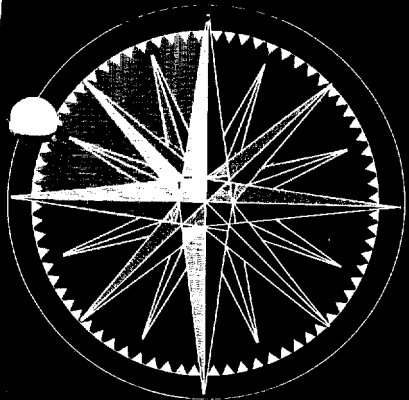


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WEEKLY REVIEW

CENTRAL INTELLIGENCE AGENCY

DIRECTORATE OF INTELLIGENCE

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(Information as of noon EDT, 4 August 1966)

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Major allied military operations in South Vietnam continue to keep Communist forces on the defensive. Political developments are increasingly centered on the September elections for a constitutional assembly. The screening of candidates is virtually complete and thus far the military government has given every appearance of impartiality. Hanoi has recently published two authoritative assessments of the military situation in the South, providing a rare insight into the DRV leadership's concern over the adverse effects of the massive US troop buildup. North Vietnam is stepping up efforts to keep major rail lines open, and is continuing to send supplies along the Laotian road system despite the weather. [REDACTED]	25X1D
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CHINA'S GROWING ISOLATION IN THE COMMUNIST MOVEMENT	
Two years ago Peking appeared successfully on its way toward challenging Moscow's hegemony within the world Communist movement, but no significant threat to Soviet leadership now exists. The Chinese have suffered their most serious setbacks in the Far East, but relations with such one-time sympathizers as Cuba and Rumania have encountered increasingly serious difficulties. Although the setbacks have been largely due to Peking's dogmatism and ineptitude, Soviet tactics since Khrushchev's ouster have refurbished Moscow's image. (Published separately as Special Report SC No. 00781/66B)	
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A new Soviet interceptor aircraft is now in the last stages of testing before deployment. There are several other major programs under way to modernize and strengthen the USSR's defenses against air and missile attack.

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EAST GERMAN REGIME CONCERNED WITH PUBLIC UNREST

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The staging of a parade to forestall any popular demonstration on the anniversary of the erection of the Berlin Wall is indicative of the regime's concern with scattered but rising unrest. [REDACTED]

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YUGOSLAVIA--THE FALL OF RANKOVIC

With the firing of heir-apparent Rankovic, Marshal Tito has touched off a major reorganization of both party and government. Precipitated by the discovery of Rankovic's intensive use of the secret police to ensure his succession, Tito's move marks a further implementation of liberal policies and reforms that have been hampered by vested conservative interests within the party. The reopening of several sensitive issues could cause severe political instability in the near future. (Published separately as Special Report SC No. 00781/66A)

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- PROBLEMS FACING BALAGUER'S DOMINICAN GOVERNMENT**
President Joaquin Balaguer has taken office with widespread acceptance and even enthusiasm, but his regime faces severe economic, social, and political problems. The President will probably come under increasing fire from the military and privileged civilian interests if he vigorously presses his pledged reforms. If he does not, the general public's heightened expectations of immediate--and unrealistic--economic improvements could lead to disillusionment and future instability. Moreover, left-wing extremists retain their ability to initiate unrest and insurgency. (Published separately as Special Report SC No. 00781/66C)
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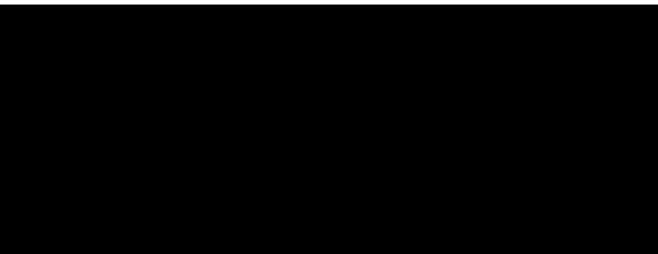
VIETNAM

Major allied military operations in South Vietnam continue to keep Communist forces on the defensive.

Joint US - South Vietnamese forces continued their sweep of northernmost Quang Tri Province in pursuit of remnants of the North Vietnamese 324B Infantry Division. On 3 August, four new US Marine battalions replaced battle-weary marine units participating in Operation HASTINGS/LAM SON 289, and the operation was renamed PRAIRIE/LAM SON 289. Final casualty figures for HASTINGS were 126 Americans killed and 448 wounded. Communist losses include 882 killed, 15 captured, and 254 weapons.

In the central highlands, elements of the US 25th Infantry and 1st Cavalry divisions reported scattered contacts with Communist units during Operation PAUL REVERE in Pleiku and Kontum provinces. Since 9 May, this sweep has prevented any major Communist offensive in the region and has cost the Communists 803 killed and 76 captured.

Viet Cong in III and IV Corps



General Khang, new III Corps commander, recently noted that allied spoiling operations and the

destruction of enemy food supplies in III Corps have forced the Viet Cong to scale down their operations. Khang also speculated that more available food and manpower in the delta area of IV Corps is causing the Viet Cong to move units there from III Corps in the hope of scoring a needed victory.

The Viet Cong have drawn heavily on their delta forces in the past year to reinforce their III Corps strength, but there is no confirmation yet that troops have moved back.

Coming Elections in Saigon

Political developments are increasingly centered on the September elections for a constitutional assembly.

Local screening of candidates is complete and a review board in Saigon is considering complaints and appeals. Thus far, the government has given every appearance of impartiality. Several well-known independents have been approved and candidates--including military officers--have been eliminated because of clear-cut irregularities. The appeals are to be completed by 12 August, and the campaign is to begin on 26 August.

To maximize voter turnout and neutralize Viet Cong antielection propaganda and plans to disrupt the elections through terrorism and sabotage, the government started a three-day seminar in Saigon on 1 August for province chiefs and other officials on election

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organization, security, and publicity. Government information media have been exhorting the population to participate in the elections.

US Embassy officials have commented that the candidates' regional backgrounds appear more important than religion or party. Most are business or professional men--including teachers and professors--and local councilors, but civil servants and military officers constitute a significant group in rural areas, where there are fewer politically aware private citizens. Preliminary reports from most of the country indicate an average of about six candidates for each assembly seat, although a province in the central highlands has only one candidate. In central Vietnam, few persons associated with the recent "struggle" movement filed, and those who did were disqualified.

No specific campaign issues have yet emerged. A few well-known independents in the Saigon area are planning to portray themselves as the nucleus of a "loyal opposition," which may partially alleviate the cynicism toward elections expressed in some Saigon quarters. Presumably, most contests will be on the basis of individual personalities and qualifications, with victors reflecting to some extent existing regional, religious, and political groupings. The elected assembly may thus be somewhat predisposed to provide for local autonomy in the draft constitution.

The military has apparently made no significant effort to participate in the constitutional assembly thus far, but may be more

concerned by future events such as the form of the constitution and the eventual government. 25X1D

Meanwhile, Premier Ky indicated he would not play an active role in the new government next year, but mentioned Chief of State Thieu as a potential military candidate for chief executive. Former I Corps commander Thi announced his intention to be a candidate for the post shortly after arriving in the US for a three-month visit. 25X1D

Hanoi's Views on the War

Hanoi recently published two lengthy, candid assessments of the military situation in South Vietnam, providing a rare insight into the North Vietnamese leaders' concern over the massive buildup of US troops and their subsequent effectiveness in military operations.

The first article was purportedly "sent out of South Vietnam" under a pseudonym to the North Vietnamese Army journal. The second, in the authoritative party theoretical journal, is by DRV politburo member Nguyen Chi Thanh, who has reportedly been in the South directing the war effort since early 1965. Both articles admit American superiority in numbers and equipment, display a grudging admiration of US tactics, and hint that US spoiling operations have disrupted Communist base areas.

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The second article has some pointed criticism for a few long-standing theoretical formulations on conducting the war. The tone suggests that author Thanh was defending his stewardship of the war during the past year. Although he did not advance any new theories, Thanh was clearly criticizing some of his comrades--perhaps even high-level ones--as too detached from present realities and too reliant on their experiences in the war with the French.

