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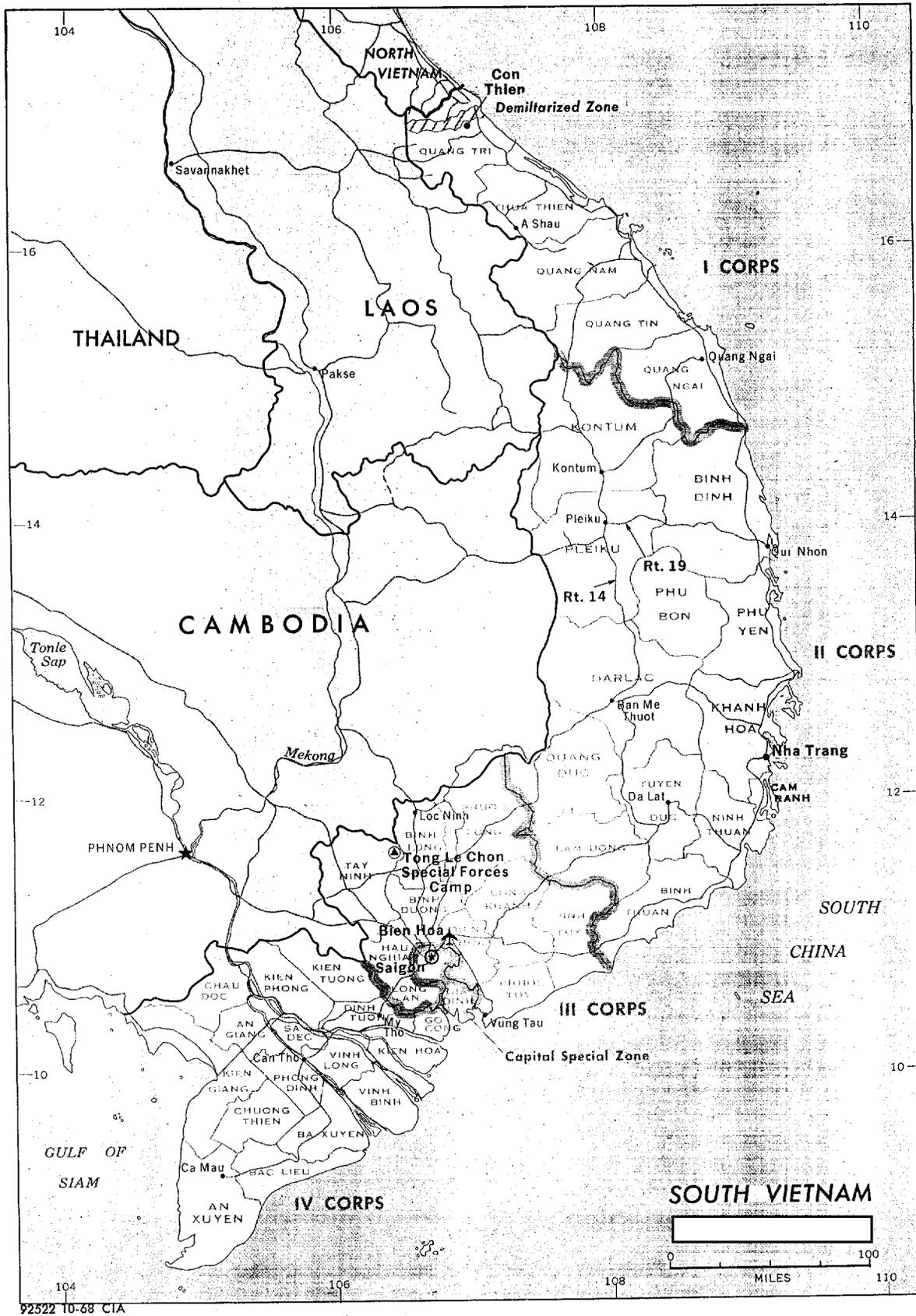
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[South Vietnam: With the exception of heavy fighting at allied initiative in isolated sectors of the northern and central provinces and an abortive Communist ground attack northwest of Saigon, the over-all level of military activity in South Vietnam remained relatively low over the weekend.

