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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EST, 5 January 1967)

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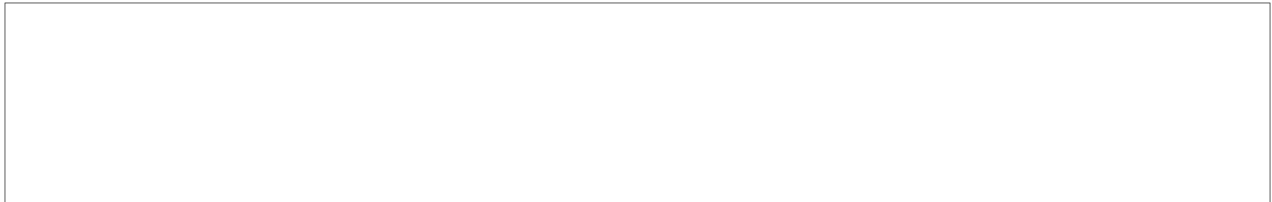
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THE WEEK IN PERSPECTIVE

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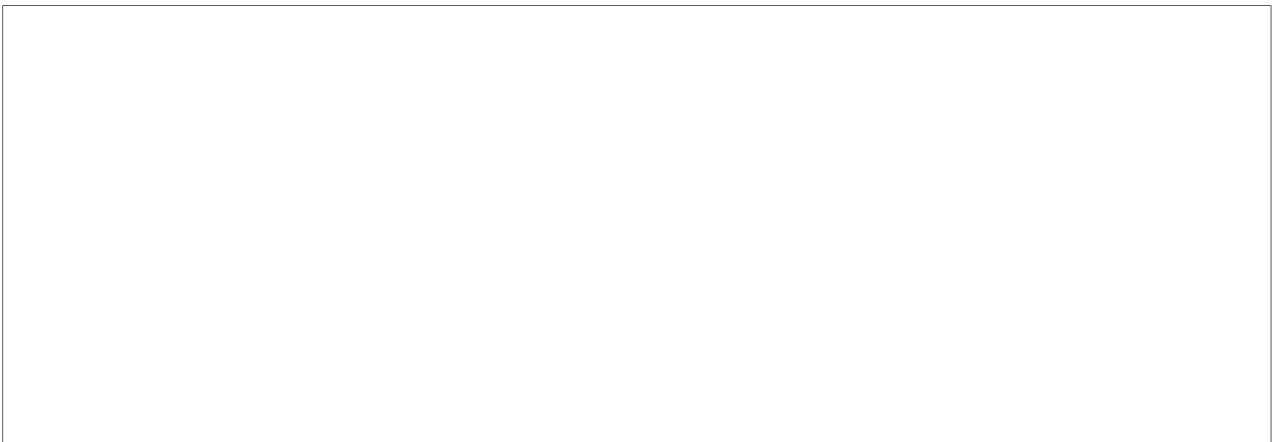


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A strike of sugar-cane workers in Pernambuco threatens
to spread to other sugar areas in the northeast, where
poverty and appalling social conditions are a fertile
breeding ground for discontent.

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FAR EAST

Hanoi is attempting to reinforce pressures on the US for a unilateral initiative--particularly a cessation of air strikes against the North--to move the Vietnam war toward negotiations. Ho Chi Minh and Premier Pham Van Dong stressed to Western journalists that the US must make the first steps and that North Vietnam is determined to persist indefinitely if Washington refuses to make concessions. Their statements were also calculated to emphasize Hanoi's independence of foreign (Chinese) domination and to portray its terms for settlement as moderate and reasonable. Hanoi scornfully rejected the British proposal for talks between North Vietnam and the US and South Vietnam.

Communist forces in South Vietnam attempted to use the New Year truce period to offload supplies in the delta and to infiltrate US Marine positions. In Saigon, the Constituent Assembly has concluded its discussion of "basic principles" for the new constitution and will now move on to drafting detailed provisions.

The "cultural revolution" in China appears to be entering a new phase that will be even more disorderly and disruptive. In what may be final preparations for the public dismissal of Liu Shao-chi and Teng Hsiao-ping, Red Guard posters reportedly asserted that Mao and Lin Piao have personally denounced the two men and demonstrations against them have been held almost daily in the past two weeks.

Although Indonesian President Sukarno continues to profess confidence in his ability to outmaneuver his opponents, he can do no more than fight a holding action. The movement to depose him probably will gather momentum when congress reconvenes in mid-January.

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The Indochina - South China Area

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VIETNAM

The Military Situation In South Vietnam

The 48-hour New Year's truce between opposing forces in South Vietnam was marred by a greater number of incidents and casualties to both the Viet Cong and US forces than in the two-day Christmas respite.

A total of 169 Communist-initiated incidents were reported, 67 more than in the 24-25 December cease-fire period. Most of the incidents were limited actions involving short bursts of small-arms fire directed against US patrols or encampments. There were 53 instances, however, in which exchanges of fire resulted in casualties.

For example, on 31 December a US infantry company in the western highlands of Kontum Province was attacked and engaged for more than five hours by a Viet Cong/North Vietnamese Army Force estimated at battalion size. On the same date a heavily armed Viet Cong force of about 1,000 combat troops attempted to use the cease-fire to infiltrate US Marine defensive positions west-northwest of Hue, in northern coastal Thua Thien Province.

A third major incident occurred on 1 January when two

Communist steel-hulled trawlers unloading cargo on the southeastern coast of South Vietnam's southernmost province, An Xuyen, attacked US Navy coastal surveillance units with heavy machine-gun fire. US forces returned the fire, sinking one trawler and heavily damaging the other.