The publication of an article hinting at top-level differences of opinion probably indicates these have been resolved and that Thanh's views--although not explicitly set forth in the article--have prevailed. The articles admit the Communists have been forced to re-evaluate some of their traditional military plans and concepts, however, and Thanh possibly has some authority to adjust tactics and strategy to meet the American troop buildup.

Hanoi's Efforts to Keep Rails Open

North Vietnam is stepping up efforts to build bypass bridges on important rail lines to reduce their vulnerability to air attack. Recent photography shows nine major bridges on the vital Hanoi - Ping-hsiang and Hanoi-Haiphong lines with bypasses completed or under construction. Some work is probably being done by Chinese Communist military engineers.

Despite this obvious priority, the Hanoi - Ping-hsiang line remained closed to through traffic. As of late July, both the main and bypass bridges at Cao Nung and

the main rail bridge at Dap Cau were unserviceable; the bypass bridge at Dap Cau had not been completed.

Supplies Still Moving in Laos

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is sending supplies down the Laotian road system despite the rainy weather. In past years, virtually no traffic has moved here from approximately June to November.

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Chinese Combat Unit in the DRV

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NORTH VIETNAM'S OIL IMPORTS

The USSR, North Vietnam's normal source of petroleum products, is resuming bulk seaborne deliveries. None had arrived by sea since the first air strikes against petroleum storage facilities in Haiphong and Hanoi on 29 June.

At least one Soviet tanker with 10,000 metric tons of diesel fuel aboard will deliver POL for North Vietnam in late August. A small tanker, en route from the Black Sea to the Soviet Far East, may also unload its 4,000-ton cargo of diesel fuel in North Vietnam.

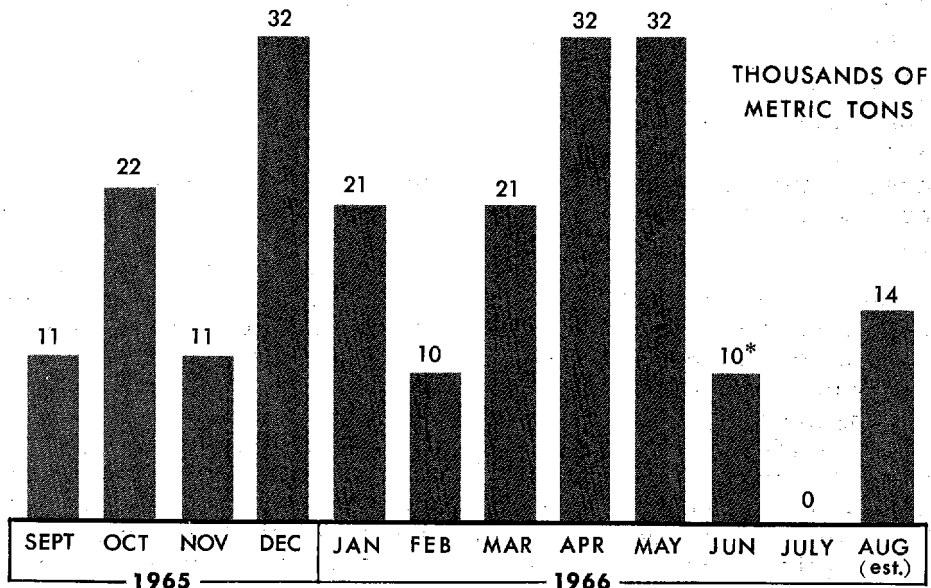
Deliveries at this rate should be sufficient to meet Hanoi's present military and economic needs. Although Soviet bulk deliveries had been increased in

the year preceding the air strikes from an annual rate of 150,000 tons to nearly 275,000 tons, much of the increase was apparently used to create stockpiles.

In addition to the bulk shipments, Soviet freighters have brought in an average of 1,000 tons of petroleum products in some 5,000 drums each month this year. Much of this is lubricants and specialized oils, but some fuel for vehicles is included.

China has not been a traditional source of POL for North Vietnam, but in mid-July about 150 tons of kerosene was shipped to North Vietnam from the Lanchou refinery in north-central China. Although no critical shortage of

SOVIET BULK OIL SHIPMENTS TO NORTH VIETNAM



*An additional 24,000 tons diverted to Chinese ports for subsequent, but undetected, transshipment to North Vietnam.

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kerosene is known to exist in North Vietnam, this shipment suggests that emergency supplies are available from China. [REDACTED]

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The step-up in Soviet deliveries had overtaxed the facilities at Haiphong by mid-June and it became necessary to divert one Soviet tanker to Shanghai for transshipment. Subsequently an unusual concentration of Chinese tank cars observed at Shanghai may have been used to move this petroleum to North

Vietnam, despite the high overland transport costs. A second tanker due to arrive in Haiphong immediately following the first US air attack there, also was diverted to a South China port and its cargo may have been transshipped via rail to North Vietnam.

Unused rail and road capacity across the China border is adequate to sustain sizable overland movements of oil. Only about one percent of China's tank-car inventory would be required to maintain this year's monthly rate of seaborne deliveries. [REDACTED]

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INCREASE OF TERRORISM IN PHILIPPINES

The recent resurgence of terrorism in central Luzon appears to be essentially a reaction to President's Marcos' efforts to end lawlessness in the Philippine countryside. Marcos' campaign has tended to disrupt a mutually beneficial collusion between local officials and lawless elements, some of which are still controlled or influenced by the Huks.

The strength of the Huk movement was broken in the 1950s by the late president Magsaysay, and subsequent efforts to revitalize it has been hampered by dissension among its leaders. Nevertheless, remnants of the movement have maintained a profitable alliance with gangster and political elements, particularly in its former stronghold in central Luzon.

This area has long been plagued by lawlessness, corrup-

tion, and civil unrest, encouraged by the vast divergences in personal wealth. President Marcos, soon after taking office, began a broad program of military and civic action aimed at wiping out sources of discontent in the area. In the face of the most recent incidents, including the assassination of a strongly anti-Communist mayor in mid-July, Marcos has authorized additional troops and initiated a crash civic reform program utilizing the civic action troops slated for Vietnam.

The Huk threat has frequently been overplayed by Filipino leaders and the sensationalist Manila press, both for domestic political reasons and as a lever for seeking greater US aid. However, if Marcos' reform program fails, central Luzon provides an ideal environment for a significant Huk revival.

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COMMUNIST ACTIVITY IN THAILAND

A rash of small attacks against government troops in northeastern Thailand last month has not been followed up by significant new insurgent activity. However, a report that North Vietnam is providing direct guerrilla training to the insurgents indicates the Communists are laying the groundwork for a more concerted armed effort.

The government is continuing to mount large-scale suppression operations, but with uncertain results. Troops that recently completed a sweep in Pathalung Province in the south failed to establish any significant contact, although a number of suspects were taken into custody. In the northeast, where the insurgency has been strongest, a 1,500-man security operation is under way following statements by a captured Communist that a 50-man band in the area was recently reinforced with Vietnamese infiltrators.

There have been reports before of North Vietnamese troops in the northeast, but their presence has never been verified. It seems unlikely that North Vietnam would commit regular troops there at this stage of the Thai insurgency, although it may have sent some cadre to assist the weak and poorly led Thai guerrillas. One aspect of Hanoi's role has become clearer, however, following the interrogation of a recent Thai Communist defector. He says that early this year he completed an

eight-month political and military training course given in North Vietnam, and that he was one in a class of 130 Thais who received training in guerrilla tactics from North Vietnamese officers. He believes that this was the first such class in North Vietnam but that others were planned.

Deputy Premier Praphat apparently is exaggerating reports of North Vietnamese involvement for domestic political reasons. He told the press last week that documents found on two persons killed in recent skirmishes "proved" North Vietnamese "soldiers" have been infiltrating the northeast. This statement followed other public remarks indicating Praphat is pushing for yet another postponement of a new constitution and elections on grounds that the security situation precludes political liberalization.

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in Laos that the Chinese Communists, operating through their embassy in Vientiane, are planning to organize sabotage teams to strike against US air bases in northeast Thailand. Similar unsubstantiated reports have been received in the past. The Communists probably already have the capability to mount harassing actions against US installations in the northeast, although thus far there have been none.

