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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

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41

25X1

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# *Central Intelligence Bulletin*

## CONTENTS

- LAOS: Fighting continues to decline. (Page 1)
- CHILE: Government food distribution scheme in trouble as election nears. (Page 2)
- CHINA: Renewed effort to organize youth. (Page 3)
- ICELAND: Inflation could trigger fall of government coalition. (Page 4)
- MALAGASY REPUBLIC: Demonstrations over French base aggravate tensions. (Page 5)
- MAURITANIA-FRANCE: Relations redefined as Nouakchott withdraws from franc zone. (Page 7)
- URUGUAY: Leftist coalition divided over military role. (Page 9)
- EUROPEAN SECURITY CONFERENCE: Moscow may have scaled down expectations (Page 10)

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Approved For Release 2003/08/27 : CIA-RDP79T00975A023900040001-2

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SECRET

LAOS: The level of fighting continues to decline amid signs that some North Vietnamese units believe they will be returning home soon.

In the south, only minor clashes near Khong Sedone and Thateng and isolated shellings west of Paksong have marred the cease-fire during the past two days. Communist troops in the central panhandle on 25 February attacked a government unit along Route 13 north of Thakhek for the second time in three days and again forced the irregulars to fall back. Near Muong Phalane, however, North Vietnamese troops told villagers in the area that some units would be leaving as soon as Pathet Lao replacements arrived. In the area of the Plaine des Jarres, Communist gunners continued to shell government positions in the hills near Xieng Khouangville on 25 February.

25X1

27 Feb 73

Central Intelligence Bulletin

1

SECRET

SECRET

CHILE: The government's politically motivated plan to move large stocks of food to low-income consumers just before next Sunday's elections is in serious difficulties.

The politicians who now control food distribution are resisting all efforts by Air Force General Bachelet to organize an effective national system. Despite the fact that Bachelet was appointed by President Allende to do just that and that he has Communist support for his plans, the Socialists have been able to prevent dismissal of even the most corrupt and incompetent of the present administrators. Pushing their increasingly hard line, they are blaming the military for the failure of the supply scheme. They are also collaborating with other extremists in inciting slum clashes over the allocation of food, possibly in an effort to disrupt the election by violence.

Even if some temporary solution can be devised, the delay has stirred up Communist and Socialist animosities, never far below the surface, and probably has lost votes for government candidates. [REDACTED]

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25X1

27 Feb 73

Central Intelligence Bulletin

2

SECRET

SECRET

CHINA: Peking has announced the formation of the first province-level Young Communist League (YCL) committee since the party's youth auxiliary was dismantled during the Cultural Revolution.

An editorial in the official party newspaper, People's Daily, on 22 February hailed the establishment of a new YCL committee in Shanghai, a city with provincial status, and promised that other provinces would soon follow suit. Although the editorial was lenient toward the past mistakes of over-zealous young people, it was clear that the refurbished league will keep youth on a short rein, enrolling new members "very, very carefully." Red Guards, young activists given license to bring down the establishment during the Cultural Revolution, will maintain a separate organization, politically less prestigious but apparently not subordinate to the party's youth auxiliary. The league is responsible for mobilizing young people in general, but has been given direct control only over the Little Red Soldiers, the children's organization that has permanently supplanted its pre-Cultural Revolution forerunner.

Reconstructing the Youth League, a process that has been delayed because of more pressing political problems, will allow the party to re-establish traditional lines of control over troublesome young people. Youthful indiscipline has been a chronic problem since the freewheeling days of the Cultural Revolution. Official propaganda frequently complains of indiscipline among young factory workers,

25X1 [redacted] Al- though the return to organizational discipline is seen in some official circles as a device to handcuff young people, moderates in the leadership view the league as an instrument to channel youthful energies toward party-directed goals. Moreover, it is an important source of new recruits for the party, a notion that China's aging leadership must keep in mind in planning the party's future. [redacted]

25X1 [redacted] 27 Feb 73

Central Intelligence Bulletin

3

25X1

SECRET

~~SECRET~~

ICELAND: Pending wage-price hikes could further swell the burgeoning inflation and trigger the fall of the already unstable coalition government.

The cost-of-living jumped about 17 percent in the past year, with food prices increasing almost 18 percent and the housing index rising over 21 percent. During the same period wages shot up 18 percent, mostly in cost-of-living adjustments. In the absence of legislative controls, private sector wages will increase another 12 percent and government employees' pay 14 percent on 1 March.

The fishing industry, the mainstay of the economy, has serious problems. Costs are rising and catches are declining. The volcanic eruption on Heimaey Island forced the evacuation of Iceland's largest fishing town and at least temporarily knocked out about 17 percent of the industry's processing capacity. Although recent devaluation of the krona should benefit exports, it also will raise import prices and thus add further inflationary pressures.

Hannibal Valdimarsson, leader of the Organization of Liberals and Leftists (OLL)--a partner in the left-center coalition--nearly brought down the government last December when he demanded devaluation of the krona as a hedge against inflation. The other coalition parties agreed to the devaluation despite their campaign pledge to hold the line. The OLL might use the current economic difficulties as an excuse to desert the coalition, which has gained a reputation for fiscal irresponsibility. Valdimarsson apparently hopes new elections would result in a right-center coalition, uniting his party with the opposition Social Democrats and the Independence Party. Opposition leaders reportedly favor this type of coalition. Such a government would pursue a moderate policy vis-a-vis the US in base negotiations as well as toward the British in the fishing limits dispute.

25X1

27 Feb 73

Central Intelligence Bulletin

4

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SECRET

MALAGASY REPUBLIC: Demonstrations over the weekend in the port city of Diego Suarez, the headquarters of French military forces in the Indian Ocean, have aggravated an already difficult domestic situation.

