

16 August 1963

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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

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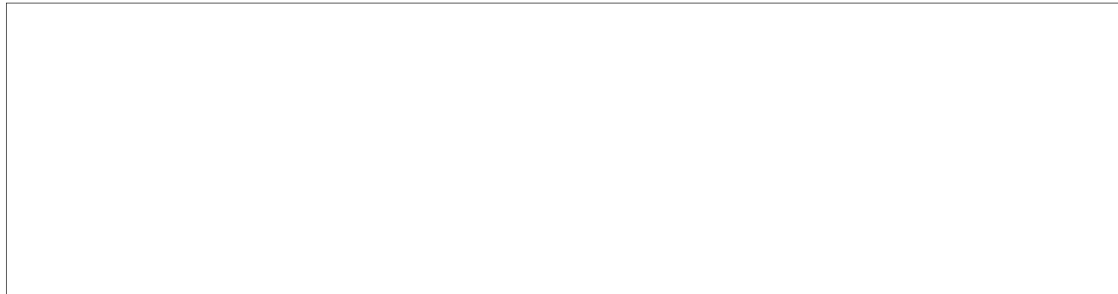
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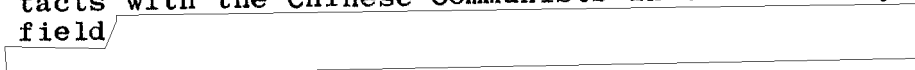
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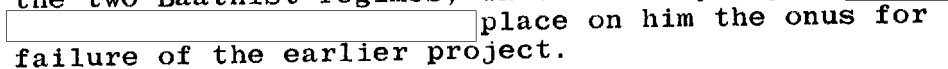
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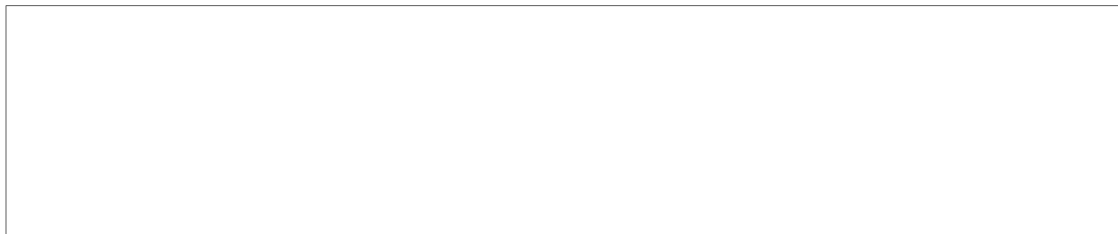
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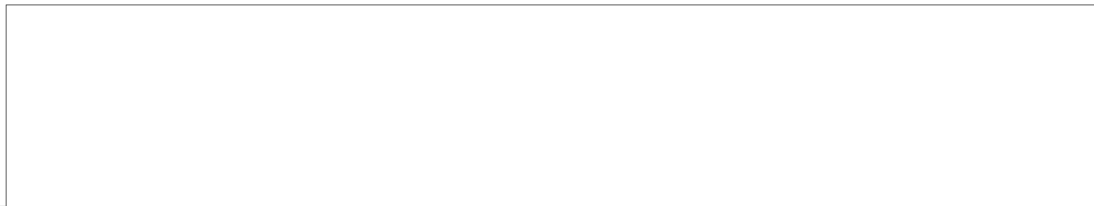
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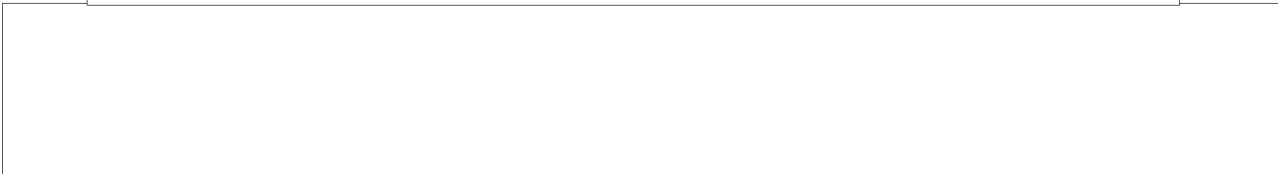
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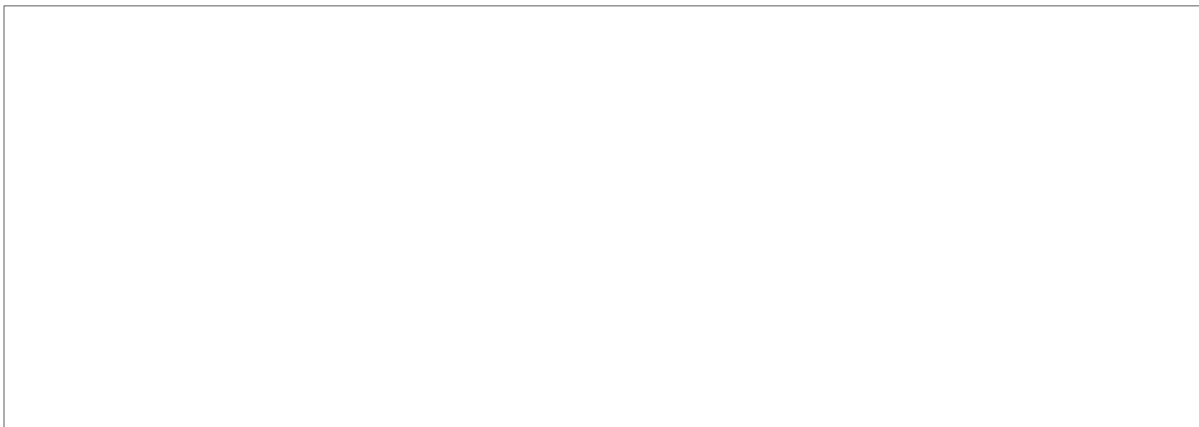


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Cuba

THE CUBAN REGIME'S ECONOMIC AND POLITICAL PLANS

Cuban leaders are planning a number of new measures intended to further consolidate the regime and make its administrative and economic machinery more efficient. The combined effect of these measures will be to increase the regimentation of the populace in an all-out effort to increase production.