Friendly casualties sustained during the 31 December - 1 January truce included 23 killed (17 US) and 41 wounded (27 US). Known enemy losses totaled 41 killed and 20 captured.

No significant contact with large enemy troop concentrations has occurred since the resumption of allied search-and-destroy operations on 2 January

Constituent Assembly

South Vietnam's Constituent Assembly continues to make progress on drafting a constitution, although its relations with the government remain unsettled.

On 3 January, the assembly concluded its debate on basic constitutional principles and assigned subcommittees to formulate an initial detailed draft. The assembly agenda

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calls for a plenary debate on the draft to begin on 11 January. Some delegates estimate that these deliberations will be completed by late February.

However, problems will undoubtedly arise even though the outline of the future government and the general principles of the constitution have been agreed upon. Several specific issues which aroused controversy still remains to be resolved. The assembly's rate of progress will generally depend upon the degree and the type of detail it attempts to insert in the constitution.

Meanwhile, 108 of 117 delegates have taken an oath to "defend" the assembly's final version of the constitution, following the government's formal refusal last week to relinquish its partial veto power. However, it remains uncertain whether the assembly would in fact be able to muster the two-thirds majority vote necessary to override any government amendments. In order to avoid this situation--which would mean a loss of prestige for one side or the other--assemblymen hope that the government will deliver any official suggestions it may have while the constitution is still being drafted.

Hanoi on Negotiations

A Hanoi representative commented for the first time on

5 January on recent efforts by US Ambassador Goldberg and U Thant to probe Hanoi's intentions. The DRV representative in Paris, Mai Van Bo, in an interview with Western newsmen characterized Ambassador Goldberg's efforts as an "old song" and rejected any intervention in Vietnam by the UN.

Prior to this statement, Hanoi propaganda media had handled the 19 December US letter to U Thant with considerable restraint. Both Moscow and Peking quickly denounced the US initiative. Hanoi's initial restraint conveyed an image of reasonableness, probably in response to worldwide pressures for a cessation of hostilities during the year-end holidays. Hanoi has frequently been advised by some of its allies to try to identify with such free-world sentiments and to improve its public image by appearing more moderate and reasonable on the subject of a negotiated settlement.

Throughout this same time period, however, North Vietnamese leaders, when addressing foreign audiences, emphasized the necessity for the US to take the first step and usually defined this as an unconditional cessation of the bombings. In a 2 January interview with Der Spiegel, President Ho Chi Minh claimed that peace would return

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immediately once the "US stopped its aggression" and called for both a cessation of the bombings and withdrawal of US troops. All DRV statements remained exceedingly vague about what North Vietnam might do in exchange for such a US concession. The DRV representative in Paris, for example, was quoted by Western press sources on 5 January, as promising only that an American approach for a Vietnam settlement, after a bombing cessation, would "be examined" by his government.

In a series of year-end speeches to domestic audiences DRV leaders underscored Vietnamese determination to continue the fighting until they have achieved their basic and long-standing demands. Both First Party Secretary Le Duan and Defense Minister Vo Nguyen Giap this week warned their people that they could expect harder times in 1967, and Giap characterized the DRV four-point proposal for a settlement of the war as "fundamental aspirations" and "our unshakable position."

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COMMUNIST AID TO NORTH VIETNAM IN 1966

Communist economic and military aid to North Vietnam may have reached a value of \$500 million in 1966. The USSR and China supplied most of the aid. Lesser, in some cases token, amounts were supplied by the East European Communist countries, Mongolia, North Korea, and Cuba.

The bulk of the deliveries consisted of transportation equipment, heavy machinery for building roads and airfields, medical supplies, small arms, artillery, and air-defense weapons. The volume apparently has been limited by Hanoi's ability to absorb supplies and equipment, and in no case has the cost placed any significant burden on the economy of the supplier.

Economic aid reached a new high last year--some \$250 million in value--and is likely to grow again this year as more equipment and machinery become necessary to maintain Hanoi's economy and repair war damage. New aid agreements--many in the form of grants--were signed with all Communist

countries except Yugoslavia in September and October. Although the aid has gone mostly toward meeting needs created directly by the war, the USSR is helping to build a number of electric power plants and to develop coal mines, and Chinese are continuing to assist in construction of the Thai Nguyen steel plant.

Military aid in 1966 probably also reached about \$250 million, matching 1965 outlays. Unless major new weapons systems--such as coastal defense missiles or ships to establish an effective naval force--are introduced, deliveries could slacken in 1967. Hanoi and Haiphong are probably already the most heavily defended cities in the history of air warfare. The USSR can be expected to continue supplying artillery, vehicles, small arms, and radar, as well as replacement aircraft, surface-to-air missiles, and anti-aircraft artillery. China's main contribution will continue to be small arms, vehicles, and some technical assistance.

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SUKARNO ATTEMPTING TO COUNTER PRESSURES FOR HIS REMOVAL

Indonesian President Sukarno, in the face of growing pressure for his removal, has been trying to wrest the initiative away from his opposition.

Sukarno has been emboldened by differences among his opponents and by hesitation by his powerful antagonist, General Suharto, to force a final showdown. He has demanded that the cabinet be reshuffled in his favor and has threatened to dissolve the congress. At various times in the past few weeks he has alternately threatened to resign, refused to resign, threatened to go abroad, refused to go abroad, agreed to explain his past policies, refused to explain his past policies, and demanded increased funds.

