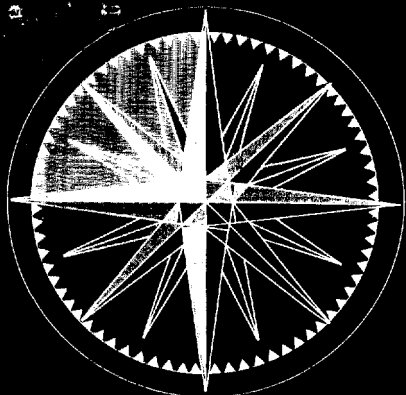


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20 December 1963

OCI No. 0311/63

Copy No. 77

# WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

## CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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C O N T E N T S

(Information as of 1200 EST, 19 December 1963)

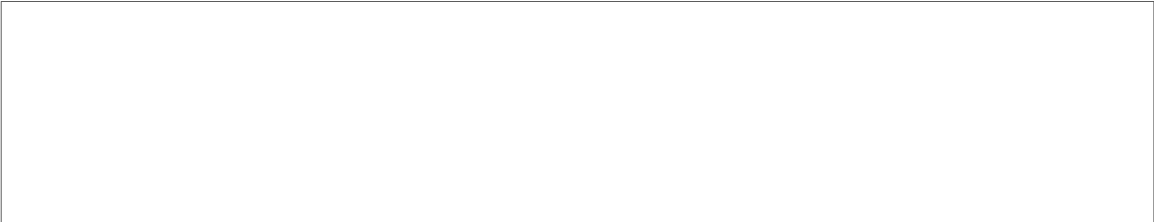
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The Communists view as "official" the talks between East and West Berlin negotiators which achieved the agreement and consider them a boost to Moscow's "free city" proposal for West Berlin. Willy Brandt, on the other hand, regards them as only "technical" and as no setback to his stature in West German politics

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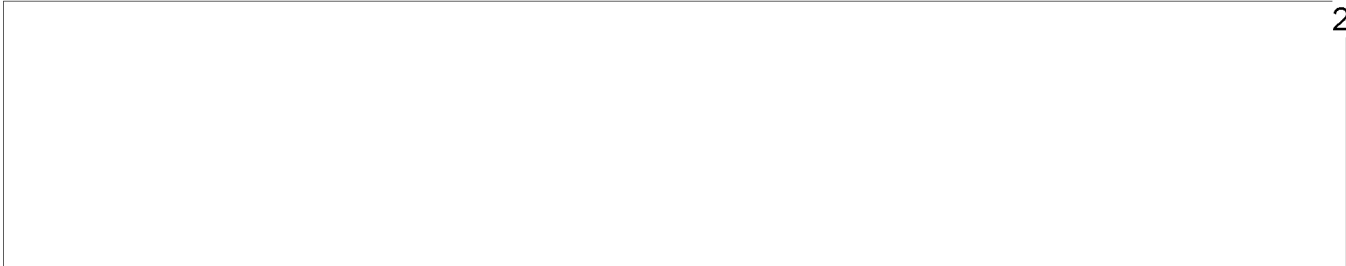
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His most pressing problem is to stabilize the inflationary economy.



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The Communist World

SOVIET 1964-65 ECONOMIC PLANS

Khrushchev's long-range program for development of the Soviet chemical industry is to be accompanied by retrenchment in other parts of the economy during the next two years. Housing, services for the consumer, and some heavy industrial production are to be affected by the economic re-orientation scheduled in the 1964-65 plan and budget announced this week at the Supreme Soviet. It seems very likely, also, that there will be a slowing in the rate at which military expenditures have increased since 1960.

The Chemical Industry

The Khrushchev program is clearly discernible in the top economic priority given to the chemical industry, chemical machine-building, the oil and gas industry, and the pulp and paper industry--associated with providing packaging materials for the chemical program. Investment in the chemical industry is scheduled to increase 44 percent in 1964 and 31 percent in 1965. These rates are higher than those achieved in recent years and are well above the annual average which must be achieved to comply with Khrushchev's call for direct investment of 25 billion rubles (\$50 billion) in the chemical industry in the next seven years.

Actual production increases for several major commodities in the industry have been lowered from Seven-Year-Plan goals set in 1958, reflecting perhaps a more realistic estimate of what can be achieved in the near

future. The 35-million-ton goal for chemical fertilizer for 1965 still stands, however, and if achieved, will require a 75-percent increase over the next two years--far above past performance. The special place agricultural requirements have in the program is exemplified by the concentration of two fifths of all chemical investment on developing fertilizer and doubling the output of herbicides and insecticides.

Agriculture

Budgeted agricultural investment is to increase sharply --presumably in part to provide storage facilities and equipment, including fertilizer equipment. Irrigation, another aspect of the Khrushchev program for agriculture, is scheduled to increase substantially during the next two years in an apparent attempt to reach the level called for in the original Seven Year Plan. Judging by Khrushchev's statements last week, longer range goals have not yet been worked out.

