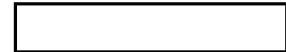
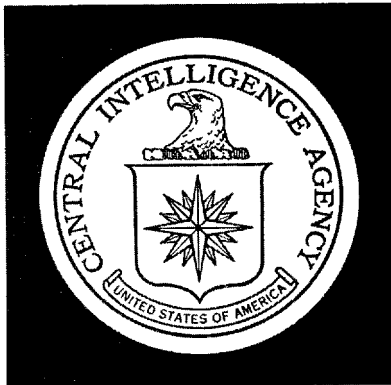


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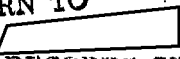
DIRECTORATE OF
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WEEKLY SUMMARY

NAVY review(s)
completed.

State Department review
completed

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(Information as of noon EDT, 29 June 1967)

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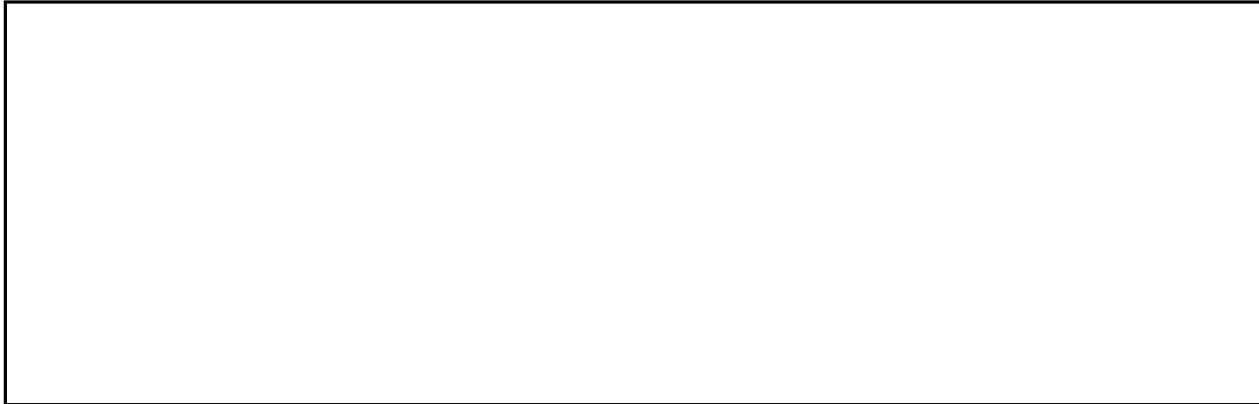
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FAR EAST

There were further signs this week that the Ky-Thieu rivalry in South Vietnam's presidential race is causing unrest and concern among senior military officers. Military action during the week was confined mainly to Communist mortar attacks on US installations. Meanwhile, there are reports from North Vietnam that Ho Chi Minh, who has not appeared in public for three months, is ill.

The outbreak of violent demonstrations against ethnic Chinese in Rangoon may foreshadow a significant turning point in Sino-Burmese relations, which have been relatively uneventful since the border agreement of 1960. These incidents pose a serious test for the Ne Win regime's traditional neutralist policy of avoiding trouble with China. Although the Burmese Government probably gave at least tacit encouragement to the demonstrators, it apparently was surprised by the extent of the violence against the Chinese population and was forced to impose martial law to bring the rioting under control. Peking has lodged a strong protest, charging that the Burmese Government instigated an attack on the Chinese Embassy.

Within China, the Peking leadership apparently remains reluctant to inject the army into the political turmoil despite the formal central committee directive in early June ordering the military to restore order. The Liberation Army Journal has warned the army against intervening in factional disputes between pro-Maoist groups. The Red Guards are continuing their attacks on high government and military officials. Although it is impossible to measure the economic costs of political chaos, evidence continues to mount on cutbacks in industrial production and closures of factories.

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VIETNAM

Communist troops have inflicted heavy casualties on US forces in South Vietnam's central highlands in recent days and continue to maneuver in the area of the Demilitarized Zone (DMZ) and adjacent Quang Tri Province.

In the highlands of Kontum Province near Dak To, US troops of Operation GREELEY continued to press their major spoiling campaign following a heavy engagement with Communist troops on 22 and 23 June. This battle, in which a US company-size patrol was surrounded by a battalion-size force, resulted in American casualties of 80 killed and 34 wounded. The Communists lost at least 106 killed. Captured enemy documents indicate that Communist forces in this area may be attempting to divert allied forces from the more strategic area of western Pleiku Province where enemy offensive military action has also increased. In this highlands area, the Communists remain capable of mounting a coordinated, large-scale campaign, and as the rainy season sets in the long-heralded summer offensive may still be launched.

Communist forces have kept up their attacks against allied positions in northernmost Quang

