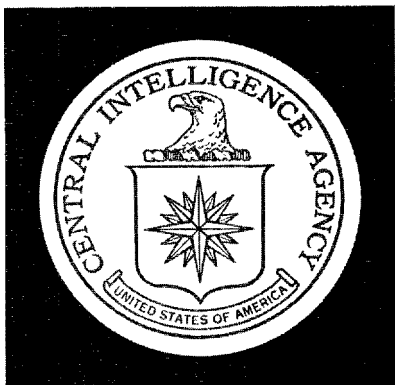


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DIRECTORATE OF
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WEEKLY SUMMARY

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(Information as of noon EDT, 12 October 1967)

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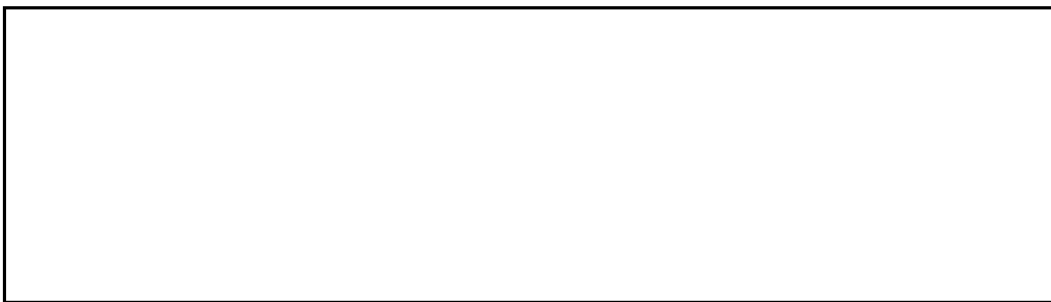
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FAR EAST

Preparations for the installation of the new South Vietnamese Government are moving ahead without serious challenge from militant Buddhist and student groups. Relations between Thieu and Ky reportedly have improved, and their firm stand has discouraged further protest demonstrations.

Military activity last week in South Vietnam was limited to widely scattered clashes. Although heavy shelling of the US Marine position at Con Thien has not been resumed, North Vietnamese forces are maintaining pressure in this section. Redeployments of North Vietnamese troops in the Demilitarized Zone area may foreshadow intensified attacks along a wider segment of the demarcation line, timed to take advantage of the current monsoon season. Meanwhile, Communist activity in the Mekong Delta provinces has increased and Communist forces still retain the initiative in vast areas of the heavily populated delta.

The trend toward moderation of the Cultural Revolution in China continues, with major pronouncements stressing the need to unite rival factions in "revolutionary great alliances" as a means of stimulating industrial and agricultural production. Tensions between warring Red Guard factions remain high, however, and united front groups formed in response to these appeals will be nothing more than a fragile facade. There is no evidence so far of attempts by pro-Mao extremists to reverse the trend toward unity and discipline over the past month.

The success of the moderates in bringing internal chaos under control has not been matched by progress in liquidating the effects of Cultural Revolution excesses abroad. China's relations with Burma and Indonesia, for example, continue to deteriorate.

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VIETNAM

Military activity in South Vietnam this week was confined to sporadic clashes with enemy forces in widely scattered sections of the country. In the Demilitarized Zone (DMZ) area, meanwhile, the major realignment of Communist forces that began last week appears to be continuing. The major developments thus far involve the withdrawal of sizable enemy forces into North Vietnam.

The pattern of the redeployments suggests that a new phase of enemy activity may soon begin with intensified attacks along a more widespread section of the DMZ, including strategic allied positions in western Quang Tri Province. Such activity could be timed to take advantage of the current monsoon season when US tactical air and logistical support will be most limited.

In central South Vietnam, enemy forces continue their efforts to evade US and allied search-and-destroy operations. American operations just to the north of Saigon, however, have resulted in the heaviest enemy losses in this area in several months.

Enemy military activity in the Mekong Delta provinces south

of Saigon has intensified in recent weeks. This increase in activity has included numerous attacks on lightly defended government outposts and remote Revolutionary Development teams which have provided the Communists with needed weapons and equipment.

In addition to such attacks, enemy forces have concentrated on interdicting major lines of communication in the area--especially strategic Route 4 which links the agricultural delta provinces with the markets in Saigon. Route 4 has recently been severed in 22 places and the resulting traffic delays have caused another rise in Saigon's food prices. In spite of a good showing by South Vietnamese units in some areas of the delta, the enemy still retains the initiative throughout vast sections.

Political Developments in South Vietnam

Saigon's new 60-member Senate opened on 11 October. Until President Thieu is installed and the lower house is elected on 22 October, the Senate will be occupied with the development of internal rules and organization. One key job to be filled is that of Senate president,

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who will probably deal directly with the prime minister and other important members of the executive branch. The leading contender for this post is a popular retired general, Tran Van Don, whose Senate slate was a runaway winner in the recent election. General Thieu, however, reportedly favors Tran Van Lam, an experienced Saigon politician.

Over 1,200 candidates are in the running for the 137 seats in the lower house. Although national issues will probably figure in the campaign to some extent, voting will be on a provincial rather than a national basis. The election is therefore likely to be influenced more by local factors than was the recent Senate contest.

One development that should help smooth the way for the installation of the new government has been the decision by militant Buddhist leader Tri Quang to end his protest vigil outside government headquarters in Saigon. He probably believes that he has gained some ground by his protest. The charter recently granted the moderate wing of the Buddhist church has been temporarily suspended by them at the government's behest in order to create a favorable atmosphere for conciliatory moves within the Buddhist factions.

Tri Quang subsequently told the press, however, that his struggle to force the government to revoke the charter is not over, even though he appears to realize that his actions have failed so far to generate the mass support needed to carry on a vigorous public opposition.

