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have indicated, and more interested in urgent problems of the Algerian economy than in grand designs. The consul commented that he appeared to be in full control of his entourage, and was surrounded by ex-PAG officials and secretaries that amounted to a "government in waiting" that could take over intact.

PAG Information Minister Yazid last week told the US consul general in Algiers that Ben Bella is aware of the "army problem,"

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Meanwhile, with law enforcement processes virtually halted, Moslem kidnaping and other reprisals against the European settlers remaining in Algeria have increased to 200 daily.

Paris announced on 25 July that French troops will intervene to protect the Europeans if necessary.

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Ben Bella also told the US consul that the ALN could perform needed agricultural tasks, such as reforestation and erosion control, which "would tend to keep it out of mischief."

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AFTERMATH OF ALGERIAN INDEPENDENCE IN FRANCE

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Problems raised by the influx of European refugees from Algeria continue to take precedence in French official and public attention over developments within Algeria. Some official concern about the safety of French nationals there was voiced this week, and the prospect that the radical Ben Bella faction will dominate the country is likely to convince many otherwise moderate French rightists and military elements that the Secret Army Organization (OAS) has been correct in its opposition to De Gaulle's Algerian policy. Although the power struggle within Algeria could jeopardize the Evian accords, the public attitude in France is mainly one of relief that it has not thus far produced more violence than it has.

Most government and press statements have focused on the continuing flow of Europeans from Algeria to France--nearly 400,000 since the beginning of the year. Fragmentary official estimates suggest that the influx may already have reached the total envisaged by the repatriation program for a three-year period.

French authorities are concerned especially because the refugees have preferred to settle in the Paris area, always politically volatile, and in Marseilles. The estimated 125,000 who have already moved into the Marseilles area have not only overburdened municipal services, housing, and the employment market but also have unleashed a wave of violence involving assaults on Moslem workers and numerous gangster-style holdups. Three companies of riot police were sent there this week to bring the situation under control.

The main external apparatus of the OAS is the "French Council of National Resistance" (CNRF) headed by ex-premier Georges Bidault and by Jacques Soustelle in Italy, Switzerland, and elsewhere.

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PORTUGAL

The Portuguese Government, since its decision on 5 July to begin talks with the US for renewal of the Azores base agreement, seems to be adopting a somewhat more favorable attitude. The five-year agreement expires at the end of December, and Lisbon had earlier dropped hints that it was not interested in renewal.

In an apparent attempt to pave the way for negotiations, Lisbon has compiled a "long list of US-Portuguese problems" which, according to Foreign Minister Nogueira, will be presented this week to US Ambassador Elbrick. Similarly, it seems to be showing somewhat less intransigence with regard to US proposals for Portuguese cooperation with the UN. According to the US Embassy at Lisbon, government officials have seemed interested in a recent US suggestion that an "independent rapporteur"--selected by the UN subject to Portuguese approval--be permitted to visit Angola and prepare an "impartial" report.

The increased burden of the campaign against the rebels there, which in early July necessitated a 29-percent increase in the Portuguese military budget, may account in part for Lisbon's present attitude. It probably hopes that US financial aid in return for the base agreement will be of substantial help in Portugal's

effort to hold the overseas territories.

Lisbon may also hope that US expressions of sympathy for its African problems imply a change in the US position on Portuguese colonial policies. Such an expectation could prove a further source of difficulty in any base negotiations as long as disorders persist in Angola and Portugal continues to be attacked in the UN. Lisbon will probably convey a clearer idea of its position by the time the UN General Assembly opens in the fall.

The regime's domestic difficulties appear to have diminished during the summer lull, but the failure of the Salazar government to attack basic causes can be expected to result in a revival of political pressures--such as renewed student "strikes" at Lisbon and Coimbra and a renewal of opposition activities in the fall. Strains within the cabinet appear to be building up because of pressures from powerful diamond interests in Angola against tax and other reforms instituted in the area by Overseas Minister Moreira.

Premier Salazar is expected shortly to replace the governor-general of Angola--a move that might also be motivated by a desire to undermine Moreira. Moreira in the past has been reported to have ambitions to replace Salazar.

