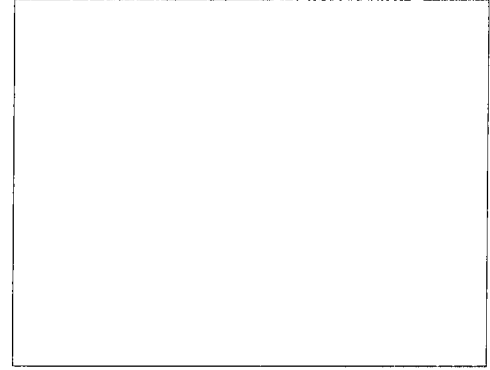


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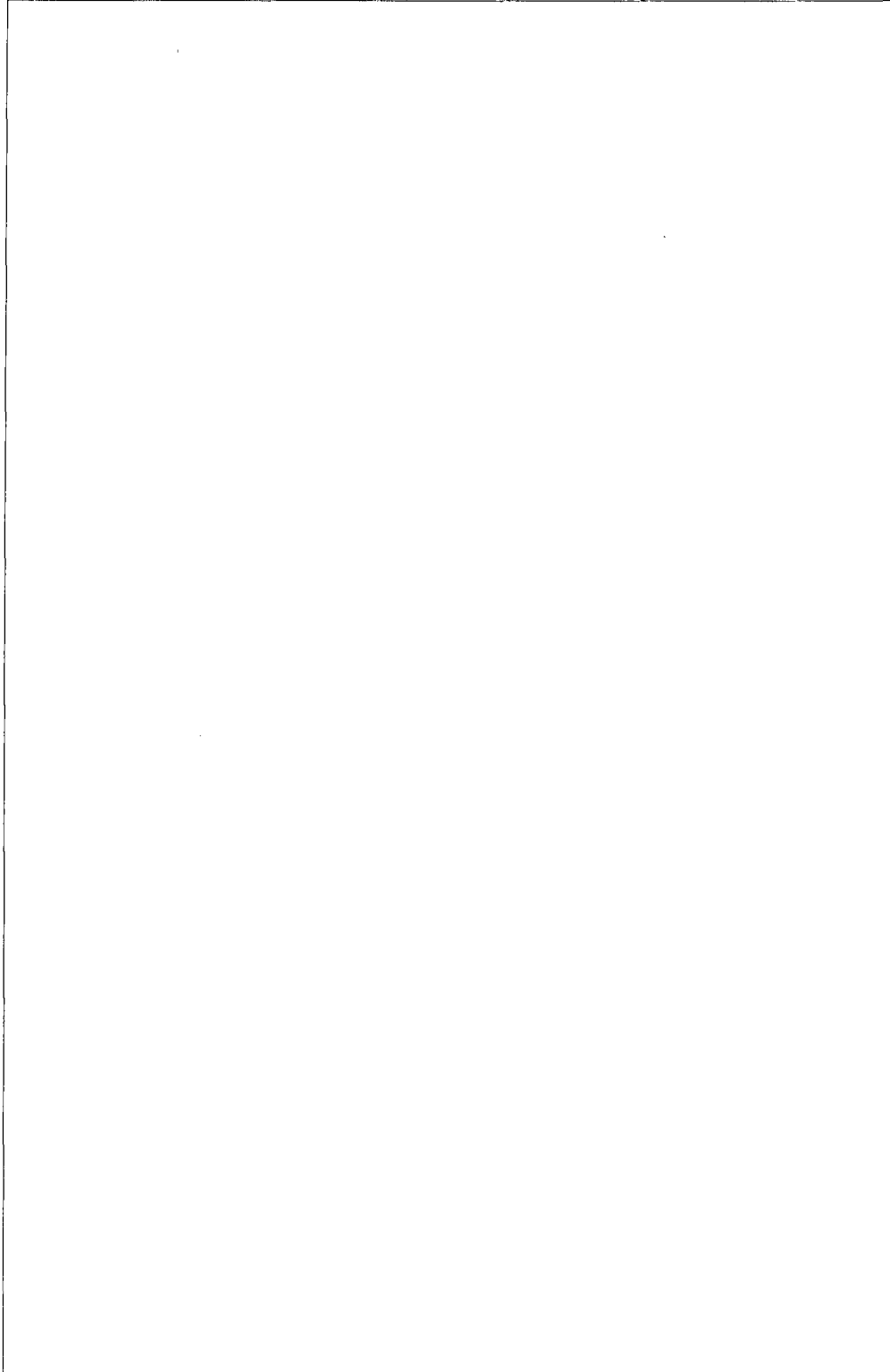
Central Intelligence Bulletin



