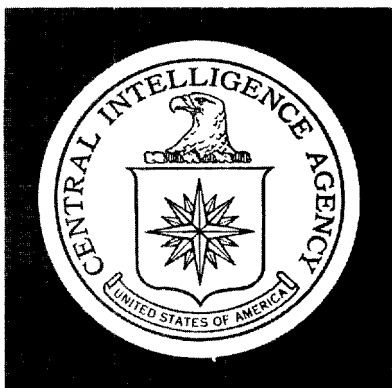


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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(Information as of noon EDT, 27 June 1968)

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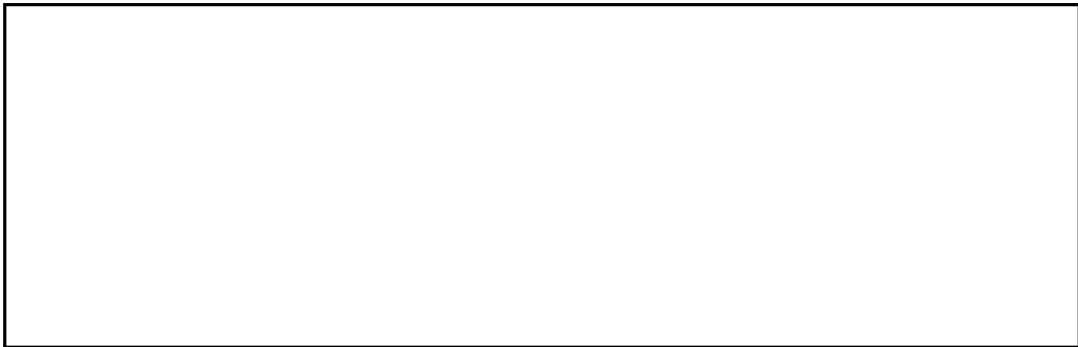
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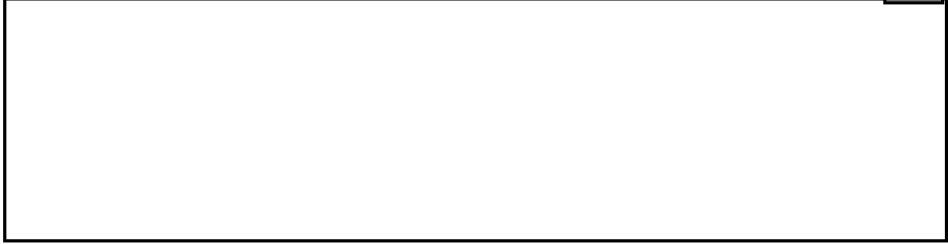
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FAR EAST

In Saigon, tension within the military establishment appears to be easing as Vice President Ky withdraws further into the background.

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Uncertainty over how to play the sensitive peace issue is further blurring the political picture in Saigon. Huong created a brief furor in the legislature by merely suggesting that the National Liberation Front may at one time have had some genuine Vietnamese nationalists in it. On the other hand, both the militant and the moderate Buddhists began a cautious probe for the limits of tolerance on the issue by calling for an early cease-fire. Even though the government is tacitly allowing more open discussion of possible terms for a settlement, Saigon politicians are likely to pursue the subject with considerable circumspection, at least until the course of the Paris talks becomes clearer.

North Vietnamese negotiators in Paris broke no new ground on the central issue of a bombing halt during the tenth session on Wednesday. They did, however, use the occasion to dwell at some length on the National Liberation Front's program for South Vietnam. Extraneous to the business currently at hand in the talks, the North Vietnamese may have chosen to interject this political issue at least in part with an eye toward playing on the sensitivities of the South Vietnamese.

North Korea's seizure last week of a small South Korean motor reconnaissance boat gives Pyongyang a propaganda bonanza at a time when it is pulling out all the stops in its annual observance of the start of the Korean war. The North Koreans have linked the incident to the Pueblo affair to bolster their charges of US - South Korean aggression. In the meantime, North Korea's annual campaign to infiltrate agents into the South—both through the Demilitarized Zone and by sea—appears to have begun.

In Thailand, the newly promulgated constitution, nine years in the writing, will usher in a period of activity by long-suppressed civilian politicians. It will not significantly affect the ruling military oligarchy's control over the country, however.

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VIETNAM

Prime Minister Huong encountered new difficulties last week as his opponents probed for opportunities to embarrass him in what seems to be a developing campaign to unseat his fledgling government.

In the Upper House representatives of the Revolutionary Dai Viet Party, bitter over Huong's failure to offer a key cabinet post to party chairman Ha Thuc Ky have been leading the attack on Foreign Affairs Minister Tran Chanh Thanh, whom they consider to be the cabinet's "jugular vein." The Dai Viets, however, are reportedly planning to broaden their attack to include both Huong and newly appointed Saigon Mayor Nhieu. The party is said to be organizing a "shadow cabinet" in the expectation that it will be called upon to form the government in the next go-round.

Another possible pretender to Huong's mantle, former deputy premier Tran Van Tuyen, is also maneuvering to bring down the government. Tuyen claims that Huong's performance in his brief second tenure as prime minister has already been too shaky for his cabinet to be entrusted with the vital questions of war and peace. Tuyen has recently been advocating talks with the National Liberation Front as both a "political reality" and as a means of gaining time for non-Communist political development under some form of coexistence.

