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*Pres/RECORDS STAFF*



DIRECTORATE OF  
INTELLIGENCE

# WEEKLY SUMMARY

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52

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C O N T E N T S

(Information as of noon EDT, 11 July 1968)

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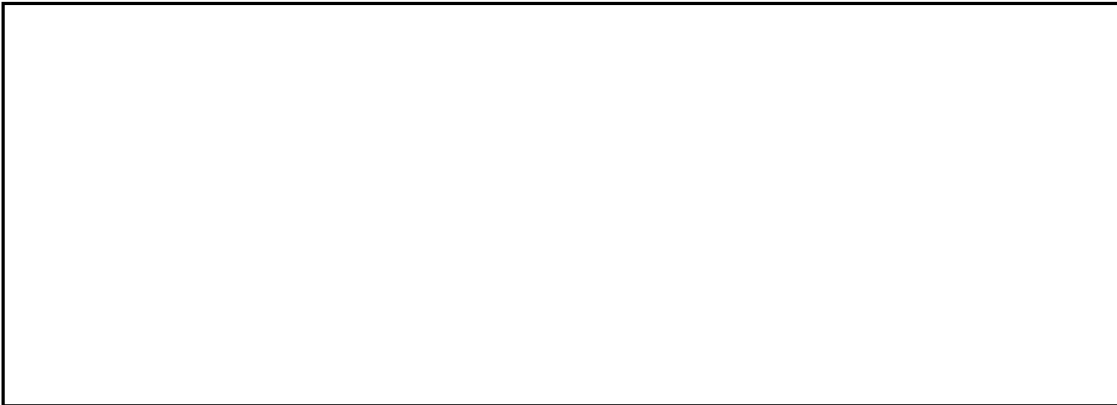
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VIETNAM

The tempo of military activity throughout South Vietnam has continued to taper off as Communist combat units maintained their generally nonaggressive stance in the face of allied operations against major infiltration and supply routes and base areas.

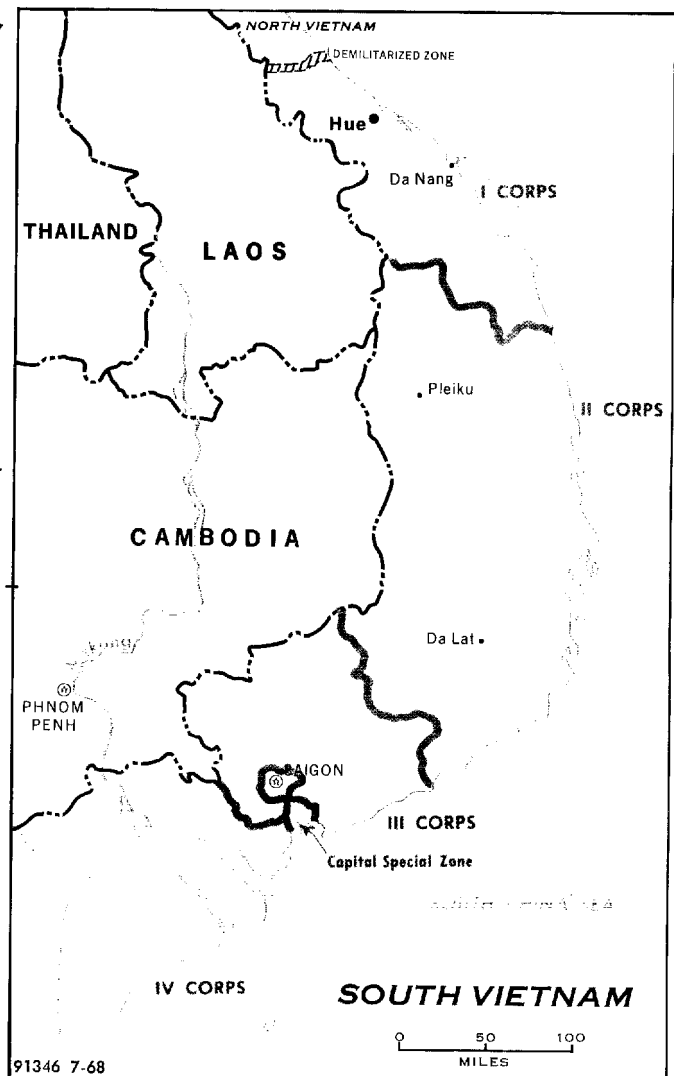
emptive actions. It now is estimated that this campaign has been postponed at least until the end of July or early August. Hanoi may already have issued preliminary directives outlining the next "general offensive."

There have been reports of a series of high-level meetings

The reduced pace was clearly apparent in last week's battle statistics. Allied casualties for the week ending 6 July were at the lowest point of the year, while the Communist loss of 961 troops killed in action was the lowest since the last week in January 1967. Communist-initiated incidents for the week also reflect the low level of ground action.

Despite the lull in offensive activities, there are numerous indications from a wide variety of sources that the Communists are preparing for renewed fighting. In I Corps, prisoner reports reveal that enemy units in the vicinity of Hue have been receiving replacements and supplies at a high rate and may soon be back up to full strength.

Despite continuing evidence that the Communists intend to mount a third campaign against Saigon, the enemy's timetable apparently has been disrupted by his failure to complete preparations as well as by allied pre-



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## FAR EAST

The continuing decline in the level of Communist-initiated military activity in South Vietnam was reflected last week in the lowest Allied casualties this year and the lowest Communist losses since January 1967. Communist commands reportedly are holding strategy conferences and indoctrination meetings throughout the South. In the past, such conferences have preceded major offensive actions. A variety of indicators point to Communist preparations for another round of attacks on Saigon in late July or early August.

North Vietnamese spokesmen so far have made no attempt to attribute political significance to this lull or to represent it as a de facto de-escalation in order to increase pressure for a complete cessation of US bombing. In the most recent session of the Paris talks, Xuan Thuy again emphasized that there can be no progress in the absence of an unconditional cessation of bombing. Hanoi's determination to keep the talks focused on this issue was apparent in Thuy's blunt refutation of references by American spokesmen to encouraging signs of progress.

