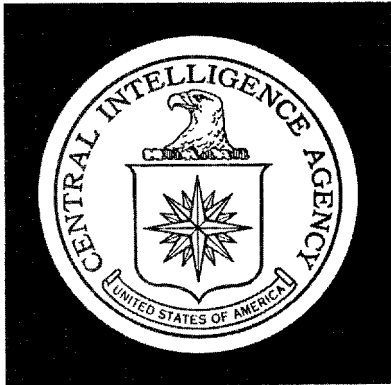


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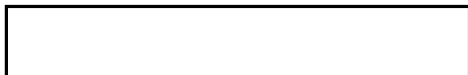
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Burma: President Ne Win's decision to seek substantial amounts of advanced military equipment from the US marks a departure from his carefully plotted neutralist course between Communist China and the United States.

In recent meetings with US officials in Rangoon, Burmese Air Force officers have expressed an interest in trainer, transport, and tactical aircraft, in addition to several fighter-bombers of the Mach 2 class. The Burmese Navy wishes to acquire patrol ships, minesweepers, torpedo boats, auxiliaries, and amphibious craft.

Burma has in the past purchased modest amounts of surplus American equipment at reduced prices--mainly obsolescent arms and aircraft. Acquisition of the equipment on the current shopping list would be considerably more provocative to Peking.

Many of the items discussed could be utilized to meet a changing and potentially more serious internal security threat. Burma's more than 12,000 insurgents have recently shifted the focus of their activity from the economically unimportant border regions to the rich farming areas in the delta. Recent coordinated attacks by Communist and Karen insurgents on rice mills, and increased intimidation of farmers in the delta area are posing a threat to rice production.

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West Germany - Rumania: A German mission to Bucharest made further progress toward establishing diplomatic relations.

A major problem was posed by Rumania's refusal to accept Bonn's claim to be the sole legitimate representative of the German people. It appears that this will be overcome by an agreement to disagree, although the details have yet to be worked out. How to treat West Berlin is still under consideration. The West Germans may settle for a confidential, oral commitment recognizing Bonn's authority to act for West Berlin in trade and consular matters. It is not certain, however, that the Rumanians will comply.

Once the West Berlin issue has been resolved a formal announcement of diplomatic relations may follow within a few weeks. The occasion would probably be a visit to Bonn of Rumania's foreign minister, which is expected shortly.

Meanwhile, Bonn has also completed the first round of talks in Prague and a delegation is due in Budapest on 23 January.

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Belgium: A threatened cabinet crisis over the budget is likely to affect adversely Brussels' capability to mediate matters in the Congo.

The Catholic-Liberal government is divided on how to deal with a deteriorating economic and financial situation. Its erroneous claim last fall that the 1967 budget would be in balance and no significant new taxes would be needed has led to a widespread loss of confidence.

The government's preoccupation with domestic politics is likely to weaken its efforts to persuade Union Miniere to cooperate with the Congolese. The company is in any case maintaining that it has no particular desire to continue operations in the Congo. It has refused so far to grant Congolese President Mobutu even the face-saving formality of setting up a new Belgian technical management company for the copper mines.

The political strains over the budget may also harden Belgium's inclination to cut its NATO contribution. The present plans of the ministry of defense call for a considerable cut in the ground forces.

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France: For lack of support from its EEC partners, France has had to back away, at least for the time being, from its advocacy of a rise in the price of gold.

At an EEC meeting this week in The Hague, some of the finance ministers lectured the French, stating that discussion of the gold question would have undesirable consequences. The Italian minister cited the potential danger of pushing the US into extreme measures to protect the dollar.

The French finance minister consequently proposed that future discussion focus on reforming the International Monetary Fund to give Europeans a larger role in decision making. The Six agreed that this possibility, already under study, could be pursued further.

Ambassador Bohlen, however, later got the impression from Premier Pompidou that Paris had made a definite decision to mount an assault this year on the international monetary system and the position of the dollar. Pompidou seemed obsessed with the size of the US role in economic and financial matters.

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[REDACTED]

Israel-Syria: The forthcoming Israeli-Syrian meeting on their border dispute offers little hope for a reduction of tension, especially since it will not deal with the critical issue of Syrian-supported terrorism in Israel.

Only the chronic problem of cultivation in the demilitarized zone is to be discussed at the meeting, for which no date has yet been set, whereas Israeli officials have indicated that they are most concerned about the terrorist incidents. There have been seven Syrian-backed terrorist raids in the past three weeks, according to the Israelis, although they resulted in only one fatality. "Fatah," the principal Palestinian terrorist group, has publicly claimed "credit."

