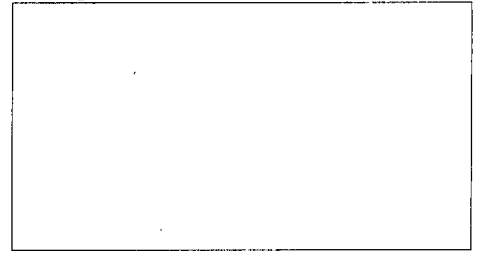


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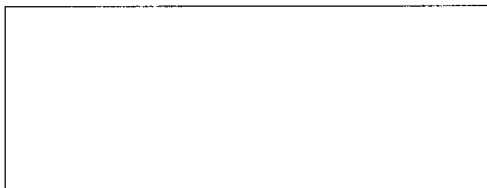


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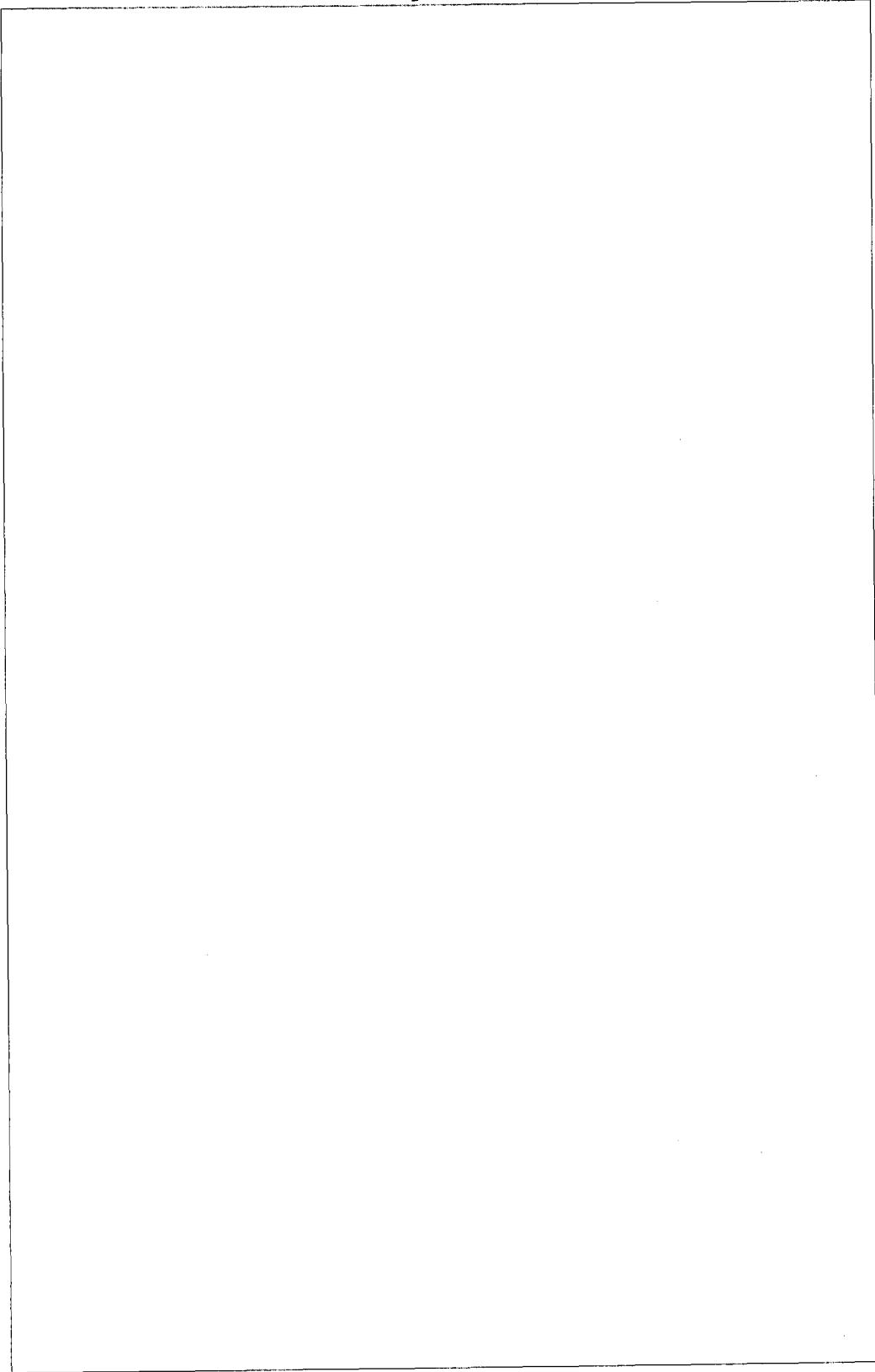