The problem of low labor productivity, which has long plagued the regime, will be attacked through a system of work norms and standardized wages providing penalties for failure to meet the norm and pay increases for exceeding it. Norms which are persistently overfulfilled will of course be raised. These measures to compensate for diminishing labor incentives and growing apathy by establishing tighter discipline and control over labor will, if applied harshly, almost certainly have an adverse effect on labor morale and significantly increase labor disaffection.

Changes are also being planned in the agricultural field. Castro explained in a 9 August speech before the closing session of the national congress of the Association of Small Farmers (ANAP) that he expects all remaining privately owned farm lands in excess of five caballerias (about 166 acres) will ultimately be absorbed by the state and that state farms, which he predicted may eventually comprise up to 70 percent of Cuba's cultivated area, will be the main source of agricultural production. The remaining "small farmers,"

owners of five caballerias or less, will be free to operate as they wish, Castro said, but he implied that circumstances will lead them to form cooperatives.

It was announced during the ANAP congress that Cuba's large agricultural bureaucracy, the National Agrarian Reform Institute (INRA), will be thoroughly reorganized this year and will become the Ministry of Agricultural Production. In the process, certain functions will be decentralized, giving greater responsibility and authority to regional managers. It has not been revealed whether veteran Communist leader Carlos Rafael Rodriguez, who has been president of INRA since February 1962, will remain Cuba's top agricultural official and assume cabinet rank with the organization's transition into a ministry.

Castro in his recent speeches has leveled particularly bitter attacks against remnants of the Cuban middle classes, which he calls "parasites," and the source of counterrevolutionary plotting against him. It was in the context of one of these attacks that he announced on 26 July the impending establishment of obligatory military service for all Cubans. This, combined with a stricter enforcement of compulsory education laws, will help Cuba become a country "more and more of workers and less and less of parasites," he explained. It is important, he declared, that the sons of today's parasites not become tomorrow's "potential lumpen."

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The Communist World

MOSCOW DEFERRING NEW MOVES ON DISARMAMENT

Recent Soviet statements and Communist propaganda treatment of the nuclear test ban treaty strongly suggest that Khrushchev intends to maintain reduced tensions with the West and to avoid any specific moves which might jeopardize the atmosphere of "limited detente" which he has tried to create.

Moscow continues to laud the nuclear test ban treaty but is giving minimal attention to other partial disarmament measures. This reflects Khrushchev's intention to avoid any action which might prejudice approval of the treaty by the US Senate. It also indicates the Soviet leader's desire to defer any further major moves until he has had ample time to assess the course of his new policy decisions, not only in terms of East-West relations but also against the background of the Sino-Soviet quarrel.

At the Geneva disarmament conference, the chief Soviet representative maintained on 11 August that there should be only a "general discussion" of such collateral disarmament measures as a nonaggression

pact, and that any detailed negotiations should be postponed until after the opening debate of the UN General Assembly in September.

Moscow radio now predicts that the earliest date for Senate endorsement of the treaty would be mid-September. Although predicting ratification, Pravda foresees a "sharp, principled struggle" over the treaty and observes that on "its outcome will depend to a large extent the prospects for international relations in the near future."

The USSR's comparatively cautious treatment of US policy at the present time is reflected in the low-key reaction to the recent US underground nuclear test which has been mentioned only briefly in the Soviet press. Soviet commentators, while citing the US test as a "reminder" that further steps were needed to lessen international tension, have implied that the nuclear test may have been a "concession" in connection with the US Senate's consideration of the nuclear test ban treaty.

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The Communist World

KHRUSHCHEV'S IMPENDING VISIT TO YUGOSLAVIA

Against the backdrop of the collapse in the Sino-Soviet talks, another major phase of the campaign to draw Yugoslavia closer to the Soviet bloc has begun. Khrushchev will vacation with Tito from 20 August to 3 September, while Hungarian party chief Kadar will spend 9-11 September with Yugoslavia's leader.

Dealings with the USSR over the past two years have encouraged the Yugoslavs to have confidence in the bloc, while at the same time their relations with the West have been gradually deteriorating. The USSR's present pursuit of detente with the West and relaxation of rigid and all-pervasive party controls in Eastern Europe are policies which long have been urged by Tito. Belgrade, moreover, need no longer fear that Khrushchev will sacrifice his Yugoslav policy to accommodate Peiping.

The groundwork for the Khrushchev visit probably was laid during the exchange of four high-ranking Yugoslav and Soviet delegations since mid-July. One of the Soviet groups was headed by Moscow's permanent representative to the bloc's Council for Mutual Economic Assistance (CEMA)--suggesting that Yugoslavia's bid for observer status in that body finally may have been approved, with the

public announcement reserved perhaps for Khrushchev while in Yugoslavia.

The Soviet first secretary will be accompanied by his party's expert on relations with ruling Communist parties, and a substantial improvement in relations between the Soviet and Yugoslav parties may be the most important result of the visit. Khrushchev's Yugoslav policy probably will encourage the nationalistic tendencies in the European satellites but he is apparently willing to accept the risk.

Kadar's visit will constitute a minor concession by the Yugoslavs in finally placing Tito's seal of approval of the current Hungarian regime. Following the Hungarian revolt, Belgrade first insisted and then continued to imply that Kadar's reign was illegitimate.

Moscow has announced that Yugoslav Defense Minister Gosnjak will visit the USSR in mid-September but has given no clue as to the purpose of the trip. Tito told Ambassador Kennan in March that Yugoslavia would not sign any military pacts but did not rule out the possibility of some more restricted arrangements. The USSR has already become Yugoslavia's primary source of new military equipment.

