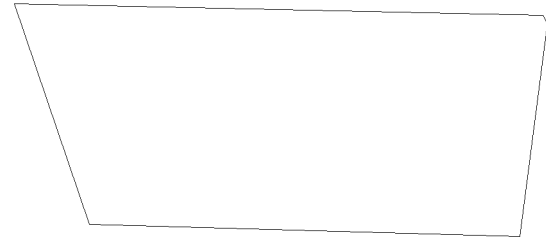


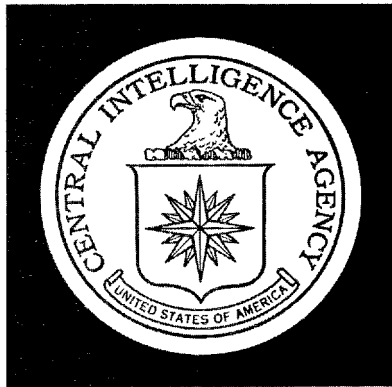
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

NAVY review(s) completed.

State Department review completed

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(Information as of noon EDT, 6 July 1967)

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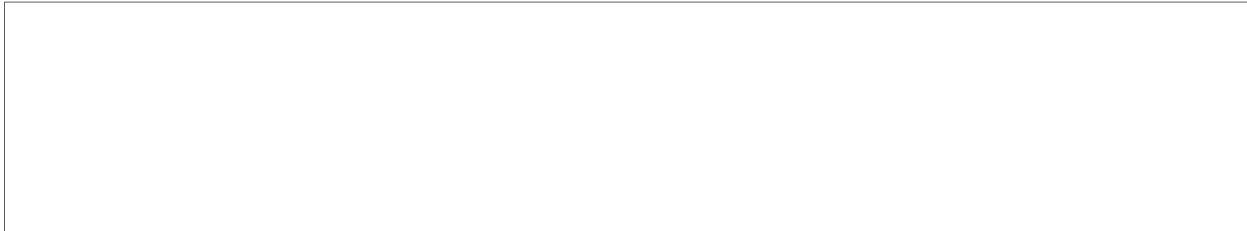
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policy has antagonized the most powerful faction of
the ruling party, whose votes are needed to enact
legislation proposed by the administration.

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The South Vietnamese presidential contest has been radically altered by Premier Ky's reluctant agreement to run for vice president on the military ticket headed by Chief of State Thieu. This sudden realignment resulted from three days of stormy discussions among senior military commanders. Ky evidently was obliged to yield to the overriding desire of the military leaders to forestall a split which would endanger military control of a future South Vietnamese Government.

If the Thieu-Ky ticket holds together, it will have the best prospects of winning the 3 September elections. A critical period lies ahead, however, in view of the mutual antagonism which has developed between Thieu and Ky in recent months.

Hanoi was quick to exploit the new alignment, charging that Ky had displeased the US by his campaign tactics and that Ambassador Bunker played a key role in forcing his withdrawal as a presidential candidate.

On the military front, North Vietnamese forces increased pressure on US Marine positions south of the Demilitarized Zone. There were other indications that the Communists are preparing to resume an offensive in this area in an effort to tie down US forces and harden the military stalemate.

Peking is maintaining pressure against Burma although order has been restored in Rangoon after last week's anti-Chinese riots. In addition to demanding a public Burmese apology, the Chinese after many years of silence on the subject, now are proclaiming their support for the Burmese Communist Party's struggle against the "reactionary" Ne Win regime. This propaganda may be backed up by small-scale material and financial support for the Burmese Communists, but it is unlikely that Peking contemplates a radical shift toward all-out support for the weak and divided local Communist forces. 25X1

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VIETNAM

The Presidential Race

The complexion of South Vietnam's presidential contest was radically altered last week just before the deadline for filing applications. The race still has four major contenders, Chief of State Thieu, Tran Van Huong, Phan Khac Suu, and exiled General "Big" Minh. Altogether 17 candidates were finally approved by the Provisional National Assembly.

The most significant development was the emergence of an all-military ticket headed by Chief of State Thieu with Premier Ky as vice president. This unexpected alliance was the culmination of three days of emotion-charged marathon discussions by the Military Directorate and the Armed Forces Council, the supreme military authority composed of about 50 senior officers.

Ky maintains that he withdrew his candidacy and agreed to join Thieu not because of pressure from the other generals but in order to end the risk of a permanent split within the military establishment. Throughout the discussions Thieu apparently remained adamant on staying in the race, threatening at one point to resign from the army.

[redacted] the Military Directorate decided that both men should run on the same ticket in

order to end the dispute. After considerable prompting, Ky reportedly agreed to take the second place in deference to Thieu's seniority.

Just how the two would share the presidential responsibilities will probably depend on whether Thieu can assert himself as president. If Thieu is as reticent a president as he has been Chief of State, Ky probably will step into the resulting vacuum. Ky's decision to step down--whether as a selfless act in the interest of military unity or in response to pressure from the other military officers--may have enhanced his esteem within the military establishment. Moreover, due to his dog-in-the-manger attitude, Thieu's stock seems to have dropped proportionately. What appears on the surface to have been a triumph for Thieu may actually be only a Pyrrhic victory. Thieu may become the elected president but Ky's power in government may be extensive.

The successful eleventh-hour effort by General Duong Van "Big"

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Minh, in exile in Bangkok, to file his candidacy through his colleagues in Saigon adds to the complexity of the presidential election. Since Minh has been barred from returning to Saigon by the Military Directorate, he will have to run in absentia. A popular figure among Buddhists and among southerners, Minh is almost unanimously distrusted by the military leadership, and even Phan Khac Suu does not welcome his candidacy.

The Military Situation
In the South

An increase in the pace of the ground action just south of the DMZ this week tended to confirm indications that North Vietnam is building up its forces to the level that existed prior to the massive US - South Vietnamese sweep of the area last May.

