

5 July 1963

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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY

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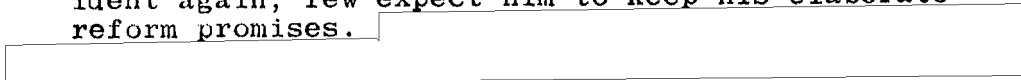
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REACTIONS TO ELECTION OF BELAUNDE IN PERU 19
Most Peruvians are relieved to have a civilian Pres-
ident again; few expect him to keep his elaborate
reform promises.



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The Communist World

PEIPING AND MOSCOW COME TO GRIPS

The long-awaited Sino-Soviet "unity talks" seem certain to usher in a period of even more ruthless fighting inside the Communist world and might even lead to an explosion which would formally cut the bloc in two. Each side has abandoned all pretense of "friendly disagreement," and their naked power struggle has led to an open deterioration of state as well as party relations. While each side is girding itself for continued strife, however, both are wrestling with the problem of how to escape the onus for the ever-widening breach while pressing home further attacks.

This disposition on both sides argues against a formal break during the talks or in the immediate future. The more likely outlook is for continued maneuvering centering about what is probably the only negotiable issue left--whether or not to hold a world conclave of Communists soon.

Because the two antagonists have long since foreclosed genuine discussion, the present talks seem destined to deal more with procedural questions than with the important substantive issues which stand between them. The Chinese, who made important gains at the last international conclave of Communist leaders, will probably press for another such gathering when it is clear the Russians will give no ground in bilateral negotiations. If Moscow turns down this suggestion, Peiping will probably

make an open appeal to other Communist parties.

The Chinese Communists apparently believe the tide is running with them and regard the Moscow encounter as an opportunity to expand their influence in the world Communist movement. Probably for this reason Peiping chose not to launch a polemical attack against Moscow's expulsion of Chinese diplomats who had been spreading anti-Soviet propaganda, and has reacted with restraint to the obviously staged attack on its embassy. Nevertheless the Chinese pointedly reserved the right to reopen the matter in due course.

Peiping's optimism concerning its present and future prospects in the world movement was given impetus by its recent important tactical victory in Belgium. Provided with money and support by the Chinese, sympathetic Belgian Communists have just split their party and formed a pro-Peiping splinter group--the first such organization in Western Europe. This development is another indication that Peiping's appeal transcends geographic and racial considerations.

A dissident Communist group in Brazil which favors the militant Chinese line has already set up a separate party. Peiping has supporters--as yet lacking formal organization--in most of the other Latin American Communist parties. Moscow

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was sufficiently concerned over Chinese inroads in Uruguay to counsel the head of the party there to purge such elements before they staged a coup.

Peiping now enjoys support from the major Communist parties in New Zealand, Indonesia, and Japan. In Australia, a revolt against pro-Russian party leaders may be in progress. Among the Asian Communist nations, the North Koreans are solidly behind Peiping. The North Vietnamese are still seeking to maintain a middle position, despite heavy pressure from the Chinese.

Hoping to enter talks in the best possible light, Moscow is still refraining from open polemics and will probably attempt to maintain a public posture of dignified authority.



The discrepancy between the length of Khrushchev's address to the plenum--more than four hours--and its printed version suggests the latter was heavily cut to suppress extensive and reportedly scurrilous attacks on the Chinese.

Khrushchev probably put forward similar views at the meeting of satellite leaders who gathered in Berlin, ostensibly to celebrate Ulbricht's birthday. The sudden announcement of the gathering and the

disarray suggested by the staggered arrival of various leaders indicate it was a rapidly improvised affair, probably designed to lay down the line on coming tactics and provide a display of unified support for Moscow.

As a demonstration of satellite solidarity, however, the Berlin meeting was marred by the absence of Rumanian Communist leader Gheorghiu-Dej. Khrushchev made a hurried trip to Bucharest on 24 June in what was probably a last-minute effort to persuade the Rumanians that they must abandon their opposition to Moscow on questions of bloc economic integration.

The stirrings of independence within the bloc, as demonstrated by the troubles with Rumania, can be expected to strengthen Russian resistance to Peiping's demands for a worldwide Communist meeting. Any proposal on this score agreed to by Moscow will almost certainly contain numerous devices to ensure delay. In such an impasse, each side can be expected to respond with unbridled assaults on the other.

The Soviets are likely to break their own restraint on polemics and publish the "secret" speeches of Khrushchev and his subordinates. The Chinese have as much as promised to renew their attacks. If, after a period of such open warfare, it appears to the Chinese that Moscow intends to stall indefinitely on the question of an international meeting, Peiping might call for an all-party gathering under Chinese sponsorship.

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KHRUSHCHEV'S SPEECHES IN EAST GERMANY

The Soviet premier's recent visit to East Germany, ostensibly to take part in celebrations of Walter Ulbricht's 70th birthday, further reflected Moscow's desire to keep lines open to the West against the prospect of an even sharper deterioration of intrabloc relations following the Sino-Soviet talks.

Khrushchev's speeches during the visit were restrained in tone. He reiterated the need for a German peace treaty but again without spelling out any deadline. He introduced no new proposals on Berlin and Germany. In his major address on 2 July he was obliged, given his audience of East German party faithful, to rebuke President Kennedy for his speeches in West Germany and West Berlin. However, Khrushchev again referred favorably to the President's 10 June speech and its "sober appraisal" of the world situation.

The 2 July speech contained a new proposal designed to give the forthcoming three-power test-ban talks in Moscow an appearance of increased scope and promise. In a marked shift of position, Khrushchev dropped his long-standing insistence that an indefinite moratorium on under-

ground testing accompany an agreement to ban nuclear testing in the atmosphere, outer space, and under water. This shift, taken together with his renewed favorable comment on the President's 10 June speech, was intended as a constructive approach to East-West relations.