The unfavorable reaction to Huong's appointment of Colonel

Nhieu as mayor of Saigon led to considerable speculation that the prime minister might resign. Reports surfaced, but were not officially confirmed, that Defense Minister Vy had threatened to resign to back up his allegations of corruption in Nhieu's past, and because Interior Minister Khiem had announced the mayor's appointment while Vy's charges were still under study by Huong and Thieu. Even though Huong was upset by the controversy, there has been no confirmation that he in fact offered his resignation.

The prime minister provoked a raucous display of shouting and desk pounding in the Lower House on 24 June when, in an attempt to chronicle the development of the National Liberation Front, he said that a number of nationalists joined the Viet Minh in 1945 and even assisted later in the formation of the National Liberation Front. After the furor subsided, Huong added that the Front had since become a thoroughgoing instrument of the Communists, and he later sought to set the record straight in the semiofficial Vietnam Press by emphasizing that his position was "not to recognize, not to negotiate, and not to have a coalition with the so-called 'National Liberation Front.'"

On the other side of the peace issue, several organizations in Saigon have issued statements at least partially at variance with the official government position. A recently formed labor organization petitioned President

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Thieu for an end to what it described as careless and indiscriminate allied air and artillery strikes in Saigon and the countryside. On 22 June, the militant Buddhist faction published a statement calling for an immediate cease-fire, and castigating both sides for the indiscriminate shelling and bombing of Saigon. The next day, the moderate Buddhists also issued a statement calling for peace, but a spokesman made it clear that the onus was on North Vietnam for not matching allied de-escalation.

The War in the South

The lull in the fighting continued as the enemy concentrated on redeployment of his forces, possibly in preparation for renewed large-scale fighting.

In Quang Tri Province, Communist harassment of Khe Sanh and other allied bases eased. No firm evidence is available to explain the enemy's apparent abandonment of its objectives in western Kontum Province. Captured documents indicate that in one case a planned Communist assault on an allied fire support base was called off because heavy losses

incurred by the unit assigned the mission.

Pressure in the Saigon area also eased during the week, and the populace has enjoyed a five-day surcease from rocket attacks. Nevertheless, there continue to be indications of an early intensification of the enemy's campaign against the capital.

Despite the current lull throughout the country, all indications--including captured documents and prisoner interrogations--point to a period of intensified enemy action. Units in some areas will probably not be fully prepared until late July or early August, which would largely rule out a countrywide offensive until that time. Rather than wait, the Communists may choose to stagger their operations. Analysis of present indicators suggests that the enemy may have another go at Saigon in about a week, may venture major action in I Corps by mid or late July, and may not be ready for resumed activity in the highlands before sometime in August. [REDACTED]

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NORTH KOREA STEPS UP INFILTRATION OF THE SOUTH

Pyongyang's annual campaign to infiltrate agents into the South has apparently begun.

Unlike incidents earlier this year in which North Korean forces deliberately attacked US and South Korean units along the Demilitarized Zone, groups of infiltrators since the beginning of June have attempted to avoid contact with security forces and have only fired after their presence was detected. Supplies picked up after these incidents suggest that the infiltrators were agents being sent on intelligence-collection or sabotage missions.

The North Koreans are apparently also stepping up maritime infiltration, which normally accounts for about 70 percent of all agents dispatched to South Korea.

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A tightening of South Korean security in response to the attempted North Korean attack on the presidential residence last January appears to be hampering the operations of the infiltrators.

The South Koreans are particularly concerned over the possibility of terrorist incidents during the period between the anniversaries of the start of the Korean war on 25 June and the armistice on 27 July. A curfew was ordered for Seoul on the evening of 25 June and over 200,000 police, reservists, and troops checked homes, hotels, and other places where North Korean agents could be hiding.

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NEW THAI CONSTITUTION INCREASES POLITICAL ACTIVITY

The new Thai constitution will almost certainly usher in a period of heightened political activity, but it is not likely to result soon in major changes in the government.

Nine years in the writing, the constitution promulgated by King Phumiphon on 20 June is an expression of the military oligarchy's desire to accommodate pressure for political change while maintaining itself in power. The constitution provides for an independent executive, chosen by the King with what will undoubtedly prove to be the close supervision of the present leaders, and a bicameral legislature having carefully circumscribed powers. The upper house, which will have a de facto veto over legislation, will be chosen by the King.

The constitution provides for lower house elections within eight months, and the government has recently announced the formation of an as yet unnamed political party with Prime Minister Thanom at its head. Although progress in organizing the government party has been slow, the fragmented nature of the opposition and the considerable power at the disposal of the government should permit it to control the lower house with little difficulty.

Leftist politicians almost immediately attempted to use the new constitution to challenge

existing laws curtailing civil liberties. Apparently acting in concert with student leaders, the politicians managed to stage a large and well-organized student demonstration on 21 June to back up their demands for legal reforms. The demonstration, the first in Bangkok since the 1957 coup, surprised Thai authorities, who have long taken student docility for granted, but they managed to control it adroitly.

The demonstration will almost certainly be viewed by some ruling elements as a confirmation of their worst fears, and it will increase the resolve of the military establishment to monitor carefully the liberalizing process. Deputy Prime Minister Prapat, long a foe of political change, has stated that martial law will remain in effect despite promulgation. Prime Minister Thanom, who characteristically blamed the student outbreak on "outsiders," has indicated that the government will take steps to ensure there is no recurrence.

