

16 September 1966

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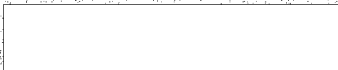
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WEEKLY SUMMARY

State Dept. review completed.

CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE

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(Information as of noon EDT, 15 September 1966)

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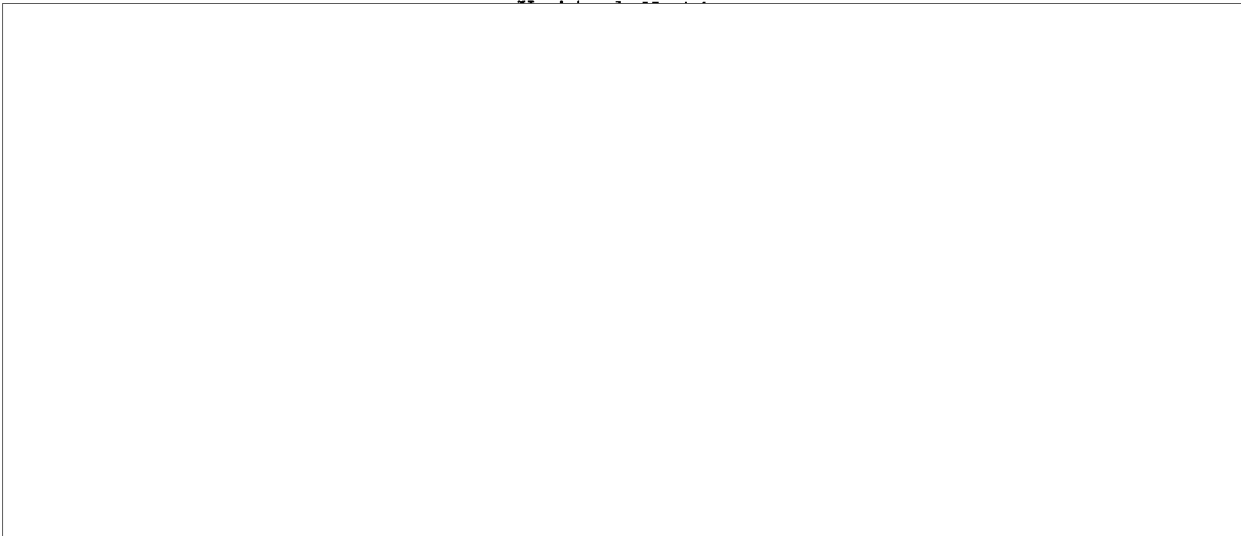
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Far East

VIETNAM

The large voter turnout for South Vietnam's election of a constituent assembly on 11 September demonstrated the government's organizational ability and dealt a sharp blow to Viet Cong prestige. The climax in Communist terrorism designed to disrupt the voting resulted in nearly 200 casualties during a 24-hour period beginning on election eve. However, neither this nor the boycott by militant Buddhists made a significant dent in the voter turnout. Four fifths of the nation's 5,288,000 registered voters went to the polls. While about two thirds of Saigon's voters cast ballots, the turnout was considerably higher in government-controlled areas in the provinces.

There has been no evidence of significant election irregularities favoring specific candidates in any area, but there may have been some government pressure to get out the vote in the provinces. Some voters anticipated trouble with the government after the election if they could not prove they had voted. However, the large turnout was a tribute to the government's over-all effort, including its extensive pre-election information programs and its security provisions during the polling period.

Because of the successful election, the constituent assembly can claim a relatively

effective popular mandate when it begins its constitution drafting duties on 26 September. The 117 delegates include several nationally known politicians from the Saigon area. Southerners and Buddhists will form pluralities in terms of regional and religious background, with Catholics also well represented. Nearly half the delegates are business and nongovernment professional men. Thirty-six government personnel--18 military men and 18 civil servants--were also elected.

