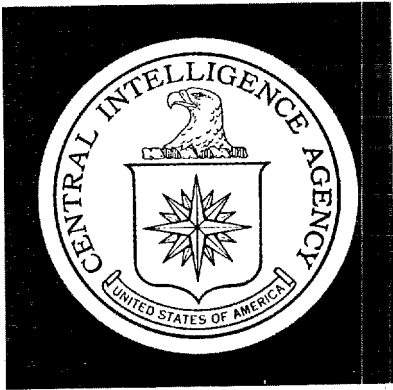


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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C O N T E N T S

(Information as of noon EDT, 28 August 1969)

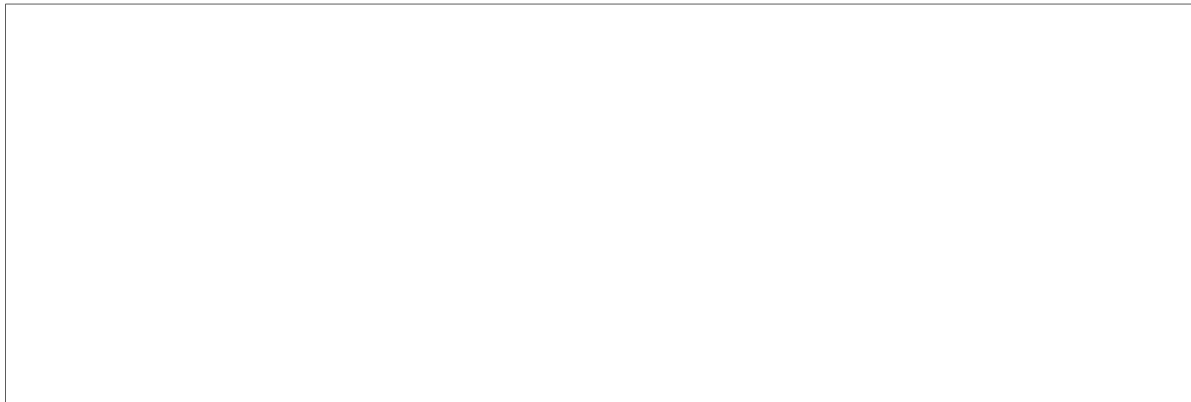
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FAR EAST

President Thieu and his newly designated premier, General Tran Thien Khiem, are proceeding apace to form a cabinet. Thieu and Khiem agree on many issues, and their relationship should result in a better coordinated government than heretofore.

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Military action in South Vietnam last week shifted to the northern provinces. US infantry units ran into stiff resistance in the Que Son Valley. Communist forces appear to be trying to draw allied units away from pacification duties along the coast. Elsewhere, the enemy still poses a serious threat along the Cambodian border northwest of Saigon and in the Mekong Delta.

In Laos, government forces have begun to put pressure on the Communists and to regain the initiative, at least temporarily. Because of monsoon rains and US air strikes the Communists have had to transport supplies on foot along part of Route 7 in the Plaine des Jarres, and are being pressed by Meo units in the southern part of the Plaine. Government forces are also moving into enemy territory in southern Laos.

Factionalism and disorder in many provinces continue to plague Communist China's leaders. The latest policy injunction takes a tougher line against disorder, but the party hierarchy still appears unable to decide on a firm course of action in many instances.

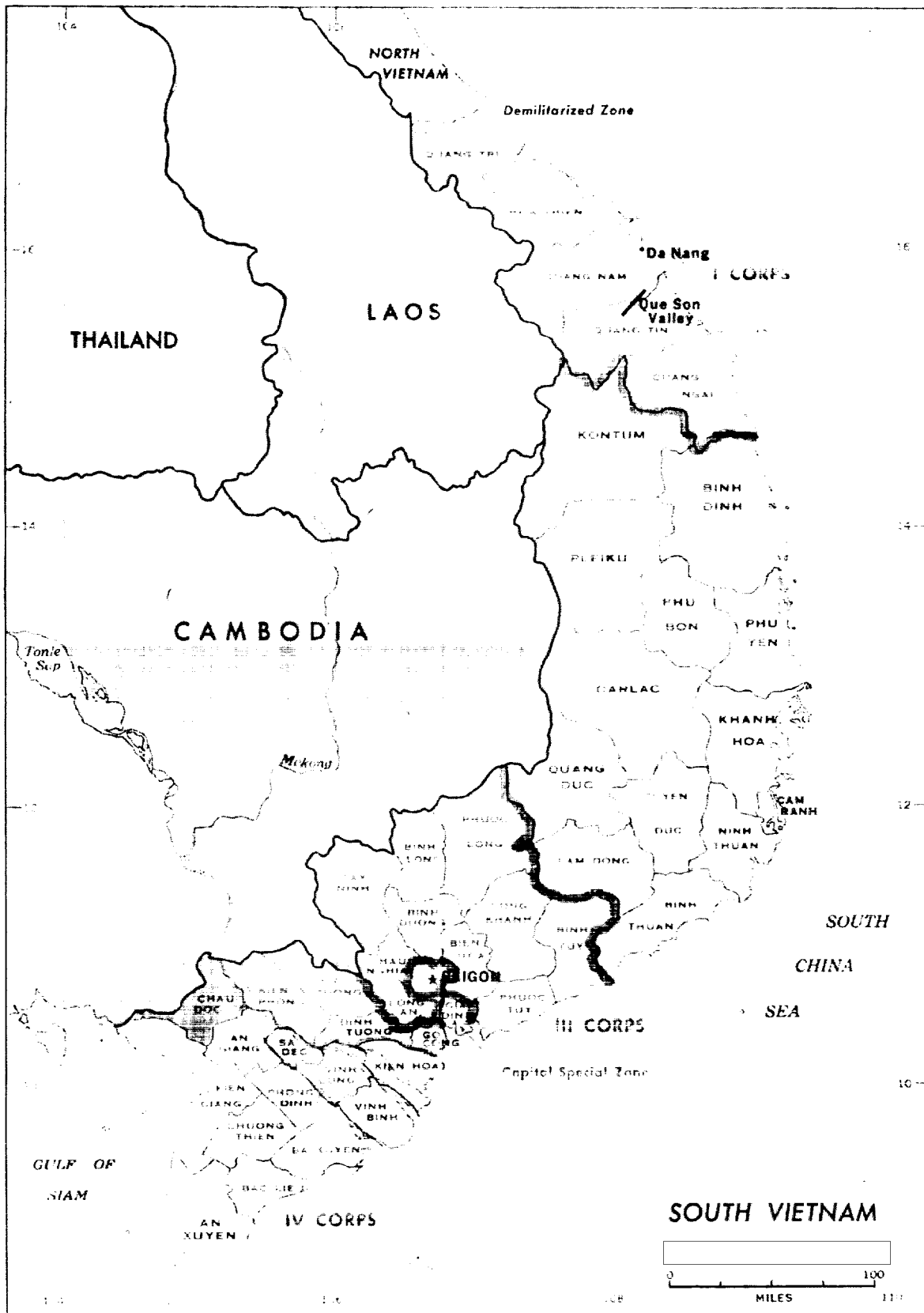
Devaluation of Cambodia's currency emphasizes Premier Lon Nol's eagerness to take advantage of the latitude in economic affairs that Sihanouk has given the new government. The measure was deemed a necessary first step toward spurring the country's lagging economy.

