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WEEKLY SUMMARY

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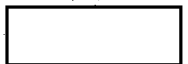
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7 April 1967
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AGENCY RESPONSIBILITY



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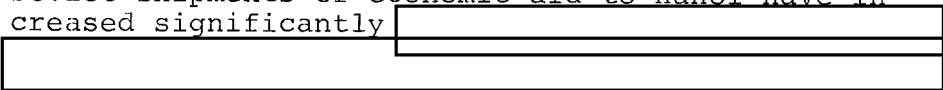
(Information as of noon EST, 6 April 1967)

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The Viet Cong have launched a major military-political campaign against the South Vietnamese Government's pacification program. In Saigon, political interest is focused on the selection of candidates for the presidency and the upper house of the legislature. Soviet shipments of economic aid to Hanoi have increased significantly



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FAR EAST

There are new signs of sharp dissension within the Chinese leadership over the future course of the Cultural Revolution. After two months of marking time, forces loyal to Mao Tse-tung have renewed their attacks on Chief of State Liu Shao-chi and party General Secretary Teng Hsiao-ping. Several leading members of the Military Affairs Committee have also been denounced by militants responsive to Mao and Lin Piao.

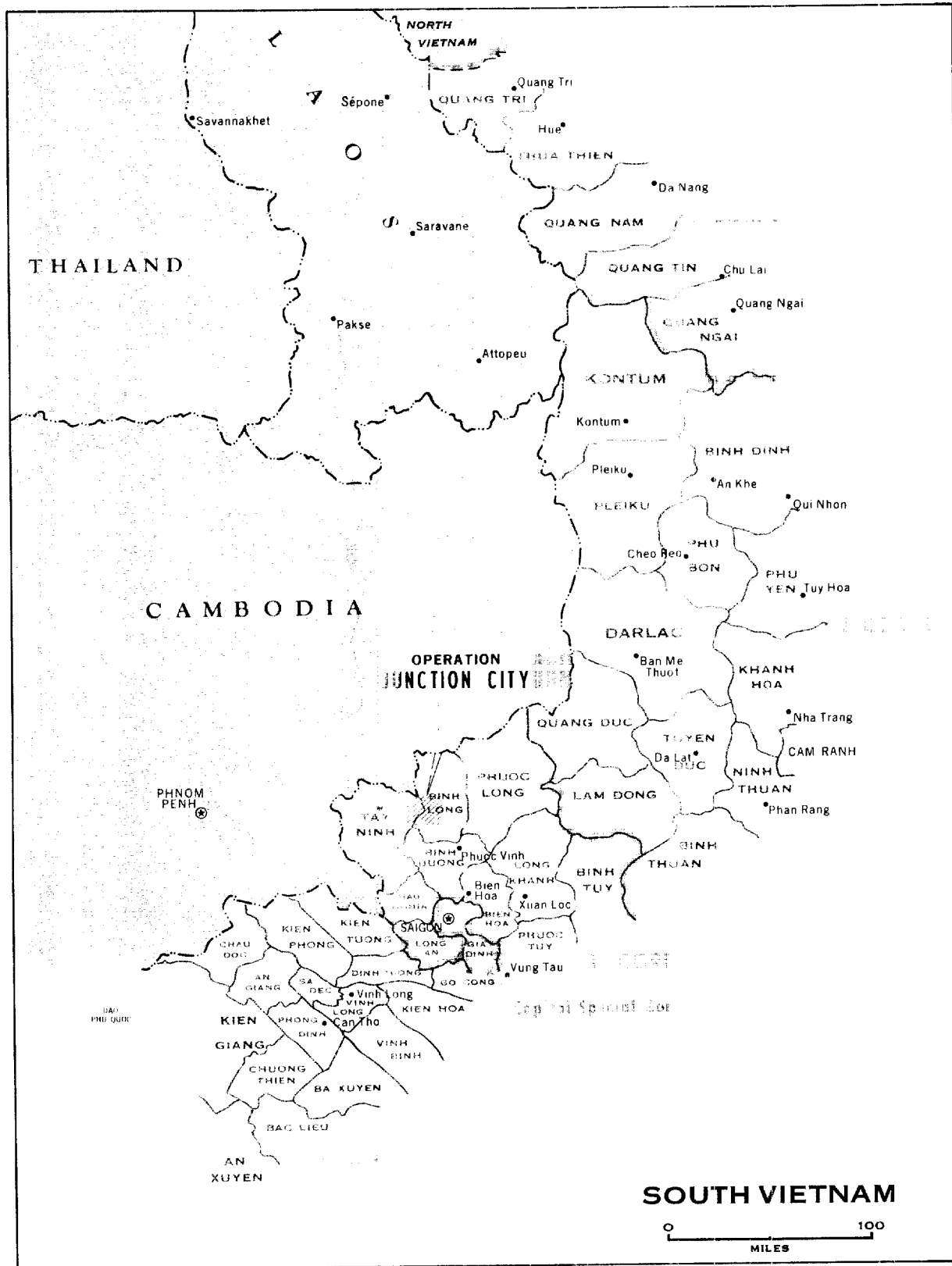
The resurgence of pro-Mao forces, following a conference of central committee members last month, suggests an attempt to resume the purge of Mao's opponents and to reverse the policies associated with Chou En-lai--particularly those aimed at subduing militant Red Guards and Red Rebels. The attacks on Liu, Teng, and key military leaders may signal a drive by pro-Mao militants to divide the coalition of forces which obliged the Mao faction to retreat in late January and February.

The Vietnamese Communists are maintaining their intransigent stand on negotiations. Despite unusually heavy casualties and the failure of three regimental-size attacks against US forces engaged in Operation JUNCTION CITY, there are no signs of any decline in Communist determination to prosecute the war. The first round of local elections for South Vietnam's village councils was held without serious incidents or Viet Cong interference.

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VIETNAM

Following the Communists' unsuccessful and costly regimental attack of 1 April--their third in two weeks against US forces conducting Operation JUNCTION CITY north of Saigon--military activity during the week consisted mainly of smaller scale but frequently intensive clashes in widely scattered areas of the country. Recent patterns of Communist activity, meanwhile, appear to bear out indications that the Viet Cong have decided to launch a major campaign of military and political harassment against the Revolutionary Development (RD) program.