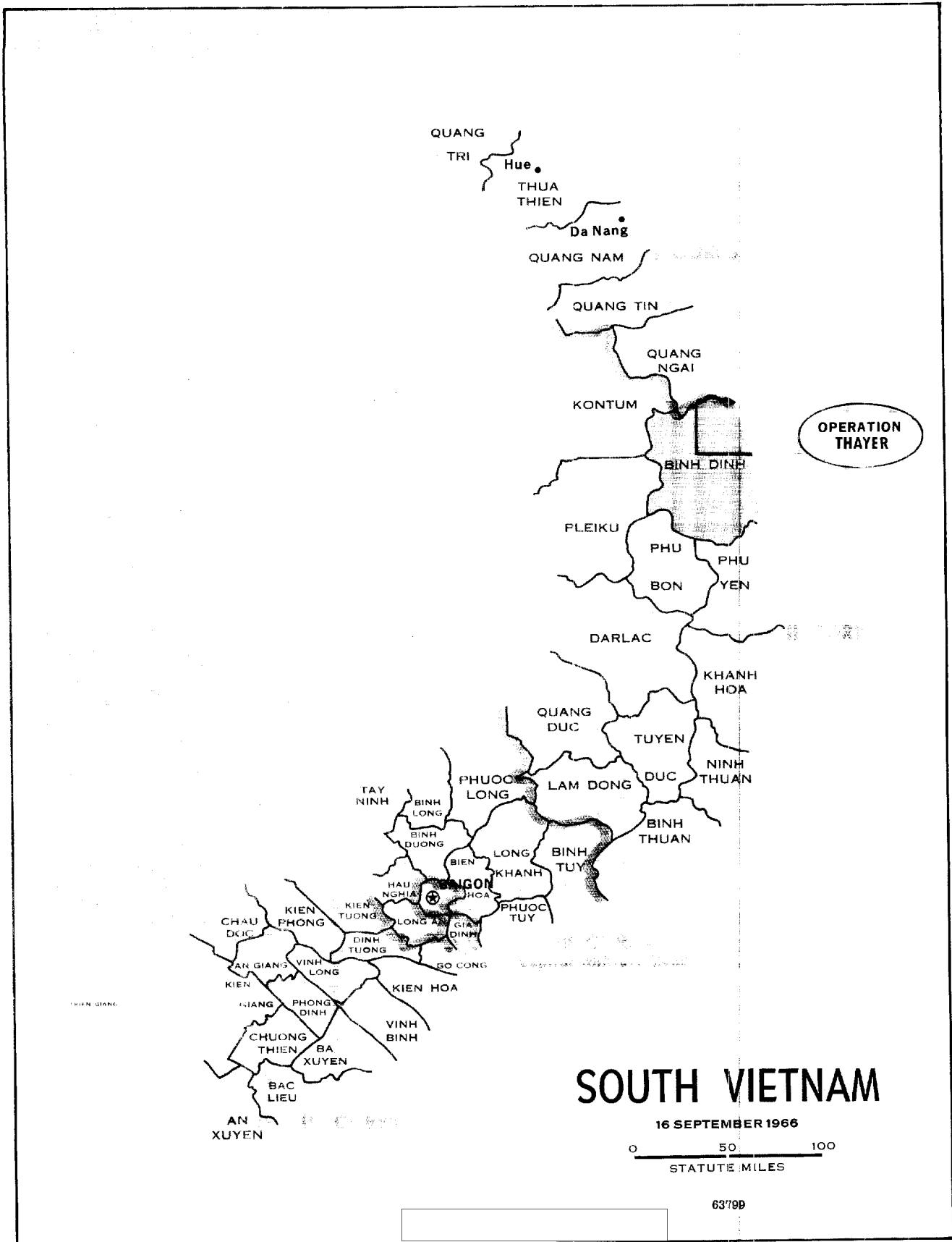
Buddhist Attitudes

Militant Buddhist anti-election hunger strikes conducted in Saigon and several other cities attracted little public attention, and no serious Buddhist efforts were made to disrupt the voting. On election day, moderate Buddhist leader Tam Chau broadcast an appeal urging the faithful to the polls, and voting was brisk in strong Buddhist areas in Saigon. Invalid ballots, which the people were urged to cast by the Buddhists as an alternative to an outright boycott, averaged about ten percent in Hue and Da Nang, where militant Buddhist influence is particularly strong. Elsewhere, they constituted less than five percent of the total.

Since the election, there has been no apparent change in the attitude of the militants

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toward the government, but other Buddhists have been clearly looking for a compromise settlement. Buddhist Institute policy appears to be once more in a state of flux.

Communist Reactions

Communist propaganda reaction to the successful election employed the same note of derision that characterized pre-election treatment.

A Viet Cong radio commentary doggedly reiterated the claim that the Liberation Front controls 10 million of the country's 14 million people, and described the government's voter registration total of more than 5 million as fraudulent and the assembly as meaningless.

In several lengthy commentaries, Hanoi news media condemned the election as a "farce" and pointed to a series of alleged irregularities in the election process to demonstrate that it was "rigged up by the US and the Thieu-Ky clique." Moreover, the DRV media attempted to discount the validity of the election by claiming that the Liberation Front was "the only one genuine representative of the South Vietnamese people."

