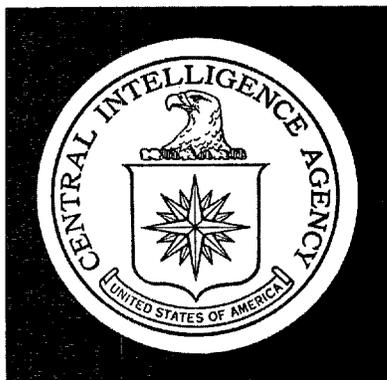


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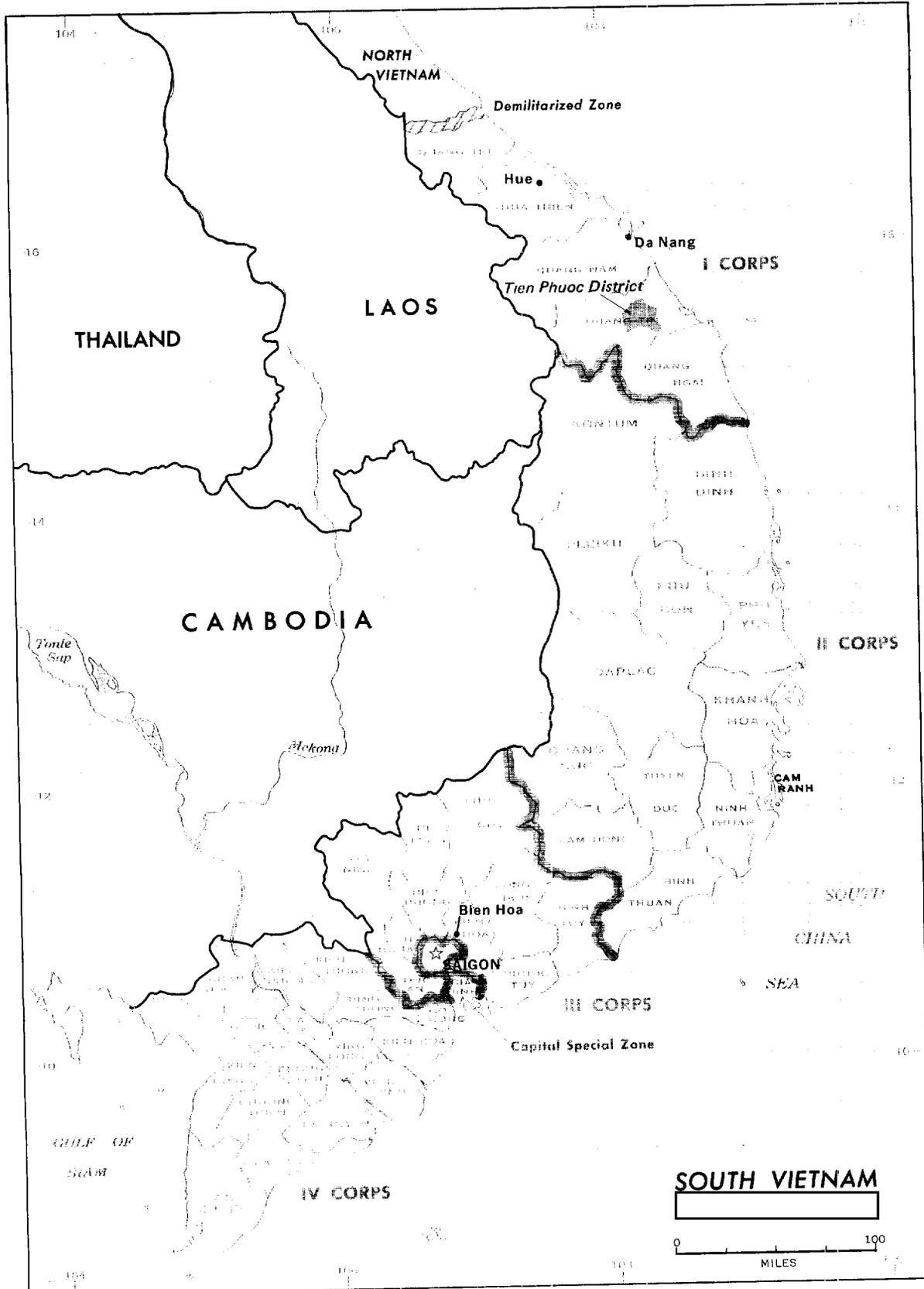
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[South Vietnam: The pace of the Communist offensive fell off significantly on 27 February.

Sharp ground fighting was confined to Tien Phuoc District in Quang Tin Province. All four corps areas received some light enemy shellings. A five-round rocket attack in Da Nang set off numerous explosions and fires at a docking facility. Saigon and Hue remained quiet with no terrorist incidents reported.