Construction in North Vietnam

Photography of northeast North Vietnam near the Chinese border shows that Hanoi has been developing extensive military and logistic facilities in the area. A large group of installations is concentrated along the Hanoi - Ping-hsiang rail line, with a particularly large number evident around the border town of Dong Dang. These include some ten storage sites and other facilities for communications, vehicle repair, truck parking and petroleum as well as military encampments. There is also an unidentified, and as yet incomplete, complex about four miles northwest of Dong Dang that could be a major military headquarters.

Many of these facilities are probably connected with the maintenance of supply lines from China. The sites were probably placed near the border in the expectation that this location would afford safe haven from US bombing strikes.

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Photography also indicates that construction has almost been completed on a new road that will facilitate movement between the Haiphong area and Ning-ming in south China. The new route has been created by improving existing roads north of Haiphong and by new construction in China near the border. There is currently only a gap of some three miles at the border separating the Chinese and DRV sections of the road.

Doumer Bridge Repaired

Additional evidence of Hanoi's concern with keeping open supply lines from China can be seen in the speed with which the mile-long Doumer Bridge, which was damaged in mid-August, has been repaired. An eyewitness reports that the bridge was opened to two-way motor traffic on 1 October and that the rail

portion of the bridge was in service two days later. Photography [redacted] indicates that the repaired rail-line supports may not be as strong as the original trusswork, but probably are adequate to carry at least light loads at reduced speeds.

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Hanoi Secures New Aid Agreements

Hanoi rounded out its current series of aid agreements by signing pacts this week with Hungary, East Germany, and Czechoslovakia. The new accords, which call for the supply of a variety of military and non-military goods to North Vietnam, represent only a small portion of Hanoi's over-all aid requirements. Nevertheless, they help project an image of Communist solidarity in backing the Vietnamese. [redacted]

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MORE STRAINS ON CHINA'S RELATIONS WITH INDONESIA AND BURMA

Peking's relations with Djakarta and Rangoon are growing steadily worse. Political fallout from the Cultural Revolution during the past six months has poisoned the diplomatic atmosphere to such an extent that Indonesia is close to a de facto break in relations and the substantial Chinese presence in Burma is threatened.

In a note of 9 October, Indonesia rejected Peking's protest over the sacking of the Chinese Embassy in Djakarta on 1 October and refused Peking's request to send an airplane to evacuate personnel injured during the incident. Djakarta insisted that if a plane were sent, the entire Chinese Embassy staff would have to leave and the remaining four Indonesian diplomats in Peking allowed safe exit.

In line with its recent trend toward moderation in foreign affairs, Peking avoided retaliatory action against the Indonesian Embassy in Peking and has limited its reaction to a routine diplomatic protest. The Indonesian Government, for its part, apparently hopes that a "suspension" of diplomatic relations with Peking will satisfy anti-Chinese military and student elements. For the moment, neither Djakarta

nor Peking appears willing to take the initiative in a formal break.

The growing estrangement between China and Burma has been furthered by Rangoon's request on 6 October that Peking withdraw the approximately 450 Chinese aid experts and technicians in Burma by the end of the month. The Burmese action was precipitated by a Chinese note of 4 October which threatened to terminate the aid projects unless Rangoon acted to halt anti-Chinese activity and to punish those responsible for the attack on the Chinese Embassy in Rangoon last summer. Although China's anti-Burmese propaganda campaign has subsided since last summer, the Chinese note made it clear that Peking is not presently interested in improving its severely strained relations with Ne Win.

China's foreign aid program in Burma, provided under a \$84-million credit extended in January 1961, has been a source of friction between the two governments ever since Chinese technicians began promoting the Cultural Revolution among Overseas Chinese and Burmese workers. Following the widespread anti-Chinese activity in Burma in late June, actual work on Chinese aid projects has been in abeyance.

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DOWNTURN PERSISTS IN CHINESE CULTURAL REVOLUTION

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Peking's emphasis on moderation and the restoration of order continued unabated last week. The central authorities appear to be pursuing the new policies, introduced in early September, with considerable determination. As a result, Red Guard activity has fallen to its lowest level since the introduction of these groups as the "shock troops of the Cultural Revolution" in August 1966.

In addition to the "business as usual" propaganda themes that stress the importance of industrial production and the gathering of the harvest, the regime is emphasizing the paramount importance of establishing unity among rival Red Guard groups.

Peking has had considerable success in achieving at least superficial unity among various Red Guard factions throughout the country. Press reports state that "revolutionary great alliances" are being formed in many parts of China.

Deep-seated tensions between militant leftist and more conservative, locally oriented Red Guard groups still exist, how-

ever.

Students, who have provided the backbone for the Red Guard movement, are slated to return to school this month. The regime, however, had set a number of earlier deadlines for a return to the classroom that went largely unheeded. While Peking's determination to enforce its will on recalcitrant youngsters seems stronger at present than at any time in the recent past, reporting is still too scanty to determine if most students have left the streets and returned to school.

There has been a paucity of hard information from the mainland in the past week--an additional sign that the Cultural Revolution is in low gear. Wall posters were taken down in Peking for National Day and no new ones have been posted since. The disappearance of the posters--a key device for political agitation--provides a further indication of the Peking

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leadership's current determination to restrict Red Guard activity.

Since the National Day celebrations, regime spokesmen and major propaganda organs have been stressing the theme that the Cultural Revolution has already achieved many of its objectives. A recent editorial of the theoretical journal, Red Flag, repeats this line, emphasizing the importance of ideological purity in what appears to be a return to the attempt in early 1966 to portray the Cultural Revolution as a long-term effort.

This line provides Peking with a rationale for quietly closing out at least the violent phase of the Cultural Revolution. Most leading leftists associated with the extremist policies that characterized the movement at its height still remain active and in positions of importance, however. It is unlikely that they are willing to accept a permanent end to the Cultural Revolution, and they will probably work to secure a reversal of the moderate policies being pushed by the more pragmatic forces now in ascendancy in Peking.