South Korean President Pak has overcome the opposition within his own party to his third-term constitutional amendment, now awaiting passage in the National Assembly. Even opposition party legislators admit the amendment will eventually be adopted. Only student demonstrators pose a threat, and Pak has strengthened riot-control forces in anticipation of renewed student agitation against the amendment this fall.

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VIETNAM

Political Developments in
South Vietnam

The designation of General Tran Thien Khiem to succeed Tran Van Huong as prime minister broke the six-week impasse in President Thieu's efforts to reorganize the government and may lead to the early completion of a cabinet. Thieu had deliberated at length over what to do about Huong. In view of the differences between the two over "politicizing" the government and of the National Assembly's criticism of Huong, the latter's resignation may well have been the result Thieu was seeking. Khiem, whom Thieu recalled from exile in Taipei and had appointed first as interior minister and later as deputy prime minister, appears to have been Thieu's personal choice for the premiership for some time. Huong's stature and Khiem's military background undoubtedly gave Thieu pause, however.

Thieu and Khiem, who have been military comrades for more than 20 years, see eye to eye on many issues

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Their close relationship should result in a better coordinated government at the top than has been the case during the independent-minded Huong's 15-month tenure.

Although Thieu had anticipated adverse US and international reac-

tion to Khiem's appointment, the domestic response has been generally favorable.

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His efficiency and good relations with the National Assembly are cited as his strong points.

Reservations about his appointment have appeared in some quarters, however. Several An Quang Buddhist followers and circles hoping for a negotiated end to the war see Khiem as a threat. The Buddhists are wary of him as possibly tainted by past membership in former President Diem's Catholic-oriented Can Lao Party, and by his role in the 1964 coup that ousted Generals Minh and Don, who are credited with overthrowing Diem. Propeace advocates fear that Khiem's appointment might be an obstacle to progress in Paris because it could be taken as a sign that Saigon intends to try for a military victory rather than to seek a negotiated settlement.

Military Developments in
South Vietnam

The focus of military action has shifted, at least for the present, from the provinces northwest of Saigon to the northern I Corps region.

For the past week, US infantry units have run into stiff resistance from the North Vietnamese 2nd Division in the Que Son Valley,

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which cuts into mountainous terrain southwest of Da Nang. Since 19 August some 800 Communists and about 70 American troops have been killed in the area.

According to some reports, the Communists in the Que Son Valley had been getting ready for an assault on a government refugee center. Their dug-in positions suggest that they were also trying to draw allied units into the interior, away from pacification duties in the populous districts along the coast. In addition, one of the enemy's basic objectives is to engage and inflict significant casualties on US forces.

Despite the heavy action in the northern part of the country, enemy main force troops continue to pose their greatest threat along the Cambodian border some 60 to 90 miles northwest of Saigon. Four regular enemy divisions are generally holding their ground in this remote border area, and they could bring heavy pressure to bear against allied bases and provincial towns there with little advance warning.

Another area where significant enemy ground initiatives can be expected in the near future is the western part of the heavily populated Mekong Delta. The Communists recently committed a purely North Vietnamese regiment to this area for the first time in the war. They began reinforcing the western delta this spring by shifting another Viet Cong regiment, composed largely of North Vietnamese fillers, from the area north of Saigon to Chau Doc Province. It appears likely that these moves are aimed at strengthening the enemy's weakened force structure in the delta; Viet Cong units throughout this vital region have been under heavy allied pressure for over a year.

Numerous sources have reported enemy plans to carry out another series of widespread shellings and ground assaults to mark 2 September, the 24th anniversary of North Vietnam's declaration of independence. If the Communists follow past practice, the action could come either a few days before or shortly after the holiday on 2 September.

FACTIONALISM CONTINUES TO FRUSTRATE PEKING

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Peking's most recent policy pronouncement underscores the regime's frustration over persistent internal disorder and opposition to its domestic programs. An authoritative editorial broadcast on 24 August lashed out at those who distort Mao's policies and central committee directives. Although the editorial's strong language reflects Peking's im-

patience with the lack of response to its injunctions, the central authorities still appear to be groping for solutions to the nation's many problems.

The latest editorial--presumably an outgrowth of high-level party deliberations--reiterated denunciations of local anarchy and demands for organizational

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discipline, dominant themes in national propaganda recently. It decried "erroneous tendencies" such as factionalism and "individualism," which are posing serious obstacles to Peking's drive to restore political unity and are contributing to intensified disorders in a number of localities. Citing a quotation from Mao, the editorial warned that "dictatorship" will be exercised over "criminal gangs" who disrupt public order.

The editorial's tough line reinforces the central committee directive of 23 July ordering the army to curb unruly factionalists in Shansi Province. The directive's text--just recently received--charged that two factions in Shansi were refusing to obey all Peking's orders and were attacking army units, undermining local governing organs, and even robbing state banks. All government operations in the province have apparently been paralyzed for some months.

The extent of provincial disorder still remains well below that reached during the Cultural Revolution, but pressure on central authorities to reduce the level of instability appears to be increasing. Armed

conflict and jockeying for power continue to undercut the effectiveness of many local governing bodies. Factional rivalries and lack of discipline seem at least partially responsible for the absence of significant progress in rebuilding the Communist Party apparatus. Moreover, radiobroadcasts from several provinces complain that anarchism has hindered agricultural production and the fulfillment of state plans.

Despite the regime's growing concern and its tougher line against disorder in recent injunctions, it still appears unable to decide on a firm course of action in many instances. This suggests that differing concerns persist within central leadership councils and that some elements have been unwilling to support a heavy crackdown on provincial troublemakers. Thus, the July directive ended by saying that Peking regards both factions in Shansi as "revolutionary"--a formulation likely to impose restraint on the army's efforts to curb their activities. At this stage, it is still uncertain whether the regime is ready to give a clearer mandate to local authorities to restore law and order.