Resource Shifts

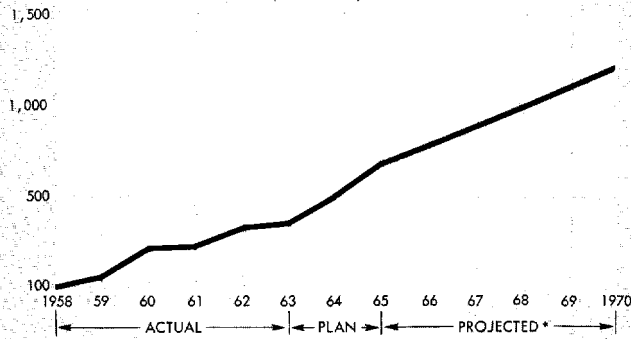
According to the plan, the share of total investment devoted to the chemical industry, agriculture, light and food industries, and associated branches will grow from 26 percent in 1963 to 35 percent in 1965. The question of which sectors of the overcommitted Soviet economy are to give way for this change can only partially be answered. With the exception of those for chemistry and oil and gas, investment

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PLANNED PERCENTAGE INCREASES IN SOVIET GROSS INDUSTRIAL PRODUCTION

	1962	1963	1964	1965
Total	8.1	8.0	8.4	8.4
Group A (mainly heavy industry)	8.8	8.5	8.9	8.9
Group B (mainly consumer industry)	6.6	6.3	7.0	7.0

INVESTMENT IN SOVIET CHEMICAL INDUSTRY 1959-1970 (INDEX)



\*Based on Soviet plan to invest 25 billion rubles in the chemical industry during 1964-1970.

SOVIET ECONOMIC PLAN SELECTED INDICATORS

		1963 Plan	% Increase	Current 1965 Goal	Average Annual % Increase 1964-1965	Original Seven-Year Plan Goal for 1965	1965 Goal Revised at 22nd Party Congress (1961)
Chemical Fertilizer	million metric tons	20	15.6	35	32.3	same	same
Plastics & Synthetic Resins	million metric tons	.580	21	.950	28	1.8	same
Synthetic Fibers	million metric tons	.310	12	.444	19.5	.666	same
Steel	million metric tons	80	4.8	89.3	5.6	86-91	95-97
Pig Iron	million metric tons	59	6.7	65.7	5.5	65-70	72-73
Oil	million metric tons	205	10.2	240	8.2	230-240	240+
Gas	billion cubic meters	88	17	128	18.3	150	same
Electric Power	billion kw-hr	407.9	10.5	508	11.5	500-520	520+
Textiles	million linear meters	8634	4	9234	3.4	10,320	same
Refrigerators	million units	.914	9	1.8	40	1,450	same

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The Communist World

data on the various branches of heavy industry were not given.

Ferrous metallurgy may be one activity from which resources will be shifted. The 1965 production targets for steel and pig iron have been dropped from the revised goals announced at the 22nd party congress in 1961 to those set in the original Seven Year Plan. The increases now scheduled are among the lowest of recent years and are to be achieved in large part by better use of existing facilities rather than by construction of new capacity.

Output of some types of machinery and equipment apparently will also suffer. Production of chemical and oil equipment is to rise 50 percent in the next two years, but the over-all increase in machine building is only 10 percent a year--somewhat less than planned in recent years.

The Consumer

It is a paradox that during the next two years some consumer programs will be subordinated to the chemical expansion, which itself is being publicized as the key to an improved standard of living. No increase is planned for urban housing construction, indicating that the seven-year goal will fall short of fulfillment by 14-16 percent. Allocations for health and educational activities will grow but at somewhat reduced rates.

On the other hand, the Soviet consumer will probably see some promise in the 53-percent increase planned for the development of food

processing and light industries in 1964-65--well above past achievements. That this investment will not be immediately translated into large increases in consumer goods is evident from the modest goals planned for textiles and shoes. A notable exception is the goal for refrigerators--nearly a 100-percent increase in the next two years. Although this would far from satisfy demand, the target is impressive.

Military Expenditures

There is no doubt that the entire plan and budget presentation was intended to exemplify Moscow's present posture of "peaceful co-existence." Military expenditures in the 1964 budget are about 4 percent below those planned for 1963. Since the explicit military budget contains only a portion of total military expenditures--estimated to be on the order of 70 percent this year--and since its composition is subject to manipulation by Soviet leaders, the budget figure is not necessarily an accurate criterion for measuring change.

However, the forthcoming substantial requirements for civilian machinery and equipment and the apparent 10-11 - percent annual increases in over-all investment planned for the economy suggest a pending slowdown in some military programs.

The science allocation, much of which goes into military research programs, is scheduled to increase in 1964-65 at the lowest planned rate of recent years. However, past plans have often been overfulfilled.