[redacted]

reflect increasing Viet Cong concern and frustration, particularly since the fall of 1966, with pacification measures and military operations designed to erode popular support for the Communists. Late last year the Peoples Revolutionary Party (PRP)--the Communist party in the south and the political control apparatus of the Viet Cong--apparently decided on substantially increased levels of guerrilla warfare and civilian proselyting to consolidate Viet Cong holdings in the countryside and reverse the RD successes.

Recent Viet Cong and Hanoi propaganda broadcasts have urged

Communist armed forces "to annihilate US-rebel pacification groups" and announced the establishment of an award system to encourage this effort.

[redacted]

the Communists plan to recruit and infiltrate a large number of key underground party workers into hamlet and village administrations, to induce peasants to obstruct pacification, to propagandize the RD program as an American-sponsored activity, to initiate large-scale attacks on areas where RD is enjoying success, and to direct selective acts of terrorism against RD team workers in an effort to harass and demoralize the workers and intimidate the population.

The number of Viet Cong - initiated incidents targeted against the RD program thus far in 1967 already substantially exceeds the total number reported for all of 1966. During the first quarter of 1967 nearly 200 enemy attacks against RD team workers were reported, 105 of which occurred during the period 1-26 March.

[redacted]

one of the over-all objectives of a planned Communist summer offensive in Quang Nam,

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Quang Tin, and Quang Ngai provinces, is to prevent expansion of the RD program in these three southernmost provinces of I Corps. This campaign reportedly will begin on 15 April and continue through September.

Election Plans in South Vietnam

With South Vietnam's constitution now in effect, political activity is centering increasingly on elections to fill out the institutional framework. Already, in the absence of any real national cohesion or genuine political organizations, traditional regional and religious considerations appear to be influencing the political maneuvering for presidential and vice-presidential tickets in the expectation that such factors will weigh heavily in the elections.

The only firm candidacy among prominent civilians in the presidential race thus far is that of Constituent Assembly chairman Phan Khac Suu, an elderly southerner of the Cao Dai sect and a former chief of state. Suu's general area of strength is the populous delta, and his slate will probably gain additional votes on the popularity of his running mate, Dr. Phan Quang Dan, among northern refugees in the Saigon area. However, former premier Tran Van Huong, another prestigious south-

erner, is expected to announce his candidacy soon, and Suu and Huong may well end up splitting the southern regionalist vote. Dai Viet party leader Ha Thuc Ky is another apparent civilian candidate, but his popular base is largely limited to the two northernmost provinces. He may ultimately decide to trade his support for a spot on some other candidate's ticket.

Fencing for the military's presidential nomination continues between Chief of State Thieu and Premier Ky, with Ky slightly ahead thus far. Publicly, Ky has stated on several occasions that he would defer to Thieu's candidacy, thus in effect putting pressure on Thieu to declare himself. Thieu, who may have some doubts about his chances in any case, probably would far prefer to accept a nomination by the military than to announce his candidacy on his own. Privately, maneuvering undoubtedly continues on both sides, although Thieu's natural reticence in public may be working against him behind the scenes as well. The military hierarchy appears hopeful that Thieu and Ky will resolve the question themselves. If the two men cannot agree soon, however, other senior generals may have to decide the matter.

In any event, the overriding consideration in the

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process continues to be the preservation of military unity. Both Thieu and Ky appear well aware that such unity will depend largely upon the degree of support that the one who does not run offers the nominee. Providing that military unity remains intact and that an acceptable civilian running mate is selected, the military candidate will be in an extremely strong position in view of his connections with the only real national organization and his access to other governmental machinery.

On the legislative side, potential candidates are already stirring for the upper house elections--which will be held concurrently with the presidential election on 1 September. Constituent Assembly deputies, members of the Peoples - Armed Forces Advisory Council, and politicians currently out of office are reportedly maneuvering to form ten-man electoral slates as called for in the constitution. Balloting will be on a nationwide, at-large basis, and the winning slates will comprise the 30- to 60-man Senate. The lower house election, set for 1 October, has not yet attracted as much attention, but many Constituent Assembly members apparently have their eye on this race.

The first step toward implementing local reforms took place on 2 April with the elec-

tion of some 219 village councils throughout the country. Voter turnout was high, and little Viet Cong counterelection activity materialized. However, US officials remain concerned about postelection security for the successful candidates.

Soviet Aid Deliveries to Hanoi

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Soviet shipping to North Vietnam increased significantly

[redacted] probably in response to agreements reached last fall on additional economic aid. Over-all shipments of commercial cargo were up almost 70 percent over the same period of 1966. Petroleum shipments were up some 25 percent over the average delivery rate last year, and deliveries of fertilizer, transportation and construction equipment, and machinery and spare parts also increased. Part of the larger aid deliveries was in response to unusual North Vietnamese food requirements. During this period the USSR delivered 36,000 tons of grain products, compared with only 6,000 in all of 1966.

[redacted] an unusually large number of Soviet ships called at North Vietnamese ports in the first three months of the year--63 compared with a total of only 122 for all of 1966. This reflects the use of smaller ships drawn from the Soviet Far Eastern Fleet. [redacted]

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USSR AND MALAYSIA AGREE ON TRADE AND DIPLOMATIC TIES

An agreement signed early this week between the USSR and Malaysia on trade and diplomatic ties results from Moscow's search for additional contacts in Southeast Asia and from Kuala Lumpur's efforts to facilitate its rubber trade with the USSR and to improve its image in Asia and Africa.

The trade agreement provides for the establishment in the Malaysian capital of a ten-man Soviet mission, three members of which will have diplomatic immunity, and provides for a reciprocal Malaysian mission in Moscow. The missions will constitute the first permanent exchange of representation of any sort between the two countries. No date is set for the establishment of the missions, but Kuala Lumpur reportedly does not expect the first Soviet representatives to arrive before July. Although the text of the agreement has not been published, it provides for "most favored nation" treatment without setting any levels of trade.

The communique also announced agreement in principle to exchange diplomatic representation. Malaysia presently does not have diplomatic ties with any Communist country, but there are several incentives for this change in policy. The European Communist nations comprise the prin-

cipal market for Malaysia's rubber at a time when world rubber prices are falling--last year the USSR was its largest single customer. The Malaysians probably also believe that these moves will improve their image among nonaligned nations who have been critical of Kuala Lumpur's Western orientation.