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PERU

The failure of the general strike called by Haya de la Torre's APRA party on 23 July has left the military junta in complete and almost undisputed control of Peru. The junta, which took over the government on 18 July after President Prado refused to annul the results of the 10 June elections, undermined APRA leaders' efforts to organize the protest strike by promising to settle pending and future labor problems in favor of the workers and by implying that striking workers would be subjected to reprisals, including the loss of the traditional bonus paid during the three-day Independence Day holiday beginning 28 July.

The junta was aided in its antistrike efforts by the Communist party and the Communist-led unions. This awkward alliance of armed forces leaders and the Communists appears to have evolved almost accidentally from the coincidence that both backed Fernando Belaunde Terry during the presidential campaign and both are totally opposed to Haya. The Communists, APRA's main competitors in the Peruvian labor movement, now have junta backing in the reorganization of the APRA-dominated Confederation of Peruvian Workers (CTP). The Communists have called for a workers' congress in mid-August, and plan at that time to force new elections in the CTP by presenting a petition signed by a majority of its members.

Another cause for the failure of the general strike was the apparent apathy of the Peruvian public. Indignant editorials in the newspapers which supported losing candidates--except those favoring Belaunde, who approves of the

junta--have stirred little reaction among their readers. After the long period of bickering before and after the elections among politicians seeking to form coalitions, all under the constant threat of military intervention, the public seems to feel that the present situation offers sufficient stability to permit business as usual.

APRA was rapidly finding itself isolated in its overt opposition to the junta. The Democratic Civic Front which former prime minister Pedro Beltran hastily organized to coordinate opposition to the junta originally included APRA leaders, as well as candidates and leaders of all the non-Communist parties except Belaunde. The Front now appears to be little more than a device by which civilians hope to regain a role in a militarily controlled government, and increasingly seems to be a vehicle for the furtherance of Beltran's political ambitions.

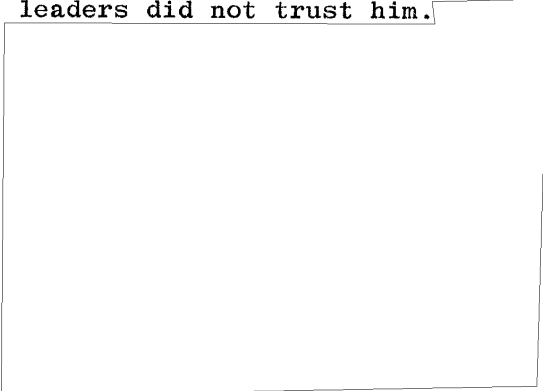
The junta probably feels that a facade of civilian government would make the new regime more acceptable to the United States and other countries which have withheld recognition. Such a government would have even more success than the junta has had in appealing to US business interests in Peru to argue the junta's case in Washington.

The outlook for APRA is uncertain. It probably will disassociate itself from the Front, and may revert to its former status of political outlaw. It is also possible, considering the lack of public approval, that APRA will dissolve altogether.

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Press reports contend, however, that Haya reached an "understanding" with the junta on 25 July during a conversation with General Juan Bossio, the new minister of government. Bossio earlier had urged APRA to abandon its plans for a general strike, claiming that it had "nothing to worry about from the junta," but the APRA leaders did not trust him.



International repercussions to the Peruvian coup continue. Thus far, Haiti is the only Western Hemisphere country to

recognize the new regime, although several European countries have done so. At a meeting of the NATO political advisory committee on 24 July, NATO members reported that their governments had been approached by Peruvian representatives with requests to recognize the junta. The governments of Belgium, France, Italy, the Netherlands, West Germany, and the UK were reported as undecided. The representatives of the other NATO countries did not comment.

Venezuela's President Betancourt fears that the success of the Peruvian coup may encourage plot-minded officers in Venezuela to take similar action. He has proposed a meeting of foreign ministers in the Organization of American States (OAS) to consider possible collective measures against the junta. Argentina and Brazil are expected to vote against the convocation of the meeting.

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SPECIAL ARTICLES

THE BLOC AND THE COMMON MARKET

The USSR's growing concern over the Common Market (EEC) stems more from the direct political challenge posed by West European unity than from the threat to East-West trade.

