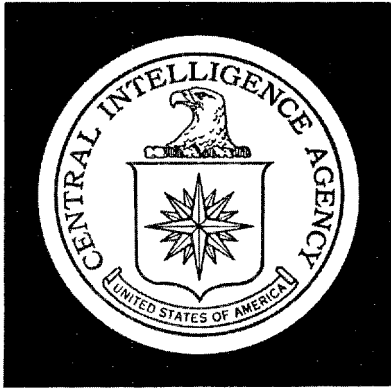


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY


NAVY review
completed.

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8 September 1967
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C O N T E N T S

(Information as of noon EDT, 7 September 1967)

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Heavy ground fighting has resumed following last weekend's elections. Viet Cong pre-election harassment failed to deter an 83-percent turnout of the country's registered voters, and the victorious Thieu-Ky ticket has settled down to the problem of selecting a cabinet. The Liberation Front last week tried to counter some of the government's recent political momentum by publishing a new program for "total victory" and national unity.	
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CHOU EN-LAI AND THE CULTURAL REVOLUTION

Chou En-lai's toughness, caution, and willingness to use the knife when necessary have served him well in the vicious infighting that has been part of the Cultural Revolution from the outset. Throughout this period of officially encouraged violence and disorder, Chou has consistently been the spokesman for moderation, and is probably the only high-ranking official still able to talk with all groups engaged in the current struggle for supremacy. Barring a complete collapse of the regime, he has the best prospect of surviving in authority. (Published separately as Special Report OCI No. 0306/67A)

VIOLENCE CONTINUES IN HONG KONG

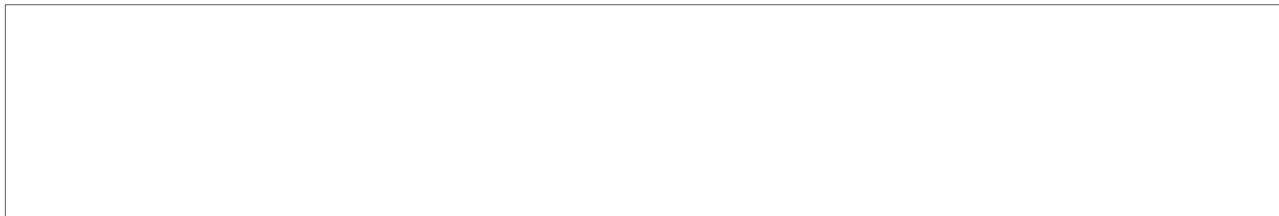
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Militant Communists are continuing their campaign of violence and propaganda against British authorities in Hong Kong despite setbacks from police raids on Communist control centers. The border remained relatively quiet last week.

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FAR EAST

Widespread Viet Cong terrorism failed to prevent any significant number of South Vietnamese from voting in the 3 September elections. Eighty-three percent of the registered voters turned out to elect the Thieu-Ky ticket by a margin that fell short of Thieu's public forecast. Runner-up Truong Dinh Dzu outdistanced his civilian rivals by exploiting the peace issue and attacking the military regime.

Charges of election fraud by the defeated candidates may cause some political turmoil in the immediate postelection period. It appears unlikely, however, that they can present hard evidence of any substantial vote rigging. Thieu and Ky have turned their attention to forming the new government and reportedly have agreed to name Nguyen Van Loc, Ky's former vice-presidential running-mate, to the prime minister's post. The senior generals also reportedly intend to reserve four key cabinet positions for military officers.

In an obvious attempt to counter the expected victory of Thieu and Ky, Hanoi published a refurbished National Liberation Front political program that pledged to continue the war until "total victory" and demanded that the Saigon regime be replaced by a broad "national union" government. The program contained no changes in the Communist position on a negotiated settlement of the war.

The drift toward greater violence in China continues with frequent reports of pitched battles involving the use of heavy weapons. Rival Red Guard factions are ignoring new appeals by Chou En-lai and others to return to schools or work and to end the violence. In Peking, there were further signs of sharp tension between Maoist leaders and the top echelon in the army's Cultural Revolution group and its General Political Department. There was also more evidence of splits in local military commands, with rival factions supporting opposing Red Guard groups. There have thus far been no reports, however, of direct clashes between rival military units.

The Hong Kong border remained generally quiet. Terrorist attacks in the colony focused on police and security personnel.

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VIETNAM

Heavy ground fighting has resumed in South Vietnam's northern I Corps following the weekend elections. A widespread but largely ineffective Communist terrorist campaign failed to deter an election turnout of 83 percent of the country's almost five million registered voters.

Communist antielection activity was characterized by attacks on provincial towns and hamlets throughout the country as well as road blocks and grenade attacks on polling places. During the four days before the election, 210 Communist incidents occurred with nearly 220 persons killed, more than 1,100 wounded, and another 500 abducted. This enemy activity tapered off late on election day, although some further harassment and casualties occurred.

Despite a level of violence three to four times above normal and well above last fall's pre-election rate, the Communists succeeded in disrupting voting at only a few widely scattered polling stations, and apparently did not deter any significant number of voters from going to the polls. Vigorous precautionary measures by allied military and civilian officials checked a number of planned enemy initiatives, and the over-all effectiveness of government security represents a setback to Communist prestige.