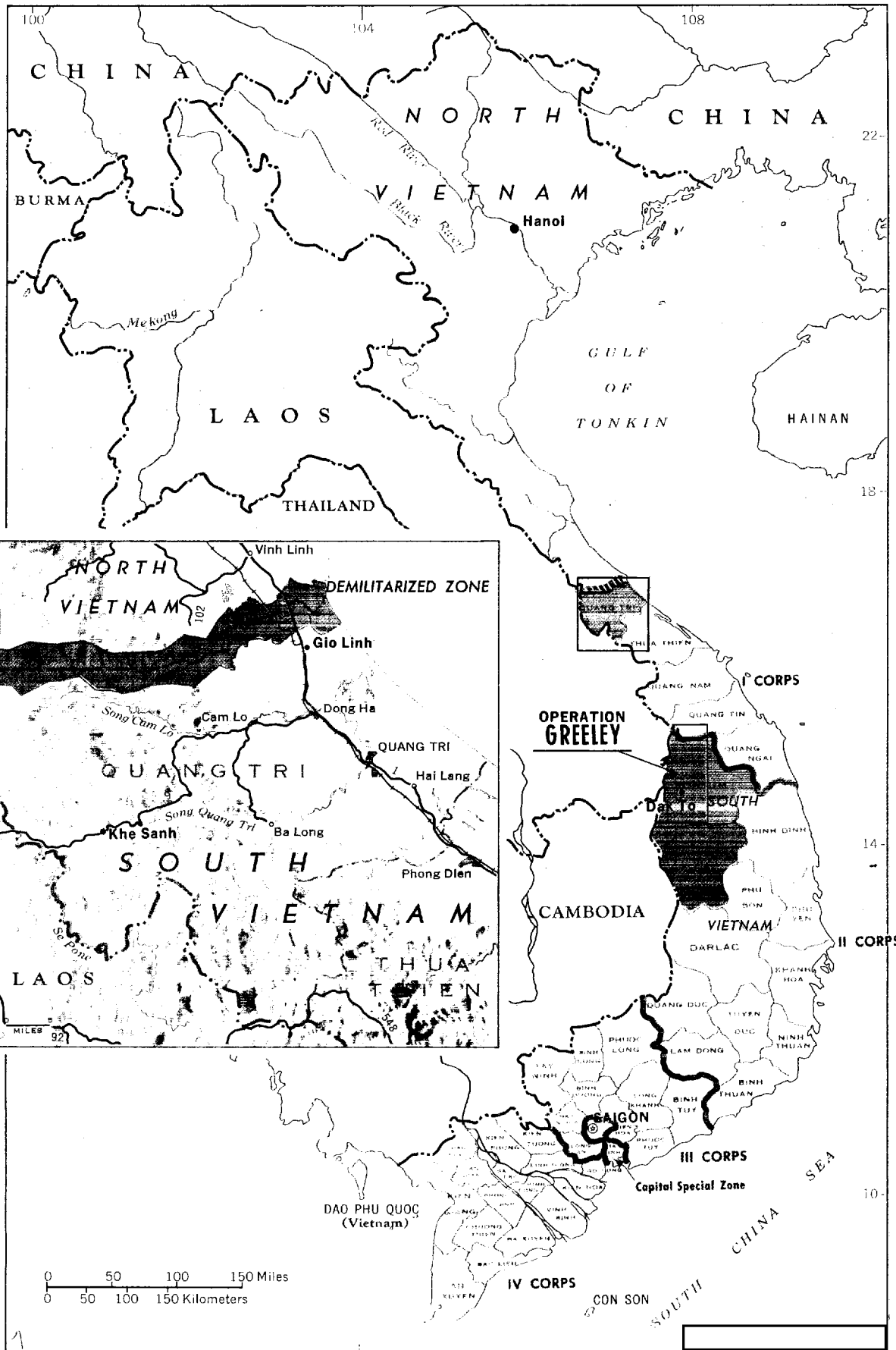
Tri Province, indicating that they are rebuilding and reoccupying positions destroyed by allied operations last month. The attacks may also be in preparation for a resumption of offensive operations farther south. In addition to the now almost regular shelling of US installations in the northeastern part of the province, including the heavy artillery position at Gio Linh, five US Marine field positions near Khe Sanh in western Quang Tri were struck by heavy mortar fire early on 27 June.

South Vietnamese Politics

On the eve of the 30 June deadline for filing candidacies for South Vietnam's presidential election, all four of the leading contenders--Premier Ky, Chief of State Thieu, and civilians Tran Van Huong and Phan Khac Suu--intend to run. All have selected southern civilians as their vice-presidential running mates.

The presence of four strong candidates, however, will continue to offer a strong inducement for arranging private deals. An alliance between any two of the four probably would significantly

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improve the chances of the beneficiary. In the two months before the election, Thieu, Huong, and Suu still might take some protest action, such as mutually withdrawing from the race, if they agree that Ky's election tactics are sufficiently unfair and their own chances are sufficiently dark.

Ky has taken a number of steps to tone down his campaign in reaction to the groundswell of criticism from both the foreign press and domestic political circles. He made some points by announcing the government's intent to provide equal campaign facilities to all candidates--actually a requirement of the electoral regulations. More significantly, he has stripped Police Director Loan of one of his security posts while at the same time relaxing government pressure on Saigon's newspapers.

Reaction to press censorship had reached such proportions that the joint military-civilian advisory council and the Provisional National Assembly both attacked it and foreign correspondents refused to ask Ky questions at a recent press conference. Despite Ky's sudden awareness of the increasing ill will

over his campaign methods, it remains to be seen whether his actions will result in an actual relaxation of government pressure on his behalf.

North Vietnam's SAMs

Evidence of dissatisfaction with some aspects of Soviet air defense equipment was set forth in an article in the June issue of the army journal by the North Vietnamese Chief of Staff. Although essentially a propaganda document designed to bolster morale and confidence among the rank-and-file of air defense units, the article stressed the importance and effectiveness of anti-aircraft artillery and other equipment less sophisticated than the Soviet-supplied missiles and jet aircraft. The article made extravagant claims for Vietnamese contributions to Communist doctrines of "peoples wars" and appears to reflect Hanoi's obsession with demonstrating its independence from foreign domination in the face of massive inputs of assistance. The Vietnamese recently publicly disparaged certain Chinese political practices in a similar vein.

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PEKING CAUTIOUS ON INVOLVING ARMY IN POLITICAL TURMOIL

Violent clashes disrupting industrial production and rail transport continue to be reported from many areas of China. Early in June the central committee issued a directive ordering the army to take stern measures to stop the disorder, but later pronouncements indicate that Peking remains extremely reluctant to involve the army in the political turmoil.

On 27 June an editorial in the Liberation Army Journal told the army that when factional disputes between various pro-Maoist groups take place it "must not support either side and must not attack either side." Last week Red Flag had said that most participants in current conflicts are basically pro-Maoist. The 27 June army editorial stated that all too often when the army had tried to intervene it had backed the wrong group by mistake.

This unwillingness to give clearcut signals to the army is a good measure of the confusion which pervades the leadership in Peking. Other signs are the continuing propaganda attacks by powerful Red Guard organizations on high officials who nevertheless continue to perform their jobs. These include Foreign Minister Chen Yi, Finance Minister Li Hsien-nien, top military officials Yeh

Chien-ying and Hsiao Hua, and Wang En-mao, the controversial commander of the western frontier region Sinkiang.

Chen Yi continues to make occasional foreign policy statements and on 24 June appeared with Mao Tse-tung and Lin Piao at a reception for visiting Zambian officials. Nevertheless he has drawn heavy Red Guard fire continuously for three months. A foreign diplomat has reported that the Foreign Office official assigned to escort a recent diplomatic tour outside Peking spent much of his time exulting in the fact that Chen Yi's influence had waned.

