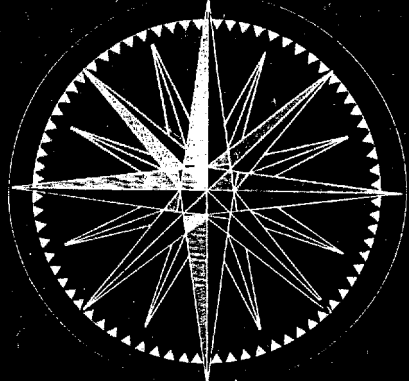


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22 March 1963



WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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GROUP 1 Excluded from automatic
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C O N T E N T S

Information as of 1200 EST, 21 March 1963


Cuba

Soviet Comment on Costa Rica Conference and
US Cuba Policy. Page 1
The volume of propaganda designed to discredit
US intentions at San Jose is a measure of the
importance Moscow attaches to preventing the US
from obtaining united Latin American support for
its Cuba policy.

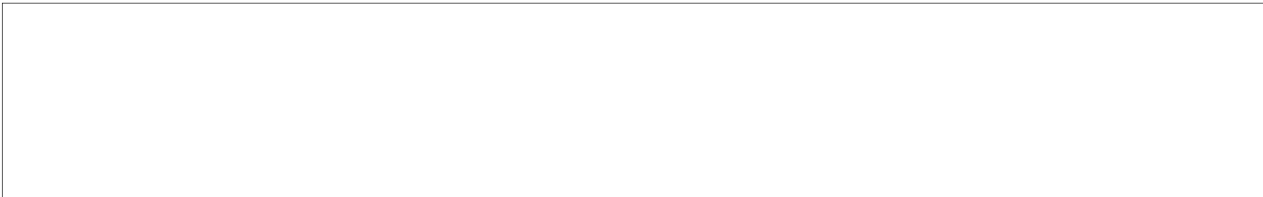


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American Correspondent's Report on Conditions
in Cuba Page 3
Time-Life's Edmund Stevens believes Castro has
achieved a stabilized position based on "organized
confusion" and that the possibility of an up-
rising is remote at present.

Anti-Castro Activities of Cuban Exiles  Page 4

The Alpha-66 organization has claimed respon-
sibility for the 17 March raid on Cuba's north
coast, although members of the so-called Second
National Front of the Escambray are believed to
have participated.



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Castroite Solidarity Congress Set for Late
March in Brazil Page 6
Delays in final preparations and the expected
small size of delegations other than the Cuban
and Brazilian suggest that the meeting may not
be an organizational success.

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The Communist World

Effect of Sino-Soviet Rift on Moscow's East-West Policy. Page 8

In Ambassador Kohler's view, Moscow feels no East-West agreement is possible without aggravating Sino-Soviet difficulties, and that the present "pause" in Soviet foreign policy will persist until Moscow decides how to deal with the Chinese.

Significance of Recent Soviet Economic Moves. Page 10

Despite speculation that these reflect a decision to increase military spending sharply at the expense of consumer industries and agriculture, Moscow may only be trying to solve the basic problem of resource scarcity by administrative manipulation.



USSR Augments Merchant Fleet. Page 12

It is shopping for at least 12 used Liberty ships, presumably in response to Western restrictions on shipping to Cuba.

Chinese Ponder New Trade With Western Europe. Page 13

Any contracts concluded are likely to cover equipment or technology for agriculture, as China's economic stagnation has reduced its needs for industrial imports.

Turmoil in the Yugoslav Communist Party Page 14

The confusion stems from disagreement over economic policy, reviving nationalism within the individual republics, and uncertainty caused by a regime shake-up now under way.

Asia-Africa

Soviet Defense Minister to Visit Indonesia. Page 16

The Indonesians may ask for [redacted] an envoy competent to discuss rescheduling of their debt payments to Moscow, [redacted]

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Asia-Africa (continued)

Communists Undermining Neutralists in Laos. Page 17
Pathet Lao strategy appears to be to replace Souvanna and Kong Le with "progressive elements" of the neutralist group.

Tensions Mounting in South Korea. Page 18
Junta leader Pak may face a serious clash with civilian elements, while military leaders continue maneuvering for power--to the detriment of armed forces discipline and capabilities.

UAR, Syria, and Iraq Push Talks on Federation Page 20
The USSR, already involved in sharp propaganda exchanges with the new Iraqi and Syrian regimes, continues to manifest its distrust of federation moves.

Election of Opposition Slate in Parliamentary Offices Threatens Overthrow of Congolese Government. Page 21
Premier Adoula's inner circle may attempt to install a compromise successor acceptable both to it and to the opposition to prevent a radical takeover.



Europe

Italy's National Election Campaign. Page 24
The present prospect is that the center-left government formula--which has been the major issue in the campaign--will continue.

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Europe (continued)

French Coal Strike Continues. Page 26

The report expected this weekend from a government committee studying disparities in wages between public and private industry may indicate whether compromise or a show-down is in prospect.

Political Stability Threatened in Greece. Page 27

The growing bitterness between the government and the principal opposition party involves issues which caused Greece's prolonged instability between the world wars.

Impasse Developing Among Finland's Cabinet Parties Page 27

They remain sharply divided over economic policy but hesitate to precipitate a government crisis for fear of once again inviting Soviet intervention.

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Western Hemisphere



Communist Penetration of Brazil's Pernambuco State Government. Page 30

The new governor has put Communists and sympathizers in key positions; one restraining influence is the strongly anti-Communist commander of the army headquartered in the state capital.

Bolivia May Accept Czech Offer to Build Antimony Smelter. Page 31

Liberal terms, a depressed economy, and pressure from the Bolivian left may make it difficult to turn down what would be the first bloc industrial enterprise in the country.

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Cuba

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SOVIET COMMENT ON COSTA RICA CONFERENCE AND US CUBA POLICY

Soviet comments on President Kennedy's meeting with the Central American presidents in Costa Rica stressed that the main purpose of the talks was to "study new aggressive actions against peaceful Cuba." TASS described his arrival statement as concealing a desire to form a common front of reactionary forces against Cuba.

