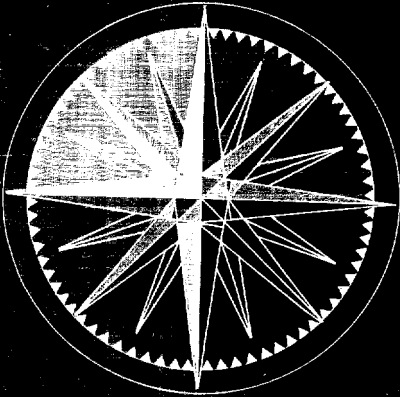


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5 June 1964

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# WEEKLY SUMMARY

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## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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C O N T E N T S

(Information as of 1200 EDT, 4 June 1964)

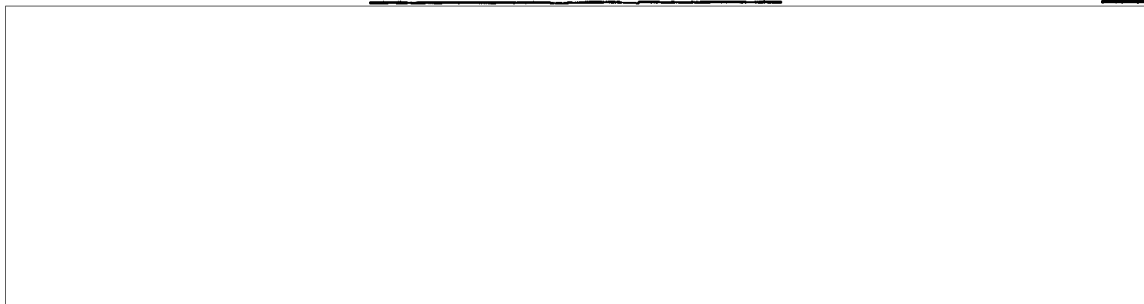
<u>THE COMMUNIST WORLD</u>		<u>Page</u>
EAST - WEST GERMAN TRADE EXPANDING		1
Interzonal trade this year will probably exceed the record level of 1960, and long-range contracts suggest that the East Germans do not anticipate a Berlin crisis.		
PEIPING PRESSES DRIVE FOR INFLUENCE IN ASIA AND AFRICA		2
Looking ahead to the second Afro-Asian conference scheduled ten months from now, the Chinese Communists are stepping up their campaign to counter increased Soviet influence in the area.		
<u>ASIA-AFRICA</u>		
COMMUNIST VIEWS OF THE LAOS SITUATION		3
All Communist regimes are seeking some sort of international conference in an effort to contrast their "reasonable" approach with alleged US plans to intervene militarily. Despite differences over procedures, their tactics all seem aimed at a negotiated settlement to legitimize military gains already made by the Pathet Lao. All Communist capitals have raised the specter of a dangerous East-West confrontation if the military situation is allowed to escalate.		
THE SITUATION INSIDE LAOS		5
Communists may be preparing to launch new attacks on the neutralists in the Plaine des Jarres area, and Pathet Lao leader Souphannouvong is pressing to renew talks regarding the coalition government.		
POLITICAL TROUBLES STILL PLAGUE SOUTH VIETNAMESE GOVERNMENT		6
The release of four generals associated with the Minh regime has helped little, and Buddhists and Catholics are at odds concerning a controversial trial. Insurgent activity has dropped off.		
INDONESIA'S ANTI-MALAYSIAN CAMPAIGN IN POLITICAL PHASE		7
Djakarta is ostensibly toning down its active subversion in favor of efforts to pursue its aims diplomatically through a summit conference later this month.		

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ASIA-AFRICA (continued)

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**SHASTRI TAKES OVER IN INDIA** 8

The new prime minister faces an uphill battle to consolidate his powers as Nehru's successor.

**TANGANYIKA MOVES TO CONSOLIDATE UNION WITH ZANZIBAR** 9

Steps are being taken to integrate the two regimes in the diplomatic and military spheres, but pro-Communists and their bloc advisers continue active on Zanzibar.

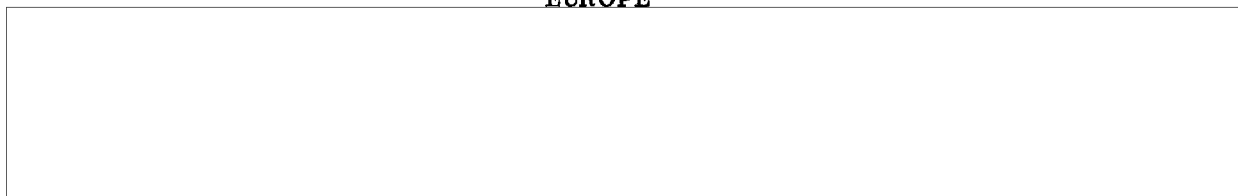
**CONGO ARMY DISINTEGRATING** 10

The army has proved completely ineffective against rebels in the Kivu area, and other dissidents apparently feel they can rebel with impunity.

**THE CYPRUS SITUATION** 11

The British may pull out their contingent from the UN force in the face of a sharp increase of anti-British activity by the Greek Cypriots; arms continue to arrive for both communities.

**EUROPE**



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**FRENCH-TUNISIAN RELATIONS EMBITTERED BY LAND SEIZURE** 13

Since the abrupt nationalization of French-owned farmlands in Tunisia, Paris has taken certain economic reprisals and is contemplating further sanctions if the Tunisians persist in their present course.

**IMPLICATIONS OF THE SPANISH COAL STRIKE** 14

The government has made wage concessions to striking miners and is considering other moves which may have long-range economic and political implications.

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EUROPE (continued)

Page

**DEBATE ON ECONOMIC POLICY SHAKES ITALIAN GOVERNMENT**

14

Premier Moro's enemies in his own and the opposition parties are using Italy's current economic difficulties to attack his government. The government's failure to move forward with promised reforms is causing Moro's Socialist coalition partners to threaten to reconsider their participation in the cabinet.

**SWEDISH SOCIAL DEMOCRATS TO CONSIDER NUCLEAR ARMS ISSUE**

16

Prime Minister Erlander and his government are being pressed for decisions on whether Sweden should develop a nuclear weapons capability, and this issue will be a major topic at the ruling party's congress this month.

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WESTERN HEMISPHERE

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**RACIAL TENSIONS INCREASING IN BRITISH GUIANA**

17

The bitterness between the Negro and East Indian communities is creating a cycle of brutal racial attack and counterattack which will prove hard to stop. Janet Jagan's resignation as home minister may portend an effort by the ruling party to decrease the effectiveness of the police force.

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**ELECTION AFTERMATH IN PANAMA**

19

President Robles' election was confirmed without incident but evidence of pre-election deals with pro-Communists and others suggests his power and freedom of action may be limited.

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<u>WESTERN HEMISPHERE (continued)</u>	<u>Page</u>
<b>POSTELECTORAL DEVELOPMENTS IN BOLIVIA</b>	<b>20</b>
President Paz Estenssoro won his third term as expected, but random violence in mining areas and moves by his principal opponents to unite in an effort to overthrow him suggest that the political situation will remain uneasy for some time.	
<b>ARGENTINE LABOR AGITATION</b>	<b>21</b>
Tension is rising as the General Confederation of Labor proceeds with its campaign to extract political and economic concessions from the government by briefly occupying business establishments.	

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The Communist World

**EAST - WEST GERMAN TRADE EXPANDING**

Interzonal trade (IZT) between East and West Germany in 1964 probably will exceed the record level of 1960. Goods turnover in the first quarter of 1964 increased by about 18 percent.

Despite the requirement that IZT accounts be balanced annually on 30 June, the settlement due this year has been postponed until 30 June 1965. The East Germans therefore can run a substantial deficit in 1964 if they choose to.

A large number of licenses have already been issued for deliveries to East Germany this year. Orders for West German goods placed in the first quarter totaled \$120 million, in comparison with \$72.5 million for the first quarter of 1963.