The demonstrators, most of whom were apparently members of Madagascar's coastal tribes, were protesting a possible move to end the French military presence on the island. The French base provides jobs and incomes for a large number of coastals. Opposition to the base comes mainly from students and workers, mostly members of the Merina tribe of central Madagascar whose demonstrations in Tananarive last May led to the replacement of former president Tsiranana by a military-civilian government headed by General Ramanantsoa.

The question of the future status of Diego Suarez is one of the major issues in current negotiations under way in Paris on revision of French-Malagasy cooperation agreements. The French are reluctant to surrender rights to Diego Suarez, while the Malagasy are increasingly insistent on asserting their sovereignty over the base. The talks are deadlocked because of what the French consider excessive and unrealistic demands on the part of the Malagasy. The Malagasy Government, already suspicious of the French role in encouraging tribal divisions, will probably conclude that the French provoked the riots in an effort to influence the outcome of the base talks.

The demonstrators also protested educational reforms that the coastals believe benefit mainly the Merina. Coastal dissatisfaction with educational policy led to tribal clashes in another major port city last December. In addition, many coastals view the Ramanantsoa government as an instrument for imposing Merina domination on the island because a large number of ministries are held by Merina. (continued)

27 Feb 73

*Central Intelligence Bulletin*

5

SECRET

SECRET

Tribal tensions and a faltering economy have already produced considerable unrest. One major coastal political figure, former vice-president Andre Resampa, has called for the replacement of Ramanantsoa's government by a provisional government composed of the island's major political parties. Resampa's demand is indicative of a growing feeling on the part of many Malagasy that Ramanantsoa has allowed events to drift without coming forward with precise policies to calm tribal passions or deal with conflicting demands for reforms from the island's factionalized political groups.

25X1

27 Feb 73

*Central Intelligence Bulletin*

6

SECRET

~~SECRET~~

MAURITANIA-FRANCE: The new cooperation agreements, signed recently in Nouakchott and replacing those in existence since 1960, have redefined formal relations between the two countries.

The three agreements cover economic relations and technical and cultural cooperation. Paris' continued refusal to grant Mauritania an operations account with the Bank of France, together with Mauritania's previously announced decision to establish a national currency, has ensured Mauritania's formal withdrawal from the franc zone. Tripoli, meanwhile, has offered a substantial drawing account with the Bank of Libya. Future French economic assistance will be on a project-by-project basis, but the issue is complicated by an unresolved debate among French officials regarding the extent of changes to be made in the kind of assistance Nouakchott will receive. The French Finance Ministry insists that because of these recent monetary decisions Nouakchott can no longer be given capital assistance and should be limited to grants for studies and technical assistance. Secretary of State for Cooperation Billecocq supports less restrictive terms in line with his advocacy of a more open and flexible policy toward France's client states.

The accord on cultural cooperation provides for continuing French educational assistance while permitting Mauritania to give education a more national character, primarily by abolishing the requirement for equivalency between French and Mauritanian diplomas. The technical agreement describes the status of French civilian technical assistants and is believed to provide for a reduction in the number of technicians.

The two sides failed to reach agreement on military cooperation. Mauritania refused to grant France military overflight rights and asked for the withdrawal of all French military advisers in

27 Feb 73

*Central Intelligence Bulletin*

7

~~SECRET~~

~~SECRET~~

response to the French insistence that the continuation of the advisory mission depended on concessions to the French position on overflights. The differences of opinion on military issues created considerable rancor, in contrast to the amicable negotiations on the other accords.

The new agreements largely satisfy Ould Dadah's desire to acquire full sovereignty for Mauritania, while retaining friendly relations with France. He has publicly praised the accords, but he also cautioned that Mauritians will have to accept some economic sacrifices in return for achieving control over their economy.

As a precedent for negotiations with other African countries, the accords seem to indicate that while France is prepared largely to satisfy African demands regarding cultural and technical assistance, Paris will maintain its traditionally conservative policy in the monetary area.

25X1

27 Feb 73

*Central Intelligence Bulletin*

8

~~SECRET~~

SECRET

25X1

URUGUAY: The viability of the leftist Frente Amplio coalition appears to have been seriously threatened by internal differences over the military's virtual take-over of government.

The split has pitted the two stronger pro-military members of the coalition--the Communist and Christian Democratic parties--against several minority parties, whose reservations about the military revolt against President Bordaberry were apparently ignored at the height of the crisis. A split in the coalition reportedly developed when several of its senators walked out of the rally on 9 February at which its principal spokesman, retired General Libes Seregni, called for the resignation of Bordaberry. Seregni's speech was taken to be a show of leftist support for the military.

Should Frente Amplio's internal differences force it to disband, the military will find its position in dictating to the civilian government further strengthened. It will also, however, gain a vocal and perhaps unwanted ally on the extreme left.

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NOTE

EUROPEAN SECURITY CONFERENCE: The third session of preparatory talks for a Conference on Security and Cooperation in Europe opened in Helsinki yesterday after a two-week recess. At the two previous sessions various agenda proposals were gathered into four "baskets," and hard bargaining will now take place in an effort to reconcile differing Soviet and Western approaches. The West wants the agenda spelled out in some detail before commitments are made on questions of the timing and location of the actual conference. So far this position has prevailed. As a result, Soviet officials have expressed disappointment over the slow pace of the talks. Moscow appears to have scaled down its earlier inflated expectations of what can be accomplished at a conference, and will probably concentrate on obtaining Western agreement on what it regards as the central issues: endorsement of the principles of inviolability of frontiers and non-use of force and approval of a post-conference consultative organ.

25X1

27 Feb 73

*Central Intelligence Bulletin*

10

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