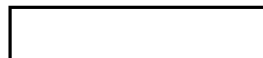


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Department review completed

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31 January 1969
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(Information as of noon EST, 30 January 1969)

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Middle East - Africa

THE WEEK IN PERSPECTIVE

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INDIAN STATE ELECTIONS TO HAVE NATIONAL IMPACT

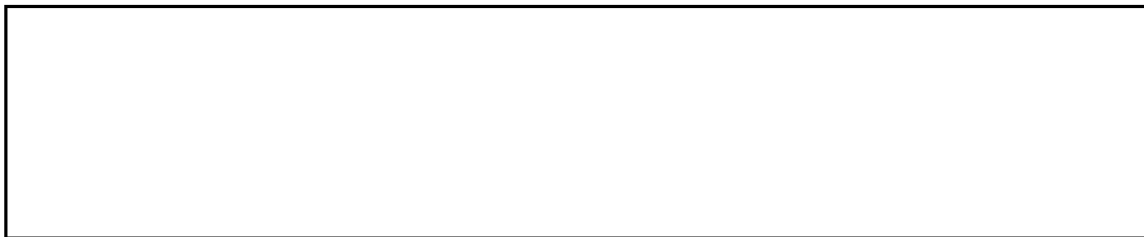
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Four important northern states will go to the polls next week in midterm elections crucial both for the future of the Congress Party and the stability of Indian political life.

TROOPS PATROL RIOT-TORN PAKISTANI CITIES

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Tension remains high throughout Pakistan in the wake of intensified student-led rioting. Curfews have been imposed on troubled areas and army troops--called in to assist civil authorities in four cities--have restored a tenuous calm in most areas.



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FAR EAST

The Communists, waiting for a better reading of the intentions of the new US administration, appear unlikely to introduce any significant initiatives soon in the Paris talks. Probably in an effort to encourage some movement on the allied side, the Communists have kept their public commentary relatively temperate and cautious.

Communist forces throughout South Vietnam continued to press allied forces with a number of small-scale attacks and numerous incidents of terrorism. Most enemy main force combat units are avoiding allied sweep operations and completing preparations for possible offensive activity in February, perhaps before the Tet holiday in mid-month.

All the top Chinese Communist leaders appeared together in public this week for the first time in over three months. The turnout probably was designed to dispel widespread rumors within China about Mao's health and changes in the leadership, but it sheds no light on the political infighting believed to be taking place in advance of the ninth party congress.

Philippine Foreign Secretary Romulo apparently intends to shelve his government's claim to Sabah until next fall, but it is doubtful that President Marcos or congressional candidates will forgo exploiting Sabah as a campaign issue. Romulo's effort to keep the dispute quiet may founder if the Malaysians decide to exploit the issue for their own purposes.

The military-dominated government in Thailand promulgated a new constitution last summer providing for an elected lower house, the first in ten years. With just over a week left before the balloting,

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VIETNAM

The Communists are unlikely to introduce any significant new initiatives soon at the Paris talks. They used the first official meeting to restate their well-known demands for a political solution--Hanoi's four points and the Liberation Front's five points. These broad generalities also characterized Communist interviews and press appearances throughout the week. Hanoi clearly is waiting for a better reading of the intentions of the new US administration before trying any new tactics in Paris.

In a probable effort to encourage some movement on the allied side, the Communists kept their public commentary relatively temperate and cautious. The speech of the North Vietnamese delegate at the opening session was generally free of bombast; the propaganda coverage of President Nixon's first week in office has been unusually mild. In reacting to the specific US proposal on the Demilitarized Zone at the first session, the Communists have been essentially negative, but at the same time they have avoided outright rejection. For their part, the Communists probably will demand that initial substantive discussions in Paris focus on US "aggression" and withdrawal of US forces. Although the Communists are not launching any new initiatives in Paris, they apparently are preparing new military ones in South Vietnam.

Political Developments in South Vietnam

The government is keeping a close eye on radical elements within the militant Buddhist ranks. Under the direction of Thich Thien Minh and prominent layman Tran Ngoc Lieng, the more radical militants have been actively promoting a peace campaign that includes a strong antigovernment pitch. Although Saigon does not yet consider them a serious threat to political stability, it has placed restrictions on public gatherings to forestall Communist attempts to exploit Buddhist demonstrations.

Some Buddhist radicals have also joined the Movement to Struggle for Peace, which reportedly has Communist backing. This group demands that a peace cabinet replace the present government, a line similar to that of the Communists. The Communists reportedly plan to use such Buddhist activists as well as labor and student dissidents to promote a special national congress that will demand a change in the Saigon government.

Prime Minister Huong believes that the Buddhist militants are attempting to restore the organization and influence which the Buddhists enjoyed in the 1963-66 period when they could disrupt national life and topple governments. Although he has been a strong advocate of

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civil liberties, Huong has ordered the national police to take a new hard line against Communist sympathizers and neutralists, including Lieng. The prime minister is aware that the government will have to move adroitly against the militants because they will be quick to claim government repression--a tactic they have used successfully in the past to rally popular support for their cause.

