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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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28 March 1969

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[South Vietnam: The Liberation Front has turned aside President Thieu's public bid for private talks, but has not rejected the idea outright.

The response was negative in tone and shot through with propaganda attacks, but it carefully avoided closing the door to the possibility of such a dialogue. The Liberation Front statement asserted, for example, that the Front delegation had gone to Paris with "serious intention of helping, with the other sides, the conference achieve positive results"; it did not explicitly refuse Thieu's offer.

The public exchange which began with President Thieu's offer on 25 March has been largely a public relations exercise in which the South Vietnamese President has clearly scored a propaganda success. His expressed willingness to talk privately with the Front is a significant departure from earlier South Vietnamese positions. Although Thieu may be motivated by a belief that such an initiative would do much to head off any groundswell of domestic US criticism of his government, the public offer is a good indication how far the climate of South Vietnamese opinion has moved on this issue in a relatively short time. Initial popular reaction to Thieu's statement, for example, was cautiously approving.

The ambivalent Communist response suggests that the Liberation Front wants to undercut the propaganda impact of the Thieu offer without leaving itself open to the charge of being negative. In the last few public sessions in Paris, the Front's statements have suggested that it would like first to force some direct US - Liberation Front confrontation, but that it might eventually accept Saigon-Front talks if the Front's right to speak with authority on internal South Vietnamese questions was recognized.]

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[Sharp ground battles were reported on the outskirts of Quang Ngai city in I Corps and near My Tho in the delta on 26-27 March. The Communists also shelled numerous allied bases, towns, and rural outposts throughout the country, inflicting light damage and few casualties. Enemy efforts in Saigon were confined to minor terrorist incidents.



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Communist China: Communist China has concluded an agreement to purchase 800,000 tons of wheat from France for delivery between May and October.

The wheat, worth about \$31 million, will be partially financed by French imports of Chinese meat. The French deal, in addition to contracts already concluded with Canada and Australia, China's major suppliers, will boost China's wheat imports this year to 4.5 million tons--a slight increase over last year's level.

Peking will not know the prospects for its major crops until this summer and at that time may decide to purchase additional wheat, which is abundant on the world market. China already has an option to purchase one million additional tons of Canadian wheat under an existing three-year contract that expires this August.