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Europe

GENEVA DISARMAMENT TALKS NEAR END

Members of the Eighteen Nation Disarmament Committee (ENDC) are trying to wind up their present session in order to report to the UN General Assembly in September. East-West differences over a nonproliferation treaty and diminishing support from the nonaligned members for the Western formula have precluded any real progress, and little is likely in the remaining weeks.

In the past few months the Soviets have come down heavily on the fact that the Western draft for a nonproliferation treaty would not outlaw the transfer of nuclear weapons to non-nuclear powers--West Germany in particular--but only require the consent of a nuclear state before such weapons are used. These Soviet attacks have tended to erode support for the Western formula, which was designed to leave open the possibility for some kind of a NATO nuclear force.

In a recent meeting of the NATO Council, Britain, the Netherlands, and Belgium urged in particular that the so-called European option clause in the Western draft, which allows for the development of a European nuclear force, be reconsidered. They contended that some such move is necessary if anything is to be accomplished at Geneva.

By all indications, however, the Soviets' genuine concern is the prevention of any form of access to nuclear weapons by West Germany. Any tinkering with the European option clause is not likely to allay this.

The prolonged deadlock has disillusioned the nonaligned members, and they may present their own version of a nonproliferation treaty. This would reportedly call for a ban on the transfer of nuclear weapons to states not already having them, a cut-off on the production of fissionable material for weapons, an obligation on nuclear states to reduce stockpiles, and the universal application of international safeguards to all nuclear activities. By introducing additional measures on which the major powers do not agree, such a proposal would tend to complicate the proceedings further.

The Italian delegate has revived the "Fanfani proposal," which calls for all states not having nuclear weapons to declare unilaterally that they will not acquire them. The Italians have also proposed that the the UN General Assembly should ask the nuclear powers to agree not to use their weapons against states who issue such declarations and to come to their aid in case of nuclear

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attack or blackmail. Rome believes this would at least avoid having the ENDC wind up without having accomplished anything, a prospect that might lead to its abolition or to a revived interest in a world disarmament conference.

The Egyptian delegate, to help justify the existence of

the ENDC, would have the non-aligned members issue a memorandum on the topic of general and complete disarmament, mentioning the proposals that have been made, recognizing the importance of disarmament, and stating that discussion should continue.

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WARSAW PACT FORCES HOLD EXERCISE IN BALTIC

Recent naval and air maneuvers in the Baltic involving Soviet, East German, and Polish forces are part of the greater effort being made within the Warsaw Pact to improve the effectiveness of the "northern tier" forces in various contingency roles.

The Polish press announced that the maneuvers were conducted from 20 to 27 July under the command of the Warsaw Pact commander in chief, Soviet Marshal A. Grechko, and that their purpose was to check the combat readiness and coordination of Pact forces. The commanders of the naval forces of each of the countries, as well as the Polish defense minister and his deputy--who is chief of Poland's territorial defense--were reportedly also present.

At least 20 Baltic-based Soviet, East German, and Pol-

ish ships took part in the naval portion of the exercise, which apparently included antisubmarine and missile patrol-boat activity as well as torpedo firings and minesweeping. A small amphibious landing may also have taken place. A paradrop operation in northern Poland by Polish airborne forces probably simulated the air landing of an "aggressor" force.

The exercise appears to have been the largest of its type held in the Baltic area under Warsaw Pact auspices. It accounts in part for a 30 July Soviet Navy Day statement by Soviet naval chief Admiral Gorshkov, who said that cooperation between the fleets of the Warsaw Pact countries was "growing and strengthening with each passing day."

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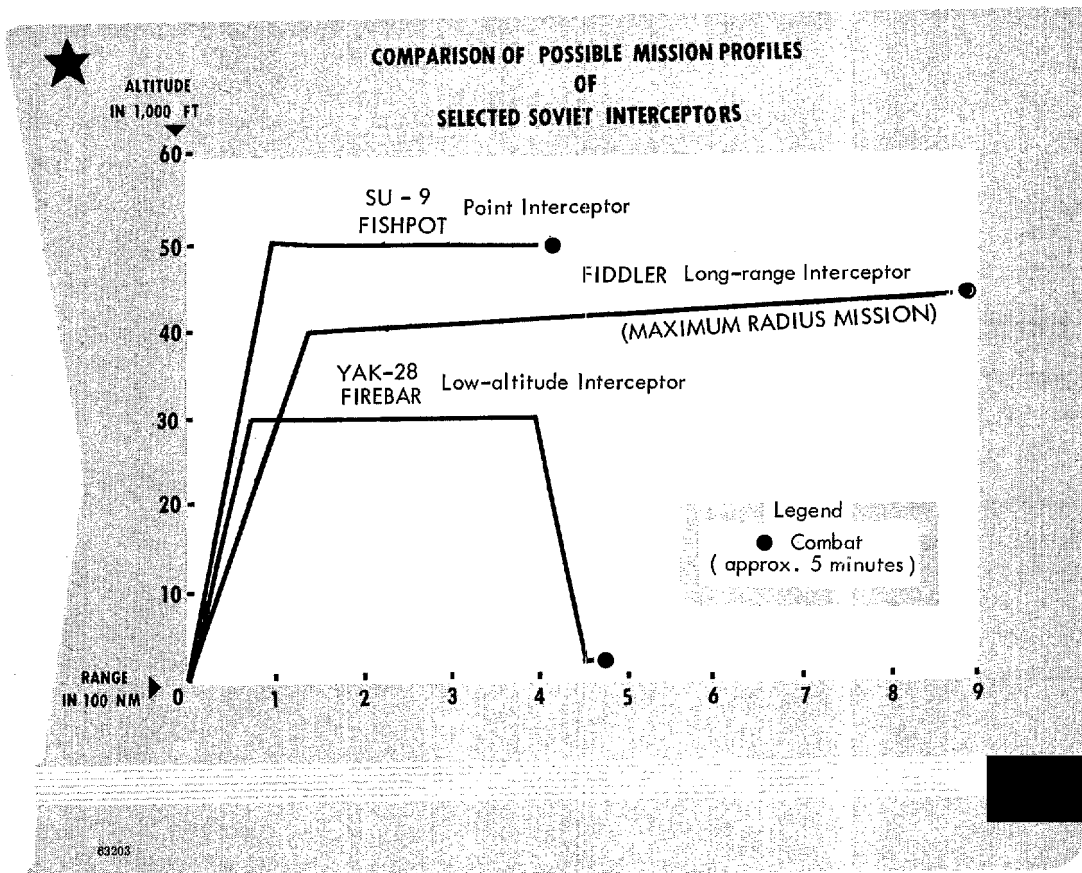
SOVIET UNION IMPROVES ITS AIR DEFENSES

A new Soviet interceptor aircraft is in the late stages of testing before deployment. This is one of several major projects under way to modernize and strengthen the USSR's defenses against air and missile attack.

years and is expected to enter operational service next winter. The Firebar, an operational interceptor, is capable of this range, but could probably not reach the high speeds--Mach 1.2 in this case--necessary to carry out a successful interception after such a long flight.

The Fiddler has airborne intercept radar and armament capabilities superior to those of any operational Soviet fighter, enabling it to attack higher performance targets than can present operational interceptors. These capabilities, in addition to the

one of two target drones near the Caspian Sea, about 900 miles away. An intercept exercise at this range is beyond the capabilities of all known Soviet fighters except the Fiddler, which has been under development for several



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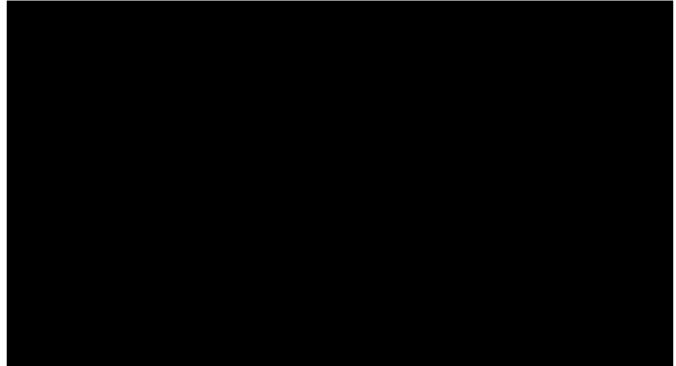
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Fiddler's long range, will improve Soviet air defense and extend the distance at which aerial targets can be engaged by several hundred miles.