The Israelis themselves, however, specified that cultivation in the zone should be the sole subject on the meeting's agenda, in order to avoid a debate on the more basic issue of their claim to sovereignty over the demilitarized zone. The impasse over that claim has virtually paralyzed the UN Armistice Commission since 1951 and has been "the main origin and cause of tension and incidents" along the Syrian border, in the words of a recent UN report.

An official organ of the ruling Baath party in Damascus, meanwhile, has stated that Syrians can not be compelled to "act as guards for the Israel border" by preventing strikes by Palestinian infiltrators. After a talk with the Syrian foreign minister, US Ambassador Smythe concluded that any Israeli attack in force will be met by the Syrians with a fierce-- if suicidal--counterblow.

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South Arabia: Violence and political turmoil are steadily increasing in Aden, with a year to go before the final British withdrawal.

Key figures in the South Arabian federal government apparently have gone to London in another attempt to find some way to keep the lid on during and after the British evacuation. The federal government's forces do not now seem likely to be able to cope with the situation if the transfer of power is abrupt, and Federation authorities hope to persuade London to allow them to begin policing Aden well before independence.

The problem has become more urgent because a recent upswing of terrorism in Aden not only has pitted Egyptian-backed gangs against the government, but has split the trade unions into rival factions, aligned Communists against local Baathist radicals, and set individual terrorist against terrorist. British security patrols have failed to control these skirmishes, and even the Egyptians seem unable to quell internal vendettas among the terrorists.

The British remain adamant about departing by 1 January 1968 and show no sign that they will be willing to provide anything like the present security guarantees to the federation after independence.

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Ghana: The military regime is concerned over new plotting by Nkrumah to bring down the government in Ghana and return to power.

Strict security measures have been imposed following the disclosure of a plot to assassinate the eight members of the ruling National Liberation Council (NLC), the US ambassador, and the British high commissioner.

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The NLC announced on 13 January that it will set up military tribunals to try subversive civilian elements and punish convicted offenders with a minimum of 25 years' imprisonment and a maximum penalty of death. It also ordered tighter security measures at public utility installations that could be the target of terrorist attacks.

The NLC, building up a strong public case about Nkrumah's chronic plotting, plans to present concrete evidence to bolster its charges. The NLC believes that, as the anniversary of his ouster on 24 February approaches, Nkrumah will make more determined efforts to get disturbances started in Ghana.

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Guatemala: The Rebel Armed Forces (FAR), action arm of the Guatemalan Communist Party, plans an increase in urban terrorism soon.

There is growing evidence of dissension between leaders of the party and of the FAR, reportedly caused by intensified army pressure on FAR guerrillas in the field. Party action groups that were supposed to relieve the pressure on the FAR by increasing terrorism in Guatemala City have apparently not succeeded in their efforts. In recent meetings, the FAR has accused party leaders of obstructing the "revolution," of lacking militancy, and of failing to give active support to the FAR.

[redacted] Fidel Castro recently insisted to a FAR member that conditions in Guatemala are ripe for revolution; that the only obstacles are the old-guard Communists who oppose action; and that the FAR should demand a party congress soon to depose the "soft-line" leaders.

Some party leaders fear that a congress would result in drastic changes in party leadership or a complete split between the two groups. Young FAR hotheads meanwhile have reportedly been discussing plans to form a "Red Guard" unit to attack old party hacks. [redacted]

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*Chile: President Frei, angered by the Senate's veto of his proposed trip to the US, will seek constitutional authority to dissolve Congress and call new elections.

In a speech on 19 January, he announced that he will send to the Chamber of Deputies today a bill that would allow such action once during a presidential term. The proposed bill is certain to encounter strong opposition, and probably stands almost no chance of passage in time to be used to gain permission for the US trip.

The speech was Frei's strongest public statement since the Senate voted against his proposed trip on 17 January. He berated the opposition for obstructing many of his reform programs, emphasizing in particular the restraints that the Senate's action would place on his conduct of foreign affairs.

Frei is caught between a desire to gain domestic political benefits by picturing the opposition parties as blindly obstructionist, and the problem of conducting Chile's foreign policy in an orderly manner. He indicated yesterday that he might not consider himself able to attend the inter-American summit meeting in April, since he was denied permission to visit the US. Furthermore, submitting to the Senate's will would lessen his reputation in inter-American councils and hamper his efforts to promote Latin American integration.

His Christian Democratic Party stands to gain substantially, however, if opposition intransigence can be made a prime issue in the municipal election campaigns in April. Much of the impact of this issue will be lost if Frei should make his US visit without the congressional permission required by the constitution.

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* Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State or of the Defense Intelligence Agency, Department of Defense.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 19 January 1967 approved the following national intelligence estimate:

SNIE 57-67, "Significance of Cambodia to the Vietnamese Communist War Effort"

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