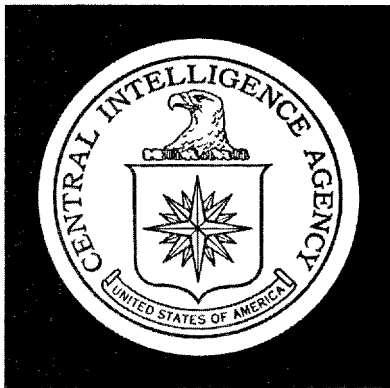


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Department review completed

DOE review
completed.

OSD review(s)
completed.

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21 July 1967
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(Information as of noon EDT, 20 July 1967)

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<p>Political contention has already virtually paralyzed administration in some provinces and disrupted economic activity and rail service. Many provincial military and political authorities are being hard pressed by contentious revolutionaries who appear to be immune from arrest. In spite of these developments, the regime seems reluctant to intervene openly.</p>		
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The new Council of Ministers resembles the old, although some deadwood and at least one public relations liability were dropped in the shuffle.

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Middle East - Africa

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THE SITUATION IN THE MIDDLE EAST

18

UN observers are now on both sides of the Suez Canal but the atmosphere following the second cease-fire remains very explosive. The Israelis want to put small boats into the Canal to establish a precedent for future transit rights, something the Egyptians have no intention of allowing. The Soviets and Arabs apparently are still trying to agree on the extent of aid still needed. In the UN, attempts to work out an acceptable resolution have all but foundered. The Assembly seems more likely to refer the issue back to the Security Council.

NIGERIAN MILITARY SITUATION FLUID

20

Federal forces captured the key junction of Nsukka on 14 July but may have been forced to withdraw because of Biafran attacks behind their line of advance. A federal amphibious operation may be under way to open a new front on Biafra's coast.

MERCENARY REBELLION SUBSIDES IN THE CONGO

22

The mercenaries have settled down near Punia, at least for the time being, and the rest of Congo (Kinshasa) is trying to regain its equilibrium.

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NEW DIFFICULTIES WITH PANAMA CANAL TREATIES

24

Efforts by the Panamanian Government to achieve early ratification of the new canal treaties with the United States have hit a number of snags.

POLITICAL PROBLEMS FOR CHILEAN PRESIDENT

26

President Frei's Christian Democratic Party is coming under control of a left-wing faction critical of many of the government's policies.

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FAR EAST

The second crisis in two weeks in Saigon's presidential politics was resolved when the Provisional National Assembly approved the Thieu-Ky ticket and disqualified General Duong Van "Big" Minh's candidacy after its special elections committee had recommended just the opposite. The military Directorate reportedly reacted to the committee's display of antigovernment sentiment by threatening to void the constitution and arrest assemblymen if its recommendations were not overruled. Chief of State Thieu, Tran Van Huong, and Phan Khanh Suu now are the major contenders among a total of 11 candidates.

Communist military action this week in the central and southern portions of South Vietnam was confined to small-scale attacks on troop positions, military outposts, and administrative headquarters. In the north, the Communists staged their third and most damaging rocket attack on Da Nang Air Base this year.

In Hong Kong, the authorities have retained the initiative with a series of police raids on Communist control centers. These strong measures have shaken the morale of the Communists and disrupted their apparatus. Sporadic terrorist attacks continue but a Communist attempt to paralyze shipping by a seamen's strike had little success. Peking continues to exhort its Hong Kong "compatriots" to redouble their efforts but prudently refrains from more than general pledges of support.

On the China mainland, the first public demonstration since April against Liu Shao-chi may foreshadow a renewed drive against his tenacious supporters throughout the country. There is no evidence, however, that this tactic is having any success in uniting rival factions in the Mao camp. Near anarchy prevails in widespread areas with at least six provinces broadcasting reports of attacks by militant revolutionaries against local army troops and police.

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VIETNAM

Although the intensity of major ground fighting in South Vietnam slackened during the past week, the deployment of Communist main force units in Quang Tri Province, the western highlands, and northwestern III Corps continued to suggest preparations for major offensive operations.

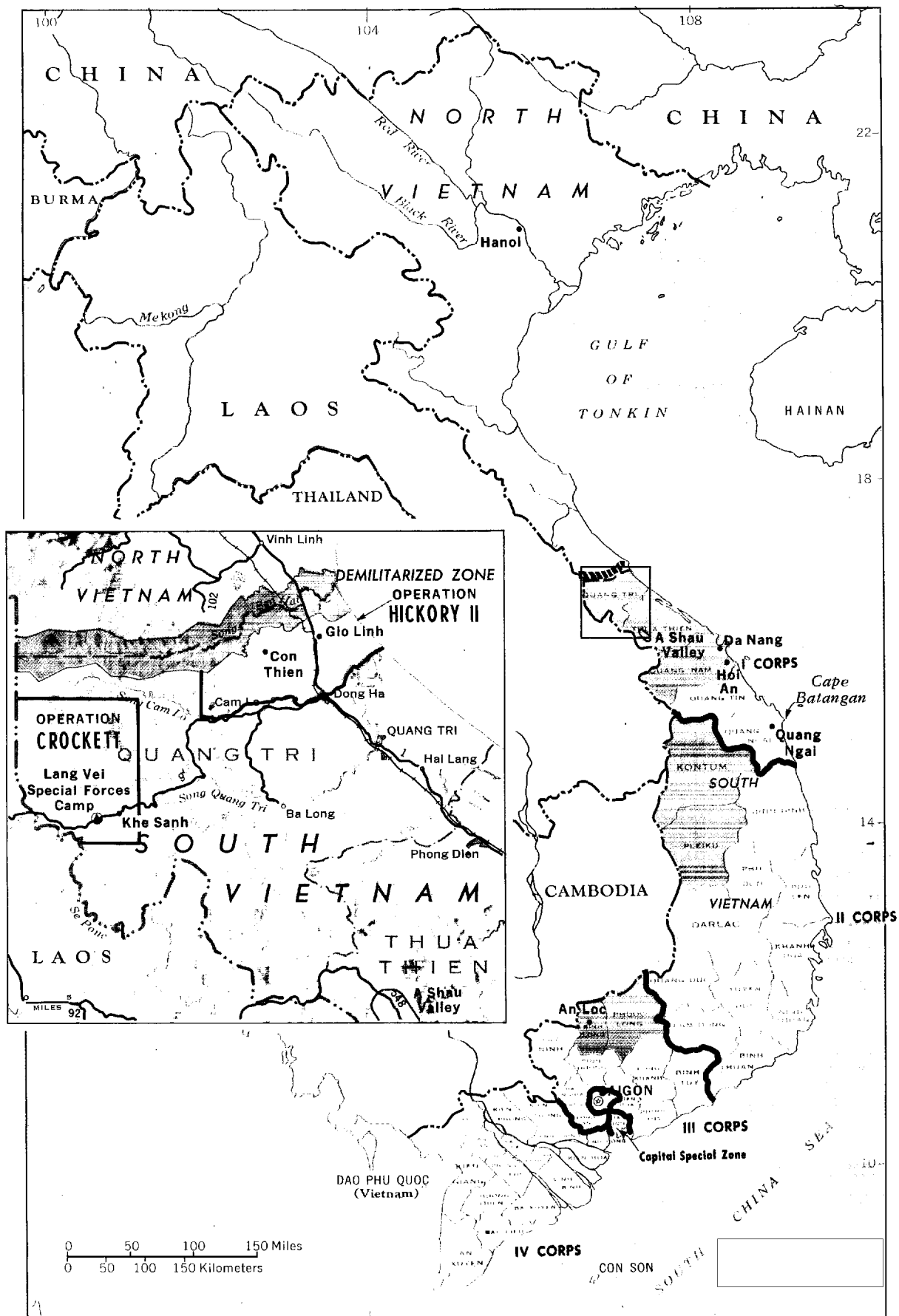
A 13-battalion US Marine/ARVN task force, Operation HICKORY II, conducted from 14-16 July, was aimed at reducing the Communist threat to US Marine positions in the strategic Con Thien - Gio Linh area of northeastern Quang Tri Province. The Marines had been subjected to heavy pressure from a minimum of 11 battalions from five North Vietnamese Army (NVA) regiments. The short-term allied campaign made only sporadic contact with the enemy but it probably forced at least a temporary withdrawal of some NVA combat maneuver elements to sanctuary within or north of the DMZ.