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EUROPE

At a meeting of the Supreme Soviet in Moscow, the Russians announced--in part for the effect abroad-- a 15-percent increase in their defense budget. Expenditures for defense are not likely to rise by that amount; some of the increase probably reflects accounting changes that shift defense expenditures from other budget categories. The total Soviet budget for 1968 will be 12 percent larger than this year's.

The Supreme Soviet also took up a new bill on universal military service that will probably shorten the period of active duty for military conscripts but would not necessarily reduce the size of the armed forces.

Britain's Labor Party conference ended in something of a triumph for Prime Minister Wilson. On the important resolutions, he got the conferees approval and his position as party leader went unchallenged.

In France, a leftist-sponsored censure motion on De Gaulle's economic and social policy was defeated by a wide margin, giving the government some breathing space. Farmers and workers continue their antigovernment demonstrations, however, and Premier Pompidou will be hard pressed to find solutions to their problems.

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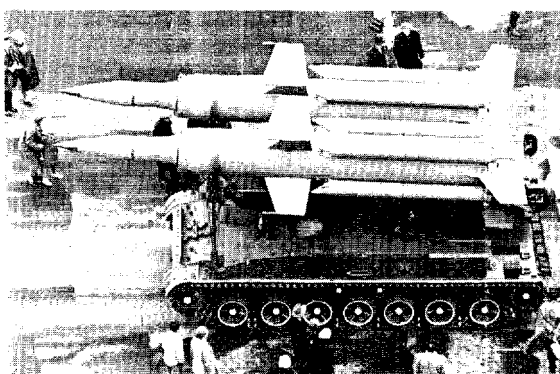
Soviet Sam Systems for Ground Forces

SA-3



The SA-3 Goa is effective against aircraft flying at altitudes between 50,000 and about 1,000 feet. Its range is about 12 miles.

SA-4



The SA-4 Ganef has good mobility. The Ganef missile has an effective range of about 27 miles and can probably hit aircraft flying as high as 65,000 feet.

SA-2



The SA-2 Guideline system can down aircraft flying as high as 90,000 feet. Depending on the variant of the system, the SA-2 has a maximum range of from 17 to 27 miles, and a minimum effective altitude of from 3,000 to about 1,500 feet.

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USSR'S GROUND TROOPS IMPROVE SAM DEFENSES

As part of a continuing program to improve the air defense capabilities of their ground forces, the Soviets are introducing a new surface-to-air missile (SAM) system, the SA-4 Ganef, and are extending the deployment of an existing one, the SA-3 Goa.

These systems are intended to augment the SA-2, whose mobility is limited and whose performance against tactical aircraft has been unsatisfactory. Of the more than 3,850 SA-2s fired in North Vietnam prior to mid-October, only 83 have downed aircraft.

The SA-4 is now being used in large-scale army maneuvers, according to Soviet press reports. This mobile system is the first Soviet SAM designed specifically for the air defense of troops in the field. In this role, it probably will replace the SA-2, which--with its cumbersome train of fuel trucks, radar support vans, cranes, and transporters--is unable to keep up with fast-moving ground force units and creates logistics problems when it becomes separated from support areas.

The SA-4 missile is ram-jet powered, allowing it to use easily transportable, low-grade fuel. The missiles are dual mounted on a tracked vehicle that serves as both transporter and launcher. The radars, communications gear, and support equipment required for the system undoubtedly are vehicle mounted, also.

Soviet forces in East Germany are constructing four-position launch sites for the SA-3 Goa. The eight sites discovered so far all appear to be defending Soviet airfields. The SA-3 is designed to shoot down low-flying aircraft. About 100 sites were built in the USSR before deployment there virtually halted in 1964.

The new SA-3 deployment supplements the SA-2s already positioned in East Germany. [redacted] 25X1

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Eastern Europe is a logical location for SA-3 sites because in the event of war the threat of low-altitude attacks by allied fighter-bomber aircraft will be substantially greater there. [redacted]

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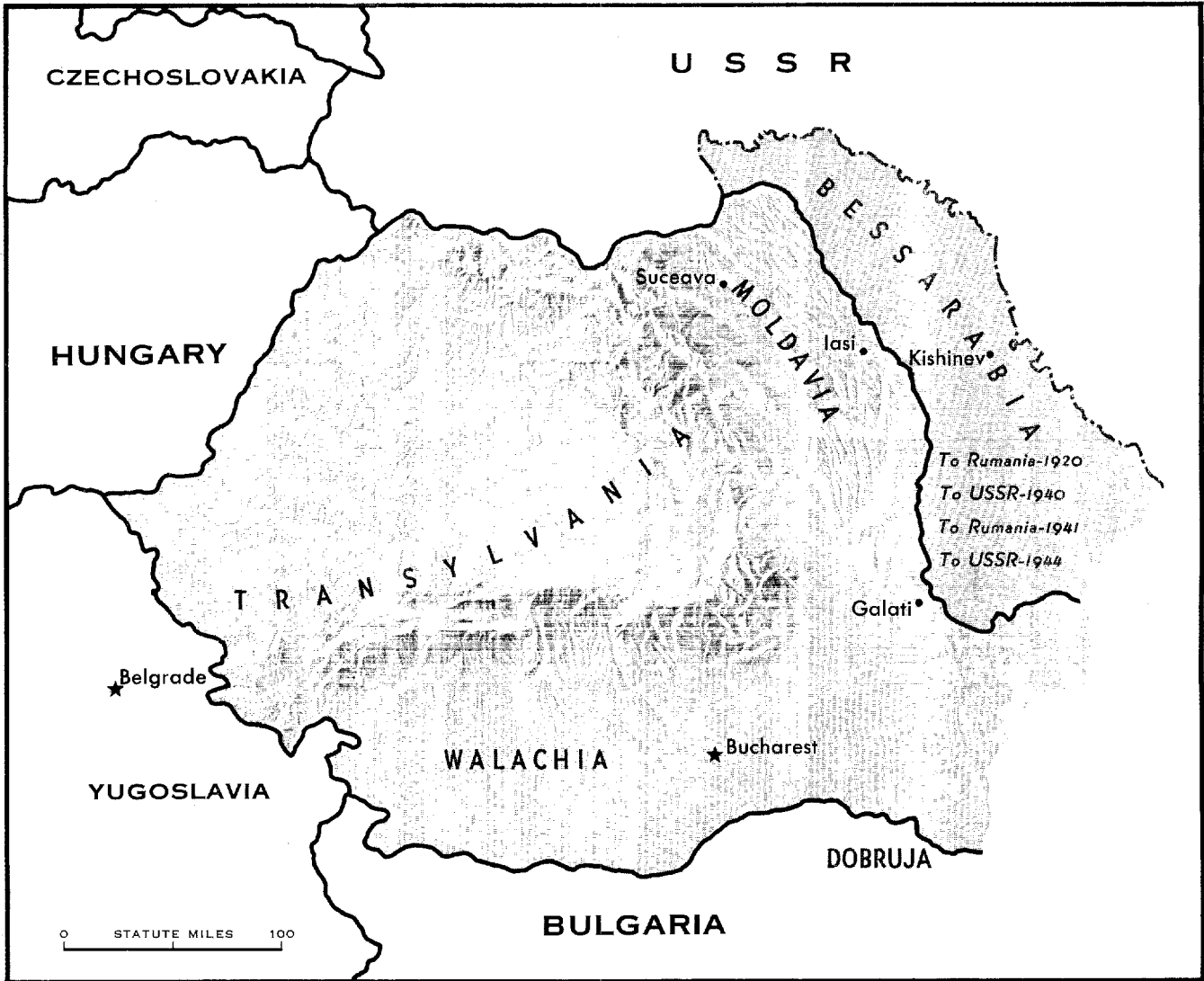
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RUMANIAN-SOVIET FRICTION OVER MOLDAVIA