The agreement marks a significant achievement in Moscow's long-standing effort to establish contacts in Southeast Asian countries where it has not traditionally been active. In April 1966 it signed a trade agreement with Singapore with provisions similar to those in the Malaysian agreement. Singapore subsequently agreed to accept a one-man TASS office. The Soviets have also been seeking a TASS office in Kuala Lumpur, and the latest agreement may encourage them to renew this request.

Last month Soviet and Philippine representatives held talks in Bangkok concerning the possible initiation of trade, and an unofficial Philippine mission is scheduled to leave for Moscow later this month. Although Manila has thus far refused to establish either trade or diplomatic relations with any Communist country, the Malaysian agreement may influence a change in this policy.

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PEKING MOUNTS NEW CAMPAIGN TO DISCREDIT LIU SHAO-CHI

The stage is apparently being set in Peking to strip Liu Shao-chi of all his formal positions. Until August 1966 the 69-year-old chief of state was number two man in the party. Teng Hsiao-ping, party general secretary, will in all likelihood be removed with Liu, and other high officials may be involved. These developments follow a reportedly stormy central committee work conference convened in mid-March, and appear to reflect continuing dissension in the leadership.

Demonstrations against Liu have spread to all parts of China. Foreign newsmen in Peking report that since 2 April the streets have been choked from morning to night with hundreds of thousands of demonstrators. Marching in well-disciplined columns the crowds carried portraits of Mao and chanted "down with Liu Shao-chi, Teng Hsiao-ping, and Tao Chu." Tao was fourth in the hierarchy established at the central committee plenum last August, but has been in disfavor since December.

It now is almost certain that Liu and Teng lost all significant authority in August. They have been heavily attacked through posters, Red Guard newspapers, and rallies since December, but the official campaign against them began with a 30 March broadcast of a Red Flag attack on Liu's book How To Be A Good Communist. This key party

document--written in 1939 and re-published in 1962--now is labeled a "poisonous weed." On 31 March Peking broadcast a more direct and savage Red Flag attack which described Liu as a "vampire," a "parasite," and a "Quisling" and demanded that this "Khrushchev-like individual ambitionist and schemer" be thoroughly discredited and removed.

Liu is being accused of attempting to compromise with Chiang Kai-shek in the 1930s and to strike a political bargain with the US in 1949 in exchange for economic aid. He is also accused of advocating extension of privately farmed plots in rural areas, detente with the US and the Soviet Union, and reduced assistance to other "peoples' revolutionary struggles." The official charges, without directly naming Liu, state that he has always opposed Mao's thought and "peddled" his own writings--in contrast to Vice Chairman (and present number two) Lin Piao, who has always called on his soldiers to study Chairman Mao's works.

The charges against Liu are obviously fabricated, as his statements and actions during the past 17 years have shown him to be a staunch supporter of Mao's policies. One purpose clearly is to blacken Liu's name even more and to justify his ouster. Another may be to rekindle enthusiasm for the

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Cultural Revolution. Certain of the accusations, such as extension of the private agricultural plots, have been standard ones leveled against unnamed "class enemies" for several years. Chou En-lai himself made these charges in an address given in December 1964 at a major session of the National People's Congress. In fact, however, Chou, but not Liu Shao-chi, was associated with these policies when they were in vogue in 1961 and 1962.

Chou, however, so far has been able to retain a firm grip on third place in the leadership. In recent weeks prominent Red Guard groups in Peking have been aiming moderate to heavy fire at several of Chou's subordinates, but have exempted Chou from criticism.

Current official denunciations of Liu accuse him of having worked "in collusion with another top party person in authority taking the capitalist road"--an obvious allusion to Teng Hsiao-Ping. The protracted campaign to remove the two men may best be explained by dissension over who is to be implicated with Liu and Teng and brought down. Many senior party figures have been closely associated with Liu and Teng, who had dominated the party appara-

tus for more than a decade before their fall last August.

The campaign against Liu and Teng is apparently spilling over into new poster attacks by Red Guard militants against top-level military men and government officials. On 5 April three key military figures who had seemed to be in good standing--Hsu Hsiang-chien, Yeh Chien-ying, and Nieh Jung-chen--came under fire. Hsu and Yeh were publicly affirmed as vice chairmen of the party's powerful Military Affairs Committee on 25 March. New attacks on Foreign Minister Chen Yi and Finance Minister Li Hsien-nien for pushing the "Liu-Teng line" have appeared. Despite this, Chen has continued to perform his public duties and, with his usual aplomb, told a group of visiting Japanese on 3 April that he welcomed criticism and was not worried about his personal position.

Rallies and poster attacks during the past week appear to be part of a major effort by militant elements in the leadership to reverse the slowdown in the Cultural Revolution noted during February and early March. All signs, however, point to continued dissension among leaders in Peking over the future course of the Cultural Revolution.

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EUROPE

East European diplomatic activity continued apace this week but produced no evident departures from established positions on relations with West Germany or on attendance at the conference of European Communist parties scheduled for late April. The numerous bilateral consultations serve primarily to prevent additional rents in the already ragged fabric of East European unity, at least in advance of the conference.

Moscow appears to be somewhat disconcerted by press reports of US assurances to Bonn that the draft nonproliferation treaty would not bar German participation in a future European nuclear force. Recent Pravda and Izvestia articles have asserted that such assurances undermine "the spirit and purposes of the proposed treaty" and create new obstacles rather than clear the way to an agreement. Although the Soviets have not said an agreement so construed is unacceptable, the publicizing of this interpretation in the West causes difficulties for them, given their general posture vis-a-vis West Germany and the prospect of demands on the USSR by some Warsaw Pact countries for a greater role in nuclear defense matters.

In France, the 261-214 vote which reaffirmed Chaban-Delmas as president of the National Assembly suggests that the Gaullists will have little trouble finding parliamentary support for government programs. The full extent of government control over the assembly will not be clear until the presidents of the six standing committees are elected in the next few days.

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EASTERN EUROPEAN DIPLOMATIC ACTIVITY

The heavy round of diplomatic activity in Eastern Europe that began in February continues unabated. It has two related purposes: to slow down West Germany's campaign to normalize its relations with the Eastern Europeans and to create a facade of unity in Eastern Europe before the conference of European Communist parties which is to open at Karlovy Vary, Czechoslovakia, on 24 April.