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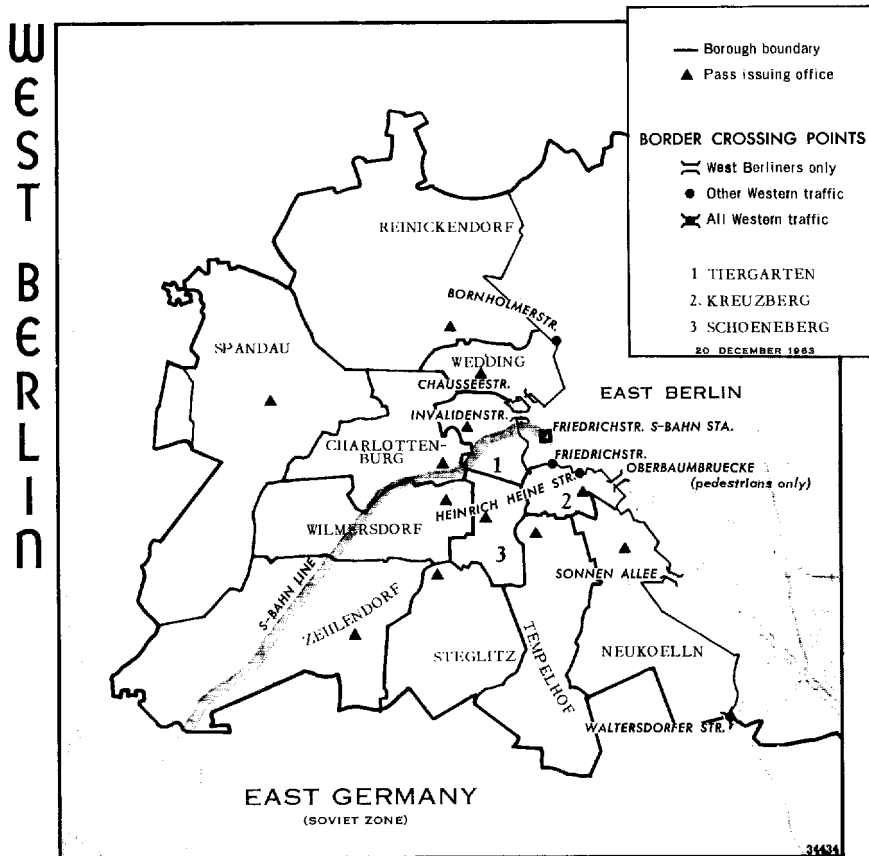
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DETAILS OF BERLIN CHRISTMAS PASSES

Period during which passes will be issued:	18 December 1963 to 5 January 1964.
To be issued by:	East German postal clerks.
To be issued at:	One converted school gymnasium in each of West Berlin's 12 boroughs. These facilities to be under the administration of West Berlin postal authorities.
Validity of individual passes:	For one day from 0700 until 2400 (New Year's Eve until 0500).
Frequency of issuance:	Each eligible West Berliner may obtain as many one-day passes as he wishes.
Crossing points:	Four vehicle and pedestrian crossing points through the Wall at Chausseestrasse (French sector), Invalidenstrasse (British sector), Oberbaumbruecke and Sonnenallee (US sector), plus the Friedrichstrasse elevated railway (S-bahn) station.
Persons eligible:	All West Berliners having relatives (defined as spouses, parents, children, grandparents, grandchildren, sisters, brothers, aunts, uncles, nieces, and nephews) in East Berlin. However, no one charged with violating an East German law will be eligible. (This provision will eliminate all post-1957 East German defectors.)
Number eligible:	West Berlin police estimate 750,000 eligible, of whom they expect only one third to apply.

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The Communist World

## SIGNIFICANCE OF AGREEMENT ON BERLIN CHRISTMAS PASSES

The terms of the agreement under which West Berliners are to be permitted to visit East Berlin during the Christmas season will enable the USSR, the East German regime, and Willy Brandt all to claim important tactical victories. The East Germans, encouraged by their success in establishing what they term an "official" contact with the West Berlin government, are likely to step up their efforts to move their relationship with Bonn as well from a "technical" basis to some sort of government-to-government level.

The Russians and the East Germans probably view the direct talks with West Berlin officials as a significant advance in their long-range goal of changing the legal status of the city by casting West Berlin in the role of an independent and viable entity carrying on bilateral discussions with foreign countries on a basis of equality. Moscow probably hopes that this will undermine the position of the Western powers that their rights in West Berlin flow from the occupation status of the city and will strengthen the credibility of the Soviet "freecity" proposal. The Communists probably believe that the precedent established in the talks will encourage West Berlin officials to take or to respond to further initiatives in the future to obtain some alleviation of the "human problem" created by the Wall.

Brandt, for his part, has fulfilled the ambition which

has driven him since the 17 February elections to find a way by which West Berliners can visit their relatives in East Berlin.

The negotiations were conducted by a middle-level official of the West Berlin Senat and a state secretary of the East German Culture Ministry-- a level considered "technical" by West Berlin and "official" by Pankow. The protocol signed on 17 December can be interpreted either way, stating as it does that West Berlin's negotiator acted "on instruction of the chief of the Senat Chancery, given on behalf of the governing mayor of Berlin." However, East German Deputy Premier Abusch, whose 5 December letter to the Senat initiated the negotiations, expressly declared in a press conference that the terms of negotiation "did not involve recognition of two or three states." In addition, the Western announcement of the signing, issued in Bonn in the name of the Federal Republic and the West Berlin Senat, underlines that the action does not imply recognition of East Germany.

The three Western commandants, for their part, declared that the arrangement "in no way affects the status of Berlin, which is defined in existing agreements."

This enables Brandt, who has been willing to stretch the customary definition of "technical" contacts between West and East Berlin, to declare that in the present agreement he has

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# TITO



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Hale and hearty in 1949



With Khrushchev at their 1955 meeting.



At their 1963 get-together. Tito, perhaps because he tints his hair, here looks younger than his guest, who is in fact two years his junior.