The heavy volume of Soviet propaganda designed to discredit US intentions is a measure of the importance Moscow attaches to preventing the US from obtaining united Latin American support for its Cuba policy. A Soviet broadcast to South America on 19 March claimed that the US in developing an anti-Castro program is concentrating on the Central American governments because it has failed in efforts to involve such countries as Brazil, Mexico, Chile, Bolivia, and Uruguay--which adhere to the principles of nonintervention and maintain relations with Cuba.

Moscow has ignored the US denial of the Soviet allegation that US warships shelled a Soviet fishing vessel. Propaganda on this incident was released simultaneously with the first Soviet acknowledgment of the withdrawal of Soviet troops from Cuba.

The difficulties and conflicting pressures confronting the Soviet leaders in dealing with the Cuban problem were again reflected in the private remarks

of a Soviet diplomat [redacted]

The diplomat said the Cuban problem remains one of Moscow's main preoccupations because Soviet prestige is heavily involved and because Cuba plays a significant role in the dispute with China. 25X1

Moscow's aim in strengthening Cuba's defenses, according to the Soviet diplomat, is to make Cuba invulnerable to an attack by any Latin American country without full US support. He expressed the view that President Kennedy is unlikely to order a direct attack at this stage and that US actions will be limited to inciting internal revolution in Cuba. He implied that Moscow is confident that the Castro regime can meet this threat and said Raul Castro and Che Guevara, who "thoroughly control" the regime, have Moscow's complete confidence.

The Soviet diplomat denied that the withdrawal of "several thousand Soviet technicians" in mid-March was the result of US pressure. He contended that these technicians had completed their training mission and that their departure, which had been planned previously, was publicized to give the appearance of a Soviet bid for good relations with the US. He said additional technicians will be withdrawn as soon as their missions are accomplished and Cuban military units are qualified to handle their weapons. 25X1
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Cuba

AMERICAN CORRESPONDENT'S REPORT ON CONDITIONS IN CUBA

Time-Life correspondent Edmund Stevens, who recently returned to his regular Moscow assignment after a two-week visit in Cuba, told US Ambassador Kohler on 11 March he believed the Castro regime has achieved a stabilized position based on a system of "organized confusion." He found evidence of discontent among the populace, but observed that this was tempered by considerable Cuban "happy-go-luckiness" and by the fragmentation and disorganization of groups opposed to the regime.

Stevens felt that the possibility of a general uprising is remote at present. He said, however, that if the economic situation continues to deteriorate, he could not guess what the opposition to Castro would be like "a year from now."

Soviet citizens with whom he talked in Cuba expressed disgust over their general situation there and spoke bit-

terly about the financial drain on the USSR that Cuba has become. Some referred openly to Soviet economic aid to Cuba as "pouring money down a rat hole." During the flight to Moscow on a Soviet TU-114, a Soviet military officer spoke to Stevens about the "enormous cost" of these flights--the longest nonstop civil flights in the world, which seldom carry many paying customers and are evidently heavily subsidized by the USSR.

Stevens also reported that the Cubans preferred Czechs and Poles to the Soviets, who are regarded by many Cubans as "cold, unsociable, and stingy." 25X1

He found that members of the large Chinese Communist Embassy staff (about 40 persons) in Havana were doing an effective propaganda job among the large Chinese element in the Cuban population. These personnel, he observed, blended well into the local scene whereas the Soviets did not.

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Cuba

ANTI-CASTRO ACTIVITIES OF CUBAN EXILES

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Alpha-66 has claimed responsibility for the 17 March hit-and-run raid via speed launch on the port area of Isabela de Sagua, located on the northern coast of Cuba's Las Villas Province. Leaders of the anti-Castro organization said that a Soviet military camp and a Soviet ship were attacked during the raid, which evidently took place at about midnight on 17 March. Press reports of the attack on the "Soviet camp" and allegations that Soviet sailors were wounded in the attack have not been confirmed by any other sources. The Castro regime has identified the dry-cargo ship L'gov as the one attacked.

The number and identity of the attackers are not known, but member of the Second National Front of the Escambray (SNFE) organization as well as some Alpha-66 elements are believed to have staged the attack from a point outside US territory. 25X1
The two anti-Castro organizations are believed to be closely inter-related

Alpha-66 is one of two prominent Cuban exile groups-- the other being the Student

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Cuba

Revolutionary Directorate-- that have staged hit-and-run raids by boat on Cuban targets in the past year. Alpha-66 has announced that one of its basic objectives was to attack a Soviet ship in Cuban waters. The organization staged a similar raid against the same Cuban port area on 8 October 1962, claiming afterward that various Soviet small arms had been captured in a "commando raid" against a Soviet installation there. Leaders of the organization were unable to provide convincing proof of its claims, however.

There are indications that the government has not yet been

successful in attempts to liquidate insurgents in the Sierra Escambray area of southern Las Villas Province. 25X1



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Cuba

CASTROITE SOLIDARITY CONGRESS SET FOR LATE MARCH IN BRAZIL

A "Continental Congress of Solidarity with Cuba" is scheduled to be held in Brazil from 28 to 30 March. Despite earlier equivocation over the matter, the Goulart administration has reportedly decided to permit the issuance of visas to foreign delegates wishing to attend the meeting. Its attitude toward granting other facilities--in-

cluding a meeting place--is still unclear.

Brazilian sponsors of the congress are expected to publicize it as widely as possible within Brazil and Havana's Prensa Latina to make a major propaganda effort throughout Latin America.

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Cuba

However, delays in final preparations plus the fact that few national delegations other than the Brazilian and Cuban are apt to be large, suggest that the congress may not be an organizational success.

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Mexican Marxist leader Vicente Lombardo Toledano and pro-Communist former president Lazaro Cardenas are backing the congress and that the rival Juliao and Prestes groups in Brazil are both actively promoting it suggest an attempt to include varying hues within the leftist political spectrum. This is consistent with current Cuban policy pronouncements, which continue to urge the unification of the world Communist movement as the only means of liquidating "imperialism."

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EFFECT OF SINO-SOVIET RIFT ON MOSCOW'S EAST-WEST POLICY

In commenting on the change in Moscow's posture toward the West since the end of January, Ambassador Kohler has suggested that the major factor has been the Soviet leaders' preoccupation with Peiping's challenge. He believes they feel no agreements with the West are possible which would not aggravate their difficulties with the Chinese and be vulnerable to Peiping's attacks. He anticipates that the resulting doldrums, if not actual chill, in East-West relations will persist at least until the Soviet leaders decide how to deal with the Chinese Communists.