Li Hsien-nien, Yeh Chien-ying, and Hsiao Hua have not been so heavily criticized, but their positions too may be insecure. According to a poster report, Hsiao Hua, a key member of the Military Affairs Committee and head of the army's political apparatus, was personally censured by Lin Piao in May.

Evidence of losses in industrial production from the Cultural Revolution is accumulating. People's Daily on 14 June felt compelled to inveigh against meetings during working hours, clamor from

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competing loudspeaker systems,
and other distractions at factories
and to order workers to stop wast-
ing raw materials and holding
"costly celebrations."

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[redacted] A wall poster
claims that 33 factories were
closed in Kiangsi's capital, Nan-
chang. No major facility is known
to have shut down, however. [redacted]

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ANTI-CHINESE RIOTS IN BURMA

Relations between Communist China and Burma have fallen to their lowest point as a result of the anti-Chinese mob violence in Rangoon over the past week. The unprecedented demonstrations at both countries' embassies and against ethnic Chinese in Rangoon may foreshadow a significant turning point in Sino-Burmese relations, which have remained correct if uneventful in recent years.

These incidents pose a serious test for the Ne Win regime's traditional neutralist policy, a feature of which has been the avoidance of difficulty with Communist China. Although the Burmese Government was apparently surprised at the extent of the violence against the Chinese population, it probably gave tacit encouragement to the demonstrators in the early stages of the disturbances. [REDACTED]

Burma's government-controlled press last week had played up a demonstration by Chinese students protesting a ban on wearing Mao Tse-tung lapel buttons. It was these protest rallies at state-run schools in Rangoon which apparently touched off the large-scale disturbances. Chinese Embassy officials, several of whom have recently returned from indoctrination courses in China, were reportedly handing out the

Mao buttons and encouraging the Chinese student demonstrators. It is doubtful, however, that Chinese diplomats had any intention of provoking a major crisis.

As violence spread and several dozen Chinese residents were killed, Burmese security forces began to take more decisive action. In defiance of a hastily imposed ban on demonstrations, a mob of several thousand stormed the Chinese Embassy compound on 28 June. One Chinese technician was killed, and eyewitnesses claim several Burmese were shot. The regime imposed martial law that night in troubled areas.

Although the Ne Win government probably hopes to avoid a serious crisis in its relations with China, Peking clearly intends to hold the Burmese authorities responsible for the riots. A Chinese Foreign Ministry note of 28 June charged that the Burmese Government "instigated" mob action and demanded that Rangoon ensure the safety of Chinese nationals and diplomats. Almost immediately the Chinese stepped up diplomatic pressure on the Burmese by a massive demonstration before the Burmese Embassy in Peking. Replete with loud-speakers and effigies of Ne Win, it was reminiscent of demonstrations which placed other embassies under a virtual state of siege earlier this year. [REDACTED]

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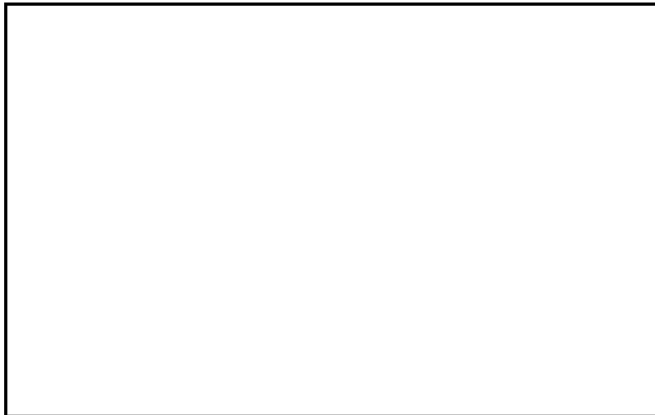
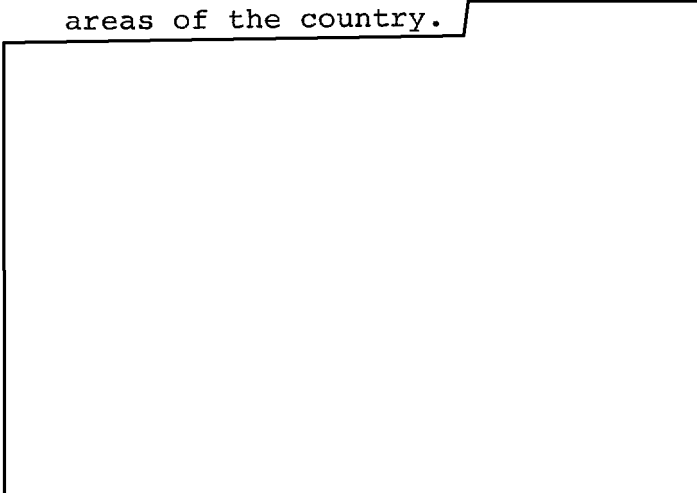
NORTH KOREANS EXPANDING AGENT ACTIVITY

North Korea is stepping up the infiltration of armed agent teams into South Korea and is showing increasing aggressiveness in the Demilitarized Zone (DMZ).

Several recent incidents indicate that perhaps as many as 60 men in nine teams are operating in remote eastern and southern areas of the country.

Command troops and North Korean personnel have occurred so far this year, compared with 44 in all of 1966, 55 in 1965, and 32 in 1964. The North Koreans have lost about 47 killed in this year's incidents, the South Koreans eight, and the US three.

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Some 10,000 South Korean military and civilian security forces are trying to track down and destroy the teams. Since the first of June, twelve agents have been killed and one captured at the cost to the government of 13 killed and 21 injured.

In addition, Pyongyang has sharply stepped up armed reconnaissance and probing activities in the DMZ area. Over 200 incidents involving United Nations

There has been nothing in either statements by North Korean leaders or Pyongyang's propaganda suggesting any intent to open a "second front" to divert attention from the Vietnam war. It is possible, however, that one of Pyongyang's aims may be to discourage further deployment of South Korean troops to Vietnam, as well as to demonstrate general support for Hanoi. The still largely hostile attitude of the South Korean people toward the North Korean Communists militates against any early success of a new Communist guerrilla effort.

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EUROPE

Premier Kosygin's trip to Cuba, following his stay in the US, was made at Soviet initiative. It had both protocol and substantive purposes, the latter doubtless concerned largely with a discussion of Cuba's militancy in Latin America over which Moscow and Havana continue to differ. Kosygin was also scheduled to make a courtesy call on President de Gaulle en route back to Moscow.