Renewed ground fighting, reported in various scattered areas, was heaviest in Quang Tin Province. Early this week 180 enemy soldiers were killed by US Marines in a 20-hour battle--the largest in recent weeks--northwest of the provincial capital, Tam Ky. The enemy force was probably subordinate to the North Vietnamese Army (NVA) 2nd Division, believed to have recently reinforced local guerrilla units in coastal regions of north-eastern Quang Tin. American casualties were high, with 54 killed and 104 wounded.

In mid-week, a second large-scale engagement took place in the same general area when elements of two US Marine battalions encountered an estimated enemy regiment. As a result of nearly nine hours of fierce fighting, another 142 NVA soldiers were killed. Initial reports indicated at least 36 Americans killed and another 152 wounded.

In another action, an enemy force, believed to be of multibattalion size, launched a bold attack--the second in less than a week--on Tam Ky on 6 September. The predawn attack included coordinated assaults on four key installations. The enemy, driven off with help from US flareships and gunships, left 217 dead behind. Communist losses also included nine persons detained and

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SOUTH VIETNAM

72 weapons captured (eight crew served).

Postelection Politiking

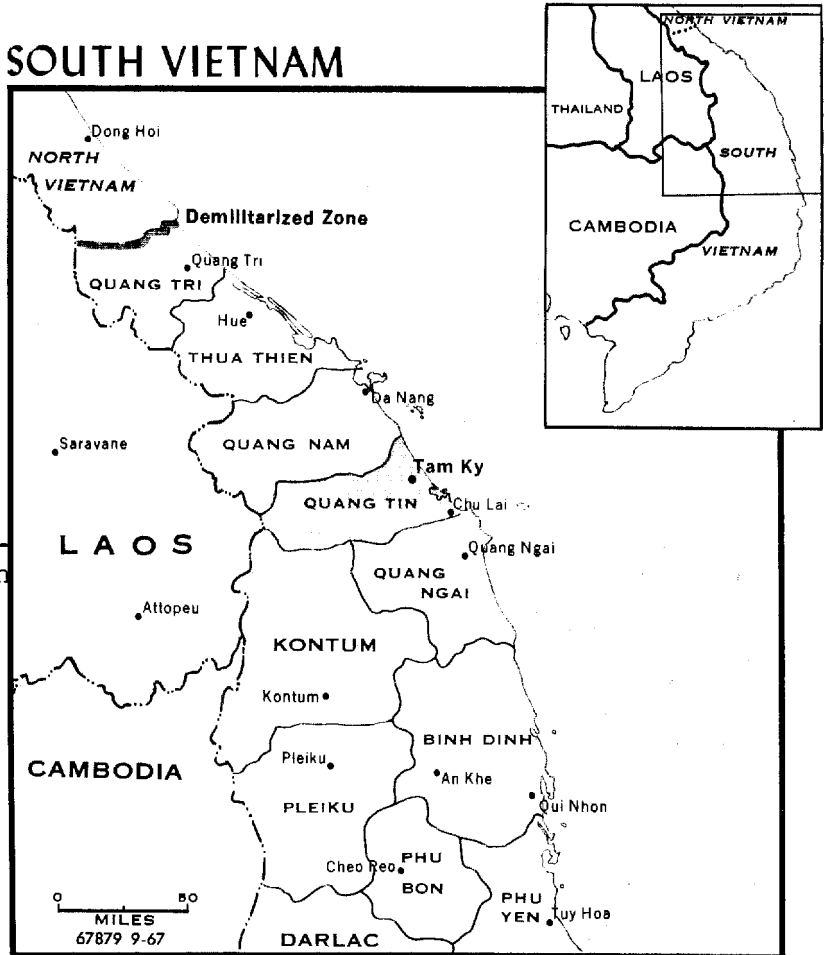
A period of some turmoil is likely to follow the Thieu-Ky presidential victory. Defeated candidates Truong Dinh Zuu, Phan Khac Suu, Tran Van Huong, and Ha Thuc Ky apparently intend to protest the results, and there is some possibility the election could be invalidated. Although generally progovernment, the Provisional National Assembly, which must rule on the legality of the election results, has shown its independence on a number of occasions and some deputies may, in this instance, see fit to attempt an annulment.

Some defeated civilian candidates could attempt to generate demonstrations, especially if their attempts to invalidate the election are unsuccessful. In addition, the militant Buddhists and members of the Saigon Students' Union are reportedly planning disturbances in the Saigon area.

Although the new government has not yet begun to take shape, some decisions are being made on key positions.

Nguyen Van Loc, Ky's former vice-presidential running-mate, has now been approved by all hands for the prime minister's post, which has limited constitutional authority.

Four key ministries will probably continue to be headed by military men. General Nguyen Van Vy



has been announced as future defense minister. General Linh Quang Vien will apparently retain the Ministry of National Security, and General Vinh Loc has been offered the Ministry of Information, although he has thus far been reluctant to give up his command of II Corps. No replacement has yet been named for Minister of Revolutionary Development Thang, who Thieu recently announced will become chief of staff of the Joint General Staff.

Thieu and Ky will probably offer positions to some losing presidential candidates. The candidates themselves, in view of their vitriolic attacks on the government,

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may not accept, but their running mates or close supporters could prove more cooperative. Some members of the Revolutionary Dai Viet Party reportedly are willing to join the new government.

