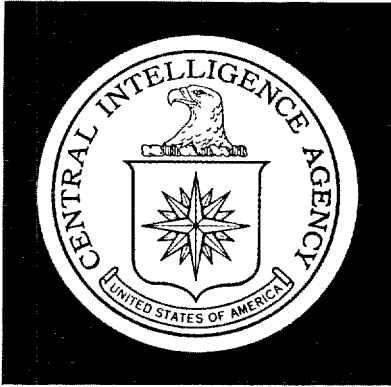


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Department review completed

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Political events--such as last week's withdrawal of the ruling party's presidential candidate--continue to overshadow terrorist activity, but pro-Castro insurgents are again planning violence.

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FAR EAST

The country-wide Communist attacks in South Vietnam launched on 23 February appear to be the opening phase of an offensive designed to continue for several weeks. Main force units for the most part have been held in reserve so far, suggesting that the Communists intend either to mount major ground assaults in the near future or to spin the offensive out by committing such forces to battle piecemeal. These attacks are aimed at demonstrating the Communists' continuing military capability and their readiness to stretch out the war indefinitely. Hanoi again publicly disavowed any "understanding" with the US prior to the total cessation of bombing last November that would oblige the Communists to exercise military restraint.

It now appears likely that the long-delayed ninth congress of the Chinese Communist Party will take place in March. The party should have elected a new congress in 1961 but this requirement was disregarded in the aftermath of the Great Leap Forward. Unresolved problems within the Chinese leadership could cause further slippage in opening the congress.

The Communists in Laos continue their efforts to regain territory they held at the time of the 1962 settlement. They apparently are trying to strengthen their position while they make cautious moves to prepare for political talks with the Vientiane government. The Communists may calculate that such talks would undercut the US position that the Lao and Vietnamese questions are inextricably connected.

Djakarta is pushing ahead with preparations for this year's act of self-determination in West Irian. UN and Netherlands officials are generally sympathetic to Indonesia's handling of the matter and the West Irianese themselves appear to accept that they have no alternative to formal union with Indonesia.

The Australian and New Zealand prime ministers have confirmed that their countries will retain ground forces, as well as an air and naval presence, in Malaysia and Singapore after the British withdrawal in 1971.

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VIETNAM

The Communists launched their first major offensive in six months on 23 February with scores of coordinated hit-and-run attacks throughout South Vietnam. During the first four days of their drive, enemy forces concentrated largely on allied field positions, outposts, and government administrative centers in the countryside and large military encampments, airfields, and logistics installations in and near most of the major cities.

The Communists struck mainly with harassing rocket, mortar, and sniper fire, sometimes accompanied by light ground probes and commando raids. In a few instances, Communist infantry ranging up to battalion size in strength assaulted targets after the initial shellings, triggering sharp, close-quarters fighting.

The pace of the enemy's drive slackened after the first night, but the intensity of the strikes, particularly ground assaults, seemed to increase. Many targets were struck a second or third time while a handful of new cities and field positions were hit during subsequent days.

The Communist emphasis on indirect, heavy-weapon attacks and their conservative employment of ground assaults kept their casualties relatively low during the first 72 hours of the offensive. Some 3,500 enemy

troops were killed while allied losses totaled some 650, including about 200 US killed. Damage to allied installations ranged from light to moderate for the most part although a handful of ammunition depots and airfields was extensively damaged.

Saigon was shelled on 23 February for the first time since the complete US bombing halt last November. The enemy also hit Da Nang and Bien Hoa with rockets and follow-on sapper raids. Pleiku city, Can Tho, Cam Ranh Bay and more than half of South Vietnam's provincial capitals were shelled. In an effort to offset charges of indiscriminate shelling of population centers, Communist propaganda carefully phrased their accounts of the city attacks, especially in a detailed report on the Saigon strikes, as being specifically directed against military or government positions.

The Communist offensive clearly has not yet run its course. There are solid indications that additional attacks are planned, probably including some by main force units that remained largely uncommitted during the offensive's first three days. Sizable enemy formations have maneuvered into positions just outside major cities and allied redoubts in eastern and southern I Corps, the western highlands, much of northern and western III Corps, and the upper

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delta. Most of the enemy's initial efforts were concentrated in these regions and allied sweeps there on 24 and 25 February touched off some stiff skirmishes with concentrations of Communist regulars.

If the next phase involves strong thrusts into populated areas, the Communists probably will bring their political agitation and proselyting efforts into play. There is strong evidence that they made preparations prior to the offensive to agitate, incite "uprisings," and drum up support among the populace through an intensive propaganda campaign and the infiltration of political cadre into cities and towns. One of the Communists' major aims in the first round of action is to demonstrate that they are as strong as ever and that allied claims of recent gains are illusory. The Communists also hope to bolster the morale of their troops, cadre, and supporters, which has declined in recent months, and, additionally, to erase the gains allied military and pacification operations have scored since Tet 1968.

Political Developments in
South Vietnam

Official reaction to the Communist attacks has been, for the most part, calm and reasoned. Sai-

gon's top leaders have made similar statements describing the offensive as a desperate act by a defeated enemy and praising the population for its steadiness. In characteristic fashion, however, Vice President Ky also told the press that he favored swift retaliatory action against North Vietnam if the attacks continued.

Most newspapers reacted strongly to the shellings of Saigon and focused on the government's earlier pledge to abandon the Paris talks if the Communists renewed their attacks on South Vietnamese cities. The majority of opinion favored that course of action, while the more militant journals called for more dramatic reprisals. Most Upper House members condemned the attacks, although one senator criticized the government for allowing the shellings of the capital city.

The government did take the precaution of raiding and closing the An Quang Buddhist Youth Center to forestall any possible Buddhist-inspired demonstrations in concert with attacks on Saigon. Police arrested militant Buddhist Thich Thien Minh at the center. They are investigating his connection with a number of students who were also arrested, and with Viet Cong propaganda, weapons, and ammunition found there.

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INDONESIA SETS STAGE FOR WEST IRIAN SELF-DETERMINATION

Djakarta is pushing ahead with preparations for this year's act of self-determination in West Irian and is trying to head off criticism of its methods.

The 1962 Indonesia-Netherlands agreement requires only that the West Irianese be allowed to decide whether to remain with Indonesia, without specifying



procedures. Djakarta has been making careful moves to avoid controversy while ensuring a favorable outcome.

The Indonesians have been concerned that a one-man, one-vote approach would give anti-Indonesian elements opportunities for agitation and have, therefore, argued in favor of reaching a decision through Indonesia's established method of consultation and consensus. Indonesian representatives have received a generally sympathetic hearing from

UN and Netherlands officials on this approach. The Australian minister for external affairs has also adopted an understanding position.

Apparently, Djakarta's latest plan is to conduct a series of consultations within each of nine specially selected regional councils. Council membership would vary from 75 to 175 and would consist of geographic and organizational representatives and traditional leaders, most of whom probably would be Djakarta-appointed. The nine councils apparently are expected separately to reach a consensus in favor of formally uniting with Indonesia. The process would take several months and presumably would get under way this summer.

Among the West Irianese themselves, there is a growing awareness that they have no alternative to formal union with Indonesia and organized anti-Indonesian activities appear to be declining. Two of the area's three major rebel leaders surrendered early this year and have given public support to the Suharto government. Djakarta, for its part, has sent more consumer goods and better qualified military and administrative personnel into West Irian. [REDACTED]

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COMMUNIST CHINA TO HOLD PARTY CONGRESS SOON

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The long-delayed ninth congress of the Chinese Communist Party now appears likely to convene in March. Premier Chou En-lai is said [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
that the congress would probably be held next month, though no final decision had been made. This remark is the most authoritative statement so far on the timing of the congress, but most other signs now available also point to March as the probable date.

According to its constitution of 1956, the Chinese party should have elected a new national congress during 1961, but this legal requirement was quietly ignored in the aftermath of the Great Leap Forward. The congress was scheduled to take place a year ago, but was postponed because of factional fighting.

