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DIRECTORATE OF
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Central Intelligence Bulletin

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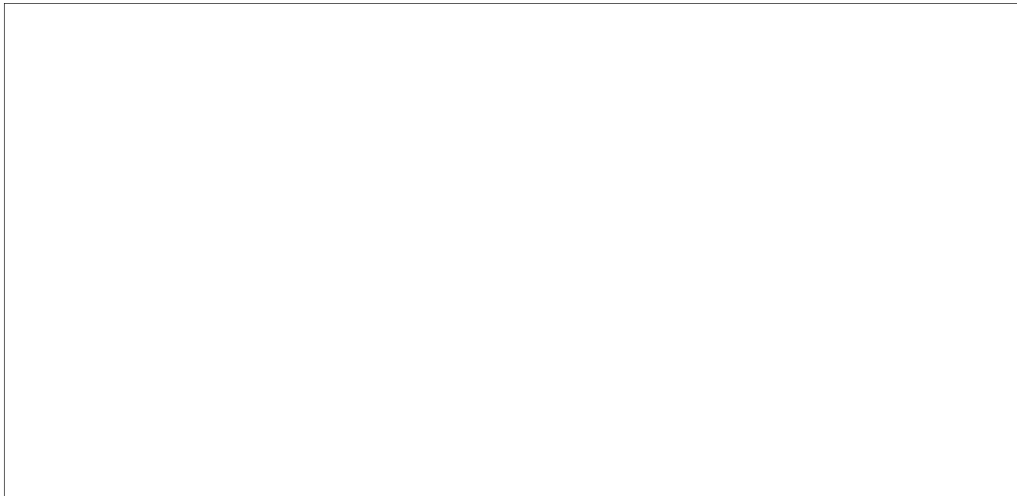
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*Vietnam:

South Vietnam: North Vietnamese regulars, spear-headed by nine armored vehicles believed to be Soviet-built T-34 tanks, attacked the Lang Vei Special Forces camp near Khe Sanh late yesterday but were unsuccessful in capturing the strategic outpost.

The night-long assault, timed to coincide with a heavy artillery, rocket, and mortar bombardment of the Khe Sanh base and a light ground attack on US Marine defensive positions atop nearby Hill 861, was repulsed shortly after daybreak. By midday the action was settling down with heavy air attacks being directed at the withdrawing Communist force. The Khe Sanh airfield was cratered but is now fully operational.

Meanwhile, fighting continues in Hue with allied forces making slow progress in their bitter block-by-block clearing operations. Saigon was relatively quiet during the night, but 16 allied soldiers and 120 Communists were killed in a sharp firefight just north of the capital. Throughout the rest of the country no new large-scale attacks were reported yesterday or early this morning.

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Several members of the assembly's Upper House continue to criticize the government and appear to be delaying early passage of a resolution of full support in the

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present crisis. During a heated session on 6 February, there were charges that the government, or at least some key commanders, failed to act on warnings from the security services of impending Viet Cong attacks during the Tet holidays. One senator called for the resignation of the military commanders.

Others are reportedly urging the arming of civilians and a complete revamp of the pacification program to restore the Diem government's strategic hamlet concept. Lower House deputies are so far proving much more cooperative with the government and have set up a special aid committee to work with the government's task force.

North Vietnam: Indications of unusual air activity--possibly directed against allied operations near the Demilitarized Zone--have been increasingly evident [redacted]

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A flight of three IL-28 twin-jet bombers moved to Phuc Yen airfield near Hanoi yesterday from a base in southwestern China where the entire North Vietnamese inventory of eight IL-28s had been located since last spring. North Vietnam's small force of AN-2 transport planes--which reportedly have been adapted for a ground attack role--have also been active and may be deploying to southern North Vietnam.

There have been a number of reports of the use of supporting aircraft by the Communists in their current offensive in northern South Vietnam. The recent unprecedented movements of transports and bombers in the North lends some credence to these reports. [redacted]

