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DIRECTORATE OF
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WEEKLY SUMMARY

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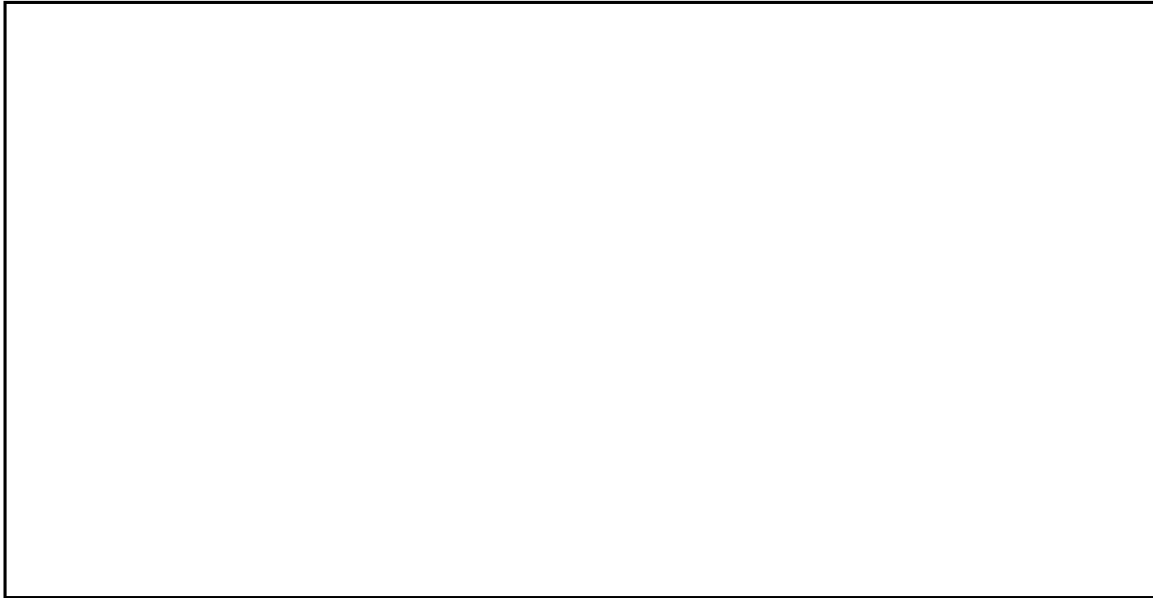
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EUROPE

The Soviet Union maintained extreme pressure this week on the Dubcek regime in Czechoslovakia in its effort to induce Prague to turn aside from the liberal path it has chosen. By the end of the week, there was no official word on the unprecedented top-level meeting of the politburos of the two countries beyond the announcement that such a meeting would be held on Czechoslovak soil.

Some Soviet forces remained in Czechoslovakia, and Soviet units in the western USSR began what appeared to be a large-scale exercise. The exchange of propaganda blows between the two capitals continued without respite.

Except for East Germany, no Eastern European country appeared willing to stomach actual Soviet military intervention, and Poland and Hungary apparently are adamantly opposed, as are most Western European parties.



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PRAGUE AND MOSCOW EDGE TOWARD SUMMIT MEETING

The Soviets intensified their political pressure on Prague this week, as Czechoslovak and Soviet leaders prepared to confront one another directly. Although Moscow agreed to the Dubcek regime's proposal to hold bilateral discussions on Czechoslovak soil, there was little information as of 25 July on when the meeting would take place or on the composition of the delegations.

TASS announced on 22 July that the Soviet politburo had agreed to the bilateral meeting, "having in mind" that the entire ruling bodies of both parties would attend. The Czechoslovak presidium quickly acknowledged the TASS statement, but said nothing as to the specific place and time of the meeting. Czechoslovak officials stated that these details were being negotiated.

Prague has yet to announce officially that its entire 11-member presidium would meet the Soviet politburo, and the composition of the delegations may be another detail being negotiated. The Soviets are pressing to have the entire Czechoslovak presidium included, presumably because they believe that one or more of the Czechoslovaks will waver in the face of Soviet pressure.

Various factions are represented in the Czechoslovak presidium, and some members reportedly favored the Soviet - Eastern European summons to attend the summit meeting in Warsaw on 14-15 July. They eventually acquiesced in the final decision not to go, however,

and since then the nationwide support given to the leadership has strengthened party leader Dubcek's position. Although Dubcek presumably would prefer that a smaller group of his most trusted supporters represent Czechoslovakia, he may relent on this point in the expectation that the Czech ranks can be held together. Moscow's heavy-handed use of military pressure seems to be helping unite the Czechoslovaks and their leadership.

The steadily mounting Soviet pressure indicates that Moscow probably will restate the demands made on Prague in the joint letter sent by the Warsaw conferees, and will seek tangible Czechoslovak concessions. Partly for domestic political reasons, however, Prague cannot afford to give much ground.

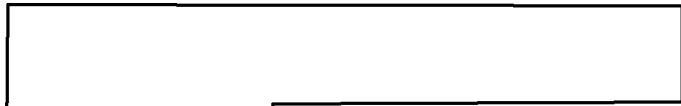
In an effort to bolster the position of its politburo in the confrontation with the Czechoslovak leadership, Moscow announced on 23 July that a large Rear Services exercise was taking place in most of the western USSR. Along with this saber rattling, the Soviets stepped up their propaganda against Prague, broadening their blacklist of Czechoslovak officials in the process. Earlier, several editorials in Pravda and Izvestia and a statement by President Podgorny had clearly expressed the USSR's disenchantment with the situation in Czechoslovakia.



