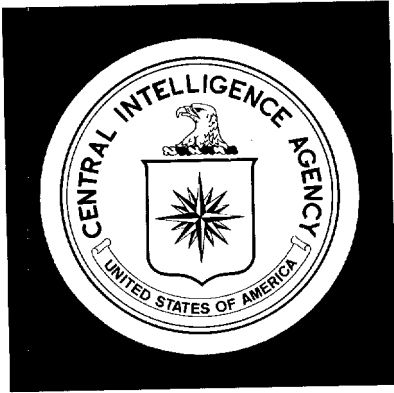


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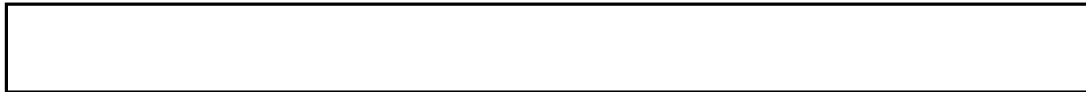
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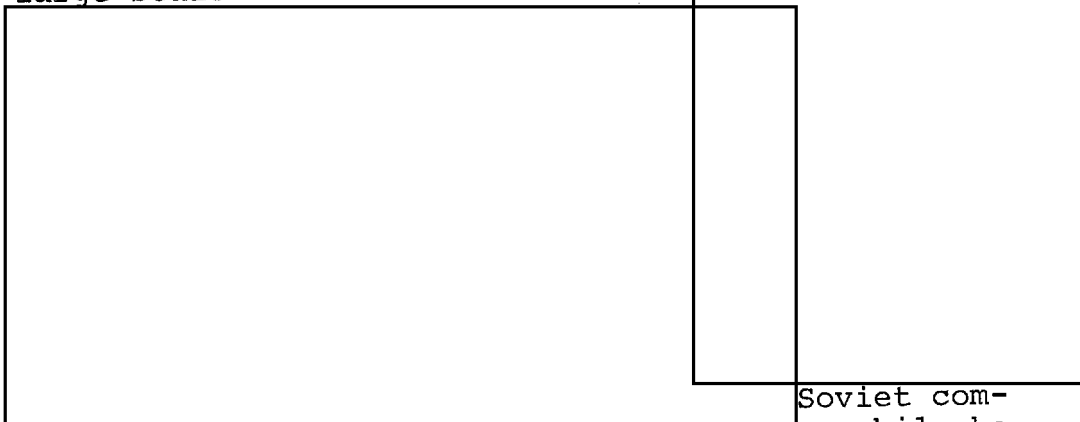
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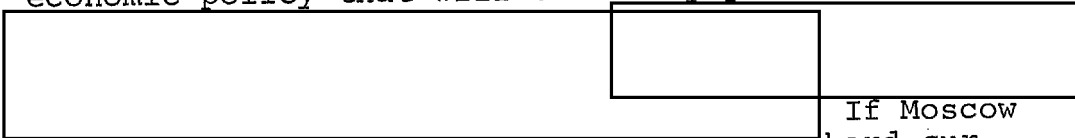
USSR-CHILE: President Allende reportedly was disappointed with the results of his visit to Moscow two weeks ago.

Evidence is mounting that Moscow refused Allende large-scale "bail-out" assistance.



Soviet commentary on the Allende visit was extensive while he was in the USSR, but since then has been infrequent. The most authoritative media treatment, in Pravda on 15 December, gave no indication that any new agreements had been signed.

The Soviets apparently believe that Chile is in serious economic difficulty because of errors in economic policy that will take many years to correct.



If Moscow were to provide Allende with the massive hard currency assistance he sought, it would entail major sacrifices for the USSR at a time when its foreign exchange position is being strained by the need to finance large grain imports.

Moscow's apparent refusal to bail out Allende leaves the Chilean economy in dire straits. Chile is encountering increasing difficulty in obtaining

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financial help from traditional West European creditors/

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Because of falling exports and exhausted foreign exchange reserves, Chile's import capacity will be down by more than \$300 million in 1973, unless additional hard currency credits are obtained.

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JAPAN: The Japanese continue to move slowly in implementing reductions in import quotas and imposing export restraints, two key elements of its program to cut the trade surplus.