The enemy has not pressed the expected assault on the Bien Hoa base. Prisoners captured in the attack on 26 February claim that it was planned as a full regiment operation, but two Communist battalions committed to the operation failed to reach their objective. The one battalion which assaulted the base was pulled back after losing more than 200 killed.

Comparisons with the opening phase of the 1968 Tet offensive suggest the effectiveness of the enemy's current economy-of-force tactics. This year the Communists have not yet committed any significant numbers of troops to attacks on well-defended urban areas. Although allied military casualties are running at about the same rate as in the initial stages of the 1968 Tet offensive, comparable enemy losses are estimated to be about half of last year's. [] (Map)]

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Laos: Prime Minister Souvanna Phouma is opening a diplomatic offensive aimed at stopping the fighting in Laos.

[REDACTED]

Souvanna said that his present strategy was to bring pressure to bear on the North Vietnamese, through the French and other intermediaries, to scale down hostile military operations in Laos. He said he was sending a letter to President de Gaulle asking for French assistance in this regard, while at the same time trying to arrange talks with North Vietnamese representatives in Vientiane.

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Souvanna indicated that he views these measures as only the beginning of the effort to achieve a political settlement. He made no mention of opening preliminary discussions with the Pathet Lao; such talks in past years have foundered on procedural questions.

The reason for Souvanna's move at this time is far from clear, but he may feel under some pressure as a result of recent Soviet and other Communist statements calling for a bombing halt and negotiations. Souvanna cited the Soviet ambassador's recent trip to Hanoi and the Pathet Lao's up-country headquarters as providing the background for a fresh Lao diplomatic initiative. Although he did not indicate that any new Communist proposals or feelers had resulted from the ambassador's trip, the Communists, for their part, have given some signs that they hope to get preliminary talks going between the contending factions before too long.

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Although the Communists have been moving gingerly, they may calculate that talks between Souvanna and the Pathet Lao would undercut the US position that the Laos and Vietnam questions are inextricably connected. They may also hope that the prospect of new talks will cause Souvanna to take steps to limit the bombing campaign in Laos.

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[Berlin: Despite East German obduracy, Bonn has not entirely given up hope of trading its presidential election in Berlin for concessions by Pankow.

The East Germans yesterday again informed the West Berliners that they would not agree to further negotiations unless Bonn first announced that the Federal Assembly would not meet in West Berlin. Despite this rebuff, the West Berlin negotiator is considering proposing to his East German counterpart that they meet again for talks.

A last-ditch effort may also be undertaken in Bonn. According to a West German foreign office official, Chancellor Kiesinger is likely to approach Soviet Ambassador Tsarapkin. The official thought the situation was still completely open as regards the final decision on the Federal Assembly. This opinion, however, is at odds with the views of other well-placed Bonn officials, all of whom have appeared to assume that the presidential election would be held in Berlin unless the Soviets unexpectedly advance major concessions. Kiesinger said last night in a television interview, "I have the impression that we shall be in Berlin on 5 March."

Moscow yesterday resumed its attack on the Berlin site. Pravda reiterated the warning contained in the Soviet protest of 13 February that the planned election would lead Moscow to consider "strict observance" of decisions made with the Allies on West Berlin. The reference presumably is to Russia's claim that Potsdam and other postwar agreements obligate it only to assure the three Western allies of access to Berlin. [REDACTED]

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Israel: An intense political struggle for control of the ruling Labor Party is in course.

The "old guard" which controls the machinery of the party--led by Secretary General Pinhas Sapir and former foreign minister Mrs. Golda Meir--is trying to draw up a scenario that would block a bid for power by Minister of Defense Moshe Dayan. As the old guard member most likely to be "acceptable" to Dayan, Mrs. Meir is reportedly to be put forward as the head of a caretaker government until parliamentary elections are held. Scheduled for October, the elections may be advanced to minimize the effects of a bitter power struggle. Mrs. Meir is 70, not in good health, and not a contender for the premiership over the long run.

Sapir himself is viewed as a weak candidate by the party leaders, and they fear that naming acting Premier Yigal Allon to the top post might provoke an immediate bid for power by the Dayan forces. Like Dayan, Allon is young, Israeli-born, not a member of the party establishment, and could be expected to use even an interim appointment to further his personal ambitions.

The chances of an immediate all-out struggle are still very high, and if Dayan does not make his play now he can be expected to do so in the coming weeks or months. Dayan's great strength lies in his immense national popularity and his power to break up the Labor Party coalition by withdrawing from it and stumping the country on his own behalf. He has given no indication of what he intends, but the US Embassy believes there are strong tactical factors militating against his making a bid for the party leadership now, even though he is under great pressure from his followers to "go for broke."

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France: Yesterday's shooting of a 17-year old student putting up anti-Nixon posters could ignite large-scale student demonstrations during the President's visit.

