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CENTRAL INTELLIGENCE BULLETIN  
23 DEC 1972

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DIRECTORATE OF  
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# Central Intelligence Bulletin

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No 582

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# Central Intelligence Bulletin

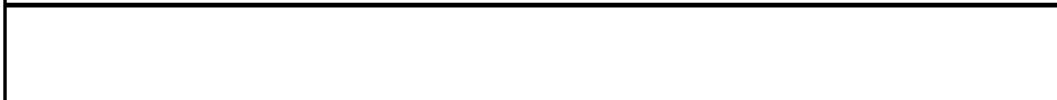
## CONTENTS

USSR-CHILE: Allende reportedly disappointed with results of Moscow trip. (Page 1)

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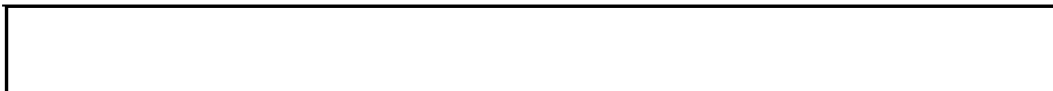


CAMBODIA: Recent low level of fighting contrasts markedly with last year. (Page 5)

INDIA: Widespread hunger likely until spring harvest. (Page 6)

CHINA - US - NORTH VIETNAM: Chinese merchant ship damaged by US air attack (Page 7)

25X6



25X6

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SECRET

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

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Evidence is mounting that Moscow refused Allende large-scale "bail-out" assistance. [redacted], the Soviets apparently did agree to provide some immediate help in the form of \$25 to \$30 million in foodstuffs, but this is far short of the \$300 to \$500 million in hard currency credits Allende reportedly requested. Prior to Allende's arrival, Luis Corvalan, Chile's Communist Party chief, and Alfonso Inoztroza, the head of Chile's Central Bank, reportedly had been treated very coldly by the Soviets and the tenor of President Allende's visit was "correct but cold." [redacted]

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[redacted], the lack of results and the coolness of the Soviets explain why Allende has been so quiet about his trip since his return to Santiago. 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.

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The Soviets apparently believe that Chile is in serious economic difficulty because of errors in economic policy that will take many years to correct. They reportedly informed Allende that they are watching the Chilean experience with interest and applaud it, but that the USSR could not afford to support Chile and Cuba at the same time. 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

23 Dec 72

*Central Intelligence Bulletin*

1

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financial help from traditional West European creditors and an approach to Swiss banks, following Allende's visit to Moscow, reportedly was rebuffed. 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. Although the foodstuffs allegedly promised by the USSR will be helpful, they amount to less than eight percent of Chile's food import needs and will not allow Chile to avert a major cutback in imports and consumption during 1973. (SECRET NO FOREIGN DISSEM)