After the 12th plenum last October of the central committee elected in 1956, Peking announced that the ninth party congress would be held "at an appropriate time." In November and December, provincial-level congresses of party members to ratify the proposed new party constitution and to prepare for the ninth party congress took place in at least a third of China's provinces. This stage, which now has probably been completed throughout

the country, was the first task assigned publicly to the party organization since it was torn to pieces in 1966.

Diplomatic sources in Peking reported last month that high-level meetings to lay the groundwork for the congress were held in the capital from the end of December to mid-January. Some delegations to the congress were already in Peking by early February, and security patrols in the capital have been increased. Signs welcoming the congress began going up on the city's buildings in mid-February.

A number of reports indicate that the regime--and Mao personally--had favored holding the congress in February. Thus, unresolved problems within the leadership have probably already forced a one-month delay, and further slippage is possible. The congress is intended to bring the Cultural Revolution to a formal conclusion and to set the stamp of legitimacy on the political structure that has begun to emerge after three years of turbulence. There are many signs, however, that the badly divided leadership has been unable so far to agree on basic policy for the future on such matters as staffing the reconstituted party and general economic policies.

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Differences within the leadership probably played an important role in Peking's cancellation on 18 February of talks with the US at Warsaw, talks which China itself had advocated last November. The Maoists seized on the defection of the former Chinese chargé in The Hague as a pretext for not meeting with the US. This cancellation constitutes a setback for moderate elements in the leadership, as does the resumption in late January of poster attacks on the sidelined advanced weapons administrator, Nieh Jung-chen.

Domestic propaganda, on the other hand, although often ambiguous, suggests a hardening of

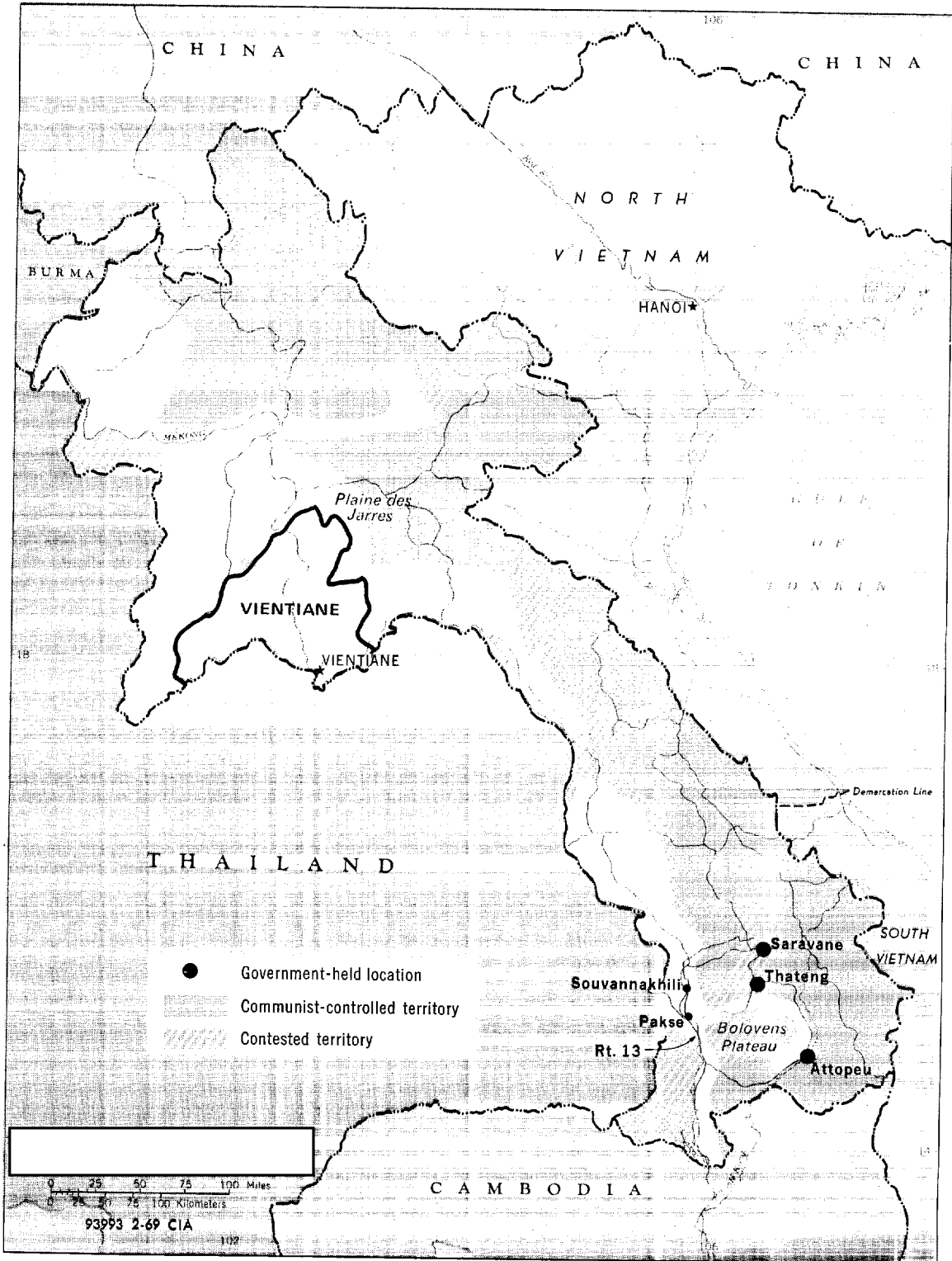
opposition to the excesses of Mao's social "reforms." The People's Daily editorial of 21 February--billed as a major pronouncement, and heavily encrusted in standard Maoist slogans--called essentially for a more reasoned, systematic management of industrial and agricultural production. This may be only part of a continuing debate, however, because no moderation of Maoist measures has been noted. Factories are still being ordered to effect wholesale reductions in managerial and technical staffs with the object of "reforming" personnel who do not work with their hands. More egalitarian methods of remunerating peasants are being instituted in rural communes.

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COMMUNISTS MAINTAIN MILITARY PRESSURE IN LAOS

The Communists are still threatening government positions in widely separated areas of the country and may be making cautious moves to prepare the ground for political talks with the Vientiane government.

North Vietnamese troops remain dug in around the government base at Thateng in southern Laos, although government efforts to relieve the garrison have eased the enemy pressure somewhat. The tactical situation is basically unchanged, however. The government defenders, whose numbers have been substantially reduced through casualties and withdrawals, are increasingly restive over their plight.

The Communists are also maintaining pressure against other government positions in the Bolovens Plateau area. On 23 February, a multibattalion Pathet Lao force hit the government position at Souvannakhili, some 15 miles north of Pakse on Route 13, and inflicted moderate casualties before being driven off. The enemy may hope that such attacks will force regional military commander General Phasouk to consider pulling back government troops along the eastern edge of the Bolovens Plateau, including those in Thateng, in order to bolster the security of Route 13 and the provincial capital of Pakse.

The Pathet Lao, meanwhile, continue to step up activity in Vientiane Province. Reports of small numbers of Pathet Lao guerrillas filtering into isolated villages and increased terrorism suggest the Communists hope to re-establish their presence in areas north of the capital from which they were driven several years ago.

The Communists undoubtedly see political advantages in regaining territory held at the time of the 1962 settlement. In recent months, they have been arguing more forcefully that the amount of territory under Communist control entitles the Pathet Lao to a larger representation in any reconstituted coalition government. Although they have been moving gingerly,

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the Communists hope to get preliminary talks going between the contending factions before too long. The Communists may calculate that such talks would undercut the US position in Paris that the Lao and Vietnamese questions are inextricably connected.

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EUROPE

Official and public reaction to President Nixon's European visit has been generally enthusiastic and the Europeans appreciated that the President concentrated on exchanging views rather than solving problems. The Soviet press has played the trip in a low key, taking the President to task only moderately for his remarks in support of NATO and Bonn.

