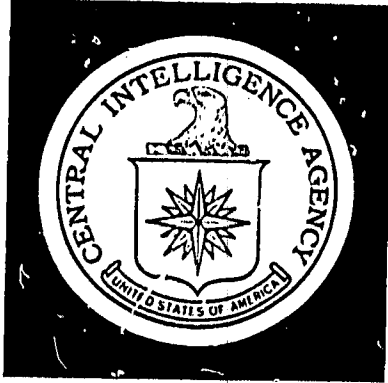


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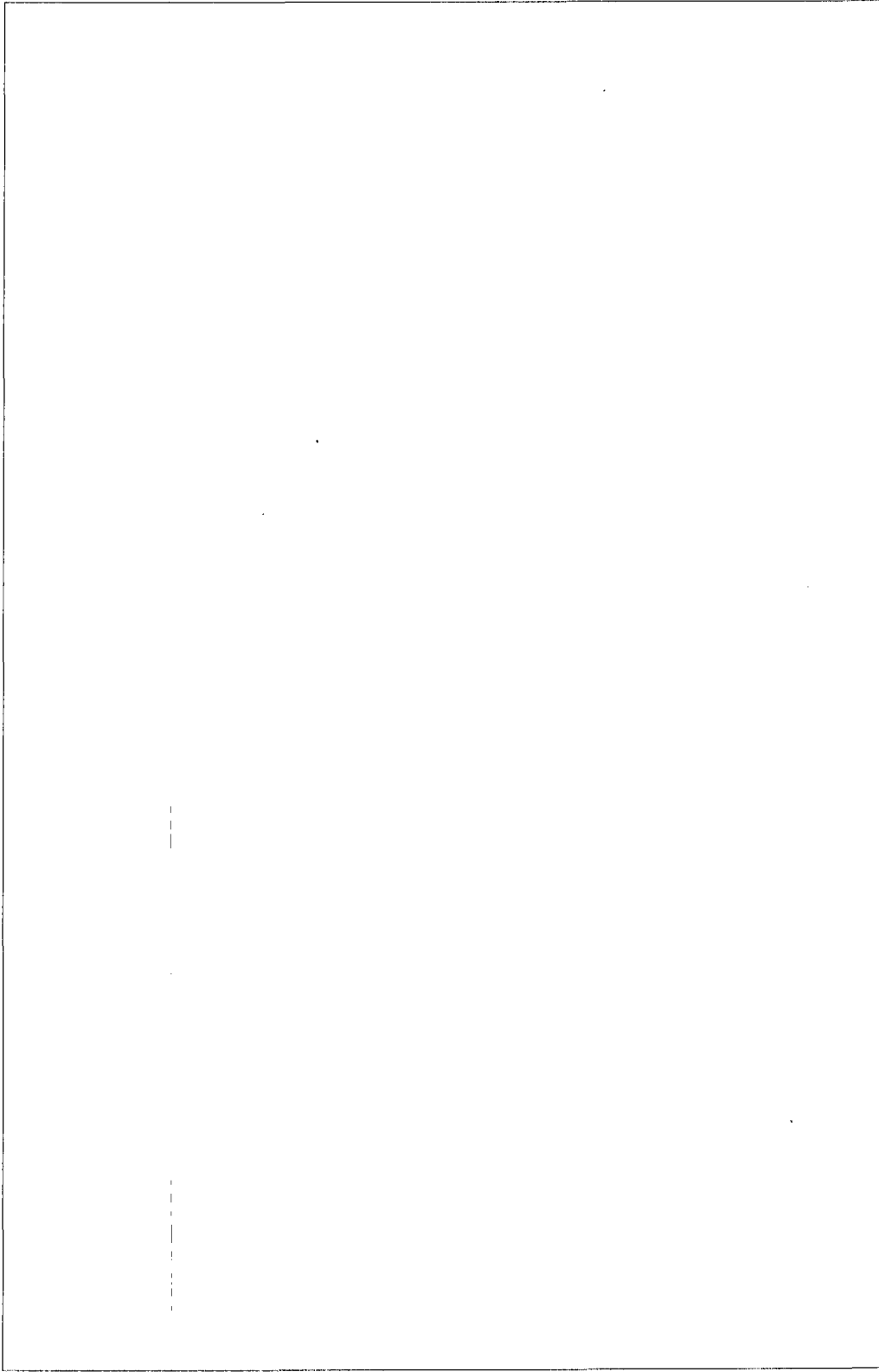
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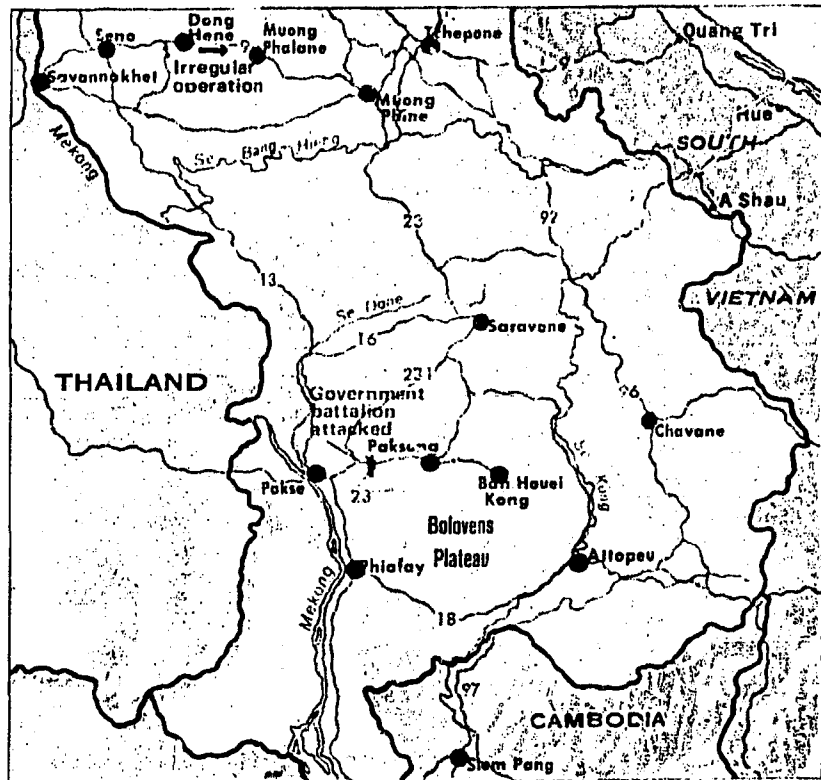
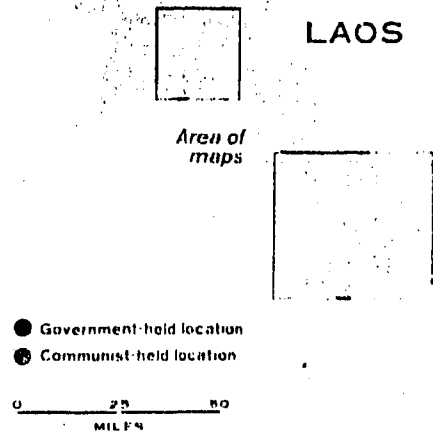
