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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

State Department review completed

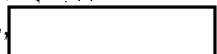
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## FAR EAST

Both Saigon and Hanoi issued major pronouncements setting forth their positions on negotiations and a political settlement of the war. At the Guam meeting with President Johnson, Premier Ky took a militant line against any negotiations with the Viet Cong and against a coalition government.

Hanoi reacted to the Guam conference by publishing an exchange of letters in February between President Johnson and Ho Chi Minh in which Ho rejected the President's proposal for steps leading to private talks and reiterated Hanoi's insistence on an unconditional cessation of US bombing and "other acts of war" against North Vietnam.

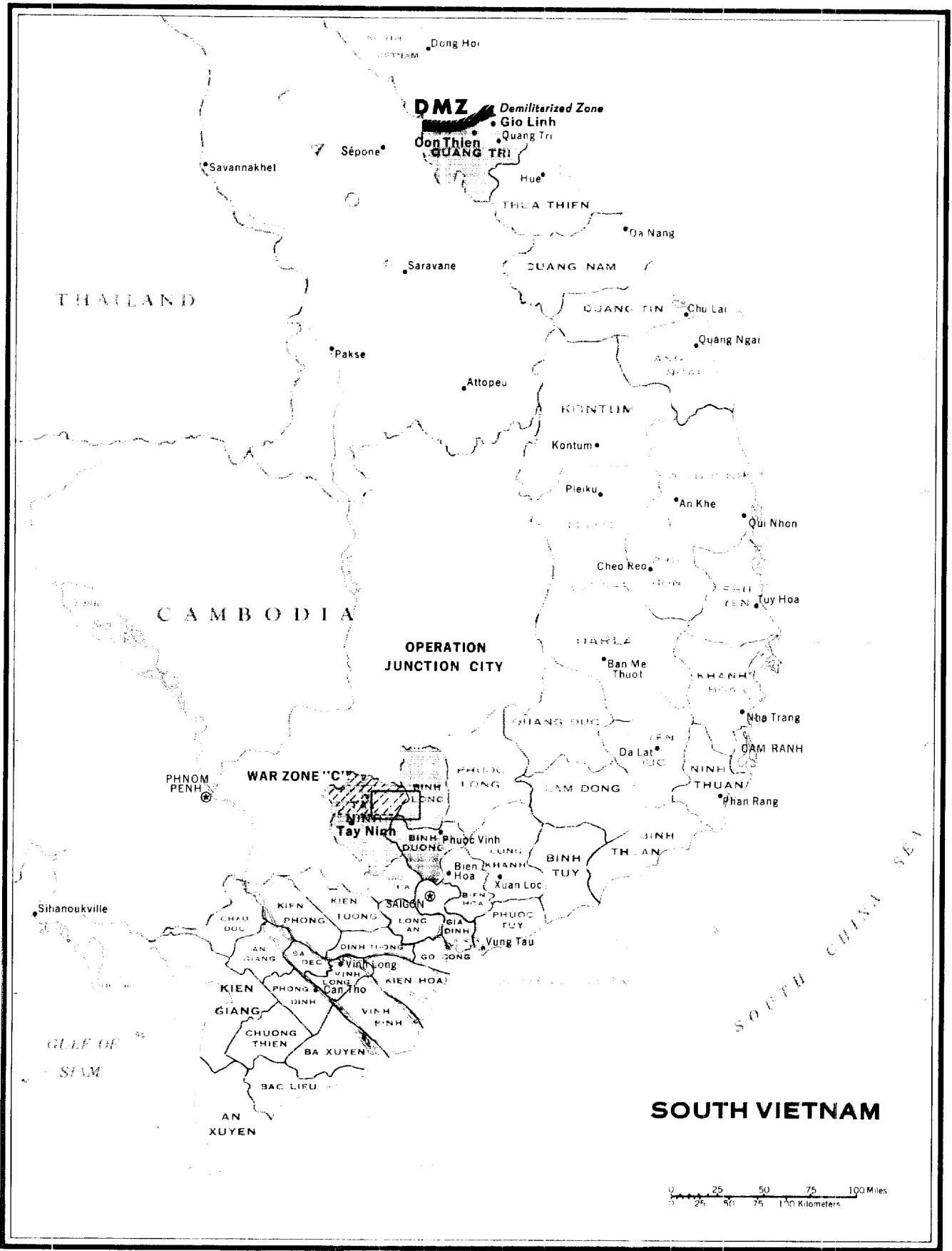
On the eve of the Guam meeting, Premier Ky and Chief of State Thieu secured the ruling Directorate's acceptance of the Constituent Assembly's draft constitution--reportedly over the objections of several prominent leaders who voiced concern over the "excessive" powers accorded the legislature.

