

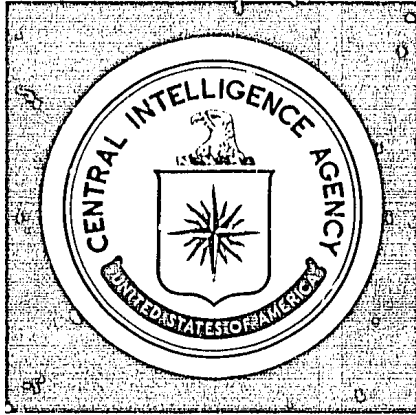
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CENTRAL INTELLIGENCE BULLETIN
21 JAN 1972

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Central Intelligence Bulletin

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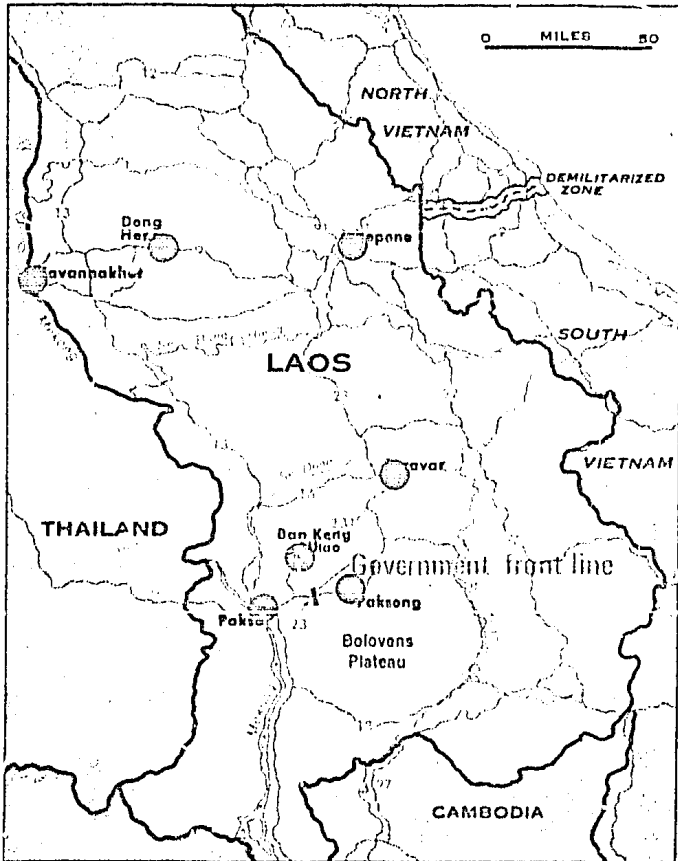
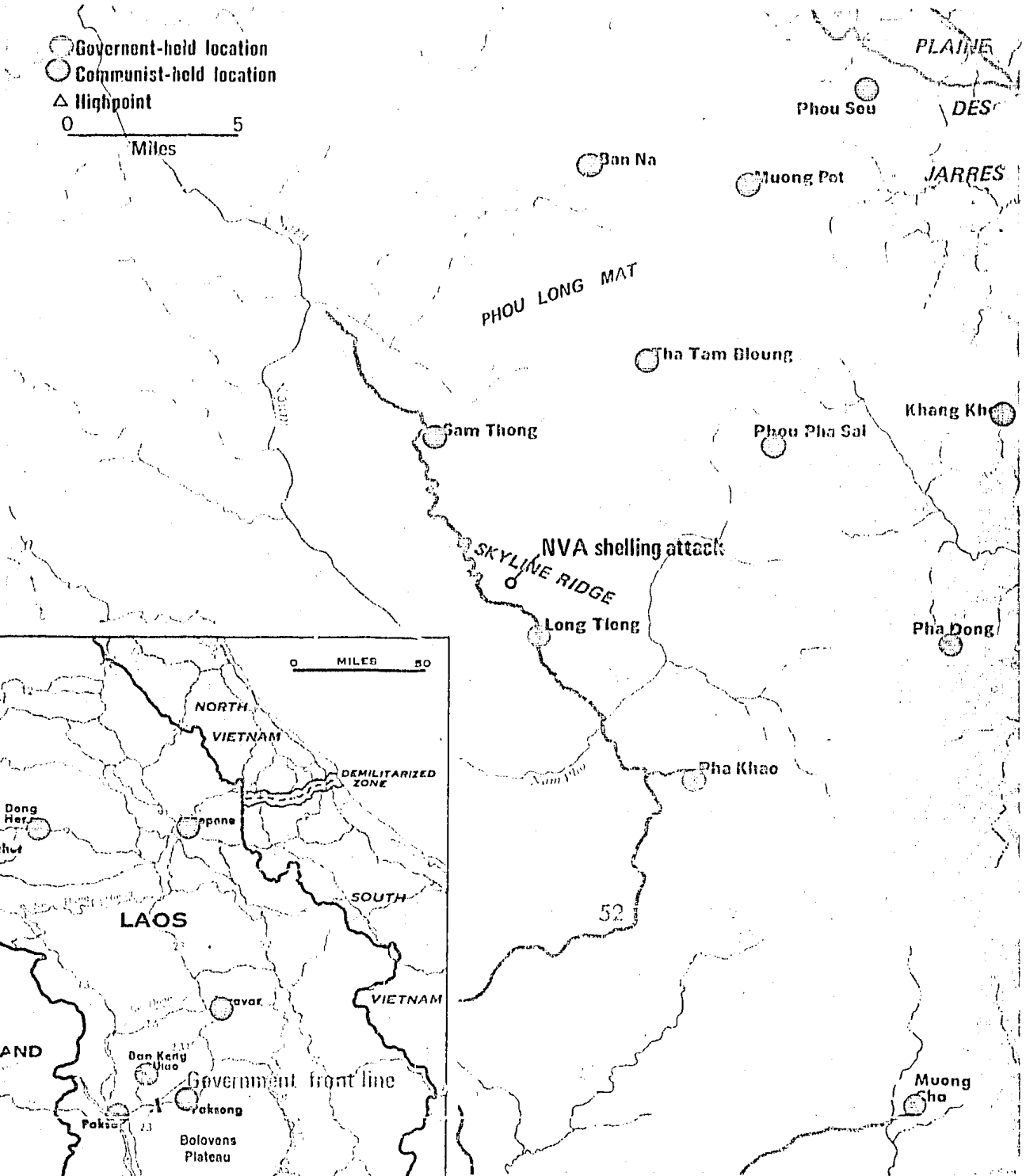
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LONG TIENG AREA

