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DIRECTORATE OF
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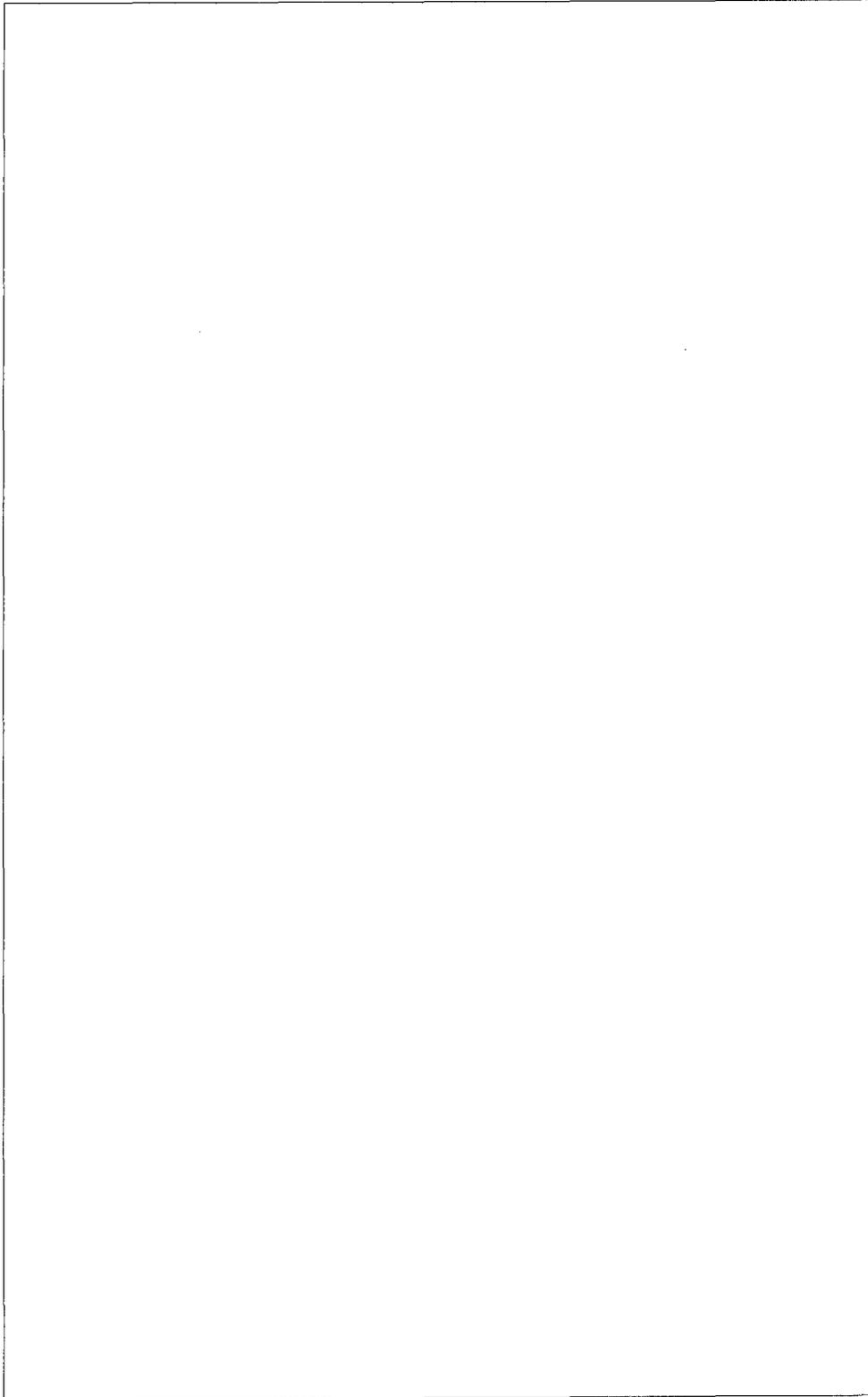
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