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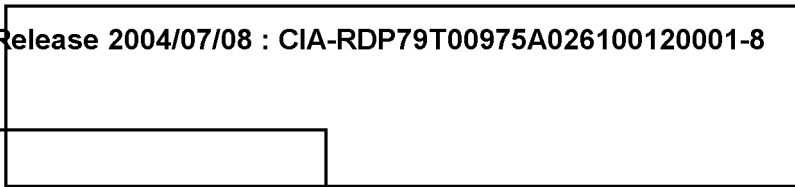
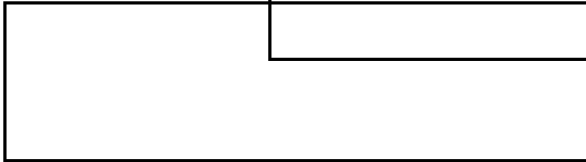


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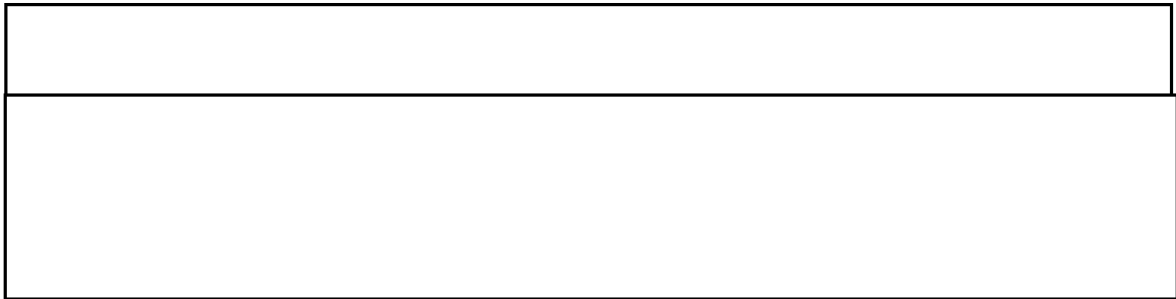
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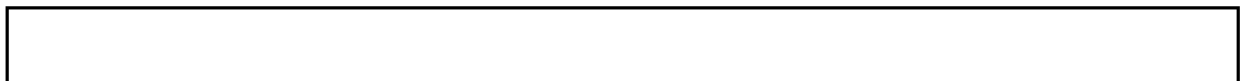
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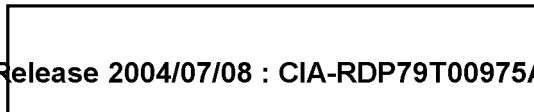
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ENERGY CONFERENCE: The Algerian proposal for a special UN session on raw material availabilities may come up at the energy conference in Washington next week.

The EC Nine have been discussing the position they will take on the issue but are evidently in disagreement. Substantial portions of the EC Commission's draft communiqué for the Washington conference still lack full agreement by the Nine, including a section on support for a conference dealing with supply problems of basic raw materials. France is almost certainly the chief proponent of this section, which will be the subject of further debate within the caucus sessions of the Nine in Washington.

Dutch Foreign Minister Van der Stoep hopes that the US will be ready at the preparatory meeting on February 10 to discuss the relationship between the proposed UN session and the conference of producers, industrialized consumers, and developing countries that the US has proposed. He believes that it would be difficult for the Netherlands to oppose the Algerian initiative and expects a majority in the UN to support a special session.

Canada may also want to express views on the Algerian proposal. External Affairs Minister Sharp believes that countries rich in resources other than oil may be getting together in an attempt to control markets in strategic raw materials and that the implications of this development should be brought up at the conference.

Secretary General Waldheim began consultations on Algeria's request on February 1. He will be required to convene the session within 15 days after a majority of members agree to the request. The members have 30 days in which to register their views.

Indian UN Ambassador Sen commented recently that the session is bound to present difficulties for almost everyone. Sen maintained that he and his Yugoslav colleague have been "successfully steam-rolled" by the Algerians and must support the proposal.

