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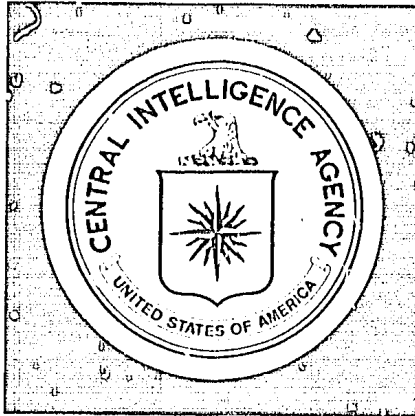
CENTRAL INTELLIGENCE BULLETIN
12 SEPT 1972

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VIETNAM: There is additional confirmation that the Communists are directing their cadre to prepare for a substantial military highpoint beginning in September and continuing into October.

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[REDACTED]

COSVN has instructed its subordinates to prepare for a campaign designed to tie down Saigon's main forces while the Communists attempt to roll back the pacification program in the countryside. Local forces and main force sapper and artillery units allegedly will conduct most of the action in September, hitting military installations, district towns, and government outposts. In October, main forces are to lead an offensive designed to "threaten urban areas, disrupt GVN administrative functions, and deplete GVN military forces and supplies" so that the allies will be "forced to negotiate a settlement on the basis of the seven-point proposal."

Cadre have been told to be "determined to maintain the offensive and uprising at the present level, and, at the same time, to build up our armed and political forces rapidly so that we can fight for a long time." The instructions stress the need for the quick recruitment in September of many new troops for use in October. They claim that if the allies prove willing to reach a political settlement that "favors" the Communists, enemy forces will be used to achieve "greater victories" during the cease-fire period. If the allies refuse to negotiate an end to the war prior to the US presidential election, "we will be able to use our armed and political forces to return to a prolonged state of warfare and fight on indefinitely until the enemy is defeated."

Communist main forces allegedly have been told to "thrust far into the provinces around Saigon" and "penetrate the Saigon defense line." [REDACTED] [REDACTED] by early September the enemy's 7th and 9th divisions had already established elements

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in provinces adjacent to the capital. In fact, Communist sapper and small-element attacks against government strongpoints have picked up recently northwest of Saigon, and there are numerous indications that the enemy is concentrating forces in Hau Nghia, southern Tay Ninh, and southern Binh Duong provinces for a more substantial round of assaults, perhaps including infantry attacks on urban centers. Main elements of the Communists' 7th and 9th divisions appear to be maintaining the positions they held during the previous fighting around An Loc and along Route 13, but parts of the 7th Division, at least, could quickly move closer to Saigon.

COSVN's instructions appear to correspond rather closely with the Communists' current public line on negotiations, which is stressing the demand for a three-segment coalition government that presumably would leave some, if not most, of the GVN administrative mechanism intact as one segment of the coalition. The instructions state that a "victory" over the US means a political settlement and the withdrawal of American forces. It does not "mean that the Saigon puppets cease to exist." To deal with the remaining GVN apparatus, cadre are urged to be in position to act "quickly and forcefully" against GVN personnel in the event of a political settlement.

The Communists' most recent public pronouncement, the statement of 11 September from the Viet Cong's "provisional government" (PRG), contains the usual stretches of rhetoric praising the Communist stand and castigating Washington's position, albeit with some new twists. At one point it asserts that the PRG is "prepared to reach agreements to the effect that neither a Communist regime nor a US-stooge regime shall be imposed on South Vietnam." This assertion is obviously designed to rebut the charge that the Communists are demanding outright control in Saigon as part of a settlement. Communist spokesmen have been saying in recent weeks that

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Hanoi has no intention of imposing a Communist government on the South, but this is the first time the PRG has talked in terms of a formal agreement on the point.

The statement calls for an end to the "US military involvement in Vietnam" in language reminiscent of the Viet Cong's two-point "elaboration" last February. It does not demand, however, that the US set a deadline for its withdrawal. Nor is there any explicit call for President Thieu's resignation or for the dismantling of Saigon's "oppressive machinery," although another section of the statement does make it clear that the Communists still want Thieu out of the picture before too long. Instead the statement focuses, as other recent pronouncements have tended to do, on the three-segment "government of national concord" called for in both the seven-point proposal and the two-point "elaboration." It asserts that a settlement "must proceed from the actual situation that there exist in South Vietnam two administrations, two armies, and other political forces," and it claims that the establishment of a "concord" government is "necessary" to guarantee "democratic freedom." At one point the statement provides an explanation--which Communist spokesmen have refused to provide at such an authoritative level in the past--on how such a government would be set up: the PRG and the Saigon government (minus Thieu) would each appoint a third of the membership, and the other third would be appointed "through negotiations," apparently among the Vietnamese parties concerned.

Taken at face value, this statement appears to be the most authoritative expression to date of Communist willingness, once the allies have agreed on the principles of a political settlement, to negotiate the specific modalities with the Saigon government. The statement touts the virtues of the seven points and the "elaboration," however, in a

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way that makes it clear that Hanoi is ready to revert to a tougher line if necessary.