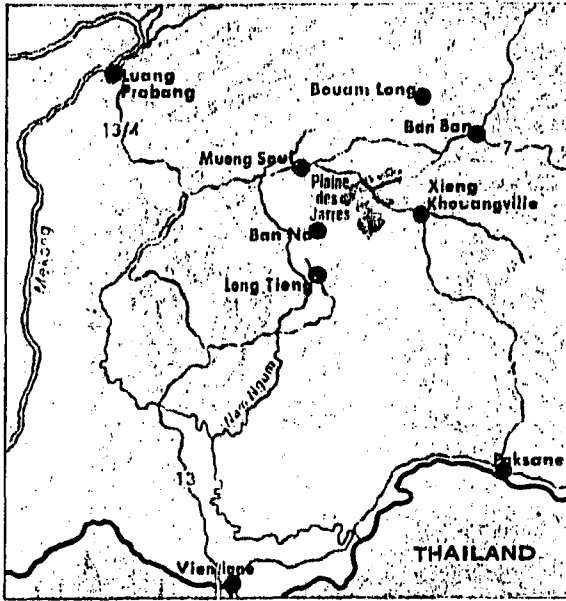
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LAOS: The Communists have renewed pressure on Lao Army units on the western Bolovens Plateau, but elsewhere in Laos action has been relatively light.