Berlin and Germany

There are no indications that the Soviet leaders expect early progress in the exploratory talks with the US on Berlin which will resume in the near future. Moscow, which took the initiative on 26 January to renew these exchanges, has agreed to a US suggestion that the coming round be held in Washington.

While local Soviet authorities maintain a relaxed approach to sporadic incidents in Berlin and on the access routes, Moscow continues to take advantage of any opportunity to remind the West about the need to settle the German and Berlin problems. Most recently, the USSR protested a West German law which would place West Berlin judges under Bonn's jurisdiction. The Soviet notes to the Western powers denounced the law as an illegal attempt to extend West German authority into West Berlin and said such actions "emphasize the urgency" of a Berlin agreement.

Soviet propaganda continues routine references to Khrushchev's

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proposals to replace the "NATO flag" in West Berlin with the "UN flag." The East German press reported Adzhubey's 15 March statement in a Vienna press conference that the USSR would not object to a "temporary presence of Western troops" in West Berlin, provided they were placed under the UN flag.

Geneva Talks

Soviet statements and propaganda marking the first anniversary of the Geneva talks deplore the lack of positive results and, as usual, place the entire blame on the West. Moscow denounced the French underground nuclear test in the Sahara as another attempt to torpedo the talks and as further proof that the West does not want to end the nuclear arms race.

Outer Space

The only recent progress in US-Soviet negotiations has oc-

curred in the bilateral talks on outer space cooperation, held in Rome from 11 to 20 March. The discussions were amicable and the scientists representing the USSR refrained from raising political or legal questions. Agreement was reached on carrying out a weather satellite program which would include establishment of a communications link for exchanging weather data received from artificial satellites and on conducting a joint test of communications by means of a passive reflector satellite.

Discussions on a third project, the coordinated launching of satellites to measure the earth's magnetic field, were not completed because the Soviet representatives requested time for further study of the project. The discussions will be resumed, probably in May, at the next meeting of the technical subcommittee of the UN committee on peaceful uses of outer space.

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SIGNIFICANCE OF RECENT SOVIET ECONOMIC MOVES

Events of the past few weeks make it clear that Moscow has been going through another in a series of re-evaluations of the problem of how to allocate the USSR's economic resources. Some government statements have generated speculation that Moscow is planning a sharp increase in military expenditures at the expense of investment in other fields, especially consumer industries and agriculture.

However, the evidence may also be interpreted to mean that Moscow has reaffirmed its previous policies of gradually increasing military expenditures and pursuing an investment program favoring defense and heavy industry as opposed to consumer industries. Such an interpretation might include the possibility that a new attempt will be made through administrative changes--rather than any basic change in the allocation of resources--to alleviate the chronic problems of the Soviet economy and to make some progress toward fulfilling Khrushchev's overambitious promises to the consumer.

Speculation first arose from Khrushchev's speech on 27 February, in which he expressed concern over the heavy arms burden being carried by the Soviet Union which "diminishes--and cannot but diminish--the opportunity for the people to gain direct (consumer goods) benefits."

On 13 March an unusual meeting of key party and govern-

ment leaders set up a Supreme Economic Council as the top state body for managing industry and construction. Dmitry Ustinov, long associated with the defense industry and suspected of being the key figure in the development of the Soviet ICBM, was named to head the new agency. The meeting also announced that current planning for 1964-65 was to be reworked along with a new Five-Year Plan to follow the present Seven-Year Plan terminating in 1965.

These events have an ominous ring, but they lose much of it when placed in the context of economic malaise and of the repeated attempts of the Soviet leaders to overcome basic problems of resource scarcity by administrative manipulation.

Since the 27 February speech there have been two notable re-assertions of the Khrushchev line of the last several years which has continued to give the consumer promise for some improvements. In an Izvestia article on 3 March, Petr Lomako, chairman of the State Planning Committee, said the time had come "to divert more means, materials, and equipment" to consumer goods production and to agriculture. He supported Khrushchev's call at the central committee plenum last November for greater development of the chemical industry and particularly of those branches directly concerned with consumer goods production and agriculture.

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The announcement of new two- and five-year plans indicated that these should be worked out on the basis of the "tasks" outlined in the Twenty-Year Plan announced in October 1961 and the decisions of the November plenum. Both plan and plenum had reaffirmed the priority of heavy industry but called for some improvement in consumer welfare, proportional development of all branches of the economy, and "adequate defense capacity."

Soviet editorials during the past few weeks have neither adopted an unusually militant line in international relations nor played an austerity theme for the Soviet consumer. On the contrary, those commenting on Khrushchev's speech stressed the importance of continuing development of consumer welfare. On 1 March Pravda featured the statement, "It is necessary to do still more to satisfy the requirements of the people," and two days later it ran a six-column pictorial feature on Soviet housing. Economicheskaya Gazeta of 2 March reaffirmed the 1963 consumer goods and housing goals.

Likewise, Khrushchev since the 27th has reiterated standard themes of the last several years. On 16 March he sent a letter to the central committee presidium urging more truck farms and irrigation of a broader range of crops--both resource-heavy undertakings. On his present trip south, he has made many stops at chemical plants engaged in producing agricultural chemicals; several Soviet journals have recently voiced the need for more fertilizer for Soviet agriculture. While these signs do not necessarily mean an upswing in support

for agriculture, they do suggest that Khrushchev has not changed his basic view that as much support as possible should be provided.

The administrative changes made at last week's meeting appear to complete the main elements of the sweeping economic reorganization called for by the November plenum. While a Supreme Economic Council was not specifically mentioned at that time its formation is clearly designed to meet Khrushchev's harsh criticism of top-level planning. The new council, according to the announcement, is to serve under the Council of Ministers--presumably to relieve that body of administrative minutia--and will coordinate planning activities at the national level.

The need for coordination is a logical outgrowth of the November plenum, which actually increased the number of national agencies involved in some aspect of economic planning.

