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DIRECTORATE OF
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(Information as of noon EDT, 4 May 1967)

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FAR EAST

China has reacted to intensified US air strikes in North Vietnam with charges that the US is plotting to extend the war to China. Peking's propaganda claimed its air force destroyed five US aircraft which allegedly violated Chinese territory. No specific threats of counteraction were made. China's charges appear designed primarily to deter US air operations near the Chinese frontier.

The pace of Communist military action in northern South Vietnam increased sharply last week with massive shellings of US positions and an extended engagement between an estimated 2,500 North Vietnamese regulars and two US Marine battalions.

In Peking, the Chinese staged an unusual May Day celebration which featured the largest turnout of leaders since last November. The roster of the select group surrounding Mao Tse-tung suggests that further changes have been made in the military high command. The absence of Liu Shao-chi and Teng Hsiao-ping further underlines their isolation and degradation.

The resignation of Prime Minister Lon Nol's cabinet in Cambodia apparently reflects an attempt by Chief of State Sihanouk to check political infighting and to establish a better balance between forces of the right and left. Sihanouk's action may have been prompted by indications that the prime minister and the army were preparing a major purge of the left, threatening his traditional practice of playing leftist and conservative elements against each other.

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VIETNAM

The tempo of Communist operations in South Vietnam's two northernmost provinces increased sharply during the past week, amid indications of continuing reinforcement of units.

On 27 and 28 April, Communist forces shelled US Marine positions at Gio Linh and Dong Ha in northern Quang Tri Province and at Phu Bai in adjacent Thua Thien Province with one of their heaviest barrages of artillery, rocket, and mortar fire to date. The obviously well-coordinated attacks resulted in cumulative US losses of 12 killed and nearly 200 wounded, as well as damage to US aircraft and artillery.

In western Quang Tri Province near the Laotian border, two US Marine battalions and an estimated 2,500 North Vietnamese Army (NVA) regulars have been engaged for more than a week in sporadic heavy fighting some six miles northwest of Khe Sanh. The action began on 25 April when a Marine engineer convoy participating in Operation PRAIRIE IV was ambushed along Route 9 by what was estimated to be an NVA battalion. The convoy was reinforced by additional Marine units, and a major battle then developed for control of three strategic hills northwest of Khe Sanh astride key enemy infiltration routes from both Laos and the Demilitarized Zone (DMZ).

As of 3 May, US forces, supported by continuous air and artillery bombardment, had lodged some elements of the

enemy force--now tentatively identified as at least a regiment of the 325th NVA Division--from their heavily fortified hilltop positions. The battle, however, has been costly to both sides--enemy casualties to date are 473 killed and US losses are 119 killed and 330 wounded.

The pattern of the past week's Communist activity in Quang Tri and Thua Thien provinces suggests at least a temporary shift of military attention away from Revolutionary Development teams, South Vietnamese Army district headquarters, and outposts. The massive shellings of US bases are designed to inflict maximum American losses at minimum enemy cost. The action at Khe Sanh is clearly intended to draw elite US combat units into a protracted battle of attrition in terrain tactically advantageous to the Communists. The concentration on US targets may also reflect an increasing determination to register a spectacular victory against a major US position--for its psychological value both locally in the provinces and in Saigon and Washington.

Preliminary analysis of bomb-damage photography of the strike on Kep Airfield on 1 May showed three parked MIG fighters burning. At least two other MIGs at Hoa Lac were also damaged. Although the facilities at both fields sustained limited damage, the primary runways appear to be serviceable.

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Politics in Saigon

Considerable anxiety is evident in current Constituent Assembly debate on the proposed presidential electoral law prepared by an assembly drafting committee. This anxiety stems from the desire of both civilians and the military to derive some built-in advantage from the provisions of the law.

Premier Ky and his supporters have been concerned that the prospects of the military nominee could be reduced by possible restrictions on the number or eligibility of candidates, or by a requirement that the winning candidate must have a specified minimum percentage of the total vote.

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Although the subcommittee had dropped the provision calling for a runoff between the top two candidates, deputies supporting civilians for the presidency may attempt to reinsert it during the assembly's plenary debate. In addition, some provision aimed at restricting the number of candidates now seems likely to be adopted as a compromise.

Certain other differences between the military and the assembly over the electoral regulations, although not likely to bear significantly on the outcome

of the elections, reflect the defiant mood of some of the deputies. For instance, the assembly has approved a 3 September election date out of pique at the Armed Forces Congress for having previously, on its own, announced the date as 1 September. The draft law also states that military personnel must request leave without pay beginning with the date they file their candidacies through election day. Some deputies believe candidates should be completely divorced from governmental positions. This issue may arise during plenary debate.

Another irritant which could upset relations between the military and the assembly is the designation of Police Director Loan in place of General Tri as the Directorate liaison contact with the deputies. Loan's heavy-handed method of interjecting Ky's recommendations have already nettled some of the assemblymen. It is possible, however, that many of them fear Loan's security apparatus enough to submit to pressure tactics.