Despite a 21 December joint declaration of unity by the chiefs of the armed forces, their subsequent series of meetings with Sukarno proved inconclusive in clarifying Sukarno's future role.

Sukarno has succeeded in adding to the public confusion and the general restlessness among some of General Suharto's more "hawkish" colleagues. Although Sukarno is reported to profess optimism over his prospects for a comeback, in the final analysis he can probably do no more than fight a holding action. The press is being encouraged to denounce him and the movement to oust him by constitutional means will probably receive new impetus when congress reconvenes in mid-January.

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NEW TURMOIL IN CHINA'S "CULTURAL REVOLUTION"

China's leadership crisis appears to be moving into a new phase that will be even more disorderly and disruptive than the previous one. Attacks on senior leaders are being stepped up in tempo and intensity, and a new "cultural revolution" drive has been ordered in factories and villages.

Red Guard posters displayed in Peking on 5 January reportedly assert that Mao Tse-tung and heir-apparent Lin Piao have personally denounced chief of state Liu Shao-chi and party general secretary Teng Hsiao-ping. Rallies and demonstrations have been held almost daily in the past two weeks to denounce the two, apparently in preparation for their public dismissal.

In Mao's reported criticism, he bitterly complained that Liu and Teng had ignored his counsel --treated him like a "deceased parent"--during the past decade. He also charged that they had forced him out of the post of chief of state in 1958. This appears to be a patent fabrication, since the transfer of this honorary post to Liu at that time seemed to be part of a deliberate policy to groom him as Mao's successor. No details of Lin Piao's denunciation are available yet

On 31 December, Red Guard posters for the first time demanded that former Peking mayor Peng Chen and other early victims of the "cultural revolution" be executed. During the past week Red Guard posters and banners have also directed their fire against several officials who seemingly have been in good standing. These include three men who were brought into the party secretariat in July--Tao Chu, Liu Ning-i, and Yeh Chien-ying. Tao ranks fourth in the present hierarchy, Liu directs the All-China Federation of Trade Unions--apparently reorganized about 31 December--and Yeh Chien-ying is a member of the powerful Military Commission of the central committee.

According to a Red Guard newspaper distributed on 5 January, Tao Chu was denounced at a meeting on 4 January by Madame Mao and "cultural revolution" official Chen Po-ta as a "bourgeois reactionary" loyal to Liu and Teng. Tao Chu reportedly was dragged around the streets of Peking by Red Guards on 5 January.

While tensions mount in Peking, orders have gone out to intensify the "cultural revolution" in factories and farms. Party officials opposed to Mao and Lin continue to be the main target of this drive.

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In the last two weeks, workers and peasants have been told to join in more vigorously, and Red Guards, in a shift of policy emphasis, were encouraged to "exchange experiences" with workers. All production units are thus exposed to the kind of politically inspired policies that brought virtual economic collapse during the 1958 "leap forward." The permission is hedged with exhortations to maintain and increase production, but there is no assurance that this will be an effective curb.

With chaos reported in many factories even before "cultural revolution" agitation on their premises was permitted, it is not likely that production will fare well if--as a number of sources have indicated--workers and peasants' organizations led by activists take over management and are urged on by inspec-

tion teams of outsiders with no appreciation of production processes.

The regime itself seems to be losing the economic realism of recent years. Year-end claims --for the first time since the original "leap forward"--consist of outright falsehoods, apparently to promote the belief that China is ready for another leap.

Instead of the usual attempt to mislead by unverifiable and meaningless claims, Peking now states flatly that in 1966, China had the biggest grain crop in history. In fact, however, it was almost certainly less than the mediocre 1965 harvest. The claim was also made that industrial output increased 20 percent in 1966. Many factories have been cited as examples where forces released by the revolution have brought production increases up to 150 percent in a year.

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EUROPE

The Christmas and New Year cease-fire arrangements in Vietnam again focused Western Europe's attention on the war. The failure of some West European leaders to generate further peace moves seems to have reinforced an already pessimistic attitude toward peace prospects.

De Gaulle, during the New Year holiday, issued two statements, his most critical yet of US policy in Vietnam. He has previously called for unilateral US withdrawal, but in tones less sharp. He apparently now feels that his position, and his claim to a part for France in any postwar settlement, will get wider support. Nevertheless, the French press has criticized his castigation of the US as solely responsible for the war. In Britain, US policy in Vietnam is in for another rough time. The press there is making much of stories of bombing in Hanoi, and it will be against this background that Parliament, when it reconvenes next week, will further attack Foreign Minister Brown despite his latest appeal for talks between North and South Vietnam and the US.

The Soviets last week used their army journal to put on the public record an expression of their concern over the military implications of their quarrel with China. Moscow drove home the point that--because of what Mao has done to the Chinese army--Russians have no alternative but to regard Chinese forces as potential enemies rather than allies.

Yugoslavia marked the New Year with an amnesty which included most notably Milovan Djilas, Tito's one-time comrade in arms and heir apparent, whose bold criticism of Communism's failings have twice landed him in jail. His release highlights a trend toward liberalization apparent in other ways as well in Yugoslavia, but the regime will have to watch him closely for it is not clear that he has yet been persuaded to refrain from criticizing regime policies.

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MOSCOW DISPLAYS CONCERN OVER TRENDS IN CHINESE ARMY

The USSR is showing growing concern, both publicly and covertly, over the military implications of its dispute with China.

