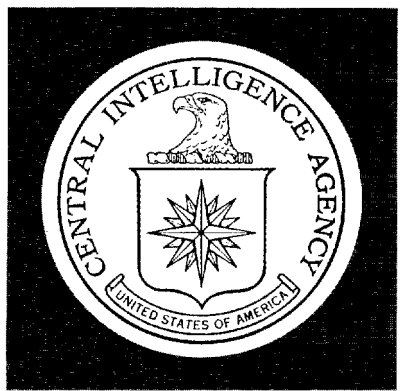


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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State Dept. review completed

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15 August 1969
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FAR EAST

The opening of the Communists' autumn offensive in South Vietnam was signaled by a "high point" on 11-12 August, in which a series of widespread, coordinated shellings and ground attacks took place. The activity decreased very quickly, however, indicating that the offensive will probably consist of a series of such high points. The next one may be scheduled for 19 August, a Communist holiday.

On the political front, Prime Minister Huong apparently will retain his post following announcement of an agreement between President Thieu and Huong to broaden the cabinet's political base. On the other hand, the leaders of Thieu's political alliance have called for Huong's dismissal, adding to the confusion in Saigon.

Military activity in Laos remained at a relatively low level this week, with Communist forces continuing to nibble away at government positions and showing no signs of withdrawing. Heavy monsoon rains hampered operations, and both sides had difficulty in moving troops and supplies. The poor flying weather also added to the government's problems.

General Lon Nol may have extracted a number of concessions from Prince Sihanouk as his price for forming a new cabinet in Cambodia, and the new government now may move toward economic reform. Lon Nol has already called for an end to nationalization of the economy, a policy he has long considered at the root of Cambodia's economic difficulties. Sihanouk, while apparently granting his new premier some latitude in domestic problems, is likely to continue to make most foreign policy decisions himself.

Malaysian Prime Minister Rahman has decided to play an active role in the ruling National Operations Council, a decision that is not likely to sit well with Malay extremists, who regard Rahman's conciliatory policies toward the Chinese as responsible for the country's Malay-Chinese communal strife. Malay moderates are in firm control of the government and security forces, but infighting among those unhappy over Rahman's move or a recurrence of racial violence could strengthen the extremist's hand.

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VIETNAM

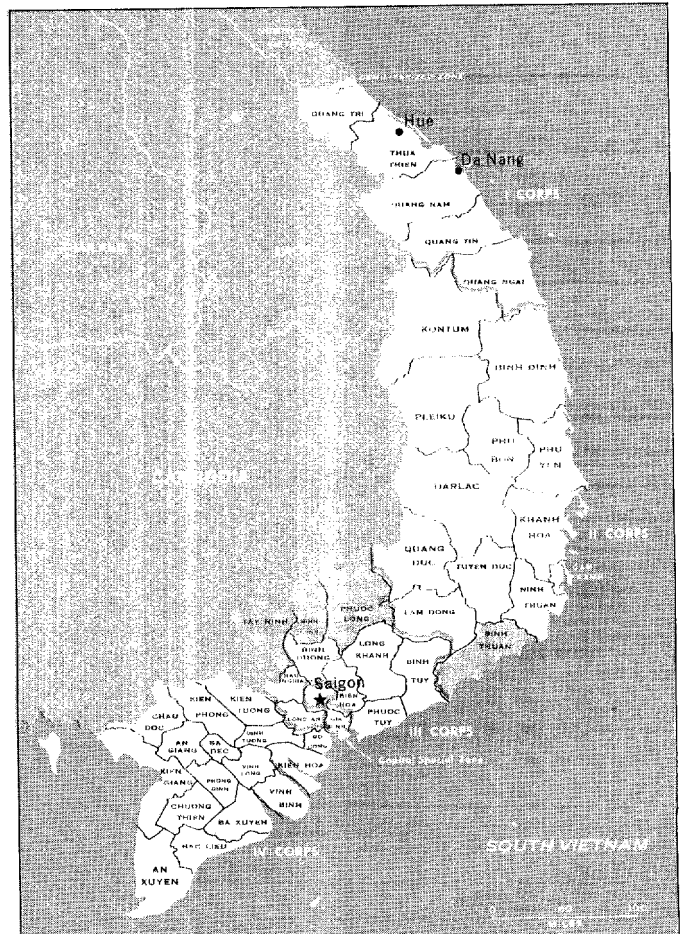
Communist forces broke their eight-week lull on the night of 11-12 August with a series of wide-spread, coordinated shellings and ground attacks against towns and allied bases throughout South Vietnam. The attacks probably marked the opening "high point" in the enemy's anticipated "autumn offensive." The "high point" appears to be similar to earlier brief but intense surges of Communist attacks in May and June.

The new enemy flare-up was preceded by weekend attacks against US positions near the Demilitarized Zone and in Tay Ninh Province, and by a reported battalion-sized assault against South Vietnamese Army troops in the central coastal province of Binh Thuan. The heaviest ground attacks on 11-12 August occurred to the north of Saigon in Tay Ninh, Binh Long, and Phuoc Long provinces. A few rockets were launched against the outskirts of Saigon, Hue, and Da Nang, but these did not cause serious damage.

Communist units are in position to launch follow-up attacks in scattered areas of the country, including further actions in northern III Corps. The major elements of the four enemy divisions in III Corps--the 1st, 5th, 7th, and 9th--have over the past several months pulled away from the Saigon area to bases astride Tay Ninh, Binh Long, and Phuoc Long

provinces. In these areas, jungle cover affords extensive maneuver opportunities relatively protected from allied aerial observation and harassment. In addition, these units have benefited from close access to supplies and replacements via Cambodian safehavens.

In recent weeks and days, units from the enemy divisions in III Corps began to move out toward key targets in the area,



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[redacted] plans call for fairly heavy attacks against allied bases in this northern tier of provinces, while elsewhere in III Corps Communist action would be limited to shellings and small-scale guerrilla and sapper forays against the government's pacification support elements. This activity is expected to be coordinated with heightened Communist proselyting and selective terrorism.

The other principal areas where Communist forces pose a significant threat include the DMZ region, a segment of the coastal region in southern I Corps, and isolated parts of the central highlands and Mekong delta region. There appears to be no serious ground threat to the country's three major cities, but these could experience additional shellings or terrorist incidents.