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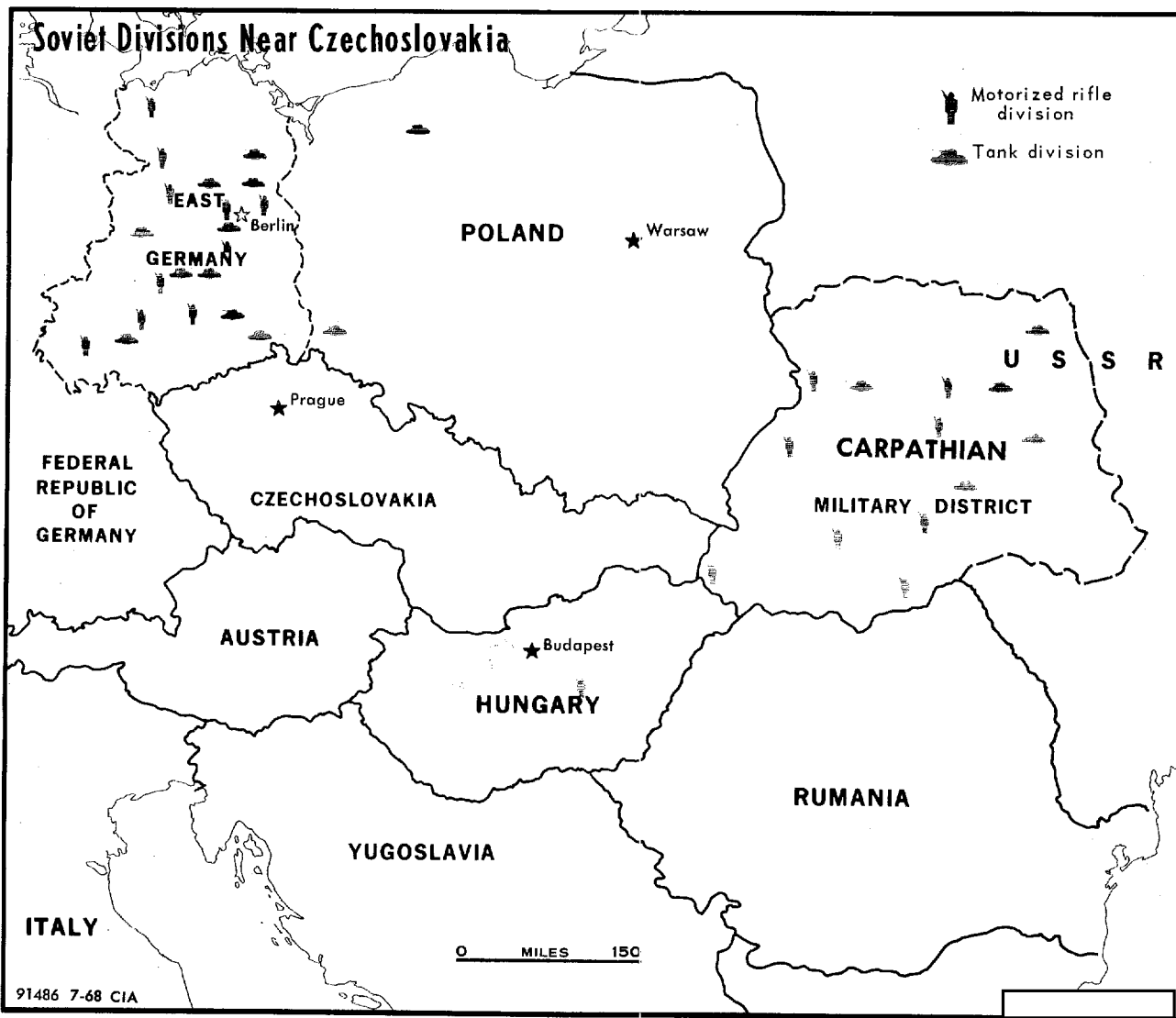
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A statement by the commander of the Czechoslovak border guards defending Prague's ability and willingness to protect its borders suggests that the Czechoslovaks are alert to a possible attempt by Moscow to justify a demand for stationing some of its troops in Czechoslovakia.

Despite Moscow's pressure tactics, Prague has maintained its resolute stance. A central committee meeting on 19 July unanimously acclaimed the presidium's reply of 18 July to the Warsaw conferees. Dubcek restated at the meeting that the party is "resolved" not to depart from the path it charted in January. He again asserted that if the party were to reverse its course, socialism in Czechoslovakia and the



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"international Communist movement" would be discredited. As he had on earlier occasions, Dubcek called on the Czechoslovak news media to exercise voluntary self-restraint, but offered no essential concessions in the face of the Soviet demand for a severe crackdown. The presidium's stand has received widespread and continuing support from the Czechoslovak public as well as from government and party organizations.

Only Poland, East Germany, and Bulgaria have backed the USSR. Of these, the East Germans led the way in launching vicious propaganda attacks against Prague. Indeed, 25X1 with the exception of East Germany, no Eastern European country appears to favor Soviet military intervention in Czechoslovakia.

Yugoslav and Rumanian diplomats are planting seeds of optimism in Eastern Europe, suggesting that in their view Soviet military intervention is unlikely. The Yugoslavs

and Rumanians are, however, anticipating a continuation of psychological pressures on the Dubcek leadership.

At a reception in Prague on 22 July, Czechoslovak military officials told the US Army attaché that the Soviets had moved 15-16,000 troops into Czechoslovakia for the recent Pact exercise and that 5-6,000 were still in the country but would be withdrawn by 25 July. On 24 July, however, a Czechoslovak party spokesman confirmed the continued presence of some Soviet troops. The spokesman said "small units" would remain in Czechoslovakia until the issuance of a communiqué.

The large-scale Rear Services exercise in the western USSR includes units in the Carpathian Military District adjacent to Czechoslovakia. US military attaché observations in the Moscow area on 23 July indicate that some Rear Services exercise-associated activity is under way in that area. At least one other large Rear Service exercise of this type took place in the Soviet Union in 1961. The exercise reportedly is to end on 10 August.