Even if the government is successful in keeping opposition elements under wraps, the resumption of open political activity will raise a number of domestic problems embarrassing to the leadership. Bangkok's relations with the US and the large number of US military personnel in Thailand are almost certain to become political issues. [REDACTED]

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EUROPE

Foreign Minister Gromyko told the USSR's Supreme Soviet on 28 June that Moscow was prepared to "exchange views" on the limitation of offensive and defensive strategic weapons. This statement--the most affirmative response the Soviets have yet given publicly to the US offer to discuss a limitation on strategic weapons--leaves much to be examined further. It seems to mark, however, the end of a long period of hesitation in Moscow, during which the chief issue was not what to discuss, but whether.

Electoral developments were the center of interest during the week in France and Italy. In France, the Gaullists won an impressive victory in the first round of balloting on 23 June. A repeat win in the run-off ballot on 30 June would be an even greater indication of De Gaulle's political virtuosity as well as a demand for stability and order.

The postelection situation in Italy, where a weak center-left coalition emerged, is unresolved. The new government may last until the autumn, but continued labor and student unrest appears likely to test its staying power.

Virtually all custom duties on trade between the six members of the European Economic Community are to be eliminated on 1 July. Satisfaction over reaching this long-sought goal will be flawed, however, by the "emergency" protectionist measures announced by France this week, allegedly to be in effect through 1 January 1969. Despite the sense of betrayal this action has caused among France's partners, it seems unlikely that the commission will use its potentially far-reaching powers to gain support among the Five for insisting on a reversal.

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WESTERN ALLIES PONDER MOVES ON BERLIN SITUATION

The Western focus on the Berlin problem this week turned to the semiannual NATO foreign ministers meeting in Reykjavik. The conferees affirmed their support of free access to Berlin, and agreed that the Soviet Union must ultimately be held responsible for the recent East German restrictions. To underline US concern, Secretary Rusk flew to Bonn on 26 June for a luncheon meeting with Chancellor Kiesinger and Berlin Mayor Schuetz.

The West continued limited countermeasures. Following discussions in the North Atlantic Council on 20 June, travel restrictions, including fees, were imposed on East German travel to NATO countries. At the same time, an American and a British airline reached tentative agreement on running a West German - subsidized air-shuttle service between Hannover and Berlin beginning 1 August. Last weekend, under the decision to limit East German travel to West Germany, Bavarian police turned back several hundred East Germans wishing to attend a memorial meeting in Munich.

The West German announcement on 24 June that the Bundestag will hold two "work weeks" in

West Berlin this fall is being read by Pankow and Moscow as a new challenge, and may provide the justification for further harassments at that time.

Autobahn traffic has meanwhile adjusted to the East German visa and fee requirements, and no unusual tie-ups have been reported, but the imposition this week of scheduled East German hikes in daily visitation fees and currency conversion minimums will provide new headaches. British, Austrian, and Swedish officials in Berlin complain that the East German visa requirements are causing difficulties for their nationals living in East Germany, who were accustomed to unrestricted access to West Berlin and West Germany.

Morale in West Berlin seems to be taking a beating. Although there is a sense of resignation, Berlin officials fear that many workers and youths will leave the city, and business leaders are worried about obtaining new investment. So far, however, most Berliners appear to be more critical of Bonn than of Washington for what they see as a lack of forceful countermeasures. [REDACTED]

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NATO MINISTERS MEET AT REYKJAVIK

The semiannual NATO ministerial meeting, held at Reykjavik on 24-25 June, was highlighted by discussions of security in the Mediterranean and the possibility of East-West mutual force reductions.

All 15 ministers agreed to direct NATO Secretary General Brosio to maintain a watch over Alliance security interests in the Mediterranean. As anticipated, the French refused to "associate" with military policy decisions regarding the Mediterranean. The Fourteen outlined no specific proposals, preferring a simple call for actions designed to enhance NATO surveillance activities in the area.

To demonstrate the Alliance's commitment to detente as well as to defense, the ministers attached an eight-paragraph declaration on mutual force reductions to the communiqué. For reasons of "principle and procedure"--that is, their opposition to statements implying negotiations via blocs--the French declined to associate with four of the paragraphs. The Fourteen pledged to make "all necessary preparations for discussions" on mutual force reductions with the Soviet bloc; emphasis was placed on the need

for such reductions to be "reciprocal and balanced in scope and timing."

The coupling of defense and detente in the communiqué carried to fruition the "two pillar" concept of NATO outlined in the Harmel report on the future tasks of the Alliance, which was issued by the ministers last December. The Fourteen also demonstrated a strong desire to make policy decisions involving action rather than additional studies. They were able to overcome French intransigence through circumvention--acting as the Defense Planning Committee in which France is not represented--and by using language designed to give evidence of Alliance solidarity. Secretary Rusk found "less disarray and more determination at this meeting than in any NATO ministerial in recent years."