In Communist China, efforts to restore order and competing drives for power point to new tension and discord. A high-level meeting of party members may have been called to work out key policy questions connected with the organization of the country's administrative machinery. In the current atmosphere of dissension, any such meeting would be a stormy one. Although Premier Chou En-lai still speaks for the regime and espouses a relatively moderate line, daily parades organized by the Red Guards in the capital denounce some of his close associates. The army has increasingly become Peking's main agent for transmitting its policies to the provinces.

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VIETNAM

The Communists continued to put heavy military pressure on allied positions near the Demilitarized Zone (DMZ) this week, and additional indications appeared that enemy forces in the area have been substantially augmented.

Mortar and artillery attacks were again conducted against US heavy artillery positions at Gio Linh and the South Vietnamese army encampment at Con Thien, while a US supply convoy south of Gio Linh was ambushed by enemy infantry. Elements of at least four North Vietnamese Army (NVA) regiments have recently been identified south of the DMZ. Reports of defectors indicate that the Communists are in a position to attack in multibattalion strength.

The current activity reflects an effort to neutralize the American heavy artillery which began firing into the DMZ and southern North Vietnam late in February. The Communists may also hope to deter US reaction to the reported infiltration of North Vietnamese units from the DMZ and Laos into the mountainous western regions of Quang Tri Province.

Fighting also flared up heavily closer to Saigon on 20 and 21 March when two regimental-

size attacks were directed against US forces from Operation JUNCTION CITY which has been combing Communist War Zone "C" in Tay Ninh Province. In these assaults, the Communists apparently abandoned their usually cautious tactics, reportedly sending waves of infantry across relatively open ground against US units equipped with heavy fire power; they may have been seeking a spectacular victory to coincide with the Guam talks between US and South Vietnamese leaders. More than 850 enemy soldiers were killed--raising the total killed during JUNCTION CITY to nearly 1,800, the highest of any single operation of the war.

The Communist attacks could also have been provoked by the approach of allied forces to sensitive enemy headquarters or storage depots. The area of operations for JUNCTION CITY, recently shifted eastward, now extends into Binh Long and Binh Duong provinces where elements of the 272nd and 273rd Viet Cong Regiments and some other units subordinate to the Communists' Central Office for South Vietnam evidently relocated while the allied forces were concentrated north of Tay Ninh city.

Constitution Completed in Saigon

In Saigon, the Constituent Assembly's completion of the

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constitution and the ruling Military Directorate's speedy acceptance of the document without changes late last week were largely the result of the military leaders' desire to exhibit major accomplishments at the Guam Conference.

Although the full constitution is in many important instances a compromise between the Directorate and the assembly, the Directorate granted most of the final concessions. On 14 March, the Directorate had proposed a number of changes concerning the election of province chiefs the right of the legislature to vote no-confidence in the government, and transitional arrangements between promulgation of the constitution and the holding of national elections.

In a meeting with a large number of assemblymen on 16 March, however, Premier Ky agreed to compromise on transitional provisions and to ignore Directorate suggestions on other issues. The assembly then voted its final approval of the document on 18 March. In a stormy meeting the next day, the Directorate accepted the constitution without changes, but not without expressing dissatisfaction with some provisions. However, the objections of both military and civilian members apparently were finally overcome by the

pressure of the Guam Conference which began on the 20th.

Before the constitution is promulgated, it must be approved by the Armed Forces Congress, but indications are that its deliberations on this matter will be strictly pro forma.

As the constitution now stands, the Constituent Assembly will remain in existence until a lower legislative house is elected and assumes office. Until the future president takes office, it will ratify treaties and exercise legislative powers regarding electoral laws, the formation of the supreme court, and the status of political parties. The Directorate will retain all other powers. Once the president is inaugurated, however, the Directorate will be dissolved and the assembly will assume full legislative powers until the elected lower house of the legislature is convened. Elections for president, vice president, and the senate are scheduled for early September, and for the lower house on 1 October.

It remains to be seen whether Premier Ky's tactic of gaining acceptance for the constitution by maneuvering independently of the Directorate will work for or against him in the long run. The outcome will prove to be especially

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significant in terms of Premier Ky's presidential aspirations. There are indications that the military establishment might favor Chief of State Thieu over Ky if both men pursue their candidacies and agree to ask the military to decide between them. On the other hand, it is possible that Premier Ky might announce his candidacy through a civilian political front before a military nominating session is convened, thus presenting the military leadership with another fait accompli. Political developments in the near future will continue to focus on the problems of selecting a military candidate and in maintaining military unity.

#### Hanoi on Negotiations

Hanoi capped a week-long propaganda assault on the Guam Conference by disclosing a secret exchange of letters on negotiations between President Johnson and Ho Chi Minh. Although the actual exchange occurred during the first two weeks of February, Hanoi held the release until 21 March, apparently in an effort to divert some publicity away

from the Guam meetings, and perhaps to dispel apprehensions in either Peking or among rank-and-file South Vietnamese Communists about the nature of these rumored exchanges.