In addition to the Fiddler project, the USSR is augmenting its missile defenses against air and ICBM attack. During the past



EAST GERMAN REGIME CONCERNED WITH PUBLIC UNREST

The East German regime plans to hold a parade in East Berlin on 13 August, the fifth anniversary of the erection of the Berlin Wall. Factory militia army units and more than 50 vehicles are to take part in the event, which may be intended to discourage any popular demonstrations on this occasion.

Unrest in East Germany has seemed to be on the increase. On 17 June, the anniversary of the 1953 uprising, Soviet war memorials in Dresden, Halle, and Leipzig were reportedly desecrated. Factory workers in Dresden erected a gallows and called for the hanging of the local party secretary. Reports to Berlin by local East German party officials also indicated considerable negative public reaction when the party,

on 29 June, backed out of the plan for public debates with the West German Socialists.

A list of price changes announced by the regime without warning on 11 July elicited an extremely negative response. People feared it was only the first of a series of increases that might eventually affect rents, food, appliances, and building material. Intensive regime reporting during the last two weeks of July on popular reaction to the price increases was evidence of its concern for the public's mood on the issue. One party functionary remarked on 25 July that "surely the number of complaints will have decreased in two weeks or so."

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DE GAULLE'S ROUND-THE-WORLD TRIP

President De Gaulle leaves Paris 25 August on a three-week trip with stops in French Somaliland, Ethiopia, Cambodia, French Polynesia, and Guadaloupe. The stated purpose of the trip is to allow him to observe a nuclear test at France's Pacific test site during the second week of September. The stops in Ethiopia and Cambodia, however, provide him with an opportunity to show the flag and to press his views on such issues as Vietnam.

De Gaulle has scheduled a two-day state visit to Ethiopia, returning Emperor Haile Selassie's two earlier visits to France. Although the emphasis will be on the protocol aspects of the visit, a cultural and technical assistance agreement may be signed if negotiations are completed in time. De Gaulle probably chose Ethiopia as his major African stop to avoid singling out one of the numerous French-speaking states that have invited him.

The announcement that De Gaulle would visit Cambodia from 31 August to 2 September has given rise to reports that he would meet with Ho Chi Minh there. These reports have been largely discredited, however, with both North Vietnam and Cam-

bodia having denied that a meeting is planned. A French Foreign Ministry official was less categorical, saying only that he had no information to confirm the reports.

It seems unlikely that De Gaulle would engage his prestige in a meeting with Ho unless he felt that prospects for some movement toward a negotiated settlement were good. All evidence indicates that the general remains convinced the time is not ripe for a French initiative. Nevertheless, Vietnam will probably be a major topic in his conversations with Sihanouk.

Speculation has also arisen over the possibility of a meeting with President Johnson, either when De Gaulle's plane refuels at Guadaloupe on 13 September or at the UN, should De Gaulle add a stop there to his itinerary. There is evidence that the French have encouraged this speculation probably to further the idea that it is Washington which is unwilling to exchange views. The French foreign minister has said privately, however, that De Gaulle has no intention of coming to the US.

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Middle East - Africa

CONGO MUTINY CONTINUES

The mutiny of Katangan troops in Kisangani is still not settled, and the Congo's relations with Belgium are continuing to decline.

Shooting apparently has stopped in Kisangani, and Premier Mulamba says he has worked out a cease-fire. There is no word, however, of any agreement by the Katangans to return to central government authority. President Mobutu has objected to one part of the cease-fire arrangement which would leave the mutineers in control of most of the city.

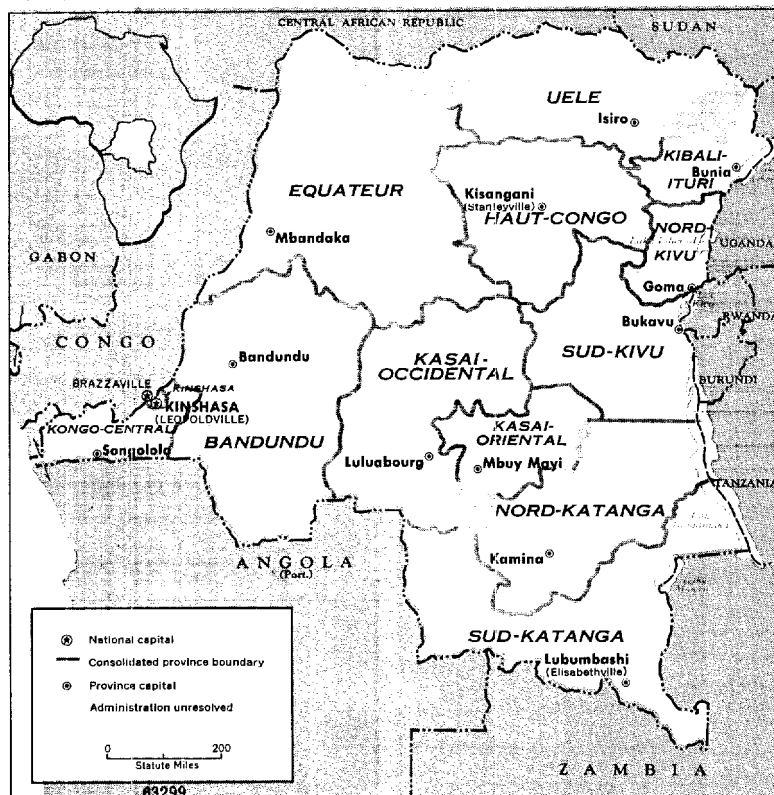
speculates that even if the Katangans' original action was not connected with the widely rumored pro-Tshombé coup plot, the mutinees may come to believe they are not alone as a result of the government's revelation of the plot reports. The Congolese appear convinced of the truth of the plot, and they are growing jumpy over reports of real or fancied movements by mercenaries and Katangan troops.

The Belgian consul general in Lubumbashi has been expelled,

The mutiny may be affecting other Katangan units as well. The Katangans stationed along the border with the Sudan and Uganda apparently have left their posts and are moving toward Kisangani. Neither their purpose nor their relationship with the Kisangani mutineers is clear. Even if they are not connected with the original mutiny, however, they are a disruptive force in their own right. Their departure also leaves a potentially restive area ungarrisoned.

US Ambassador Godley comments that the mutiny has once again exposed the weakness of the eastern Congo. He believes that the government's handling of the crisis has harmed Mobutu's own position, perhaps irrevocably. Godley also

DEMOCRATIC REPUBLIC OF THE CONGO



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and further steps against Belgians seem inevitable. For its part, Brussels appears likely to curtail its aid program. However, though relations probably

will continue to deteriorate for some time, a complete break seems unlikely since both sides would stand to lose so much.

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SUDAN GETS NEW COALITION CABINET

Newly elected Prime Minister Sadiq al-Mahdi announced the composition of his coalition cabinet on 2 August. Specific portfolios, however, have not yet been assigned.

making an effort at reconciliation.

The recent conflict within Sadiq's Umma Party apparently encouraged the National Union Party (NUP), Umma's coalition partner, to demand an increase in its cabinet representation as a price for cooperation. Accordingly, the new cabinet is equally distributed between seven Umma, including the prime minister, and seven NUP ministers. Ousted prime minister Mahjoub and his Umma backers, led by the influential Imam of the Ansar sect, had threatened to join the parliamentary opposition when Sadiq was elected, but

Hamza Mirghani Hamza's return from his position with the International Bank for Reconstruction and Development to join the cabinet indicates that the new government will make a serious effort to solve the Sudan's critical economic problems. Mirghani Hamza is expected to take over the finance portfolio.

The US Embassy in Khartoum feels that the new government offers prospects for considerable improvement over its ineffectual predecessor. The majority of NUP ministers are holdovers, however, and the new Umma members are for the most part untested in policy making.