A major engagement between US Marines and North Vietnamese (NVA) troops took place near Con Thien in northeastern Quang Tri Province early in the week after a US patrol located an enemy force in well-prepared positions. The subsequent heavy action took place within a triangle formed by the American installations at Con Thien, Dong Ha, and Gio Linh. In addition, the Communists continued their artillery, mortar, and rocket attacks against US

installations and allied field positions in the area.

To date, American casualties as the result of this series of battles total 106 killed, 290 wounded, and another 5 missing. Communist losses total 223 killed.

Earlier this year, before the joint US - South Vietnamese sweep of Communist positions in the southeastern portion of the DMZ, there were strong indications that the Communist Command Center in this area was preparing for an over-all offensive against friendly forces in northern Quang Tri Province including an assault against Con Thien. Present enemy troop deployments suggest the Communists may be going ahead with their earlier planned assault on Con Thien.

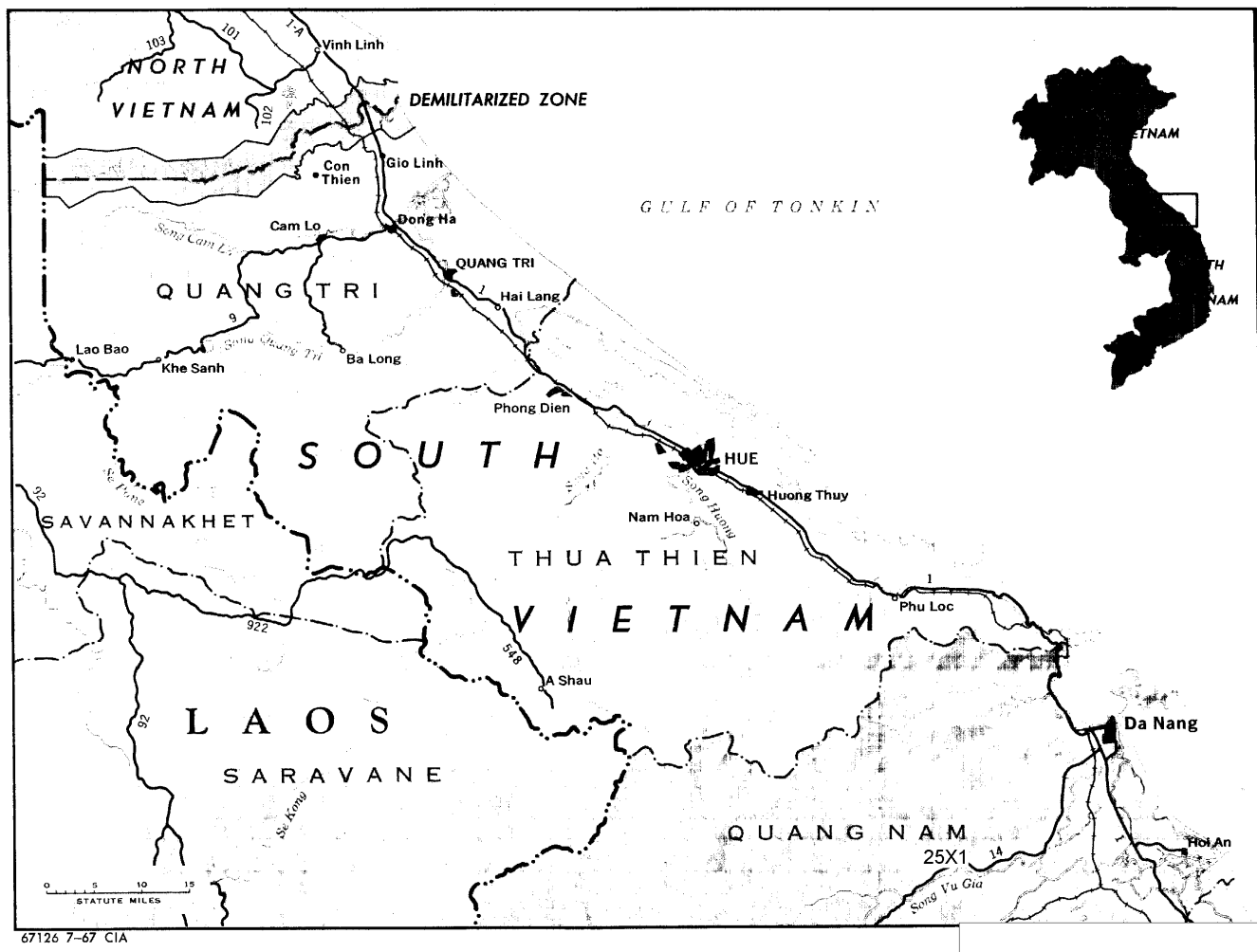
To the south in Quang Nam Province

have revealed the movement of enemy units into the province for possible future operations near Da Nang. Although Communist main-force units have not previously operated extensively in this province, strategic allied bases and vital supply routes in the coastal flatlands may be the enemy objective in the near future.

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Hanoi Diplomats Return-
ing Home

The return of a number of North Vietnamese ambassadors to Hanoi suggests that the DRV may be recalling its diplomats for consultations and instructions. Such briefing sessions have been held in the past, sometimes at the conclusion of important party central committee plenums. Many DRV diplomats, for example, returned home in early 1966 for briefings, probably in connection with the important 12th central committee meeting which laid down new policy guidelines on the war in South Vietnam.

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RECENT DEVELOPMENTS IN COMMUNIST CHINA

The political side effects of the "Cultural Revolution" have compounded Peking's problems in foreign affairs. The Chinese Communists, already virtually without friends abroad, have just added Rangoon to a growing list of un-sympathetic foreign capitals. Chinese diplomatic officials returning to their posts abroad after "revolutionary" reindoctrination courses have displayed an arrogance which has provoked violent anti-Chinese demonstrations in more than half a dozen countries.