In its first move against the new Communist-front Alliance of National, Democratic and Peace Forces, the Saigon government reportedly intends to try Alliance leaders in absentia for the capital crime of treason. This step follows a warning by Prime Minister Huong that individuals issuing "peace appeals" may be subject to arrest. These measures appear to reflect Saigon's concern over recent appeals by student, labor and Buddhist groups for an early end to the war and negotiations with the National Liberation Front. There is a growing tendency among influential South Vietnamese to view some accommodation with the Front as unavoidable. President Thieu's concern to check this trend was apparent in his renewed rejection of talks with the Front and his insistence that Saigon would deal only with Hanoi.

The outcome of the Japanese elections last weekend will strengthen Prime Minister Sato's position as Liberal Democratic Party leader and encourage him in his forthright advocacy of continuing the security treaty with the US beyond 1970. The opposition Japan Socialist Party suffered another sharp setback at the polls; its exploitation of recent incidents related to US bases in Japan had little impact on the electorate. [REDACTED]

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25X1 being held by various enemy commands. These meetings apparently include a major conference currently being held by the Central Office for South Vietnam, the senior Viet Cong authority, which is scheduled to last until 15 July, [redacted]

25X1 [redacted] and "concerns the Viet Cong military offensive." The Communists subregions which control enemy forces around Saigon are apparently now holding meetings to "reorient the cadre" and discuss forthcoming operations.

Little hard evidence is yet available on the content of these meetings. In the past, the Communists have made it a practice to conduct similar extensive conferences prior to major offensive campaigns. The meetings, however, could also reflect some subtle shift in enemy strategy to coincide with tactics at the Paris talks.

There is no evidence, however, that the low level of Communist military activity has political overtones. A North Vietnamese maneuver to use the lull as a device in the Paris talks cannot be ruled out, but the Communists have made no attempts to portray the military situation as significant. Vietnamese Communist propaganda maintains its normal picture of continuous Communist military pressure on all fronts. No spokes-

men or sources claiming to speak for the Communists have suggested that Hanoi might try some kind of de facto de-escalation.

#### Political Developments In South Vietnam

In addition to encouraging the establishment of a progovernment political organization, President Thieu also appears to be consolidating his support in the Lower House by promoting the formation of a bloc responsive to him. The new Democratic Progressive Bloc was officially recognized last week as the fifth Lower House bloc. It has reportedly received considerable financial assistance from Thieu, and will apparently look to the president for guidance.

With 22 members, the bloc ranks third among the five house groups. It expects to expand to approximately 30 by luring members away from other blocs, as it has already done with the majority of its present members. After completing recruitment, the Democratic Progressives hope to form a voting alliance with one or more of the other essentially progovernment blocs to give Thieu something approaching a working majority in the house.

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Meanwhile, in the wake of the launching last week of the progovernment front--the National Revolutionary Socialist Alliance--and of Thieu's call for a two-party system, groups in opposition to the government are beginning to organize. Almost simultaneous with the announcement of the Alliance, Hoa Hao notable Pham Ba Cam unveiled his Vietnam People's Force, which claims to be a loyal opposition group numbering in the hundreds of thousands. The party's stated aims are to contribute to the formation of a stable political structure by rallying nationalist ranks and

to work for the unification of "the whole national territory."

The militant Buddhists are also apparently getting into the act. A wing of the militants, apparently at odds with the extremist views of their leader Thich Tri Quang, has reportedly decided to form the Buddhist Socialist Bloc. The leader of this splinter group, Thich Thien Minh, apparently hopes that the new group will be looked on as part of the loyal opposition which, while not supporting, the government will back its anti-Communist fight.

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## JAPANESE ELECTIONS STRENGTHEN SATO'S LEADERSHIP

The outcome of the upper house elections on 7 July strengthened Prime Minister Sato's position as Liberal Democratic Party leader and dealt a sharp setback to the conservatives' main opposition party.

The Liberal Democrats lost two seats but retained their majority. The expected affiliation of a few conservative independents should further strengthen the party's position in the upper house. Barring a setback such as might be caused by a major political scandal prior to the party convention late this year, Sato is unlikely to encounter a serious challenge to his renomination as party president.

The election outcome will encourage Sato to pursue Japan's current domestic and foreign policies, including forthright advocacy of continuing the security treaty with the US beyond 1970. Sato now has more maneuvering room in dealing with issues such as Okinawa's return to Japanese control and the status of US bases in Japan.

The Japan Socialist Party's exploitation of recent incidents related to US bases had little

impact at the polls and the party suffered a sharp setback, its second reversal in 18 months. The Socialists not only lost five seats, but the party's share of the popular vote also decreased substantially compared with the upper house elections of 1965. This poor performance has tarnished the Socialists' image as Japan's leading opposition party and probably will lead to another struggle for control between the party's moderate and radical elements.