The choice of Ustinov is equally logical, in view of the mood expressed at the November plenum. Khrushchev sharply contrasted the organization and administration of the defense industries with what he described as "disunity" in other areas of the economy. The appointment is clearly in line with Khrushchev's desire that the planners exercise greater imagination in the introduction of new products and new technology--a trait which he attributes to the defense industries.

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USSR AUGMENTS MERCHANT FLEET

The USSR has recently been shopping for at least 12 used Liberty ships, presumably in response to Western restrictions on shipping to Cuba.

Ships of this type--designed to carry large cargoes--could meet much of Cuba's shipping requirements and free many of the 50 to 60 Soviet ships now being used on the Cuban run. The price--\$165,000 to \$180,000 each--equals only a few months' expenditure for the charter of a Western ship for Cuban trade. Economy thus is one motive behind this new policy. Another is the reluctance of Western shipowners to make ships available for this purpose.

The USSR's purchase of second-hand ships is not expected to interfere with its normal program of acquiring new ones. Contracts for construction of fast modern cargo ships and large tankers have been concluded or are being

negotiated with Japan, Yugoslavia, Denmark, and Finland as well as with East European countries. Special ships--such as floating drydocks and fishing and fish-processing vessels--are also being constructed for the USSR in both the free world and the European satellites. Last year the USSR built or bought new 110 merchant ships worth \$480 million. Moscow undoubtedly will exceed its goal of doubling Soviet merchant ship tonnage during the 1959-65 Seven-Year Plan.

The Soviet merchant fleet is now the 11th largest in the world and is about one fourth the size of the US merchant marine. The growing size of the fleet should reduce dependence on chartered free world ships, and enable the USSR to "show the flag" increasingly by operating shipping lines to Africa, South and Southeast Asia, and Latin America.

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CHINESE PONDER NEW TRADE WITH WESTERN EUROPE

Lu Hsu-chang, Chinese Communist Vice Minister of Foreign Trade, is now in London for trade talks, and may go on to other West European capitals. West European traders have been in Peiping, and last month a producers' consortium concluded contracts for delivery to China in 1963 of over one million tons of fertilizer worth \$30 million.

Lu's visit to Western Europe is the first by a Chinese Communist trade official of ministerial rank. It presumably is more than ceremonial, but it is likely that purchases will be moderate. Some new contracts for industrial equipment may be concluded now that trade with the USSR--formerly the chief source of such purchases--is plunging downward. Negotiations may also be completed with the British for a few more commercial aircraft.

Highly skilled Chinese technical and engineering groups have traveled widely throughout Western Europe in the past year, assessing the iron and steel industry, engineering products, petrochemical and chemical plants, and aircraft and ship production facilities.

Lu's visit may provide a clue to whether China intends eventually to substitute Western plants for those previously obtained from the USSR or to engage in a long, arduous "bootstrap" operation. It may take the middle course of submerging its aversion to reliance on external sources

long enough to let Western technicians build pilot plants to be copied subsequently by Chinese engineers.

Chinese imports of machinery and equipment from all sources exceeded \$500 million as early as 1952 and totaled nearly \$1 billion annually during the leap forward. Because of economic deterioration, such imports plummeted to less than \$250 million in 1961 and even lower in 1962. The free world's share of these purchases--technologically advanced equipment not readily available in the bloc--has run to about one tenth of the total.

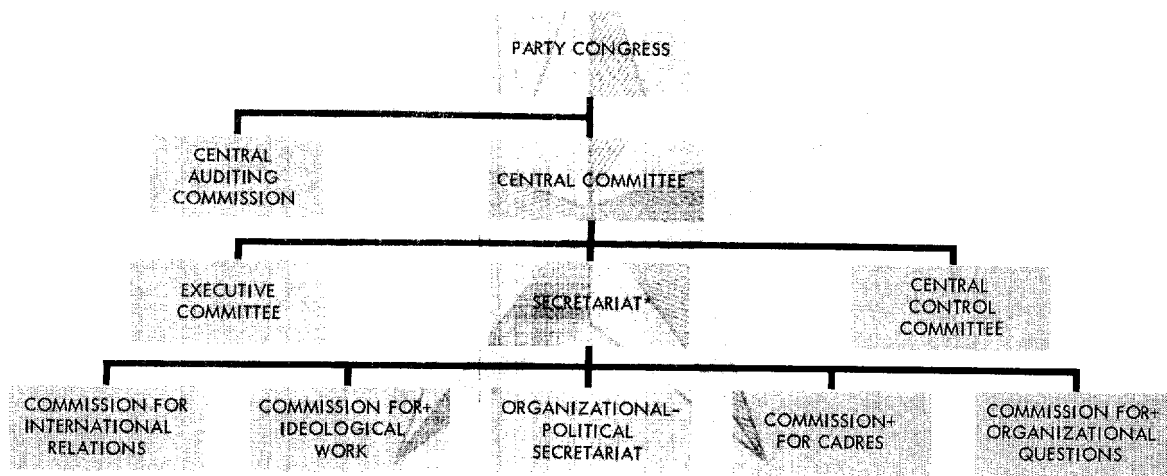
There is little likelihood that Western firms will soon go back to their former level of deliveries, let alone pick up a large share of what the bloc formerly supplied. Economic stagnation following the disruptive leap forward of 1959 has reduced China's immediate requirements for large industrial imports. Furthermore, the slow rate of recovery and China's inability to use industrial capacity already available suggest that imports of industrial items will remain at very low levels for some time.

What contracts are concluded are likely to cover equipment and technology to support the agricultural sector now being emphasized in China. Such purchases would require only small down payments from China's meager foreign exchange reserves. The bulk of machinery shipments to China for complex facilities such as fertilizer plants could not be made until 1964 or later, and full payment would be deferred until deliveries were completed.

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NEW ORGANIZATION OF THE LEAGUE OF COMMUNISTS OF YUGOSLAVIA



+ Each of these commissions has as members the presidents of the comparable commissions of the republic party organizations.

* There may be more administrative bodies under the Secretariat than are listed here-- e.g., a Commission for Agitation and Propaganda.



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TURMOIL IN THE YUGOSLAV COMMUNIST PARTY

There is considerable turmoil in the Yugoslav Party--called the League of Communists--as a result of a split over economic policy and a revival of nationalism within the country's ethnically and culturally diverse republics. Many officials, moreover, are probably concerned for their own personal fortunes in a reorganization now under way which will affect the entire regime by the end of the year.