The final form of the controversial provisions will be decided upon in the next few days of assembly deliberations. The interests of the military establishment appear to be well represented through sympathetic deputies in the Democratic-Alliance bloc--the largest and most influential assembly grouping--and it does not appear likely that the present draft presidential election regulations will be seriously altered.

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PEKING MAY DAY LINE-UP POINTS TO FURTHER CHANGES

Mao Tse-tung, Lin Piao, and Chou En-lai joined 150 other officials at a mass May Day rally in Peking in the biggest turnout of Chinese Communist leaders since last November. The list of names for this huge turnout points to possible changes in the military command structure and the further isolation and degradation of Liu Shao-chi, Teng Hsiao-ping, and their adherents.

Mao and Lin spent the day cruising from gathering to gathering in an open car, followed by 13 other politburo members, military leaders, and Cultural Revolution officials.

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[REDACTED] Mao

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appeared quite healthy and alert on the rostrum, where he remained for 90 minutes.

The roster of the elite group in Mao's motorcade suggests that further changes have been made in the military high command. The only military men aside from Lin were acting Chief of Staff Yang Cheng-wu, Minister of Public Security Hsieh Fu-chih, the top army commissar Hsiao Hua, and Su Yu, a capable officer who had been in political limbo since being replaced as chief of staff in 1958. Su's return to prominence

in company with these three tends to confirm poster reports late last month that the four had been named vice chairmen of the party's Military Affairs Committee. Reportedly, they have replaced three members who have been under heavy Red Guard attack--Hsu Hsiang-chien, Yeh Chien-ying, and Chen Yi.

Several politburo members, including these three, who have been castigated through posters and demonstrations, turned up in their proper formal ranking on the Tienanmen rostrum with Mao. Their presence does not mean that they have been restored to good standing. All were pointedly excluded from the motorcade and from small elite groups which joined Mao in various ceremonial events during the day. Their appearance, however, makes more conspicuous the absence of such major propaganda targets as Chief of State Liu Shao-chi.

Several high-ranking military officials from the provinces showed up at the rally, including the commanders of the Lanchow, Tibet, Kunming and Foochow Military Regions. Their presence in Peking may be a sign that a parley of regional military officials is under way to decide how to handle local political

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disturbances. There is evidence, however, that Peking does not fully trust at least two of these commanders--those from Kunming and Lanchow. They may have been brought to Peking to get them out of the way while their commands are being reorganized.

There are, in fact, several signs that the drive to remove local military commanders is being stepped up. Numerous posters highly critical of local commanders have been displayed in Peking in the past two weeks. Posters allege that in Kansu Province, for example, two party secretaries supported by a deputy commander of the Lanchow Military Region used civilians and troops to rout Red Guards from a news-

paper office on 18 April, resulting in the death or injury of several hundred. A deputy commander in Chengtu allegedly has instigated similar clashes six times since 4 April.



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CAMBODIAN GOVERNMENT REPLACED

The ouster of the moderate Lon Nol cabinet in Cambodia represents another effort by Chief of State Sihanouk to strike a fresh balance between the right and left in Phnom Penh.

In announcing Lon Nol's resignation on 30 April, Sihanouk explained that it resulted from "grave dissension" among "important leaders" in the government and the National Assembly. Sihanouk has long played leftist and conservative elements against each other, and his latest move may have been prompted by indications that the prime minister and the army were preparing a major purge of the left. One of the reasons given for Lon Nol's resignation was the recent disappearance of two leading leftists who had been charged with complicity in recent antigovernment disturbances.

The Cambodian left has attacked the Lon Nol government since its establishment last October, largely because of its lack of leftist representation. Sihanouk's support continued, however, until the outbreak of

dissidence in western Cambodia last month and an upsurge in leftist agitation undermined the Lon Nol government's position.

The new "interim" cabinet, which was announced on 2 May, contains no major surprises. It is dominated by old-line conservatives, among them the new prime minister, Son Sann, Sihanouk's chief economic adviser. The inclusion of two prominent leftists, however, indicates Sihanouk is determined to make it less vulnerable to attack from the left than its predecessor. Sihanouk has stated that the Son Sann cabinet will hold office for only one to three months, in the "hope" that the political situation will then permit the installation of a more permanent government.

The army, meanwhile, is continuing sweep operations against what it terms "Communist" dissidents in western Cambodia. Sihanouk has also moved to meet popular discontent in the area by naming a new governor of Battambang Province, center of the disturbances.

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EUROPE

The Soviets displayed no new military equipment in this year's May Day parade. They are probably waiting until the 50th anniversary celebrations in November to show off their newer weapons. Defense Minister Grechko's May Day speech contained the standard denunciation of US policy in Vietnam and the standard specter of a nuclear-armed West Germany.