As it has so often over the last twenty years, West Berlin again became a matter of immediate concern, with the focus this time on the West German presidential election scheduled there on 5 March. The Communists have used a combination of protests, threats, and barely concealed troop movements in an attempt to get Bonn to shift the election away from Berlin. Last week, they added some hints that progress on the Berlin pass issue and an improvement in Soviet-German relations would be possible if the election site were moved. Time to arrange a compromise was growing short, however, and harassment of the city and West German access to it seems likely next week.

The West Europeans regretted that the disagreement between Britain and France over political consultation in the Western European Union had developed, just before President Nixon's arrival, into an even sharper dispute over De Gaulle's conversation with British Ambassador Soames on 4 February. It tardily became known that De Gaulle, in suggesting bilateral talks, had spoken of European independence making NATO in time unnecessary, and had expressed an interest in reorganizing the Common Market as a large free trade area—both ideas he has long espoused. In the ensuing public discussion, France charged Britain with a breach of confidence and with distorting De Gaulle's ideas.

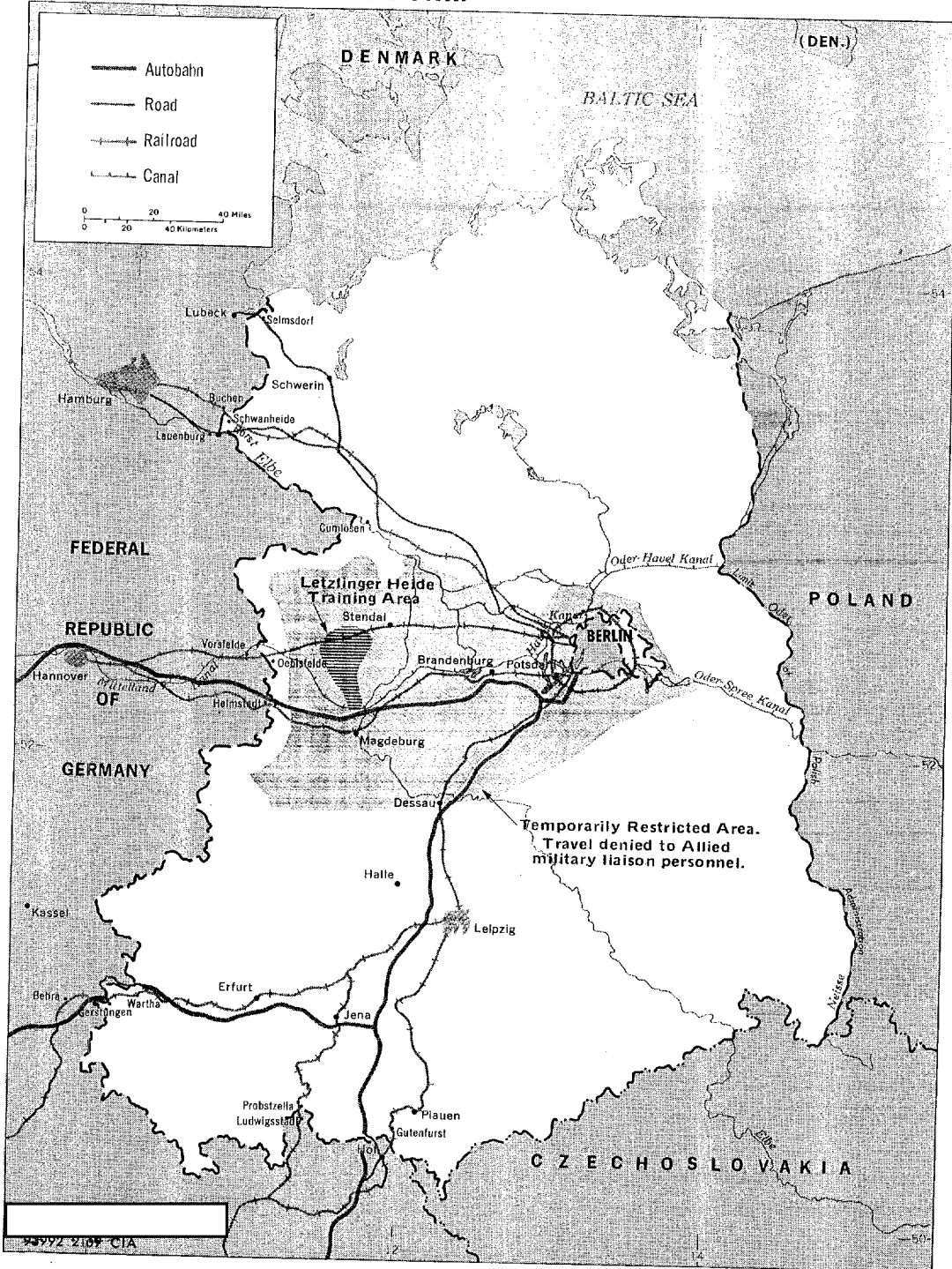
Among the top members of the leadership in Czechoslovakia, a subtle change in attitude toward the Soviet occupiers is becoming evident, with the Czechoslovaks acting more confidently and firmly toward the Russians and those who sympathize with Moscow.

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Travel Restrictions Around Berlin



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LAST-MINUTE EFFORT TO EASE BERLIN TENSION

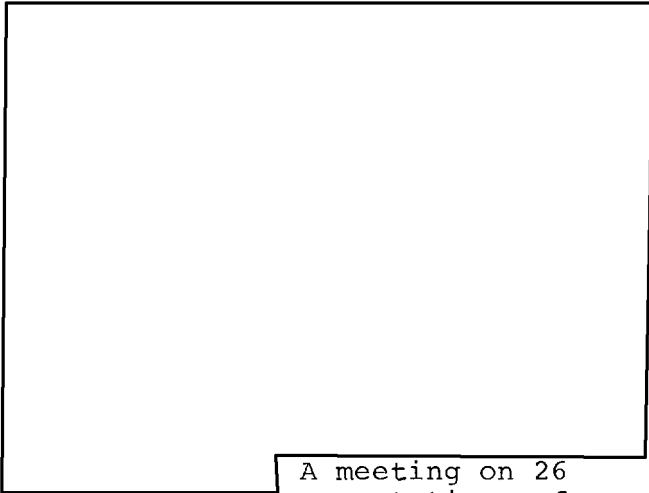
Despite a flurry of diplomatic activity set off by a surprise Communist bid to bargain with the West Germans for a change of venue, the stage is still set for Bonn's presidential election to take place in West Berlin on 5 March. If the election is held as scheduled, Communist harassment of the city and of West German access is likely to take place.

pursuing a "soft" policy toward Bonn and the West.

Misgivings on the part of key Bonn officials regarding the Berlin site for the election have been evident for some time. Many believed that the decision, while wholly within Bonn's rights, tended to complicate relations with the East and undermine efforts to reduce tension.

The Soviets would, of course, like to see Bonn reverse itself and take its election elsewhere, but there is no evidence that they are leaning on Ulbricht to improve his original offer. Moscow

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A meeting on 26 February of representatives of the West Berlin Senat and the East Germans failed to bring the two sides closer, but the West Berliners hoped to arrange further negotiating sessions.

