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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

DIA and DOS review(s) completed.

Secret

№ 040

2 June 1971

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Approved For Release 2003/08/21 : CIA-RDP79T00975A019200020003-4

Approved For Release 2003/08/21 : CIA-RDP79T00975A019200020003-4

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No. 0131/71
2 June 1971

Central Intelligence Bulletin

CONTENTS

CAMBODIA: Difficulty for the new government.
(Page 1)

SOUTH VIETNAM: New political controversy. (Page 3)

PORTUGAL: Ultraconservatives are opposed to a constitutional revision granting increased autonomy for overseas territories. (Page 4)

UN-CYPRUS: The UN force remains plagued with problems. (Page 5)

CHILE - COMMUNIST EUROPE: Foreign Minister Almeyda's trip. (Page 6)

ARGENTINA: Anti-US terrorism (Page 7)

~~SECRET~~

SECRET

CAMBODIA: The new government is experiencing some difficulty coming to grips with its major economic and administrative problems.

Although the government has been in office only one month, it is becoming increasingly clear that it has not yet dispelled the sense of drift and indecision that characterized the political situation in Phnom Penh under the previous administration. Some high-ranking officials are already complaining about the obstacles they are encountering in trying to establish programs and policies to meet the country's most crucial problems.

Finance Minister Sok Chhong recently expressed concern over the cabinet's lack of support for reforms to halt continuing economic deterioration. Chhong admits that currency devaluation, price controls, and more stringent efforts to stop payroll padding in the army are likely to be unpopular in some quarters, but he believes that the real difficulty is the cabinet ministers' unfamiliarity with economic problems and their reluctance to address them.

In Tam, the able and energetic first deputy prime minister, is having trouble lining up support for plans to get a pacification program off the drawing boards and into the countryside. One key aspect of his proposed program, calling for the military police to be rejuvenated as the national police under his control, has run into some formidable political opposition. In Tam has gone so far as to threaten to resign unless his recommendations are approved.

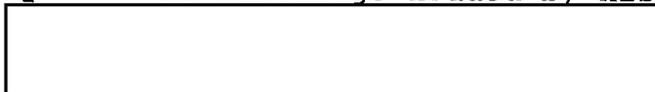
The government's search for appropriate measures to cope with its difficult and complex problems is further complicated by Prime Minister Lon Nol's continuing involvement in day-to-day affairs. General Fan Moeung, the project officer in charge of the impending reorganization of the Ministry of National

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Defense and the Cambodian Army (FANK) General Staff, has told the US defense attaché that Prime Minister Delegate Sirik Matak is distressed over the fact that Lon Nol is conferring with certain FANK field officers on a daily basis and is otherwise blurring the lines of authority within the military establishment.

Lon Nol's involvement appears to represent a breakdown in the understanding that was reached when the new government was formed, wherein he was to serve as a figurehead prime minister with Matak holding the real reins of responsibility. Matak and other key officials evidently are also concerned over the fact that access to Lon Nol is being controlled by a small entourage headed by his brother, Lon Non.



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SOUTH VIETNAM: The arrest and detention of a prominent antigovernment member of the Lower House has stirred up a new political controversy.

Deputy Ngo Cong Duc was taken into custody in Vinh Binh Province on 31 May and accused of assaulting the chairman of the province council. Some press accounts claim that he is being charged with attempted murder.

In Saigon, opposition deputies are condemning Duc's detention as a violation of his parliamentary immunity. They have persuaded the Lower House to express its concern to President Thieu and to send a delegation to Vinh Binh to investigate.

It is unclear whether Duc's arrest came at local initiative in Vinh Binh or on orders from Saigon. In any event the deputy has been a thorn in Thieu's side. He edits the most outspokenly antigovernment paper in Saigon and has called for an early end to the war. Although the President would like to see Duc defeated in the elections this summer, the deputy reportedly is still popular in his home district. Duc's continued detention probably would lead to further charges--both in Saigon and overseas--of political repression by the Thieu government.



25X1

2 Jun 71

Central Intelligence Bulletin

3

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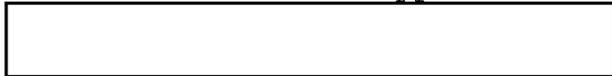
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PORTUGAL: Ultraconservatives are attempting to modify Prime Minister Caetano's constitutional revision granting increased autonomy to overseas territories.

A major political battle on this issue is expected in a special session of the Portuguese National Assembly beginning 15 June. Current tactics of far right elements include mailing harsh criticism of the revision to National Assembly deputies and other influential regime figures, circulating two books attacking Caetano's proposals, and galvanizing support in numerous right-wing meetings. The ultras have already persuaded the government to compromise on several points. Most importantly, the government has agreed that the structure of overseas territories' governments will be determined in Lisbon rather than locally.