There was new hope in Geneva for progress on a nonproliferation treaty following the Johnson-Kosygin and Rusk-Gromyko talks. A new US-USSR draft may soon be submitted to the Disarmament Committee but the safeguards issue and the provisions for amending the treaty have not yet been resolved to the satisfaction of a number of key countries, Germany in particular.

Western Europe has so far been unable to agree on how to deal with a potential oil emergency. France, with large stocks in hand and with shipments again moving from Iraq, sees no need for concerted action. Germany is counting on Libya, its major source of supply, to permit a resumption of shipments. The Oil Committee of the 21-nation Organization for Economic Development is to meet again on 30 June to consider further whether the conditions of an oil emergency exist and how to cope with it.

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NONPROLIFERATION TREATY NEGOTIATIONS CONTINUE AT GENEVA

Moscow is expected to agree soon to the tabling at the Eighteen Nation Disarmament Committee meeting in Geneva of a revised draft nonproliferation treaty (NPT) worked out by the US and Soviet delegations. Recognition of the dangers which could have arisen had the Arabs or Israelis possessed nuclear weapons has added impetus to the effort to get a treaty. In addition, the Johnson-Kosygin and Rusk-Gromyko talks on the subject have raised hopes at Geneva.

The revised draft leaves blank the controversial Article III on safeguards. For Article IV, which sets forth the means of amending the treaty, two proposals have been referred to Moscow. The first would allow amendment by a majority of the signatory states; any such amendment would not be binding on a state which declined to accept it, and any of the nuclear states could veto it outright. The second proposal would make binding on all signatory states any change accepted by a majority but would give veto rights to all 30 nations on the Board of Governors of the International Atomic Energy Authority (IAEA) at the time of the vote. Only the nuclear states have permanent seats on the board.

When the NATO foreign ministers at their 14 June meeting approved tabling the revised NPT draft of Geneva, West Germany's Brandt initially demurred, and Bonn still has doubts about several aspects of the treaty. In a demarche delivered last week

the Germans insisted the US stick to the essence of the Article III safeguards clause previously agreed to by the NATO allies and cautioned against accepting, even for negotiating purposes, any Soviet proposal without full consultation with the allies. The German note also reiterated opposition to the second alternative amendment clause for Article IV and stated that even the first is unsatisfactory because it gives a veto only to the nuclear powers.

The safeguards issue still focuses on the roles of EURATOM and the IAEA, and two compromise proposals have been raised. One would have Article III refer neither to verification of EURATOM safeguards by IAEA nor to any specific transition period in which safeguard arrangements would be worked out between the two agencies, but the EURATOM countries would withhold final ratification until there is a IAEA-EURATOM agreement. IAEA officials and the Soviets are very cool to this.

The other proposal would have each nonnuclear party to the NPT undertake to conclude within three years' time "bilateral or multilateral" agreements with IAEA. The term "multilateral" could apply only to EURATOM, but the omission of any specific reference to EURATOM might make this resolution acceptable to all concerned. EURATOM officials, however, are objecting to the three-year time limit on grounds that it would give all the bargaining power to the IAEA.

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SOVIET SUBMARINE SUPPORT OPERATION OFF WEST AFRICA

A group of Soviet ships operating south of the Cape Verde Islands since April may be testing the feasibility of a floating support force for submarines to extend their time at sea. The group has included at least one nuclear and two diesel submarines, a submarine tender, a missile support ship, a hydrographic ship, and at least one tanker.

The surface ships have operated south of the Cape Verde Islands, but the operating areas of the submarines are not known. The nuclear-powered, E-class cruise-missile unit was tied alongside the sub tender for ten days in late May and early June, an unusually long period possibly occasioned by mechanical problems. The two F-class, diesel submarines were sighted replenishing alongside the tender on 24 June.

Soviet support ships have operated with submarines in the past, but this is the first time a large group of ships has operated for so long a period this far from home waters.

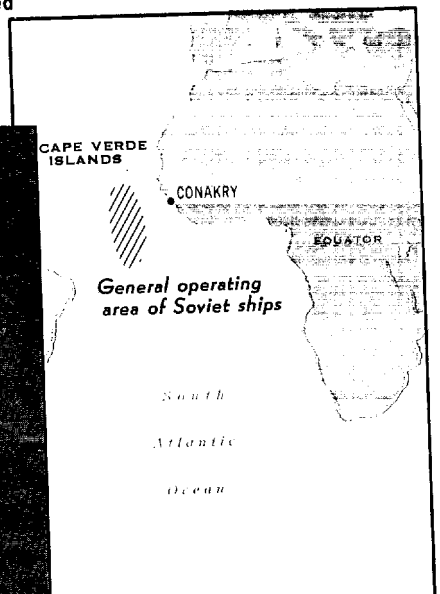
The Soviets have good reason to improve their submarine support

capability. Their missile submarines operating in the Atlantic are based in the Northern Fleet, over two weeks cruising time from potential missile launch stations off the US coast. The use of a group of support ships closer to operating areas allows replenishment and minor repairs at sea with little loss in time on station.

E-class cruise missile sub tied
alongside Ugra-class tender
off west coast of Africa



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The area south of the Cape Verde Islands is not the best location to support submarines operating in the central Atlantic or off the US east coast.

[Redacted]

[Redacted] it is within submarine range of US transit routes across the Atlantic.

It is too early to determine if the Soviets will attempt to maintain a submarine support group in this area. The present activity may be only a test of capabilities for operations elsewhere.

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MIDDLE EAST - AFRICA

The Egyptians seem to have finally realized that the Arabs' constant proclamations about "driving the Israelis into the sea" have boomeranged, and that their case against Israel has been weakened in the eyes of the world. Nasir, himself, is plagued by divisive factions within his regime and burgeoning economic problems, especially the shortage of food. The governments in the Maghreb, like their brothers in the Arab world, are trying to salvage what they can from the debacle, and are particularly sensitive to the strong public antipathy toward Israel and the US.

Israel continues to consolidate its gains. This week Tel Aviv paved the way for the formal annexation of the Old City of Jerusalem. The Israelis also are holding out for private negotiations with the Arabs, who refuse to meet them unless they withdraw all their forces from Arab lands.

