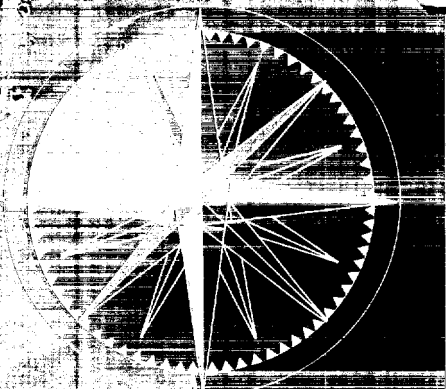


24 January 1964

OCI No. 0315/64
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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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AN AILING NEHRU AND THE INDIAN LEADERSHIP Nehru's incapacitation has removed him from day-to-day leadership for the first time in seventeen years and seems certain to alter the established pattern of leadership even if he recovers. The transition period in prospect could stir political and communal tensions that have been generally dormant for years. (Published separately as Special Report CCI No. 0315/64A)	
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Intense pressures for revision of the canal agreements threaten to precipitate the resignation or removal of President Chiari. Communists and pro-Castro elements continue to stir up nationalist feelings.

CASTRO'S VISIT TO THE USSR

17

The exact purpose of the trip remains uncertain, but the closing communiqué repeated past Soviet statements of support for Cuba and indicated Castro's support for the Khrushchev line on important ideological issues. A long-term trade agreement was signed.



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NEW STRIKES AND POLITICAL TENSION IN BRAZIL

19

The tension and pessimism generated by a series of strikes last week reflect the continued widespread suspicion of President Goulart's motives and suggest the political situation is still far from stable.



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FRENCH RECOGNITION OF PEIPING

France plans soon to announce formal recognition of the Chinese Communist Government, possibly by the first of next week [redacted]

[redacted] An exchange of diplomatic missions, however, will probably be held up pending a resolution of French relations with the Chinese Nationalist Government.

French officials profess to believe that Paris can recognize Peiping without admitting Chinese Communist rights to Taiwan and without the withdrawal of Taipei's representatives from Paris. Whether Paris really believes that it can exchange diplomatic missions and ultimately ambassadors with Peiping while retaining relations with Taipei is questionable. Little is known about the actual Paris-Peiping negotiations, however, and it cannot be excluded that additional agreements have been reached on specific points of mutual interest.

The Chinese Communists, playing for big stakes in the matter of French recognition are displaying a new diploma flexibility and have thus far remained silent in the face of Western press speculation concerning the "two Chinas" question. Peiping, however, has almost certainly not abandoned its claim to be the only legitimate government of China and thus to hold sovereignty over

Taiwan. It is therefore very unlikely to be willing to recognize even tacitly the existence of a separate government on Taiwan by agreeing to the existence of two embassies in Paris.

Chinese willingness to avoid the issue temporarily probably reflects confidence that, while Paris need not break relations with Taipei at the time recognition of Peiping is announced, De Gaulle can be counted on to force a Nationalist withdrawal. Paris seems confident, however, that it is under no compulsion to push the Nationalists out if they do not break relations on their own volition.

The Chinese Nationalists continue to assert officially their unwillingness to maintain diplomatic relations with France if Paris recognizes Peiping. Taipei, however, may refrain from immediately severing relations with Paris, in the hope that Peiping would refuse to exchange diplomatic missions with France as long as the Nationalist mission remains in Paris.

Broad political factors appear to have induced the French to act at this time. De Gaulle probably sees a more rapid evolution of events in Southeast Asia opening the way for his favored neutral and independent status for the area, and he holds that Peiping's acquiescence is

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required to bring it about. Paris has long felt that the Chinese Communists, as the de facto government of a large and powerful state, have a legal right to recognition, and that the West can more effectively exploit Sino-Soviet differences if it is represented in both capitals. Finally, by taking this initiative, Paris is again demonstrating its own power on the world scene.

No other nation has announced an intention to follow the French lead at this time, although many are watching the three-way diplomatic maneuvering apparently in the hope that Paris can come up with an acceptable "two Chinas" solution. Canadian Prime Minister Pearson, who saw De Gaulle last week, indicated that Canada may take another look at its policy of nonrecognition if Taiwan's independence can be maintained, although another government official said that Canada would take no action prior to the US presidential elections.

Domestic political pressures for recognition of Peiping have increased in Belgium and Japan, but spokesmen for both nations say that they do not intend to recognize Peiping at this time.

[redacted] Paris has explicitly discouraged the 13 Paris-oriented states of the Afro-Malagasy Union (UAM) from recognizing Peiping,

[redacted]

Several UAM states have already expressed their intention not to follow the French lead-- a position based on the dual considerations of showing their independence of France and maintaining relations with Taipei, which in three UAM states provides modest technical aid. Some of them, however, may be influenced toward eventual adoption of a "two Chinas" policy, or even abandonment of Taipei, by internal changes such as those which occurred in Congo (Brazzaville) and Dahomey last year.

Senegal alone of the UAM states has extended recognition to the Chinese Communists. This has not led to the establishment of diplomatic relations, however, because the Senegalese Government 25X1 refused to break with Taipei-- which, in this instance, chose to stand fast.

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The Communist World

THE AFRICAN STUDENT PROBLEM IN THE SOVIET BLOC

Recent demonstrations by African students in Moscow following the death of a Ghanaian student reflect some of the problems the Soviet bloc will face as it expands its educational program for students from less developed areas. The students have often found it difficult to adjust to the climate, the regimented life, and the enforced indoctrination which accompanies their education in bloc countries. On the other hand, elements of a nascent racism have appeared in the bloc countries themselves, as well as resentment against the African students, who receive disproportionately large stipends and who pre-empt places in universities that might be filled by local youth.

As a result, there have been a number of incidents of open discrimination which are highly embarrassing to the Communist regimes. The latest incident, with its racist overtones, has led to talk among some African students of a mass exodus from the USSR. Some small groups have left and others will probably follow, but no mass exodus is likely.

Many of these students are in the Soviet bloc because they cannot obtain a higher education elsewhere.

Thus they have little choice but to remain at bloc institutions and most of them are probably willing to accept the hardships of life there in

order to obtain an education. Those who are so dissatisfied that they insist on leaving will be encouraged to do so by Soviet authorities because of their potential bad influence on those who remain.