Moscow continues to be sensitive to Rumania's irredentist claim to the former Rumanian province of Bessarabia--now part of the Moldavian SSR--because of the possible disruptive effects of the claim on the local population.

Premier Kosygin recently made a special trip to Kishinev, capital of the Moldavian Republic, ostensibly to award the city the Order of Lenin. In his speech there on 30 September, however, Kosygin presented a vigorous and lengthy defense of the Soviet Union's annexation of Bessarabia, stressing the great improvement in the life of the Moldavians as a result of this union. He made it clear that any change in the Moldavian Republic's present status is out of the question. His remarks cannot help but aggravate relations between Moscow and Rumania.

The strong nationalism Bucharest has espoused since the first of the year probably has generated considerable appeal among ethnic Rumanians in Soviet Moldavia. Since embarking on its nationalistic course in the early 1960s, the regime has stressed various aspects of Rumanian nationalism. The development of an enhanced national consciousness has been an important element of the Rumanian party's domestic policy.

Ethnic Rumanians make up 65 percent of Soviet Moldavia's population and they probably listen with interest to nationalistic broadcasts from Rumania's powerful radio and television stations at Suceava, Iasi, and Galati. Whether or not this spillover of broadcasts has been intentional, it seems to have contributed to restiveness in the area, as indicated by several Radio Moscow broadcasts in Rumanian since last June.

The recent exchange of visits by leaders of the USSR and Hungary with the Rumanians, as well as the unusual swing through Transylvania late last month by Rumanian party chief Ceausescu and his guest, Bulgarian party boss Zhivkov, are probably associated with the current revival of Rumania's traditional problems with Russia over Moldavia and with Hungary over Transylvania.

In view of the Rumanian regime's determination to use nationalism to enhance its popularity, emphasis on Rumania's historical national identity probably will be intensified as the Rumanian party prepares for a national party conference on 6 December. One effect will be to keep alive this irritant in relations between Bucharest and Moscow.

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POLISH PLENUM STRESSES FARM PROBLEMS

A Polish party central committee plenum held at the end of September dealt solely with agriculture. The regime is trying to make agricultural output keep pace with Poland's rapidly growing population.

The Polish leaders cited favorable developments in recent years, but admitted that farmers were not efficiently using available seed, fertilizer, and machinery. They deplored the high level of foreign currency expenditures for grain imports--\$125 million this year. The plenum decided that the immediate task is to increase grain, fodder, and cattle production by concentrating the state's efforts in regions where production has lagged.

The plenum also unveiled a major new land consolidation program intended to reverse the trend toward increasing fragmentation and poor use of peasant holdings. Elderly farmers willing to sell at least 12 acres of land to the state would receive lifetime pensions, and would retain their dwellings and 2.5 acres for life. Another program would step up reclamation of marginal land owned by state farms.

Speakers at the plenum indicated, however, that the proposals

do not signal a change in Poland's agricultural policy, under which 85 percent of arable land is privately owned. The proposals are, in fact, intended to permit the absorption of small holdings by larger private farmers in cases where a state take-over would not be feasible.

Agricultural experts will be used more extensively for advising farmers. Proposals were made to improve administrative control of all agricultural specialists, to increase their authority, and to raise their pay.

The plenum also decided to intensify existing programs. Planned investments in agriculture in 1966-70 are to be 66-percent higher than in the previous five-year plan. Short-term credits to farmers will also be substantially increased. The grain contract purchasing system, under which the government guarantees to buy grain at stipulated prices, is to be expanded. In addition, each district is to have its own program designed to improve practices in which the district has been weakest.

These measures may improve agricultural production over the long run, but they are unlikely to enable Poland to achieve self-sufficiency in grain by 1970.

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To do this, the government will probably have to offer such additional incentives as higher contract prices and lower fertilizer prices.