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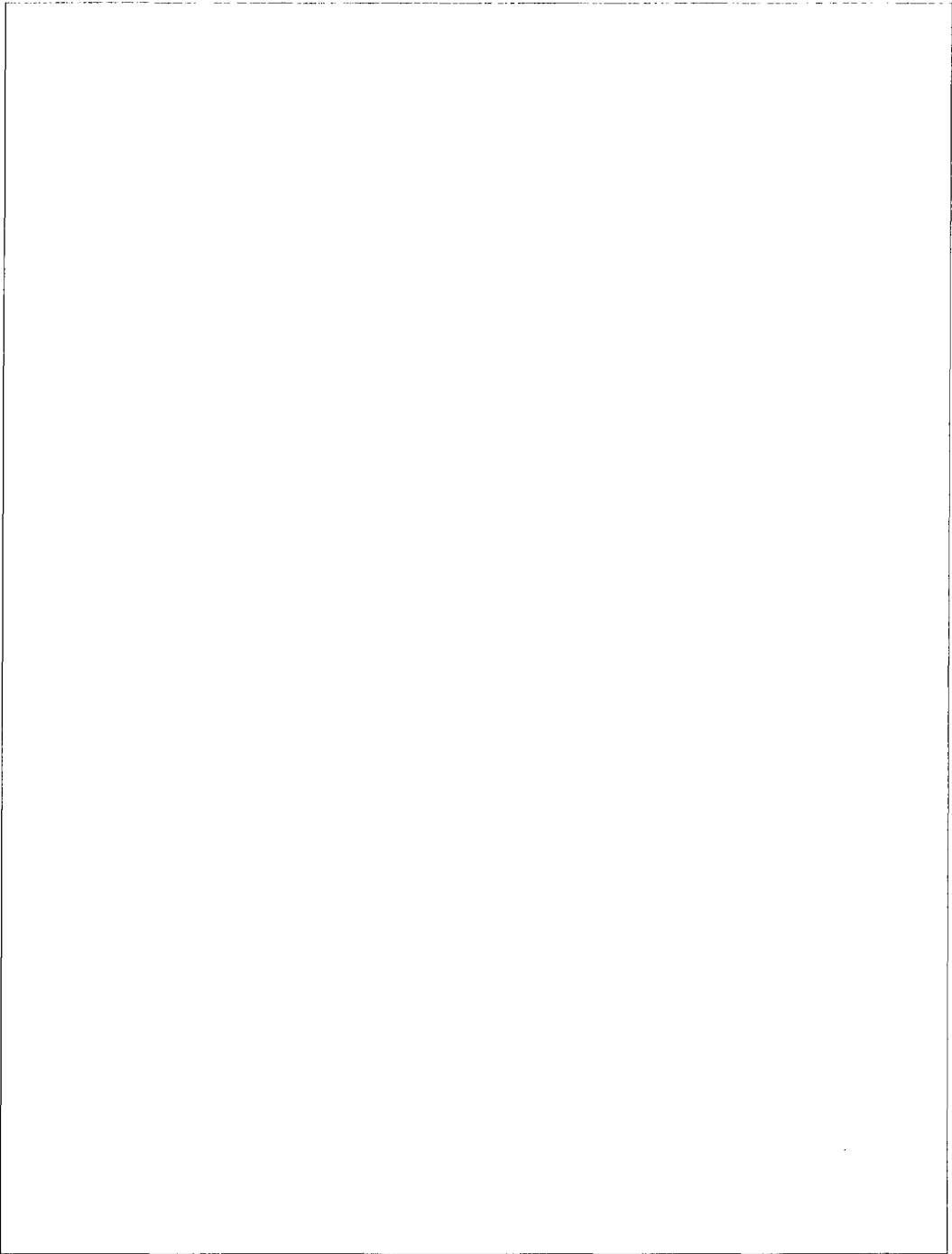
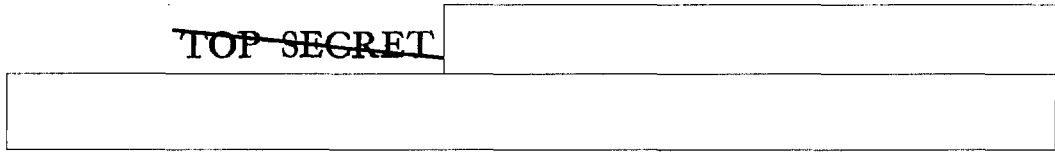
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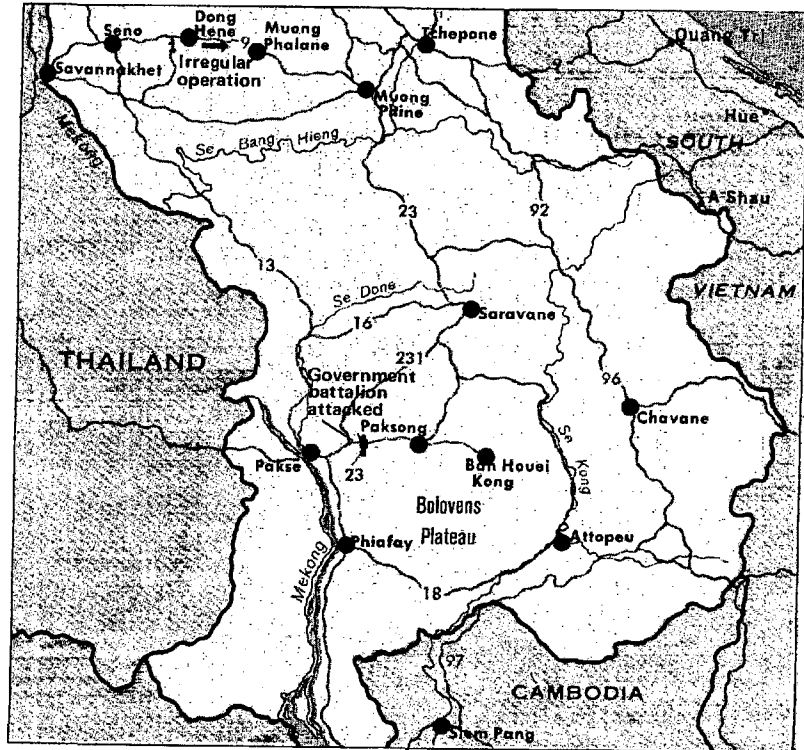
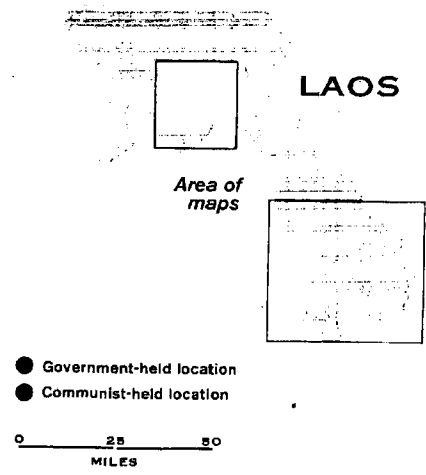
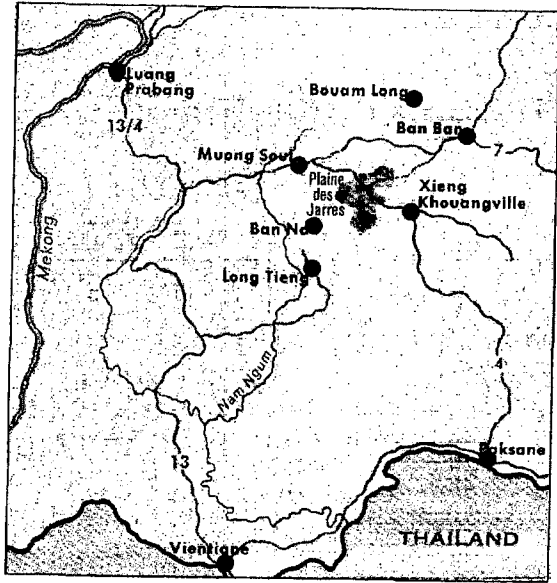
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LAOS: The Communists have renewed pressure on Lao Army units on the western Bolovens Plateau, but elsewhere in Laos action has been relatively light.