Those Africans who have left the USSR have gone primarily to West German institutions rather than to any of the East European countries, which have also been the scene of incidents in recent years. Attacks on African students are relatively common occurrences in Czechoslovakia, and African students rioted in Bulgaria in February 1963.

With increasing numbers of African students attending Soviet bloc institutions, further incidents are likely. Bloc leaders seem to have decided, however, that the problems created by such incidents are far outweighed by the benefits the Communist world derives from providing large numbers of Africans with an education. Reaction in Africa has been moderate--the Moscow demonstrations were barely mentioned by the press in Guinea, Ghana, and Mali, the three principal African countries involved in the scholarship program. Moscow therefore can continue to attract large numbers of students, from whom it can draw a few sympathetic and politically skilled potential leaders. These are the individuals in whom the bloc's real investment is made and whose activity, upon returning home, will determine whether the scholarship program has paid off in practical, i.e., political, terms.

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The Communist World

PEIPING'S DIVERGENT POLICIES TOWARD INTELLECTUALS

The Chinese Communist regime appears to be allowing its small corps of natural scientists a growing degree of freedom, even though controls over other intellectuals continue to be tightened. Although not entirely dropping its insistence that scientists be "red" as well as "expert," the party seems to be showing increased recognition that natural scientists can make genuine scientific achievements only if political interference is restrained.

During the past year more Chinese scientists have attended international meetings, where they mingled freely with Western and even US delegates.

Chen Yi told a gathering of scientific researchers in November that the regime valued their services highly and intended to increase the budgetary allocation for scientific research. Chinese journals recently have been printing unusually realistic and jargon-free articles on science.

At the same time, however, the party is putting pressure on social scientists to join more actively in its fight against revisionist Soviet ideas. Party propagandist Chou Yang, in a major speech to members of the Academy of Sciences'

Philosophy and Social Sciences departments, insisted that the chief role of intellectuals today is to engage in a systematic refutation of revisionism "in all its manifestations." He said philosophers, economists, and historians should play especially important parts. He criticized historians, for example, for wasting their time writing sympathetically about Confucianism when they should be compiling a world history from the Marxist-Leninist-Maoist point of view or providing historical proof of the inevitability of the rise of Chinese communism.

Party policy toward academic intellectuals has been steadily hardening since the fall of 1962. In 1961 and early 1962, academic circles had been allowed to discuss subjects now labeled "revisionist," but the launching of a broad attack on Soviet ideological positions in September 1962 ended this period of comparative freedom. Academic researchers have been told they can still "bloom and contend"--but only so long as they stay within Marxist-Leninist guide-lines as defined by Mao and avoid liberal and revisionist ideas. Chou's speech marks a new phase involving an upsurge in politically directed "research" undertaken to justify current party lines.

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The Communist World

The pressure is increasing on intellectuals in other fields to push the party line and nothing else. At a recent drama festival in Shanghai, high party officials deplored the fact that some people, including party members, enjoyed plays depicting bourgeois and feudal life. Playwrights were sternly enjoined to stick to themes of class struggle and revolution. The Peiping Workers' Daily on 14 January even frowned on traditional Chinese opera for propagating "feudalistic" themes, although any attempt to curtail this highly popular form of en-

tertainment probably will be made very cautiously.

Peiping is clearly concerned that many educated Chinese, both in and out of the party, are indifferent to the ideological aspects of the Sino-Soviet dispute. While the regime's effort to reverse the trend will undoubtedly induce more conformity to the party line, it may also further alienate Chinese intellectuals. Most find the freer "revisionist" approach taken in Eastern Europe and the USSR considerably more attractive than the harsh Chinese line [redacted]

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AREA NOTE

Yugoslavia: The League of Yugoslav Communists has begun preparing for its eighth congress, at which Aleksander Rankovic, Tito's heir apparent, will probably attempt to ensure his succession when Tito finally leaves the scene.

Considerable infighting is apparently taking place. Croatian party chief Vladimir Bakaric, presumably one of those attempting to block Rankovic, told a US diplomat on 20 December that he dared not visit the US because "a prolonged absence from here on my part at this juncture would not be good for Yugoslavia."

On 25 and 26 December, party leaders from the district and republican organizations,

from the army, and from the central administrative apparatuses of the central committee and mass-political organization met in Belgrade to receive guidance on the subjects to be discussed at local party conferences, which will elect delegates to the congress. Not all the speeches to the meeting were made public, even though Rankovic in his speech appealed for greater press coverage of party affairs. He also urged a party reorganization, ostensibly to allow the party to remove local leaders who "incorrectly" intervene in the affairs of other economic and political organizations.

The party's central committee will meet next month to set the date, place, and agenda for the congress. [redacted]

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Asia-Africa

NEW SOUTH VIETNAMESE REGIME STILL BOGGED DOWN

The new South Vietnamese Government is having serious difficulties in trying to put real drive into the war effort against the Viet Cong. Through a top-level military reorganization in early January, it tightened its chain of command and at least temporarily reduced the likelihood of an early power grab by some individually ambitious generals in the junta. It has also stepped up the pace of military operations. These, however, have resulted in few significant gains over the Viet Cong.

The Communists have launched fewer military attacks in recent weeks, but have maintained a relatively high rate of harassing and terrorist activity in their continuing effort to undermine the resistance of the rural populace and of government paramilitary forces. In some critical delta provinces close to Saigon, recent surveys have indicated that there is a fairly widespread belief that the Communists are winning the war. The government is trying to counter this trend by an intensive pacification and rehabilitation program in one of these provinces.

The government's political efforts to rally support from traditional opponents of the ousted Diem regime are only partially successful. Although some leaders of the Hoa Hao and Cao Dai politico-religious sects

have pledged allegiance, armed followers of the sects have not yet been committed to the government forces. Buddhist leaders have embarked on an effort to make Buddhism a significant social force; their political support of the government remains lukewarm, and future prospects are obscured by apparent dissension in the Buddhist leadership. Persistent tension between some Buddhists and Catholics is adding to the government's problems.

Prime Minister Tho continues to be a target of criticism from disappointed politicians and from students, who because he was vice president under Diem, see his retention by the new leaders as a sign that there has been no real revolution. Fearing growing agitation, the government is tightening its controls in some areas. Requirements for approved political parties are stiffer, and there has been a crackdown on the more free-swinging newspapers.