Scandinavian anti-NATO elements, opponents of the Greek regime, and Africans from Portuguese Angola combined in efforts to disrupt the ministerial conference. The ministers were subjected to only slight harassment by posters and verbal abuse. Police broke up an attempted sit-in by arresting 20 demonstrators. [REDACTED]

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SOVIET TROOPS ENTER CZECHOSLOVAKIA FOR PACT EXERCISE

The Czechoslovak Government is still trying to play down the size and significance of Soviet participation in the current, widely publicized and hastily scheduled Warsaw Pact exercise.

Some Soviet combat troops, armor, and tactical aircraft moved into Czechoslovakia during the week to take part. Prague claims that the combat forces will be used only in small numbers as "marker" units--that is, to represent larger, probably division-level formations. Nevertheless, the Soviet military presence will serve as a reminder to the Czechoslovak populace of the facts of Soviet military power and the binding nature of Czechoslovakia's ties with the Warsaw Pact.

Early in the week, Prague announced that a Soviet tank unit had taken up a position in the

western part of the country. Another Prague announcement stated that motorized rifle units also had moved into Czechoslovakia, but this statement failed to give the nationality of these units, which are presumed to be Soviet.

Prague has been releasing daily announcements that are intended to counter any popular interpretation of the military moves as a Soviet attempt to interfere in Czechoslovak affairs. Czechoslovak officials have stated that all foreign troops will leave the country at the conclusion of the exercise, which is expected to be no later than 30 June. In view of the fact that Soviet participation in the exercise is apparently more extensive than Prague had initially let on, the official statements are unlikely to eliminate all doubts and fears among the populace.

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CZECHOSLOVAKS CONCENTRATE ON DOMESTIC PROBLEMS

The Dubcek regime's attention this week was primarily focused on solving domestic problems, but the coolness in Czechoslovak-Soviet relations was once again reflected in commentaries by key party officials.

The most significant action of the National Assembly was the enactment of a constitutional law preparing the way for establishment of a Czech-Slovak federation, which will give Slovakia the autonomy it has long sought. The law established a Czech national council, to be composed of Czech members of the assembly and other leading personalities, that will work with the existing Slovak council in preparing a joint proposal on federalization. The assembly thus side-stepped the problem of working out an acceptable federal arrangement in the assembly itself, where Czechs could outvote Slovaks if a divisive issue were involved.

The assembly also enacted a rehabilitation law providing for review of past criminal sentences as well as monetary compensation for persons who were unjustly imprisoned or whose property was seized.

In addition, after a stormy debate, the existing press law was amended to abolish censorship of the press, radio, and television. According to the minister of culture and information, censorship is sweepingly defined as "any intervention by a state body

against freedom of speech and illustration, and their dissemination." A new and presumably more liberal press law will be proposed after the party congress in September.

Reporting on his recent trip to the USSR, assembly chairman Smrkovsky noted that the Soviets "were of slightly different opinion" concerning the role of the press, even after listening to the Czechoslovak arguments. Smrkovsky, who had earlier come under fire by Czechoslovak news media for some of his comments in the Soviet Union, added that many problems remain between the two countries, but that Moscow "tolerates" Czechoslovak views and developments. Moscow, however, is still taking a critical view of Czechoslovak liberals. The Soviet press last week continued its antiliberal polemics and prominently featured a "letters to the editor" campaign illustrating its support of conservative elements in Czechoslovakia.

Earlier in the week, party secretary Cisar replied to the criticism the Soviets recently made of him in Pravda. Cisar's comments, although made in low-key fashion, suggest that the Czechoslovaks will not accept public criticism of leading party officials without replying. Moreover, the regime continued to move against appointees of ex-party chief Novotny by dismissing four deputy ministers of the interior.

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YUGOSLAVIA AND THE USSR INCREASE MILITARY CONTACTS

The arrival in Belgrade on 24 June of Marshal Vershinin, commander of the Soviet Air Force, may presage closer military cooperation between Yugoslavia and the USSR. It is certainly another reflection of the gradual step-up in military contacts between Yugoslavia and the Warsaw Pact nations since last summer.

The commander in chief of the Soviet Black Sea Fleet, aboard a guided-missile cruiser, visited Yugoslavia last January.

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Last August, for the first time, Yugoslav observers attended Warsaw Pact exercises in Bulgaria. Yugoslav Defense Ministry delegations also visited Moscow last February, for the 50th anniversary of the Red Army, and were in East Germany last month. Such exchanges follow several years during which Moscow has been the sole source of modern heavy armaments for the Yugoslavs, supplying MIG-21 aircraft, missile-armed patrol boats, and tanks.

Yugoslavia's air defense net appears effective only against

NATO's southern flank and does not seem to cover all air approaches from Eastern Europe. Although there is no evidence that the Yugoslavs plan to plug their air defense system into that of the Warsaw Pact, Vershinin might raise this possibility during his visit. A precedent already exists for the exchange of defense information between Belgrade and members of the Soviet Bloc.

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If the Yugoslavs should link up with the Pact air defense system, a new dimension would be added to their defense policy but Yugoslavia's basic posture as an independent state would not be changed. Tito does not intend to join the Warsaw Pact and he remains opposed to attending the Moscow-sponsored International Communist Conference. Belgrade is intent on expanding Yugoslavia's economic ties with the West and is insistent on pressing Yugoslavia's role as a leader of the nonaligned nations.

