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INTELLIGENCE

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50

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SECRET

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9 January 1970

Central Intelligence Bulletin

CONTENTS

Laos: The Communists have launched a rocket attack against Pakse. (Page 1)

Denmark-NATO: Copenhagen plans to withdraw from the Allied system of issuing travel documents to East Germans. (Page 2)

Poland-France: Poland is touting its trade agreement with France as a model. (Page 3)

Netherlands: The economic minister's resignation underlines the coalition's vulnerability. (Page 4)

Peru: Widespread opposition to the new press law has provoked a strong government response. (Page 5)

International Labor: European trade union leaders are reacting negatively to a Soviet conference proposal. (Page 6)

South Vietnam: "General strike" (Page 7)

IAEA: East German safeguards request (Page 7)

Algeria-Tunisia: Relations improve (Page 8)

Chile: Political showdown (Page 8)

SECRET

SECRET

*Laos: Communist forces launched a limited rocket attack on 9 January against Pakse in the southern panhandle.

[REDACTED]

[REDACTED] The fact that the barrage was not followed up with a ground assault suggests that the Communists, smarting from their loss of the Plaine des Jarres, were more interested in the psychological impact than further territorial inroads at this time.

25X1

The attack on a politically sensitive Mekong Valley population center also serves as a reminder to Vientiane of the Communists' ability to heat up the military situation with little notice. In a more immediate sense, the Communists may hope that the attack will deter the government from moving additional troops from this area to bolster the defense of the Plaine des Jarres. A government arms depot outside of Pakse was the target of a Communist commando raid in late January last year.

25X1

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

9 Jan 70

Central Intelligence Bulletin

1

SECRET

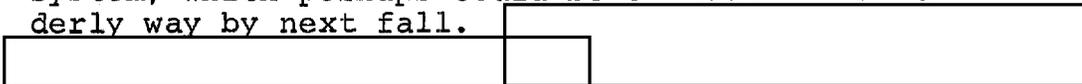
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Denmark-NATO: In response to domestic political pressure, the Danish Government has decided to withdraw from the Allied system of issuing temporary travel documents (TTDs) to East Germans wishing to travel in NATO countries.

The TTD system was set up in 1945 as part of the four-power administration of Germany and was retained by the US, UK, and France as a means of countering periodic Communist harassments of access to Berlin. Although not wholly persuaded of the merits of the system, the Danes agreed to cooperate with the three powers on the matter. Sentiment within Denmark for abolition of the TTDs has grown steadily as a result of repeated circumventions of the system by some NATO members, as well as the creation in 1958 of a Nordic Passport Union that opened Denmark to East German entry via Sweden and Finland.

Tempted by government weakness arising out of a prolonged financial crisis, the opposition parties decided to exploit discontent within the prime minister's Radical Liberal Party over coalition policies on the TTDs as well as on other matters. Fearing defections in Parliament, the government decided after a round of talks within the coalition as well as with the opposition that Denmark would henceforth set its own conditions for East German entry into its territory.

Although the West German Government now views the TTD system as outmoded, it nevertheless regards it as a potential bargaining point in upcoming Allied-Soviet talks on Berlin. It is unlikely, however, that the East Germans would be willing to offer any major concession in return for abolition of the system. Bonn appears willing to propose an early discussion within NATO of terminating the TTD system, which perhaps could be effected in an orderly way by next fall.



25X1

25X1

9 Jan 70

Central Intelligence Bulletin

2

SECRET

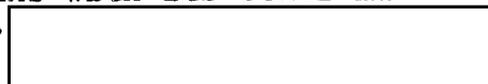
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Poland-France: Poland is touting its recently signed five-year trade and economic cooperation agreement with France as a model for its other major Western trading partners to follow.

The agreement signed in Paris in late December is aimed at doubling the level of trade over the next five years as well as eliminating the sizable Polish trade deficit that has averaged about \$30 million annually over the last four years. Poland's almost stagnant export trade with France will receive a boost because France has agreed to further liberalize imports of Polish goods produced with French assistance. If the trade goals are fulfilled, they would result in annual increases of roughly \$30 million over the next five years. Poland's trade last year with France, its third largest Western trading partner, is estimated to have dropped slightly below the 1968 total of \$130 million.

France also agreed to provide a three-year credit of \$135 million for the supply of machinery and equipment as well as technical assistance for the exploitation of Polish copper resources. Terms of the credit are not known, but repayment apparently will be made chiefly by the export of copper mined and processed in Poland. French aid in the development of Poland's already rapidly expanding copper industry will not only allow Poland to meet its own growing demand for copper, but also provide a surplus for export by the late 1970s.

Poland undoubtedly will seek at least as favorable trade concessions and even larger credits for industrial development in talks with its other major Western trading partners.



25X1

SECRET

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Netherlands: The resignation on 6 January of the embattled economics minister underlines the continuing vulnerability of the De Jong coalition on domestic economic issues.

Minister De Block's resignation followed the cabinet's decision to permit the metal industry to adopt a new wage agreement which he and other economic experts had labeled "clearly inflationary." A new automatic cost-of-living adjustment mechanism is the most controversial portion of the agreement. After an initial boost of 4.75 percent this month, it would allow maximum semi-annual wage increases of three percent. De Block and other critics, pointing to the traditional pacesetting role of the metal industry, expressed their concern that this agreement will trigger demands for similar provisions from other branches of industry.

