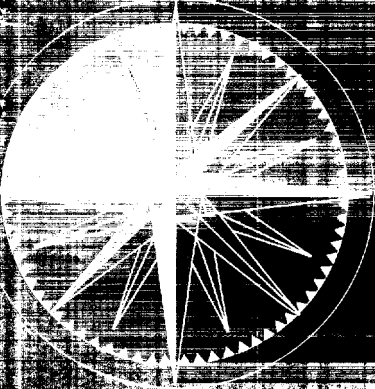


13 December 1963

OCI No. 0310/63  
Copy No.



# WEEKLY SUMMARY

State Dept. review completed.

## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

25X1



27-7-77 43  
228525

**SECRET**

GROUP 1 Excluded from automatic  
downgrading and declassification

**Page Denied**

**SECRET**

C O N T E N T S

(Information as of 1200 EST, 12 December 1963)

<u>THE COMMUNIST WORLD</u>	<u>Page</u>
<b>KHRUSHCHEV'S CHEMICAL PROGRAM</b> The program outlined in his speech before this week's central committee plenum will require a significant redirection of the soviet economy. Its adoption, normally a virtually pro forma procedure, will provide a demonstration of Khrushchev's political strength.	1
<b>MOSCOW SHIFTS TACTICS IN STRUGGLE WITH PEIPING</b> Failure to rally support for a new world Communist meeting to condemn Peiping seems to have led the Soviets to initiate a self-imposed pause in the polemics, but the Chinese have not reciprocated.	3
<b>MONGOLIAN RELATIONS WITH COMMUNIST CHINA WORSEN</b> Mongolia's unprecedented diplomatic protest to Peiping over "outbursts" by Chinese personnel in Ulan Bator will accelerate a deterioration of relations resulting from Mongolia's pro-Moscow position.	4
<b>GHEORGHIU-DEJ'S VISIT WITH TITO</b> The Rumanian leader's choice of Yugoslavia for his first visit to an East European state since 1961 shows his middle-of-the-road position in the Communist world and Moscow's tolerance of such a stance.	5
<b>POLISH PLENUM INDICATES ECONOMIC CHANGES</b> Plans for 1964-65 show increased emphasis on agriculture and some shifts in investments. Little relief is in sight for the consumer in 1964.	6
<b>UPSURGE IN SOVIET MILITARY AID DELIVERIES</b> Numerous shipments in recent weeks reflect the implementation of new military aid agreements as well as maintenance and modernization under long-established programs.	7

ASIA-AFRICA

<b>ORDERLY CHANGE OF LEADERSHIP IN THAILAND</b> Following the death of Marshal Sarit, the premiership passed smoothly to his equally pro-Western successor, but maneuvering around key power positions has begun.	8
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---

**SECRET**

**SECRET**

ASIA-AFRICA (continued)

Page

**COMMUNISTS INCREASE CAPABILITIES IN SOUTH VIETNAM**

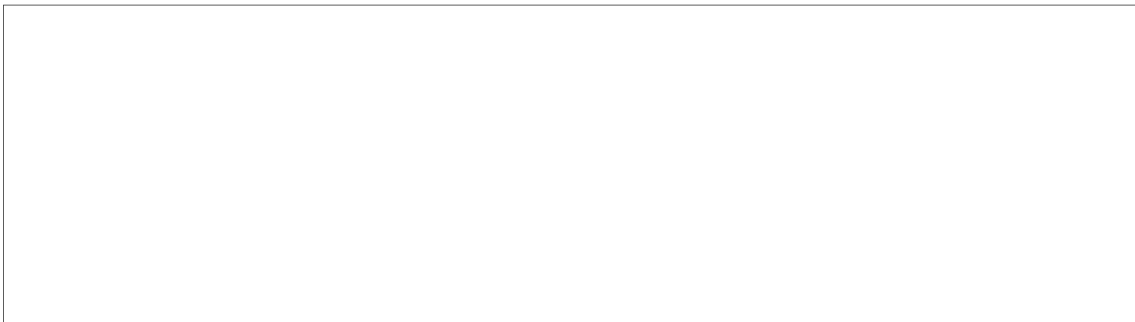
8

Although the pace of their military activity has subsided from last month's record high, the Viet Cong still show a capability to develop improved tactics and to maintain a supply of weapons and trained leaders from the north.

**AREA NOTES**

10

On Iraq-Syria and Morocco-Algeria



25X1

**DAHOMEY'S POLITICAL SITUATION STILL UNSTABLE**

11

Dahomean labor leaders who precipitated the overthrow of the government last October continue to exert strong political and economic pressure. A scheduled constitutional referendum has been canceled without explanation.

EUROPE



25X1

**EEC MINISTERS WEIGHING AGRICULTURE AND TRADE ISSUES**

12

The settlement of difficult agricultural questions is complicated by their close connection with EEC participation in the 1964 tariff talks envisioned by the US Trade Expansion Act.

**SECRET**

**SECRET**

<u>EUROPE (continued)</u>	<u>Page</u>
THE FRENCH POLITICAL SCENE De Gaulle seems to have given up the idea of seeking a second term in a special vote this spring, but his opponents are already trying to agree on a candidate to oppose him in the regular election due in 1965.	13
NEW ITALIAN GOVERNMENT BEGINS ITS WORK The first major test for the center-left coalition will probably be its ability to cope with urgent economic problems in the face of stepped-up, Communist-promoted labor unrest.	14

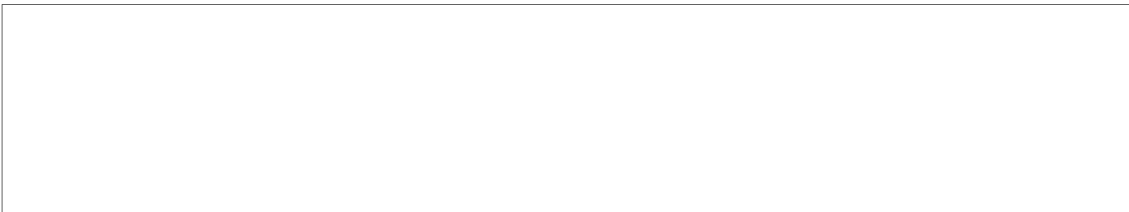


25X1

LABOR UNREST IN ICELAND Wage increases demanded by Communist-dominated labor unions would endanger the government's economic stabilization program and impose new inflationary pressures.	15
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

WESTERN HEMISPHERE

PRESENT PROSPECTS FOR OAS ACTION ON CUBA While Venezuela's strong case, now before an investigating committee, may be supported by a majority of OAS members, unanimity is unlikely in view of Brazil's and Mexico's opposition and the influence of these two on the fence straddlers.	16
CUBAN DRIVE TO INCREASE TRADE WITH WESTERN EUROPE Castro's recent overtures to the ambassadors of Italy, Britain, and France reflect his desire to increase trade with these countries as well as to obtain the services of Western technicians.	17



25X1

DEVELOPMENTS IN BOLIVIA The miners' defiance of the government has brought about an open break between President Paz and the miners' champion, Vice President Lechin, and could lead to a bloody showdown.	18
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

**SECRET**

***SECRET***

WESTERN HEMISPHERE (continued)

	<u>Page</u>
CONTINUING POLITICAL INSTABILITY IN BRAZIL Renewed rightist plotting and leftist agitation are contributing to the deteriorating political situation, but President Goulart has shown no sign of acting to reduce tension.	19
SITUATION IN DOMINICAN REPUBLIC REMAINS UNEASY Pro-Castro guerrilla bands, while not an immediate threat to the military-installed regime, may eventually draw support from moderate leftists who fear rightist domination will prevent impartial elections.	20

***SECRET***

13 Dec 63

CURRENT INTELLIGENCE WEEKLY SUMMARY

Page iv

**SECRET**

The Communist World

**KHRUSHCHEV'S CHEMICAL PROGRAM**

Khrushchev's program for sharply boosting chemical output in the next seven years was formally proposed in his 9 December speech before the Soviet central committee plenum. This program, essentially the one he described to Western officials during the past spring and summer, will require a significant redirection of the Soviet economy, will draw heavily on resources needed for other industries and possibly defense, and will necessitate large-scale imports of chemical equipment. Its adoption, normally a virtually pro forma step at the end of the plenum, will provide an impressive demonstration of Khrushchev's political strength.