Military Developments in South Vietnam

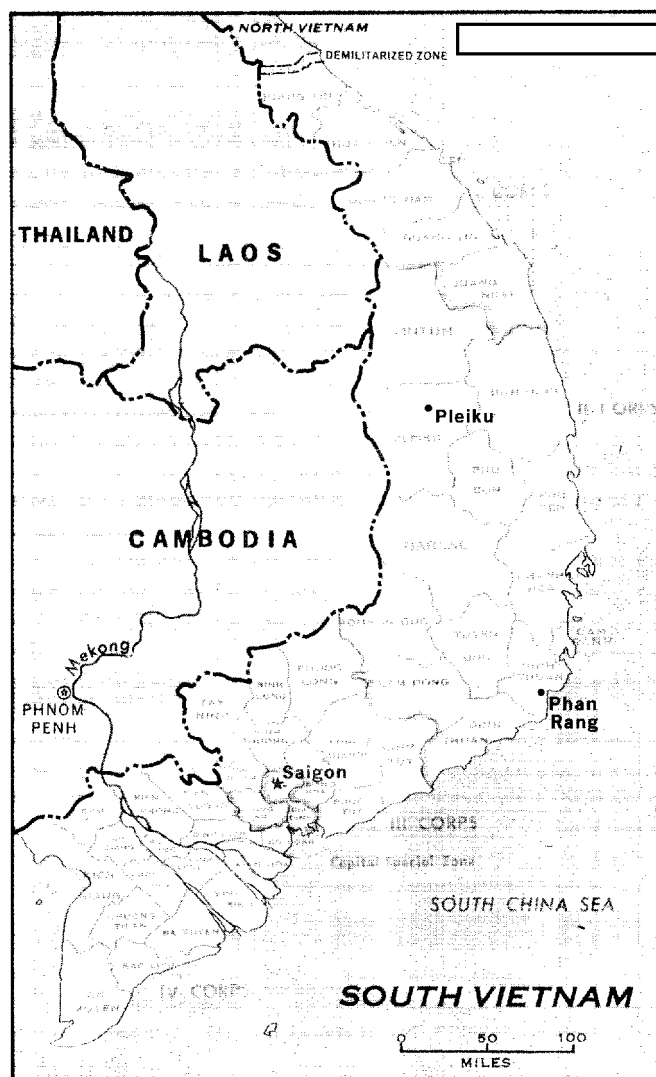
Communist forces throughout the country continued to press allied forces this week by initiating a number of small-scale ground attacks, scattered shellings, and numerous incidents of harassment and terrorism. The enemy has also recently expanded their drive to neutralize the progress being made in certain areas by the government's "Accelerated Pacification Campaign." Most of the enemy's main force combat units, however, are avoiding allied sweep operations and completing preparations for possible offensive activity in February.

Three attacks by mortar, bazooka-type rocket, and small arms fire were made on villages situated near major urban centers in the western highlands, causing relatively high civilian casualties and damage to houses.

Other Communist military actions included several hit-and-run terrorist attacks within Saigon and a bombardment of an al-

lied airfield at Phan Rang, destroying two US aircraft and damaging 27. South Vietnamese Rangers reportedly killed more than 300 Communists in a battalion-sized engagement northwest of Pleiku city while suffering only light casualties.

There are continuing indications that many of the Communist military forces are completing



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preparations for widespread offensive activity in the period preceding Tet, which will take place 17-19 February this year. Intelligence from numerous sources points to early February as the period for renewed hostilities in certain key sections.

According to a prisoner recently captured west of Saigon, the Communists seem to be still holding open the option of a main force thrust on the capital city. The prisoner claimed that a subordinate regiment of the Viet Cong 9th Division is planning to move

toward Saigon on 15 February, probing into key sectors of the city on subsequent days.

Because of the current location and readiness posture of many of the enemy's forces, large-scale ground attacks appear possible only in certain key areas of South Vietnam. Nevertheless, a coordinated series of heavy mortar and rocket attacks against major allied military installations or even key urban areas could come at any time.

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PHILIPPINE MORATORIUM ON SABAH UNLIKELY TO LAST

Philippine Foreign Secretary Romulo apparently intends to shelve his government's claim to Sabah until next fall, but the issue is likely to flare up again earlier.

use the Sabah claim, especially in their effort to win Moslem votes in the southern Philippines.

Malaysia also faces national elections, probably in May. Discussion of the claim, especially in Sabah itself where anti-Philippine sentiment runs strong, could well provoke a Philippine response.

It seems unlikely, however, that President Marcos and congressional candidates will be willing to forgo exploiting Sabah as a campaign issue. Electioneering will begin in earnest after the mid-year party conventions, and both Philippine parties may well

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LEADERSHIP TURNOUT MASKS CONTINUING DISSENSION IN CHINA

All the top Chinese leaders appeared together publicly on 25 January for the first time in three and a half months at a rally, held in part to dispel widespread rumors within China about Mao's health and changes in the leadership.

All 14 in the political elite were present, for Peking's display of unity. The only alteration in the top ranks was a slight further demotion for economic planner Li Fu-chun, who was criticized in 1968, and subsequently was dropped from the inner circle. The turnout thus sheds no light on the political infighting believed to be taking place behind the scenes in advance of the ninth party congress, now expected within the next few months.

The necessary political alignments in some provinces are still not firm. In Sinkiang, for example, local broadcasts have for weeks been denouncing a leader easily identifiable as Wang En-mao, the former military and party boss there. Wang nonetheless showed up in Peking among important regional military leaders. The position of his name, immediately following a group of Nanking Military Region officers, could imply that he has been transferred.

Peking's latest concern over the political reliability of military commands in the provinces is reflected in a recent directive by the central committee's Military Affairs Commission about

strengthening unity between "army and government." Because local government units nearly everywhere are dominated by military representatives, this directive carries the implication that splits are developing within the military, between those who have assumed political responsibility and those who lack it.

In Kweichow Province, long a stronghold of radical military officers, recent radiobroadcasts criticized some local military districts for "mishandling" relations with the government, and stated that new military units have been transferred into the province. It is not clear whether they were to reinforce the military establishment now running Kweichow, or to weaken its authority.

Reflections of political struggle continue to be noted in some other provinces. Outbreaks of fighting at Hsuchou, reported periodically since January 1967, probably reflect a jurisdictional conflict between the Nanking and the neighboring Tsinan military commands. The Nanking commander, who also heads the Kiangsu government, has civil responsibility for the province, but regular army units under the command of the Tsinan Military Region control the Hsuchou area. Earlier in the Cultural Revolution the two military commanders seemed to be politically opposed, and in June 1968 the Nanking region commander publicly criticized the Tsinan Military Region for mishandling conditions in Hsuchou. [REDACTED]

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CHANGES IN COMMUNES IMPERIL CHINA'S FOOD PRODUCTION

Food production goals in China are being endangered by innovations in numerous programs that are profoundly affecting peasant income and food distribution. This is in contrast to the practice at the height of the cultural revolution in 1967-68, when the government attempted to insulate agriculture from disruptive activities.