North Vietnamese Army forces, estimated at two to three companies, yesterday attacked a Lao Army battalion five miles east of the junction of Routes 23 and 231. Government troops were forced to pull back from their outlying positions, but the battalion command post stood its ground and, with support from gunships and artillery, inflicted heavy casualties on the enemy. To the east, irregular battalions are still operating south of Paksong but have had little contact with the enemy.

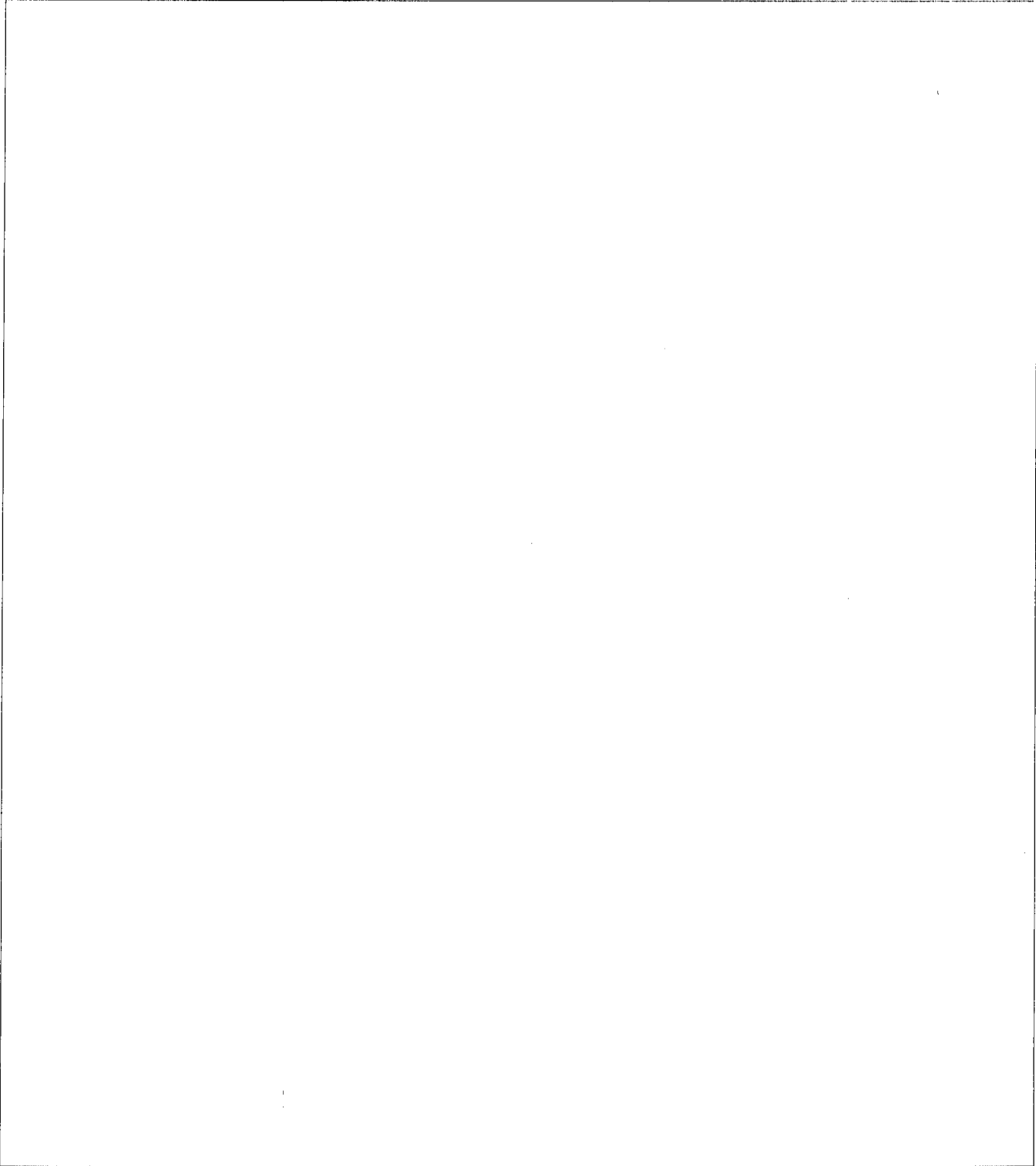
As of 14 June, the government estimated that 465 of its nearly 1,600 troops committed to the abortive operation to retake Paksong were still missing as a result of the North Vietnamese counterattack last week. In addition, at least 175 soldiers and irregulars were wounded and 26 irregulars were killed. There are no definitive estimates of North Vietnamese casualties, but air observers and army commanders on the ground believe that as many as 500-600 enemy were killed or wounded by air and artillery attacks.