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The Communist World

not accepted the Communist "three Germanys" theory. It is not clear how much further he would be willing to go with the East Germans if they come up with new proposals for West Berlin - East German talks on a "nontechnical" level. He evidently believes, however, that

his conduct of the recent negotiations has not alienated the West Germans--who vigorously oppose recognition of the East German regime--or reduced his chances of becoming head of the West German Social Democratic Party and running for chancellor in 1965. [redacted]

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**TITO'S PERSONAL LEADERSHIP WEAKENS**

Tito is apparently no longer deeply involved in the administration of Yugoslav affairs. In a conversation with the US chargé on 5 December, he exhibited a lack of factual knowledge or broad understanding on a number of foreign policy issues with which he would have been fully conversant as recently as a year ago. In recent months, most of Tito's statements on domestic issues have indicated only a short-lived interest and have seemingly had only temporary effect on regime policy.



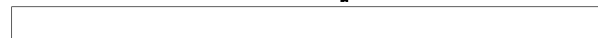
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Tito has long evidenced a desire to divest himself of many of his responsibilities. In addition to taking numerous long vacations in recent years, last spring he formally relinquished the premiership and the presidency of the country's mass-political organization. He acquired powerful deputies to help handle his remaining governmental duties. Apparently Tito is already somewhat insulated from the functioning of his regime, except probably the determination of policy in the broader sense.

In addition to Tito's behavior during his interview with the chargé, there is a body of circumstantial evidence to support these comments. [redacted]

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The Communist World

HANOI UNDERSCORES ITS COMMITMENT TO THE VIET CONG

Heavy emphasis is being given this year in Hanoi to the third anniversary of formation of the National Front for the Liberation of South Vietnam (NFLSV), the semiovert political arm of the Viet Cong insurgents. The change in approach since last year, when the anniversary was given relatively little attention, suggests a growing confidence in Hanoi that the insurgents can sustain and improve their position despite US backing of the South Vietnamese Government.

By increasing their overt association with the insurgent cause, the Communist leaders in the North are underscoring their commitment to full prosecution of the war, whatever the cost, until a settlement favorable to the Communists can be obtained. Possibly at Peiping's urging, recent North Vietnamese propaganda has begun to portray a close relationship between the success of the Viet Cong effort and that of the entire "National Revolutionary Movement." The propaganda exploitation of the anniversary--the NFLSV was founded on 20 December 1960--is intended to spur increased support, internationally as well as within Vietnam, for the Viet Cong war effort.

The build-up for the week-long campaign, which promises to dwarf last July's extensive "anti-US" campaign, began in early December when the "struggle" theme in support of the Viet Cong began to receive front-page coverage. The festivities

were officially launched in the North Vietnamese capital on 15 December at a large rally attended by a number of politburo members.

As part of the campaign, North Vietnamese workers were asked to contribute one day's pay--no mean sacrifice for the impoverished peasants--and students have been urged to sell "liberation" stamps to provide support this year "in a practical way." Party propagandists are calling for increased efforts in domestic production as one way in which the North can signal its intention to support the war. There have been indications during the past year that some insurgent leaders in the South had questioned the degree of North Vietnamese public backing for the war.

A communiqué on 13 December following a conference of the Hanoi city party committee and the army general staff called on elements of the armed forces in the North to mark the Front anniversary by carrying out "extensive propaganda" within the ranks on the Viet Cong war. Captured documents have established that the North Vietnamese Army is charged with supplying cadres to organize and lead Viet Cong units.

In the South, in connection with the anniversary, the Viet Cong have stepped up their armed action. A special Front committee has issued a proclamation calling for increased revolutionary fervor during the week.

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Asia-Africa

CONSTITUTIONAL GOVERNMENT TAKES OVER IN SOUTH KOREA

The South Korean Government under Pak Chong-hui as President--which took office on 17 December--will be hampered by the same divisive forces which plagued Pak's military administration and which seriously handicapped efforts to stabilize the country's inflationary economy.

Pak's Democratic Republican party dominates the new National Assembly, and former security chief Kim Chong-pil controls the party apparatus. Kim's many enemies within the party are likely to try to use the legislative processes to wrest power from him, but as long as he retains Pak's backing, they will be at a grave disadvantage.

Pak and his close associates will continue to make the government's major decisions. The cabinet reflects a balancing of factional interests and personal rivalries, and the prime minister, Choe Tu-son, although widely respected, is likely to prove a mere figurehead. Retired general Chong Il-kwan, a former ambassador to Washington, has been named foreign minister, presumably in the hope that his American connections will facilitate the flow of US aid.

His appointment probably is also designed to placate his substantial army following. The economic ministries are headed by experienced and competent men who appear to have been selected for their ability to carry out, rather than formulate policy.