Both Peking and Moscow propaganda quoted from the Hanoi com-

mentaries on the election and went on to claim that it was a "fraud concocted with figures" and a "farce directed by American bayonets."

Military Operations

Allied military operations seeking out Communist forces made little contact during the past week, with combat activity generally light despite the stepped up Viet Cong antielection terrorism.

There are indications that the 610th North Vietnamese/Viet Cong Division has once again begun offensive tactics in Binh Dinh Province after avoiding contact with allied forces for over two months. Recent enemy attacks against government forces and outposts in the northeastern part of the province have been attributed to this "Yellow Star" Division.

Five battalions of the US 1st Cavalry Division have launched a large search-and-destroy operation in the northeastern part of Binh Dinh. This operation, known as Operation THAYER, is attempting to locate and destroy elements of the 610th, which has an estimated strength of 11,880 men.

In the most significant terrorist incident of the week following the election, a force of

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about 150 Viet Cong attacked a civilian construction company motor pool on the outskirts of Saigon on 14 September. Two Vietnamese civilians were killed, six others were wounded, and one

Australian was captured. As many as 50 trucks may have been destroyed by grenades or satchel charges causing damage which may exceed one million dollars.

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DUTCH-INDONESIAN CLAIMS DISPUTE SETTLED

The Dutch-Indonesian claims settlement of 7 September removes the major obstacle to expanded economic and cultural relations between the two countries.

The Netherlands' claim for its seized property was scaled down during prolonged negotiations from over \$1 billion to \$167 million. The Dutch simultaneously declared their willingness to extend further economic aid to Indonesia.

The settlement reflects the pressure of Dutch business circles on the Cals government to clear the way for business expansion in Indonesia. Nevertheless, Dutch

interests are expected to go slow in investing in businesses requiring any considerable importation of capital equipment into Indonesia until the Djakarta regime becomes more firmly established than at present.

Since the final settlement of the West Irian issue in 1962, and the subsequent transfer of the territory to Indonesian control, relations between the two countries have improved considerably. Diplomatic relations, which had been broken in 1960, were reopened in 1963. Trade has expanded and, in fact, in the first quarter of 1966 a single Dutch firm purchased over half of Indonesia's total exports.

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CHINA'S RED GUARDS SHIFT ATTACK TO LOCAL PARTY FIGURES

The tactics of Communist China's Red Guards have shifted from general denunciations of antisocialist and capitalist tendencies to more specific attacks on veteran officials in municipal, provincial, and regional party committees throughout the country. In many instances, beleaguered local party leaders have fought back by organizing popular resistance.

Disorders are said to have taken place in at least 15 cities in all parts of China. According to press accounts, [redacted]

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[redacted] municipal party officials in the Kwangsi city of Kuei-lin managed to organize a counter-demonstration of 100,000 local people when Red Guards attempted to arrest a vice mayor. Troops were called in to put down the disturbance. [redacted]

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[redacted] Serious clashes, involving several deaths and attacks on important party figures, were also reported in Sian, Lanchou, and Harbin.

There are no indications yet that leading party officials in any of these trouble spots have been disciplined by Peking, but this is probably only a matter of time. In the only public acknowledgment of the new disorders, the People's Daily declared in an editorial on 11 September that "responsible persons in some localities and some units have openly defied" directives from the central committee and Mao Tse-tung. It said that such persons have "incited a number of workers and peasants who have not known the truth to oppose and antagonize the revolutionary students." The editorial then called on workers and peasants to avoid being drawn into fighting against the Red Guards for any pretext. The main job of these Red Guards, it said, repeating recent statements by Lin Piao, is to bring down "those in authority who are taking the capitalist road."

These startling events and pronouncements are further evidence that the new leadership is using the Red Guards in its move against opponents in the regular party apparatus throughout the country. [redacted]

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Europe

USSR MAINTAINS FOREIGN PURCHASING PROGRAMS

Despite the USSR's continuing need to import grain, which may at times force reductions in its programs to buy Western industrial machinery and plants, these programs are no longer held up pending the outcome of the harvest.

The USSR plans to import during the next 12 months one third of the 9 million tons of Canadian wheat it bought in June under a 3-year pact and is seeking supplemental quantities elsewhere.

effective. Grain purchases for the next few years apparently will cost at least \$200-300 million annually.

This need to use scarce hard currency to finance grain purchases detracts from other Soviet buying programs. This year, however, Moscow has continued contracting for Western industrial plants throughout the pre-harvest period. Heretofore there had been a noticeable slackening of purchasing activity in late summer while the harvest is assessed.

