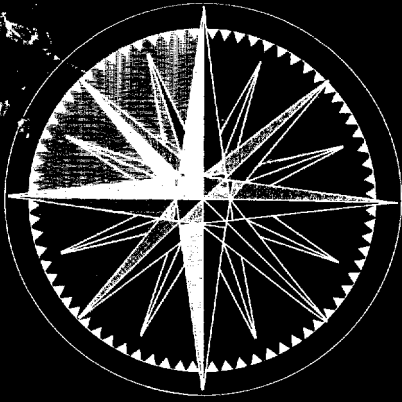


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12 July 1963

OCI No. 0288/63

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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

CENTRAL INTELLIGENCE AGENCY

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(Information as of 1200 EDT, 11 July 1963)

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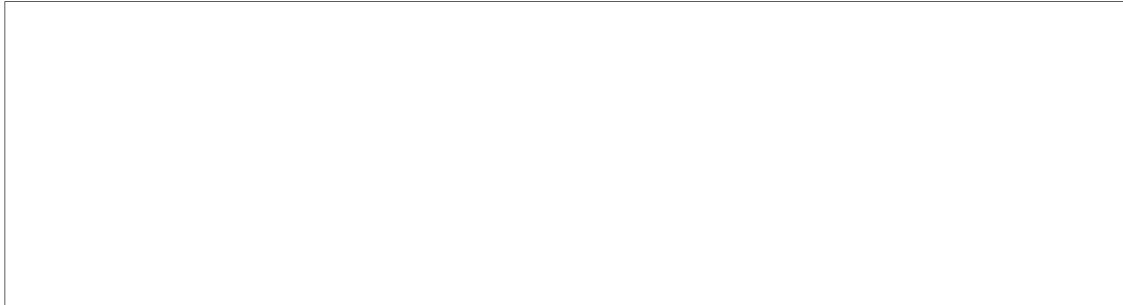
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FURTHER NEUTRALIST RETRENCHMENT IN LAOS 10
The Communists are maintaining pressure at several points, and efforts to arrange talks between Premier Souvanna and Prince Souphannouvong remain stalled.



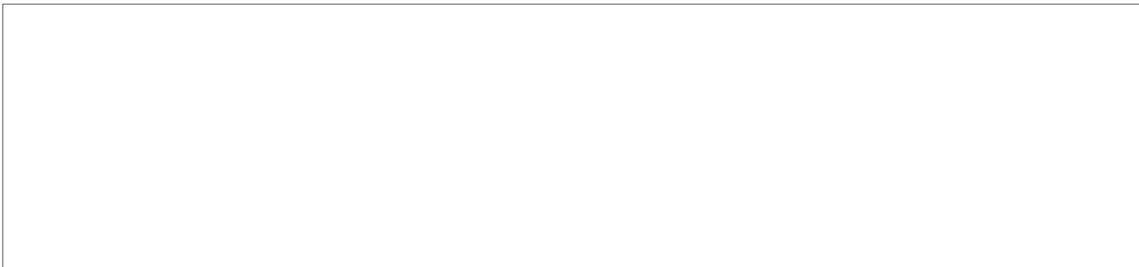
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Cuba

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VISIT OF US STUDENTS TO CUBA

The group of 59 US students now visiting Cuba has been receiving red-carpet treatment ever since its arrival from Prague two weeks ago.

Beginning with personal conferences with Fidel Castro and his brother Raul, the students have been continually lionized by the regime's leaders. Included among their hosts have been such stalwart Communists as Blas Roca, director of the newspaper Hoy, Carlos Rafael Rodriguez, head of the government's agrarian reform office, and Lazaro Pena, secretary general of its labor organization. In addition the students' movements and activities have been minutely covered by the press and radio.

Indications are that the students will be in Cuba for several more weeks; they are reported now on an extended tour that will take them from one end of the island to the other. For as long as the visit lasts, the Castro regime can be expected to continue publicizing statements attributed to the Americans that are favorable to Cuba and critical of the US.

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The Communist World

MOSCOW PREPARES FOR TEST-BAN TALKS

On the eve of the 15 July three-power talks on a nuclear test ban, Moscow has made a number of gestures toward the West calculated to create a favorable atmosphere for the beginning of the talks. This contrasts with the exchange of broadsides with Peiping immediately prior to and even during the early stages of the Sino-Soviet talks.

During his visit to the US Embassy for the Independence Day reception, Mikoyan praised the policy of peaceful coexistence and stressed the need for an end to the Cold War. In marked contrast with last year's treatment, President Kennedy's telegram thanking Khrushchev and Brezhnev for their 4 July congratulatory message was published in full in Izvestia and Pravda. The Soviet press on 7 July carried an article by P. T. Gobets, a Soviet participant in the Geneva "hot line" talks. The article noted that US and Soviet experts had begun work on resolving "complex technical problems" connected with setting up the "hot line" between "the White House and the Kremlin." Moscow announced on 10 July that the line would go into operation on 1 September.

Khrushchev's primary move to indicate to the West his interest in the forthcoming talks was his invitation to Belgian Foreign Minister Spaak to visit the USSR for an exchange of views. TASS characterized their 8 July meeting in Kiev as "marked by an atmosphere of sincerity and mutual understanding." Moscow TV

promptly carried films showing the two leaders in friendly conversation.