Licenses for steel deliveries to East Germany already cover amounts equal to deliveries for all of 1963.

Moreover, East Germany last year began again to place long-term orders, suggesting that IZT will continue at a high level for some time. For the first time in several years, three- to four-year contracts have been placed for factory installations, including a \$5 million gas separation installation and a \$3.4 million rolling mill. East Germany has also contracted for greatly increased imports of nitrogen fertilizers over a four-year period, although all details of the transaction have not yet been settled by the IZT negotiators. These long-term contracts suggest that the East Germans do not anticipate a Berlin crisis. 25X1

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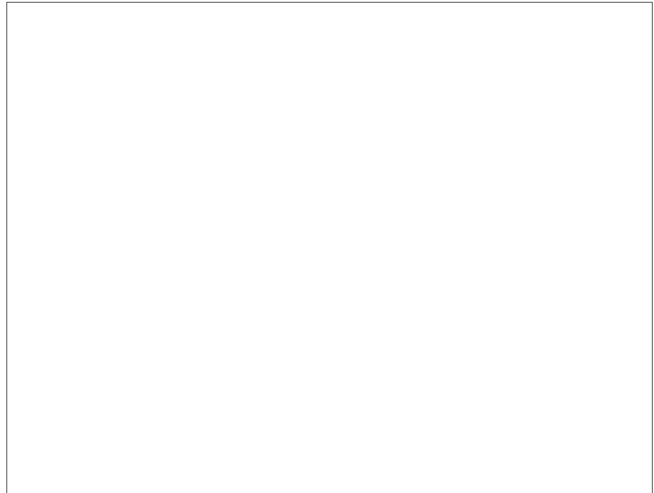
The Communist World

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**PEIPING PRESSES DRIVE FOR INFLUENCE IN ASIA AND AFRICA**

The Chinese Communists appear to be running scared in their competition with the Soviet Union for influence in the Afro-Asian world. Looking ahead to the second Afro-Asian conference--Bandung II--scheduled to meet in Africa ten months from now, Peiping is accelerating the tempo of its campaign in an effort to counter increased Russian activity in the area. Unable to match Soviet offers of economic and technical assistance, the Chinese are forced to rely mainly on diplomacy and propaganda.

Clearly sensitive to growing distaste for violent Sino-Soviet wrangling in various Afro-Asian meetings, the Chinese are adopting a more moderate public stance. Peiping waited more than a month before replying to Moscow's renewed attack on Chinese "racism" on 25 April. Both the Chinese note and the accompanying editorial in People's Daily on 31 May arguing against inclusion of the Soviet Union in the Afro-Asian conference next March, although sharply worded, lacked the pitch of abusiveness which had become common place in Sino-Soviet exchanges.



Peiping has also played host recently to a growing number of Afro-Asian leaders in an attempt to press its case for solidarity. Among these have been President Abboud of the Sudan, the minister of home affairs and the minister of state from Kenya, Prime Minister Abdirascid of the Somali Republic, Zanzibari ex-foreign minister Babu, and a parliamentary delegation from Burundi. Yemeni President Sallal is in China now, and visits by the presidents of Mali, Algeria, and the Somali Republic are scheduled later this year. Pending Chinese bids are out to King Hassan of Morocco, and the presidents of Tunisia and Tanganyika.



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Asia-Africa

**COMMUNIST VIEWS ON THE LAOS SITUATION**

Moscow, Peiping, and Hanoi are all pushing for some sort of international conference on Laos in a major effort to discredit and isolate the US Government by contrasting the Communists' desire to work out a "reasonable settlement" with alleged US plans to intervene militarily in Laos. Communist tactics over the past few weeks appear to be aimed at increasing pressure on the US to accept a negotiated settlement which in effect would legitimize the military gains already made by the Pathet Lao forces. All Communist countries continue to raise the specter of a dangerous East-West confrontation if the military situation is allowed to escalate.

There appears to be some difference between Moscow and Peiping on procedures leading to such a conference, reflecting the different roles the major powers could play in the various types of conferences proposed and perhaps reflecting different views of the risks of escalation. Although Peiping has called for an immediate conference, it is apparently in no hurry for negotiations except on its own terms. These include a conference organized along the lines of the Geneva meeting in 1962, without pre-

conditions that would limit the discussion to Laos alone.

Peiping may be willing to bargain on some of the other points it has put forth, such as having the conference in Asia because it deals with Asian affairs, but will probably not give way on the issues it considers central to its own interests--the size of the meeting and the broad agenda. The Chinese, pleased by the gains already achieved in Laos and the current trend of events in Southeast Asia, are probably content to wait in the belief that the US will eventually be forced to come to terms. In the meantime, Peiping is probably counting on Communist protestations of willingness to negotiate to generate world-wide pressure against increased US intervention.

Within the past two weeks, all Communist capitals have formally endorsed holding a 14-nation Geneva-type conference on the Laotian situation. An alternative proposal was presented by the Polish Government on 27 May, however, which would restrict the talks to the foreign ministers of the UK and the USSR (the Geneva co-chairmen) and of Canada, India, and

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Asia-Africa

Poland (the members of the International Control Commission) and to representatives of the three Laotian factions. The proposal, which was probably made after consultations with Moscow, maintained that such a meeting would facilitate the subsequent convening of the 14-nation conference.

The Polish proposal appears intended to counter British charges that the Poles had been uncooperative in discharging their ICC responsibilities and to offer an alternative to the ambassadorial talks in Vientiane jointly sponsored by the US and the UK. Both Hanoi and Peiping have bitterly assailed the ambassadorial talks, and the Communists have refused to join in any such discussions. The Polish proposal would neatly side-step these objections and yet leave the USSR and Poland to uphold the Communist side--a development the Russians might prefer to having to share this role with the Chinese. Hanoi, while it has not publicly objected to the Polish proposal, broadcast an official statement on 30 May asserting that the most realistic way to settle the problem is through a 14-nation conference.