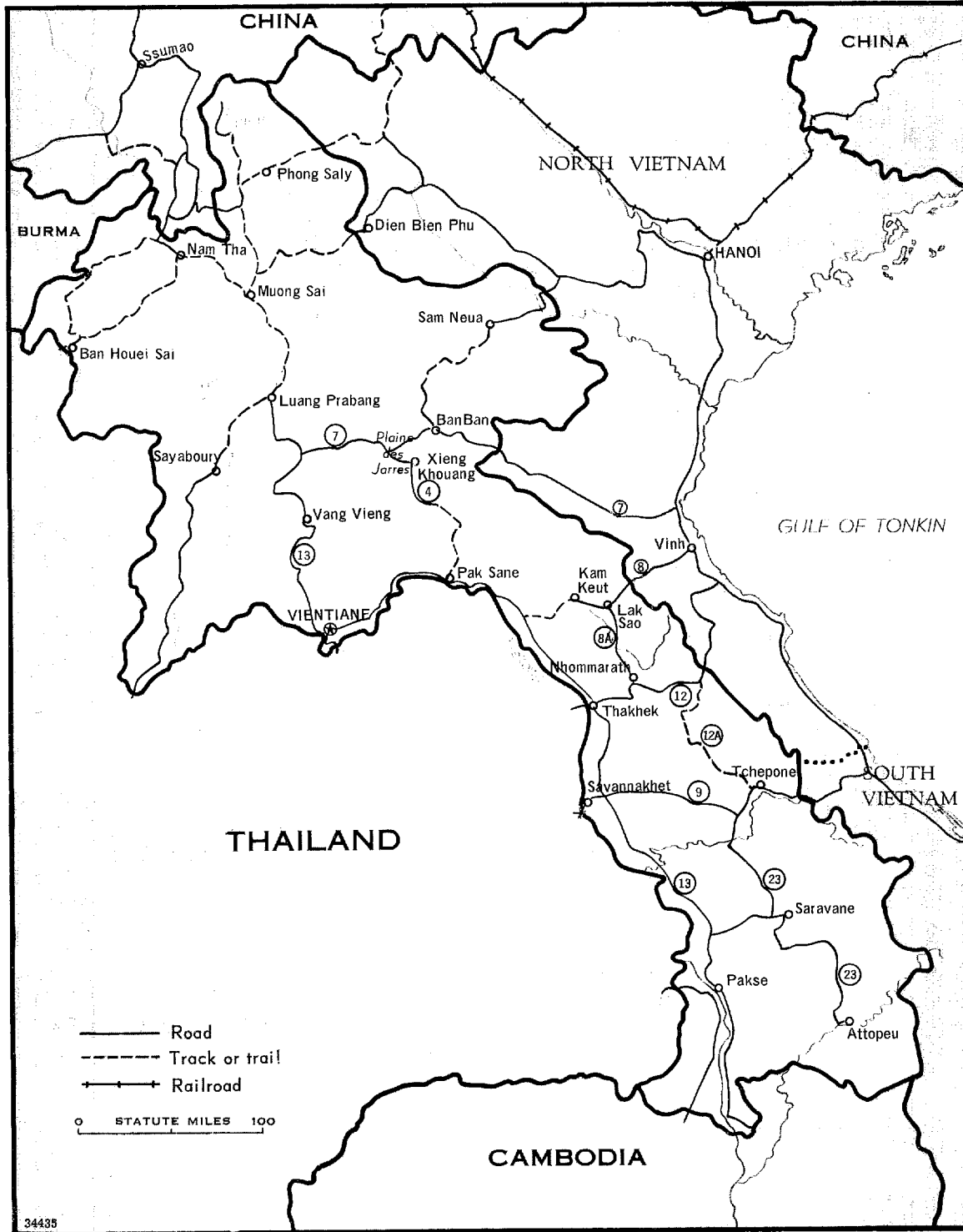
With elections over, the leadership in Seoul is likely to try to speed decisions on several long-deferred problems. Economic questions are most pressing, for lavish pre-election government spending aggravated an already serious inflationary situation. Within the armed forces, discontent over low pay and rising prices is spreading. If these trends are not checked, the regime's opponents might be able to turn this dissatisfaction into open activity against the government.

Pak is also anxious to conclude the ten-year-old negotiations for a normalization of diplomatic relations with Japan. He has his eye on the economic and financial benefits South Korea would derive from the settlement, but remains handicapped by the latent anti-Japanese bias of the Korean public.

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# LAOS





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Asia-Africa

**RIGHT-WING FORCES MAINTAIN PRESSURE IN LAOS**

Right-wing and neutralist military forces, encouraged by recent successes in northern and central Laos are considering further initiatives to exploit what they term the "confused and vulnerable" enemy. Their plans call for a thrust supported by Meo and neutralist troops, against Pathet Lao positions on Route 4 southeast of the Plaine des Jarres. The prime objective is to occupy Xieng Khouang town, the long besieged provincial capital. Farther south, the rightist regional military commander reportedly is considering mounting operations against Communist supply routes from North Vietnam.

There are indications, however, that rightist initiatives may be facing stepped-up Communist resistance. On 16 December, Communist forces-- reportedly North Vietnamese-- recaptured the key road junction of Lak Sao, which the rightists had taken early this month. The Communists retain the capability to make sharp countermoves in other areas.

The Pathet Lao have expressed new interest in arranging a meeting between Premier Souvanna and their leader, Prince Souphannouvong, to open the way for a resumption of full Pathet Lao participation in the coal-

tion government.

Military negotiations between the Pathet Lao and neutralist factions, meanwhile, are continuing. An early maneuver by the Pathet Lao to re-establish their alliance with the neutralists has been sharply rebuffed, and recent meetings have been characterized by acrimonious exchanges.

Coup rumors continue to circulate in Vientiane. Most of these center on plans by right-wing military elements allied with the Sananikone clan. Vientiane military figures admit that they are keeping an eye on elements which might be involved in any coup attempt, but largely discount the capability of pro-Sananikone forces to mount a successful effort.

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AREA NOTES

Asia-Africa

Turkey: The three-week-old cabinet crisis in Turkey appears to be approaching a climax following the failure of separate attempts by both of the major parties to bring the minor parties into coalition arrangements. Only a coalition between the two major parties themselves, Prime Minister Inonu's Republican People's Party (RPP) and the Justice Party (JP), or a "national coalition" of all political forces remain to be tried.