Progress in reducing import quotas has been especially slow. Tokyo originally stated it would ease quotas on most restricted items, but the Ministry of Agriculture and Forestry, which exercises control over 23 products, has so far decided to increase the quota for only one item--beef. The Ministry of International Trade and Industry has done more, but has agreed to raise quota levels on only five of the nine products under its control.

On the export side, some 20 items have been selected for restraints. The effective date of this measure is scheduled for 1 January, following repeated delays.

The economic program as a whole has been condemned as weak by both Japanese and foreigners. The economic ministries may be dragging their feet because they think that their efforts will be undone by a yen revaluation in the next few months.

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CAMBODIA: The low level of combat in recent months stands in marked contrast to the fighting a year ago.

Last year at this time government units north and west of Phnom Penh were engaged in heavy fighting with seasoned Vietnamese Communist units. With the Communist spring offensive in South Vietnam, however, most of these enemy forces were returned to South Vietnam, leaving the Khmer Communists largely on their own. Although the insurgents' ability to conduct and coordinate tactical operations continues to improve, they do not appear capable of dealing any decisive military setbacks to the defensive-minded Cambodian Army.

Most of the fighting during the last four months has resulted from periodic Khmer Communist interdictions of major highways. Diminished Communist activity along Routes 4 and 5 is making it possible for the government to move badly needed supplies of rice and other goods to Phnom Penh. Cambodian and South Vietnamese forces are now trying to clear Route 2 between Takeo and the South Vietnamese border.

In addition to interdiction operations, the Communists have also been putting pressure on several provincial capitals--most recently the isolated northern town of Kompong Thom. Since 7 December, Communist forces have carried out a series of shellings and ground probes against Cambodian positions in and around the town. Although the Cambodians have abandoned a few positions, the 2,600-man garrison does not appear to be in grave danger. The government is now airlifting reinforcements and has replaced the inept local commander.

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INDIA: Widespread hunger is likely to last until the spring harvest begins in April.

Drought has affected many areas, and acute food shortages are occurring in a wide belt across central India. State officials expressed concern that the central government has provided them with only half the amount of foodstuffs needed in recent weeks. US officials and volunteer agencies on the scene believe that central government stocks and distribution are insufficient to deal with the emergency.

Government foodgrain stocks, which totaled nine million tons in August, dropped to four million as of 1 November, and 3.2 million tons a month later. Exports to other states by private traders in some surplus states were banned in an effort to get the grain into government hands. This move, however, has aggravated food shortages in nearby drought-affected states.

The government has purchased an estimated 500,000 tons of foodgrains abroad since mid-November, about half of this from the US. Although New Delhi claims shipments will begin arriving next month, the volume will not reach substantial proportions until February or later. In any case, imported grains usually are distributed to the large coastal cities, thereby doing little to help the hardest hit inland areas.

In an effort to achieve a more equitable distribution of grain throughout the nation, New Delhi is using the emergency situation to push the state governments to take over the wholesale grain trade beginning with next spring's harvest. Because the states lack facilities, however, such moves will further disrupt distribution channels and may cause even greater hardship.

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CHINA - US - NORTH VIETNAM: Peking has reacted in a low-key and measured way to a US air attack on 20 December that damaged a Chinese merchant ship in Haiphong harbor. In a terse broadcast on 21 December, the New China News Agency expressed the Chinese people's "extreme indignation" over the incident, but implied there were no casualties and little damage. The broadcast said that the Chinese Government "strongly protests the provocative act" and insists that the US "immediately stop attacking" Chinese ships and "guarantee" against any recurrence. NCNA asserted that Peking "is closely watching the development of daily expanding US war activities"--the first hint that renewed US military operations against North Vietnam have engaged Peking's serious attention. This formulation stops far short of a Chinese statement last June that such operations "threatened" China's security. [REDACTED]

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JAPAN: Prime Minister Tanaka's new cabinet places experienced policy-makers in key economic and foreign affairs posts, and papers over factional differences in the ruling party. Masayoshi Ohira remains as foreign minister, and Kiichi Aichi, one of Japan's most able statesmen, will assume the finance portfolio with responsibility for the sensitive issue of yen revaluation. Nakasone retained the ministry of international trade and industry, but Tanaka will probably continue to take a large personal role in trade matters. In the face of leftist gains in the 10 December general elections, the prime minister is placing a high priority on closing the ranks of his conservative party. He succeeded in persuading Takeo Fukuda, whom he defeated for the prime ministry last July, to accept a minor post in the new cabinet. [REDACTED]

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