Ho's response to the US President's appeal for talks was tough and unyielding, while reiterating Hanoi's recent offer to consider talks in exchange for a cessation of the bombings. Like his foreign minister on 28 January, Ho clearly distinguished between the conditions necessary for talks--an unconditional cessation of the bombings--and the more demanding four point proposal for a final settlement of the war. As if to underscore Ho's assertion of willingness to talk only on his own terms, the North Vietnamese continued military preparations which suggest they are thinking in terms of a long war. In recent weeks these indicators have included across the board improvements in their air defenses, unusually large supply movements through Laos, and the construction of new base camp areas on the perimeters of South Vietnam along the Laotian and Cambodian borders.

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## SERIOUS DISCORD CONTINUES IN PEKING

Efforts to re-establish order and conflicting drives for continuing the Cultural Revolution have produced new tension and discord in Peking. A high-level meeting of party members evidently has been called in Peking, probably to work out key policy questions connected with the reorganization of administrative machinery both in Peking and in the provinces. Indications of renewed top-level dissension in recent weeks suggest that the gathering is a stormy one.

A wall poster put up on 16 March quoted Nieh Yuan-tzu, a radical female Red Guard leader who is an important member of the Maoist faction, as saying that this is the most important stage of the revolution since the rebel drive for power began in January. In a recent speech, another ultramilitant Red Guard leader described the current situation as the "lull before the decisive battle," and major Red Guard newspapers in Peking are claiming that a "reactionary adverse current" runs from the top to the bottom of the regime.

Nieh Yuan-tzu was also quoted as claiming that the central committee was meeting in an atmosphere of "struggle" over who is to hold positions of power. On 18 March, Czech correspondents in Peking saw hand-

bills announcing the central committee meeting, but giving no further details concerning the issues in dispute. At least one alternate member of the committee is known to be in the city.

The last full meeting of the central committee was held in August 1966. During October 1966, another period of confusion over what direction the Cultural Revolution should take, the central committee convened an unpublicized "work conference." The current meeting may be similar in character.

Other signs of disagreement have appeared in relation to the Red Guards. During February the Guards were often criticized for their immaturity and lack of discipline, but a recent editorial in the Shanghai Wen Hui Pao gave them high marks. This paper, which was in the vanguard of the Cultural Revolution last year, said that anyone who criticizes Red Guards for their "relatively few errors" is a "counterrevolutionary," and it denied that they had at any time "gone too far." This could reflect behind the scenes criticism of Premier Chou En-lai, who has often taken the Red Guards to task for their excesses.

Government officials associated with Chou En-lai have been the main targets of Red

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Guard wrath in the past two weeks. Well-organized rallies of Red Guards, often attended by large numbers of army troops, have been held almost daily in Peking since 11 March to denounce Tan Chen-lin, the politburo's agricultural specialist. Sporadic attacks have been made against four other politburo members, including Finance Minister Li Hsien-nien and Li Fu-chun, the head of the State Planning Commission. Most of these officials were defended by Chou last November and again in January.

Although criticism of men who work for Chou may be designed to weaken his authority, he himself continues to speak for the regime. Chou addressed a Congress of Peasants in Peking on 19 March on behalf of Mao Tse-tung and Lin Piao, neither of whom normally attends a rally of this sort. Chou's speech was characteristically moderate. He stressed the need to concentrate on farm-work and reaffirmed recent central committee statements that there are to be no "power seizures" in the countryside during the busy farm season.

In its concern to bring order out of the confusion and inaction of the recent past, Peking is apparently turning more

openly to the army as the principal agent for administering the country. At both national and provincial levels, the military is replacing shattered party and government apparatus as the channel by which Peking transmits policy. The army now appears to be in charge of Kwangtung and Hupeh provinces and there are strong indications that the military has at least the dominant voice in most other provinces.

Peking had directed the army to become involved in a wide range of functions essential to the economy. It controls the civil airline and in some areas the railroads, as well as the post and telecommunications facilities. The army also is responsible for a large segment of China's merchant shipping.

In February, the central committee directed the army to assume leadership in organizing the essential spring planting and, on 18 March, to support industrial production. It is clear, however, that Peking does not envision the army as a vast labor pool, but rather as a disciplined and largely intact administrative instrument which can convey orders and see that they are carried out.

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## NEW JAPANESE DEFENSE PLAN

The five-year defense program recently adopted by the Japanese cabinet provides for only modest progress toward a significant defense capability. Although Prime Minister Sato and his colleagues have succeeded in stimulating public discussion of Japan's defense responsibilities, strong pacifist sentiments still limit their initiatives in expanding military forces.