Despite the disagreement between the RPP and the JP on most domestic issues, an association between them may prove feasible. The politicians fear that the military leaders may exert their influence more directly than now if the crisis is not soon resolved.

Iran: A slowdown in Iran's reform program during recent months has produced skepticism among the populace over the government's intentions. Some of the reform measures have been modified, and they are being laxly enforced.

At the same time, the large-scale redistribution of landed estates early this year has produced considerable economic dislocation. Tehran has recently sought to restore confidence and stimulate private investment by lowering interest rates, and it plans to increase government spending. The reform program itself has suffered from a shortage of trained personnel and unavailability of adequate credit.

The Shah, who remains personally popular, probably will try to give his program a psychological boost in the spring by replacing Prime Minister Alam. The Shah appears to be grooming the wealthy and ambitious Hasan Ali Mansur to lead the government. Mansur, with the Shah's blessing, has formed the New Iran Party with the intention of gathering supporters of the reform program into a manageable political organization. Embassy officials doubt, however, that this party's efforts will be more successful than were similar efforts in the past.

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Europe

**FRANCE EXPLORES IMPROVED RELATIONS WITH PEIPING**

Paris is trying to increase trade with Communist China, but French officials deny that early diplomatic recognition is in prospect.

The French Government has been encouraging private business interests to develop new markets in China; however, there are built-in limitations of the extent to which French-Chinese trade can grow. Complementary products are few, and credit problems continue to limit purchases by the Chinese.

While French exports to China were four times as great as imports during the first half of 1963, Chinese purchases were largely of grain and are not likely to be repeated in 1964. Even with the grain sales, total trade amounted to less than one percent of French trade outside the franc zone.

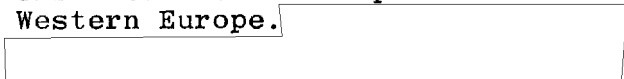
Paris' interest in promoting cultural as well as trade contacts with Peiping, together with De Gaulle's personal interest in

Chinese affairs, has led to speculation that improved political relations, including some form of diplomatic recognition, is a growing possibility. This has been consistently denied at all levels of the French Government.



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French officials refuse to make nonrecognition of Peiping a matter of principle, however, arguing that neither French interests nor those of the West in general are benefited by seeking to isolate Communist China. The French maintain that Chinese acquiescence is needed for a viable solution of the Southeast Asian disputes, and that, in the longer run, a more independent China will force the Soviet Union to reduce its pressure on Western Europe.



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Europe

AREA NOTE

Italy: Pessimism about the viability of Italy's new government has lessened somewhat as a result of the strong vote of confidence it received in the Chamber of Deputies on 17 December. Socialist chief Nenni's authority over his party has been strengthened by his firm stand against pressure from its left-wing deputies who withheld their support on the confidence motion. Premier Moro's position is also somewhat firmer because of

Nenni's stance and because of the Vatican's pressure on Christian Democratic right-wingers not to break party unity.

Political stability, however, is by no means assured. Right-wing Christian Democratic deputies may still defect in secret votes after parliament reconvenes next month. Communist-inspired labor unrest remains an ever-present threat.

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DEVELOPMENTS IN FINLAND

For the second time in four months Finland is going through a cabinet crisis brought on by disagreement over domestic legislation. Meanwhile, President Kekkonen has continued his efforts to improve relations with the USSR by personal contacts with Soviet leaders.

Union between 29 November and 3 December and talked with an impressive array of Soviet leaders, including Khrushchev, Brezhnev, and Mikoyan.

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Prime Minister Karjalainen resigned on 17 December after his Agrarian-led coalition failed to work out a mutually acceptable economic program. His package tax-increase proposal was rejected by center and rightist parties in the government. A similar dispute over tax increases caused the eight-week crisis that began last August.

