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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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54

State Dept. review
completed

DIA review
completed.

20 January 1967
No. 0273/67

Page Denied

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C O N T E N T S

(Information as of noon EST, 19 January 1967)

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<p>Discussions under way in South Vietnam between Constituent Assembly leaders and members of the ruling Directorate are aimed at avoiding a confrontation over controversial constitutional issues. Communist military forces displayed increased aggressiveness this week, although they continued to avoid major contact with such large allied search-and-destroy operations as CEDAR FALLS northwest of Saigon. North Vietnam, meanwhile, has replaced the MIG-21s lost in recent combat. Hanoi's leaders are preparing the North Vietnamese people for increased difficulties in the coming year.</p>	
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[Redacted]

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FAR EAST

Despite propaganda claims from Peking that Mao Tse-tung's opponents are on the verge of collapse, there are growing indications that the struggle is becoming more intense and that Mao's drive to destroy the opposition has run into serious difficulty. Authoritative journals under Maoist control now acknowledge that the struggle against entrenched enemies is "acute, complicated, and tortuous." Assertions that the army is "infinitely loyal" to Mao are contradicted by an admission in the leading army journal that an acute struggle is being waged against "bourgeois reactionaries" within the army. Deep divisions among military leaders were also reflected in Red Guard attacks on prestigious commanders and in charges that key military and party leaders plotted a coup against Mao and Lin Piao last February.

Regional opposition to Mao apparently is growing and clashes between pro-Mao "rebels" and local party forces continue to be reported from Tibet to Shanghai. Peking has responded to this growing resistance by ordering the "rebels" to intensify their efforts to seize enemy strongholds. The prospect is for even greater violence and chaos.

There is no evidence thus far that the upheaval in China has affected rail shipments to North Vietnam. Communist forces in South Vietnam continue to avoid large-scale engagements with the major allied force sweeping the Iron Triangle north of Saigon. The Constituent Assembly in Saigon has opened debate on the draft constitution as assembly and Directorate representatives seek to resolve points of contention.

The Chinese Communists have renewed pressure on Macao authorities because of Lisbon's equivocation in negotiations over a Portuguese statement accepting responsibility for the December riots. Macao authorities have taken the precaution of evacuating some Portuguese dependents.

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The Indochina - South China Area

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VIETNAM

Members of South Vietnam's ruling Directorate and Constituent Assembly leaders are currently seeking to resolve differences over the draft constitution.

An assembly debate on the initial draft constitution scheduled to begin on 16 January was postponed for two days to allow further informal talks. The Directorate's major objections to the current draft involve the relatively large degree of power vested in the legislature, the popular election of province chiefs, and the authorization for the Constituent Assembly to act as an interim legislature pending formation of a permanent government.

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[REDACTED]

Constituent Assembly leaders were amenable to most of the Directorate's suggested changes. There were also some indications of a possible compromise which would allow the assembly a supervisory role in the initial electoral process, but not a complete legislative function. Meetings between assembly and Directorate members are scheduled to continue while the assembly debates the draft constitution.

The trend toward closer relations between assembly and government leaders began to emerge last week. At a press conference

on 10 January assembly leaders argued that there were no differences between them and the military government. It appears that the earlier efforts by both Chief of State Thieu and Premier Ky to cultivate various groups of delegates were fruitful and probably figured significantly in the assembly's conciliatory attitude.

Such efforts by the military leaders have probably been prompted by their apparent desire to avoid a confrontation with the assembly. This attitude may also reflect the potential presidential ambitions of both Ky and Thieu, and their belief they may need some civilian support.

No insoluble constitutional issue seems to remain, providing that the Directorate concedes some sort of transitional role to the assembly after the constitution is accepted. Even if all the differences cannot be ironed out and the government finally deems it necessary to veto constitutional provisions after they have been approved by the assembly, the limited cooperation demonstrated between the two groups should help to lessen civilian reaction to a veto.

Military Action Picks Up

Communist forces this week continued to display increased

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aggressiveness against South Vietnamese and allied defensive positions in the northern coastal provinces and in the Mekong Delta. The majority of these actions were conducted by enemy units of company size or smaller, and often at a high casualty cost to the attacking force. Viet Cong/North Vietnamese Army (NVA) main force units generally continued to avoid major contact with wide-ranging allied search-and-destroy operations.

In one of the enemy's most successful actions of the week, on 15 January a Communist force estimated at company strength launched a mortar and ground penetration assault against a South Vietnamese Army (ARVN) district headquarters near Quang Tri city, the capital of South Vietnam's northernmost province. Government defenders sustained 127 casualties and lost 88 weapons, in contrast to known enemy losses of 47 killed.

On the same day, elements of the ARVN 21st Division were heavily engaged by the Viet Cong during the conduct of search-and-destroy Operation DAN CHI 275 in Chuong Thien Province, south of Saigon. Twenty-two government troops were killed and 44 wounded, compared with enemy losses of 96 killed. The Viet Cong massacred 41 of 48 South Vietnamese military and civilian personnel incarcerated in a POW camp before it was overrun by the 21st Division sweep force.

Two days later Viet Cong forces overran a town 140 miles southwest of Saigon, in the same general area as DAN CHI 275, inflicting 80 casualties on the garrison's paramilitary defenders.

The Viet Cong sustained sharp reverses, however, in a series of abortive attacks against US Marine positions in Quang Nam Province and against ARVN infantry and ranger elements in the delta provinces of Vinh Binh and Kien Hoa. On 13 and 14 January, US Marines killed 120 members of a company-sized or larger enemy force which was massing for attacks near Da Nang. In the delta, three ARVN battalions reacting to a 15 January Viet Cong attack on an ARVN outpost in Vinh Binh Province inflicted losses of 63 killed on the attacking force. In adjacent Kien Hoa Province, the Viet Cong lost 57 killed during a 17 January attack against an ARVN ranger battalion.

