

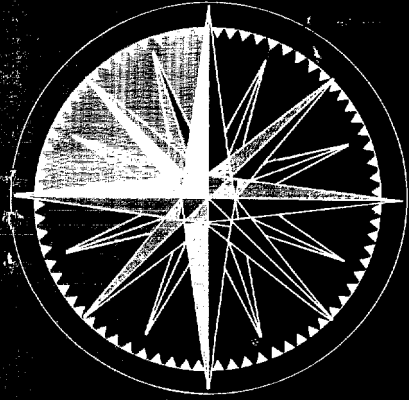
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31 July 1964

OCI No. 0342/64

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# WEEKLY SUMMARY

State Dept. review completed

## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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**SECRET****C O N T E N T S**

(Information as of 1200 EDT, 30 July 1964)

<u>THE COMMUNIST WORLD</u>		<u>Page</u>
<b>AGRICULTURAL PROSPECTS IN COMMUNIST COUNTRIES</b>		1
The USSR's 1964 grain crop will apparently be large enough to satisfy Soviet needs and make up much of the deficit in the European satellites, which will probably import about as much grain as last year. China, despite an improved crop outlook, seems to be planning to import more grain than in 1963.		
<b>CEMA EXECUTIVE COMMITTEE MEETING MAKES SOME PROGRESS</b>		2
Rumania, the chief dissident in past CEMA efforts toward economic cooperation, seems to have raised no problems at this meeting, which apparently marked the first effort to coordinate long-term economic plans before they are completed.		
<b>SOVIET MIDYEAR PLAN RESULTS</b>		2
Economic performance for the second quarter of 1964 dropped below the mediocre first quarter. The shifting of priorities has compounded the problem of increasingly intensive competition among various economic sectors for limited resources.		
<b>USSR COMPLETES MODERNIZATION OF VOLGA-BALTIC WATERWAY</b>		4
Completion of reconstruction of the Mariinskiy Canal system provides a modern north-south transport system for the European USSR significant from both the economic and military standpoint.		
<b>RECENT SOVIET MILITARY AID TO POLAND</b>		4
Within the last year Poland has acquired the best equipped and supported ground force in the satellites --one of several indications that Warsaw Pact strategy now calls for greater reliance on satellite armies.		

ASIA-AFRICA

<b>LAOTIAN GOVERNMENT FORCES GAIN GROUND</b>		6
They have so far encountered little resistance in their drive to clear the Pathet Lao from the key road junction between Vientiane and Luang Prabang, but the Communists are not likely to relinquish control of the area for long. Moscow, meanwhile, may be preparing to play an even less active role in the Laos situation.		

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ASIA-AFRICA (continued)

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SIGNS OF DISCONTENT IN SOUTH VIETNAMESE GOVERNMENT 7  
Both civilian and military leaders in the Khanh regime appear restive, and top positions may soon be reshuffled. Viet Cong activity has been tapering off.

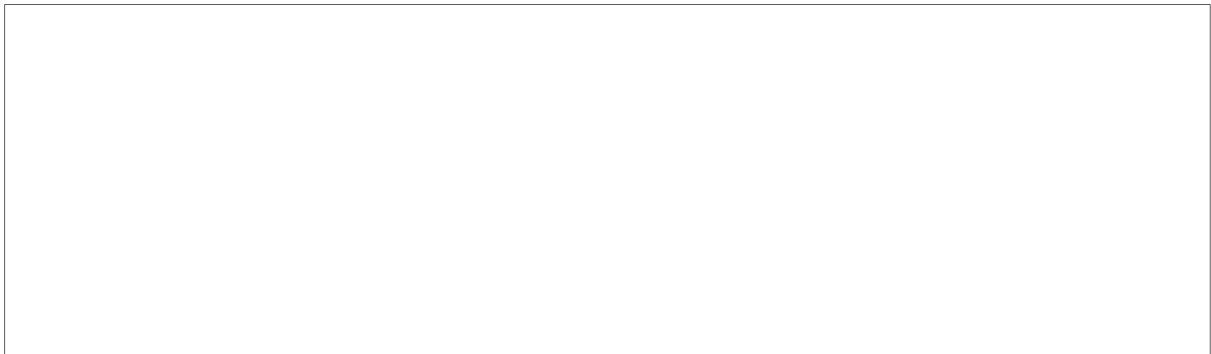
PAKISTAN FURTHER DEVELOPS "INDEPENDENT" POSITION 8  
The Ayub government has made several new moves to build its international ties outside the CENTO-SEATO framework.