Political Developments

One major hurdle in the reorganization of the South Vietnamese Government, which has been pending since mid-July, may have been overcome during a meeting between President Thieu and Prime Minister Huong on 13 August. According to an official communiqué, the two leaders have agreed to a broadening of the cabinet's political base. Although it was not explicitly stated that Huong would remain prime minister, the reference to agreement suggests this

[redacted]

Thieu appears to have deliberated at length over whether to keep the aging Huong or to replace him with someone more amenable to a government of politicians. The prime minister, although anxious to remain in office, had taken the view that the cabinet should continue to be composed of technicians and administrators.

[redacted]

The announcement could mean, however, that his retention depends on an accord over the entire cabinet make-up.

Adding to the confusion, leaders of President Thieu's political alliance, the National Social Democratic Front (NSDF), on 8 August publicly called for Huong's ouster. Apparently reflecting their lack of closeness to the President and their own internal divisions, four of the six NSDF parties later put forward their own candidate for prime minister.

Strains have been increasing between Thieu and the NSDF leaders as they have continued to clamor for key cabinet positions despite Thieu's original stipulation that they would have to wait as long as two years for government patronage. Since the NSDF parties are not yet in a position to bring the government truly

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effective support in the National Assembly or in the public at large, Thieu clearly intends to give some of the limited political plums available to groups outside the NSDF.

Ferment Among Vietnamese Exiles

Several recent Communist statements have suggested that a new political initiative involving Vietnamese exile groups may be in the making. Last week a spokesman for the Viet Cong's Provisional Revolutionary Government (PRG) once again stated that "consultations" were going on between the PRG and other South Vietnamese groups in Paris, Saigon and elsewhere. On 2 August, a Viet Cong broadcast referred to a new plan to raise the prestige of the PRG.

Hanoi obviously hopes to draw other South Vietnamese po-

litical forces into closer association with the PRG, and it now may be trying to line up exile support behind a broad set of common objectives. In contrast to Saigon's lack of attention to overseas Vietnamese, the Communists have worked hard among them and have given a specific nod to exile groups in the Liberation Front's 10-point peace plan.

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PEKING TAKES A TOUGHER STANCE ON LOCAL FACTIONALISM

Central authorities are becoming increasingly concerned over continuing factionalism in the provinces and are devoting more attention to the problem. In recent weeks, there have been a series of meetings in Peking with leaders from some of China's more troubled provinces, propaganda has assailed "anarchism," and a new central directive has been issued.

Since mid-July provincial radiobroadcasts have heavily stressed the need for "organizational discipline" to halt anarchic trends and persistent factionalism. This theme marks a shift in emphasis from that taken after last April's ninth party congress, which was confined to more general appeals for national unity under the leadership of the party. The central authorities now appear to be overcoming their reluctance to tackle some of the problems contributing to weakness and divisions at the basic levels.

Nationwide publicity is being given a central committee directive dated 23 July calling on factionalists to cease fighting and to surrender their firearms within one month or be treated as "counterrevolutionaries."

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UNC

It is doubtful, however, that these latest efforts will be any more successful than previous attempts to end factional fighting. The army, which is charged with implementing the 23 July directive, is likely to take a cautious approach, in part because the military itself remains politically divided in some troubled provinces. Moreover the instructions are likely to prove particularly difficult to enforce in those areas of western China where factional rivalries are most pronounced. Peking may also run into difficulty in a number of previously stabilized provinces in eastern and southern China which are now experiencing sporadic disorders.

Posters appearing recently in Peking, for example, described the situation in Hunan Province as "grave" and requested that troops be dispatched there from the capital.

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MALAYSIAN PRIME MINISTER ADDS TO PRECARIOUS SITUATION

Prime Minister Rahman apparently has decided to play an active role in the National Operations Council, the powerful body that has ruled Malaysia since the outbreak of communal violence last May. Rahman's effort to reassert his authority over the government's affairs is likely to further alienate extremists within the ruling Malay party and the Malay community.

Rahman told the press that he will start participating in the ruling council next week. Although he did not state clearly how much power he would try to exercise, Rahman implied that he would assume over-all direction of the council from Deputy Prime Minister Razak, who is the council's director and leading figure.

Both Razak and Home Minister Ismail, the number two man on the council, have backed Rahman against efforts by extremist elements to unseat him, but it is far from clear whether they are fully behind the Prime Minister's current efforts to reassume a paramount position in the government. There

has been a widespread expectation that Razak would take over completely in the fairly near future. This view arose not only because of Rahman's age and health--he underwent an eye operation in June--but, more importantly, because he apparently no longer commands significant support within the Malay community. The prime minister's conciliatory policies toward the Malaysian Chinese, moreover, are widely believed to be responsible for the country's current difficulties.

No matter how carefully Rahman may move in the coming weeks, it appears likely that efforts to reassert his authority will be hotly opposed by the Malay extremists and will widen the rift with the moderates. Although the latter continue to retain both firm control over the national administration and the loyalty of the police and the upper echelons of the military, either a recurrence of racial violence--which could come at any time--or factional infighting within the moderate wing would greatly strengthen the extremists' hand.

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SOVIET-INDONESIAN ECONOMIC TALKS SET FOR LATE AUGUST

A Soviet economic delegation scheduled to visit Djakarta later this month to discuss the rescheduling of Indonesia's debt to the USSR also is expected to review the status of Soviet-aided projects in Indonesia and the continued supply of military spare parts.

Moscow probably will offer enough to assure some presence in Indonesia, but any commitments will be limited by a need to avoid precedents that could be cited by other debtors seeking relief.

Djakarta's negotiating position is constrained by its need to keep any arrangements with the USSR within bounds acceptable to Western creditors who are now in the process of drawing up a long-term plan for repayment of Indonesia's \$1.7-billion free world debts. Indonesia hopes to defer for another year the overdue first payment on its long- and medium-term economic credits to the USSR. Djakarta may be willing, however, to begin payment on the short-term portion of its economic debt which totals \$14 million and also is past due.

The USSR negotiated a debt repayment agreement with Indonesia in 1966, but Djakarta has failed to make any of the \$40 million in payments as they fell due. Debt discussions were postponed in the aftermath of the Czechoslovak crisis in August of last year and again in October, following In-

donesia's execution of several local Communist party leaders.