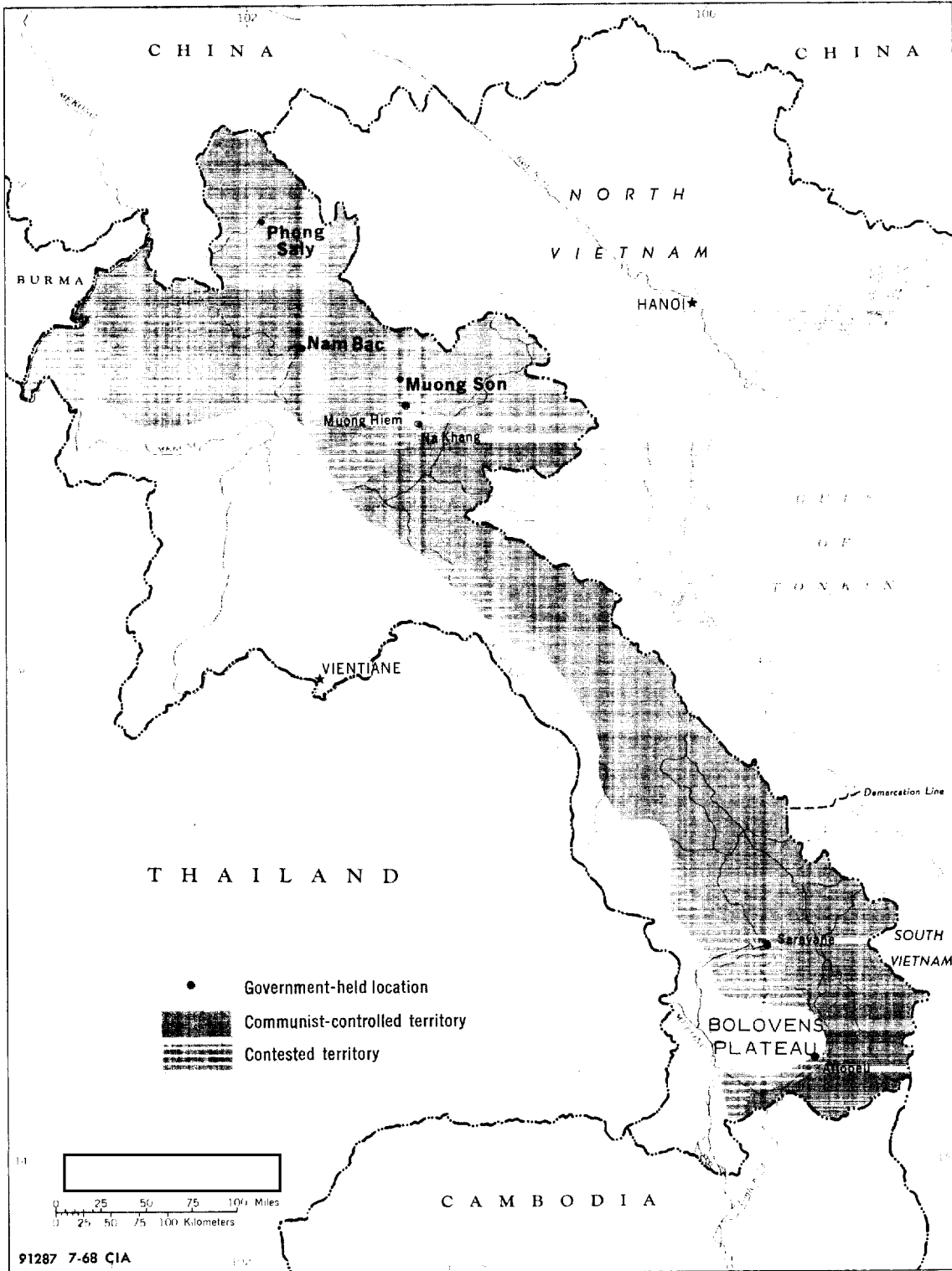
The Japan Communist Party gained three additional seats in the upper house, most probably as a result of the party's ability to maintain voting discipline for its limited number of candidates.

The elections also pointed up the continued viability of Japan's middle-of-the-road parties, Komeito and the Democratic Socialist Party, which gained eight seats, largely at the expense of the Japan Socialist Party. Their gains indicate the continuation of a "drift to the middle" in Japanese politics which was first clearly demonstrated in the lower house elections of January 1967. 25X1

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### LAOS: Current Situation



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## MILITARY ACTIVITY IN LAOS REMAINS LIGHT

The Communists have interrupted the rainy season lull with several small attacks over the past week, but there is no indication that a significantly higher level of fighting will soon occur.

In north Laos, Communist forces are intensifying a six-month-old clearing operation against government guerrilla units operating deep within enemy-controlled territory between Nam Bac and the North Vietnamese border. A guerrilla base some 30 miles southeast of Phong Saly was recently abandoned as a result of enemy pressure, and government forces are having difficulty holding other positions in the face of an estimated 3,000 enemy troops. The guerrillas have suffered heavy casualties, but their losses have been replaced by villagers alienated by enemy terrorism. Intensi-

fied air support is being used to give the guerrillas an opportunity to regroup.

Farther east, government forces have thus far encountered little opposition in an operation to recapture Muong Son, which was lost during the past dry season. The government hopes to install an air navigational facility at Muong Son and is watching closely to see how tenaciously the enemy will hold on to its dry season prizes this year.

There has apparently been no significant withdrawal of North Vietnamese forces from the Bolovens Plateau area, and the enemy may hope to take some government positions there as they did last year during July and August. [redacted]

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### PHILIPPINE-MALAYSIAN IMPASSE AROUSES REGIONAL CONCERN

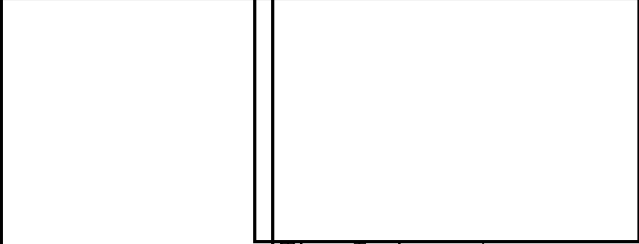
Lack of progress in the talks between Malaysia and the Philippines on the status of Sabah is causing growing concern among other Southeast Asian nations and Commonwealth governments about regional cooperation and security.

The Philippine Government continues to call for a settlement of its claim on Sabah by the International Court of Justice but Malaysia has rejected this approach, contending that the dispute is political and has no firm legal basis.

Both governments have expressed a cautious interest in the "good offices" of a third party. Malaysia, however, has indicated that it would only accept a mediator predisposed to confirm its sovereignty over Sabah. Future talks on a foreign minister or "summit" level have been suggested by the Philippines, but Malaysia maintains that such a meeting would be useless unless the present talks make some progress.

Other Southeast Asian nations as well as the UK, are seeking ways to ease the situation and

its threat to regional programs.



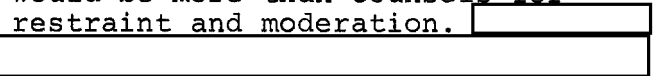
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The Indonesian Foreign Ministry has stimulated press articles reminding the partners of the disputants in the Association of Southeast Asian Nations--Indonesia, Thailand, and Singapore--of their "moral obligation" to offer collective mediation, solicited or not.

The UK is concerned that the dispute could result in a diplomatic break and even hostilities. A New Zealand spokesman has suggested the possibility of "corridor conversations" during the Asian and Pacific Council meeting as an appropriate method of exerting pressure. Australia's ambassador in Manila, moreover, has been instructed to encourage the Filipinos to ease tensions. It seems doubtful, however, that the Australian and New Zealand efforts would be more than counsels for restraint and moderation.

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## EUROPE

During Nasir's visit to Moscow this week, there were hints that the Russians may have pressed him to show greater flexibility in the Arab-Israeli dispute. Premier Kosygin is believed to be holding further discussions on this question with UN negotiator Jarring during Kosygin's current visit to Sweden.

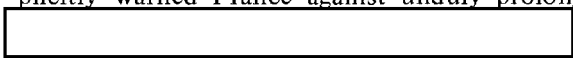
The USSR and its orthodox Eastern European allies raised their political and propaganda pressure on Prague. Soviet military units which were moved into Czechoslovakia under cover of the recently concluded Warsaw Pact exercise remained in position.