The East Germans probably wish that their last-minute maneuvering will foment friction between the two coalition parties in Bonn and create difficulties between Bonn and West Berlin. The East Germans may also hope that the West Germans will turn down the "concession" so that Pankow may then play up the futility of

CHRONOLOGY OF SIGNIFICANT EVENTS

- 18 December 1968 Bonn announces intention to hold election in West Berlin on 5 March 1969
- 20 December Soviet and East German media print first reaction: "a serious deliberate provocation...endangers the peace and security of Europe..."
- 23 December Soviets officially protest election in notes to Western Allies
- 8 February East Germans announce new travel restrictions, inter alia proscribing access to Berlin of anyone having to do with election
- 10 February Moscow publicly endorses East German travel restrictions
- 12 February Bonn formally schedules election for Berlin
- 10-13 February Warsaw Pact commander Yakubovsky confers with East German leaders
- 13 February Soviets protest to Bonn, implying East Germans would be allowed to hinder West German access to Berlin. Soviet ambassador in Washington says that the USSR does not wish to jeopardize relations with US over Berlin, that no action will be taken against visit of President Nixon, and that East Germans will not disrupt Allied presence in Berlin
- 18-21 February West German ground traffic to and from Berlin delayed for varying periods every day by East Germans
- 20 February Joint Soviet - East German maneuvers announced for East Germany in early March
- 21 February East German party boss Ulbricht sends letter proposing a deal
- 23 February Chancellor Kissinger talks with Tsarapkin, who gave implicit approval to talks between the West Berlin Senat and the East Germans
- 26 February Negotiations begin in East Berlin

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itself has promised Bonn no more than a favorable attitude toward pending Soviet - West German bilateral matters.

Meanwhile, Moscow has gone ahead with preparations for a joint Soviet and East German exercise announced for early March in East Germany. The Soviets have banned the travel of Allied Military Liaison Mission observers

from 25 February to 10 March in an area of central East Germany that includes the Letzlinger Heide training area, the largest in East Germany. The movement of additional forces could interfere with traffic on the ground access routes to Berlin. There is no firm evidence that additional Soviet forces have been moved into East Germany to participate in the exercise.

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DE GAULLE - SOAMES AFFAIR RAISES STIR IN EUROPE

Despite differences of emphasis, there is widespread agreement about much of what De Gaulle told British Ambassador Soames in their controversial conversation of 4 February. All versions make clear that De Gaulle reiterated that Britain could become a member of the European Communities only if these in fact became a larger and looser association of states or a free trade area. He also repeated his well-known criticism of NATO and his support for a "reform" of the defense ties between Europe and the US.

There still is disagreement, however, over whether De Gaulle proposed a "directorate" of France, Britain, West Germany, and Italy to guide Western European affairs. French Foreign Minister Debré admitted to France's Common Market partners only that De Gaulle had mentioned the four countries as having the most important military forces in Western Europe.

It is clear that De Gaulle proposed bilateral talks between Paris and London, but speculation varies as to why he did so. Some attribute the move to his alleged concern about growing French isolation from the rest of Europe; others believe it resulted from anxiety about increasing German assertiveness. There are also varied opinions on the timing of the discussion with Soames--mere happenstance, a desire to make the pitch prior to President Nixon's visit, or a response to hints given by Soames himself that the UK might be considering a new European initiative other than the Common Market route.

The British Government, in any case, suspected a possible trap. London evidently feared that the French could use British acceptance of "discreet" talks to prove that the UK is not really interested in the close unity of Europe represented by the Communities. Britain's disclosure to

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France's five Common Market partners of De Gaulle's "proposals" was intended to reveal Paris as the enemy of true European unity and to bolster the British campaign to engage the Five in political consultations.

In Parliament, Foreign Secretary Stewart said that the UK's policy is to "seek membership in the Communities. If the French Government believes there is another and better way to achieve European unity," he said, "they will have to convince not only us but the other countries concerned."

In Britain, however, there has been press and political criticism of the government's handling of the affair. Some of this reveals considerable misunderstanding of the government's apparent commitment to Community membership and its rejection of French concepts of European organization; some other criticism emphasizes disagreement with London's policy. Such criticism could be a serious obstacle for London's future strategy. British "Europeanists" suggest that the government may have to go even further--toward proposing a supranational politi-

cal community--in order to retain the initiative.

Italian Foreign Minister Nenni alluded publicly this week to seeking "other paths" with like-minded countries should the Western European Union (WEU) forum for political consultations be blocked. Although the Five have avoided public statements about the De Gaulle - Soames affair, they continue to oppose the French position on the "illegality" of these WEU meetings. The Germans, who have shown the most reserve, will nevertheless continue to participate in the WEU meetings taking place without France. The Benelux states believe they have now at least been "warned" about possible collusion over their heads by the larger European states.

France may hope to capitalize on sentiment in Britain for free trade area - type solutions to UK "membership" in Europe. Paris therefore may now attempt to put new life into the flagging notion of "commercial arrangements" between the Community and any other interested European states. Debré told the Austrian foreign minister this week that France would soon introduce some new elements into earlier proposals along these lines.

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CZECHOSLOVAKS CONTINUE ON ROCKY ROAD TO NORMALIZATION

Czechoslovak authorities are acting more confidently and firmly with the Soviet occupiers, with Czechoslovaks who sympathize with the Russians, and with other extremists.

The federal government last week empowered local officials to arrest individuals responsible for clandestine publications, which are illegal under Czechoslovak law. These publications include Zpravy--the official paper of the Soviet occupation forces--and irregular, anonymous publications that have slandered Czechoslovak leaders.

A burst of activity by Dubcek's progressive and moderate supporters has put three prominent conservatives on the run. Youth organizations in Prague filed a libel suit against party secretary Alois Indra for suggesting that the death by fire of student martyr Jan Palach, as well as youth and journalist meetings in Prague, were progressive plots perpetrated by one "stage director." Another outspoken hard liner, Vilem Novy, claimed that he has been "misunderstood" and announced his retirement from the party central committee and the federal assembly. In addition, former deputy interior minister Viliam Salgovic, charged with collaboration last August, denied that he had a role in the invasion and declared his support for Dubcek.

Czechoslovak officials appear to have fared much better than expected during recent nego-

tiations with the Soviets over housekeeping details of the occupation. The Russians agreed to pay for all goods and services, including rent for "military areas, training grounds, water," and other utilities. Prague reportedly managed to postpone the construction of new housing for Soviet officers by arguing that such work would contradict the agreement on the "temporary" nature of the occupation. Moreover, the Czechoslovaks announced that various Soviet command headquarters in Prague would be reduced to a single office. The Prague leadership has publicly requested, too, that Soviet soldiers refrain from carrying live ammunition when off duty.

A potential source of trouble for Dubcek developed on 25 February when another student committed suicide by fire in Prague. The act allegedly was in protest against the political retrogression that followed the occupation. Because the public mood now is not as responsive, the act probably will not precipitate a political crisis--as did the self-immolation of Jan Palach in January--but it might hurt Dubcek's efforts to curb the conservative extremists.

In addition, the government has become embroiled in a growing dispute with trade union leaders, workers, and industrial managers over legislation on the management of enterprises. This could cripple the economic reform program and, in turn, could mushroom into a serious political problem if the government should lose worker support.

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WARSAW PACT AND CEMA "SUMMITS" DELAYED

Despite sporadic efforts in recent months, Moscow has been unable to schedule "summit" meetings of the Warsaw Pact and the Council for Mutual Economic Assistance (CEMA). The complex substantive issues involved, particularly on the economic side, partly account for the delay, but Moscow's allies, notably the Rumanians, seem to be engaging in stalling tactics.

The Soviets probably had hoped originally to have both meetings take place in late 1968 or early 1969, a plan obviously gone awry. Various other dates have been mentioned subsequently, with the latest reports predicting a Warsaw Pact meeting sometime in March and a CEMA meeting possibly in April.

Any dates early this spring would be difficult to meet. A Polish official has commented that responsible Polish officials have not even been asked to prepare the necessary working papers for a Warsaw Pact "summit." The reluctant Rumanians can point to their national elections in early March and a projected visit to Turkey by party leader Ceausescu in late March as grounds for postponement. The Soviets themselves are likely to be preoccupied with the Berlin problem in early March. Soviet Defense Minister Grechko is scheduled to visit Pakistan in the first part of March, making a Warsaw Pact gathering at that time doubtful.

Apart from scheduling difficulties, Moscow's inability to set a date and make it stick results basically from the lack of consensus among member states on the proposals to be considered. There have been reports that Moscow would like to subordinate the national armies to the Soviet-dominated Warsaw Pact command. Bucharest would certainly oppose such proposals, and many of the other East Europeans probably share these doubts. The scheduling of pact exercises--particularly on Rumanian soil--also remains unresolved. The Rumanians reportedly discussed some of these issues with ranking Soviet visitors last week, but a meeting of the minds seems unlikely.