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NEW ARMY COUP THREATENS EARLY BREAKUP OF NIGERIA

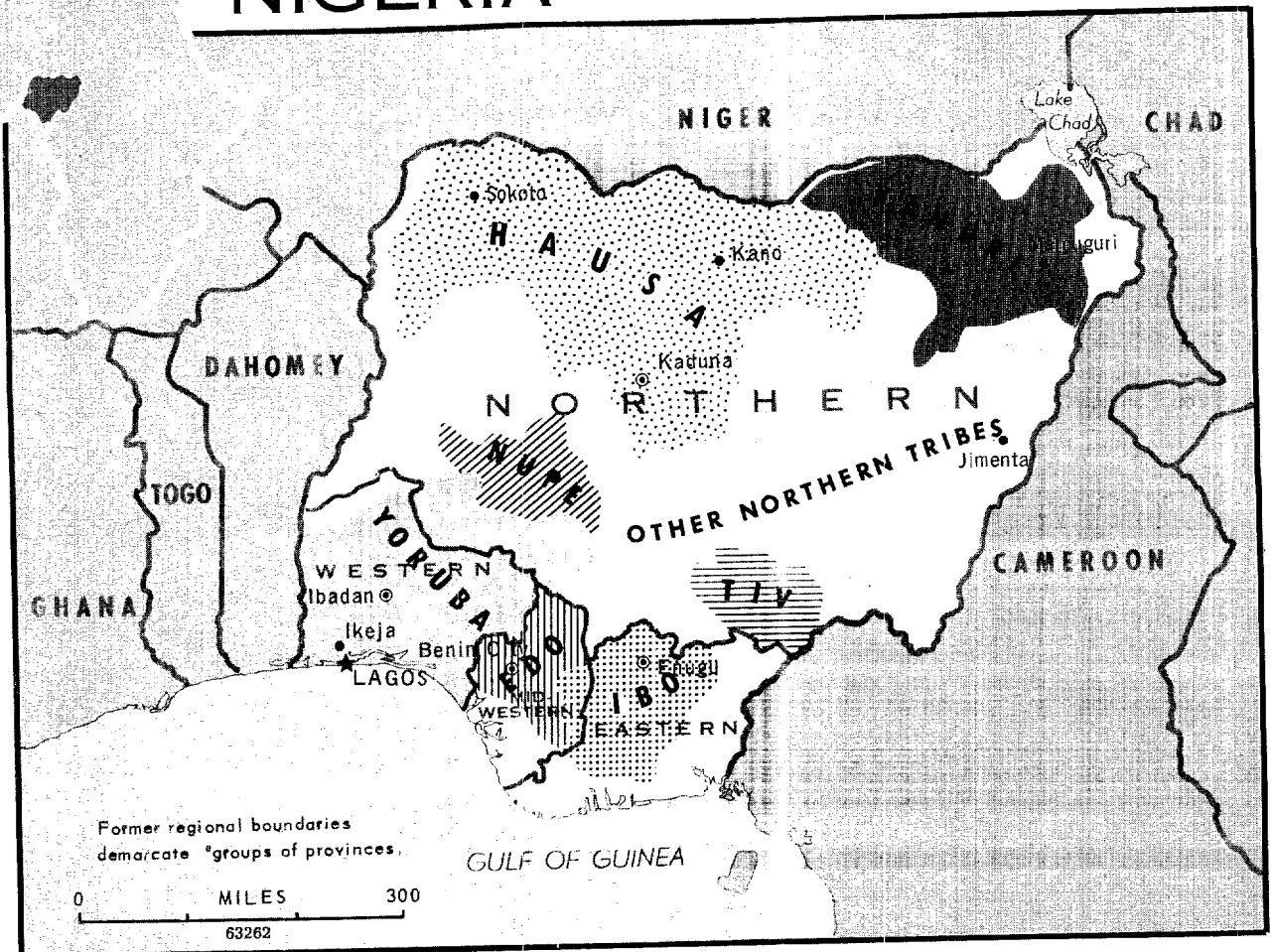
A mutiny by northern-led army elements toppled the regime of General Aguiyi Ironsi last weekend and catapulted to power 31-year-old army chief of staff Gowon, a Christian from the predominantly Muslim North.

The successful revolt of the northerners, mainly Muslim Hausas, began on 29 July in army units in Western Nigeria. It spread quickly to the North, then to Lagos, and ap-

parently also to the battalion in the Ibo-dominated East. It was directed mainly at Ibos, beginning with Ironsi, who was in Ibadan. He was apparently killed during the early stages.

Additional killings and the one known clash between mutineers and an organized opposition force probably have resulted so far in several hundred Ibo military casualties

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including a large number of officers. Others have been arrested or have taken flight as have many Ibo civilians, especially in the North where the bloody vendetta continues.

The Hausas' traditional suspicion of the aggressive Ibos had been fanned by Ironsi's failure to punish the young Ibo officers who assassinated the North's two most influential political leaders as well as several senior northern officers in last January's coup which overthrew the northern-dominated civilian government. Northern conviction that the Ironsi regime sought "Ibo domination" deepened in late May when Ironsi announced unitary reforms that would have placed the backward North at a competitive disadvantage. Although Ironsi pulled back before violent northern protests, his assurances that the North would be allowed to retain its identity and prerogatives were evidently considered inadequate.

In assuming authority at the urging of the dissident elements--and with the nominal consent of key remnants of the Ironsi administration--Gowon flatly rejected the planned unitary government. He initially had sided with extremists who favor immediate northern separation, but under pressure from the British and moderate northern leaders--who realize secession would bring widespread economic disruption--he pledged to try to save the country from "utter destruction." Gowon also promised to honor Nigeria's international commitments. He has in the past been very well disposed toward the US.

Gowon's prospects for establishing a viable regime do not now seem bright. Army discipline is tenuous and its ability to function as a cohesive organization has been crippled. However, discipline is reported firm and morale high among most of the 18,000-man police force, which can probably handle disturbances that do not involve the military.

Gowon's most immediate problem is coping with the oil-rich Eastern provinces. Eastern military governor Ojukwu has said the only answer is for each of the four former regions to "go its own way" and that what was required is an early meeting to settle the terms for parting.

In the North there appears to be increasing danger that moderates who want to preserve the country's basic unity are losing ground to separatist-minded Islamic extremists. Some pressure for secession evidently also exists in the West where Gowon has tried to gain Yoruba support by releasing their most popular leader, Obafemi Awolowo, and other political prisoners.

If any form of united Nigeria manages to survive, it presumably will be a loose federation with northerners and western Yorubas playing key roles in a weak central government. Gowon evidently intends to bring important civilians into the new military government very soon with a view toward an early return to civilian rule.

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SOVIET AID FOR INDIA'S FOURTH FIVE-YEAR PLAN

The USSR has reportedly promised a new commitment of about \$630 million for India's five-year plan, the largest single aid package Moscow has ever offered to a free world country. The commitment demonstrates the importance Moscow attaches to its relations with New Delhi, and is evidence of its desire to help India develop as a counterweight to China. The new extension accounts for only about seven percent of the total foreign assistance India hopes to obtain for the plan.

In addition to the new aid, about \$400 million remains from the Soviet aid extended for the third five-year plan, and will be available for the current plan. About half of this amount represents the Soviet commitment to the Bokaro steel mill. Although the plant has become a matter of controversy between the two countries, this is unlikely to affect Soviet-Indian aid relations. India feels that economies might be realized if the USSR would accept design suggestions of a private Indian consulting firm, but the USSR will probably continue to insist

on rigid adherence to its own technical specifications.

Details on how the new aid will be used are apparently yet to be worked out. It is likely, however, that about \$410 million will be allocated for the construction of major projects and about \$220 million will be made available for medium-term commercial credits to finance imports associated with the development program. Some specifics on the allocation of the project aid probably will be announced during Premier Kosygin's visit to India this fall.

During India's previous five-year plans, the Soviets supplemented their initial aid extension with additional credits as the plans progressed. However, during the previous two five-year plans only about \$650 million in Soviet aid was used. The Soviets reportedly have stated that commitments in Vietnam and grain purchases in the West rule out additional help for the new plan. Despite this, India will probably seek more Soviet aid for the plan in 1967 or 1968. [REDACTED]

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Western Hemisphere

ARGENTINA BEGINS ITS EFFORTS AT REFORM

The Ongania regime has begun to attack some of the causes of the military criticism that culminated in the ouster of the Illia administration.