23 Dec 72

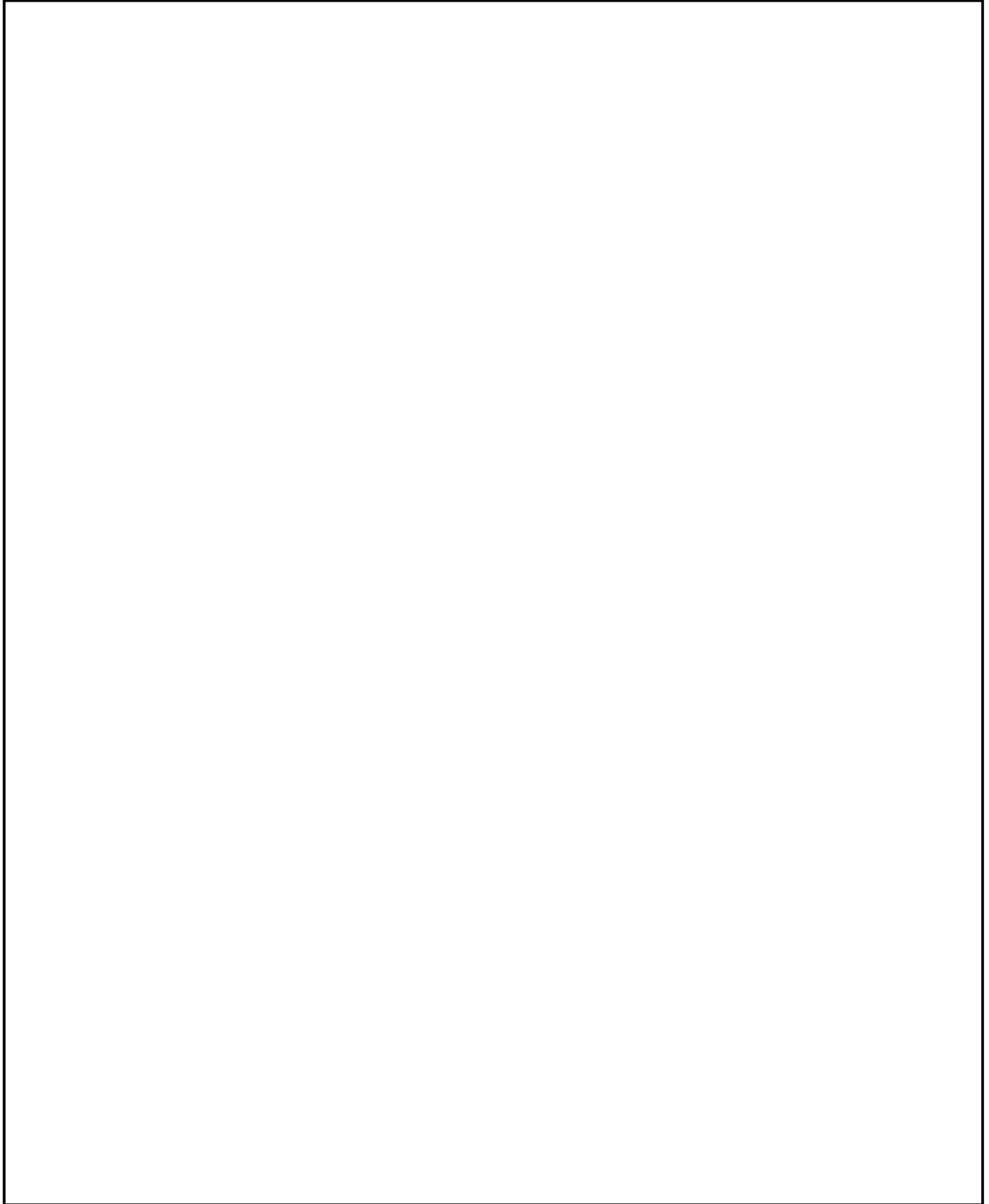
*Central Intelligence Bulletin*

2

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23 Dec 72

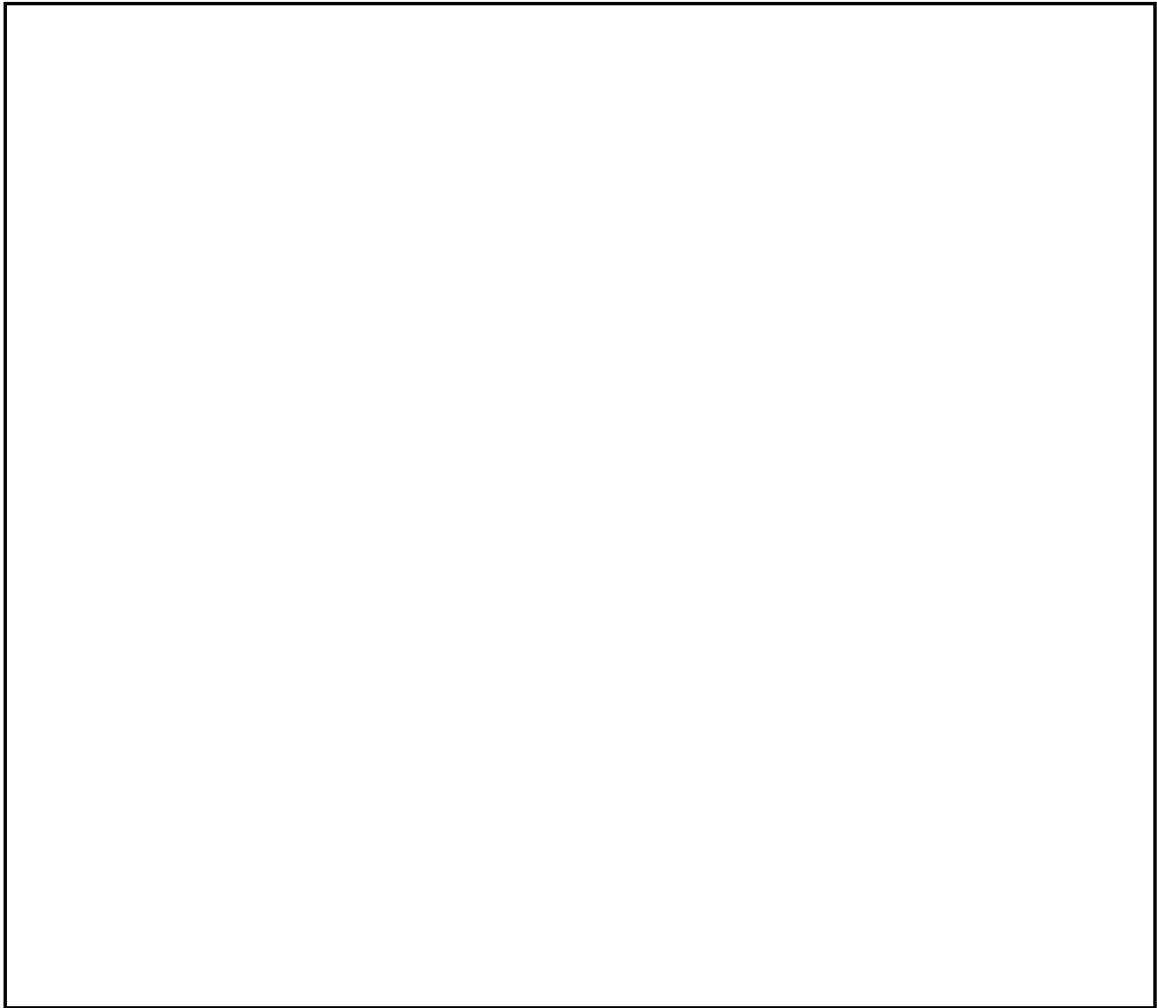
*Central Intelligence Bulletin*

3

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25X6A



23 Dec 72

*Central Intelligence Bulletin*

4

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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. (SECRET)

23 Dec 72

Central Intelligence Bulletin

5

SECRET

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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. (CONFIDENTIAL)

23 Dec 72

*Central Intelligence Bulletin*

6

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**SECRET**NOTES

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. (CONFIDENTIAL)

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23 Dec 72

*Central Intelligence Bulletin*

7

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