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.

[REDACTED]

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.

[REDACTED]

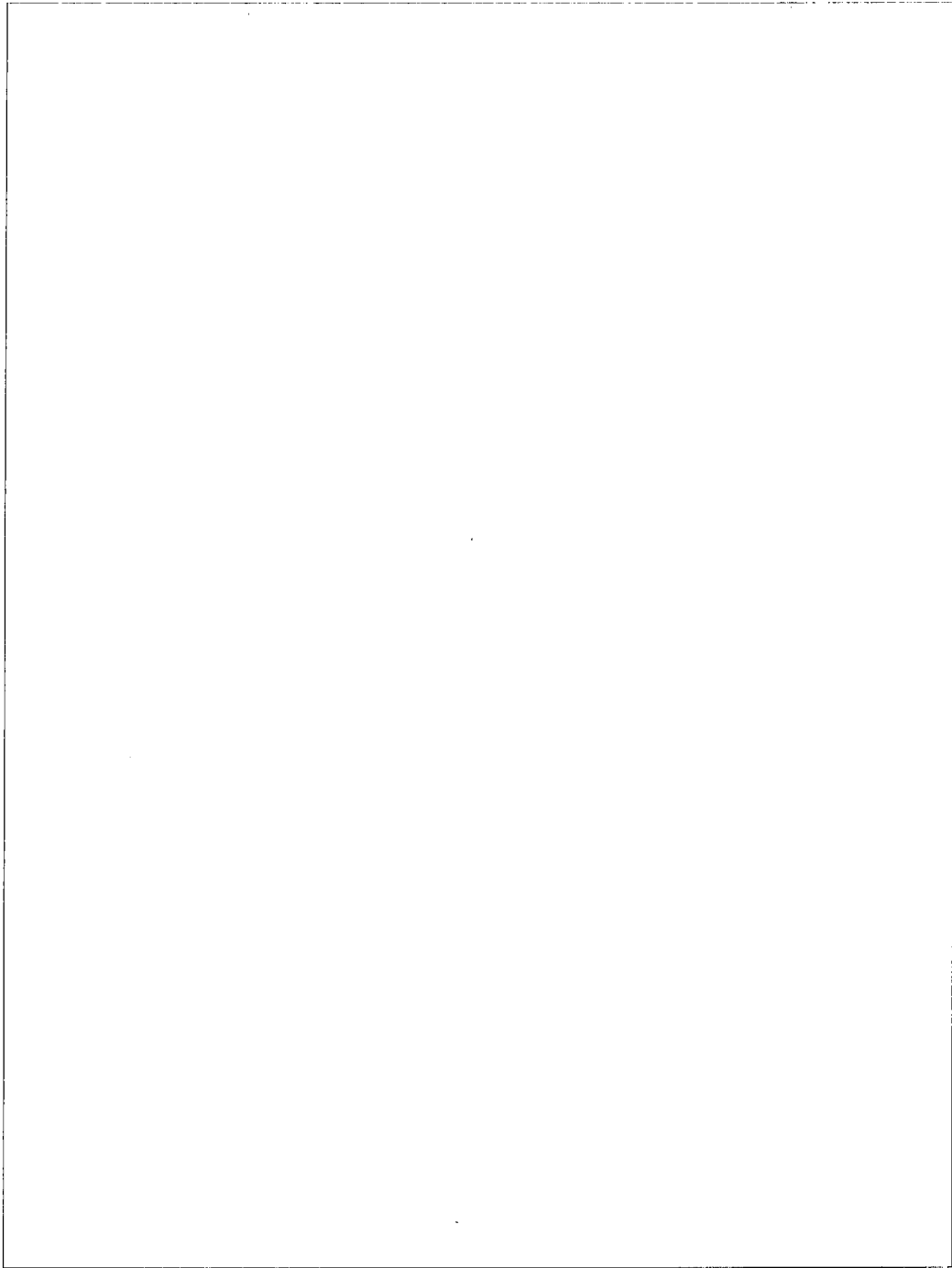