The plenum was the first held since the Middle East crisis, but it brought none of the politi-

ical shifts that reports suggested might have been in the offing. This tends to support recent indications that party leader Gomulka has succeeded--at least temporarily--in controlling the controversy within the party over his strong support for Moscow's anti-Israeli stand. [REDACTED]

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COMMON MARKET PREPARES FOR DEBATE ON BRITISH ENTRY

The European Commission has set the stage for a crucial debate among the Six on enlarging the European Communities with its report on the question of the membership requests of Britain, Ireland, Norway, and Denmark. The immediate issue is when to open negotiations with the applicants, particularly Britain. The Commission and the Five favor early talks with the British, but the French contend that negotiations with London would now be premature.

In its report, the Commission concluded that enlargement "could both reinforce the community and provide it with an opportunity for new progress on the condition that the new members accept, as they have declared they are willing to do, the provisions of the treaties as well as the decisions which have been taken under them." The political significance of the report goes beyond the Commis-

sion's recommendation for widening the membership, however. The report makes clear the Commission's intention to use accession negotiations to move further toward economic union, to establish the principles of a common policy on technology, and even to move toward a community monetary system.

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The Commission sees Britain's difficulties not so much as obstacles to entry as problems affecting the whole community that will have to be worked out in negotiations. The Commission's emphasis on the "preliminary" nature of its report, moreover, is intended to strengthen the argument that only negotiations among all the governments can provide the necessary information on which to base a final decision. The thorough catalogue of problems in the report is directed in part against the French contention that extended debate is still necessary within the Council, which will discuss the report at a meeting on 23-24 October.

French officials are alleging that the problems, which they say they are pleased the Commission's report raises, only demonstrate that the UK is clearly not yet ready for membership. De Gaulle took this line with the British ambassador in Paris last week, asking him whether it would not be better to start negotiations "at some time in the future when the UK was ready."

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The Germans--who chair the Council until the end of the year--may be reluctant to face a showdown with Paris, but they and others of the Five may be equally reluctant to leave undecided until the French take the Council chairmanship in January the issue of whether or not to negotiate. The permanent representatives of the Six in Brussels will prepare the agenda for the Council meeting in late October, presumably attempting to define the options available to the ministers.

The official British position is that London only wants to negotiate with the six member governments. Lord Chalfont has stated, however, that the British may be prepared as a last resort to settle for preliminary negotiations with the Commission. There is no indication that the community is yet considering a compromise solution of this kind.

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MIDDLE EAST - AFRICA

Unsettled conditions persist in the Middle East. Terrorism has increased markedly during the past month in Israel and Israeli-occupied areas. Jordan is making a major effort to stop the infiltration of anti-Israeli saboteurs through its territory, but Syria, Iraq, and refugees from Gaza continue to aid the terrorists. The possibility of Israeli retaliatory raids on Syria, and perhaps on Jordan as well, is growing.

Meanwhile, King Husayn has paid a visit to Moscow, where he was offered Soviet support. In addition, he has reorganized the Jordanian Government and Army, giving himself a greater role in directing both.

Yemen was a scene of disorder as implementation of the Khartoum agreement began. Riots forced the Arab states delegation to depart without meeting President Sallal, but Egyptian troop withdrawal is going on despite charges by Yemeni republicans that Egypt has "sold them out." In Cairo, rumors are circulating that Nasir may soon step out of the presidency.

Intense political maneuvering is the order of the day in a number of countries. In Greece, the junta is applying new pressures on the King and making plans to add some civilians to the government, probably as window-dressing. Afghanistan is seeking a successor to Premier Maiwandwal, who resigned on 11 October because of ill health. In the Indian state of West Bengal, the death agonies of the coalition government continue, with none of the groups seemingly able to agree on a solution. Meanwhile, New Delhi has reinforced military and police units in Calcutta and its environs in anticipation of violence arising from the political uncertainty.

In Africa, attention centers on Nigeria. Federal forces are closing in on rebel Biafra, whose capital, Enugu, has now fallen. Although the war could still go on for some time, Biafran morale is sagging and some elements may be willing to seek peace negotiations.

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NIGERIAN ARMY CLOSES IN ON REBEL EIAFRA

The Nigerian Army has virtually completed its recapture of the Mid-West and is consolidating its hold on Enugu, capital of the former Eastern Region. The Biafran government has withdrawn further inside the Ibo heartland, amid signs of growing turmoil and dissension.

Enugu is reported to be practically deserted except for federal troops, who are continuing to clear out small pockets of resistance, mostly on the outer edges of the city. In the Mid-West, federal troops captured the important Ibo-inhabited town of Asaba on the Niger River on 6 October, reportedly at the cost of heavy casualties. Advance elements from this federal force may now be in Onitsha, a large Ibo city on the eastern side of the Niger. The 4,600-foot Asaba-Onitsha bridge, completed in 1965 at a cost of over \$16 million, may have been damaged near the Biafran end.

The federal government appears to be readying a major amphibious operation aimed at either Port Harcourt or Calabar.

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[Redacted]

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Possibly 2,000 troops, as well as substantial quantities of supplies, have been shipped out of Lagos to a staging point in the Mid-West in the past week. The federals' first objective, however, would probably be to eliminate the Biafran-held positions in the vicinity of Bonny.

Lagos is now beginning to think in terms of how to govern the rebellious Ibos. The federal government probably hopes it can persuade some

eminent Ibo leader, such as Nigerian ex-President Azikiwe, to become governor and thus perhaps avoid having to occupy Iboland with federal troops.

Federal leader Gowon has already carved up the former Eastern Region into three states, promising the minority tribes a greater measure of self-rule once federal control is re-established. The Ibos would have their own state within the federal structure and, Gowon hopes, would eventually be reintegrated into Nigerian life on an equal basis with all the other tribes. His most pressing problem, however, is to prevent a further massacre of Ibos by his predominantly northern troops, whose basic discipline remains questionable.

There are indications that some Ibos are beginning to think in terms of negotiations to end the war. Ojukwu, however, has relocated his government, probably at Aba.