The talks also are expected to deal with the status of Soviet construction projects which have been in abeyance since early 1966. The Soviet mission, which includes at least one high-level construction official, may be prepared to offer a resumption of some economic assistance. Several Soviet projects--including the Tjilegon steel plant and the Tjilatjap superphosphate plant--have been incorporated into Indonesia's current five-year economic development plan.

Djakarta undoubtedly would like Soviet aid for these projects resumed. If a Soviet offer is not forthcoming, however, Djakarta has hinted it will seek to have Soviet projects completed by third countries.

Outside of limited maintenance, recent Soviet economic activity in Indonesia has been confined to the assembly of three small dredges to be used in inland waterways. All work on this project has been carried out under cash contracts.

In the military areas, the Soviets may agree in principle to the continued sale of spare parts to maintain and rehabilitate previously supplied Soviet equipment which has deteriorated severely. The USSR presently is delivering military spare parts under a \$10 million cash contract concluded in 1967.

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CAMBODIA'S NEW GOVERNMENT MOVES TOWARD ECONOMIC REFORM

General Lon Nol is organizing a new government amid signs that Sihanouk has given him a somewhat freer hand than past prime ministers.

Lon Nol's cabinet choices thus far are for the most part politicians and technicians who share his conservative political outlook. The major surprise is Prince Sirik Matak, a forceful and independent figure who has been openly critical of Sihanouk's economic and foreign policies. Matak's decision to join the government as first deputy prime minister suggests that he expects it to be more than a rubber stamp for Sihanouk.

Lon Nol has not yet chosen ministers for the economy, an area in which Sihanouk has called for sweeping reforms, and which he claims will be the principal testing ground for the new government. In his first major policy pronouncement, Lon Nol told the National Assembly that his government will discontinue nationalization of vital sectors of the economy. Although Lon Nol has not yet spelled out the details, outright repeal of the nationalization program would represent a

major change in Sihanouk's economic policy. It seems likely that this was one of the concessions Sihanouk made to Lon Nol and Sirik Matak, both of whom have long believed that nationalization and other ill-considered measures were behind Cambodia's economic difficulties.

Lon Nol will probably not face any serious political opposition from the left because its influence in national politics has diminished sharply in the past two years. He has a reputation for dealing firmly with anti-government elements, particularly the insurgents now active in the countryside. He has also advocated more aggressive military countermeasures against Vietnamese Communist incursions. It is not clear whether Lon Nol, who will hold the defense ministry portfolio, will also retain his post as commander in chief of the armed forces.

Although Sihanouk apparently intends to give his new premier considerable freedom in attacking domestic problems, Sihanouk is still likely to reserve major foreign policy decisions to himself.

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EUROPE

Moscow this week had its attention divided between two troubling situations developing at opposite ends of the USSR. On the East, a new clash at the border of the Chinese province of Sinkiang occurred on 13 August. Each side accused the other of sparking the incident, which seems to have been the bloodiest since the Ussuri River affair last March. Although neither side seems to want a wider conflict, this latest incident can only increase tensions on the border and add to the explosive potential.

In the West, Moscow was faced with the prospect of more trouble in Czechoslovakia as the anniversary of the invasion neared. A high-level Soviet military delegation has been in Czechoslovakia to oversee the security preparations of Czechoslovak authorities. The situation there is tense, and some anti-Soviet demonstrations, if only scattered and relatively peaceful, seem likely. Party leader Husak is going all out to control the situation, aware that his job may depend on his ability to do so. Rumors of impending Warsaw Pact exercises with Czechoslovakia during the anniversary period remain unconfirmed.

While the afterglow of President Nixon's visit to Romania lingered, Ceausescu acted quickly to redress the balance with his Communist allies at the party congress that ended on 12 August. He put the best face possible on Romanian-Soviet relations without shying away from his independent position. As the congress closed, Ceausescu advanced many second-generation Communists into national-level party positions and downgraded some "old guardists." Bucharest will further prolong its festive atmosphere as it prepares to celebrate the 25th anniversary of Romania's "liberation" on 23 August.

The East Germans this week in effect rejected an Allied proposal that they meet with the West Germans to discuss transportation and communications. East German spokesmen insist that talks with the West Germans will be possible only if Bonn accepts East Germany as a sovereign state.

In France, President Pompidou's decision to devalue the franc, his first major break with Gaullist policies, was applauded by most members of the governing majority but drew fire from left-wing Gaullists, the Socialists, the Communists and union leaders. The full political implications will become clear only after the close of the August vacation period and the convening of a special session of the National Assembly.

The devaluation jolted the machinery of the Common Market, and a marathon 19-hour session of the Council of Ministers in Brussels worked out a compromise favorable to France on the Common Agricultural Policy.

Premier Rumor's new minority Christian Democratic government in Italy completed the presentation of its program and won its final vote of confidence on 12 August.

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SINO-SOVIET BORDER CLASH INCREASES TENSIONS

The latest publicized clash on the highly volatile Sino-Soviet border appears to be the result of the high level of tensions that now exist rather than a deliberate prelude to enlarged military conflict. The exchange of protest notes on 13 August indicates that this is the largest clash since the incidents last March on the Ussuri River along the eastern portion of the frontier, but the immediate military crisis appears to be over.

The exchange is one in a series of armed incidents that have occurred along this stretch of the Sinkiang-Kazakhstan border. Last June the two sides exchanged charges of an "armed intrusion."

Peking was the first to publicize the clash in an apparent attempt to portray the Soviets as the unreasonable, aggressive party in the dispute. Each side almost immediately protested the incident, however, charging the other with a "preplanned attack." The Chinese later on 13 August accused the Soviets of continuing to "amass troops" in the area and "incessantly" firing on Chinese frontier guards.

Current evidence suggests, however, that neither side intends to widen the clash into a larger conflict. Moreover, both sides have thus far limited their political response to the exchange of diplomatic notes couched in standard protest style. There have been none of the large-scale demonstrations in China that characterized Peking's reaction following the incidents in March, and

Moscow's propoganda coverage has been unusually subdued.

Other recent developments also suggest that neither side wishes the inflamed border situation to get out of hand. Following seven weeks of negotiations, the Chinese and Soviets signed a border river navigation agreement on 8 August.