The Chinese response--reflecting the dominance of "revolutionary" elements in the Foreign Ministry--has been to attack foreign embassies in Peking. Around-the-clock demonstrations, harassment of foreign diplomats, and massive antiforeign rallies have become standard procedure in the Chinese Communist capital.

Sino-Burmese Relations

The latest of these "crises" has brought Peking's relations with Burma to the lowest point in nearly a decade. During the past week, Peking maintained its pressure against Burma after anti-Chinese riots in Rangoon. Demonstrations were staged outside the Burmese Embassy in Peking and

the Chinese repeated earlier demands that Rangoon publicly apologize and agree to prevent the recurrence of anti-Chinese incidents.

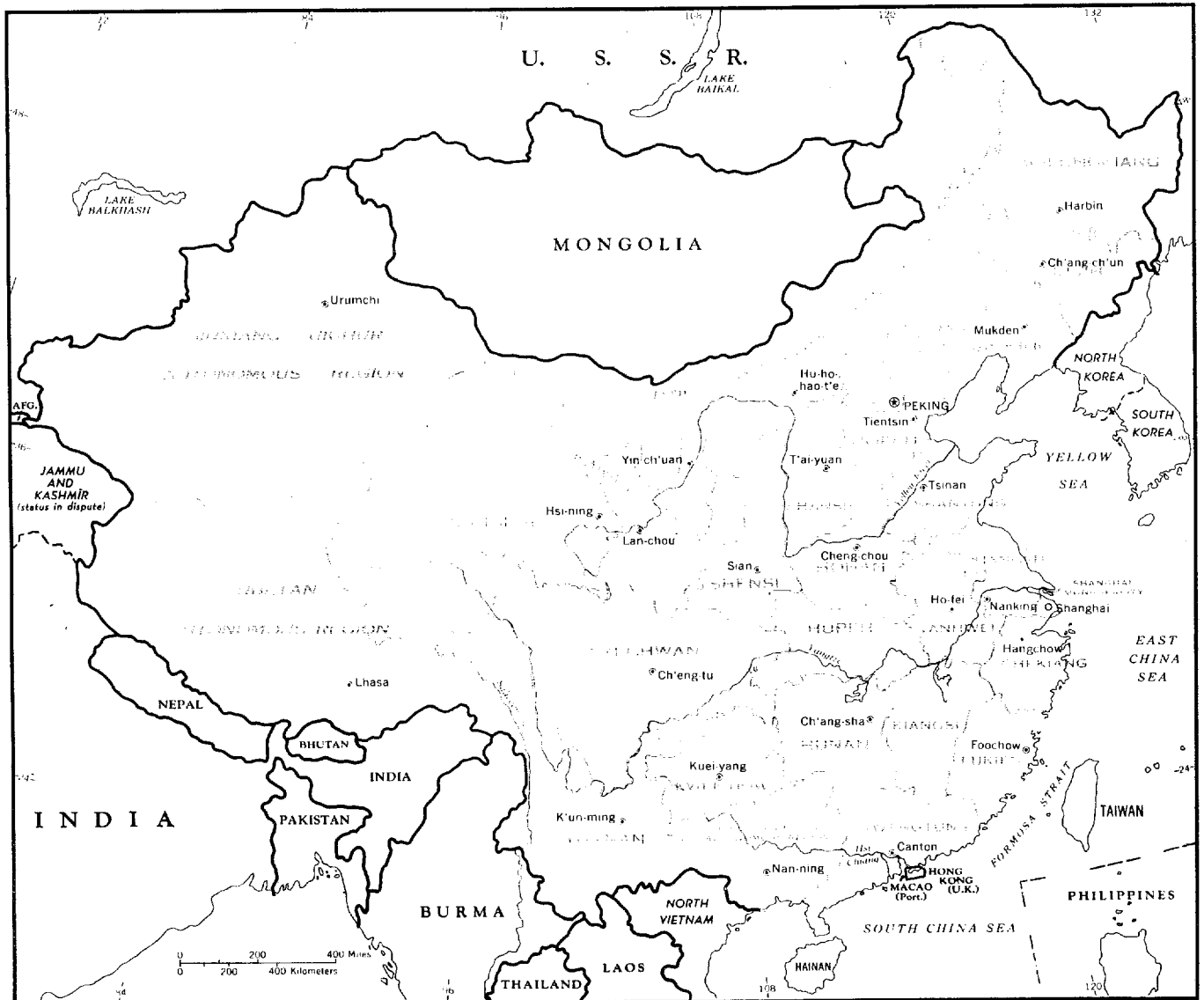
In a move designed to impress the Overseas Chinese, Peking asked Rangoon on 4 July to permit Chinese aircraft to take Chinese nationals injured in the riots back to China for medical treatment.

For the first time in many years, Peking's propaganda is proclaiming support for the Burmese Communist party's struggle against the "reactionary" Ne Win regime. It is unlikely, however, that the Chinese will adopt a policy of strong political and material support for the weak and divided Communist forces in Burma.

Hong Kong

In Hong Kong the Chinese appear to be settling down for a prolonged struggle. A 5 July People's Daily editorial clearly implied that the colony is in for a long period of popular unrest and harassment. The Chinese have continued to ignore a British request for additional water this summer, although the current situation is not critical. The Chinese last month

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satisfied the terms of the current contract and are not obligated to supply more until October.

On 3 July the Communists ended the ineffectual four-day food strike in Hong Kong, and Peking resumed food shipments to the colony. The limited success of recent strikes in Hong

Kong has been due largely to the lack of enthusiasm among merchants and workers who have been coerced into cooperation by Communist elements. The Hong Kong government recently enacted legislation which provides heavy penalties for this sort of intimidation.

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EUROPE

The handling of the Middle East crisis by the Soviet collective leadership has elicited a certain amount of criticism in the party. Dissent has already cost the job of one fairly important official, and others may meet the same fate. Brezhnev's speech at the Frunze military academy in effect defending the regime's policies suggests that some public guidance on the issues in question was thought to be advisable, if not unavoidable.

