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South Vietnam: Current Communist activity is confined to sporadic ground attacks and occasional shellings.

25X1 Reporting [redacted] however, continues to indicate that intensive planning for a "summer offensive" is under way. The reported plans range from a sustained campaign, with heavier attacks than those conducted during the spring offensive of last February and March, to a series of short but dramatic shellings like the mid-May action which caused heavy allied casualties.

25X1 Many of the [redacted] report that in their military briefings the Communists are insisting on spectacular action which will inflict extensive damage. 25X1 [redacted] captured documents, indicate that the Viet Cong military commanders are being told to set "realistic goals" aimed at achieving a series of limited victories over a prolonged period.

The number of reports emphasizing dramatic results suggests that the enemy could be planning a more ambitious offensive than has been undertaken so far this year. The timing is not clear, but reports from widely separated areas indicate that attacks could start in early June.

* * * *

Both Saigon and the Communists are moving to strengthen their claims to political control at the local level. On 3 June the Communists announced the formation of their fourth urban "revolutionary committee"--this one in Saigon. These committees are the Communists' attempt to challenge South Vietnamese Government authority at the local level and have reportedly been organized extensively in rural areas in the past year. The announcement of such a local government prototype in the capital city is the most ambitious Communist claim to date.]

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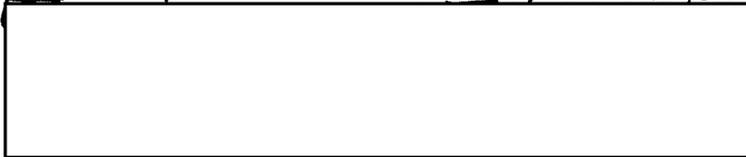
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[The South Vietnamese Government, alert to Viet Cong exaggerations regarding political control, has recently ordered its province chiefs to gerrymander local village boundaries to increase the appearance of its own control. An order has gone out from the Ministry of Interior to incorporate a number of insecure hamlets and villages into adjacent ones that have a more secure government administration. Although some of these hamlets have been abandoned or sparsely populated for years, about 2,000 of them will be eliminated from the insecure category of the Hamlet Evaluation System, resulting in an apparent increase, in the statistics, in Saigon's control.]



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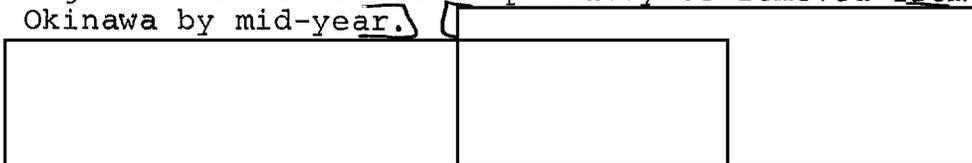
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Okinawa: Leftist elements in both Okinawa and Japan can be expected to exploit an incident involving a moderate Okinawan legislator and a US military policeman.

The chairman of the Okinawan Socialist Masses Party, which is the principal pillar of the tri-party coalition that backed Chief Executive Yara's successful election campaign last November, was cut slightly by a bayonet yesterday while participating in an illegal labor demonstration outside a US installation.

The legislator has been an advocate of a close working relationship between the Ryukyuan Government and the US military administration, and his party has a close relationship to the moderate Democratic Socialist Party in Japan. Japanese officials have already voiced their concern over the incident to the US Embassy in Tokyo.

The incident increases the possibility of a general strike to protest against the presence of B-52s on Okinawa. Chief Executive Yara has reported that there are already rumblings of such a strike this month or next. Last February, Yara successfully averted a strike against the bombers by claiming that the B-52s would probably be removed from Okinawa by mid-year.



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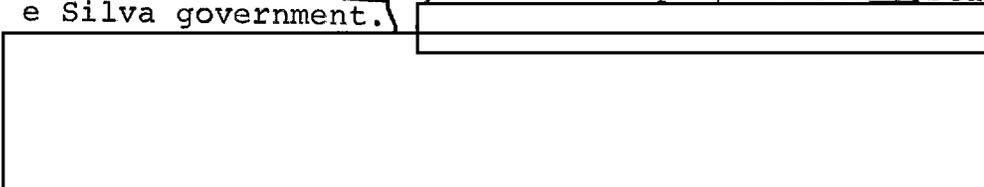
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Brazil: Terrorism is a growing worry for the government.