Operation CEDAR FALLS

Allied forces continue to press the largest offensive of the Vietnam war--Operation CEDAR FALLS--against a major Communist base area north of Saigon in Binh Duong Province. The operation is aimed at the systematic destruction of a 60-square-mile Viet Cong jungle preserve known as the Iron Triangle, through a combination of ground and air action, and evacuation of the population.

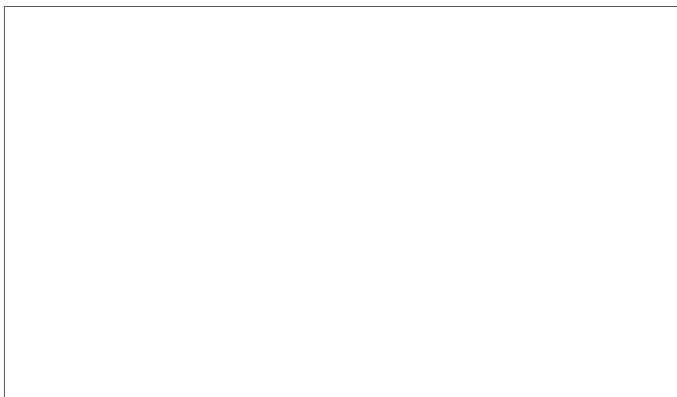
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Battalion-sized or larger enemy main force units known to be operating in the area have offered little resistance to the 20 US Army and five ARVN battalions thus far committed, although small-unit enemy contacts have been numerous.

As of 19 January, the 12-day allied drive had resulted in Viet Cong losses of 524 killed and 85 captured. Some 460 weapons, more than 45,000 rounds of ammunition and nearly 3,000 tons of rice, had been captured or destroyed. A large number of enemy documents were also recovered.

US casualties to date stand at 53 killed and 282 wounded.



North Vietnam Outlook in 1967

North Vietnamese internal propaganda continues to emphasize the possibility of increased difficulties for the regime and its people during 1967. A recent article in the party theoretical journal admitted that US air strikes had created "certain difficulties" in both production and transportation. A series of year-end statements by top leaders hit hard on the theme that the North Vietnamese people will be called upon for greater sacrifices to support the war in 1967.

This campaign appears to be precautionary rather than remedial. There is no indication that it reflects any sudden or drastic deterioration of morale or economic conditions in the DRV.



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TROUBLE DEEPENS IN COMMUNIST CHINA

The trouble in Communist China continues to deepen. Information received during the past week suggests that regional opposition is growing, and that disorder is spreading in the provinces. Widespread resistance to Mao may have encouraged his opponents in Peking to launch a counterattack against his chief lieutenants. [redacted]

[redacted] a wall poster signed by Red Guards from four high schools appeared on 18 January praising Liu Shao-chi and criticizing Madame Mao and purge official Chen Po-ta as "opportunists."

Conflict between pro-Mao forces and the local authorities apparently continues in Shanghai, which has been in the throes of a political struggle for weeks. Pro-Mao forces had appeared to gain the upper hand in early January but on 15 January Shanghai radio announced the abolition of a "rebel liaison station," set up with much fanfare three days earlier, because it had been discovered to be "completely" controlled by local party forces opposed to Mao. This body, which supposedly represented 32 "rebel" organizations, was said to have been supplanted by a new group-- a "rebel liaison department" serving only 15 organizations.

[redacted]
local party leaders--including

Mayor Tsao Ti-chiu, the ranking party official in the city--paraded through the streets on 14 January indicates that local forces had received a heavy blow. They are apparently still resisting, however. On 19 January, Peking Radio said that "rebels" in Shanghai were still working hard to "expose the behind-the-scenes plotters and commanders." On the same day Shanghai radio stations initiated a "blackout" on reporting of local news, and carried only programs originated by Peking.