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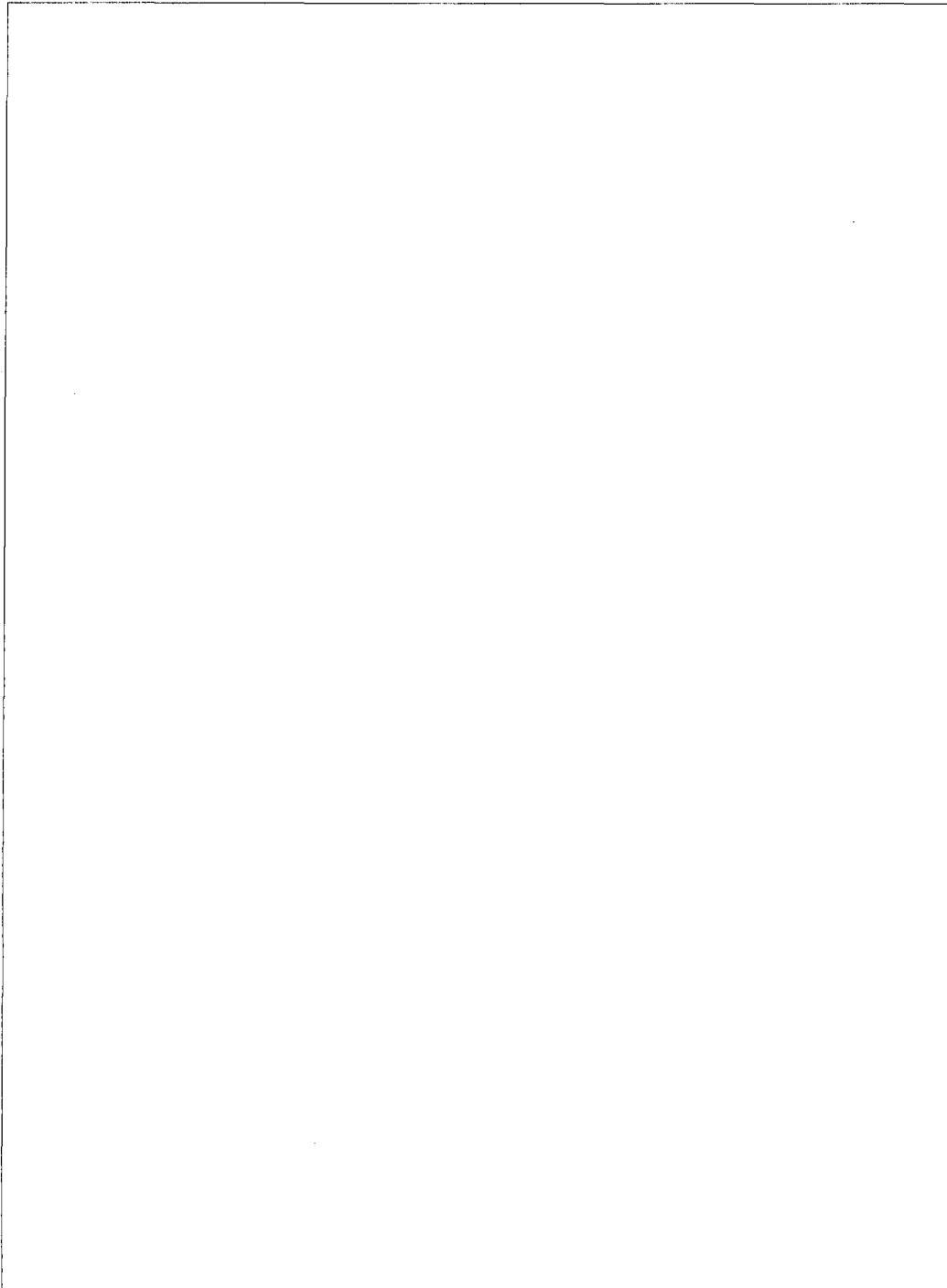
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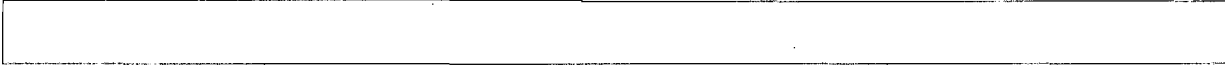
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