Specific Goals

Khrushchev foresees a comprehensive increase in chemical products--literally from plastic bags to antibiotics, but chiefly fertilizer, plastics, and synthetic fiber. Gross output of the chemical industry is planned to increase about 18 percent annually for the next seven years--much the same rate scheduled for the current Seven Year Plan which ends in 1965, but well above the rates actually achieved. He said fertilizer production, now 20 million tons annually, is to go up to 70-80 million tons by 1970. In the detailed calculations presented in the speech, he used 80 million tons as the goal.

This is a considerable reduction from the 100-million-ton goal publicized by Khrushchev until very recently and conforms to a suggestion from a group of Soviet scientists published in Pravda on 17 November that the plan be lowered

in favor of greater investment effort in agriculture to make more efficient use of the fertilizer. The scientists did not advocate a lowering of agricultural production goals and, in fact, Khrushchev called for producing more grain than originally scheduled for 1970 at the 22nd party congress late in 1961.

The lower fertilizer goal probably also reflects greater costs than were originally anticipated. Late in September, Khrushchev spoke on fertilizer investment of 3-4 billion rubles. In his plenum speech he said that 4.5 billion rubles has been earmarked for the purpose.

The 1965 goal for fertilizer output of 35 million tons has not been changed. The 1980 goal of 135 million tons announced at the 22nd congress has been raised to 170 million tons.

The original 1970 output goal for plastics and synthetic resins has apparently been reduced by about one quarter, but still represents an enormous increase--six to seven times the present level. The 1970 goal for synthetic fibers remains at the level set at the 22nd congress--1.35 million tons, or over four times current production.

Although some production figures were lowered, the total investment requirements appear to be significantly higher than Khrushchev cited earlier this year, probably reflecting a more realistic appraisal of actual costs of the undertaking. Total investment in the chemical program over the seven-year period is to be over 42 billion rubles (about \$85 billion in terms of US

**SECRET**

**SECRET**

The Communist World

prices for investment activities), slightly more than investment in the entire economy in 1962.

Khrushchev plans for 200 new chemical plants to be built and 500 reconstructed and expanded (1964-70). The Seven Year Plan (1959-65) called for 140 and 130 in these same categories.

Machinery requirements in support of the contemplated program are impressive. Khrushchev called for the Soviet chemical machine building industry to increase its output to four times the present level by 1970. The annual rate of increase under such a plan would be more than double actual performance in recent years.

#### Machinery Purchases Abroad

The chemical machine building goal, at first estimate, appears to leave the chemical industry at least one quarter short of equipment it needs. According to Khrushchev, Eastern Europe will supply a significant portion of this.

However, the satellites' capability to do so is limited by their own domestic requirements and industrial capacity. Since the USSR and satellites lag considerably behind the West in development of modern chemical processes and equipment, to rely on their own resources in this field would result in either a slower growth rate as technology is being developed or a chemical industry less modern than its Western counterpart.

Khrushchev, obviously aware of this, stressed that the Soviet Union will be in the market for Western equipment and "whole plants" "if credit is available" and "no political conditions are attached."

#### Effects on Other Industries

It is clear that Khrushchev intends his program to convey a strong

consumer orientation. He warned that the course would require a "temporary" slowdown in other (unspecified) industries and that the "efforts of all our resources" will be needed.

Khrushchev did not mention the impact of the program on military priorities, but it seems likely that the program as outlined would require at least some reduction in the rate of expansion of the military program. At one point in the speech Khrushchev pointed to the obvious strategic uses of chemistry.

#### Significance for Agriculture

A major portion of the speech was devoted to the use of chemicals in agriculture. Khrushchev called for top priority for the use of fertilizer and herbicides as a means of expanding grain production. He adopted a flexible attitude toward the problem of making maximum use of the fertilizer--calling for a much greater degree of local initiative and for more rational farming methods.

Two of Khrushchev's favorite projects, the New Lands and the corn program, have been subordinated to the new approach. Khrushchev again implied that farming in the New Lands will not increase and that corn growing must be re-examined in the light of the fertilizer program. Both developments have been anticipated in the Soviet press recently.

Even if the fertilizer production goals are met, this in itself will not solve Soviet agricultural difficulties. Almost certainly, more time is needed than Khrushchev admitted, and there are a variety of handicaps which will not be easily overcome, including climate, organization, ideology, and long years of neglect. In addition, it is by no means clear that Khrushchev will be able to encourage--or, for that matter, will permit--the local approach to farm management that will be required if the extensive fertilizer application program is to succeed.

**SECRET**

25X1



**SECRET**

The Communist World

## MOSCOW SHIFTS TACTICS IN STRUGGLE WITH PEIPING

Having failed to rally sufficient support among foreign parties for a new international Communist conference to condemn the Chinese, the Soviet leaders now seem to be preparing for a protracted stalemate in the conflict. They have reverted to a position set forth by Khrushchev at the East German party congress last January, when he appealed for "tolerance and patience," a cessation of polemics, and a pause to give the adversaries a "chance to calm down" before convening a conference.

Two authoritative Pravda articles on 27 November and 6 December commemorating the anniversaries of the 1957 and 1960 Moscow meetings renewed Khrushchev's appeals, avoided direct assaults on the Chinese, and reiterated his dictum that "time will determine which point of view is correct."

In view of the strong resistance within the Communist movement to any Soviet attempt to force a showdown, which almost certainly would result in a formal and avowed rupture, the Soviet leaders apparently see no alternative to accepting another pause, during which they will pursue less provocative and risky efforts to isolate the Chinese and prove that Peiping is solely responsible for continuation of the conflict.

Moscow is maintaining a virtual suspension of anti-Chinese propaganda. The Pravda article of 6 December piously warned against "overdramatizing" the situation and regarding it as "irreparable." It recalled Khrushchev's appeals in January

and October for a cessation of polemics and proposed discussions within the "normal channel of inter-party relations," which would create "more favorable conditions" for a new world Communist meeting. There are no indications, however, that the Russians expect either a resumption of bilateral talks or an international conference in the near future. The Soviet ambassador in Peiping told the British chargé on 2 December that the Chinese had not suggested resumption and that no meeting was planned in Peiping or elsewhere.

Although the Chinese have not directly commented on the new Soviet appeal, they have made it clear that they have no intention of accommodating the Russians. On 10 December, Peiping repeated its charge that "anti-China propaganda" in the Soviet press has exposed the "hypocrisy and ulterior motives behind the CPSU leaders' so-called call for a halt to open polemics." Whereas Moscow ignored the defiant tactics of the Chinese delegation at the recent World Peace Council session in Warsaw, Peiping played up the clashes and denounced the USSR for "stage-managing an anti-China scandal."

Peiping has also continued its series of long articles attacking the July exposition of Soviet positions. The sixth, published simultaneously in People's Daily and Red Flag on 12 December, juxtaposes Khrushchev's revisionist views of "peaceful co-existence" with the correct Leninist line followed by the Chinese. There does not appear to be anything new in the Chinese argumentation on this question, but the article maintains the Chinese insistence that Khrushchev is evil incarnate.