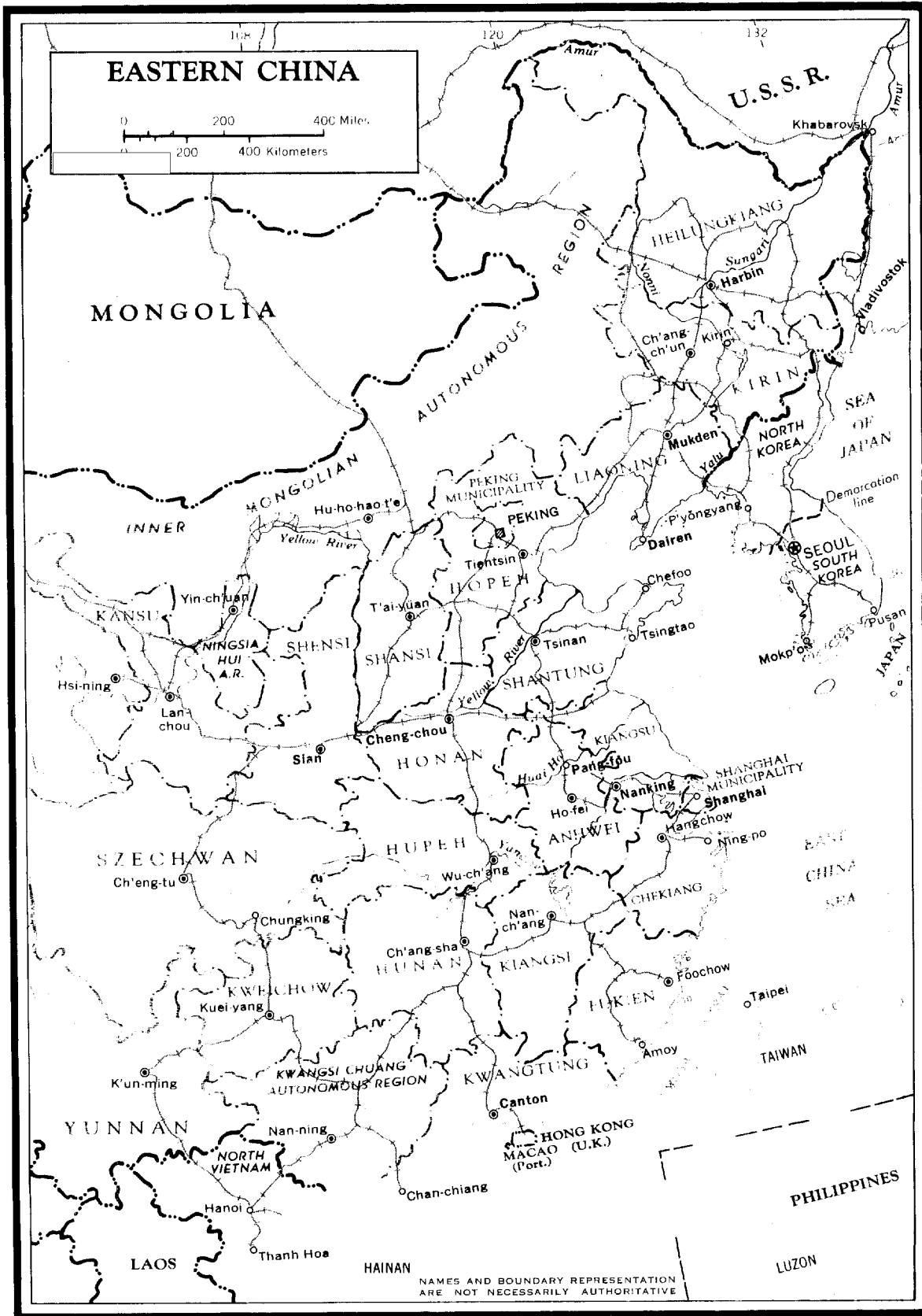
This phenomenon has now been noted in about half of China's regional broadcast stations and is taken to be a sign of local resistance.

Local news has not been broadcast in Nanking, apparently a stronghold of anti-Mao forces, since about 7 January. The blackout spread to other cities after Peking made a strong appeal--rebroadcast repeatedly by nearly all regional stations on 12 and 13 January--to rally behind Mao against his enemies.

The rail line between Nanking and the capital, which was cut late last month, apparently remains out. A Peking broadcast on 15 January admitted that a serious breakdown had occurred at Pang-fou, between Nanking and Peking, because railroad workers had walked off the job.

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The situation is also unclear in Canton. On 16 January the local radio station broadcast an "urgent notice" attributed to 28 "rebel" organizations making routine professions of loyalty to Mao and denouncing unnamed bourgeois reactionaries in the local party apparatus. The message lacked the vitriolic tone of similar pronouncements issued by groups in cities where genuinely pro-Mao "rebels" appear to have taken over propaganda media and may have been issued by local leaders seeking to give themselves a Maoist coloration.

The Canton notice denied "curious rumors" that leading figures of the Cultural Revolution Group in Peking were coming to Canton. [redacted]

25X1 [redacted] the city was plastered with posters stating that Madame Mao was coming to preside over a rally to denounce Tao Chu. These rumors may reflect plans to attack Tao in his own political stronghold where he ruled for many years as party boss of the Central South Region.

It is possible that Tao, who ranked fourth in the new hierarchy until around the turn of the year when he was denounced by Madame Mao and other leaders, has fled to Canton and is organizing a redoubt. A Red Guard leaflet in Canton on 14 January complained that the "rebel" forces who had attempted to take over the South China Daily on 10 January were actually controlled by Tao Chu.

Tao has not appeared in public since 29 December, and, according to one unconfirmed poster report, he flew south to Nanking on 1 January following a showdown several days earlier with Lin Piao, who wanted to arrest regional chiefs from the Northeast, Northwest, and Southwest Regional Bureaus who had come to Peking in mid-December for parleys under a safe-conduct issued by Tao. [redacted]

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New trouble is reported elsewhere in China. An "open letter" from a "rebel" organization in the army, broadcast by the Sian radio in western China on 18 January, claims success in the battle against local party enemies but admits that resistance is still stubborn and calls for stronger efforts to strike them down. Curiously, the chief villain mentioned by name is not a party official but the "political commissar of a certain unit." [redacted]

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These developments took place against a backdrop of new attacks on military leaders which strengthen the supposition that the armed forces are divided and perhaps in part disaffected. Two members just named to the Cultural Revolution Group for the

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armed forces--reorganized on 11 January--were denounced in apparently authentic posters put up in Peking on 17 and 18 January.

They are Hu Chih and Tang Ping-chu, editors of the Liberation Army Journal, who have occupied top propaganda posts in the regime since last summer.

New charges brought against Ho Lung--the most senior military leader to be attacked thus far--assert that he was a leader in a group of important political and military figures alleged to have plotted a coup in February 1966. The posters claim that "many" military leaders from the army general staff, air force, navy, and the Peking and Cheng-tu Military Districts were involved. Other former leaders implicated by the charges are Peng Chen, Lo Jui-ching, Lu Ting-i, and Yang Shang-kun, one-time aide to Mao now revealed to be Ho Lung's nephew. A newspaper distributed in Peking on 19 January accused Yang of being an "important spy" for the USSR.