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NORTH VIETNAM: Hanoi has apparently held two Central Committee plenums in the past few months-- the first such meetings since the signing of the Paris accord. Together they provide guidance for the party rank and file on Communist plans and strategy in both North and South Vietnam.

The first of the plenums (the 21st since the last party congress in 1960) was apparently held last fall and concentrated on future action in South Vietnam. [redacted]

[redacted] provide detailed information on the resolution that emanated from it. The resolution says:

--At some time in the future the Communists will again go on the offensive and achieve final victory in the South.

--This offensive is a good distance away, and for now the Communists are to build their forces, defend their territory, and try to improve their political position.

--It may be years before these efforts bear fruit; [redacted] was told to expect victory in the period 1979-84.

[redacted] the main message of the 21st plenum is that during the next two years the party will continue to strengthen all facets of its struggle in the South--its clandestine infrastructure, its guerrilla and main force military units, and also the areas under its control. During this process, the party will carry out selective military actions along with "political violence" in order to weaken Saigon. The implication is that the time is not favorable for a general or major countrywide offensive since the "base" for such an offensive is still being built.

The party's assessment of the situation in the South is a revealing admission of Communist weaknesses. It is admitted that the Viet Cong control

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few people, have lost access to the bulk of the population, cannot find recruits for their guerrilla units, and are experiencing serious economic problems.

The party acknowledged that the South Vietnamese Government has increased its influence in the countryside, noting that it is stronger than before "from the central level to the village and hamlet level."

Beyond urging careful doses of increased military action, the party provides little specific guidance. It says that several factors are working against the government, and that, without the help of US forces, Saigon's forces will "disintegrate rapidly" when brought under heavy attack. Moreover, the party says, economic constraints on the government eventually will force it to reduce the size of its armed forces or face "economic collapse."

The resolution also observes that the Communists control vast areas of western South Vietnam and have free access all along its borders. It points out that the Viet Cong will be receiving considerable economic help from the "socialist" and "independent" countries. It concludes that these assets are important in building up strength in the South.

One of the more revealing aspects of this account is an apparent credibility gap that exists between lower level Communists and the party leadership. Local Communists are told explicitly that, despite their confusion and puzzlement, they must have confidence in their leaders and follow party guidance.

In contrast to the 21st plenum, of which there has been no public mention, the 22nd was featured immediately by the North Vietnamese media. It apparently convened late last month and seems to have been concerned mainly with the reconstruction of North Vietnam. According to initial reports, it laid down ambitious guidelines for a five-year plan beginning in 1976, and for one-year plans in the two intervening years.