Last week the government banned public demonstrations to ward off possible disorders by students in Saigon protesting French proposals to neutralize Vietnam. The government, however, is extremely concerned that the public mood may become receptive to the idea of neutralism, and that the morale of the armed forces would slump seriously as a result.

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Asia-Africa

VIET CONG FRONT HOLDS ANNUAL CONGRESS

The second congress of the National Front for the Liberation of South Vietnam (NFLSV)--the Viet Cong's political arm--was held recently in an undisclosed "liberated area" of the country and was keynoted by the most optimistic forecast yet of Communist prospects in the war. It allegedly was attended by over 150 representatives of NFLSV organizations in South Vietnam. Its confident tone was doubtless aimed in part at bolstering the morale of the Communist forces but was probably also a relatively accurate reflection of the current view held by the rebel hierarchy and by its sponsor, the Communist Party in North Vietnam.

Front President Nguyen Huu Tho said that a "new period full of promise" has opened and the situation has never been "so bright." These remarks contrast sharply with the sober picture of rebel prospects set forth at the first Front congress in April 1962, shortly after the Viet Cong began to feel the impact of US military assistance to the Republic of Vietnam forces (ARVN). The Communist leaders have clearly been heartened by their successes during 1963, particularly in October and November. The congress was nevertheless careful to avoid implying that an insurgent victory was actually in sight, and it was pointed out that the conflict would continue for several years at least.

According to Tho, the rebels' greatest victory in the past two years has been their success in defeating US airborne

attack tactics and downing ARVN helicopters and winged aircraft. The insurgents now are apparently putting major stress on obtaining light antiaircraft weapons and training rebel units in their use.

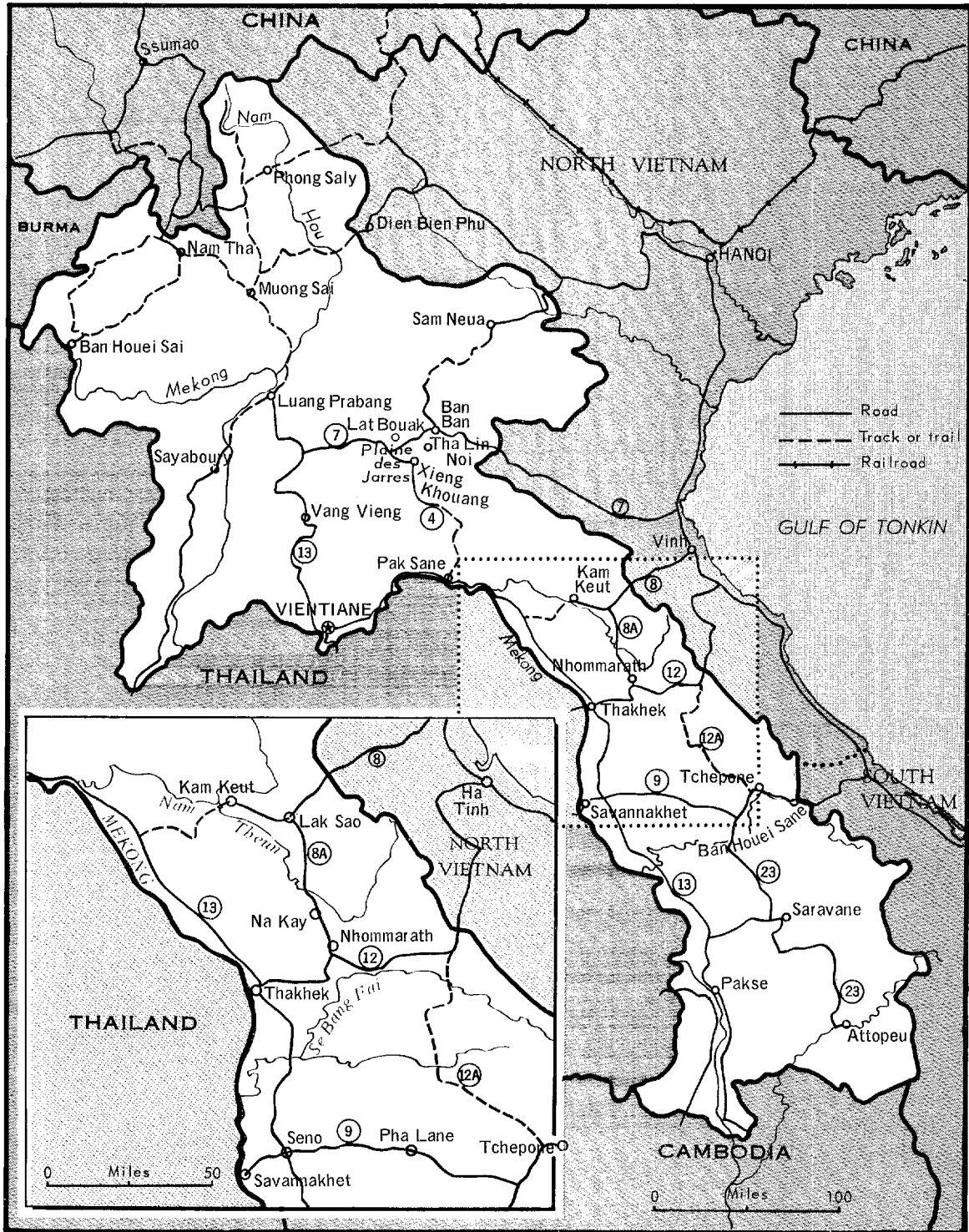
Front leaders may feel the conflict has advanced to the point where additional effort must be expended in connection with the administration of Communist-controlled areas in South Vietnam. According to the communiqué, the congress "settled a number of problems of economic construction and the livelihood of the people." Recent reports indicate that civil administrative specialists are infiltrating from North Vietnam and dispersing to various Communist-held areas of South Vietnam. The congress revealed that the Viet Cong also plan to put greater stress on proselyting among religious sects and Chinese residents in South Vietnam. In the case of the religious sects, they probably hope to counter recent government efforts to enlist armed support by the sects against the Viet Cong.

Front activities and installations abroad expanded somewhat during the past year, and the congress called for greater effort to win foreign support. In a hint that the NFLSV intends to project itself eventually as the "legal" government of South Vietnam--although probably not before it has a firmer territorial base--President Tho alleged that many governments already consider the Front a "real government" and receive its delegates as "real diplomatic envoys of the state."