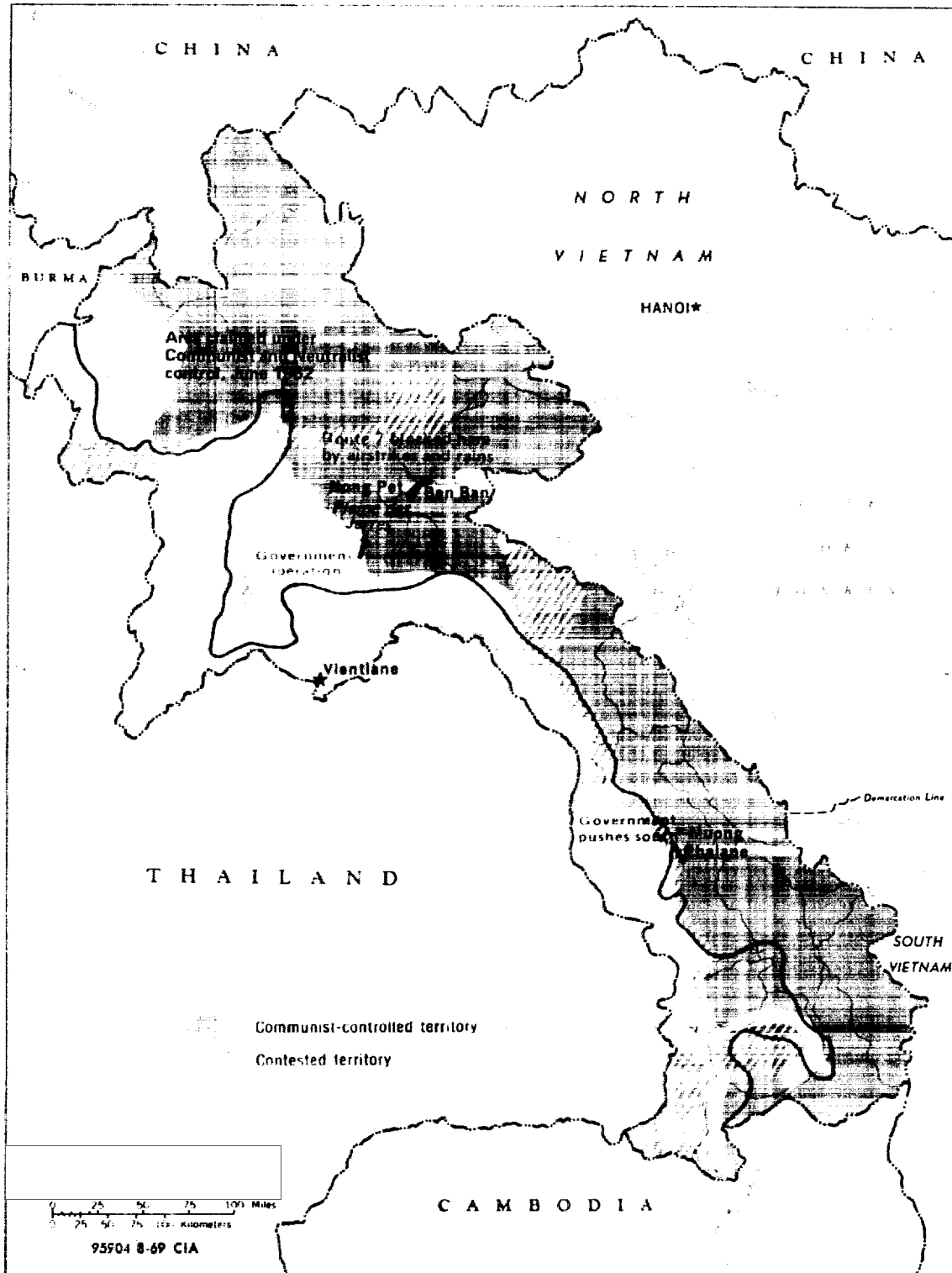
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LAOS: Current Situation



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LAOTIAN GOVERNMENT FORCES PUT PRESSURE ON ENEMY

The military initiative has passed to the government side for the moment, as monsoon rains and US air strikes inflict a heavy toll on Communist forces.

In the north, government forces have had some success in disrupting Communist supply lines into the Plaine des Jarres. Government troops, who have begun patrolling portions of Route 7, indicate that the road is closed to enemy truck traffic between Ban Ban and Nong Pet.

The government initiative apparently took the Communists by surprise.

In a move coordinated with the effort to cut Route 7, Meo leader Vang Pao has launched a multibattalion operation against the southern portion of the Plaine des Jarres. The operation is an attempt to put the enemy on the defensive in hopes of discouraging further initiatives west of the Plaine.

In the south, government forces have pushed into long-held enemy territory south of Muong Phalane. Although the enemy has been slow to react to these recent encroachments, past experience indicates that they will not accept for long the presence of government troops near the vital Communist infiltration corridor.

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CAMBODIA MOVES TOWARD ECONOMIC REFORM

The Lon Nol government is off to an early start toward spurring the lagging Cambodian economy. The alacrity with which the new leaders devalued Cambodia's currency is a clear sign of their eagerness to exercise the latitude in economic matters that Sihanouk has for the moment given them.

Less than a week after taking over, the government announced that the riel would be devalued by some 37 percent. Although influenced in part by the recent precedent in France, devaluation of the riel has long been recognized by Cambodian and foreign economists as a necessary first step toward solving the country's economic problems.

By more accurately reflecting the riel's purchasing power, devaluation may enable the government to relax some foreign trade and exchange controls and may help attract foreign investment. Diplomatic observers in Phnom Penh suggest that the government particularly wants to facilitate eventual increases in US dollar investments. Devaluation should also help the Cambodian balance of trade by encouraging exports through lower costs to foreign purchasers and by discouraging imports. Improvement in this area will be slow, however, because Phnom Penh is al-

ready selling as much of its major exports--rice, rubber, and corn--as it can.

Devaluation is just the beginning of the range of economic reforms necessary to establish even a modicum of economic growth. The new government may next try denationalization of certain sectors of the economy, but it may be some time before the effects of such measures become apparent.

There is little evidence that the government intends to initiate any major changes in Cambodia's foreign policy. This is one area in which Sihanouk takes special interest, and his skill in dealing with Cambodia's delicate external problems is recognized by even those domestic elements who at times have criticized his tactics.

It does seem clear, however, that Sihanouk wants the Lon Nol government to continue toward closer relations with the US.