In addition to the pressure implicit in these various

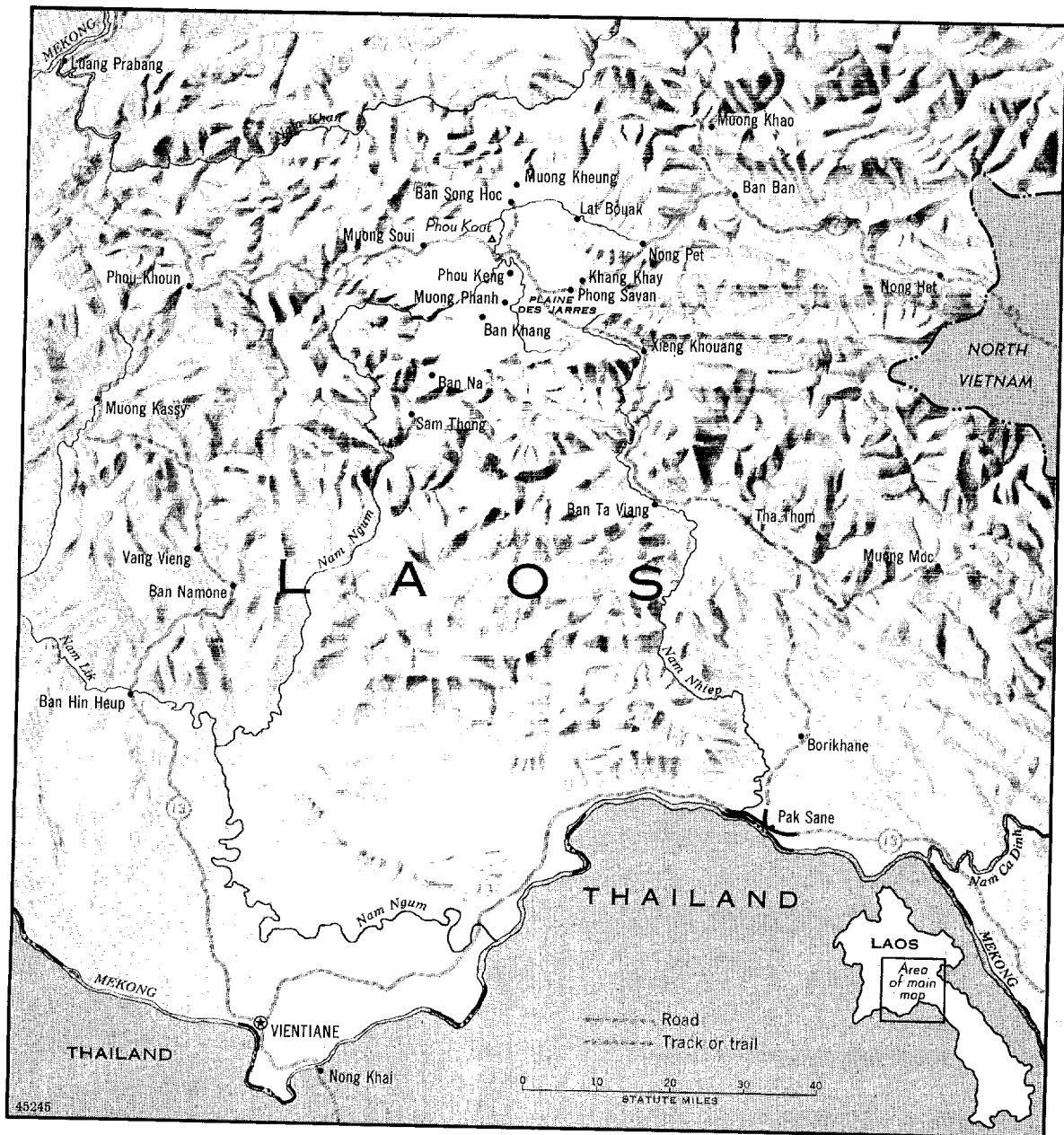
proposals for a conference, recent Communist maneuvering in Laos--including the withdrawal of the Soviet and North Vietnamese ambassadors and the Pathet Lao representatives from Vientiane--is probably directed at convincing the US that it must soon reach some negotiated solution which reflects the wishes of the Pathet Lao or face the consequences of a separatist Communist government and de facto partition.

Hanoi, Peiping, and Warsaw have reported Pathet Lao leader Souphannouvong's recent charges that Souvanna is a prisoner of the rightists. Peiping has repeated the claim that he can "no longer be considered premier of the coalition government," and Moscow has strongly implied that Souvanna is no longer a free agent. Soviet leaders have no interest in upsetting the status quo as established by the 1962 Geneva settlement but probably feel they have no choice but to continue to harmonize their actions with those of the North Vietnamese to the greatest possible degree. The Soviet Union can be expected to lend full support to Pathet Lao demands that the precoup government arrangement be restored.

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Asia-Africa

**THE SITUATION INSIDE LAOS**

While diplomatic consultations over Laos continue, there are indications that the Communists may be preparing to launch new attacks against neutralist forces following a week-long lull in military activity in the Plaine des Jarres area. The neutralists used the lull to bolster their defenses near Muong Soui.

In other areas Pathet Lao and rightist forces have engaged in limited activity. Right-wing forces recently launched a clearing operation against Pathet Lao units along the Nam Lik River west of Vang Vieng. North of Pak Sane rightist forces are moving slowly toward Tha Thom, and as of 1 June were reported within ten miles of the village. Pathet Lao forces are pressing clearing operations against right-wing elements north of Muong Moc near the North Vietnamese border.

The small Laotian Air Force has provided air support to right-wing units near Vang Vieng and has attacked Pathet Lao targets in the Plaine des Jarres and along Route 7 toward the North Vietnamese border.

On 31 May, Pathet Lao leader Souphannouvong urged Premier Souvanna and General Phoumi to renew the tripartite talks, broken off just before the 19 April coup. Asserting that the situation was becoming

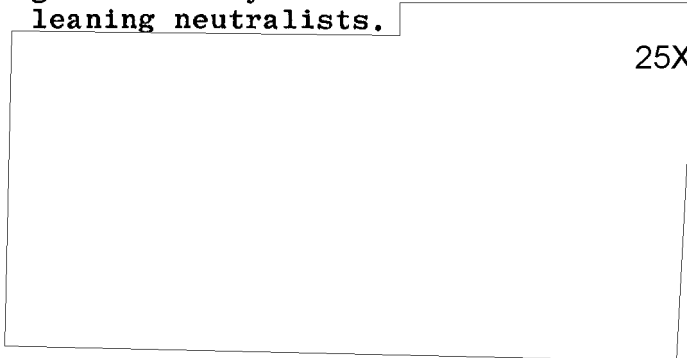
"extremely dangerous," Souphannouvong called for immediate talks to "create conditions necessary for the government to resume its functions." In a conversation with the French ambassador on 31 May, Souphannouvong said he would be willing to go to a "neutralized" Luang Prabang and was "particularly anxious" to meet with Souvanna. Souvanna has indicated his willingness to meet with Souphannouvong but doubts that anything could be accomplished now.

Tensions remain high in Vientiane



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On the other hand Souvanna's recent reassignment of the two Pathet Lao ministerial portfolios and the planned withdrawal of Pathet Lao representatives from Vientiane could lead to the formation of a separatist government by Pathet Lao and left-leaning neutralists.



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Asia-Africa

**POLITICAL TROUBLES STILL PLAGUE SOUTH VIETNAMESE GOVERNMENT**

Political difficulties in South Vietnam continue to hinder General Khanh's efforts to establish an effective counter-insurgency movement. The Khanh government, in an apparent move to bolster a sagging military and political mechanism, has released the four arrested generals of the short-lived Minh junta. The generals, and Minh himself, are probably still dissatisfied with their status. Civilian ministers continue to complain that the military retains too much authority and that corruption is still prevalent.

Additional troubles arise from the current trial of Major Dang Sy, charged with responsibility for the killing of several Buddhists in the May 1963 demonstrations in the city of Hue. Catholics reportedly resent the fact that there will be no trial of Sy's Buddhist superiors under whose orders he allegedly was acting. Although Khanh has indicated that Sy will not be executed, failure to impose stiff punishment could arouse Buddhist opposition to the government, whereas a harsh penalty would confirm Catholics

in their suspicions of a vendetta against them.

Both Communist and government military activity continues to decline. Viet Cong incidents for 23-30 May were the lowest since the first week in April, as were government large-scale operations; government small-scale activities reached new highs, but fewer contacts were made with the Viet Cong. Government casualties and weapons losses, although decreased during the last two weeks of May, still compared unfavorably with Viet Cong losses, which were at their lowest since January 1963.

Results of pacification efforts throughout the country indicate that local initiative is still lacking in many areas. Marginal progress is reported from the north, but in other areas the program appears stagnant. Although funds are now available in most areas and training programs for civilian and military cadres are beginning to pick up, local governments are still far from making effective use of available resources.

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Asia-Africa

**INDONESIA'S ANTI-MALAYSIA CAMPAIGN IN POLITICAL PHASE**

Indonesia is again shifting temporarily from active subversion to diplomacy in its campaign to bring about the collapse of Malaysia.