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MOSCOW TURNS WARY EYE ON "NEW LEFT"

Student assaults on the political order in some West European countries have drawn unsympathetic responses from Soviet leaders and have led them to take further measures to tighten discipline over Soviet youth.

Party Secretary Demichev, speaking to a social science conference on 19 June, lashed out at "revisionist ideologists" abroad who try to replace the class struggle in capitalist society with the struggle between generations and who proclaim young people to be the only true revolutionary force of our time. Earlier, a critique of the "New Left" doctrine of Herbert Marcuse had appeared in Pravda. Correspondent Yuri Zhukov hurled the epithet "werewolves" at Marcuse's followers, including the leader of the French radical students, Cohn-Bendit.

Such outbursts display the traditional Communist antipathy toward revolutionary movements not of the working class. Moreover, the consequences that student agitation could have on Communist rule have been made plain to Soviet leaders by events in Eastern Europe. A Czechoslovak students' proposal to create an organization free of any ties with the Communist Party received a sharp rebuke from a Soviet education official.

Even allowing for some overreaction on the part of a regime that tends to abhor the unconventional, Soviet leaders apparently judge that the ideological apathy and generational antagonisms of Soviet youth incline them to re-

spond in unwelcome ways to the example of their peers in Europe. Youth and teacher conferences throughout the Soviet Union have made the younger generation the focal point of current efforts to shore up ideological defenses. The campaign reinforces other evidence indicating that Soviet students are following European events with interest, especially by listening to foreign radio-broadcasts.

Official dissatisfaction with the training of the young, as well as Kremlin infighting, probably were responsible for recent changes in the leadership of the Soviet youth organization, the Komsomol. At the plenum of the Komsomol central committee on 12 June, first secretary Pavlov--long considered a protégé of the politburo's "lonesome end," Aleksandr Shelepin--was released from his position, as were four other members of the central committee bureau. The politburo apparently dictated the replacement of Pavlov by a provincial party secretary from outside the Komsomol in order to strengthen its control over the organization.

There are no firm signs as yet that this shake-up will be accompanied by any change in the regime's traditional policy of reliance on ideological indoctrination for youth. The aim of instilling "a purposeful, ordered system of views" that Demichev set for the social scientists, however, represents the authoritarian approach that has in the past worked to alienate students from party leadership both at home and abroad.

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GAULLISTS IN STRONG POSITION FOR SECOND FRENCH VOTE

The French voter chose stability and order in the first round of the parliamentary elections and gave the Gaullists not only a six-percent increase in the popular vote but also an unprecedented number of first-ballot victories. Both the Communists and the Federation of the Left, apparently unable to overcome the voter's fear of changes that the left might make, dropped over two percent from their 1967 showing. The center, which dropped 2.5 percent, was unable to buck the powerful trend toward a polarization between left and right. Apart from the Gaullists, only the small, extreme-left Unified Socialist Party made gains, almost doubling its percentage.

Although polls and other indicators pointed to gains for the government and its allies on the first ballot, even the Gaullists appeared surprised by the magnitude of their victory. By winning 152 seats on the first round, as opposed to only 68 in 1967, the Gaullists and the allied Independent Republicans now need only 92 additional seats for a majority. Opposition candidates managed to win only 14 seats.

The Gaullists are taking no chances that overconfidence, which cost them seats after a favorable first-round election showing in 1967, will again mar their prospects for a second-round victory. Gaullist leaders are exhorting the public to return to the polls and De Gaulle himself

will make a final radio-TV appeal tomorrow. A high abstention rate would hurt the Gaullists because voters of the left are usually more disciplined and therefore more likely to come to the polls in any event.

Run-offs will take place on 30 June in the districts where no candidate received an absolute majority on the first round, approximately two thirds of the total. The federation and the Communists applied their prior agreement to withdraw in favor of the best-placed candidate and the regular Gaullists and Independent Republicans followed the same policy. The center withdrew all of its sure losers in districts where the withdrawal would probably prevent the election of a Communist. In keeping with this policy, former centrist presidential candidate Jean Lecanuet withdrew in favor of a Gaullist candidate.

A Gaullist will oppose a Communist or federation candidate in about 70 percent of the remaining districts. In such straight left-right confrontations in 1967 the Gaullists fared badly, particularly at the hands of the federation. In another 14 districts, Gaullists will face centrists and they will battle the Unified Socialist Party in another three districts. Triangular contests will take place in 55 districts among Gaullists and their allies, centrists, and leftists or Communists.

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MIDDLE EAST - AFRICA

The recent pattern of daily exchanges of fire across the Israeli-Jordanian cease-fire line continues, and the possibility of a major confrontation in the northern sector remains high. UN emissary Jarring, who has been trying to get the Arabs and Israelis together in New York for the past month, has gone home to Sweden for a vacation, and will return to New York in mid-July.

Egyptian President Nasir is scheduled to leave on 4 July for a visit to Yugoslavia and the Soviet Union. This will be his first visit to Moscow since 1965. Meanwhile, the first stage of the electoral process to "reform" the country's only political organization begins this week, culminating in the election of a national party congress in July.

Other visitors to the USSR include the Somali army chief of staff, who is currently in Moscow as a follow-up to the recent visit there of the Somali minister of defense. In addition, a Pakistani military delegation led by the commander in chief of the army left Karachi for Moscow yesterday, presumably to discuss specifics of a Soviet arms supply arrangement.