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14 June 1971

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14 June 1971

Central Intelligence Bulletin

CONTENTS

USSR-BERLIN: The Soviets have softened somewhat their recent tough tactics in the Berlin talks. (Page 1)

LAOS: The Bolovens Plateau area was quiet as both sides recovered from last week's heavy fighting. (Page 3)

LATIN AMERICA: The "200-mile club" could imperil preparatory work for the 1973 Law of the Sea conference. (Page 6)

LIBYA: Premier Qadhafi's latest speech has re-emphasized Libya's political independence. (Page 8)

JAPAN: World Bank bonds (Page 10)

INDONESIA - EASTERN EUROPE: Debt rescheduling (Page 10)

CHILE-USSR: Oil plant plans (Page 11)

~~TOP SECRET~~

~~TOP SECRET~~

USSR-BERLIN: The Soviets are attempting to soften the impact of their recent tough negotiating tactics at the Berlin talks, but they still emphasize that no early movement should be expected from them.

Speaking at a social function in Berlin on 10 June, a Soviet adviser told US Mission officers that there had been an "unfortunate misunderstanding" at the advisers meeting on 9 June. He said that the Soviets had thought that they were meeting Western views, but the allies evidently expected too much from them.

While expressing the hope that the meeting would be regarded as merely an episode, he emphasized that the Soviets should not be expected to be any more forthcoming in the near future--in particular, at the next advisers' meeting set for 22 June. He claimed that Moscow was having difficulty keeping up with the current pace of the talks. He also alleged that bureaucratic problems within the Foreign Ministry in Moscow were delaying the approval of new instructions. Consequently, the Soviet negotiators in Berlin expected none soon.

The Soviet shift to a harder approach for the time being may stem in part from the claimed bureaucratic reasons. It is, however, more likely to have been motivated by a desire to take advantage of a situation in which Moscow believes that the French, and perhaps the West Germans, may be prepared to be even more flexible than in the past to achieve an early agreement. The Soviets may also hope that the visit of Chancellor Brandt to the US might result in new flexibility in the Western position, especially if Moscow can create the impression that further Western concessions are needed to restore "momentum" to the talks.