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Neither side is likely to compromise fundamental positions, however, and questions of national prestige could lead to an intensification of a relatively minor incident. The latest clash can only increase tensions in the border situation and add to its explosive potential.

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DISARMAMENT TALKS LAG AT GENEVA

The Geneva disarmament talks are still primarily focused on the proposed treaty limiting military use of the seabeds, with little prospect for early agreement. Pressure to revise the US draft treaty is increasing. The British, terming some features of the US draft "completely un-negotiable" within the disarmament group, plan to offer an alternative text. The Canadians may do so as well if the US makes no revision in its draft. The Soviets are sticking firmly to their draft.

A report drafted for UN Secretary General Thant on the effects of chemical and biological warfare (CBW) is also being considered at Geneva. The report calls for an agreement to halt development, production, and stockpiling of CBW agents. Sweden has circulated a proposal along the lines of the Thant report, and Britain has submitted a draft convention applying only to biological warfare. The Soviets oppose separate consideration for biological warfare--maintaining that such action would undermine the 1925 Geneva Protocol--and have pointed to the recent incident on Okinawa to illustrate the need for dealing with chemical warfare.

A number of nonnuclear participants in the Geneva talks have expressed concern over the lack of progress. Italy had offered an alternative to the proposed report to the UN General Assembly written by the cochairmen, the Soviet Union and the US. The Italian paper implied criticism of the cochairmen, stating that "higher priority should be given to...checking vertical proliferation of nuclear weapons by states now possessing them." The Italians withdrew their proposal last week, but it led to some bitterness over the fracturing of traditional alignments at Geneva.

Early this month, six new members--Netherlands, Hungary, Pakistan, Yugoslavia, Argentina and Morocco--were admitted to the talks after lengthy negotiations between the cochairmen. Some of the original members opposed these selections and threatened to bring the matter before the UN General Assembly. This tactic remains a possibility; Mexico has indicated it may raise the issue of enlargement in New York. The enlargement to 26 members makes the name of the group--The Eighteen Nation Disarmament Committee--obsolete, and the cochairmen have agreed to seek members' support for designating it "The Geneva Disarmament Committee."

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HUNGARIAN YOUTH TROUBLING REGIME

The widespread political apathy of Hungary's young people is becoming a major concern of the Kadar regime. The party central committee will attempt to come to grips with the problem in the near future, but overcautiousness may block realistic solutions.

Overzealous repressive measures and bureaucratism have stunted spontaneous youth movements in the past. As a result young people have rejected the empty formalism of the Communist front organizations and have adopted an attitude of cynical indifference, avoiding all forms of political involvement.

Government-sponsored polls recently uncovered evidence of the depth of youth's alienation from the system. Of a sample taken among industrial arts students, 96 percent professed ignorance of the name of Hungary's premier and over 50 percent of Budapest University students sampled showed negative attitudes toward Kadar's brand of socialism. The only openly admitted interests were for Western fads--"the beat frenzy" in party jargon--and for material well-being. Beneath the surface, however, frustrated nationalism and democratic urges are keenly felt and the youth may eventually adopt more active forms of expression if the regime does not deal positively with their problems.

Lajos Mehes, first secretary of the Communist Youth League, pointed to the existence of "extremely negative attitudes" among the nation's youth in an article last month in the youth organ Ifjusag. Mehes, however, offered only the hackneyed theme of "internationalist bourgeois subversion" as an explanation and a vague proposal for reorienting the youth towards building socialism as a solution.

The regime has not given serious attention to its youth since the repressive reconstruction era after the 1956 revolt. It is badly out of touch with the current generation. To remedy this, the moderates in the party leadership would like to channel youthful energy and talent into the regime's program of gradual reform, and Kadar himself is probably willing to grant some concessions to this end.

Hungarian leaders are also keenly aware, however, of the danger of unleashing pent-up frustrations, particularly in view of the Soviets' increasing wariness of Czechoslovak-style variants. Furthermore, the conservative ranks of the Hungarian party are opposed to any moves which would bring students into more active roles. Striking a balance between caution and necessary change will be difficult.

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CZECHOSLOVAKIA BRACES FOR ANNIVERSARY OF INVASION

Authorities in Prague last week began elaborate security preparations in an effort to discourage anti-Soviet demonstrations during the first anniversary of the invasion. Despite these precautions, the tense political situation and public concern with the vicissitudes of the occupation make it likely that some demonstrations--if only scattered and relatively peaceful--will occur.

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officials are rounding up known criminals and dissidents they consider likely to cause trouble.

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The reported plans of some conservatives to "celebrate" the anniversary, if carried out, could spark open clashes between pro- and anti-Soviet groups.

Party first secretary Husak realizes that this regime must control any civil unrest or face the re-entry of Soviet forces into the cities and possibly his removal. He has ordered the regular police reinforced and the people's militia--the party's security arm--activated. Some units of the Czechoslovak Army probably are on alert. Security

"There came about the entrance of armies from five states in our territory. It is necessary to say that leading organs of our party and our state had not requested this entry. It was a tragic mistake, a tragic misunderstanding and we said so in Moscow. We said that in our opinion they had overestimated in this concrete situation the danger of these (antisocialist) forces. We said that in our opinion this intervention was not necessary, and in no case should have been effected without talks, without the consent of our leading state and party organs."

Statement attributed to Gustav Husak at Slovak party congress, 28 August 1968

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The more extreme of the country's disaffected youth are another potential source of trouble. According to a recent poll, two thirds of the university students who are party members have no confidence in Husak's leadership. Some youthful dissidents recently stole a small quantity of arms, possibly intending to stir up trouble.

While the regime is tightening security, reports that more Soviet troops have moved into the country and recurrent rumors that Warsaw Pact exercises around key cities have been set for the anniversary period remain unconfirmed. Russian General Yepishev the political boss of the Soviet armed forces, remained in Czecho-

slovakia last week. He probably was attempting to assess the reliability of the Czechoslovak armed forces as the anniversary period nears and to oversee any security arrangements that might affect Soviet occupation forces.

Husak, meanwhile, still has not succumbed to increasing pressures from the Soviets and domestic conservatives to admit publicly that the invasion was necessary to save socialism in Czechoslovakia.