The new proposal, however, calls for a NATO - Warsaw Pact nonaggression treaty to be signed "simultaneously" with the partial test-ban agreement. This dual proposal is obviously aimed at achieving a bargaining advantage at the outset of the talks--beginning on 15 July. Khrushchev may eventually indicate a willingness to modify or drop this link should he feel the need to achieve some success for his "peaceful coexistence" strategy.

Refusal to drop the link, however, probably would mean that Khrushchev's main purpose is to build a record of alleged Western unwillingness to come to any agreements on European security. It would also indicate that the Soviet leader continues to be more preoccupied with forestalling the emergence of a NATO nuclear force than with a serious effort to reach agreement with the West.

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KHRUSHCHEV'S SPEECH AT THE CENTRAL COMMITTEE PLENUM

Khrushchev's 21 June speech to the Soviet central committee plenum--published by Moscow a week afterward--revealed his deep concern over the erosion of discipline in party ranks and warned that deviation from the Kremlin line could result in expulsion from the party.

In tones which were at once defensive and threatening, Khrushchev condemned the attempts of "Western imperialists" to separate the Soviet party from the people through a campaign of ideological subversion, and lashed out at those within the party who have been "duped" by bourgeois ideology. Calling for a hatred of the "class enemy" which knows neither national boundaries nor family ties, he branded support of the "peaceful coexistence" of Western and Communist philosophies as a betrayal of Marxism. He suggested that the party rid itself of all those guilty of such deviation--"the quicker the better."

While most of his remarks were addressed to the Soviet intelligentsia, it seemed clear that he was in fact speaking to the party as a whole. His underlying theme seemed to be an admission that widespread disbelief in Communist ideals and growing acceptance of Western concepts--detailed in party secretary Ilichev's address which opened the plenum--had infected the party itself. He declared that

only "simpletons" believe in Western freedom and denounced those who accept ideological coexistence as "bourgeois agents in our midst." Some cohesion of views among those guilty of such doctrinal deviation was suggested by his remark that they "form a kind of party of nonparty people." Khrushchev stressed again and again the unity of the party and its close ties with the people. He reaffirmed the leading role of the party in all areas of life, and made it clear in the strongest terms that Kremlin decisions are unconditionally binding on all Communists.

Khrushchev revealed his personal sensitivity to charges of complicity in Stalin's crimes--an implicit theme in the polemic between the regime and the liberally oriented intellectuals--and implied that he had carried the day against certain top leaders who opposed his revelation of Stalin's misdeeds because they themselves had aided and abetted reign by terror. In addition, he defended himself against recent charges of a return to "Stalinist methods" by stating that those who join the class struggle on the side of the "kulak" should not be "offended" if they receive hard blows.

Despite his harsh words, Khrushchev's specific attitude toward the intelligentsia was reminiscent of the aftermath

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of the Pasternak affair in 1959 when--the extremes of open nonconformity having been curbed--he attempted to establish a more normal relationship with Soviet writers and artists, but without encouraging new outbreaks from the liberals. He demanded obedience to the party, but his remarks generally lacked the high pitch of anger in his March speech to the intelligentsia.

Of the recalcitrant intellectuals recently under critical fire, only the writer Viktor Nekrasov was treated as beyond redemption. Nekrasov had publicly cited his honor "as a communist" as his reason for refusing to recant, and insisted that he would continue to write "the genuine truth" for which he had fought in the trenches of Stalingrad. Khrushchev demanded that the party expel members who failed to obey even after a party decision had been made.

Despite his veiled threats, Khrushchev apparently made only one concrete proposal in cultural policy, urging a reorganization of the press and of publishing houses so that tighter control could be exercised by party ideological workers. There may have been other proposals, however, and his entire speech may well have been much more harsh in tone than would appear from the published version. According to the embassy in Moscow, the speech was heavily edited--perhaps by as much as half--and in the original version was "replete with unprintable phrases."

In the final portion of the published speech, Khrushchev expressed his frustration with economic planners who follow traditional patterns and resist changes in technology. He proposed that the party "take planning into its own hands." His comment that Gosplan "cannot cope with this work on its own" suggests that the party's relationship to the planning organs will be formalized in some manner.

His general tone was one of discouragement over the failure of past programs, but he offered no new solutions to old problems. He again proposed a moratorium on new construction starts, perhaps for the year 1964. The almost verbatim repetition of previous solutions suggests his bewilderment at the persistence of overcommitment in the investment program.

He again urged priority for the chemical industry, stressing its consumer goods orientation, and hit especially the need for increased mineral fertilizers. There are other signs that the seven-year goal for this commodity may have been raised sharply.

He indicated that a "regular central committee plenum" will discuss development of the chemical industry, but gave no hint of when this plenum will take place.

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PEIPING CURTAILS PEASANT FREEDOMS AND INCENTIVES

Peasant freedoms in Communist China have been curtailed in recent months in a new effort to curb "spontaneous capitalist tendencies" and to strengthen collectivization. Peiping has denounced the view widely held both inside and outside China that the slight increase in agricultural production in 1962 was due chiefly to private plots and not collectivization. In contrast, earlier actions by the regime had indicated an appreciation that incentives cause peasants to increase production; its present actions reflect a concern that increased incentives bring in their train reduced ideological commitment and stronger resistance to political controls.

After the retreat from the commune system in 1960, peasants were given considerable freedom to raise pigs, chickens, vegetables, and other produce on their own. Since the end of 1962, however, such opportunities have been greatly restricted.

col-
lective farms have been taking back land reclaimed by individual peasants in 1962 at the urging of the regime, although the private plots assigned in 1961 have not yet been touched. The regime has also been requisitioning night soil accumulated for private plots and needed to maintain their fertility.