Even Mao's old long-march comrade Chu Teh has not escaped. Numerous posters since 15 January charge that he opposed Mao in the early 1930s, supported the traitor Kao Kang in 1953, backed Peng Te-

huai in 1959, and was a member of the February 1966 coup group.

Through all this Lin Piao has remained a shadowy figure, [redacted]

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Lin has not made a speech since 3 November and has not appeared in public since 26 November. Propaganda broadcasts do not depict him as playing a significant role in the latest developments affecting the armed forces, and attention to his position as number-two man has become perfunctory during the past two months.

Chou En-lai, by contrast, has been playing a prominent role and continues to take a somewhat different tack than Madame Mao and Chen Po-ta. He has recently defended three protegés who have been under attack and, according to a poster seen on 11 January, Chou has defended several members of the Military Affairs Commission currently under fire from the Red Guards. He may be striving to maintain a swing position between the Maoist faction and its opponents in the hope of emerging at the end of the current struggle as the one leader who can be accepted by all parties. [redacted]

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PEKING RENEWING PRESSURE ON MACAO

The Chinese Communists have renewed pressure on Macao. Their aim is to end Lisbon's foot-dragging in current negotiations over the wording of the Portuguese statement accepting responsibility for the December riots. Lisbon is attempting to substitute less offensive language than the Chinese demand.

In an attempt to intimidate the Portuguese, Communist newspapers in Hong Kong and Macao this week carried reports that the mainland authorities had decided to cut by half the water supply to Macao, which is completely dependent on China for its water. Other press reports quoted the Macao Trade Union Federation as declaring that if the governor continued to procrastinate, Macao Chinese should refuse to sell goods to the Portuguese officials, cut off electricity and water to

their offices and quarters, deny them transportation, and demand that the governor leave.

On 17 January, the Macao authorities began evacuating some Portuguese dependents to Hong Kong, although the situation in Macao has remained quiet.

There is no indication that the Chinese are prepared substantially to reduce their demands on the Portuguese for a full and abject apology. Unconfirmed press reports from Hong Kong that the Chinese have accepted a revised Portuguese text may indicate that a compromise solution is in prospect. However, any further Portuguese effort to procrastinate in implementing the settlement will result in renewed Chinese pressure.

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CAMBODIAN GOVERNMENT SHOWING INDEPENDENCE OF SIHANOUK

25X1 The government of Prime Minister Lon Nol is taking an increasingly active role in the day-to-day conduct of Cambodian affairs.

Such action by a Cambodian prime minister is virtually without precedent during the past several years.

25X1 Sihanouk, who has heretofore made decisions on even trivial foreign policy matters, is said to have been particularly disturbed in late December when the Lon Nol government issued a communiqué on an alleged US attack against the Cambodian village of Bathu without first consulting him. He also characterized the tone of the communiqué as too mild and excessively "diplomatic."

The government's desire to assume greater responsibility in part reflects the personalities and broad experience of Lon Nol and the cabinet. It may also be symptomatic of a general reluctance on the part of the Phnom Penh elite to be bound by Sihanouk's leftist policies, with which they have long been unsympathetic, or to accept unquestioningly some of the excesses of Sihanouk's autocratic rule. Except for some discredited leftist elements, there is general agreement in Phnom Penh that Cambodia's neutrality has leaned too far to the left in recent years and that a new balance should be struck.

25X1 Sihanouk is now in France on an oft-postponed rest cure. His abrupt departure on 6 January has prompted rumors in Phnom Penh that he may have left under duress, but these appear to be without foundation. Before his departure, Sihanouk indicated that the Lon Nol government would be held responsible for solving long-standing domestic problems. In the past, such statements by Sihanouk usually indicated that he was considering a change in personnel. A shuffle in cabinet posts might occur following Sihanouk's return, although Sihanouk has also stated that the Lon Nol government would continue at least through 1967.

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EUROPE

The USSR's top-ranking leaders now have briefed party stalwarts in more than 60 cities in what has become the most far-flung and intensive explication of policy ever undertaken in that country. Party organizations in major military units are also receiving the briefings which appear to emphasize developments in China and the deterioration of Sino-Soviet relations. The meetings are probably intended to impress on party members the seriousness with which the leadership views events in China and to prepare the party rank-and-file for any developments which may stem from the upheaval in China.

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The first meeting between Kiesinger and De Gaulle took some of the recent chill out of Franco-German relations but left major political problems unresolved. For the Germans, the most significant result of the talks was French agreement to assist them in their efforts to normalize relations with East Europe. The French, in turn, welcome the renewed emphasis on bilateral ties in hopes of eventually enlisting German support for De Gaulle's concept of East-West detente.

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GERMANY AND FRANCE SEEK IMPROVED COOPERATION

In his talks last week with President de Gaulle, Chancellor Kiesinger was successful in restoring a positive tone to Franco-German relations and instilling new life into the 1963 friendship treaty.

[Redacted]

[Redacted]

France also agreed to try to discourage the Afro-Asian countries from using this German initiative to justify their recognizing East Germany.

De Gaulle welcomes the renewed emphasis on bilateral relations in hopes of eventually enlisting German support for his concept of an East-West detente. This, he believes, would reinforce his claim to speak for Western Europe.

Also potentially important is an agreement to form a joint working group to explore the expansion of cooperation in the industrial, scientific, cultural, and military fields. Military cooperation, however, will probably remain limited by German-US arms arrangements and by Bonn's financial problems.

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Spokesmen for both sides acknowledge continuing differences on key issues such as the future of NATO, relations with the US,

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De- spite the improved atmosphere, it appears that the "harmonization" of Franco-German foreign policies envisioned in the friendship treaty remains a distant goal.