This third five-year plan, which begins on 1 April, provides for only a slight increase in the defense share of national income--from 1.22 percent during the past five years to an estimated 1.27 percent in the coming period. In the cabinet discussions the Finance Ministry succeeded in trimming the Defense Agency's projections from a desired two percent of Japan's gross national product at the end of the period. The approved \$6.5-billion program for the full five-year period, although roughly double the cost of the current five-year program, is almost \$1 billion below the amount requested. In response to pressure from Japanese industry, however, most procurement items have been assigned for more costly domestic production.

Despite the cut, defense circles are reported to be pleased that some major items of modern equipment are provided for. These include missiles for

four Hawk battalions and two Nike-Hercules battalions, jet fighters, transports, and training aircraft. The plan also envisages a modest increase in manpower, although the authorization probably will continue to run well ahead of actual strength.

The plan will be debated extensively next month when the Diet considers the budget. The opposition is expected to concentrate its attacks on the nuclear capability of Nike-Hercules missiles. Defense spokesmen are already countering with the assertion that these missiles will be built so as to preclude the use of nuclear warheads. With the government in firm control of the Diet following last January's elections, little further change in the defense budget is likely.

The Sato government is hoping to use the debate as part of its long-term campaign to educate the Japanese public on the need for greater defense effort, as well as for continuation of the US-Japan Mutual Security Treaty, which is subject to revision or termination in 1970. In recent months a government information program has elicited postwar Japan's first responsible, serious debate on military problems, including defense against a nuclear-armed China.

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## EUROPE

Soviet Party General Secretary Brezhnev's meeting this week in Moscow with East German party boss Ulbricht ended a series of talks Brezhnev has been having with Russia's East European allies. Bulgaria and Hungary were persuaded at least to delay recognizing West Germany. Bulgaria also agreed to an early renewal of its defense treaties with the USSR and Poland, but Hungary apparently was unwilling to make this gesture now. No greater cooperation was won from Rumania, and the need to resort to bilateral dealings exposed the Warsaw Pact's weakness as a mechanism for coordinating political policies.

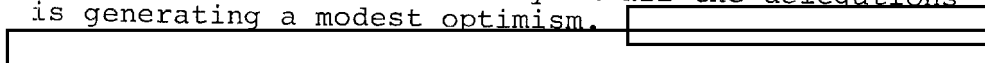
The disarmament talks in Geneva were recessed for six weeks in a concession to the Western Europeans who want more time to consider the implications of the projected nonproliferation treaty.



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Top-level delegations will meet in Geneva next week in a final push to conclude the Kennedy Round negotiations by the agreed target of 30 April. The "all or nothing" nature of the final bargaining carries the possibility of last-minute failure, but the current feverish activity in all the delegations is generating a modest optimism.

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## SOVIET DIPLOMACY ON EUROPEAN SECURITY

The Soviets are keeping their proposal for a European security conference alive. The idea turned up again in the 21 March communiqué ending the visit of Austria's Chancellor Klaus to the USSR. Moreover, the meeting of European Communist parties, scheduled for Czechoslovakia next month, is being organized around the theme of European security, which in the present context means the German problem and the future of NATO and the Warsaw Pact.

The Soviets hardly expect serious multilateral negotiations on these subjects to come about soon, but are using the idea as an instrument for disrupting Western unity. Moscow hopes to reap political gains by implying its readiness to consider new security arrangements for all Europe, a tactic that complements continuing efforts to develop its bilateral relations with major Western European countries.

The idea of a security conference of all European states is more a diplomatic gambit than a realistic goal. Moscow has

kept the notion current for the past year. By doing so, it helps foster a mood of expectation and exploits a general desire for detente in Europe. Soviet spokesmen, however, have avoided such concrete proposals as the substance or timing of a conference, lest they be taken too seriously too soon.

The gathering of Communist leaders which will begin in late April in the Czech resort town of Karlovy Vary is intended to suggest that the Communist parties of Europe are focusing seriously on the security problem. A second purpose is to foster unity of outlook among European Communists.

A regional conference of Communists is also of value to Moscow in its dispute with Peking. Even though the Chinese question need not be raised formally, the meeting of and by itself would serve to point up Moscow's rapport with other Communist parties in contrast with China's isolation.

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## GENEVA DISARMAMENT TALKS RECESSED

After a month of indecisive discussion, the Eighteen Nation Disarmament Committee (ENDC) has recessed for six weeks to allow further attempts to resolve problems the European Allies still have with the draft nonproliferation treaty. In recent visits to European capitals, Ambassador Foster--the US delegate to the ENDC--had some success in convincing the Europeans that interpretations or adjustments of the treaty's text can be made so that it will not restrict their peaceful nuclear activities. Nevertheless, the remaining political and technical reservations are serious and, in the US view, nothing would be gained by resuming the ENDC talks until they are resolved.