According to the Chinese Communist press, collective farms are limiting the number of sideline activities and tightening supervision over those still permitted. For example, they have begun to assign production quotas for pork, chickens, and eggs, thereby transforming a freedom into an obligation.

One crude device for enforcing the new rural restrictions is the "class struggle," which is being used to restrict the influence of any peasant who has ever accumulated a little wealth for himself. The technique is to classify peasants as "poor," "lower middle," and "upper middle" and to declare the last group ineligible for the management committee of the collective farm. The Chinese Communists have warned that "new" upper middle peasants--including those who took advantage of regime-encouraged activities last year to make money--can be especially stubborn believers in capitalism.

Although the "class struggle" discriminates against the more energetic and intelligent peasants and thus reduces the efficiency of the collective, Peiping evidently feels that it is necessary to strengthen the collective system.

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NORTH KOREA'S DETENTION OF US PILOTS

Pyongyang, in an effort to wring political concessions from the US, apparently intends to continue holding two US army officers forced down just north of the demilitarized zone in Korea on 17 May. They have already been detained far longer than Pyongyang held its last US prisoner--11 days in 1958.

The incident was immediately labeled an act of "aggression" by the North Koreans, and seized upon as a pretext to step up their complaints about other alleged US intrusions into North Korean territory and violations of the Korean armistice agreements. All requests at Korean Military Armistice Commission (MAC) meetings that the officers be freed have been countered by these charges. Until the most recent MAC meeting on 29 June the North Koreans refused even to comment on the physical condition of the prisoners. At that session they claimed that the captives are in "normal condition," but would not elaborate.

Beyond interrogation of the captives for intelligence purposes, Pyongyang's immediate objective is apparently to use them to wrest from the US a public apology for the incident and possibly a pledge to prevent further violations of North Korean territory. At the 29 June MAC meeting, Pyongyang said that it would not accept comfort packages for the men until the US apologized "before the Korean people." Pyongyang has ignored an apology on behalf of the UN command in Korea tendered privately at an earlier MAC session.

It is not yet clear whether even a formal US apology would secure the release of the officers. There have been some hints that the North Koreans may plan to hold the men as long-term political hostages. The captives have repeatedly been referred to by Pyongyang as "criminals" in an echo of Chinese Communist practice with regard to the US prisoners Peiping continues to hold.

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YUGOSLAV GOVERNMENT LEADERS



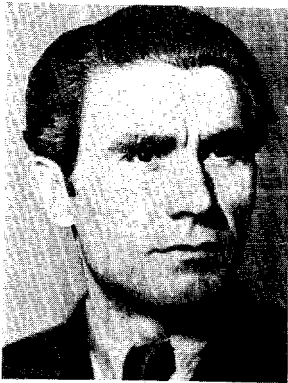
TITO



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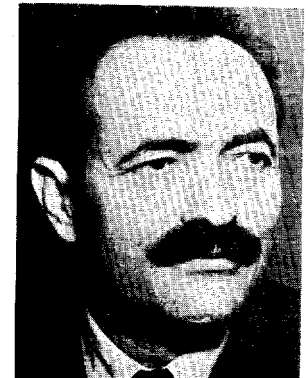
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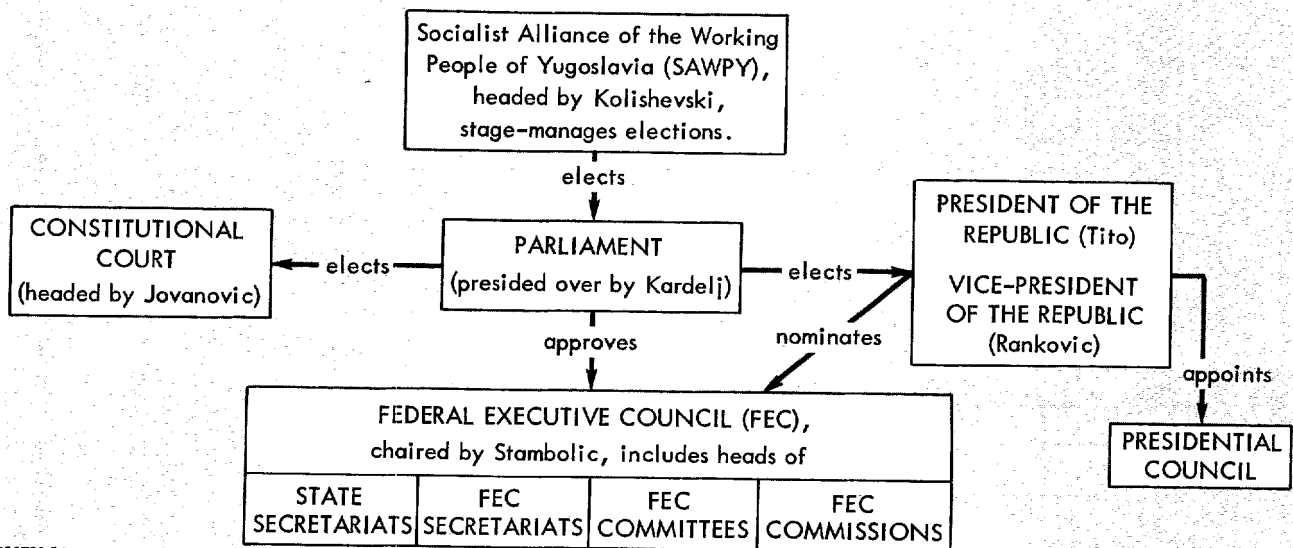


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YUGOSLAVIA'S NEW GOVERNMENT

During the 29-30 June session of Yugoslavia's new parliament, Tito divested himself of all his governmental posts except the federal presidency. He now has distributed political responsibilities more widely and applied for the first time his policy of rotating leading personnel. Having long wished to play a less active role, Tito has prepared the way for a successor regime but retains indefinitely the power to influence the course of events decisively.