To the north, irregular units have entered the abandoned town of Dong Hene and occupied some enemy positions east of the town. The irregulars have so far encountered little enemy resistance, tending to confirm reports that enemy units have pulled back toward Muong Phalane. The irregular task force plans to sweep toward Muong Phalane in the next few days.

In northern Laos, action consisted principally of small-unit clashes and shelling attacks on irregular positions near Bouam Long and on the southern and western edges of the Plaine des Jarres. No major Communist attack has been launched in either location.

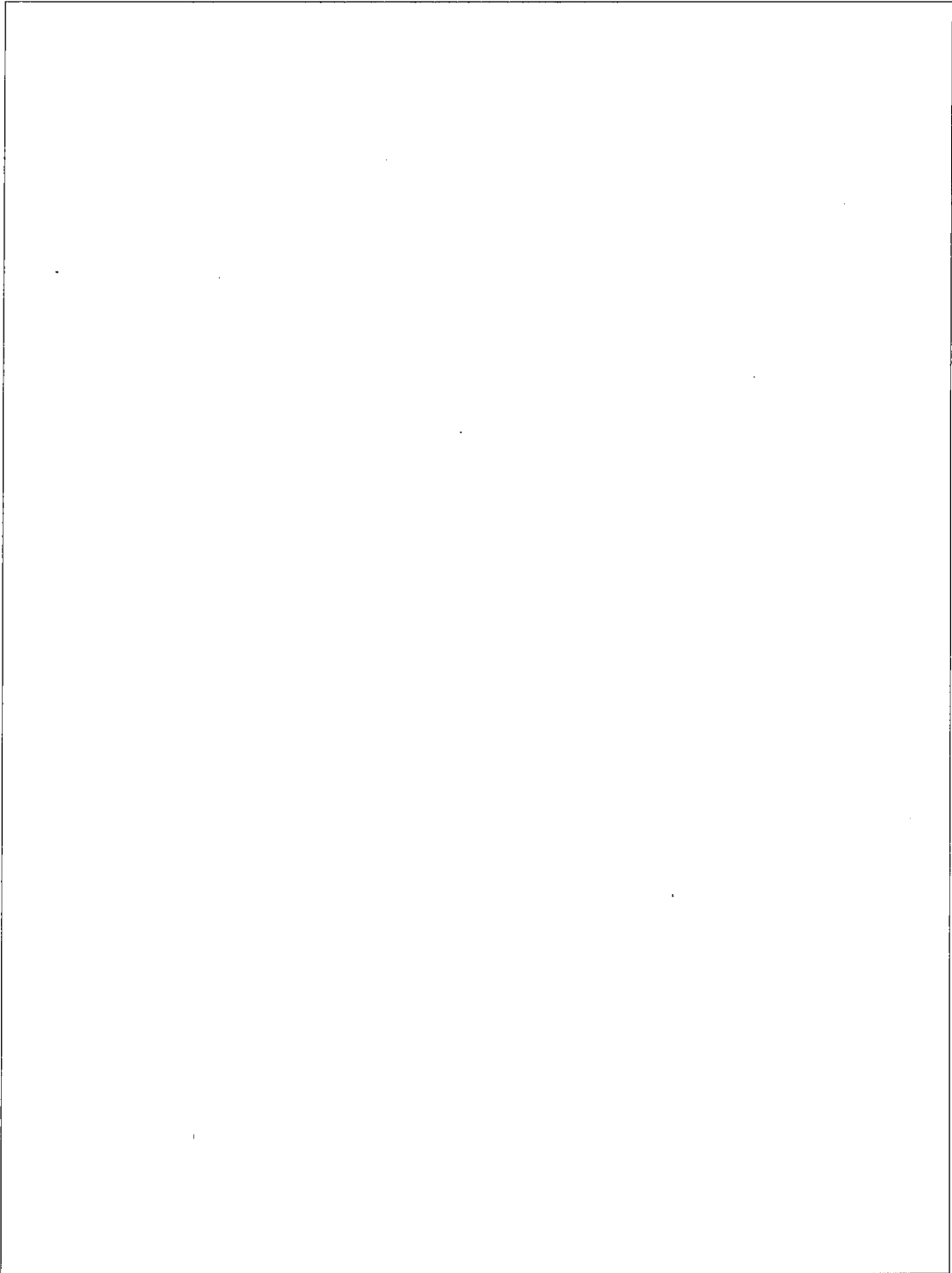
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ITALY: Losses for the Christian Democrats in the elections of 13-14 June may cause interparty tensions in Prime Minister Colombo's coalition but do not appear to threaten the formula for national government by a center-left alliance.