In Prague, party leader Dubcek gave further evidence that he is not prepared to curtail the activities of progressive elements in the party. These elements continued to consolidate their positions in preparation for the party congress scheduled for September.

In Poland, hard-line elements in the party significantly advanced their interests at a two-day party central committee meeting, further weakening Gomulka's leadership. Their most important gain was the appointment of hard-line Interior Minister Moczar to the party secretariat and to the politburo.

In France, newly appointed Prime Minister Maurice Couve de Murville, considered to be the "perfect reflection of De Gaulle's policy," has presented his cabinet. His predecessor, Georges Pompidou, was not appointed to a new job—an indication that De Gaulle probably disapproved of some of Pompidou's attitudes and actions during recent months.

A confrontation over France's emergency economic measures will take place in the Council of the European Communities next week, but there will probably be little immediate pressure for substantial change in Paris' position. This may come later. The Commission has already implicitly warned France against unduly prolonging its restrictive measures.



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## SOVIETS SET LIMITS ON DEALING WITH THE WEST

In three speeches last week, Brezhnev used strong language to warn his listeners at home and in the other Communist states to be vigilant against Western ideas. He reiterated the party's determination to hold the line against "ideological subversion" from the West, to guard the cohesion of the "socialist camp," and to maintain the Soviet Union's stature as a great power.

Brezhnev confirmed party approval of further negotiations with Western powers on arms limitations, but sternly warned against traffic with the "rotting, degenerating capitalist society" in the world of ideas. His equally stern warning against the dangers of "nationalism" seemed designed not only to maintain Soviet pressure against the Czechoslovak movement for "democratization" but also to ensure that the recently announced Soviet readiness to negotiate with the US on strategic missiles would not be misread by Eastern Europe as permission to seek agreements with the "capitalists" on other subjects.

The call for "vigilance" against "hostile bourgeois" ideas has been a staple in Soviet propaganda for several years. At the central committee plenum last April it emerged as a dominant theme--a latter-day replacement for Stalin's warnings of "capitalist encirclement"--

designed to raise a psychological barrier against the "enemy" without limiting the Soviet Union's freedom of action in any given situation. Its concept of two antagonistic worlds is characteristic of the generally tough foreign and domestic policy of the current leadership, and apparently represents the majority view in the 11-man coalition in the politburo. This concept does not, however, preclude the possibility of negotiation between the two worlds in areas which are judged to be of compelling importance to Soviet interests.

The obviously difficult decision to open talks with the US on strategic missiles was undoubtedly more palatable to some members of the politburo than to others, involving as it did a complex of political, economic, military and technical considerations, presumably too sensitive for public airing. In the end the decision was presented to the Soviet public as evidence of the Soviet Union's "peace-loving" foreign policy.

Brezhnev's subsequent reaffirmation of the vigilance theme was intended, however, to dispel any thoughts of a fundamental change in outlook. It also served to refocus public attention on the role of the party and its chief as the principal policy maker and defender of the system. [REDACTED]

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## FRENCH ECONOMIC CONTROLS REFLECT DESIRE FOR STABILITY

The monetary and fiscal measures as well as other economic controls now being imposed in France reflect President de Gaulle's strong desire to restore stability and avoid devaluation of the franc. Further measures will almost certainly be necessary as the economic results of the crisis become clearer and as plans for economic and social reform are elaborated.

The general strike virtually ended during the fourth week of June, although some 50,000 workers remained idle in scattered areas. Strike settlements brought wage increases that will average about 15 percent and boost household incomes by about \$3 billion. This is expected to induce an upsurge of consumer spending that may generate boom conditions and a rise of 7 to 8 percent in the price level for the year.

To combat inflation, the government has taken a number of steps; price guideposts were issued for industry and the Bank of France discount rate was increased from 3.5 to 5 percent. Supplementary budgetary expenditures of \$1.5 billion, however, have also been announced. These will be partly offset by higher tax revenues and cutbacks in expenditures, such as those for the nuclear forces. Larger budget deficits are nevertheless expected

and these will increase inflationary pressures.

To protect the balance of payments from an import boom, an export slump, and capital flight, the government has adopted severe exchange controls, import quotas, and export subsidies designed to keep export goods competitive. The temporary nature of these measures has been emphasized. Honoring a longer term commitment, France implemented on 1 July the final stage of tariff reductions under the Treaty of Rome, reducing all barriers to EEC imports and conforming to the EEC Common External Tariff (CXT) against all non-EEC countries.

France lost almost \$1.8 billion of its reserves as a result of operations to support the franc from 1 May to 2 July. On 2 July, French gold and foreign exchange reserves stood at \$5.2 billion--about 25 percent lower than the \$6.9 billion held before the crisis. Reserve losses are expected to continue in light of the balance of payments deficit of \$1 billion or more forecast for 1968. During the week of 8 July, the US Federal Reserve System and other major central banks pledged a total of \$1.3 billion in standby credits (so-called "swaps") to help support the franc in coming months.

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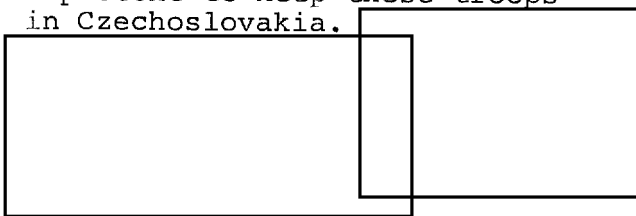
## CZECHOSLOVAKIA BESET BY FOREIGN AND DOMESTIC PROBLEMS

Even as it is fending off increasingly severe pressures from the Soviet Union and its orthodox allies, the Dubcek regime is beset by continuing intraparty factional struggle and by the resurgence of longstanding antagonism between Czechs and Slovaks.

Moscow has maintained its military pressure on Czechoslovakia by keeping in place the Soviet units moved in during the Warsaw Pact exercise. The size of these forces is unknown.

Moscow may be searching for a pretext to keep these troops in Czechoslovakia.

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The Czechoslovaks continue to maintain that Soviet units will leave the country, but apparently are having difficulty in getting them to do so. Defense Minister Dzur stated on 9 July that Prague was "negotiating" with the Warsaw Pact command about the withdrawal. On 11 July the government's press spokesman reported that the Pact command had empowered Prague to announce that "further military units" will "begin to withdraw as of 13 July." Even this statement, which is the most specific yet issued by Prague, begs the question when, or if, all the Soviet troops will depart.