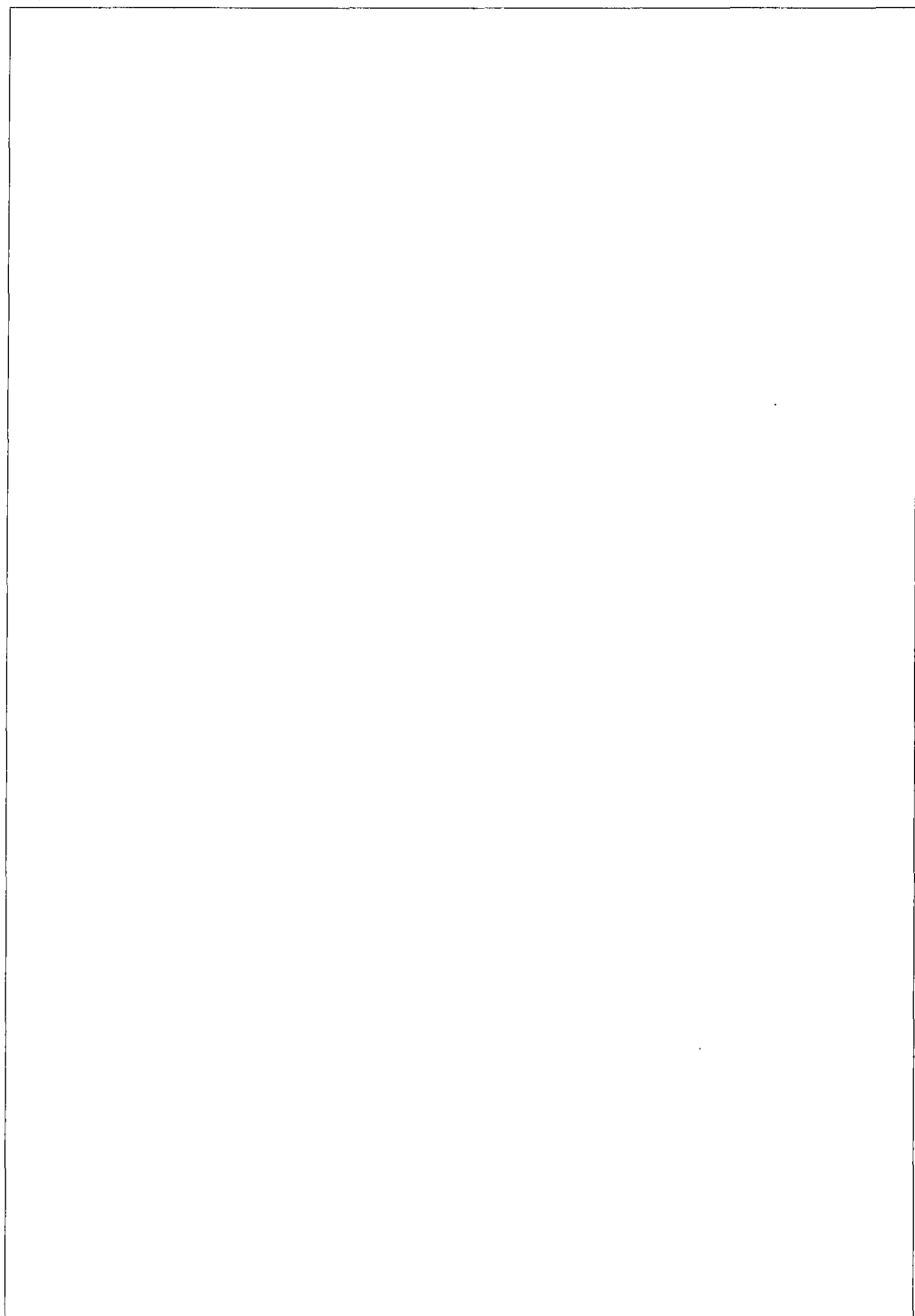
14 Jun 71

Central Intelligence Bulletin

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14 Jun 71

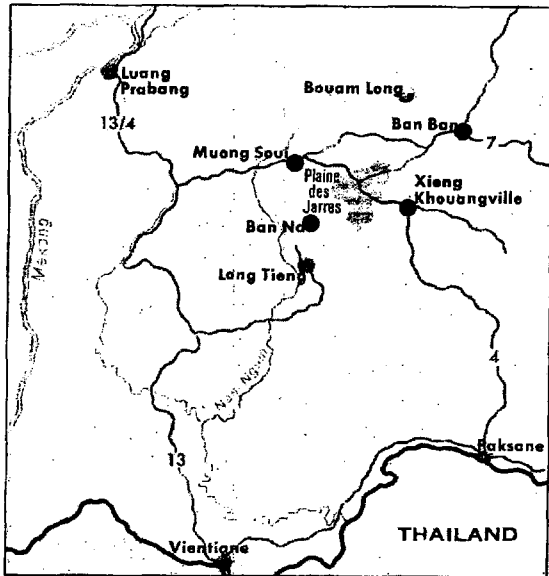
Central Intelligence Bulletin

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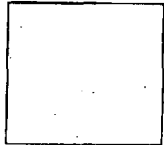