The bloc reacted initially to the formation of EEC in 1957 with the stereotyped formula that preordained "contradictions" among the "imperialists" would forestall any effective move toward economic, much less political, unity. This view was strengthened by the UK's refusal at that time to join the six-nation EEC, followed soon thereafter by the formation, at British initiative, of the rival European Free Trade Association (EFTA). About 1960, however, it became apparent to Moscow that progress was being made toward economic unity, and the USSR then began trying to create dissension among EEC members and to dissuade EFTA members from seeking association. Its major appeal in this attempt was to fears that a resurgent and re-armed West Germany would soon dominate the Market. Since Britain's decision in mid-1961 to apply for EEC membership, and particularly since the beginning of 1962, when the movement toward economic integration became virtually irreversible, the USSR has been attacking the whole concept of Western economic unification.

Basis of Bloc Concern

Moscow's concern about European integration stems primarily from the fact that it poses a threat to the existing balance of power between East and West. The EEC, with its avowed

aim of political union, has the potential to become a politico-economic entity as powerful as, if not more powerful than, the USSR. The military and economic strength of the Atlantic Community, effectively linking a united Europe and the US, would far surpass that of the Sino-Soviet bloc.

The USSR has begun to take a more serious view of US support for the movement toward European unity, and is playing up the line that the US seeks a mutual partnership with the Common Market in order to transform it into a NATO-dominated economic base in which West Germany will play the leading role. Moscow's stress on West German economic and military power in the EEC underscores Soviet concern with European integration as a direct threat to the bloc's security.

Also of concern is the challenge the EEC poses to bloc claims that Communism is the "wave of the future" and will soon outstrip the West in industrial and agricultural production. At a time when Common Market countries have achieved unprecedented economic expansion, the much-vaunted rate of economic growth in the Sino-Soviet bloc has slowed. Moreover, while agricultural surpluses continue to plague the US, the bloc must look to the West to remedy some of its most pressing agricultural shortcomings. These facts undermine claims by the Soviet Union that the Soviet bloc's present strength insulates it from any danger from the EEC and may even shake Khrushchev's avowed confidence in "competitive

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coexistence" as a device for achieving worldwide Communist victory.

The bloc would find it extremely difficult to match the substantial advantages in terms of trade and aid the EEC offers to those underdeveloped countries willing to cooperate with it. The current negotiations of sixteen new African republics over precise terms for their association with the EEC may be a decisive development in the future orientation of Africa. With the expected entry of the UK into the Common Market, a number of British territories and former territories are expected to seek a similar association with the Market. Thus the ties between the industrial West and at least some of the underdeveloped countries--especially in Africa--are likely to be strengthened by even closer and more important links with the EEC rather than weakened, and the opportunities for establishing and expanding bloc contacts in these areas will be reduced correspondingly.

Economic Concern

Although trade with the six EEC countries accounts for only about 10 percent of total Soviet bloc trade, the EEC is an important source of essential bloc imports of complex machinery and equipment, special steel products, selected chemicals, and advanced technology. To support an increased flow of these imports--as required by overall economic plans--the bloc must expand and diversify its exports, and has launched a determined drive in this direction. Like many nations outside the EEC, bloc countries see in the Common Market's gradual establishment of a common tariff wall against nonmembers a direct threat to their ability to ex-

pand, or even maintain, exports to EEC countries.

Within the Soviet bloc, the USSR probably has the least economic cause for concern over the EEC. Approximately two thirds of Soviet exports to Common Market countries traditionally have consisted of industrial raw materials and fuels on which EEC external tariffs are low or nonexistent. The future of Soviet exports of coal and petroleum to the EEC, however, will depend on the nature of the common energy policy the Market eventually adopts. A recent statement by a top Soviet petroleum official called for the EEC to "benefit" from increased use of Soviet oil and condemned the idea of applying quota restrictions to this trade. EEC agricultural imports, which generally are to be controlled under a variable levy system, make up only slightly more than 10 percent of Soviet exports to the EEC.

While the direct economic effects of the EEC on the USSR appear minor--certainly far less serious than those faced by many other countries--the growth of the EEC will lead to greater coordination and unification of policies on trade with the bloc. This will reduce Moscow's ability to extract commercial advantages from EEC countries, and to a lesser extent, to circumvent attempts to apply strategic trade controls. The USSR in the past has frequently been successful in playing one country against another in gaining price, quota, and credit concessions.

In the European satellites, concern with the Common Market, while frequently couched in political or ideological terms, is based more solidly on economic considerations. For example,

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temperate-zone agricultural products account for a major share of hard-currency earnings for a number of the satellites--notably Poland, Hungary, and Bulgaria. Their past competitive advantage will be offset by the implementation of the EEC's common agricultural policy subjecting most of these exports to a sliding scale of duties.