Moscow capped off ten days of increased political pressure on Prague when Pravda cited the "2000 Words" appeal of Czechoslovak liberals as evidence of the "activization of right-wing and directly counterrevolutionary forces in Czechoslovakia." Pravda expressed confidence that the Czechoslovak party and working people would administer a "severe rebuff" to the alleged reactionary forces.

It seems clear, however, that the article was designed as a follow-up to a letter sent by Moscow to the Czechoslovak party which criticized the liberal appeal for the ouster of conservatives, again questioned whether the Dubcek leadership is in control, and issued a summons for another summit meeting. Moscow's like-minded allies--East Germany, Poland, Bulgaria, and Hungary--sent similar letters to Prague.

The Pravda article was preceded by three speeches within seven days by party leader Brezhnev designed, in part, to remind Prague that Soviet "tolerance" is not unlimited. On 3 July Brezhnev, pointedly referring to the "trials" of the Hungarians in 1956, warned that the USSR will help to put down any antisocialist threats.

The Czechoslovak party presidium met on 8 and 9 July to assess these letters, and, although offering to discuss issues bilaterally, rejected the idea of a summit meeting. The presidium

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added that any talks must be based on the principles of equality and sovereignty. Some Czechoslovak party officials, including party secretary Cisar, reacted more vehemently to the letters.

Apparently buoyed by the continuing Soviet pressure campaign, conservatives within the party have attempted to use the "2000 Words" appeal to discredit the liberal-moderate coalition. The latter, however, scored a victory last weekend as regional party conferences elected a substantial majority of Dubcek supporters to be delegates to the forthcoming party congress. A liberal Slovak, deputy premier Husak, has spoken out urging that conservatives be ousted from the Slovak party leadership.

The Dubcek regime has not yet won a complete victory over the conservatives, however, and the factional strife is likely to continue through the summer. The intensity of this struggle was indicated by an article in the writers journal on 4 July which referred to an open "attempt" at a reactionary coup, and implied that party secretary Indra, a conservative spokesman, was involved.

Prague, meanwhile, still has not drawn up a detailed program for either the procurement or use of Western aid. The Czechoslovaks have approached the West for both hard-currency loans to finance consumer goods and long-term credits to buy advanced Western equipment and technology. Discussions have centered on an immediate need for \$400-500 million. A good portion of this sum is likely to be used to forestall a drop in living standards, which, without outside help, could come in the initial stages of proposed economic reforms.

Rome is prepared to expand significantly the \$20 million already extended in short-term credits, while Paris has remained non-committal. The Czechoslovaks are also engaged in talks with West German financial officials, and various West German schemes for helping Prague appear to be under consideration. At present, these schemes center on private loans, presumably government-guaranteed.

The Czechoslovaks are trying also to obtain aid from the USSR. Moscow reportedly already has agreed to provide additional grain this year, and the Soviets continue to hold out the hope of a loan to Prague.

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## HARD LINERS GAIN IN POLISH PARTY LEADERSHIP

Shifts in the top party leadership announced at the end of a two-day central committee plenum on 9 July indicate significant but not yet decisive gains for the hard-line opponents of party leader Gomulka.

The appointment of Interior Minister Moczar, the leader of the nationalistic, hard-line faction, to the party secretariat and to the junior policy-making position of candidate politburo member, gives him a

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long-sought position within the top leadership. The promotion of former candidate politburo member Jaszczuk to full, i.e. voting, politburo membership nonetheless maintains the pro-Gomulka majority in the party's policy-making body.

Most important for Moczar is the fact that he replaces the retiring party secretary in charge of security, Wladyslaw Wicha, who, like his successor, moved to the secretariat from the Interior Ministry. As Gomulka's trusted lieutenant, Wicha was charged primarily with keeping an eye on the ambitious Moczar. Moczar probably will assume Wicha's security functions, but because party secretaries customarily are not members of the government, he may soon relinquish his post as interior minister. This and other possible shifts in the government may be announced at a parliamentary session reportedly scheduled for 15 July.

Gomulka's politburo aides strongly supported his efforts to call off the anti-Semitic propaganda campaign and to review some of the recent purges. Politburo member Kliszko's remarks in this regard were echoed by several of the central committee members who had already been ousted from their government and academic positions.

Although Gomulka was able to prevent the resignations of approximately a dozen central committee members under fire from the hard liners, he did not have

his usual control over the plenum. His supporters openly clashed with the leaders of middle echelon party organizations where Moczar's support is the strongest.

The plenum did not conclusively resolve the factional struggle, consequently there will be intense campaigning for delegates to the forthcoming party congress. The congress, which was set for 11 November, will elect a new central committee, which in turn will choose a new leadership.

The full impact of Moczar's gains on Gomulka's power position within the party cannot yet be precisely defined, but the psychological effect on the party's rank and file, especially its Jewish segment, probably will be significant. Gomulka spoke at the plenum, but his remarks have not been made public, and this may be another sign of his weakness.

In the long run, the failure of the plenum to address itself to the demands for reform from the party's younger, better educated members may prove to be both Moczar's and Gomulka's Achilles heel. Except for politburo member Gierek, who for the time being is supporting Gomulka, no speaker raised such problems, suggesting that no lessons were learned from the March riots of youth and students. The demands of Polish youth, however, are basic, and will probably have an impact on the course of the party congress.

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## MIDDLE EAST - AFRICA

UN emissary Gunnar Jarring has been probing Arab-Israeli differences on substantive issues during talks he has had in the last two weeks in Europe with foreign ministers Riad of Egypt, Al Rifa'i of Jordan, Eban of Israel, and with Kosygin and Gromyko of the USSR. The Soviets have encouraged Jarring to draw up concrete proposals for submission to each side as a means of finding areas of potential accommodation. The Jarring mission undoubtedly was the primary topic of President Nasir's talks in Moscow this week but the results of his short visit are still obscure.

The Jordan-Israel frontier area has been relatively quiet, but along the Suez Canal the most serious clash in months occurred on 8 July, culminating in the Israeli shelling of an Egyptian town.

The Greek Government finally published its version of the proposed constitution this week, apparently only after considerable cabinet debate. Early indications suggest that both royal and parliamentary prerogatives have been limited; further revisions may occur before the promised September referendum.