US Army forces operating northeast of Con Thien in the southern portion of the Demilitarized Zone inflicted heavy losses on a Communist battalion during seven hours of stiff combat on 25-26 October. The Communists lost 232 regulars killed in contrast to US casualties of six killed and 29 wounded.

In southern coastal II Corps, South Korean forces conducted a highly successful cordon operation against an enemy battalion entrenched some five miles southwest of Nha Trang in Khanh Hoa Province. In more than 35 contacts from 24 to 27 October, Korean infantrymen killed 317 Communists and captured nearly 100 weapons while losing 14 killed and 30 wounded.

In northwestern III Corps on 26 October, an estimated 200-man enemy force possibly from the Viet Cong 5th Division launched a combined mortar-ground attack against a US Army battalion deployed near the Tong Le Chon Special Forces camp in Tay Ninh Province. The US defenders repelled the assault after seven hours of sharp fighting, killing 103 enemy while losing nine killed and 33 wounded. The Communists also stepped up their attacks-by-fire against allied positions in the provinces immediately surrounding Saigon. These attacks included a light rocket bombardment of Bien Hoa air base.

In the western highlands, a recently captured document reveals enemy plans for a 1968 winter campaign which it says will be conducted in three stages from 1 November to 31 December. The highlands phase of the campaign will reportedly emphasize attacks]

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[on and around cities and towns and Highways 14 and 19 as well as efforts to motivate "1,500 - 2,000 South Vietnamese soldiers to initiate military rebellion."

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[REDACTED] enemy plans to attack allied military headquarters throughout Tay Ninh Province on or before 5 November. [REDACTED]

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*Czechoslovakia: The National Assembly yesterday passed a federalization bill designed to give the Slovaks near equality with the Czechs.

The plan, which is scheduled to go into effect on 1 January 1969, calls for separate Czech and Slovak governments which will be subordinate to a pared federal government in Prague. It also paves the way for similar Czech and Slovak divisions in the Communist Party and other nationwide organizations.

There is so much controversy over the bill, however, that its implementation will undoubtedly result in confusion, and could rekindle traditional antagonisms between the Czechs and Slovaks. Many Czech officials oppose the plan because it gives the Slovaks greater rights at the expense of the Czechs of Bohemia and Moravia. Some Slovak leaders have complained that the law will not give them the equality they are seeking, but will instead allow the more numerous Czechs to continue to dominate the country. There are also widespread complaints from both sides that the plan has been too hastily prepared.

Moscow apparently has mixed emotions about the federalization. Several Soviet leaders, including Moscow's special emissary to Prague, Kuznetsov, have recommended that the plan be postponed indefinitely. These Russians may believe that a federal setup will lead to internal instability and weaken the Communist Party's leading role. They may also be concerned about the possible spillover effect Czechoslovak federalization may have on their own republics, especially the Ukraine.

Some Soviet officials, on the other hand, may believe that under the federative arrangement they could assert greater control over the country by playing off one nationality against the other. A

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distinct Slovak state might also provide the Soviets with a better opportunity to work with Slovak separatists who oppose even a federation with the Czechs and have been advocating a stronger alliance with Moscow.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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Turkey: Leftist student leaders are expanding plans for demonstrations against the US, NATO, and the government during the next few weeks.

A 20-day nationwide symbolic student boycott, to begin next Friday, reportedly is being arranged by the student leaders who predict that the "vast majority" of Turkey's colleges and universities will be affected. In addition, a "march against imperialism" to Ankara from the Black Sea port of Samsun, from which Ataturk launched his war of independence, is being organized to symbolize the "struggle to rid Turkey of foreign imperialists." Foreign student representatives, who have been invited to the international seminar on underdeveloped nations scheduled to begin in Ankara on 18 November, will be asked to meet the marchers from Samsun and enter Ankara as a display of solidarity.

One of the key figures planning the demonstrations is a member of the left-of-center faction of the opposition Republican People's Party (RPP). He claims that the demonstrations being planned in Turkey will be an important part of a world-wide student protest movement planned for November.