The prime minister has responded to the ultrarightists' campaign by obtaining advance approval from conservative President Thomaz and the military. Caetano assured military support by appointing a new army chief of staff sympathetic to him and by extending the term of Venancio Deslandes, the chief of the joint chiefs of staff, who might have lined up with the rightists.

The prime minister has also appealed for popular support in visits and speeches throughout the country, and he even has made a bid for the backing of the liberals by displaying sympathy for the moderate left through selected public appearances. With this backing, Caetano's rather modest proposals are not seriously threatened. While powerful, the ultraconservatives are a small group, not fully organized, and have not been able to muster appreciable national support.



25X1

2 Jun 71

Central Intelligence Bulletin

4

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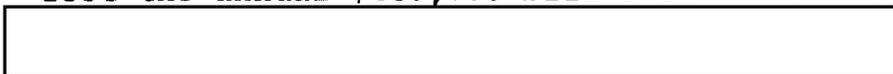
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UN-CYPRUS: The UN force in Cyprus (UNFICYP) remains plagued with problems despite its extension last week by the UN.

The six-month extension, the twentieth approved by the Security Council, comes at a time of increasing intercommunal tensions. The debate preceding the vote featured the usual exchange of charges between the Greek Cypriot and Turkish delegates, as well as familiar Soviet allegations of NATO involvement.

The specter of increased animosity between the Cypriot communities inhibited Council discussion of UNFICYP's chronic financial problems. The USSR and its allies have never contributed funds for this peacekeeping mission, and some other countries have not honored pledges made several years ago. The resulting burden of covering the budgetary gap--well in excess of \$10 million assuming all pledges were paid--has fallen on the eight nations contributing troops and on the US, which has agreed to provide 40 percent of all money for UNFICYP on a matching basis. Secretary General Thant has told the US he plans a full-scale review of UNFICYP before its mandate next expires at the end of this year.

The UK, the principal troop contributor, plans to reduce its costs in December by withdrawing eight helicopters, four of which reportedly will be used in Northern Ireland. These helicopters, used for both reconnaissance and transfer and re-supply operations, have been vital to UNFICYP. The British have said, however, they could consider leaving four helicopters on Cyprus if the UN would foot the annual \$480,000 bill for maintenance.



25X1

2 Jun 71

Central Intelligence Bulletin

5

SECRET

Approved For Release 2003/08/21 : CIA-RDP79T00975A019200020003-4

SECRET

CHILE - COMMUNIST EUROPE: Chilean Foreign Minister Almeyda is exploring special economic ties during his current trip to the Communist countries of Europe.

In addition to holding interviews with Premier Kosygin and other officials in Moscow last week, Almeyda signed several economic agreements. According to TASS, these cover an unspecified increase in and longer terms for the unused \$15-million Soviet credit to Chile, made in 1967 for machines and equipment; assistance to a variety of industrial projects; and the establishment of the first permanent Latin American trade mission in Moscow.

A high-ranking Chilean economic delegation making a more leisurely tour of Almeyda's circuit probably worked out the details of the agreement before the foreign minister's arrival. On the basis of what has been announced thus far, it is fair to say that Chile is ready to utilize available Soviet credits and other economic assistance in amounts larger than any Latin American country except Cuba.

Ambassador Korry in Santiago believes that Almeyda's reported intention to establish some sort of relationship with COMECON could be the Allende government's most significant foreign policy initiative to date. The ambassador says that Almeyda's tour indicates that the new government is going well beyond its professed nonaligned policy in seeking special ties with Communist European countries. A journalist in Moscow, however, reported that Almeyda showed reluctance to move too rapidly in developing COMECON ties.

Allende is facing increasingly complicated economic problems at home [redacted]

25X1

[redacted] It would be consistent with his approach to domestic political issues for him to try to arouse West European, Japanese, and US economic interest by demonstrating the ease with which Chile can approach the USSR and the countries of Eastern Europe. [redacted]

25X1

2 Jun 71

Central Intelligence Bulletin

6

SECRET

SECRET

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NOTE

ARGENTINA: US military personnel stationed in Buenos Aires appear to be a prime target for urban terrorists. An unsuccessful attempt to break into the home of a US military officer last Friday marks the tenth attack on members of the military group or the defense attaché's office, beginning with the firebombing of the defense attaché's home last October. During the same period two attacks were directed against other US government personnel, and US business establishments have been the targets of several bombing incidents.

25X1

2 Jun 71

Central Intelligence Bulletin

7

SECRET

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