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1. HONG KONG

Peking directly involved itself in Hong Kong's volatile labor troubles by issuing a Foreign Ministry statement on 15 May demanding that the British accept all Hong Kong union agitators' demands. This was followed by harassment of British diplomats in Peking and the forced closure of the UK consular office in Shanghai. Chou En-lai and other top leaders attended a massive anti-British rally in Peking on 18 May, and there were numerous smaller demonstrations in Kwangtung Province bordering the colony.

As a result of encouragement and support from Peking, violence in Hong Kong has risen sharply. The Chinese are probably motivated by a desire to undercut British authority and to expand their own base of popular support in the colony. Their success in humiliating the Portuguese in Macao last winter may also have encouraged them to challenge the British.

It remains unclear how far Peking is prepared to go in the current test of strength. A probable key limiting factor is the \$550 million worth of foreign exchange earned through Hong Kong last year. The Chinese, however, may believe they can considerably increase the pressure on the British without serious risk to their own economic interests.

With the police in Hong Kong taking stronger action and harassment of British diplomats failing to achieve results, Peking may now curtail food and water supplies from the mainland.

London anticipates a long war of nerves and believes Hong Kong is in for a rough time. It seems determined not to give in, however, apparently believing that a stronger line would have served the Portuguese better in the Macao dispute.

If the crisis worsens, London may ask what assistance the US can provide, particularly should an evacuation of personnel from the colony be required. The British may also ask that the US at least temporarily suspend use of Hong Kong for rest and recreation purposes. Finally, the British might seek to curtail Chinese Nationalist activities in the colony.

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2. VENEZUELA

Venezuela has swung into high gear in its campaign against Cuban aggression. In addition to a condemnation of Cuba by the Organization of American States (OAS), President Leoni wants to take more direct action.

He suggested to Ambassador Bernbaum that the United States impress on the Soviet Union the gravity and danger of Cuba's actions and exert pressure to get the USSR to intervene with Castro. At the same time, Venezuela would let the USSR know "categorically" that relations cannot be considered so long as the USSR supports Castro. He also urged that US unions be encouraged to boycott shipping lines doing business with Cuba and that firms trading with Cuba be black-listed.

The Confederation of Venezuelan Workers has already announced that beginning in June Venezuela will boycott ships of countries which trade with Cuba. Venezuela has asked Yugoslavia and Poland, with which it maintains relations, to intercede with Cuba and the USSR to end subversion in Venezuela.

There is some pessimism in Venezuelan government circles, as well as among OAS member states, that these measures will really be effective in ending Cuban support to the guerrilla movement. The ambush of an army convoy on 17 May in the mountains near the site of the recent guerrilla landing, and Cuba's statement that it was responsible for the landing and will continue to support insurgency, give additional grounds for pessimism.

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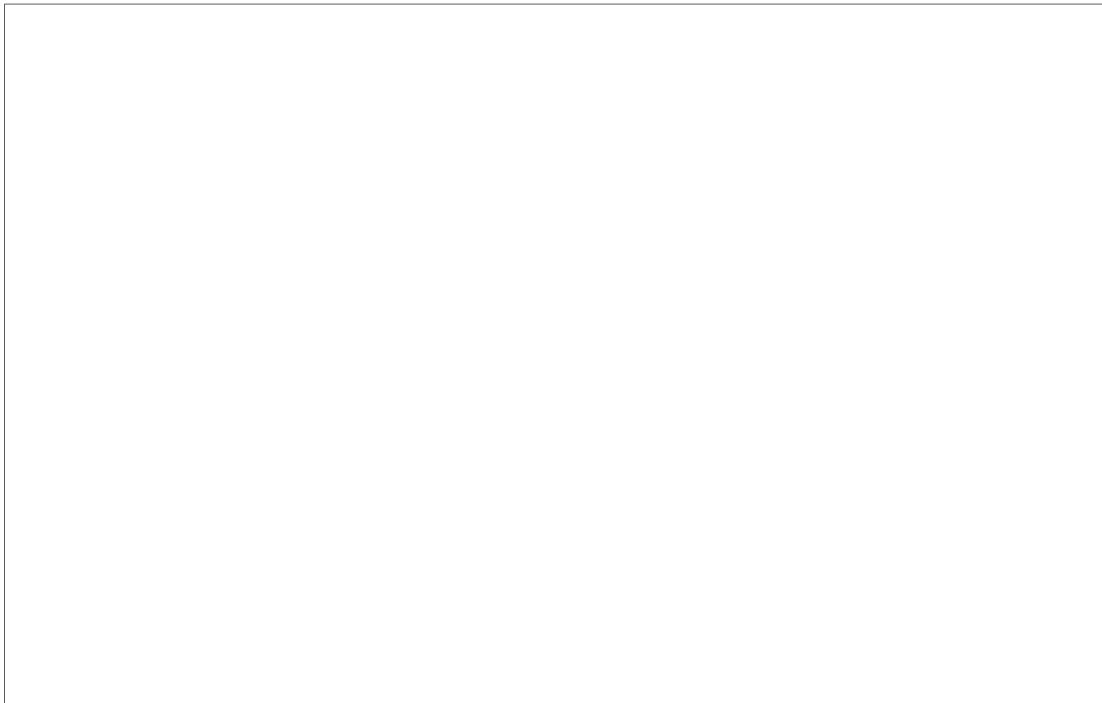
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3. BOLIVIA