- Government-held location
- Communist-held location
- △ Highpoint

0 5
Miles



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[LAOS: There has been no appreciable change in the situation around Long Tieng.

The Communists have resumed shelling irregular positions on Skyline Ridge with 130-mm. field guns, but no reports of damages or casualties are yet available. The North Vietnamese are also keeping up a steady stream of mortar, recoilless rifle, and small-arms fire on the ridge, causing numerous irregular casualties--three killed and 24 wounded in the past 24 hours--and making it difficult for irregular units to mass for a new thrust eastward. Elsewhere in the Long Tieng area, irregular patrols continue to report growing enemy troop concentrations west and southeast of the base.

In south Laos, the North Vietnamese are maintaining pressure on government forces on the periphery of the Bolovens Plateau. Lao Army units in forward positions along Route 23 have reported frequent shellings and probes over the past several days, but the Communists have pushed no closer to Pakse. The Communists are also attacking along Route 231 about 15 miles north of Route 23. (CONFIDENTIAL)

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USSR-BANGLADESH: Formal Soviet recognition of Bangladesh, which Moscow hopes to accomplish without rupturing its relations with Islamabad, may soon be forthcoming.

Moscow's fear of losing its position in Islamabad and its desire not to appear too far out in front of the rest of the world have been the primary reasons for Soviet delay thus far. Recently, however, the countries of the European Communities and Britain have decided on the desirability of according near simultaneous recognition of Bangladesh, possibly as early as next week. In addition, Islamabad has not broken diplomatic relations with every country that has recognized Bangladesh. The Soviets probably feel that this augurs well for their own prospects of being able to maintain their presence in Islamabad. They may also hope to score points in New Delhi and Dacca by being among the first of the major powers to recognize the new regime. (CONFIDENTIAL NO FOREIGN DISSEM)

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ISRAEL: The government budget approved by the cabinet for the fiscal year beginning 1 April will reinforce already formidable inflationary pressures.

The budget of \$3.95 billion exceeds the expenditure ceiling announced previously by Finance Minister Sapir. About \$155 million of the projected spending will be borrowed from the central bank. The announced expenditure total may not include \$83 million in military outlays previously labeled as a "borrowing from the 1973-74 defense budget." Moreover, the cost of approved programs apparently has been calculated on the basis of an unrealistically low estimate of wage increases, suggesting that a supplementary appropriation will be required later.

After allowance is made for price increases, however, the new budget represents little change from the current level of government activity. Defense spending, which had risen sharply in recent years, is to be reduced from the current year's level.

The budget is to be presented to the Knesset on 22 February. This will not leave sufficient time for enactment of the required legislation before the beginning of the new fiscal year, and an interim budget will be enacted to cover the months of April and May. (CONFIDENTIAL)

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EGYPT: The austerity measures announced by the new Sidqi cabinet apparently are designed to underscore President Sadat's determination to "mobilize" the domestic front. The timing of the announcement may reflect in part a desire to respond to recent student protests.