25X1

**SECRET**

**SECRET**

The Communist World

**MONGOLIAN RELATIONS WITH COMMUNIST CHINA WORSEN**

In its first known diplomatic protest to Communist China, Mongolia last week charged that "outbursts" by Chinese diplomatic personnel in Ulan Bator provoked a Mongolian crowd to smash a propaganda show window in the Chinese Embassy. The unusual note will undoubtedly accelerate the deterioration in Sino-Mongolian relations brought about by Ulan Bator's increasingly sharp criticism of Peiping's position in the Sino-Soviet dispute.

This growing estrangement has been reflected in recent private remarks by Mongolians belittling Chinese economic assistance. Since 1955 Communist China has provided workers for extensive construction projects in labor-short Mongolia. China's failure to announce replacements for workers who have returned home this year after fulfilling their contracts indicates that this type of assistance is being

phased out. Peiping also appears to be stalling on implementation of a \$50-million credit offered in 1960. Conferences on the subject in 1961 and 1962 closed without any communiqué suggesting a failure to come to terms.

Another factor adversely affecting Mongolian-Chinese relations is Ulan Bator's resentment over a loss of revenue resulting from a reduction in China's use of the railroad through Mongolia for its trade with Moscow and the European satellites. A Mongolian official has said that these earnings formerly made up a substantial part of the Mongolian national budget.

Peiping so far has not responded publicly to Mongolian attacks on its policy and is not known to have acknowledged the diplomatic protest.

25X1

\* \* \*

**SECRET**

**SECRET**

The Communist World

**GHEORGHIU-DEJ'S VISIT WITH TITO**

Rumanian Premier Gheorgiu-Dej's choice of Yugoslavia for his first visit to an Eastern European state since 1961 gives dramatic emphasis to Rumania's middle-of-the-road position within the "socialist commonwealth" and Moscow's tolerance of diversity within this grouping.

Even the stated purpose of the visit, the signature of an agreement on construction of a hydropower and navigation system at the Iron Gates section of the Danube, is a demonstration of the two countries' willingness to go ahead with a mutually beneficial project in spite of objections by other riparian Communist countries to the tolls that would be charged. This and other agreements such as the establishment of a permanent bilateral body for the development of economic cooperation bring Yugoslav-Rumanian economic relations to their highest point since 1957.

The communiqué issued at the end of the 22-30 November

talks announced agreement--as might be expected--on such questions of international policy as peaceful co-existence, disarmament, anticolonialism, the test ban treaty, and the German problem. It mentioned the Sino-Soviet dispute only obliquely, obviously a Yugoslav concession to Rumania's desire to remain aloof from the polemics surrounding the dispute. Yugoslavia gave some support to Rumania's proposals for transforming the Balkans into a "zone of peace." There was no mention, however, of one of Belgrade's pet institutions, the workers' councils, which even Khrushchev has seen fit to praise.

The day before Dej departed, he was accorded an unusual invitation to address a joint session of the Yugoslav Federal Assembly--an honor not even Khrushchev has enjoyed. In addition, Tito accepted an invitation to visit Rumania at some future date.

25X1

**SECRET**

**SECRET**

The Communist World

**POLISH PLENUM INDICATES ECONOMIC CHANGES**

The recent Polish central committee plenum indicated that plans for 1964-65 will be revised to give greater emphasis to agriculture as a principal means of overcoming newly admitted economic deficiencies. A remedial course of action was adopted only after vigorous debate, and further political wrangling on economic issues is likely, particularly if public reaction to the revised plans is adverse, as expected.

Party leader Gomulka's speech at the plenum, in particular, makes it clear that agriculture is one of the major causes of current economic difficulties. Approximately half of the short-fall in national income in 1963 was the result of decreased agricultural production. The necessity for increased grain imports coupled with the decrease in exports of food and light industrial products caused a reduction in imports of industrial goods and raw materials. This in turn slowed the rate of growth for light industry, chemicals, and other industries which depend in part on imports.

Major changes are to be made in plans for 1964 and 1965. Over-all investments in 1964 are to rise only slightly, and in both years will be lower than originally planned. Reductions are to apply especially to light

industry, the food industry, building materials, and construction (including housing). Agriculture, however, is to receive 32 percent more of state investment in 1964 than in 1963, with a large additional increment going to industries that support agriculture, especially the chemical industry. The plan calls for stringent controls on wages and on the employment level in an attempt to keep purchasing power in line with available supplies of consumer goods. Extensive changes in planning methods are designed to make the plan more responsive to shifts in the requirements of the economy.

Despite Gomulka's promises when the current plan was promulgated that 1964 would see the beginning of a rapid improvement in the consumer's lot, personal consumption next year is to increase by only 2.6 percent, probably about the same as this year. The reduction of housing construction and indications that difficulties in food supplies, especially meat, will continue hit the already disgruntled Polish consumer in two areas of great concern to him. Plans to revise norms and tighten wage discipline are additional reasons to expect an adverse public reaction.

25X1

**SECRET**

**SECRET**

The Communist World

**UPSURGE IN SOVIET MILITARY AID DELIVERIES**

An upsurge in Soviet military shipments in recent weeks underscores the continued high level of Moscow's military aid activities abroad. The deliveries reflect implementation of new military aid agreements as well as maintenance and modernization under long-established programs.

At least 12 shiploads of Soviet military equipment have arrived in Egypt since early October, compared with only three or four in the previous three months. Much of this material is for the two-year-old surface-to-air missile (SAM) program, but additional naval equipment, land armaments, and possibly aircraft have arrived as well.

[Redacted]

[Redacted]

[Redacted]

25X1

Two ships appear to have carried Soviet military cargoes to Yemen in early November--the first noted since last summer. Sporadic Soviet shipments are being made to Iraq and Syria, largely carrying out old agreements, as no major arms deals have been concluded with either country in more than a year.

Another probable arms carrier arrived in Cuba in early December --the ninth major shipment there this year.

Most Soviet deliveries to Cuba in 1963 appear to have been for maintenance of the existing military establishment.

25X1  
25X1

[Redacted]