The substance of their conversation has not yet been reported. The former NATO secretary general, however, is well known as an advocate of some type of NATO - Warsaw Pact nonaggression treaty. The invitation to Spaak at this time reflects considerable Soviet interest in the nonaggression issue, which Khrushchev linked with a partial test-ban treaty in his 2 July speech in East Berlin.

Moscow has evaded clarifying whether Khrushchev's latest proposal for a partial nuclear test-ban agreement is contingent on Western acceptance of a NATO - Warsaw Pact nonaggression treaty. Moscow broadcasts have widely repeated Khrushchev's 2 July proposals but provide no indication of the exact relationship of a nonaggression treaty with a test ban.

Mikoyan and Deputy Foreign Minister Zorin, responding to Western press queries at the US Embassy reception of 4 July in Moscow, seemed purposefully vague on the Soviet position for the three-power test-ban talks. Mikoyan said that Khrushchev's 2 July speech "directly" called for a "connection" between a partial test-ban agreement and a nonaggression treaty. Zorin, however, stated that the nonaggression treaty is not a condition for a test-ban agreement--but then said it is "part of the whole."

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The Communist World

In a brief conversation with Ambassador Kohler at the reception, Mikoyan was generally noncommittal on the details of the test-ban offer. He made the routine complaints over the US rejection of the Soviet offer to permit two or three on-site inspections to police a ban on underground testing, but would not say whether the demand for a moratorium on such testing had been dropped.

A possible indication of Moscow's serious interest in the three-power talks is its refusal to grant visas to US and British newsmen to cover the talks. The Soviet embassies in Washington and London have so far refused to grant such visas on the grounds that there is a firm three-power understanding that the talks would be "secret" and that there would be no press briefings. After the US Embassy informed the Soviet Foreign Ministry on 5 July that the US had no objection to the issuance of Soviet visas to US newsmen, a Soviet official took note of the statement but gave no indication that the USSR is changing its position.

Zorin's presence during the Khrushchev-Spaak meeting suggests that he may have been

tapped to represent the USSR at the talks.

Denial of Soviet Testing

Soviet journalist Yuri Zhukov, who is often used as an unofficial spokesman for the Soviet leadership, has denied US press speculation on possible recent Soviet nuclear testing. He told a US Embassy official on 1 July that the rumored explosions were "earthquakes, as announced by the Soviet press."

Zhukov expressed the hope that the US Government now shared the view of "certain Western observers" that the risk of an "isolated" one-kiloton test is "nothing" compared to the danger if additional countries gain a nuclear capability.

His remarks suggest that the Soviet leaders wish to prevent such press speculation from having adverse repercussions on the test-ban talks.

Following Zhukov's private denial, a few Soviet broadcasts also denied that the USSR had recently tested, and ridiculed the AEC's comments on the possibility of Soviet testing.

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SECRET**The Communist World****BITTER ATMOSPHERE SURROUNDS SINO-SOVIET TALKS**

The USSR and China clearly expect their secret talks in Moscow to result in a further disintegration of relations. They do not appear interested in finding a formula that would allow for a gradual subsidence of their bitter contest, but rather each hopes to turn this tactical phase of their deepening conflict to advantage. With an eye to the most interested audience and the major prize to be won--the world Communist parties--each side is attempting to pin responsibility for the ever widening split on the other while posing as the only party interested in re-establishing unity.

This was the intent of the Soviet central committee statement published in Pravda on 9 July. The statement claimed that two firm and important agreements--to cease polemics and to hold the talks--had been reached. It accused China, however, of engaging in actions breaking the first agreement and thus making it impossible for the talks to succeed.

While charging that the Chinese are carrying on a "deliberate campaign" to worsen Sino-Soviet relations, with a disregard for the "dangerous consequences of such a policy," the statement disingenuously proclaimed Soviet good faith by insisting that the Soviet party, "despite such unfriendly actions," will continue to strive to "overcome the difficulties."

The immediate pretext for this Soviet tactical protest was

a rally held in Peiping on 7 July in honor of the five Chinese thrown out of Moscow for distributing polemical literature. The rally, attended by over 7,000 Chinese officials and addressed by Foreign Minister Chen Yi and other high officials, was designed to justify the Chinese action and, in turn, blame the Soviets for their "unreasonable" behavior.

The Chinese Communist Party made its bid for the sympathy of the world Communist parties in a statement issued on 10 July. As has frequently happened in the past, the Chinese reversed the roles that the two parties were playing and in the face of the provocative Soviet attack posed as the innocent

CHRONOLOGY OF SINO-SOVIET TALKS
(MOSCOW TIME)

5 July	1430 1630 — 1830	Chinese arrive Vnukovo Airport Preliminary meeting Evening dinner given by Suslov
6 July	1000	Day's discussions opened Length of sessions undetermined
7 July		Both sides take Sunday off Chinese hold rally in Peiping honoring expelled personnel
8 July	1000	Day's discussions opened Length of sessions undetermined Soviet central committee attacks Chinese
9 July		Unexplained day-long recess taken Chinese party issues reply to CPSU statement
10 July	1000 — 1300 1500 — 1700	Talks resume Substantive issues rumored to have been discussed for the first time Concurrent meeting between lower level assistants
11 July		Unexplained day-long recess taken

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The Communist World

injured party. Their relatively temperate reply, cast in tones of regret and sorrow, was designed to nullify the Soviet attempt to lay responsibility on China's doorstep and in turn to pin the blame on the Soviet Union.