According to [redacted] the official press, political reliability as well as work performed will govern wage payments to peasants. Each individual is to have his class origin reviewed and will be judged periodically for his political behavior by his fellow commune members. Although private plots are not to be abolished, they are nevertheless to be reduced in size.

These changes will reduce the income of the more entrepreneurial peasants and production units. Also, the more prosperous peasants have been further undermined by amalgamations of smaller communal units [redacted]

[redacted] This process tends to merge richer with poorer localities and thus to equalize income throughout the countryside.

While these changes are being pressed, the government has also been transferring the urban population by the tens of mil-

lions into rural areas, apparently with little or no compensation to the communes for feeding or housing the newcomers. Large portions of educational and medical service systems--formerly organized and paid for by the state--also are being made the sole responsibility of the communes.

The government probably is experimenting with these programs in order to restore politics to prominence in the peasants' consciousness and to reverse the ideologically abhorrent trend of recent years--relying on material incentives, with accompanying growing disparities in individual peasant incomes. If fully implemented, these initiatives could jeopardize even the moderate goals for grain output approved for this year.

It is still uncertain whether the current experimentation will result in the adoption of a uniform new system for all communes. Rumors that such a move was scheduled on 1 January have proven false. The government appears to be especially wary of possible peasant resistance and its effects on food production. Peking thus has stressed the need for popular acquiescence to each change, and has agreed to adapt the pace of change to local conditions. [redacted]

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EUROPE

Official silence on last week's shooting incident in Moscow has led to a flood of rumors. [REDACTED]

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[REDACTED] the shooting took place within the Kremlin walls and the target was the Soviet leaders and not the cosmonauts. Moscow ended speculation on Kosygin's long absence by announcing that he would shortly return to work after a battle with a cold and a liver ailment.

The Soviet press continued its cautious treatment of the new US administration. Pravda noted President Nixon's press conference use of the "more restrained" term "sufficiency" of military power, and one radio commentary spoke of a "more realistic" approach to foreign policy.

The threatened student riots in Prague were averted by the firm government response and the students' own sense of responsibility. After two weeks with the flu, party leader Dubcek returns to face a variety of problems, including factionalism in his party leadership and the sharpening conflict between Czechs and Slovaks.

At this week's session in East Berlin of the Soviet bloc's Council for Mutual Economic Assistance, national interests prevented the participants from coming to grips with the major controversial issues on the agenda, particularly the question of economic integration.

A working group, preparing plans for the international Communist parties' conference, slated for May, will meet sometime next month in Budapest. The Rumanians say they will take part.

De Gaulle may use a tour of Brittany this weekend to make soundings on a possible referendum in March on changes in the Senate and regional government. Such a referendum, at a time of continuing student and labor unrest, could be a vital test of the government's popularity.

The three major Italian labor confederations are threatening a one-day general strike on 5 February unless the government makes basic changes in its proposed new pension plan. Government leaders are divided in their attitudes toward labor's demands and are unlikely to satisfy them. [REDACTED]

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CZECHOSLOVAK LEADERSHIP FACES ADDITIONAL CRISES

The Czechoslovak leadership succeeded in maintaining effective control during the major crisis created by the suicide of student-martyr Jan Palach. Dubcek, however, is challenged still by several other pressing political and social problems, any of which could generate a new crisis.

The regime, fearing uncontrollable civil disturbances, took extraordinary security precautions for the Palach funeral, which included putting the civil and security police and the armed forces on alert. Some popular leaders appealed to the people to refrain from demonstrating, and the students policed themselves in order to make the funeral a solemn and dignified affair.

Soviet troops remained in the background during the crisis last week, and Soviet press commentary was relatively low-key. There have been other indications that Moscow would give priority to private diplomatic channels to make its wishes known.

The Soviets also charged separately that foreign newsmen had too much freedom in Czechoslovakia. Over 20 Western journalists were expelled this week as a consequence, allegedly for gathering political and military information while pretending to serve other interests.

The Palach affair contributed to the storm brewing in the party leadership which has been split by conservative-liberal infighting. The conservatives, led by Slovak party chief Gustav Husak, dominated the 16-17 January party plenum, and are said to be trying to form an opposition bloc in the central committee. A strong, intelligent, and dynamic leader, Husak is said to be seeking a coalition of Slovaks, Czech conservatives, and some centrists to challenge openly the Dubcek leadership at a central committee showdown in March. The conservatives apparently see Lubomir Strougal, the Czech party bureau chief, as the key to their success. He reportedly controls enough votes to upset the present balance between the conservative and liberal factions.

Interwoven into this factional struggle are undercurrents of frictions between Czechs and Slovaks emanating from the newly introduced federalization plan, which on 1 January divided the country into separate Czech and Slovak republics and gave the Slovaks near-equality with the more numerous Czechs. Some Slovak officials are now pushing for a completely separate and independent state--they even contemplate a foreign ministry--and their "nationalistic" ideas have generated a full scale "war of words" between the Czech and Slovak presses. Ironically, the new Federal Assembly met on 29 January to put the finishing touches on the last major steps for implementing the federal arrangement.

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MYSTERY STILL SURROUNDS KREMLIN SHOOTING

Since their initial statements, Soviet authorities have remained silent about last week's attack on the motorcade carrying Soviet leaders and cosmonauts. In the absence of any official word on the identity of the assailant, rumors of Kremlin intrigue and a sense of unease are widespread in Moscow and Soviet diplomatic communities abroad.

According to one of the more persistent and credible rumors, the assailant was in some way connected with a branch of the security forces. The incident is likely to bring demands from some elements in the leadership for tighter domestic controls.

The first word of the shooting on 22 January came from Soviet officials who told Western correspondents that an unidentified gunman had fired a series of shots at the second car in the motorcade which was carrying several veteran cosmonauts. The chauffeur of the car and a motorcycle policeman were wounded.

The first car was an open one carrying the four honored cosmonauts. The other cars were closed. The assailant may have intended his shots for the Soviet leaders, as he might reasonably have expected them to be in the second car. Brezhnev and Podgorny were in fact in the third car.