The Polish Ministry of Foreign Trade reportedly predicts some decline in Poland's exports to the EEC in 1963. Inasmuch as the Poles fear that eventually some 40 to 50 percent of the products they currently export to the UK and the EEC may be affected, plans have been made to promote substitute exports. Poland, as well as some of the other satellites, plans to expand and diversify industrial and consumer manufactures to compensate for the expected decline in agricultural exports. However, they are likely to be hard pressed to compete in quality and price with manufacturers within the EEC.

Satellite concern ultimately may not be justified in fact. EEC spokesmen maintain that the expected economic growth within the Market will result in a higher level of external trade than would prevail in the absence of integration--a view supported by many independent observers. Nevertheless, this assessment does little to ease the fears shared by both bloc and nonbloc countries of the immediate damage to established trade patterns.

The Chinese Communists, largely preoccupied with issues unrelated to the Common Market, have stressed its harmful conse-

quences for underdeveloped countries but have not opened a sustained drive against it. China's exports may be hurt somewhat by EEC tariffs, but Western Europe is not the primary nonbloc market for these exports. If a Chinese economic recovery should result in increased use of Western equipment and technology, as seems likely, Peiping probably would rely on maximizing exports to other regions, particularly sterling areas in Southeast Asia, to pay for imports from Western Europe, thus limiting the potential danger of the Common Market.

The Bloc Response

In trying to impede the progress of European integration, Soviet leaders are well aware of their limited capabilities. Nevertheless, because Moscow's fundamental political interests lie in setting back the movement, the Communists have adopted a course designed to aggravate any division within the EEC, particularly among West Germany, the UK, and France. Moscow's tactics toward the Berlin question will continue to be manipulated with this in mind.

The Soviets probably will renew their pressures, when suitable opportunities are presented, on such countries as Finland and Austria. During the recent visit of Austrian leaders to the Soviet Union, Soviet officials expressed strong opposition to full Austrian membership in the EEC. They tempered their earlier attacks on any form of "association" but made it clear that any "political overtones" would not be sanctioned.

Meanwhile, in the underdeveloped countries, the bloc is

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conducting an all-out campaign to counteract the appeal inherent in the development of Western economic integration and to point up the alleged disadvantages the Common Market presents to these countries. Khrushchev's assault on the EEC in his address on 30 May during the visit of Mali's President was the most authoritative statement on the Common Market yet made by a Soviet leader. Khrushchev's remarks, in the presence of the head of an African state enjoying amicable relations with both the USSR and the EEC, were intended as a sharp reminder to such countries that the Common Market was simply another "neocolonialist" device to maintain former colonial territories as "agrarian and raw material appendages" of Europe. The USSR probably is deeply concerned with the probability of a successful conclusion of a new EEC-African association convention.

In addition, bloc spokesmen are warning countries outside the Market's orbit of the threat posed to their economies by EEC barriers and preferences. Khrushchev's appeal for a conference to discuss founding an international trade organization "embracing all regions and countries of the world without any discrimination" is a proposal repeatedly raised in the past by the USSR. This time, however, it is likely to be followed up with a formal move at the UN General Assembly session this autumn. The proposal parallels a resolution sponsored last December by eight Latin American countries and favored by the great majority of the underdeveloped countries--most of which fear the impact of regional trade groupings. The African states already associ-

ated with the EEC, however, were less than enthusiastic in their response.

Bloc suggestions that trade with the "socialist camp" provides an alternative to the loss of markets in Western Europe are likely to be aimed at more advance countries as well. Soviet negotiators are likely to urge Japan to continue increasing its trade with the USSR and may switch certain purchases from EEC countries to Tokyo. Communist commercial offers to New Zealand and Australia, both threatened with the eventual loss of Commonwealth preferences by the UK's proposed entry into the EEC, are also likely.

In attempting to induce EEC exporters to request favorable treatment by their governments for imports of Soviet goods, the USSR so far has relied primarily on threats of invoking its maximum tariff rates against Common Market countries and demanding tariff concessions equal to those EEC members accord to each other. Soviet moves such as the sudden suspension of trade negotiations with France in June, however, amount to little more than formal protests and are not likely to be effective.

