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SOUTH VIETNAM: Communist plans to raise the level of military action, reported from several sectors of the country, have been implemented on only a limited scale thus far; there are no signs, however, that enemy units are pulling back from target areas.

During the past few days, there has been an increase in Communist shellings and harassing attacks, particularly in the central highlands and near Saigon, including a 72-round rocket bombardment of the Bien Hoa Airbase northeast of the capital city. A number of other airfields and bases have also been shelled, and the enemy continues to harass road traffic, ambushing convoys and destroying bridges along major highways.

The tactics employed by the enemy in recent days are substantially those forecast by recent reporting on enemy intentions. The level of enemy activity, however, is well below that called for by Communist commanders. This suggests either that Communist forces are not yet adequately prepared to go into action in many areas or that new factors, possibly including allied pre-emptive operations, have caused them to defer their plans. There is no evidence so far of a Communist decision to postpone the high point for political reasons.

25X1 allied air and artillery attacks, together with more aggressive South Vietnamese ground operations, have severely crippled some enemy units and that several key officers as well as many combat troops have been killed. Some enemy forces reportedly have insufficient supplies, are suffering from low morale, and are having difficulty staying near target areas.

Widespread speculation regarding the imminence of a cease-fire may also have had an effect on the

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(willingness of some Communist troops--as well as some government troops--to go into battle. Some reports suggest that preparations by many Communist officials for a possible "in-place" cease-fire are taking priority over larger scale offensive operations.

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NATO: The allies have finally reached a compromise on the question of participation in future talks on MBFR.

Under the agreed formula, the talks could be attended by two representatives of the NATO flanks, rotating between Norway and Denmark and among Greece, Turkey, and Italy. They will have the right to speak by invitation on issues that directly concern their countries. Earlier proposals sought to limit participation to central European states.

This agreement clears the way for a positive US response to Moscow's proposal of 12 September that preparatory talks on a Conference on Security and Cooperation in Europe (CSCE) begin on 22 November and be followed by preliminary MBFR talks on 31 January 1973. A number of the allies intend to present follow-up demarches endorsing the participation compromise. In addition, at least the UK will attempt to amplify NATO's desire for effective parallelism between the two sets of talks. The actual CSCE conference would begin in mid-1973 and the MBFR conference in September or October.

The Soviets probably will be unhappy with broadened NATO participation in MBFR talks when it is broached to them. Participation by flank states could open the way for Romania to seek a role--a development which could be troublesome for the Soviets. It might also be seen by Moscow as a bloc-to-bloc approach, something which the Soviets have rejected and which they have suggested was their reason for not receiving former NATO secretary-general Brosio as an "explorer." Soviet officials have generally been reluctant to address MBFR participation and have given mixed signals, sometimes indicating a desire for the inclusion of neutrals and at other times favoring a narrow forum.

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EUROPEAN COMMUNITIES: The EC finance ministers may agree on a common anti-inflationary program next week but, because of internal policy differences, the program probably will have only limited impact.

A Commission report has outlined a series of anti-inflationary measures, including curbs on the growth of the money supply, a temporary ten or 20-percent reduction in the Common External Tariff, elimination of certain industrial subsidies, and expanded import quotas. It also proposes opening bids on public works contracts to non-EC firms, tighter antitrust enforcement, and prices and incomes policies. A freeze on agricultural prices, considered earlier by the Commission, is not included among the measures.

The EC summit conference in Paris last week instructed the finance ministers to adopt "precise measures" in the fight against inflation, but agreement on community-wide steps may be difficult. The ministers may not be able to agree on a ceiling for money supply growth because countries with high unemployment, such as the UK, will want to increase the money supply to stimulate recovery. Prospects for agreement on a temporary tariff reduction are also poor; the French believe a reduction would compromise the EC position in the upcoming trade negotiations. Except for prices and incomes policies, already in force in several EC countries, the remaining measures, even if adopted, would have little near-term effect on prices. Some form of EC anti-inflation measures, however, is now widely regarded as a political necessity.

