



The President's Daily Brief

2 June 1970

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Events in Cambodia are discussed on *Page 1*.

Libya may try to enhance its image in the Arab world by moving against US interests. (*Page 3*)

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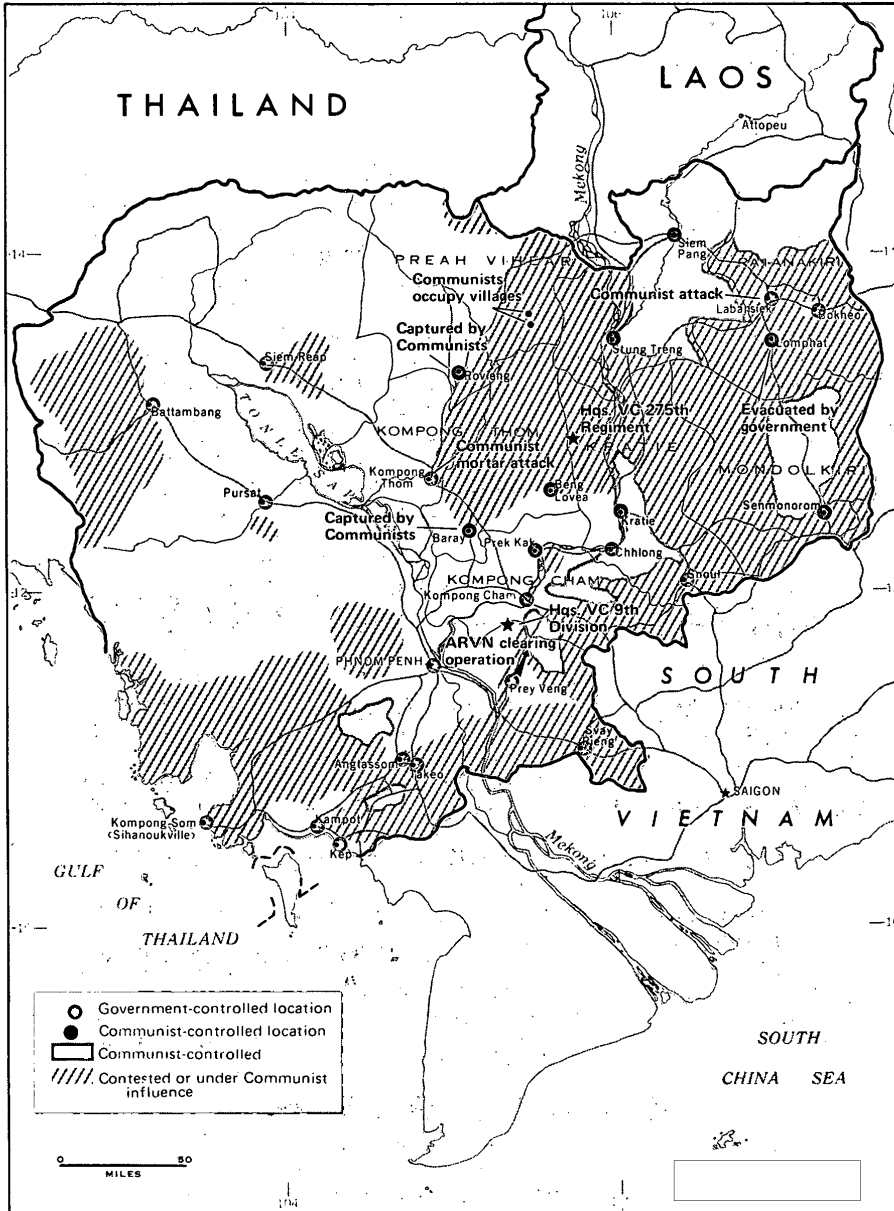
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On *Page 5* we examine various aspects of the situation in Peru.