A Foreign Ministry spokesman confirmed that the incident had taken place much as reported, only adding that the apprehended assailant was mentally deranged. The subsequent terse TASS announce-

ment made no mention of the assailant's mental condition. It labeled the shooting a "provocation" and stated that an investigation was under way. A comment by cosmonaut Leonov, one of the occupants of the attacked car, added no significant details.

His statement that the shooting occurred as his car reached the Borovitsky gate to the Kremlin fails to clear up a crucial, much disputed point--whether the shots were fired from outside the gate where crowds were gathered or from inside the Kremlin grounds, where entry would have been closely screened. [REDACTED]

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[REDACTED] Western correspondents standing outside the gates were unaware of the shooting.

The Soviet leaders reacted to the episode with no visible signs of alarm, appearing relaxed and unconcerned at the Kremlin reception immediately after the shooting. Most of the Moscow-based members of the politburo were on hand for the celebration, except for Premier Kosygin, party secretary Kirilenko, and Deputy Premier Mazurov. They all have been out of sight for several weeks. A Foreign Ministry spokesman on 30 January confirmed that Kosygin has been ill, suffering from a liver ailment and a cold, but said he is expected to return to duty next week. [REDACTED]

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EASTERN EUROPEAN COUNTRIES INCREASE MILITARY BUDGETS

All the Eastern European countries have announced increased military budgets for 1969, most of them for the fourth consecutive year. The increases are generally larger than in the past few years, ranging from a low of nine percent for East Germany to more than 20 percent for Rumania and Hungary, and almost 40 percent for Albania. The military budgets in all countries account for an equal or larger percentage of their total budgets than in 1968.

There is no evidence that the increases in military spending are because of large-scale military buildups. It is probable that the Warsaw Pact members are responding to Soviet pressures to bring their military capabilities up to desired levels. This is apparently true even in those countries which prepared otherwise austere budgets and reportedly had hoped to reduce their military burdens.

Stated military budgets are believed to indicate the general trend of defense expenditures in Eastern Europe. In the past it had been presumed that military spending generally was understated somewhat in published budget data because indirect subsidies were paid for some items purchased by the military and because certain military outlays were included elsewhere in the budget. With the introduction of economic reform and more real-

istic budget planning, any concealment of military expenses may be coming to an end.

The Eastern European governments usually cite increased international tensions to justify their higher military spending. Other factors also may include higher real costs, the effects of inflation, and the budgetary and price reforms. Included in the category of increased real costs are expanded military research and development efforts, the acquisition of more sophisticated equipment, and the expenses associated with operating and maintaining more advanced equipment.

Rumania is probably devoting more resources to its domestic output of small arms as well as continuing to procure more sophisticated equipment from the USSR. Bucharest probably reassessed its military posture after the Warsaw Pact invasion of Czechoslovakia and may have decided to devote more of its resources to the defense sector.

Hungary's higher military spending may in part reflect a reported expansion of its armed forces or a higher pay scale. Another factor may be higher costs for purchases of more sophisticated equipment. Both Hungary and Rumania substantially stepped up their purchases of MIG-21 aircraft from the USSR recently.

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EASTERN EUROPE: BUDGETED MILITARY EXPENDITURES

COUNTRY (and currency)	1968 Planned (in millions)	1969 Planned (in millions)	1969 Percentage Change from 1968	Military Expenditures as Percentage of Total Budget	
				1968	1969
ALBANIA (Leks)	304	420	+38.2	7.6	9.1
BULGARIA (Leva)	264	306	+15.9	6.0	6.0
CZECHOSLOVAKIA (Crowns)	12,900	14,200	+10.1	8.9	9.1
EAST GERMANY (DM)	5,800	6,300	+ 8.6	8.7	9.7
HUNGARY (Forints)	6,400	8,029	+25.5	4.6	5.1
POLAND (Zlotys)	29,096	33,853	+16.3	9.5	9.7
RUMANIA (Lei)	5,200	6,400	+23.1	3.7	4.2
YUGOSLAVIA (New Dinars)	6,030	6,860	+13.8*	56.6	60.4

**In December 1968, Yugoslavia announced a supplementary defense expenditure which brought actual military spending up to 6,425 million new dinars. The increase of planned defense expenditure in 1969 over actual expenditures in 1968 is only 6.8 percent.*

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HOPES DIM FOR PROGRESS ON A EUROPEAN CAUCUS

The concept of a new political-defense entity for Western Europe is unlikely to make much headway at next week's ministerial meeting of the Western European Union (WEU). The Italians will offer a plan for strengthening consultation within WEU, but few other members are willing to defend it against French opposition, and none has produced a more practical scheme for improving ties between Britain and the continent.

The Italians drew up their proposal last fall after the French blocked a similar initiative by Belgian Foreign Minister Harmel. At that time, the five other WEU members endorsed its general provisions, including a plea for "mandatory" political consultations on certain matters of common interest. The British meanwhile launched a series of "Euro" dinner meetings of top officials in hopes of developing a consensus on this and other "caucus" initiatives designed to enhance their standing with the "friendly" European five--who together with the UK and France make up WEU.

In trying to cover all bases, however, the advocates of a "European identity" have actually weakened their cause. Harmel, increasingly skeptical of the Italian plan, has recently confused his supporters by coming out in favor of "voluntary" consultation within WEU on a wide range of issues. The British, going even beyond this, have offered to set up a formal caucus outside WEU raising new worries

in Germany over a possible fragmentation of NATO or duplication of its activities. Even the Italians have added to the confusion by insisting that any future "Euro discussions" include such outsiders as Greece and Turkey.

These conflicting ideas and demands have left the WEU members as divided as ever. The French have agreed to discuss the Italian proposal next week, but they continue to reject the principle of "mandatory" political consultation under any circumstances, contending that this would infringe on their sovereignty. Unwilling to risk a showdown with the French, the Germans, Dutch and Luxembourgers have backed off from the Italian plan and now hope for something more nebulous, such as Harmel's "voluntary" consultation.