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High-ranking Soviet officials have indicated that grain imports will have to be continued until the agricultural reform announced in 1965 has become fully

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MOSCOW RENEWS CALL FOR EUROPEAN PARLEY

A 12 September Izvestia editorial again boosting the idea of an all-European security conference indicates Moscow's continued interest in keeping this proposal open. The previous day's issue had referred to the security issue as the topic of recent talks between Brezhnev and East Germany's Walter Ulbricht.

Through a recent series of diplomatic demarches to various West European countries, the Soviets have sought--with a notable lack of success--to project an image of sincerity and flexibility on the subject of European security. There are no signs, however, that Moscow is preparing any significant departure from the seven-point pronouncement put forth after the Warsaw Pact meeting this summer at Bucharest. The Bucharest declaration--which the 12 September Izvestia editorial cited--called for a phased abolition of the NATO and Warsaw Pact military organizations and for reductions of the two German armies in a troop-reduction package that would include foreign troop withdrawals. The Soviets repeatedly have made clear, however, that the existence of "two German states" with their present boundaries is to be a point of departure, not for discussion, in any talks on new security arrangements for Europe.

The Izvestia editorial went further in clarifying Moscow's view of the US role in European security than any Soviet statement since the idea of a conference was revived at the 23rd Soviet Party Congress in March. The editorial

rejected the idea that the US would be deprived "fully of the rights to take part in the solution of European problems." Izvestia charged, however, that Washington wants to deny Europeans the right to solve their own problems, and reiterated the idea of a round-table conference of "all European states" as the first step to be taken. Previously, Soviet spokesmen have given the impression publicly that the US had no part to play, while acknowledging privately that US views must be considered and that the US must be a party to any settlement of European security problems.

This latest Soviet overture is cast in terms which are bound to elicit a West German rejection. Bonn has long insisted that it will not participate in any European talks at which East Germany is present and Washington is not. The approach by the Soviets thus is in keeping with the line Moscow has pursued in recent months of encouraging the impression that it is willing to engage in fruitful discussions of European security, while portraying Bonn (backed by Washington) as the sole obstacle to getting such discussions under way. Moscow is trying to generate pressure on Washington and Bonn to abandon plans for a West German role in NATO nuclear-sharing arrangements rather than prejudice the prospect of detente with the Soviet Union. It is clear that the issue of West German access to nuclear weapons, rather than European security per se, is the paramount concern to the Russians.

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Middle East - Africa

INCREASING POLITICAL FRAGMENTATION IN SYRIA

The recent wave of arrests and charges of "imperialist-backed" plotting in Damascus reflect the increasing political fragmentation of the radical Baathist military regime.

Leaders of the Syrian General Confederation of Labor Unions have taken advantage of the uncertain situation to inaugurate a series of arrests of "reactionary" officials within nationalized business establishments. A number of these officials have been brutally beaten by union goon squads. Although the government is said to oppose the campaign, it apparently feels too weak at the moment to put a stop to the purges.

The regime claimed last week that it had crushed two reactionary coup attempts within 48 hours. Major Salim Hatum, the commando leader who had triggered the February coup which brought the present junta to power, was accused of plotting in collusion with members of the ousted moderate faction of the Baath Party. He has fled to Jordan with a number of his lieutenants and was granted political asylum.

Several members of the former regime had escaped from prison two weeks ago. They have not yet surfaced, but presumably are in Lebanon. They may try to set up a new international Baathist organization. Such a step would pose serious problems for the Syrian regime in its own efforts to elect a new international leadership of the party and maintain its legitimacy as a Baathist government.

Religious as well as personal and ideological rivalries have played a large part in the recent intraregime conflicts. Hatum, a member of the minority Druze sect, has opposed the ascendancy of members of the rival minority Alawite sect within the military. The Sunni Muslims--who constitute a majority of the Syrian population--resent the present influence within the army of both minority groups.

The curfew imposed last week has been lifted, and Damascus is calm for the moment. Nevertheless, the continuing conflicts will promote further instability, and the situation remains extremely fragile. However, any military faction which comes out on top will maintain an anti-Western posture and Syria's present close ties with the USSR.

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THE NEW EGYPTIAN CABINET

Nasir's dumping of the Muhi al-Din cabinet last weekend and the appointment of Muhammad Sidqi Sulayman, former High Dam minister, to head a cabinet of technicians appears to be a victory for the more doctrinaire "Arab Socialist" elements in the Cairo regime.