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The USSR this week again gave China special attention. A Pravda editorial on 28 August set forth in authoritative language Moscow's view of the dangers of Peking's "adventuristic course." Accusing Chinese leaders of whipping up a "military psychosis" among its people, the editorial said that the Maoists are stockpiling new—presumably nuclear—arms, which would mean no continent would be unaffected should war break out. Pravda went on that Chinese encroachments on the border would be "resolutely rebuffed," but said in conclusion that the USSR has no intention of aggravating relations.

The Czechoslovak regime turned its attention to ensuring that there would be no replay of the demonstrations that rocked the country during the anniversary of last year's invasion. New repressive regulations instituted by party leader Husak will intimidate would-be dissidents in the future; they also have made Husak more a captive of the conservative wing of the party. Moscow gave its stamp of approval to the new measures. Pravda asserted that the Czechoslovak party was now in complete control of events, and Moscow awarded Husak the Order of Lenin.

Celebrations in Bucharest on 23 August, the 25th anniversary of Romania's "liberation," provided the latest opportunity for Ceausescu to emphasize his regime's independent course. The delegations and messages from the USSR and Bucharest's other Warsaw Pact allies reflected a continuing correct, but hardly warm, attitude toward Romania's position in the Communist world.

The recent Romanian-Israeli agreement to raise their diplomatic missions to embassy level has put the Romanians in a difficult position with some Arab countries. The reaction in Egypt, Syria, Iraq, and the Sudan has been stronger than Bucharest expected. Nevertheless, Romanian Foreign Ministry officials gave the impression at week's end that they expect the Arabs, at least the Egyptians, to cool off soon. A large portion of Cairo's jet aviation fuel comes from Romania.

With the close of the traditional summer lull in French politics, the government has prepared a post-devaluation program designed to put France's economic house in order. The program, which will probably be announced in phases over the next few weeks, will provide a test of the new government's leadership ability.

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PACE OF GENEVA DISARMAMENT TALKS QUICKENS

The pace of the talks at Geneva has quickened recently, highlighted by a new Soviet draft treaty limiting the use of the seabeds for military purposes. Two additional resolutions on chemical and biological warfare (CBW) have also been tabled.

The Soviet draft represents a significant move toward an agreement. Moscow has now consented to limit such a treaty, as the US has insisted, to weapons of mass destruction. Soviet willingness to limit the treaty to nuclear weapons is conditional on US acceptance of a 12-mile maritime zone. Most delegations in Geneva agree to a 12-mile zone. Western reactions to the Soviet initiative have not yet been formulated with any precision. Western participants at Geneva had been hoping for a development to break the impasse between the US and original Soviet proposals.

The CBW resolutions offered by Sweden and Canada reflect a desire

to simplify diverging interpretations of the many international documents on the subject. They treat chemical and biological warfare together, in contrast with the British draft convention on biological warfare presented last month and slightly revised this week, and include nonlethal gases in the list of prohibited agents. The Swedish and Canadian proposals will obtain wider support at Geneva, since London has omitted reference to chemical warfare in order to avoid the contentious question of whether the use of tear gas and other nonlethal substances is permissible under the Geneva Protocol of 1925 and international custom.

Moscow has already attacked the British proposal and has taken the position that the Swedish and Canadian texts unnecessarily restate the Geneva Protocol. The Soviets contend the protocol is comprehensive in banning the use of CBW agents and nonlethal gases. The USSR wants the Geneva disarmament talks to concentrate now on controlling weapons production.

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CZECHOSLOVAK LEADERSHIP BECOMES INCREASINGLY CONSERVATIVE

Authorities in Prague last week announced new measures designed to discourage protests of the kind that marked the anniversary of the Soviet invasion. Party First Secretary Husak's evident determination to keep things under control has won favor in Moscow, but has also spurred pro-Soviet elements to greater efforts to run the show themselves.

The new regulations are intended to intimidate dissidents. Persons arrested for either potential or real opposition to the regime face severe punishment and loss of civil rights. In addition, the regime has banned most Western publications and is said to be planning to restrict travel abroad.

Moscow has approved the Czechoslovak leadership's show of force in putting down last week's demonstrations. Pravda on 25 August asserted for the first time that the Czechoslovak party was in complete control of the situation. As an added measure, the Soviets awarded Husak the "order of Lenin" two days later, the strongest endorsement they have yet given him.

Husak's willingness to resort to orthodox methods, however, has made him increasingly vulnerable to the pressures of the conservatives and has limited his maneuverability within the party. The conservatives are continuing to press him to justify the invasion and to "purge" those associated with last year's liberal reform program. Both Rude Pravo, the principal party daily, and Pravda, the Slovak party paper published in Bratislava, appear to be calling for a witch hunt that would include former party chief Dubcek and liberal leader Josef Smrkovsky.

Husak is unlikely to permit the mass arrests and the show trials that the pro-Soviet elements seem to want. Nevertheless, his present responsiveness to Moscow suggests that it is only a matter of time before both Dubcek and Smrkovsky are further demoted. Even Premier Cernik--who is said to have pledged to stand or fall with Dubcek and Smrkovsky after the invasion last August--has turned against them in an apparent effort to save his own neck.

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WESTERN TOURISM TO COMMUNIST EUROPE IS INCREASING

Western tourism in the USSR and Eastern Europe, although still small in absolute terms, is growing and becoming an important source of hard currency. Yugoslavia continues to lead the Communist world in the reception of Western tourists.

Hard-currency earnings from Western tourism in the USSR and Eastern Europe increased about two and one half times over the five-year period 1963-68. Bulgaria, Czechoslovakia, and Romania--particularly the latter, where the number of free world visitors last year was almost 12 times that of 1963--are working hard to match the record set by Yugoslavia in attracting the greatest number of Western visitors. Following Yugoslavia, Czechoslovakia draws the greatest number of Western vacationers. The USSR, once second only

to Yugoslavia, has ranked behind several of the East European countries since 1963.