Turkish security authorities are at least partially aware of the "secret" plans of the student activists, however, and, if necessary, should be able to cope with any disturbances which may develop. Rightist elements in Turkey also know about the planned leftist demonstrations next month and almost certainly have their own plans to disrupt them.

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Egypt-Israel: The heavy fighting along the Suez Canal on 26 October increases the likelihood of further serious incidents between Egypt and Israel.

The exchange of artillery and small-arms fire, which continued intermittently for several hours and ranged along the canal from Qantara to the port of Suez, was one of the most serious since the war in June 1967. It is not clear who received the worst of the exchange but Israeli casualties were high, and Radio Cairo has been playing up the encounter as a successful thwarting of Israeli aggression. Israel reported 15 killed and 34 wounded; total Egyptian casualties are not yet known.

The initial exchange reportedly lasted about one hour, at which time a temporary cease-fire was arranged by UN observers. The quiet was shortly broken, however, when Egyptian infiltrators reportedly ambushed an Israeli patrol on the east bank of the canal, and the artillery duel was resumed.

The Egyptian oil refinery complex at Suez was hit, but the extent of damage there is not yet known. The Egyptian radio reported three oil storage tanks were shelled but that the fire was under control. The Suez refineries were heavily damaged by Israeli artillery in October 1967 but had since been largely restored.

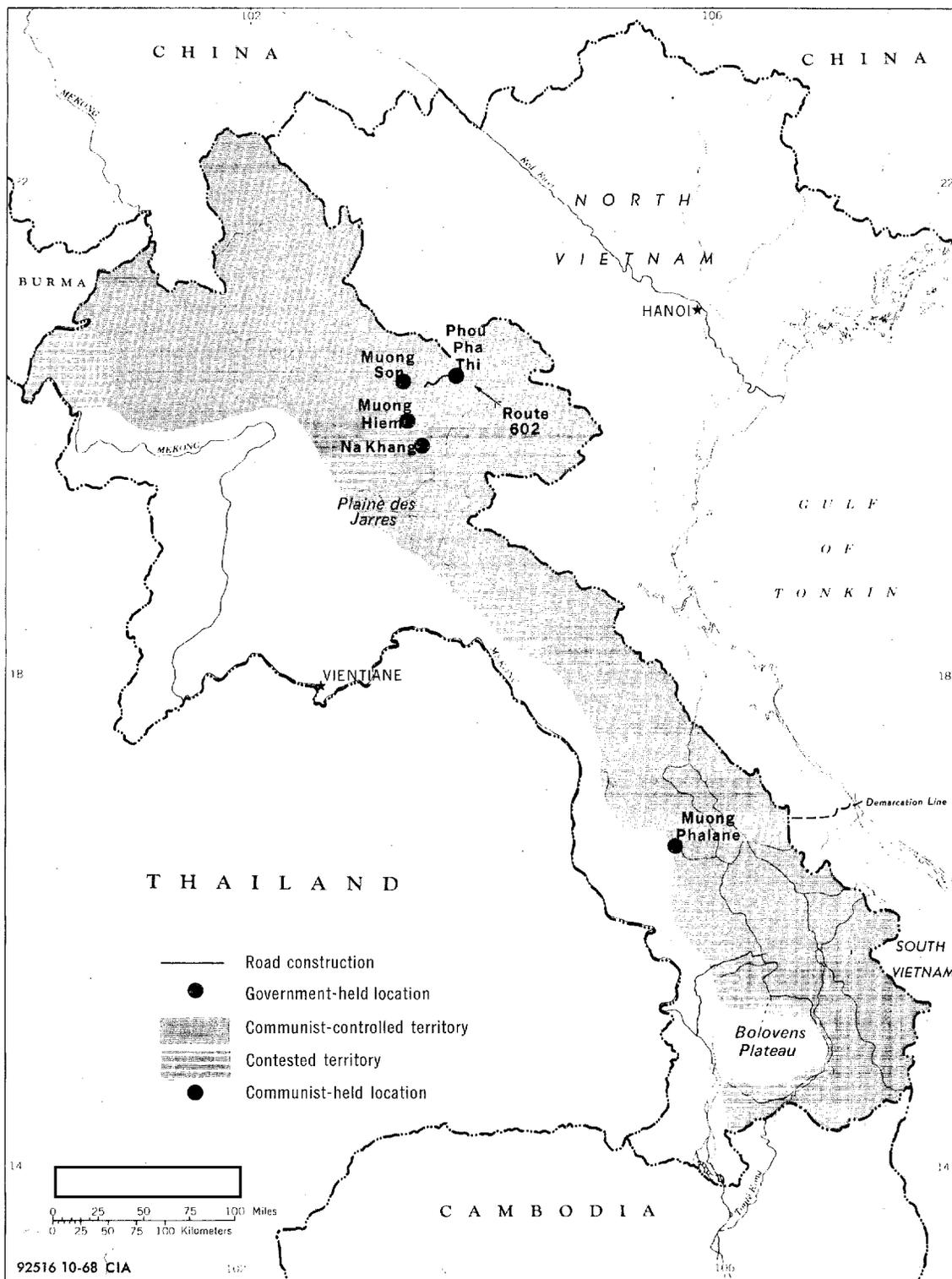
Israel is clearly disturbed over the magnitude of the clash and the number of casualties suffered, and an Israeli spokesman described the incident as "very grave." Tel Aviv, which may be convinced that Cairo has assumed a new aggressive posture, is probably examining possible ways of blunting the effectiveness of the concentrations of Egyptian artillery along the canal.