By naming his chief party deputy, Aleksander Rankovic, to the federal vice-presidency, Tito has designated his heir. Although Rankovic is not in an uncontested position to succeed eventually to Tito's total power, he now is clearly the leading contender. Tito's choice may have been governed in large part by the fact that Rankovic, despite his secret police connections, is considered more personable and a better administrator than his chief rival, theoretician and policy-maker Edvard Kardelj, some of whose previous functions Rankovic will now assume.

As the new president of Parliament, Kardelj will remain a leading political figure, especially since Parliament is expected now to assume for the first time an active role in policy formulation. However, in Communist systems it is the administrators who are in the best positions to build personal followings, and Kardelj,

therefore, has probably been seriously handicapped in preparing for the coming succession struggle.

In addition to relinquishing the premiership--now to be downgraded to a mere administrative post--to Petar Stambolic, Tito ceded the presidency of the mass political organization (SAWPY) to Lazar Kolishevski, formerly Macedonia's leading political figure. SAWPY has been one of the sources of power of Rankovic, until now its secretary general. It now will become a separate factor in the Yugoslav political equation, having influence primarily as the regime's mechanism for dispensing political patronage.

The head of the country's new Constitutional Court is to be Blazo Jovanovic, the former boss of Montenegro, who has been kicked upstairs.

[redacted] his selection suggests that the new court will fail to realize its potential as a distinct political force.

Concurrent with the shifts at the federal level, extensive personnel changes have been made in the six republics. For the most part, the new leaders are newcomers to prominence, consistent with Tito's intent to regenerate the regime and make room for new blood. [redacted]

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Asia-Africa

RIVAL LEADERS MOVE TOWARD TALKS IN LAOS

Premier Souvanna and Pathet Lao leader Souphannouvong have taken a step toward their first meeting since early May. They have agreed on the Plaine des Jarres airfield as the site for preliminary talks of lower officials. These talks, for which no date has been set, are to prepare the way for a "summit conference" between the two leaders.

Although the Communists have not revealed their present conditions for negotiations, they are not expected to depart significantly from previous positions. These included a demand for the de facto division of Laos into two zones, one occupied by the Pathet Lao and neutralists and the other by the conservative forces of General Phoumi.

Since the Pathet Lao probably have no intention of making concessions, they may well decide to abort the talks by accusing the neutralists of bad faith. Souphannouvong has already publicly stated that if the rightists and Kong Le "reactionaries" continue their attacks in the Plaine des Jarres, their actions will "obstruct the talks." He has also sharply criticized the re-

cent takeover of the French air base at Seno by Phoumi's air force and could use this as an excuse to call off the negotiations.

Meanwhile, the Communists continue their military pressures in various sectors. In south-central Laos, the neutralists have established tenuous positions north of Nhommarath on Route 8 and southwestward toward Thakhek.

In the Attopeu area the situation remains quiet, but there are indications that the Pathet Lao may be building up for an attack later this month.

The scale of fighting in the Plaine des Jarres and near Vang Vieng, north of Vientiane, remains limited to small-scale skirmishing and inconclusive artillery duels, with no significant advances by either side.

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Asia-Africa

BUDDHISTS STILL AT ODDS WITH SOUTH VIETNAM REGIME

Relations between the South Vietnamese Government and the Buddhists remain tense despite the compromise agreement of 16 June on five specific Buddhist demands to end religious discrimination.

The Buddhist hierarchy has expressed skepticism of the government's intention to implement the agreement, citing in particular continued surveillance of pagodas and the regime's failure to provide full data on the whereabouts of persons arrested during recent Buddhist demonstrations. Buddhist leaders plan to resume demonstrations and propaganda appeals abroad, and to stage further self-immolations if the regime procrastinates any longer. Such activities could in turn lead to new disorders.

Although the government is beginning to publicize its steps to carry out the agreement, there are signs that it may merely be buying time. Official attempts to portray the Buddhists as tools of the regime's foreign and domestic enemies, including the Communist guerrillas, suggest that President Diem's long-range strategy may contemplate a crackdown on some Buddhist leaders and cooperating student groups. Diem's own suspicions of Buddhist motives probably are reinforced by pressure from his brother and political adviser Ngo Dinh Nhu, who has opposed all concessions.

Although the moderate Buddhist leadership has so far tried to keep the dispute focused on the religious issues, some

Buddhist priests apparently are thinking increasingly in terms of political action aimed at ousting the Diem regime. While they continue to assert that they will not let themselves be exploited politically, some of the younger, more militant clergy have recently indicated increased receptivity to approaches by Diem's non-Communist political opponents. These Buddhists allege that time is running out on the Diem government and on its chances of achieving a real victory over the Viet Cong.