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NATO FACES NEW PROBLEMS

The modus operandi between France and the other fourteen members of the Atlantic Alliance which emerged from the December NATO ministerial meeting may be in for some further testing. The French now have expressed a priority interest in participating in the proposed NATO communications satellite program, in the Committee of National Armaments Directors (CNAD), and in "nuclear consultation."

With regard to the satellite program--directly related to the operation of the NATO military structure from which France has withdrawn--the French say they "hope" satisfactory liaison arrangements will be worked out between French and NATO commanders. The other Allies suspect that Paris is primarily motivated by a desire to retain access to US technology. They also fear that if the French retain a large role in CNAD activities, the US may reduce its input of technical information.

In clarifying their position on "nuclear consultation," the French say they are talking about "crisis consultation" leading to a final decision on whether to use nuclear weapons. The other NATO countries have

already agreed to consider arrangements for "crisis consultation" separately from the recently instituted arrangements for dealing with nuclear strategy and deployment. The French, therefore, view their participation in that consultative process as not inconsistent with their refusal to participate in NATO nuclear planning. They allegedly foresee, moreover, a possible need for consultation in the North Atlantic Council--NATO's political arm in which Paris retains its membership--during the late stages of a crisis requiring a decision on the use of nuclear weapons.

However, participation by the French in crisis consultation and related nuclear affairs could place them in a position to interfere with the work of the new Nuclear Defense Affairs Committee and Nuclear Planning Group and to reinject themselves into Alliance discussion of strategic military issues.

The fourteen have other problems. Their five-year (1968-1972) force planning exercise, for example, is moving against a tight schedule and needs preliminary guidance papers before the opening of the spring ministerial meeting. However, the

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issues involved depend on decisions still to be reached in the badly lagging trilateral (US, UK, and German) talks on force levels, strategy, and German balance-of-payment offset guarantees.

Also the proposed reorganization of NATO's Mediterranean command has been delayed by Maltese protests stemming from fears that the present plan, if implemented, will ultimately involve moving the command's headquarters from Malta to Italy. This, the

Maltese believe, would be a serious blow to the island's economy and to the continuation of its pro-Western government. Secretary General Brosio has put off final Defense Planning Committee consideration of the reorganization plan until after the visit of Maltese Foreign Minister Amato Cauci to Paris on 23 January. NATO officials fear that further delay in approving the plan will jeopardize the delicate UK, Turkish, Greek, and Italian compromise of the many thorny issues involved.

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MIDDLE EAST - AFRICA

Tension in the Middle East continues to mount. This is the season for plowing and sowing in the contentious area of the demilitarized zones--a time of hazard even when terrorist activities are at a lull. Now, however the recent terrorist operations against Israel have, in the words of Prime Minister Eshkol, brought Tel Aviv perilously close to retaliatory action against Syria.

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The thorny question of Cyprus rocks along. The dialogue between Greece and Turkey over the fate of the island has ceased with the installation of the new Greek Government. Both countries, however, say they would like to reinstitute the talks if a way can be found to do so. There is some doubt in Athens, however, whether Greece's admittedly interim government should take any initiative on this problem.

Rumbles of coup plotting--punctuated by the recent "second stage" coup in Togo--dominated the week's activities in Africa. The upheaval in Togo, where the first of many military coups in tropical Africa occurred in 1963, brought to the fore leftist intellectuals who are less pro-French and inclined toward Marxist solutions for their country's problems. Such elements are likely to be heard from increasingly in the former French African colonies.

In the Congo, the dispute between Mobutu and Union Miniere has been somewhat eased by a new proposal by the mining company to act as sales agent and by Mobutu's conciliatory public response. One of the most difficult problems may be whether the vital European labor force will remain under Congolese management to keep the copper moving.

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ISRAELI-SYRIAN HOSTILITIES REACH CRITICAL STAGE

Israel and Syria, with UN prodding, have agreed to discuss the issue that has been a major cause of the recent clashes along their border--farming activities in the demilitarized zones. However, even before their concurrence on this point was achieved, tension between the two countries had reached an especially critical stage following a terrorist mine explosion on 14 January which caused the first Israeli fatality in the current series of incidents. These operations by Palestinian infiltrators--who now appear to be entering Israel from Lebanon--are more likely than the border clashes to lead Israel to retaliate against Syria.

Foreign Minister Eban has publicly blamed Syria for the mine incident which killed the Israeli (a civilian in the town of Dishon near the Lebanese border) and for other recent sabotage incidents in the same area. "Fatah," the principal Palestinian terrorist organization, had claimed responsibility for these incidents in a communiqué published in the government-controlled newspaper in Damascus. Eban said that the success of any Israeli-Syrian meeting on activity within the demilitarized zone would depend on cessation of "shots and explosions."

Israel and Syria agreed to discuss the situation in the demilitarized zones in response to a 15 January appeal from U Thant. A date for the meeting,

which will be arranged by local UN officials, has not been set. Israel has specified that it will discuss only the issue of farming in these disputed areas and will not tolerate any Syrian attempt to bring up the broader question of their political status which has paralyzed the UN's armistice commission for several years.

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Prime Minister Eshkol told Israel's parliament on 17 January that Israel had refrained from immediate retaliation against Syria because his government wanted to exhaust political and diplomatic efforts to "restrain" Syria. He added that Israel would reply "to continued Syrian aggression according to circumstances and necessity."

Israel strengthened its forces near the border last week and, in the opinion of the US defense attaché in Tel Aviv, now has sufficient equipment in position to launch either a limited ground attack or a joint ground-air strike.