This week, Poland's Gomulka went to Bulgaria to renew a treaty of friendship and mutual assistance--almost a year before it was due to expire. The treaty links Sofia with treaties Warsaw had already signed with East Germany and Czechoslovakia, and with one between East Germany and Czechoslovakia. It is intended to forestall any early bid by Sofia for diplomatic relations with Bonn.

Bulgaria has in addition agreed to renew its friendship treaty with the USSR which is also nearly a year from expiration.

While Sofia bowed to the pressure of its allies despite an obvious interest in relations with Bonn, efforts to get Hungary into the treaty network have had no visible success. The Russians probably made the first representations when Janos Kadar visited Moscow in February. Gomulka paid an official visit to Budapest in early March and East German Foreign Minister Winzer took up the quest late in the month.

The Hungarians have apparently made no promises and may be bolstered in their resolve by the visit later this month of Rumania's Ceausescu--who started things by establishing relations with Bonn virtually without conditions in January. However, Budapest has agreed to further talks with the East Germans.

Meanwhile, preparations for the Karlovy Vary conference have run into some discord. Several parties--particularly the Italian--reportedly view the original documents that the French and the Poles prepared for the meeting as too rigid. Czechoslovak party secretary Koucky's unannounced visit to Moscow on 30 March probably was to smooth the way for appointing the Italians and Czechs to a redrafting committee.

The Poles and the Italians have been entrusted with the task of persuading East Europe's twin mavericks--Rumania and Yugoslavia--to send delegations to Karlovy Vary. Those countries, however, appear to be lobbying in their own behalf. Both Tito and Ceausescu, have conferred with leaders in Moscow since February and with each other. High-level Yugoslav delegations have visited Warsaw and Bucharest, and Ceausescu, as noted, will soon visit Budapest.

There are rumors of indecisiveness in Bucharest, but there seems little likelihood that either Rumania or Yugoslavia will send official delegations. Bucharest may in the end decide to send observers, however.

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STATUS OF THE SOVIET ECONOMIC REFORM

The reform movement in Soviet industry, nearing the halfway mark of its initial phase (1966-68), has so far been only a partial success. While such an evaluation now is necessarily qualified because Moscow's reporting has been sparse, the very lack of data suggests that the program's difficulties continue to outweigh its achievements.

Implementation of the reform movement resumed early this year after a moratorium during the last quarter of 1966 on the transfer of enterprises to the new system of management and incentives. The number of converted enterprises was scheduled to total about 2,500 by the end of March, although less than a third of this number had been transferred by the end of 1966. The schedule calls for half of all industrial enterprises to be working under the new system by the end of 1967, with the remainder to be converted during 1968.

The reform is also being extended to the nonindustrial sectors of the economy on an as yet unspecified schedule. Transportation, communications, and service enterprises have already been affected, and recent press discussion indicates that several hundred state farms will be reorganized according to the new principles.

The Soviets claim that enterprises transferred to the new system last year considerably outperformed industry as a whole

in terms of sales, profits, and labor productivity. This does not necessarily vindicate the reform principles, however, since the converted plants were above average in efficiency in the first place. Moscow has been silent on how their 1966 performances compared with previous years.

A large part of the reformed plants' good showing last year probably came from their more efficient use of land, labor, and capital. To the extent that the new principles reduce the inefficiency of the old system--which emphasizes maximum output with few penalties for the wasteful use of resources--they will bring about a temporarily accelerated rate of growth.

The reform movement will take a major step forward in July when new wholesale prices are adopted for heavy industry. Comparable revisions went into effect early this year for light industry. The present phase of the Soviet economic reform, however, is just a beginning, and the basic tenets of the Soviet economic system--central planning and administratively set prices--remain unaltered. Bureaucratic interference and obstructionism from the banks continue to compound the problem of converting part of Soviet industry to the new system while the majority of factories operate on the old principles. The long-term results thus will be determined by actions taken in subsequent years.

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MIDDLE EAST - AFRICA

The quarterly rotation of Turkish troops on Cyprus--usually an occasion for incidents--went off smoothly. This was a boon to Athens because the Greek Government is currently embroiled in yet another confrontation between the King and the Papan-dreous. India's Congress government also is suffering setbacks having now lost control of all but seven of the 17 state legislatures. Its problems are exacerbated by the surprising unanimity of the opposition parties in putting forth candidates for the presidency and vice presidency, an act which caught Congress Party leaders off balance.

Army machinations continue to plague three of West Africa's military regimes. In Dahomey, younger army officers are threatening to impose a supreme military committee on the ineffective Soglo government. Togolese Army Chief of Staff Eyadema has stated privately that he would assume the title of chief of state on 13 April, giving up any idea of early elections. Sierre Leone's new military regime is off to a shaky start with nascent factionalism within the ruling council and signs of restiveness among junior army officers.

There have been recent movements of Tanzanian troops and military supplies to the Mozambique border, probably related to the anticipated renewal of activity by Mozambique guerrillas. Since insurgency began in late 1964, the guerrillas have mounted "offensives" each spring at the end of the rainy season. In Congo (Kinshasa), Mobutu is talking about a massive reorganization of his parliament and extensive constitutional changes.

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RIGHT-WING TAKE-OVER CHURNS GREEK POLITICAL CRISIS

King Constantine's naming of National Radical Union (ERE) leader Kanellopoulos as premier early this week capped two weeks of intense political maneuvering in Athens.

The King and the new premier are trying to obtain a parliamentary vote of confidence and the passage of a simple proportional electoral bill, but the chances for success are slim. All of the other principal parties have declared they will vote against the new government when it goes before Parliament on 12 April. Failing a vote of confidence, Kanellopoulos is empowered to dissolve Parliament and to head a service government to supervise elections after a 45-day campaign period.

The new cabinet is composed wholly of ERE deputies, many of whom support the self-exiled ERE strong man and former premier Constantine Karamanlis, who has had his differences with Kanellopoulos in the past. This apparent detente between the two party leaders could be short-lived. Many ERE deputies are opposed to early elections because they fear their chances for re-election are slim. Others have long expressed the view that some form of dictatorship is the only solution that can ensure the future of "democracy" in Greece.

Although it appears that the King is still aiming for elections in May, his installation of

Kanellopoulos has once again revived the "monarchy" question. Center Union (EK) leader George Papandreou has portrayed the King's action as a "grave scandal" and insists the "universal disapproval" of Kanellopoulos should persuade him to resign and permit the installation of an impartial service government to hold honest elections. Papandreou's son Andreas, the King's chief opponent, has taken his usually bitter stand and charged that the King has lost forever the chance to reconcile himself with the Greek people.