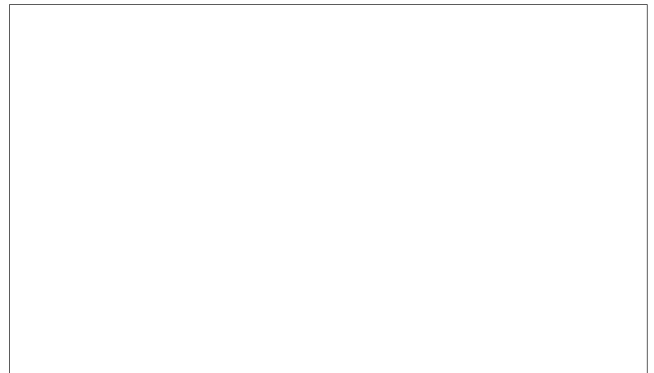
On 30 May Indonesia, Malaysia, and the Philippines announced they would hold a "summit" conference in Tokyo during June. In this connection Indonesia has agreed to the "principle of withdrawal" of its guerrillas in Malaysian Borneo, to begin simultaneously with the opening of a foreign ministers' meeting which is to precede the summit conference. Thailand has agreed to verify this withdrawal.

This issue, which hampered previous efforts to arrange a conference, may yet delay the one now planned. On 31 May Djakarta stated that movement beyond this initial withdrawal would depend on progress at the summit conference. Malaysia has asked for clarification of this statement, and, unless it receives satisfaction, may not attend the proposed meetings.

Simultaneous with this political jockeying, Indonesia

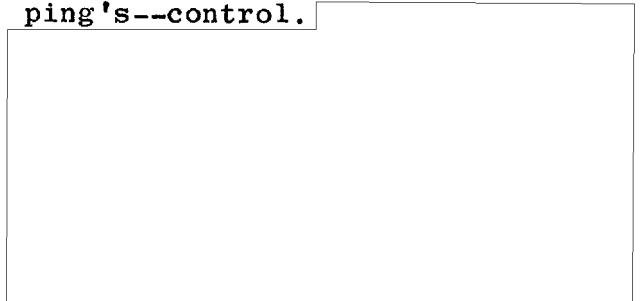
is continuing its subversive efforts, although there have been few incidents in the past few weeks. At least 200 Indonesian guerrillas, including regulars, are estimated to be inside Malaysia.

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Indonesian operations throughout Malaysia include the use of local Chinese Communists despite claims that Djakarta fears Malaysia will one day fall under indigenous Chinese--and eventually Peiping's--control.

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Asia-Africa

**SHASTRI TAKES OVER IN INDIA**

Lal Bahadur Shastri, who will be sworn in as India's prime minister next week, faces an uphill battle to consolidate his powers as Nehru's successor. Compounding his task is the mounting disarray which has plagued his Congress Party in recent years, as well as a host of urgent domestic and foreign policy problems.

The Shastri government will face the continuing threat of renewed Hindu-Muslim communal violence, serious lags in India's economic development programs, and local factional strife which has all but immobilized several state governments and threatens to produce a Communist victory at the polls in Kerala State early next year.

On the Kashmir question, Pakistan has indicated a willingness temporarily to ease its pressure for a solution. Nevertheless, it is eager to maintain the recent perceptible momentum toward settlement which accompanied Sheikh Abdullah's release from prison in early April. Shastri's freedom of action is severely limited by the largely hostile popular attitudes in India toward any concession on Kashmir.

Shastri's election to party leadership preserved the spirit of outward unanimity which has long characterized the Congress Party in its formal deliberations. His selection was strongly contested, however, by Morarji Desai, the conservative former finance minister, and by the party's leftists. Shastri's main support came from key powerful state and regional party bosses with whom he developed a smooth working relationship during his years as Nehru's chief political lieutenant. These regional leaders, including Congress Party President Kamaraj, feel they can work well with the conciliatory Shastri from whom they expect a somewhat larger grant of authority than Nehru permitted them.

Shastri brings to the prime ministership many valuable assets. He is skilled in the art of compromise and has a well-developed facility for deft political maneuver. The magnitude and duration of real power he will wield depend on his ability to satisfy his supporters while placating at least the most influential disgruntled elements and on his success in imposing his own imprint of compromise on unruly party elements at the state level. 25X1

**TANGANYIKA MOVES TO CONSOLIDATE UNION WITH ZANZIBAR**

Tanganyikan Foreign Minister Kambona has begun to consolidate Tanganyika and Zanzibar diplomatically and militarily, but without yet confronting

the problem of pro-Communist control of Zanzibar. President Nyerere prefers to avoid a direct challenge to Vice President Karume--who doubles as Zanzibar's

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Asia-Africa

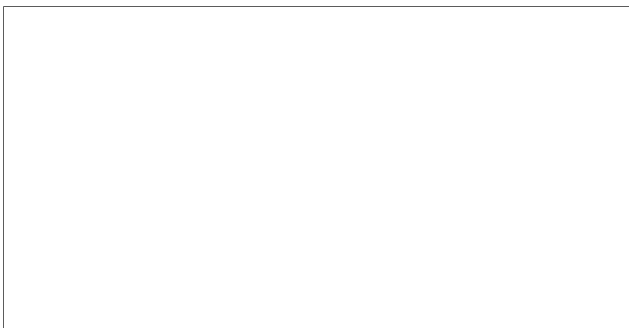
president--and to rely instead on the hope that disapproval by other African nations will eventually divert Karume from his Communist alignment.

Kambona has appointed the United Republic's first ambassadors to the UN, Washington, and Bonn. Governments with diplomatic missions in both Dar-es-Salaam and Zanzibar were told they might convert the island mission to a consulate. However, this ruling does not apply to East Germany, whose status on Zanzibar remains unresolved.

These recruits were not part of the Zanzibari army--now 500 strong--which the pro-Communists control and which the Soviets are training. A transfer of arms to this force has left the moderate-led Zanzibar police with only enough rifles for every fourth man.

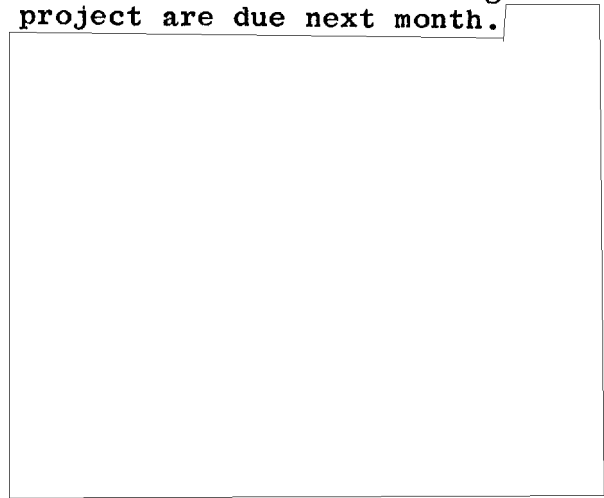
The first contingent of Tanganyikan police trained and equipped with new UK and US automatic weapons reached Zanzibar last week. More are expected as other Tanganyikan units on the island rotate to the mainland for training. It is not clear, however, where the effective balance of forces on Zanzibar now lies.

Other new arrivals on the island include five East German teachers, the first of seven East German doctors, 14 Soviet merchant marine officers, and a North Vietnamese chargé-des-ignate who expects to present his credentials to Karume. Some 5,000 tons of materials for the East German housing project are due next month.



Soviet statements suggest that Moscow continues to regard good relations with other East African countries as more important than the rather nebulous possibilities offered by close cooperation with Zanzibari leaders.

Some 300 Zanzibari recruits arrived in Dar-es-Salaam on 29 May to begin training with 600 Tanganyikans as the first battalion of an integrated army.