The critical security situation in Aden may lead the British to pull out before independence--heretofore scheduled for early 1968. Anarchy then would ensue and South Arabia would fall to pro-Egyptian nationalists.

In Africa, the head of the federal government in Nigeria still hopes that economic sanctions will force the independent Republic of Biafra back into the federation. Federal troops continue their build-up in the strategic area north of Biafra. Payment of oil revenues remains a thorny problem.

In another tense area, Guinean Foreign Minister Beavogui is being detained by the Ivory Coast Government, after his plane was diverted to Abidjan because of bad weather. Beavogui enjoyed similar "hospitality" in Ghana last year.

In the Congo, President Mobutu's drastic monetary reform may stimulate discontent which will test the shaky political structure he has established.

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DEVELOPMENTS IN THE MIDDLE EAST CRISIS

The attention of the Arab world remains focused on New York, where the United Nations organization continues its efforts to resolve the latest Arab-Israeli crisis. The Arabs still insist they will not negotiate with Israel, the Suez Canal has not been reopened, and the Arab ban on oil shipments to the UK and the US continues.

Israel, meanwhile, is consolidating its gains. This week it paved the way for the formal annexation of the Old City of Jerusalem. The municipal boundaries have been extended by the Israeli Knesset (parliament) to include several villages in the suburbs and about five miles northward to take in the Qalandiyah Airfield. Israeli currency has been made legal tender in the newly expanded Jerusalem.

Situation at the UN

Various delegations in the United Nations General Assembly have been at work this past week preparing and canvassing support for alternate resolutions to those submitted by the US and the USSR. Acting for a group of nonaligned countries, the Yugoslav representative on 28 June proposed a resolution--co-authored with his Indian colleague--calling for unconditional withdrawal of Israeli forces from occupied Arab territories. This resolution might obtain the requisite two-thirds vote if it did not meet strong competition.

Western delegates, therefore, planned to offer a resolution on 29 June which would give a prominent place to withdrawal but would link it with an end to the state of war and to a third-party effort to negotiate between the states concerned. Denmark's Hans Tabor coordinated the new effort with 16 countries including the US, UK, Canada, Japan, the Philippines, and several Latin American, Western European, and African states. While most of them are in agreement with Tabor's approach of conditional withdrawal, Mexico has continued to insist on withdrawal as a prerequisite to further steps.

The Arab states are seeking sponsors for a separate resolution on Jerusalem, opposing the Israeli incorporation action, and Peru is drafting a resolution in favor of internationalizing the city.

The Arab World

Nasir remains very much at the helm in Egypt, although his freedom of action may be circumscribed by pressures within his regime, the growing acknowledgement of defeat, and increasing economic problems. The basic division into pro-Western and pro-Eastern factions has become sharper. The Egyptians, moreover, apparently have come to realize that the Arabs' persistent declarations prior to hostilities of their determination to "drive the Israelis into the sea" have boomeranged in the present situation, greatly

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weakening their case against Israel in the eyes of the world.

Egypt's neighbor to the south, Sudan, reportedly has sent a delegation to Moscow to negotiate for arms, despite objections of the Sudanese military who prefer Western arms.

The Jordanian Government is swamped with an estimated 100,000 refugees who had fled to the East Bank of the Jordan River since the fighting began on 5 June. They continue to cross over but at a lower rate than last week. Facilities for their care remain inadequate. On the West Bank the International Red Cross has reached agreement with its Israeli equivalent for aid to the refugees. Israeli authorities had earlier refused to allow the Red Cross to operate there.

Although Lebanon did not become actively involved in the war, the aftermath is severe there. The country's economy has been hard hit by the disruption of tourism and transit trade, and uncertainty in financial and business circles. The danger of Muslim-Christian strife appears to have subsided, but the potential is still there.

As elsewhere in the Arab world, the governments in the Maghreb seem to be concentrating on shoring up their positions at home where antipathy toward Israel and the US re-

mains strong. Characteristically, their chants about Arab unity are being submerged by traditional intra-Maghrebian distrust. The Moroccan Government, expressing fears that Algeria may take out its anger over the Arab debacle by attacking Morocco, is renewing its efforts to get more modern arms. Stringent security measures continue in Morocco, and a few anti-Jewish incidents have occurred.

Algeria, still feeling betrayed by Nasir and faced with public lassitude toward such "war" measures as a nonredeemable bond drive, has toned down its pro-Arab propaganda.

The Tunisian Government has moved quickly to counteract popular support for Nasir while striving to play a constructive role in settling the crisis in the Arab world. President Bourguiba, despite his dislike for Nasir, can be expected to go as far as necessary to show Arab solidarity and prevent any widening of the gap between his government's policy and public opinion. He has replaced his security chief for failing to anticipate and counter more effectively the destructive demonstrations against the US and UK on 5 June.

Oil Situation

Libya now is the only Arab country banning all production and export of oil, although a press campaign currently under way is

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laying the ground work for an announcement that exports except to the US and UK will be resumed. Iraq, an earlier hold-out, has permitted the Iraqi Petroleum Company (IPC) to resume sales to France and Turkey only. Syria, however, had indicated before the latest Iraqi decision that it would not permit use of the IPC pipeline through Syria to the eastern Mediterranean until Israeli forces were withdrawn. Alternately, Iraqi oil could be exported through Basra on the Persian Gulf.

Lack of transport has kept production in Saudi Arabia, Kuwait, and the Neutral Zone below prewar levels. The shortage of tankers also is reflected in sharply rising charter rates which, since mid-May, have nearly quadrupled. The increase has been even greater for ships which normally move oil through the Suez Canal. Major oil companies, recognizing that the canal probably will be closed for at least another two months, have begun chartering tankers--in many cases for two consecutive voyages--with initial loading as late as September.

The Soviets do not appear to be pushing POL sales to European markets at the expense of the Arab producers, although they have agreed to increase deliveries being made under agreements antedating the war. [REDACTED]

[REDACTED]

The Soviet Position

Soviet officials have indicated a more realistic view of the Arab-Israeli situation in private conversations than Premier Kosygin showed at his UN press conference. Moscow seems to have no illusions regarding the success of its efforts to get through a General Assembly resolution condemning Israel as the "aggressor." It probably would settle for a resolution simply calling for withdrawal of Israeli forces in hopes of preparing the way for indirect talks between Arabs and Israelis.