A military cleanup and reorganization is already in the works. A number of officers, including five or six generals, are reportedly under investigation for corruption and will be either court-martialed or retired quietly, according to the seriousness of their offenses. In addition, Thieu promised in one of his last campaign speeches to revamp the administrative system--especially at local levels--to eliminate corruption, to replace inefficient civil servants, and to minimize red tape and bottlenecks.

Although still unconfirmed, Senate election returns indicate the Catholics won a significant victory. Two lists backed by Catholic organizations placed high among the six ten-man slates elected. Retired General Tran Van Don's list, which included a number of prominent individuals, was clearly the favorite, receiving some 300,000 more votes than the second place list. The other winning tickets round out the Senate as a broadly based body that should be generally cooperative with the government.

The Front's Answer to the Elections

The National Liberation Front attempted to add to postelection

confusion by publishing an updated political platform on the eve of the elections. The new program does not significantly change important Front attitudes toward a negotiated settlement, demands for a role in any postwar government, or plans for reunification with the North. The document is a refurbishing of the Front's ten-point program of 1960, and an attempt to formulate a more appealing, comprehensive, and sophisticated political platform.

Although the new document does provide new details on Front policy toward an elected government, land reform, and guarantees of personal freedoms, most of these additions are in direct response to similar moves by the South Vietnamese Government. One of the most striking "innovations" is a reverse Chieu Hoi program--a strong appeal to all groups in South Vietnam for cooperation with the Front. The appeal extends to current members of the government and army and promises them rewarding jobs.

The tone of the new platform suggests the Front sees an immediate need to compete with recent South Vietnamese efforts to promote political and constitutional reform, to check the momentum Saigon has derived from these steps, and hopefully to attract cooperation from some of the losing candidates.

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CULTURAL REVOLUTION HURTING CHINESE FOREIGN TRADE

China's internal disorders, harassment of foreign shipping, and bitter propaganda against trade partners are beginning to have a detrimental effect on foreign trade. From the incomplete data so far available, some decline seems probable during the last half of this year.

Trade with Hong Kong, a major source of China's hard-currency earnings, began to fall off during the second quarter of this year. The low of \$21 million for the month of July is a drop of about 45 percent compared with July 1966.

Trade with Japan, China's largest trade partner in 1966, came to only \$278 million by the end of June, about 20 percent below the same six-month period last year. Although other factors played a role, the decrease is caused at least in part by the Cultural Revolution. There are delays in shipments to Japanese importers, and Peking canceled an August shipment of pig iron from the An-shan steel plant, which has been subjected to Red Guard harassment.

Western European trade did not grow during the first half

of the year as it had in the past few years, and press reports indicate that the 1967 Sino-Soviet trade agreement calls for a lower level of trade than the \$310 million reached last year. Even China's imports of grain may be affected. Peking has postponed talks with Canadian wheat officials because of the "illness" of Chinese negotiators.

Red Guard harassment of foreign ships in Chinese ports may also have an impact. Some Western crews coming out of China already have quit their jobs rather than return. Since the Svirsk incident at Dairen in early August, in which a Soviet merchant ship was damaged and some crew members roughed up, several Soviet ships scheduled to enter Chinese ports have been diverted elsewhere and three ships that were in Dairen left without loading.

In August, European technical personnel supervising the construction of petrochemical plants in Lan-chou were forced to suspend work because of Red Guard harassment. When the Europeans returned to the construction sites, there were practically no Chinese workers to continue construction and technicians expect further delays that will probably affect imports of equipment.

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FIGHTING INTENSIFIES IN COMMUNIST CHINA

Fighting between rival Red Guard groups is becoming fiercer in many areas, and for the first time in the Cultural Revolution regular military weapons are being used on a wide scale. Previously, only fists, stones, and sharpened bamboo poles were used in most clashes. Now, however, reports often refer to the use of rifles, and machine guns, and even of tanks and artillery.

At least 2,000 Red Guards in Canton had died by 30 August, according to a poster report [redacted]

[redacted] heavy casualties resulting from subsequent battles. The city's hospitals are said to be filled with wounded Guards.

The role of the military in all this remains confused, but there is no evidence of engagements between military units. There are numerous indications that local military commands have split into factions, however, each secretly making arms available to favored Red Guard groups. This is a charge often made in Red Guard newspapers [redacted]

[redacted] The apparent ease with which Red Guard groups acquire weapons lends credence to the charge.

Because of its proximity to Hong Kong, more information on the

conflict between the military and the Maoists is available from Kwangtung than from most other provinces. This information indicates that one group of Red Guards has been supported and armed by the Kwangtung Military Control Committee headed by Huang Yung-sheng, the powerful commander of the Canton Military Region (MR).

A rival group of Guards--a highly militant force aligned with prominent Maoist organizations in Peking--is reported to be backed by elements of the 47th Army, whose headquarters is in Chang-sha, 400 miles north of Canton.

At least one, and possibly two, infantry regiments of the 47th have been stationed in Canton since March, and their parent division is based in northern Kwangtung.

The 47th Army, normally subordinate to the Canton MR, assumed control of Hunan Province from the Hunan Military District in early August, and is the only tactical unit in China known to have been given a major political role.

Maoist Red Guard newspapers in Canton, which have been attacking Canton MR commander Huang for months, charge he is a confederate of the dismissed Hunan leaders. They

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were Huang's subordinates and all were under heavy Red Guard criticism for their "conservative" stand.