Premier Kosygin's recent stop-overs in Paris underlined Moscow's interest in preserving the semblance of a "special" Franco-Soviet relationship in spite of the USSR's emphasis on close consultations with the US during the Middle East crisis. Premier Pompidou's trip to the USSR this week will wear a somewhat similar aspect, but was actually arranged some time ago, and will be primarily protocolary in character. 25X6

European economic officials are meeting in Rotterdam to consider ways of dealing with the reduction of oil supplies from the Middle East. The shortage of tankers rather than shortage of oil is the current problem. Signs that the Arab embargo is weakening will diminish the sense of urgency which, in Europe, has never been great. The oil emergency, however, has pointed up Europe's continuing vulnerability to external pressure and may lead to reconsideration of national oil policies, especially in West Germany. 25X1

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COHESION OF SOVIET LEADERSHIP SHAKEN BY MIDDLE EAST CRISIS

Differences in Moscow over Middle East policy have led to the downfall of at least one fairly high official and there are reports that others--also out of sympathy with the Politburo line--will meet the same fate. The three chief exponents of Soviet policy in the recent crisis--Brezhnev, Kosygin and Podgorny--seem, however, to have pulled together during the recent crisis although Kosygin's tactics in the US were probably carefully monitored from Moscow.

The ideologically militant Moscow City party boss, Nikolay Yegorychev, was fired from his post because in a speech at the 20 June session of the central committee he apparently criticized the Politburo's restraint in handling the Middle East crisis. In the past Yegorychev appears to have been a spokesman for the neo-Stalinists loosely grouped around Politburo member Shelepin.

This group favors tighter domestic controls and opposes moves toward detente with the West on the grounds that it will lead to the ideological disarmament of Communist forces. The leaders of this group have been politically hard-pressed for the past year but they represent an important segment of opinion within party circles. The Middle East crisis may have acted as a catalyst in bring-

ing these long-standing differences within the leadership closer to the surface. In a speech given earlier this week Brezhnev struck a slightly defensive note in explaining the Soviet position concerning the Middle East, as though he was attempting to disarm critics of both the left and right.

In the past Brezhnev appeared more responsive to the views of this militant minority, but in the crisis he firmly joined Kosygin and Podgorny in accepting the need to contain the situation. The basic rivalry, however, between Brezhnev and Kosygin remains.

Yegorychev was replaced on 27 June by candidate member of the Politburo Viktor Grishin, who is by contrast more temperate in his public utterances and appears generally to be more moderate in his views.

One year ago Yegorychev appeared slated to move up into one of the top ruling party bodies. He was in the forefront of the move at the 23rd Party Congress to rehabilitate Stalin. Yegorychev proposed the resurrection of Stalin's title, General Secretary, for Brezhnev at the congress and in April was given the high honor usually reserved for a party secretary, of delivering the Lenin Day address.

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By late summer 1966 the situation had changed. The push to reinstate Stalin formally and publicly had been checked and a move to break up the group that constituted Shelepin's support appeared to be in the making, probably at Brezhnev's instigation. In September a close Brezhnev associate, Shchelokov, rather than Shelepin's protege Tikunov, was chosen to head the new USSR Ministry for Maintenance of Public Order. This was one of the first clear signs that a move was afoot to cut off Shelepin from his former state secu-

rity/policy power base. The removal of Semichastny on 19 May from the KGB post would seem to have accomplished the job.

There now are persistent rumors that other officials who came up through the Komsomol organization under Shelepin are slated for removal. Those mentioned include Mesyatsev, chairman of the Radio and Television Committee, and Romanovsky, Chairman of the Committee on Cultural Relations with Foreign Countries.

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EAST GERMAN - CHINESE RELATIONS FURTHER STRAINED

East German - Chinese relations, already cool, will probably worsen as a result of the Chinese charges that the East Germans were responsible for an automobile accident which killed four Chinese Embassy officials in the GDR on 27 June.

According to the official East German version, the accident occurred when the Chinese, attempting to pass on a wet, steep road, collided with an oncoming truck. The East German press was quick to point out that the Chinese were at fault and subsequently played up the fact that medical experts did everything possible to aid the injured.

Despite these East German attempts to preclude charges of foul play or negligence, the Chinese Embassy in East Berlin on 29 June put up wall posters which denounced "German Nazi murderers" and called for vengeance. Embassy officials using bullhorns repeated these charges when Pankow-sponsored demonstrators gathered outside the embassy. There have also been unconfirmed reports that "Red Guards" besieged the East

German Embassy in Peking and denounced the Germans on 29 and 30 June.

As of 5 July the Ulbricht regime had yet to react officially to these Chinese attacks, but Pankow's increasingly critical view of Peking undoubtedly will be strengthened as a result of the Chinese tirades. The East Germans have been increasingly critical of Peking for the past eighteen months and especially since the "cultural revolution" began. Regime spokesmen, including Ulbricht and his heir presumptive Erich Honecker, have denounced the "Mao group" for its alleged attacks against the Chinese Communist Party, its excessive nationalism, and its cult of personality. Other more sweeping denunciations of the entire Chinese leadership, ideology, tactics, and internal and foreign policies have also been made.

State relations have also deteriorated, largely as a result of China's continued anti-Soviet policies and because of Chinese mistreatment of East German diplomats in Peking.

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DEVELOPMENTS IN ADEN

The security situation in Aden eased considerably this week when British troops reoccupied the nationalist-held Crater district, virtually without bloodshed. London is continuing to seek the cooperation of dissident leaders in order to form a transitional government more broadly based than the present one before independence is granted on 9 January 1968.

Before the Arab-Israeli war London believed Cairo might urge leaders of the Egyptian-backed Front for the Liberation of Occupied South Yemen (FLOSY) to join in transitional government. British officials still are trying to persuade FLOSY representatives, but London's present bad standing in Egypt may make that project more difficult. London's hopes now center on the rival National Liberation Front (NLF) which seems currently to be on top in the FLOSY-NLF feud.