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USSR ENTERS WEST EUROPE'S NATURAL GAS MARKET

The first contract for delivery of Soviet natural gas by pipeline to Western Europe has been concluded with Austria. Signed on 1 June, the agreement will lead to greatly increased trade between the two countries. Price differences have stalled current Soviet negotiations with Italy, however, regarding the sale of gas via a projected 5,000-kilometer large-diameter pipeline from western Siberia through Austria to Trieste.

The agreement with Austria provides for the delivery of gas via Czechoslovakia to Austria for 23 years. Austria completed a short connection pipeline to Czechoslovakia last spring. Up to 300 million cubic meters of gas will be shipped in the last quarter of 1968, increasing to over 1 billion cubic meters in 1970, and eventually reaching 1.5 billion cubic meters annually.

Austria also agreed to extend a \$115 million credit to the USSR to cover Soviet purchases over the next two years of 520,000 tons of 40- and 48-inch steel pipe, as well as \$15 million worth of other equipment, to be used in construction of a pipe-

line to extend from western Siberia to the industrial center of European Russia. Austria's national steel works, Voest, will be the prime contractor for the steel pipe, but about \$60 million of the credit will be allocated to several West German firms for procurement and fabrication of steel pipe. Soviet repayment will be in natural gas deliveries to Austria over the next seven years.

Current Soviet-Italian negotiations on natural gas deliveries are stalled over price differences. Competition in the European gas market has intensified greatly because new sources of supply are expanding faster than demand in Western Europe. The Italian state-owned oil and gas agency, ENI, has announced the discovery of two offshore natural gas deposits in the North Adriatic Sea, which will strengthen Italy's bargaining position with the USSR. A recent UK agreement to lower the price of natural gas from the North Sea has created downward pressure on all prices being discussed in current European negotiations. 25X1

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FAR EAST

Hanoi chose to downplay the significance of the Honolulu meeting of the US and South Vietnamese presidents, describing it in effect as a tiresome exercise President Johnson felt compelled to suffer through in order to shore up the Saigon government. The Communists professed to see no signs of any new initiatives flowing from the conference and implied that in any event, the crucial decisions would be made unilaterally in Washington.

For his part, President Thieu could point to promises of expanded US material support and a meeting of minds on military and political strategy. On his return to Saigon, Thieu gave a hard-hitting television address that sought to define further the limits within which the peace issue could be safely discussed in the South Vietnamese political community. He again ruled out any coalition government with the National Liberation Front but repeated a willingness expressed at Honolulu to permit enemy combatants to re-enter the country's political life so long as they eschewed violence and denounced Communism.

The Vietnamese Communists passed a major milestone in their slowly unfolding campaign to develop the concept of a "third force" as a bridge between the Front and acceptable elements of the Saigon regime. An authoritative Foreign Ministry memorandum last week reformulated point three of Hanoi's four-point basis for a settlement in such a way as no longer to require that the internal affairs of the South Vietnamese be settled "in accordance with the program" of the National Liberation Front. Under the new interpretation, point three merely "affirms the South Vietnamese people's right to self-determination in their internal affairs." As if to emphasize the shift, Ho Chi Minh gave special prominence to the new front organization, the Alliance of National, Democratic, and Peace Forces, in his otherwise routine annual statement in observance of the anniversary of the Geneva Accords.

Despite a slight upsurge, mainly in the form of rocket and mortar attacks, Communist-initiated activity remained at considerably less than normal levels for the sixth straight week.

The split between Malaysia and the Philippines is widening. Although neither side apparently intends to force a break in relations, edginess on both sides could lead to serious incidents.

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VIETNAM

Commentary out of Hanoi and hints circulated through third parties suggest that the Communists may be trying to create an impression of restraint through reduced military activity and intimations of flexibility on the key issues of a settlement.

Hanoi, for example, chose to soft-pedal its reaction to the Honolulu conference in a notably low-keyed article in the party paper Nhan Dan on 22 July. The article sought to play down the significance of the conference by noting that questions of war and peace will be decided--by implication unilaterally--in Washington and not jointly with the South Vietnamese. Nhan Dan treated the conference as a tedious ritual required of President Johnson in order to shore up the Saigon government and to "force his new decisions" on President Thieu. There was little effort to play up the conference as a sign of new US "escalation." On the contrary, the paper noted that the conference "failed to produce any novelty" or new policies.

The North Vietnamese Foreign Ministry issued a memorandum on 17 July formally signaling a significant policy change toward

which Hanoi has been moving for several months. In a new interpretation of point three of the Four Points that North Vietnam has long said should be the basis for a settlement, the memorandum stated that it "affirms the South Vietnamese people's right to self-determination in their internal affairs." In previous official versions of the Four Points, point three had called for settlement of South Vietnam's internal affairs "in accordance with the program" of the National Liberation Front. Elsewhere in the memorandum, it was affirmed that the Four Points remain the "basis for a correct political solution" and that they conform to the "spirit" of the Front's political program.

For several months, the Communists have been muting their former insistence that the Front is the "sole genuine representative of the South Vietnamese people." At the same time they have been developing the concept embodied in the new peace Alliance of a "third force," which would serve as a bridge between Communist and non-Communist elements in South Vietnam.

The concept of a "third force" now appears to be a fundamental part of the Vietnamese Communist

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strategy for a settlement. Plans for applying the concept are being kept deliberately vague, however. Such vague hints fit a growing pattern suggesting the Communists are angling for a political voice in South Vietnam via the Alliance concept, if not via the Alliance itself. There is no evidence that the Communists are changing their basic position of categorically refusing to deal with the so-called "Thieu-Ky clique," but their evolving tactics suggest they may be more flexible on this key issue than indicated by their outward position.