_____ Syria
also has moved "much new armor"
into forward areas. _____

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NEW GREEK GOVERNMENT GAINS PARLIAMENTARY APPROVAL

The "interim" Paraskevopoulos cabinet--the latest step toward patching up the Greek political fabric--easily won a parliamentary vote of confidence last week with the support of the National Radical Union (ERE) and ex-premier George Papandreou's Center Union (EK) party. The crypto-Communist United Democratic Left, the small Progressive Party, and the "apostate" Liberal Democratic Center party of former premier Stephanopoulos voted against the new government.

Following the vote parliament adjourned until 31 January, when it is scheduled to begin debate on a new electoral bill to administer general elections, now slated to be held in late May. The electoral bill is expected to be the only parliamentary business for the new government. Apparently all parties have agreed to support a simple proportional system, although ERE leader Kanellopoulos has been opposed to such a system in the past.

Andreas Papandreou, the EK's leading maverick, submitted to his father's demand to toe the party line and voted for Paraskevopoulos. However, in a stormy pre-vote parliamentary session marked by sharp exchanges between the opposing factions, Andreas returned to his hard line and bitterly attacked the palace, the new "palace government," and his fellow politicians. This probably sets the tone for the coming election campaign.

In spite of the vote of confidence, many observers fear that the government may not have an unruffled trip to the ballot box. The press is devoting considerable coverage to the pros and cons of convening a crown council to deal with Cyprus, Greek foreign policy's thorniest problem. Argument centers on whether an interim government like the present one can or should make any significant moves.

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TENSION EASES IN CONGO'S DISPUTE WITH UNION MINIERE

The confrontation between the Congolese Government and Union Miniere appears to have lost much of its crisis aspect in the wake of a new company proposal and conciliatory gestures from Kinshasa.

Late last week Union Miniere offered the Congolese a contract under which the company would supervise copper production and act as sales agent. Among other things, the company demanded a five-percent management fee,

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insisted on broad autonomy in its operations, and stipulated that the contract must run for five years. Moreover, the company reserved its position on several key issues, notably the question of payment for the extensive unsold stocks of Congolese copper outside the Congo. It is doubtful whether Union Miniere would even be willing to submit this "pipeline" issue to arbitration.

Although it was politically impossible for President Mobutu to accept such proposals outright, the company's offer did give him a chance to make a move which, although aggressive in appearance, was conciliatory in substance. On 15 January his government issued ordinances implementing the 1 January seizure of Union Miniere's Congolese operations and of the company's various Congolese subsidiaries--an action with considerable propaganda resonance but little practical effect. At the same time it announced that the vast Congolese assets of Societe Generale, Union Miniere's largest stockholder, would not be seized as Mobutu had threatened. The Congolese also praised the Belgian Government's mediation efforts and announced that they had presented counterproposals to Union Miniere.

With these moves the dialogue has been reopened. The negotiations promise to be long and difficult, but the two sides seem likely eventually to work out some arrangement for Union Miniere to mine and market the Congo's copper under contract. Such an arrangement would give Mobutu the political benefits of having asserted Congolese dominance over Belgian "high finance" and would give the company a fair return at relatively little risk.

If some agreement is not reached soon, there may be trouble in the Katanga mining region. Union Miniere operating officials in Lubumbashi (formerly Elisabethville) say that some company installations will have to cease operations within two weeks because spare parts are not available. They also assert that European workers, who are essential to copper production, have shown no interest in working for Union Miniere's Congolese successor, and that some of them are leaving before their contracts expire.

These officials may be exaggerating the gravity of the situation in order to bring further pressure on Mobutu. Even a relatively minor cutback in the company's activities in Katanga, however, would exacerbate the already tense situation in the region.

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TOGO'S INTERIM REGIME

The 13 January army take-over in Togo was apparently unopposed, but the interim regime will be hard put to fulfill its promise to reorganize the government and hold new elections within three months.

The provisional government presented by coup leader Etienne Eyadema on 14 January is regionally balanced, but is weighted heavily with young anti-French intellectuals. The nominal president of the eight-man "Reconciliation Committee" and its only military member is Colonel Kleber Dadjo [redacted]

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[redacted] The majority of the civilian members

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represent the activist, leftist faction of the Togolese Unity Party which had opposed the Grunitzky government since its inception in 1963. The new leaders possess technical competence, but their political strength is untested.

Eyadema remains army chief of staff, the position which controls the instruments of force. He [redacted]

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is liable to be shunted aside either by the civilian elements he has brought to power or by younger, better trained army officers. [redacted]

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WESTERN HEMISPHERE

Forthcoming elections in Nicaragua and El Salvador shared the spotlight this past week along with the aftermath of those in the Bahamas.

Nicaragua's Anastasio Somoza has his political machine in high gear to assure that his family and cronies will still control the country by electing him president on 5 February. Anti-Somoza elements may be able to stir up enough trouble to cause some violence, but government forces are capable of using whatever rough tactics are necessary to stay on top.

The leading contender in El Salvador's presidential election on 5 March is Colonel Fidel Sanchez, favored by the incumbent President who is also a military man.

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As a result of the 10 January election in the Bahamas, Premier Lynden Pindling has formed the first all-Negro government in the island chain. Elsewhere in the Caribbean, the British are going ahead with plans to decrease their involvement by letting Antigua, Dominica, St. Kitts - Nevis and Anguilla, Grenada, and St. Lucia form a group of "Associated States" next month with control of their own internal affairs. Conflicts following elections last August in St. Vincent may cause postponement of the same status for that island.

Legislative elections are slated in Haiti on 22 January and President-for-Life Duvalier has already selected the winners, including a lot of new faces.

Brazil's President-elect Costa e Silva is in the United States on the last leg of a world tour preceding his inauguration on 15 March.

