



The President's Daily Brief

18 January 1972

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Heavy fighting continues on Skyline Ridge, while southwest of Long Tieng air strikes apparently have forced a Communist force to withdraw. (Page 1)



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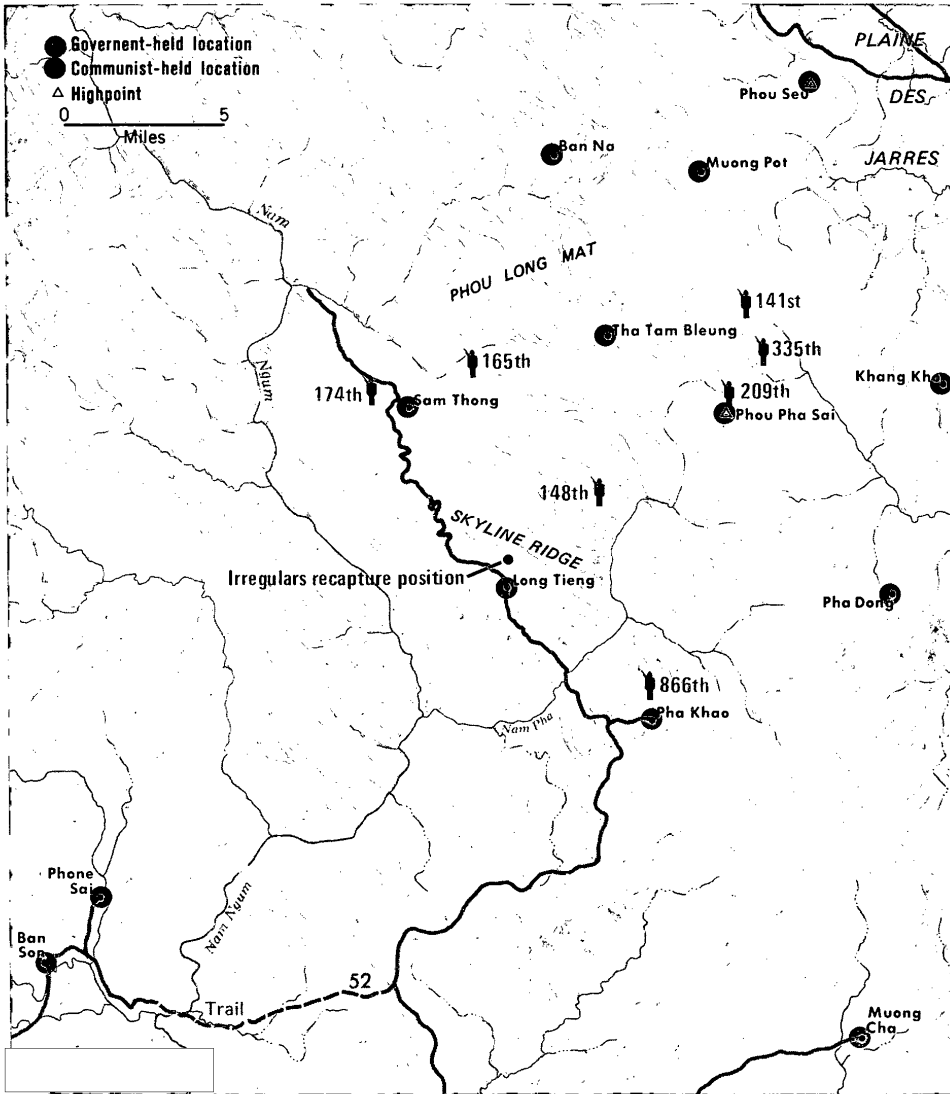
Norway and the European Community have agreed on terms for Norway's accession. (Page 3)

At Annex, we assess the loss of momentum President Allende's government has been experiencing in its attempt to establish a Marxist-socialist state.