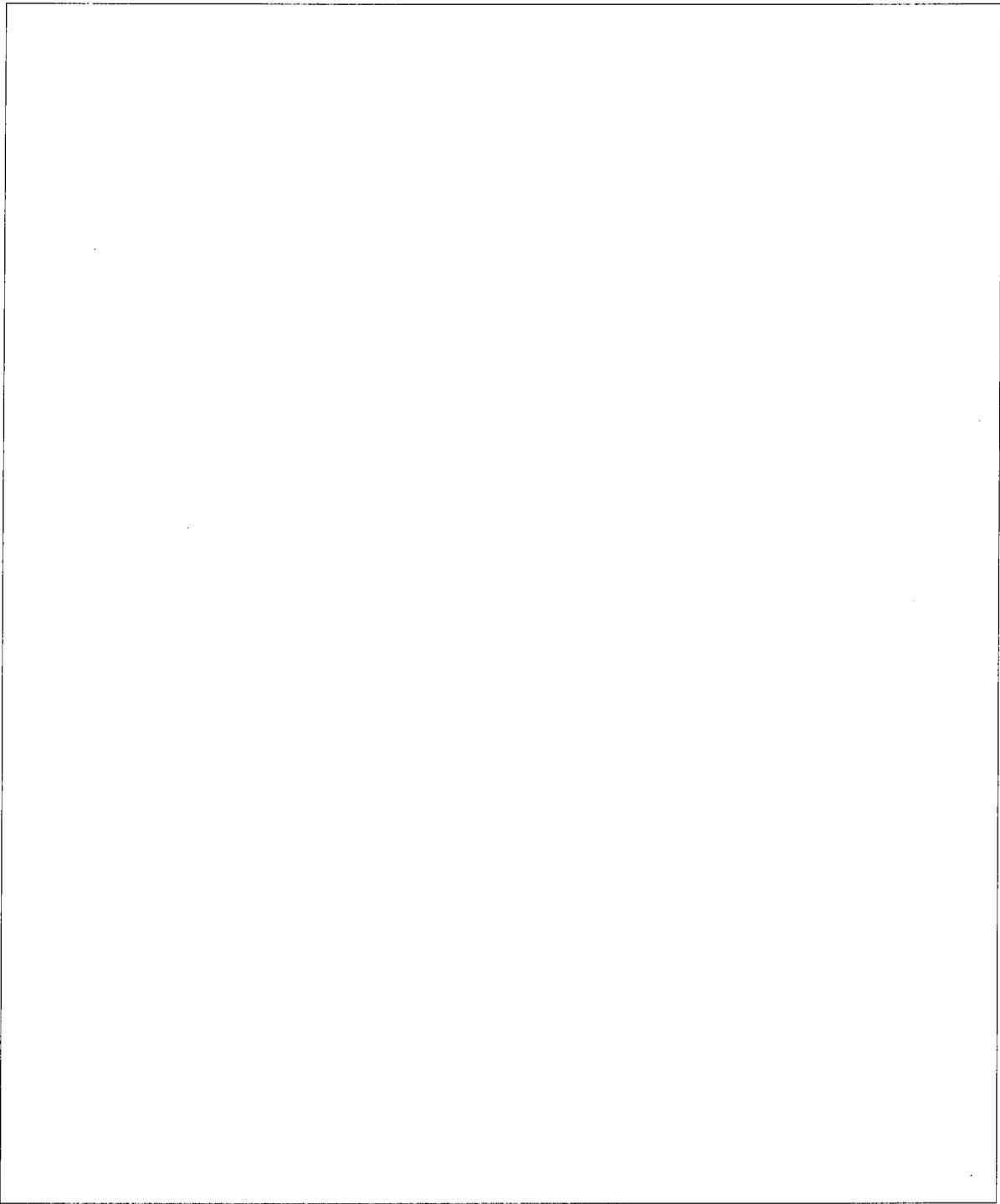
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CAMBODIA: The Communists appear to have routed a government task force northeast of Phnom Penh.