According to Ambassador Kennan, who made a tour in early March of the more developed republics (Croatia and Slovenia) and talked with Tito and other Yugoslav leaders, the issue which most clearly divides party opinion is whether recentralization or further decentralization is the better means of improving the economy. The issue of most immediate importance is whether new investment should be channeled into the more developed or backward republics.

Each republic is seeking to satisfy its own economic interests, and national feelings in Slovenia are running higher than at any time since World War II.

At a 17-19 January meeting of economists and high-ranking federal and republic leaders, debate was so acrimonious that a full account of the meeting has never been made public. The Croats and Slovenes were virtually unanimous in support of further decentralization.

Tito's position, according to Ambassador Kennan, is somewhat ambivalent, but appears to lean toward decentralization to the extent of encouraging a freer flow of investment capital by giving local enterprises and governments the power to invest surplus funds in other regions and types of activity. Throughout his tour, the ambassador found no tendency to be guided by Soviet patterns or even to take account of Soviet views.

The current conflict stems from the economy's poor performance in 1961 and the first half of 1962 and has already stimulated orders--most forcefully enunciated at a central committee meeting last July--for a shake-up of the Yugoslav bureaucracy. Hoping to better utilize personnel and bring new blood into leading positions, Aleksander Rankovic, Tito's chief deputy in the party, decreed at that meeting that--contrary to present common practice--no regime leader may hold more than one high post in the party, the government, or the economy. Such posts, moreover, are henceforth to be rotated periodically.

The reshuffle of the party began in January when extensive organizational and personnel changes were made in its administrative and coordinating organizations (see chart). They will probably have the effect of giving all levels

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of the party a better understanding of policy decisions made at the top, and it will be more difficult to conceal deliberate failure to implement regime policies. The Macedonian party, moreover, has eliminated one arm of the local party bureaucracy by doing away with central committee secretariats.

The Croatian party decreed in January that local party leaders can serve only two "mandate periods." This policy, which may be copied at the federal level and in other republics, will create problems of continuity and cause trouble for those party organizations which have a shortage of willing party workers.

The formation of a new Commission for Organizational Questions suggests that further structural changes can be expected. These may come in connection with a party congress which is due by statute before May but which will probably not be held until fall at the earliest.

The changes in government posts will come sometime this summer after a new constitution is ratified by Parliament in April and national elections

are subsequently held. In addition to the removal of job holders who now have party or economic posts as well, this process will involve some rotation of personnel. There will also be at least one new high government position to fill--that of vice president of the republic.

This shake-up of the regime, with the implications personnel shifts have for eventual succession to Tito's position of leadership, has probably added to the turmoil in the party and regime. Rankovic, already the front runner to succeed Tito, probably strengthened his hand in the recent party changes, since he both ordered and supervised them.

The more conservative element in the party will probably be the losers. Local bosses, whose primary qualification was service with the partisans, are being forced to relinquish the little empires they have ruled since World War II. To this extent, the change may represent the emergence of the new generation of Yugoslav Communists.

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Asia-Africa

SOVIET DEFENSE MINISTER TO VISIT INDONESIA

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Soviet Defense Minister Malinovsky is scheduled to arrive in Indonesia on 25 March to inspect the massive arms buildup which the Soviets have supplied. Various naval and air force demonstrations will reveal to some extent the effectiveness of Soviet military training.

debt repayments to the USSR.

The Soviet Union used the recent United Nations ECAFE meeting in Manila as a forum for standard propaganda attacks on colonialism, the "restrictive" trade practices of the West, and the absence of representatives from North Korea and North Vietnam. The Soviet delegate also implicitly denounced the Malaysian Federation and the suspension of US aid to Ceylon.

The Indonesians are likely to ask Malinovsky when a Soviet delegation will arrive to negotiate a rescheduling of their

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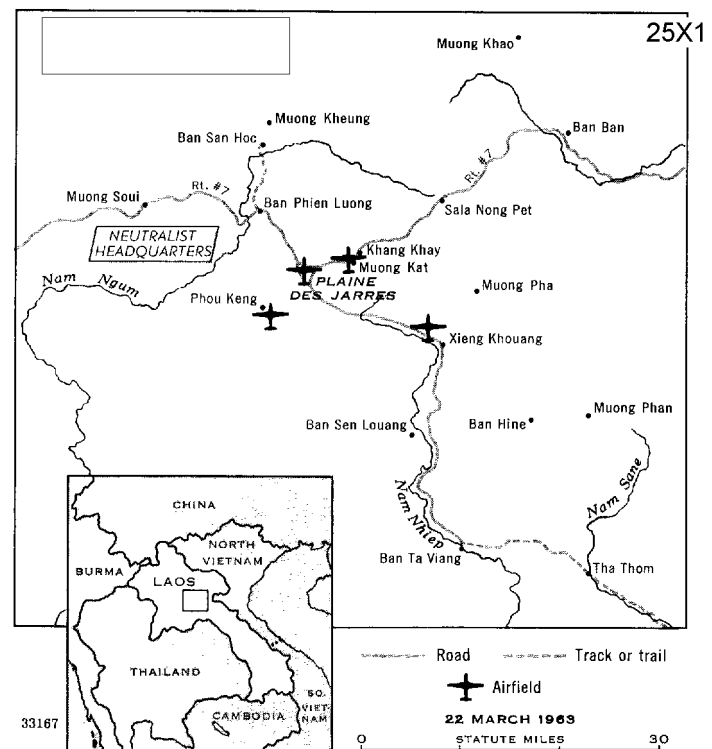
COMMUNISTS UNDERMINING NEUTRALISTS IN LAOS

Tensions remain high on the Plaine des Jarres following the recent defection to the Pathet Lao of elements belonging to a neutralist battalion stationed in Xieng Khouang town. Neutralist Commander Kong Le has placed his forces on an alert, arrested two dissident officers, and transferred reliable forces to reinforce the Xieng Khouang garrison.