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LAOS: Current Situation



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Laos: Government forces made some limited gains during their traditional rainy season offensive, but the enemy is now beginning to step up its own operations.

In the northeast, a government operation over the past four months has been largely successful in re-establishing a foothold in the Muong Son Valley. Meo guerrillas pushing back into their former redoubt in the Phou Pha Thi area have encountered stiff enemy resistance, however. The Communists are trying to solidify their hold in this area, which has long been only nominally under their control. They have built a new road there which should ease the movement of their troops and supplies into this heretofore isolated region.

Some isolated defense positions have already changed hands in the north, and there are indications that Communist forces are preparing to retake positions they lost north of the Plaine des Jarres. Furthermore, Communist forces are expected to renew their threat, which stalled toward the end of the past dry season, against the key government guerrilla bases at Muong Hiem and Na Khang. With the possible exception of attacks on these bases, there are no indications that the enemy intends to do much more than offset recent government gains.

In the south, Communist forces appear to be preparing for an attempt to regain Muong Phalane, the scene of a successful government offensive in August. The enemy has already captured some outlying defense positions and it is doubtful government forces could hold in the face of a concerted enemy thrust. Meanwhile, on the southern rim of the Bolovens Plateau, serious flooding and timely air strikes reportedly have caused considerable damage to enemy food and weapons caches and may have seriously impaired Communist capabilities in this area. [REDACTED]