In western Quang Tri Province near the Laotian border, two US Marine battalions this week concluded Operation CROCKETT, a two-month sweep of the hills and valleys surrounding the vital Marine garrison at Khe Sanh. The operation was targeted against elements of the 325th NVA Division and may have pre-empted a major

drive by the 325th against Khe Sanh and/or nearby Lang Vei Special Forces camp. More than 200 Communists were killed as against US losses of 52 killed and 255 wounded. On 17 July, a South Vietnamese paramilitary patrol was engaged near Khe Sanh by an estimated enemy battalion, reinforcing other indications that the 325th is preparing to resume large-scale activity in the Khe Sanh area.

In central I Corps, on 15 July, an enemy force shelled the US air base at Da Nang with approximately 50 122-mm. rockets from 24 firing positions located on a mountain some seven miles to the southwest. US casualties in the ten-minute bombardment were 8 killed and 175 wounded. In addition, of the approximately 235 aircraft and helicopters based at Da Nang, ten were totally destroyed, 28 heavily damaged, and 17 lightly damaged. Losses are estimated at \$80 million. Approximately two hours prior to the rocket attack against Da Nang, Communist troops--wearing ARVN uniforms and the insignia of a local garrison--overran the Quang Nam provincial jail located about 14 miles southeast of Da Nang in the city of Hoi An. Moderate casualties were inflicted on the installation's defenders and nearly 1,200 detainees were set free.

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25X1 The attacks on Da Nang and Hoi An lend additional credence to recent reports [redacted] of a major reinforcement of Communist strength in Quang Nam Province via infiltration from Laos through the A Shau Valley area of western Thua Thien Province. In addition [redacted] 25X1 [redacted] disclosed 25X1 numerous newly constructed enemy fortified areas, foxholes, bunkers, and AAA/automatic weapons positions on mountainsides less than seven miles west of Da Nang.

In southern I Corps, US Navy coastal surveillance forces on 15 July ran a Communist 120-foot steel-hulled trawler aground approximately 11 miles northeast of Quang Ngai city after having shadowed the vessel for four days in international waters off the South Vietnamese coast. The trawler was fired on by US naval, air, and artillery units and by South Korean marines dispatched to the scene. The Koreans killed twenty-three enemy personnel on board the craft, and salvaged nearly 2,000 weapons and more than five million rounds of ammunition. The trawler, the second intercepted since March off the Quang Ngai coast, is believed to have been bound for Cape Batangan to resupply elements of the 2nd NVA Division operating in that area.

In the western highlands, prisoner interrogations indicate that the Communist B-3

Front military command has established forward command posts in both western Kontum and western Pleiku provinces, apparently to provide closer direction of large-scale and possibly simultaneous operations in both areas.

25X1 Meanwhile, north of Saigon, 25X1 [redacted] major elements of the 7th NVA Division have redeployed eastward from Tay Ninh Province and are ready to attack in the Binh Long - Phuoc Long province border area of III Corps.

On 11 July, elements of the 7th Division's 141st Regiment lost 144 killed in an abortive attack on an ARVN battalion providing security for pacification activities near An Loc.

The Presidential Race in Saigon

South Vietnam's military leaders have weathered their second political crisis in less than three weeks. A special election committee of the Provisional National Assembly precipitated the latest disturbance by voting on 17 July to disqualify Chief of State Thieu and to let General Minh run.

As a result of the election committee action, the leading generals met on the 18th, and agreed to invalidate the new constitution and arrest the assemblymen

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if they upheld their committee's ruling against Thieu and Ky. Accordingly, troops in the Saigon area were placed on alert pending the assembly's decision on the Thieu/Ky and Minh tickets.

political institutions were placed in some jeopardy.

As it stands now, the presidential race has narrowed down from 18 to 11 candidates with the real contest between Thieu and civilians Tran Van Huong and Phan Khac Suu. The consequences of Minh's removal from the election are not yet clear. If Minh should throw his weight behind Huong, Huong's ticket might attract even greater support than at present from among the militant Buddhists, southerners, and perhaps among a portion of the military. On the other hand, should Minh's backers or the militant Buddhists choose to do so, they could probably promote some public protest against present election procedures, a clamor which would only serve to hamper South Vietnam's efforts to move toward representative government.