In sum, the overall message of the COSVN instructions is that the Communists are planning to commit substantial elements of both their main and local forces to another offensive burst in the hope of forcing major concessions from the allies. The PRG statement, meanwhile, suggests that they may be prepared to abandon some of their detailed demands on the exact shape of a political settlement in return for agreement on the principle of a three-segment coalition that would bring them formally, if perhaps loosely, into the central power structure. At the same time, they appear to be carefully preserving their options for continuing the war along present lines if they fail to force a settlement. They do not appear to be preparing for one last, all-out assault after which they would simply accept the best terms available. (SECRET NO FOREIGN DISSEM)

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(ISRAEL - ARAB STATES: Another spectacular Arab guerrilla incident may be imminent.



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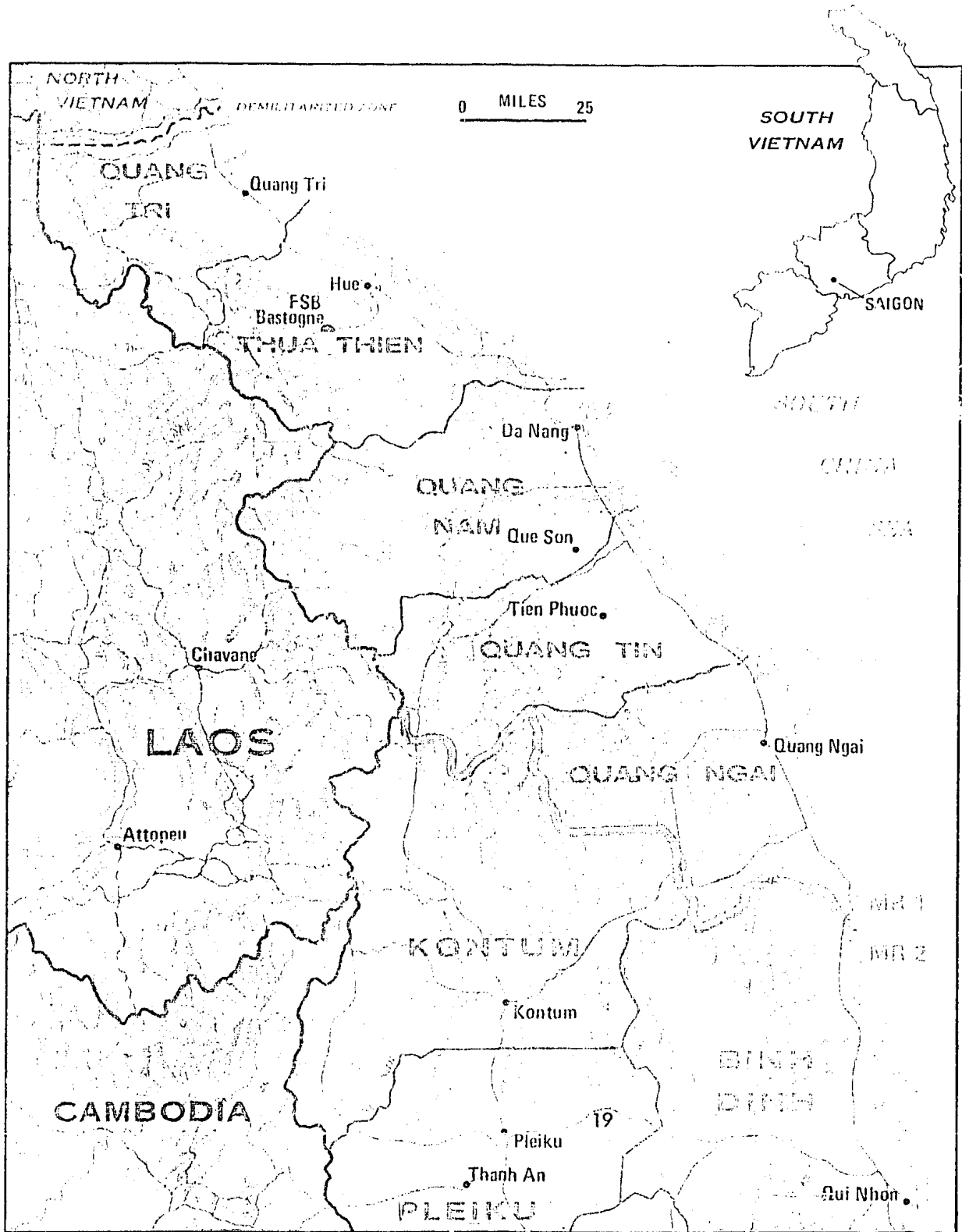
There have been other indications that the guerrillas, elated with the outcome of the Munich affair, intend to keep up the pressure on Israel and to focus international attention on the Palestinian question. A member of the Israeli Embassy in Brussels was entrapped and seriously wounded on 10 September by an Arab identifying himself as a Moroccan national. In Israel, guerrillas fired at an Israeli patrol near Hebron on the West Bank of Jordan. There were no casualties.
(SECRET NO FOREIGN DISSEM)

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(VIETNAM: South Vietnamese forces are pressing their effort to recapture Quang Tri City despite determined enemy resistance. Ranger and airborne units have been fighting around the clock against Communist forces to the north and south of the town, and a forward marine unit reportedly has entered the citadel. Casualties on both sides have been heavy.