The timing of the cabinet change seems significant. Former prime minister Muhi al-Din and former minister of finance and economy Qaisuni had been holding conversations with officials of the International Monetary Fund and with Western financial representatives about additional support for Egypt's sagging economy. Both men had the confidence of the Western financial community, a factor noticeably lacking in their replacements. Nasir seems to be unwilling to pay the internal political price necessary

for him to reach agreement with the IMF and World Bank. He appears to be reverting to an emphasis on more industrialization, greater central direction, and "Arab Socialism."

The Soviets think that Sulayman is an efficient administrator based on their contacts with him as High Dam minister, and Cairo may hope that his appointment will loosen up Moscow's purse strings. Moscow, however, has indicated no particular enthusiasm for the change, possibly an indication that they may be concerned over its economic implications.

Cairo's official line is that the cabinet change signifies no political shift, but a move toward more efficiency in the economic realm.

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FRANCE'S RELATIONS WITH NORTH AFRICA

The current trial in Paris of suspects in the disappearance of exiled Moroccan opposition leader Mehdi Ben Barka may have more serious diplomatic consequences than France's earlier imbroglios with Algeria and Tunisia. Relations with Algiers and Tunis are now coming back to normal, but a complete break with Rabat is a fair possibility.

French-Moroccan relations cooled sharply early in 1966 when Paris publicly took the position that the Ben Barka "killing" was directed by Moroccan Interior Minister Oufkir. At that time, King Hassan supported Oufkir's denials of involvement and refused to cooperate in the preliminary investigation. Quai officials are hopeful that, even if Oufkir is convicted in absentia at the trial, the decision will be ignored by both governments. French circles in Rabat are more pessimistic, however, and fear that the government there will come under nationalistic pressure to react strongly to an attack on a Moroccan minister, break diplomatic relations, and nationalize farm properties owned by French interests.

A variety of short-term problems have been plaguing Paris' relations with Algiers. Negotiations on mutual financial and economic claims broke down in April. Algeria nationalized French mining properties and took

over properties abandoned by French nationals. France then blocked its untied aid to Algeria, and Algeria stopped payments on its current debts to France.

Algeria's unwillingness to discuss outstanding claims item by item may be tempered by the upcoming French National Assembly debate on the budget, which includes proposed aid to Algeria for 1967.

Since Tunisia nationalized French-owned agricultural lands in May 1964 without provision for full compensation, French economic aid has been cut off and technical assistance curtailed. In the spring of 1966, France began to "defrost" its relations by granting tariff-free quotas for certain Tunisian exports, extending a long-term loan, renewing a cultural and technical protocol, and signing a social security agreement.

Tunisia took a major step in July toward meeting the French demand for compensation by agreeing to supply wine to France. The proceeds of the transaction will be credited to French landowners' claims against Tunisia. The compensation problem remains a thorny one because estimates of the extent of compensation due vary considerably. Paris has made clear that a request for aid would be premature.

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CONSTITUTIONAL TALKS BEGIN IN NIGERIA

Twenty-eight representatives of Nigeria's four regions and the federal territory of Lagos met this week in the capital under heavy security guard for talks on the country's political and constitutional future. Two terrorist bombings on the eve of the Lagos conference added to the psychological tension, but most delegates appeared determined to press for some form of loose association which would prevent fragmentation of the country.

In his opening speech Supreme Commander Gowon suggested that the conference rule out either the complete breakup of the country or the creation of a unitary state. He offered four options: a federal system with a strong central government; a federation with reduced powers at the center; a confederation; and some "new" form of association peculiar to Nigeria. Gowon asked the delegates to make broad recommendations consistent with the degree of agreement reached in their regions.

The East favors a loose federation with some common services and a regionalized police and army; the West a strong federation of eight states, formed along ethnic and linguistic lines; and the North and Mid-West a federation. Since the North and East appear to have the decisive influence, the conference will probably recommend some form of loose federation comprising four virtually autonomous regions. Never-