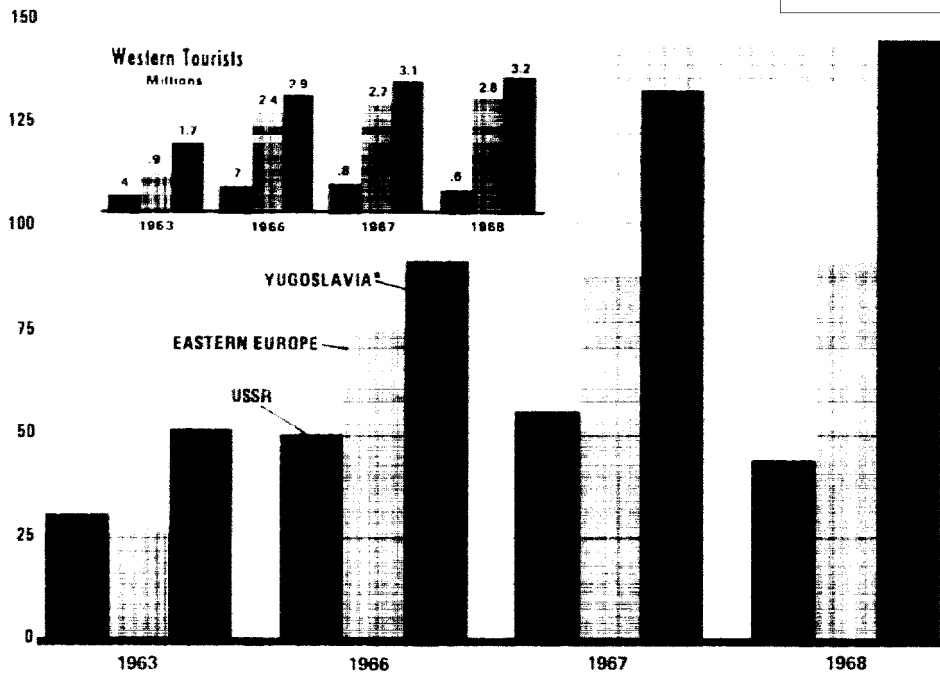
Tourist spending leveled off at an estimated \$280 million in 1967, when about 6.5 million tourists from the West traveled to the USSR and Eastern Europe.

Earnings from Western tourism for Communist Europe as a whole stagnated last year following the events surrounding the invasion of Czechoslovakia. Most of the Communist countries are actively improving tourist facilities and services in order to increase their hard-currency earnings. Barring further disturbances in these countries, they can reasonably expect higher levels of Western tourism in the future.

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Gross Revenue from Western Tourism

Million US Dollars



* Excludes Foreign Currency not Exchanged for Dinars through Yugoslav Banks

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DEVALUATION ALTERS SCENE IN EUROPEAN COMMUNITY

The adjustment in the Common Agricultural Policy (CAP) following the devaluation of the franc represented a step backward for the European Community's efforts to integrate the economies of the member countries. The adjustment changes somewhat the context in which the British membership issue will be considered, but it is too early to determine how it will affect prospects for British entry.

At a 19-hour meeting on 12 August, the Council of Ministers agreed to exempt France from the uniform pricing system of the CAP for a period of up to two years, rather than accept the initial French request for a reduction in the agreed prices by the amount of the devaluation. This exemption should enable France to avoid an inflationary rise in farm prices that the devaluation would otherwise have caused. At Dutch insistence, the council also agreed to review the French exemption before the end of the year.

The recent exemption only adds to the CAP's difficulties. The demands for extensive reform in the CAP--which have been generated by burgeoning farm surpluses and rapidly rising costs--now seem even more compelling. In the short run, the uncertainties resulting from the devaluation and the associated agricultural adjustment measures may delay agreement on permanent financing arrangements for the CAP beyond the deadline of 31 December 1969.

Discussion of negotiations with the British on Community membership

will be interwoven with the consideration of agricultural questions. It is probable that Paris will continue to press for a definite agreement on agricultural financing before agreeing to the opening of negotiations with the British, although the French bargaining position has been weakened by its recent exemption from the CAP. Some of France's Community partners are likely to argue that the French exemption creates a precedent which could be applied in the British case. This would probably not be acceptable to Paris.

Pompidou's thinking on the Community continues to be a major unknown factor. The fact that France devalued without consulting her European Community partners caused some Community officials to question Pompidou's intentions. Some British officials apparently believe that France may welcome the delay in the opening of negotiations on British membership, which the confused agricultural situation could cause.

The future of the Common Agricultural Policy itself is impossible to predict, but the precarious nature of its common pricing system was revealed by the French devaluation. Several Community observers have pointed to what they consider the main lesson of the recent events--that a common pricing system for agriculture cannot work well until the member states achieve greater coordination of their general economic and monetary policies.

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POSTDEVALUATION PROGRAM WILL TEST FRENCH GOVERNMENT

As the traditional summer lull in French politics draws to a close, the government is preparing a postdevaluation program designed to put France's economic house in order. The program will probably be announced in three phases following cabinet meetings in early September.

Measures to restrict consumer credit, encourage private savings, and stimulate the construction industry are likely to be announced first. Thereafter, announcements will be made on government budget cuts and reforms in the tax structure, measures that the National Assembly will have to approve. The assembly will be called into special session on 16 September.

Despite a high-powered sales campaign by high government officials on television, radio, and in the press, there is continuing skepticism about devaluation in all sectors of society. Critics contend that unless the government's postdevaluation program is stringently "disinflationary," the technical advantages of the action will be quickly nullified. At the Finance Ministry nervous optimism is tempered by the realization that the success of the government's attempt to restore confidence in the franc depends primarily on labor's response.

Union leaders accelerated their verbal offensive against the government this week in anticipation of the labor-management talks this fall. Wage ne-

gotiations in the private sector will probably open in October after the government has finished compiling statistics on recent changes in purchasing power. Union leaders will argue that price increases are wiping out the benefits gained through strike action in May-June 1968 and will demand additional wage increases as a means of catching up.

Union leaders are taking a militant stand in an effort to stay ahead of the rank and file. They see a recent wildcat strike at a Lorraine steel factory--where about 200 militants closed a plant of 7,000 for over 25 days--as an indication of increasing worker unrest. The leaders would like to avoid a wave of crippling strikes, and are haunted by the events of 1968 when workers proved much more radical than the union leadership.

Over the coming months, therefore, the Pompidou government will be facing crucial tests of its leadership. The government will undoubtedly come under fire from both the left and the right. The left will reiterate the charge that Pompidou is a minority president, elected by less than 50 percent of the registered electorate, and the Gaullist right will attack him for not remaining true to the General's precepts. Pompidou's recent speeches have been dispassionate and almost professorial in tone, and some observers fear this drabness will prove a handicap in dealing with major national problems.

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MIDDLE EAST - AFRICA

Israel, in the wake of the emotional Arab outburst over the burning of the al-Aqsa mosque in Jerusalem, is back at the daily business of defending the border. Faced with Arab calls for a holy war and increased terrorist incidents at home and abroad, Israel has struck again to remind the Arabs of the reality of Israeli military superiority. Israeli aircraft hit twice at fedayeen and army bases in Jordan, and on 27 August carried out another helicopter commando raid deep into Egypt along the Nile Valley.