In local and regional contests involving about one fourth of the national electorate, the Christian Democrats lost ground almost everywhere. The losses were particularly sharp in Sicily, but in mainland Italy their average loss was between one and two percent. Nevertheless, the center-left alliance of Christian Democrats, Socialists, Social Democrats, and Republicans remained the predominant force in most of the assemblies and councils that were elected. A further factor for stability of center-left government on the national level is the beginning on 28 June of the so-called "white semester," a six-month period preceding the presidential election next December during which the President cannot dissolve Parliament.

Election successes for the neofascist Italian Social Movement (MSI) are a particular victory for Giorgio Almirante, who has headed the party since 1969. Almirante, who often criticized his predecessor for being too moderate, has himself enforced extremism as the party line. [REDACTED]

[REDACTED] The MSI increased its vote from seven to 16 percent of the total in Sicily and improved its showing elsewhere as well.

The Italian Communist Party and its ally, the Proletarian Socialists, lost about two percent on the average. [REDACTED]

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WEST GERMANY: A new conservative political party has hopes of tipping the electoral balance of power away from the Social Democratic - Free Democratic (SPD-FDP) coalition.

The Deutsche Union (DU), which held its founding congress on 12 June, is directing its appeal to nationalistic sentiment in the Federal Republic. The party has announced its opposition to ratification of the Moscow and Warsaw treaties and has formulated a moderately conservative domestic program. Led by Siegfried Zoglmann, a Bundestag deputy who defected from the FDP last October, the party hopes to recruit other Free Democrats who are disgruntled with their party's liberal stance, as well as those rightists who lack strong political ties.

DU leaders, recognizing that their party by itself cannot meet the five-percent requirement for parliamentary representation, hope to form an electoral alliance with the Christian Democratic Union (CDU). They profess to hold out the prospect of providing sufficient additional strength to give the CDU a Bundestag majority in the 1973 national election. At the same time, they claim the DU will reduce the Free Democratic vote to below five percent and thereby eliminate the FDP as a governing partner of the SPD.