The fact that the British move into Crater was unopposed hints at some prior British-NLF

contact. At the least, it is evidence of cooperation by the South Arabian Army and police, whose support will be vital to any transitional government. London had feared that a British military move into Crater would spark a mutiny in the badly split South Arabian Army. London may now hope that the newly selected Prime Minister of South Arabia, Adeni moderate Hussain Ali Bayyumi, who may have NLF ties, can form a transitional government including nationalist leaders, some members of the present federal government and some army notables. The British may release NLF members now in custody, in a bid for NLF cooperation.

The odds still are against the formation of a viable South Arabian government and an orderly withdrawal by the British. Nevertheless, the apparently successful conclusion of the Crater affair buys Britain time to keep trying and is a sorely needed psychological boost to its position in the colony.

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MIDDLE EAST - AFRICA

The UN General Assembly, having failed to adopt either of the proposed resolutions on the Middle East, has adjourned until 12 July while efforts are made to devise a less contentious resolution. Meanwhile, Israelis and Egyptians clashed on three successive days this week in the Suez Canal area, but there appears to be little likelihood of a resumption of full-scale hostilities. Israel's "municipal fusion" of the two sectors of Jerusalem, and Defense Minister Dayan's announcement that the Gaza Strip is to become part of Israel, increase the pressure on the Arab states to negotiate a settlement. [REDACTED]

The security situation in Aden has improved somewhat. The British, apparently after prior negotiations with the National Liberation Front (NLF)--one of the two Aden nationalist groups--have retaken the rebellious Crater district. A new prime minister has been appointed who is known to have ties with the NLF, and it is possible that a transitional government including some nationalists can be set up before independence on 9 January 1968.

In the Congo, this week's mutiny by white mercenaries and Katangan troops removes large areas of the eastern part of the country from even the tenuous control recently established by the Mobutu regime. Mobutu may find it almost impossible to counterattack with the forces available to him, particularly since the mutineers may have seized two of the government's fighter aircraft. The mutiny may delay Mobutu's apparent plan to execute former premier Tshombé. [REDACTED]

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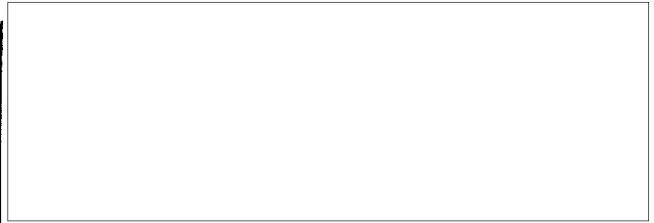
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DEVELOPMENTS IN THE MIDDLE EAST CRISIS

There seems to be no danger of a resumption of full-scale hostilities, despite clashes on 1, 2, and 3 July between Israeli and Egyptian forces in the Suez Canal area, and Israel's shooting down an Egyptian fighter over the Sinai Peninsula on 4 July. The Israelis reportedly do not regard the incidents as serious, believing the Egyptian actions were primarily a ploy aimed at influencing the debate in the UN by underscoring the continuing instability of the area. Periodic hostilities might also help refurbish Egypt's military image, and persuade the Egyptian public that sacrifice and austerity are still in order.

Israel's "municipal fusion" of the Jordanian and Israeli sectors of Jerusalem, as well as Defense Minister Dayan's announcement on 5 July that steps will be taken to turn the Gaza Strip into a part of Israel, increase the pressure on the Arab States to negotiate a settlement. Israel now is confronting the Arabs with the prospect of permanently losing the occupied territories if there is no agreement to discuss the future status of these areas.



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The Israeli Government on 2 July announced it will allow residents of Jordan's West Bank to return to their homes, setting 10 August as the deadline. Returnees will have to supply proof of prior residence in the area and convince authorities that they are not security risks. The number of refugees who fled to the East Bank probably is at least 125,000.

In Libya, the King's replacement of Husayn Maziq by Abd al-Qadir al-Badri as prime minister was apparently prompted by Maziq's unwillingness to take effective action during the crisis. Badri has had little education, [redacted]

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[redacted] and has been outspokenly anti-American and anti-British in the past, but his appointment is being regarded as a stopgap measure not lasting longer than a few months. Badri was probably picked because he is loyal to the King, has not been involved in dealing with the Americans on the military base issue, and is readily expendable should he also mishandle the situation. He probably has the King's backing to deal firmly with opposition activities.

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The new government's first policy statement announced the

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resumption of oil exports to "friendly states" but the ban on shipments to the US and the UK continues. In spite of a widespread strike following the announcement, shipments reportedly commenced on schedule. The government apparently decided to take firm action against the strike organizers, 15 of whom were reported to have been arrested.

Soviet Military
Aid Shipments

Current Soviet military aid deliveries by sea to the Middle East fall considerably short of the major sealift which would be required to rebuild rapidly Arab military inventories to the level they were before hostilities. There has been no appreciable increase in Soviet military shipments during the past week.

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The Soviet Position

The communiqué dealing with President Podgorny's visit to Syria was nearly identical with the one treating his trip to Cairo, and neither was particularly precise or informative. The communiqué's failure to mention "imperialist aggression" as a cause of hostilities suggests that Podgorny's visit was intended to calm Syrian extremism as well as continue efforts to rebuild the Syrian Army.

Several Soviet press articles may be indicative of the line that Moscow is taking in its private sessions with Arab leaders. An official silence is being maintained regarding the legal status of the Strait of Tiran and the Gulf of Aqaba. An article in the Soviet Army newspaper Red Star, however, suggests that the UAR would have no right to close the Strait if Israeli "threats" were removed. This article--in addition to various statements by Soviet officials--implies that Moscow is encouraging Nasir to be more forthcoming on a possible compromise with Israel relating to the question of transit.