The WEU foreign ministers will probably take the path of least resistance. Even the British are apparently reconciled to the rejection of the Italian plan and are looking toward less controversial means of emphasizing their European aspirations. At the very least they are expected to curry support next week for further "Euro dinners" at various diplomatic levels. Next month, Prime Minister Wilson will travel to Bonn to encourage closer direct cooperation between Britain and West Germany in certain technological fields. Beyond this, the prospects for a formal grouping to speak for Europe in dealings with the United States remain quite dim.

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MADRID ADOPTS STERN MEASURES TO CURB UNREST

Government officials believe that a state of emergency imposed throughout Spain last week to deal with rising student and political unrest will be proof of their willingness to use extreme measures and will be sufficient warning to control the situation without resort to mass arrest.

Franco reportedly made the decision himself to crack down, under urging from military leaders. The action taken on 24 January suspends for three months five articles of the Spanish bill of rights in order to give the security forces broad powers of search and seizure and to impose censorship. The decree is unprecedented in scope, although authorities applied a more limited decree several times in the last few years, most recently in the Basque area to curb a local terrorist organization. Under the present decree, some suspected agitators have been arrested, but the most noticeable impact on the ordinary citizen is the imposition of a strict domestic press censorship. Newspapers have reported the decree, but there have been none of the usual political commentaries.

In Madrid, students had been demonstrating against the alleged suicide of a fellow student charged with subversive activity, and university authorities feared that serious violence might result. In earlier demonstrations, the students had expressed general discontent with the govern-

ment and police. The universities of Madrid and Barcelona were both closed indefinitely on 24 January. This week the minister of information said the universities would reopen in a few days, but he warned against any new efforts to sow disorder and revolution. He promised a government white paper on university reform next week.

Madrid officials claim that the government acted primarily to avoid a crisis such as occurred last May in France. In addition to student unrest, the government has other reasons for showing that it is in complete control. Several bar associations have dared recently to criticize it for trying political cases before special courts. In mid-January 1,300 intellectuals and other prominent persons sent a petition to the minister of interior protesting police brutality. In churches in several cities, wives and mothers of political prisoners held a sit-in aimed at improving treatment of workers and students jailed for political activities. Some parish priests and other church representatives have also criticized police tactics.

The decree has given rise to various rumors, and the minister of interior took pains to deny publicly that the move was a military coup or that General Franco would step down to make way for 25X1 Prince Juan Carlos. There are no current indications that these rumors are true.

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MIDDLE EAST - AFRICA

The Iraqi trials of "Israeli spies" and the hanging of 14 Iraqis, nine of whom were Jews, raised the temperature again in the Middle East. Israeli leaders reacted vehemently to the Iraqi actions, but were hard put to find a way to retaliate without endangering the remaining Jewish community there or those in other Arab states.

The tensions brought new calls for a Middle East settlement from De Gaulle and from UN Secretary General Thant. Ambassador Jarring has returned to New York to try again to get the disputants together--this time perhaps with increased backing from the four big powers.

Lebanese Prime Minister Karami has formed a cabinet whose membership is drawn almost exclusively from Karami's own Shihabist parliamentary bloc. The opposition Chamounist bloc, eschewing street demonstrations, has decided to confine its activities to parliament.

The campaign for the mid-term elections in four important states in northern India is winding up. The results of next week's elections will be crucial for the future of the Congress Party and the stability of Indian political life.

In Pakistan, the army has restored a tenuous calm to four riot-torn cities after a week of student-led rioting. A dialogue between the opposition and the government now appears likely. The government press said that President Ayub will soon invite all prominent opposition leaders to meet with him.

In the Nigerian civil war, the military stalemate remains essentially unchanged. Most Nigerian newspapers have condemned US support of Biafran relief as aid to the secessionists. Anti-US sentiment over the relief issue remains strong.

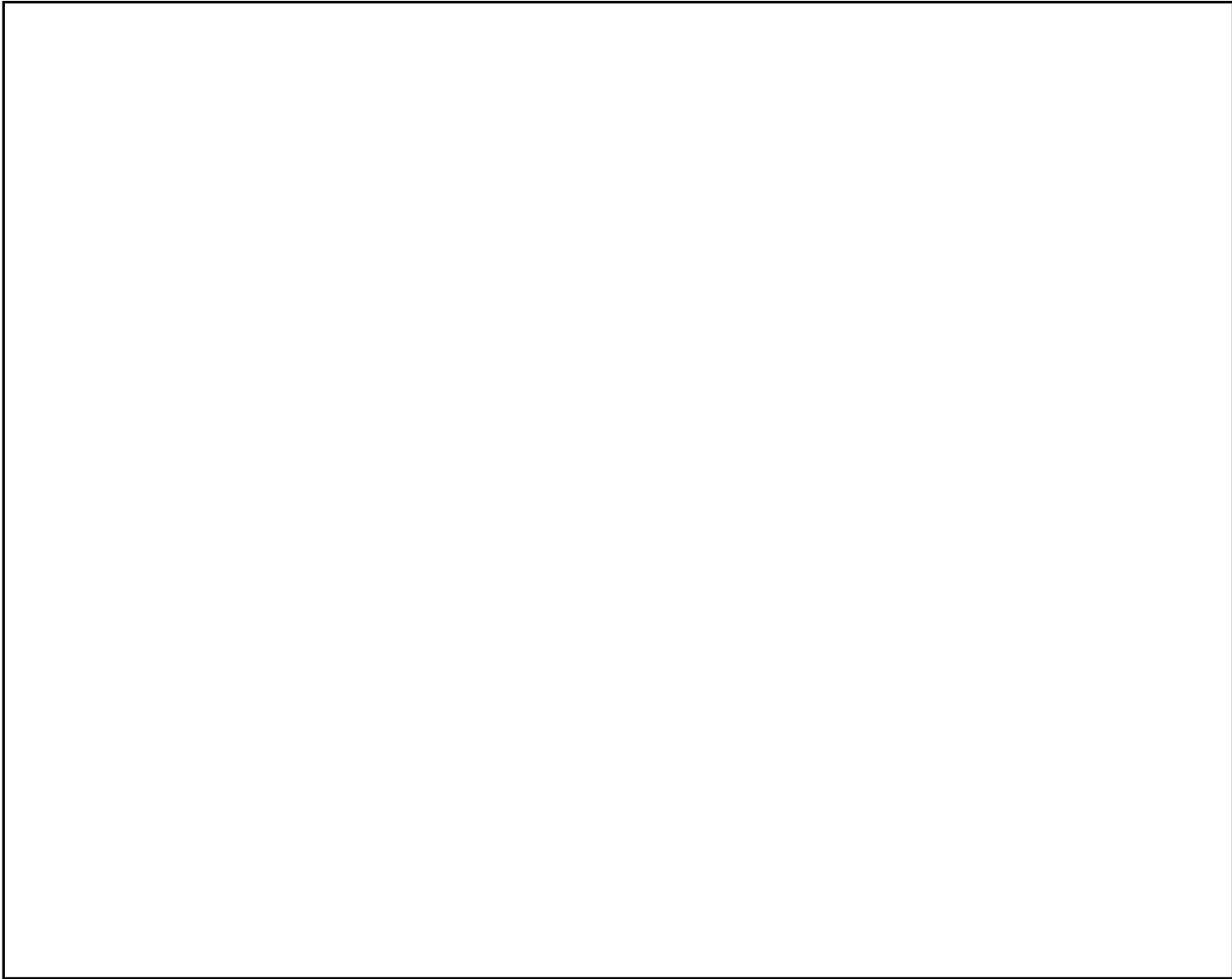
After almost two months of verbal sparring, Central African Republic (CAR) announced on 24 January the suspension of diplomatic relations with Congo (Kinshasa). CAR's relations with neighboring Kinshasa and Chad had deteriorated primarily because of CAR's withdrawal in December from a short-lived economic union of the three states. Mediation efforts this week by two of the chiefs of state attending a Kinshasa summit meeting of the Afro-Malagasy Common Organization--to which all of the feuding central African states belong--apparently have eased tensions somewhat