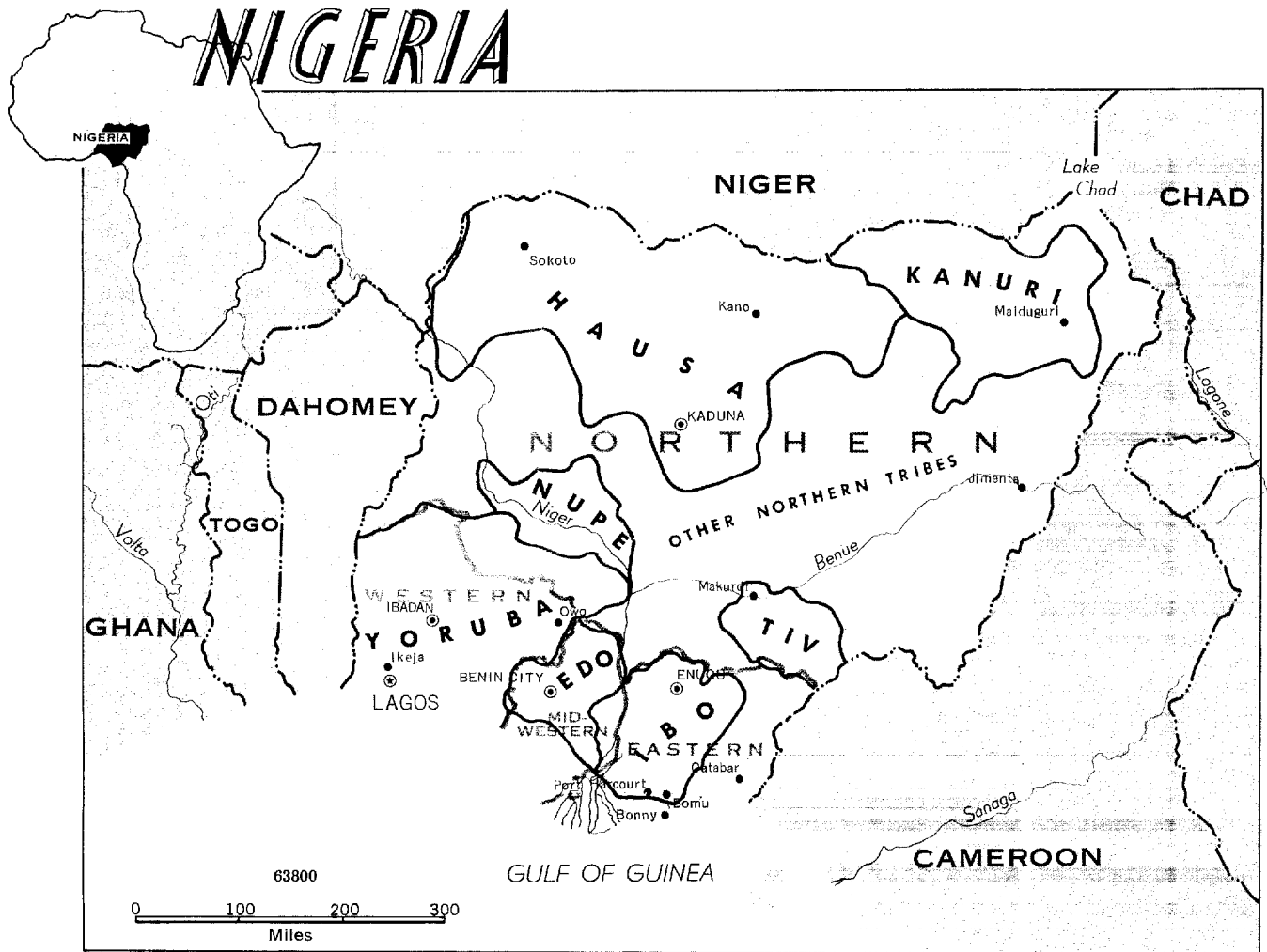
theless, resolution of such issues as the structure and control of the army will be difficult, as will the matter of guarantees for the security of the Eastern region's Ibo people, who have been the principal victims of Northern aggression. Redistribution of oil revenues is also likely to become a touchy question, with the East insisting on a larger share.

Both the North and East have problems with minority groups within their boundaries which are pressing for greater autonomy or the creation of smaller states within the region. Eastern military governor Ojukwu and his advisers believe they have controlled minority separatist sentiment by agreeing to divide the East into 12 provincial units, each with its own executive and administrative authority. The region's central government will have a bicameral legislature based on equality of representation from each unit. In the North, military governor Katsina has announced plans for a devolution of power to minority groups at the provincial level.

Tension has eased somewhat in the Northern capital of Kaduna where unruly Northerner army elements have joined with civilians in harassing and attacking Ibos. No new incidents have been reported there since last week. Ibos continued their exodus from Lagos and Kaduna, and any new flare-up in Northern depredations

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against them or additional terrorism in Lagos could seriously jeopardize the constitutional talks.

Northern military governor Katsina's degree of control over rank-and-file army elements in Kaduna is uncertain, and Easterners continue to fear an invasion

of their region by Northern troops. In Lagos itself the army is said to be extremely unpopular, and it will have to do considerable image rebuilding if it is to play the role of "referee" in Nigerian politics which Gowon envisions for it once civilian government is restored.