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Asia-Africa

MANEUVERING CONTINUES IN LAOS

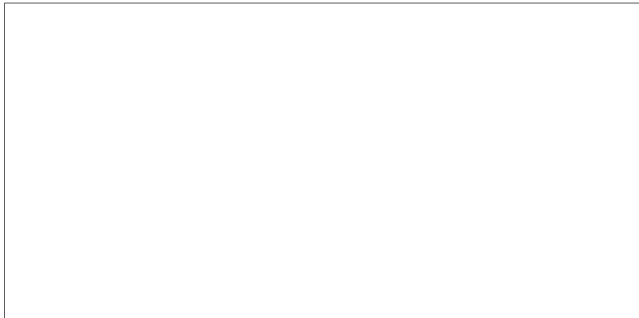
Laotian Premier Souvanna Phouma met with Pathet Lao leader Prince Souphannouvong in Sam Neua town last week end. The two confirmed an agreement reached by their spokesmen in December which called for the neutralization of the royal capital at Luang Prabang and for the temporary transfer of the coalition government to that city from rightist-controlled Vientiane. The two princes also proposed a meeting including all three factions to arrange for the "details" of the transfer.

Right-wing leader General Phoumi Nosavan has joined Souvanna in suggesting that a tripartite conference be convened at the Plaine des Jarres. Phoumi, however, has expressed doubts as to whether the Pathet Lao would genuinely support the coalition, even should the seat of government be transferred to Luang Prabang. While claiming he does not oppose such a move in principle, Phoumi has indicated that he would insist on equivalent concessions from the Pathet Lao, e.g., permission for non-Communist elements to move freely in territory now under Pathet Lao control.

In recent conversations with Ambassador Unger, Phoumi has been increasingly critical of the current coalition setup. Although still professing loyalty to the coalition concept, he has indicated some sympathy for the views of National Assembly presi-

dent Phoui Sananikone. According to Phoumi, Phoui is convinced that the coalition has failed and that the government must be reorganized along lines which would exclude the Pathet Lao and provide for some sort of territorial partition.

Souvanna, who only last fall visited several capitals of the fourteen signatories of the 1962 Geneva accord in an effort to maintain foreign support, has announced plans to visit Phnom Penh, Hanoi, and Peiping on a similar mission during the next two months. He indicated he would press Hanoi to cease intervention in Laotian affairs.



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The military situation in the Na Kay area of central Laos appears to have stabilized somewhat with the arrival of right-wing reinforcements on the plateau. Farther south, Communist forces are pressing the rightist garrison at Ban Houei Sane, located near Route 9 just west of the South Vietnamese border.



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Asia-Africa

THE ARAB CHIEFS-OF-STATE MEETING

The Arab chiefs-of-state conference on the Jordan waters issue achieved an unusual degree of harmony and gave a boost to Nasir's prestige.

The conferees evidently agreed on an essentially moderate approach to the over-all problem of Arab-Israeli relations. One of Nasir's prime purposes in calling the meeting had been to bring the Arab leaders to this kind of common stand. He had earlier said he was worried that some unilateral action against Israel by one Arab state --most likely Syria--might involve the others in a conflict willy-nilly.

A plan to deal with the forthcoming Israeli diversion of the Jordan River appears to have been worked out. The conference allocated about \$12 million to meet the immediate costs of a plan--requiring an estimated 18 months--for cutting off some of the Jordan's headwaters. To back up the plan the conference also decided on a new joint Arab military command to be headed by Egyptian army chief Lt. Gen. Ali Ali Amir, with headquarters in Cairo.

Technically, the Arab plan may be feasible. Its implementation, however, may well be delayed for political reasons. Neither Lebanon nor Jordan is privately enthusiastic about antagonizing the Israelis, and political instability in Syria

could deter work on the project itself.

Israeli Prime Minister Eshkol has replied to the resolutions of the Arab conference by repeating that Israel is determined to safeguard its "vital rights" and to resist "illegal" Arab moves.

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Nasir also gave at least the appearance of conciliation by renewing diplomatic relations with King Husayn of Jordan and by paying flattering attentions to King Saud. Nasir may have hoped the conference would make possible an agreement with Saudi Arabia and ease a settlement of the Yemeni problem. Crown Prince Faysal, who was absent, makes the decisions for his country, however, and his response is likely to be cautious.

The kings and presidents decided to make the conference an annual affair. The next session will be held in Alexandria in August.

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Asia-Africa

SOVIET MILITARY AID TO EGYPT AND SYRIA

Recent Soviet arms shipments to Egypt and Syria underscore the continued importance of military aid in Moscow's relations with the Middle East. Both Cairo and Damascus have been prime recipients of Soviet arms aid since the mid-1950s. The program in Egypt is the largest and most comprehensive the USSR has undertaken in the non-Communist world; to date it has involved equipment and technical aid worth more than \$1 billion, and is rivaled only by Soviet military aid to Indonesia. New deliveries to Syria indicate Moscow is carrying out its military commitments and probably is prepared to expand them.

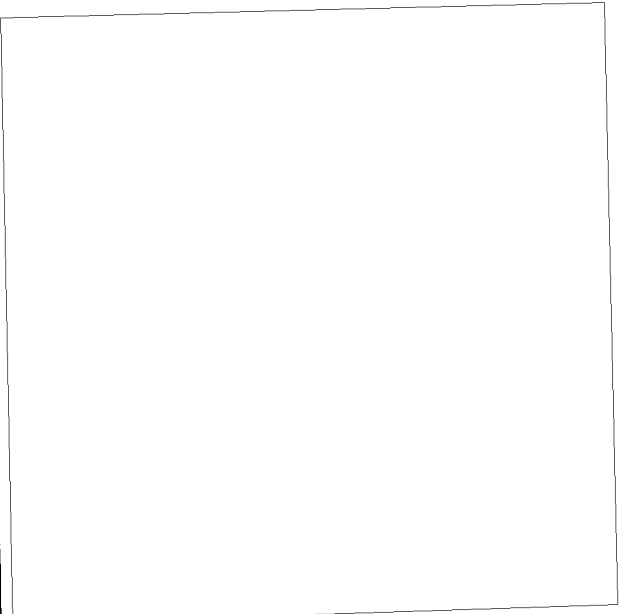
A steady stream of arms shipments has gone to the Egyptian port of Alexandria since last October. Many of these shipments included equipment for Egypt's surface-to-air missile (SAM) system, which may by now consist of as many as a dozen sites. As part of the same air defense package, recent deliveries also have included 25 MIG-21 (Fishbed) jet fighters, bringing Egyptian holdings of these aircraft to around 85. Land armaments frequently are delivered as well, [redacted]

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Soviet military aid activities in Syria have been hindered,

but not halted, by political frictions between Moscow and Damascus. Mutual hostility was sharpened somewhat after the Baathist takeover in Syria last March. Nevertheless, the USSR remains the primary source of Syrian military supplies, and military aid programed under a 1962 arms agreement has continued.