As on several occasions in the past nine months, when the votes were tallied, the majority of the deputies chose not to buck the generals, and the crisis dissolved as quickly as it had arisen.

The outcome of the crisis--approval of the Thieu/Ky ticket and disqualification of "Big" Minh's candidacy by the assembly was not unexpected, but amid the tensions preceding the assembly voting on 18 July, the country's emerging

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PEKING'S POLITICAL CONTROL DETERIORATING

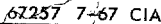
Renewed demonstrations in Peking and elsewhere against discredited party leader Liu Shao-chi appear to foreshadow a new and perhaps enlarged drive against alleged followers of Liu throughout China. This will probably lead to an increase in political contention, which has already virtually paralyzed administration in some provinces, and disrupted economic activity and rail traffic.

Red Guards chanting anti-Liu slogans have been parading the streets of Peking almost daily since 12 July, the first public demonstrations against Liu since April. A massive anti-Liu parade was held in Shanghai on 18 July. Shanghai radio explained on 17 July that the new campaign was necessary because Liu still has "henchmen" in nearly every sector of society, including the army, who must be discredited and pulled down. Both Peking and Shanghai warned on 17 July that Mao's enemies are plotting a "counter-attack."

On 16 July, Peking radio lauded the Red Guards and said they should be given broad license to carry out their political activities. Shanghai radio said on 18 July that college and high school students--who had been ordered only last week to "resume classes"--would serve in the vanguard of the new political campaign.

Military and political authorities in many provinces are being hard pressed by dissident and contentious revolutionaries, who, it would seem, are immune to arrest. For two weeks the provincial radio station in the northeast province of Kirin has been complaining that extremists are beating up police and troops, breaking into military headquarters, destroying military vehicles, and even "sowing dissension" among military units. Honan radio has been broadcasting similar complaints since April. According to other provincial broadcasts, military authorities in Anhwei,

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Chekiang, Yunnan and Sinkiang are also under attack.

For several weeks the southwest province of Kweichow--one of the few provinces praised by Peking for its "revolutionary" successes--has been broadcasting long, inflammatory "battle articles" designed to encourage "revolutionary" drives in thirteen other provinces against "big and small" officials. The articles, lurid accounts of maltreatment suffered by two former party officials in Szechwan from 1962 to 1966, paint the former bureaucracy there as a black mass of villains; the broadcasts claim that some are still in place, suppressing true revolutionaries, and defying the central committee.

Neither Szechwan nor any other target province named by Kweichow has rebroadcast these or similar polemics, implying that local authorities in those prov-

inces do not share Kweichow's militancy. The two authors of the Kweichow broadcasts are members of a committee appointed by the central committee on 7 May to run Szechwan. The broadcasting of their views from Kweichow suggests divisions within the new Szechwan leadership. This is headed by Chang Kuo-hua, long-time military commander in Tibet who was named to the Szechwan post even though he has often been denounced by Red Guards.

In spite of the deteriorating political situation in the provinces, the regime is reluctant to intervene openly. Minister of Public Security Hsieh Fu-chih said at a rally in Yunnan on 3 July that it was Mao's desire that local military and revolutionary factions settle their disputes themselves. According to poster reports, Hsieh's delegation went on to Hupeh Province in mid-July, presumably carrying the same message.

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COMMUNIST VIOLENCE CONTINUES IN HONG KONG

Hard-core Communists are continuing their campaign of violence against British authority in Hong Kong despite setbacks from police raids on Communist control centers.

The strong police action begun last week with army support has been increasingly successful in blunting Communist efforts to create mass disorders. Subsequently, the number of violent incidents declined and crowd control became easier. The inability of the Communists to offer effective resistance to the breakup of their command posts seems to have shaken their morale. In addition, the arrest of some leaders found among the 800 persons seized during the raids has been a blow to the Communist cause, as was the loss of safe havens stocked with homemade weapons.

The militants, however, are persisting in sporadic terrorist attacks on the police and public transportation services. They are now attempting to tie up Hong Kong harbor facilities by calling a strike which so far has been unsuccessful.

Peking's reaction to the stronger British police action

suggests that the Chinese Communists do not intend to provide more than minimal backing for the campaign against the Hong Kong government at this time. Chinese Communist propaganda continues to take the line that the Hong Kong "com-patriots" can win on their own--relying on the "thoughts of Mao" and improved organization to consolidate public support behind the local Communist apparatus. An authoritative 16 July People's Daily Commentator article urged the Hong Kong Chinese to "carry on the struggle with redoubled efforts," but made no specific pledges of assistance from China.

Except for a few minor incidents, the Chinese border with Hong Kong has remained quiet since the 8 July fire fight at Sha Tau Kok. Peking has protested the arrest of three New China News Agency (NCNA) correspondents by the British in Hong Kong. One has been sentenced to a two-year prison term. The Chinese have staged several small demonstrations in front of the British Embassy demanding their release but thus far the Chinese reaction has been little more than pro forma.

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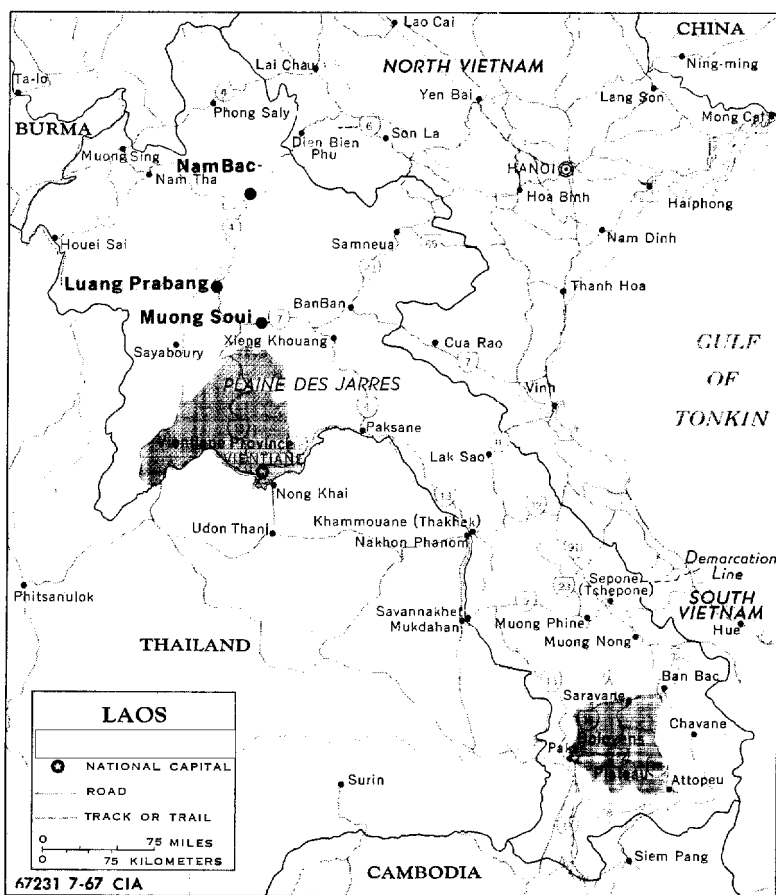
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THE MILITARY SITUATION IN LAOS