In an apparent implementation of Defense Minister Dayan's call for "establishing facts" in the occupied Arab territories, Israel has also announced plans for six new settlements, two more each in the Golan Heights, the Jordan Valley, and northern Sinai.

Afghanistan began electing a new national legislature early this week. The elections, which will continue until mid-September, probably will not significantly alter the slow-moving, parochial character of the parliament. During Kabul's celebration of its Independence Day on 23 August, three newly acquired Soviet SU-7s were featured.

The Nigerian civil war is still stalemated. The former president of Nigeria, Nnamdi Azikiwe, an Ibo who has been living in exile in London, has gone over to the federal side. Azikiwe has no influence with the Biafran leadership, however, and his action is unlikely to result in large-scale defections of the Ibos in Biafra.

Zambian President Kaunda assumed direct control over national politics this week to halt a bitter struggle along tribal and regional lines for the number-two position in the country. In reorganizing the party and government, he extended his personal supervision of key departments and reduced responsibilities of the two rivals.

Foreign ministers and other representatives of the 41-member Organization of African Unity are currently meeting in Addis Ababa to prepare for the sixth OAU heads of state conference that convenes there next week.

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AL-AQSA MOSQUE FIRE INCENSES ARABS

The fire in al-Aqsa mosque stirred Arab emotions as no single event has since the June 1967 war.

The mosque, an ancient and revered Muslim shrine in the Old City of Jerusalem, was badly damaged by fire on the morning of 21 August. Arab reaction to the fire was swift; anti-Israeli demonstrations broke out in Jerusalem, and strikes and protest marches were held in several Arab cities. A chorus of protest from Arab leaders called for a holy war to liberate Muslim shrines from Israeli occupation.

Israeli officials were clearly disturbed by the reaction to the fire and moved swiftly to undercut Arab claims of Israeli negligence or involvement. A special commission under the chairmanship of a judge of the Israeli Supreme Court was established to investigate the incident, and Israeli political leaders expressed their regrets to Muslim leaders in Jerusalem.



Al-Aqsa Afire

The arrest of the suspected arsonist, however, has done little to dampen Arab emotions. Most Arabs have ignored or rejected the Israeli claim that he was responsible. In any event, the damage to the mosque will symbolize for the Arabs the impossibility of accepting Israeli custody of Muslim holy places.

In reaction to the incident, Arab foreign ministers convened in Cairo on 25 and 26 August. Apparently little of substance was decided at the meeting, however. According to the final communiqué, a strictly Arab summit was put off indefinitely, probably because of opposition from Arab leaders such as King Faysal of Saudi Arabia. Faysal advocated convening an Islamic summit to encompass all Muslim countries, however, and the foreign ministers charged him and King Hassan of Morocco with the task of arranging such a meeting. No mention was made of holding a "mini" summit of the Arab states directly confronting Israel.

The foreign ministers also called on the Joint Arab Defense Council to meet the first week of November. The decision to put off taking any decisive action at this time was probably made in the hope that the coming session of the UN General Assembly might result in some progress toward a peaceful solution to the Middle East impasse.

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GHANA VOTES FOR NEW PARLIAMENT

National elections to be held on 29 August constitute a vital step in the military-police junta's plan to restore democratic civilian government. The electoral campaign was orderly, but last minute maneuvering--much of it motivated by tribalism--by politicians, government officials, and military officers has heightened political tensions.

The elections will fill 140 seats in the parliament established by the new constitution, which was promulgated on 22 August by the constituent assembly. The projected new regime, scheduled to come into effect by the end of next month, will be bound by elaborate checks and balances designed to prevent another dictatorship such as Nkrumah's. Various restraints have been placed on the prime ministership and some power has been vested in the presidency.

In a last minute move that aroused considerable bitterness, the junta pushed through the assembly a provision delegating the president's functions for a three-year period to a commission composed of the three top junta members--Chairman Afrifa, Vice Chairman Harlley, and armed forces chief Ocran. The assembly refused, however, to modify the controversial article that appears to bar from office Komla Gbedemah, Nkrumah's finance min-

ister and leader of one of the two major parties contesting the elections. The anti-Gbedemah majority in the assembly, spearheaded by adherents of Kofi Busia's rival Progress Party, were well aware that key junta members shared their desire to block Gbedemah from power.

On the eve of the voting, which pits two political moderates who are generally pro-Western in outlook, the outcome appears to be a tossup. Some observers give the Progress Party a slight edge on the basis of its leader's popularity with traditionalist elements and the cloud over Gbedemah. It is possible that neither major party will win a majority, and that the balance of power will be held by one or more of the several minor parties participating.

However the voting goes, the losers are not likely to take defeat gracefully, and violence could ensue. Gbedemah is certain to be involved immediately in legal challenges. A victory for his party might lead him to attempt to abandon the constitution--a move that might prompt the junta to nullify the elections. In any event, the elections will be followed by a period of intense political maneuvering during which the junta's key members will play the decisive role.

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INDIA'S INDIRA GANDHI TRIUMPHS AGAIN

The election of V. V. Giri as India's president was a clear victory for Prime Minister Gandhi in her effort to gain control of the ruling Congress Party from the old guard in the party hierarchy. Open intraparty conflict has now subsided temporarily, but the divisions between Mrs. Gandhi and her opponents are deep. Another struggle, again endangering one-party rule will remain a possibility as Mrs. Gandhi tries to consolidate her gains in the government and in the party.

The old guard's hold on the party organization was seriously undermined by the presidential election. About half the Congress Party members of parliament and state legislative assemblies appear to have voted for Giri despite a strong demand by the party bosses for discipline behind the official Congress candidate, Sanjiva Reddy. Mrs. Gandhi's open advocacy of a "free vote" a few days before the election was the key to Giri's close victory.

Intransigent party bosses tried after the election to have Mrs. Gandhi censured by the Congress Central Working Committee for supporting Giri, but the attempt failed. Home Minister Chavan played the leading role in forcing party bosses to accept a compromise resolution that avoided assigning responsibility for tension in the presidential election and focused on the need to re-establish party unity.

Mrs. Gandhi has capitalized on low morale in the party, which has accrued from its poor showings in the general election of 1967 and the mid-term state assembly elections last February. Discontented party factions in several states, many of which voted for Giri, have welcomed her firm lead against their entrenched state party bosses. Many Congress Party members of parliament hailed her decisiveness in achieving nationalization of the 14 major banks after a long record of general government vacillation.