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The Communist World

KHRUSHCHEV'S REMARKS ON THE SUCCESSION PROBLEM

25X1 In a rare reference to the Soviet succession problem, Khrushchev recently told [redacted]

25X1 [redacted] that the subject is unsettled and currently under discussion in the party presidium. He singled out the two new party secretaries--Leonid Brezhnev and Nikolay Podgorny--as leading candidates but added that, while it was a difficult idea to entertain, he had not lost all hope for the ailing Frol Kozlov's recovery. He said that Kozlov's speech and mind have remained unimpaired, but with a paralyzed left arm and leg he was still a very long way from being well.

While in effect writing Kozlov's political future off the books, Khrushchev may have been trying to allay recent speculation that he and Kozlov had been at odds. More significantly Khrushchev intimated that the ranks of the leading contenders had already been narrowed and that eventually either Brezhnev or Podgorny would become party second secretary. Thus Khrushchev still seems to believe that by designating his choice in advance

the succession struggle will somehow be eased.

The question remains as to how much authority Khrushchev will delegate to a newly designated heir. In the case of Kozlov, the evidence suggests that Khrushchev did very little to give his second secretary an advantage over his associates. Khrushchev did not permit Kozlov to develop an image of personal leadership, and he kept close rein on personnel appointments. In the current case, Brezhnev and Podgorny may have been selected for closer scrutiny in the secretariat before a decision is made between them. Such a situation would likely open the way to rivalry and friction.

During the past few weeks Brezhnev has begun to come into public prominence in his capacity as a party secretary, presumably fulfilling some of the duties previously handled by Kozlov. Podgorny has been on extended vacation, and his new responsibilities are still unclear. [redacted]

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KHRUSHCHEV'S NEW ECONOMIC COURSE

25X1 Khrushchev [redacted]

[redacted] is about to undertake massive new investments to solve the USSR's pressing agricultural problems and to promote consumer welfare. In his most recent conversation along these

lines--with US Secretary of Agriculture Freeman on 30 July--Khrushchev linked his new course directly to a reduction in military spending. "We are fed up with rockets, we have enough rockets," he said. "We are going to divert this money to agriculture."

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The Communist World

According to Khrushchev, chemical fertilizer production will be rapidly increased from 20 million tons today to 100 million by 1970. In 1961 the announced objective for 1970, which still stands publicly, was 77 million tons. (Annual US production of chemical fertilizers now is about 34 million tons.) While increased fertilizer production is the most important single aspect of Khrushchev's new course he also spoke of the need for herbicides, mixed feed plants, storage facilities, and farm machinery, and for expanding irrigation.

A program of the magnitude and diversity now being promoted by Khrushchev does not yet appear to be actually under way. Agricultural and chemical investment are growing fairly rapidly and imports of chemical equipment are increasing, but neither of these on a scale commensurate with the stated program. However, the seriousness of Khrushchev's intentions may be indicated in the widespread Soviet press campaign which seems to be preparing the way for the announcement of a major new chemical program this fall. Likewise, [redacted]

Khrushchev has seemed keenly aware of the detailed cost factors--which suggests that planning work is well under way.

In pushing the new program Khrushchev will need foreign technological assistance and equipment. He has already lauded the US, German, and British fertilizer programs and suggested that the Soviet Union could learn from these. While noting the high prices of American equipment, he nonetheless expressed a willingness to buy "whole plants" from the US, adding, however, that if the US would not sell, Great Britain and West Germany would. He noted that the USSR has already purchased fertilizer plants from Germany and Holland and has placed orders in Czechoslovakia, Poland, and East Germany for fertilizer equipment.

Khrushchev probably did not mean that the USSR has enough rockets of all kinds now. Several missile programs--such as the SA-2 and the MRBM--are probably approaching completion, but there is no indication as yet that the USSR has decided to phase down production and deployment of other missile systems. However, the effects of recent decisions which might affect these other missile programs would not be apparent for some time. In any case, missile statements by Soviet leaders--including several similar to the present one--have frequently been inaccurate and intended to mislead. [redacted]

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The Communist World

PEIPING'S MOUNTING PROPAGANDA ON US RACIAL PROBLEMS

Communist China apparently believes that its recently launched propaganda attack on US "racial oppression" can be used to advantage against both the US and the Soviet Union. In a blatant bid to win support of the world's nonwhite population, Mao himself loosed the opening salvo of the current campaign in his remarks at an 8 August reception for some minor African visitors. The Chinese leader's unusual statement, published the same day, exhorted world-wide unity against "American racial discrimination."

Mao sought to put US racial strife in the context of a growing militant and universal protest against imperialism and the last vestiges of colonialism. In an effort to give his racist theme a veneer of Marxist orthodoxy, Mao insisted that the American Negro's "struggle" is an integral part of the "class struggle."

The fact that Mao himself opened the propaganda campaign demonstrates the importance with which Peiping views the issue. This is the most formal major pronouncement Mao has made since 1958, and his use of the first person singular in a manner reminiscent of Stalin--"I call upon the workers, peasants..."--is certainly designed to create an aura of Olympian edict.

The Chinese probably believe that the rising aspirations of the American Negro will not be met by timely and sufficient concessions, and they are undoubtedly counting on extensive West-

ern press coverage of US racial incidents in the months ahead to supplement their own propaganda outpourings. Mao's statement and the follow-up press coverage have accused President Kennedy of pursuing "two-faced" tactics on civil rights legislation. The vehemence with which the Chinese allege administration duplicity may also reflect serious concern that US Government policy in support of Negro rights is taking some of the edge off hate-America campaigns in Asia, Africa, and Latin America.

While the main theme of the current drive is "persecution" of Negroes in the US, the decision to mount a major antiwhite campaign has clear anti-Soviet overtones. Peiping has repeatedly challenged Moscow on racist grounds in predominantly non-white international gatherings. Chinese representatives actively exploited Soviet vulnerability on this issue earlier this year at the Afro-Asian Solidarity Conference in Tanganyika, and again at a major journalist meeting in Indonesia.

At a 12 August mass rally in Peiping on the racial issue a leading propagandist followed charges of American "fascist atrocities" with regard to the Negro with an attack on "certain self-styled Marxist-Leninists" for "whitewashing" US official policy. This sparked the exit of two Soviet correspondents--the fourth time the Soviets have walked out on a Chinese speaker since 1 August.