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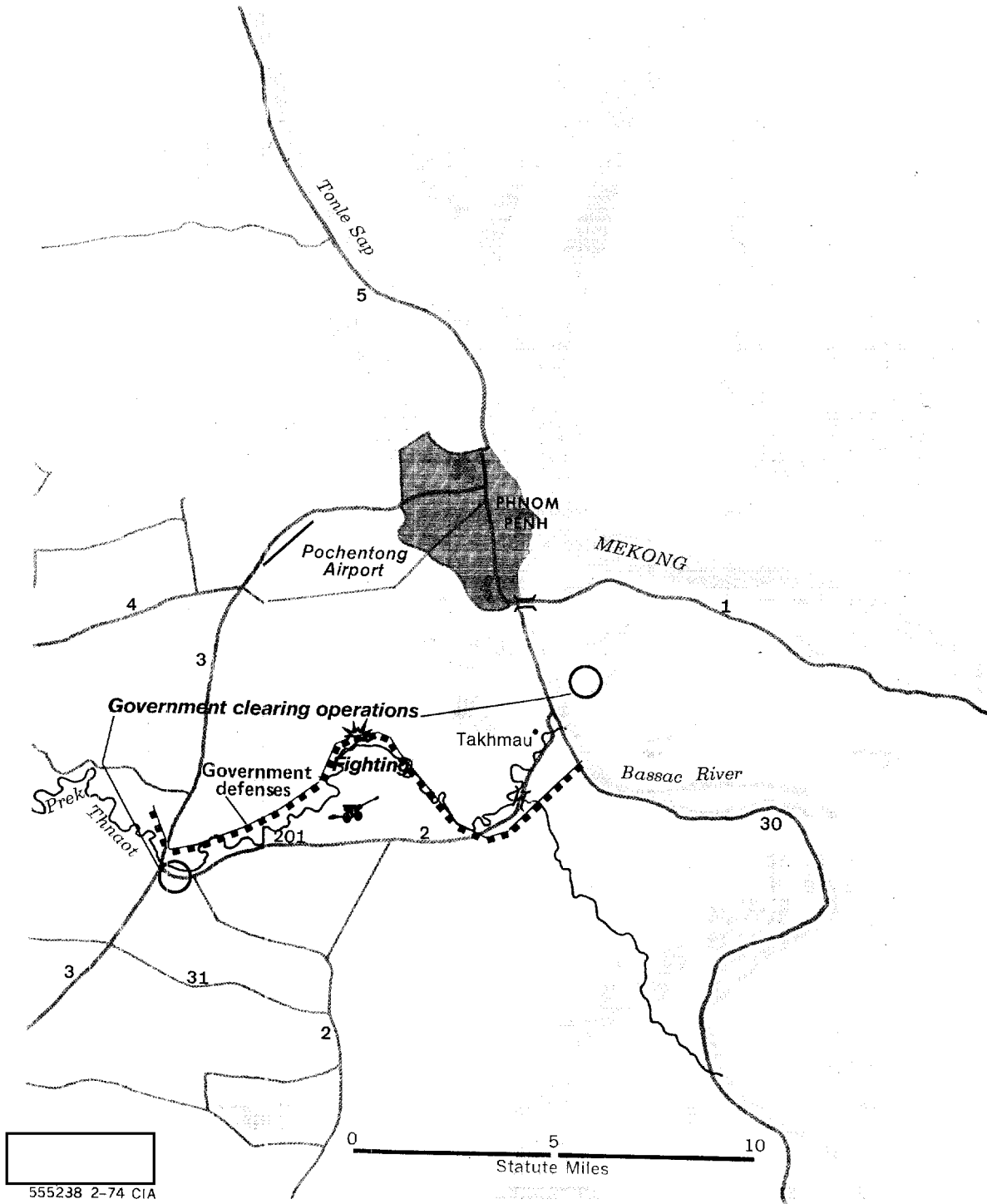
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Phnom Penh



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CAMBODIA: Government forces conducting clearing operations along Phnom Penh's southern defense line have made limited progress in the past few days.

Units of the Cambodian Army's 2nd Division gained ground yesterday in their effort to dislodge Khmer Communist elements located southeast of the capital between Route 1 and the Bassac River.

[Redacted]

Government forces anchoring the western end of the defense line also reported making headway in sweep operations in the vicinity of Route 3. Elements of the nearby 1st Division, however, continue to meet stiff resistance as they try to root out Communist troops north of the Prek Thnaot River.

The insurgents, meanwhile, are maintaining their artillery positions south of the Prek Thnaot River,

[Redacted]

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LAOS: The Pathet Lao's chief political negotiator, Phoun Sipraseuth, was scheduled to return to Vientiane yesterday following three weeks of "consultations" at the Lao Communist headquarters in Sam Neua. His return could generate additional momentum toward early formation of the new coalition government.

[Redacted]

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Phoun is also expected to submit to Prime Minister Souvanna the names of Pathet Lao members of the new coalition and its principal advisory body, the Joint National Political Council.

Phoun's reappearance follows the significant progress earlier this week in resolving procedures for the neutralization of the twin capitals of Vientiane and Luang Prabang. Implementation of those procedures, including the Joint Police Force's assumption of metropolitan police functions in both cities, was to begin February 8.

[Redacted]

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INTERNATIONAL FINANCIAL DEVELOPMENTS: Some European governments are looking toward international capital markets to offset part of the deficits that will result from higher oil prices.

--Paris has announced plans for a \$1.5-billion Eurodollar loan, part of the proceeds to be parceled out to banks to increase their dollar holdings, the remainder to increase the central bank's dollar reserves.

--According to Chancellor of the Exchequer Barber, London will seek external loans rather than use competitive devaluation.