The most serious problems center on the proposed treaty provision for international safeguards to prevent surreptitious diversion of nuclear materials to weapons uses. EURATOM's officials continue to maintain that the community's supranational safeguards system would be undermined if controls by the International Atomic Energy Agency (IAEA) were to be superimposed. EURATOM Commissioner Sassen has indicated that EURATOM could possibly accept IAEA "verification" of community safeguards--as the US is now prepared to suggest--but it is questionable whether either the IAEA or the Soviet Union will accept this. Moreover, unless there is a prior agreement between the IAEA and EURATOM on what "verification" would mean in practice, it is doubtful EURATOM would agree in advance to the proposed three-year transition period for phasing

EURATOM safeguards into the IAEA system.

The interruption of the ENDC negotiations may well increase suspicions among the non-European members that a final draft is being worked out behind their backs. They have their own problems in renouncing the development of nuclear weapons, and resent not having been consulted in the formative stages of the treaty talks. India in particular is unlikely to sign the treaty as it stands unless it gets some security guarantee against threats of nuclear attack and unless more than a promise of nuclear disarmament is given by the nuclear powers. Moreover, if the safeguards provision is dropped in response to pressures from the Europeans, the others may well make a determined effort to have one restored.

The delay in the ENDC proceedings will also provide the USSR further material for its charges that West Germany is the main obstacle in the Western camp to early conclusion of the treaty. There are indications, however, that Moscow does not welcome the delay and may in fact fear that the negotiations will break up. At least a hint that Moscow might be willing to make concessions is contained in a Soviet delegate's statement to a US mission officer that both the US and the USSR should consider fallback formula- 25X1  
tions for those elements of the draft which trouble the non-Europeans.

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## OUTLOOK FOR SOVIET WINTER WHEAT CROP

Conditions are favorable for another good winter wheat crop in the USSR. This would be the third good crop in a row.

The total area sown to winter grains is somewhat less than the 41 million hectares planned, partly because of dry weather in some areas at sowing time. About 20 million hectares--approximately that officially reported for 1965 and 1966--probably were sown to winter wheat. Lack of germination and winter kill will require some resowing but the condition of the wheat now is about the same as in 1965 and 1966, years when good crops were harvested.

The slight reduction in the sown area should be offset to

some degree by the larger portion of the winter wheat area that was sown with high-yielding varieties. Moreover, the Soviets plan to apply nitrogen fertilizers to 30 million hectares of winter grains this spring compared with 18 million last year.

Precipitation in the principal winter wheat areas since seeding time approximated--and in many cases surpassed--the levels of the past two years, and soil moisture at the end of February was estimated to be generally above average for this time of year. Snow cover, which is extremely important for winter grains, was 50-100 percent above normal in some areas.

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## MIDDLE EAST - AFRICA

The Indian cabinet has fairly handily beaten off initial opposition assaults in the new parliament, but fresh troubles are in the making. Leftists in the West Bengal state government are using their position to wrest control of key labor unions in the teeming Calcutta area. Across the border in East Pakistan, rioting over contaminated food supplies is shaking the local government and may lead to an anti-US campaign.

In the Middle East, Nasir is calling ever more sharply for other states to join him in opposing what he calls US "pressure." Intra-Arab quarrels again have brought turbulence in Lebanon, where pro- and anti-Nasir elements are pressing the moderate government to take a clearer stand in their favor. Tension along the Jordan-Israel border has risen again; UN observers there have been alerted for possible incidents. Israel also has internal economic problems which could raise its frustration level. (For details on these problems, see page 22).

In South Arabia, another British mission has made fresh proposals offering an earlier independence date for the South Arabian Federation and a promise to leave some military forces at hand for use against pro-Nasirists during the immediate postindependence period.

In Africa, there were postreferendum riots in French Somaliland and postelection tensions in Sierra Leone. Pre-election politics are also heating up in Senegal, where President Senghor was the object of an assassination attempt this week. One long-standing dispute, the rivalry between Rwanda and Burundi, edged a bit toward resolution last weekend when Presidents Micombero of Burundi and Kayibanda of Rwanda met in the eastern Congo (Kinshasa) under Mobutu's aegis. Farther south, the South African Government is taking new image-building initiatives, while a special UN committee in New York wrestles with the problem of South-West Africa.

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## NIGERIAN CRISIS MOVES INTO A NEW PHASE

Supreme Commander Gowon has finally taken a decisive step in an attempt to break the deadlock with Eastern governor Ojukwu over Nigeria's form of government.

On 17 March the federal government issued a "Constitution (Suspension and Modification) Decree," which amounts to a new constitution for Nigeria. The decree establishes the ruling Supreme Military Council (SMC) in which all regions are represented as a collegial legislative and executive body. The unanimous consent of council members is required for action in such important areas as the armed forces, the police, trade, commerce, industry, and transport. The decree thus takes into account in large measure Ojukwu's advocacy of greater regional autonomy.