Similarly, the USSR's dual tariff system, enacted in October 1961 at least in part for use in bargaining with countries being drawn into the EEC, has aroused little concern. The system gives Soviet negotiators no levers not already available through possession of state control over all foreign trade transactions. Because trade with the USSR--or even the entire bloc--is not sufficiently important to most EEC countries to risk jeopardizing

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relations with other members, Moscow's ability to extract concessions through tariff demands is severely limited. Moreover, the USSR cannot make much use of such demands without causing a reduction in its imports of key Western products.

Current East German attempts to raise the level of trade with West Germany substantially over a long-term period, in addition to being aimed at easing East Germany's economic problems, may constitute a less direct Soviet effort to reduce the economic costs to the bloc arising from the Common Market. An EEC treaty protocol treats trade between East and West Germany as internal trade, a provision which technically affords East Germany--and indirectly the rest of the bloc--the opportunity to assume a "preferred" position in the Common Market via West Germany. East German proposals to enlarge the format of interzonal trade may also be aimed at creating friction between West Germany and the rest of the EEC.

For at least some of the European satellites the reaction to the Common Market has been directed chiefly at protecting their economies and maintaining their links with the industrial West. Poland, in particular, apparently intends to stimulate production of those goods least affected by EEC tariffs and to pay increased attention to quality and the search for new markets.

The recent economic conference in Moscow, convened in the wake of Khrushchev's denouncement of the Common Market, while

probably not, as widely billed in the Western press, a direct response to EEC developments, undoubtedly increased the prospects for strengthening ties among Soviet countries through the Council for Mutual Economic Assistance (CEMA). In all probability the conference discussions centered on long-term policies for bloc economic development and on current bloc economic difficulties.

The USSR may be using the EEC "threat" to show the satellites that they cannot hope to compete in or with the West except through a strengthened CEMA organization in which decisions are more closely coordinated. The creation of a CEMA Executive Committee to ensure that commitments are met appears to be a step in this direction. The appointment on 17 July of Soviet Deputy Premier Novikov, former chairman of the State Planning Committee, as the USSR's permanent representative on the newly formed CEMA Executive Committee also suggests that Moscow may be giving more attention to closer CEMA ties.

On 11 July, Czech politburo member Sinumek, also former chairman of the State Planning Commission, was appointed Prague's permanent CEMA representative, and East Germany's representative to CEMA, with a similar background, probably will also be on the Executive Committee. The Soviet bloc probably views closer coordination of planning, through CEMA, as the best of its limited alternatives in maintaining bloc unity and strength in the face of West European integration.

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INSURGENCY IN BURMA

Insurgency, which has plagued Burma since independence in 1948 and once directly threatened the Rangoon government, continues to prevent stability and hamper economic growth. When General Ne Win seized power last March, he cited this problem--specifically the threat of Shan State secession--as a primary reason for ousting Prime Minister Nu's civilian government and abandoning democracy. The eight organized armed insurgent organizations do not pose any threat to the central government, but their activities could rise to more serious proportions.

Origins

The forces giving rise to insurgency stem from traditionally delicate relations among Burma's many ethnic communities. Each tribal group, the product of successive waves of migration from central Asia, has remained deeply suspicious of the others' motives and jealous of its own cultural and linguistic identity.

A half century of British rule failed to change the pattern, and postindependence actions of the Burman majority which dominates the Irrawaddy basin have intensified animosity. Although the Burmans agreed to a bill of rights in order to persuade the "hill peoples" to join the independent Union of Burma, following independence they began a long-range program of Burmanization to give the nation a single linguistic and cultural base. Most of the country's modernization effort has been expended in the Burman areas around Rangoon and Mandalay, and little in the Shan, Kachin, and Karen minority areas. The army, when in ethnic minority regions, has often acted with

the arrogance of an army of occupation.

Communists

It was the Communists, rather than any ethnic minority, who first took up arms against Rangoon after their two principal personalities lost out to Nu in the selection in 1947 of a new leader of the Anti-Fascist People's Freedom League, the coalition of all groups pressing for Burma's independence. Thakin Soe took his Red Flag extremist faction underground when he failed to wrest the leadership of the Communist party from Thakin Than Tun. A few months after independence Than Tun took the more numerous White Flag Communists into the jungle in the belief that he could overthrow Nu's government. Even after Nu had offered to capitulate on all ideological differences except the maintenance of parliamentary democracy, neither Communist group would give up its military campaign.