The Eighteen Nation Disarmament Committee's reconvening has been postponed from 9 May until 18 May in order to give the US and the USSR more time to work out their differences over the draft nonproliferation treaty. The main problems are the safeguards article and the question of whether nuclear states should retain a veto on amendments to the treaty.

Prime Minister Wilson's long-awaited announcement of a new bid to join the Common Market implied that he will accept the existing community with minimum conditions, although possibly for tactical reasons he stopped short of a flat offer to sign up. Some Labor backbenchers will be vehement in their opposition when Parliament debates the subject next week, but Wilson is certain to get overwhelming endorsement for a formal application. The next important steps rest with the EEC members, and all interested parties are waiting to see what line De Gaulle will take.

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PROGRESS IN SOVIET WEATHER SATELLITE SYSTEM

Soviet efforts to develop a weather satellite--including nearly three years of flight testing--have apparently culminated in a decision to proceed with establishing an operational system.

With the launch of Cosmos 156 on 27 April, the Soviets have two operating weather satellites in orbit, indicating that development has been completed and that they have confidence in the system. Soviet statements also indicate that the USSR has decided that a space weather system is both desirable and feasible.

Cosmos 144 and 156 are in almost circular orbits more than 300 miles high at inclinations of 81 degrees, giving almost worldwide coverage. The planes of the orbits are perpendicular, resulting in nearly maximum frequency of coverage for a two-satellite system. The light and dark sides of the earth are each scanned twice daily.

The satellites are equipped with both television and infrared systems. The television provides day-time pictures of the earth and its cloud cover with a resolution approximating that of similar US systems. The infrared equipment permits analysis of cloud cover and meteorological conditions both day and night. Orbits by

the SL-3 launch system (the SS-6 with a Lunik upper stage), the satellites weigh 3,000 to 5,000 pounds and use solar cells for electrical power.

Moscow is sending cloud maps and other data from both satellites to the US over the weather "hot line" under the terms of the bilateral agreement on cooperation in space. So far, however, the data is not being sent as quickly as the agreement calls for. The initial satellite weather data provided to the US by the Soviets came from Cosmos 122 in 1966, the first of the test vehicles to operate satisfactorily and the first to be publicly identified as a weather satellite.

The Soviets will probably launch more weather satellites to replace those which malfunction or to provide increased coverage.

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FRENCH GOVERNMENT SEIZES THE INITIATIVE IN PARLIAMENT

The government's decision to seek special powers for six months in order to decree economic reforms reflects both the seriousness of the problems it faces and its lack of confidence in parliament. The reforms are intended to prepare France for full competition from its five Common Market partners when the last tariffs within the EEC are removed on 1 July 1968. There are measures to modernize inefficient industries or regions or to redirect their efforts, to assure full employment, to increase state assistance to unemployed workers and to put the social security system on a sound financial footing.

To avoid seeking a majority in parliament in favor of the enabling legislation, the government probably will take advantage of a constitutional prerogative whereby the bill will be adopted automatically unless a majority of the membership supports a censure motion. This tactic spares dissatisfied deputies from having to go formally on record in favor of the bill and places the burden of gaining a majority on the opposition.

The opposition Federation of the Left has already announced its intention to introduce a

censure motion and expects support from the Communists and many of the center deputies. The Gaullist camp, however, supported by individual center deputies, is expected to hold a thin edge. Giscard d'Estaing and his Gaullist-allied Independent Republicans are unhappy over a procedure which robs them of any opportunity to influence the nature of the proposed legislation. The government is banking, however, on Giscard's reluctance to take responsibility for bringing the government down in the face of an implicit threat of new elections.

The government's real problem is to get under way a program which, within six months, will stimulate economic growth. With the French balance of payments running a small deficit, the government will try to avoid inflationary measures that would make French exports less competitive. Some measures will be highly unpopular. Should the government's economic reforms fail to show satisfactory results by next fall, the parliament would be emboldened to strike back, possibly by refusing to pass crucial legislation. More important, defections from within De Gaulle's own camp could seriously erode his parliamentary base.

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YUGOSLAV ELECTIONS STIR GRASS-ROOTS POLITICAL ACTIVITY

Yugoslavia's elections last month produced some surprises as well as a few major defeats for the regime. The elections were to fill assembly (parliamentary) seats at local, republic, and federal levels and were the first real test of the rotation principle adopted by the 1963 constitution. About one half (some 14,000) of the seats in the various assemblies changed hands to conform with legislation prohibiting deputies from succeeding themselves. The elections were also a test of the regime's policies which had been designed to encourage competition for the seats and to curtail the direct control of the party over the selection of candidates.

The regime's complicated system of filtering candidates up through local, republican, and federal levels (only local elections are direct) generally resulted in choices acceptable to the party. Local voters, however, took a particularly strong hand in the process. In one constituency, angry crowds disrupted a political caucus to prevent its rejection of their candidates. In other caucuses, "mild panic" broke out as many party hacks found themselves passed over in favor of younger, more popular men and women.