--Rome reportedly also is considering a sizable Eurodollar loan to help pay its increased oil import bill.

The French decision is the first indication of sizable long-term government borrowing to finance balance-of-payments deficits resulting from high oil prices. The British and Italians have frequently resorted to the Euromoney market for funds in the past. The capital made available as a result of these loans will be supplemented as European businesses obtain new loans from both the Euromoney and New York capital markets following government decisions last month to reduce controls on capital movements.

Foreign borrowing by governments is only one of many alternatives that can be used to finance the anticipated balance-of-payments deficits. Governments may also:

--attempt to improve current account balances by depreciating currencies, directly restricting imports, or directly inducing exports;

--use portions of their monetary reserves;

(continued)

--maintain high domestic interest rates, which, coupled with relaxed exchange controls, should induce capital movements into their countries;

--issue special preferential assets directly to oil producers to attract oil revenues back into their countries.

To avoid the ruthless competition that a broad application of these remedies could produce, some countries will probably seek an international solution to the problem. Chancellor of the Exchequer Barber is in favor of international coordination of balance-of-payments policies and institutional arrangements to redistribute oil revenues. It is unlikely, however, that international agreement will be reached soon. In the interim, governments will continue to follow independent policies.

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ARGENTINA: President Peron is promoting his wife as his chief political spokesman and may intend to use her to purge the Justicialist movement of extreme leftist influences.

A national congress of Peronists opens today to consider major changes in the political structure of the movement. The congress was called by Vice President Maria Estela de Peron, presumably at President Peron's behest.

Although Mrs. Peron will chair the congress, she reportedly is receiving all of her instructions from the President. Since his illness last November, his wife has frequently acted for him, and this congress may give her the political backing she will need to dominate the movement. This added authority will enhance her ability to operate effectively as president when Peron goes to Madrid later this month,

Peron seems to have given up any hope of placating leftists, especially radical youth, within his factionalized movement. In a recent speech peppered with charges against the so-called "revolutionary tendency" of Peronist youth, Peron said that the movement could not admit those who seek to impose "foreign" ideologies and doctrines, an obvious putdown of the Marxist bent of the radical youth.

Several youth leaders recently boycotted a meeting with the President, and the complete alienation of the more militant youth seems assured now that Peron has all but read them out of the movement. With his departure for Europe, they can be expected to step up criticism of the administration. Mrs. Peron has

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been increasingly identified as an archenemy of left-wing Peronists who accuse her and several key Peronist advisers of being identified with conservative labor interests and the "reactionary" element of the movement.

Peron's sharp turn against a key sector of his movement, if formalized at this congress, will severely test the cohesion of his movement and could drive the more militant members of the left wing into further conflict with the government.

FOR THE RECORD

Japan: Former foreign minister Zentarō Kosaka pledged a total of \$70 million in loans during his recent trip to eight North African and Middle Eastern countries. The largest loan, \$40 million, was promised Algeria for telecommunications facilities. Sudan was promised \$10 million for highway and construction equipment, plus additional aid if funds are available. Other pledges of \$10 million went to Morocco and Jordan. Japan also agreed to join the IBRD-sponsored aid consultative group for Tunisia. []

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Upper Volta: President Lamizana yesterday suspended the constitution, dismissed his cabinet and the National Assembly, and banned all political activity. Lamizana, a military officer who seized power in 1966, stated he will soon form a new government of civilians and officers. []

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South Vietnam: The anticipated upsurge of military action in the central highlands may have begun. Saigon announced on February 9 that a sharp clash has broken out 14 miles southwest of Pleiku City, only a few miles from a site where the government is scheduled to return some prisoners to the Communists next week. According to the government announcement, Communist troops shelled a government position and then mounted an infantry attack on it. Government troops supported by armor reportedly have killed 54 Communists. []

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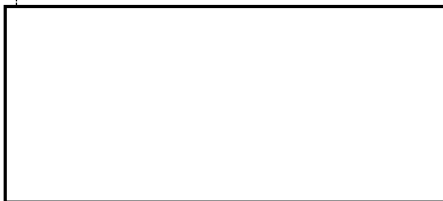
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