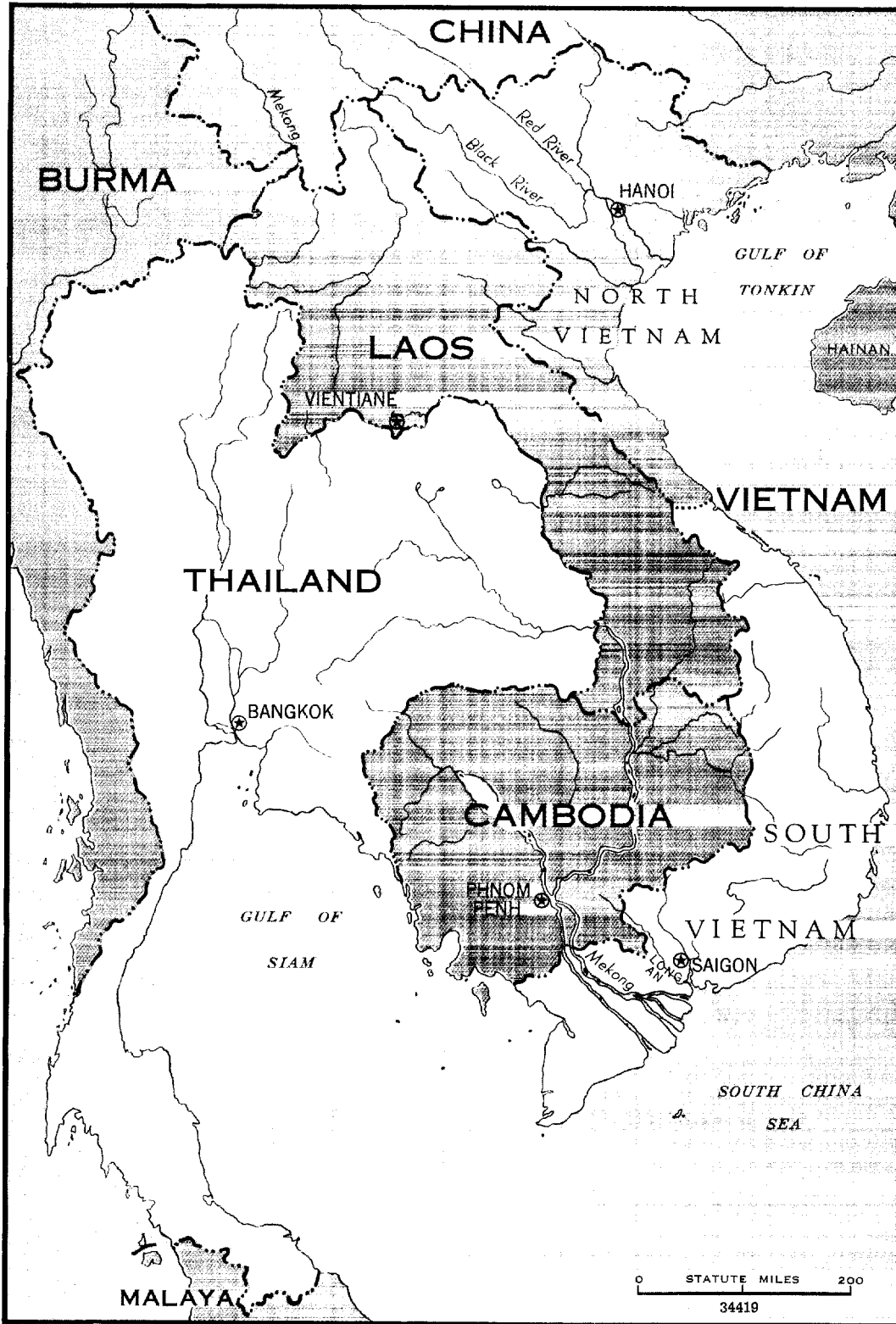
25X1

Few Soviet military deliveries are going to Indonesia now, but extensive training programs and further SAM deployment in that country suggest that a new wave of shipments may get under way soon.

25X1

[Redacted]

**SECRET**



**SECRET**

Asia-Africa

**ORDERLY CHANGE OF LEADERSHIP IN THAILAND**

At least for the moment, the Thai Government is operating smoothly in the wake of Prime Minister Sarit's death on 8 December. The regime retains its pro-Western orientation, the country is calm, and the premiership has been transferred, thus far without incident, to Thanom Kittikachorn. The 52-year-old Thanom, who was both defense minister and deputy prime minister under Sarit, has [redacted]

25X1

[redacted] pledged to follow the policies of his predecessor "in every detail, both external and internal."

25X1

In the new cabinet announced on 11 December, Thanom remains as defense minister and also becomes supreme commander of the armed forces and commander in chief of the army. General Chitti Navisathien, who had been named by Sarit acting army chief in late November, has been "promoted" to assistant supreme commander of the armed forces. Interior Minister Praphat retains his ministry, and has been appointed acting deputy army chief and vice premier. In one of the few changes in the cabinet itself, Pote Sarasin, who has been secretary general of SEATO, has become Thailand's

minister for national economic development.

It is unlikely that Chitti and General Krit Sriwara, who is the only ranking officer with troops directly under him, will be satisfied with this arrangement. Further maneuvering is therefore likely between factions led by these two men on the one side and by Thanom and Praphat on the other, and changes in the cabinet and military lineup could occur at any time. There will probably be no significant developments, however, in the immediate future because of the Thai leadership's respect for Sarit, whose funeral ceremonies will not be completed for three months.

Thus far, no new subversive efforts from either inside or outside the country have been observed. Thanom and Chitti have stated that the Thai Government will remain strongly anti-Communist and will continue US-assisted economic development programs aimed at eliminating the subversive potential. [redacted]

25X1

**COMMUNISTS INCREASE CAPABILITIES IN SOUTH VIETNAM**

The pace of Communist military activity in South Vietnam has subsided almost to normal after reaching a record high during November. The full effects of the November effort--when the number of guerrilla incidents was nearly double the monthly average for this year--are not yet clear. Preliminary reports indicate that

the Viet Cong made significant gains in parts of the densely populated delta.

Most of the Viet Cong's activities--armed attacks and acts of sabotage, terrorism, and propaganda--were directed against strategic hamlets and paramilitary outposts in the delta provinces,

**SECRET**

**SECRET**

Asia-Africa

several of which now are regarded as critical. In Long An Province, just south of Saigon, the Viet Cong reportedly eliminated a number of strategic hamlets, thereby extending their influence and physical control in rural areas.

The deterioration of security in this area had set in earlier this year. The prolonged political crisis in the capital had obscured the fact that by mid-1963 the Viet Cong had adjusted to the stepped-up US Vietnamese pacification effort, and that the Communists were intensifying their own counteractions. Trends in operational statistics, which had been generally favorable to the government since mid-1962, seem to have reversed this summer, and the pace of Viet Cong activity had been gradually rising before the November upsurge. Government casualties have increased sharply while Communist losses remained generally constant, even though the latter still exceed government losses in absolute terms. The ratio of weapons losses, which had favored the government, has switched dramatically and now is running three to one in favor of the Viet Cong.

The Communists have achieved this result by progressively improving their capabilities and modifying their tactics. They now are focusing their attacks on "soft" paramilitary targets, and have reduced their vulnerability to government countermeasures by fortifying their operational bases and improving

their antiaircraft techniques. At the same time, the Viet Cong have continued to evolve larger and better equipped tactical units. This evolution is facilitated by the continued infiltration from North Vietnam of unit cadres and specialist personnel, as well as weapons and explosives. The evidence indicates that at least 1,900 infiltrators have entered South Vietnam this year, and bloc-produced weapons are being found with growing frequency.

The new government is aware of the magnitude of this renewed Viet Cong threat, but is moving slowly while it consolidates its control. Government forces in all tactical zones have resumed normal operational activities, but little apparent progress has been made in revamping basic policies or developing new programs. Many of the key projects pushed by the former regime have virtually ground to a halt while pacification concepts are re-studied in Saigon and key administrators at provincial and district levels are replaced.

Government leaders expect the consolidation phase to be completed this month, and to move ahead with new plans after the first of the year. They hope to produce some early military results which would have a favorable psychological impact. The Viet Cong continues, however, to demonstrate a capability to counter government efforts with improved tactics, more weapons, and a continuing supply of trained leaders from the north.

25X1

**SECRET**



**SECRET**

Asia-Africa

AREA NOTES

Iraq-Syria: Tensions have abated slightly in Baghdad, but the Iraqi regime remains split into Baathist and "nationalist" factions and rumors of coups and countercoups are still current. The government apparently does not believe such moves are imminent, as troops have largely been removed from the streets. Baathist Defense Minister Tikiriti has evidently given in to pressure from President Arif and acquiesced to the transfer of a number of Baathist army officers from important commands.

Arif and the nationalists apparently are aiming at gradually eroding Baathist influence within the regime while avoiding a showdown that could precipitate a move by army forces still led by Baathists. Given the army transfers and retirements of the past two weeks, Baathist officers may in fact no longer be able to oppose the nationalist elements effectively.

Pro-Egyptian Foreign Minister Hamid, who has ties with the

Morocco-Algeria: The seven-nation Organization of African Unity commission--Ethiopia, Mali, Ivory Coast, Nigeria, Senegal, Sudan, and Tanganyika--which is mediating the Moroccan Algerian dispute has concluded its procedural session, held in Ivory Coast. It now awaits formal statements from Morocco and Algeria, due by 22 December, defining their positions on the border dispute. The commission will again convene in late January to consider these statements and probably to form two subcommissions to make on-the-spot investigations.