AREA NOTES

On Malaysia-Indonesia 9  
[redacted] and on Rwanda-Burundi 10

REBELLION CONTINUES TO SPREAD IN CONGO 11  
Insurgents have captured another provincial capital; Premier Tshombe is still preparing countermoves [redacted] 25X1

GHANA CONTINUES LEFTWARD DRIFT 12  
In recent months the Nkrumah regime has moved further toward totalitarianism and has formed still closer ties with the Communist world.



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GREEK CYPRIOTS INCREASE PRESSURES ON TURKS 13  
Economic and psychological pressures on the Turkish community are mounting, and a Greek Cypriot military campaign against Turkish strongholds may come soon.

EUROPE

CURRENT REVIEW OF THE NATO ALLIANCE

The fundamental questions raised at last May's NATO ministerial meeting probably initiated the most thorough-going review of the alliance ever undertaken. Prospects are that it will produce no more than organizational adjustments and perhaps some reduction of NATO's programs. Not even the French want to eliminate the alliance now, and any general overhaul will depend on how Europe finally

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EUROPE (continued)

Page

decides to organize itself and what relationship it wants with the US. (Published separately as Special Report OCI No. 0342/64C)

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**DE GAULLE'S PRESS CONFERENCE**

14

The French President, in his 23 July discourse, redefined his policy aims in more pointed terms than ever, particularly criticizing the US role in European affairs and German acquiescence in the "American hegemony."

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**ARRANGEMENTS FOR MALTESE INDEPENDENCE**

16

The principal opposition party is dissatisfied with the new constitution and accompanying defense and financial arrangements. This, together with the colony's serious socioeconomic problems, will result in a prolonged period of unrest. No independence date has yet been set.

WESTERN HEMISPHERE

**CASTRO DEFIES OAS IN 26 JULY SPEECH**

17

He "declared" a right to support revolutionaries in any country aiding the Cuban revolution and praised those governments which opposed the OAS sanctions against Cuba. He also laid further groundwork for the case he apparently plans to bring against the US at the UN this fall.

**PROSPECT FOR NEW EXILE ATTACKS ON HAITI**

18

The recent three-week rebel incursion from the Dominican Republic caused little physical damage but inflicted a psychological defeat on the Duvalier regime which may encourage more such attacks soon.

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<u>WESTERN HEMISPHERE (continued)</u>	<u>Page</u>
<b>GUERRILLA ACTIVITY IN HONDURAS</b>	<b>18</b>
Honduran Communists [redacted] are apparently stepping up efforts to mount a guerrilla campaign in Honduras' north coast area.	

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<u>UNITED NATIONS</u>	
<b>THANT TRIES PERSONAL DIPLOMACY</b>	<b>20</b>
The UN Secretary General's trip this month to Paris, London, Geneva, Cairo, and Moscow has been essentially a mission in personal diplomacy designed to win political and, more particularly, financial support for the UN.	

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The Communist World

**AGRICULTURAL PROSPECTS IN COMMUNIST COUNTRIES**

The USSR's grain crop this year, although late, will apparently be sufficient to satisfy Soviet needs and meet a large share of the deficit in the European satellites. Sizable imports therefore appear unlikely unless bad weather either interferes during the compressed harvest schedule or damages crops.

In Eastern Europe the outlook is for the winter crop of breadgrains (wheat and rye) to exceed that of 1963--but remaining below the 1957-61 average--in all countries except Bulgaria and Czechoslovakia. Both countries have suffered from drought, and the combination of drought and insect damage in Bulgaria may reduce production to the lowest level in several years. Prospects for spring-planted crops appear better than in 1963 except in Czechoslovakia and Poland, but rainfall is badly needed to replenish below-normal soil moisture reserves. Requirements for grain imports in the next 12 months will probably not differ significantly from last year.

In Communist China, the winter wheat and early rice harvests are expected to be better than in 1963 but probably still below average. Although it is too early to predict the outcome of the important fall harvest, acre-

age has been expanded and growing conditions are favorable in many areas. Despite the improved crop outlook, however, completed contracts and current negotiations suggest that grain imports in 1964 will exceed the 1963 total of 5.7 million tons.

In North Vietnam, the harvests of early rice and subsidiary crops promise to be better than last year. Despite this favorable outlook, food imports will probably be continued in order to replenish stocks.

In North Korea, precipitation was much below normal in May and June, and nonirrigated crops, particularly upland rice, are probably suffering from drought. However, no unusual imports of grain are anticipated at this time.