Political Developments
In Saigon

In the past week or so, two groups in Saigon have issued peace proposals that appeared to have at least a measure of government sanction. On 17 July, the Vietnamese Confederation of Labor held a press conference, attended by Labor Ministry officials, at which the labor organizations' president, Tran Quoc Buu, outlined a peace program. According to Buu's formula, the government must play the role of a "leading partner" in peace talks, which must ensure that North Vietnam stops all warlike acts and that the National Liberation Front and other Communist fronts disband. The 17th parallel must be accepted as a provisional demarcation line, and the UN should oversee the withdrawal of North Vietnamese and allied troops from the South.

Buu's plan would allow both North and South Vietnam to retain their present forms of government, but the UN would ensure that there was a "free interchange" of people between the two zones. As a final step, Buu's program calls for a UN-controlled referendum, to be held "under favorable and practical conditions," in order that the Vietnamese people can "choose for themselves a form of government" and unify the country.

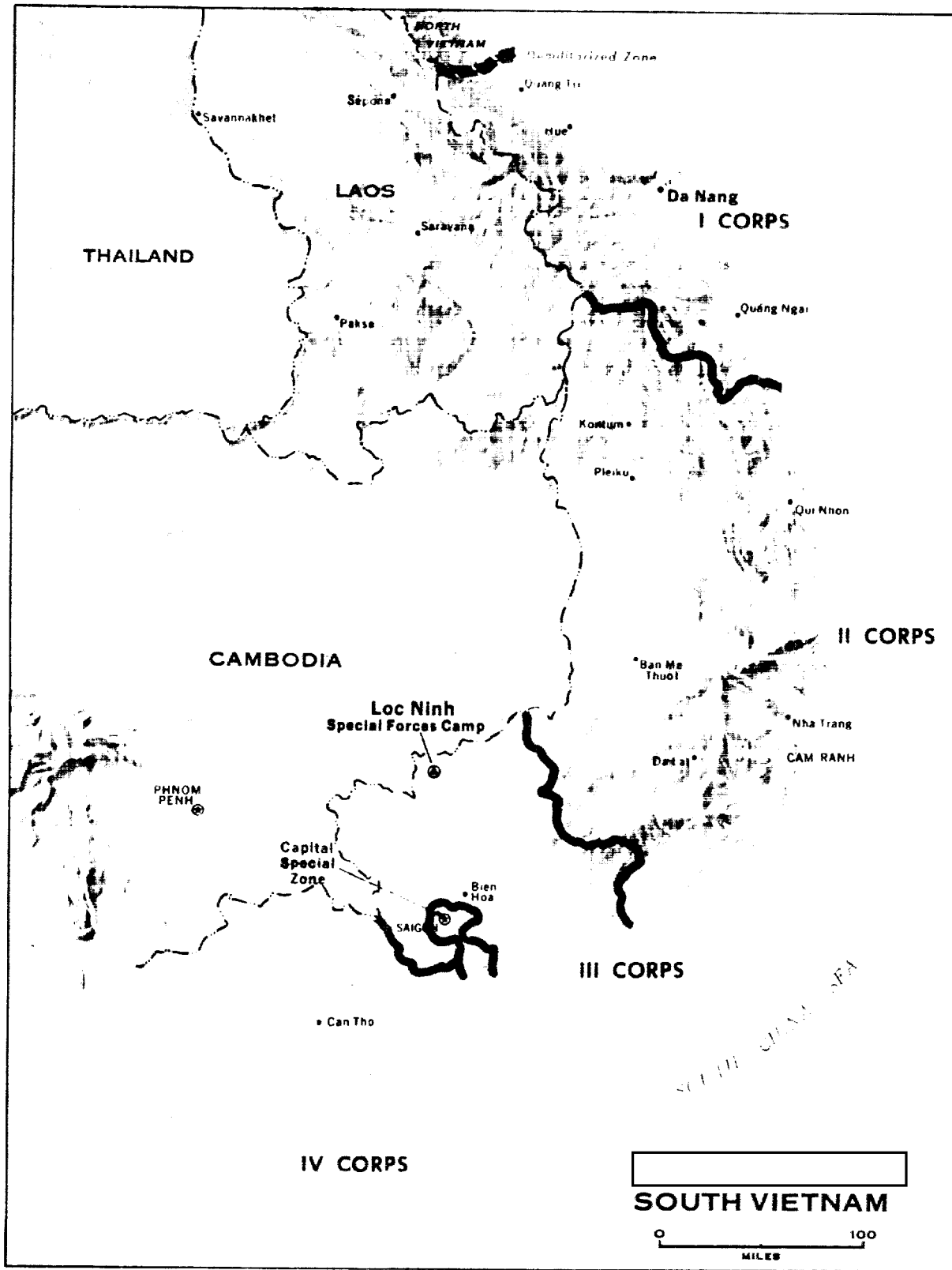
A similar but more vaguely worded appeal was advanced at a seminar on 21 July at which several old-time politicians spoke. Also in attendance among the 100 or so guests were President Thieu's brother and his secretary general.

Neither of these proposals went beyond the limits of the government's stand against coalition with the Communists, neutralism, and the establishment of a neutral buffer zone, as have programs recently presented by other groups.

In a further attempt to define the limits within which the peace issue can be safely discussed, the government has brought Truong Dinh Dzu to trial before a military tribunal. Dzu, who ran a surprisingly strong race in the presidential elections last year on a peace platform, had been held under "protective custody" for some time while the government cast about for some means to legitimize his jailing.

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The War in South Vietnam

Communist-initiated activity increased somewhat this week as the enemy carried out mortar and rocket attacks on various allied positions, particularly in the northern provinces. The US military base complex in the Da Nang area was the target of an especially heavy concentration of enemy fire, on 22 July, followed by a lighter barrage later in the week. Casualties and damage from both attacks were light.