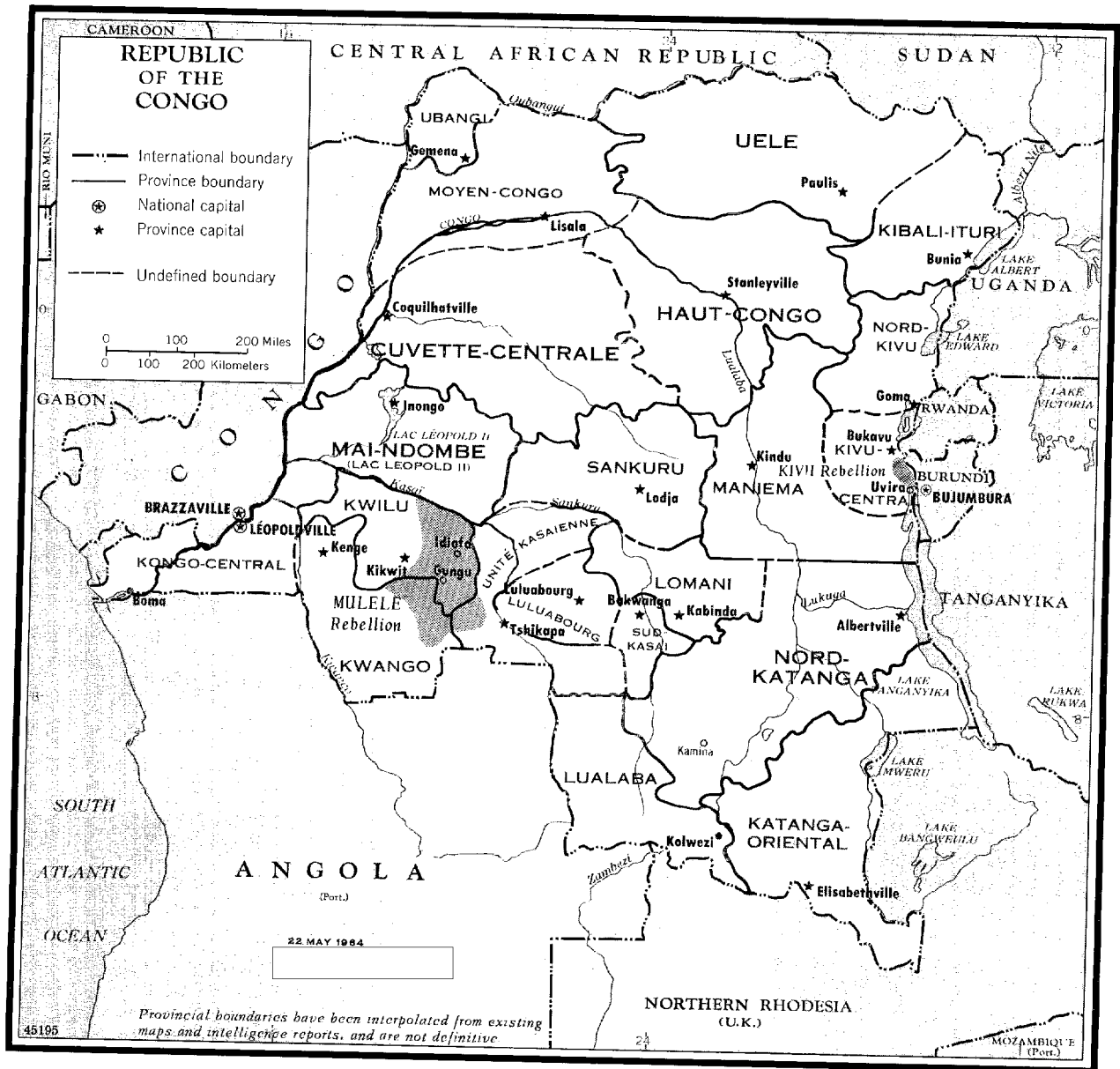
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Asia-Africa

**CONGO ARMY DISENTEGRATING**

The Congo National Army (ANC), severely beaten by the rebels in the Kivu region of eastern Congo, is rapidly disintegrating.

On 30 May rebels in Kivu Central Province ambushed and put to flight an ANC detachment, throwing government troops throughout the province into panic. The rebel victory was the latest in a series of engagements in which the insurgents, suffering relatively little themselves, have defeated and demoralized ANC reinforcing units. The provincial capital of Bukavu presently is threatened by rebel forces advancing from the south over a narrow and winding road defended by a small but well-entrenched ANC detachment. Even if the rebel troops were stopped here, Bukavu could fall if its principal tribal leader decides to throw in with the insurgents, or if the rebels managed to enter Bukavu through Rwanda. Rwandan security forces have repelled one such attempt.

Although Kivu is in a remote part of the Congo, the consequences of events there are far-reaching. The ANC's poor showing appears to be convincing other dissidents that they can rebel with impunity. Several antigovernment outbreaks have been reported in various localities throughout the Congo, and other disturbances can be expected.

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It is extremely unlikely that the ANC, its morale low and its effective reserves nearly exhausted, can handle any new disturbances. The last effective unit in Katanga, where the ANC's strategic reserve has been based, is being committed to Kivu, leaving Katanga vulnerable to disorder. UN officials still appear to be hesitant to commit UN troops which are scheduled to complete their departure by 30 June. A Nigerian battalion is to remain at least until the end of the month, but the only other UN forces in the country, two Ethiopian battalions, are apparently in the process of leaving.

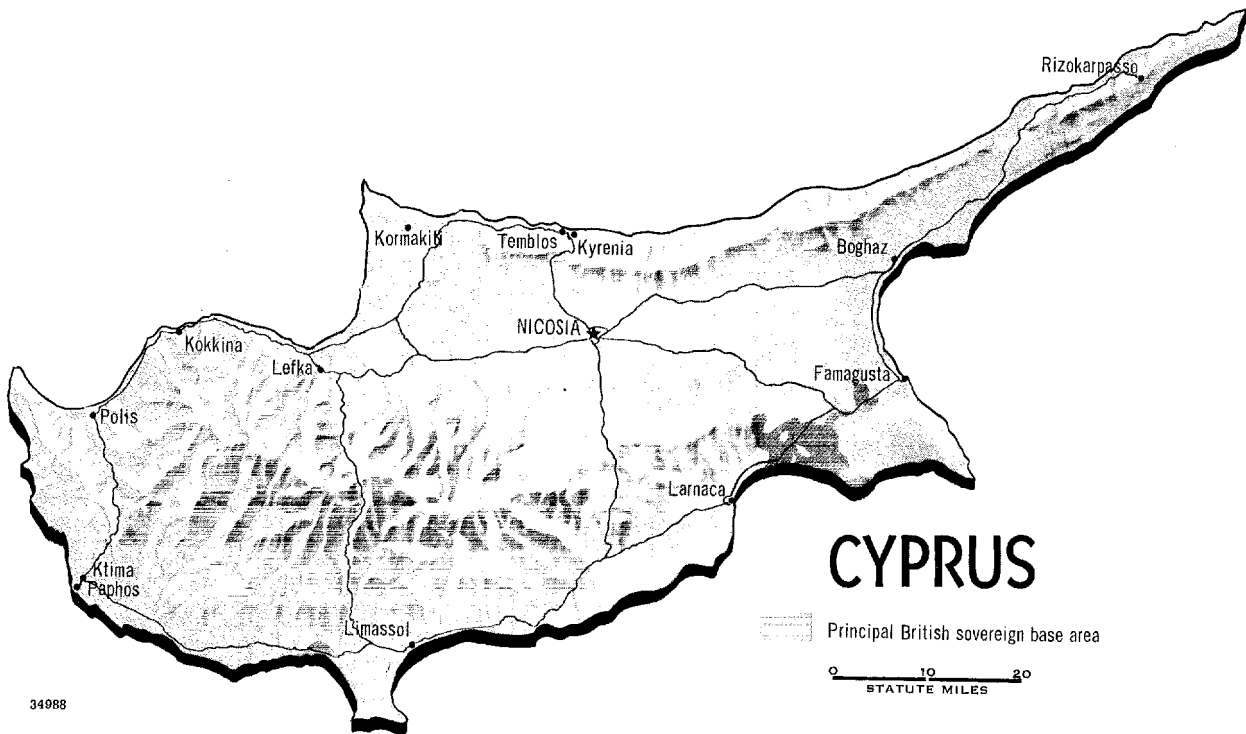
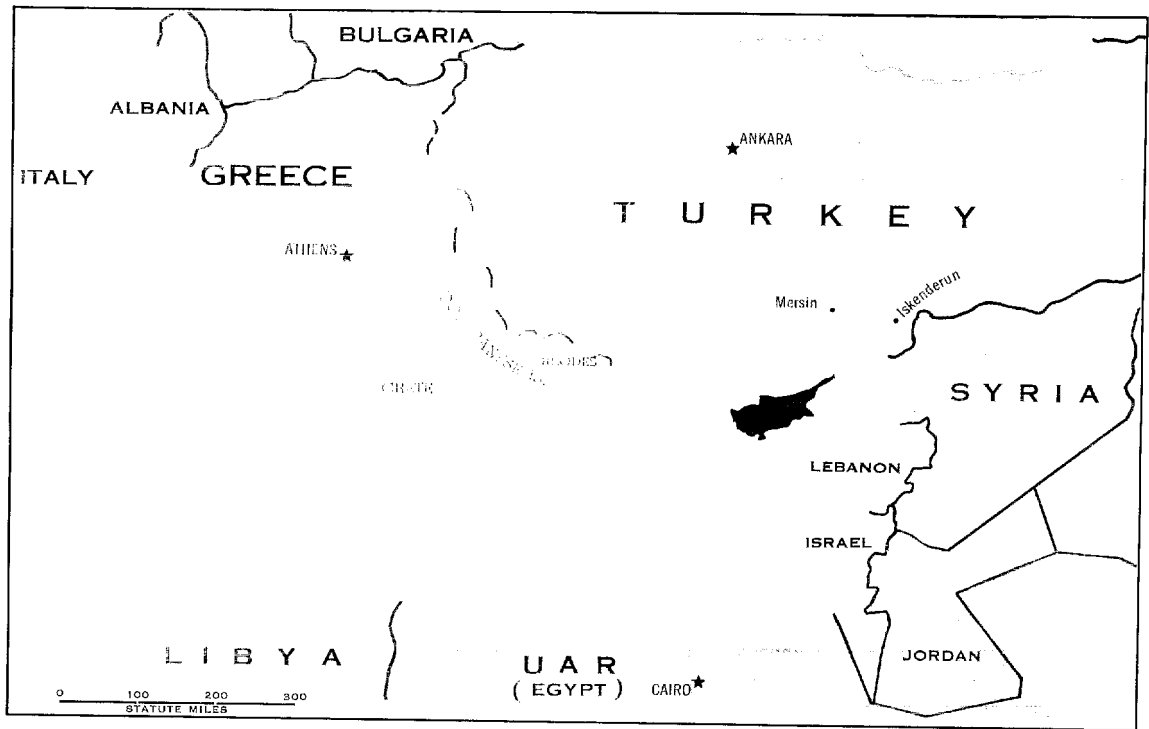
Fears are growing in Belgium that even if Leopoldville succeeds in putting down the current unrest, the whole Congolese Government could be swept away in a second series of revolts. Belgian authorities--convinced that the Adoula government is totally inept--seem to be casting about for means to broaden its political base.

