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VIETNAM: In the period immediately following President Nixon's announcement on 8 May, both Soviet and Chinese military activities appear normal.

The Soviets first took note of the President's speech in a routine TASS account issued 11 hours after the speech. The account, datelined Washington, said the US actions were "open aggressive acts, signifying increased interference in Vietnam." TASS noted the President's remark that "these actions are not directed against any other country," but it did not report the part of the speech directed specifically at Moscow. TASS also reported the US offer to begin withdrawing as soon as the prisoners are released and a cease-fire is established. It concluded that, although the speech contains a number of reassurances that the US wants to end the war, US actions "speak of something quite different."

Peking has not yet commented on the speech, but the Foreign Ministry issued a statement on 9 May protesting the attacks on Chinese merchant ships near Vinh over the weekend. The protest is brief and relatively mild. It asserts that the attacks constitute a "grave provocation against the Chinese people"--the Chinese Government is not mentioned in this context--and that the Chinese people and government lodge a strong protest with the US. Washington, it adds, must bear "full responsibility" for "all the grave consequences" arising from such attacks if they are not stopped. These "consequences" are not spelled out, however. Under the circumstances, this language appears neither shrill nor particularly bellicose.

Hanoi has not yet responded authoritatively to President Nixon's speech, but all Vietnamese Communist statements from Hanoi and Paris insist that the US action will have no effect on Communist determination.

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These statements give heavy emphasis to international implications of the US action. According to French press reports from Hanoi, North Vietnamese spokesmen there are claiming that the President's speech is an "ultimatum" aimed not just at the Vietnamese Communists but at the "entire socialist bloc and the world." These initial reactions suggest not only that Hanoi will be taking a very hard line itself in the next several days, but that it will be taking every opportunity to remind the Soviets and the Chinese of their socialist obligations to support the Vietnamese Communists.

* * * *

Communist military forces are maintaining pressure on government positions in the northern provinces. Enemy artillery and ground attacks continue in the Hue area, but the main thrust of Communist activity at the moment is toward completing logistical and other combat preparations.

In the central highlands, the Communists yesterday captured the South Vietnamese base at Polei Kleng, the last major base west of Kontum City. They also were exerting heavy pressure on isolated government forces at Ben Het. In coastal Quang Nam Province, elements from the North Vietnamese 711th Division apparently are increasing their activity against major towns in the area and are now within range of Da Nang and the provincial capital of Hoi An. Farther south, Communist local forces and a North Vietnamese regiment reportedly are preparing to attack Qui Nhon, the capital of Binh Dinh Province.

* * * *

The city of Da Nang is trying to cope with some 300,000 refugees that have streamed in from Quang Tri, Hue, and outlying regions in recent weeks. According to the US Consul General in Da Nang, just providing water--let alone food, medical care, and sanitary facilities--is proving to be a sizable task.

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[In addition to the fact that local authorities are having extreme difficulty providing minimum provisions and services to the refugees, there is a growing fear that Da Nang may be attacked by the enemy. Enemy artillery attacks against Da Nang or news of the fall of Hue or Hoi An might spark a panic in much of the city that would greatly complicate efforts to defend it. [The situation may be eased somewhat if a plan to ship as many as 100,000 refugees from Military Region 1 to a new refugee center in Military Region 3 is successfully carried out.]

* * * *

Refugees fleeing from Communist-occupied districts in northern Binh Dinh Province reportedly are bringing out stories about enemy moves to consolidate political control there. The Communists are said to be setting up "liberation governments" and executing some government officials. Journalists who have interviewed the refugees report that the North Vietnamese units that spearheaded the attacks in Binh Dinh immediately turned over civil authority to local Viet Cong officials, some of whom are government cadre who were recruited earlier as secret Viet Cong.

The new governments are said to be carrying out routine functions such as trying criminals, arbitrating land disputes, and supervising repair of war damages. They are also said to be screening all individuals who were connected in any way with the government. Some officials are being given the opportunity to cooperate with the Viet Cong, but others, particularly policemen, reportedly are being shot.

The refugees' accounts generally square with earlier reports of how the Communists proceed after occupying other areas in South Vietnam, such as Loc Ninh District north of An Loc. The Communists evidently have well-thought-out procedures that are]

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being implemented as a follow-through to their military operations. There have been many reports of a "Ten-Point Proselyting Policy" that is to be set in train by Viet Cong cadre wherever access to the population is gained. The enemy's occupation measures are being carried out with a mixture of benevolence and terror; it is clear that they are intended for the long term, and that the Communists plan to stay in those areas they have seized, using them as springboards for subsequent offensive campaigns.



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ITALY: The country's major parties have cleared the election hurdle with only marginal shifts in their parliamentary strengths, but the formation of a new government probably will be a difficult, protracted affair.

As a group, the four parties of the center-left coalition that has governed Italy for the greater part of a decade gained six seats, giving them a total of 371 in the 630-member Chamber of Deputies. Collectively, the parties of the extreme left did not do well at the polls. Although the Communist Party won two additional seats, the Proletarian Socialists lost all 23 of their seats, and the militant Manifesto group failed to win any parliamentary representation in its first test at the ballot box.

The most impressive gains were made by the far right. The neo-fascists, who for this election joined forces with the tiny Monarchist Party, won 56 seats, 26 more than their combined total in the outgoing Chamber of Deputies. Some of these gains were drawn from the center-right of the political spectrum where the Liberal Party lost ten seats.

The Liberal Party's slump reduces the possibility of a centrist coalition as a viable alternative to the deeply divided center-left alignment. The four parties that would make up a centrist combination now have three fewer seats (331) than they had in the outgoing Chamber of Deputies. Although this is enough to constitute a mathematical majority, the margin is thin by Italian political standards.