Although student protests since last spring have been mainly aimed at goals directly connected with educational reform, the issue of "police brutality" is extremely sensitive. Police excesses against students last May and June touched off massive demonstrations and tended to link workers and students in a common cause.

Before yesterday's incident, extremist groups had planned small "guerrilla" type actions and France's largest student organization had been planning protests against the presidential visit. Reacting to the shooting, ultramilitant high school action committees have called for a strike today.

Since last year's crisis, police reserves have been expanded and riot squads retrained to enable them to move in quickly on demonstrators. The security services have been successful in obtaining advance information about organized demonstrations. The government is thus in a good position to keep in hand any demonstrations arising from yesterday's incident.

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Czechoslovakia: Despite possible Soviet embarrassment, the Czechoslovak Government is continuing with the rehabilitation of former political prisoners victimized during the Stalinist era.

The authorities are proceeding to reopen the cases of nearly 9,000 persons still seeking rehabilitation, taking care to avoid any publicity that would offend the Soviets, who were heavily involved in various Stalinist trials in Czechoslovakia in the early 1950s.

Dubcek originally included among his liberal reforms an elaborate rehabilitation plan, and early in 1968 sanctioned the establishment of Club K-231, comprising former political prisoners, to promote the rehabilitation process. The Czechoslovaks, bowing to Soviet pressure, banned K-231 shortly after the invasion but its functions were taken over by the Union of Anti-Fascist Fighters (SPB), a progressive, sociopolitical mass organization. A special section in the SPB has been set up to ensure that the judges will be objective and to hire lawyers who will handle cases throughout the country free of charge.

Most of K-231's 50,000 members, however, did not transfer over to the SPB. According to General Vaclav Palecek, former president of the club, many who suffered during the late 1940s and early 1950s have lost interest in rehabilitation, fearing the Soviets might later compile a blacklist. Some of them also may be discouraged by the continued presence of some Stalinist security officials in the Interior Ministry. Palecek said he knew that three of the police officials responsible for his long jail term were still on the job.

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Hungary-USSR: Party and government directors of the Hungarian economy left for Moscow on 26 February at the invitation of the CPSU central committee, probably for talks on problems related to the oft-postponed but still pending summit of the Council for Mutual Economic Assistance (CEMA).

That the talks will be on CEMA's problems rather than on bilateral matters is suggested by the absence of foreign trade officials from the Hungarian delegation and by the fact that the 1969 trade protocol has already been negotiated. The Soviets may want to examine recent Hungarian proposals on the integration of national economies within CEMA.

Janos Kadar has moved to reassure the Hungarian public that the trip to Moscow does not signify any imminent change in Hungary's economic reform. A few hours after the trip was announced, Budapest Radio broadcast a speech by Kadar in which he re-committed himself to the reform course. The speech was delivered at the Gyor factory works, the testing ground for some of the more radical reform measures, and Kadar roundly praised "the magnificent work" of the Gyor employees.

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USSR: Two sophisticated naval research facilities being built near Leningrad will significantly advance Soviet hydrodynamic research and development capabilities.

The primary purpose of the two testing tanks at the Krylov Ship Research Institute is to develop designs for improving propulsion efficiency and for increasing surface ship speed. Research on submarine propulsion and on silencing for submarine operations at shallow depths can also be conducted at the installations.

Both tanks are considerably larger than comparable facilities in Western countries. One tank, which may already be complete [redacted] is 200 meters long and permits ship models to be moved through noncirculating water. The other tank, first identified in 1964 and now nearing completion, circulates water around a stationary model. The atmospheric pressure above the surface of the water can be adjusted in both facilities to allow accurate simulation of environmental conditions.

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The construction of the facilities demonstrates the continuing willingness of the Soviets to invest in naval research and development, and probably will result in improved designs for both naval and merchant ships. [redacted]

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Chile: Abstentions due to public apathy may affect the outcome of the legislative elections to be held on 2 March.

25X1 [redacted] the governing Christian Democrats, the Radicals, and the Socialists are the most likely to be affected adversely.

25X1 [redacted] the lack of precise and skillful direction of the Christian Democratic campaign has caused confusion in party ranks as well as among the electorate. The Radical Party has lacked the money and cohesion to mobilize its traditional grassroots strength among the middle classes, while a deep internal split will also reduce votes for Socialist candidates.

25X1 The Communist Party, already well established on the Chilean political scene, attaches special importance to these elections, [redacted] and has mounted an integrated and well-organized campaign. [redacted] the conservative National Party's campaign has also been relatively effective. [redacted]

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Brazil: The Costa e Silva government has once more tightened the screws on active opposition.

On 26 February the President decreed Institutional Act No. 7, suspending all "partial" elections--those in which only part of the officials are elected--and giving himself the sole power to call new elections. Apparently the act will initially affect mainly local administrations; it specifically gives the federal government the power to appoint mayors and vice mayors. The act may well be only a prelude to a complete restructuring of the party and electoral systems.