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FRENCH PULL OFF SURPRISE DEVALUATION

The 11.1 percent franc devaluation announced late last week goes a long way to correct France's international payments position which had been worsening, but needs to be followed up by internal measures which will not be popular with workers. Internationally, the devaluation adds to existing pressures on weak currencies such as sterling and immediately resulted in a major adjustment of the Common Market Agricultural Policy.

The devaluation, accomplished skillfully with no warning, should contribute considerably to the restoration of balance in France's external payments, thus correcting what has become France's number one economic problem over the past year. Such an improvement also depends, however, on government control of domestic inflationary forces by restrictive steps which Paris apparently is prepared to take.

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The devaluation, Pompidou's first major break with past Gaullist policies, has received mixed political reactions in France. Many members of the governing majority applauded the move as a necessary and well-executed technical operation, but the small left-wing segment of the Gaullist party attacked Pompidou for failing to defend the franc "courageously" as De Gaulle had done. Union leaders and spokesman for the Socialist and Communist parties charged Pompidou with renegeing on campaign promises and expressed concern over the impact of present economic policies on real worker incomes. However, the full political implications of the devaluation will not become clear until the close of the August vacation period and the convening of the special session of the National Assembly in mid-September.

The franc devaluation could have disruptive effects on other currencies and the international monetary system as a whole. Sterling in particular is very vulnerable, showing weakness on the foreign exchanges with few reserve resources in the Bank of England for defense against a speculative attack. The sharply increased British trade deficit just announced for July further

heightens fears for sterling. Moreover, the overriding international monetary problem--the undervaluation of the Deutsche mark--was only partly eased by devaluation of the franc. Continued speculation on mark revaluation can be expected.

The devaluation gave a severe jolt to the Common Market machinery. The French claimed that prior notification to the Community was impossible because of the speculation it might have set off. Urgent meetings were held to examine the consequences, especially for the Common Agricultural Policy (CAP). A solution reached at a marathon 19-hour session of the Council of Ministers in Brussels in effect suspends for France the application of the CAP's uniform prices for one year. The arrangement means that France will continue to apply predevaluation prices to its agricultural production--thus avoiding the dangers of inflation. The solution buys time until more permanent arrangements can be worked out for the CAP as a whole.

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MIDDLE EAST - AFRICA

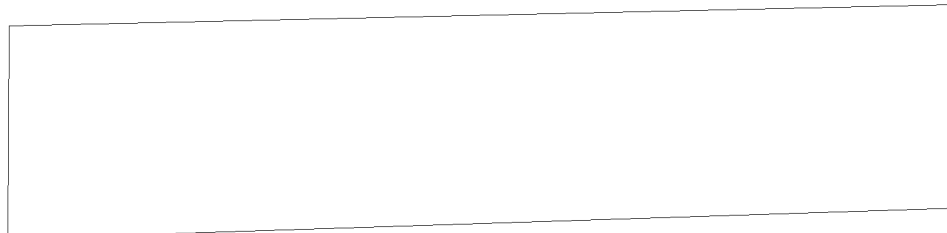
Fighting flared again along the Suez Canal after a comparative lull during the past two weeks. Israeli aircraft struck at Egyptian artillery positions in the southern end of the canal after 13 Israelis were wounded during an exchange of fire on 13 August. Egyptian claims of carrying out a new series of commando attacks across the canal have not been confirmed.

In India, the presidential election of 16 August has become another test of strength between Prime Minister Gandhi and the conservative Congress Party bosses. Tension reached a high level as followers of Mrs. Gandhi began working openly to defeat the official Congress candidate, who had been forced on the party over Mrs. Gandhi's strong opposition.

Pakistan's ambassador to Peking and a high Foreign Ministry official will travel to North Vietnam later this month for a week-long visit. The trip is being billed as reciprocity for a North Vietnamese goodwill visit to Pakistan in May 1968.

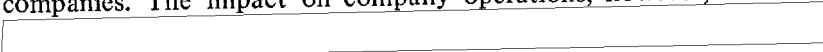
In the Nigerian civil war, Biafran planes damaged a Gulf oil installation in the Midwest State. Heavy ground fighting continued, but neither side made substantial gains. Arms shipments to Biafra appeared to be at a low level this week.

Algeria, apparently fearing that it may have isolated itself by its negative attitude and activities during the recent nonaligned consultative conference, is taking steps to shore up its position as a leader of the third world. Boumediene recently approached Tito with the objective of improving bilateral relations with Yugoslavia's "on all fronts."



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Zambian President Kaunda on 11 August presented his second economic "reform" package in a year and a half. The most dramatic part was his "request" for 51 percent government control of the major foreign-owned copper companies. The impact on company operations, however, will be gradual.



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ISRAEL CONTINUES STRIKES AT ARAB NEIGHBORS

The level of hostilities along the Israeli-Jordanian and Israeli-Lebanese cease-fire lines rose seriously during the past week. The new wave of incidents began on 10 August when Israeli jets damaged Jordan's East Ghor Canal for the second time since June in retaliation for what an Israeli spokesman termed "stepped-up Jordanian and Arab commando aggression" in the northern Jordan Valley. The canal, largely designed, financed, and built by the US, represents an outlay by the US of \$17.6 million of the \$23 million already spent on construction. It supplies water to important banana groves and citrus orchards in the area.

The initial Jordanian reaction to the Israeli attack was an emotional threat to escalate the fighting "on a scale never before witnessed on the Jordanian-Israeli front," if the Israelis interfered with Jordanian attempts to repair the damage. King Husayn through an intermediary asked the US to inform the Israelis that a Jordanian working party would begin repairs. He warned that if the workers were interfered with, the Jordanian Valley would be allowed to become a "desert." On the 12th a group of Jordanians inspecting the damage left after Israeli troops fired on them. Whether the King will follow through on his threat is difficult to predict at this time, but he must make a decision soon. Without water the banana groves have already been irreparably

damaged and the citrus orchards will go in one week.

Israeli jets also struck within Lebanon at seven fedayeen camps on the slopes of Mount Hermon. Israel justified its action by alleging that fedayeen from the area had been responsible for 21 attacks in Israeli territory during the past month. The Israeli attack is almost certain to complicate the situation in Lebanon. An uneasy truce has been in effect since May between the government and the fedayeen following a number of clashes early that month. The truce may be broken if the fedayeen, reacting emotionally to the attack, attempt to cross into Israel for retaliatory raids and the government blocks their way.