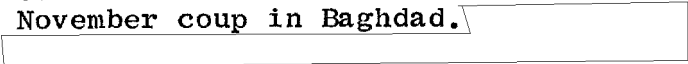
The commission apparently intends to get around the question

Egyptian Embassy in Baghdad, this week visited Cairo for talks with President Nasir.



25X1

In Syria, Premier Hafiz continues to seek broadened support for his regime by pardoning and releasing from custody "old guard" political personalities identified with the Syrian secession from the UAR in 1961. Hafiz appears to have won out, at least for the present, in his power struggle with extremist Baathist Deputy Premier Umran, and the US ambassador feels that Umran's influence in the government has been sharply reduced. An open split between moderate and extremist factions within the Syrian Baath Party has not developed, however, and it would appear that its leaders are attempting to avoid mistakes that led to the 18 November coup in Baghdad.



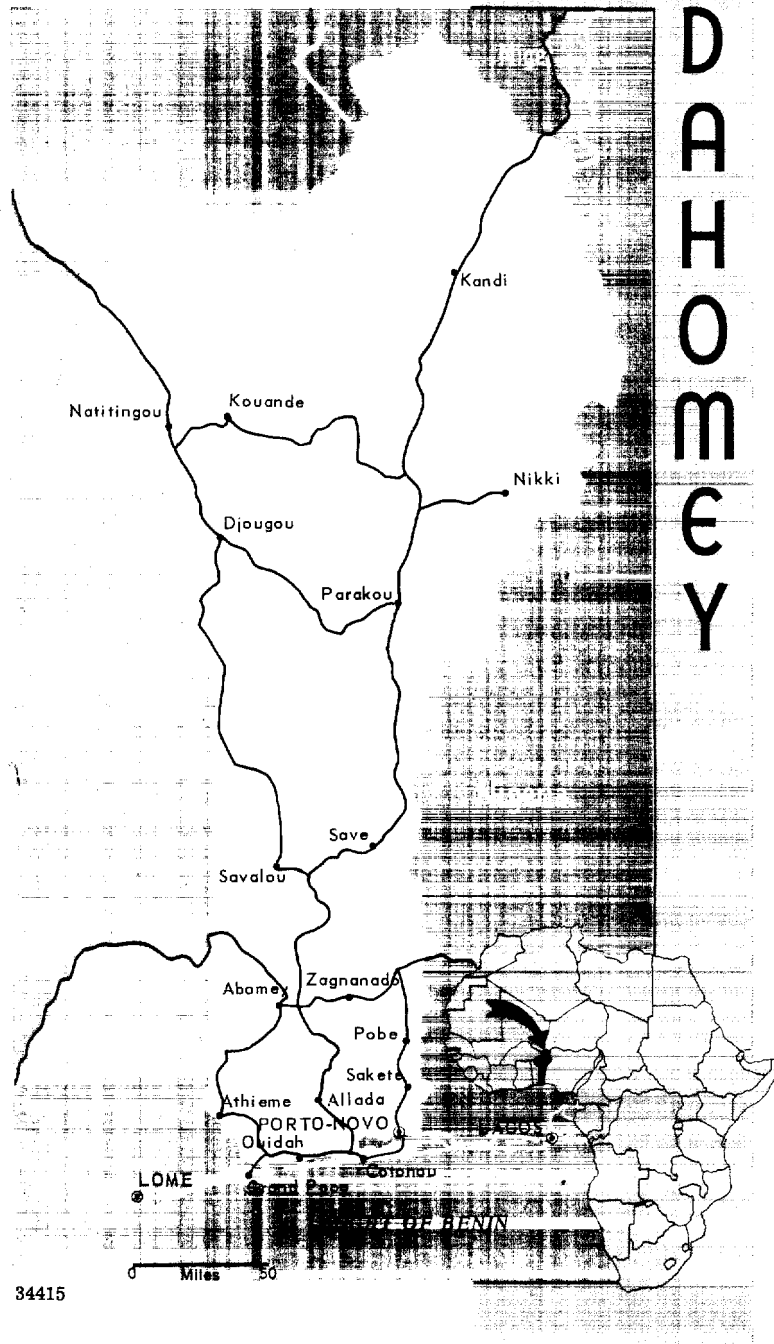
25X1

of responsibility for the October clashes by finding both parties equally at fault. Its labors may be prolonged by the inability of the four-member cease-fire commission--formed as a result of Ethiopia's early peace-making efforts--to delineate a demilitarized zone. Although the mediators reportedly received commitments from both parties that they would not aggravate the border situation or start an arms race during this period, minor incidents are likely to continue and each side can be expected discreetly to improve its military position.



25X1

**SECRET**



**SECRET**

Asia-Africa

**DAHOMY'S POLITICAL SITUATION STILL UNSTABLE**

The political situation in Dahomey has remained highly volatile in the six weeks since the government was overthrown in a popular revolution, and the chances of its being stabilized soon seem slim. The militant unionists who played a major role in the drive against President Maga still constitute an explosive force. There is also a possibility, albeit a diminishing one, that Maga's disgruntled fellow northerners may react violently to his recent house arrest.

The military remain the key to the situation. The provisional government leader, Colonel Soglo, appears willing to provide for an orderly transfer of power back to civilian hands. It is doubtful, however, that the military will be willing to give up all their political advantages even if and when they ostensibly relinquish control.

The unionists are certain to exert strong influence despite their relatively small numbers and their previous organizational weaknesses. They appear ready to return to the streets if they do not soon receive substantial satisfaction of their demands for a wage increase and a larger political role. They have begun to direct their attention more and more to political goals and may well use their power to secure political as well as economic concessions. They have been forming revolutionary committees throughout Dahomey subordinate to a central committee at Cotonou.

The US Embassy feels that the unionists are the group most susceptible to outside influences,

and that foreign subversive interests can keep the situation boiling simply by providing the union leaders with funds.

The detention of ex-President Maga on 3 December, following announcement of the discovery of a northern-based plot against the provisional government, has thus far provoked no noticeable reaction from northern tribesmen. Fear of such reaction, however, is reflected in the appointment of one Chabi Mama, former secretary general of Maga's ruling party, and another northerner to fill the gap Maga's arrest left in the provisional government. Chabi now emerges as chief spokesman for the north.

The constitutional referendum originally set for 15 December has been canceled without official explanation. However, early this week the unionists made known their opposition to the recently prepared draft constitution which called for a presidential system rather than the parliamentary regime they favor.

When the constitution is finally presented for a vote, the regime may decide to follow the recent precedents of Togo and the Brazzaville Congo and hold the referendum concurrently with legislative elections. A new national party embracing all political tendencies is being organized, and voters would probably be asked to endorse a single national slate.

25X1

25X1

**SECRET**

**SECRET**

Europe

**EEC MINISTERS WEIGHING AGRICULTURE AND TRADE ISSUES**

Cabinet ministers of the six EEC countries are considering a number of agricultural and trade policy questions of critical importance to the US as well as to the Common Market itself. Their talks began in Brussels early this month and are likely to continue into next year.

Under threats from France that its future participation in the EEC is at stake, the member countries are trying to agree by the end of December on the regulations for trade in beef, rice, and dairy products, and on community arrangements for financing agricultural subsidies and guarantees. Formal discussions are to begin on 16 December regarding EEC Commissioner Mansholt's proposals for early unification of grain prices --widely regarded as the key to real agricultural integration in the EEC.

Decisions yet to be taken on the rice, beef, and dairy regulations could result in a substantial loss of markets for outside producers. Moreover, despite the increasingly favorable reception the Mansholt plan is getting, it is generally recognized that the proposed price adjustments will undermine the competitive position of many West German farmers and pose the threat of inflation in France and perhaps other member countries.