The Communists have increased their pressure on government forces in some areas in northern Laos, but there is still no evidence that the North Vietnamese and Pathet Lao forces are planning to initiate a significantly higher level of fighting during the current rainy season.

In a predawn raid on Luang Prabang Airfield on 16 July, a sabotage squad destroyed nine

T-28 aircraft and damaged a tenth--almost all the T-28s on the field at the time. These aircraft have been the core of recent government efforts to counter Communist forces harassing government outposts around Nam Bac. The raid may also have been a North Vietnamese attempt to weaken the government's short-term tactical air capability in preparation for a Communist probe against a government-held area such as Nam Bac.



In the Plaine des Jarres area, Communist forces recently intensified their artillery fire on outlying defensive positions of the key neutralist base at Muong Soui without attempting to take any perimeter outposts. Thus far no major Communist build-up has been detected. Government forces carrying out a clearing operation are encountering little or no resistance from small pockets of Pathet Lao in the area.

There has been no significant enemy action in southern Laos. A sweeping operation on the rim of the Bolovens Plateau was recently discontinued because there had been only slight contact with North Vietnamese and Pathet Lao forces.

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EUROPE

Public opinion in Western Europe on the whole continues to favor the idea of Britain's accession to the Common Market, despite De Gaulle's evident hostility, which he once again displayed in his conversations with Chancellor Kiesinger on 12-13 July. Formal action on the UK's application will not occur until the fall.

In Bonn, controversy continued over the effect of Kiesinger's proposed ten-percent cut in previous defense estimates. Defense Minister Schroeder still opposes the compromises between the coalition partners which would make the heaviest cuts in defense expenditures over the next few years.

Soviet arms shipments to Egypt have continued. The precise nature of the commitments the USSR has exacted from its Eastern European colleagues to aid the Arabs is not clear, but economic as well as arms aid seems to be contemplated.

The Soviet public has been told--by Pravda--that Chinese Red Guards created alarms and excursions on the Soviet frontier. The incident occurred earlier this year, but was not publicized at the time. It is being resurrected now presumably to justify a continuing augmentation of Soviet forces along the Sino-Soviet frontier.

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KIESINGER AND DE GAULLE PARLEYS MAKE LITTLE PROGRESS

The meeting on 12-13 July between Chancellor Kiesinger and President de Gaulle was generally unproductive. For the Germans, the timing was awkward since there is a growing tendency in official and press circles to greet De Gaulle's policy pronouncements coolly and critically. The two leaders remained far apart on the main substantive issues, but did manage to agree on ways to improve Franco-German consultation.

De Gaulle seems to have made an unusually strong effort to improve the atmosphere in the relationship between the two countries, and in particular to swing the Germans into his camp on such issues as British entry into the EEC. These efforts were prompted in part by French awareness of German concern over French-Soviet cooperation in the recent Middle East crisis. De Gaulle was also clearly even more anxious to keep Bonn from taking a leading role in pushing ahead Britain's EEC application, a move which would leave France isolated in its attempt to keep the UK out of the Common Market.

De Gaulle's arguments were evidently received unenthusiastically. Agreement was reached to conduct a joint study of the political and strategic situations

that may develop in the 1970s. Bonn, however, gave no indication that it is ready to weaken its ties with NATO and the US and accept the Gaullist vision of the future.

Regarding British entry into the EEC, Kiesinger was apparently unable to move De Gaulle. Kiesinger taxed De Gaulle with failing to consult adequately during the Middle East crisis and on the De Gaulle - Kosygin talks. They agreed that in the future there should be closer consultation during crisis situations. The leaders further agreed to establish a joint commission to supervise economic, industrial and technical cooperation, and that each government should appoint a high-ranking official responsible for bilateral cooperation in general.

In general, Kiesinger again made clear his determination to keep relations with Paris as friendly as possible, and not to allow them to sag as his predecessor, Erhard, had done. The Germans are still looking for help from the French in promoting ties with Eastern Europe. They reportedly expressed their appreciation for French "insistence" on German reunification in recent meetings with the Soviets.

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SOVIET INDUSTRY CONTINUES IMPROVED PERFORMANCE

Moscow's official mid-year status report on the Soviet economy, indicates that industrial production continued to grow at the same accelerated rate registered during the first quarter of 1967. Calculations based on the report show an estimated increase of eight-and-one-half percent in industrial output excluding military and space hardware. Total industrial output probably grew at a somewhat higher rate. The continued growth in the production of consumer nondurables, particularly processed food and clothing through June was largely attributable to increased supplies of agricultural raw materials resulting from last year's record output of crop and livestock products.

Analysis of the published data on machinery production indicates that the output of durables that contribute directly to military and space programs continued the rapid growth of 1966. Civilian machinery--all machinery except strictly military/space end-items--increased by an estimated nine percent. Compared with the Soviet announced growth rate for all machinery (which includes military and space equipment), this suggests that the production of military/space hardware during the first half of 1967 increased by a range of eight to ten percent. Within the civilian machinery sector, more-

over, the defense-related category of instruments, automation equipment and control systems increased its output by 16 percent. At the same time, because capacity for producing agricultural machinery is sometimes converted to produce military items, the negligible rise in the production of agricultural machinery relative to plans suggests that some capacity in this area may have been pre-empted by rising military requirements. This may have been at the expense of Brezhnev's plan to increase and stabilize agricultural production.