An eight-battalion Cambodian Army (FANK) column, consisting primarily of elite Khmer Krom units, came under enemy small-arms fire from three directions yesterday morning between the villages of Vihear Suor and Kampong Chamlang. The Communists next unleashed a barrage of 50 to 100 rockets against the immobilized task force, throwing its elements into complete disarray. Some government troops fell back toward Vihear Suor, while others tried to move eastward toward Kampong Chamlang.

According to reports received by the US defense attaché in Phnom Penh, however, the Communists had ringed the entire column and were ambushing small groups of retreating Cambodian soldiers. Some hand-to-hand combat apparently was continuing by late afternoon. Loss of radio contact with most of the units involved in the fighting has added to the general confusion and uncertainty surrounding the column's fate. Initial casualty reports indicate that government losses total 80 to 90 troops killed and 100 wounded. Hundreds of others are still unaccounted for, but it is likely that many of the missing will eventually work their way back to friendly lines.

The FANK high command in Phnom Penh is shaken by this latest reverse, which is looming as one of the more costly suffered thus far by the government. The US attaché reports that the Cambodian officers are expressing disbelief that such a defeat could be inflicted on Khmer Krom forces, the mainstay of the Cambodian Army since the war began.

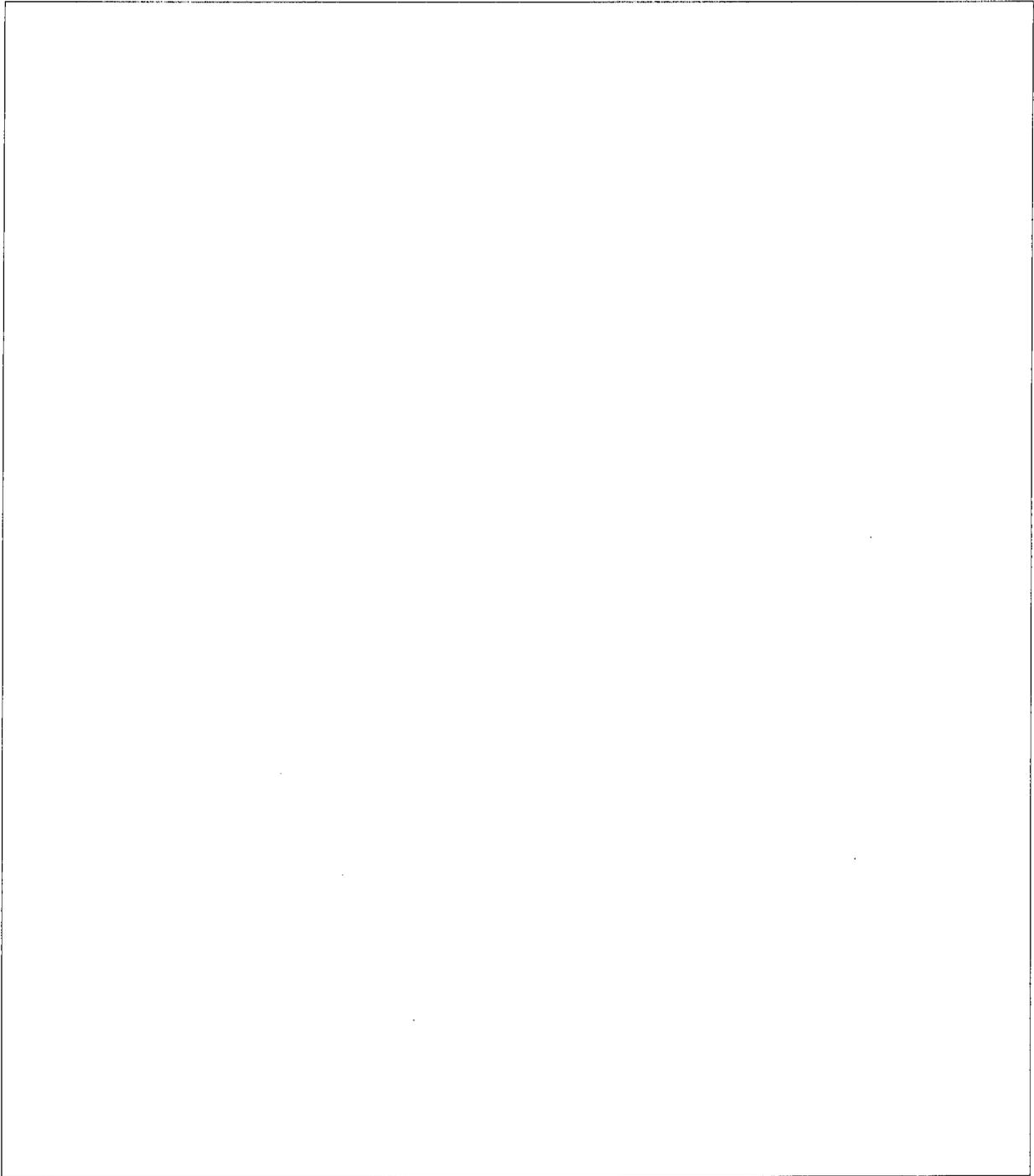
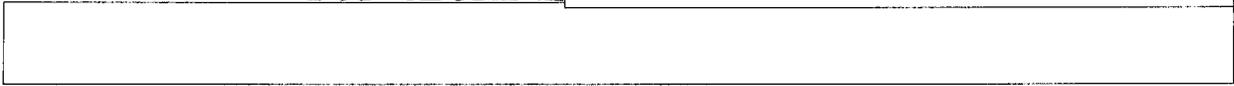
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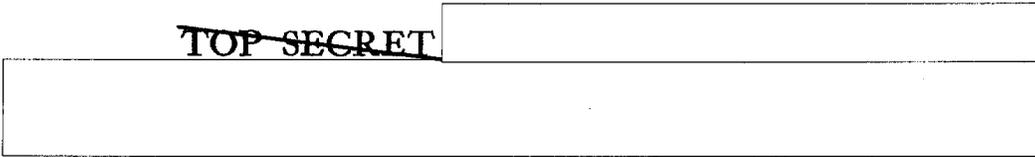
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INDIA-PAKISTAN: Indian Foreign Minister Swaran Singh has warned opposition politicians that New Delhi may have to take unilateral military action soon to solve the refugee problem.