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Asia-Africa

**THE CYPRUS SITUATION**

Anti-British activity among the Greek Cypriots has sharply increased following the arrest last week of a British airman on charges of transporting arms and messages for the Turkish Cypriot irregulars. While the airman was not a member of the British contingent of the UN Forces in Cyprus (UNFICYP), the Cypriot minister of interior publicly questioned the propriety of continued British participation in that force.

Anti-British demonstrations were organized in the major towns, Greek Cypriots subjected British nationals and their vehicles to intensive searches, and several generally ineffective attempts were made to sabotage the water supply for the British bases. Vasos Lysarides, left-wing associate of President Makarios, informed the press he intends to denounce the continued presence of British military bases on Cyprus at the forthcoming Balkan Peace Conference in Belgrade. 25X1

Galo Plaza, UN political adviser on Cyprus, has privately

stated that the British may pull out of UNFICYP by 27 June, when the present UN mandate ends. Should this happen, he expressed hope the Dutch would replace them. The UN Security Council will discuss extension of the mandate about 10 June.

The Greek Cypriots have passed a conscription bill which allows for the call-up of men between 18 and 50. The final version of the bill bars the existence of private "armies" and thus should be a step toward instituting centralized control over the bands of Greek Cypriot irregulars.

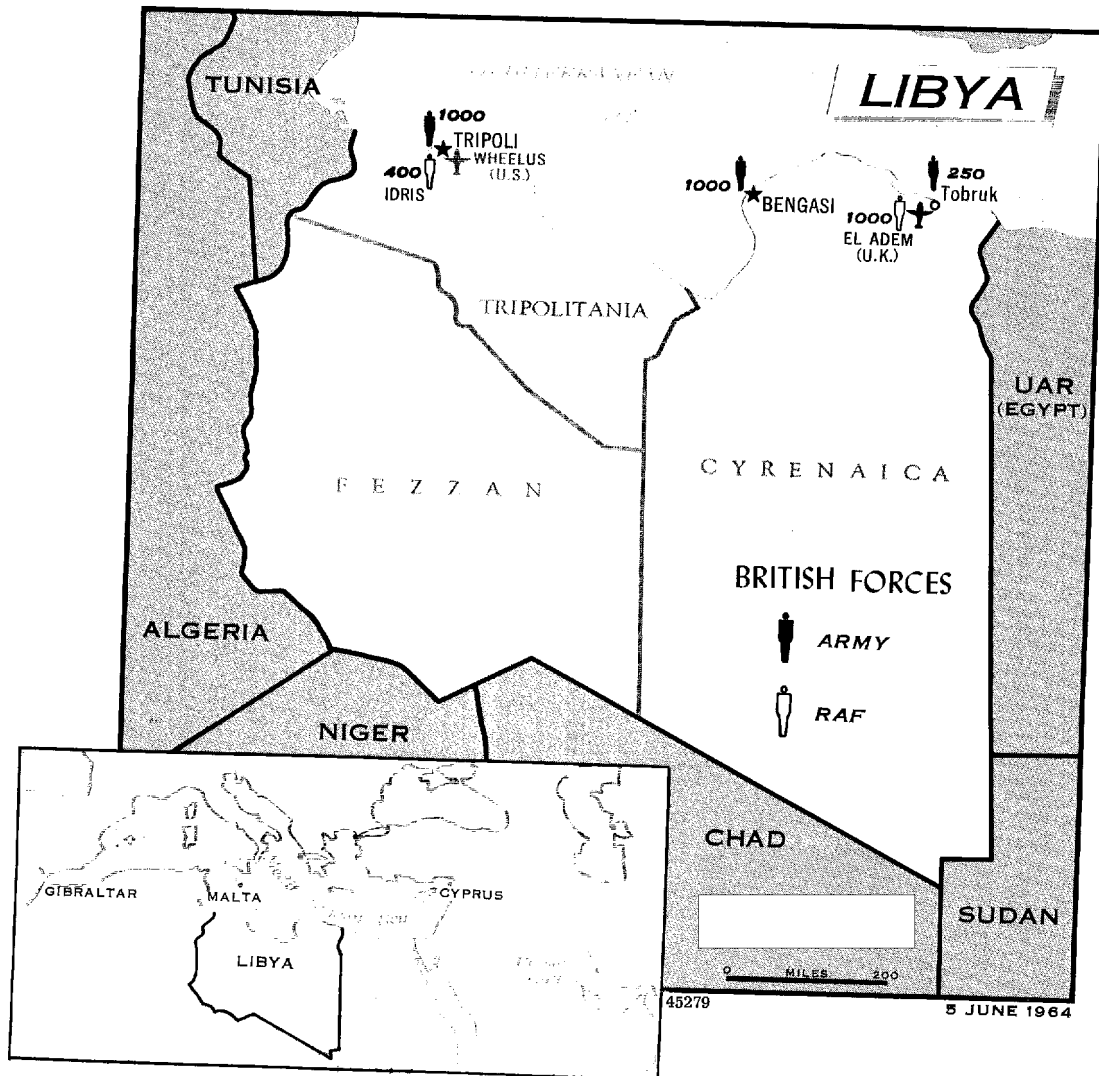
Arms continue to arrive for both communities--the Turkish arms reportedly by small boat from Turkey, the Greek Cypriot weapons by ship at the major ports. There is reliable evidence that light planes (two or three) and helicopters (probably two) have come into the hands of the Greek Cypriots during the past week. [redacted]

[redacted] three British light tanks are also in their possession. [redacted]

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Europe

**FRENCH-TUNISIAN RELATIONS EMBITTERED BY LAND SEIZURE**

French Foreign Ministry officials fear that the abrupt nationalization of French-owned farmlands in Tunisia last month may have more serious effects on Franco-Tunisian relations in the long run than Tunisia's attempt in 1961 to force France to evacuate the Bizerte naval base. President Bourguiba's action violates the March 1963 bilateral agreement which recognized Tunisia's right to nationalize the remaining French-held farmlands, but provided for a five-year period of grace for individual proprietors.