The party suffered a definite defeat in Serbia. Approved nominees for five out of the ten vacant seats in the country's

highest parliamentary body, the Federal Assembly, were beaten by opposition candidates who campaigned against the regime's policies. The most notable loser, Foreign Trade Minister Nikola Dzuverovic, lost by a three to one margin to a partisan hero of World War II. His opponent, and the winners of the other four seats, won by playing on dissatisfaction among the peasants and by condemning the country's economic reform program as alien to their interests and to the interests of the republic.

The regime had established a freer election process to help rid itself of the conservative, partisan type who resist Yugoslavia's liberal programs. The leaders will be aware that these very people used the elections to defeat the party's more liberal candidates in Serbia.

Nevertheless, it seems doubtful the leadership will reinstitute cumbersome controls to ensure election of only party-sponsored candidates. A conservative reaction against the ouster of Aleksandar Rankovic last summer was to be expected in Serbia, but backers of the liberal programs fared well in the other five republics. The regime will probably continue the policy of encouraging a real choice among generally acceptable candidates.

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RUMANIA ACCENTUATES ITS INDEPENDENT STANCE

Bucharest, by deciding to stay away from the all-European Communist Party conference held last week at Karlovy Vary, moved perceptibly closer to a position long held by neighboring Yugoslavia.

This decision climaxed an unprecedented number of bilateral contacts with Communist parties of both NATO and Warsaw Pact countries as well as with the Yugoslavs. To further emphasize its disapproval, the regime's press published a wave of articles, one of which flatly states that the establishment of both internal and foreign policy lines is the "...exclusive business, the unalienable right of each Communist party."

Bucharest based its decision not to go to the conference on differences with its Communist allies much broader than were evident when it decided not to attend the Moscow consultative meeting in March 1965. At that time, the disagreements were limited essentially to ideological issues within the Communist camp, for example, the Sino-Soviet dispute, and Soviet hegemony. This time, however, Bucharest also stressed its unilateral right to have relations with any country, such as West Germany.

This "active coexistence" line resembles Yugoslavia's position and, this similarity--along with the greatly stepped-up contacts between the two parties--indicates that their joint absence from the Karlovy Vary meeting was no mere coincidence. The Rumanians and Yugoslavs have made at least nine party-government exchange visits since last November. President Tito and Rumanian party chief Ceausescu have met twice during the same period.

More intensified party contacts between the two countries can be expected in view of their common concern for European security, and their mutual apprehensions about Soviet hegemony. Ceausescu reportedly plans an official visit to Yugoslavia next month. In their pursuit of European security the Rumanians will probably continue to give strong public and governmental support to the Group of Nine--an informal United Nations group of which they are members and which promotes friendlier relations among all European countries. Both Communist mavericks believe that meaningful progress toward European security can be made only at the state level rather than through Communist party meetings such as Karlovy Vary.

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MIDDLE EAST - AFRICA

The food crisis in India is reaching serious proportions and will remain acute until at least the end of the year. Economic strains stemming from two years of drought are contributing heavily to the political difficulties India is experiencing. The election for president is scheduled for 6 May, and the Congress Party candidate, a south Indian Muslim, has only a 50-50 chance to win. The loss of this post by Congress would further erode support for Mrs. Gandhi's government.

In Turkey, the split in the opposition Republican People's Party (RPP) further fragments the political opposition and strengthens the ruling Justice Party. Disturbed by the RPP's increasing drift to the left, 48 center-oriented senators and deputies resigned on 30 April.

World-wide reaction to the Greek coup has been strongly antagonistic. This is particularly true in the USSR and Eastern Europe which harbor large Greek-exile communities. For events in Greece itself see page 16.

Nasir in his speech on 2 May portrayed the US as Egypt's real enemy, and praised the "honorable stand of the Yemeni Government" in its recent actions against the US AID mission.

In Africa, the prestige of Sekou Touré's regime has fallen to its lowest ebb due to financial scandals and a sinking economy, but the regime is expected to survive. Touré most likely will react by lashing out at "foreign corruption." He has already directed that all foreign missionaries be expelled by 1 June.

Nigeria is still on the verge of breaking up. The Western Region's leaders now say that if the East secedes so will the West.

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GREEK MILITARY REGIME DIGS IN

The two-week-old military regime continues to tighten its hold on the country, and no organized resistance has developed. Below the surface calm, however, there are fears that the purging of all the moderate political elements can only lead to an inevitable clash between extreme rightist and leftist factions.

Prominent political personalities of both the center and the right are dismayed by recent events. They doubt that there can be any speedy return to any form of representative government. They believe that eventually the extreme left may be led or driven to armed resistance. For now, however, Communist elements--the presumptive organizers of guerrilla resistance--are all but paralyzed, because most of the "hard-core" troublemakers have been rounded up and sent to detention centers on outlying islands.