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The Communist World

COMMUNIST PROBLEMS AND TACTICS IN SOUTH VIETNAM

The Viet Cong guerrillas have apparently shifted their tactics in an effort to counter the growing effectiveness of the South Vietnamese Government's operations against them.

There is as yet no evidence of an over-all sapping of Communist military strength, and they remain capable of mounting battalion-level attacks in many areas of South Vietnam. Nevertheless, they now appear to be placing greater stress than before on the conservation of their forces and the protection of their resources, in part by exercising ever greater care to avoid large military engagements in which they do not have an overwhelming chance of success.

During the first half of 1963, large-scale--company or battalion size--Viet Cong attacks dropped over 50 percent from the level sustained by the Communists during the same period in 1962. Sabotage and propaganda activities were also off about one half, while acts of terrorism declined about 20 percent.

Although the Communists made good on a boast to sharply step up antigovernment activity in connection with their "anti-US" week from 15 to 21 July, the attacks were predominantly small-scale. Since the first days of August, over-all Communist activities have again dropped sharply.

The main Communist strategy now appears to call for as persistent pressure on the govern-

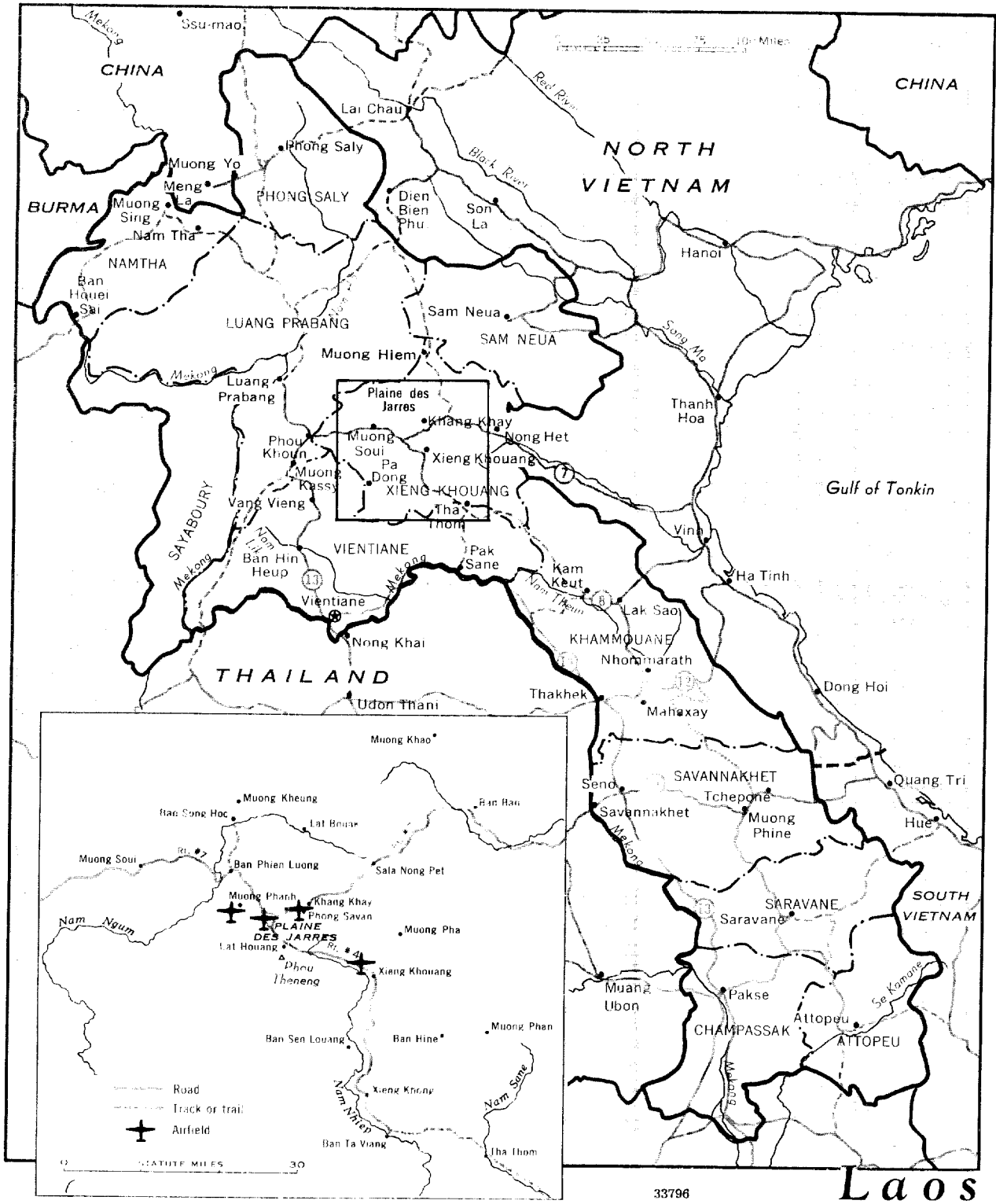
ment as possible in the form of small-scale actions in the hope that, over the long pull, the vigor of the government counteroffensive can be sapped. In this connection the Viet Cong perhaps foresee the possibility of a reduction in the US military commitment to South Vietnam. During the last few months, the theme of a "long and arduous" struggle against the government has become much more prominent in Communist war propaganda.

The shift in Viet Cong tactics has coincided with evidence of a drop in Communist troop morale in recent months. Some of the disillusionment can probably be attributed to the successes achieved in the government's food-denial programs in certain areas of the country. A few Communist combat units in northern and central Vietnam have reportedly been forced to abandon sustained combat operations in favor of food production.

There is evidence that the Communist leadership now is attempting to overcome the morale problem as well as confusion that has arisen in the Viet Cong ranks as a result of the stiffened government pressure. A 6 August broadcast by the clandestine Communist radio in South Vietnam revealed that a large and widely attended conference had recently been held which "settled" a number of outstanding military and political problems, including that of distinguishing "friend from enemy." There were strong hints in the broadcast that some delegates remain dissatisfied with the tasks that had been assigned them by the Communist leadership.