Public reaction to events so far has been generally mild, but there have been some student demonstrations. However, the EK and the crypto-Communist United Democratic Left can be expected to step up their antigovernment protests, and serious trouble could develop between the demonstrators and the security forces. Kanellopoulos has promised swift police action if violence does occur.

With the confidence debate not scheduled to begin before next week, the protagonists may have a short breathing spell. However, action is sure to step up at that time as the grappling for position continues. Regardless of the outcome of the vote, the King will almost surely face new hurdles before the elections.

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SOVIET-EGYPTIAN ECONOMIC RELATIONS PROBABLY REVIEWED

Both Moscow and Cairo have been unusually tight-lipped about Foreign Minister Gromyko's visit to Egypt last week. The visit seems to have been arranged on short notice and took place amid signs that Egypt's economic problems may have created some strain in Soviet-Egyptian relations.

The Soviet foreign minister's arrival was coincident with the presence in Cairo of a delegation from the International Monetary Fund (IMF), which has been demanding stringent economic reform before considering any further assistance to Egypt. His visit also overlapped that of a high-level Soviet economic delegation seeking to adjust the Soviet aid program to conform with Egypt's latest cutback in development plans. The latter delegation's only significant decision was to allocate about \$161 million from earlier Soviet credits for expansion and new construction at the steel complex in Helwan which have been under consideration for a number of years.

Moscow has shown extreme reluctance in assuming the responsibility for bailing Egypt out of its economic difficulties and probably is disquieted by Nasir's failure to heed Soviet advice. A Soviet economic advisory group, invited last fall by Nasir, recommended the adoption of an austerity program similar to but less stringent than the IMF's and urged Cairo to reach some compromise with the IMF. Meeting the requirements of the IMF is

the key to obtaining some relief from Western creditors who are owed about \$200 million in hard currency in 1967 alone.

Moscow probably also is dismayed by Nasir's recent withdrawal of Cairo's request for US wheat. The USSR has repeatedly stressed its reluctance to replace the US as a major supplier of Egypt's annual 2.5-million-ton import requirement. Although it is providing 250,000 tons of wheat with repayment under the bilateral clearing agreement, Moscow has offered to provide an additional 400,000 tons only if Cairo pays for it in hard cash or in commodities outside the clearing agreement. France has imposed conditions just as severe, and Australia, where Egypt now seeks wheat, is considering doing the same.

The uninformative communiqué following Gromyko's visit merely mentioned that bilateral relations were discussed and dealt almost exclusively with Vietnam and general foreign policy matters. The most topical foreign policy issue would have been the situation in Aden. Moscow has not taken an active role in this issue but could be expected to voice its concern if it felt that Arab rivalries in the area might lead to a dangerous escalation of the Saudi-Egyptian confrontation. The omission of any reference to economic matters--which were undoubtedly covered--may indicate that talks in this sphere were troubled and inconclusive.

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VIOLENCE ERUPTS IN ADEN

Violence erupted in Aden, as expected, upon the arrival of the UN advisory mission, but despite nationalist predictions, the riots did not get out of hand. The general strike, however, was completely effective. Each of the two main nationalist groups, the Front for the Liberation of Occupied South Yemen (FLOSY) and the National Liberation Front (NLF), now seems to be directing its terrorist activity toward winning dominance over the other.

Torrential rains on 1 April, the date scheduled for the arrival of the UN mission, and the subsequent delay of its arrival until 2 April, appear to have helped dampen the violent reception planned by the nationalist groups. Discovery of large arms caches by the authorities just beforehand may also have reduced the casualties. Through 3 April, the official count was three killed and 24 wounded as a direct result of the skirmishes between terrorists and British troops, but the final toll will undoubtedly run higher.

The three-man UN mission-- composed of representatives of Afghanistan, Mali, and Venezuela-- is under the protection of some 2,500 British troops. The mission has announced that it intends to proceed with its investigations "irrespective of the situation." So far the FLOSY and NLF leaders have refused to see the mission while it is under British sponsorship. However, the mission plans

to visit nationalist headquarters in Taizz, Yemen, in order to hear the views of the opposition leaders.

This UN concession to the nationalists' demands may do little to assist their cause, because of the vicious rivalry between the two main groups. FLOSY claims that it is the sole representative of the South Arabian people; the NLF says that these people are represented by several nationalist groups, including itself and FLOSY. Behind these surface issues, there is a deadly struggle for the postindependence dominance of South Arabian politics and for unchallenged support by Nasir.

Several times previously the two groups have used general strikes and terrorist attacks in Aden to mask assassination attempts against the leaders of the rival parties. Nationalist rivals are believed to have caused several casualties during the current demonstrations, including the death of Haydar Shamshir, a FLOSY leader. This has exacerbated animosities to the point where a FLOSY speaker is reported to have told a mass rally on 4 April that Shamshir's assassination could touch off civil war.

FLOSY has called for a continuation of the general strike through 10 April. The NLF opposes the extension and will distribute leaflets to this effect.