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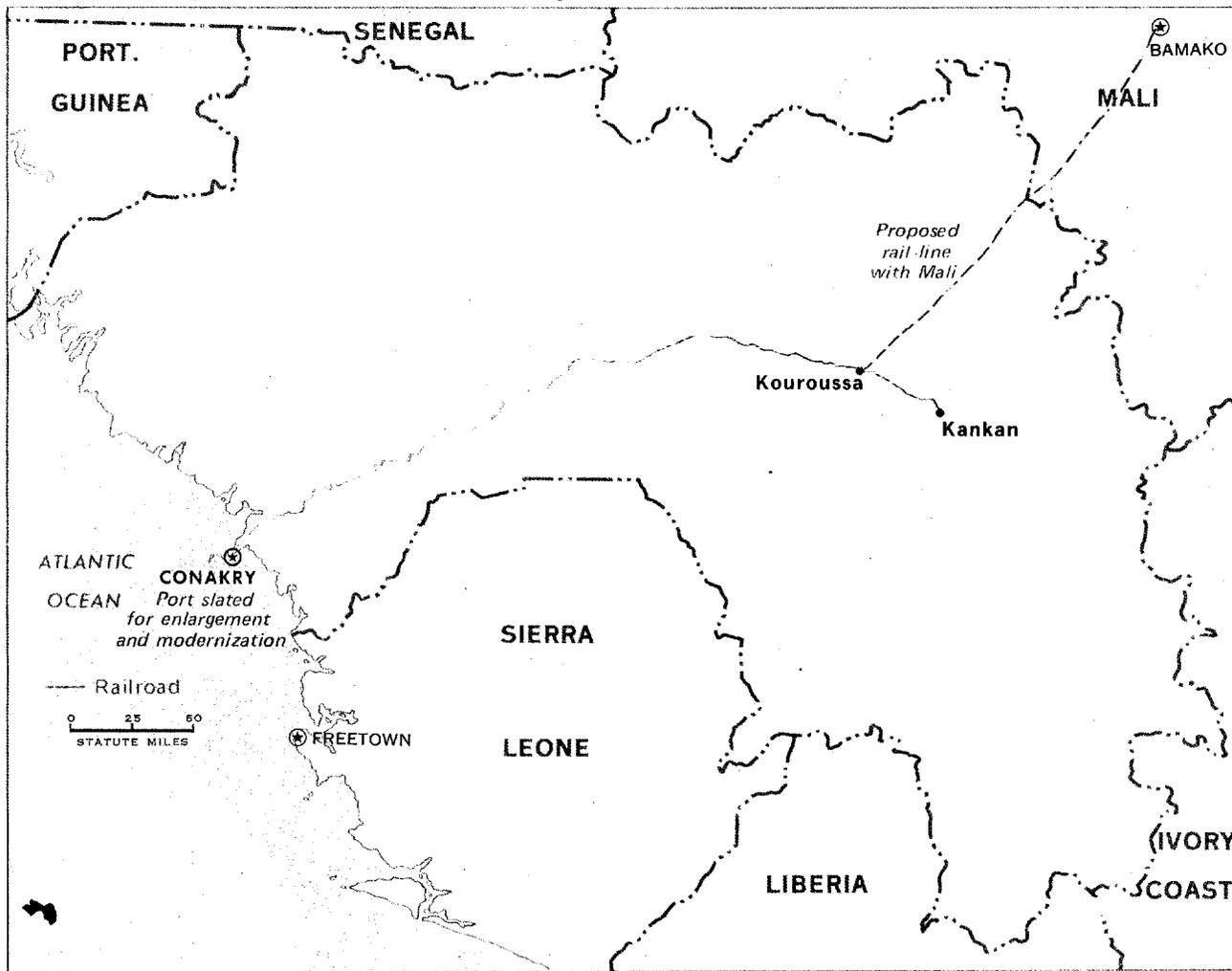
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Guineans Weigh Chinese Offer for Port Improvement



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Guinea - Communist China: The Guinean Government reportedly is studying a Chinese proposal to enlarge and modernize the port of Conakry.

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[redacted] the high-level Guinean military delegation which visited Peking last summer returned with specific project proposals. President Toure has reviewed the proposals and referred them to the government economic sector for detailed study. Some Chinese port experts have reportedly arrived to make a technical study of the port.

In addition to general rehabilitation and expansion of the port, [redacted] the Chinese have offered to build naval support facilities, presumably to house Guinea's miniscule navy. Such facilities may include a dry dock and repair installations, both badly needed by Guinea. Peking is preparing to build what may be similar facilities for the Tanzanian Navy at Dar es Salaam.

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Peking's proposal is probably related to its decision of last May to build a 200-mile railroad to link Guinea with Mali. Port improvements would be required to handle the anticipated increase in traffic when the rail link is completed. There is no information as to how ambitious a port development project the Chinese would underwrite in addition to their already extensive commitment to the railroad project.

Should Peking undertake the port project, its prime motivation would be political. The Chinese, through liberal aid programs, already have considerable prestige in Guinea and probably hope that their influence can be expanded considerably in the long term. The Guineans, highly successful in extracting assistance from both the East and West, are acutely aware of their lack of adequate port facilities and are likely to accept the Chinese offer if liberal financing terms can be arranged. [redacted]