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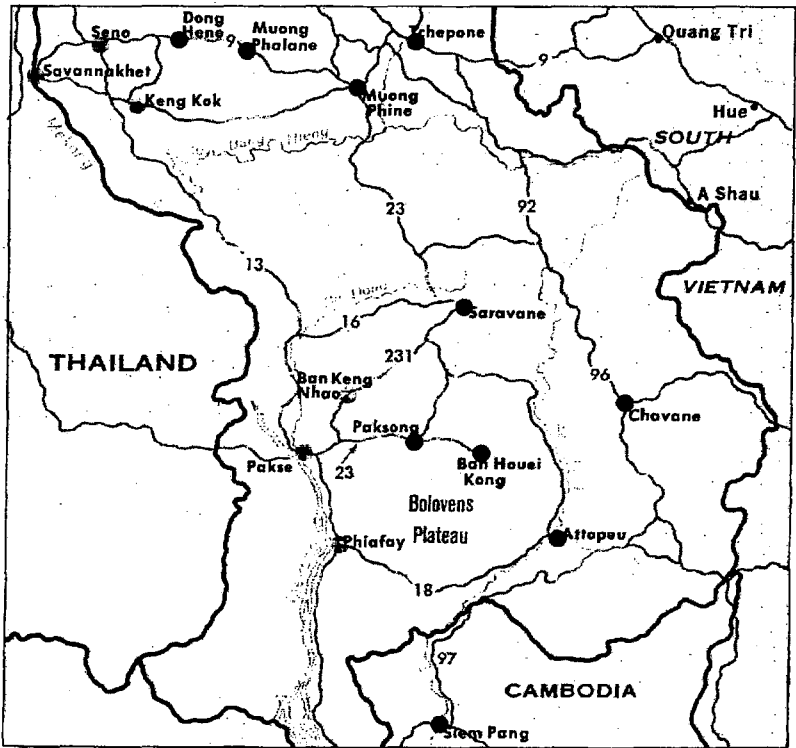
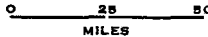


LAOS

Area of maps



- Government-held location
- Communist-held location



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LAOS: No major action was reported in the Bolovens Plateau area over the weekend as both sides evidently recover from last week's heavy fighting.

Several government units that had been cut off filtered back to friendly lines, but no firm government casualty figures have yet been reported. It is not clear whether the effort to retake the central portion of the Bolovens will now be postponed indefinitely, although the Communists have also taken heavy losses as improved weather has facilitated US and Laotian air strikes.

In the central panhandle, there is some evidence that additional North Vietnamese troops may be pulling back from the Dong Hene area. Government irregular forces are moving eastward, and some patrols have moved into the outskirts of Dong Hene. Heavy rains are hampering overland movement, however, and it may be some time before government troops can take additional advantage of the reduction of Communist troop strength along Route 9.

In north Laos, reinforcements have been moved into the Bouam Long guerrilla base, which has been under heavy pressure for several weeks. Vang Pao's troops are still located on the southern portion of the Plaine des Jarres and have encountered only light enemy resistance. They continue to uncover small enemy supply caches, but have not yet moved toward their primary objective, the high ground just west of the Plaine.