The most prominent political detainee is Center Union deputy Andreas Papandreou, whom the coup leaders regard as Greece's "enfant terrible" and the man most re-

sponsible for the country's drift to the left. Andreas apparently will be detained until the regime is satisfied that his power to foment a revolution from the left is broken.

Cyprus has not been affected by the coup in Greece. Both the Greek and Turkish Cypriots reacted with caution, and the coup leaders may be too preoccupied with events at home to concern themselves with the Cyprus problem.

There has been predictably strong adverse reaction to the coup around the world, particularly from Eastern Europe and the USSR. Both harbor large Greek-exile communities from the Communist guerrilla war of 1947-49. Government and public opinion in Western Europe has been almost unanimously critical of the take-over.

After discussions with UN representatives from the Communist countries, UN Secretary General Thant asked the Greek representative to urge his government to follow the usual judicial proceedings in dealing with the political detainees.

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NASIR'S VIEW OF US ROLE IN YEMEN

Nasir, in his speech on 2 May, once again attacked the US as the prime supporter of the forces of "imperialism" which are out to thwart the goals of all "progressive" regimes. He concentrated on the alleged US and British-backed factions in the Middle East, claiming they are trying to negate his influence in the area. He also denounced the "puppet Kings" Husayn and Faysal, made a passing swipe at Bourguiba, and directed a number of jibes at Israel.

Regarding the current Yemeni crisis, Nasir praised the "honorable stand" of the Yemeni Government and referred to the alleged involvement of US officials in the

recent bazooka attack on an ammunition dump at Taiz.

Yemeni Deputy Premier Juzailan and the commander of Egyptian forces in Yemen, Talaat Hasan Ali, made a quick trip to Cairo on 26 April. 25X1

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The arrested Americans will likely be released after their propaganda usefulness has been exploited because Nasir probably is reluctant to brave the storm that would ensue if they were harmed. 25X1

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TROUBLES MOUNTING IN GUINEA

The prestige of Sekou Touré's regime is at its lowest ebb since Guinea became independent in 1958. Touré's extensive grass-roots political apparatus and his long-standing precautions against an army take-over will probably keep him in power although a major political upheaval cannot be ruled out.

Problems have been piling up lately. A number of highly placed officials have been implicated in financial scandals involving state trading enterprises. Some of them have been arrested, demoted, or have opted for exile. The regime is pushing a clean-up campaign, which began with the creation earlier this year of a control commission to oversee the activity of the state enterprises. In addition, Touré promised this week to punish without clemency those involved. Financial scandals are not a novelty in Guinea, but the latest have been more serious and have exposed senior officials. Touré may be able to gain some political benefit by his punitive measures, but popular respect for public officials has been further undermined and Touré's own confidence in those around him shaken.

The general decline of the economy also has been continuing. Food shortages and power failures threaten in Conakry, and local markets upcountry are low on stocks. There have been reports that the government has not been

meeting its payrolls--including those at some military facilities. Moreover, bankruptcy proceedings against the foreign-owned iron mining company, which had been one of the few going concerns in the country, have just been concluded.

Touré's most likely reaction to his accumulating problems will be to lash out at "foreign corruption." He holds European businessmen at least partially responsible for the scandals. He believes French officials may have been involved in last month's "defection" to Paris of one of his old friends who resigned from the Guinean diplomatic service. Antiforeign sentiment already has been stirred up by the capture of a French-officered Ivory Coast fishing boat which the Guineans claim was lurking offshore near Conakry for subversive purposes, and by a world-wide press campaign that Touré's overthrow is imminent.

The first Guinean retaliation has been directed at Christian clergy and foreign missionaries, who were placed under restriction last month. The major new item in Touré's May Day speech was the announcement that all missionaries would be expelled by 1 June in order to "Africanize" the churches, although the real causes probably stem from their less than wholehearted support of the regime and the frequency of their contacts abroad.