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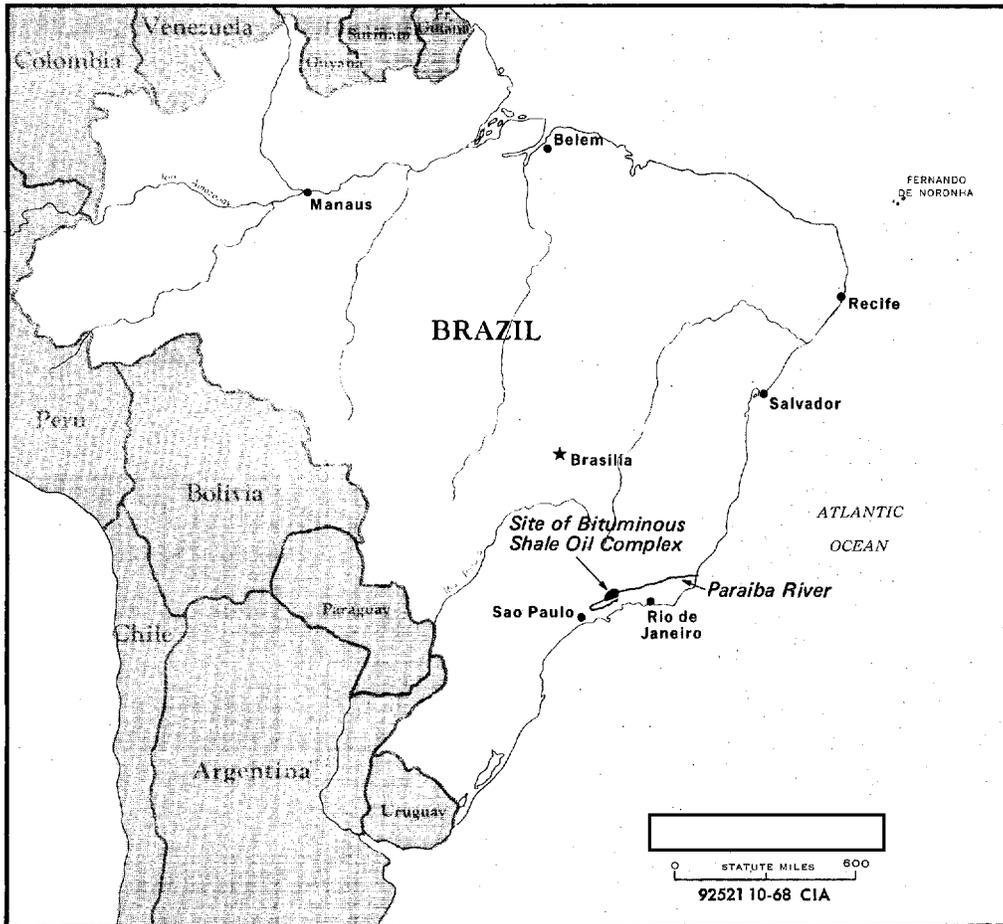
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Soviets May Aid Development of Brazilian Shale Oil



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USSR-Brazil: The USSR may provide equipment and technicians for construction of the first stage of a bituminous shale oil complex in the Paraiba Valley.

A Soviet survey team completed its report in mid-October, and construction of a pilot plant to produce 15,000 cubic meters of gas a day is expected to begin in early 1969. The plant will reportedly be financed by a Soviet credit.

The Soviets probably view construction of the pilot plant as an opportunity to gain a potential foothold in a possibly important commercial development. If successful, the complex will eventually produce a variety of chemical products as well as increased quantities of industrial gas.

Previously, the Soviets had studied this project, which was proposed by the Companhia Industrial de Rochas Bituminosas (CIRB), but the Brazilian Government has been reluctant in the past to become involved with CIRB's elaborate and probably overly optimistic developmental scheme. The state petroleum monopoly, Petrobras, is already engaged in the development of other shale deposits. [REDACTED]

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NOTE

Canada: The Canadians have announced that they will not participate in the West European consortium established to produce multirole combat aircraft. A spokesman in Ottawa claimed that current budgetary restraints and the high risk factor involved in the venture make it inadvisable for Canada to participate. The Canadians may believe that involvement in this program would work against US-Canadian cooperation in the development of new aircraft and other weapon systems. The Canadians probably expect that within the next several years the US will develop aircraft that will meet Canada's defense requirements.



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