The Xieng Khouang defection apparently was instigated by pro - Pathet Lao "neutralists" under the influence of Foreign Minister Quinim and Colonel Deuane. Pathet Lao complicity is likely. Communist strategy appears to be the gradual undermining of Premier Souvanna and Kong Le and their ultimate replacement with "progressive" neutralists such as Quinim and Deuane.

While the Pathet Lao radio has refrained from attacking Souvanna directly, it recently has come out in support of Colonel Deuane and "progressive elements" of the neutralist group and has strongly protested Kong Le's arrest on 12 March of the two pro - Pathet Lao "neutralist" officers.

Souvanna, who returned on 13 March from the first leg of the royal international goodwill tour, seems undisturbed by the recent events on the Plaine des Jarres. Referring to his talks with Communist leaders in Moscow, Peiping, and Hanoi, Souvanna claimed to have received "ironclad" assurances that interference in Laotian internal affairs would cease. He probably feels that he has engaged the "honor" of the Communist powers in support of his

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coalition government, and that consequently they will be reluctant--at least in the near future--publicly to withdraw their support.

Meanwhile, the Communists have tightened their squeeze on Kong Le's supply lines from North Vietnam, allowing only a trickle of necessities to reach his neutralist forces on the Plaine des Jarres. This has made his troops increasingly

dependent upon air supply from Vientiane. The Souvanna government is using Soviet and US aircraft to fly cargo to Kong Ke forces on and near the Plaine, as well as the large Boeing transport operated by the International Control Commission. Although the Pathet Lao have refrained from attacking these aircraft, they retain the capability to interdict such flights with anti-aircraft fire.

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TENSIONS MOUNTING IN SOUTH KOREA

South Korean junta leader Pak Chong-hui appears to have retreated from his decision, announced on 16 March, to extend military rule for four more years. That decision, subject to the outcome of a national referendum, had brought Pak into direct confrontation with civilian political forces that supported an early return to representative government because the conditions he set for the referendum made it clear that it would be no more than window dressing. On 19 March he announced he was suspending for 12 days his plan to continue in power in order to allow leading civilian politicians time to consider an offer to proceed with previous plans for a successor civilian government providing

"corrupt politicians" agreed not to run for election.

This may turn out to be just another tactical maneuver, although Pak has backed down on several occasions this year in the face of strong opposition to his decisions. Nevertheless the continuing polemic between him and the politicians threatens to develop into a major clash.

Before the past week's events, factional turmoil in Pak's regime and his failure to win support from the politicians had upset his plans to be elected president of the promised civilian government. In February he announced that he was withdrawing from politics. He also sent his

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Asia-Africa

right-hand man, former security chief Kim Chong-pil, out of the country as a "roving ambassador." Although these moves gave the appearance of easing the transition to civilian government, they did not end the strife.

Important military figures whom Kim was seeking to freeze out of the regime continued their maneuvers to gain the ascendancy. Following the exposure on 8 March of a coup plot involving army, air force, and marine personnel, security officials began arresting military officers, including prominent members of the regime opposed to Pak and Kim. Subsequently, allegations of additional coup plots and staged demonstrations calling for the continuation of military rule gave the appearance of growing instability, and set the stage for Pak to announce his intention to stay in power. At the same time there was an increasing tendency on the part of the press, recalcitrant military factions, and intellectuals to hold the US responsible for

South Korea's political and economic difficulties.

The various service chiefs have assured US officials that the Korean armed forces will stay out of political infighting and can be relied on to maintain order. If force is needed to keep order, however, some ambitious officers may use the opportunity to try to seize power for themselves. Moreover, leading officers who see themselves threatened with loss of position, or who are seeking more power, are likely to continue attempts to organize personal support among other officers and possibly among civilians.

Such activities will weaken military discipline and reduce the capabilities of the armed forces. The pilots of one jet fighter squadron reportedly are threatening to go on strike unless the regime releases air force officers involved in the recent coup attempt. Meanwhile, reports of pro- and antiregime agitation among South Korea's volatile students raises the possibility of popular disturbances.

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UAR, SYRIA, AND IRAQ PUSH TALKS ON FEDERATION

Negotiations for the establishment of some type of federation of the UAR, Syria, and Iraq have taken on a new sense of urgency. On 17 March the first round of talks in Cairo was recessed for "several days or a week" while the Syrian and Iraqi delegations returned home to report to their governments. However, only two days later the new Syrian regime sent a higher level group led by Prime Minister Bitar back to Cairo. Michel Aflaq, secretary general of the Baath party's international organization, arrived at the same time.

The Syrian Government may have acted so quickly because it feared that failure to show progress toward Arab unity might cause renewed domestic pressure strong enough to threaten it or at least its large Baathist segment. On the other hand, any commitment to a federation scheme which would sacrifice to Nasir a significant measure of Syria's independence of action would probably be equally dangerous to the regime.

Cairo's Middle East News Agency announced on 20 March that a high-level Iraqi delegation was expected to arrive very soon to resume participation in the negotiations. 25X1

Although the USSR has avoided direct comment on the talks in Cairo, it has manifested continuing distrust of any Arab unity arrangement under Nasir's leadership. Pravda alleged on 16 March that the US is seeking to "drive" the Arab states into the sham unity of an "oil confederation."

The USSR continues its sharp propaganda exchanges with the new regimes in Iraq and Syria. Soviet propaganda on the repression of Communist parties there has begun to charge that the US, through the CIA, was involved in the coups in these two countries. 25X1

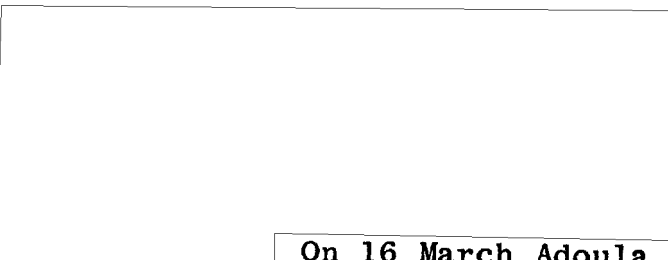
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ELECTION OF OPPOSITION SLATE IN PARLIAMENTARY OFFICES THREATENS
OVERTHROW OF CONGOLESE GOVERNMENT

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The government of Congolese Premier Adoula suffered a serious setback on 15 March when opposition candidates swept into all seven elective offices in the lower house by majorities equivalent or close to a two-thirds vote. The government can be overthrown by two thirds of those present in either house, or by a single majority in both houses.