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NEW GOVERNMENT IN BAHAMAS

The first Negro leader of the Bahamas, L. O. Pindling, has rushed to give public assurance of his government's dedication to free enterprise, fostering of foreign investment, and continuance of the role of the Bahamas in the defense pattern of the Western world.

After his inauguration, Premier Pindling told US Consul General Shelton in Nassau that he was most anxious for the US Government to know that it had nothing to fear relative to his government. He has also attempted, following reports of a considerable flight of capital from the Bahamas during the past several days, to calm the fears of investors and tourists by stating that tourism, upon which the Bahamian economy depends, should be increased, and that the Bahamas' doors will be open to legitimate English and American industry. Pindling himself has assumed the major cabinet post of Tourism and Development.

The new all-Negro cabinet has been characterized by Shelton as young, inexperienced, aggressive, and probably left of center. Although its members are not considered likely to pursue extreme left-wing policies for ideological reasons, there may be follies and errors from inexperience and vindictiveness. The British governor believes the main question will be whether Pindling can control his less conservative associates.

One of the new premier's principal stated aims is to make it possible "for more Bahamians--black as well as white--to obtain a more equal share of the country's wealth than in the past." Over 80 percent of the some 150,000 Bahamians are Negro. Roughly half live on New Providence Island where the capital is located. Although Nassau has a growing colored middle class of doctors, lawyers, and small businessmen, most of the colored population live "over the hill" in virtual slum conditions.

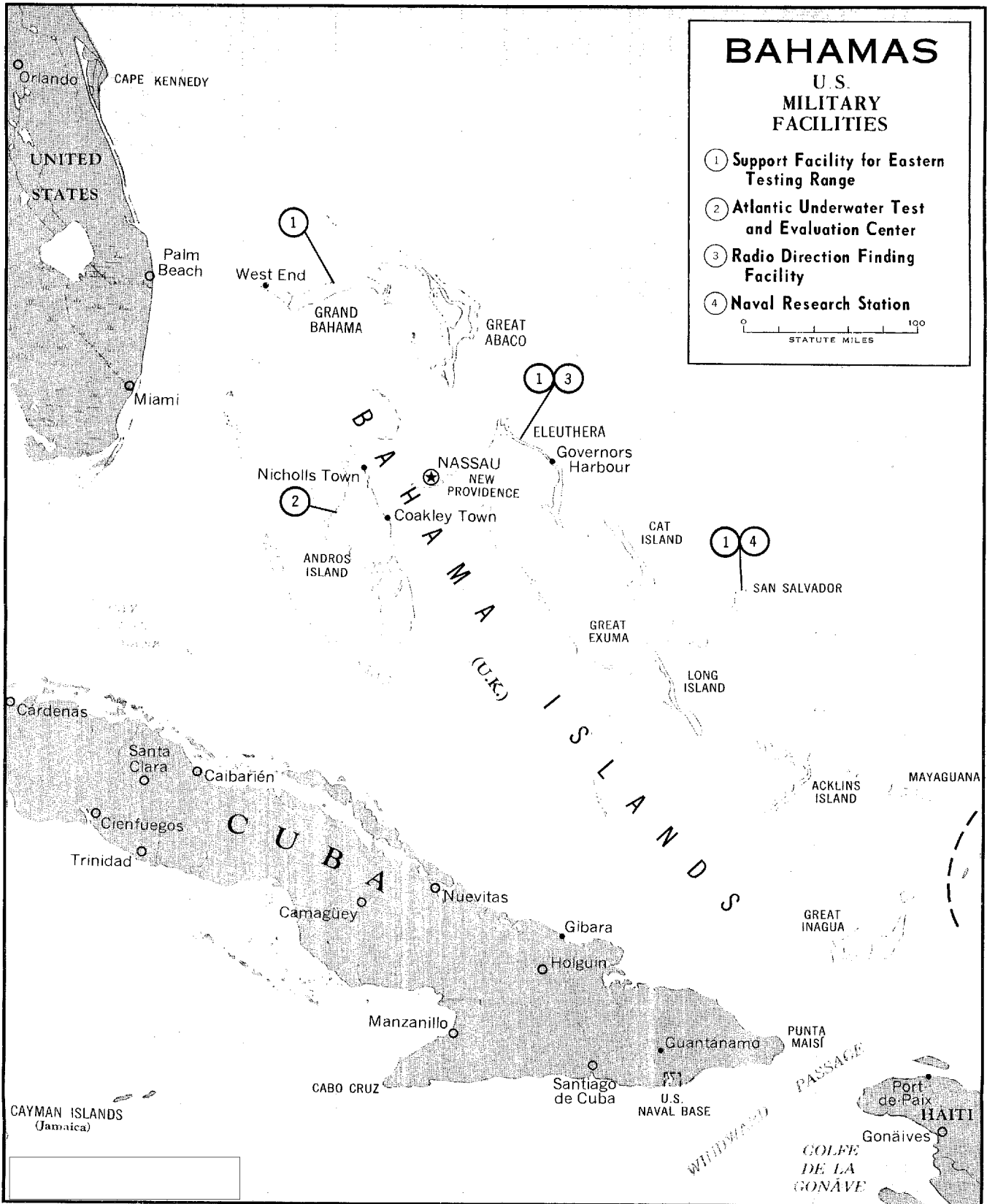
During the election campaign PLP leaders had accused members of the white-led United Bahamian Party of involvement with American gangsters and of graft and corruption. On this point, the British governor notes that the PLP itself almost certainly incurred obligations in the election campaign that may have to be paid off by concessions to foreign interests, and that the police and he will have to be increasingly watchful lest "alleged gangster influence in gambling turn to reality."

The British have two ships, one destroyer and one frigate, which patrol the Caribbean and could be called on in the event of internal difficulties.