Tunisian President Bourguiba is visiting Bulgaria, a major Communist aid donor to Tunisia, and Rumania to balance his recent trip to Canada, the United States and Spain. Bourguiba's last stop on his tour will be Turkey, which may contribute some military assistance.

In the Persian Gulf area, the members of the embryonic Federation of Arab Emirates have agreed on the first steps toward creating a working government.

Tribal disturbances of rather serious proportions have reportedly erupted in West Pakistan near the Afghan border, and the authorities have moved in troops to restore order.

The Indians are reacting with alarm to the reported Soviet decision to sell arms to Pakistan. Mrs. Gandhi has described the development as "fraught with danger," and is protesting to Moscow.

With increased world attention focusing on the plight of the Biafran populace and cease-fire prospects as dim as ever, the Nigerian Government may seek to shorten the war by increasing the tempo of its military operations against the secessionist forces. [REDACTED]

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### SOVIET NAVAL FORCE TOURS INDIAN OCEAN

The small Soviet naval force making a good-will tour in the Indian Ocean reportedly is scheduled to start home late this week after a port call in Ceylon. The force--a light cruiser, a guided missile frigate, and an oiler--made port calls in eight countries.

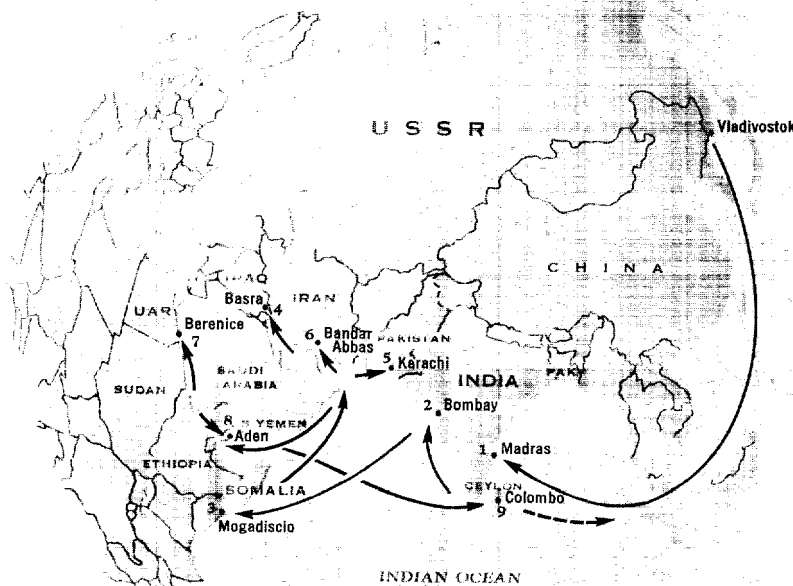
When the ships left Vladivostok in mid-March, their sole announced mission was a courtesy visit to India. After visiting Madras and Bombay, however, the force continued on an extemporaneous tour of South Asia, Africa, and the Middle East. No country

is known to have refused a visit by the Soviets. Some of the nations visited, such as Pakistan, did not welcome the Soviet ships but did approve their calls to demonstrate neutrality.

The Indian Ocean tour, the first such cruise in the area, appears to be part of the general expansion of operations by the Soviet Navy over the past year or two. There are no indications that the Soviets are planning to maintain a permanent naval presence in the Indian Ocean, but a good-will tour could become a regular feature.

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Soviet Naval Visits in Indian Ocean



Ports are numbered in the order visited.

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## NASIR COMPLETES EXTENDED VISIT TO MOSCOW

Nasir's talks in Moscow from 4 through 10 July--his first visit to the Soviet Union since 1965--apparently dealt with Soviet military aid as well as the Arab-Israeli impasse, but as yet there is no clear picture of the results.

The USSR undoubtedly used the occasion to prompt Cairo to loosen the Gordian knot in the Middle East. The early phase of the talks reportedly focused on UN emissary Jarring's mission. The Soviets have favored increased Arab cooperation with Jarring, probably to the extent of indirect talks with Israel, and they previously have fended off Arab efforts to return the issue to the Security Council.

The USSR, in Pravda's own words, gave President Nasir a "particularly warm and hearty reception," probably going to great lengths to convince him that Egypt remains the keystone of Soviet policies in the Middle East. Moscow is still trying to get Arab progressive elements to

rally around Nasir's leadership. Soviet leaders would especially like to draw Egypt and Syria closer together and end Damascus' postwar isolation.

There is no indication, however, that the plaudits for Nasir were accompanied by new military and economic aid agreements. The Egyptian delegation did not include a senior-level economic official, and further arms discussions may occur if Soviet Defense Minister Grechko stops in Cairo during his trip to Algiers later this month. Also, a Cairo news agency reported that Chief of Staff Riyadh will remain in Moscow after Nasir's departure to continue his talks with Grechko.

The fact that Nasir's visit was longer than originally planned suggests that differences may have arisen. Nasir undoubtedly also unburdened himself to Tito on the question of an accommodation with Israel during Nasir's subsequent stopover in Yugoslavia. 25X1

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## YEAR-OLD NIGERIAN CIVIL WAR DRAGS ON

After a year of hard-fought operations, federal military forces dispatched to put down the secessionist Ibo tribe of eastern Nigeria have occupied about two thirds of Biafra. Lagos, regardless of international pressures for an early cease-fire, is determined to prosecute the war until the Ibos renounce secession. The Ibos, who view the war as a struggle for survival, are still fighting doggedly on, in spite of dwindling military supplies and spreading famine and disease.

Federal military strategy has been to try to avoid a direct invasion of the densely populated Ibo heartland. As the Ibos show no sign of giving up, however, General Gowon appears to be more inclined to heed the pleas of field commanders for the complete occupation of the East Central State. This would be a long and costly operation, and could well ensure the permanent alienation of all Ibos from the Nigerian federation.

Federal military forces in the southern sector are slowly occupying the rest of Rivers State against increasing opposition. To the east of Port Harcourt, some of the worst devastation of the war is reportedly taking place as the two sides chase each other back and forth over the same terrain. Some federal reinforcements have been transported to

the overextended division in this area.