The statement dismisses the Soviet charges as "groundless" and reiterates a charge of "unreasonable behavior" on the part of the Soviet Union, but relies more on a rather subtly phrased series of rhetorical questions to make its points. By contrasting their own righteous behavior--reprinting Soviet letters and statements and allowing Soviet personnel in China to distribute them--with the Soviet failure to do similarly, the Chinese attempt to present a picture of themselves as a mature and responsible party, worthy of leadership.

Feigning bewilderment that the Soviet Union should find something objectionable in the rally held for the five expelled Chinese, the statement innocently asks if the Soviet Union wants them declared personae non gratae in China as well as in the USSR. The statement insists that true "solidarity" between equals cannot be attained by adopting such a "dictatorial attitude."

To drive home the contrast between their own behavior and that of the Soviet Union more strongly, the Chinese published the Soviet 9 July statement in People's Daily on the same day they made their own statement. They also published anti-Chinese selections from

Pravda editorials, the editorials of various other Soviet newspapers, and excerpts from Khrushchev's 21 June speech to the Soviet central committee plenum. To buttress their charges of Soviet anti-Chinese behavior, they also published a report from their Moscow correspondent cataloguing the series of regional meetings on the Sino-Soviet dispute. Most members of the Soviet hierarchy have fanned out from Moscow to address these meetings, apparently condemning the Chinese and explaining the Soviet plans for meeting the challenge.

Other Soviet actions reflect the bitterness and tension that must exist in the secret meetings. Khrushchev ostentatiously left Moscow for Kiev on 5 July, the day the Chinese arrived and the talks opened. While there he met with Belgian Foreign Minister Spaak, in a "cordial" exchange. The Soviet radio has replaced its Russian-language program taped in Peiping with one prepared by the Cuban Radio Institute in Havana for Soviet listeners. Entitled "Cuba Today," this program is apparently to be a regular feature, as the Chinese program had been.

Thus the Soviets have given ample evidence that they have no intention of compromising their policies as desired by Peiping, but intend to pursue them with even greater vigor. The Chinese have indicated that they intend to continue their struggle against the Soviet party, not least in the bilateral talks. The actions by both parties and their preparations to blame the other for the failure of the talks, even while they are in progress, point up the hollow nature of the charade being played out in Moscow.

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USSR AND IRAQ HEIGHTEN ATTACKS ON ONE ANOTHER

The USSR continues to intensify its attacks on the Iraqi Government's campaign against the Kurds. The 9 July Soviet note to the Baghdad government repeated earlier charges of "bloody outrages" against the Kurds, and at the same time sought to make the repression of the Kurds an international issue by claiming "interference" by the CENTO powers and Syria.

This allegation, developed in greater detail in identical notes of the same date to Syria, Iran, and Turkey, appears to be intended to refute Baghdad's claim that the Kurdish problem is strictly an internal Iraqi affair. The UN Economic and Social Council, now meeting in Geneva, has granted a Soviet request to consider Moscow's charge of genocide against Iraq, and Soviet UN Ambassador Fedorenko stated on 10 July that the USSR may request a meeting of the Security Council to consider the Kurdish issue.

Moscow may also intend to use these charges to revive its 1957 proposals for a great-power declaration renouncing the use of force in the Middle East and banning interference in the internal affairs of the area. Renewed proposals along these lines presumably would be aimed at testing Western reaction to including general East-West issues in the three-power discussions which begin in Moscow on 15 July.

The Soviet statement made no reference to a previous threat to terminate aid to Iraq. Soviet economic aid programs are continuing on a reduced scale, but arms deliveries have been suspended.

Iraqi propaganda media have conducted a heavy anti-Communist, anti-Soviet campaign for the past month. Baghdad television has carried personal attacks on Khrushchev, and has run and re-run films of the Soviet repression of the Hungarian revolution in 1956 and the East German uprising in 1953, as well as Khrushchev's shoe-pounding at the UN. Newscasters have read open letters to Khrushchev from Iraqi citizens asking the USSR to stop interfering in Iraqi internal affairs. The press during the past week has called the Soviet Union a "Dr. Jekyll and Mr. Hyde" which is "pitied, hated, and contemptible," and has described Marxist ideology as a mixture of blasphemy and apostasy. Baghdad has also accused Moscow of seeking to placate Peiping with its pro-Kurdish policy. On 9 July Baghdad radio accused the Soviet Union of "bestial suppressive methods and extermination of thousands" of its citizens for rejecting Communism.

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FIGURES IN POLISH PARTY FACTIONALISM



Left to right:

S. Jedrychowski, E. Ochab,
Z. Kliszko, M. Spychalski,
A. Zawadzki, W. Gomulka,
E. Gierek, J. Cyrankiewicz,
A. Rapacki, R. Zambrowski,
J. Morawski, I. Loga-Sowinski.