On 26 July, police began confiscating Communist periodicals from Buenos Aires newsstands, apparently beginning a drive to end the distribution of Communist literature in Argentina. However, the police also confiscated so-called "obscene" magazines, and this and subsequent statements by police gave the campaign a highly moralistic tone.


On the same day, the government announced that it plans to return to private ownership 36 radio stations and one TV station nationalized by Peron and still under government control. These stations have often been the means by which former governments were able to disseminate slanted news.

On 27 July, the government assumed direct control of the national universities, thus ending the traditional university autonomy. The regime took this step to end Communist agitation and all other political activity at the universities, one of the major complaints of the generals before the June coup. When the rectors were told to accept the government's university reform program within 48 hours, several

either refused or resigned. Some students and professors then occupied university buildings in Buenos Aires, and were ousted by police in a violent clash.

Press reaction to the reforms has been mixed. The press has deplored the censorship, although in guarded comments that apparently indicate some fear that severe criticism of Ongania could result in reprisals. It has applauded the takeover of the universities, but has expressed considerable concern at the violent methods of the police.

Despite Ongania's popularity and the general acceptance of the new government after the fall of Illia, the regime is apparently beginning to realize that its plans are bound to bring criticism from various affected circles and that it must prepare the public for the reforms it intends to make. The nature of the more recent government actions has added to growing concern, both in Argentina and abroad, that the Ongania regime is becoming a right-wing dictatorship. This is an image it can hardly afford if it expects to carry out the reforms promised by Ongania soon after assuming the presidency.



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TERRORISM CAUSING PUBLIC ANXIETY IN BRAZIL

A growing number of terrorist incidents of unexplained origin has caused widespread, if vaguely expressed, anxiety among the Brazilian public and the business community. The government is attempting to determine whether the incidents are part of a Communist-inspired campaign to create unrest or are scattered acts of protest by one or more groups against the regime of Castello Branco and his likely successor, retired Marshal Costa e Silva, who will run as the government's candidate in the October presidential election.

On 25 July three bombs were exploded in Recife. One, which went off in the airport lobby, was timed for the scheduled arrival of Costa e Silva. His aircraft was delayed, however, and he was unharmed, but two persons were killed and several injured. Since then, bombs have been exploded in Sao Paulo, Goiania, and Brasilia, although none has caused any further loss of life. The US Embassy in Brasilia and a US bank there have received bomb threats. At least two foreign-owned oil companies--Esso and Shell--have

requested additional police protection.

These incidents add to pre-election tensions that have also been heightened by the government's obvious determination to ensure the election of progovernment candidates in the September gubernatorial and the October presidential elections. Opposition leaders have been quick to denounce the terrorist acts. Their main concern apparently is that a wave of terrorism might lead the government to cancel the congressional elections scheduled for November; these, unlike the two preceding elections, are to be by direct popular vote.

Although a number of Communists and extreme leftists have been rounded up, the government does not yet seem inclined to take more drastic action. This attitude could change swiftly, however, should the terrorism continue.

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NEW BOLIVIAN PRESIDENT TO ASSUME OFFICE 6 AUGUST

Twenty-two months of military rule in Bolivia will end officially on 6 August with the inauguration of President-elect Rene Barrientos. The new, freely elected regime will be hampered

by shifting political alliances, several chronic economic problems, and governmental inexperience. However, the major problem will still be the government-military relationship. As in the

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President Rene Barrientos

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General Alfredo Ovando Candia

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past, outgoing junta chief General Alfredo Ovando will be the key to this affiliation, and his personal attitude may determine the success of the new government.

Ovando is variously described

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[REDACTED] During the past month, he has gone to great lengths to enhance this image by staging a number of public triumphs, including the announced completion of legal formalities and financial arrangements for construction of a tin smelter in Bolivia by a West German company. This meets a long-time Bolivian national aspiration, second only to access to the sea. In reality, however, he has left most of the hard financial problems concern-

ing the smelter's construction for Barrientos to solve.

During a rare candid conversation with the US ambassador in late June, Ovando said that he was pessimistic about prospects for Barrientos' success in governing the country. Moreover, Ovando had earlier implied that he would play on the new President's well-known impulsiveness until some explosion occurs. This he believes would leave him as the only logical person to pick up the pieces.

The first several months of the new government, therefore, will probably see a major attempt by Barrientos to build a new political base and to strengthen his own support in the military, an endeavor that could lead to a confrontation with Ovando at any time. [REDACTED] 25X1D

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GUATEMALAN GUERRILLAS REJECT AMNESTY

Guatemalan Communist guerrilla leader Luis Turcios has again turned down a government offer to make peace. Turcios, in his first press conference with Guatemalan newsmen, rejected amnesty and reaffirmed his intention to continue a violent struggle against the army. There has been no significant guerrilla-terrorist action, however, since Julio Cesar Mendez assumed the presidential office on 1 July.

Despite earlier guerrilla rejections, the government sought to implement its stated policy for reintegrating disaffected elements by promulgating generous terms for amnesty. These designated an eight-day period ending 3 August during which the guerrillas might surrender kidnap victims and arms without retribution.

The government presumably hoped to lure away at least some who were not fully committed to a hard-line antigovernment position, and in the process may have effected a shrewd political move toward national unity.

President Mendez has displayed sensitivity to the poor aftertaste left by the arbitrariness of the former military regime and to the need for good public relations. He appears to believe that his government's legal charity toward the rebels will lay a basis for judging them in the future, when guerrilla-terrorist action against his regime could then be reasonably identifiable as hard-core Communist in character. Mendez' move may therefore serve to encourage public cooperation with security forces.

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SOMOZA'S NOMINATION BEGINS NICARAGUAN ELECTION CAMPAIGN

The campaign for the presidential election scheduled for February 1967 is now officially under way.

General Anastasio Somoza Debayle was nominated on 30 July as the presidential candidate of the governing Nationalist Liberal Party (PLN), and the sudden death of President Rene Schick on 3 August removes from the scene one

of the few moderating influences on Somoza's ambitions. Lorenzo Guerrero, designated president for the remaining nine months of Schick's term, is expected to support General Somoza.

Somoza, son of the late dictator and brother of a former president, has made no secret of his own presidential ambitions. Since the assassination of his

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father in 1956, General Somoza has been commander of the National Guard, a position of considerable power which he resigned upon accepting the PLN nomination. His resignation, however, does not remove the Guard from family control as a half brother was recently put in command of the National Guard unit in Managua.

There will be active opposition to Somoza, although he is certain to be the front-runner by far.

On 27 July, the largest opposition group, the Traditionalist Conservative Party (PCT), was granted the status of a legal party and will oppose the governing PLN for the presidency as well as for all seats in the bicameral legislature and for all municipal offices. Although the governing party has polled almost 90 percent of the votes cast in recent elections, a substantial number of eligible voters have abstained and the PCT claims these were largely its following. On this ground, the PCT claims to represent a substantial portion of the electorate but the 1967 elections will be its first real test of strength.

Although the PCT claims to be the ideological heir to the original conservative party which split in 1957, a smaller faction, the Nicaraguan Conservative Party, took part in the last two elections as the only legal opposition. Even though this faction polled but ten percent of the votes, it was entitled to the entire one third of the seats in both houses of Congress that the constitution reserves for the combined opposition. Therefore this faction stands to lose substantially by the legalization of a larger conservative rival. It has been trying to increase its strength by wooing dissatisfied conservatives into a united front.

Another coalition has been formed by several small parties of extreme liberal views but is of negligible strength.

One group not yet drawn into either coalition is the small but growing Social Christian Party. However, it opposes Somoza's candidacy and has stated it would support the PCT to avoid splitting the opposition vote.

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25 July 1966

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PANAMA

Summary

Violent student disorders in Panama City and Colon last month again pointed up basic socioeconomic weaknesses which undermine stability.

President Robles' shaky coalition government of oligarchical parties has been unable to cope with Panama's serious problems and there is evidence that his position may be weakening. Arnulfo Arias-- leader of Panama's largest political party--continues to be President Robles' most immediate threat. He is in a position to take advantage of the government's increasing inability to cope with the country's problems and to exploit popular discontent. The outcome of the canal negotiations could determine his course of action.