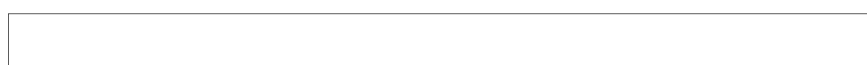
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Asia-Africa

POLITICAL MANEUVERING IN LAOS

In an effort to break the political stalemate in Laos, Premier Souvanna has proposed that talks with the Pathet Lao be held at the royal capital of Luang Prabang after it has been "neutralized." Rightist leader Phoumi has expressed qualified support for this proposal, but Pathet Lao leader Souphannouvong has not yet responded. Even should the Pathet Lao accept the proposal in principle, there is no assurance that the factions will achieve an early agreement over security arrangements.

Souvanna is anxious to come to some understanding with the Pathet Lao so that he can leave in the near future for medical treatment in France. Desultory talks between neutralist and Pathet Lao representatives in Vientiane continue to show no progress toward settling arrangements for a proposed meeting between Souvanna and Souphannouvong at the Plaine des Jarres.

The military situation remains generally quiet. Heavy monsoon rains, washing out bridges and roads, have lessened chances for a major military move by either side for the time being. While the rains have hampered aerial resupply to neutralist and right-wing forces, it is likely that Communist forces, which depend almost

entirely on supplies brought overland from North Vietnam, have been even more seriously affected. To complicate the Pathet Lao supply problem further, Meo guerrilla forces have recently resumed operations to interdict Route 7, the main supply road from North Vietnam to the Plaine des Jarres.

During this period of relative lull in military action, General Amkha Soukhavong, chief of Souvanna's neutralist staff in Vientiane, is continuing efforts to develop a broadly based neutralist force by attracting "proneutralist" elements from both the right- and left-wing factions. Amkha, who wants to win over the left-leaning General Khamouane and the dissident Colonel Deuane, reportedly has obtained promises of military backing from several conservative officers in Vientiane. He is also said to have the support of a former premier, Phoui Sananikone, a powerful political figure in Vientiane.

General Phoumi, aware of the challenge posed to his position by Amkha's maneuvering, has cautioned his subordinates that the neutralists--influenced by leftist elements--may be tempted to reach an accommodation with the Pathet Lao which could undermine the conservative position, particularly in the Plaine des Jarres.

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Asia-Africa

BURMESE REGIME NEGOTIATING WITH DISSIDENTS

Peace negotiations in Rangoon between the Ne Win regime and Communist insurgent groups are moving ahead in an atmosphere of political uncertainty.

The arrest on 9 August of several leaders of the moderate and once-dominant Anti-Fascist Peoples Freedom League (AFPFL) and of former Premier U Nu's Union Party (UP) indicates that General Ne Win will not tolerate any real opposition to his "revolutionary action" program for Burma, which emphasizes the restoration of internal peace. The leaders of the opposition groups recently had become increasingly outspoken in their criticism of Ne Win's extreme socialist views.

The leaders of both the Burmese Communist Party (BCP) and the smaller Communist Party of Burma (CPB) are reportedly in Rangoon for preliminary negotiations which may continue

for several weeks. The long-suppressed Communists apparently are hopeful that they can obtain a settlement which would permit them to exercise political influence.

Ne Win, however, cannot afford to go too far too fast in accommodating the wishes of the Communists. The army, which is the crucial power element in Burma and has thus far supported him, is showing some signs of discontent over his extreme policies, and particularly over the prospect of substantial Communist influence.

[redacted] Ne Win's popular support is shrinking rapidly, and [redacted] he has turned to U Nu, the man he deposed and the only other individual of real political stature, in order to rally backing for his program. It seems doubtful that U Nu's support will be forthcoming.

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Asia-Africa

INDIA'S CONGRESS PARTY IN DISARRAY

The Nehru government's political touch is becoming noticeably more uncertain. Hard decisions are being evaded, and hesitancy characterizes both national and party leaders. The success of the non-Communist parties on 13 August in tabling for the first time for parliamentary consideration a resolution of no confidence in the government is a symptom of the drift that has developed.

A root cause is the gradual physical and political decline of Nehru, his country's unchallenged leader for the past 16 years. Never a strongly decisive leader, and even in his youth more noted for his enthusiasm than his organizational ability, Nehru's political skills and sense of timing appear to have grown rusty with age. Politicians whom he long overshadowed are becoming more successful in asserting their own and their regional interests. Behind many of their maneuvers lies a growing awareness that a struggle for Nehru's mantle may not be long in coming.

While Nehru has made a considerable recovery from the shock of the Chinese attack last fall, he has not in recent months been "on top" of things. This, combined with his well-known stubbornness, has led him more and more to waste his prestige on lost causes. Only in the last week or two do his party colleagues seem to have

impressed him sufficiently with their own alarm at the present state of affairs to stir him to some action.

Paralleling the Nehru problem has been the growing organizational disarray of the Congress Party. Although it is still paramount in Indian politics, it suffers from party members' preference for the rewards of ministerial position over the drudgery of party work. A session last week of the All-India Congress Committee--called to ponder recent losses in prestige by-elections--made a ritual nod of praise for Nehru's leadership, but then, in effect, called on him to lead by proposing that he and he alone should decide which state and central ministers should be diverted from their present government jobs to full-time work to rejuvenate the party.

The proposal could do much to stem the drift in the Congress' affairs, although it too is likely to suffer from half-hearted execution. It could also shift party power alignments, which at the moment seem to favor Finance Minister Morarji Desai as Nehru's eventual successor. No major governmental shake-up is likely, however, and it is doubtful that such gestures and expressions of concern over party affairs can push the 73-year-old prime minister to alter his long-standing habits sufficiently to restore vigor to the party's and government's operations.

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Asia-Africa

PAKISTANI RELATIONS WITH COMMUNIST CHINA

The Ayub government seems to have carried its policy of limited accommodation with Communist China a step further by establishing contacts in the military field.

been under discussion within the Pakistani Government for some months.