An editorial in Red Star on 29 December warned that Mao Tse-tung and Lin Piao are turning the Chinese Army into a "blind weapon" in their political offensive against the USSR. The editorial charged that Peking is inculcating the Chinese military with chauvinism and animosity toward the Russians in order to further aims

"hostile to the interests of international socialism." Red Star said that Peking refused to acknowledge the need to unite the military strength of Communist states against "imperialism" even in the event of a new world war.

A summary of the article was broadcast internationally, indicating that it is meant as another propaganda thrust in Moscow's campaign against "Mao and his clique." However, the editorial

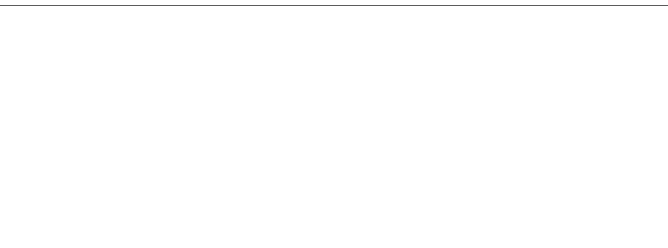
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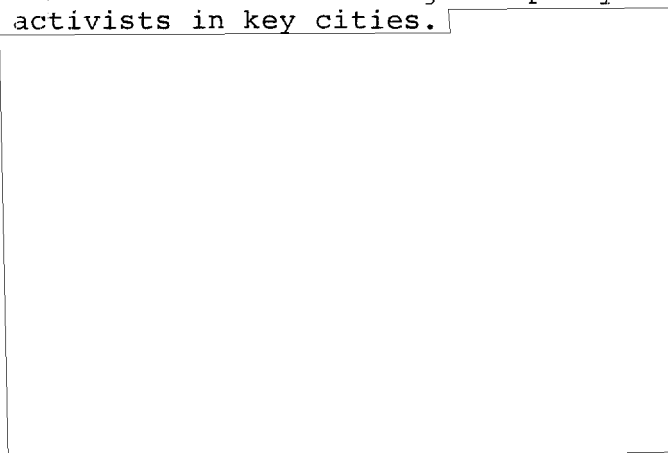
also displays genuine Russian worry over the upheaval in China.

This concern has been manifested in the military sphere in precautionary moves by the USSR near China and Mongolia in recent years. Moscow probably sees no acute military threat at present, but is apparently determined to respond vigorously to any Chinese provocation.



Incidents along the border continue, and the USSR has in recent months publicized isolated cases in which alleged border violators have been captured along the eastern frontier. Moreover, frontier problems were apparently discussed at some length during the Soviet party plenum last month. And members of the Soviet politburo are now laying the issue before meetings of party activists in key cities.

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FINNISH-SOVIET FRICTIONS RECUR

Finnish Prime Minister Paasio faces an uncertain political future as a result of frictions which have developed with Moscow.

The Russians are also dissatisfied with the line which the SDP--the dominant party in Finland's four-party coalition government--took on international issues at its November congress. This dissatisfaction was reflected in a recent Pravda article attacking the SDP for failing to condemn West German "revanchism," for its alleged disinclination to disassociate itself from the pro-Western stance of the Socialist International, and for its refusal to align itself with the Finnish "peace" movement.

Social Democratic leaders [redacted] went as far as they could to conciliate the Soviet Union in the foreign policy resolution adopted by the congress. There are indications that even if the leadership had been inclined to be more accommodating to Moscow, ordinary delegates would have opposed further concessions. The mood of the majority of the delegates was apparent in the sharp defeats of resolutions and candidates for office

supported by the left wing of the party.

Notwithstanding the results of the congress, the Social Democrats made another conciliatory gesture toward Moscow in a pre-Christmas statement by their parliamentary group stressing the importance to Finland of developing "especially active, friendly relations" with the Soviet Union. The pronouncement also declared that it was imperative to work for peace and security in Europe, and particularly for a "normalization of the German situation."

The Soviets probably hope to secure further concessions by maintaining pressure on Paasio and the SDP leadership, who fear that another effort may be under way by Moscow to blackball the party. Only last May the SDP emerged from eight years of political isolation imposed by President Kekkonen and Moscow, and then only after winning a decisive election victory and "purging" its leadership of outspoken anti-Soviet officials.

Kekkonen's position in this latest dispute between the Social Democrats and Moscow is unclear. However, if Paasio is unable to establish a satisfactory working relationship with the Soviet leaders, Kekkonen is likely to replace him with an individual more acceptable to the Soviet Union. [redacted]

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SOVIET COMMERCIAL AIRCRAFT SALES IN THE FREE WORLD LAGGING

Soviet commercial aircraft salesmen continue to find a receptive market in less-developed countries attracted by discount prices and long-term credits but have had little success elsewhere in the free world.

The USSR is trying to recover its once-dominant place in Guinea's civil air operations. It managed to sell three AN-24 (Coke) aircraft to Air Guinea this fall and in the process succeeded in blocking Pan American's efforts to keep a role in Guinea's civil air business. Some 40 Guinean pilots and technicians are now in Moscow completing a five-month training course on the AN-24. The Somali Republic--a new customer--has just taken delivery of 2 AN-24s.