To declare a state of emergency in any region, however, the consent of only three of the four regional governors, plus the head of the federal government, is required. Ojukwu believes this provision is aimed directly at him, and before the decree was even promulgated he declared it was unacceptable. Western governor Adebayo, on the other hand, told the US consul in Ibadan it would be impossible to get three

governors to agree, and he restated his opposition to the use of force to solve Nigeria's internal squabbles.

Adebayo does not believe the East can be successfully invaded, a view apparently shared by Northern governor Katsina, who reportedly was willing to "let Ojukwu stew in his own juice for a while." The SMC meeting--minus Ojukwu--held in Lagos on 19 March discussed possible economic actions against the Eastern Region and is to take up specific steps at another meeting scheduled for 29 March.

It is unlikely that Gowon will initiate measures that would result in Eastern secession, nor would Ojukwu secede without extreme provocation. The Eastern governor probably will, however, go ahead with plans to take control by 1 April of at least some Eastern revenues currently paid to the federal government. Thus, a series of economic moves and countermoves seem to be in the offing. There also still exists a threat of unilateral military action against Ojukwu by fire-breathing Northern officers who are unhappy over the federal government's failure so far to take significant action against the East.

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## FRENCH SOMALILAND OPTS FOR CONTINUED FRENCH TIES

Slightly over 60 percent of French Somaliland's registered voters chose to continue living under French rule in the referendum on 19 March, but the territory's rival Afar and Somali communities have become so deeply split that there seems to be little prospect of political stability in the near future.

The final vote was strictly along communal lines. The rural Afar majority voted solidly for association with France, while the Somali minority who are concentrated in the main city of Djibouti voted for independence. The rioting that broke out among the Somalis after the result was announced never spread beyond the Somali areas of Djibouti and was put down by French security forces. Somali instigated disturbances could recur, however, and the French will probably have to maintain strict security measures for some time.

Somali opposition to the French is unlikely to diminish and almost certainly will be the principal block to French efforts to get the Afars and Somalis together in a new territorial government.

Before the referendum Paris informed local political leaders that in the event of a favorable vote French Somaliland would be granted a new status with increased local autonomy. Paris

would retain control of the territory's finances, foreign affairs and defense, but a native head of government would replace the present French governor, and a government council responsible to an elected Chamber of Deputies would be established. Somali political leaders, however, have informed the French governor that they intend to protest the referendum's results and have decided to boycott any government that is formed. Moussa Idris, head of the Somali proindependence Popular Movement Party, reportedly will appeal to the Organization for African Unity and request that a commission of inquiry be sent to French Somaliland.

The pro-French vote has averted the possibility of a military confrontation between Ethiopia and the Somali Republic, but tension between the two countries will still remain high. While Addis Ababa has expressed satisfaction with the results of the referendum, Mogadiscio, as expected, has charged the French with rigging the vote and refuses to recognize the result. Both governments continue to maintain troops along their borders with French Somaliland.

The Somali Government will undoubtedly continue to provide assistance to the Popular Movement Party as it did in the months before the referendum. Prime Minister Abdirazak so far,

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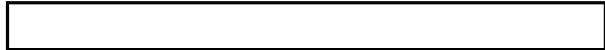
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however, has reacted cautiously



He apparently believes the referendum is only a temp-

orary setback and that a moderate course will still enable him to achieve his government's long-range goal of uniting the Somalis of French Somaliland with the Somali Republic.



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### POSTELECTION CRISIS IN SIERRA LEONE

Sierra Leone's political stability is in serious jeopardy in the wake of last week's closely contested election and army commander Lansana's subsequent extraconstitutional intervention in behalf of incumbent Prime Minister Margai.

Capitalizing on widespread dissatisfaction with the previous government, the opposition All People's Congress (APC) won more seats than did Margai's Sierra Leone People's Party (SLPP) in the 17 March balloting. Neither side came away with a clear majority of the 66 ordinary parliamentary seats, however.

Lansana's 21 March declaration of martial law and virtual annulment of the governor general's appointment of APC leader Saika Stevens as the new prime minister was almost certainly inspired by Margai, to whom Lansana



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has long been close. Lansana contended that the governor general had acted prematurely inasmuch as the election returns were still incomplete.

The army-imposed stalemate--involving the confinement to the State House of both Stevens and the governor general and the imposition of a curfew--has given Margai time to bargain with independents and marshal other support. After the election on 21 March of 12 paramount chiefs as additional full members of parliament, 10 of them promptly made unprecedented declarations of allegiance to the SLPP. Although by custom the chiefs have been formally apolitical, most of them have in fact long been closely allied with Margai's party.