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LONG TIENG AREA



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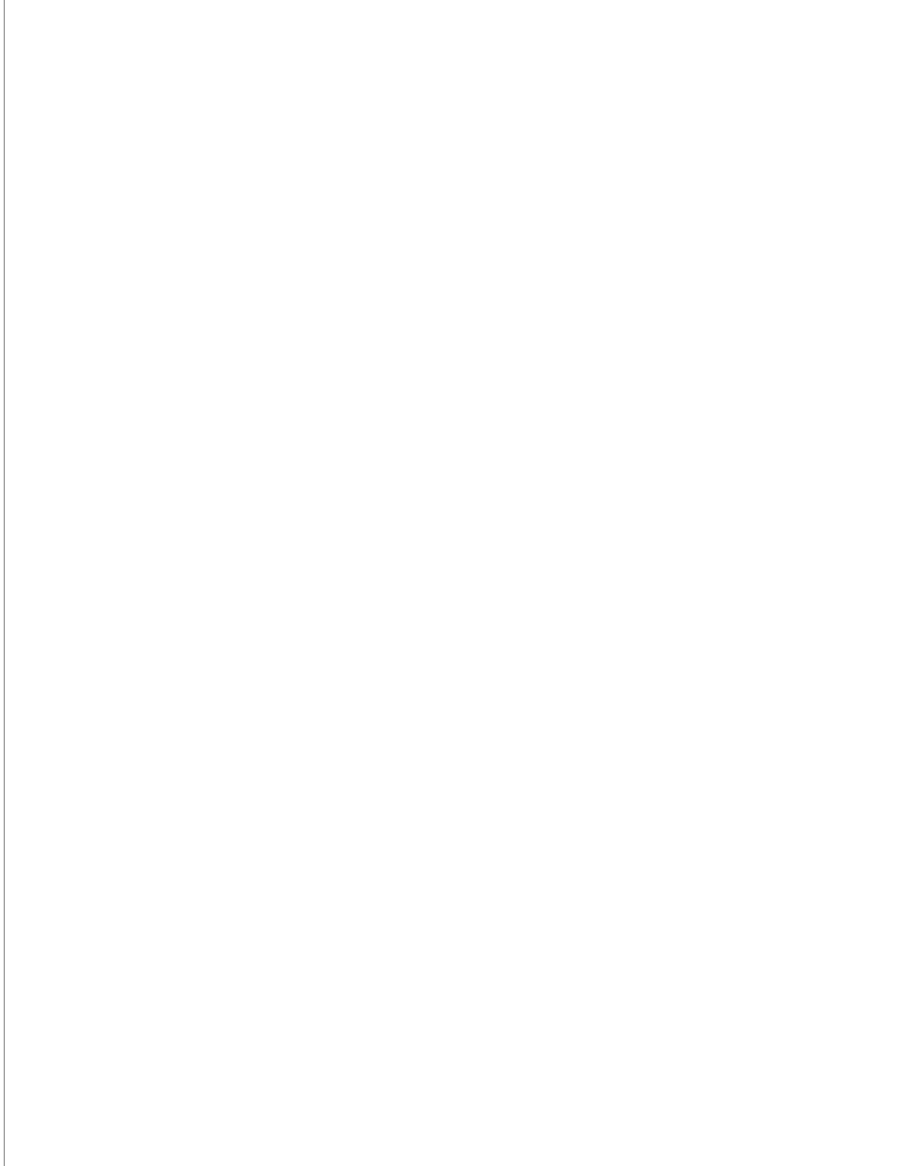
Heavy fighting continues on Skyline Ridge overlooking Long Tieng, and skirmishing continues throughout the area. Irregular units yesterday recaptured one position on the ridge after three days of fighting at close quarters.

An irregular patrol has found evidence that airstrikes have caused heavy enemy casualties and apparently forced a battalion-sized Vietnamese force to withdraw from an area southwest of Long Tieng. South of Long Tieng, the government has moved another 400 troops into a projected fire support base. Four 105-mm. and four 155-mm. howitzers will be positioned there within a few days.

East of the Plaine des Jarres, Communist logistic elements are extremely active. Intercepts from rear service elements in North Vietnam refer to the delivery of more than 1,100 tons of supplies to north Laos. Included were 715 tons of ordnance, a considerable amount for this theater. No time frame for the deliveries was specified.

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NOTE

Norway - European Communities: Norway will now join with the UK, Denmark, and Ireland in signing the EC accession treaty on 22 January. The way was cleared when Norway and the EC agreed last weekend on the text of a special protocol giving Norwegians exclusive fishing rights within 12 miles of most of their coast for a ten-year transition period and promising consideration of their special problems thereafter. Norway's accession, however, must still be approved by an advisory referendum sometime this spring and subsequently by parliament.