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INDIAN STATE ELECTIONS TO HAVE NATIONAL IMPACT

Four important north Indian states--West Bengal, Uttar Pradesh, Bihar, and the Punjab, comprising one third of the nation's total electorate--will begin electing new state assemblies

next week. The outcome is crucial to the future of the Congress Party, which is battling for a comeback in the political heartland of the country, and will go far in determining the future stability of Indian political life.

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The ebb of Congress Party power in the general election of 1967 left the northern tier of states in political shambles, and the situation rapidly deteriorated to the point where parliamentary government became virtually impossible. Party discipline broke down, ad hoc and shifting political units emerged, and defections sapped the strength of the non-Congress coalitions that tried to govern. Three of the four states going to the polls next week--Bihar, Uttar Pradesh, and the Punjab--have been under direct rule from New Delhi for several months and representative government has been suspended in West Bengal for about a year.

The Congress Party, which still rules in New Delhi, has conducted an all-out campaign. Prime Minister Indira Gandhi has maintained a frenetic pace, stumping through all four states, and virtually all Congress Party luminaries are wrapped up in the campaign. They have played heavily on the theme that a vote for Congress is a vote for stability, trying to reinforce memories of the political chaos that ensued in the wake of the 1967 election. The other parties, in turn, have pointed to the unimpressive record of almost two decades of prior Congress governments.

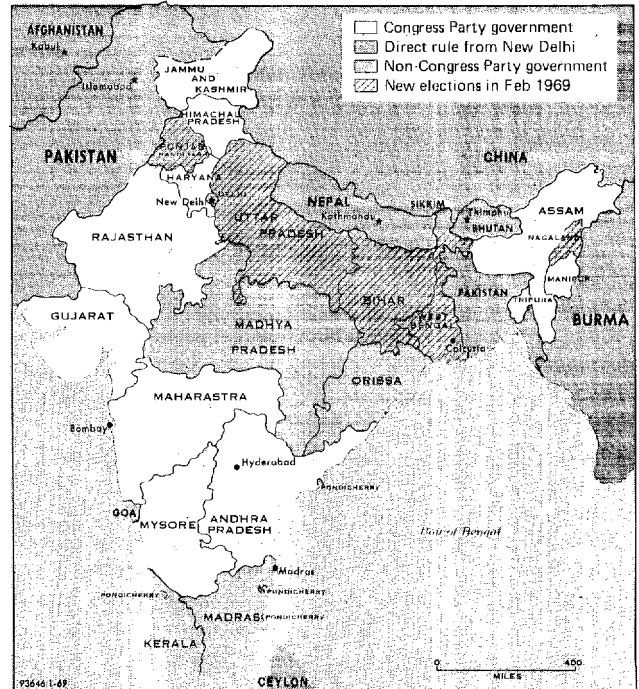
The major parties contesting in heavily populated Uttar Pradesh and Bihar are the Congress, the Hindu nationalist Jan Sangh, the increasingly militant Samyukta Socialists, and new parties formed by ex-Congress members. In West Bengal, the battle lines are drawn between the Congress and a loosely knit united front of leftist parties that managed to form a gov-

ernment in the state after the 1967 elections. In the Punjab, the Sikh communal Akali Dal has joined forces with the Jan Sangh in an effort to prevent the Congress from regaining power in this rich agricultural area.

Tensions are running high as the elections approach. Nearly 7,000 candidates of virtually every political hue are vying for some 1,100 state assembly seats. The level of politically inspired violence, largely the handiwork of Left Communist extremists, has risen substantially in volatile West Bengal and incidents have been reported in the other three states. The central government is taking special precautions to prevent intimidation of voters and is deploying Central Reserve Police to possible trouble areas such as Calcutta.

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The Political Situation in India



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TROOPS PATROL RIOT-TORN PAKISTANI CITIES

Pakistan remains tense in the wake of student-led rioting. This week the government was forced to impose curfews and summon troops into troubled areas. As the army maintains a tenuous calm in four major cities, speculation is increasing that a government-opposition compromise may be in the wind.