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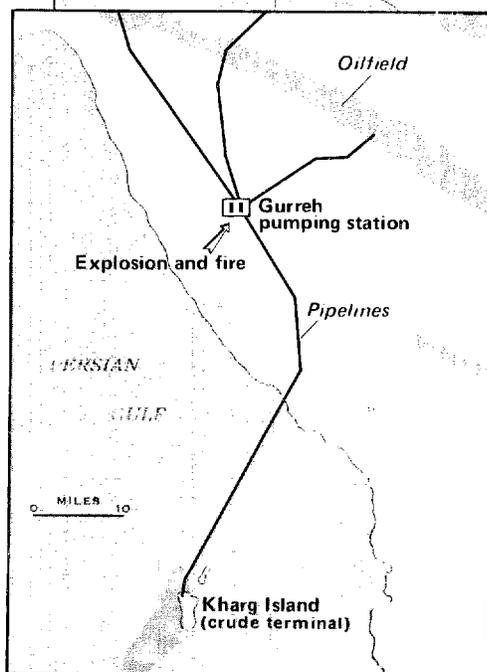
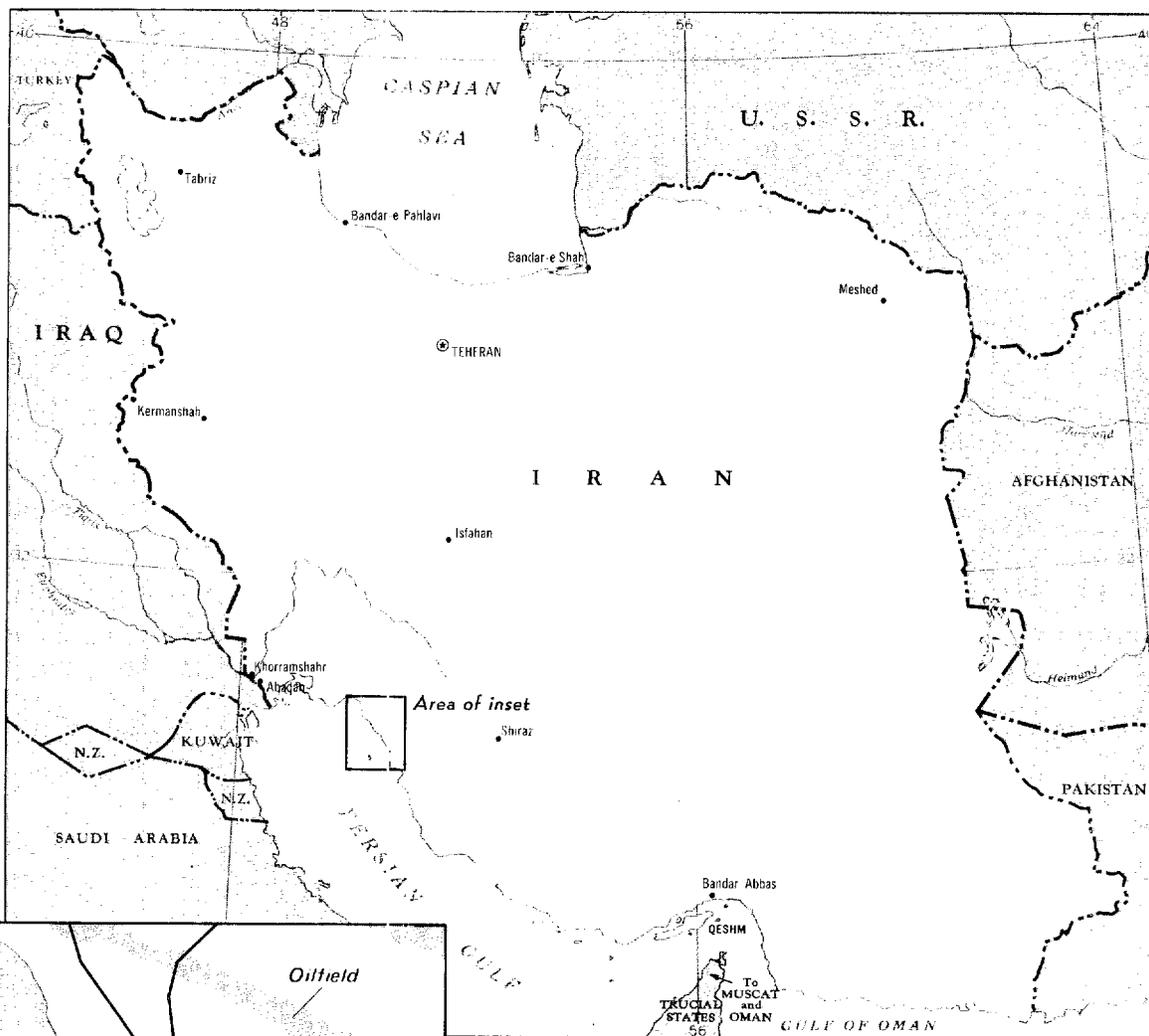
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IRAN: Crude Oil Exports Affected by Pumping Station Explosion

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Iran: An explosion and fire at a vitally important pumping station may seriously affect Iranian crude exports at a time when the Shah is pressing for increased revenues from the Western oil consortium.

The explosion occurred at the Western oil consortium's installation at Gurreh, the largest pumping station in the world and the focal point for the pipelines leading into the crude export terminal at Kharg Island. Gurreh handles all the consortium's crude for the terminal. Neither the cause of the explosion nor the extent of damage has been determined.