As of early July, available information continued to indicate that the 1964 Cuban sugar crop totaled about 3.8 million metric tons, roughly the same as last year's poor harvest, although [redacted] production may have been as high as 4.1 million tons. Statements by Carlos Rafael Rodriguez, Cuba's agricultural chief, suggest that no major advance in sugar production will be made during the next two years. [redacted]

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The Communist World

**CEMA EXECUTIVE COMMITTEE MEETING MAKES SOME PROGRESS**

The recent meeting in Moscow of the Executive Committee of the bloc's Council for Mutual Economic Assistance (CEMA) solved major problems of economic cooperation "in a preliminary manner," according to its communiqué. No discussion of controversial issues was reported. Rumania, the chief dissident in many CEMA activities, apparently did not hinder cooperation. Poland's representative noted, however, that coordination is being conducted "with full respect for the interests of any given country," a concession to the Rumanian viewpoint.

For the first time, an attempt is being made to coordinate the countries' individual long-term economic plans before they are completed. A review of the results of bilateral consultations to date on plans for 1966-70 enabled the commit-

tee to estimate total planned production and consumption of major industrial products and volume of trade among CEMA members. Immediately after this multilateral review, a second round of bilateral talks began.

The committee also adopted recommendations for cooperation of interested countries in the coal and power industries and discussed development of Poland's Belchatow brown-coal deposits.

An agreement formalizing Intermetall, the organization formed by Poland, Czechoslovakia, and Hungary to coordinate and integrate production of their iron and steel industries was signed during the Executive Committee session. This organization is independent of CEMA although it is expected to coordinate its activities with appropriate CEMA organs.

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**SOVIET MIDYEAR PLAN RESULTS**

The Soviet economy's performance in the second quarter of this year was below the mediocre results achieved in the first three months of 1964. Difficulties caused by shifting priorities have compounded the problem of increasingly intensive competition among various

economic sectors for limited resources.

The half-year plan for industrial production was overfulfilled, but only because it had been set low in the expectation that the new emphasis on chemicals and agriculture would cause

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**SELECTED DATA ON SOVIET ECONOMIC SITUATION**

PERCENTAGE INCREASE  
 COMPARED WITH SAME PERIOD IN PRECEDING YEAR

	1st half 1964	1st half 1963	1st half 1962	Planned rate of increase for 1964*
Industrial Production	7.5	8.5	10	6.7
Chemical Industry	14	17	17	16.6
Fertilizer	23.4	13	9	28.1
Pig Iron	6	6	8	4.8
Crude Steel	6	5	7.7	4.7
Electric Power	11	13	13	9.8
Natural Gas	20	22	26	19.8
Crude Oil	10	11	12	7.8
Cement	3	10	13	4.1
Tractors	- 1	17	3	5.5
Refrigerators	20	11	23	40.6
Washing Machines	27	28	43	14
Shoes	3	0.5	4	0.2
Cotton Fabrics	5	2	2	4.2
Meat (State-slaughtered)	-18	19	12	- (Figures not available)
Dairy Products	4	2	6	- available)
Labor Productivity in Industry	4	6	6	4.6
State Planned Investment	5	4	10	10.8

\*In most instances the planned rate is the implied annual rate necessary to achieve the goals of the 1964-65 plan.

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The Communist World

dislocations in the economy. The 7.5-percent increase was the lowest in recent years, and no early improvement seems likely.

Labor productivity failed by a slight margin to reach its planned rate of growth, and the small increase of investment over the same period for 1963 was less than half that required to fulfill the current plan. Investment increases of 37 percent and 19 percent respectively in chemicals and agriculture, while impressive, were apparently not enough to meet the year's goal.

In industry, production rose most on a percentage basis in chemical products. Fertilizers, however, failed to meet their target despite an increase of 23 percent.

The traditional growth industries--iron ore, pig iron, steel, rolled metal, oil, gas, coal, and electricity--were all on target, but certain components of the machine-building sector increased at lower rates than a year ago, probably because of retooling.

The depressing effects of last year's harvest failure are evident throughout the mid-year report. An increase of only 2 percent was registered for the food and light indus-

tries, which were conveniently combined to mask the poor performance of the former. The report claims that the 7.5-percent growth in industrial output would have been over 10 percent had it not been for the poor performance of the food industry and a number of branches of light industry.