The current disorders began in volatile East Pakistan where Dacca students' week-long protests against police repression culminated in a paralyzing general strike on 24 January. The government imposed a curfew and later called out the army when police and paramilitary forces were unable to control the violence. Although order was restored, it seems unlikely that it can be maintained without continued military control. Students are vowing to defy the curfew and to pressure the regime until demands are granted. Harsh measures by provincial authorities have made a subsequent flexible response impossible and the best the government can hope for is a return to the status quo ante--a solution clearly unacceptable to the dissidents.

Riots broke out in West Pakistan late on 24 January as students demonstrated in sympathy with their Dacca colleagues and in response to calls by the opposition to protest. The situation deteriorated in the following days and troops were called into Lahore, Karachi, and Peshawar to

restore order and enforce curfews. Use of the army indicated not only the severity of the situation but also the government's increasing impatience with student violence and its intention to use force, if necessary.

A dialogue between the opposition and government now seems likely. It may be the best way out for the regime which has discovered that repressive measures intensify resistance while concessions are taken as an admission of bankrupt policy. Expectation has been heightened by a government press story on Wednesday which states that President Ayub will soon invite all prominent opposition leaders to meet him and thrash out "the whole constitutional issue." This announcement may be made in Ayub's regular first-of-the-month broadcast this weekend. Important administrative and ministerial changes are also rumored.

Even if the government were able to reach some agreement with opposition moderates, students and other youthful elements, who have recently seized the antigovernment initiative, would probably refuse to accept a compromise. An agreement would necessarily fall far short of opposition demands which include a parliamentary system, direct elections and restoration of civil liberties. The fragile opposition coalition could be split wide open, with Ayub benefiting by the disarray among his adversaries.

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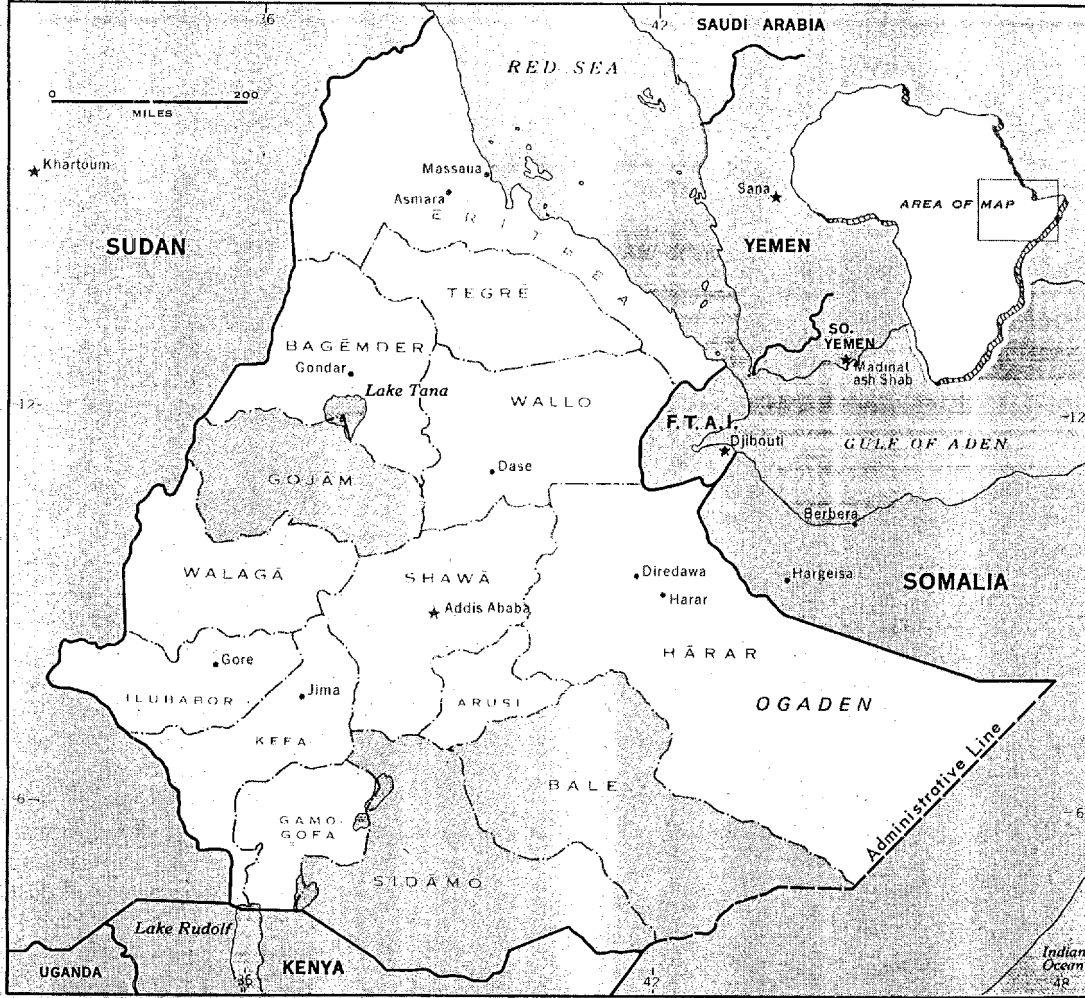
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INTERNAL DISORDERS BESET THE ETHIOPIAN GOVERNMENT

The continuing tax revolt in Gojam Province and a resurgence of rebel activity in Bale and Sidamo provinces are severely straining Ethiopia's financial and military resources.

Violence has resumed and apparently intensified in Gojam Province where a peasant anti-tax revolt first produced civil disturbances in mid-1968. The Gojamis have been protesting a tax on agricultural income levied throughout the country, primarily because they fear it is a ploy to overturn their traditional land ownership. The violence last year was only temporarily halted by the removal of several inept provincial officials in August. Other attempts at peaceful settlement were also unsuccessful. Although it is part of the Amhara heartland of Ethiopia, Gojam has a long history of rebelliousness against domination from Addis Ababa.

