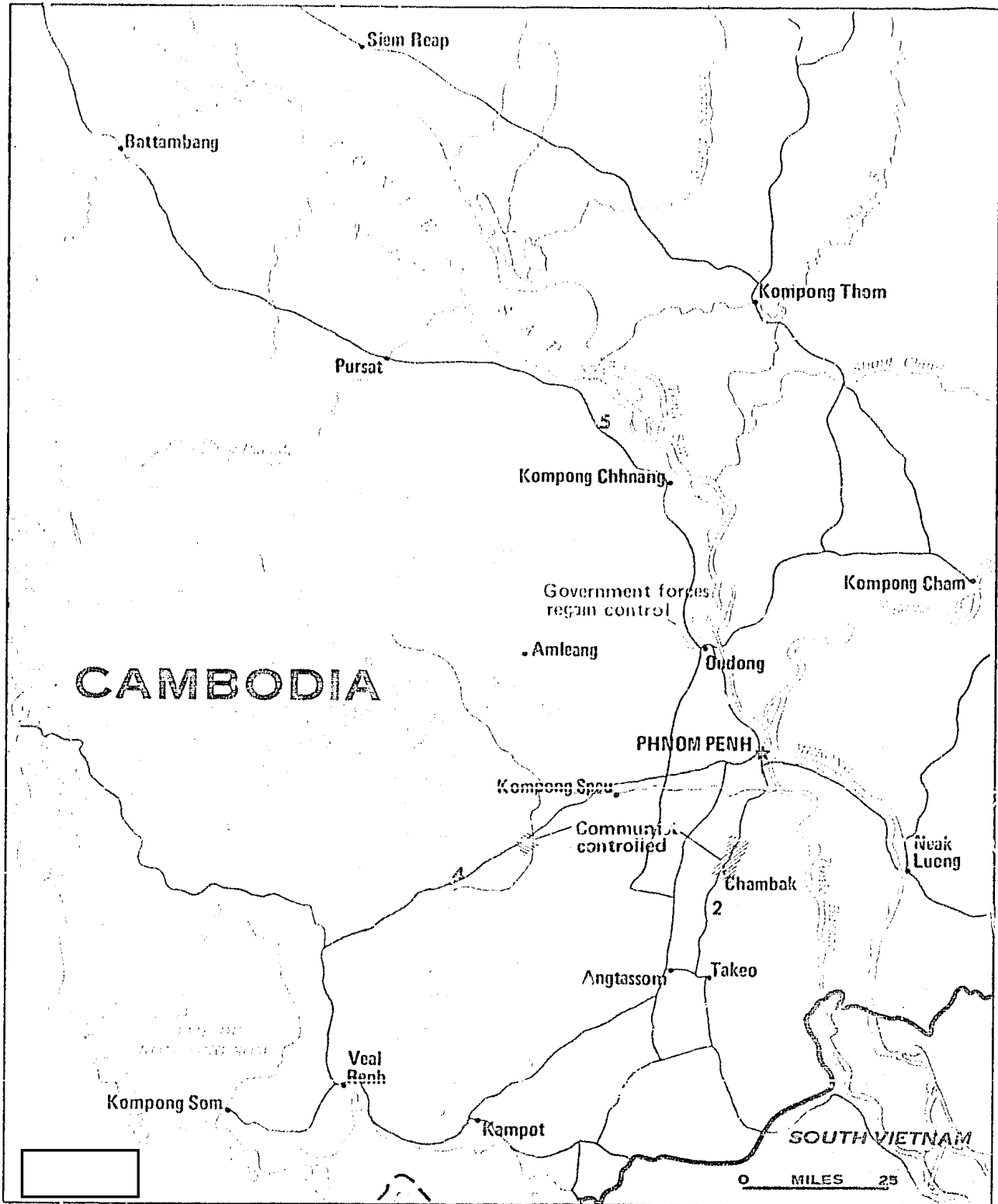
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CAMBODIA: Government forces, led by elite Khmer Krom units, have finally dislodged the Communists from a section of Route 5 south of Kompong Chhnang City. The highway must undergo some repairs, however, before it can be reopened to regular commercial traffic. Meanwhile, other Cambodian forces attempting to clear a portion of Route 4 southwest of Kompong Speu are continuing to meet heavy Communist resistance. In the south, the government is preparing to launch a new operation to reopen Route 2 between Phnom Penh and the isolated town of Takeo, which is under increasing Communist pressure. [REDACTED]

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