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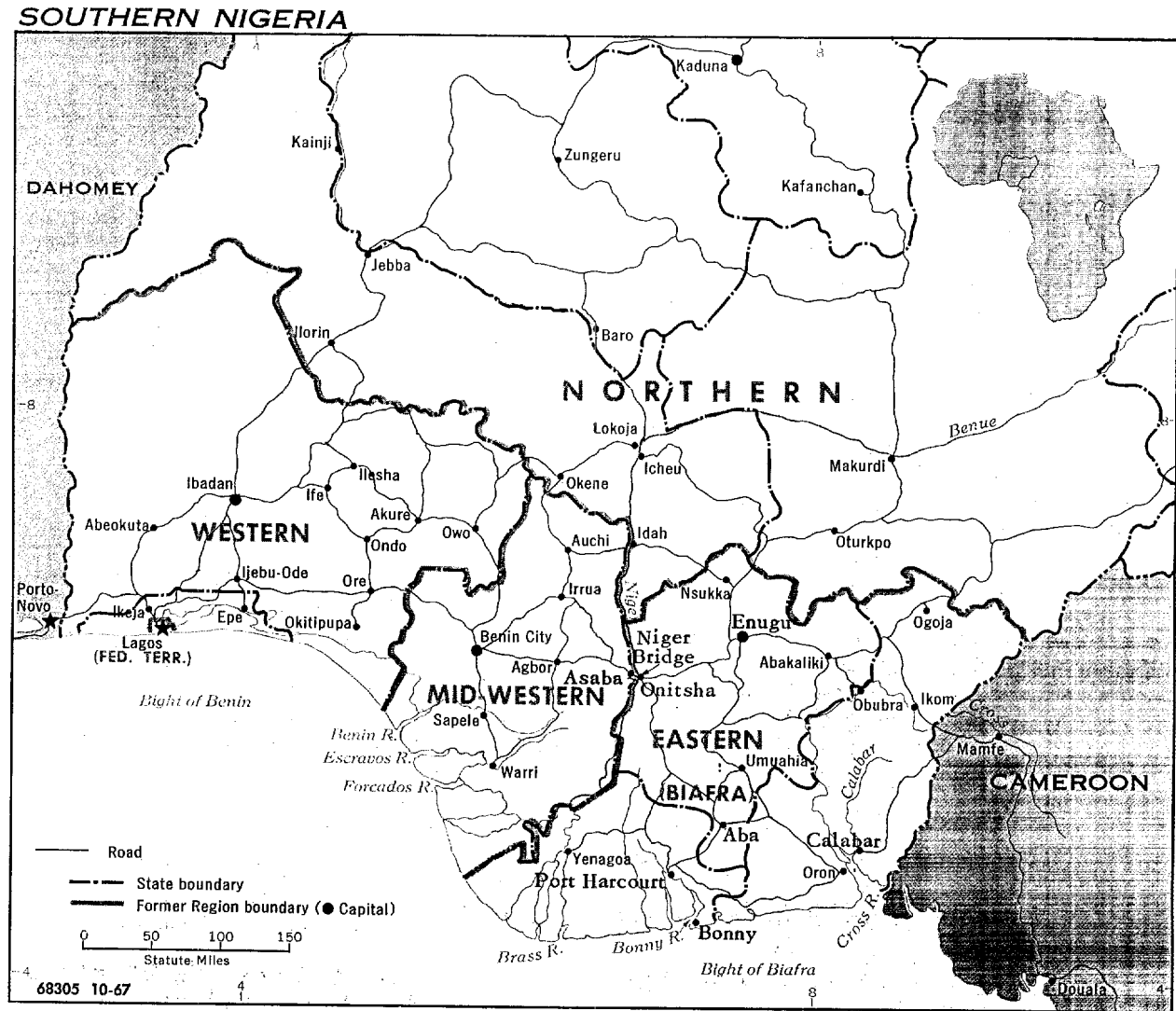
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Ojukwu is nevertheless facing increasing turmoil within Biafra. Accounts of treachery and anarchy are widely circulating in many of the larger towns and cities. There also appears to be considerable mistrust and even open fighting among regular army units, police, and militia. Late last week, the Onitsha city council reportedly sought to make peace with the federal troop commander at Asaba.

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HUSAYN STRIVING TO IMPROVE JORDAN'S POSITION

King Husayn's visit to the Soviet Union last week probably was intended primarily to assure continued Soviet support for the Arab States and to coordinate attempts to achieve Israeli withdrawal from the occupied territories.

Although the Jordanian press hailed the King's trip as ushering in a new era of Soviet-Jordanian friendship, it also stated that Husayn's overture to the Soviets was not a departure from Jordan's pro-West policy, but an expression of its desire to seek a "better balance" in future relations with the big powers. The Jordanian press also quoted unnamed Russian sources to the effect that the USSR was willing to supply arms to Jordan without conditions.

The formation on 7 October of a new Jordanian cabinet under Bahjat Talhuni represents a further effort by King Husayn to overhaul the internal administration of the country and as-

sume closer personal control. Talhuni, who has been prime minister twice previously, is not likely to exercise forceful leadership on his own. The 18-man cabinet contains only four new members in addition to Talhuni and, as is the custom, is equally divided between East and West Bank residents.

King Husayn will also assume more direct personal supervision of the armed forces, and has apparently abolished the top army commands. The former commander in chief of the Jordan Arab Army, Habis Majali, has been elevated to the relatively unimportant position of minister of defense, [redacted] former 25X6 deputy commander in chief, Sharif Nasir, the King's uncle, will now act only as the King's military aide. These moves, as well as the retirement of four senior military officers who held key commands on the West Bank during the June war, are probably intended to bolster sagging morale among junior officers. [redacted] 25X1

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TERRORISM INCREASES IN ISRAEL AND OCCUPIED TERRITORIES

Terrorist incidents have increased considerably over the past month in Israel and the Arab territories it occupies, especially the West Bank. Continuation of this terrorism will al-

most certainly lead the Israelis to consider some kind of direct reprisal against Syria, and possibly Jordan as well.