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An article in the Soviet weekly Life Abroad on 30 June charges that the real cause of the UAR military setback was the "defeatism of some of the generals and senior officials." This charge supports Moscow's intention to fix ulti-

mate blame for the military defeat on Cairo's failure to carry out a socialist revolution. It also implicitly warns Nasir that a major shuffle is in order among the military leadership.

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UN ASSEMBLY UNABLE TO AGREE ON MIDEAST

The General Assembly, concerned over its failure to adopt any general resolution on the Mideast by the required two thirds majority, has recessed until 12 July. In the interim, efforts will be made to devise a less contentious resolution, possibly urging scrupulous observance of the cease-fire and requesting U Thant to appoint a personal representative to the Mideast. Within a short time, the Arab-Israeli problem is likely to be taken up again by the Security Council.

In the Assembly's debate, no reconciliation between opposing sides was possible. The Arab states, the USSR, France, and some nonaligned countries supported the Yugoslav resolution concentrating almost exclusively on a withdrawal of Israeli forces. The Latin Americans, the US, and most West Europeans believed that constructive steps toward a settlement had to accompany withdrawal. This approach was reflected in the Latin American resolution presented on 30 June after a Danish-coordinated effort failed to get off the ground.

The Latin American resolution successfully blocked the adoption of the Yugoslav motion and thereby caused a diplomatic defeat for the

USSR, which had called the special session to punish Israel.

The Soviet resolution condemning Israel as the aggressor, presented at the opening of the session, was defeated soundly. The US resolution lacked broad support and was withdrawn. The Assembly gave overwhelming endorsement, however, to a Pakistani motion calling for Israel to rescind its actions to unify Jerusalem, and to a Swedish proposal for UN aid to the refugees and war victims.

Feeling was widespread among the delegations that the Assembly's inability to agree on a major resolution was not a satisfactory denouement for the special session. Assembly President Pazhwak, who had previously tried without success to get the Yugoslav and Latin American sides to iron out their differences, approached the Swedish and Finnish delegations on 4 July to see if they would offer a substitute resolution. This prompted Swedish representative Astrom to suggest to the Assembly the next day that a further attempt be made to agree on an endorsement of the cease-fire and the naming of a UN emissary to deal with the Mideast governments in an effort at a settlement. Pazhwak then announced the recess until 12 July.

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NIGERIAN NAVY BLOCKADE GIVING BIAFRA TROUBLE

Governor Ojukwu of secessionist "Biafra" is under increasing pressure to break the Nigerian Navy's surprisingly effective blockade of his ports. He also needs to demonstrate his regime's de facto control in order to get international recognition, which still has not been given.

Ojukwu maintains effective internal control in the former Eastern Region, but the federal naval blockade is stopping most imports of manufactured goods, as well as the export of foreign exchange earning produce. Ojukwu has apparently arranged for charter shipments of needed replacement equipment--probably including arms--that should arrive in Nigerian waters early this month. On 2 July a reportedly empty cargo ship was hit by gunfire from a Nigerian patrol boat after leaving Bonny; presumably the ship had unloaded in the Biafran port. This, however, is apparently the only cargo ship to have made it into port since regular patrols were instituted by the federal navy in early June.

Ojukwu has managed to acquire at least one B-26--a US World War II bomber--and may have more, although it is not clear whether any of them are armed or fitted for a bombing mission. He may intend to use

such aircraft, which reportedly will be flown by mercenary pilots, against the Nigerian Navy.

Federal leader Gowon, apparently impelled by reports of Ojukwu's bomber acquisition, has urgently requested military equipment, including jet fighters, from both the US and UK. He is apparently considering equipment from East European sources if Western sources are denied. Gowon seems anxious to acquire the additional arms before embarking on an attack to put down Ojukwu's rebellion. Moreover, he may feel that federal sanctions are beginning to have the desired effect on Biafra, and that a military move at this time would be premature.

The disposition of the important oil revenues from Biafran production, now due and claimed by both Gowon and Ojukwu, remains basically unresolved. Because of Ojukwu's threat to move against its oil installations, Shell-British Petroleum (BP), the major producer, decided to give Ojukwu a token \$700,000 out of some \$15 million now due, leaving for a later day the question of who would get the major portion. Gowon responded by including oil tankers in his naval blockade of Biafran ports, thus cutting off the flow of oil. Ojukwu, who has so far refrained