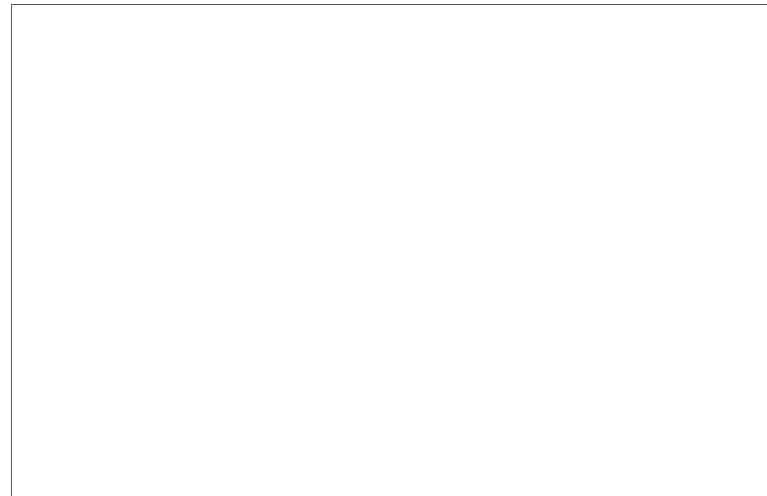
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On 16 March Adoula was expressing confidence he would survive. Ambassador Gullion feels that he might squeak through on a censure motion, but believes that both Adoula and President Kasavubu are badly overestimating their strength.

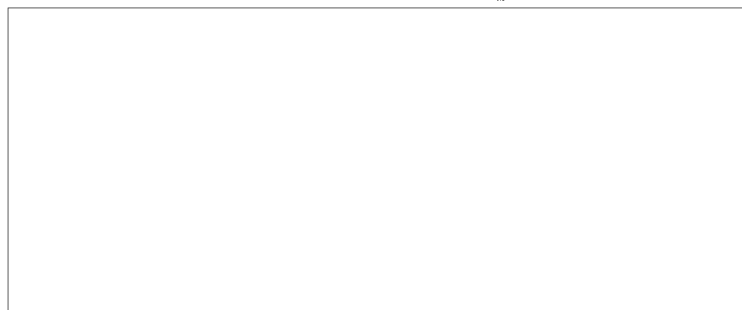
The premier reportedly plans to announce his new cabinet any day. The 15 March vote raised the price of support, however, and he may have to make many concessions and possibly shift the government's moderate orientation. He told Ambassador Gullion that no "Lumumbist" would be permitted to succeed him, intimating that extra constitutional measures would be taken to block any extremist takeover. He expressed doubt that the opposition could form a government, and thought if he were overthrown he would be called back.

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In Elisabethville, Moise Tshombé publicly and privately continues to profess that his aim is reconciliation with the central government. At the same time, he complains that the U Thant plan for Katanga's reintegration has not been fully applied by Leopoldville, particularly as regards promulgation of a federal constitution and the 50-50 split of Katangan revenues between the central government and Katanga. Tshombé has also made it clear that he intends to work for reunification of the North and South Katanga provinces.

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Although Adoula probably will include Katangans in his cabinet, he is unlikely to include Tshombé himself at this time. In any event, Tshombé is almost certain to try to exact heavy concessions in return for Katangan support.

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Europe

ITALY'S NATIONAL ELECTION CAMPAIGN

The major question to be decided by Italy's 22-29 April national elections is whether the center-left government formula will continue. At the moment, the chances are that it will and that Christian Democratic Premier Fanfani will once again form a center-left coalition dependent on parliamentary support from Pietro Nenni's Italian Socialist Party.

So far, foreign policy has played a secondary role. The only flurry of any significance has come from the Communist attempt to stir up feeling against the government's willingness to participate in a NATO multilateral nuclear force.

The most striking aspect of the campaign to date has been the almost total political isolation of the Communist Party. The Communists have been obliged to avoid any frontal attack on the center-left concept of government; their sallies about reforms being unattainable unless Communists have a hand in their implementation have been effectively parried on all sides, most notably by their former Nenni Socialist allies.

The Communists, nonetheless, have continued to hit hard on the themes that the government has failed to put through important agricultural reforms and to carry out the constitution's provisions for dividing the mainland into regional administrations. Meanwhile, pressures to modernize the party and to refurbish its public image have resulted in large-scale purges--reportedly as much as a third--of old-line Communists from party electoral lists.

The Christian Democrats are being criticized by their coalition partners--the Social Democrats and the Republicans--and by the Nenni Socialists for not carrying out their commitment to set up regional administrations. This is expected to help the Communists in some areas. The Socialists, despite their own neutralist tradition, are at odds with the Communists on important foreign policy issues. They reject Communist chief Togliatti's attacks against Italy's participation in the multilateral force, maintaining that such an arrangement is a safeguard against dangerous proliferation of nuclear arms.

Both rightists and Communists are blaming the government for rising living costs. The budget minister, however, has pointed to recent government measures to cope with this problem and noted that whereas the cost of living has risen by seven percent over 1961, wages have risen 16 percent. The Christian Democrats and their coalition partners call attention to the unprecedented legislation accomplished by this government in the field of tax and school reform and in liberalization of former Fascist laws.

Rightist opponents of the center-left formula are also using the multilateral force issue to belabor Premier Fanfani's government. Many of them are castigating the government for losing international prestige by accepting subordination in a multilateral force rather than insisting on arming Italian national vessels with Polaris missiles.

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Europe

FRENCH COAL STRIKE CONTINUES

The government has been trying to end the three-week-old coal miners' strike without increasing its original wage offer. It has sought instead to placate the miners with promises of job tenure and retraining. The report expected this weekend from a special government committee studying disparities in wages between public and private industry may indicate whether compromise or a showdown is in prospect.

Union representatives, anxious to stake out their bargaining positions in advance, have adopted a critical attitude toward the committee. The government, for its part, is waiting to take its cue from the tenor of the report. It probably hopes to use the report either as a face-saving device to grant further concessions to the miners, or alternatively, as evidence to justify its stand before the general public.