The insurgent situation in southeast Bolivia after two months of activity has settled down to a standoff between the army and the guerrillas.

Although greatly outnumbering the insurgents, the ill-trained and poorly equipped army forces can do no more than maintain sporadic contact with the insurgents. They are not expected to achieve an effective combat capability until at least the end of 1967, when the MAP-supported Second Ranger Battalion completes its training.

Pressed by the public and his advisers to obtain immediate favorable results, President Barrientos' concern is to achieve a spectacular victory over the guerrillas. All his proposed solutions, however, rest on equipping Bolivian forces with modern weapons without regard for the need of concurrent training or for logistic requirements.



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4. LAOS

Prime Minister Souvanna's success in electing a more amenable National Assembly early this year has not yet led to substantive progress in resolving long-standing political problems.

The spirit of cooperation between regional family and military factions which seemed to be emerging after the election has diminished as Souvanna has sought to implement his oft-stated political goals. The reassertion of long-standing factional suspicions and Souvanna's failure to win backing for a broad-based "united front" have forced him to abandon all but the least controversial governmental changes.

One of the current unresolved problems is the reorganization of the cabinet. Although there is common agreement that changes must be made, Souvanna has found it difficult to make ones which will be acceptable to conflicting regional interests. He is particularly interested in getting rid of Deputy Prime Minister Leuam Insisiengmay, an obstreperous rightist. His efforts to replace Leuam have foundered on the refusal of southern leader Boum Oum to see his protégé demoted.

Souvanna has also attempted to remove from Vientiane the left-leaning neutralist, Information Minister Pheng Phongsavan, long a target of rightist assembly deputies, by naming him ambassador to Moscow. His move was complicated by the cool Soviet response to Souvanna's intent to name the outgoing ambassador, rightist Khampan Panya, to the position of foreign minister. Unable to make these desired changes, Souvanna will reportedly content himself with filling certain minor subcabinet positions and will retain the foreign minister's portfolio himself.

Other political problems, such as the designation of a future successor to Souvanna, have been placed in abeyance for the present because of the regional hostilities which they generated. Souvanna is sensitive to the fragility of his present alliance with key military commanders. His awareness of the danger in pressing changes too vigorously will probably cause him to pursue a cautious course in the coming months.

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5. SUDAN

The Sudan entered a new phase of political uncertainty last week with the ouster of moderate Prime Minister Sadiq al-Mahdi and his mildly pro-Western government.

Mohammad Mahjoub, a member of the opposition group within Sadiq's own conservative Umma Party, was chosen to head a new interim government which will rule until a new constitution can be adopted and elections held. Although Mahjoub himself probably will not undertake any drastic revision of the Sudan's current moderate pro-Western policies, the cabinet will almost certainly include representatives from leftist-oriented political groups who could exert disproportionate influence on [redacted] Mahjoub.

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Sadiq will probably now concentrate on building up support for his candidacy in the elections. Meanwhile, the army is watching the situation closely. Should the Mahjoub government fail to make progress toward establishment of the permanent constitution because of interparty and personal bickering, and should public unhappiness increase, some military group might feel compelled to step in and take over the government. [redacted]

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