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A Syrian arms purchasing mission is likely to visit the USSR sometime soon. Arms talks apparently were scheduled to take place in Moscow late last year, but evidently were postponed. [redacted]

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Asia-Africa

WORSENING SITUATION ON CYPRUS

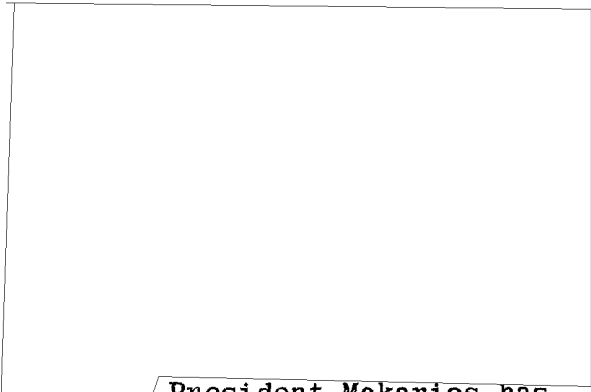
Leaders of all Cypriot factions predict an early collapse of the London conference and probable resumption of fighting. An hour-long gun battle erupted this week in western Cyprus between Turkish Cypriots and Greek Cypriot police.

Turkish Cypriots continue to move from mixed villages to purely Turkish areas. Turkish leaders claim the moves are voluntary and are designed to permit the refugees to escape from Greek Cypriot terrorists. Greek Cypriots allege that many Turkish peasants are being moved against their will by armed bands of Turkish Cypriot irregulars. The Greeks may consequently try to halt these movements.

In London, there has been little progress despite intense efforts by Commonwealth Relations Secretary Sandys. Greek Cypriots continue to insist on a unitary state with "certain rights" guaranteed to the Turkish Cypriots. Turkish Cypriot leaders still speak vaguely of segregation and a further concentration of the Turkish Cypriot population as an alternative to their first choice--geographic partition.

Arrival on Cyprus of Indian General P. S. Gyani as the per-

sonal representative of UN Secretary General Thant to observe the peace-keeping operations has involved the UN more directly in the Cyprus controversy. Gyani is slated to stay at least until the end of February.



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President Makarios has repeatedly promised to take the Cyprus case to the UN, should the London talks fail. He is assured of Soviet support in the Security Council and probable support from most of the Afro-Asian nations, as well as the Communist bloc, in the General Assembly.

Turkish naval and air forces remain concentrated in the Mersin-Adana-Iskenderun area of Turkey, across from Cyprus.

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Asia-Africa

EAST AFRICA IN TURMOIL

Internal power relationships in Tanganyika and Zanzibar remain fluid and confused in the wake of the armed eruptions there. Kenya and Uganda are nervously reappraising their own internal security, since they too face uneasy situations in which Communist representatives and sympathizers are active. On 23 January, Ugandan troops mutinied against their British officers.

Kenyan Prime Minister Kenyatta is being urged to crack down on the freewheeling leftists in his government and may postpone the scheduled departure of British troops beyond 1964.

In Tanganyika, the radical nationalist minister of external affairs and defense, Oscar Kambona, appears to have strengthened his position relative to that of President Nyerere. For two days after the army mutiny erupted on 20 January Kambona was the government for all practical purposes. Nyerere is back at the helm, but his whereabouts during those crucial days has not been explained satisfactorily.

It appears that he remained at his office-residence behind military guard. His brief, uninformative speech on the evening of 21 January was atypical and left many questions unanswered. The extra guard detail on his house was not removed, and he did not resume full command for at least a day after the mutineers had returned to their barracks.

The ambitious Kambona has always supported Nyerere publicly, but within the one-party government they have been uneasy rivals. Kambona's influence may have increased during Nyerere's frequent visits to foreign capitals. Apparently he has not kept Nyerere fully informed on all his activities, particularly on his support for Zanzibari and southern African nationalists.