Party first secretary Gomulka
surrounded by members of the politburo.

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ZENON KLISZKO:
Gomulka's right hand
man and staunchest
supporter. Party
politburo and secretariat.

JOSEF CYRANKIEWICZ:
Leading member of the
group of ex-socialists
scattered throughout the
central committee who
generally but not always
support Gomulka. Party
politburo and secretariat.



RYSZARD STRZELECKI:
Leading member of the
hard-line nationalists,
sometimes called Partisans.
Party secretariat but
not yet politburo.

ROMAN NOWAK:
One of the few
pro-Moscow hard-liners,
known as the Natolin
group, remaining in a
high position.
Politburo and secretariat



ARTUR STAREWICZ:
Up-and-coming moderate
from ranks of those who
generally but not always
support Gomulka .
Party secretariat.

WLADYSLAW MATWIN:
One of the few remaining
revisionists brought in
with Gomulka in 1956.
Politburo and secretariat.



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The Communist World

GOMULKA'S DIFFICULTIES WITH PARTY FACTIONALISM

Factionalism in the Polish Communist Party is causing difficulties for Gomulka and has probably forced the postponement of the party congress until the first half of 1964. However, Gomulka seems to have thwarted at least temporarily a drive for power by a group of hard-line nationalists.

There are two groups of hard-liners within the Polish party, a pro-Moscow group opposed to Gomulka's return in 1956 and an increasingly influential group of nationalist anti-Semitic hard-liners whose chief spokesman appears to be Ryszard Strzelecki. In addition there are several loose groupings of moderates and liberals varying in political coloration and support of Gomulka. Infighting among all these factions and the dilemma created by struggling against revisionism at home and dogmatism in the international movement have apparently prevented Gomulka from holding the congress scheduled by party statute for this year.

At the 4-6 July central committee plenum Gomulka moved to placate the various factions. In an apparent concession to the hard-liners, Roman Zambrow-

ski, a traditional hard-liner, recently disowned by the Strzelecki faction because he is a Jew, resigned his position in the party politburo and secretariat. At the same time, however, Gomulka promoted Jewish party press chief Starewicz and Polish ambassador to Moscow Jaszczuk--both unsympathetic to Strzelecki's faction--to the party secretariat.

Moreover, Strzelecki was not promoted to the politburo as his followers had reportedly expected. Although he is generally believed to have masterminded the hard-line cultural policy laid down at the plenum, the commission to direct and assure adherence to this new policy will reportedly be headed by two moderates who support Gomulka.

The personnel changes at the plenum probably were insufficient to improve Gomulka's control over the factions and at best were a holding action. He will probably have to undertake a decisive shake-up of personnel in the higher levels of the party to assure some degree of unity prior to holding a party congress.

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PEIPING STRUGGLES WITH UNEMPLOYMENT PROBLEM

Recent reports of widespread industrial unemployment and continued attempts to relocate surplus urban population indicate that Peiping has failed to realize its hopes for economic improvement in 1963. Industry appears to be in better balance than last year, but job opportunities remain scarce and the total employed may even have declined because of the reduction in surplus workers required by the current economy campaign. While productivity statistics may have risen slightly because of this retrenchment, production apparently has not benefited and the depressed economy is proving incapable of absorbing the laid-off workers.

The regime has had little success in its attempt to resettle this surplus urban population in rural areas. Many urban residents have evaded resettlement orders, many evacuees have returned to urban areas, and additional rural residents have infiltrated into the cities. Although migration data are not available, the regime reportedly believes that some 30 million people moved into the cities during the 1958-60 period of the "leap forward." This entire increment is presumably now surplus since regime authorities have said that 30 million people should be moved to the countryside.

Rural residents have been resentful of the influx of urban

evacuees and uncooperative in sharing their limited food supplies with the newcomers. In some cases peasants have refused to accept evacuees and have forced them to move on. Already overpopulated, China's rural areas need such things as chemical fertilizer, not more labor.

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Most of the refugees who poured into Hong Kong from the mainland last summer were unemployed city dwellers threatened with resettlement in farm areas. While tighter border controls make such an exodus unlikely this year, the dissatisfaction and resentment that motivated last year's mass migration are still prevalent. If this summer's harvest is worse than last year's poor crop--which now seems likely--the resulting food situation could seriously exacerbate morale problems in China's cities.

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Laos



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Asia-Africa

FURTHER NEUTRALIST RETRENCHMENT IN LAOS

Military activity in Laos remains at a low level, but Communist pressures and the lack of food and ammunition have forced further neutralist retrenchment.

There are no indications that the Communists will attempt at this time to take Thakhek-- a key town on the Mekong--and thereby risk a further escalation in the fighting.

Farther south, increased Pathet Lao guerrilla and probing activities near Savannakhet, Saravane and Pakse suggest the possible initiation of larger scale Communist military activity in this sector. At Attoupeu, where the Lao Army garrison is surrounded by Pathet Lao units, the situation has been quiet.