In spite of the criticism by Maoist elements in Canton, Huang was present at a military ceremony in Peking on 2 September, attended by Chou-En-lai and by Madame Mao and other Maoist leaders. Huang's

appearance in Peking, apparently in good standing, could indicate the Maoists are retreating in his case. There is no evidence, however, of any attempt to curb Maoist forces attacking him in Kwangtung.

There are other signs that Maoist leaders are attempting to ease tensions between themselves and disgruntled military leaders.



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The army's Cultural Revolution (purge) Group apparently was reshuffled in mid-August; several key members with backgrounds in political work reportedly were replaced with professional officers from the air force, the Rear Services Department, and the navy.

The dismissed members had seemed to be trusted by the Maoists, whereas at least one of the new members, the director of the Rear Services Department, was viciously criticized last winter by Red Guards and was suspended for a while. People's Daily recently published a highly indignant article denouncing his inquisitors and claiming that "almost all" their charges against Rear Services officers had proved groundless.

The top echelon of the army's General Political Department (GPD), a key political control organization generally disliked by professional officers, has come under a cloud and some members, including its director, may have been removed in the aftermath of the Wuhan incident, in which two high-ranking emissaries from Peking were detained. Posters have explicitly linked the GPD with the open defiance of Peking by the commander of the Wuhan MR. The political department was not represented at major turnouts of military leaders in mid-August and 2 September. In the past, it has always been near the top of such lists.

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VIOLENCE CONTINUES IN HONG KONG

Militant Communists are continuing their campaign of violence and propaganda against British authorities in Hong Kong despite setbacks from police raids on Communist control centers. The border remained generally quiet last week and Peking's relatively restrained propaganda commentary continues to underscore its cautious policy toward the colony.

The Communists apparently are focusing their terrorist attacks on security forces. On two occasions last week, police inspectors were set upon while off duty and their service revolvers were seized. Numerous patrolmen were targets of

bomb attacks, although some civilians were also casualties. In addition, the Communists have switched their more vitriolic anti-British propaganda from the regular daily newspaper editions and are flooding the colony with bootlegged "mosquito" newsheets in the hope of exhausting police control efforts.

The Communists' organization in Hong Kong has started gearing up for the Chinese National Day celebration on 1 October. The leaders probably hope to demonstrate the solidarity of their organization and stimulate their followers to continue the struggle against the government.

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EUROPE

A number of high-ranking travelers drew Europe's attention this week.

The Poles, who rarely see Western chiefs of state, had the red carpet out for President de Gaulle. His state visit, a part of his effort to promote détente, began on 6 September and will end on the 12th.

Party general secretary Brezhnev and Premier Kosygin have been in Budapest to sign a new friendship and mutual assistance pact with Hungary. This completed the renewals of these 20-year treaties between the USSR and each of its Warsaw Pact allies, except Rumania.

East German party boss Ulbricht is in Sofia to sign a similar treaty with Bulgaria, which will complete a series linking East Germany to each of its allies, except Rumania.

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SOVIET MILITARY RENEWS PRESSURES FOR ECONOMIC PRIORITIES

Articles in the Soviet military press during the summer have stressed traditional heavy industry themes, thereby renewing the argument for the priority of defense claims on national resources.

Some members of the regime may be seeking to restrain military spending in an effort to cope with the rising costs of offensive and defensive strategic weapons programs--costs that are now exerting heavy pressures on the economy. The military, on the other hand, may be pressing for programs that the government is unwilling to accept. The

articles have appeared at a time when preliminary decisions regarding next year's economic plan presumably are being made.

This is the third year in a row that public indications of resource allocation difficulties have appeared at this time of the year. In 1965 and 1966, defensive statements by various Soviet leaders indicated that certain economic goals had to be moderated because of heavy military claims. Those statements implied that military interests were being satisfied, but this year's articles suggest that the

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military is less confident it will get what it wants.

The articles imply that the regime's emphasis on improving the performance of the economy as a whole may lead to neglect of military production and of the military-related aspects of the economy. One writer asserted that the contemporary military-technical revolution was confronting the economy-- "and first of all, heavy industry"-- with a series of new requirements. Another reiterated the old Stalinist dogma that the Soviet economy must be based on "preferential" development of heavy industry, "without adding the now-standard qualification that light industry also must be expanded.

Although these articles do not identify specific issues, they do suggest some of the subjects troubling the military. Research

and development on new weapons systems is given continuing high priority, yet the military also wants general purpose forces capable of dealing with all forms of military emergencies. Shortly after being appointed Warsaw Pact commander, Marshal Yakubovskiy stressed the undiminished importance of "classical" arms in the nuclear age.

It is uncertain whether this pressure will have any major impact on the regime's economic policy. Leadership intentions are probably not yet firm at this stage in the annual planning cycle, and decisions made now are subject to adjustment later. The Soviet military has again demonstrated its ability to assert and defend its economic interests, however, and the regime may face harder bargaining on this subject in the future.

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WEST GERMAN ECONOMY IMPROVES

There are signs that the worst may be over in West Germany's year-old recession. Favorable economic news is coming in just as the Bundestag has begun formal consideration of Kiesinger's plans for dealing with long-standing budget and finance problems, and should help him win parliamentary approval of his proposals.

The most encouraging indication that the recession may be coming to an end is a recent rise in industrial orders. Other favorable signs include a drop in unemployment from the seasonal high of nearly 700,000 in February to around 400,000 in July, and a sharp rise in stock prices in August. Business psychology is believed to have improved significantly, partly in response to the government's moves to combat the recession and spur new economic activity. These indicators are viewed as further evidence that the German economy is fundamentally sound and has favorable long-term growth prospects.