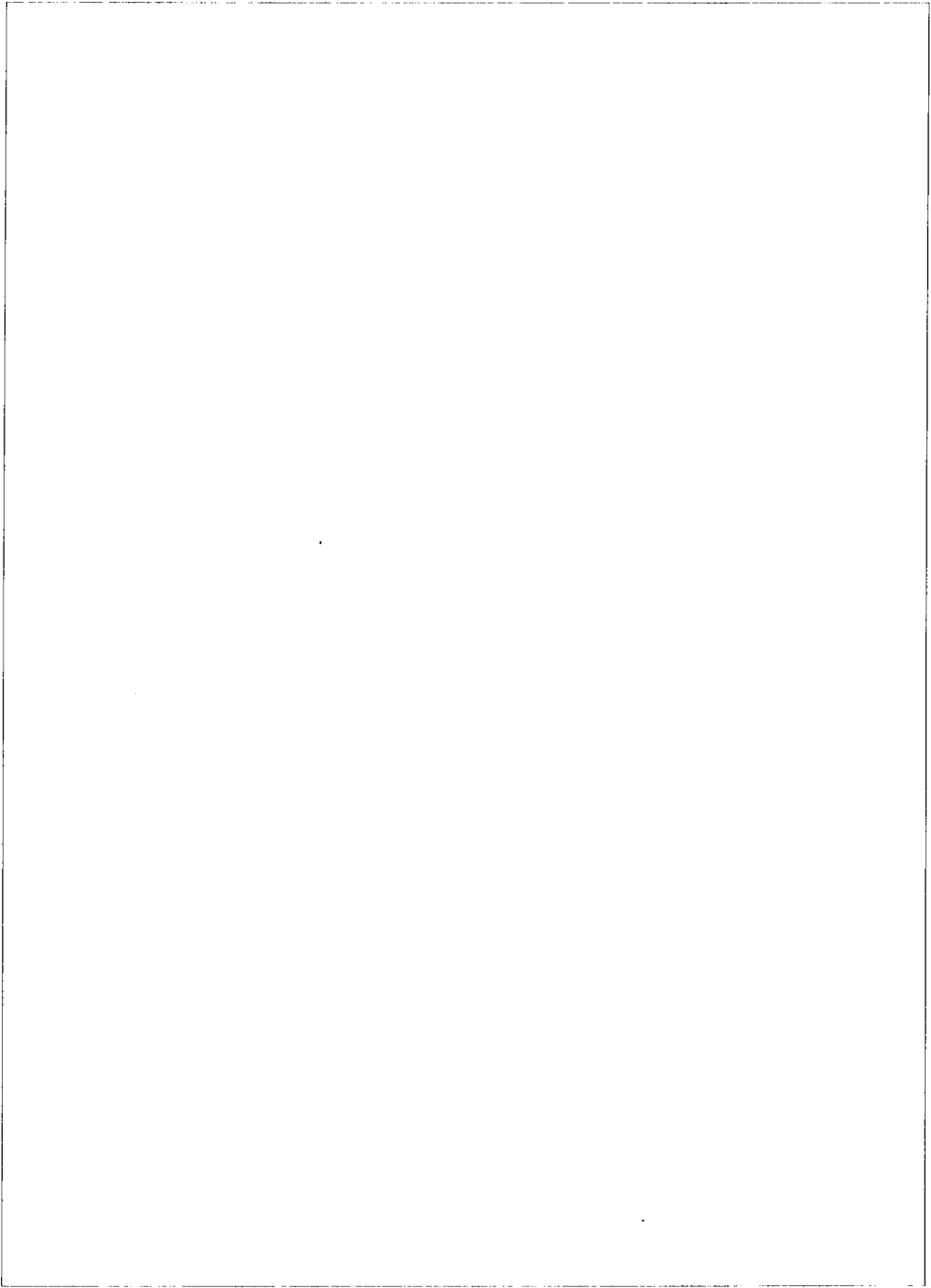
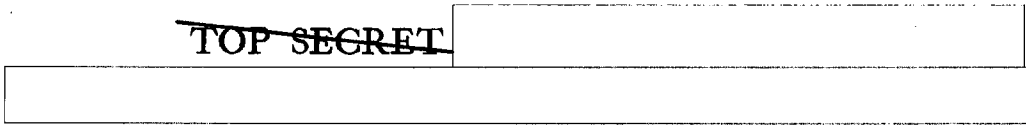
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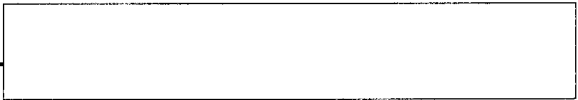