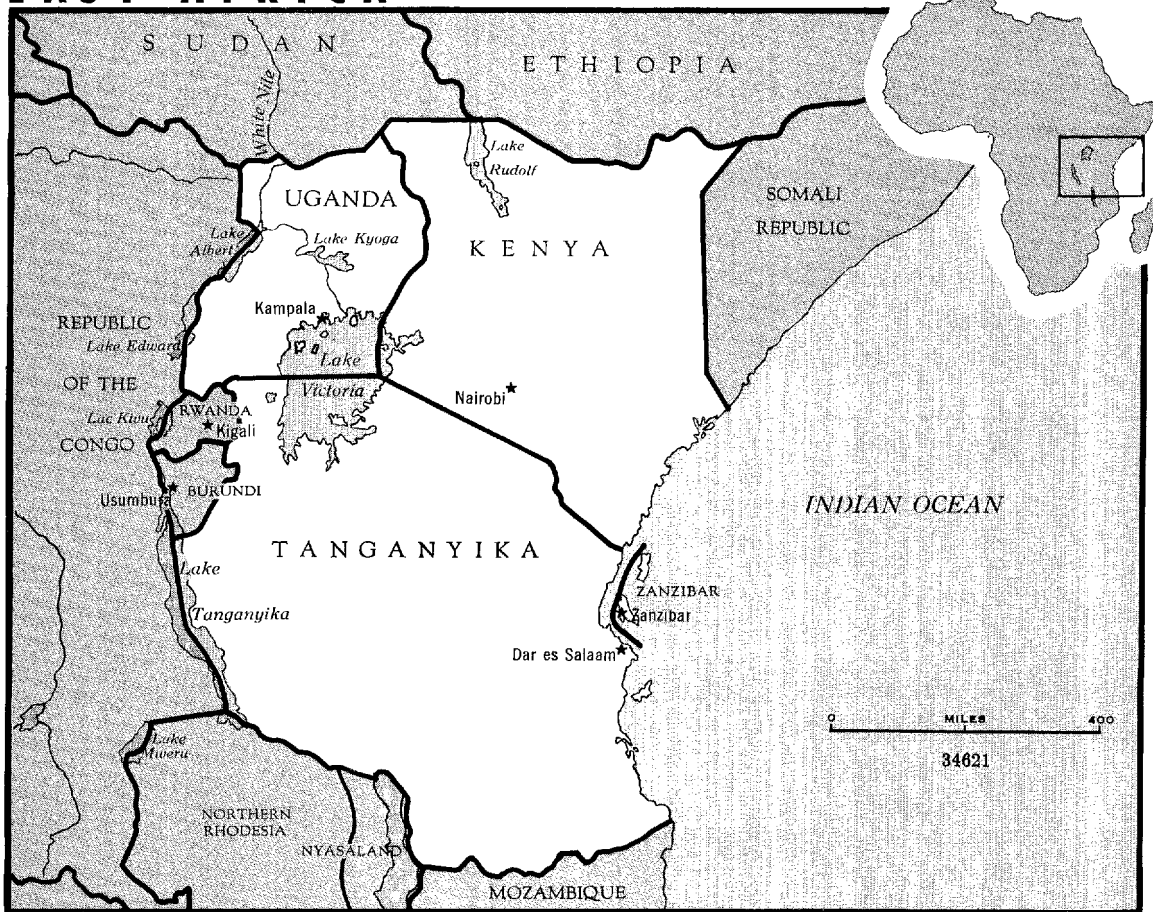
An aggressive leader with strong racial feelings, Kambona almost certainly disagrees with the pro-Western, nonracial policies of his moderate, hitherto popular President. Kambona advocates the expulsion of Europeans considered hostile to African interests and had planned to replace all British officers by the end of 1964--a move that Nyerere may well have disapproved.

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Kambona, moreover, has met continual frustrations in his efforts to obtain from Western countries training and materiel for his proposed air force and expanded army. In the past he has had frequent and cordial contacts with the Soviets and Chinese Communists. He would probably turn to them now for

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EAST AFRICA



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military aid, if he could circumvent Nyerere.

The troops who mutinied in Dar-es-Salaam for higher pay and the immediate dismissal of British officers had some legitimate grievances. A private's pay is below the city minimum wage, and Nyerere's directive of 7 January calling for an end to discrimination against non-African citizens in the government could have been interpreted as a slowdown in Africanization of the officer corps.

While other ministers were under arrest or otherwise indisposed during the mutiny's first hours, Kambona was active in hustling British officers to the airport and urging the soldiers back to their barracks. Tanganyikan officers were appointed to the top army commands without Nyerere's concurrence. The army has become a political force to be reckoned with, and Kambona may believe he can use it to his own advantage--and to the ultimate detriment of Western interests.

In Zanzibar, the power struggle continues. The most recent cabinet shuffle suggests that the pro-Communists have strengthened their influence at the expense of the genuine African nationalists. President

Karume's lack of education and organizational ability will probably bring him increasingly under Foreign Minister "Babu's" Communist influence.

At the same time, the other political leaders are still trying to limit the role of "Field Marshal" Okello and his Cuban-trained thugs. Tanganyikan police--flown to Zanzibar at the request of Karume and Babu--have had some success in disarming Okello's henchmen and disbanding his military headquarters. Okello's gun-brandishing had kept him in the forefront since the day of the revolt, and his inflammatory broadcasts contributed to the anti-Arab violence, which may have caused over 2,000 deaths.

Kambona has told the US ambassador in Dar-es-Salaam that Karume and Babu have also asked Tanganyika for technicians to restore essential services and want to discuss union with Tanganyika in the near future. Kambona has long believed that Zanzibar should be under Tanganyika's wing. Babu and Zanzibar Vice President Hanga have just visited the Kenyan and Ugandan capitals, presumably seeking support there also.

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Europe

DISCORD IN SCANDINAVIA OVER NUCLEAR-FREE ZONE PLAN

Efforts by Finland's President Kekkonen to promote his plan for a nuclear-free zone in Northern Europe are straining traditionally close ties among the four Nordic countries.

Kekkonen's plan--put forward in a speech last May--would have each of the four countries formally reject nuclear weapons and declare all of Northern Europe a nuclear-free zone. He has maintained that such an arrangement would merely confirm an existing situation: Finland is forbidden by treaty to acquire nuclear weapons; Norway and Denmark, although members of NATO, expressly prohibit such weapons on their territory in peacetime; and Sweden is still agonizing over the politically explosive decision of whether to authorize development of an independent nuclear capability.

Scandinavian leaders insist nevertheless that the formal declaration Kekkonen seeks would benefit only the Soviet Union and bind them to a course of action which would leave them no leverage or bargaining power. Despite strong denials by Kekkonen and other Finnish officials, moreover, the suspicion persists Kekkonen is fronting for Moscow.

At a meeting last week in Copenhagen of the economic committee of the Nordic Council,

Danish Foreign Minister Haekkerup sharply denounced the Kekkonen plan and criticized Finland's role in furthering Soviet foreign policy objectives. He maintained that the proposed discussion of the plan during the council's meeting in Stockholm next month will complicate Denmark's foreign relations by raising doubts about its loyalty to NATO. Haekkerup's sensitivity may stem also from concern among leaders of his Social Democratic Party--facing elections this year--that there may be further defections to Denmark's "national" Communist party--the Socialist People's Party--which is vigorously pushing Kekkonen's scheme. In Norway also, Prime Minister Gerhardsen's Labor Party fears that a similarly constituted "national" Communist party will prove to be increasingly attractive to Labor's restive left wing.

Sweden's Social Democratic government faces not only elections this year but also a quadrennial party congress at which the acquisition of nuclear weapons will be a principal issue. The government's embarrassment is all the more acute because the Kekkonen proposal closely resembles the plan put forward by former Foreign Minister Uden at the UN in late 1961 calling on countries without nuclear weapons to abstain permanently from acquiring them.