At present, the prospects for the realization of the new party's aims are problematical. CDU leaders apparently view the DU more as a rival than as an ally and are generally cool to its proposals. In addition, many prospective supporters of such a party, who at one time may have been FDP voters, have already shifted their allegiance to the CDU. Lacking strong leadership, firm financing, and a solid electoral base, the DU may well follow the path of other small parties and fall victim to the trend toward a two-party system.

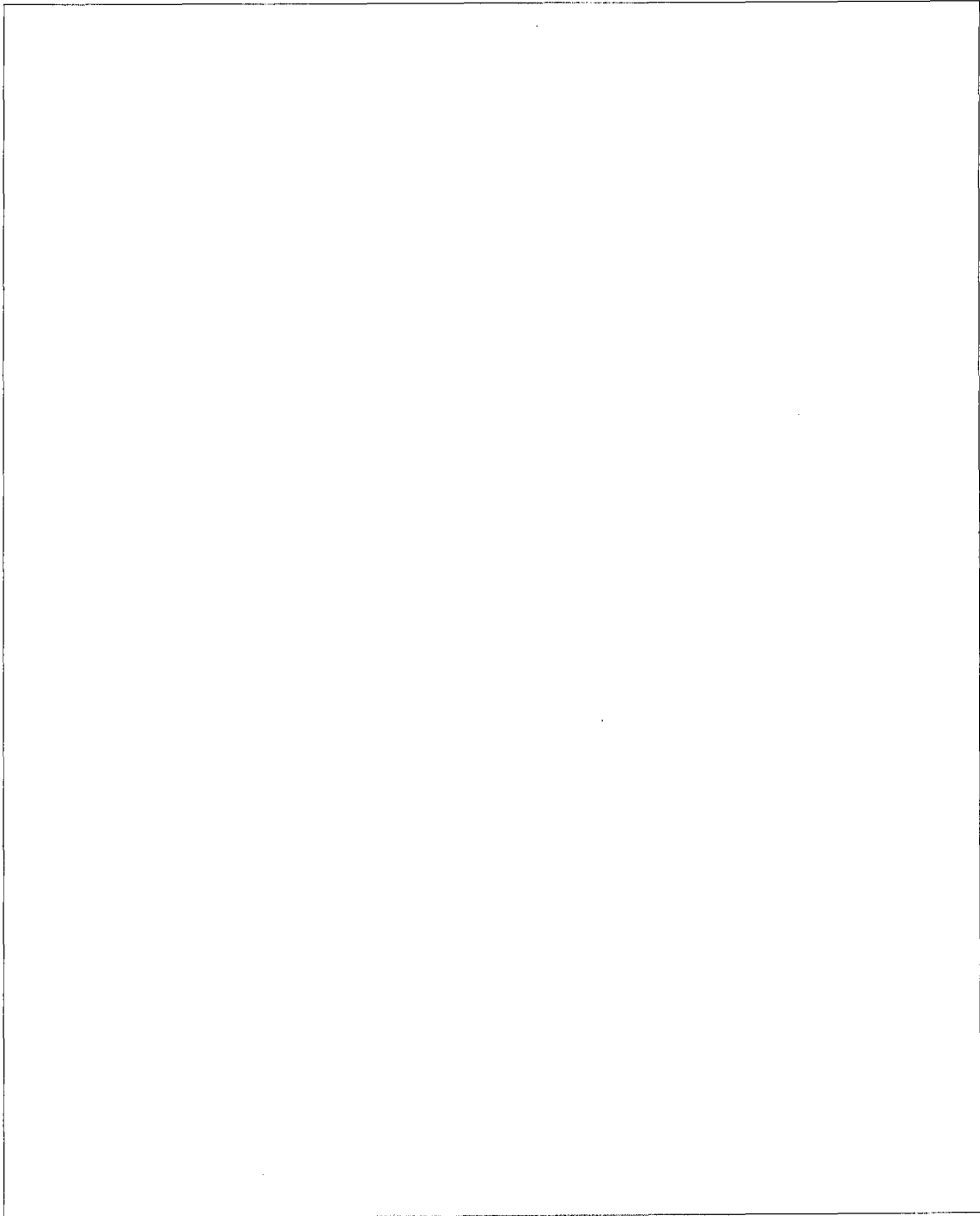
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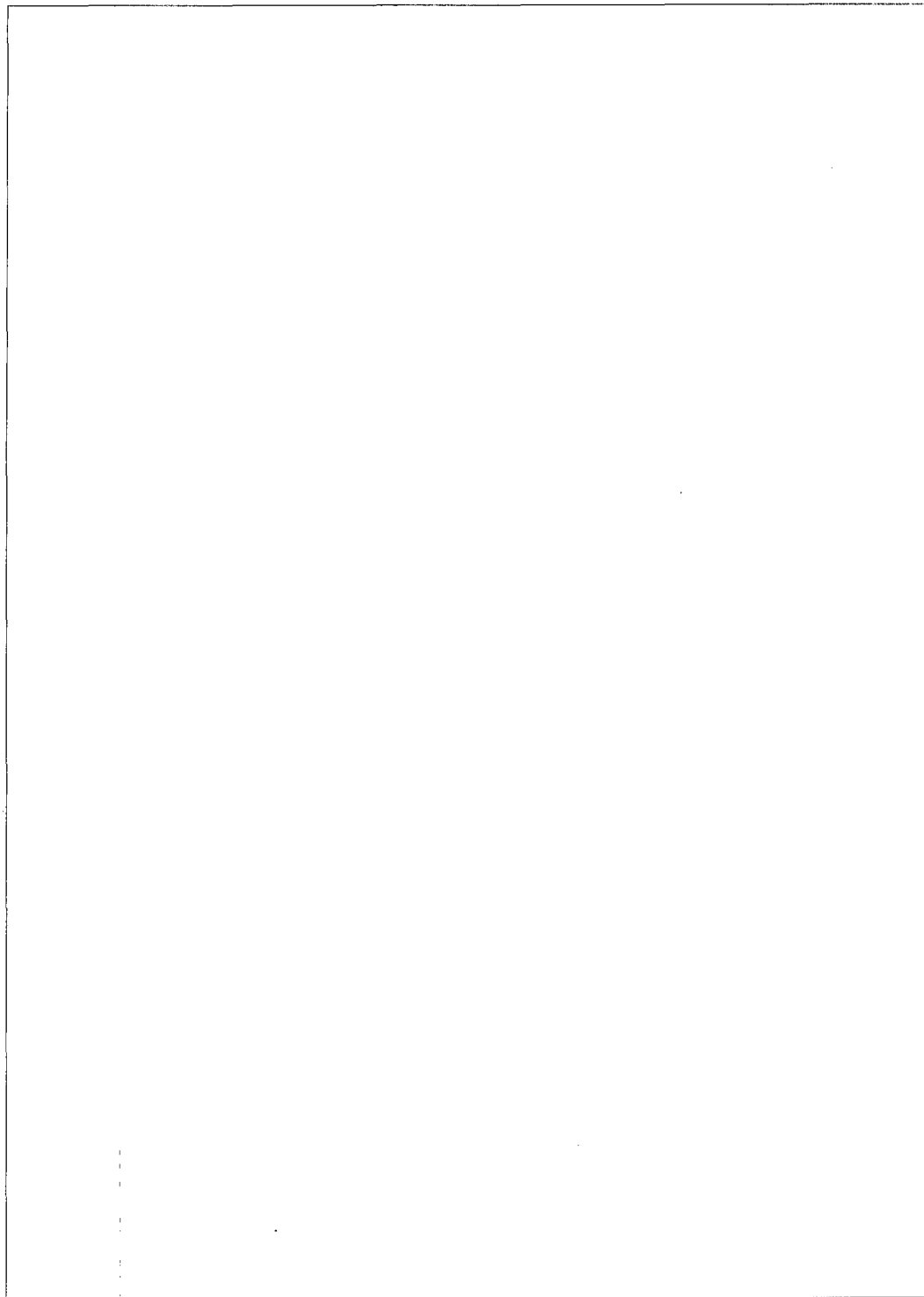
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PERU-CUBA: Peru will sell a large quantity of fishmeal to Cuba in contravention of the 1964 OAS resolution against such trade.