Jordan experienced another change of government this week. On the 12th Bahjat Talhuni, who has headed several previous governments, returned to the political scene as prime minister. The retention of some members of the previous cabinet including the ex-prime minister Rifai as deputy prime minister and foreign minister indicates that the change is a reshuffling, and there will probably be no major change in policy. The effort to bring the fedayeen under government control is expected to continue, and King Husayn will continue to be free to direct the affairs of state with little interference.

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KEY INDIAN STATE BESET BY GROWING TROUBLES

The Communist-led United Front government in the important Indian state of West Bengal is increasingly hard pressed by widespread civil unrest and a faltering economy, caused in part by friction among the coalition partners.

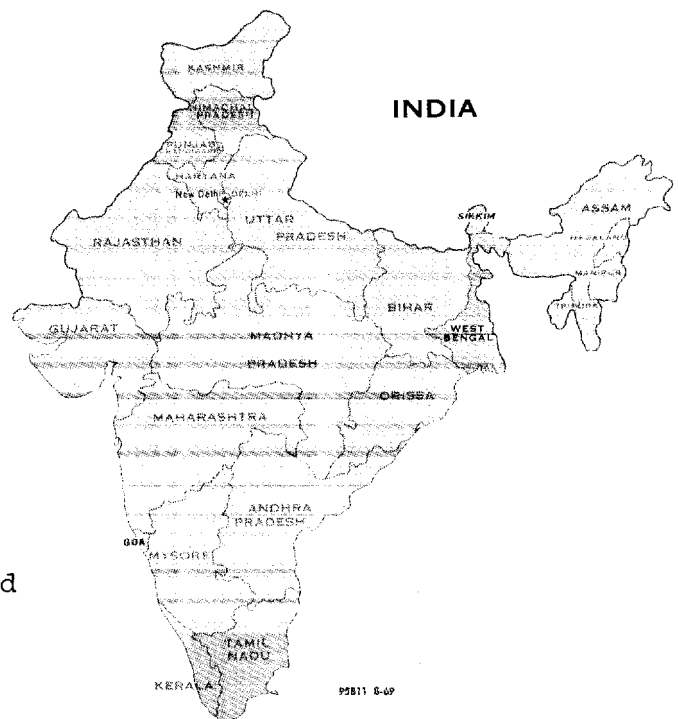
Disputes among the 14 parties in the front have tied down the state government since it regained power in February 1969. Little of its promised reform legislation has been enacted, although some matters have been deliberately deferred because of the state's chronic and increasing budget deficit. Violent clashes have become common as supporters of different parties in the front compete to gain sole credit among labor and peasants for the government's limited achievements. Tension is increased by anxiety among smaller front groups that the dominant Communist Party/Marxist is maneuvering to gain enough popular support eventually to win an election outright and govern alone.

Disruptive strikes, launched mainly by competing labor groups, are further weakening the state's economy. A strike in the vital jute industry recently stopped production in all 70 mills in the state. Several factories have closed because of labor unrest and new investment is virtually suspended. The government has thus far refused to use firm measures against the "popular" agitation, and has usually not backed police efforts to control disorders. Police discontent boiled over last week when several hundred policemen invaded the legislative

assembly to protest the killing of a policeman by an unruly crowd.

Nevertheless, the coalition shows no sign of breaking up under the pressure of its cascading problems. The Marxist-Communists, who lead the front, are far short of enough support in the legislative assembly to govern alone at this time, and the other parties fear isolation if they leave the government. The local Congress Party is the only significant opposition group but it is in disarray after its defeat in the elections in February. Despite the unusually widespread unrest in a key industrial state, New Delhi appears content for now to let the situation percolate further, and there is no evidence that it plans imminent imposition of central government rule.

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POLITICAL MANEUVERING CONTINUES IN PAKISTAN

Pakistan inched its way last week toward eventual return to civilian rule. President Yahya Khan appointed a civilian Council of Ministers, and the deputy martial law administrators, although continuing as presidential advisers, returned to their respective military services. Meanwhile, political maneuvering continued

Yahya' seven ministerial appointments have been received with apathy and some cynicism throughout the country. The appointees--primarily veterans of the diplomatic and civil service--are a lackluster group who have been politically inactive in recent years. Although a majority are East Pakistanis, more portfolios probably will be awarded to equalize the number of ministers from East and West Pakistan. Yahya reserved for himself several important portfolios, including defense and foreign affairs, but major responsibility for domestic policy now rests with the civilians.

Air Marshl Nur Khan, as deputy martial law administrator, was the moving force behind the regime's far-reaching labor and education policy proposals. His removal from the scene and the controversial but hard-driving secretary of the Education Ministry may presage a slowdown in

implementation of these bold policy recommendations.

The political spotlight has once again been pre-empted by East Pakistani leader Mujibur Rahman, who has been in Karachi this week conferring with a variety of individuals and organizations. Mujib is receiving close scrutiny from all politicians in need of fresh political alliances. A more interesting aspect of his visit is the role played by leaders of the revived Sind United Front (SUF) who arranged accommodations and hosted a reception for Mujib and his entourage. Formal ties between the SUF and Mujib's Awami League--groups with complementary political demands--would create a coalition with appeal in parts of West as well as East Pakistan.

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TRIBAL TENSIONS REMAIN HIGH IN KENYA

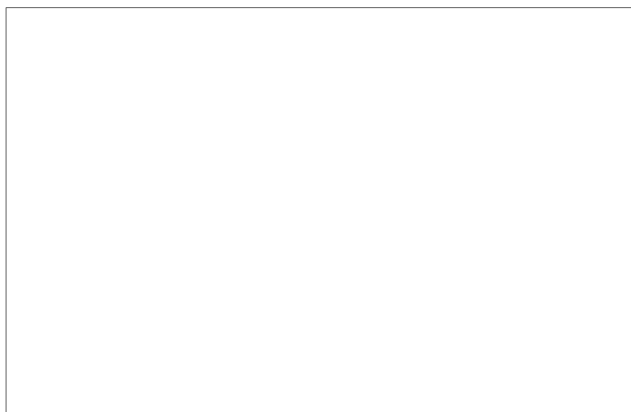
While Kenya awaits the outcome of the trial of Nahashon Njenga, under arrest for the assassination of Tom Mboya, there has been no tribal violence. Tensions remain high, however, and politics are polarizing along tribal lines.