Paris has accused Bourguiba of flagrant disregard of an international commitment in order to bolster his anti-colonialist image in the Maghreb. While he admits to violating international protocol, Bourguiba has maintained that the five-year clause was "forced" on Tunisia by France as a quid pro quo for the evacuation of Bizerte.

Bourguiba insists his action is "a question of life or death" for Tunisia, arguing that it will bolster lagging agricultural output and provide work for the large numbers of rural unemployed. He charges that "immense" tracts of land are being underexploited by absentee French landlords, while

soil is abused and farm implements are sold by Europeans who know they must leave by 1968.

The French Government refuses to accept the fait accompli, and the Foreign Ministry apparently prompted by De Gaulle, will not even discuss modes of execution with the Tunisians. Paris, meanwhile, has suspended its modest financial contribution to Tunisia for 1964--a \$9 million public investment loan. It has further announced its intention to recall some 20 French agricultural technicians who hold the most important positions in Tunisia's Agricultural Ministry.

There are indications that Paris is contemplating further sanctions if the Tunisians persist in their present course. President de Gaulle, still smarting over Bizerte and determined to demonstrate French sensitivity to the honoring of international commitments, appears willing to cancel the rest of the French aid program in Tunisia. This includes \$22 million in credits and \$11 million for project aid. Paris can also curtail French imports of Tunisian wine, wheat, and olive oil, the sale of which are vital to Tunisia's economy.

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Europe

**IMPLICATIONS OF THE SPANISH COAL STRIKE**

The eight-week-old strike of coal miners in Spain's northern province of Asturias is forcing the Franco government to make concessions which may have long-range economic and political implications.

The original walkout involved only 3,000 miners, but the number later swelled to a peak of over 40,000, including several thousand metalworkers striking in sympathy with the miners. At present, about 5,000 are still off the job.

The workers' demands center on higher wages and improved working conditions, but the strike nonetheless has some political overtones. The workers are also seeking the right to choose their own representatives in the government-controlled labor syndicates. In addition, the strike emphasizes the loss of worker confidence in the syndicates, whose chief, Jose Solis Ruiz, has persistently opposed reforms. Throughout the strike the workers have preferred to deal with the mines' management through the Labor Ministry rather than with syndicate officials.

In mid-May the Ministry of Labor ordered substantial

wage increases for all bituminous mines except those in Asturias. The regime apparently hopes that the strikers there will return to work anticipating that the wage boost will be extended to them as well. The regime has indicated that this would be the case.

Financing these wage increases promises to be a sticky problem for two reasons. First, further pay raises will compound the government's problem of curbing inflation. Second, more money for the miners would appear to call in turn for raising the price of coal, a step the government is unwilling to take.

The government, in the meantime, is considering other ways of attacking the mining problem. These include loans to modernize many of the unprofitable mines, indemnification for the operators whose mines would be closed, and special technical training to prepare surplus miners for jobs elsewhere. These are clearly long-range approaches. Apparently not much thought has been given to providing alternate employment to those who will lose their jobs when these changes are implemented.

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**DEBATE ON ECONOMIC POLICY SHAKES ITALIAN GOVERNMENT**

Italian Premier Moro this week was obliged to call in the coalition leaders to consider ways of staving off a government crisis; a vote of confi-

dence may soon be called. Although the center-left coalition is expected to survive such a test, its stability is being severely undermined by the

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government's failure to project an image as a reformist administration and by exploitation of current economic difficulties by opponents of its program.

While the Communists and the conservative Liberals continue to attack the coalition, its stability is also threatened increasingly by the fierce factional infighting within the dominant Christian Democratic Party, which has arisen in connection with its national congress to be held late this month. This factionalism has sparked a new attack on the government's attempt to reconcile its long-range reform program with the "austerity" measures it has adopted to counter present economic difficulties.

The economy improved slightly in the first five months of this year, and there has been some "moderate optimism" generated by a leveling off of the rate of price increases, an improvement in the foreign exchange market, and some return of flight capital. Large tourist receipts and good agricultural prospects have also been encouraging. No decisive upturn in the economy is expected this year, however, and recent favorable developments may not offset the need for further stabilization measures.

Treasury Minister Colombo has complicated the political situation by producing what appear to be somewhat unduly pessimistic economic forecast for the remainder of the year. In a mid-May letter to the premier, which Colombo "leaked" to a conservative Rome newspaper last

week, he said the government must continue fiscal austerity and maintain stringent wage restraints. Should labor not cooperate, he said, the government would have to turn to the alternative of enacting severe credit restrictions and increasing taxes "without regard to the dangers of deflation and unemployment."

This maneuver by Colombo, a Christian Democrat, seems aimed mainly at enhancing his own chances to succeed Moro. His emphasis on economic stability, implying that even limited progress toward socio-economic reforms should not be considered, has placed the coalition's Socialist (PSI) members in a difficult position and brought from them a sharp rejoinder. The PSI has demanded that Moro reaffirm his government's reform objectives by issuing "a clear refutation of positions contradictory to the program and goals of the center-left." The party had earlier insisted that some progress toward specific reform measures be shown by early July, at which time the PSI would "take stock of its situation" and decide whether to continue its participation in the government.

A few worrisome pockets of unemployment and shortened work-weeks have already appeared. Should unemployment rise markedly, or should a recession arise, labor disturbances seem almost inevitable. This could eventually lead to the formation of a rightist government, drive the democratic left toward the Communists, and thus open the way for a polarization in Italian politics.

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Europe

**SWEDISH SOCIAL DEMOCRATS TO CONSIDER NUCLEAR ARMS ISSUE**

The quadrennial congress of Sweden's governing Social Democratic Party scheduled for mid-June convenes at a time when Prime Minister Erlander is being pressed by the party's left wing and by the opposition parties, whose sights are on the national elections in September.

Probably the most controversial question facing the congress is whether Sweden should develop a nuclear weapons capability. This issue has troubled the party and deeply divided public opinion for the past decade.

Despite Erlander's efforts to avoid a debate on the nuclear issue, elements in his party apparently intend to try to end the leadership's temporizing on the matter by getting the congress to reject acquisition of nuclear weapons. The proposals supported by opponents of such weapons would go further by having Sweden unilaterally renounce any intention of either acquiring or developing such weapons.

Faced with pressures which threaten to split the party, but not wanting to compromise Sweden's future freedom of action, party leaders are expected to push through a resolution acceptable to both sides. It will probably resemble the motion adopted last month by the party's central committee which in effect would again postpone

a formal decision on the matter, as was done at the last congress.

The opposition Liberal and Conservative parties will try to capitalize on the nuclear issue and the related question of national defense in the September parliamentary elections. Erlander and his party are already under fire as a result of the Wennerstrom espionage affair and the unfavorable light in which several cabinet ministers have been placed by its revelations. While the government apparently has convinced a large segment of public opinion that no irreparable damage was done to Sweden's defenses, the affair and its implications for national defense and security are certain to figure prominently in the campaign.