Soviet aircraft promoters, however, have made no headway in Latin America. Recent negotiations for the sale of AN-24s to a Brazilian airline apparently ran into trouble over arrangements for technical servicing, a factor which will continue to hinder Soviet efforts to develop new markets. A three-week visit to Rio de Janeiro last month by Soviet aircraft production and export officials did not result in any sales contracts, but Brazilian aviation representatives have been invited to pay a return

visit to Moscow. The Soviet salesmen, one of whom went on to Chile from Brazil, may intend to make a promotion swing throughout Latin America.

The Soviet sales campaign elsewhere in the West has been similarly unrewarding. After conducting extensive demonstration flights of the IL-18 (Coot) in Sweden, Moscow met with a rebuff when the prospective customer, a charter company, decided to purchase American Boeing 727 jets instead. The Soviet aircraft export agency, Aviaexport, having failed to dent the Western market through its own efforts, now has contracted with a British air sales organization, Tradeplanes, for an export demonstration base at London's Gatwick airport. The British firm will promote sales of the AN-24 and Soviet helicopters.

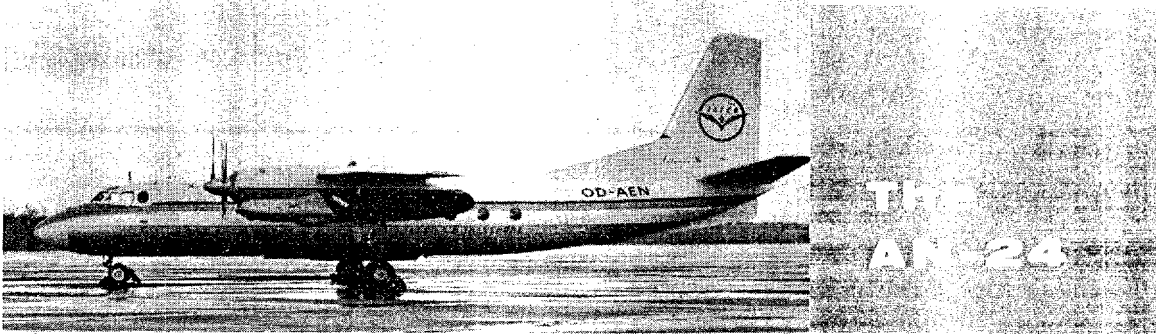
Cooperative arrangements may also be developing between the French and Soviet aircraft industries. This subject was discussed when the Soviet minister of the aviation industry visited Paris in November. At that time the USSR expressed an interest in acquiring French turboprop engines for use in its helicopters, in exchange for Soviet high-powered jet engines for use on short hauls.

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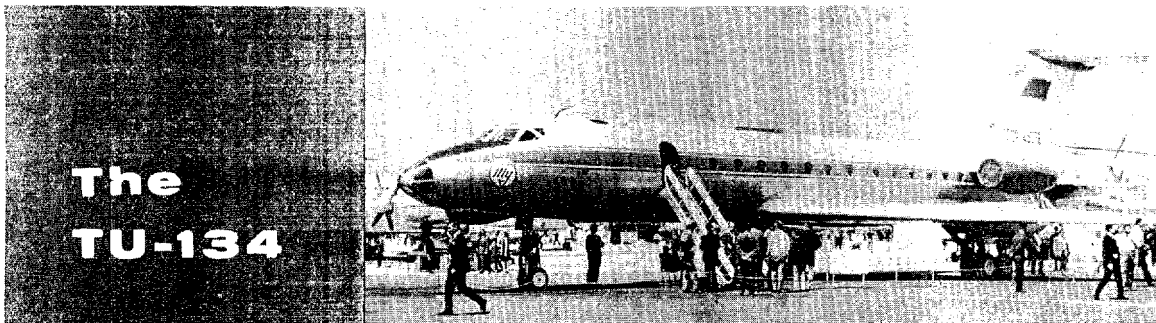
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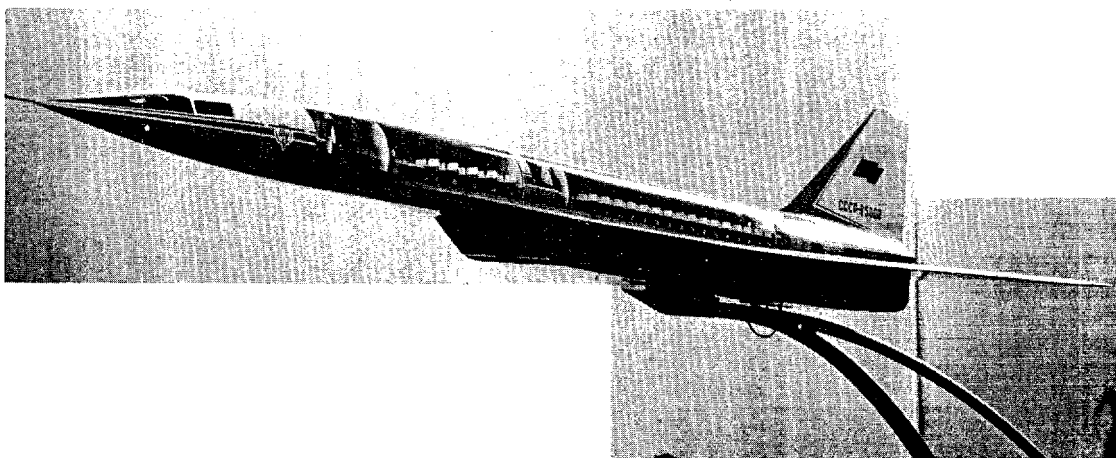
Soviet Transport Aircraft



The short-range turboprop AN-24, the USSR's best-selling transport, maintains its popularity with customers.