The settlement of these farm questions--difficult in any case--is doubly complicated by their close connection with the EEC's participation in the 1964 tariff talks envisioned by the US Trade Expansion Act (TEA). Paris insists that the intracommunity regulations for

agricultural trade must be established prior to agreement on policies toward trade with nonmembers. West Germany and the Netherlands, with their far-flung commercial interests, are just as insistent on obtaining commitments from Paris on TEA policy before making any concessions to the French farmer.

If the EEC is to negotiate effectively on TEA, it must first have a position on the size of the tariff cut it will support, how many exceptions to this cut will be permitted, how to reduce tariffs on those items in which there now is a marked "disparity" between the EEC and US rates, and, ultimately, how to negotiate a reduction in barriers to trade in agricultural products. The last two questions are especially important. The US fears the EEC Commission's negotiating plan would do no more than freeze the level of agricultural protection in the EEC. Moreover, the "disparity" rule which France and the commission continue to press would have such wide application as to jeopardize the "Kennedy Round" objective of a 50-percent over-all tariff reduction.

Thus the next few weeks will be a period of hazardous negotiations and political tension. Most of the Common Market countries believe De Gaulle still needs and wants the community, but they cannot be sure that failure to satisfy his agricultural objectives will not provoke him into as startling an act as his rejection of British EEC membership last January. However, to appease him on agriculture without a firm French commitment on general trade policy could make a fiasco of the TEA negotiations.

25X1

**SECRET**

**SECRET**

Europe

**THE FRENCH POLITICAL SCENE**

De Gaulle seems to have given up the idea of seeking re-election to the French presidency in a special vote this spring and now is expected to seek a second term in the regular presidential election due late in 1965.

25X1

Regardless of the timing of elections, however, his opponents have begun to bestir themselves in an attempt to agree on a candidate to run against him. Gaston Defferre, the Socialist mayor of Marseilles, has begun to develop his candidacy, but he will have a difficult task in establishing a national following and in coping with the inevitable Gaullist effort to label him a Communist.

Even if De Gaulle's opponents can agree on a single candidate, they will face considerable difficulty in trying to settle on a common platform. Opposition to De Gaulle has not proved to be particularly productive of electoral support.

Public opinion polls in recent months have shown a drop in De Gaulle's popularity, but these should not be taken to

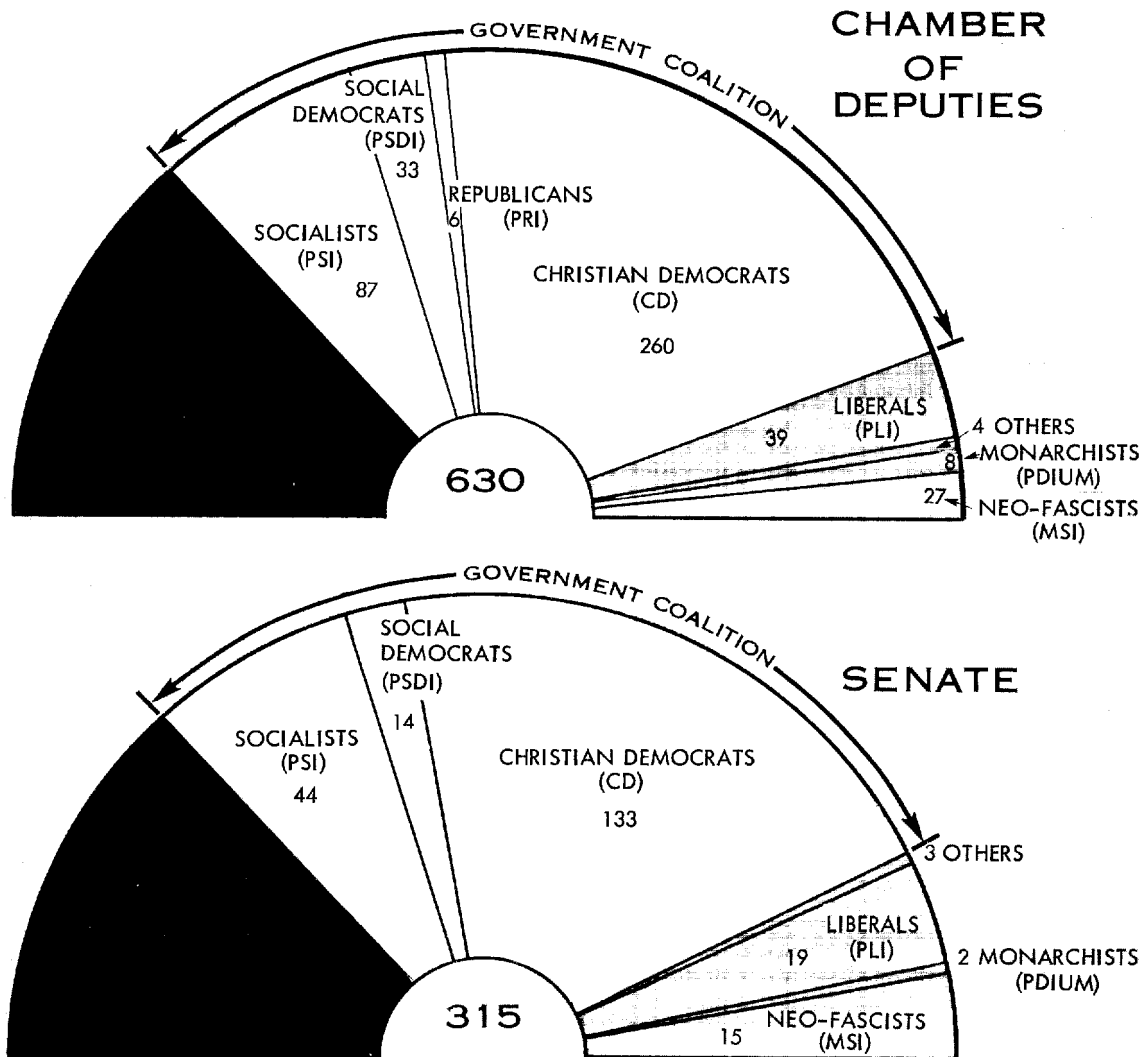
mean any substantial loss of electoral strength. There is a great deal of speculation that De Gaulle will call a referendum some time next year by way of a new "vote of confidence." He has several issues he could pick for such a vote; a constitutional amendment creating a vice presidency has only limited appeal for De Gaulle but he might decide to go ahead with his desire to reorganize the Senate. In any event, De Gaulle is, as usual, keeping his own counsel, although he may tip his hand at a press conference scheduled for next month.

The Socialist Party leadership, meanwhile, continues to try to walk the fine line between "parallel actions" with the Communist Party and a popular front agreement. Socialist chief Guy Mollet returned from a ten-day visit to the Soviet Union last month intent on opening a public debate with the Communists to show the ideological differences which separate the two parties. The Communists can hardly be expected to oblige Mollet, however, and he may find them pointing up the similarities in party positions so successfully that the Socialist rank and file will see additional reasons to heed Communist pleas for worker unity.

25X1

**SECRET**

### PARTY COMPOSITION OF THE ITALIAN PARLIAMENT (FOLLOWING APRIL 1963 PARLIAMENTARY ELECTIONS)



13 Dec 63

631210

**SECRET**

Europe

**NEW ITALIAN GOVERNMENT BEGINS ITS WORK**

A vote of confidence is expected before Christmas on the program the new Italian Government has just presented to Parliament. The first major test for the center-left coalition will probably be its ability to cope with urgent economic problems in the face of stepped-up Communist-promoted labor unrest.

At two cabinet meetings this week, the four government parties agreed on the assignment of responsibilities to five ministers without portfolio, chose 42 undersecretaries, and approved the speech Premier Moro presented to Parliament on 12 December. The coalition will have a comfortable majority in the Chamber of Deputies if the four parties muster their total of 386 out of 630 seats, and a favorable vote in both Senate and Chamber is virtually assured.