Singh, in briefing the parliamentary opposition leaders on 4 June in preparation for his current trip to Washington, Moscow, and several other capitals, reportedly said that the refugee situation is rapidly becoming "impossible." He plans to tell world leaders that unless there is pressure on Pakistan to take the refugees back and there is extensive aid for them, India will take unilateral military action against East Pakistan.

If this report accurately reflects Singh's position, it represents a significant movement by the foreign minister away from his previous "dovish" attitude toward Indo-Pakistani relations. It is possible that Singh's remarks are also part of India's major diplomatic campaign to influence foreign governments. Singh made it clear to the opposition party leaders that he did not care if they told everyone they knew about his position.

[In Moscow, Singh's representations already have had some effect. In a joint communiqué on 8 June, Indian and Soviet officials called for greater efforts by Pakistan to stop the flow of refugees. They also urged that further steps be taken to restore peace and create conditions of security in East Pakistan so refugees would be willing to return.

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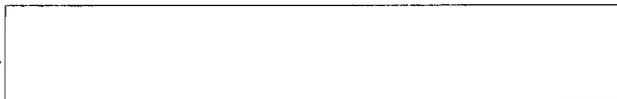


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USSR-BERLIN: Soviet Ambassador Abrasimov has raised the possibility of autobahn harassment if the scheduled meeting of the Bundestag Inner-German Relations Committee takes place in West Berlin tomorrow and Friday. He voiced this threat at a luncheon following Monday's four-power meeting on Berlin. The East German Foreign Ministry had previously protested the Bundestag meeting, and Moscow appears to be putting itself in position to support some East German reaction against West German traffic.

AMBASSADOR RUSH REPORTED THAT CHANCELLOR BRANDT RECOGNIZES THE UNUSUAL SENSITIVITY OF THE MEETING, WHICH WILL NEARLY COINCIDE WITH SOVIET PARTY CHIEF BREZHNEV'S EXPECTED VISIT TO THE EAST GERMAN PARTY CONGRESS NEXT WEEK. BRANDT HAS ORDERED STATE SECRETARY BAHR TO ASK BUNDESTAG OFFICIALS TO PUT OFF THE MEETING TO A LATER DATE. FOR THE SAME REASON, CDU PARLIAMENTARY LEADER BARZEL HAS DECIDED TO POSTPONE A MEETING OF HIS PARTY'S LEADERS SCHEDULED FOR WEST BERLIN ON 14 JUNE.]