Cambodia: Current Situation



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CAMBODIA

Recent Cambodian Army reports indicate that increasing numbers of enemy troops are infiltrating the northern provinces of Preah Vihear and Kompong Thom. One intercepted army message claimed that Communist elements have been assembling in groups of about 100 men and infiltrating eastern areas of Preah Vihear, where they have occupied two villages. On 30 May some 150 Communist troops captured the town of Rovieng on Route 12.

In Kompong Thom Province, the Communists directed mortar fire on the capital during the night of 31 May - 1 June; this was the first enemy action against the city. Additional attacks are certain to follow. During the same night the Communists captured the town of Baray, south of the capital, thereby tightening their control over Route 6.

The Communists' objectives in moving into areas well west of the Mekong are still difficult to determine. They may be pushing toward the sizable Vietnamese community near the Tonle Sap in western Kompong Thom, or they may be preparing for an eventual linkup with other forces now operating in provinces west of Phnom Penh, possibly to open new logistics routes. The recent northwestward shift of the headquarters of the Viet Cong 275th Regiment from Kratie suggests that this unit may also be involved.

In the northeast, steady enemy pressure finally forced the government to evacuate the town of Lomphat on 31 May, under the cover of allied air support. Two government battalions previously stationed at Lomphat, as well as most of the town's civilian population, are moving north to Labansiek. Army messages report that yesterday the Communists ambushed several government convoys carrying evacuees from Lomphat and destroyed a number of trucks. The Communists also attacked Labansiek again, but thus far air support has prevented the town's capture. It probably is only a matter of time, however, before the government's presence in Ratanakiri Province is completely eliminated.

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A large South Vietnamese armored column is continuing its drive to clear the Communists from the east side of the Mekong River between the Neak Luong ferry crossing and the town of Kompong Cham to the north. The column hopes to engage retreating elements of the Viet Cong 9th Division, which were driven out of the town of Prey Veng last weekend after occupying parts of it briefly. The headquarters of the division was located about 13 miles southwest of Kompong Cham town on 31 May.

* * *

Thai Prime Minister Thanom has all but confirmed that Bangkok intends to send "volunteers" into Cambodia. He told the press yesterday that while no final decision had been made, the government was "considering" training battalion-sized units for deployment into the major towns in western Cambodia and into Phnom Penh. He implied that the objections raised by some members of his government would be overruled.

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The main political headquarters of COSVN has moved farther northward in Cambodia. It is now some 33 miles north of South Vietnam's Tay Ninh Province border.

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LIBYA

According to Ministry of Petroleum and Minerals Undersecretary Qiblaaiwi, the very large increase in oil prices demanded by a government committee headed by former premier Maghribi may be intended by him to provide an excuse for unilateral action against the companies. Qiblaaiwi told a US Embassy officer last week that he believes the only way the companies might avoid a showdown with the government is to make a prompt offer to settle on higher prices than they had previously wished to accept. The official implied that the government's intent was to engineer a seizure of Anglo-American oil interests in retribution for US and UK support of Israel.

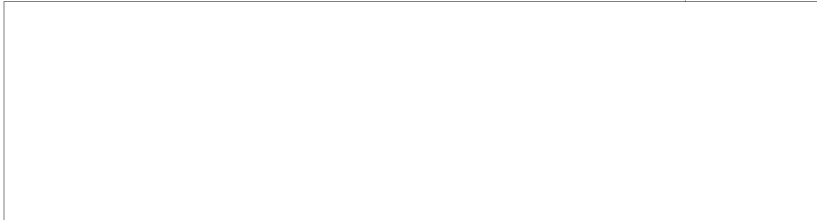
Premier Qaddafi is currently urging other Arab states to exert maximum pressure on the US if the US decides to grant further military aid to Israel.