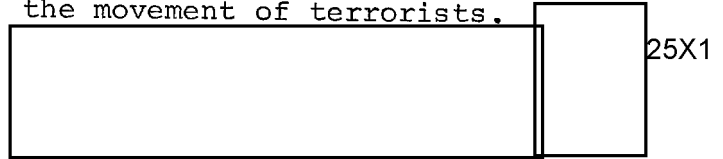
The Israelis have charged that the Syrians are training

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and arming infiltrators and saboteurs, and Tel Aviv has publicly warned that Israel may have to strike "at the centers of terrorism." An Israeli Army spokesman has stated that 160 saboteurs associated with the Fatah organization--the Palestinian group most active in terrorist operations--were captured in the last week in September alone.

Jordan is making a major effort to prevent saboteurs from

crossing Jordanian territory and according to authorities in Amman, has arrested over 200 terrorists since the June war. The presence in East Jordan of some 200,000 Palestinian refugees from the West Bank and Gaza precludes the complete interdiction of the movement of terrorists.



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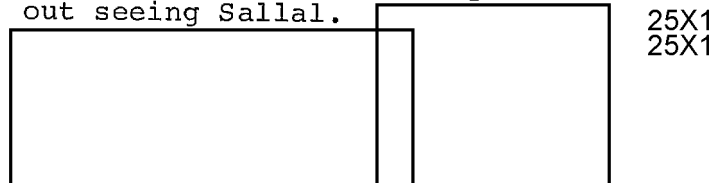
EGYPTIAN WITHDRAWAL MAY LEAD TO FURTHER UNREST IN YEMEN

Egyptian troops have begun to depart from Yemen, but Cairo has had trouble controlling Yemeni republicans who feel that they have been "sold out."

Cairo has had little success in placating the major Yemeni republican groups. From the very beginning, these groups have been hostile to the Khartoum agreement, which called for Egyptian evacuation and formed a tripartite committee to work out details of a settlement.

Although President Sallal was finally induced to invite representatives of the committee--headed by Sudanese Prime Minis-

ter Mahjub--to Sana, their arrival on 3 October sparked violent riots resulting in five killed and some 25 wounded. The committee departed hastily without seeing Sallal.



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In Sana, resentment over Egyptian policy seems to be growing. According to press reports, representatives of Yemeni youth and tribes both passed resolutions on 10 October supporting the republic and rejecting the Khartoum agreement.

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ALGERIAN REGIME FACES MOUNTING DISCONTENT

The Boumediene regime in Algeria is beset by feuding factions and has lost all momentum in its efforts to resolve its internal difficulties. The regime is the target of mounting criticism as it muddles along in the wake of its extreme stand on the Arab-Israeli war, but no effective challenge to its authority has yet appeared.

Speculation is rife throughout Algeria that changes are imminent within the government. Much of the conjecture arises from the constant and bitter feuding among various ministers, which has nearly paralyzed the government's decision-making processes. Another factor is the antagonism between the military clique surrounding Boumediene and the so-called "wilayists"--those Algerians who carried on the revolution against France from inside the country. Moreover, there are frictions within the National Liberation Front, Algeria's only political party, as well as between the party and the bureaucracy. A great deal of the infighting devolves from disagreements over the direction Algeria should take and frustrations over the regime's failure to achieve appreciable progress toward solving hard-core economic problems.

Algeria's economy has gone steadily downhill ever since Boumediene assumed power in June 1965; the cost of living has risen noticeably in the past few months. Although wages remain steady, unemployment--more than

half the labor force in 1965--has gotten worse. Furthermore, the regime antagonized the business sector by exploiting the Middle East war to increase and collect taxes, particularly those on business.

Another cause for dissatisfaction is the belief that the government, in whipping up popular feeling during the Middle East war, followed a dishonest course that could only have ended in the isolation in which Algeria now finds itself with respect to both Arab and African politics. Moreover, in breaking with the US, nationalizing US businesses, and remaining aloof from Western Europe, the government is believed to have cut off important potential sources of economic assistance.

Despite the pervasive discontent, Boumediene's opponents do not seem able to collaborate in a move to unseat him. The base of his power is the army, and the key commands apparently are still loyal. The National Liberation Front is weak, unable to attract the elite, and constantly engaged in internal bickering. Critics within the administration seem unable so far to conclude a political alliance with any faction within the army. Opposition elements excluded from the regime, as well as the anti-Boumediene organizations based in Europe, still lack popular support within the country.

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WESTERN HEMISPHERE

The highlight of the week in Latin America was the report from the Bolivian Army that counterinsurgent troops had killed Che Guevara. This could be a crippling blow to the morale of Cuban-inspired insurgents throughout Latin America, who recently have been on the defensive almost everywhere. It seems unlikely, however, that Fidel Castro will desist from fomenting revolution in other countries because of the loss of his most romantic agent.

Several nations are in the midst of programs for modernizing their armed forces, and editorial writers in a number of countries see in Peru's purchase of French supersonic fighters the first step in a new and expensive arms race. Brazil, for instance, seems determined to follow Peru's example, although Brazilian leaders have indicated they prefer US equipment if they can get it.

Argentina is also in the market for modern arms, but at present is more interested in tanks than in aircraft. El Salvador has agreed to delay its search for expensive armaments, but has by no means abandoned the project. Similar aspirations of other countries, although receiving less publicity, probably will be whetted by recent events.

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LATIN AMERICA TURNS TO EUROPE FOR ARMS

Major South American nations are turning increasingly to Europe for modern military equipment not available to them from US sources.

After much haggling and hesitation, Peru has finally concluded a deal with France to purchase 12 Mirage-5 supersonic fighter aircraft at a cost of more than \$27 million, including spares and training. President Belaunde of Peru had tried to stave off military pressure but finally was forced to give in despite the effect this might have on US economic aid. Peru's acquisition of supersonic aircraft--the first in Latin America outside Cuba--will undoubtedly spur its neighbors to consider similar modernization of their own outmoded air forces.