There is evident uncertainty about what can or should be done to make CEMA a more effective instrument. Although the Russians in general favor a tightening of economic ties for political reasons, their thinking about forms and methods is anything but firm. The East Europeans clearly are acting as though they have leeway to chart their own particular courses, suggesting that Moscow has yet to take a firm stand.

Moscow at this stage seems willing to let matters drift rather than risk a dispute that would prejudice chances for its long-cherished world Communist conference. Under these conditions, a decision to convene "summit" meetings before May, however unlikely, would probably represent more a formal demonstration of "unity" than a real reconciliation of differences.

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YUGOSLAVIA STRENGTHENS ITS TIES WITH THE WEST

Yugoslavia, uncertain about its relations with the Soviet bloc, continues to diversify its political and economic ties with the non-Communist world. Yugoslav Federal Executive Council member Toma Granfil's highly successful trip to West Germany from 10-14 February caps six months of accelerated contacts between Belgrade and Bonn. Belgrade is seeking just this sort of result in its other contacts with the West.

As a result of Granfil's trip--the first official visit by a Yugoslav cabinet member since World War II--an agreement was signed covering economic, industrial, and technical cooperation, and Bonn reaffirmed its support for Yugoslav efforts to gain improved access to the Common Market. In addition, experts are now working out the final details of a \$75 million German credit, part of which will be used to refinance outstanding Yugoslav debts to West Germany.

Other Western countries also have provided financial assistance to Yugoslavia or are considering such aid. The US has agreed to a partial debt re-scheduling, Rome is reported to be favorably considering a Yugoslav request to refinance its outstanding debts, and last November London granted Belgrade

a \$24 million trade credit. These measures are necessary if Yugoslavia is to continue efforts to restructure and modernize its economy while increasing its economic ties with the West.

In January, Bonn and Belgrade initialed two agreements providing for increased cultural cooperation and the mutual establishment of information centers. These agreements may be formalized next June. At that time, according to tentative plans, the new Yugoslav foreign minister, not yet appointed, will visit Bonn in return for Foreign Minister Brandt's visit to Belgrade last June.

Despite differences over access to the Common Market, Yugoslav Premier Mika Spiljak ended his visit to France in January in an atmosphere of growing bilateral cooperation which stressed a similarity of views on international affairs. High-level US-Yugoslav contacts have also increased over the past six months, and Tito has indicated a desire to meet with President Nixon.

Belgrade has coupled this flurry of diplomatic activity with a more objective approach by the information media on sensitive East-West issues such as the Middle East, Vietnam, and the current Berlin confrontation.

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MIDDLE EAST - AFRICA

In the wake of Israeli Prime Minister Eshkol's death, a political struggle for power has begun within the ruling Labor Party between the "Old Guard" and two younger military leaders, Yigal Allon, who was named acting prime minister, and Minister of Defense Moshe Dayan. The "Old Guard" is bent on blocking Dayan and may put forward either Allon or former foreign minister Mrs. Golda Meir as leader of a caretaker government until the fall elections.

The Nigerian civil war, now in its 20th month, remains a military stalemate, as federal forces have been unable to launch their planned "final offensive."



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The situation in Ethiopia has been unusually tense this week because of possible student demonstrations and the rising level of open criticism against the government among the educated elite.

In radical-dominated Congo (Brazzaville), President Nguabi's expanded attack on local moderates during the past week could trigger a new round of political turbulence and leftist violence. Several moderates have been arrested, and party militants have been urged to increase their open surveillance and denunciation of all "reactionary elements."

In Pakistan, President Ayub's announcement on 21 February that he will not seek re-election has touched off a scramble for power among opposition leaders. Ayub met briefly with the opposition on 26 February in an effort to begin negotiations on constitutional changes and to set the stage for an orderly transition of power. The next meeting is scheduled for 10 March.

India's Left Communists dominate the new coalition government formed this week in strategic West Bengal and are in a good position to penetrate further important sectors of Bengali society. The new government is already trying to bring the state civil service and police in line with its objectives.



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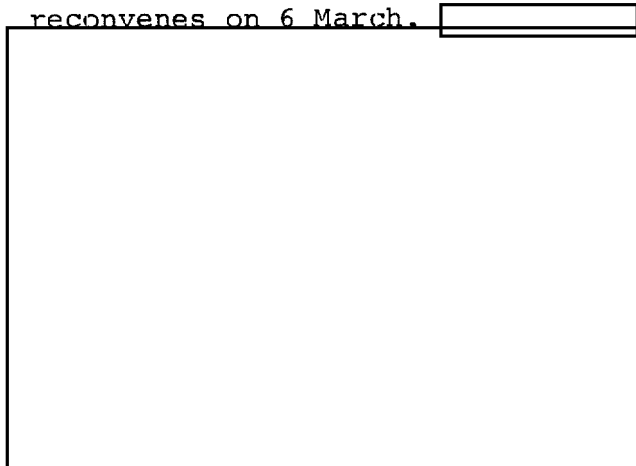
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ESHKOL'S DEATH FURTHER COMPLICATES ISRAELI PLANNING

Prime Minister Eshkol's death is not likely to result in any basic changes in Israeli policies, although it may call a temporary halt to any large-scale Israeli retaliation plans against the Arab terrorists. Eshkol, who was a "near-hawk" in the Israeli political spectrum, played a very important role in the cabinet as a compromiser. His death probably will cause some unevenness and difficulties within the cabinet, and is certain to set off a three-way political struggle for succession within the ruling Labor Party among the party "Old Guard" led by Pinhas Sapir and Mrs. Golda Meir, Acting Prime Minister Yigal Allon, and Minister of Defense Moshe Dayan.

Deputy Prime Minister Allon's appointment as acting prime minister is clearly a stop-gap measure. The formation of a caretaker government to hold office until the fall elections is thought most likely. This will be established when the Knesset reconvenes on 6 March.



The 50-year-old Allon--a leader in the 1948 war and the author of the Allon plan for the disposition of the occupied Arab territories--was named deputy prime minister by Eshkol in June 1968, primarily as a political bloc to the ambitious and popular minister of defense, Moshe Dayan. Allon has lately been somewhat out of favor with the ruling Labor Party "Old Guard," and Eshkol was grooming the party's secretary general, Pinhas Sapir, as his heir apparent. Although the "Old Guard" apparently would like to use Allon again against Dayan, he can be expected as caretaker to make the most of the prime ministership to further his own personal ambitions.

Sapir apparently intends to maneuver in the background for the moment, putting Golda Meir forward to represent the establishment. Mrs. Meir, however, will be 71 in May, her health is not good, and she is not a serious contender. Sapir is a

tough, extremely hard-working member of the "Old Guard." As a "dove" regarding a peace settlement, however, Sapir is probably unacceptable to the Israeli public in the present difficult situation in which Israel finds itself vis-a-vis the Arab terrorists.

The "Old Guard," clearly reluctant to give up power, has fought off the younger "Sabras" such as Allon and Dayan. The

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minister of defense, however, is without doubt the most popular man in Israel and the hero of the six-day war, although somewhat unpredictable and volatile. He is a "hawk," but he is probably the only leader in Israel who can effectively fend off an "imposed" Middle East settlement, or lead Israel into a settlement without a major political upheaval.

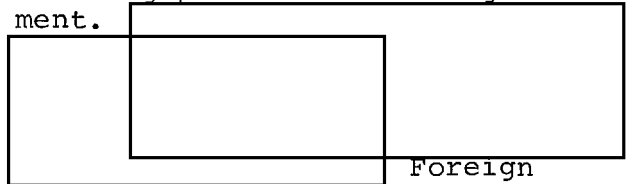
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Israeli leaders, in the wake of the Arab commando attack on the El Al airliner in Zurich and the series of terrorist bombings in Jerusalem, appear to be trying to develop some new methods or techniques to quash the terrorists. What this would involve is not yet clear. It seems certain, however, that the Israeli air raids on the two fedayeen bases in Syria on 24 February are only the beginning. Israeli spokesmen have characterized the raids as "only the appetizer," and the Israeli press has talked of a "new method war" against the terrorists. That something more

is coming is also suggested by the fact that the Israelis specifically identified the Syrian bases as belonging to Fatah, not to the Popular Front for the Liberation of Palestine, which claimed credit for the El Al attack and the Jerusalem bombings.