The Soviets continue to avoid taking a public stand on direct Arab-Israeli talks or even on access to the Suez Canal and the Gulf of Aqaba--which would be the primary topics at such discussions. Privately, they have encouraged the Egyptians to begin thinking about these questions.

Soviet Army Chief of Staff Zakharov has not yet returned from the trip he made to Cairo to make personal damage assessments. The communiqué on President Podgorny's visit to Cairo was deliberately vague, and the Egyptian press has

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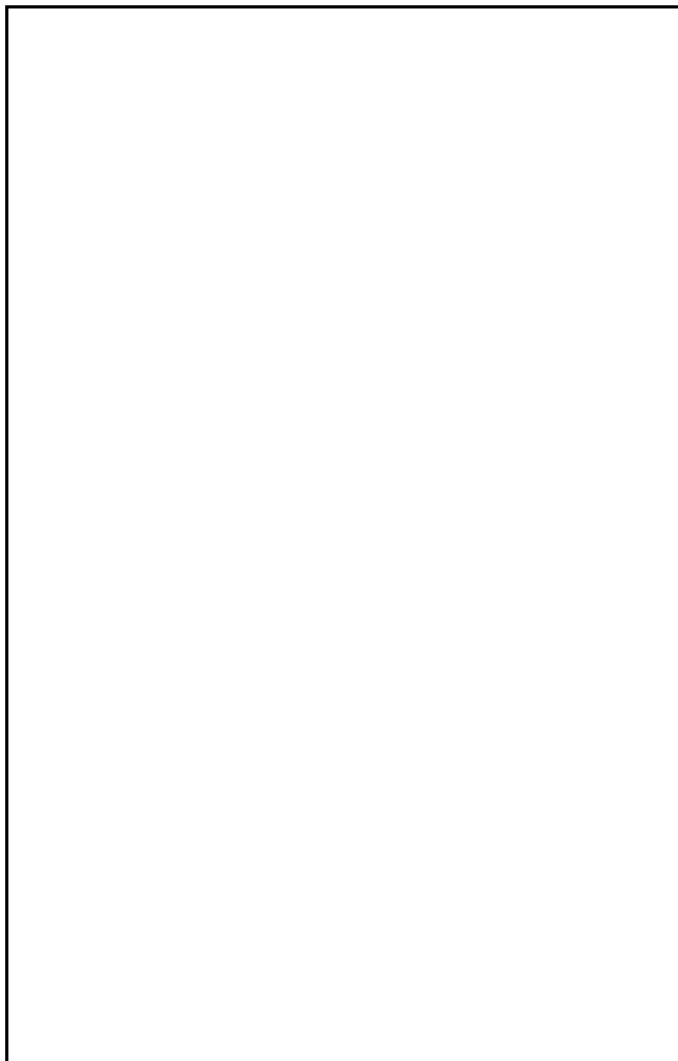
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acknowledged that he and Nasir disagreed on a number of major points. One editorial concludes that Egyptian friendship with the USSR should not conceal the fact that the battle is an Arab one and "its burden falls mainly on our shoulders."



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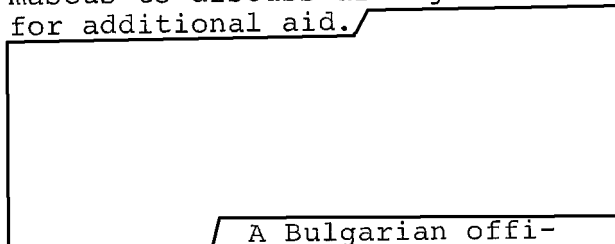
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East European Attitudes

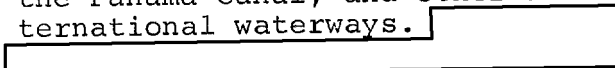
Except for "neutralist" Rumania, the East European regimes continue their strong public support for the Arabs. The Czechs on 26 June sent Party Secretary Koucky to Cairo and a Foreign Ministry official to Damascus to discuss arrangements for additional aid.

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A Bulgarian official, moreover, has stated that the "socialist" countries do not favor Egyptian control of the Strait of Tiran but prefer an international convention regulating the use of the Suez Canal, the Gulf of Aqaba, the Turkish straits, the Panama Canal, and other international waterways.

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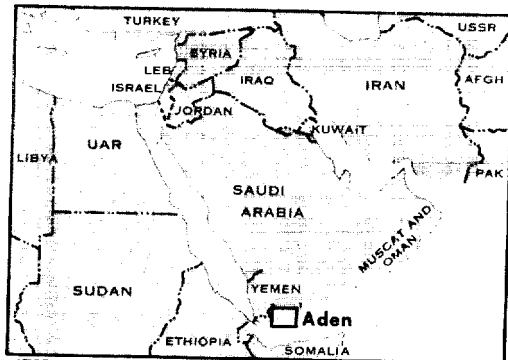
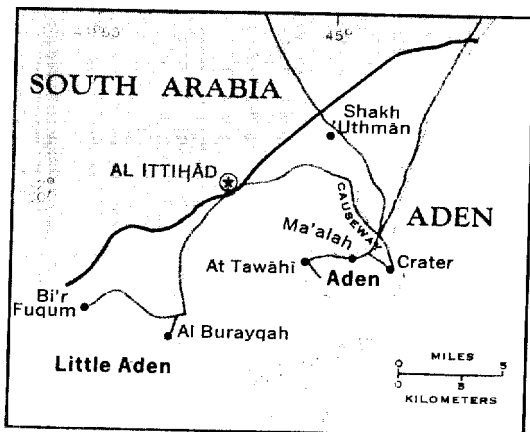
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SITUATION IN ADEN DETERIORATES FURTHER

The security situation in Aden continued to deteriorate during the week. This threatens to increase pressure within the British Government to pull out of South Arabia even before the scheduled British departure next January. The result would probably be anarchy followed by an eventual take-over by pro-Egyptian Arab nationalists.

The latest trouble began when Arab troops in the newly



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formed South Arabian Army (SAA) mutinied on 20 June following the suspension of four of their officers. This dispute was sparked by personal and tribal rivalries, but the explosion that followed reflected the intensity of anti-British feeling and of Arab xenophobia fanned by the war with Israel. The rebellious SAA units gave up the same day but, with troops divided about 50-50 for and against the federal government, army dissidence could recur at any time.