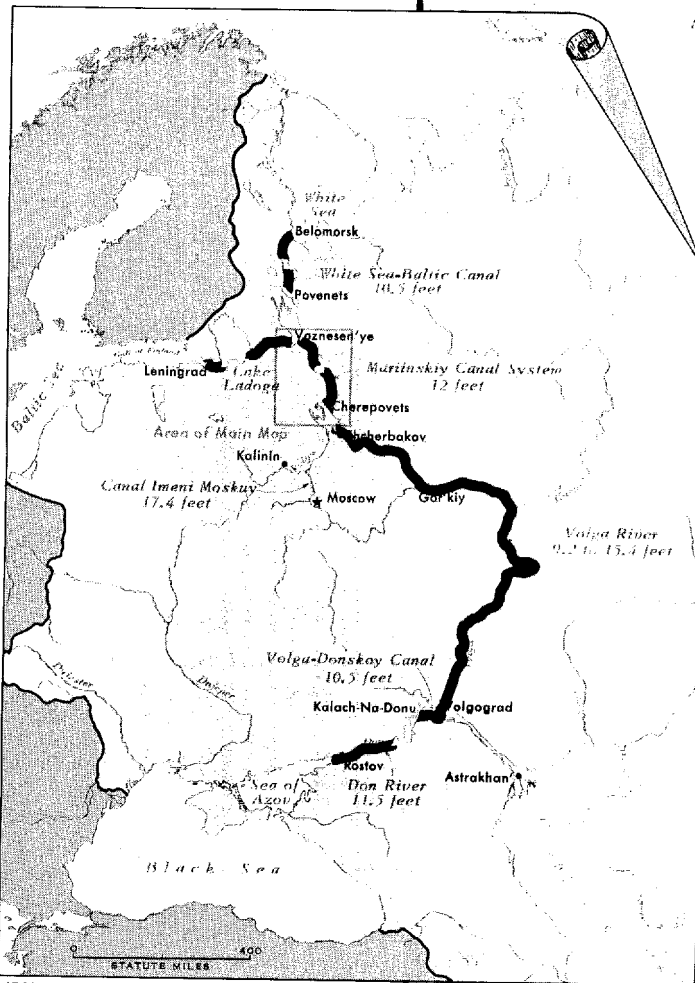
Meat processing fell to the 1962 level--18 percent below the first half of 1963--but sales rose by 2 percent. This apparent anomaly stems from the distress slaughtering in the first half of 1963 which reduced the herds but temporarily increased stocks of meat. Bread sales were up 1 percent because of extensive wheat imports, which also helped to boost the volume of maritime freight by 34 percent.

State housing construction, as planned, showed little or no increase over the first half of 1963.

The increase of more than 5 percent in private savings highlights the shortage of acceptable goods and services available to the Soviet population. At the recent session of the Supreme Soviet Khrushchev reiterated the government's concern with the 2.5 billion rubles' worth of unsold consumer goods stored in warehouses. Using an appropriate ruble-dollar ratio, this is equivalent to about \$1.4 billion worth of goods in the United States.  25X1

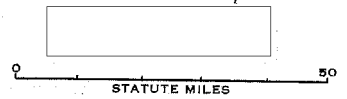
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# VOLGA-BALTIC WATERWAY