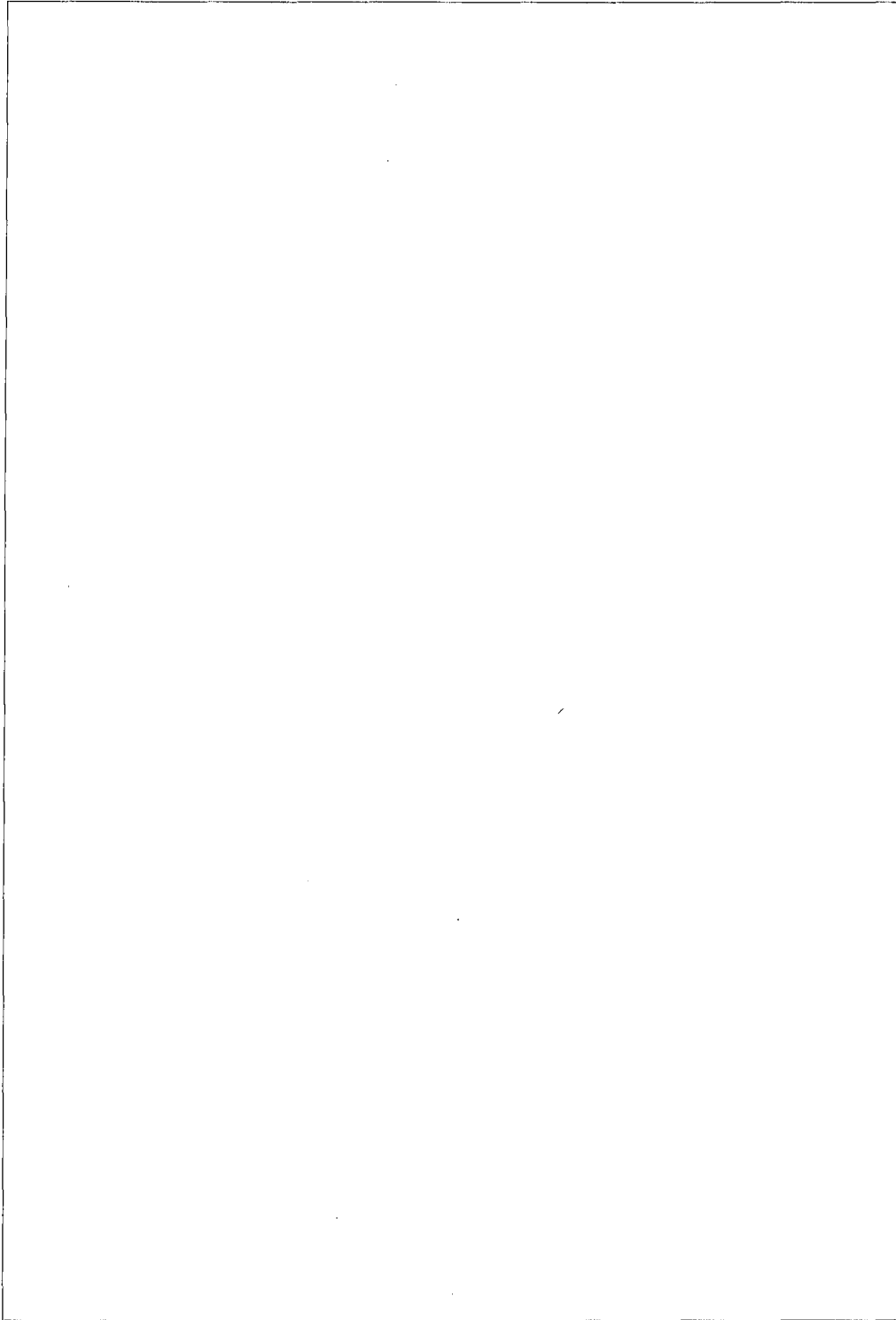
14 Jun 71

Central Intelligence Bulletin

3

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14 Jun 71

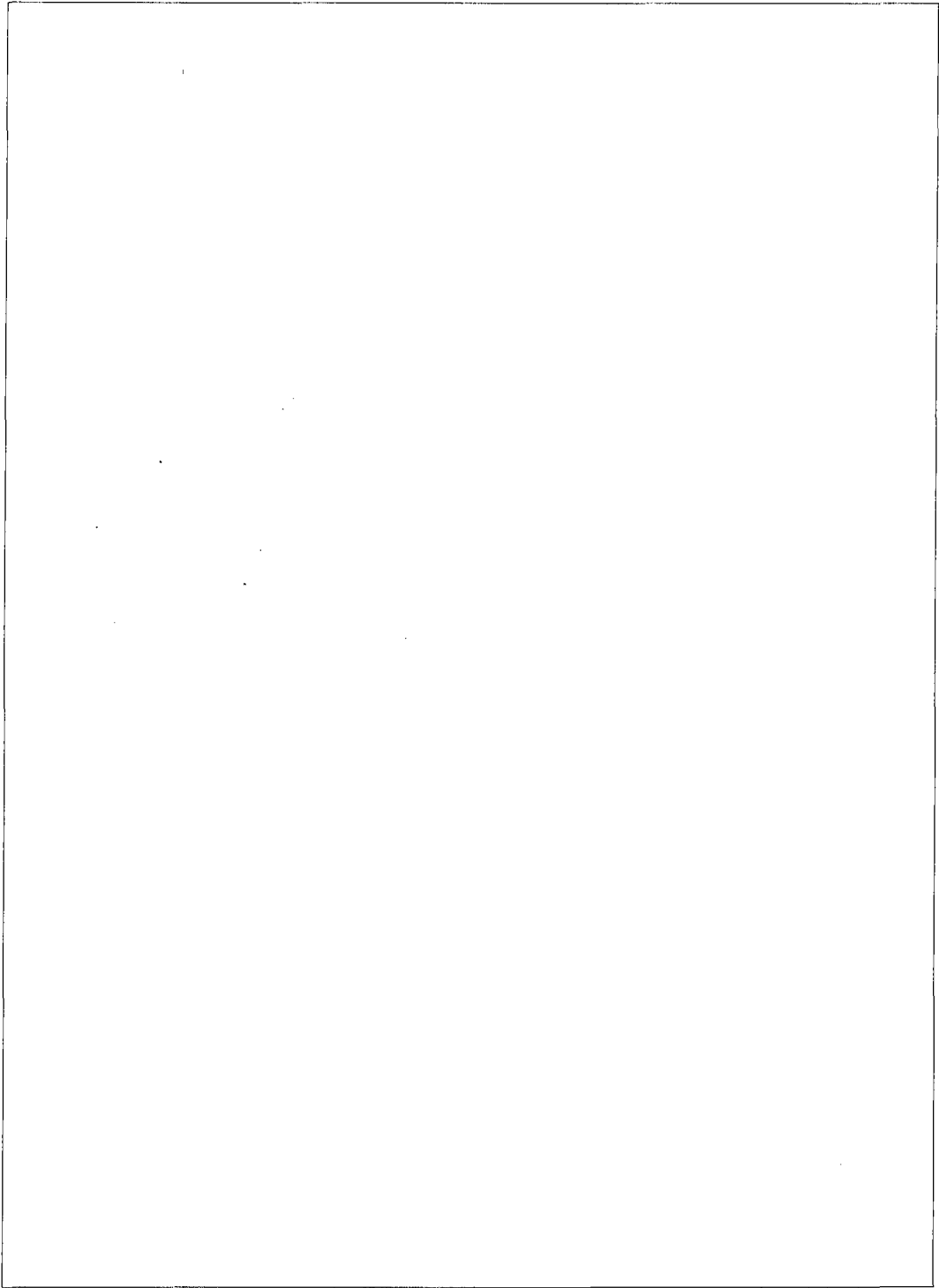
Central Intelligence Bulletin

4

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14 Jun 71

Central Intelligence Bulletin

5

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LATIN AMERICA: The territorial seas issue is gaining currency in several South American capitals, and the emerging Latin American position could imperil the preparatory work for the 1973 Law of the Sea conference.

Brazil, a recent entrant to the 200-mile club, is actively proselytizing for the 200-mile stand throughout Latin America and has warned all foreign fishing vessels to leave its claimed waters. It hopes to forge a strong united front approach to the scheduled 1973 conference. During a visit to Brazil, Colombian Foreign Minister Vasquez signed a communiqué that, without recognizing the 200-mile claim, agreed that nations should defend their rights in their respective jurisdictions. Vasquez, in a later interview, also responded to press accounts of the US Congress' decision to delay US participation in the International Coffee Agreement because of Brazil's recent claim. He noted--correctly--that the action will only provoke Latin American solidarity.