A new factor working for economic stability is a gradually in-

creasing acceptance of a more active government role in regulating the business cycle. This new view is reflected in the passage last May of a law broadening Bonn's powers to act promptly to combat either inflation or deflation and to promote economic growth. Bonn lost no time in using its new pump-priming powers. In mid-July the government announced a special \$1.3-billion public works program to stimulate the economy.

Kiesinger's financial retrenchment program calls for increased taxes and reduced expenditures beginning next year. The government hopes that the economy will have recovered by then, but it is too early to tell whether this optimism is justified. Prompt passage of the chancellor's program, however, combined with an early and substantial increase in business activity, would be a major success for Kiesinger, who has made economic stability the touchstone of his government's performance.

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MIDDLE EAST - AFRICA

High-level get-togethers again provided the focus of political activity in the Middle East and Africa.

Arab diplomats returning from last week's "summit" in Khartoum indicated they felt that the radicals who pushed for a new military confrontation with Israel had been isolated. Some Arab quarters were nonetheless concerned that the radicals might recover ground unless a "political" line brings some early signs that Israel will eventually withdraw from the occupied territories. Both Arabs and Israelis are clearly bracing for the forthcoming UN session, although the Israelis insist that only direct negotiations can bring a settlement.

In one Middle East area, "withdrawal" is already the main theme. Both Saudi Arabians and Egyptians now seem to think that the Nasir-Faysal agreement to pull out of Yemen may work, although the sticky "details" as usual seem to have been left in abeyance. Next door in South Arabia, a British withdrawal appears even more imminent, as the nationalist factions struggle among themselves and what power there is gravitates toward the local army.

The African meeting, in Kinshasa, has distracted Congolese President Mobutu from his domestic difficulties. One of his main concerns is to keep the Organization for African Unity (OAU) from meddling in the still-unresolved mercenary problem. The Lagos Nigerians similarly do not want their civil war broached at the conference, although the "Biafrans" reportedly hope to be noticed. Since the OAU will not deal with the most pressing problems, it gives the impression it is meeting for the sake of appearances, and that the call of individual state interests is, at least for the time, overcoming the attractions of "African unity." [REDACTED]

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ARAB SUMMIT CONFERENCE SOUNDS "MODERATE" NOTE

The Arab summit meeting ended on 1 September without developing any specific new proposals for ending the current Arab-Israeli stalemate.

Nasir reportedly impressed both Kings Husayn and Faysal with his "realistic" attitude that a "political struggle" with Israel should be the Arabs foremost immediate objective. Preliminary moves in such a "struggle" apparently involve rebuilding ties with the West, and ultimately working out a solution under the auspices of the United Nations to avoid negotiating directly with Israel.

The summit resolution to resume the pumping of oil was obtained by the major producing countries in return for their agreement to give financial aid to the principal victims of the Arab-Israeli war. The major producers have since resumed shipments to all takers. Under the agreement, Jordan is slated to receive \$112 million annually from Saudi Arabia, and Egypt was promised \$266 million a year jointly from Kuwait, Libya, and Saudi Arabia.

A bow to radical sentiment was contained in the summit resolutions to "strengthen military preparations to face all eventualities," and to "expedite the elimination of foreign bases." Syrian and Algerian discontent, however, has been evident in their press

coverage on the outcome of the summit. The two major Western-owned oil pipelines run through Syria, and future problems probably are in store.

Israel has also expressed its dissatisfaction with the results of the Arab summit. Prime Minister Eshkol, in a statement on 3 September, scored the Arab heads of state for their decision to continue to refrain from direct dealings with Israel, and said that this strengthens his country's determination to resist pressure to return to prewar conditions.

Tension along the cease-fire lines, meanwhile, remains fairly high. Early this week, a number of fire fights broke out along the Suez Canal and the Jordanian-Israeli truce line, but in each case the outbreaks seem to have been the product of local conditions rather than of any new military initiatives from either side.

Soviet Bloc - Arab Developments

A meeting of the deputy premiers of Soviet bloc countries was held in Belgrade from 4 to 6 September to discuss economic assistance to the Arab states, thereby giving the impression of unanimity regarding aid to the Arabs. According to Western press sources, however, the Rumanians delayed issuance of the joint

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communiqué for nearly one day by their refusal to agree to a statement branding Israel an aggressor.

When finally issued, the communiqué merely indicated that the representatives "exchanged opinions" regarding measures to intensify their aid.

[Redacted]

Thus, it appears there are still serious differences within the Soviet bloc concerning the scope of their aid to the Arabs.

[Redacted]

[Redacted]

Soviet Naval Activity

The current strength of the Soviet Mediterranean squadron is 12 surface warships and at least seven submarines, a total down slightly from the high level reached during the Middle East crisis. Most of the units continue to operate in the eastern Mediterranean to demonstrate support for Syria and Egypt.

A guided-missile cruiser, a guided-missile frigate, and three landing ships were replaced in Egyptian ports during the past week by a submarine tender, three escort ships, and possibly two submarines. Four naval auxiliaries remained in or near Port Said. The guided-missile frigate and the three landing craft are expected to assume the patrol station off the Syrian coast, and the guided-missile cruiser is operating near Malta.