The turbofan TU-134, scheduled for export this year, may draw prospective buyers.



Model of the supersonic transport which Moscow hopes to fly by 1968.

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TITO FREES ARCHCRITIC DJILAS

Tito's decision to release his long-imprisoned archcritic, Milovan Djilas, on 31 December will probably add to the political turmoil that has continued to mount in Yugoslavia since the dismissal of the heir-apparent, Aleksandar Rankovic, last summer. Yugoslavia's liberals may take some encouragement but conservatives may oppose Tito's policies more and more openly.

Djilas broke his parole in the early 1960s--he was jailed in 1956 and released four years later--because he believed his political future would ultimately be served by the martyrdom of prison. There are few indications of what Djilas' present intentions are, but his chances of regaining political prominence in the near future are slight.

The liberals will view Djilas' release with mixed emotions. Since his past ups and downs have been taken as a gauge of the regime's permissiveness, many now will be encouraged to intensify their calls for greater freedom of debate and to press for a more meaningful electoral and parliamentary system. Other liberals, however, probably fear

that Djilas will jeopardize the progress already made by pushing his more radical ideas.

Djilas is anathema to the conservatives because in 1956 he criticized Yugoslavia's authoritarian system and its privileged party bureaucracy, and in 1962 implicitly challenged the regime by publishing his anti-Communist tract, Conversations With Stalin. Rankovic's conservative backers will probably regard Djilas' release as evidence of the regime's commitment to complete diffusion of party control, thus making more remote their chances of regaining significant influence in the regime.

Although apparently still leaderless and disorganized, the conservatives will probably become more openly opposed to Tito's political and economic reforms. Some of the ultra-conservatives may also attempt to show their displeasure through activities embarrassing to the regime, such as occurred on 20 and 23 December, when anti-American demonstrations on the Vietnam issue apparently led by pro-Rankovic elements got out of hand.

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MIDDLE EAST - AFRICA

Some of the continuing problems in the area have taken on a new and, in some cases, dangerous twist.

In Africa, the Congo's Mobutu has proceeded willy nilly to take over Union Miniere's assets regardless of the potentially disastrous economic implications for his country. Immediate tensions may have eased in Nigeria now that the long-sought meeting between Supreme Commander Gowon and Eastern Region military governor Ojukwu has finally taken place--in Ghana--but no reconciliation of divergent substantive issues is yet in sight. The Smith regime in Rhodesia remains adamant despite the threat of economic sanctions, and the Zambian economy still stands to suffer the most from this dispute.

Jordan remains the principal trouble spot in the Middle East as terrorist attacks protesting King Husayn's vacillation toward Israel continue. Husayn, however, has succeeded temporarily in putting off the stationing of Iraqi and Saudi troops in west Jordan until after the Arab Defense Council meets again in mid-February to consider his government's proposal to strengthen Arab forces on all fronts with Israel. The military lull in Yemen was broken by recent Egyptian bombing, and it is questionable how long Saudi King Faysal can restrain the royalists from a renewed offensive.

India now has enough food on hand--or in the pipeline--to see it through the general elections scheduled for 15 February, but the Congress Party still has strains in the leadership and faces more trouble from Hindu protestations over the slaughter of cows. In Pakistan, the return to political life after seven years of exile of many capable civilian politicians will provide an interesting weather-vane on the fortunes of Ayub's military government. The future of parliamentary democracy in Afghanistan is in doubt because of the King's growing dissatisfaction with Prime Minister Maiwandwal's conduct of government.

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JORDAN STILL TROUBLED BY SECURITY PROBLEMS

King Husayn's regime had to contend last weekend with an outbreak of terrorist bombings in Palestinian west Jordan and may face a renewal of demonstrations against the regime there next week.

On 1 January there were two explosions in Jerusalem, one near an office of the government's broadcasting service and the other inside the headquarters' compound of the security police. Another bomb exploded the next day at the governor's office.

These bombings, like the six in Amman in late December, caused little damage and no casualties, but it is evident that the government has not been totally effective in stopping the infiltration of terrorists and munitions from Syria. The Palestine Liberation Organization, broadcasting from Cairo, has claimed credit for the Jerusalem bombings, alleging that they were the work of one of its "army" brigades.

Many observers in west Jordan believe that new demonstrations may occur there after the Muslim holy month of Ramadan ends on 11 January. The mass turnouts expected at Friday morning prayers on 13 January probably will create a particularly tense situation. The government is also anxious about the reopening of schools after Ramadan vacation

Jordan's maneuvers in reaction to radical Arab pressure favoring

the deployment of Iraqi and Saudi troops in west Jordan may herald the end of recent pro forma cooperation on joint Arab defense plans against Israel. The government apparently intends to stand firm against permitting foreign Arab troops on its territory, despite formal claims that it is ready to accept them. The conditions it has attached to their entry are to be discussed at another meeting of the Arab Defense Council in mid-February, but it is doubtful whether Jordan will attend.

Amman has also called for another summit meeting of Arab chiefs of state, stressing that it is unrealistic to assume any effective Arab military alliance can be forged until political antagonisms within the Arab world are resolved. Jordan's request stated Amman was opposed to meetings other than at the summit since lower level meetings would not have the authority to reach meaningful decisions.

This continuing inter-Arab dispute has been accompanied by brief clashes along the Israeli-Syrian border during the past week. These incidents thus far have not resulted in any Israeli fatalities, often the signal for an Israeli reprisal. The earlier discovery by the Israelis of land mines near the Syrian frontier and a 3 January bomb explosion close to the Lebanese border which presumably was caused by Syrian-supported terrorists suggest that further trouble can be expected.