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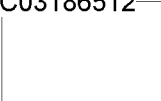
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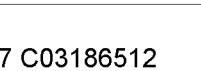
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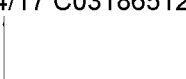
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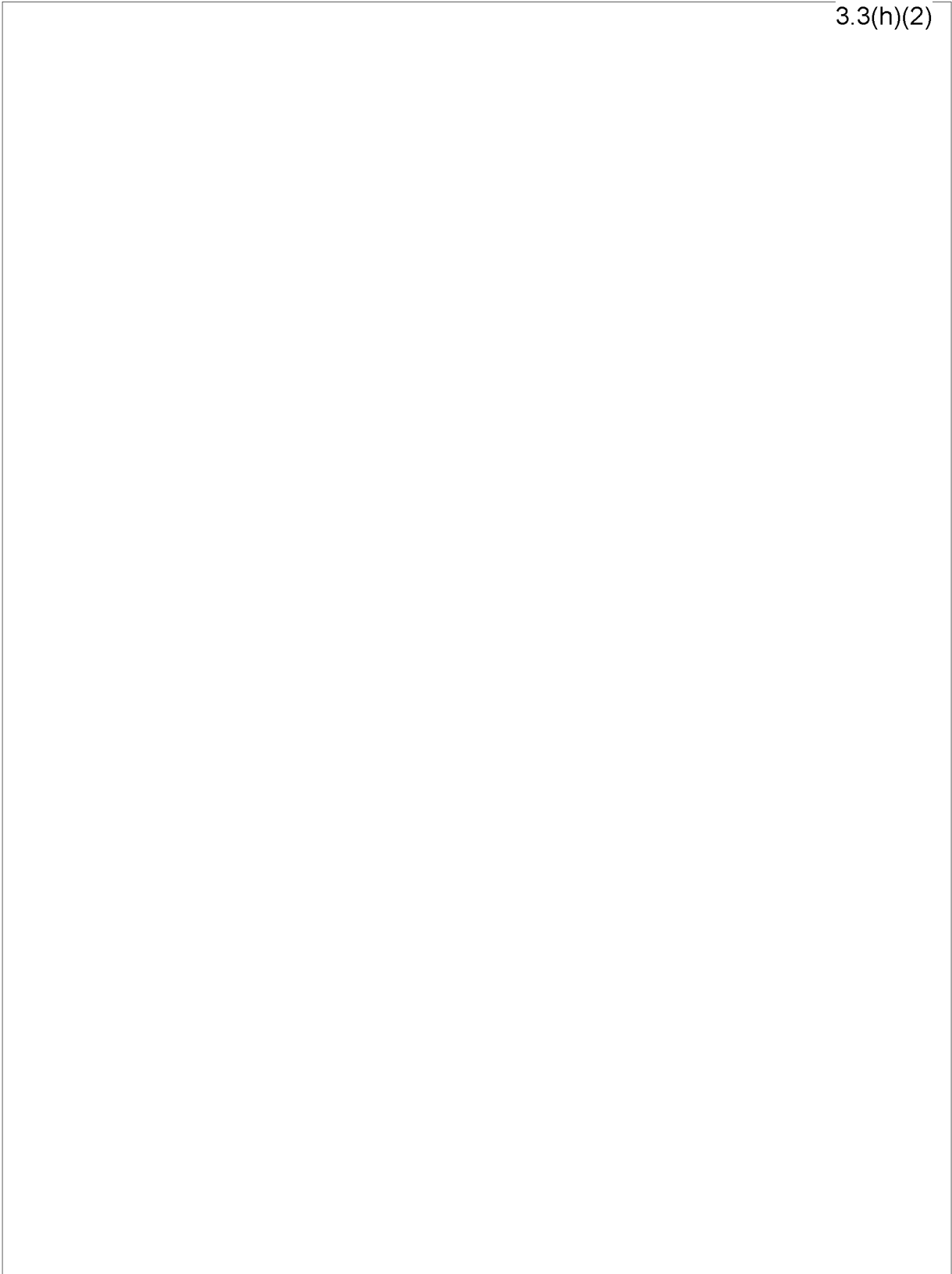


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Chile: President Frei's increasing political isolation is frustrating his efforts to deal with the country's economic and political problems.

Last week, unable to rally support outside his own party, Frei withdrew his crucial wage readjustment bill, which would have provided for needed development projects. Opposition parties, including the strong Communist Party, refuse to deal with the country's serious economic problems because such action might strengthen Frei's party in the 1970 presidential election. In addition, Frei is faced with open rebellion by the far left wing of his own party and may have to make extensive changes to strengthen the cabinet within a few months.

As the government searches for a new way to stop Chile's chronic inflation, pressure will build up to tap the profits of the US-based copper companies. Such action would violate present investment agreements and discourage new foreign investment.

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Latin America - USSR: Four more countries may establish diplomatic and formal commercial relations with the USSR during 1968.

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Venezuela, Ecuador, Peru, and Bolivia are influenced by the reasoning of the other members of the regional economic "Andean group." Chile and Colombia re-stored relations with the USSR in November 1964 and January 1968 respectively. All these countries are seeking, perhaps with undue optimism, expanded markets for hard-to-sell commodities in order to ease growing economic difficulties.