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NEW STATE-LEVEL DEFEATS FOR INDIA'S CONGRESS PARTY

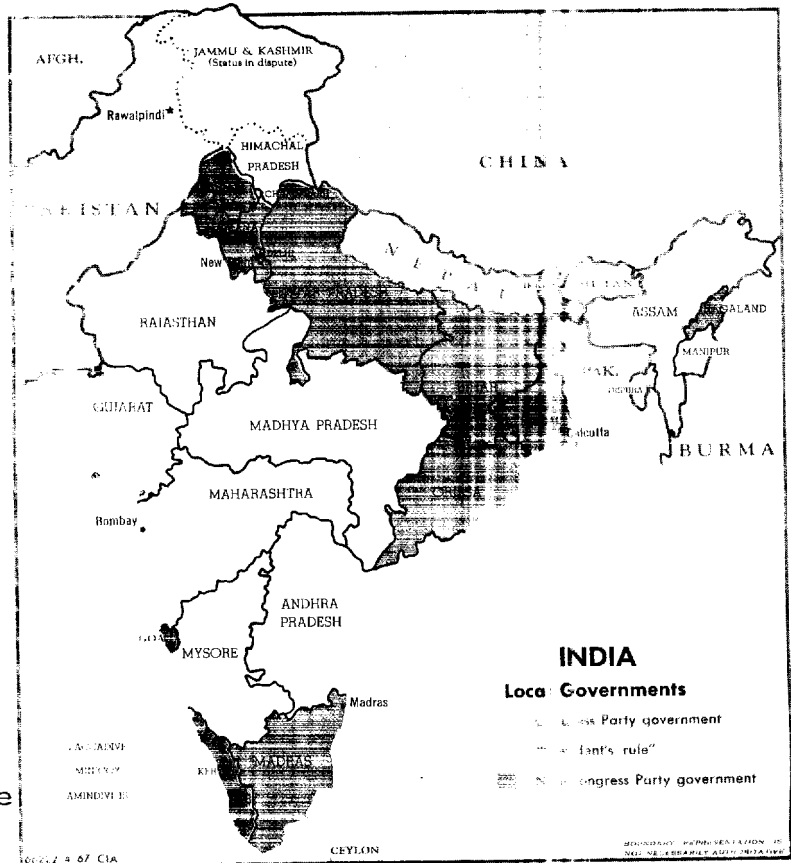
The fall of an 18-day-old Congress Party government in the state of Uttar Pradesh on 1 April highlights the continuing political instability on the state level resulting from India's February general elections. On the national level, however, Congress still retains its slim majority.

The Uttar Pradesh government was the second Congress regime in two weeks to be toppled by defections from the party. Neighboring Haryana, whose Congress Party administration collapsed in a similar manner on 22 March, now has a new non-Congress coalition government led by the defectors. The same kind of coalition is expected to take power in Uttar Pradesh.

The loss of Uttar Pradesh--India's most populous state (about 85 million people) and once the major stronghold of Congress political power--was a jolting setback for the party. Congress now has majorities in only seven of the 17 state legislative assemblies, has failed to win control of Goa's local government, and is out of power in two other union territory legislatures. Non-Congress governments now control not only the two southernmost states but also those spanning the entire width of northern India and including some of the most heavily populated and productive areas of the country. The future stability of at least three more Congress state governments could

be threatened by factionalism and personality clashes.

Several of the new non-Congress state governments contain built-in elements of instability. Only the Communist-dominated regime in Kerala, the regionalist government of Madras, and the conservative Swatantra-led coalition in Orissa have fairly good prospects of hanging together. Elsewhere the non-Congress coalitions are bound together mainly by their common desire to deprive Congress of



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power. One of these disparate coallitions, the leftist-dominated government of West Bengal, has been confronted with a major problem in maintaining law and order in the capital city of Calcutta due to communal conflict between Hindus and Sikhs.

The recent rash of defections from state Congress Party governments has touched off speculation that Congress' slim

majority in the national Parliament may soon disappear. So far, however, the malaise has been confined to the states where the premium for defection from the organized party is greatest-- leadership of an alternative government. This incentive is absent in New Delhi where the splintered opposition parties have not yet been able to forge a united opposition front to attract dissident Congress legislators. [REDACTED]

ANGOLAN INSURGENCY DRAWS PORTUGUESE REPRISAL

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Insurgency along Angola's principal railroad prompted the Portuguese in mid-March to suspend transit trade which is vital to the Congo (Kinshasa) and of importance to Zambia. Insurgents based in these countries apparently derailed three trains last month along the Benguela Railroad in eastern Angola.

Both the Congo and Zambia are economically dependent on copper exports, and the Benguela Railroad has been the largest single carrier for the Congo and recently for Zambia. Zambia was forced in late March to compromise its policy toward the white regime in Rhodesia and to revert partially to rail routes through that country. The importation of needed goods over the Benguela Railroad is especially important to the Congo's Katanga region, and other import routes, including the Rhodesian Railways are already clogged. If the Angolan line should remain closed for an extended period of time, the

cash economy of Katanga will deteriorate sharply and Zambia would be faced with the decision to set aside its political principles and to make fuller use of the Rhodesian Railways.

Lisbon is fed up with the private assurances and ambivalent policies of the Congo and Zambia in the past. The Angolan governor general admits that the Portuguese may be unable to prevent attacks on the railroad, but he is convinced they can effectively hinder insurgent activity. [REDACTED]

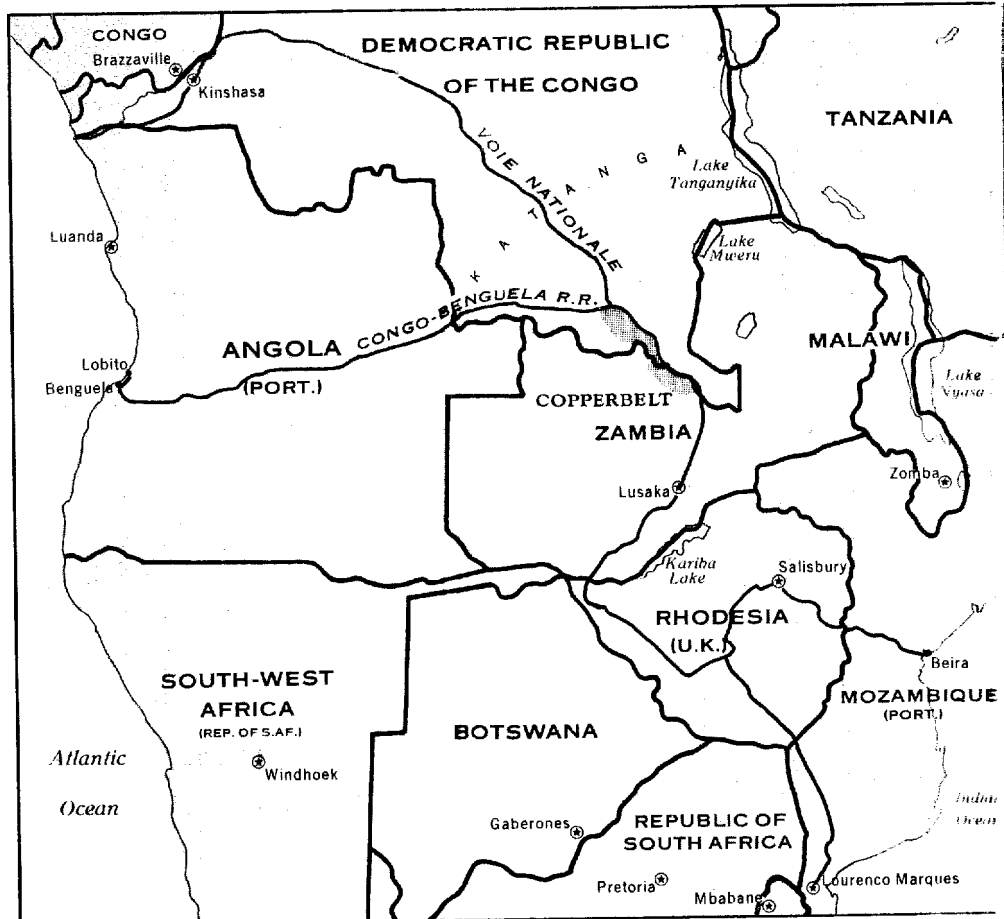
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Zambia has been most susceptible to Portuguese pressure and has increasingly clamped