A rise of nearly 20 percent in the production of plastics reflects the regime's efforts to find cheap substitutes for certain metals. The generation of electric power recovered its former growth rate of ten percent after an off-year in 1966, and the long-ailing forest products industry also showed improvement. In the processing of food products, the dominant feature in the first half of 1967 was the significant increase in livestock products, reflecting the excellent feed supply position resulting from the 1966 harvest.

The high rate of increase in consumer nondurables, processed food and clothing, registered thus far indicates that this will

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be a relatively good year for the Soviet consumer. This presumably is a source of satisfaction to the regime as it prepares for the fiftieth anniversary celebration of the November revolution. In light of this emphasis, however, the continued rise in military machinery and equipment probably means that investment in new civilian productive capacity is below plan. This foreshadows certain limitations on the growth of civilian industrial output in the future.

The report is notably terse in its treatment of the new system of economic management, which now affects more than 3,600 enter-

prises accounting for 25 to 30 percent of total industrial output. All of Soviet industry is to be transferred to this system by the end of 1968. The latest report continues the practice of noting that the plants already transferred have performed better than industry as a whole, but it fails to indicate how this compares with their records before conversion. The significance of this claim is further diluted because the enterprises initially transferred were probably more efficient than the bulk of Soviet plants. In any case, no immediately spectacular impact on industrial growth is likely to result from the new system of management.

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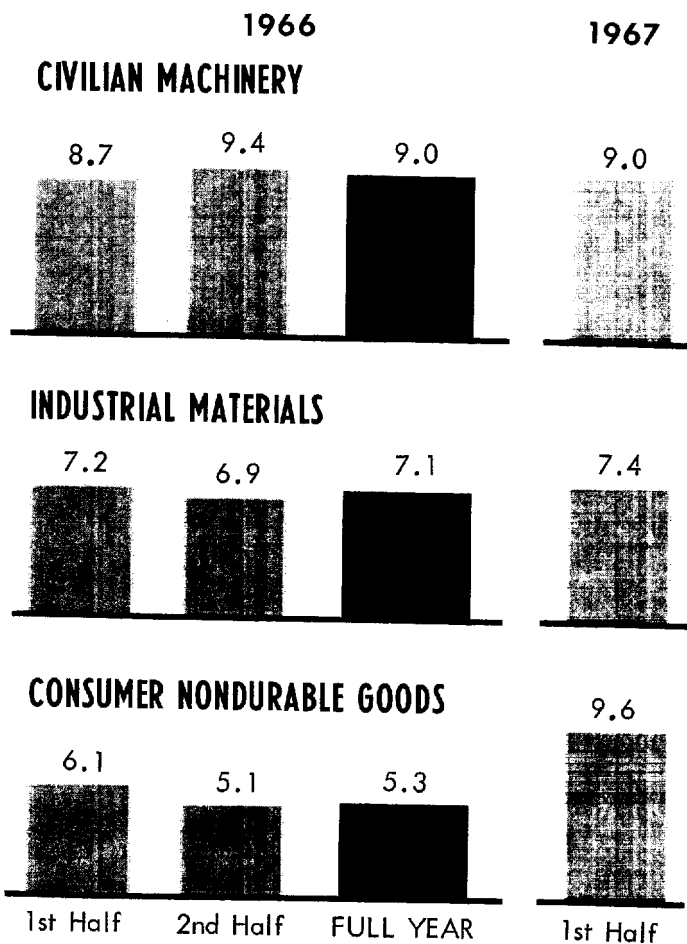
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SOVIET INDUSTRIAL GROWTH SHOWS UPTURN IN FIRST HALF OF 1967 (Percentage Change From Corresponding Period of Previous Year)

I TOTAL INDUSTRY (Civilian)*

	1961-64	1965	1966	1967
FIRST HALF	—	7½	7½	8½
FULL YEAR	6½**	7	7½	7½(PLAN)

II MAJOR COMPONENTS OF INDUSTRY



SELECTED COMMODITIES

Direction of Growth Rates***

Up: Metallurgical equipment
Electronics
Generators
Consumer durables

Down: Agricultural equipment
Oil equipment
Chemical equipment

Up: Forest products
Electric power
Steady: Fuels
Metals
Chemicals
Down: Construction materials

Up: Leather footwear
Meat
Vegetable oil
Clothing
Dairy products

* Figures rounded to nearest fractional half.

** Average annual rate of growth.

*** Indicates direction of rates of growth in first half of 1967 relative to annual rates of growth in 1966.

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NEW EAST GERMAN GOVERNMENT FORMED

Continuity of membership for the main officers characterizes the Council of Ministers selected by the newly elected East German Volkskammer (parliament) at its session 13-14 July, although it has been somewhat streamlined. Once again headed by Premier Willy Stoph, the Council has been reduced from 53 to 39 members by excluding the many chairmen, state secretaries, and directors heading nonministerial offices who formerly were accorded concilor rank. The number of ministries, however, was increased as several lower level offices were raised to ministerial status. Membership in the presidium, the actual policy-making body within the Council, was increased from 10 to 15.

Personnel changes connected with the reorganization of the Council did not affect officials administering economic affairs, despite the indirect criticism earlier leveled at them in the party's theoretical journal. Of the four prominent mem-

bers dropped from the council--deputy premiers Bolz, Scholz, and Wittkowski, and Justice Minister Benjamin--only Benjamin left under a cloud of suspicion. The others are elderly and have been relatively inactive for some time. The removal of "Red Hilda" Benjamin, long characterized as one of the most Stalinist of the East Germans, is probably intended to improve the regime's image at home and abroad. Other personnel changes reflect Pankow's continuing policy of rewarding younger "technocrats" associated with the new economic system by elevating them into top jobs.

Premier Stoph's speech to the Volkskammer on 14 July, in which he stressed the necessity of using scientific methods and modern technology and equipment, indicated the regime's determination to continue efforts to increase the efficiency of the economy by using rational, as distinguished from solely ideological, methods.

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The New Presidium Membership

Chairman:	Premier Willy Stoph
Deputy Chairmen:	Alfred Neumann, Minister for Materials
	Gerhard Schuerer, Chairman of State Planning Commission
	Max Sefrin, Minister of Health
	*Alexander Abusch
	Julius Balkow
	*Kurt Fichtner
	*Manfred Flegel
	Wolfgang Rauchfuss
	*Werner Titel
	*Gerhard Weiss
	*Herbert Weiz
	*Kurt Wuensche, Minister of Justice
	Siegfried Boehm, Minister of Finance
	Georg Ewald, Minister and Chairman of GDR Agricultural Council

*Most of the new members have previously served in the Council or were deputy ministers before being promoted.