Otherwise, the general atmosphere of the most recent four-power Berlin session was businesslike. The ambassadors voiced general approval of the constructive manner in which their advisers are attempting to narrow the areas of disagreement, agreed to continue the advisers' discussions this week, and scheduled the next ambassadorial talks for 25 June.

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INDONESIA: The campaign for the first national elections in 16 years is developing some steam, but the outcome will have relatively little effect on the army-dominated government.

Although the elections on 3 July are being held at both national and provincial levels, the principal stakes are 360 seats in the 460-member Parliament, a body of relatively limited powers. The remaining 100 members of Parliament will be appointed by the government. In holding the elections, the government is fulfilling its pledge to replace the present appointed body with a largely elected one.

The government views economic improvement as the nation's primary goal, however, and has been insistent that neither the conduct of the elections nor their outcome should divert the country from the major reconstruction effort necessary after the economically exhausting Sukarno era. It is equally emphatic that there be no return to the extreme nationalism and pro-Communism that characterized the final years of the Sukarno period. Candidates have been carefully screened, and members of the banned Communist Party and its affiliated organizations are denied the vote. The campaign has been conducted under fairly stringent government restrictions and under close observation.

The chief contestants are the government's party, a coalition of worker and professional groups called SEKBER GOLKAR; the secular Nationalist Party; and the two Muslim parties, which are the traditionalist Nahdatul Ulama and the modernist Muslim Party. The Nationalist Party and the Nahdatul Ulama are entrenched in densely populated Java, where they are resisting SEKBER GOLKAR as firmly as they dare without provoking government acts against them.

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SEKBER GOLKAR has steam-rolled its way through the country, proselytizing among groups attached to the regular parties and demanding the allegiance of national and provincial government employees. Although its rapid accumulation of a following has been impressive, its arm-twisting methods could be counterproductive. SEKBER GOLKAR, however, seems likely to win at least a plurality of the 360 parliamentary seats. [REDACTED]

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CHILE: The Allende government is taking massive security measures following the murder yesterday of former cabinet minister Edmundo Perez, who was the leader of the opposition Christian Democratic Party's conservative wing.

President Allende imposed a state of emergency in Santiago, convoked the National Security Council, and put all radio stations on the government network. The acting president of the government coalition denounced the murder as a threat to all Chileans and a provocation. Officials may use the occasion to crack down hard on extremists of both left and right, whom they frequently accuse of activities injurious to public order.

Representatives of the People's Revolutionary Vanguard (VOP) claimed responsibility for the murder. Those VOP members accused by police have taken refuge in a slum area. The VOP said that Perez' assassination was "partial redemption" of its recent communiqué insulting President Allende and threatening to "bring to justice" prominent nongovernment Chileans whom it called "enemies of the people." The government played down the importance of the communiqué, but said it would be investigated. The VOP, which describes itself as a "socialist and revolutionary organization of the armed proletariat," broke off from the better-known Movement of the Revolutionary Left about two years ago. Subsequently the VOP was reportedly penetrated by both rightist extremists and the Communist Party, and its present status and backing are unclear.

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VENEZUELA: Foreign oil companies (primarily US) are apprehensive about new legislation being considered by the Venezuelan Congress.

Minority parties have introduced bills to prohibit the companies from selling petroleum products in the domestic market and to assure turnover of industry assets in "good operating condition" when concessions expire. One of the bills would reserve the entire domestic products market for the government-owned oil company, which now has one third of the market. The second bill would require the companies to set aside ten percent of their annual depreciation in a government fund to guarantee upkeep of facilities that would revert to the government when concessions begin expiring in 1983. A retro-active clause would substantially add to the financial burden from this levy on depreciation allowances.

Although the oil companies are resigned to eventual loss of the domestic products market, the second bill is of great concern to them because it would significantly increase current industry operating costs. President Caldera's earlier proposed legislation to nationalize the oil companies' gas resources is still being debated and these two new bills largely represent efforts by minority political parties to climb on the growing wave of nationalism. The bills are expected to pass Congress this year, possibly as early as July, and most likely will lead to increased strains in US-Venezuelan relations.