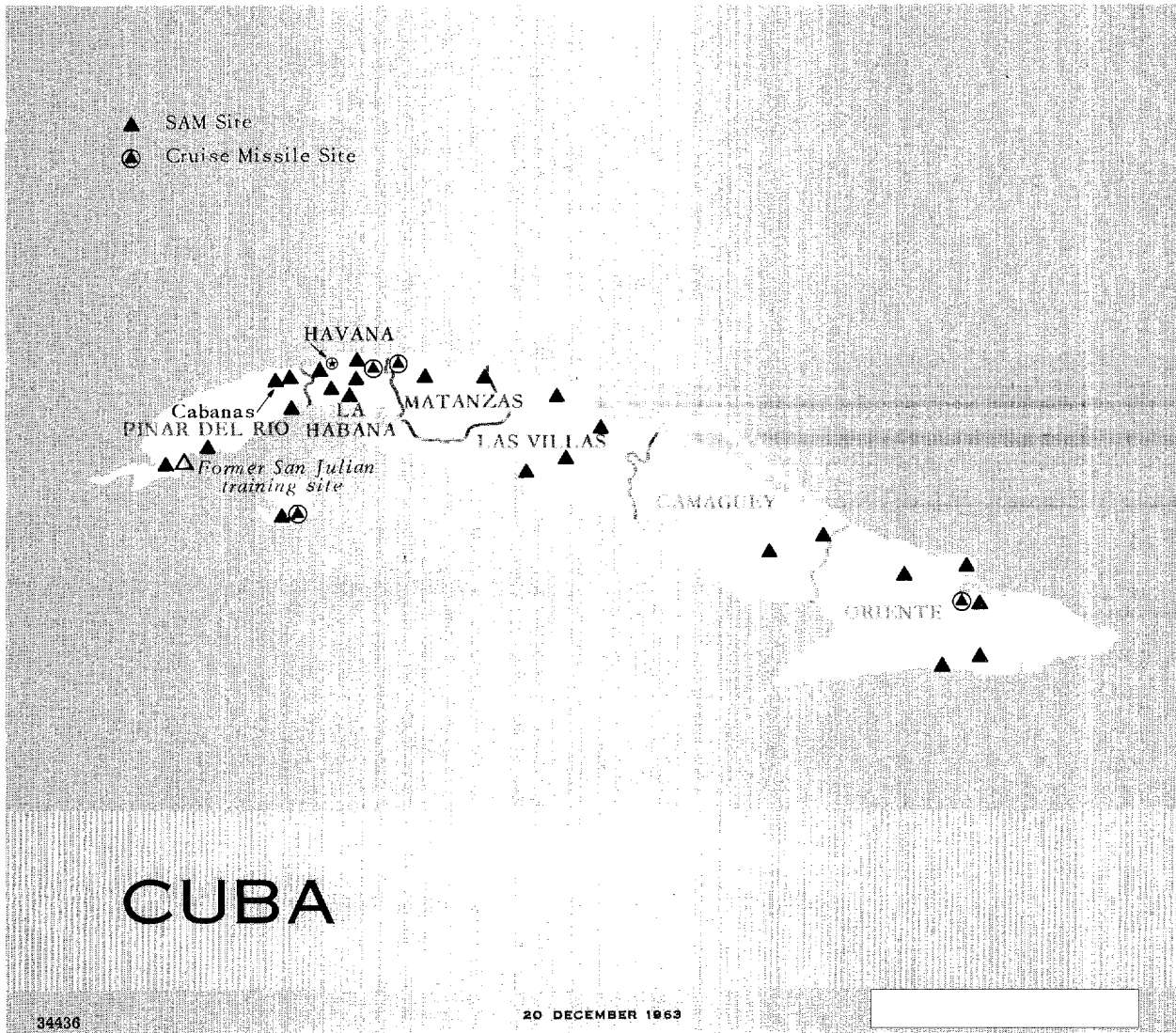
In a Moscow speech, Kekkonen placed particular emphasis on his proposal for a nuclear-free zone for Sweden, Norway, Denmark, and Finland. He noted, however, that his proposal had been coolly received by the other Scandinavian countries.

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A nonpolitical caretaker government of civil servants headed by economist Reino Lehto has been appointed to serve until the present controversy is resolved. At the moment, the alternative solutions seem to be limited to an Agrarian minority government, reconstitution of the Agrarian-dominated majority government, or, as a last resort, general elections.

President Kekkonen paid a four-day "private visit" to the Soviet

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Western Hemisphere

**INCREASING CUBAN CONTROL OF MILITARY INSTALLATIONS**

The coastal defense cruise missiles are now part of the Cuban artillery forces, according to a recent speech by Raul Castro. Cubans have probably been training in cruise missile operations since spring, and the rotation and withdrawal of some Soviet naval personnel in September suggests that control of the four operational launch sites may have been transferred to Cuba at that time.

Cuban involvement in the Soviet-dominated air defense system is also increasing. Cuban trainees are present at most, and probably all, surface-to-air missile (SAM) sites in

Cuba. The former training site at San Julian has been dismantled and moved to the Cabanas naval base, suggesting that enough Cubans have been trained to man the entire system and that no further classroom training is contemplated at this time.

A Soviet SO-1-class submarine chaser has arrived in Cuban waters and two others are in the Mediterranean under tow by Soviet merchant ships which are probably en route to Cuba. The Cuban Navy presently has six larger Kronshtadt-class subchasers and is scheduled to receive several more of an unspecified type.

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Western Hemisphere

POLITICAL REPERCUSSIONS OF RECENT EVENTS IN BOLIVIA

Repercussions stemming from the events surrounding the capture and release of 21 hostages by dissident tin miners will be felt in Bolivian politics for a long time to come. The split between President Victor Paz Estenssoro and Vice President Juan Lechin seems unbridgeable, and an early showdown is in prospect. This is likely to occur next month when their party, the Nationalist Revolutionary Movement (MNR), convenes to select its candidate to run in the presidential elections set for next June.

Lechin is presently at a disadvantage because he lost considerable prestige in capitulating to the government's demands for releasing the hostages. He was severely challenged at a tense 16 December meeting with the recalcitrant miners at Siglo Veinte before they finally agreed to free their captives. Lechin, long-time head of the Bolivian miners' union, was booed and called insulting names throughout the session.

The vice president will probably stand on a militant platform, however, in the hopes of recouping his sagging prestige. He has been quoted by the press as saying that "we will follow the path of Castro" in continuing the struggle against Paz. Lechin also has

said that the tactic of seizing hostages will be repeated because "it is the only defense we have" against the government.

Lechin may also have thoughts of promoting an armed insurrection if he does not get the MNR's nomination for the presidency. He is known to have toyed with the idea in the past.

President Paz also has problems. Chief among these is the matter of reasserting control over the disaffected mining area. The miners' defiant stand against his government could cause a serious setback to Paz' ambitious efforts to put mining operations on a profitable basis by removing featherbedding workers from the mines, and by introducing more efficient mining techniques. Bolivia's foreign trade is primarily dependent on its exports of tin.