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MIDDLE EAST - AFRICA

The Arab-Israeli controversy continues to hold the limelight both in the area and in the UN.

Algeria's Boumediene received much publicity with his efforts to stiffen the Arab will to resist Israel. He has made two trips to Moscow and has held lengthy conferences with Arab leaders. In the process, Boumediene may be laying the groundwork for projecting himself as chief Arab spokesman.

In other Middle East developments Iranian security forces foiled a second attempt to sabotage oil installations in Khuzistan Province in early July. The saboteurs, who are Iranian Arabs, were equipped with plastic explosives by the Egyptian consul in Basra, Iraq.

In Athens, retirements and promotions in the air force and navy have continued amid reports that the regime is facing increasing economic problems and growing, though still passive, popular disillusionment. There has been considerable speculation over a possible Cyprus settlement with Ankara, but there is no evidence that any agreement is at hand.

India's Congress Party may suffer the loss of another state government to an opposition coalition--this time backward Madhya Pradesh--leaving the party in control of only seven of the 17 state regimes. The long-term stability of at least two more Congress-controlled state administrations and several of the states now controlled by non-Congress coalitions is also threatened.

In tropical Africa the rebellion in the Congo has largely been smothered and European fears temporarily quieted. The mercenaries are still a potential threat, but their main concern now appears to be escape from the Congo. Meanwhile, in Nigeria the federal offensive against Biafra is making little headway and the university town of Nsukka--earlier captured by federal troops--may now be in the hands of the Biafrans.

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THE SITUATION IN THE MIDDLE EAST

A second cease-fire went into effect along the Suez Canal on 15 July after two days of the heaviest fighting since the original June cease-fire. UN observers are now in place on both sides of the canal, but conditions remain very sensitive.

A major point of friction now is whether small Israeli boats can use the navigable portions of the canal. The Israelis maintain that the cease-fire line runs down the middle of the waterway, and that craft from both sides therefore may use it. The Egyptians contend that the east bank is the line, and have told the UN they will have "no choice" but to open fire if the Israelis again attempt to put their boats in the water.

The controversy, however, is more than a local dispute affecting the cease-fire. Prime Minister Eshkol is quoted as saying in a press interview that Israel is anxious to have the principle of its ships' presence in the canal recognized now in order to "establish our freedom of navigation for future reference." In Cairo, the newspaper, Al-Ahram, reflecting Egyptian sensitivity stated on 19 July that Egypt will not allow Israeli ships in the canal "either at present or in the future."

In the fighting along the canal on 14 July, the most serious trouble was at the southern end although

there also were engagements at Qantara and Ismailia. The Israelis said their positions opposite Suez city were hit by intermittent artillery, tank, and mortar fire all that day. Five Israeli soldiers were killed before aircraft silenced the Egyptian batteries. Israeli spokesmen said six Egyptian jets were downed on the 15th, and they admitted losing one Mirage fighter.

Most of the incidents during the past two weeks probably were initiated by the Egyptians to enhance their tarnished military reputation.

Soviet Military Aid

The Soviets apparently are having difficulties working out details of military aid with the Arabs. The differences probably concern type and quantities of equipment to be supplied, and possibly troop training and the stationing of additional Soviet technicians in the area. The same matters probably interested the three high-level Arab delegations which were in Moscow for a day this week. In the groups were Algerian Premier Boumediene, Iraqi President Arif, and the Iraqi and Egyptian chiefs of staff.

Further developments may arise from the meeting of Soviet and Eastern European leaders in Budapest on 11-12 July.

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Soviet military aid deliveries by sea continue at a rate of about two per week. Three fourths of the 38,000 tons of military equipment carried by 16 Soviet ships since 5 June has been delivered to Egypt.

The shuttle of Egyptian ships consisting of 11 voyages between Algiers and Alexandria appears to have ended. The last ship, the Mugattam, departed Algiers on 12 July after loading 24 medium tanks, two 100-mm. guns, and at least ten wheeled vehicles. Other ships involved in these movements have returned to normal operations.

United Nations

At the UN General Assembly, attempts to work out a compromise resolution have all but foundered. The USSR has been trying this week to convince the Arabs to accept some reference to Arab termination of the state of belligerency as part of an Assembly call for Israeli troop withdrawal.

The Soviets have also tried to amend the US-supported Latin American resolution to refer to the "renunciation of the capacity to wage acts of war" (instead of "end the state of belligerency"), thus permitting Egypt to retain a legal basis for denying Israel navigation rights.

In view of their resistance to the belligerency concept, it is doubtful that the Arabs would even accept the Soviet-revised Latin American draft.

It therefore appears increasingly likely that the Assembly will end by simply referring the issue to the Security Council and perhaps by asking the secretary general to send a special representative to the area. Neither Israel nor Egypt has ruled out this idea, but both prefer that the representative be given no definite mandate.