Nevertheless, some Socialist left-wingers and some Christian Democratic right-wingers may make good their threats to buck party discipline. The Communists and the parties to the right of the

Christian Democrats will vote against the government.

The most critical problems the government faces are on the economic front. Most of the details of the remedial measures have been agreed upon, but implementation could be slow, even with a possible shortening of Parliament's holiday recess to allow work on the legislation to begin before mid-January. The government will be at some disadvantage in pushing for austerity measures in midwinter, when a seasonal economic slowdown increases unemployment.

In addition, the Communists--with whom Socialists are still allied in the largest trade union confederation--have called several large-scale strikes mainly in an attempt to use worker unrest to put pressure on the government and try to exacerbate the Socialist Party's relations with its partners. Worker demands for widespread wage increases are in conflict with government proposals to contain inflation and avoid a further undermining of business confidence. 25X1

25X6

**SECRET**

**SECRET**

Europe



25X6

### LABOR UNREST IN ICELAND

Iceland's governing coalition of Conservatives and Social Democrats is again being challenged by Communist-dominated labor unions. The unions' current demands for wage increases averaging some 30 percent led to a virtual general strike which began on 10 December.

The immediate issue is whether or not the government will be able to maintain the integrity of the economic stabilization program to which the two cabinet parties committed themselves when they assumed power in 1959. The program has been under almost constant attack by the Communists, who have used their control of the central labor federation to foment labor unrest as a means of undercutting the stabilization program and forcing the government to resign. The coalition successfully weathered a similar strike of some three weeks' duration in 1961, but only after reluctantly agreeing to inflationary wage increases. The government later sought to counteract their inflationary impact by devaluing the krona--the second devaluation within a period of 16 months.

Since that time the Communists, aided by the largely

agrarian Progressive Party, have continued their attacks on the government. Extensive strike action nearly occurred in early November but was postponed for a month when the government agreed to defer parliamentary action on a bill freezing wages and prices.

Prime Minister Benediktsson then sought to head off the present strike by a compromise proposal permitting wage increases of up to 8 percent, which was rejected by labor.

It is not clear how far the Communists will be able to exploit the present labor unrest for political purposes. Many of the workers have become disillusioned with the politically motivated strike activities of the Communists. This sentiment was reflected in the recent national elections when the Communists succeeded in doing little more than holding their own. Under these circumstances there will be pressure for an early settlement of the dispute which, if substantially more generous than Benediktsson's proposal, is likely to result in a further devaluation of the krona.

25X1

**SECRET**



**SECRET**

Western Hemisphere

**PRESENT PROSPECTS FOR OAS ACTION ON CUBA**

Venezuela's charges of Cuban aggression and interference in its domestic affairs have again brought the Organization of American States (OAS) into action against the Castro regime. The allegations are the result of Castro's continued support for the terrorist Armed Forces of National Liberation and now are backed by solid evidence provided by the discovery early last month of a Cuban arms cache in Venezuela.

The newly elected chairman of the OAS Council, Ambassador LaValle of Peru, appointed an investigative committee consisting of Argentina, Colombia, Costa Rica, Uruguay, and the US. The committee, presently in Caracas, reportedly is highly impressed with the accuracy of the Venezuelan allegations, and is also investigating Cuban propaganda and political intervention.

The outcome of the investigation presently points toward several possible courses of action. These include OAS resolutions calling for a complete hemispheric break in diplomatic, consular, and economic relations with Cuba, an air and naval blockade to prevent Castro arms shipments, cooperative Caribbean surveillance of clandestine Cuban activities, or a simple condemnation of the Castro regime for interventionist activities.

Latin American response to these prospective lines of action is varied. Basically, a hard core of 12 votes--not in-

cluding the US--favors any or all of the courses mentioned, if Cuba is judged guilty.

Fundamentally opposed to any action is the Brazilian delegate, who is probably skeptical about Venezuela's case.

Chile, however, shows signs of altering its traditional non-interventionist posture. With pro-Castro sentiment at a low ebb in Chile, the government there may yield to the weight of evidence and possible Argentine diplomatic pressure and align itself with the anti-Castro majority in the OAS. Such a breakthrough might influence reluctant Uruguay to take a stronger stand against Cuba.

The Mexican Government, however, while perhaps quietly favoring measures against Castro, cannot afford for domestic political reasons to alter openly its characteristic support of nonintervention. Haiti weakly shares Mexico's opposition to action. Peru, whose new President has displayed little interest in foreign affairs, will probably not clarify its intentions until the investigation is completed.

Present indications suggest that, if the final report of the five-nation investigating committee is conclusive and vigorous, a majority of OAS members will support increased measures against Cuba. Unanimity, however, is unlikely because of the opposition of Brazil and Mexico and the influence which these two powers exert on lesser fence straddlers.

25X1

**SECRET**

**SECRET**

Western Hemisphere

**CUBAN DRIVE TO INCREASE TRADE WITH WESTERN EUROPE**

Fidel Castro initiated a round of conversations with West European missions in Havana in mid-November. After a four-month lull during which he had few contacts with non-bloc missions, Castro called in quick succession on the ambassadors of Italy, Britain, and France. Diplomatic circles in Havana interpret Castro's sudden display of friendship as indicative of a Cuban desire not only to increase trade with these countries, but also to obtain the

services of Western technicians.

Castro's efforts suggest dissatisfaction with the extent of--and his present absolute dependence on--the economic support he receives from the Communist world. Whatever the strains in Cuban-Soviet economic relations, all evidence points nevertheless to continuation of the high level of Soviet bloc economic activity in support of Cuba and no wavering in Moscow's adherence to its commitments.

25X1

\* \* \*

**SECRET**



34420



25X1

**SECRET**

Western Hemisphere

**DEVELOPMENTS IN BOLIVIA**

Events of the past week in Bolivia--beginning with the 5 December cabinet reshuffle followed the next day by the government's arrest of three Communist labor leaders and the retaliatory detention of 21 hostages including four Americans--probably will mark a turning point in Bolivian politics. The long-simmering dispute between President Victor Paz Estenssoro and Vice President Juan Lechin has developed into an open break, and the chances for a rapprochement now appear dim, even though they had been political allies since 1952.

Paz requested the resignations of the entire cabinet in order to replace those ministers who had maintained close ties to Lechin. Lechinist supporters were dropped from the ministries of agriculture and mines, and the minister of peasant affairs was removed because he alienated key peasant leaders. The new cabinet is composed of persons of demonstrated loyalty to Paz who can be depended upon to support him in the currently precarious political situation.

Paz and Lechin both have committed their prestige so fully in this crisis that each one's maneuverability now is severely limited in attempting to find a mutually acceptable compromise. The vice president, a long-time labor leader with close ties to the tin miners, has claimed that he remains their true friend and has made vitriolic attacks against Paz. Lechin has asserted that Paz has become

a tyrant who "represses" the ruling Nationalist Revolutionary Movement (MNR) and has "sold out" to the Americans--remarks which could hardly be withdrawn without seriously prejudicing Lechin's political stature.

Nor can the President afford to back down. Capitulation on his part would so strengthen Lechin's supporters that they might be able to edge out Paz as the MNR's presidential candidate for next year's national elections. The party's nominating convention is scheduled for January, and nomination by the MNR is tantamount to election in Bolivia.

A Paz defeat in the current crisis also might provoke the military to stage a coup, notwithstanding the fact that they have scrupulously supported constitutional processes in Bolivia since 1952. Paz, therefore,, seems to have no suitable alternative except to deal firmly with those who are now defying the government's authority.