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UN-TERRORISM: Efforts to organize effective measures to combat terrorism continue to encounter delays at the UN.

On 20 October the UN legal committee in effect rejected a Canadian resolution, strongly supported by the US, calling for a conference in 1973 to conclude a treaty on the protection of diplomats. The committee adopted an amended resolution which instead would place the draft treaty on the agenda of the General Assembly next fall, with a view to producing and adopting a treaty by the end of the session. The amended resolution also invites written comments on draft articles prepared by the International Law Commission. These articles--which might become the basis of the treaty to protect diplomats--received preliminary consideration by the legal committee this year.

Soviet failure to support actively the original Canadian resolution was instrumental in its defeat. Moscow was cool because Bonn but not Pankow would have been allowed to participate in the conference, and because the Arabs had asked the Soviets not to force the matter. Moscow also thought the conference would be an unnecessary expense. The Soviets, nevertheless, are ready to see an early treaty and they did not favor an amendment that would have effectively buried the idea.

The 1973 General Assembly is almost certain to adopt the resolution recommended by the legal committee. Some East European representatives have said that they will attempt to "improve" it by emphasizing the importance of concluding a treaty at next year's assembly. A treaty ready for signature by December 1973 would represent only a short delay over the best possible result of the conference initially proposed by the Canadians. A number of Arab states, however, might make strenuous efforts to postpone agreement on a treaty.

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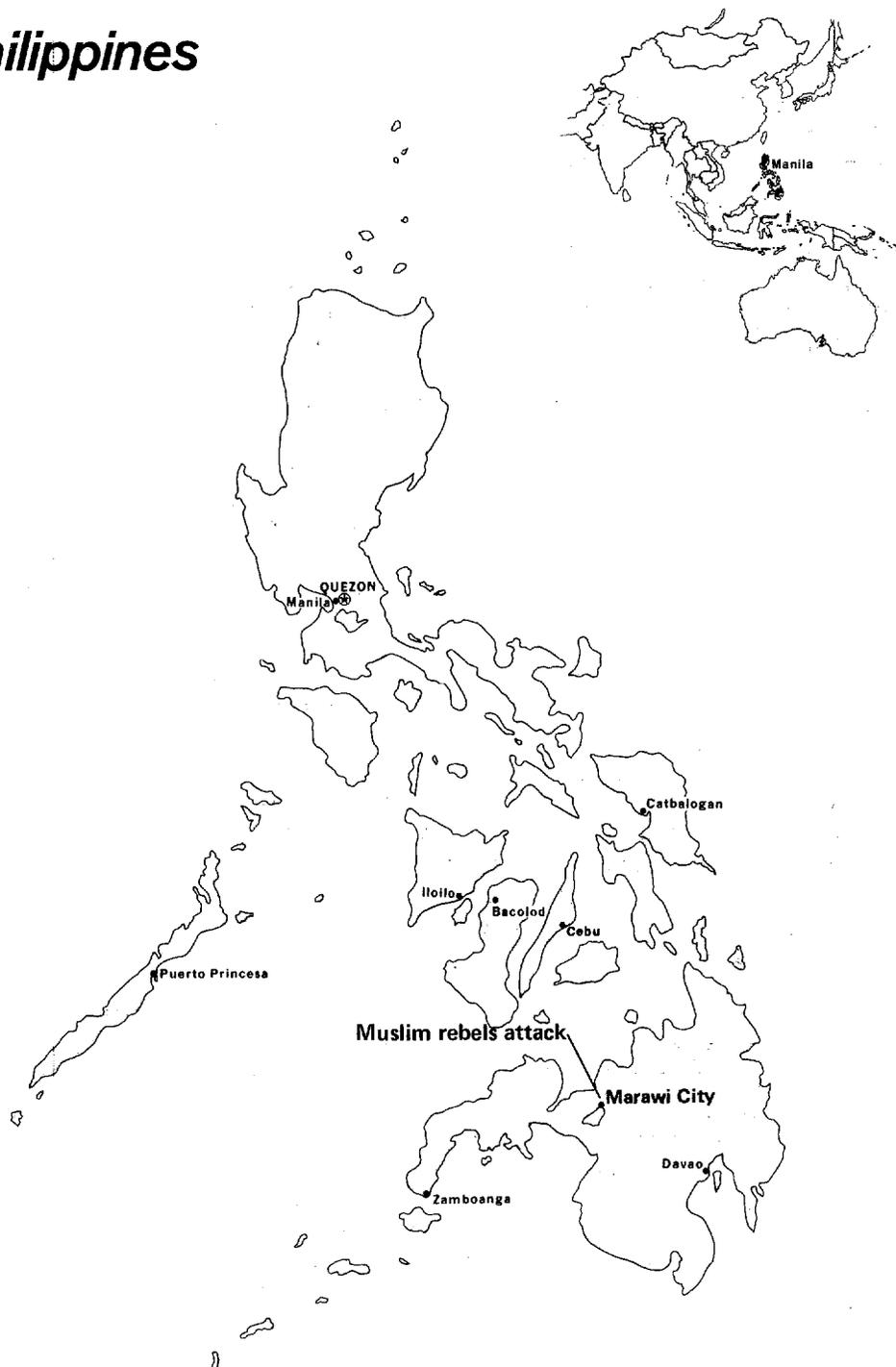
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THE PHILIPPINES: Martial law has exacerbated the traditional government-Muslim conflict in Mindanao.