The Communists gradually buckled under the weight of Rangoon's superior resources. The personality clash that gave rise to their split continues, and each leader has conducted a personal vendetta against the other which so far has precluded any consideration of uniting the two forces. The government's success in driving the Communists into the hills away from their Burman compatriots has seriously weakened them. There is little indication that either group has received any encouragement from Moscow or Peiping. The orthodox, pro-Moscow White Flag Communists have fallen from a high mark of about 25,000 to an estimated 1,500, and the extremist, pro-Peiping Red Flag Communists from about 2,000 down to 500.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****Ethnic Insurgency**

The Karens, deeply intermixed with the Burmans in Irrawaddy delta and southeastern coastal communities, were the first of the ethnic minorities to revolt against the government, and remain the strongest. After an increasing number of communal incidents during the first year of independence, the Karen National Defense Organiza-

tion (KNDO) took up arms in December 1948. It demanded an autonomous Karen state so large and including so many Burmans that the government could not consider it. The core of the KNDO was made up of the army's best-trained units from the prewar British Army in Burma.

Despite the apparently superior forces available both to the Karen and to the Communist insurgents at the outbreak of hostilities, they were at a disadvantage in the Irrawaddy basin. They were divided among themselves. The peasantry as a whole was apathetic. Karen civilians, although sympathizing with the KNDO, were too weak to provide it with an effective base for antigovernment operations. The peasantry mainly wanted peace and an opportunity to market their produce, which had to pass through government-held Rangoon.

When pushed back into the hills, however, the KNDO, unlike the Communists, found itself among cooperative fellow Karens who have helped it to retain a strength of 6,000.

Shan and Kachin insurgency threatened to break out all through the first decade of independence, but flared into the open only in 1959 when Rangoon insisted that the hereditary Shan rulers surrender their governing rights and that the Shan and Kachin states give up their constitutional right to secede from the Union. Neither insurgent element is as well organized or as experienced as the Karens, and thus far neither "Independence Army" has presented the government with a serious problem. Potentially, however, these two forces represent a real danger to the government's local authority, for, like the Karens, they are based in a territory settled by their ethnic compatriots.

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Other ethnic insurgents offering a nuisance value are the Mujahids, the Kayah, and the Mons. The army also faces the problem of the Chinese Nationalist irregulars, whose forces in eastern Burma have been reduced to an estimated 400-800 in the past year.

Bids for Strength

After operating independently for years, the Karens, Shans, and Kachins have recently taken their first step toward unity. They have formed a union, the Nationalities Liberation Alliance, with the intention of attracting minorities which so far have remained passive. They have issued a "Declaration of Independence" based on the American model of 1776, and are attempting to rally foreign support to their cause.

Efforts to gain foreign support have made little impact, however. While the border peoples in Thailand sympathize and provide some supplies smuggled across the border, the Thai Government is far more concerned with its good relations with Rangoon and has turned a deaf ear. The minorities have made no effort to gain Communist bloc support. The Communists, for their part, without territorial base and little hope of establishing one, have been attempting with some success to infiltrate and ingratiate themselves with the Karens.

Current Status

There is little indication that these recent efforts have materially improved the insurgents' generally weak position. For food and military supplies they are still forced to rely principally on levies from the civilian population and captured

Burman arms. While they have little opportunity to build their military strength rapidly, they exercise extensive control over villages and jungle area in the border territories near Thailand, and maintain a capability to stage sporadic ambushes on the main railway line between Rangoon and Mandalay in the heart of the country.

Through a slow war of attrition, the Burmese Army has gradually reduced the insurgents from armies free to move through the country at will to scattered forces estimated at less than 12,000. The army's superiority in unity, discipline, and arms, supported by the government's control over foreign aid channels and the principal distribution centers, has more than offset the local backing of the aggrieved minorities.

When Ne Win seized power, his Revolutionary Council offered the "multicolored" insurgents an amnesty and issued an ultimatum to lay down their arms or face "utter annihilation." The order has had little impact, and the situation among the minority peoples has been described as "ominous quiet." While the government may be able to launch a major campaign against the insurgents at any time, Ne Win is not likely to consider this a propitious time to risk an extensive army commitment against them, given the extent of popular disapproval of his strong-arm governing tactics. Even if the army destroyed the organized military opposition to Rangoon's rule, the minorities' historic jealousies of the Burmans, fired by feelings of discrimination during the 14 years of independence, would probably give rise to uprisings in the future.

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