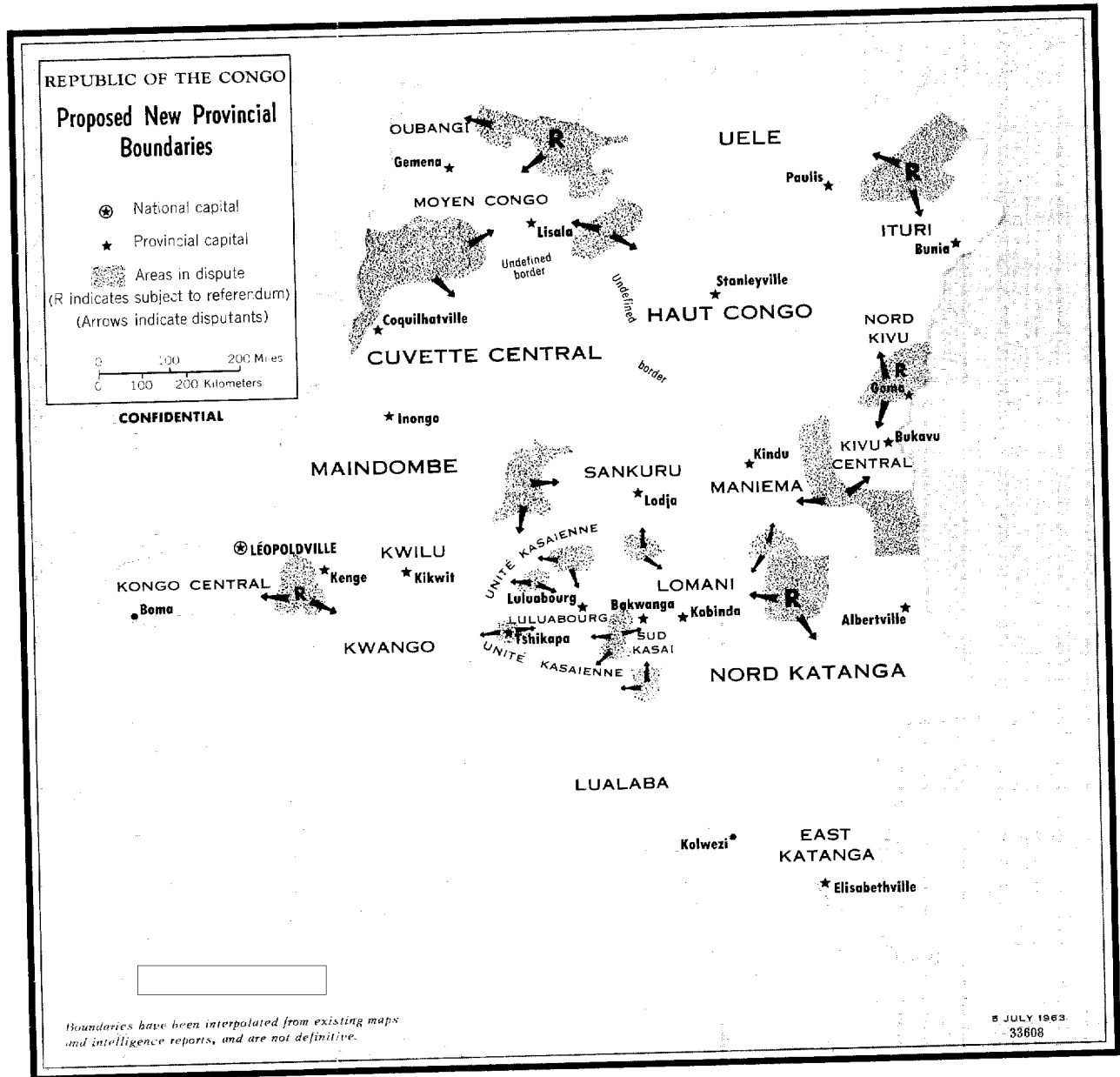
Diem's handling of the Buddhist affair has aroused considerable official as well as popular restiveness.

The Buddhist crisis has so far had little appreciable effect on military operations against the Viet Cong, and the government has recently inflicted heavy losses on them. However, the number of Viet Cong attacks also rose sharply in the last week of June, despite the rainy season.

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Asia-Africa

ADOULA GETS A BREATHER IN THE CONGO

The Congolese Parliament, in session since March, recessed on 26 June until 2 September, giving Premier Adoula a two-month breather. Despite Adoula's lack of control, opposition deputies made only halfhearted forays against him, and rival forces seemed content to concentrate on reorganizing their political groupings with an eye to next year's elections.

The anti-Adoula "nationalist" camp has suffered a new reverse in the ouster of violently anti-Western Georges Grenfell as president of the Haut Congo Province at Stanleyville. Two weeks ago Grenfell had intimidated the provincial assembly into electing him, but Leopoldville made it clear new assembly elections would be held if Grenfell were not removed.

On 29 June, Adoula extended de jure recognition to Holden Roberto's Angolan government in exile. Minister of Justice Bomboko said the move was necessary to avoid being "outpaced by the extremists," and designed to bolster the Roberto group against its rival, the Popular Movement for the Liberation of Angola (MPLA), favored by the more radical African states. Adoula feared the growing interest of other African states in Angola--highlighted by Algerian Premier Ben Bella's offer of 10,000 Arab volunteer fighters--would diminish his own role in the Angolan independence movement and inevitably pose a threat to his domestic position. He also wanted to get the jump on the nine-country African

Liberation Committee meeting in Dar-es-Salaam which he feared might endorse the MPLA.

Nevertheless, Adoula does not plan to break diplomatic relations with the Portuguese, who have the ability to disrupt Congolese trade. He believes that the presence in the Congo of a large Portuguese colony and Portuguese investments will prevent any strong response from Lisbon, and in fact Portugal's initial reaction has been mild.

Moise Tshombé remains in a medical clinic in Paris where he has been since 16 June. In his absence the Congo Parliament further undercut him by abolishing South Katanga, of which he was president. In May it had split off the western part of his province to form the new Lulalaba Province. An "East Katanga" now has been set up largely out of what remained of South Katanga.

Leopoldville has indicated there will be new provincial elections. Tshombé could probably win the presidency in Lulalaba, his tribal stronghold, and perhaps still in East Katanga, but his absence has left the field to others who are anxious to succeed him.