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Europe

AREA NOTES

European Fisheries Conference: The 16-nation gathering has adjourned its London sessions until 26 February, having drafted a new agreement on fishing limits which nearly all participants have agreed to recommend to their governments for approval. Coastal states would be given exclusive fishing rights in a six-mile zone measured from base lines. A further zone of six to twelve miles would remain open to fishing by participating countries which have traditionally fished those waters. Unless special arrangements were made, the latter provision thus would exclude the Russian and

Polish trawlers, whose governments are not among the 16 participants and which have only recently been fishing close to British coasts in growing numbers.

Only Iceland and Norway have expressed reservations concerning the draft agreement, and Norway's may be met by a minor amendment. If, as now is expected, final agreement is reached by June 1964, this will probably content Britain and prevent it from carrying out its past threats to extend its territorial limits as well. [redacted]

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Coal-Steel Community: The decision of the CSC High Authority to direct the member states to raise steel and pig iron tariffs has important political implications for the CSC as well as for the Kennedy Round tariff negotiations. Fearing Paris and Bonn might unilaterally raise tariffs, the High Authority felt compelled to invoke its treaty powers in order to protect its position and maintain at least a facade of community harmony. Failure now of any of the members to comply with the decision would be a harsh blow to the already weakened supranational basis of the CSC. It appears that all six will comply, although the Dutch have hinted they may take the issue to the Community Court of Justice.

Despite CSC assurances that quotas would be provided for traditional suppliers, the US, Austria, Sweden, and Japan expect a reduction in their exports. The US also believes a tariff hike on so important a product as steel hardly sets the stage for a general reduction in tariffs. However, spokesmen for French industry have recently taken the position that CSC products could be included in the Kennedy Round only if the Six have a single tariff level--a condition which would be met for most steel products at least if the other five all raise their steel tariffs to the Italian level as the High Authority now has recommended. [redacted]

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Western Hemisphere

THE PANAMA SITUATION

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Panamanian President Chiari remains under intense pressure to persist in his effort to secure a complete revision of the canal agreements with the United States. The Communists and pro-Castro elements, as well as politicians looking toward the national elections scheduled for May, are at work to keep feeling inside the country stirred up. If the growing economic and political pressures on Chiari are not alleviated soon, he may resign or be ousted.

In an effort to put pressure on the US, Panama's ambassador to the UN, Aquilino Boyd, indicated to Ambassador Stevenson on 21 January that his country will not weaken its insistence that the US agree to negotiate a new treaty. He said that President Chiari has reached "the point of no return" on this issue, and complained that he himself is being criticized at home for taking too "soft" a line with the US.

Boyd also asserted that he has instructions to find out whether "non - Latin American countries" would support a call for a special session of the General Assembly if Panama's present effort to convene on OAS foreign ministers' meeting falls through.

Juan de Arco Galindo, presidential candidate of Panama's leading opposition coalition (OA), made a comparatively temperate public appeal in a 22 January TV

speech, but he still called for a new canal treaty.

The Panamanian Communist party (PdP), caught short by the recent outbreak of violence, is probably making preparations to exploit any future opportunities. PdP President Hugo Victor left on 21 January for Moscow. The pro-Castro Vanguard for National Action (VAN), which incited much of the violence among students, has gained new impetus from its success in pressing Chiari into his adamant position. The VAN is expecting further support from Cuba.

Bankers in Panama report that the economic situation continues to deteriorate and that, in the case of the First National City Bank branch in Panama alone, 25X1 \$5 million of foreign deposits had been sent out of the country as of 22 January.

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Western Hemisphere

CASTRO'S VISIT TO THE USSR

The bland Soviet-Cuban communiqué of 22 January provided no more explanation of the purpose of Castro's 10-day visit than the brief Soviet announcement on the day of his arrival. It repeated most of the main points in the joint statement issued at the end of his long visit to the USSR last spring and made the usual claim that he and Khrushchev reached "complete unity of views" on all questions discussed.

Although the communiqué contained no indication of agreement on specific Soviet or Cuban moves to exploit the Panama crisis, it denounced US policy toward Cuba and US actions in Panama. Khrushchev and Castro strongly supported Panama's "just demand" to establish its sovereignty over the Canal Zone and the Panamanians' right to revise or abrogate the "unjust agreements" imposed by the US. While this formula could be applied to Cuba's demand for the return of the Guantanamo naval base, the communiqué did not mention Guantanamo specifically. Khrushchev, however, reaffirmed the Soviet Union's full support for Castro's "five points" of November 1962, the last of which was a demand for US evacuation of the base.

In contrast to the cautious wording of the communiqué, Khrushchev's rambling speech at Kalinin on 17 January in Castro's presence welcomed Cuba's struggle for the "liquidation of the American military base in Guantanamo." He said the "land in

Guantanamo is Cuban land and it must belong to Cuba." Khrushchev, moreover, specifically endorsed the right of all peoples to use force in expelling the "imperialists from their land." These remarks raise the possibility that Castro, in exchange for his backing of the Soviet position on several key issues, obtained Khrushchev's promise to support some future Cuban moves against US positions in Cuba and elsewhere in Latin America.

The communiqué recorded Castro's support for Khrushchev on three important points at issue with the Chinese Communists. On the nuclear test ban treaty, he went further than ever before in characterizing the treaty, together with the agreement banning orbiting of nuclear weapons, as a "step forward toward peace and disarmament." He also aligned himself with the USSR in claiming that the peaceful coexistence policy has brought about a "certain easing of international tension." Castro's most important concession, however, was his endorsement of the Soviet interpretation of the pronouncements of the Moscow Communist conferences of 1957 and 1960 and his specific approval of recent Soviet measures to "liquidate" disagreements and strengthen the unity and cohesion of the international Communist movement.

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The only specific agreement announced was a long-term trade agreement under which the USSR will pay its current fixed price of six cents a pound for Cuban sugar during the period 1965-70. This was hailed as a "reliable guarantee" to the Cuban economy against damaging fluctuations of sugar prices on the world market and US "economic sabotage."