All members of Brazil's National Security Council have received a letter from the "National Liberation Front" (FLN) threatening to take "an eye for an eye" in the name of the oppressed people of Brazil. The letter claims that a revolutionary court has already condemned to death all participants in the last security council meeting as well as their children "to the third generation." The composition and capabilities of the FLN are not clear, nor is its relationship to other such groups. It probably has the capacity to carry out at least some of its threats.

Urban terrorism has become increasingly frequent in Brazil, and there is little prospect that security authorities will be able to apprehend enough key terrorists to halt the incidents. Acts such as the terrorist killing of a bank guard on 4 June and the recent escape of several professional revolutionaries not only undermine public confidence in the government's ability to maintain order, but also stimulate frustration and discontent among the security forces who are the main prop of the Costa e Silva government.



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NOTES

Argentina: [President Ongania plans to replace some high officials. On 4 June, following three weeks of labor and student unrest, the five-man cabinet and a number of lesser officials offered their resignations to the President to permit him to reorganize the administration. Key military officers have long urged Ongania to remove several officials whom they considered ineffective or too extreme in their rightist views. The officers' prime targets have been the secretary of education and the interior minister, who has also been criticized for his handling of the recent demonstrations. The interior minister, at least, will probably be replaced.]

[Redacted]

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Chile: [The break-away leftist Christian Democrats who have formed the United Popular Action Movement have begun discussions with the Communist and Socialist parties on joint action in university, student, labor, and campesino affairs. The three groups agree that the US copper companies should be nationalized at once. Although the groups did not discuss running a joint presidential candidate next year, their cooperation on other issues could be a forerunner of further political action.]

[Redacted]

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Peru: [Student opposition to the Velasco government may be coordinated on a national scale in the next few weeks, once all the major universities open for the new school year. The students are reacting to the university reform law promulgated last February, which limits student influence in the universities and permits security forces to enter the campuses. Some violence has already occurred, and all of the student groups, including the Communist and APRA youth, have some plans for opposing the government and the reform law when the school year is under way.]

[Redacted]

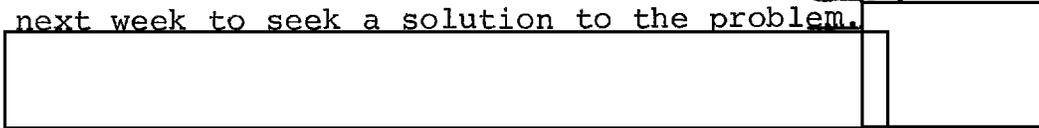
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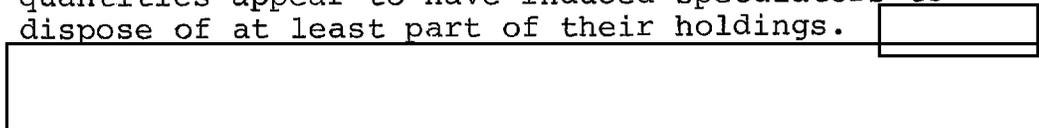
UK: [The Trades Union Congress (TUC) voted overwhelmingly yesterday to reject the government's plan for dealing with labor disputes in favor of TUC's alternative plan. The lopsided antigovernment vote will increase Prime Minister Wilson's difficulties in finding a mutually agreeable way to curb wildcat strikes. The trade unions are flatly opposed to penal sanctions, but there is no indication that Wilson is ready to drop them from the government's bill. Wilson will meet with union leaders again next week to seek a solution to the problem.]



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Western Europe: Free market prices of gold have fallen to their lowest levels since December 1968. Yesterday the price of gold in London and Zurich dropped to about \$41 an ounce, roughly two dollars below last week's price, while in Paris the recent price of about \$44 an ounce is approximately three dollars below the price a week ago. Although free market sales by South Africa last month were moderate, rumors that Pretoria may have sold large quantities appear to have induced speculators to dispose of at least part of their holdings.



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