In the northern sector, federal troops have taken Awgu and have driven within a few miles of Nnewi, birthplace of Biafran leader Ojukwu. A major objective is the improvised rebel airstrip near Ihiala, and another brigade is being brought in to assist this operation. Federal progress in this area is impeded by Biafran elements infiltrating across the Niger River into the Mid-Western State, where they are harassing supply lines along the roads leading to Asaba, as well as limiting use of the river.

Biafra is keeping small quantities of arms and ammunition flowing to its troops via its tenuous air link to Portugal. On 30 June one aircraft regularly used on this route crashed on landing while transferring Red Cross relief supplies from Fernando Po Island.

Major Western relief agencies, led by the International Committee of the Red Cross, are mounting sizable efforts to bring food and medicines to the war-torn areas and to the impacted Ibo population. The Biafrans, however, are insisting that all relief supplies be brought directly by air rather than overland through federally held territory. The rising incidence

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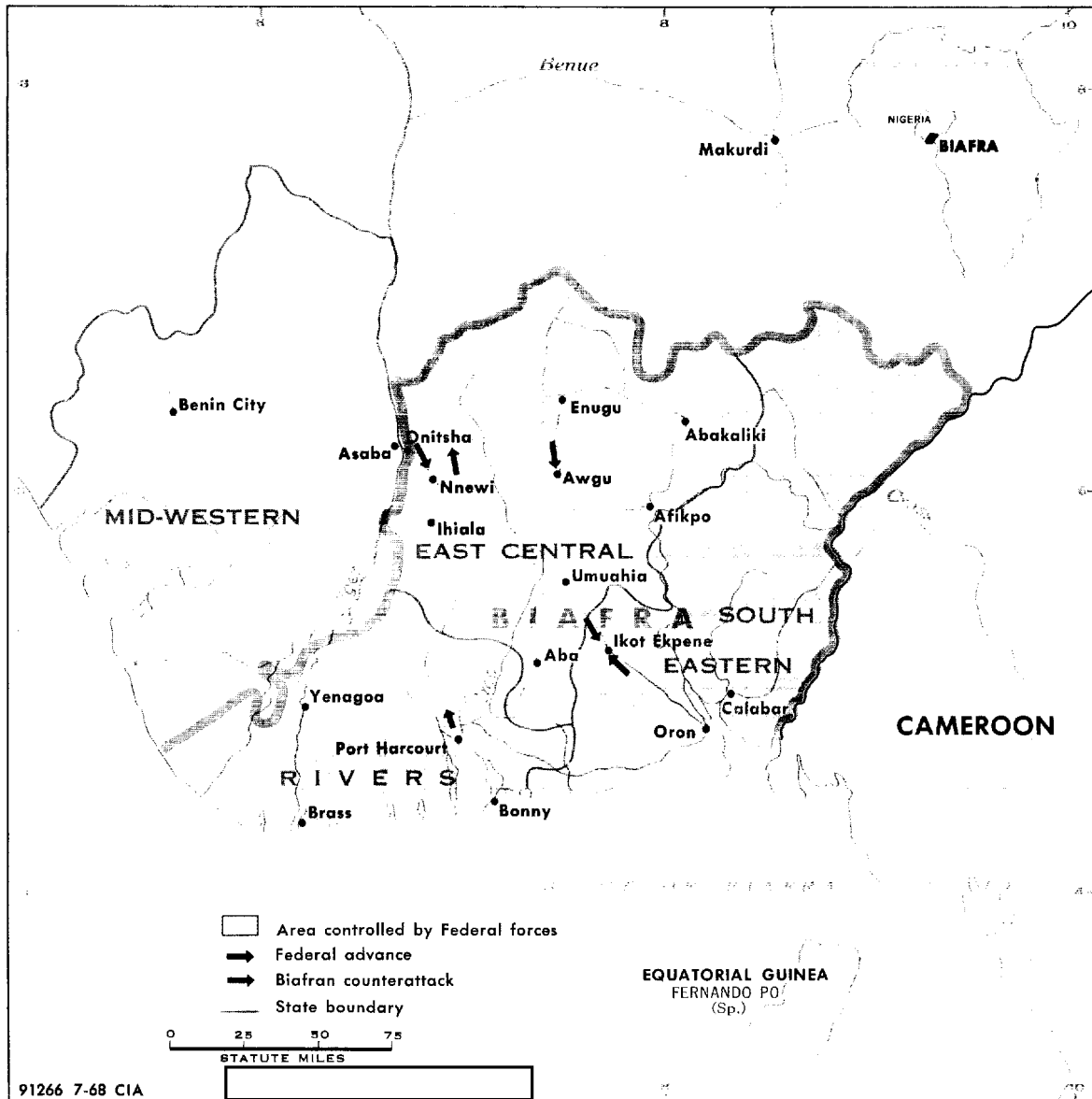
of malnutrition, famine, and disease, especially among several hundred thousand refugees, probably now requires a larger scale relief effort than can be provided by air.

While British and Commonwealth officials continue to try to bring the Nigerian combatants

together for new peace talks, the Organization of African Unity has also turned its attention to the problem again. Its long dormant Nigerian Consultative Committee now is scheduled to meet in Niamey, Niger, on 15 July, but this group is unlikely to influence either side in the civil war.

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### Nigeria: Status of Federal Advance Into Biafra



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## WESTERN HEMISPHERE

The Central American summit meeting in El Salvador last weekend highlighted events in the hemisphere.

The Central American Common Market, the principal topic of the conference, appears to have been strengthened somewhat, and President Johnson's attendance served to emphasize the importance of continued efforts to make it a permanent working arrangement.

News media in the five republics gave extensive and largely favorable coverage to the meeting, but Moscow, Peking, and Havana, were sharply critical, saying that the Common Market was a means of "plundering the people," and that President Johnson's trip was aimed only at salvaging it from bankruptcy.

Elections are still making news in several countries. In Chile, President Frei's Christian Democratic Party won an impressive victory in a congressional by-election on 7 July. Although the results cannot be extrapolated into a national trend, the victory will provide the Christian Democrats with a strong psychological stimulus as they prepare for the national congressional elections next March. The defeat of the leftist candidate indicates that the Communists' goal of a broad leftist coalition is still some way from realization.



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In Ecuador, President-elect Jose Maria Velasco has still not been proclaimed the official winner in the elections of 2 June. Velasco believes that the major obstacles to certification of his victory have been overcome, but he is still threatening "civil war" if anything goes wrong.