An attempt probably will be made to refurbish the center-left alliance, but all the problems that forced the early dissolution of parliament either remain unsolved or have been further aggravated during the campaign. A new government may not be patched together until after the major parties have sorted out their problems at party congresses this summer. Italy's largest party, the Christian Democrats, probably will rule with a minority government in the interim.

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YUGOSLAVIA: The Croatian party leadership that Tito installed late last year has strengthened its credentials with Belgrade by expelling party leaders involved in the suppressed nationalist movement.

The federal party in January ordered regional party organs to purge dangerous nationalists. A Croatian central committee plenum on Monday voted unanimously to expel all four of the prominent Communists whom Tito had deprived of their positions in December. Despite earlier hints of a selective approach toward the expected disciplinary measures, the action lumped Mrs. Savka Dabcevic-Kucar, the popular and relatively moderate ex-party boss, with the more compromised Miko Tripalo.

The decision on the expulsions may have been influenced by the four leaders' refusal to deliver suitable self-criticism. The regime in Zagreb probably fears that such defiance could lead to passive resistance.

The republic party is due for further house-cleaning. Mrs. Milka Planinc, the new party chief, admitted at the plenum that the party was not yet "fit" for its responsibilities, and another official proposed that local organs review the cases of nationalists within their ranks. Hundreds of party members who lost their jobs earlier in the purge now face party sanctions, including expulsions. Although Mrs. Planinc may want a more restricted purge, she will face strong local opposition from conservatives who sense a sweeping victory over their nationalist opponents.

The only important conciliatory gesture at the plenum was the decision to ignore Tito's original inflammatory--and so far undocumented--charges of collusion between the nationalists and emigre-separatists. This move may put to rest fears that the ex-communicated leaders will be brought to trial.

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MALAGASY REPUBLIC: Tension is increasing between the government and students as a result of a strike, which is spreading throughout the country's secondary schools.

Students from the University of Madagascar and from secondary schools in the capital city of Tananarive, who went on strike on 24 April protesting the government's educational policies, have now been joined by secondary students in at least five other cities. Directing their major criticism against continuing French influence on Malagasy education, the students are demanding a revision of technical cooperation agreements with France and greater stress on Malagasy culture in the educational curriculum.

The students have defied inept threats by the government and pleas to return to class and have violated a government order banning public meetings. President Tsiranana has directed his officials to hold talks with the students, but he has refused to consider their demands until they have ended the strike. Students have shouted down government ministers at public meetings. Their anger is increasing as a result of the death of one student protester and Tsiranana's recent reappointment of the incumbent minister of culture whose ouster they had sought.

Tsiranana believes the strikes are politically motivated, and he may soon order his security forces to crack heads in an attempt to end the student unrest. He may also close the schools.

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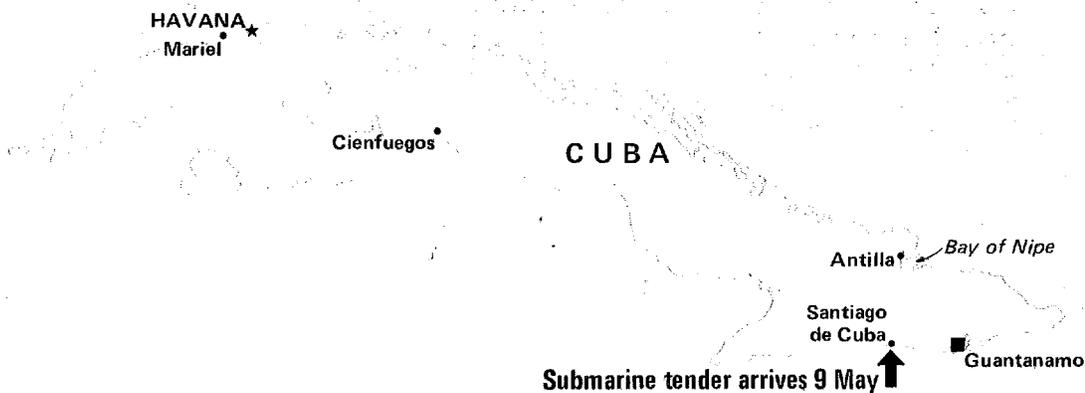
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NOTES

USSR-CUBA: The Soviet submarine tender that has been in Cuba since late April moved to Santiago yesterday. The only Soviet combatant currently in Cuba is an F-class diesel submarine at Mariel. The G-II class ballistic missile submarine and the destroyer that left Cuba on 6 May continue eastward in the Atlantic, apparently en route to home waters.



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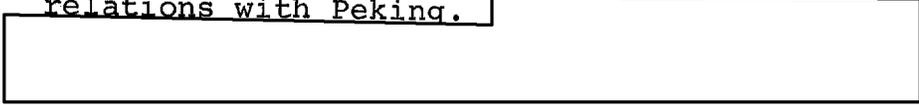
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JAPAN-TAIWAN: Tokyo's Export-Import Bank reportedly will approve a \$38-million credit repayable in 15 years to finance the sale of Japanese machinery to Taiwan. This would represent a change in Tokyo's policy of limiting to five years the term of new Export-Import Bank commercial credits to Taiwan and would improve the competitive position of Japanese firms bidding for supplier contracts in Taiwan. The success of a current Japanese bid to supply equipment for Taiwan's nuclear power project apparently hinges on liberal Export-Import Bank financing. The Japanese move comes on the heels of an announcement by the US Export-Import Bank that unlimited credit and credit guarantees would be available to Taiwan to finance sales of US goods and services. Tokyo's policy of not offering new official government-to-government economic development aid to Taipei would not be altered because of Japan's desire to improve relations with Peking.



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