Since the election, Mrs. Gandhi has reaffirmed her intention to push forward with progressive policies. Speculation centers on land reform legislation, state control of industrial raw material imports, and ceilings on incomes and holdings of urban property. A cabinet shuffle is also a possibility.

She may go slowly, however, while the bureaucracy copes with the implementation of bank nationalization. Communists and other leftists, who have hailed Giri's election, will press for immediate action on new radical reforms, but Mrs. Gandhi is likely to try to maintain unity in Congress parliamentary ranks as long as possible. Another precipitate act on her part could again provoke the Congress right wing and might leave the government dependent on non-Congress leftist support.

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EASTERN WING DOMINATES PAKISTANI POLITICAL SCENE

East Pakistan, where the government's most difficult problems lie, has figured prominently in political developments in Pakistan during the past few weeks.

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Meanwhile, as the government and politicians continue to maneuver, the first significant stirrings of unrest since the declaration of martial law in March have surfaced in East Pakistan. Leftist extremists have reportedly stepped up activities, urging peasants not to pay taxes and workers not to accept pay at the official minimum-wage level. In at least one large textile enterprise, a work slowdown has accompanied inflexible wage demands. Lax enforcement by the provincial government of the rather sloppily drafted minimum-wage ordinance has further complicated the picture. In addition to labor discontent, the provincial government faced another problem when rival student groups clashed at Dacca University on 12 August. The army remained a neutral arbiter in the violence but the regime watched the situation carefully, well aware that the students could turn their frustrations against the government.

In another development, the government arrested several close relatives of Monem Khan, the widely disliked ex-governor of East Pakistan, for corruption and misappropriation of funds. The arrests appear to be the result of increasing pressure on the government to take action against some of the more disreputable types associated with the regime of former president Ayub.

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CONGO (KINSHASA) TIGHTENS RESTRAINTS ON STUDENTS

The suspension of diplomatic relations with Bulgaria on 20 August, allegedly for arranging the departure of Congolese students to Sofia, coincides with President Mobutu's continuing efforts to discipline university students, the most articulate critics of his regime.

The use of troops to disperse Lovanium University students parading through downtown Kinshasa last June resulted in the death of at least a dozen students. The bloodshed and the peremptory closing of Lovanium provoked sympathy demonstrations at the Congo's two smaller universities and several technical schools--altogether the most impressive show of civilian discontent since Mobutu assumed power in November 1965. Mobutu has responded with a series of measures calculated to discredit student agitators while tightening his control over higher education.

The public trial of some 35 students for fomenting the June demonstrations began on 14 August. Congo radiobroadcasts assert that the students who escaped to Bulgaria were wanted as trial witnesses and that several foreign embassies were involved in the demonstrations. As Mobutu is primarily concerned with the subversive potential of the oversized Soviet Embassy, he apparently sees a break with Bulgaria as

a relatively cheap way of warning all Communist diplomats not to meddle in student affairs. Mobutu may also hope to discredit his student critics by depicting them as tools of foreign Communists, although no proof of foreign involvement has yet emerged.

Shortly before the student trials began, it was announced that Lovanium would reopen in October. Apparently, Lovanium participants in the demonstrations are to be reinstated, except for convicted leaders. Thus Mobutu has proffered a reconciliation with the elite of Congolese students, provided they go along with several new rules designed to channel their activities constructively. All existing student organizations have been banned except the political party's youth wing, and all university students must join that group when classes resume. Students are to participate in newly formed consultative administrative bodies at each university, but on a subordinate basis.

The party youth program has been unpopular among university students, and the new consultative bodies fall far short of meeting their demands. Yet Mobutu's recent blending of firmness with some regard for student aspirations appears adequate to dissuade most students from open protests.

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SECRET**WESTERN HEMISPHERE**

Serious problems in Central America remain in the wake of the Salvador-Honduran war last month. The Honduran Economists Association has publicly called for a policy of economic nationalism directed principally against the Central American integration movement. It has also supported the trade unions' insistence that immigration and labor laws be strictly enforced against Salvadorans. Such enforcement could mean mass firings and mass deportations of Salvadorans in Honduras. Any such development would add to the pressures on Salvadoran President Sanchez for a tough anti-Honduran policy.

Chile is buying ten additional Hawker Hunter aircraft from the United Kingdom, which will bring its total inventory up to 30. The Chilean Government has also shown interest in buying F-5s from the US, but only if the US can provide credit and if the planes are available next year. The military wants to complete a modernization program before the presidential election in September 1970.

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A nationwide strike in Argentina on 27 August was effective, although less so than the strike in May. Industries in the major urban centers of Buenos Aires and Cordoba were the most severely affected. The government now must follow up on its threat to fire public employees who participated.

In Uruguay, a two-month-old bank-workers' strike shows signs of nearing an end. In a political test of strength, Congress has failed to deprive President Pacheco of the power to mete out severe punishments to the strikers. As government efforts to end the strike continue, Pacheco, fresh from his triumph over the legislature, will be considerably strengthened in his ability to deal with the situation.

In the Dominican Republic a nationwide transportation strike on 27 August failed to cause more than isolated violence on its first day. President Balaguer's tough stance probably has enhanced his position with the military, his primary source of support.

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TENSION CONTINUES ALONG GUYANA'S DISPUTED BORDERS

Negotiations to improve relations between Guyana and neighboring Surinam, in the wake of Guyana's seizure on 19 August of a Surinam police outpost, have yet to produce concrete results. The outpost, complete with airstrip, generating plant, and a fairly elaborate system of sunken bunkers and camouflaged positions, was inside the New River triangle area, a remote border region claimed by both countries. The Guyanese Government had known of the outpost for more than a year, but Prime Minister Burnham did not feel compelled to oust the Surinamers until after their presence became public knowledge on 9 August. He then claimed that public pressure for a defense of "national sovereignty" forced him to act.

The issue has become something of a cause celebre in Surinam. There, national pride has been severely wounded because the Surinam police ran off when the Guyanese attacked, and an angry public is demanding some sort of forceful, face-saving action. Interim Minister-resident Arthur May cannot act on his own, however, and must await a decision by the Dutch, who are charged with handling Surinam's foreign affairs. As a result, independence from the Netherlands has again become an important issue.

The Dutch, embarrassed earlier this year by rioting in their other Caribbean dependencies, are anxious to avoid involvement. They

are trying to develop a settlement formula that will be defensible before their Parliament which opens next month and at the same time will be acceptable to Surinam. They will insist that the Guyanese promise to evacuate the outpost before border talks can begin. Prime Minister Burnham so far has refused to withdraw his troops, especially in view of the fact that the Dutch are not prepared to guarantee that the Surinamers will not return. For his part, Burnham has indicated that he would be willing to submit the dispute to the World Court and that he is ready for talks to begin now, without preconditions.