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While Ayub recognizes that Pakistan's dependence on US military and economic aid limits this policy, there is increasing danger that his outrage over Western military aid to India will cause him to act irrationally.

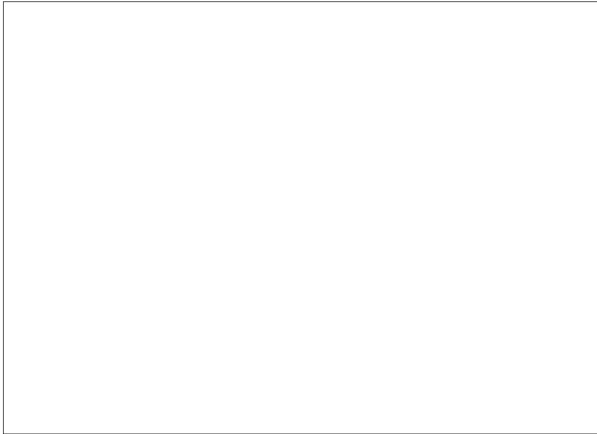


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As Ayub continues to move in Peiping's direction, army attitudes will be a determining factor in his calculations. Many opposition politicians also are dropping the anti-Western line they have taken during the past year and now oppose Ayub's China policy.



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Pakistan's previous displays of friendship for the Chinese Communists have included the border demarcation agreement in December 1962, a civil air agreement in June 1963, and Foreign Minister Bhutto's speech on 17 July hinting at a defense understanding with Peiping. Some form of association with China on defense matters has

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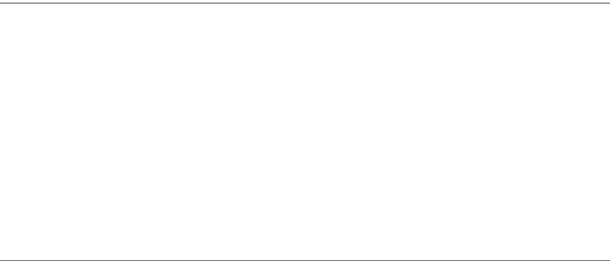
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Asia-Africa

IRAQ AND SYRIA MOVE TOWARD UNION

The break between Egypt and the Baathist regimes in both Iraq and Syria was made more explicit by Nasir in a speech at Alexandria on 11 August. Devoting a third of his time to an attack on the Baath, he equated the Iraqi and Syrian regimes for the first time. Nasir also charged the Baathists with betraying the Arab nationalist movement and declared that he will refuse to carry out the union of the three countries scheduled to take place in September. Previously UAR propaganda had carefully refrained from criticizing the Baghdad regime, although it strongly attacked that in Damascus.

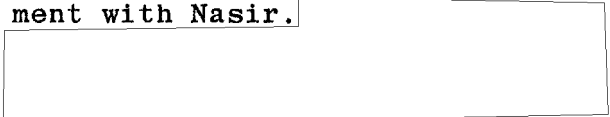
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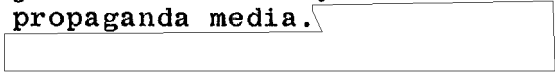
In Jordan, King Husayn has become embroiled with the Baathists, rounding them up apparently without provocation. At the same time, Husayn apparently is seeking a rapprochement with Nasir.

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The arrest of the Jordanian Baathists--a common enemy to both Nasir and Husayn--may have set the stage for such talks. Rumors of a rapprochement between the two are circulating in the Middle East and have become the subject of attacks by Baathist propaganda media.

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**CONFLICTS MAR MEETING OF AFRICAN UNITY COUNCIL**

The first meeting of the council of ministers of the new Organization of African Unity (OAU), held in Dakar, Senegal, from 2 to 11 August, demonstrated that sharp divisions and rivalries continue to exist among the OAU's 32 members. The participants, mostly foreign ministers, wrangled extensively

throughout the meeting and never did reach agreement on some key issues. Aggressive efforts by Guinean President Touré's representatives to influence decisions, all of which are subject to review by the chiefs of state, mostly backfired.

On the positive side, the conferees finally recommended

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Asia-Africa

that the headquarters of the OAU secretariat be located at Addis Ababa, where the organization was spawned last May. Disgruntlement over this decision on the part of both Nigeria, which had lobbied hard for Lagos, and Senegal, which had pushed Dakar, spilled over into other issues.

The ministers also agreed to call for recognition of Holden Roberto's rebel regime as the legal government of Angola. This decision undercuts efforts of Roberto's rivals, who have had Communist and radical African support, to force him into a merger. It also is a victory for Congolese Premier Adoula, who had been strongly criticized by radical African governments when he recognized Roberto's provisional government last June.

Although a conference committee selected Diallo Telli, Guinean ambassador to the UN, as secretary general of the OAU, he failed to win majority support in a vote taken at the final plenary session. The task of filling the embryonic organization's key permanent post, now provisionally occupied by an Ethiopian, was then passed back to the chief of state.

The rejection of Telli was in part a reaction to Guinea's attempt, supported by Ghana and Nigeria, to commit the 14 mod-

erate French-speaking states in the African Malagasy Union (UAM) to an early dissolution of their "regional" grouping. Guinea lost out here, too, as the formula finally agreed on calls only for the gradual integration of UAM institutions into the OAU. Nevertheless, the future of the UAM is becoming increasingly uncertain because of sharpening internal frictions, notably between Senegal and Ivory Coast.

The Dakar meeting also failed to endorse any Portuguese Guinean nationalist organization, despite efforts by Guinea and Algeria in behalf of the Guinea-based African Independence Party for Portuguese Guinea and Cape Verde (PAIGC). In this case, the conferees deferred to Senegal, which presumably was acting to gain time in the hope of strengthening Dakar's influence in the Portuguese Guinean Nationalist Movement.

This issue, which was referred back to the OAU's "liberation committee," is to be considered again by the foreign ministers when they convene in Lagos, next February. At that time, the ministers will also review developments at the forthcoming session of the UN General Assembly, which the council urged all African chiefs of state to attend, and prepare the ground for a spring OAU "summit" meeting in Tunis.