Wells in two of the major fields supplying crude to Kharg Island through Gurreh have already been shut down or cut back. If a major interruption in consortium crude exports results from the explosion, the already contentious bargaining over Iran's oil revenues from consortium operations would be seriously affected. When the talks were recessed earlier this month there still appeared to be a gap of nearly \$100 million between Iranian demands and consortium projections, and the Shah had threatened unilateral action unless the consortium met his terms.

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Canada: Prime Minister Trudeau's visit to the US has drawn a generally favorable reaction at home.

He reported promptly to the House of Commons and referred with satisfaction to the personal contact established with the President. He cited his discussions on expansion of world trade, on oil policy, and on the wheat marketing problem.

He told Parliament that he had been given a complete explanation of the ABM decision and said that he would inform the cabinet at the earliest opportunity "so that Canada's attitude may be determined." There was some criticism by the opposition of Trudeau's refusal to give precise information on the oil and wheat questions, as well as on the ABM.

Trudeau said that the information obtained on the ABM in Washington would be considered in the Canadian defense review. When it came time for Canada to announce its position on NORAD, it would state its position on the ABM system. He added that this was not a matter of "days or weeks."

The Canadian press has so far applauded the trip. One commentator wrote that the success of the talks was that the two leaders now "will feel free to pick up the phone and talk from time to time." Trudeau personally drew praise as an articulate spokesman for Canada. [redacted]

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Western Europe: Some German officials continue to be concerned that France may soon come up with new proposals spelling out De Gaulle's heretofore imprecise vision of a "Greater Europe."

One Bonn foreign office official speculates that Paris might propose for examination a "new multipurpose, Europe-wide organization for common defense, political consultation, and some of the functions of the present Community." Presumably, he added, the modus operandi of such a broader, looser group would be voluntary participation on a case-by-case basis.

This source says it is becoming clearer day by day that France is resisting enlargement of the present Community because the larger Community could function only on the basis of majority voting. The French conceive the Community now as operating under a system of unanimity, he added, which is "effective" only with a Community of about the present size. The official also has the impression the French believe that the US no longer objects fundamentally to a Europe closer to the Gaullist concept.

Another Bonn official believes that a proposal might be presented to the Germans when working-level representatives from the two governments meet in May for their regular bilateral talks.

The first-mentioned German source conceded that Bonn would have at least to study anything the French might propose. He was afraid such a proposal could become an election issue in Germany, but thought it might perhaps be "studied to death." He said the Community remains the cornerstone of German policy in Western Europe, a point strongly made by Foreign Minister Brandt during this week's meeting of the European Communities Council.

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Brandt's statement may in fact have been intended in part to negate speculation on the possibility of an extra-Community solution to the problem of European unity.

In contrast with the views of these sources, other German officials doubt that new initiatives from Paris are imminent. Even though the French may not be planning to launch specific proposals soon, they no doubt find it useful to continue to air this possibility as a warning against additional pressures for British membership in the Community.



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Central America: Nicaragua's decision on 26 March to rescind its illegal tariff on imports from other members of the Central American Common Market has taken the heat out of the present crisis.

Under terms of an agreement negotiated by the Central American ministers of economy, Nicaragua will convert the tariff into a nondiscriminatory sales tax and the other members will lift their retaliatory tax on Nicaraguan products. In addition action has been promised on a plan to speed the pace of integration. The plan calls for the coordination of industrial, agricultural, monetary, and infrastructure policies.

Nicaraguan President Somoza provoked the crisis on 28 February when he imposed the illegal tax. This heavy-handed action was inspired by his frustration over the failure of his Common Market partners to ratify and implement key integration agreements and by his belief that even further changes were needed to ease Nicaragua's disadvantageous position. The new plan, along with the earlier action by El Salvador and Honduras in depositing pending protocols, goes a long way toward meeting Somoza's complaints. His pressure tactics, far from destroying the organization, now appear to have engendered forward movement and new thinking.

Although the plan holds promise, its broad principles still must be transformed into working arrangements. Until the details have been worked out, only a fragile truce can be said to exist.