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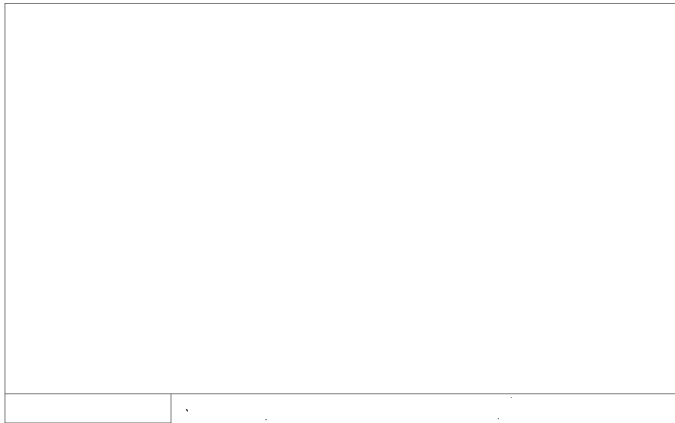
It is clear, nevertheless, that Qaddafi would not hesitate to try to intimidate the oil companies and the US through direct action against American interests in Libya. Rather than move against the oil companies directly, he could seize virtually empty Wheelus Field in a symbolic act of defiance before 11 June-- the date the US now plans for a formal turnover of the base to the Libyans. The Libyan Air Force already has moved automatic weapons inside the base perimeter and armed some 500 airmen there. Qaddafi would gain great credit among the Arabs for seizure of Wheelus, and it would boost his image as a leader in the campaign, against US policy on Israel.

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WEST GERMANY



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PERU

The following is a general roundup of recent developments in Peru:

The military government has stepped up its so-called revolution in 1970, promulgating new reform measures and becoming more repressive against its opponents. Among the reforms, two that were decreed in December 1969--the reorganization of the court system and the new regulatory press law--have provided the Velasco government with the tools to begin silencing its critics. The newly appointed Supreme Court has already demonstrated that it will uphold the government when government actions are challenged, and one newspaper publishing company has been expropriated and turned over to a Communist-dominated workers' cooperative.

President Velasco has continued to lead the campaign to reduce the influence of the wealthy oligarchy--the people he sees as the principal "enemies of the revolution." New foreign exchange controls issued last week are typical of government moves to curb the economic influence of the oligarchs. Under these controls, Peruvians who maintain banking accounts in dollars, in Peruvian banks or in accounts abroad, must turn their dollars in for soles or face severe penalties.

The principal economic problem that has faced the Velasco government is its failure to attract new investment, either from domestic or foreign sources. The new restrictions, which could set the stage for a large increase in public investment, have instead frightened Peruvian businessmen and could hinder government efforts to get the stagnating Peruvian economy moving again.

President Velasco has demonstrated increasing sensitivity to the charges of Communist influence in his government. He has forcefully denied the charges on several occasions and has declared his revolution to be "nationalist and humanist." The government in recent weeks has attempted to reduce the growing Communist influence in certain sectors of Peruvian society. For instance, the Communist Party tried to gain control of the Committees for the Defense of the Revolution, which were developed with the encouragement of the government as a means

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of achieving a popular base. The government is now taking steps it hopes will assure its control of newly formed groups.

The government's reaction to the Communist question undoubtedly reflects the fear that such charges, combined with increasing economic problems, could lead to disaffection within the military establishment and the possible eventual collapse of the government. Disagreement with some of the Velasco government's policies exists within the military, but such opposition has thus far been subordinate to the concept of unity behind the military government. Only a serious deterioration in the internal situation--widespread economic failure, labor unrest and student discontent--would be likely to prompt the military to reverse President Velasco's policies or overthrow his government.

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In a press conference the other day, President Velasco said that Peru's relations with the US have improved considerably from their low point in October 1968--the date of the expropriation of the International Petroleum Company's holdings. Velasco has given no indication, however, that his government is prepared to yield on compensation of IPC and Peru's claim to a 200-mile territorial sea--the major issues impeding further improvement of relations.

Relations with the Soviet Union and Eastern Europe have slowly become more cordial, and talks continue on economic cooperation, trade, and technical assistance. Perhaps the major event in Peru's foreign relations in recent months was the visit to Lima last month of the apparent number two man in Yugoslavia, Edvard Kardelj. He received red carpet treatment from the Peruvians and appears to have gained some advocates for the Yugoslav model of economic self-management and possibly for the policy of nonalignment.

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