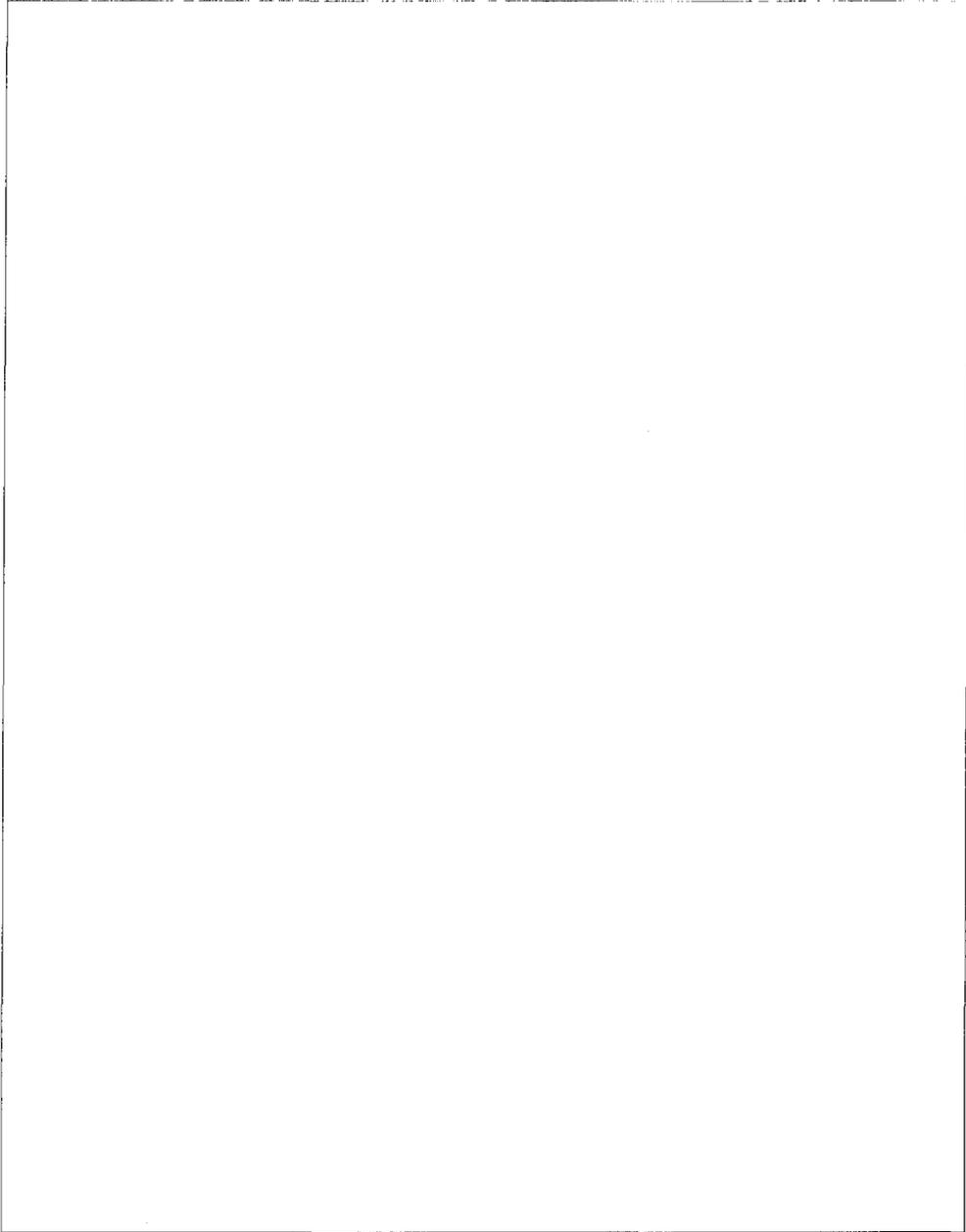
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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 8 June 1971 approved the following national intelligence estimate:

NIE 29.1-71 "Prospects for Greece"

[redacted]

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