Marawi City, site of the attack by Muslim rebels on the constabulary on 21 October has long been an important dissident center, reportedly supported by several nearby training camps and arms caches. The attack itself probably was precipitated by a recent government decision to implement new gun controls and disarm the Muslims by 25 October. The timing of the government move was ill-conceived--it is the middle of the Muslim fasting month when religious passions are high and tempers are short.

Until now, the government attempted to tread lightly in imposing martial law in Muslim areas. President Marcos held conferences with Muslim leaders earlier this month in an effort to convince them that martial law would not be used as a pretext for launching a Muslim annihilation campaign. Despite these efforts, the situation has become increasingly tense, and antigovernment Muslim leaders have begun to fear that, like other Marcos critics, they too will soon be arrested.

Despite their opposition to the government, the Muslims have not in the past made common cause with various leftist dissidents, although the Maoist New People's Army has tried to reach some sort of working arrangement. The government likes to paint all dissident activities as Communist-inspired, but there is no evidence to link the Maoist guerrillas to the most recent Muslim incident. [REDACTED]

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INDIA-PAKISTAN: An expected agreement on the establishment of a line of control in Kashmir has been blocked, apparently as a result of a disagreement over one-and-one-half square miles of territory. No date has been set for another meeting of the senior military commanders who have been conducting the negotiations, but it was announced that the two sides plan to meet again. An eventual agreement and withdrawal of forces from occupied territory is probable, but mutual distrust remains high and it may be necessary for Prime Minister Gandhi and President Bhutto to intervene personally. [REDACTED]

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WEST GERMANY - FINLAND: Bonn has proposed to Helsinki that negotiations to establish diplomatic relations begin in early November. The West Germans are willing to discuss Finland's desire for a statement recognizing its neutrality, but not the issue of compensation for wartime damages. According to a member of the West German Foreign Office, the initial Finnish reaction was favorable. Finland offered to begin negotiations with both East and West Germany last July, but only Pankow accepted. A Finnish - East German agreement to establish diplomatic relations was initialed on 6 September. Largely because of its concept of equal treatment for both Germanies, Helsinki has not yet put that agreement into force. Bonn hopes that its proposal will enable the Finns to resist East German pressures to do so before the current West German negotiations with Pankow are concluded. [REDACTED]

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