Greek and Turkish Cypriot representatives met in Nicosia early this week for the first of a series of twice-weekly intercommunal talks. Both exuded optimism for the future but urged against the expectation of a speedy solution to the island's problems.

The military regime in Greece will publish its draft of the proposed constitution within the next few days, thereby initiating the "second phase" of its plan for the constitution; the third phase, the referendum, is still slated for 1 September.

In Nigeria, the civil war grinds on as the secessionist Biafrans continue their vigorous resistance to the much stronger federal forces. Both sides remain unmoved by the efforts of mediators to arrange a resumption of peace talks.

There is increasing evidence that influential left-wing elements in Sierra Leone are getting support and encouragement for their anti-Western propaganda campaign from Communist embassies in Freetown. Prime Minister Stevens has virtually eliminated the "national" character of the new government by arresting almost all the leaders of the former ruling party who had joined his coalition.

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TANZANIA'S NYERERE WHEELS AND DEALS

President Nyerere's ventures in international diplomacy during the past fortnight will probably yield additional Communist aid for Tanzania and will remove more Western advisers from his government. In terms of the relative influence of East and West, Nyerere is rapidly approaching the equilibrium he has long sought, but it remains to be seen whether true nonalignment can be preserved.

Nyerere returned on 26 June from a triumphant eight-day state visit to Peking and Pyongyang, where the elite of both capitals gave his high-level delegation a rousing, red-carpet welcome. He was accompanied by his three ministers of state and his chiefs of the armed forces, police, and intelligence, virtually all those responsible for Tanzania's security.

Although the talks in Peking undoubtedly covered economic aid, such as the Tan-Zam railroad and the purchase of Chinese locomotives, the Tanzanians appeared to put greater emphasis on military matters than during Nyerere's last trip there in February 1965. The delegation visited army and air force installations around Peking. The Tanzanians have been seeking additional Chinese aid

for Tanzania's security forces, including jet fighters, as well as military assistance for Biafra and the southern African liberation movements. Despite the lavish attentions of China's top leaders, Nyerere maintained a consistently moderate tone in his speeches and avoided all opportunities to denigrate the West.

London announced on 20 June that it will halt all aid to Tanzania in reprisal for the annulment of a preindependence agreement whereby Dar es Salaam has been paying some \$2.8 million a year in pensions to British colonial civil servants. Tanzania also reneged on the repayment of \$15.6 million in UK loans covering these pensions. Henceforth, it will pay retirement benefits only for service performed since independence.

London has provided little or no capital development aid to Tanzania since 1965 when diplomatic relations were broken, but its technical assistance has amounted to about \$4 million annually and has supported nearly 700 UK nationals throughout the Tanzanian civil service, including 180 in the education field. London apparently intends now to bring home about two thirds of them as their contracts expire,

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allowing the rest to stay on at Tanzanian expense.

The departure of the British technicians, who numbered 1,200 in 1965, will throw a further strain on Tanzania's understaffed civil service, but it is in line with Nyerere's continuing efforts to reduce Western influence in his administration, particularly in the educational system. Over the past 18 months, as Western teachers have been phased out of the primary and secondary schools, the US Peace Corps contingent has been halved and now the 110 British Volunteers are to be withdrawn. A Tanzanian drive to recruit technical advisers from small European nations has met only partial success. Scandanavia has supplied some and East Germany has sent about 40 secondary school teachers. To help fill the void, Nyerere had reportedly intended to ask Peking

to supply some Chinese personnel for his civil service.

Tanzania is again looking to the USSR for help after years of fruitless aid discussions. Recently, a minister flew to Moscow to seek aid in building and staffing a technical university that will absorb the small, USAID-assisted technical college in Dar es Salaam. A Soviet Air Force mission arrived in Dar es Salaam about 16 June to survey existing air facilities in response to a request for air defense assistance. Tanzania's armed forces commander had toured air force installations in the USSR in May. The small Tanzanian Air Force is now being trained and equipped by Canada for reconnaissance and logistical support missions, but Dar es Salaam is determined to acquire modern jet fighters.

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NEW SOVIET ECONOMIC AID FOR IRAN

Moscow's role in Iran's economic development continues to grow. With the recent agreement for about \$200 million in new credits, total Soviet economic aid has reached almost \$550 million. Although the bulk of financing for Iran's fourth development plan is largely underwritten by oil revenues from the West, Soviet credits now represent about six percent of total planned investment.

The new Soviet credits are to be used for such projects as port development on the Caspian Sea, renovation and electrification of the Soviet-Iranian rail link, and construction of lead and zinc smelting plants. Moscow also agreed to double the capacity of the 600,000-ton Soviet-financed steel plant now under construction at Isfahan.

Repayment of these credits, as in the case of earlier Soviet credits, will be accomplished through deliveries of natural gas. Gas deliveries to the USSR during 1970-85 will provide Iran with over \$1 billion in purchasing power, almost three fourths of which now has been earmarked for Soviet economic aid projects and the purchase of \$110 million worth of military equipment.

Iran may be holding off the allocation of the remaining \$350 million that will accrue from natural gas exports with an eye to future military purchases from the USSR. The Soviets already are providing wheeled vehicles, armored personnel carriers, and anti-aircraft guns under an arms agreement of January 1967.