In the campaigning, the Social Democrats probably will contend that by deferring a decision on the nuclear issue, Sweden is in step with world opinion and the general atmosphere of detente between East and West. In an effort to reassure the electorate that Sweden's interests will continue to be protected, Erlander and his party will point to the reservations with which Stockholm adhered to the limited test ban treaty last summer. At that time, the government declared that in signing the treaty, Sweden did not forego the acquisition of nuclear weapons at some future date if conditions should require it.

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Western Hemisphere



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**RACIAL TENSIONS INCREASING IN BRITISH GUIANA**

Tensions remain high between the East Indians and Negroes in British Guiana, and both sides are increasingly inclined to seek security in num-

bers by moving into communities in which their race predominates. The most recent disturbances were apparently an East Indian reaction to Negro attacks on the

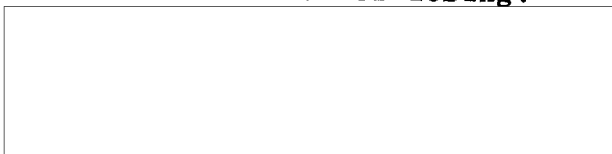
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Western Hemisphere

East Indian community of Wismar, which now has been evacuated. The emerging pattern of brutal racial attack and counterattack will prove hard to stop.

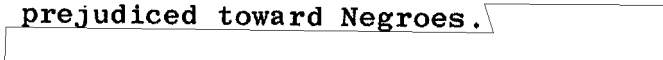
Ominous also is the attitude of several leaders of Premier Jagan's People's Progressive Party (PPP) in advocating violence as the only way to block the forthcoming elections, which the PPP is fearful of losing.



The PPP is also struggling by other means to retain power. Conspiracy charges, for example, have been filed against five officials of a new anti-Jagan East

Indian organization which has been more active recently. Premier Jagan also saw the unsuccessful efforts by Trinidad Prime Minister Williams to arrange a coalition government in British Guiana as a way of delaying the elections.

Meanwhile, Jagan's wife has resigned as minister of home affairs and the governor has assumed responsibility for the ministry. Her resignation seems to have been prompted by pressure from the governor and the police commissioner to expand the emergency regulations. In an effort to diminish the effectiveness of the police, Mrs. Jagan in her resignation statement severely criticized the force as prejudiced toward Negroes.



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Western Hemisphere

**ELECTION AFTERMATH IN PANAMA**

The formal confirmation on 29 May of Marco Robles' election as President of Panama came off smoothly, and no disturbances materialized. There is increasing evidence, however, that Robles ensured his victory by numerous deals--some with pro-Communists--which may seriously limit his power and freedom of action when he takes office on 1 October.

Meanwhile, there are signs of increasing disagreement within the Panamanian Communist Party (PdP) over how best to exploit the new opportunities that have been opened to it in recent months. Besides any benefits accruing to the party as a result of Robles' election, unofficial election results show that several of the candidates for the National Assembly supported by the PdP were also elected. Younger members of the party, however, are impatient with its emphasis on a long-term program of political action.

Spokesmen for these malcontents include Victor Avila and Floyd Britton, who played major roles in the January riots and have subsequently increased their influence in the Chiari government as well as in the

university. They are criticizing the party's long-entrenched leadership and are demanding immediate revolution, possibly with the encouragement of Arnulfo Arias' nephew, Roberto "Tito" Arias. Castro may be encouraging these "young Turks" to try to assert control over the Soviet-supported PdP and consolidate it with the Cuban-supported Vanguard of Revolutionary Action (VAN).

The old-line PdP leaders are giving lip service to a more activist campaign, claiming that armed insurrection in Panama is both inevitable and imminent. They seem reluctant, however, to touch off a revolutionary movement for fear of government retaliation.

On another front, it is increasingly evident that the ultra-nationalists who will speak for Panama in the upcoming discussions of US-Panamanian problems will demand some sweeping economic concessions, such as the elimination of US tariffs for Panamanian products. In this, the negotiators will be encouraged both by extreme leftists and influential local business interests. 25X1

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Western Hemisphere

**ARGENTINE LABOR AGITATION**

Tension has been rising steadily in Argentina as the General Confederation of Labor (CGT) proceeds with its campaign to extract political and economic concessions from the government by "occupying" business establishments.

On four occasions in the last two weeks, the CGT ordered the occupation--seizing control --of a large number of factories for periods lasting two to six hours. On 21 May, it moved in on some 500 plants in the Buenos Aires area. On 27 and 29 May and 2 June it extended its order to several hundred plants in the provinces.

The CGT says that these brief occupations will continue until 15 June, and will include public services. It plans a 24-hour occupation of all centers of production between 15 and 18 June.

The Peronist bloc within the CGT, which is responsible for the occupations, is trying to force the government to accede to such demands ranging from a minimum wage law to legality for that segment of the Peronist movement still directed by the exiled former dictator. The independent bloc within the CGT feels obliged to endorse the occupation program because of rank-and-file pressure for relief from economic hardship but opposes its implementation while Congress is debating a minimum wage bill. They reluc-

tantly admit that the program is an attack on the government, with which the independents have more friendly relations than have the Peronists.

The independents also object to the Peronists' injection of political demands into the campaign as well as to such strong-arm tactics as the taking of hostages. The independents have intimated, however, that if Congress does not pass a minimum wage law by 8 June, they too may participate in the occupations.

Thus far there has been no violence. The workers have quietly left the plants at the orders of court judges, who have rushed from plant to plant. Employers have made no effort to defend their property, but their attitude seems to be hardening.

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The government, caught between CGT provocation and mounting public criticism, shows signs that its patience is wearing thin. It seeks to avoid repressive measures, but is giving sharpening warnings that private property will be protected. The Interior Ministry has specifically warned that any interference with public services will be suppressed with whatever force is needed.

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Western Hemisphere

**POSTELECTORAL DEVELOPMENTS IN BOLIVIA**

Bolivian President Victor Paz Estenssoro was elected to a third term last Sunday as expected. There was no opposition presidential candidate, and the Paz slate received about 65 percent of the vote. The remaining ballots were either cast blank, voided for irregularities, or went to the two small opposition groups running candidates for Congress. Abstentions and electoral irregularities were most prevalent in the tin mining regions --the stronghold of Paz' bitter political rival, incumbent Vice President Juan Lechin.

Although the elections were held with a minimum of disorder, tension remains high. This is particularly true in the mining areas, where miners continue random acts of violence, although Lechin called off the four-day-old strike on 2 June.

Former president Hernan Siles Zuazo announced on 1 June that he no longer recognizes Paz as the head of the ruling Nationalist Revolutionary Movement (MNR), and is organizing a new opposition front with the presumed objective of unseating Paz by armed insurrection. Lechin's Nationalist Revolutionary Party of the Left (PRIN)

and the centrist Authentic Revolutionary Party (PRA)--led by another important former MNR leader, Walter Guevara Arze--will form the nucleus of the new anti-Paz front. The leaders of smaller opposition groups will also attend the front's organizational meeting to be held soon in the mining center of Oruro. Siles was expelled from the MNR on 3 June.

Up to now, opposition leaders have been united only in their hatred of Paz. Their inability to put aside personal political ambitions was largely responsible for their ineffective opposition to him during the pre-electoral period. The odds therefore seem to be against any prolonged cohesion in the Siles-Lechin-Arze combination.

If the idea is to overthrow Paz by force of arms, the group would have to move soon and, in its present unorganized state, would have little chance to succeed. Paz is supported by the military and has already begun to round up political agitators--including Arze's chief lieutenant--who have been involved in recent antigovernment incidents. It would not take much of a provocation to cause him to go after the new front.

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