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NIGERIA'S WESTERN REGION TAKES A HAND IN THE CRISIS

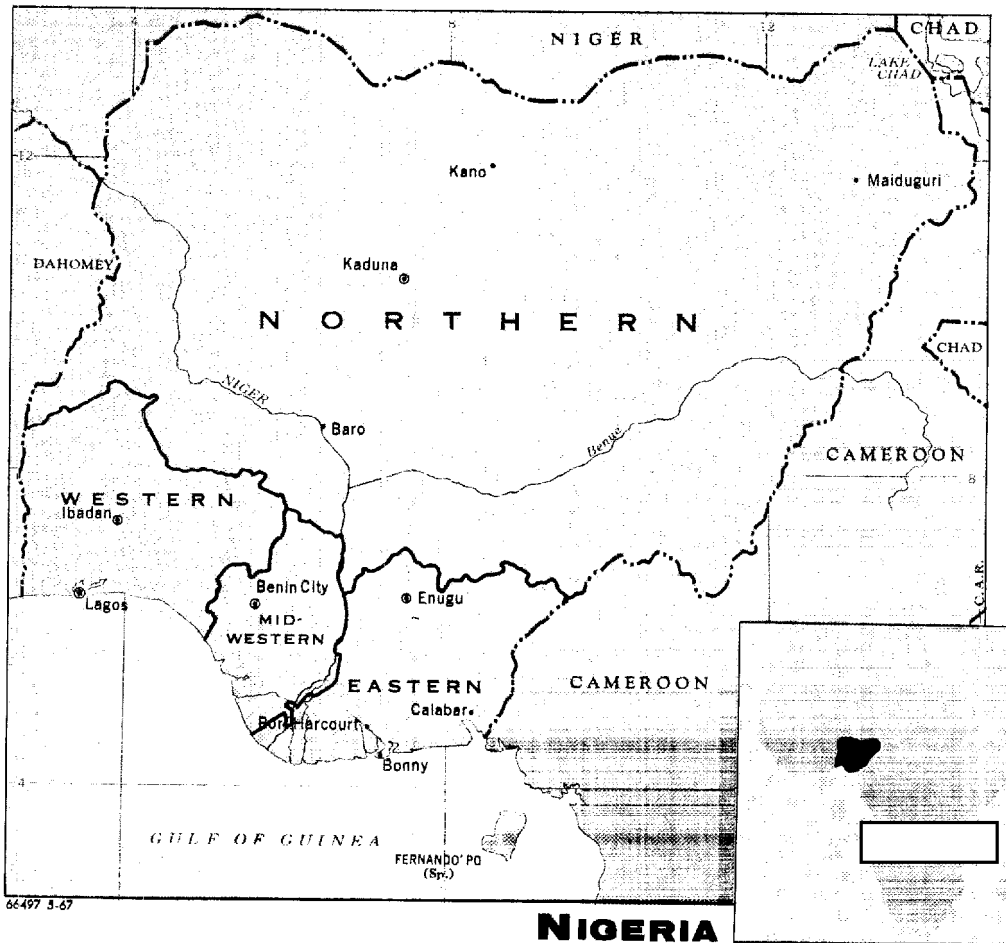
Western Region leaders have now increased the pressures on the head of the federal military government, Lt. Col. Gowon.

for transferring Northerners out and bringing Yoruba troops back to the West. Northern troops comprise about 80 percent of the battalions in the region and are the principal power base of the Northern-dominated federal government in Lagos.



all Northern troops in the Western Region must be removed. Gowon reportedly agreed and set 31 May as the deadline

The Western leaders also handed Gowon a resolution passed by the Western "Leaders of Thought" meeting the day before. These political leaders called for both



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the removal of Northern troops and the secession of the Western Region if the Eastern Region were allowed or forced to secede. All peaceful means, the resolution stated, should be used to keep the East in the Nigerian federation, even if this results in yielding to Eastern Governor Ojukwu's demands for looser ties between the regions and the federal government.

The departure of Northern troops from the West would virtually complete the regionalization of Nigeria's military and police forces. Most Eastern Ibos in the military, including the navy, and in the police in Lagos, the West, and Mid-West--perhaps as many as 2,000-2,500--have recently returned to the East. The removal of Yorubas from army units outside the West, together with the Ibo migration to the East, will contribute greatly to inefficiency and mismanagement because these two tribal groups have long provided the more technically qualified personnel throughout

Nigeria. It will also reduce police and military capability to handle civil disturbances.

Further concessions to the East, as proposed by the Western leaders, as well as the removal of Northern troops from Lagos and the West would not sit well with Northern hard-line military officers, nor with many of the high-level civil servants in Lagos. Gowon is to be allowed a guard unit in the capital. There continue to be reports, however, that Ghanaians and a group of leading civilian politicians from all regions are attempting to bring Gowon and Ojukwu together.

If Gowon agrees to ease the gradually increasing pressure he has been putting on the East, and if Ojukwu believes the East may now be able to profit by Western pressure on Gowon, Ojukwu may be willing to postpone his reported plans to secede the Eastern Region by the end of May. [REDACTED]

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WESTERN HEMISPHERE

Troublemakers were almost completely unsuccessful this year in their annual efforts to cause disturbances during the May Day period. The only major disruption took place in Ecuador, where the Guayaquil labor day parade erupted into a fistfight between pro-Moscow and pro-Peking Communist factions who are vying for control of a labor federation. In Guatemala, Communist plans for violence were disrupted by a police raid which netted documents detailing plans and lists of targets. In a clash with Communists, government security forces wounded and captured a long-time party member who also was a leader of the Rebel Armed Forces.