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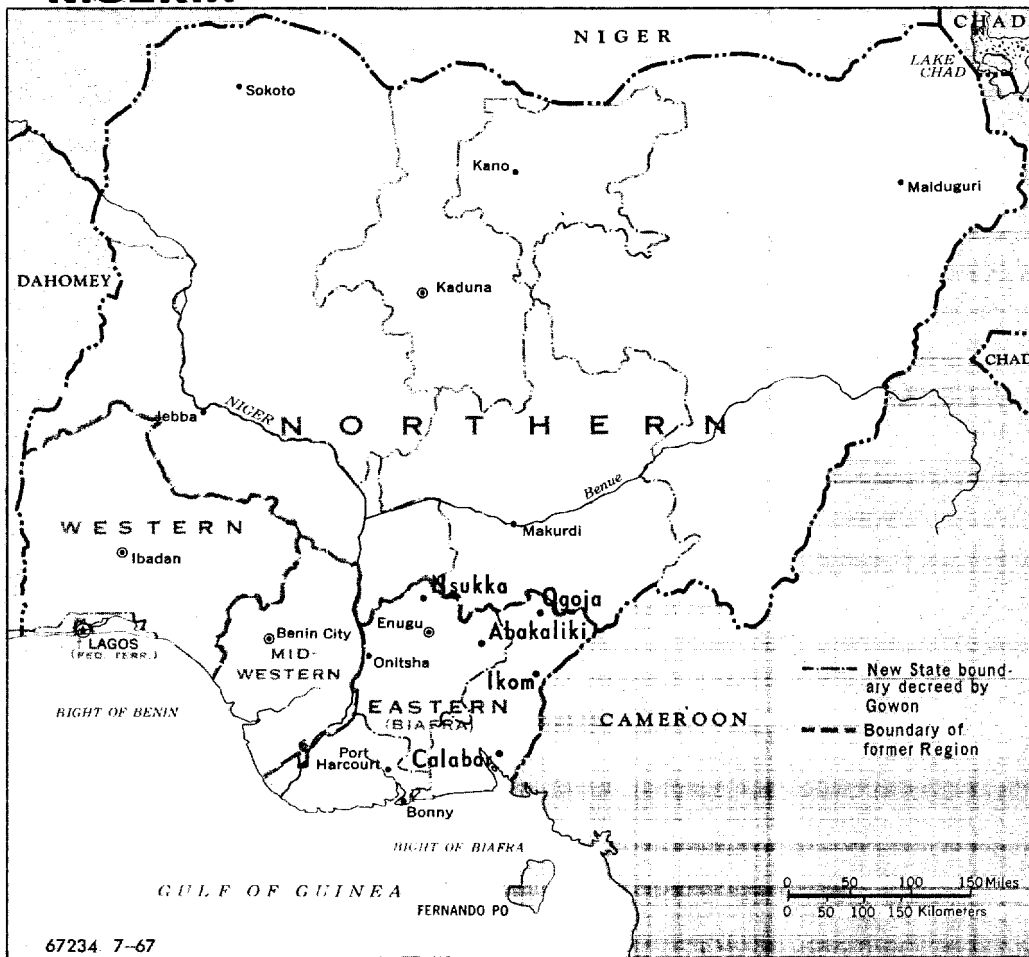
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SECRET**NIGERIAN MILITARY SITUATION FLUID**

Nigeria's military situation generally remains fluid, although the federal push into Northwest Biafra may have run into trouble. Federal troops captured the university town of Nsukka--one of their major objectives--on 14 July, but may have been forced to with-

draw because of subsequent attacks against the rear areas by Biafran forces.

Biafran military Governor Ojukwu claims that his troops needlessly abandoned Nsukka and

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then reoccupied the town after federal troops failed to consolidate the area. A federal military leader has admitted that his forces suffered a setback there. There are indications, moreover, that Biafran troops have also recaptured a few villages between Nsukka and the border. Federal reinforcements are being sent and the Nigerian military may be forced to delay for some time before launching another attack toward Enugu, the capital of Biafra, the secessionist Eastern Region.

The Biafran Army may have established new tactical headquarters closer to Enugu. Ojukwu has stated that he intends to spend the next two weeks strengthening the command and control of his army before making a major push against federal troops.

On the northeastern front, federal forces have captured the provincial capital of Ogoja and are moving toward Abakaliki, despite harassment by Biafran guerrilla bands. There is no clear evidence to indicate that the federal plan to move south toward Calabar is being imple-

mented, but a federal column is reportedly moving toward Ikom on the Cameroon border, midway to Calabar.

There are strong indications that the long-standing plan to land troops in Biafra's minority tribal areas is about to be implemented. Nigeria's single landing craft, loaded with troops and accompanied by three ships, sailed from Lagos on 19 July.

Federal troops are also successfully infiltrating into the southwest rivers area of Biafra. Ibo police and military units, charged with ferreting out these bands, are reportedly concerned over their potential for guerrilla activity.

On 15 July the Biafran regime advised the US and UK representatives to consider evacuating their nationals. An evacuation of all expatriates from the former Eastern Region who wish to leave is now under way, except for the US and UK official staffs in Enugu. An Italian passenger ship capable of carrying about 900 people arrived in Port Harcourt on 20 July for the evacuation. 25X1

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MERCENARY REBELLION SUBSIDES IN THE CONGO

The mercenaries who left Kisan-gani (formerly Stanleyville) on 12 July apparently have settled down near Punia. It is not known whether they plan to leave the Congo by air, or whether they will decide to stay put. Some, however, may have proceeded southward toward Kindu.

The mercenaries have some hostages with them, including several Italians brought from the Bukavu area and a handful of Belgian civilians. One planeload of mercenaries with some Belgian Air Force personnel flew to Angola on 13 July. The remaining mercenaries apparently are at a plantation owned by one of their leaders and have enough supplies to hold out for some time. They have a few small aircraft, but complete withdrawal by air would require additional planes flown in from outside. If the mercenaries

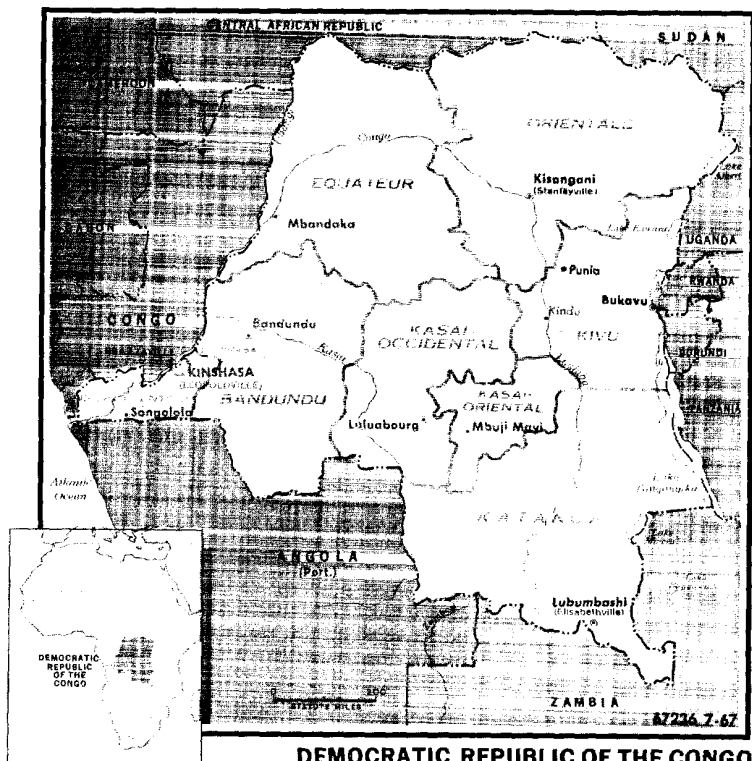
choose to continue by land, they would face a long and difficult trip some 600 to 700 miles south of Angola and would be subjected to army harassment most of the way.