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MOBUTU SEIZES BELGIAN MINING COMPANY'S CONGOLESE ASSETS

President Mobutu's confiscation of Union Miniere's Congolese assets on 1 January could be disastrous for the Congo's finances and eventually for Mobutu's own political position as well. He apparently is still hunting for a way out of the impasse, but there is no sign that Union Miniere is particularly interested in compromise.

Mobutu's government has set up a new company to run Union Miniere's activities in the Congo. Unlike the provisional administrative council which he established on 23 December, all of the new company's directors are Congolese, and the Congolese Government will hold 60 percent of its stock. On 15 January, unless Union Miniere pays the \$150 million or more that Mobutu says it owes the Congo, the extensive Congolese interests of the related Societe Generale holding company allegedly are to be seized as well.

Contrary to what the Congolese apparently expected, Union Miniere has shown no inclination to yield on important points. The company--as well as Societe Generale--seems to have decided that now is a good time to get out of the Congo. Both concerns have extensive interests outside

the country and are in sound shape financially even without their Congolese holdings.

Kinshasa's financial situation, on the other hand, is becoming critical. Union Miniere is the source of about 70 percent of the Congo's foreign exchange, and the flow from this source has been cut off since 20 December. The Congo will not be assured of its foreign exchange unless it can work out firm marketing arrangements for its copper. Union Miniere, the most readily available agent, has said it will not do any marketing under present circumstances. The company has also threatened to take legal action to attach any copper the new Congolese company does export. Even if there is no litigation, it will take precious time to start foreign exchange flowing in again.

Meanwhile, activity in the Katanga mining region has already been disrupted. The company's accounts in Katanga are blocked, and no one is being paid. The board of the new Congolese company has yet to provide any firm direction, and communications with Brussels are almost nonexistent. Perhaps most important, the 2,100 Europeans essential to continued mineral

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production are growing increasingly nervous. Company officials, who are still running the mines, are trying to keep departures to a minimum--in part because a rapid outflow might stimulate Mobutu to use force to restrain any remaining Europeans. A substantial and perhaps disruptive reduction in the European work force seems inevitable, however, unless Mobutu can provide the whites with credible guarantees of personal safety and salary.

Mobutu's position does not appear to be jeopardized for the time being by his moves. Over the long run, however, the economic disruption caused by the dispute is likely to have social and political repercussions which Mobutu will have trouble controlling.

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WESTERN HEMISPHERE

Four Latin American governments have recently undergone ministerial changes or made moves in that direction. This has strengthened the stability of two of them but sharpened political tensions in the other two.

Argentine President Ongania's replacement of two of his regime's four senior cabinet officials last week may have been timed to preclude a demand by the military for such changes. The cabinet shuffle may temporarily lessen military and public criticism.

In Bolivia, quarreling over patronage among the parties in the tenuous government coalition led the labor and agriculture ministers to resign on 28 December, which in turn sparked pro forma resignation offers from the rest of the cabinet. President Barrientos, who may have staged the "crisis" himself, emerged with his authority enhanced, his cabinet intact, and his political base probably strengthened.

A petulant opposition-controlled congress in Peru censured President Belaunde's education minister for no good reason last week, thereby automatically forcing the minister's resignation. Such tactics have eliminated nine cabinet ministers during Belaunde's term, and the military is reported highly irritated.

Meanwhile the latest spat between Guyana's Prime Minister Burnham and his coalition partner, Finance Minister D'Aguiar, continues as the two men consider further cabinet changes beyond those recently decreed by Burnham. The main sticking point is whether Burnham or D'Aguiar is to control the economic development portfolio. This issue--plus a host of others--could wreck the coalition with little or no warning.

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FIDEL CASTRO'S EIGHTH ANNIVERSARY ADDRESS

Fidel Castro's speech on 2 January commemorating the eighth anniversary of the Cuban revolution was a routine, comparatively low-key address that gave no indications of changes in policy.

Much of the speech was devoted to a somewhat inflated version of his regime's achievements in public health, education, industry, and agriculture. He promised continued rapid economic development in spite of such drawbacks as a serious lack of experienced technicians and trained personnel.

Obviously irritated by US efforts to block Cuban trade with countries of the free world, Castro lashed out at the "economic blockade," describing it as "a policy that consists of trying to spread hunger among the masses." Cuba currently has several important trade deals pending in Western Europe and Castro predicted, probably quite accurately, that the countries involved would turn a deaf ear to US requests that they refuse Cuba long-term credit.

Although he admitted that the government is gradually buying out those peasants who still have small landholdings, a measure that has provoked grumbling, Castro maintained that "never in the history of our land have we had greater unity." Alluding to

the "close contact" between the masses and the leaders, Castro suggested that he would be less and less in the limelight and that other high-ranking regime officials--Raul Castro, President Dorticos, Armando Hart, Ramiro Valdez, Juan Almeida, and other central committee members--should assume a greater share in the direction of the party. There is no reason to believe, however, that Castro seriously intends to reduce his own role in running the country. It is more likely that he was offering a verbal hedge against possible accusations that he is perpetuating the "cult of the personality" in Cuba.