With a claimed 32 ordinary seats--including four won by independents who allegedly declared for the SLPP after their election--Margai appears to have a majority of the 78 seats in the new parliament within his grasp. The elections of six of the ordinary members are, however, being formally challenged by the APC, and some other successful SLPP candidates would like to dump

Margai as party leader. A number of political combinations are thus still possible, including a broad coalition led by someone else from Margai's party--possibly incumbent Minister of Education Sheriff. An eventual complete take-over by the army, perhaps with Margai serving as "political adviser" to Lansana, also cannot be excluded.

The current crisis is rooted in and has in turn sharpened traditional tribal and regional antagonisms. These pit the large Mende tribe, which predominates in the Southern and Eastern provinces and is the mainstay of the SLPP, against the important Temne and Limba tribes of the North from which the APC draws its basic support. As an opposition party, the APC has also profited from the support of Freetown's Creoles, the politically dispossessed descendants of freed slaves who constitute the bulk of the civil servants. The same ethnic split undermines the cohesiveness of the 1,300-man army and casts doubt on the ability of Lansana, a Mende, to maintain military control over the country for very long. Eight antiregime officers--all but one of them Northerners--were arrested only last month on charges of plotting a coup.

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## ECONOMIC SLOWDOWN IN ISRAEL

For the first time in Israel's history unemployment has become a serious problem, and there is little prospect for improvement this year. Some 60,000 workers, about seven percent of the total labor force, were unemployed at the end of 1966, and some labor rioting has occurred. The economic situation is thus an embarrassment to the government, although at present it does not appear to threaten Prime Minister Eshkol's tenure.

Tel Aviv's sensitivity to the problem was reflected in the recent dismissal of Jon Kimche, long-time editor of the London-based Jewish Observer and Middle East Review. When Kimche published a story claiming that 90,000 workers were unemployed, the government pressured the British Zionist organization which sponsors the magazine to fire him.

The chief cause of the slowdown was a severe drop in construction activity last year. A high rate of construction, partly to accommodate the inflow of immigrants, had been a major factor in Israel's sustained boom--an annual growth of more than ten percent in GNP between 1948 and 1964. In its later stages, the boom was accompanied by growing inflation and trade deficits. In an effort to stabilize the economy and put it on a sounder footing, the gov-

ernment in 1965-66 adopted a "tight money" policy and reduced its expenditures. But these actions in turn have caused large cutbacks in both private and public investment.

The government now has turned back to a more expansionary fiscal policy in the 1967-68 budget. This policy will be used cautiously, however, since inflation has not ceased despite the high unemployment rate, and unemployment probably will remain high for some time.

Before Israel can regain a rapid rate of growth, a major restructuring of the economy is necessary. Much industry is small scale and inefficient. In recent years, inflation and rising costs of production have encouraged imports and inhibited exports. Unless political factors--an Arab attack, for example--intervene, the economy also must adjust to a continuing decline in foreign assistance and in immigration. Corrective measures for any of these problems will be very difficult politically, will need considerable time to take effect, and initially will tend to inhibit economic growth. There is no evidence that the government is seriously considering the most obvious stimulant to exports, devaluation of the Israeli pound.

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## WESTERN HEMISPHERE

The tempo of international and national preparations for the 12-14 April presidents' meeting in Punta del Este, Uruguay, has picked up appreciably.

Special representatives of the hemisphere's presidents continued their meetings in Montevideo during the week to work out the detailed agenda for the summit conference. No insurmountable obstacles were encountered, although negotiations on the subjects of the timetable for achieving full economic integration and the terms of Latin America's trade with the US are taking longer than anticipated.

Meanwhile, the various presidents are beginning to firm up their plans for attending the summit. Some will be anxious to raise bilateral problems and other topics not on the agenda; Ecuadorean President Arosemena, for example, reportedly will insist on publicly addressing the meeting and raising Ecuador's border problem with Peru if he attends. This would automatically mean that Peruvian President Belaunde--who now says he will go to the meeting--would have to try to respond in kind. For his part, Panamanian President Robles intends to discuss the canal issue with President Johnson.

Other chief executives are planning to meet with each other before the summit. President Leoni of Venezuela will see Chilean President Frei in Santiago on the eve of the meeting, and the five Central American presidents are planning to travel to Punta del Este together; they may even meet beforehand.

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## CASTRO DEFENDS REVOLUTIONARY VIOLENCE

Fidel Castro's annual 13 March speech was his most outspoken defense to date of his policy of revolutionary violence in Latin America. In it, he criticized Communists in the hemisphere who back away from armed struggle when the going gets tough. Recent Soviet diplomatic and economic overtures to Latin American governments evoked the comment that "whoever helps those oligarchies where guerrillas are fighting will be helping to suppress the revolution."