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down on numerous nationalist groups over the past few months. The leader of the insurgent group responsible for at least one of the rail incidents claims that attacks on the Benguela Railroad were contrary to his instructions, and he hopes to prevent further incidents. However, he pointed out that it is virtually impos-

sible for Zambia to control its long border with Angola.

The Congo, involved in diplomatic skirmishes with Portugal for several months, has yet to face up to the drain on its economy caused by the railroad shut-down and so far has done little to curb the nationalists in its area.

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NIGERIAN BRINKMANSHIP CONTINUES

The economic skirmishing between Nigerian Commander in Chief Gowon and Eastern Governor Ojukwu has entered a phase of concrete but limited moves and countermoves. Both seem prepared to continue in this vein for some time, although there are new indications Ojukwu is thinking in terms of ultimate independence for his region.

In partial fulfillment of his earlier threat to take control of revenues generated in the region, Ojukwu issued an edict on 31 March requesting federal revenue collectors in the East to pass all payments directly to the Eastern government rather than to the federal account. The edict does not alter the existing formula for allocating revenues among the regions nor does it touch the important oil revenues, which are mostly paid to the federal account in London. According to Eastern officials, the revenues collected under the new edict will be used to pay up arrears they claim the federal government owes, after which they will be remitted to Lagos as before. There are reports, however, that the edict is merely the first step in asserting full control over all revenues generated in the East.

Thus far the federal government's principal reaction to Ojukwu's edict has been to halt Nigeria Airways flights to the East. This move, which Lagos defends on grounds that Ojukwu has already sequestered airline rev-

enue, will deny him any further income from this fairly lucrative source.

Ojukwu is likely to use the flight ban to justify new anti-federal actions and will consider this one more reason why the East must operate more independently. In what may be further preparation for moves toward eventual secession, Ojukwu is appealing to all Ibos--the East's major ethnic group--to return home.

It is unlikely that the Supreme Military Council would formally approve military action against Ojukwu or even a total economic blockade. Both the Western and Mid-Western governors have already opposed a proposal requiring East-bound shipping to call first at Lagos. In what is probably a contingency move, however, federal forces along the border between the Eastern and Northern regions have been reinforced in the past two weeks with several hundred men and some armored personnel carriers.

Meanwhile the Ghanaian mediators who last January managed to arrange a meeting in their country of the feuding Nigerian leaders are continuing their efforts. Ojukwu has already agreed to another meeting in Ghana. Gowon, however, is reportedly reluctant but will consult the other military governors. [REDACTED]

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WESTERN HEMISPHERE

Inter-American officials as well as various extremist groups are completing last-minute preparations for the summit meeting in Uruguay from 12 to 14 April.

Most of the foreign ministers and their subordinates assembling in Punta del Este for the foreign ministers' conference beginning on 8 April will stay on for the meeting of presidents. This preliminary meeting--which actually is the final session of the talks begun last month in Buenos Aires--has as its primary task the drafting of a preamble for the declaration to be signed by the presidents. The ministers may also make new efforts to come up with an acceptable text for an agreement renouncing acquisition of certain costly military equipment.

It now seems virtually certain that the keenest topics for the summit talks will be Latin American economic integration and the terms of trade for the area's raw material exports. On the former issue, a fairly sharp dichotomy remains between nations like Brazil and Peru which favor a cautious subregional approach to a common market, and others which prefer a more rapid, area-wide approach.

Most official and unofficial Latin American commentary on the eve of the conference--excepting, of course, the increasingly shrill Cuban and other extremist propaganda--reflects a sober but guardedly optimistic attitude toward the chances for success.

Security forces in Uruguay are bracing for more protest demonstrations and minor attacks on US property. Some Communist-inspired violence during the summit seems likely there and perhaps elsewhere but should pose no serious threat to the proceedings.

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CHILEAN VOTERS REBUFF PRESIDENT FREI

President Frei did not receive the vote of confidence he had requested from the Chilean electorate in the 2 April municipal elections. Piqued by the opposition-controlled Senate's refusal to permit him to visit the US and the failure of his constitutional reform legislation, Frei concentrated on the elections for the local councilmen. He campaigned vigorously throughout the country, urging voters to support members of his Christian Democratic Party (PDC) as a sign of approval of his administration.

The election results appear to bear out the opposition claims that a majority of the population opposes the Frei administration. The PDC received only 36 percent of the votes--a drop from its 42 percent in the 1965 congressional elections--while the Communist-Socialist Popular Action Front increased its total substantially. However, the PDC got more than twice as many votes as its closest rival and doubled the number of municipal posts under its control. It thus obtained increased patronage opportunities and will also be able to improve its local organization, a well-known PDC weakness.

The PDC's failure to repeat the success of its presidential

and congressional campaigns was in part a result of normal dissatisfaction with the actions of the party in power. Frei's economic stabilization program has hurt many sectors that are accustomed to operating in an inflationary situation. Furthermore, Chile historically has had a multiparty political system. The presidential election of 1964 presented the Chilean electorate with a choice between Frei and the Communist backed pro-Castro Socialist Senator Salvador Allende. Many middle-class Chileans, who are essentially conservative, voted for Frei as the lesser of two evils, and a good deal of his success carried over into the congressional elections in 1965. The municipal elections, however, afforded voters a choice among a number of candidates, and many returned to the National Party, an amalgam of the two traditional conservative parties.