When British troops were sent to quell the army rebellion, police in Crater joined local nationalists and terrorists in taking over this populous district, where they are attempting to establish an independent Arab socialist state. The Egyptian-backed Front for the Liberation of Occupied South Yemen (FLOSY) is apparently in charge in Crater, but reports persist of continuing conflict there and elsewhere between FLOSY and rival nationalist groups. The kidnaping of the FLOSY mayor of Aden, presumably by members of the National Liberation Front (NLF), may lead to a bloodbath between the two organizations.

The British have not used military force to reoccupy the Crater district because they

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believe the resulting loss of civilian life would further alienate the local population, and might cost Britain the loyalty of the entire SAA. The failure to retake Crater and the continuing withdrawal--according to a pre-arranged schedule--of nearly all British forces from other parts of the South Arabian Federation may be interpreted as a sign of weakness and encourage the terrorists to take further initiatives. Terrorism--some of it directed against US interests--has been stepped up in other parts of Aden.

[Redacted]

On 19 June Britain had announced that South Arabia would

be granted formal independence on 9 January 1968 with limited British military assistance and protection. The outbreak of violence the following day has cast further doubt, however, on the viability of the federation government. The nationalists continue to regard it as the tool of reactionary sultans.

[Redacted]

US officials in Aden believe that Britain may not even come through with the promised \$28-million postindependence defense assistance for the reason that it would be strengthening an army which inevitably will come under pro-Egyptian control.

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NIGERIA'S GOWON MARKING TIME IN CONFRONTATION WITH "BIAFRA"

Despite persistent reports of an imminent attack by federal forces on Nigeria's breakaway Eastern Region, Maj. Gen. Gowon apparently remains reluctant to give the go-ahead until all possible preparations have been completed. He probably is still hoping economic sanctions will force the self-styled Republic of Biafra back into the federation.

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a further substantial build-up

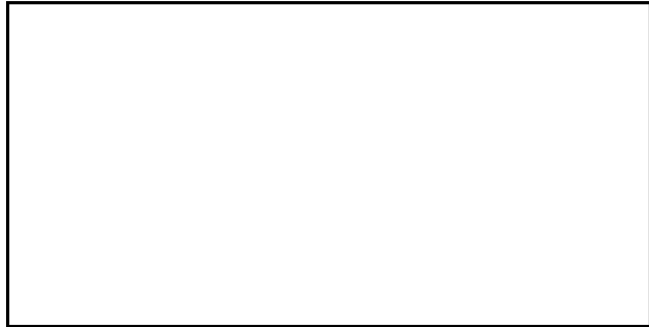
of federal troops in the area north of Biafra. Total federal strength there has probably reached 6,000-7,000 troops, about half of them recently recalled veterans and newly trained recruits.

The timing of a federal attack appears to depend on several factors. One is Gowon's desire to assemble all the manpower and equipment he can, including aircraft and more armored vehicles. Despite recent

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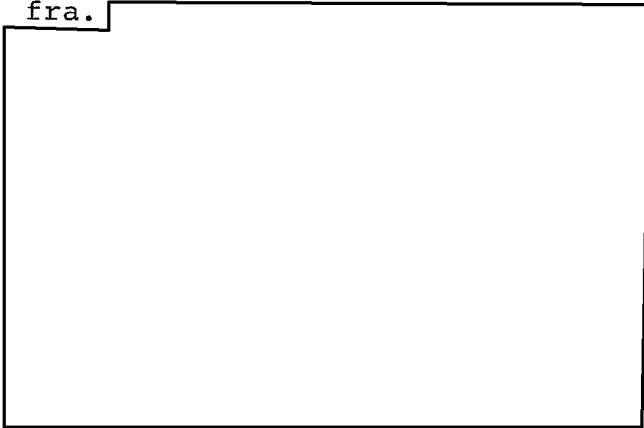
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rebuffs, he is still pressing his search--possibly even in the USSR--for the desired items. His apparent preference to have them in hand before attacking might quickly be overridden by other considerations, however.

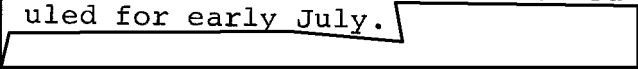


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One is the question of how the oil companies, notably Shell-BP, handle the conflicting claims of Gowon and Biafran Governor Ojukwu on the next revenue payment from oil operations in Biafra.



Another factor bearing on Gowon's plans to attack is that of international recognition of Ojukwu's regime. No country has recognized Biafra yet, but if Gowon believed such a move were imminent he might try to head it off by attacking at once. Several African countries are concerned over the prospect of further bloodshed in Nigeria, and the crisis there will probably be discussed at a meeting of several East African heads of state scheduled for early July.



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WESTERN HEMISPHERE

Domestic political and economic concerns regained center stage in several countries of the hemisphere last week despite the continued very active Latin American participation in the UN discussions of the Middle East crisis.

The Robles government in Panama is making a concerted effort to win domestic support for the three new draft treaties on the Panama Canal that were announced by Presidents Johnson and Robles on 26 June. So far, Panamanians have reacted little to the news that two and a half years of negotiations have been successfully concluded, but intensive comment and politicking for and against the treaties can be expected when their provisions are made public in a few weeks.

Mexico is preparing for what in the past has been a quiet, routine off-year election of the lower house of the federal congress and a number of state governors. Public unhappiness with the candidate tapped by the powerful national ruling party to be the next governor of Sonora led to an abortive revolt, however, and as a consequence, the 2 July elections could produce new fireworks there or strengthen pressures for a change in Mexico's traditional one-party rule.

In Bolivia, the Barrientos government was faced with yet another acute problem last week when extremist-led tin miners picked a bloody fight with government forces. The miners and their student allies are still sullen and restless, and their rebelliousness may again flare up and cause further serious political and economic losses for the government.

Normally placid Uruguay also experienced a political crisis when wrangling over economic policy produced a sharp factional battle within the ruling Colorado Party. The ensuing cabinet shake-up and the ruffled feelings that accompanied it probably hurt the Gestido government's chances of timely political support for a badly needed overhaul of the economy.

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VIOLENCE IN BOLIVIA

Weeks of unrest at the major Bolivian tin mining complexes of Huanuni and Catavi - Siglo Veinte erupted into bloody clashes between miners and the army on 24 June.