The reopening of Guyana's dispute with Surinam has given Venezuela a chance to renew its claim to Guyana's western territory--more than three fifths of the country. While insisting that Venezuela will continue to make "all efforts toward achieving a friendly understanding with Guyana," President Caldera has stated his country will continue to press its claim. Among other things he has accused the Guyanese of "using language inconsistent with the objective of friendly relations" and of setting up a "racist regime." This sort of talk has deepened Burnham's fears that Venezuela intends eventually to use force in the border dispute and will cause him to make increasingly forceful requests for the US to forestall such an attack.

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GUYANA: Trouble Continues Along Disputed Borders



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DOMINICAN PRESIDENT ADOPTS TOUGH STAND

President Balaguer's tough public posture and a show of military force apparently stymied Communist plans to incite widespread disorders during the nationwide transportation strike that began on 27 August. Balaguer's hard stand has probably reinforced his position with the armed forces, his chief source of support.

In a nationwide television and radio speech on the eve of the walkout, Balaguer warned that the strike would be "crushed" and that any attempts to overthrow the government would be "drowned in blood." The government declared the strike illegal and reinforced military patrols. Probably as a result of such preparations, Communist plans failed to materialize. Although the strike was generally effective in the capital and some large cities, only scattered disturbances were reported.

Rumors of potential support for a move against the government had been building in recent weeks. Vice President Lora, who has openly broken with the President and is seeking the presidency in 1970, also increased his public attacks. His recent meetings with leaders of the extreme left, who were active in organizing the general strike, probable lent credibility to Communist boasts that Lora and others on the right were actively supporting the walkout.

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Disturbances are still possible, and the President's opponents are likely to employ a similar strategy in months ahead. Balaguer has served notice, however, that he will not hesitate to counter politically motivated demonstrations with armed force.

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PERUVIAN GOVERNMENT IMPLEMENTING DEVELOPMENT PLANS

The military government has stepped up action on several fronts in the past two weeks. Last week government administrators began taking over control of sugar plantations that had been assigned overseers as the first step under the agrarian reform law. The government also took the final step in the total expropriation of the International Petroleum Company (IPC), and brought new pressures on US mining companies to begin development of the concessions they hold. In addition, it ratified the trade agreement signed with the Soviet Union earlier this year.

In taking control of the sugar plantations, government administrators apparently mistakenly also seized industrial plants belonging to the US-owned W. R. Grace Company, whose sugar operations were among the first to be affected by the agrarian reform law.

On 22 August the government announced the expropriation of all remaining IPC properties in Peru. This final action was a change from the government's originally stated plan of auctioning off the previously embargoed properties and applying the proceeds against the company's alleged debt of \$690 million. The purpose in handling it in this manner was probably to assure Peruvians that the government was not going to yield to US pressures

in negotiations with Ambassador Irwin, who arrives in Lima this week.

At about the same time, the minister of mines announced that within 30 days measures would be taken to force companies holding unused mineral concessions to begin development. This will principally affect US companies that have been delaying action on planned investment of approximately \$700 million because of uncertainty over the IPC case and Peru's economic prospects. Peru has been one of the few mineral-rich countries that allowed concessions to remain idle without imposing penalties. It is expected that most companies now will take steps to initiate at least some of their planned investments.

The Peruvian Government is also hoping to persuade the Soviet Union to agree to aid in the construction of a large irrigation project in the northern part of the country.

Members of the pro-Soviet Communist Party of Peru are hopeful that the increased ties between Peru and the Soviet Union will benefit them. They have given their support to most of the military government's reform measures and now are preparing to hold a conference of Latin American labor representatives intended primarily to endorse the government's expropriation of IPC.

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BOLIVIAN ELECTION CAMPAIGN HEATS UP

Bolivian armed forces chief General Ovando has raised the possibility of military intervention with recent charges that an electoral fraud is being planned for the presidential election next May. At the same time, President Siles is trying to prevent the proposed nationalization of Bolivia's natural gas reserves from becoming an issue in the campaign.

Ovando has denied that his charges of electoral fraud were aimed specifically at his opponent, Armando Escobar, the mayor of La Paz. The implication remains, however, that he was included in Ovando's phrase, "enemies of the people." Ovando's tactics and his suggestion of military intervention may actually give new impetus to the Escobar candidacy, which has been slow getting started.

President Siles told the US ambassador that he would try to persuade both candidates to avoid mention of the proposed nationalization of Bolivia's natural gas reserves, which was given preliminary approval in a surprise move in the senate last week. The legislation, which is aimed at the US-owned Gulf Oil Company, was sent to committee for further study before coming to a final vote. The President indicated that he

would use the time to try to sidetrack the bill, and General Ovando has given the company his assurances that he will take steps to prevent such legislation from succeeding.

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CUBAN-MEXICAN RELATIONS HIT SNAG

An airline hijacking incident and ensuing reactions by both sides have clouded the usually cordial atmosphere between Cuba and Mexico. Neither country wants a diplomatic rupture, however, and relations will probably return to normal after a brief period of coolness.

Two Mexican student activists hijacked a Mexican domestic flight on 26 July and forced the pilot to fly them to Havana. Despite a formal request from Mexico for the extradition of the students, Cuba, after a short "trial," announced that they would be granted political asylum because "their actions were prompted by political reasons." This statement drew a strong denunciation from the Mexican press, although official reaction was limited to a mild note of protest.

The Cubans--already smarting from the deportation by Mexican police in early July of a Chilean employee of the Cuban press agency's Mexico City office--answered with a carefully worded editorial in the Cuban Communist Party daily on 18 August blasting "a certain sector of the Mexican press." The editorial, which also criticized several unnamed Mexican officials for acts "inimical to

Cuban interests," succeeded in reopening the affair just when the Mexicans had been fully prepared to let it die. [REDACTED]

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Each country was apparently surprised by the rapid and vehement reaction of the other. Some softening in the respective positions will probably occur, however. The Mexican ambassador [REDACTED]

[REDACTED] on 23 August delivered a second note dealing, not with the offensive Cuban editorial, but with the original Cuban communiqué announcing the granting of political asylum. The note received wide play in the Mexican press on 26 August and much now depends on Cuba's reaction to this publicity. The status of the new Cuban-Mexican agreements on fishing and hijacking, which were ready for signing prior to the recent imbroglio, is unknown, but presumably some time will elapse before either side is willing to provide ratification. [REDACTED]

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