The government has encircled the Huanuni - Catavi - Siglo Veinte mining area with several thousand troops and peasant militia units. The opposing miners are well-armed, trained in the use of dynamite, and would fight fiercely if attacked by government forces. In a full-scale showdown, however, the military probably would triumph over the miners.

25X1

**SECRET**

**SECRET**

Western Hemisphere

**CONTINUING POLITICAL INSTABILITY IN BRAZIL**

Renewed rightist plotting and extreme leftist agitation are contributing further to the deteriorating political situation in Brazil. Nevertheless, President Goulart has yet to demonstrate any determination to act to stem the growth of political tension.

Rightist plotters seem to be taking specific steps toward carrying out their long-talked-about plans to overthrow Goulart. In a 7 December television speech, former Navy Minister Sylvio Heck, one of the rightist leaders, accused Goulart of working toward "subversion of the social order," promoting strikes, and collaborating with extreme leftist groups.

[Redacted]

The rightists probably expect to capitalize on the dissatisfaction within the armed forces caused by the removal of Second Army commander General Peri Bevilacqua, who was transferred after considerable pressure for his removal from the extreme left. However, this group of rightists alone appears to have only limited prospects for staging a successful coup at this time.

Adding to the political ferment is a campaign by leftists to win important cabinet posts.

[Redacted]

25X1

Goulart must also contend with renewed friction within the government coalition. Fundamental disagreement over the administration's agrarian reform program, a basic objective of the president, has sharpened the division between the Social Democratic Party (PSD) and the PTB. The interparty differences have been further aggravated by the recent defection to the PTB of six PSD deputies from the state of Maranhao, a development which gave Goulart's party an unprecedented edge in the Chamber of Deputies. While no open break between the two parties is expected, the growing mistrust between them is impeding constructive legislation.

Ambassador Gordon reports that Goulart is in a tense psychological state and physically exhausted. Rash action by opposition elements could provoke Goulart, in his present condition, into taking desperate measures such as assuming extraordinary powers.

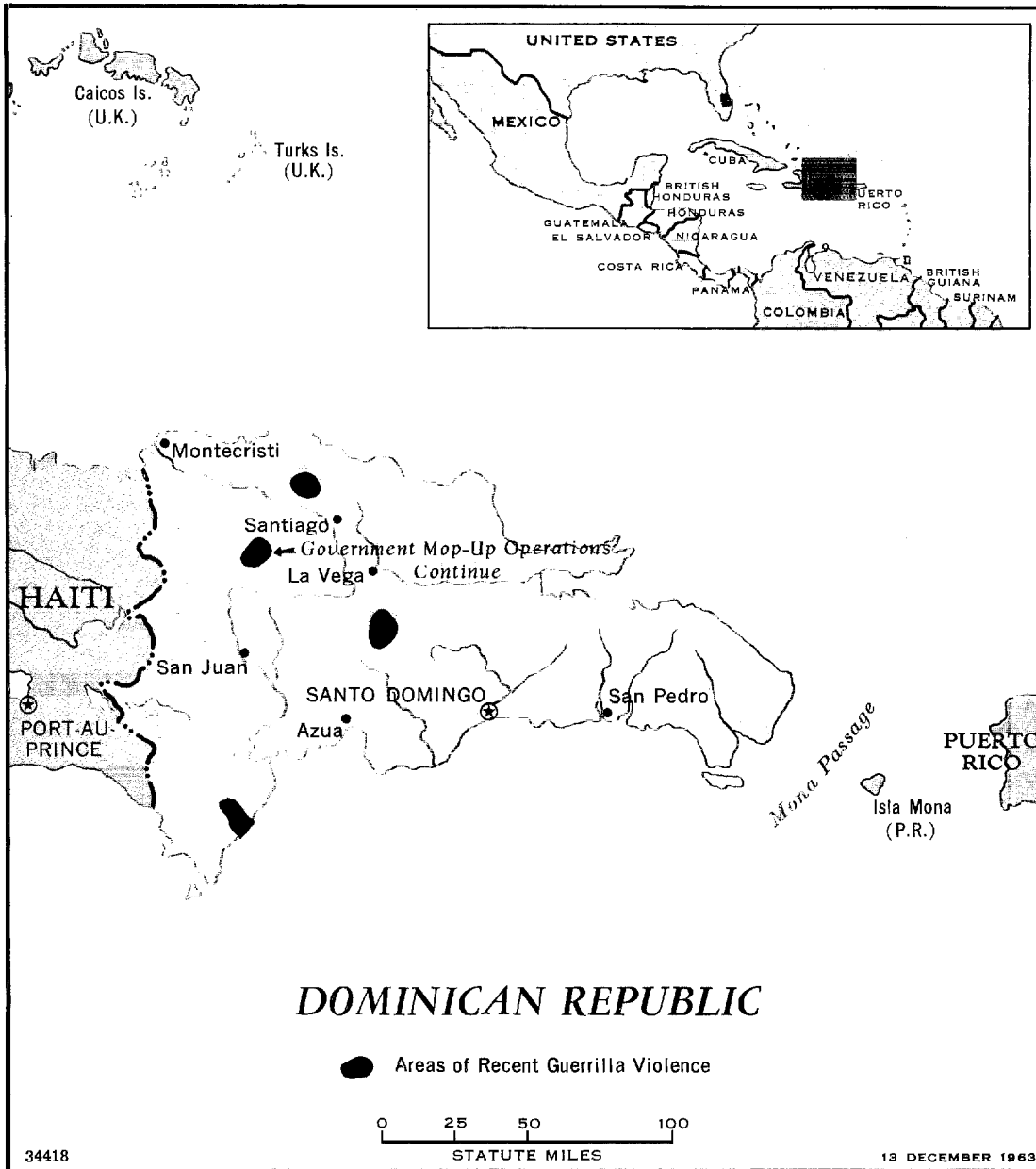
[Redacted]

25X1

25X1

25X1

**SECRET**



**SECRET**

Western Hemisphere

**SITUATION IN DOMINICAN REPUBLIC REMAINS UNEASY**

Ground and air units in the Dominican Republic appear to have neutralized three guerilla bands directed by the pro-Castro 14th of June Political Group (APCJ), but efforts to crush a fourth group of 40-80 men seem to have bogged down. Rumors of two other guerrilla fronts in the country's mountainous interior remain unconfirmed.

The insurgents apparently were discovered before they were fully prepared to begin operations against the government, and their failure to attract significant popular support has so far discouraged fighting.



25X1

Any immediate threat to internal security seems to have been at least temporarily contained, but failure to eliminate the remaining pockets of resistance rapidly may have serious repercussions. The APCJ, declared illegal for its part in the insurgency, now may see subversion as its only course of action. Similarly, at least some exile members of the moderate leftist Dominican Revolutionary Party (PRD) are said to have come to favor domestic

violence in their effort to regain power. If such action were undertaken, the party's status as a democratic political force could be undermined or even eliminated. Another body of potential antigovernment militants is a group of recently dismissed armed forces officers and an unknown number of disgruntled middle-grade officers.

Several of the country's moderate leftist leaders are convinced that growing extreme rightist pressure and the machinations of the minority parties backing the present military-installed regime have eliminated any hope for impartial elections to restore representative government. One object of their concern is the newly organized Liberal Evolutionary Party, which is attracting numerous wealthy rightists, including prominent former supporters of ex-dictator Trujillo. Moreover, members of the Independent Dominican Action, an extreme rightist group which publicly took credit for the 25 September military coup, are already threatening another coup unless stronger "anti-Communist" measures are instituted immediately.

Growing fears of rightist domination may eventually lead some moderate leftists to join forces with the would-be insurgents.

25X1

**SECRET**

**Page Denied**



Approved For Release 2009/03/24 : CIA-RDP79-00927A004300030001-3

**SECRET**

Approved For Release 2009/03/24 : CIA-RDP79-00927A004300030001-3