A heavy rain that caused the cancellation of a scheduled fly-past by Cuban jet fighters probably was also responsible for the brief amount of time that Castro devoted to revolutionary movements abroad and the situation in Vietnam, two of his favorite subjects. Toward the end of the address, which lasted two hours and 45 minutes, he reiterated Cuban solidarity with rebel groups fighting in Venezuela, Colombia, and Guatemala and dramatically sent greetings to "'Che' Guevara and his comrades, wherever in the world they may be." He concluded by continuing his practice of attaching a slogan to the new year naming 1967 the "year of heroic Vietnam."

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DEMONSTRATIONS PLANNED IN PANAMA

Panamanian student, labor and civic groups plan a "march of sovereignty" in Panama City on 9 January to commemorate the third anniversary of the anti-US riots in 1964 and to denounce the alleged lack of progress in the canal negotiations.

Ultrationalists and leaders of Panama's badly splintered Communist movement have called for "massive" demonstrations over the four-day period. Previous anniversaries have been relatively quiet, but emotional demonstrations may attract more popular participation this year because of increased interest in the canal negotiations and the government's handling of the 1 December Rio Hato incident.

This incident, which involved the alleged detention of a Panamanian commercial aircraft at a US-leased training area, touched off charges in the press and on the floor of the National Assembly that Panama's sovereignty had been violated. The furor over the incident was quickly magnified into criticism of the US role in the treaty talks. The Robles government belatedly tried

to restrict the anti-US campaign and set the record straight but its efforts were too late to erase the initial image of a US affront to Panamanian sovereignty.

Extremist-led student groups staged "sovereignty" marches into the Canal Zone and the Rio Hato base in mid-December. To discourage such incursions into the zone during the forthcoming anniversary, government-influenced information media in Panama City recently have stressed the "desirable pace" of the canal talks and urged the public to avoid "excesses" that might retard them.

President Robles, in an effort to undercut extremist plans, issued an executive decree on 4 January calling for official memorial observances next Monday to honor the "martyrs" killed in the 1964 riots.

Although there is always a danger of an unexpected outbreak of violence, it is probable that the anniversary will pass with no incidents beyond the capacity of the national guard to contain.

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ARGENTINE PRESIDENT REORGANIZES CABINET

Argentine President Ongania has reorganized his cabinet, ousting two members who had been strongly and consistently criticized by the nation's military leaders.

Ongania took this step on his own initiative, hoping to avoid any impression that he was acting under military pressure. He subsequently reaffirmed, in a year-end speech, his determination to keep the army out of politics.

Ongania asked for the resignation of all four cabinet ministers and their subordinate secretaries following several weeks of controversy within the government over labor policy and growing dissatisfaction with the indecisiveness of Economics Minister Jorge Salimei and the pro-Franco statements of Interior Minister Martinez Paz. These are the two who were dropped. Foreign Minister Costa Mendez and Social Welfare Minister Petracca have been reappointed and Transport Secretary Antonio Lanusse, who led a strong faction opposed to conciliation with labor, was appointed to the previously vacant post of minister of defense.

The reorganization should help dispel ideas that Ongania

was beginning to favor a fascist-style government and should also give the regime a more dynamic image.

Ongania's new choices for the economics and interior posts in the cabinet are well qualified. The new economics minister, Adalbert Krieger Vasena, is a highly respected economist and a former minister of finance. The new interior minister, Guillermo Borda, served as a federal judge during the Peron era and had been appointed to the Supreme Court by Ongania soon after the coup last June which brought him to power. However, Ongania's selection of Lanusse as defense minister may help perpetuate disagreement within the government on some issues.

The new cabinet will probably act rapidly to resolve the labor policy question and also to firm up the 1967 budget, which should have been ready for announcement before the end of 1966. It appears that the generals are not opposed to the new appointments but are still impatient for the government to implement some of the policies promised by Ongania in his public speeches.

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TENSIONS RISE AMONG RURAL LABORERS IN BRAZIL'S NORTHEAST

Sugar-cane workers in Cabo in Brazil's northeastern state of Pernambuco have been on strike since mid-December trying to force employers to pay the legal minimum wage and back wages. The strike may well spread to other sugar producing parts of this region, where widespread poverty and appalling social conditions provide a fertile breeding ground for discontent.

This strike is one of the first among rural workers since the change of government in 1964 neutralized Francisco Juliao, his peasant leagues, and other left-leaning groups trying to exploit the misery of northeastern workers. Conditions have deteriorated for the sugar-cane cutters under the Castello Branco regime. Landowners have moved to reassert their complete control, at times by the traditional method of hiring gunmen to intimidate recalcitrant workers. Attempts to demand fair wages have been stifled, and union leaders have been advised that military and police authorities would regard strikes as "subversive agitation."

The Cabo union is supported by--although not affiliated with--

the large Pernambuco Federation of Rural Workers, whose leaders claim that nearly 99 percent of the state's rural workers do not receive the minimum wage. Father Paulo Crespo, an aggressive and influential priest - labor organizer, has attacked the government for failing to alleviate the rural labor crisis. He has denounced employers, saying that conditions now are worse than in the time of slavery. He warned that the government and employers are running the risk of creating desperate, starving multitudes--hunger is an increasing problem--and predicted that strife would result.

A few employers apparently are hiring scab labor to try to break the strike, and the government has promised to use the police to prevent this practice. Some owners, on the other hand, may secretly be attempting to spread the strike in order to convince the government that they need higher sugar prices before they can pay minimum wages or meet expenses. Some undoubtedly hope that the government will be forced to raise prices in order to prevent labor unrest from spreading throughout the northeast.

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