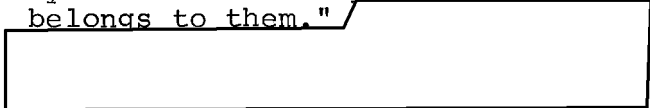
Whatever techniques the Israelis devise, continuing terrorist attacks are a critical issue in Israel that result in mounting pressures on the government.

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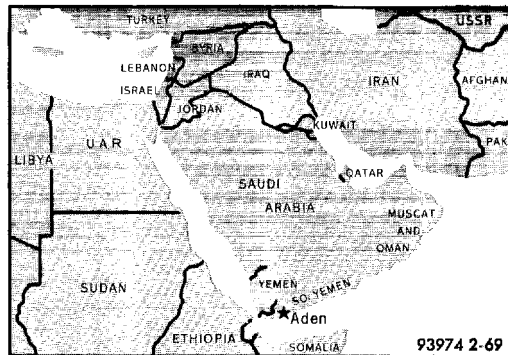
Foreign Minister Eban, in a statement in the Knesset on 25 February, said that Israel would demand that terrorism be banned as part of any peace settlement. "Israel," he said, "cannot agree to make peace with Arab governments while murder and terrorism continue to be carried out by another military arm which belongs to them."

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USSR INCREASES AID TO SOUTHERN YEMEN AND YEMEN

Moscow is increasing military and economic assistance to both Southern Yemen and Yemen, undeterred by the political dispute between the two underdeveloped countries. So far, the USSR has been able to aid each side without alienating the other, and has thus been able to win a foothold in the Red Sea area and pose as a supporter of "progressive" Arab nationalism.



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During Southern Yemen President Al-Shaabi's visit to the USSR early this month, the Soviets agreed to meet his country's long-standing requests for economic assistance. They extended a credit of about \$12 million, matching a Chinese offer of last September. Both of these credits probably will be used for land reclamation and for construction of roads and airfields. The South Yemenis still have not found a source, however, for the cash loans needed to overcome serious budget deficits.

The USSR agreed to provide technical aid, particularly to the burgeoning fish industry. In return for assistance in building a cannery and cold-storage facilities, the Soviets have allegedly received a four-year fishing concession, thus affording their fishing trawlers further access to the Red Sea and Persian Gulf. Moscow has already concluded similar agreements with Egypt, Iran, Iraq, Pakistan, and Yemen.

In its technical assistance, Moscow will also put heavy stress on transportation facilities. The Soviets agreed to deepen Aden's harbor and to provide six pilots; in return, they reportedly will be exempt from some port fees. In addition, the Soviets will modernize equipment and ground control operations at Aden's international airport, and Soviet airliners will stop there on the way to East Africa. All of these

agreements will provide greater official and public acceptance of the Soviet presence.

Southern Yemen reportedly will receive 20 MIG fighter aircraft from the USSR over the next two years, presumably MIG-15s and 17s, some of which may already have been delivered. No Southern Yemenis are qualified to fly MIGs, so the Soviets now have agreed to establish a local air training mission, similar to the army group currently in operation. Along with small arms, the Soviets also agreed to provide Aden with 25 tanks.

In addition, the Soviets are renewing their efforts in Yemen. As with Southern Yemen, Moscow has refused Yemen's requests for a cash loan, but intermittent deliveries of military equipment have been made throughout 1968, and the economic aid agreement signed in 1964 is being reactivated. Soviet technicians, withdrawn during the worst fighting of the civil war in 1967, have started to return. One group is currently rebuilding Yemen's major roads, and a team of physicians was scheduled to arrive in Sana last month. Moscow has also promised to replace the technicians who were assisting land-reclamation projects. President Al-Amri had long been miffed by the Soviets' failure to return these advisers.

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AYUB WITHDRAWS FROM PAKISTANI PRESIDENTIAL RACE

A scramble for national leadership has begun in the wake of President Ayub's announcement that he will not seek re-election early next year.

Ayub's capitulation came on 21 February after more than three months of violent nationwide agitation and a steady deterioration of his authority, culminating in near anarchy in East Pakistan. The President's inability to get government-opposition talks under way last week--even after major concessions--was probably the final blow, convincing him that he could no

longer run the country. He reportedly discussed plans to step down with his top military men before making the announcement.

Ayub's withdrawal has brought a temporary lull in antigovernment violence, but it is unlikely to restore political stability. Inasmuch as he has groomed no successor, the way is now open to the disparate and fragmented opposition forces, but formation of viable alliances will be more difficult than ever now that opposition to Ayub no longer provides a rallying point.



Bhutto Speaks
To Supporters
In Karachi
After Release
From Prison.

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While most West Pakistanis greeted Ayub's decision with relief and optimism, East Pakistani contended that it was of minimal importance because basic grievances remain--grievances against the entire system, not just against Ayub. It is increasingly clear that East Pakistan will no longer settle for a secondary role in government and that a successful contender for leadership must have substantial support in both provinces.

Maneuvering for power among opposition leaders has already begun. Outspoken former foreign minister Bhutto has acted most quickly to strengthen his position, flying to East Pakistan to seek a united front with leaders there and even suggesting that he would step aside for an East Pakistani candidate. Popular Bengali leader and regional autonomy advocate Mujibur Rahman--released from jail last week after the withdrawal of conspiracy charges against him--has moved with the most assurance, realizing that he holds all the aces in his overwhelming East Pakistani support. Ex - air force chief Asghar Khan, an independent, has behaved more cautiously, indicating that he may form a new

coalition party and also making a bid for East Pakistan's support. Pro-Peking leftist Maulana Bhashani has continued to advocate violence and to wield some influence because of his East Pakistani following and ability to muster support in the streets.

Ayub apparently intends to work for an orderly transition, but he now has very little power to control events. On 26 February, he and opposition leaders met briefly to begin talks on constitutional changes, including direct adult franchise, and then adjourned until 10 March. Bhutto and Bhashani chose not to attend this first session and their presence at subsequent meetings remains uncertain. Ayub has warned that if negotiations do not produce workable reforms, he will submit his own solutions to the National Assembly for approval.

If a resolution of the political crisis is not forthcoming and disorders continue indefinitely, the possibility of army intervention cannot be ruled out. The military remains one of the few stable elements in Pakistan and has stepped in before when there appeared to be no other way to restore order.