The speech was also an answer to Venezuelan charges of Cuban complicity in the assassination of Dr. Julio Iribarren Borges, the brother of Venezuela's foreign minister. Castro denied any involvement in the affair and countered by accusing the "chorus of hangmen ruling Venezuela" of "bloody and intolerable repression." To document his counterattack he read off a list of over 100 "Venezuelan patriots" who had been "murdered" by the Betancourt and Leoni administrations. Castro's most scathing remarks, however, were reserved for Venezuelan Communist Party leaders, who had been quick to disassociate themselves from the assassination. He denounced the party leaders as vacillators, defeatists, cowards, and theorizing charlatans for having avoided armed struggle.

In a public reply, the Venezuelan party characterized his attack as ignoble, self-seeking, and treacherous, and rejected the "role of revolutionary pope that Fidel Castro asks for himself."

The gap between Castro and the Venezuelan Communist Party has never been wider.

In discussing support for Latin American Communists, Castro ignored a 10 March Pravda commentary cautioning that "any weakening of the Communist parties or any splitting of their ranks, whatever motives may lie behind it, would bring irremediable damage to the vital interests of their countries and peoples." He bluntly stated: "If in any nation those who call themselves Communists do not know how to fulfill their duty, we will support those who--even though they do not call themselves Communists--behave like real Communists in the struggle...What defines Communists of this continent is their action in the guerrilla movement in Guatemala, Colombia, and Venezuela."

Although tactical differences are undoubtedly eroding the patience of both Havana and Moscow, there is no reason to believe that Cuba's relations with the USSR are in serious jeopardy. Relations with Latin American Communists, however, are a different matter. Castro's continued support of armed rebels in the field may well force orthodox Latin American Communist leaders to follow the lead of the Venezuelans in denouncing Cuban meddling and provoking an open break with the Castro regime. Indeed, the leaders of the Colombian Communist Party are already considering a break with Castro over this issue.

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## URUGUAYAN LABOR AGITATION LIKELY TO CONTINUE

Renewed labor agitation, much of it Communist-inspired, can be expected in Uruguay despite the apparent settlement of a protracted strike by government health workers.

The outcome of the strike, which may well have been an early test of wills between the Communist-dominated National Workers' Convention (CNT) and the new administration of President Oscar Gestido, was a stalemate. Although the workers did not win wage increases greater than the 90 percent already granted them (many other public employees received hikes averaging 125 percent), the government admitted that they were badly underpaid and promised them special consideration in the next budget. The CNT, which originally had strongly backed the strike by calling a reasonably successful 24-hour general strike and a one-hour work stoppage to support it, tried to back away when the strike became unpopular. A fractious Communist faction in the union apparently disregarded party instructions, attempted to force an escalation of the strike, and lost.

Despite their failure to make major gains in this strike, the Communists probably will have many opportunities to stir up labor unrest in the near future. Economic conditions are deteriorating--the cost of living rose 16.7 percent in the first two months of 1967, and could pass 1965's record of nearly 90 percent--and worker discontent remains high. President Gestido is concerned that internal Uruguayan problems may defy short-term solutions. The government has not yet attempted to enforce a restrictive wage policy in the private sector nor to control prices.

The Communists have already demonstrated their ability to use labor agitation over legitimate economic grievances for political ends. They reportedly hope to pursue this tactic to promote a general strike and widespread agitation during the inter-American summit meeting scheduled in Punta del Este next month. They may well succeed in mounting sizable demonstrations in Montevideo--some 70 miles away--but it seems unlikely that they could seriously threaten stability.

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## CHANCES FOR STABILIZATION IMPROVE IN ARGENTINA

The prospects for economic and political stability in Argentina have been improved considerably in the past few weeks by the government's decisive actions on labor and economic problems.

The regime's success in forcing the General Confederation of Labor (CGT) to call off a 48-hour strike scheduled for this week has considerably weakened the opposition group with the greatest potential for thwarting government reform efforts. President Ongania's strong stand against the unions not only broke their strength, but also increased military support for his policies, which the generals had severely criticized in the past.

On the economic front, the 40-percent devaluation of the peso announced on 13 March (350 pesos = \$1 US) together with reforms in the tax structure and increases in public utility tariffs have qualified Argentina for an International Monetary Fund stand-by agreement which probably will be announced soon. The unexpectedly large devaluation, which exceeded the prevailing "black market" rate, should

provide a respite from further speculation against the peso. It should also encourage exporters and stimulate foreign investment in Argentina.

The devaluation was accompanied by an increase in tariffs on traditional agricultural exports--already competitive in world markets--which should add 40-50 billion pesos to government revenues. Surcharges on a broad range of imports have been lowered, on the other hand, in an attempt to reduce inflationary pressures.

Progress has been made toward establishing the regional organizations of the National Development Council, which are to apply economic planning to the interior of the country. The president is also reviewing a draft university reform law which would substitute a governing body composed of faculty members for the autonomous university administration established in 1908. Students would have a voice but no vote in university administration, and political activity on campus would be banned.

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