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Europe

FINLAND ALLOWS NEW WEST GERMAN TRADE OFFICES

Finland has granted a West German request to expand commercial representation into two outlying areas of Finland after careful calculation of the effects on its relations with both Germanies. The Finns have maintained extensive ties with West Germany and have only limited relations with the East German regime, but the overriding considerations of neutrality and Finnish-Soviet relations have made them withhold diplomatic recognition from both governments. Bonn's request has been granted on a basis intended to discourage any similar request from Pankow and undercut any Soviet protest.

Bonn has profited from Finland's long-standing pro-German sentiment, and in recent years has pursued an active trading policy toward Finland backed by substantial loans and credits. West Germany now accounts for 16 percent of Finland's foreign trade--second only to Britain--whereas East Germany accounts for only one percent. Both governments maintain commercial offices in Helsinki, but Bonn contends that Pankow gains additional trade and propaganda outlets by utilizing Communist party channels throughout Finland.

A desire to counter East German trading and propaganda activities in other parts of Finland apparently led to the West German request to estab-

lish offices--in effect, consulates--in the southwest coast city of Turku and in the port of Oulu near the head of the Gulf of Bothnia. Bonn maintains that it has often lost trade opportunities because East German representatives have "tricked merchants into accepting Pankow as the legitimate representative of the German people." The West Germans have indicated special concern over East German activity in heavily Communist northern Finland.

In answering the West German request, the Finnish Government made it clear that permission for the new offices was given strictly on the basis of reciprocity for the Hamburg and Frankfurt branches of the Finnish commercial representation in Bonn. Helsinki's only trade representative in East Germany is East Berlin. Both the East and West German representations are maintained only by oral agreement.

There has been no Soviet reaction thus far to the request by Bonn, but the Finns are prepared for accusations that the West German move into northern Finland means renewed German influence in the area. The US Embassy in Helsinki has also speculated that Moscow is possibly not in fact alarmed by the move, but could use it as an excuse to press for Finnish concessions to the bloc.

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Europe

AREA NOTES

Italy: Italian President Segni, in his visit to Bonn at the beginning of August, found his talk with Adenauer largely taken up with the chancellor's expressions of concern over the test ban treaty and US policy toward European integration. Segni rejected Adenauer's proposal that Italy either adhere to the Franco-German Treaty, or negotiate a similar bilateral agreement with France. However, he was said to be "deeply impressed" by Adenauer's arguments for a "new Europe" based on the Franco-German Treaty. Segni

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[redacted] had wanted to visit Paris also, but apparently feared an adverse reaction at home and in the US. [redacted]

Spain: Unrest is increasing among the 75,000 coal miners in Asturias Province in northern Spain, where 12,000-14,000 workers are idle because some 3,000 miners are out on strike.

The essence of the problem is that workers are dissatisfied with the labor syndicates that represent their interests and with the method of conducting elections for syndicate officials. One of these officials told the US Embassy in Madrid early in August that the basic trouble is that many mines are proving uneconomic to operate as a result of wage increases in 1962, and the workers refuse employment elsewhere.

Although the civil governor of the province has closed 11 mines because of labor and management failure to settle their differences, Madrid is not likely to lay down an overall policy until completion of a collective agreement now being worked out to cover all Asturias miners. Some political overtones are suggested by the arrest of eight members of the extreme left wing of the clandestine Socialist trade union labeled by the police as Communist agitators.

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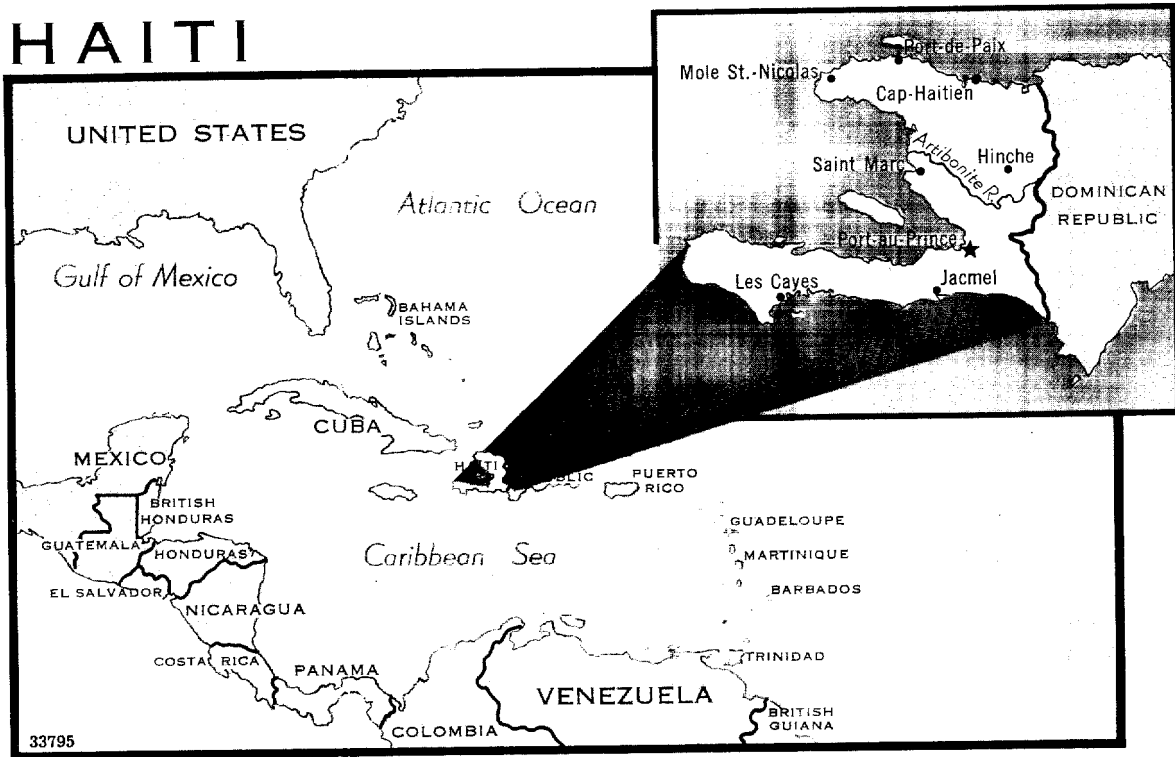
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Western Hemisphere

URUGUAYAN CABINET CRISIS

The nine-day-old cabinet crisis in Uruguay--precipitated by the resignation of the finance and agriculture ministers following an "implied censure" by the senate on 6 August--has yet to be resolved. On 9 and 10 August the ruling faction of the Blanco Party decided to maintain the present cabinet, but to consider reorganization at a later

date. Minister of Finance Ferrer Serra continues to insist that his resignation is irrevocable. According to the US army attaché in Montevideo, the Uruguayan Army is becoming increasingly concerned, and--despite its tradition of shunning politics--involved in political affairs.