Congolese Army units reportedly have destroyed most of the key bridges on the roads the mercenaries would have to use. Army units along these roads have been reinforced, but the military high command is somewhat undecided about what else to do.

All of the Congolese and foreigners wanting to leave Kisan-gani have been evacuated. Between 30 and 100 Europeans chose to remain for the time being. Security has broken down there and looting by both army and civilians has occurred on an unprecedented scale. Most foreigners are treated with considerable hostility, and there are tales of army brutality, particularly to Congolese civilians.

The local administration at Bukavu has begun to function again, but some Europeans are still being evacuated. Shops have reopened, but supplies are limited.

Calm has returned to Lubumbashi (formerly Elisabethville), but considerable numbers of European mining personnel have resolved to leave the country in the near future. President Mobutu, more concerned about the military situation in the north-east than with Katangan economic problems, has done little to ensure the safety of the Europeans or to offer incentives to stay. Unless positive measures are taken quickly, the copper-based Congolese economy could further deteriorate.



DEMOCRATIC REPUBLIC OF THE CONGO

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WESTERN HEMISPHERE

The Western Hemisphere was generally quiet during the week as most countries were preoccupied with their own problems.

Cuba is gearing up for its annual 26 July celebrations, to be held this year in the eastern city of Santiago. The highlight will be Fidel Castro's speech, which will set the stage for the Latin American Solidarity Organization meeting to be held in Havana from 31 July to 8 August.

In Costa Rica, a major legislative battle is brewing on a bank reform bill which President Trejos has made a key goal of his administration. The country's present banking system was instituted by the opposition National Liberation Party, which makes this reform a highly controversial issue.

Efforts by Panamanian President Robles to hasten ratification of the new canal treaties may be torpedoed by the legislature's desire for more time to study the drafts--time the opposition will use to build a case against the treaties.

In South America the most immediate challenge to stability exists in Uruguay, where Communist-incited labor strife continues. Argentina interest centered on the Bolivian guerrilla problem and on plans for the OAS meeting at which Venezuela's charges against Cuba will be discussed. In Brazil the accidental death of former president Castello Branco has removed a friend of the US as well as a moderating political influence.

In Colombia and Peru, political progress seems to have been stymied by long-lasting battles between president and congress. Similar problems in Chile and Bolivia are compounded by the fact that in Chile the president is at odds with members of his own party and in Bolivia the president's coalition of minor parties has just collapsed.

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NEW DIFFICULTIES WITH PANAMA CANAL TREATIES

Efforts by the Panamanian Government to achieve early ratification of the new canal treaties with the United States have hit a number of snags.

Foreign Minister Eleta has expressed concern to Ambassador Adair over alleged discrepancies on a map of the land transfers to be implemented by the new treaties. Eleta claims the map shows larger military base areas and smaller areas of territory to be jointly administered than were agreed to by US and Panamanian negotiators. This controversial point could lead to a resumption of discussions of the draft defense treaty.

President Robles is reconsidering plans to come to Washington early next month for signing ceremonies because of increasing opposition to a hasty ratification of the treaties. Both in the cabinet and among government supporters in the National Assembly, there are doubts about the advisability of his leaving the country during such a crucial period. There is also concern that calling a special session this summer to ratify the treaties will give the impression that the government is trying to ram them through without adequate time for a thorough study of the drafts.

If the special session is not called by 1 September, debate would probably carry over into the regular session that opens on 1 October. The foreign minister wants an early session in order to deprive the opposition of time to build a case against the treaties. Most government deputies, however, favor postponing debate until the regular October 1967 session or until a special session can be called after the presidential election next May.

Meanwhile, Robles has released the entire text of the draft treaties for serial publication in the conservative daily La Estrella. This move was prompted by alarm over the wide circulation of unauthorized versions of the documents by opponents of the treaties and by the fear that the government would lose support by continuing to withhold copies from the National Assembly. The government is now marshalling its resources for a propaganda campaign to "sell" the treaties.

There are indications that the self-seeking politicians who control large segments of Panama's news media are using the treaty issue to bargain for political and economic concessions from the

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This map illustrates the Panama Canal area, highlighting the canal's path through Gatun Lake and the surrounding terrain. Key locations include Panama City, Balboa, and the canal locks. The map also shows the Pacific Ocean to the north and the Caribbean Sea to the south. A scale bar at the bottom indicates distances in miles (0, 5, 10).

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US military reservations

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As knowledge of the treaties becomes widespread, opponents of the government can be expected to find fault with the contents, especially the defense treaty.

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POLITICAL PROBLEMS FOR CHILEAN PRESIDENT

Chilean President Eduardo Frei's Christian Democratic Party (PDC), already torn by internal dissension is being criticized both in Chile and abroad for its acceptance of the establishment of a committee of the Havana-based Latin American Solidarity Organization (LASO) in Chile.

The PDC's position on LASO demonstrates the increasing strength of the left-wing "rebel" faction which has been extremely critical of Frei's policies. In a statement issued on 10 July, the party's National Council recognized that LASO is linked to the Cuban advocacy of guerrilla warfare, but supported the right of political groups to affiliate with an international organization so long as they do not interfere with Chilean politics. The statement added that guerrilla movements resulted from "underdevelopment and exploitation by national oligarchies and foreign interests," as well as from Castroite agitation. Domestic criticism of this attitude has been echoed in Venezuela, which is very sensitive on the subject of Castro.

Frei lost little time in disassociating himself from the PDC's

position. He unequivocally condemned the international activities of LASO and stated that the Chilean LASO committee would not be permitted to incite violence in Chile or in other Latin American countries.

Frei's control of the party has been further weakened, however, by the election of "rebel" leader Senator Rafael Gumucio as president of the PDC at the National Assembly meeting on 15 and 16 July. Although the PDC will continue to support the government, it probably will take more extreme positions both in legislative debates and in public statements.

In the past Frei has often been able to rally public support in his battles with the opposition-controlled Congress by claiming that the only alternative to the PDC is the Communist-Socialist Popular Action Front (FRAP). With the left wing of the PDC sounding more and more like FRAP, this argument is losing much of its strength.

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