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CHILE: ALLENDE LOSES MOMENTUM

The defeat of government candidates in the two legislative by-elections on Sunday was a harsh setback for President Allende. His political opponents are encouraged and henceforth will be more resistant to his efforts to divide and weaken them. Moreover, the election setback caps a series of difficulties that have been crowding in on Allende since late last year.

In order to regain the political momentum that characterized his first year in office, Allende will have to take some decisive action. More than ten days ago he promised to make a major policy speech but has repeatedly postponed it. The delays may reflect some pulling and hauling within the administration over important policy pronouncements and perhaps also the need first to assess the political impact of Sunday's by-elections.

To give his administration a new head of steam, Allende will have to tackle myriad problems that might overwhelm a less skilled politician. His objective, the establishment of a Marxist-socialist state in Chile, is being frustrated by an increasingly confident political opposition. But economic problems now seem to be the most intractable and to these there are no easy answers.

--The populist policies he adopted early in his administration put more money in the hands of the lowest paid Chileans and substantially increased demand for food and consumer goods; by late last year this had led to annoying shortages and rising prices despite stringent government controls.

--Imports also shot up and by year's end had all but exhausted the substantial foreign exchange reserves Allende inherited.

--Mismanagement and indiscipline in the big copper mines, taken over by the government only last July, have resulted in lower production. This, together with falling world copper prices, will cut significantly into Chile's foreign exchange earnings this year.

--The business community, which profited from a sales boom early in 1971, is now feeling the pinch of restrictions on supplies and prices. Some business leaders are trying to resist government controls.

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--Agricultural production has been disrupted by the intensified agrarian reform efforts of the past year.

The government has moved in several ways to deal with these problems. It put food distribution under official control, promoted local food production, and tightened controls on imports. The government averted a copper strike, strengthened management in the mines, and improved labor discipline. On the international front, Allende sought to renegotiate Chile's sizable debts and stopped payments due for the partial nationalization of US copper interests by his predecessor in 1967 and 1969. He obtained some credits from abroad, notably from the Soviet Union, which should ease the foreign exchange crisis and help Chile meet short-term commercial obligations.

These measures, however, have not halted the public grumbling that was evident late last year. The opposition has begun to make more effective use of its legislative majority and the influence it retains with many Chileans. Although Allende has been adept at exploiting the ideological and personal rivalries dividing the opposition groups, their new confidence and assertiveness have put him on the defensive.

--The first major outbreak of public violence in Santiago during Allende's term--a women's demonstration on 1 December to protest food shortages--was larger and more determined than the government had expected; police were unable to protect the demonstrators from attacks by leftist agitators.

--An opposition move to bring impeachment charges against Interior Minister Toha, blaming him for the clashes, culminated in a vote to impeach him in the lower house of Congress on 6 January. Allende's prompt shift of Toha to the Defense Ministry is now being attacked as unconstitutional.

--Early this month the opposition in Congress dealt Allende another blow by cutting his budget proposals in areas that affect certain key government programs.

--Throughout these troubled weeks Allende has been conscious of growing discontent within the armed forces.

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Allende is concerned that his efforts to assure continued military neutrality in Chilean politics may not be enough in the long run to keep the military in line. We think he is considering moves to give the military a greater share of the action--perhaps by including them in the government--as part of his longer term hope of fully subordinating the armed forces to political control.

--Student groups, some of them associated with the opposition, violently resisted government efforts late in the year to reorganize and gain control over the National University.

--Chilean businessmen have had some success in blocking government efforts to buy out the big, privately-owned paper company which holds a monopoly on Chilean newsprint.

The accumulation of pressure and problems has led to much soul-searching by Allende and his comrades. The militant Socialists and more pragmatic Communists who vie for dominance in his disparate coalition have reached new heights of mutual recrimination and haggling. Allende's position, which usually prevails, is that unity is vital to the consolidation of the revolution and that ways must be found quickly to regain lost momentum.

Reflecting on Allende's first year in office, Defense Minister Toha observed that while the government had served one sixth of its constitutional mandate, it had implemented far more than one sixth of its program. This may be no exaggeration. But Allende still must himself feel that he has not yet achieved his prime objective--assurance that the revolution has become irreversible.

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