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INTERNAL TENSIONS MOUNT IN EQUATORIAL GUINEA

Four months after independence, internal tensions created by social and economic problems are mounting in Equatorial Guinea. In recent weeks, the country has experienced a serious decline in law and order, and further

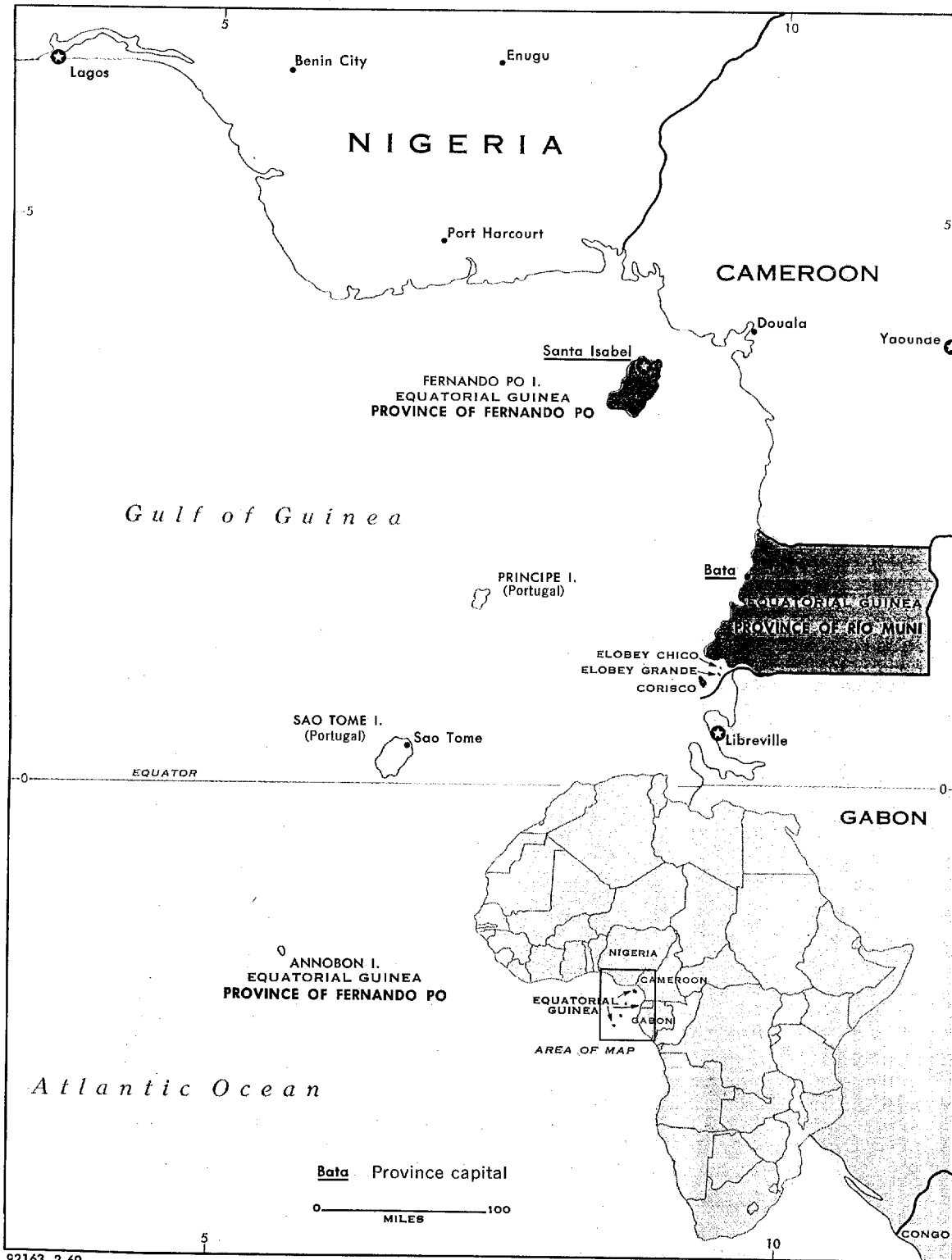
deterioration, if not a general political upheaval, is likely.

From the start, Equatorial Guinea's prospects for stability have not been bright. Ethnic rivalries, exacerbated by the

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EQUATORIAL GUINEA



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geographical separation and economic disparity of the country's two provinces, had dominated pre-independence politics. Spanish rule had not fostered a feeling of nationhood and, despite a short period of limited autonomy, had provided little preparation for self-government.

As independence approached, many of the indigenous inhabitants of Fernando Po Province were unhappy with the prospect of joining fortunes in a single state with their poorer, less sophisticated, and far more numerous mainland neighbors of Rio Muni. To complicate the ethnic situation, the island has a disenfranchised population of skilled Nigerian laborers, at least equal to and probably larger than its native population. The political future in Equatorial Guinea of these Nigerians, most of whom are from secessionist Biafra, is still uncertain.

Despite promises to create a "national conciliation" government, President Francisco Macias Nguema, winner of a four-man election contest, has done little to ease tensions. Macias, often emotional and erratic in behavior, has been extremely sensitive to the possibility of opposition to his government. His decision in December to create a single-party political system apparently resulted from his desire to eliminate opposition activity rather than to create a vehicle for reconciliation. He has detained many former opposition figures and has closely monitored the

activities of those few who are in the government. Normal government activities thus are nearly paralyzed by the fear of most ministers to make even routine decisions without presidential approval. Macias has also instituted measures to control resident Portuguese and Nigerian nationals, whom he suspects of opposition activity.

Another cause of uncertainty is Macias' failure thus far to negotiate permanent accords with Spain, on whose continued assistance Guinea's economic well-being is in large part dependent. Macias, who gained his electoral support on a nationalistic platform with strong anti-Spanish overtones, apparently has abandoned the moderate approach to relations with the Spanish that he initially took on assuming office. The uncertainty of future Guinean-Spanish relations has caused uneasiness among the several thousand Spanish residents whose skills are vital to the Guinean economy.

Macias' preoccupation with internal problems, including the status of the Ibo Nigerian population, has probably been a factor in his reluctance to allow continuation of the originally Spanish-authorized relief flights from Fernando Po to Biafra. The international attention that has resulted from the sporadic suspension of the relief operation, however, has undoubtedly complicated his efforts to deal with pressing domestic problems.

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WESTERN HEMISPHERE

Government activity increased noticeably in Latin America this week with the end of the traditional pre-Lenten holidays.

The week's most dramatic event took place in Panama where National Guard Commander Torrijos pulled off a palace coup against a clique of dissident guard officers headed by military chief of staff Martinez. Martinez triggered the ouster of President Arias last October and had shared power with Torrijos for the past five months.

Chile is in the final week of campaigning for the congressional elections on 2 March. Political pundits in Santiago will be watching the results closely for evidence of political trends and the relative strengths of the various political parties. The final outcome will also have a bearing on the future direction of President Frei's Christian Democratic Party and on who will be the presidential candidates in the important election in September 1970.

In Venezuela, the new congress elected last December takes office next week, with the opposition Democratic Action Party commanding the largest bloc of votes. The election of the president of the Senate and the filling of other congressional offices will provide the first test of strength between the Caldera government and the former ruling Democratic Action Party.

The Catholic Church in Brazil has finally taken an open stand against the government's recent authoritarian acts. The central committee of the powerful National Conference of Brazilian Bishops sent a message to President Costa e Silva warning that the government's new powers could lead to "violations of fundamental rights." Although moderately worded, the message may be resented by many in the military who believe that most liberal priests concerned with social problems are subversives.

In the Dominican Republic, student demonstrations for increased government financial support to the University of Santo Domingo and rumors of an imminent coup against the government by the Communist Left have created an unsettled political situation. Extensive security precautions, however, are likely to thwart any such plans.

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PALACE COUP MOUNTED IN PANAMA

In a quickly executed move on the morning of 24 February, National Guard commander Colonel Torrijos ousted his chief rival, Colonel Martinez, who was viewed by traditionalist political elements as a growing threat to the old order in Panama.

Torrijos' action, which had the backing of the majority of his staff officers, climaxed a prolonged power struggle between the two men who had shared governing power since the short-lived Arias government was toppled last October. The country remained calm following the removal



Colonel Martinez and Colonel Torrijos

of Martinez and several of his key supporters, and Torrijos emerged as strong man of Panama.

Martinez, who started the military ouster of Arias, had become a freewheeling policy maker in the government and an advocate of stronger reform measures. Despite Martinez' zeal for "revolution," however, the junta's "national reconstruction" program had moved little beyond a political housecleaning and an anti-corruption campaign.

Martinez' impulsive and high-handed methods led to resentment among military as well as civilian circles and in large part caused his downfall. His precipitous closing of the Costa Rican border--presumably to exert pressure on that government to extend diplomatic ties--reportedly was made without informing Torrijos and perhaps played some part in his expulsion. Furthermore, the announcement last week abolishing political parties and promising major land reform, probably instigated by Martinez, could have added pressure by the country's elite to have Torrijos eliminate him.