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SOUTH AFRICA'S NEW PRIME MINISTER

South Africa's new prime minister, John Vorster, was justice minister in the late Hendrik Verwoerd's cabinet, and he is a neophyte in the international field. His handling of several foreign policy issues in the near future will indicate whether he intends to pursue South Africa's objectives with the subtlety which was emerging in the last month of Verwoerd's tenure, or whether he will operate more dogmatically, as many observers believe.

South Africa will come under attack in the United Nations later this month over its relationship with South-West Africa (its League of Nations mandate) and over the aid it has given Rhodesia in circumventing UN-backed economic sanctions. Moreover, Vorster's attitude toward the three former British High Commission Territories will be closely watched as two of them--Bechuanaland and Basutoland--gain their independence under African governments within the next month.

None of these issues requires any major initiative by South Africa, and no significant change

of position is expected. However, Vorster has tactical choices in handling each one. On South-West Africa, he can hide behind the legalism of the recent International Court of Justice's decision not to consider the case, or he can flatly defy UN involvement there and further inflame the African members. Vorster can continue Verwoerd's attitude of innocent normalcy about South Africa's continued trade with Rhodesia, or he can more outspokenly support the Smith regime and further embarrass the West. The relatively conservative black governments in the High Commission Territories can be discreetly supported and their economic dependence on South Africa quietly maintained, or Vorster can more blatantly exert Pretoria's influence there.

Should Vorster decide to take a more rigid stance on foreign policy issues than his predecessor, he would only compound his problems in the international arena. His lack of experience in international affairs--an area almost completely monopolized by Verwoerd--also is a handicap.

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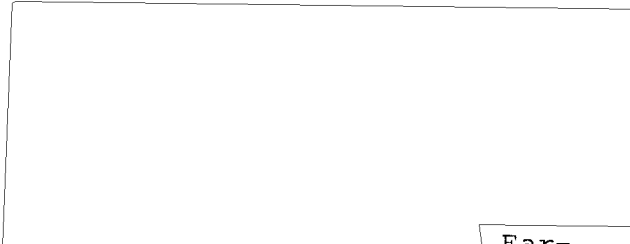
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Western Hemisphere

PANAMANIAN PRESIDENT HOPEFUL ON TREATY TALKS

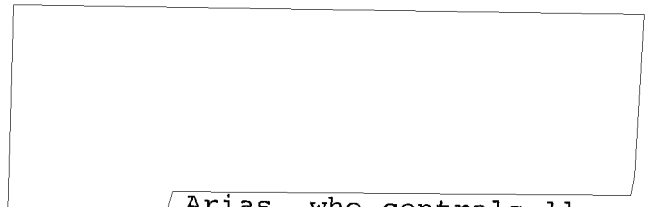
Panamanian President Robles is optimistic over the current round of canal negotiations with the US, even though not all the difficulties in the negotiations have yet been overcome. He is determined to complete a canal settlement before the issue is caught up in the campaign for Panama's 1968 presidential elections.



Earlier this year, he said he would not try to win public support for the treaties if he were dissatisfied with the final draft or thought that the majority of Panamanians would oppose it.

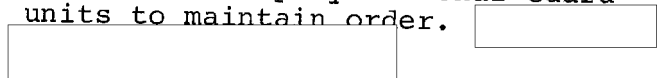
In a recent meeting with progovernment deputies to discuss strategy for the 1 October opening of the regular session of the National Assembly, the President announced that 29 deputies were now aligned with the administration. This margin does not guarantee Robles the

votes to win ratification, however, because he cannot always count on the support of all deputies in his coalition. Moreover, the assembly is notoriously subject to public and political pressures and much will depend on the prevailing atmosphere when the settlement is submitted.



Arias, who controls 11 of the 42 members in the legislature, has repeatedly announced his intention to obstruct any canal accord reached by the Robles regime. In addition, two leftist deputies opposed to the government can be expected to support the Panamenista bloc.

Robles dismisses the probability of demonstrations instigated by the Panamenistas or Communists during the treaty debates. He has said that he would not hesitate to employ National Guard units to maintain order.



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GUATEMALAN PRESIDENT DECLARES WAR ON EXTREMISTS

President Julio Cesar Mendez last week declared war on Guatemalan extremists of both the left and right, describing forcefully in a public address his loss of patience with the prevailing conspiratorial political climate.

The speech was a reaction to opposition attempts to discredit his administration with rumors that he is sympathetic to Communist terrorist forces. Calling his message a last hopeful summons to peace and concord, Mendez announced the reinforcement of all security forces and his readiness as commander in chief to order them into action against perpetrators of any new wave of disorder.