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NEHRU AND SEVERAL CABINET STRONGMEN
AT RECENT CONGRESS PARTY CONCLAVE



Prime Minister
NEHRU



Finance Minister
DESAI



Home Minister
SHASTRI



HINDUSTAN TIMES View
of Nehru's Problems —



Agriculture Minister
PATIL

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World Organizations

STIKKER PROPOSAL TO REVISE NATO PLANNING PROCEDURES

In accordance with directives from the NATO ministerial meetings in December 1962 and May 1963, Secretary General Stikker has drafted a paper on procedures for securing a closer alignment of strategy, force requirements, and the resources available to meet them. This paper, which was circulated early in June and first discussed at a North Atlantic Council (NAC) meeting on 25 July, proposes changes in the method of establishing NATO's long-term goals. Under the present system it has seemed impossible to bridge the "gap" between the minimum requirements set by military authorities and the defense effort which member governments find it politically feasible to make.

Stikker's plan involves two phases. The first would be primarily a fact-finding exercise, making use of existing mechanisms in which the NATO military authorities would complete their long-term planning studies, while data on individual countries' present situations and plans would be gathered from replies by the member countries to NATO's 1962 and 1963 questionnaires. In phase two, a newly formed Joint Planning Team (JPT) composed of representatives of the International Staff (NATO secretariat) and of the military authorities would reconcile the compiled data into a balanced long-term force program for the period 1966-1970. This program would take into account not merely the agreed military strategy but the financial implications of this strategy, and would indicate proposed force contributions of all member countries.

The JPT would also utilize the conclusions reached by a Special Group which had examined financial

and manpower resources expected to become available from each country--based on the OECD ten-year economic growth assumption--in order to establish long-term defense resources planning programs for the period 1964-1970. Stikker envisages the JPT long-term force plan as setting forth several alternative strategies and the requisites for each.

The fact that France had strong objections to the Stikker exercise was leaked to the press prior to the 25 July meeting. Although criticizing many aspects of the plan at that meeting, the French took issue chiefly with the concept of the simultaneous study of basic factors and with what they considered the invasion of national prerogatives. In the first instance, they wanted the studies undertaken in a priority sequence, with first priority given to an agreed strategic concept. Moreover, they could not permit any fact-finding mission from the JPT to consult with their national authorities at the planning level, nor did they like the independent status of the JPT.

The priority sequence advocated by the French would of course result in the same failure to match approved strategy with available resources which has been plaguing NATO for years, whereas the essence of Stikker's plan and its chief innovation is the JPT concept--with its implied reconciliation between military and civilian factors at all stages of the exercise. Moreover, the JPT's independent status was designed to keep it free from either NATO or national guidance and thus immune from contending interests.

With the exception of France, all 13 countries which spoke at the

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**BASIC EXPORT QUOTAS UNDER
INTERNATIONAL COFFEE AGREEMENT OF 1962**
(IN 60-KILO BAGS)

BRAZIL	18,000,000
COLOMBIA	6,011,280
IVORY COAST	2,324,278
PORTUGAL	2,188,648
UGANDA	1,887,737
MEXICO	1,509,000
EL SALVADOR	1,429,500
GUATEMALA	1,344,500
INDONESIA	1,176,000
OTHERS	Under a million each
	<hr/>
TOTAL	45,587,183

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World Organizations

25 July meeting agreed in principle with Stikker's procedure, although some suggestions were offered, particularly by the West Germans. After some private talks with the interested delegations, Stikker told the council on 31 July that the differences appeared "bridgeable" and that he proposed to revise his paper for further NAC discussion early in September. Stikker will attempt to meet

some of the French objections, perhaps by placing the JPT under NAC or a special NAC committee, but he is resolved to go ahead with the exercise even if the French prove uncooperative. He hopes to complete it in time to present it to NAC for submission to the NATO ministers at their spring meeting in 1964.

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INTERNATIONAL COFFEE CONFERENCE

Acrimony over choice of an executive director of the new International Coffee Organization raises doubts about the long-term viability of the 1962 International Coffee Agreement.

This agreement obliges consumer countries to cooperate with producer countries in the administration of coffee export quotas. Given reasonable harmony among the signatories, the agreement could therefore be fairly effective where previous ones were ineffective in stabilizing the coffee trade.

The agreement is of particular interest to Brazil, which is far and away the world's leading exporter of coffee (see table) and depends on coffee for half its export earnings. Apart from clear economic interest, considerations of international prestige have impelled Brazil to take an adamant position on the importance in general of strong Brazilian influence in the new coffee organization and on the necessity in particular

of a Brazilian national in the post of executive director.

At the coffee conference now meeting in London, the Brazilian candidate for that post has been strongly opposed by African producers, the European Common Market, and most other consumer countries. The Brazilians, who blamed the impasse on US failure to come out squarely for their candidate, finally indicated they would accede to a compromise package.

The likely compromise will involve acceptance of a Brazilian as executive director while enlarging the power of other key posts staffed by Africans and representatives from consumer countries. The resentments that have been aroused thus far, however, are likely to flare up again and complicate US efforts to keep on good terms with all signatories of the coffee agreement. Difficulties are next likely to center on competition among producer countries to get higher export quotas than provided for under the agreement.

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