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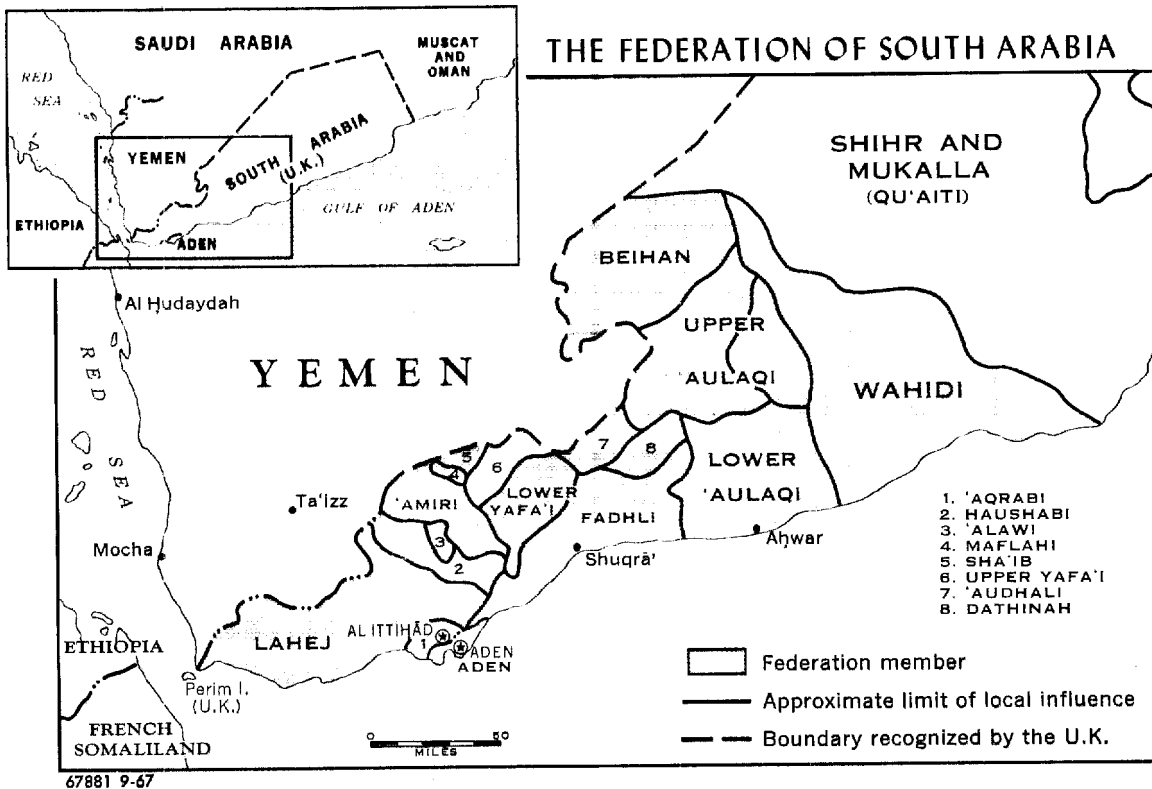
BRITISH AGREE TO NEGOTIATE WITH SOUTH ARABIAN NATIONALISTS

UK High Commissioner Sir Humphrey Trevelyan last weekend obtained the British cabinet's approval of his plan to open negotiations with nationalist groups for the formation of a new South Arabian government.

This move represents an abrupt change in British policy, which previously held that negotiations should take place only with all of the parties involved--the National Liberation Front (NLF), the Front for the Libera-

tion of Occupied South Yemen (FLOSY), the South Arabian Army, and the traditional rulers of the up-country sheikdoms.

When the British-backed federal government collapsed on 5 September, however, Trevelyan concluded that the UK's main concern was simply to get out of Aden as quickly as possible in an orderly fashion and with a minimum of losses. To accomplish this, a government was needed to keep order as the British troops were withdrawn.



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The high commissioner prefers to negotiate with both the NLF and FLOSY, but neither group appears willing to cooperate with the other in forming a new government. He is convinced that the NLF was supported by the majority of the army and had the upper hand in Aden and most of the up-country sheikdoms. Thus, Trevelyan, following NLF chief Qahtan al-Shaabi's announcement that his group was prepared to discuss a transfer of power with the British, dispatched an emissary to the NLF leaders and went to London to get his move approved.

Meanwhile, the NLF has consolidated its position in the central area of the Federation and has assumed local administration. In the eastern and western areas, there have been clashes between the NLF and FLOSY, and neither seems to be entirely in control.

In Aden, the NLF has the upper hand, partly as a result of the large number of weapons they have captured in the federal states.

[redacted] on 7 September a FLOSY-called strike appeared at least initially successful. FLOSY evidently intends to make an all-out effort to show strength in order to retain a voice after the British leave.

The army has called upon both the NLF and FLOSY to stop fighting each other and accept the British invitation to negotiate. In fact, however, the bulk of the army is reported to back the NLF, and even to have agreed to form a common front against FLOSY and Egyptian interference. Even if FLOSY and the NLF reach some accommodation, blood feuds set off by the bitter fighting over the last six months militate against a smooth transition.

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AFRICAN STATES MEET IN KINSHASA

Delegations from most of the 38 members of the Organization of African Unity (OAU) are now convened in Kinshasa as a prelude to a "summit" next week. Neither meeting is likely to produce anything new or startling.