The Luo tribe continues to believe that the assassination of their fellow tribesman was plotted by the Kikuyu-dominated government of President Jomo Kenyatta. The selection of three Luo for high government posts was an obvious effort by Kenyatta to draw the Luo back to the government fold, but these appointments have been met with contempt by many Luo who believe that the appointees are fraternizing with the murderers for personal gain.

Meanwhile, Kikuyu leaders have been attempting, with some success, to unify their tribe. These Kikuyu leaders are officiating at tribal oath-taking ceremonies. Tribal oaths have been used before, particularly during the Mau Mau uprising of the 1950s, to enforce tribal discipline; the Kikuyu do not take oaths lightly. They swear in this instance to defend the tribe against all other tribes with their lives if necessary. The leaders recently scored a significant victory in promoting tribal unity when they persuaded

the only prominent non-Luos in the opposition Kenya People's Union (KPU)--including party Vice President Bildad Kaggia--to take the oath and defect to the ruling Kenya Africa National Union (KANU).

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The polarization of politics along tribal lines will not necessarily lead to tribal violence. Most politicians both inside KANU and out, although condemning blatant Kikuyu tribalism, are privately attempting to work out a political arrangement with Kenyatta. Kenyatta also provides a symbol of leadership to most Kenyans. He is, however, an old man. Kenya may not survive his death without major disruption if the Kikuyu continue in their attempts to keep political power at all costs.

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CRISES THREATEN AS GHANA NEARS PARLIAMENTARY ELECTIONS

Key members of the ruling military-police junta are proposing a "corporate presidency" that hedges on their promise to return full power to civilians next month. This proposal, along with a dispute over the eligibility of one of the major candidates for the parliamentary elections of 29 August, could plunge the country into a serious crisis.

The primary junta figures are giving serious thought to changing Ghana's draft constitution to include a powerful three-man presidency, composed of junta members, which would represent a serious dilution of civilian power in the new government. They apparently have convinced Progress Party leader Busia to support the proposal. The other major candidate for prime minister, Gbedemah who leads the National Alliance of Liberals, firmly opposes the idea, however, and plans to fight it. Gbedemah believes the proposal reflects the junta's bias against him and that it would hamstring his ability to govern should he win the election.

The junta has at least temporarily postponed the developing constitutional crisis over Gbedemah's eligibility in the parliamentary elections. This long-

smoldering dispute stems from Gbedemah's alleged corruption as finance minister in the early years of the Nkrumah regime which the junta ousted more than three years ago. Gbedemah's opponents inserted an article into the draft constitution barring from office any person so impugned. Supporters of Gbedemah in the junta have been unable to change the eligibility provision, but have succeeded in holding off promulgation of the constitution, possibly until after the elections.

The crisis will again emerge, however, if the constitution is promulgated unchanged. If Gbedemah's party wins the elections, it will make strong efforts to modify the draft, and this could plunge the country into a full-blown constitutional crisis. If the opposition Progress Party wins, it will be faced with legal challenges over Gbedemah's right to be a member of parliament. Coup plotting by the loser also cannot be ruled out.

The parliamentary campaign itself is proceeding apace. The outcome remains unclear although apparent efforts by some junta members to ingratiate themselves with the Progress Party indicate it has a slight edge.

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WESTERN HEMISPHERE

The dispute between El Salvador and Honduras still held center stage in Latin America this week, although the situation has changed little in the two weeks since Salvadoran troops withdrew from Honduran territory. Prospects for an early normalization of relations between the two countries continue to be poor.

The position of Bolivian President Siles has become precarious again as a result of increasing distrust on the part of military leaders. Last weekend Siles appointed a number of prefects and mayors without the approval of armed forces commander in chief Ovando. Because these local officials will interpret and implement electoral laws during the election next year, Ovando wants any vacant posts filled with his sympathizers.

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US Ambassador Irwin is scheduled to arrive in Peru soon to renew discussions on the International Petroleum Company issue. Some Peruvian officials and the press believe there is nothing to talk about since President Velasco has rejected the company's administrative appeal. For them, the only thing the company can do now is take its case to the Peruvian courts. Negotiations are also going on between Peruvian officials and representatives of the US-owned International Telephone and Telegraph Company over the purchase of PERUTELCO, an ITT subsidiary, as part of the government's plan for progressive nationalization of all telecommunications. The two sides are still far from agreement on price, but a government official has said that PERUTELCO will be nationalized within a week or so.

Relations between Mexico and Cuba have deteriorated as a result of Cuba's decision to grant asylum to two Mexican airplane hijackers. The Mexican Government is piqued over the implication that its political system is oppressive, but the foreign minister has reserved comment until "a careful and exhaustive" study of the matter is made. The press, however, has been highly critical of Cuba, charging Havana with supporting subversion in Mexico and questioning the utility of a hijacking treaty currently under negotiation. The Cubans were angered late last month when Mexico expelled a Chilean editor of Cuba's news agency, Prensa Latina. Mexico is the only Latin American country that has diplomatic relations with Cuba.

In the Dominican Republic, Vice President Lora's efforts to persuade other potential presidential candidates to join the newly formed antire-election Democratic Integration Movement underscore the growing split between him and President Balaguer. Although military leaders have not openly committed themselves to any candidate, they probably will throw their support to Balaguer.

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LATIN AMERICAN PARLIAMENT PROVIDES FORUM FOR NATIONALISM

The fourth session of the Latin American Parliament, which met in Bogota from 4 to 7 August, proved to be yet another forum for expressing Latin American nationalism and dissatisfaction with US economic policies. Despite the intense propaganda and Latin American egoism displayed at the conference, however, the organization appears to be no closer to fostering Latin American integration through collaboration of the individual national legislatures.

The Parliament was established in 1964 to serve as a forum to air the views of legislators of the various Latin American countries. This year's conference was attended by representatives from Bolivia, Costa Rica, Chile, Ecuador, Honduras, Nicaragua, Paraguay, Uruguay, Venezuela, and Colombia. In addition, two US congressmen, observers from eight countries in the Council of Europe--the European equivalent of the Latin American Parliament--and representatives from several international organizations were present.