In the northern provinces of III Corps, the enemy continued to build up its forces for possible large-scale offensive action. These elements are within striking distance of the US Special Forces camp at Loc Ninh, the object of a heavy but unsuccessful and costly Communist attack last fall.

Elsewhere in the country any new eruptions of a major Communist offensive still appear some weeks away, a timetable that might be further affected by allied sweeps and Hanoi's strategy at the Paris talks. 25X1

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MALAYSIA-PHILIPPINE SPLIT OVER SABAH WIDENS

Tensions have heightened between the two governments since Malaysia formally rejected the Philippine claim to Sabah on 17 July and walked out of the month-long talks in Bangkok.

On 20 July, the Philippines announced its intention to withdraw its ambassador and diplomatic staff from Kuala Lumpur. Malaysia, for its part, has recalled its ambassador from Manila for consultation but announced that no immediate withdrawal is planned.

Despite the tension, the two governments still profess a willingness to talk. The foreign ministers of both nations are expected to attend two upcoming regional meetings--the Asian Pacific Council in Canberra on 30 July and the Association of Southeast Asian Nations which opens in Jakarta on 6 August.

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THAIS BEGIN PREPARATIONS FOR ELECTIONS NEXT YEAR

The Thai military regime is making preparations to dominate next year's legislative elections although it has not yet settled differences within its own ranks.

Deputy Prime Minister Praphat appears to be playing an increasingly active political role. Praphat is managing an effort by the ruling military regime to emasculate the Democratic Party, the only currently active opposition group with significant support in the country. He is promoting an independent slate of candidates for the Bangkok municipal elections in September in order to draw conservative but antigovernment votes away from the Democrats and to clear the way for a government-sponsored ticket. The government hopes that a defeat in Bangkok, where Democratic support is strongest, will virtually destroy the party's electoral chances in next year's country-wide legislative elections.

Praphat's machinations may also be designed to further his own political ambitions. He not only expects to get the credit for defeating the Democrats in September, but he evidently is making plans to pick up the pieces. Praphat recently assumed control of a government-supported political group. He has flatly told his followers that he intends to use the group as a vehicle for a

country-wide political organization, which presumably will be responsive to his direction.

The extent to which Praphat's plans dovetail with the government's is not entirely clear. Although a number of preliminary steps have been taken to organize a party for next year's election, it is clear that the differences within the ruling establishment have not yet been ironed out. Praphat's actions may be in behalf of those hard-line elements in the government who fought against the constitution and are now apparently trying to ensure that their faction will dominate the new government.

The military leaders are displaying considerable sensitivity to political requirements in an election year. A highly unpopular bus fare increase was recently rescinded, and the mayor of Bangkok, whose unsavory reputation is a major political liability, has been kept out of public view.

Meanwhile, both right- and left-wing opposition groups appear to be making only desultory efforts to organize parties for next year's elections. At this juncture, they appear to be more interested in making deals with the government than in actively challenging it at the polls.

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MIDDLE EAST - AFRICA

The Algerian Government continues to hold the El Al aircraft, its crew, and the 12 Israeli passengers seized following a hijacking by Palestinian terrorists on 23 July. Israel has so far applied only political pressure to recover the aircraft and its Israeli occupants, but eventual retaliatory action against Algeria or Egypt—blamed as the terrorists' sponsor—is a distinct possibility. Meanwhile, Arab terrorist incidents along the Israeli border continue to average about one a day.

The new Iraqi regime emerging from last week's coup has a strong military cast; the minority Baathist element seems to have been added to give the group a broader base of support. The kingpin of the coup was apparently the new prime minister, who once served the deposed Arif as deputy director of military intelligence. Iraq's neighbors are characterizing the coup group as moderates, and the pro-Egyptian press has assailed them as tools of the West.

Tension is growing along the Saharan border of Algeria and Morocco. Moroccan forces are reported on the alert against renewed Algerian military activity in the disputed Oued Draa area, but the two governments are still talking to each other about the situation.

In Turkey, renewed student demonstrations are now targeted against the police as well as the US presence.

The Indian Government is fending off strenuous opposition attacks tied to the Soviet decision to sell arms to Pakistan. Mrs. Gandhi and her supporters have so far blunted the attacks with adroitly worded condemnations of the Soviet action while heading off stronger resolutions that might imperil Indo-Soviet relations.