Frei's congressional opposition probably will become more intransigent as a result of the elections. The left wing of the PDC, which has accused the government of losing its revolutionary fervor, may attempt to capitalize on Frei's setback to gain control of the party at its national congress later this year.

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BOLIVIAN GOVERNMENT OVERREACTS TO GUERRILLA ATTACK

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The Bolivian Government, shaken by the 23 March guerrilla attack on an army patrol near the southeastern town of Camiri, is hastily attempting to organize counterinsurgency operations.

The military has abandoned its earlier idea of confronting the guerrillas immediately. Plans call for a sustained counterinsurgency campaign which could last for months. Outposts and roadblocks are being set up, and patrols are being sent out to probe for strongholds. A special army combat force will be equipped and trained to attack the base camp at a later date. At present there is no unit in the Bolivian Army properly trained for guerrilla warfare.

There have been reports of limited contact with the guerrillas during the past week, but no significant clashes have occurred since 23 March. The identity of the band is still uncertain, but it seems to be a force of 35 to 100 disparate leftist elements

parently the ambushed army patrol had stumbled onto the guerrilla nucleus and forced the band into action earlier than the guerrillas had planned.

The guerrilla band as now constituted--limited in size and isolated--does not pose a threat to the government. If the military succeeds in destroying the movement in a relatively short period of time, Barrientos' image as a leader will be enhanced and other extremist groups will be discouraged from attempting similar actions. Conversely, failure to find and defeat the guerrillas could give encouragement to the extremists, dissipate military and police counteractions, and place Barrientos in a difficult political position.

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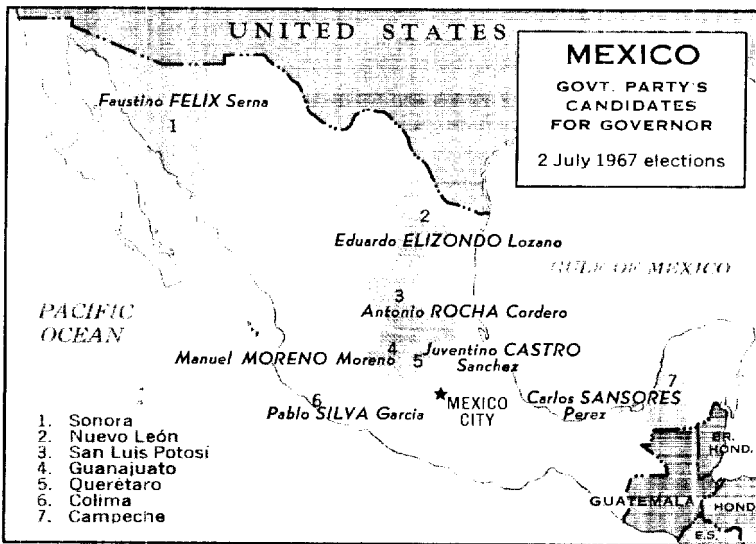
CRACKS IN THE MEXICAN MONOLITH

Mexico's controlling Institutional Revolutionary Party (PRI) is in high gear for the 2 July election of seven governors and all 178 deputies of the national assembly. This is the first nationwide election since Gustavo Diaz Ordaz became president in 1964 and is an important step in the consolidation of his control over the country's elaborate political machinery.

The will of the President is the main factor in the choice of candidates. Although top-level posts in the PRI and in the government bureaucracy are filled with Diaz Ordaz appointees, most of the governors and all of the Congress remain from the last administration. Some among this latter group who are considered

loyal to Diaz Ordaz will be elevated to high appointive positions and will figure heavily in the speculation for the 1970 presidential race.

The indisputable dominance of the PRI leaves few questions about the outcome of this summer's "contest." A few seats in Congress may be captured by minor parties, but there are no opposition candidates for governor. Despite the absence of effective partisan opposition, dissatisfaction with the PRI, based on the ruling party's arbitrary "imposition" of even local candidates, is growing among the increasingly sophisticated electorate.



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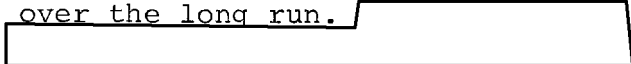
Currently dramatizing Mexico City's deafness to grass-root sentiment is an unusually persistent protest against the PRI's gubernatorial candidate in the state of Sonora. Even though the 1961 campaign in Sonora had been bitterly contested and discontent with the party's choice of Faustino Felix Serna was predictable, the party badly misjudged the depth of popular resentment. Students who have led the sporadically violent protest are now calling for the resignation of the incumbent governor and have elicited student support from outside the state for their demands.

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So far the party hierarchy has indicated no readiness to back down in Sonora, and PRI selections in the other six states have presented no unusual difficulty yet.

President Diaz Ordaz is believed to be interested in "democratizing" the government party by encouraging constituent rather

than party selection of candidates. Such a radical alteration to the system, which would render impotent the now powerful party bosses, is a delicate and difficult undertaking. Developments such as the Sonora affair may work toward the liberalization of PRI's control, but only over the long run.



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LABOR RESISTANCE TO ARGENTINE GOVERNMENT POLICY WEAKENS

The Ongania government, apparently convinced that Argentina's disorganized labor movement is temporarily powerless to force it to alter its economic policies, is imposing new wage freezes and price controls in its effort to combat inflation. Although inflation raised living costs about 30 percent last year, the government has announced that it will limit wage increases through 1968 to a range of 8 to 24 percent, depending on the amount of the workers' raises during 1966. It is contemplating complementary restrictions on price increases.

The labor movement is in serious disarray after the defeat last month of its "Action Plan" for strikes and demonstrations. Government pressure forced the General Confederation of Labor (CGT) to call off the plan. Now the CGT is trying to resume negotiations with the government similar to those in the early

months of President Ongania's rule. Ongania, however, is unlikely to be moved by labor leaders' continued claims that his wage policy will hit the lower income worker hardest and that the workers are bearing the brunt of the government's anti-inflation policies.

Various factions within the CGT are struggling to gain control of the organization. It now appears, however, that Peronist moderate Augusto Vandor will maintain his hold over the CGT ruling council. Surprisingly, Vandor has kept the loyalty and support of much of labor despite the failure of the "Action Plan" for which he was largely responsible. His main rival, Jose Alonso, an orthodox Peronist who did not support the "Action Plan," has lost ground in efforts to form a coalition of unions to fight Vandor's rule.



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