The cabinet decided to approve the agreement for political reasons, probably to avoid labor unrest in general and within the labor wings of the coalition parties in particular. Last September, the three major trade union federations reacted sharply to a new law strengthening the government's right to nullify wage agreements it judges contrary to the national interest. The Socialist federation, closely allied to the opposition Labor Party, decided to boycott future wage negotiations at the national level, but the Catholic and Protestant federations, allied to the coalition parties, took a more equivocal position.

The coalition, which narrowly averted a crisis over tax policy in November, anticipates battles on other economic and fiscal matters before scheduled elections next year, and may in fact be somewhat relieved to see De Block go. He has drawn considerable criticism from the press and parliament for some seemingly inept performances during the past two years, and he was widely regarded as the government's weakest link. His departure will enable De Jong to place a less controversial individual at the head of the sensitive Economic Ministry.

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9 Jan 70

Central Intelligence Bulletin

4

SECRET

25X1

25X1

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Peru: Widespread opposition to the press law promulgated last week has provoked a strong response from the Velasco government.

The new law limits participation in the information media to native-born Peruvians residing in the country and restricts press freedom where state security or the honor and privacy of individuals is concerned. It has aroused opposition from both pro and antigovernment publishers and politicians. El Comercio, Lima's leading newspaper and usually a strong backer of the government, has led the fight, charging in a recent editorial that the law is causing a "deterioration of our image abroad" and contributing to "distrust in our nation." [The government, however, sought and has obtained a statement of support for the decree from the Communist Party and its labor confederation.]

In a communiqué released Wednesday, the government stated that opposition to the law is a "counter-revolutionary maneuver" and a "conspiracy." The communiqué goes on to defend the law's constitutionality, which has been challenged in court by two journalist associations and the Lima Bar Association.

The tone of the communiqué suggests that continued opposition may result in arrests based on the provision in the law establishing a one-year prison term for media offenses "prejudicial to state security." [REDACTED]

25X1

9 Jan 70

Central Intelligence Bulletin

5

SECRET

SECRET

International Labor: European trade union leaders are reacting negatively to a Soviet proposal for a European trade union conference, but they could be swayed if West Germany decides to support it.

The proposal was apparently made in Moscow last fall during talks between officials of the West German Trade Union Federation (DGB) and the Soviet All-Union Central Council of Trade Unions. A conference with the participation of the International Confederation of Free Trade Unions (ICFTU) and the Communist-dominated World Federation of Trade Unions (WFTU) has been a Soviet policy objective for many years. The current initiative is probably designed to generate pressure in the West for a European security conference.

Most key Western labor leaders, including ICFTU General Secretary Harm Buiter, are opposed to a conference of such a highly political nature. Buiter believes that the best way to sidetrack it might be a European regional labor conference sponsored by the International Labor Organization and concerned simply with labor matters. A factor in the ICFTU's reaction to the proposal is its current attempt to obtain the reaffiliation of the AFL-CIO, which withdrew from the ICFTU last February. Given the AFL-CIO's strong opposition to any contact between ICFTU and WFTU unions, acceptance of the Soviet proposal probably would prevent the return of the AFL-CIO to the ICFTU.

Despite these considerations, several labor leaders have said that the Germans' response will be the key. The DGB is scheduled to discuss the matter early in February, and Chancellor Brandt's view of the proposal in relation to his Eastern policy will have a significant bearing on the DGB decision.

25X1

7 Jan 70

Central Intelligence Bulletin

6

SECRET

NOTES

South Vietnam: The one-day "general strike" by some 15,000 workers on 7 January does not appear to have caused any serious disruption. The strike had been called by local elements of the Vietnamese Confederation of Labor after they had been unable to persuade the government to get the city's bus company back in operation following several months' idleness. Although the local leaders had voted to extend the strike, the confederation's national chairman, Tran Quoc Buu, ordered them to call it off and resume parleys with the government. The strike may result in some strain between the government and the confederation, but Buu's action has for the time being dampened down a potentially troublesome situation. [REDACTED]

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IAEA: East Germany has asked the International Atomic Energy Agency (IAEA) to apply its safeguards system to a recent shipment of 200 kilograms of enriched uranium received from the USSR. The level of enrichment is such that the uranium could not be utilized in a weapons program. This is the first instance, however, of a request for IAEA safeguards on fissionable material shipped by the USSR. East Germany did not raise the question of IAEA membership in its request, but may be using it to improve its membership prospects. Soviet handling of the request may be an indication that Moscow now is intent on bolstering the IAEA safeguards system as entry into force of the nonproliferation treaty draws near. The treaty requires the application of IAEA safeguards to adhering nonnuclear states. [REDACTED]

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9 Jan 70

Central Intelligence Bulletin

7

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SECRET

25X6



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Algeria-Tunisia: Relations between Algiers and Tunis, which have been gradually improving, reached a new high this week when a series of accords was signed, moving virtually all outstanding problems closer to solution. Included were a 20-year friendship pact, as well as agreements on various financial, commercial, and juridical matters. The new cooperation between these sometimes antagonistic neighbors stems from the interest both countries have in promoting greater Maghrebian unity as a counterpoise to Egyptian influence.



* * * *

Chile: The government is preparing for a showdown with retired General Viaux. The defense minister and the army commandant have publicly refuted recent statements by Viaux that he called off the army uprising last October only after the government promised to raise military salaries, make changes in the high command, and take no reprisals against those involved in the revolt. Although the government believes its denials will undercut Viaux, the attack will continue to keep his name in the news. Moreover, the dismissal of six officers whose trials are still pending will create an unfavorable impression regarding the impartiality of the proceedings.



25X1

9 Jan 70

Central Intelligence Bulletin

8

SECRET

Secret