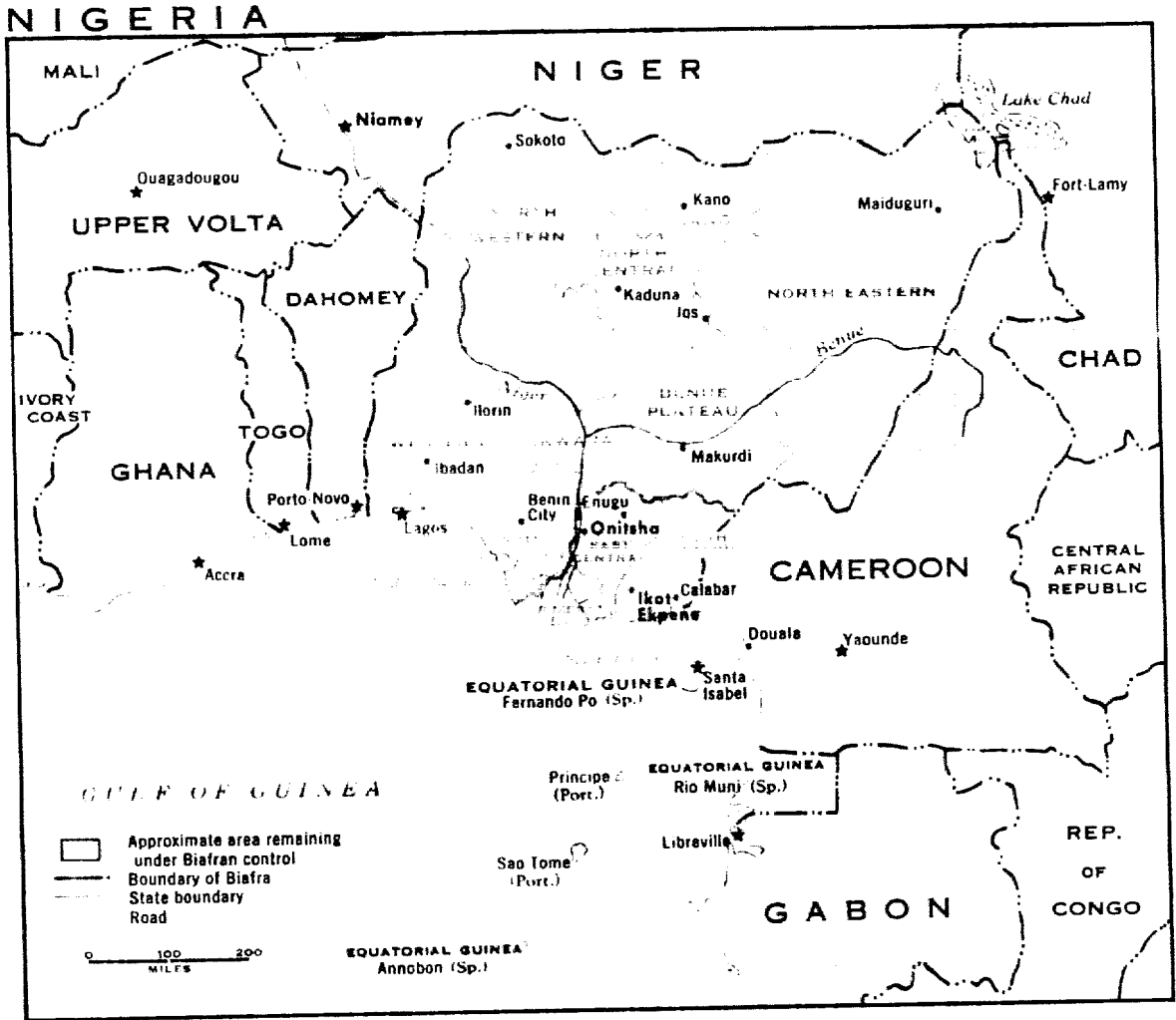
Prospects for at least a partial cease-fire in Nigeria have brightened, and the two sides are continuing their talks. Military operations have accordingly slowed, but the likelihood of a complete end to the fighting remains remote.

Sierra Leone's internal situation continues unstable. The fragile and erratic government has failed to exert any control over the unruly army or over the sporadic violence its own supporters have been inspiring against political enemies in the hinterlands.

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NIGERIAN COMBATANTS TALK AS FIGHTING CONTINUES

Prospects for a cease-fire have brightened in the wake of renewed contacts between federal and Biafran representatives. Such a cease-fire, however, might be limited to cover only the passage of relief supplies, and there appears to be no give by either side in basic conditions for a political settlement.

The Organization of African Unity's (OAU) Consultative Committee on Nigeria, which concluded its meeting on 19 July, successfully persuaded the two sides in the civil war to meet to talk about cease-fire possibilities and the problem of getting relief supplies into war-torn eastern Nigeria. Both federal leader Gowon and Biafran leader Ojukwu paid separate visits to Niamey in Niger, and their representatives have been meeting there since 20 July under the general chairmanship of Niger's President Diori. Although the OAU issued a communique that an agenda had been agreed upon for further talks to take place in Addis Ababa, Ethiopia, indications are that the two sides had agreed only on what they would talk about at their next meeting in Niamey. The general atmosphere among the participants, however, is one of cordiality.

On his return to Biafra, Ojukwu told the press that chances for some sort of cease-fire were good. This statement, coupled

with his trip to Niamey and his willingness to talk there, neatly puts the onus on Lagos for continuing the fighting. Ojukwu hopes that resulting international pressures will force Gowon to agree to a cease-fire and thus give Biafra a breathing spell.

If Gowon yields to these pressures, there could be a severe test of the strength of his leadership in the Federal Military Government. Civilian leaders and army commanders view Biafra's renunciation of secession as the only acceptable end to the crisis. Ojukwu, too, has been receiving some international pressure to soften a little on the secession question, but he may himself be a captive of the hard-line propaganda the Biafran population has been hearing for more than a year.

Military activity in the civil war has slowed appreciably. Gowon has told his field commanders not to push too hard while talks were under way, and the Biafrans have been putting up a stout defense and mounting strong counterattacks. Federal forces in the south are slowly clearing Biafran troops out of Rivers State, but have lost some ground around Ikot Ekpene in the South-Eastern State. In the northern sector, federal troops are continuing efforts to regain control over the main road east of Onitsha, but are generally sitting tight elsewhere.

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MILITARY MEN DOMINATE NEW IRAQI GOVERNMENT

The new regime in Iraq now appears to be a coalition of at least three groups, with the Baathists in a minority position.

Although the full story behind the coup has not yet emerged, there are indications that the movement may have been sparked by the former deputy director of military intelligence, Abd al-Razzaq al-Nayif, who has just been named prime minister. Al-Nayif seems to have been the leader of a group of unknown, politically inexperienced, youthful army officers calling themselves the "Arab Revolutionary Movement." Al-Nayif was said to be the actual power in the Iraqi Palace Guard, which played the key role in the successful coup.