Fidel Castro was in full prominence at the Cuban celebration but apparently fulfilled an earlier promise to share the spotlight by letting Acting Minister of Defense Juan Almeida hurl the usual invectives at the US. Old records of Che Guevara's voice were used to perpetuate his image as a leading revolutionary. Cuba's repeat of calls for armed struggle in Latin America will sustain the anti-Castro attitude of some governments and further irritate pro-Soviet Communist leaders in the hemisphere.

In other developments right-wing dissatisfaction with Dominican President Balaguer has increased and there have been more rumors of antigovernment plotting. On the other end of the island, Haiti's President Duvalier nipped a suspected plot by transferring and dismissing some of his elite guard. He has probably not solved the problem completely, however.

Argentina's President Ongania has kept the lid on labor and student activities and in Brazil the authorities have so far coped with several student anti-US demonstrations. This agitation has not spread into other elements of the populace.

The Bolivian military continued its attempts to encircle guerrillas in the southeast, resulting in minor clashes.

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"NEW LOOK" IN BRAZIL

The new Brazilian Government which took office on 15 March, is enjoying considerable domestic popularity. This is largely a reflection of President Costa e Silva's success in playing upon Brazilian pride and nationalism and upon popular hopes for a relaxation of the economic austerities of the Castello Branco administration. Costa e Silva's popularity may be short-lived, however, unless he can show some positive accomplishments--particularly in the domestic economic field--in the relatively near future.

Of immediate interest to most Brazilians is the effort under way to "humanize" the more stringent aspects of the former government's stabilization program. The government's prime goal now is said to be "development" rather than fighting inflation. Rent increases have been eased, certain tax hikes delayed, and income tax exemptions increased. There is as yet, however, no evidence that the government is prepared to take the less popular complementary measures--such as reducing expenditures to compensate for reduced revenues.

The new administration has greatly changed the method and style of government operations. Instead of maintaining the highly centralized organizational system that had characterized the preceding administration, Costa e Silva has delegated extensive authority

to his ministers. The initial result appears to be uncoordinated policies set up by able but ambitious cabinet officers. No one has yet had to make a tough, unpopular decision, and it remains to be seen whether members of the administration can submerge their desire for personal aggrandizement and work together as a team.

Costa e Silva's emerging foreign policy also reflects the drive to broaden his popular base of support. "Independence"--presumably from the US--is the watchword, although the government has taken this tack in public pronouncements far more firmly than it has in private. Some key policy shifts have occurred. For example, the government has turned its back on establishing an Inter-American Peace Force. Costa e Silva has also won considerable domestic approval with his impassioned defense of Brazil's "right" to the advantages of nuclear technology and his call for the formation of a Latin American atomic community.

The government's "new look" in foreign and domestic policy has not yet developed sufficiently to form a definitive pattern. It is becoming clearer, however, that US-Brazilian relations, while remaining good, are likely to diverge more frequently as the Costa e Silva administration strives to attract domestic support. 25X1

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DOMINICAN PRESIDENT'S POLITICAL POSITION WEAKENING

Increasing right-wing dissatisfaction with Dominican President Balaguer has led to renewed rumors of antigovernment plotting. Dissidents are not yet capable of seriously threatening the government, but Balaguer's political position continues to erode.

Luis Amiama Tio's resignation as minister of interior and police last week has contributed to the unease. Many political factions had viewed him as a counterweight to "trujillista" elements in the government. The leader of the Social Christians, for example, said that the replacement of Amiama with another prominent "anti-trujillista" was vital to national stability.

Balaguer's appointment of Carlos Goico Morales to the post did not stem the discontent. Goico is a long-time friend of the President and is considered a good administrator, but he served in Trujillo's cabinet and has been described as one of the dictator's "foremost panegyrists." Another of Balaguer's personnel actions that stirred strong private criticism was his reinstatement of one of Trujillo's most feared and brutal police officers, one-time colonel Carlos Herrand Blyden.

Rightists are continuing to exploit the "trujillista" issue to gain a wider following. Some are reported to be talking of the

need for an "Argentina-type" military take-over to solve the country's problems while others are promoting an "anti-trujillista, anti-Communist Dominican Freedom Front." The coup rumors, as well as allegations that the US has withdrawn support from Balaguer, may originate with rightist elements which hope to undermine confidence in the regime.

One danger in the current situation is that Dominican moderates--who often sit on the political sidelines--will seek to disassociate themselves from the government. Indicative of this possibility was an editorial in the respected Santo Domingo daily, Listin Diario, which noted that much of the public was preoccupied with the reasons behind Amiama's resignation. It said that Balaguer's "loyalty to primitive elements" in the government, as well as their official conduct gave opponents a pretext to act. The paper called on Balaguer to use his authority to "create public confidence" that the government will not tolerate repression and violence.