Uruguay has announced it is undertaking an initiative to create an organization for the defense of the 200-mile limits claimed by Argentina, Brazil, and Uruguay. The proposed group would parallel the South Pacific Commission, which Chile, Peru, and Ecuador established in 1952 to coordinate their own 200-mile stand. Peruvian Foreign Minister Mercado has already commented favorably on the Uruguayan plan and indicated Peru will propose a mechanism for permanent coordination between the two groups.

Reflecting the already strong views of the Latin American 200-mile claimants, Chilean UN delegate Zegers maintains his group will pose serious problems for the superpowers at the July meeting of the UN seabeds committee, which is making preparations for the 1973 conference. He asserts that if the Latin Americans are not permitted to chair

14 Jun 71

Central Intelligence Bulletin

6

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the subcommittee charged with recommending territorial waters' limits, they will seek priority consideration of an international maritime organization, a concept that deeply troubles the USSR. Moreover, the US would be confronted with discussion of "peaceful uses" of the ocean--a delicate subject that includes intelligence-gathering activities. The Latin Americans could thus promote a disruptive July session that would lead to postponement of the 1973 conference, and thereby afford them more time to win additional 200-mile adherents.

14 Jun 71

Central Intelligence Bulletin

7

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LIBYA: Premier Qadhafi's latest speech, which blasted great powers and Arab states alike, has re-inforced Libya's independent political stance.