Al-Nayif's group apparently allied itself with a group of relatively conservative senior army officers led by Abd al-Aziz Uqayli, known previously as a leading "hawk" on the Kurdish issue. In order to create an image of broader representation and of civilian participation, the two military groups apparently turned to the more moderate wing of the Baath Party. It now appears that the Baathists, rather than being dominant in the new regime, are no more than a minority element in what is in fact a military junta.

[Redacted]

[Redacted]

There are already signs of friction between al-Nayif--who has been described as a crafty and ambitious man--and President al-Bakr. [Redacted] al-Nayif has moved to neutralize the Baath National Guard, a civilian organization, by making it known that any civilian carrying a weapon will be jailed. Al-Nayif apparently intends to keep all actual power firmly in the hands of the military. In addition, the coalition could split over the Kurdish issue, because Uqayli has favored a renewal of the Kurdish war and al-Bakr has already announced that "we are determined to solve the problem peacefully."

Neighboring Arab states apparently regard the new regime as essentially moderate in character. [Redacted]

[Redacted] Jor-
danian newspapers are playing up the participation of

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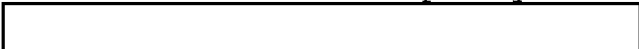
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independent statesmen and moderate elements from various parties. It is significant that pro-Egyptian and Syrian newspapers are denouncing the coup as a "product of the United States, Britain, and Iran in an effort to set up a

reactionary regime linked with the West." It is unlikely that the new government will move quickly to restore relations with the US, however, given the present bitterness over US Middle Eastern policy.



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SOUTHERN YEMEN REGIME THREATENED ON ALL SIDES

The near-bankrupt regime in Southern Yemen is beset by dissident groups both inside and outside the country, as well as by factionalism within its mainstay, the army.

The split in the ranks of the army and security forces probably poses the gravest threat. One faction, led by the director general of security, favors broadening the ruling National Liberation Front (NLF) command to include members of other political groups. Faced with hard-core resistance to any change in the ruling structure, this group is said to be holding almost daily strategy meetings.

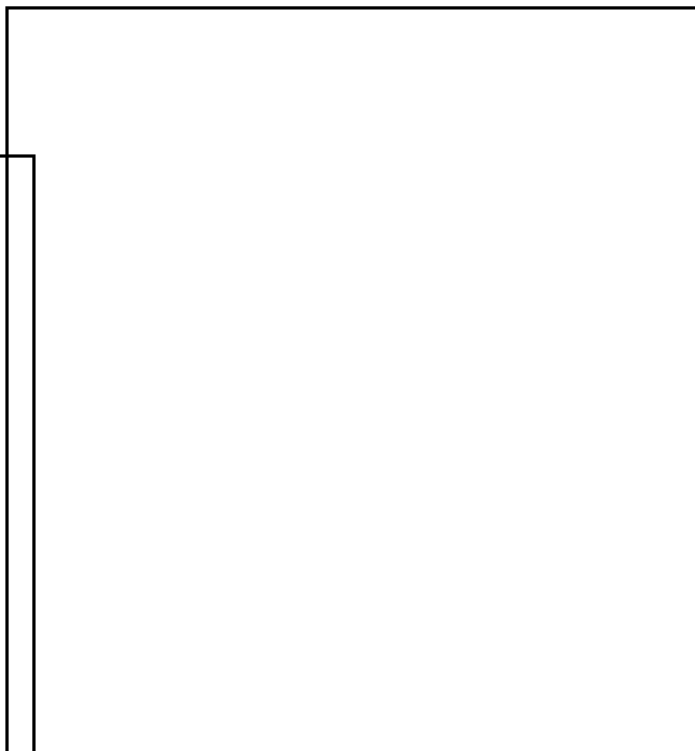
At the same time, some members of the NLF command are apparently working to undermine the army by "exposing" it as a self-

seeking group that places itself above the "struggling masses." Their tactics apparently include encouraging tribal differences within the armed forces, and playing off the army against the public security organization.

There are fragmentary reports of recent upcountry dissidence for which the Front for the Liberation of Occupied South Yemen (FLOSY), the NLF's archrival, is claiming the credit. A pamphlet issued on 17 July in the name of the FLOSY general command announced the fall of several outlying areas to "courageous revolutionary forces." Other sources agree that tribes--rather than civil or military authorities--control several areas, but it is not clear that FLOSY is responsible; the loss of control may be due to a withering of former

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the reassertion of traditional
tribal forces.



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WESTERN HEMISPHERE

The ghost of "Che" Guevara appeared again, this time bringing a political crisis to Bolivia that momentarily seemed to threaten the Barrientos government.

The crisis arose when smoldering suspicion that some Bolivian officials had colluded in Cuba's publication three weeks ago of Guevara's diary finally smoked out Minister of Government Arguedas. Accused of treason, Arguedas fled to Chile, where he admitted responsibility. Barrientos' opponents mounted violent demonstrations in La Paz in an effort to bring down the government, but failed to obtain military support. Order was restored after a country-wide state of siege was ordered and some 40 leaders and members of the opposition were arrested. Further repercussions may come, however, if more governmental figures are implicated in the release of the diary.

As Havana propaganda exploited the Bolivians' embarrassment, Fidel Castro removed one of the most important figures in his own government, replacing Interior Minister Valdes with politburo member Sergio del Valle. Although it is not clear from the announcement whether the move is more than temporary, the shift may well be an attempt by Castro to secure a greater personal control over the Cuban security apparatus. He has been concerned with the increasing number of acts of overt opposition since he imposed austerity measures last March.

Three neighboring South American north-coast countries are showing interest in a variety of ties with European Communist countries. Colombia agreed with Czechoslovakia to raise representation from the consular to the diplomatic level. [REDACTED]

[REDACTED] Venezuela, for its part, acquiesced in having Soviet tankers carry Venezuelan petroleum, produced by subsidiaries of US firms, to Europe. Until now, Soviet ships taking oil to Cuba have had to return to Europe in ballast.