Preliminary talks are being held in Vientiane between neutralist and Pathet Lao officials in regard to security arrangements for the proposed meetings between Souvanna and Prince Souphannouvong at the Plaine des Jarres. The Pathet Lao have proposed that rightist forces be withdrawn from the Plaine des Jarres airfield

sufficiently far that they cannot "sabotage the talks even by artillery." Meanwhile, Pathet Lao propaganda continues to urge Souvanna to put an end to alleged acts of provocation by Phoumi and Kong Le forces and to create a "favorable atmosphere" for talks.

Relations between Vientiane and the "independent neutralist" General Khamouane in Phong Saly Province continue to worsen.

Although the takeover of the former French airbase at Seno by Phoumi's troops in late June initially generated a violent reaction from the French, they have been more or less pacified by Souvanna. However, Souvanna's statement that Phoumi's action was taken on behalf of the coalition government is cited by the Pathet Lao as another example of Souvanna's increasing subservience to rightist and US influence.

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Asia-Africa

PAKISTAN'S "INDEPENDENT" FOREIGN POLICY

In recent months the course of Pakistan's foreign policy has shifted a few more degrees from the west toward the independent position first charted by the Ayub government some two years ago. Moves in this direction include a preliminary civil air agreement with Peiping and a demand that SEATO formally recognize the "threat" against Pakistan posed by India's military buildup.

The trend toward a limited accommodation with the bloc which began in 1960 was intended primarily to appease growing neutralist sentiment in Pakistan and to put the US on notice that Pakistan's cooperation should not be taken for granted. A number of top officials, taking the view held by many intellectuals and large sections of the public, began to question the value of a rigid commitment to the West through membership in the CENTO and SEATO pacts. They argued that some neutralist countries seemed to gain as much or more by exploiting the competing interests of the major power blocs.

As Western efforts to help bring about a solution of the Kashmir dispute were renewed in 1961-62, the more independent line was geared to the narrower but nationally vital interests of Pakistan's relationship with India. The radical change in India's relations with the West which followed the Chinese Communist border attack last fall focused Pakistani concern even more intensively on the subcontinent.

Still further impetus was provided recently by the Anglo-American declaration--as expressed in the Kennedy-Macmillan communiqué of 30 June--that military aid to India would continue beyond the "emergency" phase. This reinforced the conviction of nearly all Pakistanis that the "balance of power" in the subcontinent, under which they felt India's preponderant military power had been offset by Pakistan's arms pact with the US, was being drastically altered to Pakistan's disadvantage.

Expansionist "Indian Hinduism" remains the prime security problem for Pakistan, as a senior Foreign Ministry official recently put it, and his country's present foreign policy is designed to achieve greater flexibility and maneuverability. While privately claiming that Pakistani authorities have no illusions about the long-range intentions of Communist China and the USSR, he said that his government is exploiting all available opportunities to improve Pakistan's position against India.

The official recognized that current Pakistani policy regarding China runs counter to US global strategy and observed that this was something the US would have to learn to live with. President Ayub currently is stressing the need for closer relations with Peiping and may be considering new ties.

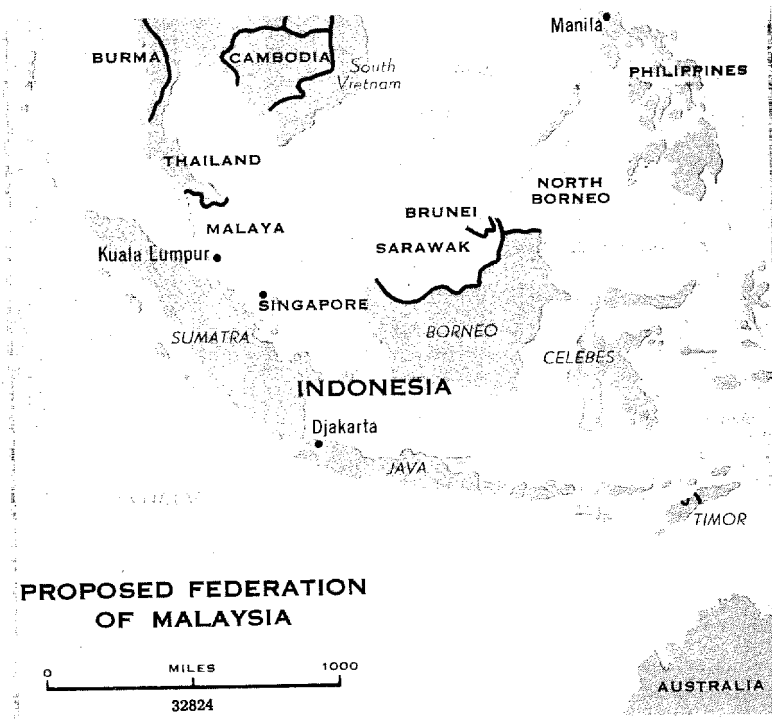
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Asia-Africa

AREA NOTES

Malaysia: The agreement signed in London on 9 July by representatives of Malaya, Singapore, Sarawak, and North Borneo largely settles terms for internal arrangements of the Malaysian federation, which is scheduled to be formally inaugurated on 31 August. It is likely that Brunei also will be included, although the Sultan is still holding out for better terms.