South Vietnamese 1st Division elements are also attacking southwest of Fire Support Base Bastogne in Thua Thien Province and are encountering stiff opposition. Action remained light in the southern three provinces of Military Region 1. Most of the fighting was concentrated around the district capital of Tien Phuoc in Quang Tin Province, where enemy forces still hold the town against government units trying to retake it.

Recent indications that the enemy's 52nd Regiment has moved from the highlands to Quang Ngai Province suggest that the Communists may soon raise the level of fighting in this area. Quang Ngai so far has escaped heavy attack, but with the enemy's 2nd Division already in the province the addition of the 52nd could mean that the Communists plan to expand their coastal battlefront to include all of the central provinces.

The heaviest enemy attacks elsewhere occurred in Pleiku Province, where units from the enemy's 320th Division continued to harass government patrols in the Thanh An area and to hit truck convoys along Route 19 northeast of the town. (SECRET NO FOREIGN DISSEM))

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LIBYA: A funeral this week in Tripoli for the five fedayeen killed in Munich may provoke anti-German demonstrations.

According to the Libyan press, several wealthy Libyan businessmen have received custody of the bodies and intend to stage a large public burial. Although the Libyan Government is not publicly involved, protocol officers are reportedly assisting the delegation of private citizens sponsoring the services. The West German diplomatic mission has tightened its security in anticipation of a mob attack on its chancery similar to the violent assault on the British Embassy last month. US officials in Tripoli feel that the stage is set for serious demonstrations, and they fear that other Western embassies may also be targets for angry Libyan protesters.

The Libyan media and some government officials have bitterly denounced West Germany in the wake of the event in Munich. President Qadhafi, however, who reportedly issued a strong reprimand to leaders of the attack on the British Embassy, has remained silent. Nevertheless, the Libyan leader is deeply committed to the Palestinian cause, and he could encourage excesses by going beyond a ceremonial tribute to the fallen fedayeen commandos.
(SECRET NO FOREIGN DISSEM)

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CHILE: President Allende is again making overtures toward the opposition to defuse the tense political situation.

Allende, who has watched the buildup of violence with growing concern, on 10 September publicly invited the Christian Democrats to resume a dialogue with him "to avoid armed confrontation." In addition, the government has authorized a major demonstration on 14 September by opposition parties. Both moves appear calculated to exploit divisions between opposition elements who still favor political solutions and those who would provoke violence in the hope of a showdown that would bring down the government.

In his remarks on 10 September, Allende again denounced extremists on both the left and right. He had particularly harsh words for the violence-prone ultras in his own Socialist Party (PS), whom he labeled "traitors twice over."

In a possibly related development, there are conflicting press reports that PS Secretary-General Carlos Altamirano has resigned. His advocacy of the extremist approach is particularly galling to Allende and his resignation, if confirmed, would remove one serious obstacle to Allende's efforts to restore political calm. (CONFIDENTIAL)

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NOTES

WARSAW PACT: Shield-72, this year's major Warsaw Pact exercise, will be held in Czechoslovakia this week. According to an official Czech announcement, the commander in chief of the Warsaw Pact, Marshal Yakubovskiy, and the Pact chief of staff, General Shtemenko, as well as military delegations from all Pact countries and Mongolia arrived in Czechoslovakia in the last two days to attend the exercise. Combat troops from Czechoslovakia, Poland, East Germany, Hungary, and the Soviet Central Group of Forces are involved, with Romania and Bulgaria limiting their participation to staff elements. Judging from past exercises, the Shield-72 scenario will be a NATO attack into Czechoslovakia from West Germany and Austria followed by a successful counterattack by defending Pact forces. (SECRET)

* * * *

PERU: Bolstered by favorable results from preliminary drilling at its own test wells, the State Petroleum Company--Petroperu--is stiffening its terms somewhat for new joint venture contracts. Peruvian Sun Oil Company, one of 13 foreign firms that will be developing tracts in the northeastern jungle region, will be required to lend Peru 4,000 barrels per day of crude oil over a two-year period. A number of other companies preparing to sign contracts for remaining tracts may be forced to grant the government one-time cash loans of up to \$8 million. In addition, Petroperu will now demand 54 percent of total production from the oil fields, compared with 50 percent in contracts concluded earlier. Foreign investors are unlikely to be deterred by these modifications in the rules, because Peru's terms still compare very favorably with those offered by other oil-producing countries. (CONFIDENTIAL)

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