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Several believe that expanding relations with the USSR will further strain the Soviet-Cuban relationship. [redacted] the Andean countries may also have the naive hope that through recognition of the USSR as a group they could persuade the USSR to put pressure on Cuba to halt intervention in South America. [redacted]

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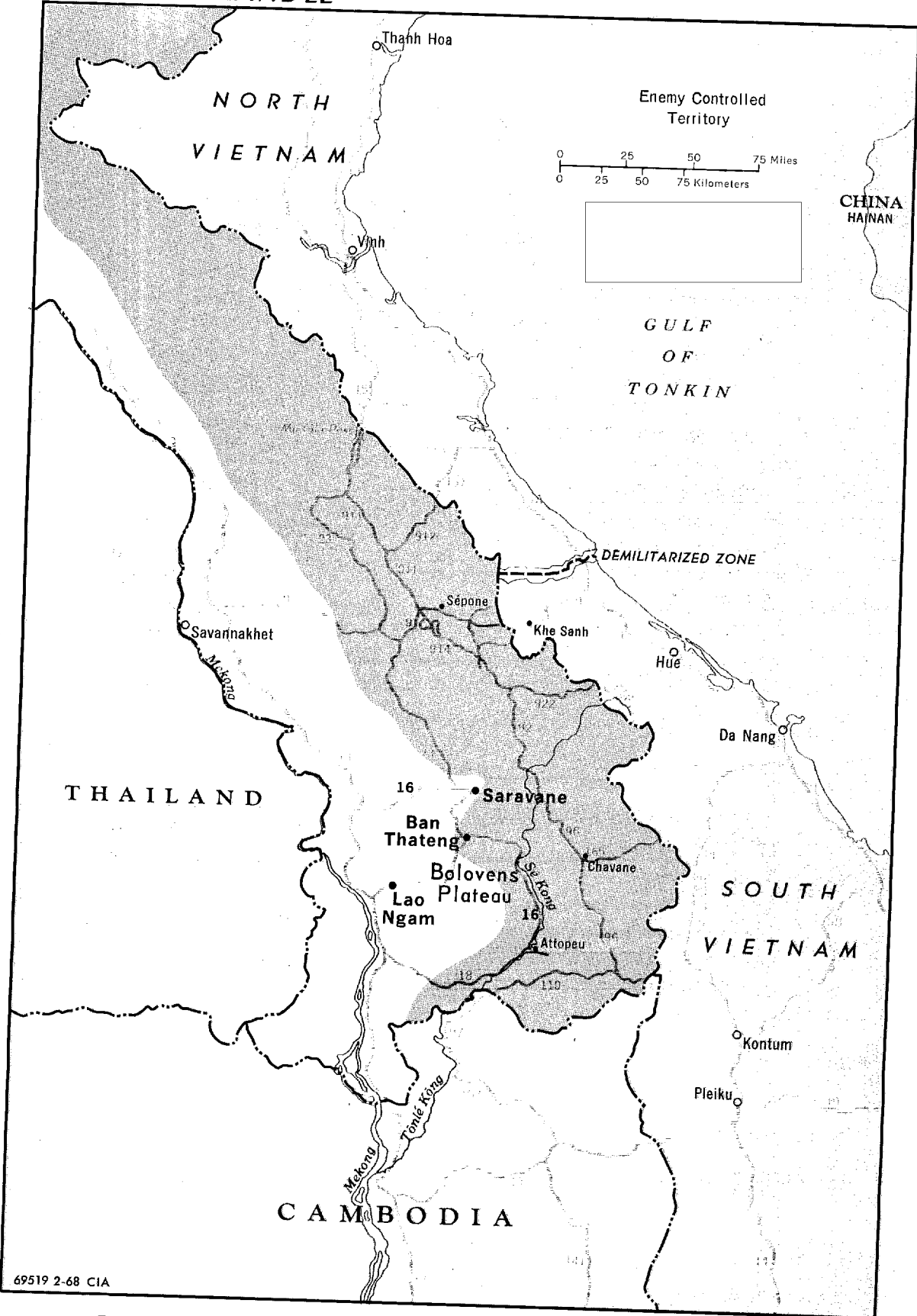
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NOTE

Laos: The Communists appear to be preparing for a new offensive in the northern portion of the Bolovens Plateau. North Vietnamese troops have reduced the government's defensive perimeter around the provincial capital of Saravane and have seized a number of villages astride Route 16, the key overland route into the lightly defended town. A [redacted] North Vietnamese deserter claims the Communists intend to occupy Saravane before moving on to hit more important government base camps at Lao Ngam and Ban Thateng. Although Saravane does not play an important military role in the area, its loss would have a serious psychological impact on an already nervous leadership in Vientiane.

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