Indonesia reacted by stating that it would not recognize Malaysia and may withdraw from the Indonesia-Malaya-Philippines heads-of-state conference scheduled for 30 July. In a public address on 10 July, President Sukarno claimed that by signing the London agreement, Malayan Prime Minister Rahman had broken a promise that a referendum would be conducted in the Borneo territories before Malaysia was formed. On 9 July Foreign Minister Subandrio had stated that Indonesia would resume "active confrontation" of Malaysia if the Borneo territories "are forced into Malaysia" without being permitted the right of self-determination.

Indonesia had dropped its overt opposition to Malaysia about 1 June. [redacted]

[redacted] 25X1

Yemen: Intense fighting between Yemeni royalists and Egyptian-republican forces is continuing in northern Yemen. There are still no indications that Cairo is preparing to withdraw any troops. [redacted] 25X6

Syria: The Baathist regime scored another victory over its opponents with its ouster of Chief of Staff Hariri on 8 July. The chief of staff, who had considerable support among civilian and army elements, apparently was lured to army headquarters where he was arrested, forced to hand in his resignation, and put on a plane for Europe almost immediately. Hariri's departure, however, is not likely to put an end to the power struggle between Baathist and anti-Baathist elements, some of which are pro-Nasir and some hostile to him. [redacted] 25X1

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Europe

THE DE GAULLE - ADENAUER MEETING

The 4-5 July meeting in Bonn between De Gaulle and Adenauer made little or no headway toward resolving any major issue. [redacted]

[redacted] the two leaders did not reach any understandings beyond those listed in the official communiqué.

In the military field, the two governments agreed to place an unspecified number of company-size units in each others' armed forces by the end of the year, and to undertake joint development of a vertical take-off plane. There is no evidence that either side raised the question of cooperating in the development of nuclear weapons. Among the various cultural and educational agreements concluded, the most far-reaching is an ambitious youth exchange program.

Discussions aimed at finding a compromise between the high German and low French grain prices apparently made little progress. In the end, both sides settled for returning the problem to the EEC Council of Ministers for further study. Efforts to find a mutually acceptable formula for UK consultations with the EEC were equally unproductive.

Probably the most important accomplishments of the talks were the precedent set for future heads-of-state meetings under the Franco-German treaty and the initiation of Chancellor-designate Erhard into the pattern of face-to-face meetings favored by De Gaulle and Adenauer. Although their first session seems not to have been completely cordial, both De Gaulle and Erhard came away professing confidence of their ability to work together in the future.

There has, however, been some reason to suspect that with the approaching end of the Adenauer era, De Gaulle might play down somewhat the bilateral relationship with Germany in favor of an attempt to promote closer European confederation within the framework of the EEC. An indication of this is an official French approach to Italy just before the Bonn conference in which Rome was urged to take the initiative in strengthening EEC institutions as a prerequisite to closer political integration. [redacted]

[redacted] De Gaulle has scheduled a press conference for 29 July at which time he may speak out on the subject. [redacted]

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Europe

AGRICULTURAL DISCONTENT IN FRANCE

Recent government concessions aimed at placating farmers' discontent have been generally endorsed by the leaders of national farm organizations, but local groups and individual farmers have not been altogether appeased. Although antigovernment demonstrations have subsided lately, these are likely to pick up again if prices for farm products do not rise appreciably. Plans for a nationwide demonstration appear to have been set aside for the moment.

Underneath the current rural unrest are the steadily lower prices being received for local fruits, vegetables, grains, wines and dairy products as a result of overproduction and competition from imports. The government has sought to alleviate the situation by raising the price of wheat, suspending the importation of

Algerian wine and selected fruits and vegetables, and increasing some subsidies. These are, at best, stopgap measures falling far short of a long overdue revamping of the government's over-all farm policy.

French farm interests have also suffered from Paris' moves in the EEC, notably De Gaulle's exclusion of the UK, a major food importer. Other factors hurting the farmers are the impasse over regulations for trade in certain commodities under the EEC's agricultural program and failure to resolve the grain price problem at the recent De Gaulle-Adenauer meeting. With labor unrest growing apace in recent months, all this promises a severe strain on the government's efforts to hold the line against inflation and to maintain a satisfactory rate of national economic growth.

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SECRET**ITALY'S NEW PREMIER**

Europe

Giovanni Leone, premier of Italy's all - Christian Democrat administrative government, was probably asked to form a cabinet because his reputation as a neutral in political outlook made him acceptable as a caretaker to all of the center-left parties. He has announced that he expects to serve only through October, that is, until after the Socialist Party congress that month decides on the party's attitude toward a new center-left government. Leone is expected to assume responsibility only for the conduct of routine government business and not initiate decisive long-range policies.

Prior to his appointment to the premiership, the 54-year-old Leone was president of the Chamber of Deputies-- a position he had held since 1955. He served as a lieutenant colonel in the Italian army during World War II, and afterward played a prominent part in drawing up the sections of the constitution pertaining to the judiciary and constitutional court. He has been a deputy from Naples since 1946. His one previous try at forming a government, in the turbulent days of early 1960, ended in failure.