While Panama's economy has grown rapidly in recent years, the disparity in living standards, widespread unemployment, and growing poverty--particularly in the urban areas--make the outlook for political stability increasingly bleak. Thus, there seems

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to be a need for a new long-range political as well as economic approach to Panama; basic reforms in the electoral, parliamentary, and legal structure seem indicated as are quick impact economic approaches such as the Mekong-Delta concept.

Panama's 4,200-man National Guard was able to control last month's riots, but fear of further urban violence has prompted the Panamanian Government to request and receive additional US assistance in augmenting the size of the guard by 500.

After almost a year and a half of negotiations, the canal talks appear to be deadlocked and President Robles, whose term expires in October 1968, may have abandoned hopes for a new treaty.

To build a road through the Darien Gap connecting Panama and Colombia would require an estimated \$150-270 million and would require approximately 1,000-1,500 persons for five years or so.

GENERAL SITUATION

The violent student demonstrations in Panama's two major urban centers last month have again pointed up the basic weakness in the country's structure and the alarming speed with which minor incidents can grow into crises of major proportions.

The disorders were the worst since the anti-US riots of January 1964, and drove home to the Robles government the urgent need for action to alleviate the causes of growing unrest in Panama City and Colon-- overcrowded and poor housing, rising unemployment, and a high cost of living.

Robles and his aides, with a recent \$3-million loan from the US, are planning several urban development programs which will alleviate some of the worst pressures in the cities. It is doubtful, however, that enough can be done in time to stem the growing discontent of much of the population. Subversives and self-seekers of all political coloration are in a position to exploit the situation and are constantly seeking the opportunity to do so.

President Robles, though well intentioned, has accomplished only a few of the extensive social and economic reforms he promised during his campaign. The entrenched oligarchy that has dominated the political and economic life of the country since independence strongly resists any reforms which impinge on its economic interests. Panamanian presidents are characteristically placed in power for the prime purpose of protecting these interests; corruption and chicanery of all sorts are accepted as a matter of course within the government, and presidents usually are too controlled by their backers to change the system. Indeed, it has been the oligarchy's adroitness in diverting popular resentments from itself and against the US presence in the Canal Zone that has helped keep it in power.

Because he heads a shaky coalition government of oligarchical parties, Robles must constantly perform a balancing act to allocate very scarce resources. There is increasing evidence that his political position is weakening. Some of his supporters have already pulled away, and more will undoubtedly do so as the end of his term approaches.

Robles is further hampered by the fact that three cabinet members and several top aides are already presidential aspirants for the 1968 elections.

Opposition leader Arnulfo Arias continues to be the most immediate threat to the Robles government. Charging that the present regime is "illegitimate," Arias misses no chance to condemn the government's inability to resolve basic problems. He is joined by a host of other dissidents--including Communists, ultranationalists, and Christian Democrats--whose short-term interests coincide with his own.

Through demagogic appeal Arias continues to exploit successfully a popular feeling that Robles' failure to alleviate misery is an intentional plot inspired by the oligarchy to keep the country's wealth in the hands of a few. Charging a sellout to the US, Arias has also served notice that he will oppose any Canal settlement that the "illegitimate" Robles government might negotiate.

Given the widespread discontent, especially in the urban areas, Arias and his followers could probably trigger serious disorders at any time and eventually

wear the government down through mob action. Arias, apparently feels, however, that time is on his side. He will probably continue to exploit popular pressures and await the proper psychological moment. This could come if a Canal settlement were announced during the presidential elections set for May 1968.

THE PANAMANIAN ECONOMY

Current Situation

Panama's economy has grown rapidly since 1960 with the Gross National Product (GNP) rising at rates of up to ten percent a year.

Although annual per capita income in Panama is one of the highest in Latin America (nearly \$500), there are wide disparities in living standards.

The majority of the country's 1.2 million people live in poverty; high unemployment combined with a high political agitation potential has often been fanned to violence in the past.

The combined population of Panama City and Colon comprises almost one third of the total population. Between 20 and 30 percent of their labor force is unemployed. Unemployment rates in these two cities are over twice the national average of 12 percent and have been rising. Upwards of one fourth of the inhabitants of these two major urban centers live in overcrowded and squalid slums--some of which border the Canal Zone and provide a sharp contrast in living standards.

Approximately 90 percent of Panama's industrial and commercial enterprises are concentrated in the key terminal cities. This factor, coupled with the proximity to the Canal Zone and the near-subsistence level of most agriculture, produces a constant stream of migrants into the cities. Moreover, capital intensive investment has not provided adequate employment opportunities for the increasing numbers of unskilled young people that reach working age each year.

The economy has been characterized by a growing imbalance in commodity trade which makes Panama more dependent on foreign assistance to offset its deficits, by a decline in foreign exchange reserves, and by a tendency to rely on the Canal Zone as the principal source of income.

An annual population increase of three percent and high unemployment and underemployment rates are reflected in the housing situation. It is estimated that two thirds of all Panamanians are inadequately housed. Government efforts to alleviate this problem have been inadequate.

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In the rural areas, where 47 percent of the total national labor force is employed, underemployment is extensive. Poor communications and transportation facilities, unequal land distribution, insecurity of tenure, and soil-robbing, slash-and-burn cultivation hold much of the rural population in a vicious circle of almost subsistence agriculture.

Prospects

Immediate economic prospects are good by Latin American standards. Political stability, however, is constantly threatened by rising unemployment and the inability of the government to generate enough investment to provide employment or to mount a welfare program large enough to permit a minimum level of decency for the urban masses. The principal constraint on the government is its inability to overcome the persistent opposition of the country's small but powerful oligarchy to effective fiscal reforms.

The prospect of US construction of a sea-level canal increases the need for longer run government planning and reform. The lack of a firm

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political base, ~~the~~^{the} in any weaknesses of the present government coalition, and the demonstrated record on the part of the oligarchy to protect its special interests point up the need for a new long-range political approach responsive to popular aspirations in Panama.

Panama's economic imbalance is aggravated by its dependence on the present canal economy. The prospect of the conversion of the canal into a sea-level crossing will result in reduced revenue for Panama, increasing the need for Panama to diversify its economy and sources of revenue. The present canal generates about two fifths of Panama's GNP and two thirds of its foreign exchange. The 1964 trade deficit of \$108 million, for example, was financed largely by dollar flows from the Canal Zone.

A sea-level canal would require only a small number of employees, thus eliminating much of this income unless the Panamanian share of canal tolls was enormously increased. Serious dislocations in the economy would be caused by the sharp decline in total employment that would follow the

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completion of a new canal in Panama and the closing of the present canal.

In speaking of a new approach to Panama's problems, one might for example consider a joint developmental corporation--devoid to the extent possible of political influence--which would address itself to a greater utilization of Panamanian manpower and to the development of certain industries and resources such as the processing of unfinished products passing through the canal.

Whether it is wise to be tied to the Robles Government for better or for worse is questionable (Robles' term expires in 1968 and he cannot succeed himself). Thus one could consider an ultimate method of aiding Panama quite separate from the US AID channel. (The Mekong-Delta concept seems worth considering.)

While the Panamanian economic needs are paramount obstacles, their fulfillment, of course, cannot proceed without development of a sound political base divorced from the powerful influence of the oligarchy. It is essential to carry out basic

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reforms in the electoral, parliamentary, and administrative fields as well as to establish a competent Civil Service and legal structure.

There are at present strong popular pressures within Panama for national sovereignty which are being capitalized on by such opposition politicians as Arnulfo Arias. Critical to any long-range transformation of the Panama political/economic base is a translation of this current popular pressure into constructive basic reforms which can lead to the necessary stability.

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US SUPPORT FOR THE NATIONAL GUARD

Last month's riots in Colon and Panama City, and the possibility of similar outbursts occurring at two or more places simultaneously, convinced the Robles government that the 4,200-man national guard would not be able to control widespread disturbances in Panama and also prevent incursions into the Canal Zone.

During a meeting between Foreign Minister Eleta and Assistant Secretary Gordon on 7 July 1966, Eleta asked that the US finance a 1,000-man increase in the guard, since the current Panamanian budget could not absorb the cost. This was in addition to an earlier request of \$0.5 million for a 500-man increase which with US financial assistance was completed early this year.