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Asia-Africa

RUMBLINGS OF DISCONTENT IN ALGERIA

Premier Ben Bella continues to face widespread opposition as shown by recent arrests and a small-scale mutiny among troops in eastern Algeria.

There is yet no sign that his position is seriously challenged, however, for his elimination of most of the old political leaders has magnified disorganization among the opposition. Ousted labor and political leaders, discontented veterans, disappointed office seekers, and dissatisfied intellectuals have yet to find a leader. In late June the government arrested Mohamed Boudiaf, one figure who might have united them. Boudiaf had broken with Ben Bella last year.

Ferhat Abbas, president of the constituent assembly and first head of the pre-independence provisional Algerian government, recently counseled Ben Bella to slow down his socialization measures. While the traditionally influential and wealthy Algerian families look upon Abbas with some favor, there is little evidence that they give him either direct or substantial backing, and Abbas himself probably would not accept an open alliance with them.

The Berbers in the Kabylie, east of Algiers, still have res-

ervations regarding Ben Bella, but have not joined forces with Abbas. They distrust him because he helped Ben Bella gain power a year ago. Belkacem Krim, potential leader of forces in the Kabylie if armed dissidence develops in that area, and Mohammed Khider, the radical ousted head of the country's only legal political party, are both in Cairo now and may be seeking Nasir's support.

The only visible effect of the political currents is to make Ben Bella talk and act tougher. The one serious rival to his position is army commander Col. Boumedienne, who has no national following outside the army. Ben Bella knows that as long as Boumedienne and the army are behind him he controls the single most effective element required to preserve power.

Ben Bella's financial position has been temporarily eased by the promise of some \$160 million in cash and credits from the French Government. He can thus pay some salary arrears and government debts, but the respite is not likely to endure for more than two to three months. In the meantime, he faces a deadline for promulgating a constitution and holding parliamentary elections by the end of September.

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Asia-Africa

CAMPAIGN AGAINST SOUTH AFRICA IN THE UN

Other independent African states--flushed with their success in preventing South Africa's participation in the recent General Conference of the International Labor Organization (ILO) --will push their drive to isolate that white-supremacist regime still further when the UN General Assembly convenes on 17 September. Their vehemence at the ILO indicates that the Africans will denounce South Africa's membership in all international organizations when the UN Security Council meets later this month to consider sanctions against the Verwoerd government because of its apartheid policies.

The major aim of the Africans is to rid the continent of all vestiges of colonialism, including Verwoerd. Thirty-one African states--aided and advised by the Arab states, especially the UAR, and the Soviet bloc--walked out of the June ILO conference when the chair recognized the South African Government delegate's right to address the assembly. Because the ILO constitution does not provide for any legal method to oust a member, the Africans hoped that their boycott would force South Africa to withdraw. However, it did not, and the conference continued under a hastily elected Danish president after the Nigerian president departed.

The African protest nevertheless resulted in a decision

on 29 June by the ILO governing body to bar South Africa from all its elected bodies and meetings and to consider at next year's conference constitutional amendments which would permit outright expulsion from the 44-year-old organization.

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While the African states will continue in various international organizations to press for action designed to force South Africa to end apartheid, they may not go to the extreme of boycotting the UN itself or the World Health Organization.

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Asia-Africa

AREA NOTES

Iraq: The advance of Iraqi Army units into Kurdish-held territory appears to have slowed and is confined mostly to easily passable roads. Extensive bombing and strafing of Kurdish villages continues, but ground engagements have been on a small scale. Kurdish hit-and-run attacks against the Iraqi Petroleum Company's pipeline have caused brief interruptions of the oil flow.

[Redacted]

Syria: A temporary compromise apparently has been reached between the Baathists who dominate the Syrian Government and Army Chief of Staff Hariri following attempts by them to oust a number of his army supporters.

[Redacted]

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A Baathist effort to force Hariri's resignation seems to have foundered on his strong support in the army, as well as among certain civilian elements.

[Redacted]

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Europe

PROSPECT FOR CONFIRMATION OF ITALY'S CARETAKER REGIME

The Socialist Party's decision to abstain makes it virtually certain that Italian Premier Leone's all - Christian Democratic government will win a vote of confidence in Parliament. Establishment of this administrative government will provide a breathing spell for the seriously divided Socialists to prepare for their national congress in October, which will decide on the orientation of the party. In the meantime, both rightists and Communists will continue to seek ways to topple Leone.

The vote in the Socialist central committee meeting on 2 July on the abstention issue was reportedly 45 in favor and 34 against--presumably from the left wing. The principal reason behind the decision to abstain is probably fear that, if Leone fails, President Segni might call for new elections--in which the Socialists are convinced they would do poorly. Although there is press speculation that the party's left-wing members of Parliament might revolt and vote against Leone anyway, the Socialists have generally observed party discipline in parliamentary voting in the past and, as the confirmation vote is an open one, a revolt is probably unlikely.

The other center-left parties--the Social Democrats and the Republicans--will follow the Socialist lead and abstain. The Communists on the left and the Liberals, Monarchists, and neo-Fascists on the right are expected to vote against Leone.

Although Leone has indicated his intention to step down after the 1964 national budget is passed in October and after the Socialist national congress that month, his government may not last even that long. Right-wing Christian Democrats and the rightist parties will seek opportunities to bring him down by attempting to exacerbate differences among the parties supporting him. Right-wing Christian Democrats probably favor holding new elections in the belief that their party could regain some of the votes it lost to the Liberals in April, thereby conceivably opening opportunities to abandon the center-left formula.

The Communists would certainly favor new elections in the expectation of making substantial gains. The party is increasingly aggressive as a result of its electoral gains in April and can be expected to press hard to bring down the Leone government. The Communists may initiate strikes--perhaps using rising living costs as a pretext--to embarrass and discredit the Socialists, who are still joined with them in Italy's largest labor union.