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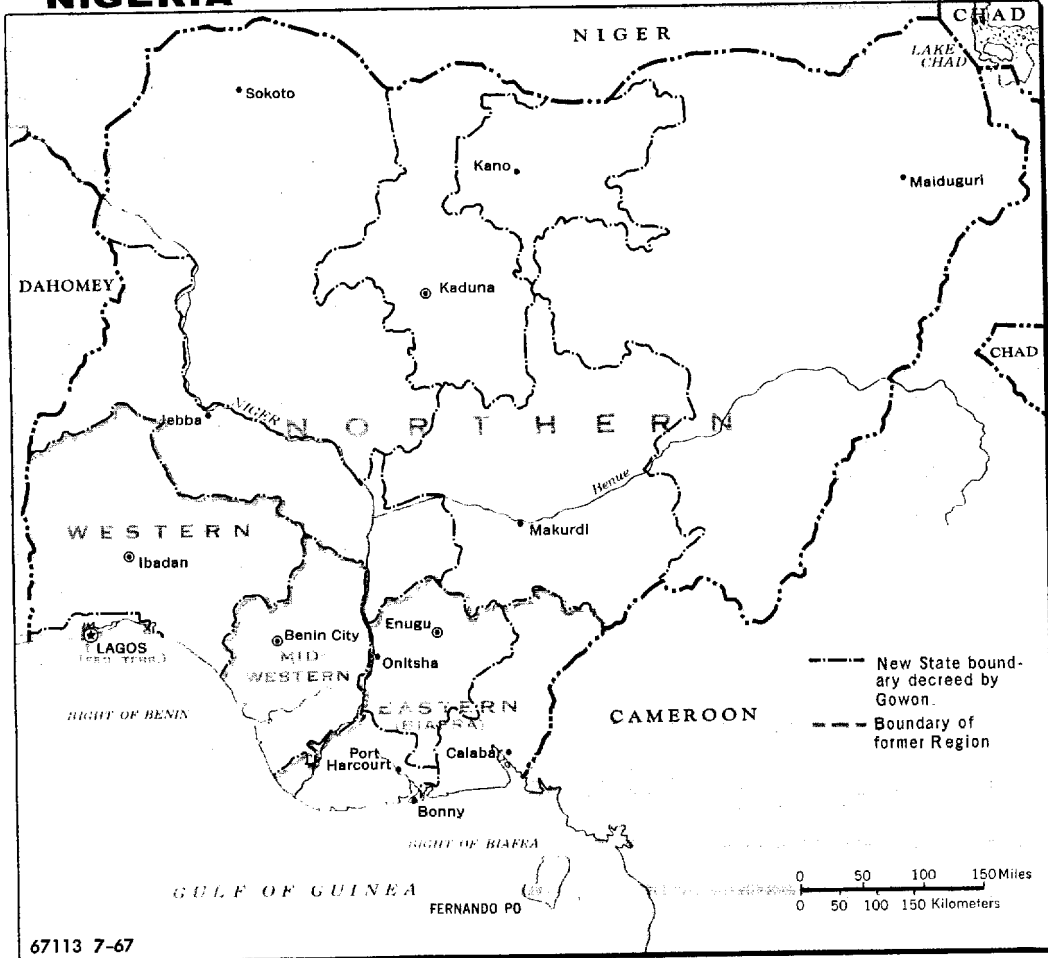
from bragging about the Shell-BP payment, now may have to take some action to force payment to him of the rest of the money due.

Ojukwu also seems bent on trying to relieve the pressure on him by provoking unrest elsewhere in Nigeria. The two severe bomb explosions that rocked Lagos on

the night of 2 July were reportedly part of a terrorist campaign that is to continue. Instead of the intended military targets, however, two gas stations were blown up and several civilians killed. As a result, there has been a renewal of unauthorized civilian reprisals against the Ibos remaining in Lagos.

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NIGERIA



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MOBUTU FACED WITH MUTINY AFTER TSHOMBE KIDNAPING

The mutinies which broke out in Bukavu and Kisangani on 5 July are the most serious threat yet to the tenuous stability of the Mobutu regime.

The rebelling white mercenaries and Katangan troops--most of whom were at one time loyal to former premier Tshombé--may have been reacting to the kidnaping of Tshombé by agents of the Congolese Government and to the Mobutu regime's subsequent threats to have him extradited from Algeria and executed. The fighting may stymie Mobutu's apparent intention to hang Tshombé immediately. Tshombé, if he gets into Congolese hands, may become a bargaining point with the mutineers.

The Congolese apparently had been planning to kidnap Tshombé for some time. Tshombé's March

1967 trial in absentia for treason may have been part of the plot since Tshombé now can be executed not because of political charges but because he was convicted of criminal actions. A Congolese delegation departed for Algiers early this week to present extradition papers and bring Tshombé back to the Congo.

It is not known why Tshombé was traveling around the Spanish islands from which he was kidnaped. The Congolese may have believed he was beginning his much-advertised coup to oust Mobutu and return to power himself. Recent sabotage in Katanga blamed on Tshombé sympathizers may have confirmed the suspicion that a move by Tshombé was imminent. In any case, the mutiny will almost certainly stiffen the government's resolve to root out real and imagined subversives as soon as possible.

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WESTERN HEMISPHERE

Domestic political concerns made most of the headlines in Latin America last week, and the most pressing anxieties of the moment for several regimes were at least temporarily or superficially relieved. Mexico held exceptionally quiet off-year elections on 2 July. Tensions eased off a bit in Bolivia, where President Barrientos appears to have weathered for the moment the attacks of his disunited political, labor, and student opposition. Much of the turmoil within Uruguay's ruling Colorado Party seems to have subsided too, but the quarrel over economic policy that precipitated a cabinet reshuffle remains unresolved.

Haitian dictator Duvalier, meanwhile, is continuing his latest campaign against all suspected dissidents. He has put through a law that in effect decrees the death penalty for most of the 95 persons now in asylum in various Latin American embassies in Port-au-Prince. [redacted]

[redacted] the loyalty of his chief military and security aides does not appear to be wavering yet.

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On the international front, Latin American diplomats worked feverishly if unsuccessfully to obtain UN General Assembly passage of their compromise resolution on the Middle East crisis. In view of the defeat of this effort, Brazil may revive its proposal for a separate peace conference outside the UN to deal with the entire range of Arab-Israeli problems.

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Hemispheric leaders still seem more united on how to handle the Middle East crisis than they do on how to cope with Venezuela's pending formal complaint of Cuban aggression. Some of the area's foreign ministers are showing increasing reluctance to attend the next round of OAS talks in Washington on this subject next month, since there is wide disagreement over what such a meeting might accomplish. [redacted]