There has been little enthusiasm for this ninth Council of Ministers meeting from 4 to 9 September, or for the fourth "summit" of African heads of state from 11 to 14 September, and several of the states actually wanted a postponement. The fact that less than a dozen heads of state--mostly lesser known African leaders--plan to attend the "summit," reflects the growing disinterest and discouragement of many African states with the OAU. The meetings might in fact have been postponed had it not been for President Mobutu.

Mobutu, anxious for a diplomatic boost and a show of African support for his regime, has long pushed for an OAU meeting in the Congo. Having spent an estimated \$20 million for convention facilities, he has been trying to calm members' fears for their safety, beating the bushes hard to swell the ranks at the "summit," and loudly advertising the hoped for attendance of UN Secretary General Thant. He has also probably been privately praying that the mercenaries in Bukavu will not disrupt the conference.

There is a problem of what to talk about. Most of the African members want to avoid any formal consideration of the recent

Arab-Israeli war, believing it too divisive an issue, but the more militant Arab members could push for some discussion. The conferees, bent on a show of unity, will probably issue the old reliable resolutions condemning Rhodesia, Portugal, and South Africa. They may seize on the recent flurry of southern African nationalist action in Rhodesia as a new sign of hope, however, and vote more funds to the "freedom" fighters.

African disputes could take up most of the time. Ivory Coast and Guinea are still at loggerheads over Ivory Coast's continuing detention of the Guinean foreign minister. Somalia, in a new tack, wants to use the meeting to try to make some progress on its border troubles with Kenya and Ethiopia. As for the two current hot crises in Africa, the Congo (including the Tshombé affair) and Nigeria, both Mobutu and Gowon regard them as internal matters. Mobutu, however, may try to press for some commitment by the OAU against the mercenaries. Gowon, on the other hand, is likely to find himself hard put to prevent some discussion of Nigeria in the face of growing African pressure to find some way to end that crisis.

On the administrative side, the term of the partisan, free-wheeling Guinean secretary general, Diallo Telli, is up. Having irritated many members by his tactics, Telli is under fire from both the French- and English-speaking west African states, and could be bounced.

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SECRET**WESTERN HEMISPHERE**

Security forces in three countries claimed varying degrees of success in their counterinsurgency operations during the week. Probably the most striking victory was scored by the Nicaraguan National Guard, which appears to have severely crippled the rural guerrilla wing of a small pro-Castro terrorist group. Mop-up operations are continuing. In Venezuela several more urban terrorists were picked up in Caracas following the government's highly successful roundup during the previous week.

The Bolivian military reported it had lost only one man while wiping out an insurgent "rear guard" force of about eight persons. The victory, if confirmed, might slow Argentine military efforts to arouse interest among Bolivia's other neighbors regarding contingency planning for possible future intervention.

Other hemisphere governments were grappling with less felicitous developments as the week ended. In Peru, the immediate problem of the five-week-old deadlock over the leadership of the Senate has now been solved, but the political aftereffects and a budding financial crisis threaten to pose even more critical problems for the Belaunde government. In Guyana, the coalition government of Prime Minister Burnham and Minister of Finance D'Aguiar has entered into another of its sporadic periods of shakiness--a quarrel between the two men over a minor subministerial appointment is again leading D'Aguiar to consider resigning.

In the Dominican Republic, President Balaguer reshuffled top military and police posts in the belief that rightists, including the military followers of the exiled and controversial General Wessin, were conspiring against him. Balaguer's housecleaning may include some of his civilian advisers as well.

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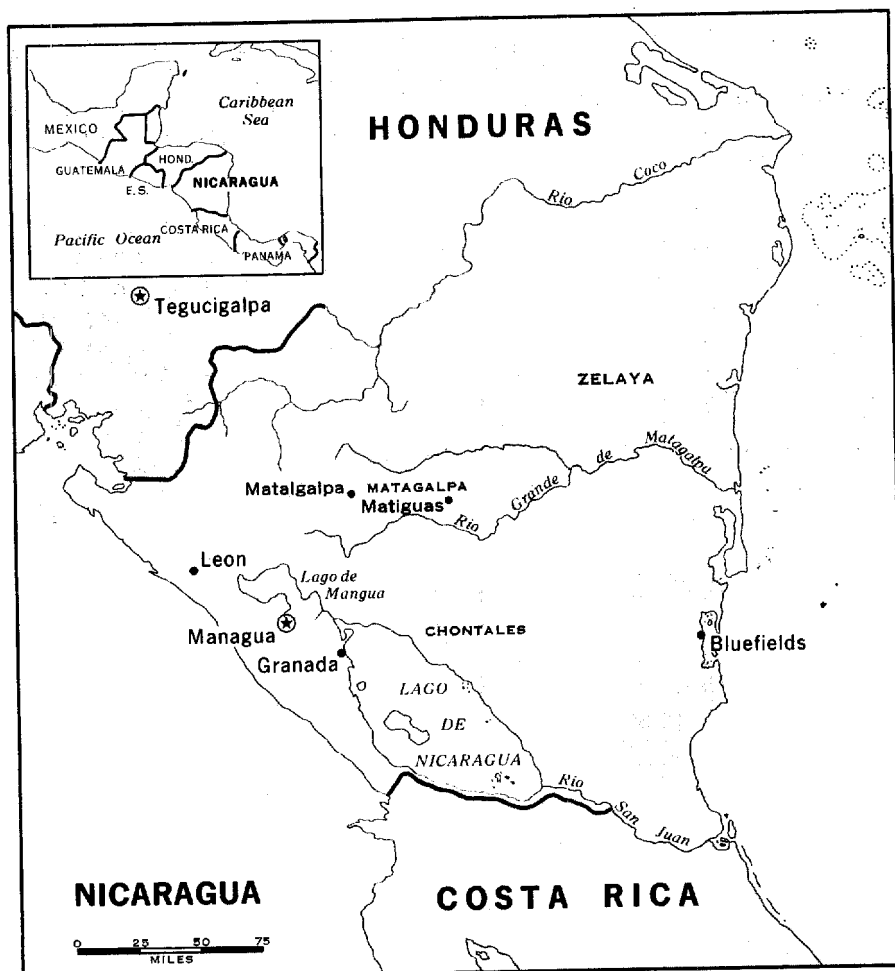
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NICARAGUAN GUARD DEALS HEAVY BLOW TO GUERRILLAS