Student demonstrations in Brazil and Argentina, and labor protests in Uruguay have subsided, but the threat of further violence has preoccupied government leaders. The Brazilian military is increasingly dissatisfied with the president's handling of student and other problems. In Argentina, the government has made it clear it will not tolerate disorder. The chiefs of the Uruguayan armed forces reportedly are pressing for more stringent controls on Communists.



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## CENTRAL AMERICAN SUMMIT IMPROVES AREA OUTLOOK

Last weekend's Central American summit meeting in El Salvador was a great help to Central American integration efforts.

The Central American Common Market (CACM), the principal topic at the conference, appears to have been strengthened. An export-induced economic slowdown that began in 1966 has impeded progress toward integration. The new attitude that the CACM must be a permanent working arrangement came about when the five presidents agreed to push for quick ratification of a 30-percent tariff surcharge on imports from outside the area.

This surcharge, designed to ease the area's balance of payments problem, was not to have been applied by any of the member countries until ratified by at least three legislatures. Nicaraguan President Somoza, however, imposed it unilaterally and threatened to destroy the five-nation market if the other countries did not quickly follow suit.

When the meeting was called Somoza altered his stand, reportedly stating that Nicaragua's interests were the same as those of the other Central American countries. The Guatemalan and Honduran legislatures are apparently on the verge of ratifying the surcharge.

Relations between El Salvador and Honduras were normalized on the eve of the meeting when the

two presidents announced an exchange of prisoners taken in last year's border clashes. The dispute over the prisoners had marred relations between the two countries and impeded final settlement of the long-standing border problem. It will probably be some time, however, before a border is officially delineated in the disputed territory. Further progress depends on a joint Salvadoran-Honduran commission established early this year to study the problem and mark the border.

News media in the five republics have given extensive and largely favorable coverage to the San Salvador meeting, which has been acclaimed a great success. In Guatemala, the legislature reflected public opinion with a congressional resolution expressing satisfaction with the results of the summit. Dailies bantered the regional unity theme and the impetus given the Common Market by President Johnson's visit. Costa Rican President Trejos, however, stated that declarations are only words and it remains to be seen whether the problems of economic integration can be overcome.

Cooperation is likely to improve as a result of the conference, even though a basic distrust between some of the presidents probably remains. Future problems may be handled with more cordiality and there are plans afoot to continue presidential meetings at regular intervals.

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## A TIME OF TESTING IN BRAZIL

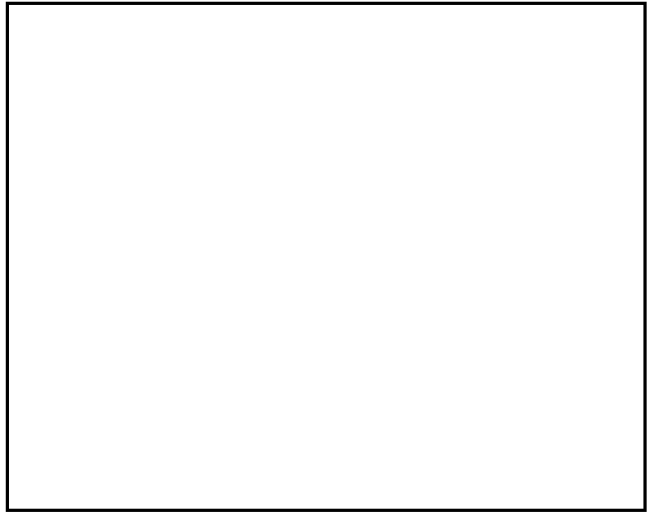
Student demonstrations have subsided, but the basic issues remain and military leaders are still not happy about President Costa e Silva's failure to deal with political turbulence. He has so far avoided harsh repressive measures but there is an increasing possibility that he will have to bow to "hard-line" demands.

The administration has imposed a ban on demonstrations for an indefinite period, but since few are scheduled during the present vacation period, the move appears to be mainly a sop to "hard-line" military men. It could boomerang, however, and lead to further violence if students decide it is just one more item in their long list of grievances.

Demonstrations on 2, 3, and 4 July in Recife, Sao Paulo, and Rio de Janeiro failed to attract as much nonstudent support as had earlier protests. Leftist extremists harangued the crowds, stressing principally antigovernment themes. The US came in for its share of the tongue-lashings, and two US flags were burned.

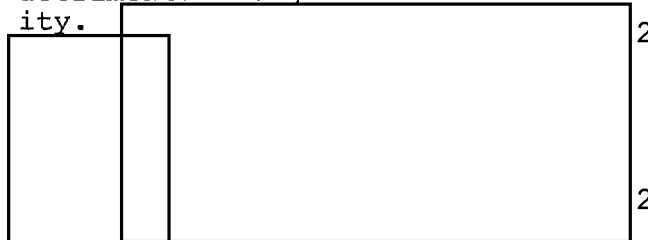
Urban terrorists are continuing their activities in Sao Paulo. Early on 7 July five bombs damaged railway facilities and severed an oil pipeline. Authorities have not yet identified the group responsible, but suspect that dissident Communist leader Carlos Marighella may be involved. More trouble seems to be in prospect following the re-

cent theft of nearly 1,000 pounds of dynamite from a rock quarry.



The next few weeks will be a time of testing for the present administration. Costa e Silva may take advantage of the vacation period to implement some of the educational reforms demanded by students. If progress is not evident soon, however, new demonstrations are likely. They would no doubt be accompanied by heightened discontent and stepped up military pressure, both of which would be detrimental to government stability.

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The President held a meeting of his National Security Council on 11 July to discuss student disturbances, urban terrorism, and "counterrevolutionary trends."

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## URUGUAYAN GOVERNMENT STANDS FIRM

President Pacheco is making the first real effort in many years to control spiraling inflation.

Operating under the limited state of siege that began on 13 June, he has imposed economic sanctions on several businesses that defied his emergency decree freezing prices and wages. Pacheco's choice of targets, which included high mark-up credit outlets, appears calculated to gain the support of the general public. He still lacks formal legislative approval for his emergency security measures, but he apparently has the tacit support of the majority of congressmen, including several leaders of the opposition Blanco party.

Communist leaders are again fearful that their party may be outlawed.

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Several minor labor disturbances have occurred this week and the embassy reports that the Communist-controlled labor confederation has planned for an "undeclared" general strike to begin about midday on 11 July.

The government has given no indication that it plans to lift the limited state of siege, but Pacheco will probably make some wage adjustments within the context of his tough policy line.

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