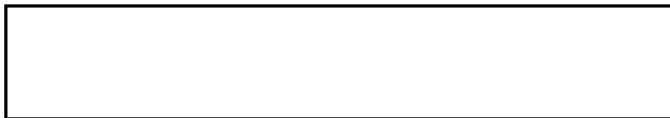
Torrijos, in contrast, is believed to be willing to accommodate some of the old-line politicians and oligarchs. They have been under heavy fire since the coup, but now may regain some of their former influence.

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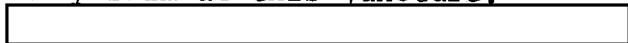
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Torrijos also said that future reforms would not be "impetuous," and in a conversation with the US ambassador added that some of the exiled oligarchs would be allowed to return and a number of political prisoners would be released.

Meanwhile, Martinez and three loyal officers were flown

to Miami, where they flatly rejected Torrijos' offer of assignment to the Inter-American Defense Board in Washington, which they regarded as a thinly disguised form of political exile. The four disgruntled officers hope to return to Panama and lead a military movement against the junta, but their chances of rallying support are probably slim at this juncture.



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ECUADOR SEEKS NEW INTERNATIONAL POSTURE

While attention focuses on Peru's deteriorating relations with the US, Ecuador is increasingly uncertain over US policies in Latin America and is seeking substitutes for some of its traditionally strong ties with this country.

The most urgent problem is Ecuador's claim to 200 miles of territorial waters in an area of major interest to US tuna fishing fleets. US reaction to recurring Ecuadorean seizures of tuna boats has aroused strong nationalistic emotions that are fanned by Ecuadorean politicians and press. Extremist ex-president Carlos Julio Arosemena has called for expropriation of the boats rather than the current practice of levying heavy fines.

The recent application for the first time of the Pelly Amendment, excluding Ecuador from the US military sales program in re-

taliation for the seizures, has particularly angered the military. On 19 February, the Ecuadorean Foreign Ministry issued a strongly worded rejection of a US suggestion for a conference on fishing that was to include Chile and Peru, which also claim exclusive fishing rights for 200 miles off their coasts. The statement added that "violations" of Ecuadorean waters and the "coercive legislation" invoked by the US have created an adverse climate.

Although the Ecuadorean military prefers to consider that it is not directly involved in the 200-mile controversy, there is a growing dissatisfaction among officers over US policies. The navy has already canceled participation in Operation Unitas and a midshipmen's cruise to the US scheduled for this year. A step-up in seizures of US tuna boats, hitherto kept at a politically feasible minimum, now seems

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possible. President Velasco has thus far contained the traditional military suspicion of him by retiring many senior officers and shifting top commands when political pressure appeared to be rising among the officers. Impressed by the military's determination to obtain replacement equipment, he may also have acquiesced in reported overtures toward buying such equipment in Western Europe.

Velasco has been searching for international ties to strengthen his image as an independent nationalist and, even more important, to find new markets for Ecuador's prime export, bananas. Recent sharp drops in banana exports to the US and other traditional markets have worsened the fiscal crisis that has hamstrung many of Velasco's programs and could help bring down his government. Following the lead of his predecessor, Velasco has success-

fully sought expanded trade and new markets for bananas in Eastern Europe. Also active in this effort is ambitious Vice President Jose Zavala, presently reported to be heading an East German-subsidized delegation to the Leipzig trade fair.

A Soviet delegation that arrived in Quito on 20 February to negotiate trade and diplomatic arrangements like those it had just concluded with Peru reportedly found the Ecuadoreans unprepared for the talks.

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PERU FACING UP TO PROBLEMS RESULTING FROM EXPROPRIATION

The Peruvian Government is intensifying its efforts to deal with all aspects of the problem surrounding the expropriation of the International Petroleum Company (IPC). Some of the more moderate government officials are still searching for ways to avoid the loss of US economic assistance early in April for failure to provide compensation for the expropriated properties, while others are looking for ways to soften the blow of the expected economic sanctions and to bring international pressure on the US.

In a seven-hour session on 22 February, representatives of the Central Bank and the Foreign Ministry briefed President Velasco and his cabinet on the serious economic impact the invocation of the Hickenlooper Amendment would have on Peru and the diplomatic options still open to the government. A Central Bank official told the US Embassy later that he thought Velasco had become aware of the economic losses the country would suffer if the current hard-line position on the IPC issue was maintained and that some members of the cabinet were "frightened" of the serious prospects.

At a press conference on 22 February, President Velasco indicated that he may be beginning to believe that the US will, after all, impose the sanctions by stating that Peru is taking steps to assure that the loss of its US sugar quota would "have the least possible effect upon the country's

economy." The President also told a group of visiting US businessmen that his government "has opened the doors to foreign capital."

Another possible outcome of the briefing is the reported agreement by the cabinet on 25 February to accept an Argentine offer to mediate the dispute.

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Meanwhile, the press has been playing up Latin American support for the Peruvian position on the IPC and 200-mile territorial seas issues. After several days of meetings in Lima, Peruvian ambassadors are prepared to launch an all-out campaign to obtain hemispheric support. Despite the Peruvian press reports and the diplomatic offensive, Peru is not likely to gain significant official support, but articulate political groups throughout the hemisphere will undoubtedly rally to the Peruvian cause against "US imperialism."

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GUATEMALAN POLITICAL ACTIVITY INTENSIFIED

Political events in Guatemala continue to overshadow terrorist activity, but pro-Castro insurgents are again planning to carry out acts of violence.

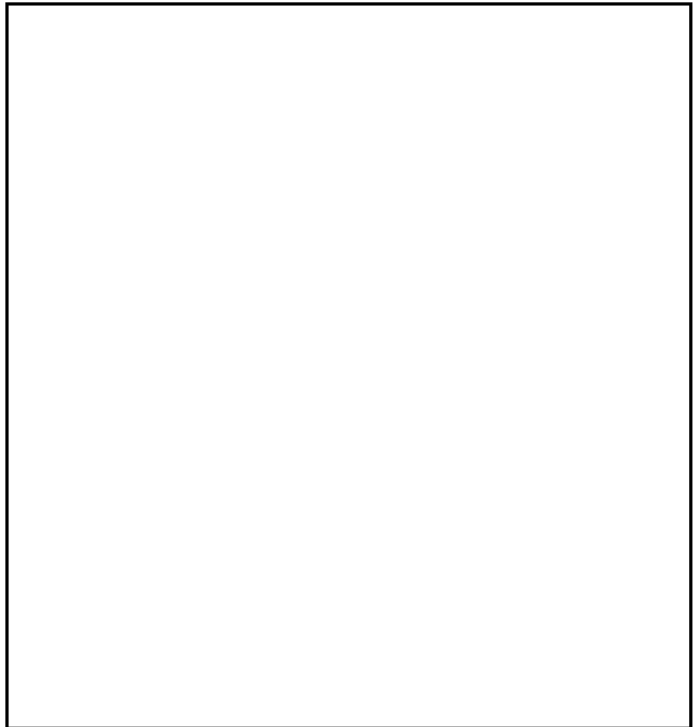
Last week, Defense Minister General Chinchilla resigned his post soon after withdrawing as the ruling Revolutionary Party's presidential precandidate for 1970. Relations between him and President Mendez cooled appreciably after a hassle among party leaders--already annoyed because Mendez had gone outside the party to pick a military candidate--concerning the nominations for congressional and executive posts.

Although Mendez failed to support Chinchilla against the party leaders, the party suffered deep divisions over the nomination. The party's national executive council reportedly took nationwide soundings among members this week before finally selecting Mario Fuentes Pieruccini as the new precandidate. Fuentes is minister of finance and has been active in party affairs for many years.

The new defense minister, General Reyes, is the former

army chief of staff. Although he is a colorless and cautious individual, Reyes is relatively apolitical and completely loyal to the President. Brigadier General Cifuentes, commander of a key army brigade in the capital, moved to the post of army chief of staff. These command shifts are not expected to cause opposition within the military or adversely affect counterinsurgency operations.

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