The miners, drunk from a day's festivities and egged on by extremists who hoped to provoke government reaction, attacked police posts at Siglo Veinte on the night of 23 June. Army and police units moved into Huanuni and Catavi early the next morning. The army encountered serious resistance at Catavi, where troops used arrested miners and students as human shields against attacks. Three soldiers and about 21 miners were killed, and scores of miners were injured.

The army withdrew on 25 June but returned the following day after a miner was killed in one of the sporadic clashes with the police. The government may prolong the occupation to prevent a recurrence of the trouble. Other groups plan work stoppages and sympathy demonstrations in other parts of the country, but so far the violence has been confined to one area. Even if the clashes stop soon, however, the deteri-

orating financial situation in the mining industry is depressing the economy, which is bound to produce further political problems for the government.

President Barrientos has ordered the troops to rule with an iron hand, apparently in the hopes of averting charges that his government is incapable of maintaining order. Barrientos links the violence in the mines with the guerrilla movement. In a broadcast, on 26 June, he claimed that the violence was part of a "revolutionary plan designed and financed by the Peking-Havana axis that could have led to a civil war."

Meanwhile, the hard-pressed government is continuing to suffer losses inflicted by the pro-Communist guerrilla band active in the Southeast. An army support unit suffered three dead and two wounded in a clash with guerrillas on 26 June.

The government has yet to demonstrate that it has control over the situation in the mines, and this show of weakness is encouraging oppositionists to step up their political attacks against the Barrientos administration.

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LATIN AMERICA SEEKS ARMS IN EUROPE

Major South American nations, frustrated by their inability to buy modern US military equipment to replace worn-out tanks, aircraft, ships, and small arms, are

showing increasing interest in European suppliers. One result could be a sharp decline in the preponderant US influence that has characterized Latin American

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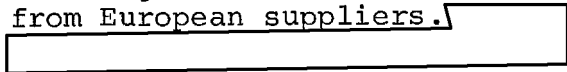
defense planning and development since World War II.

Peru and Brazil in particular have objected to the US embargo on sales of supersonic jets before fiscal 1970. The Peruvian Air Force is on the verge of signing a contract with France for 16 Mirage 5 fighters, a simplified version of the Mirage III used by the Israeli Air Force. The Mirage 5 is designed to use short, unsurfaced runways and its maintenance is relatively uncomplicated. It is faster and more versatile than the US F-5, the aircraft most in demand by the Latin air forces, and is not much more expensive. If Peru acquires the French jet, several other nations--including Argentina, Brazil, Chile, and Venezuela--probably will seek similar equipment.

Peru is also investigating the European market for tanks and destroyers, and Argentina recently

sent an army general on a similar mission. Both Britain and France seem interested in supplying this equipment, and Spain has reportedly offered to sell ships. Although Latin American naval officers have often expressed their preference for US equipment, they are no longer willing to maintain outmoded destroyers on loan from the US and prefer to channel their limited funds into acquisition of newer ships.

In the past, the Latin American military have used threats of third-country purchases primarily as a bargaining point for dealing with the US. With the cutback in US defense sales to Latin America, however, they seem to be serious in seeking deals with Europe. They also seem to be prepared to accept military training and technical missions from European suppliers.



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LATIN AMERICAN SOLIDARITY ORGANIZATION TO MEET IN CUBA

The first Latin American Solidarity Organization (LASO) conference, scheduled to convene in Havana on 28 July, will probably focus on shifting the path of Latin American Communism away from urban proletarianism toward rural guerrilla insurgency. Regardless of the outcome, the proceedings will almost certainly exacerbate tensions between Castroite militants and the pro-Soviet Communists who prefer to concentrate on legal action, at least for the present. This issue was probably a point of contention during So-

viet Premier Kosygin's discussions with Fidel Castro this week.

LASO was founded by 27 militant Latin American delegations immediately after the Tri-Continent Conference in January 1966 in order to "coordinate the struggle against US imperialism. In August 1966 an organizing committee consisting of representatives from Cuba, Brazil, Colombia, Guyana, Guatemala, Mexico, Peru, Uruguay, and Venezuela met to plan for the 1967 conference. In October this committee issued a draft

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agenda, inspired by Castro's militant foreign policy, which called for discussion of a common strategy of armed insurrection for all Latin American revolutionary movements. It also issued a call for the creation of national LASO committees in the various Latin American countries.

The formation of these committees, which will send delegates to the July conference, appears to be causing great problems. Thus far, the only ones officially established outside Cuba are in Chile and Colombia.

In a dispute over formation of the Chilean committee, the Socialist Party claimed that its less militant Communist coalition partner had no right to participate in LASO because of its subordination to Soviet interests and consequent failure to support national liberation movements. The Communists denied these charges, and insisted that they were opposing inclusion of pro-Peking Communists and other militants only because they wanted to exclude "adventurers." Despite what must have been strong Communist objections, the committee is heavily weighted in favor of the Socialists. The delegation it has named includes such Castro admirers as perennial presidential hopeful and Senate president Salvador Allende and a recent visitor to Havana, Senator and Socialist Party Secretary General Aniceto Rodriguez.

The Colombian national committee, like the Chilean, contains some orthodox Communist

Party members, but includes a heavy complement from the insurgent Army of National Liberation and the extremist Worker-Student-Peasant Movement.

The obvious pro-Castro tone of the preparations has reportedly caused the orthodox Venezuelan Communist Party to decide against sending a delegation--apparently leaving the field open to the pro-Castro Armed Forces of National Liberation and other guerrilla groups. The Uruguayan Socialist Party, on the other hand, has accused the Communist-controlled Leftist Liberation Front of excluding it and other extremists from representation.

Whatever the outcome of these arguments, it is becoming increasingly clear--from the organizing committee's provocative declarations and Castro's stated dissatisfaction with Latin American pro-Soviet Communist Parties--that the hemisphere is going to witness an open ideological struggle between Castroite insurgents and orthodox Communists. The Cuban leader has apparently become completely convinced that his revolution, beginning with a small guerrilla nucleus and accomplished without Soviet or Chinese assistance, is the only valid course for others to follow to achieve national liberation. Thus, the July LASO conference will be used as a forum to appeal to Latin Americans to band together in "red beret" groups in order to begin a true revolutionary struggle. [REDACTED]

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