Balaguer has promised a public response to Amiama's resignation and in it he will probably address his other critics. In the past Balaguer has tended to explain away much criticism--whether well 25X1
intentioned or not--as designed
to discredit the government. [REDACTED]

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LABOR UNREST AND MILITARY DISCONTENT IN ECUADOR

Strikes and strike threats continue to plague the government of interim president Otto Arosemena. Public employees struck for 36 hours last week to protest a measure before the constituent assembly that would eliminate some 400 government jobs for budgetary reasons. The strike ended on 28 April after the assembly agreed to observe civil service regulations regarding a reduction of force, but the government did not capitulate to the strikers' demand that the measure be shelved.

The Telecommunications Workers' Union (FENETEL) walked out on 27 April to protest alleged government inaction on a FENETEL-proposed bill that would create a government-owned communications monopoly. Communications were virtually paralyzed throughout the country for a day, and there were some acts of sabotage against telegraph lines and communications equipment. The FENETEL strike has been suspended pending further assembly action.

In addition to the public employees strike and that of

FENETEL, a number of other minor strikes occurred throughout the country. For the most part these have been settled or suspended, but additional walkouts involving banana workers and railway workers are scheduled during the next few weeks.

Military grumbling against the government and the constituent assembly is increasing. Junior officers in particular are annoyed because the assembly has allowed some of its members--such as ex-president Carlos Julio Arosemena--to harass and denigrate the armed forces. The officers were also perturbed that the government, the military high command, and the armed forces delegate to the assembly, General Banderas, did not defend the military in the face of these attacks. On 26 April Banderas spoke out strongly in the assembly for retaining in the new constitution the president's power to use the armed forces to maintain internal order. His speech and the lessening of labor tensions have cooled tempers, but a residue of discontent remains.

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HAITIAN PRESIDENT SQUELCHES INCIPIENT PLOT

President Duvalier relieved a number of presidential guard officers of their duties last week and reassigned them to posts outside Port-au-Prince. No reason was given for the transfers, but it appears that Duvalier acted to head off a palace intrigue that may have involved members of his own family.

This is the first time that Duvalier has been known to have removed any officer from his elite Presidential guard. One of the officers transferred, Jose "Sonny" Borges, was one of the regime's leading propagandists. He had been in charge of the government radio station and was reportedly very close to Duvalier.

Duvalier's moves may have been set off by a dispute within the president's family--specifically between his sons-in-law, the ambitious presidential guard officer Max Dominique and Director of Tourism Luc Foucard. Some of the presidential guard officers who were transferred were close to Dominique, suggesting that Duvalier acted to clip his wings.

Suspected plotters have been removed from Port-au-Prince and separated from each other, thereby diminishing any immediate danger they may have posed to Duvalier. The president retains one of his strongest weapons, his ability to provide funds for his personal power structure, but some plotting can be expected to continue.

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KENNEDY ROUND

KENNEDY ROUND APPROACHES FINAL BARGAINING

Four years of Kennedy Round negotiations are nearing their end. Final agreement must be reached shortly if the necessary documents are to be drawn up before 30 June, when the President's authority under the 1962 Trade Expansion Act expires.

Differences, primarily between the US and EEC, are still to be resolved, however, before the final "package"--containing a reasonable balance of concessions among all the major participants--can be completed. If differences remain, there could be a general withdrawal of concessions already offered and a drastic "unraveling" of the liberalization of trade which the whole undertaking was designed to achieve.

The Common Market's position on agriculture is a major problem in large part because it does not provide adequate assurance that US grains will have continued access to the EEC market. The EEC has tentatively accepted the idea of a world food-aid program for the less developed countries as one way to dispose of surpluses, but the actual amount of such aid the Six may be willing to finance will be small. Moreover, the Community insists on including feed grains in any cereals agreement--a provision which could undercut the competitive advantage of the US in this area. EEC "offers" on other agricultural products are also meager.

On the industrial side, the major issue has been the EEC's insistence that all its proposed reductions

in chemical tariffs be contingent on the US' abandoning a tariff valuation procedure--American Selling Price (ASP)--which substantially increases the prices of certain imported chemicals. The US is willing to request congressional authority to abandon ASP, but holds that it could not show Congress a "balanced" package if all the EEC's offers on chemicals are conditional. Thus each side uses grains and chemicals as a gage of the other's willingness to liberalize agricultural and industrial trade, respectively. It may not be until the final bargaining sessions that an attempt will be made, if at all, to trade off concessions in one area for those in the other.

The EEC Council met again early this week to consider the commission's latest report on the status of the negotiations, and the commission is reported to have been given additional leeway to try to meet the US demand for a "two-package" approach on chemicals. It is likely, however, that the commission will continue to seek some softening in the US position on agriculture, and any deal will still be subject to council endorsement.

The commission is in a position of great responsibility again. It will try to present the council next week with "nearly final" deals reached in Geneva, figuring that none of the Six want to risk an internal Community crisis at that point over disagreement on the EEC's offered concessions. [REDACTED]

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