[REDACTED]

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NOTES

Israel - Arab States: The Israeli air strike near the Jordanian town of as-Salt on 26 March follows the pattern indicated over the past two weeks of "preventive" attacks on Arab commando bases and concentrations. The objective is apparently to keep the Arab guerrillas on the move, to interfere with training, break morale, and to discourage terrorist activity in general. Minister of Defense Dayan underscored this tactic recently when he stated that the air and land forces have to hit the guerrillas "before they cross the border and before they reach a supermarket." [redacted]

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South Africa: The South African minister of mines announced to a cheering parliament this week that after years of intensive exploration South Africa has made its first substantial petroleum discovery in a section of the southeastern continental shelf. Initial reports indicate that the flow from the well is 35 million cubic feet of gas and 100 barrels of oil per day. This is not a large quantity but it will give the South Africans hope that they may yet achieve self-sufficiency in the one major resource they have lacked, thus easing still further the threat of foreign economic sanctions. [redacted]

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Mali: France, in a move to increase its influence with the military government, reportedly has agreed to grant Mali substantial economic assistance during 1969. The total package recently negotiated in Paris will include budgetary assistance, several new aid projects, and incentives to facilitate the flow of commercial and investment funds to Mali. The French support should cover this year's anticipated budgetary deficit and relieve immediate financial pressure on the fledgling Malian Government, which succeeded the radical Keita regime last fall. [redacted]

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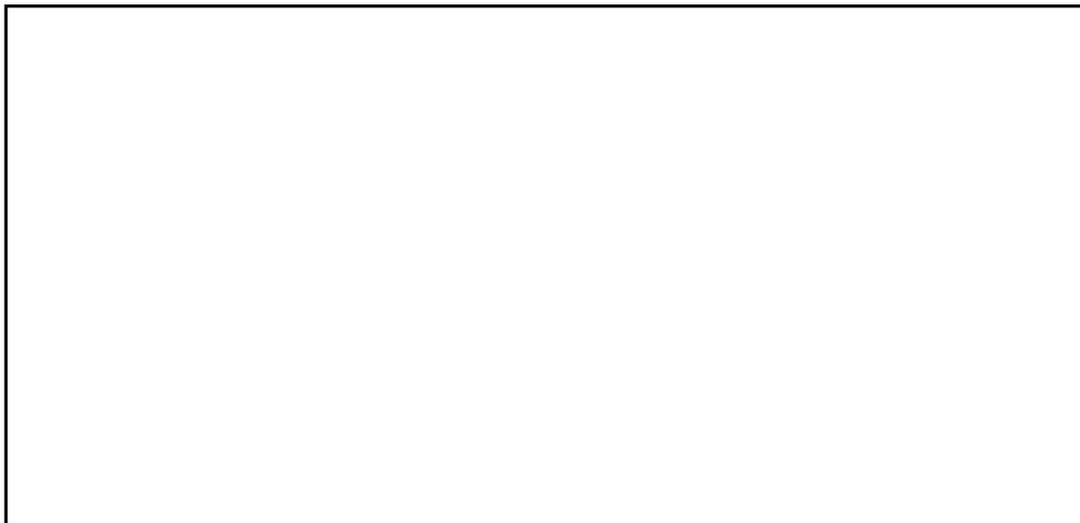
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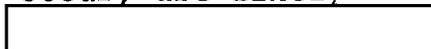
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Brazil: Students reportedly plan to stage a "day of national protest" today, the anniversary of the killing of a student in demonstrations in Rio de Janeiro last year. Other students may demonstrate on 31 March--the fifth anniversary of the military's ouster of leftist President Goulart--to draw police repression and to attract the attention of foreign newsmen covering nearby official ceremonies. Most students, however, have been cowed by the government's broad new punitive powers, especially its power to deny habeas corpus. Demonstrations, therefore, if they do occur, are likely to be small and easily put down.



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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 27 March 1969 approved the following national intelligence estimate:

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Trends in Black Africa



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