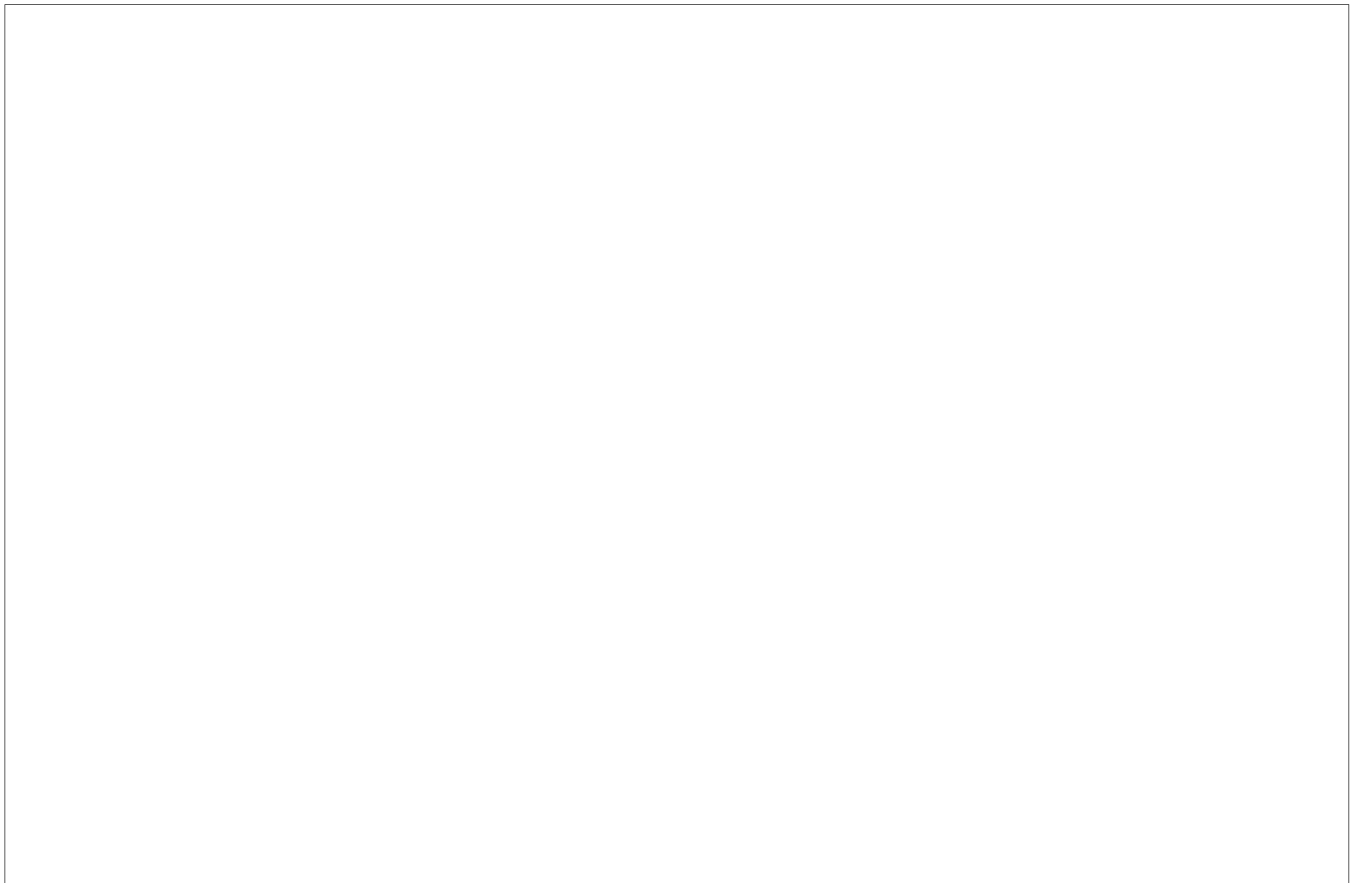
Although the agreed price is considerably below current world prices, these will almost certainly fall in the next few years. Moreover, the volume of

Cuban sugar exports to the USSR is scheduled to increase only gradually, in accordance with planned production increases. Trade plans suggest Cuba will ship little more than a million tons of sugar to the USSR this year--about the same as in 1963. This will again allow Cuba to profit from high world sugar prices and to continue to expand its trade with the West. Soviet cash payments for 200,000 tons of Cuban sugar annually were apparently eliminated by the new agreement, probably because of the relatively large cash reserves the Cubans have built up through exports to the West.



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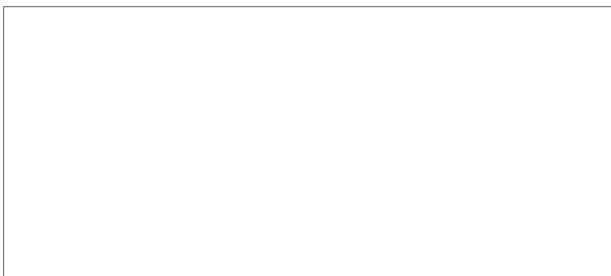
Western Hemisphere

NEW STRIKES AND POLITICAL TENSION IN BRAZIL

The tension and pessimism generated by a series of strikes in Brazil last week reflect continued uncertainty and widespread suspicion of President Goulart's motives. While the atmosphere has calmed temporarily, the episode suggests that the political situation is still far from stable.

The reactions were sparked by a three-day strike of public utility workers in Guanabara (city of Rio de Janeiro) that began on 14 January. These strikers were later joined by streetcar workers and government employees in both Guanabara and several neighboring states. By 17 January, the strikes had virtually ended, after private business agreed to demands for a 100-percent wage increase, and the government agreed to give certain civil servants a bonus amounting to a month's pay.

Guanabara Governor Carlos Lacerda, Goulart's archenemy, bitterly attacked the government and blamed Goulart for the walkouts. He accused Goulart of preparing to establish a "syndicalist" or "popular" government "along totalitarian lines."



At the height of the strikes,



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pro-Communist Governor Miguel Arraes of Pernambuco expressed the opinion that Goulart intended to perpetuate himself in power. Arraes, who had been in contact with Goulart, stated that the President "does not want elections," and that he intended to stay in office after his term expires in January 1966 despite the constitutional bar to his re-election.

For his part, Goulart seems unwilling--or unable--to come up with effective and constructive policies that would earn public confidence in his administration. He seems to regard himself as a kind of national arbiter of pressures from right and left, and his objective appears to be to maintain his personal power and influence. He is still closely identified with the left and relies heavily on his leftist, ultranationalist advisers.

Barring some unconstitutional move on his own part or a sudden deepening of the crisis in the economy, Goulart appears to have a good chance of continuing in office until his term expires. His position could improve as the presidential election campaign gathers momentum and diverts attention and pressure from the incumbent.

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