The time available for accomplishing Leone's downfall by parliamentary vote will be limited, however, inasmuch as Parliament is normally recessed from mid-July to early October.

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Europe

FRANCE'S RELATIONS WITH THE UN

France's attitude toward the UN has recently altered in certain respects. Paris is more amenable to UN involvement in the Middle East, and has hinted it might eventually pay its arrears from the Congo operation. There has been no change, however, in the French position that the UN does not have the power to levy on sovereign members for operations they do not approve of. France last month joined with the Soviet bloc countries in opposing a plan adopted by the General Assembly for financing UN peacekeeping operations.

The plan was contained in five general resolutions involving financing and a sixth which reduced peacekeeping assessments for 85 "economically less-developed countries" and placed the cost burden on some 26 economically advanced countries. Both France and the USSR maintain that the General Assembly's intrusion into the field of peacekeeping operations is illegal.

While France abstained on a resolution for financing the UN Emergency Force in the Middle East, it announced that it would continue voluntary contributions to this peacekeeping operation and indicated it would also pay its share of incidental costs borne mainly by the US and the UK in the past. Earlier France had increased its contribution to the UN Relief and Works Administration for Palestine refugees. Such moves nevertheless do not reflect any basic change of attitude, because France has generally approved UN truce and peacekeeping opera-

tions in the Middle East and, since the end of the Algerian War, has shown an increasing interest in playing a more active role in the area.

France's debt to the UN arises from its refusal to pay the special assessments levied for the Congo operation. It rejected an International Court of Justice advisory opinion, which in effect classified special expenses as regular UN outlays which must be paid for by all UN members. The French have been hinting since spring, however, that once the UN troops are withdrawn from the Congo, some face-saving device would be sought to permit payment of arrears without compromising the French view that such assessments are not legally binding.

Unless France and the Soviet bloc countries pay their share of peacekeeping costs authorized by the June resolutions, they stand to lose their votes at the First General Assembly meeting in 1964--a penalty provided by Article 19 of the UN Charter in cases of arrearage. France denies that a member country automatically loses its vote for this reason, arguing that the General Assembly must first establish the fact of arrearage and subsequently make a decision either to apply or waive the article. While this position aligns France with the Soviet bloc, it is viewed sympathetically by numerous one-crop-economy nations which might in the event of a crop failure be obliged themselves to default on UN assessments.

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Europe

SPANISH RELATIONS WITH THE SOVIET BLOC

The Franco regime is moving toward a less restrictive policy on contacts with the Soviet bloc. It probably hopes thereby to strengthen its hand in the forthcoming negotiations for extension of the US bases agreement and also to increase Spain's stature in the Western community. Establishment of diplomatic relations is unlikely, however, although favored by a number of government officials.

The absence of formal diplomatic ties between Spain and bloc members is ascribed by Madrid in part to Soviet refusal to return the half-billion dollars worth of Spanish gold sent to the Soviet Union during the civil war for safe-keeping. The lack of diplomatic ties, however, has not prevented certain official contacts with Moscow, and semiofficial trade agreements with all of the satellites except Albania.

Recently, the Spanish Government has taken to making official replies to Russian moves. Last April, when Khrushchev sent through Soviet and Spanish embassies in Paris a request for clemency for the condemned Spanish Communist Grimau, Franco sent an answer using the same channels. Khrushchev's plea--which Franco refused, primarily to demonstrate to the world, and particularly the West, Spain's unswerving anti-Communist posture--was a routine one which he occasionally makes to non-Communist government leaders when local Communists are given

death sentences or long prison terms. Early last month Spain also replied to the Soviet note on denuclearization of the Mediterranean by defending the presence of nuclear submarines in that area and criticizing Soviet aggressive intentions.

The secretary general of the Spanish syndicate organization of workers and employers recently informed the US Embassy in Madrid that two Soviet delegations had requested visas to visit Spain. One of these delegations wants to observe workers in the textile, agricultural, and mining sectors, and the other wishes to observe the syndicate elections which are to be in process during the remainder of this year. Syndicate officials have defended these contacts with the USSR on the grounds that previous efforts to establish relations with US and Western European trade unions had been rebuffed.

Cultural and economic exchanges with the Soviet Union and its satellites include Soviet participation in the San Sebastian film festival, visits by the Bulgarian state orchestra and ballet to Barcelona, and bloc participation in the recent Barcelona trade fair. The Spaniards have stepped up imports of Rumanian cement and Russian fuel oil and heavy machinery, and are displaying a wide variety of bloc consumer items in Madrid shops.