Leone has never been prominent in the policy-making circles of the Christian Democratic Party nor are his views on the socio-economic reform program as represented by the center-left formula known. He appears, rather, to have built a reputation on his ability to maintain a neutral position when critical political issues arise. While this seems to have gained him some respect

as a moderator between factions of his party, it also appears to indicate a lack of strong political and social convictions. In the US Embassy's view he is not generally well liked by colleagues. The embassy also characterizes him as a "colorless" figure who, as president of the Chamber, gave an "uninspired and pro forma" performance.

As head of an administrative government, Leone is responsible, among other routine matters, for steering the budget through parliament against a 31 October deadline. This period will give the center-left parties a breathing space in which to negotiate their differences and open the way for them to form a majority

**LEONE**

government. Leone in his 1 July investiture speech expressed the hope that such negotiations would be resumed, but it seems unlikely that he will play a major role in any behind-the-scenes talks that take place.

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Europe

PORTUGAL UNDER ANTICOLONIALIST PRESSURE

Recent moves by anti-colonialist countries to embarrass Portugal, together with the certainty of a demand by the African bloc later this month that the UN impose political and economic sanctions, are likely to revive Portuguese threats to pull out of the world organization. Lisbon will probably blame the US for much of its trouble with the African states and may further harden its position on renewing the Azores bases agreement.

As a result of anticolonialist resolutions taken at the Addis Ababa conference in late May, the UAR and Ethiopia have broken diplomatic relations with Portugal and others are likely to follow suit soon. In the absence of diplomatic ties to break, Algeria, Senegal and reportedly Cameroon have announced their sympathy for this course of action. In Latin America, Bolivia announced a severance of relations on 5 July.

At the UN the African bloc has requested a meeting of the Security Council late this month at which time it will press for a "hard-line" resolution against Portugal embodying mandatory sanctions and possibly calling for its expulsion. It

is most unlikely that Portugal will make any meaningful concessions, least of all public acknowledgment of the right of self-determination for its African territories. Under the circumstances, the stage would be set for a Portuguese walkout, perhaps for good.

Meanwhile, the latest irritant contributing to Portugal's steadily deteriorating relations with the Congo is Premier Adoula's recent public recognition of Holden Roberto's Angolan government-in-exile. "Retaliatory action" could include a diplomatic break as a minimum and might be extended to blocking the mouth of the Congo River and interdicting use of the Benguela railroad, which carries Katanga ore to the coast.

If the Portuguese extended "retaliatory action" to Washington, they might threaten to deny the Azores bases to the US. Under the present state of the Azores agreement, the US position there is unchallenged during 1963, but if negotiations for an extension of the agreement reach an impasse, the Portuguese can demand that the US begin the evacuation process not later than 1 January 1964.

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Western Hemisphere

BRAZILIAN FINANCIAL POLICY

Brazil's new finance minister, Carvalho Pinto, is seeking to formulate a financial policy predicated on close cooperation with the United States. He hopes to work out a program that will at least slow down inflation and--in view of Brazil's tight foreign exchange situation--to reschedule repayments of the government's foreign debt.

Pinto's objective will be hard to attain. His predecessor's anti-inflation program, aimed at keeping the cost of living from rising more than 25 percent this year over the 1962 level, has already failed. By the end of June, prices had risen 30 percent over those for December 1962, and the end is not in sight.

Complicating Pinto's task are the sluggishness in some areas of Brazil's economy and the consequent rise in pressure for governmental relaxation of credit restrictions. Even before he assumed office, expansive wheat and petroleum subsidies, removed earlier in the year, had been reinstated. Pinto himself, perhaps mindful that his home state of Sao Paulo has been hard hit by the restrictions, has acknowledged the need for such financial

measures to assist lagging sectors of the economy.

To combat Brazil's foreign exchange crisis, Pinto apparently hopes to cut back the outflow of capital by reducing remittances of profits, dividends, royalties, and patents while at the same time attracting more "productive" foreign investment. Brazil is also anxious to do something about rescheduling its foreign debt payments which, during the 1963-65 period, will reach \$1.8 billion, or 43 percent of estimated export earnings. For a breathing spell, it is seeking postponement of a \$25-million payment due to the US Treasury on 24 July.

In connection with the long-standing problem of the Brazilian Government's commitment to purchase the properties of American and Foreign Power Corporation in Brazil, President Goulart has stated his intention to carry out the purchase and not resort to expropriation. The negotiation of an understanding between the new minister of mines and the company is likely, however, to result in still further delays.

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Western Hemisphere

BRITISH GUIANA DEVELOPMENTS

The Jagan regime has emerged from the 11-week strike which ended on 8 July more firmly entrenched in office than it was before the walkout began. The strike, moreover, has aggravated racial animosity between Negroes and East Indians and deepened the country's economic problems. It also gave the regime an excuse to develop closer ties with Cuba and the Communist bloc.

Although Jagan's opponents will probably try to continue antigovernment activities, they are discouraged by their failure to topple the government. In addition, there is little sense of satisfaction among workers returning to their jobs under an agreement which, at best, is only a partial victory. There are, moreover, indications that the Trades Union Congress, which spearheaded the strike, may be coming apart at the seams. For example, approximately a fifth of the sugar workers (one half of organized labor) have indicated an intention to pull out of their TUC-affiliated union, apparently to join one that is government-sponsored.