As expected, the Parliament's closing resolutions contained an attack on foreign capital and especially rejected political or economic sanctions by the US against any Latin American government that adopts a nationalizing policy--the Hickenlooper Amendment. In another

resolution condemning imperialism in general, several extremist delegates tried to insert "North American imperialism" but were overruled by the majority.

The manifesto also repudiated the de facto governments that hold power in several Latin American countries and proclaimed solidarity with popular movements fighting for the overthrow of illegitimate governments.

In order to protect west coast fishing rights, the Parliament strongly endorsed the 200-mile limit as claimed by Peru, Ecuador and Chile. It stated, however, that fishing by boats of whatever flag, including that of the coastal state, should be regulated within this limit.

Despite the facts that the Latin American Parliament is a paper organization, that it has been notably ineffective in executing its major objective, and that some of the delegates to it are unofficial, it does provide some synthesis of the gripes that Latin Americans have against the US and the general anti-US nature of Latin American nationalism. These feelings were probably augmented, however, by Latin American pique over the failure of more US representatives to attend the conference.

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EL SALVADOR-HONDURAS DISPUTE REMAINS DEADLOCKED

The situation has changed little in the two weeks since Salvadoran troops withdrew from Honduran territory, and prospects for early normalization of relations between the two countries are not good.

As before the war, the primary problem is the Salvadoran Government's determination to ensure the protection and equal treatment of Salvadorans in Honduras. Indeed, this was one of El Salvador's "war aims." Although El Salvador was able to penetrate Honduran territory and avoid being condemned by the OAS as an aggressor, its military and diplomatic victories more than ever appear to be hollow triumphs. Anti-Salvadoran feeling is now at an all-time high in Honduras, and most of the 12,000 Salvadorans detained during the fighting are still being held for their own protection. Labor is insisting that all Salvadoran immigration be stopped and that all Salvadorans without legal documentation be deported. In addition, a widespread campaign is under way urging Hondurans not to employ Salvadorans and calling for a boycott of Salvadoran shops. The position of the Salvadoran emigré, therefore, is worse than ever, and Honduras no longer serves

as an escape valve for El Salvador's surplus population.

In spite of the poor performance by his military, Honduras President Lopez has the support of nearly all segments of the population. This support, however, appears to rest on his ability to maintain a firm position against continued Salvadoran immigration and for the deportation of the large number of Salvadorans now illegally in Honduras. His support probably would disappear if he attempted to make concessions on these points.

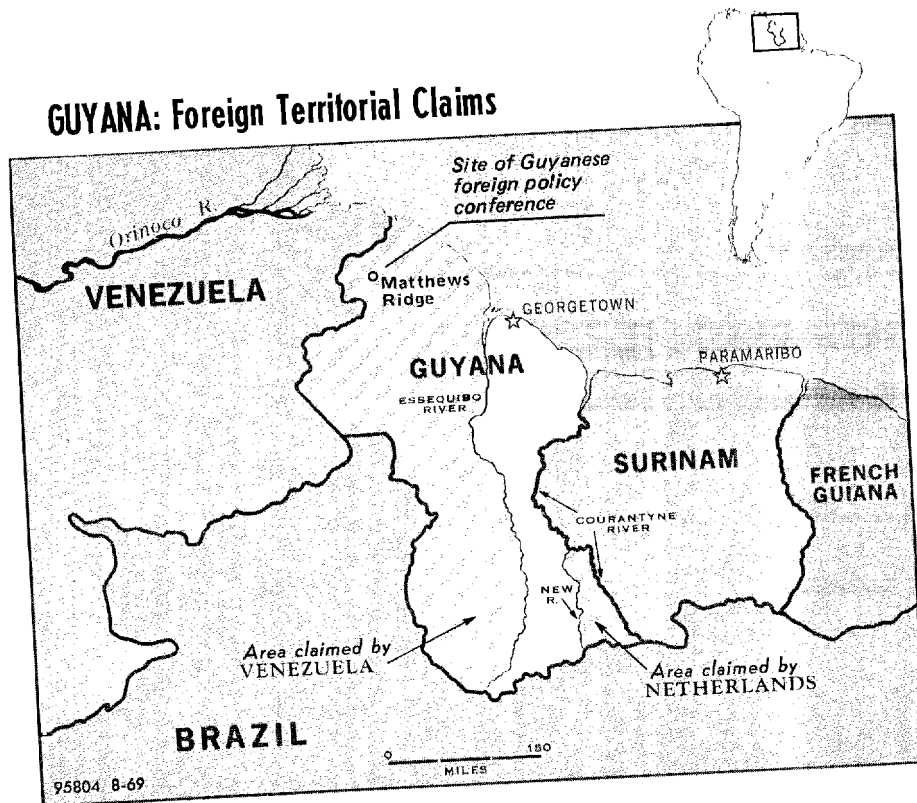
Salvadoran President Sanchez, for his part, has generally shown an insensitivity to conditions in Honduras. His ostentatious victory celebration and his complete dismissal of evidence of looting and pillaging of Honduran towns by Salvadoran troops has contributed little to easing the way for a settlement of outstanding differences. On the positive side, however, he finally agreed to exchange military prisoners of war and on 12 August Honduras and El Salvador released 27 and 58 prisoners respectively. Nevertheless, Sanchez is not a strong leader, and domestic pressure to continue a hard line toward Honduras makes it unlikely that he will change his manner or his policy.

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GUYANA STILL WORRIED ABOUT PROTECTING ITS BORDERS

The maintenance of territorial integrity was of primary concern to Guyana's senior diplomats as they gathered at a foreign policy conference last week.

The meeting place itself was significant; the diplomats chose an interior town in the Essequibo region of Guyana which is claimed by Venezuela. The Guyanese are determined to develop the Essequibo because of its future economic importance and to counter

Venezuelan attempts to subvert the native Amerindians. Despite Venezuela's peaceful protestations, the Guyanese are still fearful that the Caldera administration might resort to military action to recover its "lost" territory.

Domestic pressure to resolve the dispute and provide better protection for Guyana's borders may build in the next few weeks.

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