The government's apparent intention to deal harshly with the jailed Communist mine union leaders--whose arrest touched off the recent crisis--also may pose something of a problem. Exacerbation of the miners' antigovernment sentiment may give Lechin the opportunity he needs to stage a comeback.

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Western Hemisphere

**POSSIBILITY OF CABINET RESHUFFLE IN BRAZIL**

There is a growing possibility of a reshuffle of the Brazilian cabinet during the next several weeks. President Goulart, however, is keeping his own counsel on what changes he may be contemplating.

The position of Carvalho Pinto, the finance minister, is perhaps the shakiest because of widespread dissatisfaction with Brazil's rampant inflation and growing unemployment. The cost of living increased over 60 percent during the first ten months of 1963 and is expected to go up 80 percent for the year as a whole.

Goulart is under heavy pressure from left-wing forces to oust Pinto. The extreme leftist Popular Mobilization Front is urging that Pinto be replaced by Leonel Brizola, the Front's nominal leader who is also Goulart's brother-in-law. At the same time, some influential industrialists also appear to be actively undermining Pinto, possibly in hopes of obtaining a successor favoring more liberal credit policies.

Goulart so far has avoided committing himself on his intentions concerning Pinto and

Brizola. As recently as 7 December he went on record as being satisfied with his cabinet as it stands, but in the same breath asserted his right to appoint Brizola to a cabinet post.

While the possibility that Brizola would be appointed cannot be excluded, it seems unlikely, partly because such a move probably would set off severe political reverberations throughout Brazil. It would be interpreted as a desperate effort by Goulart to recoup his declining popular support by casting his lot with the far left.

There may be at least two other cabinet positions Goulart will have to fill before long. The Brazilian press reports that Minister of Industry and Commerce Egidio Michaelson has confirmed his intention to leave, and the Education Ministry has remained vacant since Paulo de Tarso resigned several weeks ago. While there is no firm indication as to who will get the appointments, Goulart is likely to continue his practice of attempting to balance off the right and left, but with a leftist bias.

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Western Hemisphere

**INSURGENCY AND INSTABILITY IN DOMINICAN REPUBLIC**

The Dominican Republic's provisional government has been bolstered, temporarily at least, by military success against anti-government guerrillas at home and by US recognition. However, the regime, politically weak and lacking capable administrators, appears unlikely to satisfy the country's pressing need for effective government.

Military mop-up operations against insurgents led by the pro-Castro 14th of June Political Group (APCJ) have been slowed by difficult mountain terrain and bad weather. Nevertheless, efforts to eliminate the guerrillas are apparently progressing satisfactorily. So far three of six guerrilla strongholds have been neutralized, and the others are under strong pressure from government troops. As of 17 December, 15 guerrillas had been reported killed and 47 captured, including three of the 12 principal APCJ leaders.

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The government's military achievements are not being matched on the political front. Its complicated five-stage election plan is the object of widespread public criticism. Opposition leaders fear that the six minority parties in the military-backed government will manipulate the election arrangements to ensure their own victory. Similarly, while the resignation of ultrarightist Angel Severo Cabral from the cabinet has momentarily lessened pressure on the government from the extreme right, this element remains a serious potential threat to hopes for fair elections.

Nor is there any prospect for an easing of the country's basic economic problems. The regime continues to be faced with rising public demands for a rapid improvement in material welfare, but lacks the political strength or technical and administrative talent to meet them. Moreover, the Dominicans have not filled the gap created by the suspension of the US program, which ordinarily constitutes their only regular source of major foreign economic assistance.

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Western Hemisphere

AREA NOTES

Honduras: The state of siege that has been in force in Honduras since the military overthrow of the Liberal government last 3 October was canceled on 14 December by Chief of State Colonel Oswaldo Lopez Arellano following U.S. recognition of his government. Lopez also ordered the military commanders to stop harassing members of the Liberal Party, perhaps in deference to those moderate Liberal leaders who are backing the military's plans for eventually restoring constitutional government. These leaders believe that, if given half a chance, they will be able to gain wide support from rank-and-file party members for their policy of cooperating with the military.

Although political tensions have subsided, sporadic armed resistance to the government may continue. A possible threat is posed by a newly organized terrorist group identified by the initials "MIL," allegedly composed of Communists and extreme leftist Liberals. The military probably can contain any outbreaks of terrorism that may occur in the foreseeable future.

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British Guiana: Cheddi Jagan and other spokesmen of his People's Progressive Party (PPP) have been attacking the US and the UK in increasingly vitriolic terms. The party, however, is paralyzed by internal divisions and is undecided whether to contest next year's pre-independence election or to try to block it by resorting to violence. The PPP's latest effort to gain control of a large segment of organized labor has foundered on the refusal of sugar workers to quit their large anti-Jagan union and join exclusively the one sponsored by the PPP. However, many sugar workers now belong to both unions --an indication of Guianese uncertainty over who will eventually come out on top.

Meanwhile, the opposition parties--the People's National Congress and the United Force--have done little to cooperate against the PPP beyond reaching a tentative agreement not to attack each other publicly. A new element in the maneuvers to oust the PPP is an offer by Trinidad's Prime Minister Williams to put some of his own political organizers at the disposal of the United Force.

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