Although the government has agreed to drop the labor legislation which caused the strike, it apparently will pursue efforts to dominate the unions. An indication of this appeared in a story carried in the 8 July issue of Jagan's party's newspaper which flatly asserted that the government intended to reintroduce some form of labor legislation.

Despite the strike settlement, there has been only a slight letup in the incidence of racial violence, now occurring particularly in the countryside, where both East Indians and Negroes have begun to move out of communities in which they are in the minority. The recent arrival of British Army reinforcements will help preserve law and order, but they are unlikely to prevent the outbreak of sporadic disturbances.

The regime, meanwhile, has moved to regularize its trade arrangements with Cuba and the bloc by promulgating new licensing procedures to cover the importation of the substantial quantities of food and petroleum products now on order from these sources. Under the system, regular importers conceivably could be forced out of business and the public required to purchase bloc products imported by the government's trading organization.

More deals with Cuba may be pending, judging by the prolonged presence in Georgetown of two representatives of the Cuban Ministry of Trade. In any event, a colonial office ruling which permits Jagan to accept advance payments for Guianese goods to be delivered to Cuba and the bloc at a later date, such as the 45,000 tons of rice recently contracted for by Cuba, could help unscramble the financial mess into which the government has gotten itself.

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ARGENTINE ELECTION RESULTS

The 7 July elections marked the strengthening of the center-oriented parties at the expense of the Peronists and showed a strong preference for constitutional government.

The two leading parties-- both slightly left of center in a field of 69--are Dr. Arturo Illia's People's Radical Civic Union (UCRP) and the Intransigent Radical Civic Union (UCRI) headed by Dr. Oscar Alende. A new center party led by retired General Pedro Aramburu ran a strong third. Despite the call of both Peron and ex-President Frondizi for the casting of blank ballots, only 15.9 percent of the voters did so compared to 25 percent in 1960.

Since no candidate received a majority of the total 476 electoral votes, there will be considerable political trading before the electoral college meets on 31 July. The strong

showing by the three top candidates, however, has probably reduced the possibility of a dark horse being elected president. The trading will also involve the senators to be chosen by the provincial legislatures on 29 July and the 22 governors to be selected by provincial electors on 26 August.

In the direct election of national deputies, the UCRP and UCRI made even stronger showings, winning 76 and 38 seats respectively in the 192-man chamber. The Aramburu and Conservative parties won a total of 39 seats, while Peronist and neo-Peronist parties won 18. The weak blank vote has caused deep divisions within the Peronist movement and probably the bankruptcy of its leadership.

The upsurge of the UCRP from its position as Argentina's third largest party in 1962 reflects new votes from some former followers of Peron and Frondizi. Illia and the UCRP campaigned on a more nationalistic platform than the UCRI. They particularly called for annulment of the contracts with foreign oil companies--mainly US--which the Frondizi government negotiated to help develop Argentina's petroleum resources.

Illia, a 62-year-old physician and politician from central Cordoba Province, has vowed to uphold his campaign statements. He is anti-Communist but believes the Communists should be allowed legal status. He has long advocated reuniting the UCRP and UCRI, which split in 1957 over Frondizi's leadership; a reunion, however, would depend on ironing out differences in party platforms.

ARGENTINE ELECTIONS

UNOFFICIAL RETURNS*

PARTY	POPULAR VOTE (%)	ELECTORAL VOTE
UCRP	2,316,777 (25.9)	162
UCRI	1,497,639 (16.7)	100
ARAMBURU	1,312,255 (14.7)	81
** BLANK	1,402,694 (15.9)	---

* The official count began on 11 July and will vary slightly from these early returns.

** Mainly Peronist but includes usual 3-5% blank vote.

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Western Hemisphere

VENEZUELAN PRESIDENTIAL CANDIDATE

President Betancourt's Democratic Action party (AD) last week nominated Raul Leoni as its presidential candidate in the elections now tentatively scheduled for November. He was chosen largely out of respect for his position as party president and the strong labor support he commands.

His unanimous nomination by the AD convention reflects the party's confidence that it can win despite Leoni's apparent lack of support among independents and the large Social Christian Party (COPEI), which now belongs to the governing coalition. This confidence may be unfounded, however, as informed opinion believes that COPEI support is essential to guarantee any AD candidate a clear-cut electoral victory. On present form COPEI, suspicious that Leoni will not give it the

same degree of participation in the government that Betancourt has, may refuse to back him.

The nomination was a mild setback for Betancourt, who had preferred that his allies be permitted a voice in the selection of his successor. It is possible, however, that Betancourt, with a view to perpetuating the present coalition, will at a later date attempt to persuade his party to replace Leoni with a candidate less likely to alienate COPEI and the nonaligned voters.

Betancourt's moves will be governed somewhat by the success of the major opposition groups in uniting behind a rival candidate. At this point, the Democratic Republican Union--Venezuela's largest opposition party--is negotiating with other parties to form a united opposition front.

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