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NASIR OFFERS "ELECTIONS" TO STEM DISSSENT IN EGYPT

Nasir is continuing his efforts to dampen internal unrest by keeping the country busy with widely publicized political changes.

The labor and student riots that rocked the Egyptian regime in February led Nasir to promise the country a vague program of political reforms, one of which was the reformation of Egypt's only legal political organization, the Arab Socialist Union (ASU). The first step in this program began this week with some 180,000 candidates running for election to 7,584 local ASU committees. The process is to continue throughout the next month at progressively higher levels until a 2,000-member ASU national congress is elected and convened on 23 July, the anniversary of the seizure of power in 1952 by the current ruling group.

Nasir has attempted to bill this process as the "re-creation" of the ASU in a more representative and democratic form, but the essentials for truly free elections are lacking. Only those Egyptians who are approve members of the ASU can participate in the electoral process, thus eliminating those who hold significantly different views from the regime.

Many Egyptians probably see this as just another regime effort to create the impression of democracy where it does not in fact exist. Nasir's previous promises to create "democratic" political bodies have not materialized. In any event, the elections will not reduce Nasir's personal control over the state machinery.

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WESTERN HEMISPHERE

Student unrest continued to dominate the news from Latin America last week. For the most part the demonstrations are still aimed at legitimate grievances, but in a few countries the violence is now directed at the "downfall of the dictatorships" and at US policies. In some cases, it is coming under Communist influence, and charges of police brutality are also being heard.

The most serious student disorders have occurred in Brazil. Leadership of the demonstrations has been increasingly well organized, and has been taken over principally by dissident Communists who are more radical than orthodox party members. Divisions are likely to occur within the military—whose support is essential to the government—on the handling of the continuing political turmoil.

Student and labor agitation continued throughout the week in Uruguay as well. President Pacheco seems to be taking firmer action against agitators, [redacted]

[redacted] Students in Argentina have been relatively quiet the past week, but plan to join in labor demonstrations scheduled for 28 June. [redacted]

[redacted] Antigovernment student demonstrations also erupted in Cochabamba, Bolivia, on 25 June. The US Consulate was stoned and the offices of the Peace Corps were slightly damaged.

Elections were in the news as well. The make-up of the 42-man National Assembly in Panama is still undecided. In Ecuador, President-elect Jose Maria Velasco has still not been officially proclaimed the winner of the national elections on 2 June. A congressional by-election will be held in Chile on 7 July. A loss by the Christian Democratic candidate would be interpreted in Chile as further indication of popular dissatisfaction with the Frei government.

Canadian Prime Minister Trudeau's personal style of campaigning and his strong stand against granting greater autonomy to the provincial government of French-speaking Quebec carried the Liberal Party to a decisive victory in the parliamentary elections on 25 June. Trudeau can be expected to move fairly fast in seeking a reconciliation with Quebec and in implementing his proposed review of Canada's foreign and defense commitments, including the possibility of recognizing Communist China. [redacted]

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BRAZILIAN STUDENT DEMONSTRATIONS PLAGUE GOVERNMENT

The Costa e Silva administration has been plagued by a spreading wave of student disorders that erupted into violence on 21 June in Rio de Janeiro. Demonstrations and protests have taken place in almost every major city, and dangerous countercurrents may be building up in the military.

A powerful bomb explosion on 26 June extensively damaged the new Second Army headquarters in Sao Paulo, killing one soldier and injuring four others. The job was clearly done by professionals who may also have been involved in the theft of rifles from an army hospital a week earlier. Sao Paulo military leaders are reported to be furious. Military and police in that city have exercised considerable restraint in dealing with the continuing disorders, but they are now likely to crack down sharply. Sao Paulo citizens are worried and increasingly hostile to violence--much of which has been perpetrated by students.

In contrast to Sao Paulo, support for students in Rio de Janeiro has broadened, principally because of exaggerated and indiscriminate police violence. A "March for Liberty Against Repression" on 26 June had quite extensive labor backing and included some clergy, teachers, and intellectuals among the 10,000 to 12,000 students. The large crowd carried banners denouncing the "dictatorship," demanding

the release of arrested students, and voicing solidarity with student demands for reform of the outmoded educational system. A mob attacked the US Embassy on 21 June and broke numerous windows before being driven off by police, but anti-US placards were not much in evidence during the march on 26 June, although anti-US leaflets were distributed and some student speeches were larded with anti-US remarks that were well applauded.

President Costa e Silva and Education Minister Dutra have again promised educational reforms, but their lackluster statements are unlikely to conciliate the students. Leadership of the student demonstrations has been increasingly well organized and has been taken over principally by members of the dissident Communist Party, a group more radical than the orthodox Communists.

Student demonstrations, no matter how well organized and widespread, are not likely by themselves to bring down the Costa e Silva government. They may, however, cause divisions within the military--whose support is essential to the government--on the handling of the continuing political turmoil. [REDACTED]

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UNEASY POSTELECTORAL SITUATION IN ECUADOR

Delay in confirming Jose Maria Velasco's victory in the presidential election on 2 June has aggravated long-standing political strains in Ecuador. Meanwhile, persistent student and labor agitation has created serious tensions in the Pacific coast port of Guayaquil.