The Nicaraguan National Guard, in its month-long counterinsurgency campaign, has severely crippled the guerrilla arm of the pro-Castro Sandinist National Liberation Front (FSLN). At least 15 guerrillas have already been killed, and the count may be considerably higher because the government is withholding information on the continuing operation. The guard has reported no casualties.

The campaign began on 12 August in the region between Matagalpa and

Matiguas, north of the capital in the Department of Matagalpa. The guard's most effective tactical unit--at times under the personal command of President Somoza and his half-brother José--destroyed the FSLN guerrilla base almost immediately. On 26 August, a chance encounter resulted in the death of 12 guerrillas, and three more were killed subsequently. Among the casualties was Silvio Mayorga Delgado, an original FSLN leader and the motivating force behind the



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urban terrorism tactics of the group.

The guard has refused to deliver the bodies to relatives to prevent government opponents from extracting propaganda value from funeral arrangements, and possibly to forestall any charges of government brutality occasioned by bullet-ridden corpses. Public doubt generated by the absence of any wounded guerrillas, plus a vague government promise to locate mountain graves at an unspecified date, may increase sympathy for relatives of the dead guerrillas. The eventual disposition of the bodies, therefore, may be a difficult problem.

Carlos Fonseca Amador, the FSLN's leader, is still at large and reportedly is in command of another guerrilla band of approximately 30 members, including two or three Cubans and several women. The government believes that tracking down Fonseca is vital to the success of its counterinsurgency operation. The guard has widened its search to include the border area

between Zelaya and Chontales departments.

The plight of the remaining guerrillas is sorry. Farmers, obviously influenced by the performance of the guard, are offering no assistance to the guerrillas. They are short of supplies and their flight is hampered by heavy rains that have muddied trails and swollen waterways.

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CHILEAN GOVERNMENT MOVES AGAINST THE RIGHT

A minor border incident between Chile and Argentina last week has afforded President Frei an opportunity to crack down on the political right.

The border incident, in which Argentina asserted its rights in waters claimed by Chile, is the latest in a long-standing dispute regarding jurisdiction over navigation and fishing rights in the Beagle

Channel of Tierra del Fuego. On 30 August the conservative National Party (PN) issued a statement that alleged government mishandling of the Beagle incident and denounced the state of preparedness of the Chilean armed forces. The government immediately arrested leaders of the PN for violating the internal security law. Frei reportedly was especially disturbed by what he considered to be implicit encouragement for a military coup.

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Reaction to the government's move indicates clearly that the political right in Chile has little support. The Communist and Socialist parties have applauded the government's move, and there has been relatively little critical comment from the general public.

Frei has been under attack recently for not providing more forceful leadership, either for his own party or for the country as a whole. He probably seized on the PN state-

ment as an opportunity to show that he will not permit what he considers irresponsible criticism. Last month the government filed suits against several extreme leftists who were accused of making seditious statements, but Frei does not seem prepared to act against left-wing critics with the same dispatch used against the right. Failure to do so will make him vulnerable to the charge that he is afraid of challenging the Communist and Socialist parties, which command much greater support than the PN. [REDACTED]

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POLITICAL LIBERALIZATION IN PARAGUAY

The role permitted opposition parties in drafting the constitution promulgated on 25 August has encouraged Paraguayan politicians to expect a continuation of the recent trend toward political liberalization.

The trend has been especially noticeable since last February when the outlawed Radical Liberal Party was officially recognized and permitted to contest the election for delegates to the constitutional convention. The election itself was one of the cleanest in years, and subsequent debates in the convention were extensive, openly critical, and yet far more responsible than any in recent memory. The traditionally hostile Radical Liberals took an active part in the proceedings.

The new constitution is slightly more liberal than the one it replaces. Otherwise, its outstanding

feature is that it will permit President Stroessner, who is serving his third consecutive term, to run for re-election next year and again in 1973. The new document continues to place the majority of power in the hands of the executive and gives him the right to impose a state of siege--the suspension of constitutional guarantees--without legislative approval. Paraguay has been under a state of siege for most of the time since 1954, when Stroessner took office.

With the 1968 elections for president and Congress now drawing the attention of the country's four political parties, it remains to be seen how well this new period of coexistence will last. The Colorado Party's old guard leadership is much less enthusiastic than the younger members about permitting the opposition free rein. [REDACTED]

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