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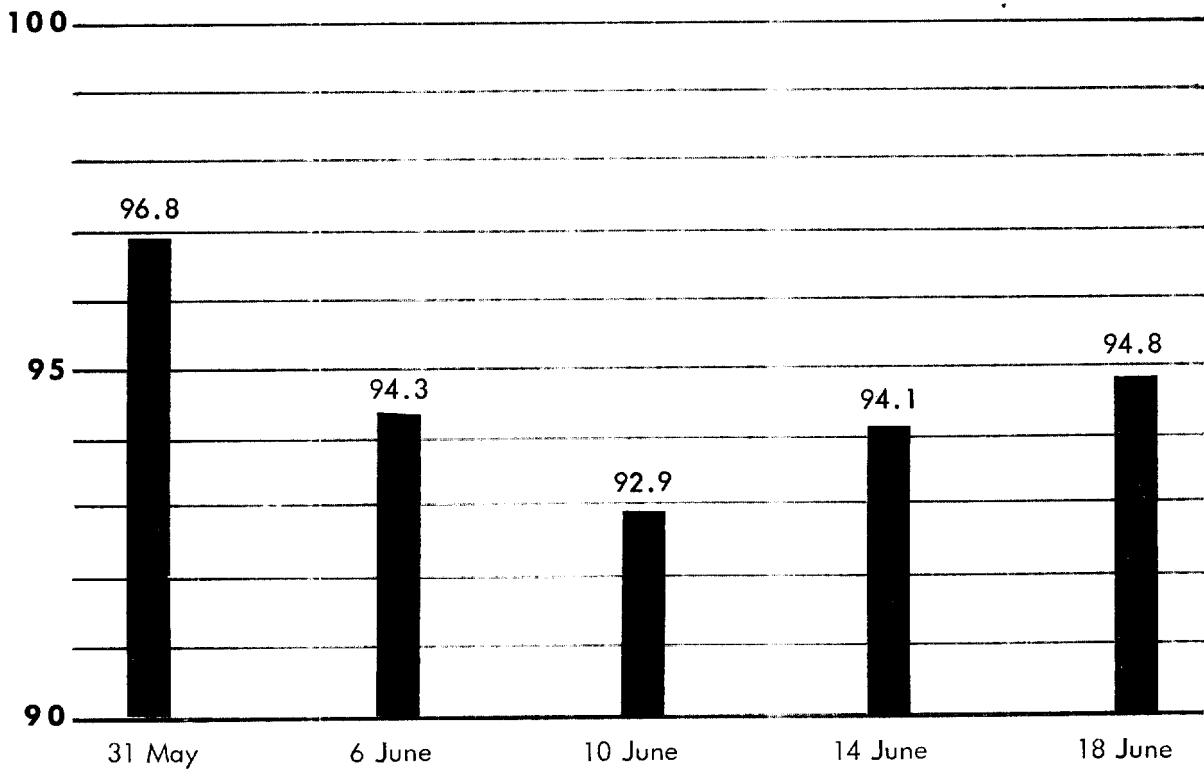
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PERUVIAN ELECTION STATISTICS - 9 JUNE 1963

PARTY	PRESIDENTIAL CANDIDATE	VOTES	SENATORS ELECTED	DEPUTIES ELECTED
AP-PDC	Belaunde	708,662	20	50
APRA	Haya	623,501	18	58
UNO	Odria	463,085	7	27
UPP	Samame	19,320	0	0
Independents	None	--	0	5

FOREIGN EXCHANGE HOLDINGS IN PERU'S CENTRAL RESERVE BANK
1963

MILLION DOLLARS



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Western Hemisphere

REACTIONS TO ELECTION OF BELAUNDE IN PERU

The Peruvian National Electoral Board on 28 June officially proclaimed Fernando Belaunde Terry President-elect. He will begin his six-year term on 28 July. The board confirmed that he had garnered 39.05 percent of the 1,814,568 votes cast on 9 June.

Of the 70 congressmen elected on the coalition ticket of Belaunde's Accion Popular and the Christian Democrats (AP-PDC), 18 are known to be Communists or pro-Communists. The inclusion of these individuals on the AP-PDC lists probably explains the Communist Party's overt support of Belaunde throughout his campaign.

The leftist, anti-Communist APRA elected 76 congressmen, and the followers of ex-dictator Manuel Odria 34. No known Communists were elected on either of these tickets.

In addition, the new congress includes five independents: one Communist, two suspected Communists, one Socialist, and one of unknown political orientation.

Most Peruvians appear to be reacting to the election outcome with moderate relief that after a year of military rule a civilian president has finally been chosen. Very few expect Belaunde's administration to bring any great change into their daily lives. Most of them suspect that the far-reaching reform programs he

advocated in his three campaigns (1956, 1962, 1963) will be watered down, and they believe that Belaunde's military overseers will prevent any sizable infiltration of the government by Communists and pro-Communists.

Thus far, no significant adverse comment has appeared in Peruvian public media. APRA charged that fraud had been committed in two northern provinces, but, when the official tally showed that APRA had won in both provinces by a greater margin than in 1962, the charges were quietly forgotten.

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Businessmen in Peru are encouraged by Belaunde's restraint since the election. They point out that he has not repeated his more nationalistic campaign statements since election day, and they cite his avowed intention to work closely with the Alliance for Progress. An official of the US Embassy in Lima commented that "it is significant that Peru's foreign exchange reserves ...remained relatively stable" during the period from 31 May to 18 June.

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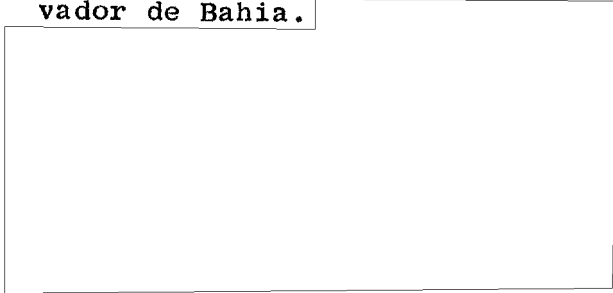
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Western Hemisphere

COMMUNIST-BACKED STUDENT CONGRESS IN BRAZIL

The Goulart regime in Brazil appears to be giving support to the Communist-backed "International Congress of Students of Underdeveloped Countries" scheduled for 7-14 July in Salvador de Bahia.



The meeting is being sponsored by the leftist Bra-

zilian National Union of Students (UNE) in collaboration with the Communist-dominated International Union of Students, which is providing funds. Delegates from more than 90 nations and several international organizations are expected to attend.

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The Chinese Communists are reportedly sending 14 delegates, who intend to promote the Chinese line and attack Soviet views. The dominant ideology of the UNE leadership is said to be nearer that of the Chinese than Moscow's.

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