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ITALY: Losses for the Christian Democrats in the elections of 13-14 June may cause interparty tensions in Prime Minister Colombo's coalition but do not appear to threaten the formula for national government by a center-left alliance.

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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[REDACTED]

[REDACTED]

CHILE: FOREIGN EXCHANGE RESERVES ARE FALLING RAPIDLY. ALLENDE PROBABLY WILL FACE A SEVERE BALANCE-OF-PAYMENTS CRISIS BY EARLY 1972 UNLESS POLITICALLY DIFFICULT REMEDIAL STEPS ARE TAKEN.

[REDACTED] OF -

FICIAL NET RESERVES HAVE FALLEN BY AT LEAST 30 PERCENT SINCE ALLENDE CAME INTO OFFICE, AND THE EMBASSY ESTIMATES THEY ARE LIKELY TO BE ONLY ABOUT \$100 MILLION BY THE END OF THE YEAR. BECAUSE OF DECLINING EXPORT EARNINGS AND SHARPLY RISING IMPORTS, THE EMBASSY IS PREDICTING A TRADE DEFICIT OF ABOUT \$180 MILLION AND A CURRENT ACCOUNT DEFICIT OF ABOUT \$350 MILLION IN 1971, UNLESS THERE IS A DRAMATIC AND UNFORESEEN REINVIGORATION OF COPPER OUTPUT OR A SHARP JUMP IN WORLD COPPER PRICES.

ALLENDE COULD PARTIALLY IMPROVE THE SITUATION BY TAKING POLITICALLY UNPOPULAR STEPS TO REDUCE IMPORT DEMAND. SUCH MOVES AS CONSUMER GOODS RATIONING, CURRENCY DEVALUATION, AND REDUCED EMPHASIS ON INCOME REDISTRIBUTION ARE NOT LIKELY TO OCCUR DURING 1971, HOWEVER, BECAUSE THEY WOULD FALL HARDEST ON THOSE GROUPS THAT PROVIDE ALLENDE WITH THE BULK OF HIS POLITICAL SUPPORT.

[REDACTED]

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NOTES

[Redacted]

USSR - OUTER SPACE:

MOSCOW HAS ACCEPTED US-BELGIAN PROPOSALS DESIGNED TO RESOLVE THE LENGTHY IMPASSE OVER THE CONVENTION ON LIABILITY FOR DAMAGE CAUSED BY ERRANT SPACE VEHICLES. THE COMPROMISE PROVIDES FOR AN INTERNATIONAL CLAIMS COMMISSION, BUT ITS RECOMMENDATIONS WOULD NOT BE BINDING ON THE OFFENDING PARTY. THOUGH THE LACK OF SUCH ASSURANCES MAY PROVE UNPALATABLE TO A NUMBER OF COUNTRIES, THEY ARE UNLIKELY TO BLOCK COMPLETION OF THE CONVENTION WHICH THEY HAVE STRONGLY DESIRED FOR SEVERAL YEARS. THE SOVIET MOVE WILL ENABLE IT TO POINT AGAIN TO ITS INTEREST IN REACHING AGREEMENTS WITH THE WEST IN SENSITIVE AREAS.

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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. [REDACTED]

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