In response to Panama's request, on 21 July the Interdepartmental Regional Group (IRG) agreed to recommend funding a 500-man increase. One of the reasons the CIA representative voted for this was that during the June 1966 riots in Colon, the Communist-inspired rioters deliberately organized into a

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number of small groups which spread their pillaging throughout the city, thus straining the capability of the national guard to deal with the situation. It was felt that, should similar riots break out in several cities at once, the present national guard force would not have the capability to effectively handle the rioters.

The 1965 US grant to the national guard, which covered the cost of recruiting, equipping, and training the original 500-man increase, became a hot political issue for Robles. His opponents charged that the US was supplying funds to maintain a "repressive" force in Panama. Consequently, the Robles government has asked that its latest request for funds for the guard be met in such a way that direct US involvement will not be revealed.

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STATUS OF NEGOTIATIONS

After almost one and a half years of negotiations the canal talks appear to be deadlocked. Since January 1966 the Robles government has been studying US draft treaties on a sea-level canal, the present lock canal, and a base rights and status-of-forces agreement. Panama found the US drafts unacceptable.

Because of discord and bickering among Robles' advisers, the Panamanians were unable or unwilling to present counterproposals or counterdrafts when the negotiations finally resumed in June 1966. Instead, the Panamanians presented merely statements of principle on which they felt negotiations should proceed.

Despite the discord among the Panamanian negotiating team, the demand for full assertion of Panama's sovereignty over the canal and the zone is the one issue that draws together all Panamanians of all classes. The statement of principles proposed by Panama in June embodies long-standing national aspirations. [REDACTED]

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If the Robles government, or any government, were to accept a canal settlement with the US which deviates significantly from the positions embodied in this statement of principles, it would be rejected by the National Assembly. Should this happen, the Robles government would be driven to a less rational position; it might even fall, thus creating a new political crisis with serious side effects on internal security. A successor government would be far more extreme in its demands.

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[REDACTED] has indicated that the areas of difference between the US and Panamanian positions were great: (1) Military Bases: Panama feels that it cannot permit the US to use its military bases in the Canal Zone for purposes of hemispheric security. The US wants to maintain existing military rights and activities. (2) Joint Arrangements for Defense of the Canal: Panama wants joint command responsibility, the stationing of units of the National Guard on the bases, a substantial reduction in the number and size of military installations, and limited jurisdictional and

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other rights for members of the US forces. The US would like ultimate responsibility for canal defense and the usual status-of-forces provisions.

(3) Joint Authority For Canal Operations: Panama wants an equal voice in the management of the canal. The US seeks to retain majority representation on the governing board of the canal enterprise or at least the deciding vote.

(4) Option For Construction of Sea-level Canal: Panama has decided it cannot grant the US an option for the future construction of a sea-level canal unless the US will agree not to explore the possible construction of a canal in another country during the term of the option. Panama also wants a sea-level canal which will be "Panamanian." The US seeks an open-ended option to build a canal at a place and by methods of its own choosing, with unilateral US responsibility for financing and construction. Indeed, the US is presently negotiating with Colombia to go ahead with a feasibility study of such a canal in that country. In addition, the US would like some form of international administration

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of the canal which would carry over for an indefinite period after amortization of the funded debt.

(5) Laws and Courts: Panama wants its own laws, applied by Panamanian judges, to be enforced in the canal areas. An exception would be allowed in a limited number of cases directly related to security and operation of the canal. The US seeks an initial continuation of the Canal Zone Code and later the establishment of mixed courts which would permit trial of US nationals by US judges.

(6) Tolls and Compensation: Panama believes that canal tolls--not increased since the canal opened--can be substantially raised without causing a reduction in traffic. It seeks to receive compensation from the canal at a rate independent of the level of tolls. Panama wants to receive an annual payment based on a fixed amount for each unit of cargo transiting the canal, plus an annual increment needed to maintain its present rate of economic growth.

(7) Functions of the Canal Organization: Panama wants to limit the functions of the new Joint Canal Authority

to those it considers necessary for operation of the canal. This would mean the discontinuation of many US activities which the US considers essential. The US wishes to transfer to the new Joint Canal Authority all present functions of the Panama Canal Company and the Canal Zone Government.

President Robles reportedly is disillusioned over what he claims is harshness of the US drafts and the slow pace of the talks. In private conversations with US officials both Robles and Foreign Minister Eleta have warned that the negotiations are in danger of becoming enmeshed in the campaign for the 1968 presidential elections. This would make the ratification process enormously more difficult, since the National Assembly is extremely susceptible to public pressure.

Arnulfo Arias and other political opponents of the government will attack any settlement by calling it a sellout to the US. Robles will also be under heavy fire unless he can demonstrate some progress before the National Assembly reconvenes in October.

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Publicly Robles continues to state that a new treaty will be signed before the year's end or early in 1967 but that the date is unpredictable due to various "contingencies." Robles may have decided that a canal settlement will not be reached before his term expires in October 1968. There are indications that he is now more interested in building an independent power base from which he can control the selection of the president in 1968 than in shoring up the government block in the National Assembly. This does not necessarily mean that the Robles administration has completely abandoned hopes for a canal settlement, but it does imply an appraisal by Panamanian officials that a mutually advantageous canal settlement may be a long way off.

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THE DARIEN GAP AND THE PAN-AMERICAN HIGHWAY IN PANAMA

The only remaining gap prohibiting through traffic by road from the United States to the road network of South America is between Panama and Colombia. Designated as the Darien Gap, this stretch consists of 180 miles of roadless area in Panama and 100 to 300 miles in Colombia.

Nature of the Area

There is virtually no economic development throughout the entire Panamanian part of the region; slash-and-burn agriculture is practiced by the sparse and scattered Indian population. Only a few tiny villages are to be found.

A densely wooded rainforest covers most of the area and would constitute the most formidable engineering obstacle. Annual rainfall amounts throughout Darien are high, generally 100 inches on the Caribbean slopes and from 60 to 80 inches on the Pacific side. The dry season lasts from January to May, but there is no true dry season during the remainder of the year. Temperatures are high throughout the year.

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The terrain of eastern Panama presents no unconquerable obstacles to road construction and in places is favorable. The mountain ranges all trend in a generally NW to SE direction, and a broad valley system through the central part offers relatively easy passage. The only swamps are found along the lower reaches of the larger rivers near the coastline.

Development of a Route

The problem of locating a route for the Pan American Highway in this tropical area has been studied for years, having been masterminded in the last decade by the Darien Subcommittee of the Pan American Highway Congress. In 1960, after five years of technical studies by Panamanian, Colombian, and United States engineers, an official route across the international border area was selected (see map).

In 1963, contracts were let to Brown and Root Overseas, Inc., to conduct with Panamanian and Colombian firms joint studies on reconnaissance surveys, designs of construction plans, and cost estimates for the route south of El Real in Panama. Financing of the surveying was managed through the Organization

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of American States--one third of the cost to be borne by the Latin American countries and two thirds by the United States. A total of \$3 million was estimated, but to date only \$2.75 million have been contributed.

The surveys, which included both air and ground reconnaissance, are now essentially completed. Results of the surveys have provided the data essential for the further planning of the actual construction of the route. In the course of the surveying work, an alternate and shorter route has been located across the Atrato swamps in Colombia (see map) which would reduce considerably the length of the route in that country. No changes were found in the route proposed in Panama. Total cost estimates vary between \$270 million for the route in Panama and along the Pacific slopes in Colombia, and \$150 million for the shorter route through Panama and across the Colombian Atrato swamps. Guesstimates by the Bureau of Public Roads regarding the manpower required to construct the road are from 1,000 to 1,500 persons for some five years, including supervisory personnel who would probably be "imported."

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Decisions will now have to be made regarding the final route and the means of financing the venture.

Impact of a Through-Route

The opening up of a route that would connect the South and North American continents has tremendous emotional appeal to the Latin American countries, which probably colors their assessment of the immediate economic benefits to be derived. However, there are areas of economic potential on both sides of the border, including land suitable for banana and coconut plantations as well as extensive stands of exotic timbers. International commerce could be expected to increase for the surface transport of marketable products, and the tourist industry would undoubtedly expand to a considerable extent. Detailed feasibility studies will be required to determine with any accuracy what possibilities exist in this region that has thus far been on the isolated fringes of the two countries concerned. (Map)

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