[The government immediately closed down two more state assemblies. Almost one third of the 22 state assemblies have not been recessed since the government assumed dictatorial powers in December.]

The government also took steps to avert student troubles when the schools reopen in March. Costa e Silva has decreed stiff penalties for any professors, teachers, or students who engage in demonstrations or other political agitation. "Guilty" teachers will be prohibited from teaching for five years, students will be expelled and barred from entering any school for three years, and foreign students will be deported. This will probably quell student enthusiasm for taking to the streets, but it is likely to drive top-flight students and teachers abroad and to have an adverse effect on attempts to reform the outmoded educational system.

Both measures indicate the government's preoccupation with rooting out "subversion" and opposition at any cost. Continued purges and restrictions seem likely to be the order of the day for some time to come. [REDACTED]

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Guatemala: The ruling Revolutionary Party has selected Finance Minister Fuentes as its new standard bearer for the presidential elections to be held in March 1970.

Wary because of the contention that arose over the party's tentative first choice, Defense Minister Chinchilla, party leaders took extensive nationwide soundings before deciding on Fuentes. He has been involved in party affairs for many years and has represented the party in Congress on various occasions, but does not appear to be a particularly strong contender. Fuentes has previously called for moderate reform and espouses an agrarian reform program for the Indians, who constitute half of Guatemala's population.

His strongest opponent at present appears to be Colonel Arana, the candidate for the two rightist parties. Arana's success against guerrilla forces during the counterinsurgency campaign in 1966-1967 is likely to gain him extensive support from rightists and voters concerned with law and order.

Candidates are not official until they are selected by party conventions, which cannot be legally held before October 1969. [REDACTED]

[REDACTED]

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South Korea: Proponents of another term for President Pak in 1971 have postponed an attempt to amend the constitutional ban on a third term until at least the end of this year, according to the South Korean prime minister. The delay apparently is intended to give Pak's supporters time to develop new tactics for overcoming opposition both within the ruling party and among the general population. Methods employed thus far have been heavy-handed and counterproductive. The postponement may, however, encourage critics of the third term, who can now claim that they forced Pak's supporters to back down. [REDACTED]

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Finland-USSR: Economic relations of the two countries were reviewed during the visit of Finnish Foreign Minister Karjalainen to the USSR last week. The Soviets reportedly did not take a stand on the proposed Nordic Economic Union. In an effort to head off possible Soviet objections, however, Karjalainen pointed out that it would have no adverse effects on trade with the USSR or on Finnish neutrality. According to Karjalainen, the only concrete items raised, all at Finnish initiative, were the opening of a third vehicular border crossing point, extension of fishing and seal hunting agreements, and the problem of the return of migratory reindeer in the far north. [REDACTED]

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Peru: The leader of the National Federation of Sugar Workers has told the US Embassy that the expected loss of Peru's US sugar quota is already resulting in lay-offs and bogged-down salary negotiations. He estimated that 40 percent of his workers are now unemployed and predicted an industry-wide strike if the workers are not given a substantial wage increase soon. He stated further that the sugar workers, the only national labor group to strike in protest against the coup last October, might turn to violence if their families are threatened with economic disaster by a suspension of US sugar purchases. [REDACTED]

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Brazil: A team of air force officers is scheduled to leave on 8 March to evaluate jet fighter aircraft in Britain and France. The air force previously had been interested in the French Mirage III, and the team also will particularly examine the British Hawker Siddeley Harrier and the British Aircraft Corporation MK-6 Lightning. When the mission returns, the air force minister reportedly plans to ask for a decision from the US Government on the availability of the A-4F, and if the response is negative, will proceed to purchase aircraft elsewhere, probably from Britain or France. [REDACTED]

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Ecuador: The appointment of leftist Luis Verdesoto as acting rector of Central University is a significant triumph for extreme leftist students, who now control most Ecuadorean student organizations. Verdesoto, who also heads the Communist-controlled cultural center, maneuvered himself into the university post after the rector, vice rector, and 48 engineering professors resigned to protest violence perpetrated by engineering students who have been striking since December. The students termed the resignations a victory and may be able to ensure the election of Verdesoto or another leftist as rector. [REDACTED]

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Indonesia: The army's capture last week of two of the few remaining senior Indonesian Communists will further set back the fragmented party's efforts to choose a new leadership and establish new tactics. Captured were special bureau deputy chief Pono and Central Java leader Bigo Pranowo.

[REDACTED]

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 27 February approved the following national intelligence estimates:

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|-----------|---|------|
| NIE 11-69 | "Basic Factors and Main Tendencies in Current Soviet Policy" [redacted] | 25X1 |
| NIE 41-69 | "Prospects for the US-Japanese Security Relationship" [redacted] | 25X1 |

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