Brazil is also negotiating with the French to buy Mirages in the event it cannot obtain US-built F-5 supersonic fighters. Brazil, like Peru, would probably prefer the US aircraft. The Costa e Silva government, however, feels that it can no longer put off modernization of the air force, which is still flying jets built before the Korean War. To sweeten the deal the French have offered to construct a factory in Brazil to build jet trainers and small transport aircraft.

The idea of manufacturing their own equipment in domestic factories also appeals to the Argentines, who are shopping for new tanks for the army. The Argentines have asked several companies to submit bids for supplying modern tanks, and the French may have the lead here with their AMX-30. The Ongania regime has specified that the tanks are to be assembled in Argentina, contemplating the possibility that Argentina would be able to manufacture such equipment in the future.

Both Brazil and Argentina would like to take a similar approach in upgrading their navies. Brazil plans to build destroyer escorts in its own shipyards using a US prototype. The Argentines plan to buy a British frigate to serve as the prototype for additional domestically built combat craft.

In all three countries, the military sought to acquire US arms before turning to Europe. Now that the switch has been made, other Latin nations will probably be less reluctant than formerly to take advantage of the increased capability and willingness of European factories to supply their needs.

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ANTI-AMERICANISM USED AS POLITICAL TOOL IN ECUADOR

The increasingly anti-American attitude assumed by Ecuador's interim President Otto Arosemena appears to be a matter of domestic politics rather than an attempt to disrupt relations with the US.

Even after asking for the recall of Ambassador Coerr on the grounds of alleged undiplomatic remarks, Arosemena reiterated his desire to "increase the cordial relations" existing between the two nations. He has obviously concluded, however, that attacking US policies is the best and fastest way to build a political following in Ecuador.

This belief was probably fostered by the favorable Ecuadorean reaction to the position he took at the hemispheric summit conference last spring in Punta del Este. At that time, Arosemena lashed out at US trade and aid policies and declined to sign the Declaration of Presidents at the close of the conference. A critical attitude toward US trade and lending policies has since become a basic part of Ecuadorean policy.

In the past two weeks, Arosemena's criticisms, particularly of the Alliance for Progress, have become more severe.

When negotiations for a \$30-million loan from private European sources aroused opposition from some of the nation's leading economists, Arosemena attempted to justify the loan by disparaging the international lending system. He charged that the "Alliance for Progress is a frustrated hope," and specifically attacked the requirements for "purchasing raw materials at high prices from the US and employing North American technicians at exorbitant prices."

Arosemena's reaction to the speech in which Ambassador Coerr answered these charges is only another manifestation of the policy of attacking the US for political gain. Although he indicated that he has no serious intention of jeopardizing relations with the US, he hopes to profit politically by standing up to the US and once again demonstrating his ability to "safeguard the honor of the republic." The extent of the public's response to this latest gambit may be the determining factor in whether Arosemena decides to resign the office of interim president--which he has held since November 1966--to run for a full term in the presidential elections scheduled for June 1968.

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URUGUAY INITIATES STRONG ACTION TO CONTROL LABOR

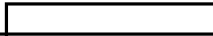
The Gestido government is taking unusually forceful action to control Communist-inspired labor agitation in Uruguay. A limited state of siege was declared on 9 October, all strike propaganda has been barred, and a large number of union agitators have been arrested. Despite these measures, the Communist-backed 24-hour general strike was held as scheduled on 11 October and met with some success.

The government's actions follow a long series of economically crippling strikes, work stoppages, and demonstrations. The immediate provocation was the refusal of private bank workers to process checks issued by the Bank of the Republic (BOR). They described their actions as a demonstration of support for the BOR workers' grievances against the bank, but President Gestido called it economic sabotage rather than legitimate trade union activity and used it as the basis for proclaiming a state of siege. Four cabinet ministers and a key member of the government's economic team immediately resigned in protest.



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Gestido has accepted the earlier resignations, and influential members of his government believe that the way may have been cleared for a new and more effective policy. Unless the government adopts economic measures to deal with the basic causes of labor unrest, the Communist agitators will have suffered only a temporary setback.

To change economic policy, however, or even to continue with the present hard line on labor, Gestido must broaden his legislative support. His faction of the Colorado Party does not command a majority, and he is engaged in a bitter quarrel with the leader of the most powerful faction, Jorge Batlle. Unless Gestido is willing to make the concessions necessary to end the quarrel, he may be forced to form a national unity government by filling some of the vacant posts with members of the opposition Elanco Party. 

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DUVALIER DEALS WITH UNREST IN NORTHERN HAITI

President Duvalier has taken action to deal with scattered antiregime disturbances in Haiti's traditionally restive Northern Department.

One of Duvalier's henchmen from the dread TonTon Macoute has been sent to the area to "restore Duvalierist order," a curfew and strict security measures have been imposed, and the President has issued orders that all dissidents will be shot. No further incidents have occurred since these measures were put into effect.

The disorders, apparently sparked by poor living conditions, appear to have been spontaneous and lacking in leadership. There is no indication of Communist involvement.

Duvalier, however, tends to overreact to any sign of dissi-

dence, whether or not it poses a real threat to his regime. He has been particularly sensitive to troubles in the north. Following minor unrest in that area last May, he sent the same Ton-Ton Macoute official to conduct a purge of the local government.

His concern this time is apparent in his dismissal of the head of the rubber-stamp Supreme Court, a Northerner. There are also rumors that Northern officers of Duvalier's security forces have been sent to Cap Haitien in order to get them out of Port au Prince.

In addition, the government has closed the US Binational Center in Cap Haitien and has asked that the USIS representative there be recalled to Port au Prince, apparently because of suspected involvement in the disorders. This move may presage a deterioration in Haitian-US relations.

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