The speech was well received by press and public. It eased the climate of insecurity and may temporarily halt the rightist campaign to propagandize the government's "infestation by Communists." There is no reason to expect that the address will affect Communist insurgent activity.

In answer to the presidential warning, the Rebel Armed Forces (FAR)--the Communist action arm--issued a bulletin accusing the government of allying itself with the military and the rightist in continued exploitation of the lower classes. The bulletin reiterated the FAR's aim to seize power through long revolutionary struggle, and its intention to continue assassinat-

ing rightists responsible for the "crimes" of the Peralta regime. The FAR claimed that during the past two months it had refrained from attacking government security forces, and that it would not attack them unless provoked.

Communist insurgency has in fact focused almost exclusively of late on its campaign of "execution" and kidnappings. Illustrating the difficulties in combating the Communists, Mendez told the US ambassador that government forces had made no contacts in a recent sweep of the area of guerrilla activity. The President recognizes that elimination of the guerrillas is a long-range problem and is attempting to correct the weaknesses of the security forces and to improve their intelligence capabilities. He expressed awareness of discontent within the military, but claimed it existed mainly among younger officers and was not of crisis proportions.

Although Mendez has improved his position for the moment, some elements in the military are believed to be disappointed that he has not issued "marching orders" for action against the Communists but only stated his intention to do so if terrorism continues. Should Mendez fail to act if the need arises, with the same force with which he spoke, discontent with the government could rapidly rise.

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PROTESTS AGAINST GOVERNMENT INTERVENTION IN ARGENTINA'S UNIVERSITIES CONTINUE

The government of President Ongania continues to face stubborn resistance in its efforts to reform and check Communist influence in Argentina's universities.

The student agitation that has persisted since the regime assumed direct control of the country's eight national universities in late July intensified during the past week. Demonstrations became especially strong in Cordoba, where clashes with police resulted in the death of a student leader on 12 September. A 24-day hunger strike contributed to the uneasiness in Cordoba and classes at the university were finally suspended indefinitely.

In Buenos Aires violence broke out during a "march of silence" organized by university groups mourning the student's death. Minor disorders occurred in most of the other university cities, although a nationwide strike called earlier by the recently outlawed Communist-dominated Argentine University Federation failed.

For the first time important labor groups began expressing open support for the students. A brief work stoppage was called

by the Cordoba branch of the powerful General Labor Confederation (CGT) in sympathy with the demonstrations there and CGT representatives said they would continue to support the students.

After a drop-off in the number of resignations among university professors, 64 faculty members resigned from the Buenos Aires medical school last week in protest against government policies.

Despite the resistance to the intervention the government is determined to continue with its reform measures and with its pledge to eliminate subversive influences from the universities. A newly formed advisory council is to draft a higher education law which will give administrative control to the professors. Students will no longer have a strong voice in university government as they did under the traditional principle of autonomy. In view of the unwillingness on both sides to compromise, the dispute over federal interference in the universities is likely to pose a troublesome problem for the Ongania regime for some time.

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CONTINUED MALAISE IN ECUADOR

Preparations for Ecuador's 16 October constituent assembly election are moving ahead at a slow pace. The general public remains apathetic, and little is being done to generate interest. Some Ecuadorean politicians believe that the election will have to be postponed a month or two because of the lack of preparation.

The parties have until 1 October to present their lists of candidates to the provincial electoral tribunals. Most are experiencing difficulty in drawing up their lists, particularly where coalitions are concerned. Elections for the twelve functional deputies to the assembly are to be held between 23 September and 10 October. Most of the various groups which these deputies will represent have begun to nominate their candidates.

In addition to electoral problems, interim president Yerovi has been having difficulties with labor and, as usual, government finances. The month-long strike of Guayaquil schoolteachers ended on 11 September, as did student demonstrations and

sympathy strikes. The teachers received part payment of overdue allowances with the assurance that all arrears would be paid by November. The strike, essentially for back wages, points up just one instance of the difficulty the government is having in finding funds to pay its employees. The chiefs of the armed services complained last month that many military units had no money for food and that most vehicles were inoperative for lack of spare parts and tires. Military allowances are said to be in arrears by several months.

Yerovi was quite discouraged earlier this month over the unfavorable political and economic situation, and characteristically threatened to resign. Labor unrest, the resignation of the finance minister, and pessimism about the election put the government's stability in question

The next several weeks will probably be uneasy ones in Ecuador.

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