Measures announced thus far are aimed mainly at simultaneous reduction of current state expenditures and of the privileges of upper-echelon civil servants. Cairo has imposed cuts ranging from 20 to 50 percent on many of the administrative expenses of ministries, public utilities, and state enterprises; the largest reductions will affect travel and entertainment expense accounts. Specific measures outside the government sphere have not been made public, but an effort to reduce luxury goods imports further is expected.

The impact of the new expenditure restrictions on the state deficit cannot yet be assessed. During the post-war years the government has generally claimed to have balanced the state budget, but recently the achievement has been mainly the result of fiscal sleight of hand. Up to \$200 million probably has been borrowed annually since 1969 to finance the deficit in the unbudgeted post-war emergency fund. (CONFIDENTIAL)

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PERU: President Velasco has expressed serious concern about the Marxist regime in Chile, but his government continues to work with the Peruvian Communists in support of domestic objectives.

In a conversation this week with the US ambassador, Velasco stressed his government's preoccupation with danger from Chile, an attitude that has colored Peruvian thought since a Chilean military victory over Peru in the 19th century. Velasco said that Peru and Argentina would have to maintain close vigilance over what he called "Communist Chile," but he showed annoyance, as have the Brazilians, with Argentine President Lanusse's apparent friendly attitude toward President Allende. While explaining this concern about what he considers to be a Communist threat from the south, Velasco was relaxed about Cuba, stating that it was far away and insignificant. He apparently intends to continue his government's policy of rapprochement with Havana.

These sentiments are similar to those expressed recently by Interior Minister Richter, who specifically indicated that the government intends to work with the Communist-controlled labor federation as long as it suited the government's interests. Richter asserted, however, that at some point the government would have to confront the Communists directly. Such a policy may be difficult to implement if the Communist-controlled labor federation is able to get a strong foothold in the meantime.

Richter also stated that he believed the Soviet Union was working with the Communist labor group to undermine the Peruvian revolution. He specifically mentioned labor agitation in the mining sector, which seriously hurt the Peruvian economy in 1971. The Peruvian Government values its relations with the Soviet Union, however, both as an expression of "independence" from the US and because of economic aid commitments dating from 1970. Thus it is unlikely seriously to jeopardize these relations. (SECRET NO FOREIGN DISSEM)

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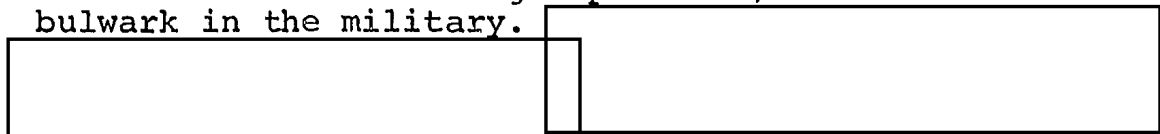
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BOLIVIA: President Banzer's belief that certain senior military officers have begun plotting against him has helped motivate rapprochement with an important group of younger officers.

The recently completed round of military assignments gives the junior officers associated with popular Lieutenant Colonel Cayoja additional important troop commands. In the wake of a dispute last November, Banzer was reliably reported to have decided to remove them from their sensitive posts.

One reason for the President's change of heart is his reported conviction that interior minister Colonel Adett, state mining company director General Miranda, and ambassador to the US General Valencia are conspiring. While army commander General Arana and former interior minister Colonel Selich have not been implicated in the plot, Banzer has good reason to doubt their loyalty as well.

The President evidently has decided that he must rely on younger officers, whom he knows to be antagonistic toward the alleged plotters, as his main bulwark in the military.



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ITALY: Leaders of organized labor have given a guardedly favorable initial response to a plan of Confindustria, the country's principal association of manufacturers, for economic recovery.

Confindustria believes that ambitious growth targets are within the economy's potential. Its plan shows a new willingness by management to reorient economic growth more toward social development and away from dependence on exports. The plan suggests that both government consumption and social investment in 1972 be increased by about 36 percent above 1970 and that the net foreign deficit be allowed to increase. By endorsing labor's goals of social reform and greater employment, Confindustria undoubtedly hopes to receive union guarantees of fewer plant-level disputes and greater restraint in wage and fringe benefit demands. About 50 national labor contracts, involving some four million workers, that were signed during the "hot autumn" of 1969 must be renewed this year.

An effective plan to combat the recent economic slowdown is a key goal for the center-left parties in their week-old effort to form a new coalition government. Opposition to the government's economic policy was the issue which the small Republican Party cited when it provoked the present crisis by withdrawing its parliamentary support from the government.