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SLUGGISH ECONOMY REMAINS A MAJOR DOMINICAN PROBLEM

Stimulation of the Dominican economy remains a major problem for the Balaguer regime. The US Embassy expects that this year the economy will improve over 1966 but not enough to regain the level it had reached before the April 1965 revolt. Since then, taking into account a population increase of about 3.5 percent a year, there has been a significant drop in per capita income.

The depressed economic situation is particularly troublesome in Santo Domingo, where opposition strength is greatest. The capital has borne the brunt of Balaguer's austerity program, and the US-financed emergency investment program has mainly benefited rural areas where President Balaguer's support lies. Unemployment and underemployment, estimated at 30 percent of the capital's labor force, provide a ready reservoir of discontent for the apparently mounting opposition to Balaguer.

Balaguer's economic policies thus far have been generally responsible and sound. The deficit-ridden sugar industry is operating more efficiently and development efforts are being concentrated on agriculture.

Private investment, which Balaguer initially hoped would provide a major boost for the

economy, has increased only moderately, however, and the massive repatriation of private capital he expected has not materialized. Balaguer recognized this situation in his 1967 budget message and made clear that the government must expand its own investment activities.

The President's operating style, moreover, appears to be adversely affecting his economic programs. He has shown a predilection for off-the-cuff investments from a special presidential fund that has resulted in financing projects of questionable priority. He is distrustful of technicians in the government, many of whom are sympathetic to the left, and has removed some of them at the cost of slowing implementation of development plans. His insistence on centralized control, as demonstrated in his own overinvolvement in the expenditure process, has curtailed corruption somewhat, but has stifled initiative on the working level.

It is apparent that sizable sums of foreign financial assistance--as much as \$75 million--will continue to be needed if the economy is not to founder. The Dominicans also are counting on retaining the substantially augmented share of the US sugar quota they had this past year.

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NICARAGUAN ELECTION CAMPAIGN HEATS UP

With general elections to be held on 5 February, the atmosphere in Nicaragua is one of uneasy calm that could erupt into violence.

Charges of fraud in the voter registration have already been made, and there is good reason to believe that the rolls have been padded with somewhere between 10,000 and 100,000 names.

The leading presidential candidate is General Anastasio Somoza Debayle, backed by the well-organized and well-financed Nationalist Liberal Party (PLN), the tool of the Somoza family that has governed the country for more than 30 years. His major

opponent, Traditionalist Conservative Fernando Aguero Rocha, is supported by a loose coalition of most of the opposition parties whose platform is essentially negative--"no more Somoza."

The PLN seems capable of winning a free election, but there are indications that Somoza will not be content with a close win. In addition to padding the voter rolls, his brother, former president Luis Somoza, has been encouraging voters not to vote secretly, asserting that those in favor of Somoza should be proud to make their choice public--an obvious attempt at electoral coercion.

The more dangerous periods will probably be the last two Sundays in January when major rallies are to be held in the capital.

REACTION TO ARGENTINE RAILROAD REFORM LIMITED

Argentine labor has been surprisingly quiet regarding the government's implementation of new work rules for the nation's railroad workers. The 24-hour railway strike last week received little support among other groups. Only the sugar workers in Tucuman Province, who struck at the same time to protest the closing of seven unproductive sugar mills, created disturbances that required police action.

Labor may be adopting a "wait-and-see" attitude toward the Ongania regime because of the recent cabinet reorganization that installed tough-minded Antonio Lanusse as minister of defense and put an army general in charge of railroads. Government officials have apparently made it clear to labor leaders that they intend to proceed with the revamping of the railroads, whose inefficient operations and

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redundant personnel caused a \$400 million operating deficit in 1966. Although some labor leaders have called for a tougher stand against the government, including the use of sabotage and terrorism, the union officials who control the railroad workers and the major unions in the General Confederation of Labor seem to be continuing their policy of avoiding a major confrontation. However, they have been unable to prevent outbreaks of violence in Tucu-

man, where sugar workers have been struggling against government authority for almost two years.

Success in instituting railroad reform would be the government's greatest accomplishment since coming to power last year and might convince its many detractors that it will take steps necessary to improve the nation's economy.

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CHILEAN SENATE REJECTS PRESIDENT'S TRIP TO THE US

The Chilean Senate's rejection of President Frei's request for permission to visit the US in February is certain to have widespread repercussions on Chilean foreign policy as well as on domestic politics.

The vote against Frei appears to be primarily one more demonstration of the Senate's general hostility to the President and its eagerness to embarrass him. It was carried by the swing vote exercised by the centrist Radical Party, which frequently votes with Frei's leftist opposition. The Communists and Socialists mouthed the usual anti-US diatribes in their speeches.

Unless Frei's parliamentary maneuvering persuades the Senate to reverse itself, which at least some Chilean officials doubt, the effect of the vote will be to limit his freedom to visit any other country. This might prevent his attendance at the inter-American summit meeting scheduled to be held in April, and it would certainly hamper his ef-

forts on behalf of Latin American integration. If Frei leaves the country without Congressional approval, he will open himself to charges of unconstitutional, dictatorial action.

Frei's Christian Democratic Party (PDC) is certain to exploit this issue during the municipal election campaign in the spring. It can claim that an irresponsible political opposition has put domestic concerns ahead of Chile's international responsibilities.

The lack of widespread public reaction to the Senate's vote will limit the pressure that Frei can exert on the Senate. The PDC has attempted to organize demonstrations, and in fact scattered violence has been directed at the headquarters of the Radical Party (PR). This has only hardened Radical opposition to the government. Frei is unlikely to make the legislative concessions that the PR is demanding for a reversal of its position.

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