The speech on 11 June--the first anniversary of the US evacuation of Wheelus Airbase--was tailored to the local audience and directed against US policies. Qadhafi raked up the well-worn threat that relations cannot continue if the US "scorns Arab interests" and pursues its policy of supplying arms to Israel. A new and perhaps ominous note was sounded by his reference to "the course of action" that the Libyan people will want to take against the US. To date, US interests--primarily oil companies--have survived under Libya's strongly held concept of nonalignment. As Qadhafi's sense of impotence in Arab politics grows, however, his mounting frustration may well find a convenient outlet in some anti-US gesture.

The two positive aspects of the speech--the offer of diplomatic recognition to Communist China and the announcement of the future formation of the Arab Socialist Union (ASU) as Libya's sole political organization--fell somewhat flat. The backhanded recognition of Communist China was cast in uncomplimentary language and there is no evidence of official contacts prior to the speech. Peking radio reported the recognition offer without comment, but the Chinese probably will take diplomatic soundings now to discover what Libya has in mind. The ASU, which Qadhafi had promised earlier as a means to develop popular participation in policy-making, presumably will be as much a rubber stamp as its counterpart in Egypt.

The Premier also dealt harshly with the Soviet Union, associating it with a potential threat of imperialist domination of Arab countries and boasting that only Soviet diplomatic personnel were resident in Libya. Libyan friendship with the USSR remains dependent upon Moscow's dealing with Arab nations as equals, he said. Egypt was implicitly criticized for its recent treaty with the USSR which, Qadhafi intimated, commits Cairo to live under Soviet influence.

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14 Jun 71

Central Intelligence Bulletin

8

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Relations with the British might still be worked out, Qadhafi said, if they withdraw quickly from the Persian Gulf and settle the current arms contracts squabble with Libya. France alone of the great powers was not mentioned. Lesser Arab states--especially Jordan--were castigated for their laxness in pursuing the Libyan goal of pan-Arab unity.

14 Jun 71

Central Intelligence Bulletin

9

~~TOP SECRET~~

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JAPAN: The government has agreed that World Bank bonds worth \$30 million may be sold in the Tokyo money market for the first time. In addition, Japan soon will make a direct \$20-million loan to the bank, bringing such extensions to the bank during the past two years to nearly \$600 million. These transactions increase Japan's capital outflows, thereby somewhat relieving foreign pressure to reduce balance-of-payments surpluses without resorting to less popular trade liberalization measures or revaluation of the yen. [REDACTED]

INDONESIA - EASTERN EUROPE: Indonesian Foreign Minister Malik has successfully concluded agreements, mainly on Indonesia's terms, to reschedule debt payments totaling over \$240 million to East Germany, Hungary, Czechoslovakia, and Poland. Although terms have not been made known in every case, it is likely that in all cases they conform to the agreement already arrived at with the USSR, which accounts for more than a third of the \$1.6 billion owed in total principal. This agreement provides for a 30-year repayment period for principal covering all short-, medium-, and long-term debt, and repayment of contractual interest over a 15-year period beginning in 1985. The East European willingness to accept Djakarta's terms presumably was based on the realization that payment on Indonesia's terms is better than no payment at all. [REDACTED]

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14 Jun 71

Central Intelligence Bulletin

10

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CHILE-USSR: The Chilean National Petroleum Enterprise (ENAP) is going ahead with plans to build a lubricating base oil plant financed largely by a long-standing \$42-million Soviet credit. ENAP planning and engineering specialists are now in the USSR discussing the project, and a Soviet group is scheduled to visit Chile in the near future to begin a feasibility study. The plant, which will take two to three years to build, will be Chile's first for the manufacture of lubricating base oils. Such base oils are currently imported into Chile by US companies for formulation into finished lubricants in their own plants.

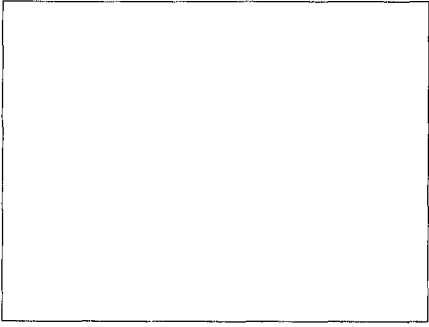
14 Jun 71

Central Intelligence Bulletin

11

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