Negotiations looking toward a new government are also complicated by a scheduled referendum on abrogating the country's divorce law, a seriously divisive issue among the four center-left parties.

25X1C [redacted] President Leone believes that the referendum issue should be settled now or parliament should be dissolved and elections held. The call for elections would postpone the referendum, which could not be held until one year after the convocation of a new parliament.
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SPAIN: The government expects that strong police action against Madrid University student demonstrators will show that it will not tolerate widespread disorder.

Although the clashes were precipitated by the suspension of 4,000 medical students protesting a change in the medical school curriculum, the unrest has more fundamental causes. Students resent the presence of uniformed and plainclothes police on the campus and in classrooms since the student riots of early 1969. Many of the deans are ineffective and hostile to the students. A polarization of students has been brought on by the disruptive tactics of a small but militant group of extreme leftists--including a number of well-organized Communists--who have clashed with an even smaller group of extreme rightists. Underlying these factors is widespread campus opposition to authority in general and especially to the Spanish Government and the establishment.

The students have become so resentful that they have extended their demonstrations--which usually take place up until Christmas--into the period customarily reserved for preparing for February examinations. The authorities may resort to closing Madrid University to ease the situation. In the past, the threat of canceling examinations has usually served to quiet student unrest.

There is no indication that the government is considering more severe measures, such as a declaration of state of emergency used during the disorders in January 1969. It was the conjunction of student and labor protests at that time that caused the government to react harshly. Although there were some serious strikes and labor disorders last fall, the labor situation has been relatively quiet since Christmas. Workers might mount scattered protests to demonstrate their solidarity with the students, but fear of jeopardizing their jobs probably will prevent them from undertaking substantial protest actions. (CONFIDENTIAL)

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SOUTH-WEST AFRICA: The strike of Ovambo mine-workers, now in its sixth week with negotiations for a settlement just beginning, poses difficult political choices for the government.

Almost 14,000 Ovambos have walked off their jobs, severely hampering activity in the modern sector of South-West Africa's economy. Agricultural workers, railroad workers, and tugboat operators also have gone on strike recently. Construction is at a virtual standstill throughout the area. Mine owners have tried to return the Ovambos to their homeland and hire others, but only 2,000 untrained and inexperienced replacements have been hired. The mineworkers have demanded job security, abolition of the contract labor system, which the Ovambos see as akin to slavery, and better pay.

A South African student leader claims [redacted] the strike was planned as early as last June by Ovambos organized in cells. A South African journalist claims he knew in November that a strike was planned. The police are still handling the situation as an industrial dispute, perhaps in part because acknowledgement that it is political would reveal them as lax in their surveillance.

The South African Government finds itself in a serious dilemma. Officials recognize that the contract labor system is outdated and needs revision, but to give in now would, in Pretoria's view, set a dangerous precedent for black labor elsewhere in southern Africa. (SECRET)

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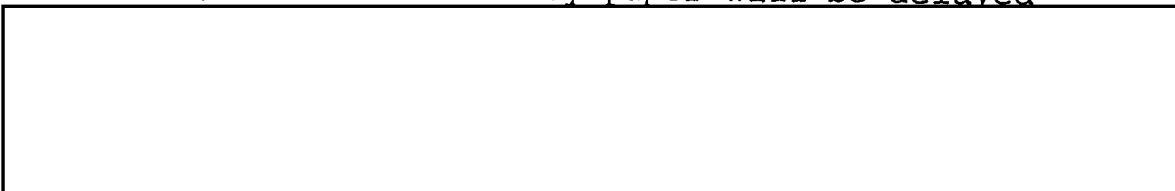
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EUROPEAN COMMUNITIES: France has succeeded in scheduling an early Council debate on the question of community aircraft policy, including the issue of reinstating currently suspended tariffs on aircraft imports.

Until 1971 there had been no difficulty each year in suspending the statutory five-percent EC tariff on aircraft weighing over 33,000 pounds. A French industry request last year to let the suspension expire was turned down by the Council, in part because of pressure from airlines to avoid a step that would make the aircraft they buy more expensive. At that time, however, France's partners did agree to review the suspension policy before the end of 1973--that is, after the British were in the community. It now appears that this matter could be discussed as early as March. In the past, the Commission has argued that it would be better to work toward the abolition of third-country tariffs on aircraft--the comparable US rate is six percent--than reimpose community tariffs.

The EC Commission is preparing a study on the aircraft industry throughout the community. This could serve as the basis for community action that would foster consolidation and modernization and thus permit facing up to US competition. A preliminary report is expected to be published in February or March, but a full policy paper will be delayed



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