The official Peruvian newspaper reported on 14 June that agreement had been reached with a visiting Cuban trade delegation on a sale of 105,000 tons of fishmeal. The price and terms of the sale have not been announced, but the state marketing agency would receive about \$20 million if the fishmeal were sold at the officially fixed Peruvian price. Cuba's consumption of fishmeal is only about 20,000 tons per year, indicating that the actual shipments may be drawn out over a long period. The government journal also noted that future trade relations between the two countries had been considered during the negotiations, but apparently no decision was reached.

The sale puts Peru in violation of the 1964 OAS resolution banning trade with Cuba, but there is little likelihood of any official OAS sanctions. A more immediate problem is the effect on current US-Peruvian negotiations for a PL-480 wheat sale, part of the continuing US assistance to victims of last year's major earthquake in northern Peru. One provision of Public Law 480 makes countries that trade with Cuba ineligible for PL-480 sales unless the sales are deemed to be in the US national interest. The agreement with Peru is scheduled to be signed next week, and a failure to follow through is likely to provoke a strong adverse reaction in Peru.

The sale to Cuba is part of an intensive effort by the Velasco government to dispose of its excess fishmeal stocks through sales to Communist countries. A trade mission led by the Peruvian minister of fisheries has recently traveled to Peking to negotiate for another major sale.

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NIGERIA: Yoruba Chief Awolowo, the highest ranking civilian in the federal military government (FMG), has submitted his resignation, effective at the end of June.

Awolowo reportedly tried to quit last January, but FMG head Gowon refused to accept his resignation. This time, however, the resignation may finally go through. Several other ambitious politicians are critical of the FMG's failure to consult them before making decisions, and may be weighing the merits of continued association with the regime, but it is unlikely that they will resign immediately.

Awolowo's major reason for resigning appears to be his belief that he is lending his prestige to a government from which he gains very little. Although critical of the FMG's lack of direction, Awolowo says that he does not plan any political activity that would embarrass the government. He intends to do some writing and will probably be circumspect in any sub rosa political activity in which he engages.

Awolowo's replacement as federal commissioner for finance will certainly be a lesser political figure. Over the long run the government may take on a more technocratic complexion if other politicians who may want to build their personal political bases dissociate themselves from the government and are replaced by civil servants.

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JAPAN: Pressure for yen revaluation is likely to increase as a result of the continuing massive flow of dollars into Japan. Japan's foreign exchange reserves now stand at nearly \$8 billion and are third behind those of the US and West Germany. Japan ranked sixth in June 1970. The dollar inflow last week reached the second highest level since early May, even though Tokyo had been able to reduce gradually the inflow through the first week in June. Japanese monetary authorities have admitted difficulties in curbing hedging by Japanese businessmen against yen revaluation. They believe, however, they have been able to stem the speculative dollar influx that began in earnest following the West European currency turmoil in May.

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CUBA-US: Havana announced yesterday that five US citizens had been fined \$20,000 apiece for violating Cuban territorial waters. This is the latest step taken by the Cuban Government in response to the sentencing of four Cubans convicted last week of fishing within 12 miles of Dry Tortugas. The four were sentenced to six months in jail and fined \$10,000 each. Eight crew members of another US boat are also being detained, pending an "investigation"; they may also be tried if the four Cubans are not released soon. The prison sentence received by the four Cubans placed Castro in a position where he felt obliged to make a strong response or suffer an apparent defeat in the eyes of the Cuban people.

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