A high official of the Christian Workers Confederation privately informed the US Embassy in Paris that he thought there was a possibility of a compromise involving an 8-percent

wage increase. Miners at the local level are setting the pace, however, and it is difficult to predict how they will react to a specific government offer.

The embassy has the impression that the government is inclined to let the strike situation simmer for a short time before initiating further moves. By allowing the strikes to drag on, the government may hope to wear down the miners, and may anticipate that the inconveniences created will gradually erode their public support. The government is also attempting to undercut this support by publicizing the higher prices and taxes that would be required to offset the cost of an over-all wage increase.

Public support remains high at this point, however, and strikes of varying duration have been called in various public services and nationalized industries to demonstrate worker solidarity with the miners. Leaders of the Communist-dominated miners union--one of three on strike--are taking a harder stand and are predicting the spread of the strike to other industries.

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Europe

POLITICAL STABILITY THREATENED IN GREECE

Protracted and bitter re-criminations between the Greek Government and the largest parliamentary opposition party, the non-Communist Center Union (EK), threaten to revive long-dormant issues involving the monarchy and the army which caused prolonged instability in Greece between the world wars.

In its continuing campaign to overturn the results of the

1961 national elections, the EK has criticized the failure of King Paul to intervene to force new elections and has denounced the "complicity" of senior army generals in what it terms "electoral fraud." The royal family has lost prestige and popular support in recent years, and attempts to blame the King for the current political impasse could once again raise the "question of the monarchy."

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IMPASSE DEVELOPING AMONG FINLAND'S CABINET PARTIES

The wave of strikes with which the Finnish Government has been wrestling since January is on the wane. Prime Minister Karjalainen thus appears to be overcoming a problem that has severely strained relations among the four parties in his coalition. He is by no means out of the woods, however, as his cabinet colleagues remain

sharply divided over basic economic policies.

The decision to settle the strikes by granting higher wages and salaries is a major bone of contention. Coming at a time when the economy is on the downgrade, the government feels compelled to offset the increased pay for civil servants by cutting

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expenditures elsewhere. However, its constituent elements cannot agree where these cuts ought to be made.

The Agrarians, who are the dominant faction in the cabinet, may try to get around the problem by pressing for new taxes. This, however, is likely to be rejected by the three other coalition parties, particularly if the main burden were to fall on industry and urban dwellers.

There probably is considerable sentiment among the rank and file in the minority parties to withdraw from the government. However, their leaders, more sensitive to the realities of Finnish political life, recognize there is no satisfactory alternative to the incumbent multiparty coalition. In addi-

tion, President Kekkonen may have discouraged other parties from rocking the boat at this time by hinting that he might be prepared to consider representation for the Communists if the cabinet question is reopened.

Fear of raising sensitive problems in Soviet-Finnish relations is another brake on any move to precipitate a cabinet crisis. The Soviets in the past have seldom hesitated to use their considerable potential for influencing the composition of Finnish governments to assure the maintenance of a regime in Helsinki that is favorably disposed toward the USSR.

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Western Hemisphere

COMMUNIST PENETRATION OF BRAZIL'S PERNAMBUCO STATE GOVERNMENT

Miguel Arraes, the new governor of Brazil's northeast state of Pernambuco, has a reputation of being a good administrator with a penchant for surrounding himself with Communists and others who have a distinctly anti-American bias. Since taking office on 31 January, his managerial skill has not been conspicuous, but he has lost no time in appointing a number of Communists and like-minded individuals to key state positions. He has also publicly attacked the Alliance for Progress.

One of Arraes' first acts was to bring Diogenes de Arruda Camara, one of Brazil's most important Communists, into his administration, probably to draft the state's agrarian reform plan. Camara has been a member of the Brazilian Communist Party (PCB) since 1934; it was he who led the party in the late 1940s and early 1950s when Secretary General Luis Carlos Prestes found it convenient to go into hiding. Camara failed of reelection to the central committee in 1960 because of "leftist deviation" but has remained active within the party, most recently in rural affairs.

Arraes has also appointed card-carrying Communists to the posts of state secretary of the treasury and director of anti-slum social service, and as his private secretary. Communist-inclined individuals have been given a number of other cabinet and subcabinet posts. Among these is the new police chief,

Humberto de Andrade, who has been closely associated with party activity in the army.

So far, firm information is lacking concerning appointments to positions in the interior of the state. Arraes, however, is alleged to have told PCB leaders that he intended to appoint Communists to influential jobs there as well. These individuals would be in a position eventually to challenge the large landowners and perhaps break the hold they now have on the area.

All this may be only a beginning. The state legislature elected last October along with Arraes has a nominally conservative majority, but can scarcely be considered a bulwark against



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further Communist penetration of the state government. The governor, earlier this month, managed to get one of his own men elected president of the legislature, a move which seems to have taken the starch out of his opponents. Anti-Arraes elements are saying that because of this turn of events they have no hope of developing an effective opposition program.

The outstanding obstacle to Arraes' campaign to exercise

a free hand in Pernambuco is the Fourth Army, headquarters at Recife, the state capital. He has worked to bring about the reassignment of this army's strongly anti-Communist commander, General Castelo Branco, but so far without success. President Goulart, who supported Arraes in October, now may be inclined to keep some sort of rein on the governor's activities. [REDACTED]

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BOLIVIA MAY ACCEPT CZECH OFFER TO BUILD ANTIMONY SMELTER

Czechoslovakia has made a new offer to build an antimony smelter near the Bolivian rail and mining center of Oruro, located 150 miles southeast of La Paz. The smelter would be the first bloc industrial enterprise introduced into Bolivia.

The original Czech offer was provisionally accepted by Bolivia in a contract signed in June 1962. The agreement was never implemented, however, because La Paz objected to the repayment terms and the absence of satisfactory performance guarantees. The Czechs now have offered more lenient terms of repayment and guarantees covering

all construction and future performance of the smelter.

The smelter could become an issue in next year's elections. The liberal terms offered, plus the depressed economic conditions around Oruro and the strong political pressure from the left, may make it difficult for President Paz Estenssoro to ignore the offer. He may find it just as hard to turn down Yugoslavia's offer of a \$5-million loan for the development of hydroelectric installations in Oruro and the southern mining areas. [REDACTED]

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