The government maintains a strict news blackout, consequently a clear picture of developments in Gojam is difficult to obtain. No end to the disturbances appears to be in sight. Moreover, what is essentially a local challenge to government authority has the potential of becoming a regional insurgency.

After a period of relative quiet, the insurgency that has been smoldering in Bale and part of Sidamo provinces has intensi-

fied since 1965 when the restive Galla inhabitants revolted over grievances against the central government. The leader of the insurgents, Waqo Guto, returned in December from Somalia

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[REDACTED] He has resumed his familiar pattern of ambushes and raids, used successfully when he first took to the field. As in the past, the army has been incapable of coming to grips with the rebel bands, despite a sizable increase in the number of military units committed to the area.

The military operations in Gojam and against Waqo Guto are placing a growing strain on Ethiopia's financial and military resources at a time when the government is urgently trying to cope with significant financial difficulties. Moreover, Ethiopian patience with Somali involvement with Guto is wearing thin, although Haile Selassie and other high officials are well aware that Somali Prime Minister Egal must deal carefully with his army. Increased pressure, especially from the Ethiopian Army for a return to a hard-line policy against Somalia, is clearly possible. Such a move would have serious implications for the already fragile Ethiopian-Somali detente and future relations between the two countries.

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WESTERN HEMISPHERE

Early this week the Peruvian Government took over "temporary" administration of the International Petroleum Company, but the replacement of US employees with Peruvians indicates it may become permanent. The company says the action means that it is now effectively out of the petroleum business in Peru, although it still retains ownership of the properties, at least for now. Meanwhile, the government is expected momentarily to establish diplomatic relations with the Soviet Union, and has removed restrictions on Peruvians traveling to Communist countries, presumably including Cuba and North Vietnam.

Two military men have emerged as the leading presidential candidates in Guatemala's national elections scheduled for March, 1970. Defense Minister General Rolando Chinchilla apparently will head the ruling Revolutionary Party ticket. President Mendez Montenegro, who is constitutionally barred from running for a second term, reportedly insisted on Chinchilla during a recent party caucus. The selection of Chinchilla presumably is designed to protect the centrist Mendez government from a pre-emptive military coup and to offset the attractiveness to conservative forces of exiled Colonel Carlos Arana. Arana's popularity among the military and right-wing forces increased following his aggressive actions against Communist insurgents in Zacapa Department early last year. Arana has indicated that he will return from his post as ambassador to Nicaragua soon to start campaigning for the presidency.

Premier Price of British Honduras has asked London to postpone the constitutional conference scheduled for March. The move delays the timetable for independence and allows further time for negotiations between Britain and Guatemala on Guatemala's claim to British Honduras. Guatemala is strongly opposed to any movement toward independence for the colony before the resolution of the territorial dispute.

Uruguay and Argentina are squabbling again over their boundary problem. At issue this time is disputed Timoteo Dominguez Island in the River Plate. Uruguayan President Pacheco recently discontinued boundary negotiations in retaliation for Argentina's occupation of the island. Argentina mainly wants to protect its navigation rights in the river channel leading to Buenos Aires; Uruguay wants to exploit potential off-shore oil deposits.

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PROBLEMS CONTINUE FOR BRAZILIAN GOVERNMENT

Problems involving resignations of high-level officials, economic development policies, corruption, and urban terrorism increased for the Costa e Silva government last week.

On Monday, General Albuquerque Lima resigned as minister of interior, the first cabinet resignation in two years. Although his decision may have been forced on him by a regulation requiring him to leave the ministry by 15 March or lose his active military status, he took the occasion to protest government decrees reducing the funds available for the development of Brazil's impoverished northeast. Five key subcabinet officials in federal agencies concerned with this problem then left because they, too, claimed the decrees were damaging to their agencies. Their departure further reduces the effectiveness of government programs to improve conditions in this area.

President Costa e Silva immediately replaced Albuquerque Lima with another hard liner, General Costa Cavalcanti. The new minister has a local reputation as a self-serving politician and one of his first acts in office was to appoint his cousin to head one of the major agencies in his ministry. No

replacements for the other vacancies have yet been announced.

On the political front, President Costa e Silva reportedly signed a decree on government corruption that provides for confiscation of illicitly acquired properties. At the same time, the Ministry of Finance, in investigating income tax evasion, has obtained a confession from Geraldo Correira, president of the Minas Gerais stock exchange and one of the richest men in Brazil. Action against Correira has caused some uneasiness in financial and political circles. The new decree and related investigations gave the government carte blanche in deciding which present and former officials to prosecute.

In the face of continuing urban terrorism, police this week arrested four men implicated in the numerous bombings in Brazil's cities since last March.

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PERU TAKES CONTROL OF US OIL COMPANY OPERATIONS

Peru's military government took over the administration of the International Petroleum Company's (IPC) remaining operations in the country on 28 January. The company's president said that this action means that IPC is effectively out of the petroleum business in Peru, although it still retains ownership of the properties, at least temporarily.

The government has stated that control can be turned back to the IPC if by 4 February the company has made full payment of the \$15 million bill submitted by the state for products drawn from the Talara refinery since this facility was expropriated last October. The state oil company has declared that if the IPC fails to make full payment by the deadline its remaining assets will be auctioned off to cover the payment.

The US firm has, so far, refused to pay what it terms an inflated bill and reportedly is giving some thought to submitting

a bill of its own for the oil products the government confiscated when it expropriated the Talara refinery, products for which IPC claims it is now being charged. The government is probably expecting some such move, and its notification that all US employees of IPC are being replaced with Peruvians indicates that it is preparing for complete expropriation of the assets on 4 or 5 February, if not before.

President Velasco, who has led the fight against IPC, has been reconfirmed in office and can now continue his campaign to eliminate the company from Peru. The "Revolutionary Junta"-- composed of the commanders of the three services--announced on 25 January that Velasco would be retained in office. This announcement quelled rumors that General Montagne, the prime minister and minister of war, would take over the presidency when President Velasco retired from the army on 31 January. 25X1

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