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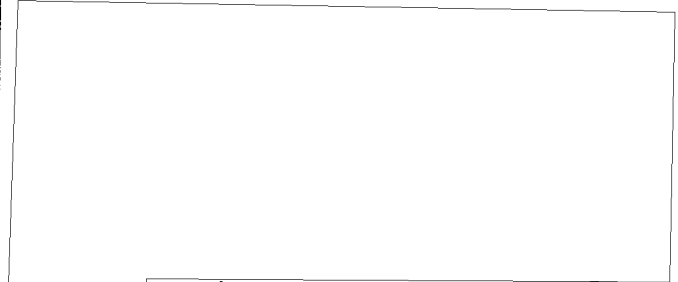
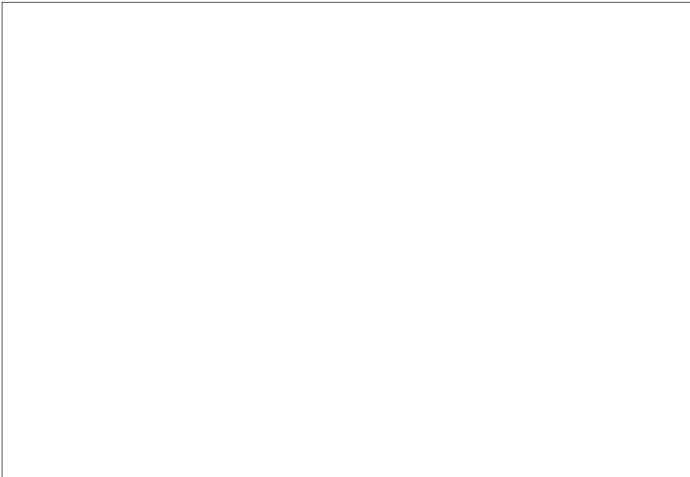
REACTION TO PANAMA CANAL TREATIES

President Robles moved swiftly last week to enlist support for the draft canal treaties as the first faint rumblings of opposition criticism began to be heard.

Robles' willingness to negotiate and draft the treaties in English is evidence of a sellout of national sovereignty.

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Arias departed on 1 July for a trip to Europe, including a possible stop in New York. He has offered no explanation for this unexpected departure, but he may use his stay abroad as a device to gain international attention for an anti-treaty campaign.

One unexpected gain for Robles has been a shift in attitude by two prominent ultranationalist officials who have generally been skeptical about prospects for US-Panamanian agreement. Ernesto Castellero Pimentel, Foreign Ministry director of the special negotiating mission, and Manuel Mendez Guardia, legal adviser to the Foreign Relations Council, reportedly believe the treaties are good and will be ratified. Castellero has some influence among university students and may be an asset to Robles in efforts to head off opposition by the volatile student sector.

The Communist party has reportedly called for agitation and propaganda against the draft treaties with the ultimate aim of preventing ratification. Its claim to have copies of the treaties is supported by its attack against specific provisions on: the establishment of a joint canal authority with majority US representation; retention of US military bases; and compensation of \$14 million rather than the \$80 million sought by Panamanian negotiators.

Some opposition has come from the United Front--a group of political malcontents and ultranationalists headed by Arnulfo Arias--which claims that the new treaties merely revise rather than abrogate the 1903 treaty. The Front also charges that

Although Communists, ultranationalists, and other opposition groups can be counted on to rail against the treaties, there is no indication at present that they could mount disturbances that could not be controlled by the government.

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ACTIVITY ON THE CHILEAN LEFT

Developments within Chile's Socialist and Radical parties at meetings held late in June may weaken President Frei's leftist opposition in the long run, but will do nothing to ease his immediate difficulties with the Senate.

The Radical Party convention on 28 June confirmed the power of the leftist group that favors greater cooperation with the Communist-Socialist Popular Action Front (FRAP). Collaboration between FRAP and the Radicals on most important issues since last December has already stymied the administration's reform programs. Some moderate Radicals may leave the party in protest, but most moderates are expected to stay on and fight for representation on the slate of candidates to be presented in the 1969 congressional elections.

The Socialist Party central committee meeting, held on 24-25 June, resulted in a walkout by former party secretary general Senator Raul Ampuero that may split the party. Ampuero, who harbors presidential ambitions, has long been involved in a rivalry with Secretary General Ani-

ceto Rodriguez and Senate President Salvador Allende, the present leaders of the party. Ampuero favors emphasizing labor development, and opposes cooperation with the Radical party.

Allende and Rodriguez, with an eye to the 1970 presidential campaign, are courting the Radicals. After a fistfight between Ampuero and a Socialist deputy over organizing next autumn's party convention, the party suspended Ampuero and several congressmen who support him. Ampuero may try to reorganize his Popular Socialist Party, which existed from 1948 to 1952 and then joined with a smaller group to form the Socialist Party. The Communist Party (PCCh) fears that division among the Socialists will weaken FRAP, but has made no move so far to intervene.

Frei's legislative program will continue to have trouble in the Senate in the near future, as the PR and FRAP increase their cooperation. A formal split in the Socialist Party, however, could strengthen his party's chances in the 1970 presidential election.

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POLITICAL WRANGLING AND ECONOMIC STAGNATION IN URUGUAY

President Gestido's prospects for dealing with Uruguay's basic economic problems have been dimmed by his handling of a factional dispute within his Colorado Party.

The immediate controversy centered on an "economic emergency" bill designed to deal with the country's economic stagnation. Key elements of the bill removed in the process of coordinating with the six Colorado factions represented in Congress, and criticism of the watered down remainder by Jorge Batlle, the leader of the most powerful faction, provoked the finance minister into resigning. In retaliation, Gestido dismissed two of Batlle's supporters from the cabinet, and filled all three vacancies with representatives of the smaller factions.

The cabinet changes appear to have resulted in a defeat for those forces within the administration that favored limiting government interference in the economy. Two key posts, including the ministry of finance, have been filled by men known for their leftist and nationalist tendencies and for their preference for economic control and "statism." Moreover, the cabinet changes have antagonized Batlle legislators whose

support is needed to get laws proposed by the administration through Congress.

The cabinet changes will also complicate Uruguay's dealings with the International Monetary Fund. One of the points at issue in the old cabinet and with the IMF was how much federal control was needed to revive the economy. The new finance minister is torn between his own predilection for comprehensive controls and the Fund's proposals which would leave prices and exchange rates responsive to market conditions. An IMF team which came to Uruguay about two weeks ago to negotiate a stand-by agreement has now left in disgust and it is doubtful that an agreement will be reached for some time, if ever.

The Communists are planning to provoke major strikes this month in the hopes of destroying public confidence in the government. Labor unrest and a rising cost of living, plus growing disillusionment with government inaction and intraparty wrangling, may combine to give the Communists one of their greatest labor successes in some time.

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