The official count of votes by the Supreme Electoral Tribunal has been dogged by discoveries of voting irregularities, violent demonstrations, and the resignation of a majority of its members. Velasco's fear that his opponents could use the tribunal to overturn his narrow victory seems to have been unfounded. Some coalitions formed during the campaign are breaking up as various groups seek favorable deals for the new congress and administration. Several of his recent opponents are now courting Velasco.

Extremist senator-elect and former president Carlos Julio Arosemena is again emerging as a key figure in Ecuadorean politics.

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In addition, Arosemena is personally exacerbating labor and student agitation, which has been serious enough to necessitate calling out troops to aid the police in Guayaquil. He is also serving as legal adviser to a new labor group whose hard-line Communist leader has called for a general strike to protest alleged violent treatment of strikers by security forces.

Top military commanders had declared that they would accept the results of the election but appear to be increasingly concerned over the turbulence that has followed Velasco's re-emergence in Ecuadorean politics.

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STUDENT DISCONTENT INCREASING IN URUGUAY

Deteriorating economic conditions have engendered serious, sometimes violent protests by Uruguayan students and organized labor.

Since 6 June, high school and university students have clashed repeatedly with Montevideo police, and on 13 June President Pacheco was forced to invoke emergency security measures. Student violence has subsided at least temporarily, but the underlying problems that precipitated the unrest and agitation have not been alleviated. Unemployment in the under-35 age group, for example, is nearly 20 percent as compared with 12 percent for the population as a whole.

The Communist Party has exploited the discontent and has dominated the student movement for many years. In the university, Communist youth have won and used the student seats on the administrative council to influence policies and to discredit faculty members who oppose them.

Although students have participated in numerous pro-Communist demonstrations and rallies, only a few fought with police or committed other acts of violence until recently. It now appears, however, that the number of student militants is increasing and that more students are being attracted to such radical left-wing groups as the pro-Cuban Revolutionary Movement, which is more extreme than the Communists. Although Communist-oriented student organizations have played

a key role in the recent protests, there is no evidence that Communist Party leaders directed the ensuing violence. On the contrary, several attempted unsuccessfully to reduce student agitation.

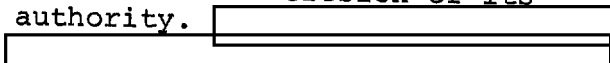
President Pacheco intends to take firmer action against labor leaders and other agitators responsible for the wave of disorders. On 24 June, he sent army and navy units to occupy the government bank and "mobilized" bank workers to force them back to work. Congress is expected to approve the state of siege soon



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It is not clear how effective Pacheco's measures will be. Military intervention is unprecedented and could precipitate renewed violence. Some of the military officers, particularly the right-wing, are already irritated with radical intransigence. With their support, Pacheco may bypass Congress and attempt to rule by decree even though there is no constitutional provision for such action.

If the government cannot soon gain the confidence of the public in its ability to alleviate the chaotic economic conditions, punitive measures against labor and student agitators will only accelerate the erosion of its authority.



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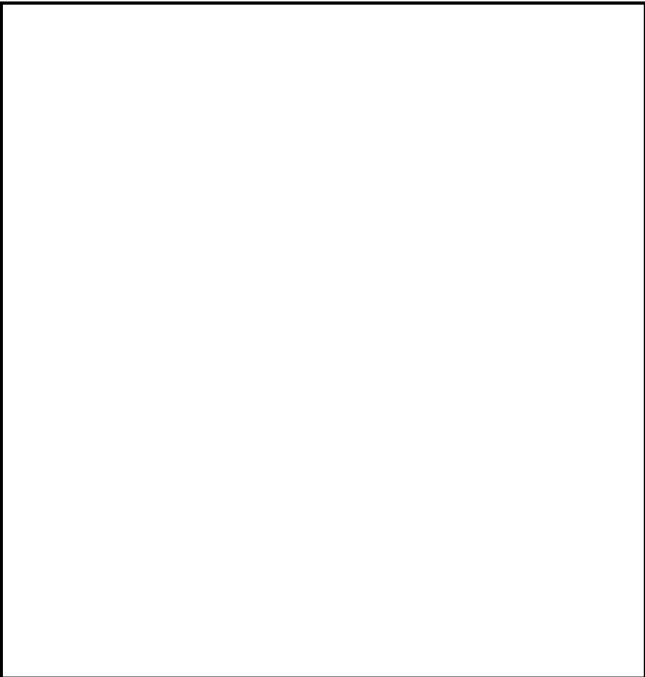
PANAMANIAN PRESIDENT BACKS DOWN ON SHIPPING DECREE

President Robles has for all practical purposes rescinded a decree issued on 18 June that would have permitted ships flying the Panamanian flag to trade with Communist countries, including Cuba.

The measure, which was opposed by some cabinet members and drew heavy criticism from the mass media of president-elect Arias, was "suspended," ostensibly because other members of the Organization of American States had not been consulted "as required by international agreement." Most observers conclude that this is little more than a face-saving gesture that allows the government to withdraw gracefully from an awkward situation.

The principal authors of the decree were the ministers of government and finance, both of whom are staunch supporters of defeated presidential candidate Samudio.

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Meanwhile, the vote-counting for assembly seats in the important provinces of Panama and Colon remains stalled as Arias maneuvers to rig the outcome so that his coalition will have complete control of the legislature.

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