Communist groups in many countries have been arranging to send students to next week's World Youth Festival in Sofia. Non-Communists as well as Communists are included in the delegations. The 18-member Panamanian group, for example, includes two members of the party of President-elect Arnulfo Arias, with his approval.

The Panamanian political situation remains clouded because of a delay in determining the composition of the new National Assembly that takes office with Arias on 1 October. Supporters of defeated government candidate Samudio are using legal devices to fight every inch of the way, but Arias evidently retains the vital support of the National Guard. [REDACTED]

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LATIN AMERICAN NAVIES SEEKING NEW EQUIPMENT

Argentina and Brazil have undertaken modest naval re-equipment programs, and other South American navies hope to do the same if funds can be found. Although there has been some talk in the press of an "arms race," the goal is replacement of obsolescent ships rather than expansion.

The Argentine Navy, after more than two years of pleading for new ships to replace some that date from World War II, has been promised \$83 million by the Ongania government to buy a prototype destroyer and submarine. The navy hopes later to build one of each in Argentine yards. Part of the funds will go to buy six jet trainers, and the total package will be spread over several years to reduce the impact on the military budget. As justification for the purchases, Admiral Varela, commander in chief of the Argentine Navy, has cited the border controversy with Chile in the Beagle Channel, the incursions of Soviet fishing boats, and the "security of the South Atlantic."

Brazil has established a somewhat more ambitious program. Most of the ships--destroyer escorts, patrol craft, submarines, and fleet-support vessels--will be built in Brazil. Amortization

of the long-term loans necessary to finance the program will be kept within the regular navy budget.

Lack of funds has prevented more ambitious re-equipment programs in these and other countries. Both Peru and Venezuela have talked of acquiring newer ships, but the Venezuelans may be limited to adding a few patrol boats. Peru has no firm purchase plans yet and will be restricted in the future by austerity moves now being made by the Belaunde government. Argentina has expressed some interest in a Dutch aircraft carrier but can hardly afford to divert funds for such a purchase from its growing public investment program. Chile has also talked in the past of buying a carrier, to match the one Argentina already has, but it too lacks the money.

The Latin navies have been relying for several years on ships loaned to them by the US. Lately, they have begun to show annoyance at the restrictions placed on the use of these ships, especially in patrolling the territorial waters of 200 miles that many of them claim but that the US does not recognize. Although they may still shop in the US for ships or ancillary equipment, it appears that most of the purchases will be made in Europe.

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POLITICAL CRISIS IN BOLIVIA SUBSIDES

The political crisis last week over the leaking of "Che" Guevara's diary to the Cubans, which led to public disorders and coup rumors, appears to have subsided. The final outcome of the incident that temporarily weakened the Barrientos government--the charge of treason against Minister of Government Arguedas and his subsequent flight to Chile--is not yet clear, however.

Arguedas has admitted in Chile that he was responsible for having provided Fidel Castro with the Guevara diary. Chilean authorities have expressed some doubt about his story but have agreed to grant him political asylum. At a press conference on 24 July, Arguedas stated that he was a Marxist but added that he supported the constitutional government of Bolivia. He further stated that he planned to travel to Argentina soon and that from there he might return to Bolivia. Giving further credibility to Arguedas' story, Castro announced in a speech on the same night that it was indeed the Bolivian minister of government who had provided him with the Guevara diary. Castro added that Arguedas had been offered political asylum in Cuba.

Order has been restored in La Paz under the state of siege imposed on 20 July. Some 40 leaders and members of the political

opposition have been arrested, and there has been no repetition of the violent demonstrations with which they were trying to exploit the government's temporary vulnerability.

Although there were rumors that some military officers were planning to move against the government, the armed forces remained solidly behind Barrientos and took up positions to prevent further outbreaks of violence. Armed forces support was lacking, however, for Barrientos' plan to form an entirely military cabinet. National guard chief Colonel Juan Perez Tapia has been named to fill the vacated Ministry of Government position. Additional changes are under consideration.

The inability of the political opposition to overthrow Barrientos without the support--or at least the acquiescence--of the armed forces, and the noted public distaste for military governments indicate that for now there is no serious threat to the Barrientos government.

Further unraveling of the mystery surrounding Arguedas could have more repercussions on the Bolivian political situation, particularly if, as seems likely, additional governmental or military personalities are implicated.

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GUATEMALA ATTEMPTS RETURN TO NORMALCY DESPITE EXTREMISTS

Preparations for municipal elections scheduled for 11 August are providing a test of the ability of Guatemala's sharply antagonistic political forces to resume peaceful activity following the end of the five-month state of alert in June.

The municipal elections will provide the most meaningful gauge of voter opinion since moderate reformist President Mendez Montenegro and his Revolutionary Party (PR) were elected in March 1966. Present signs are that the country's major nonrevolutionary political forces will compete directly, with the PR challenged from the left by the Christian Democrats and, at the other end of the political spectrum, by a merged rightist ticket. Although moderation is a scarce commodity in Guatemalan politics, peaceful and relatively honest elections would be an important boost toward normality that could undercut the appeal of Communist revolutionaries as well as the extreme rightists.

Rightist political elements, including large landowners, remain bitter over what they regard as the government's diluted anti-Communist pro-

gram--especially since Mendez removed the top three security officials last March and reined in the rightist counterterrorists.

The economically important Association of Guatemalan Agriculturalists (AGA) recently drafted a letter to the archbishop of Guatemala expressing concern over the Catholic Church's role in encouraging the peasants to organize. They equate clerical words on social justice with "playing the Communist game."

Communist terrorists, for their part, continue active. The most recent incidents occurred on 18 July, when several bombs were set off simultaneously at the national palace, police headquarters, and the Brazilian Embassy.

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