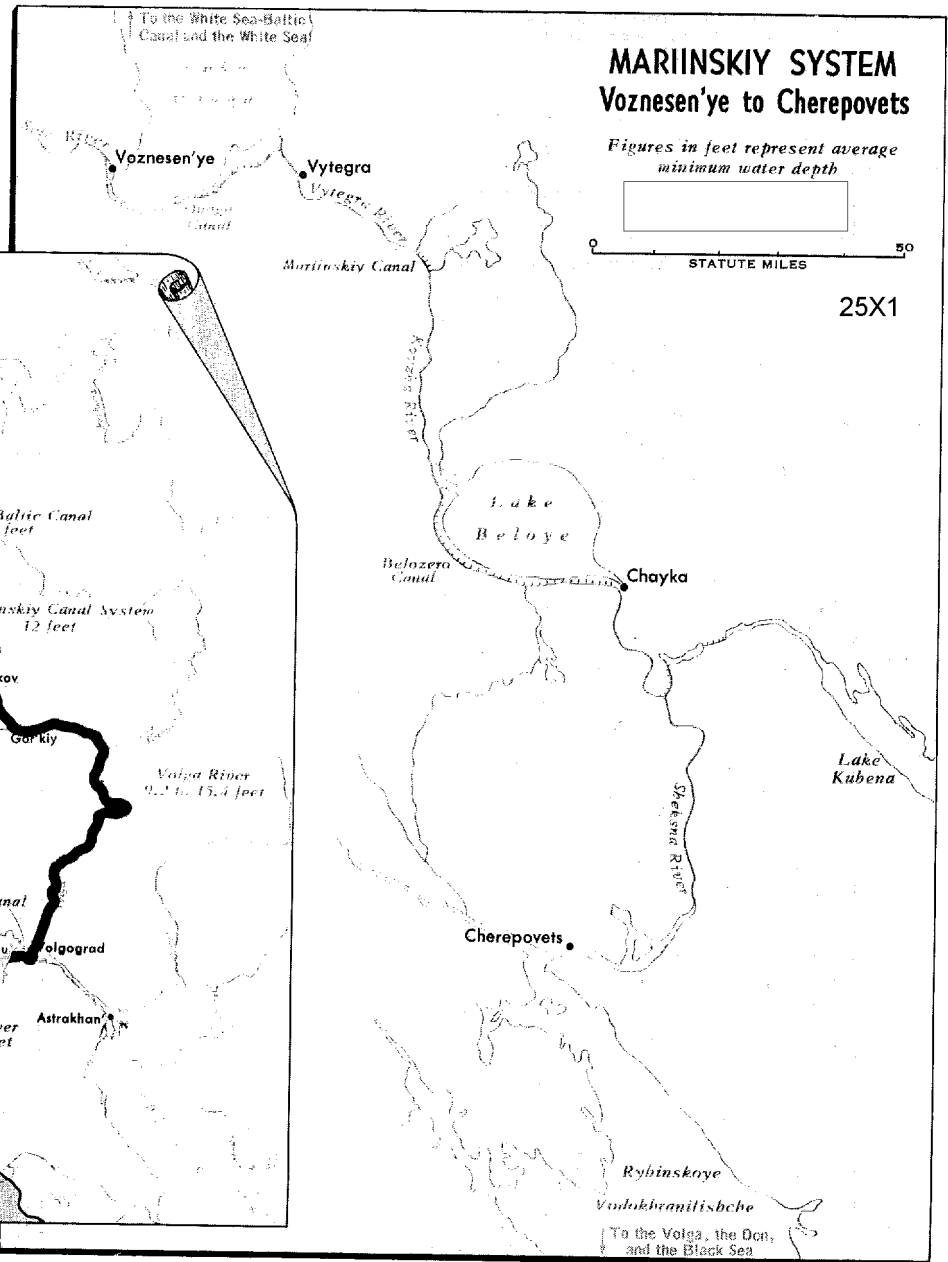


# MARIINSKIY SYSTEM Voznesen'ye to Cherepovets

Figures in feet represent average minimum water depth



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The Communist World

### USSR COMPLETES MODERNIZATION OF VOLGA-BALTIC WATERWAY

The completion of the reconstruction of the 150-year-old Mariinskiy Canal system is the final step in a major move to open up a modern north-south transport system in the European part of the USSR.

Until now, the commercial and strategic importance of the Volga-Baltic network has been restricted by the inadequacy of this vital link. The reconstruction increased the average minimum depth of the canal from six to twelve feet, permitting ships to obtain higher speeds, and substituted seven large reinforced concrete locks for the 39 small wooden ones. Ships with an average carrying capacity of 2,700 tons are able to transit the route once passable only for 600-ton vessels. Transit time from Leningrad to Cherepo-

vets has been cut from eleven days to two and a half.

The most significant aspect of the new network is economic. Eventually it will carry 12 million tons of cargo annually, six times its past capacity. From a military point of view, shipyards along the route and on the Black Sea will be more useful, since they now have a direct supply route to the Northern and Black Sea fleets. The route can also be used to transfer small destroyers and submarines.

In spite of the vast improvement in the structure of the waterway, commerce will still be limited by ice conditions, which leave the waterway open to navigation only from about mid-April to mid-November. 25X1

### RECENT SOVIET MILITARY AID TO POLAND

Soviet military aid within the last year has given Poland the best equipped and supported ground force in the satellites.

The Warsaw Liberation Day parade on 22 July marked the

first public display in a satellite army of FROG-4 (26-nautical-mile) rockets, of any sizable quantity of Scud-A (150-n.m.) surface-to-surface missiles (enough to support two field armies), and of SU-7/Fitter

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The Communist World

ground support fighters. The parade also included Snapper antitank missiles and a new amphibian armored personnel carrier. Some of the other satellites are believed to have some of this equipment, but none has it all. In addition, the Soviet shipment of at least 30 JS-3 heavy tanks to Poland prior to June 1964 facilitated the creation of a tank army, also unique among the satellites.

This enhancement of the military capability and prestige of the Gomulka regime appears to represent a fairly recent coalescing of Polish and Warsaw Pact military needs. For several years, Polish military leaders have been dissatisfied with obsolete ground and air equipment provided by the USSR. Polish officers, particularly from tank units which participated in the

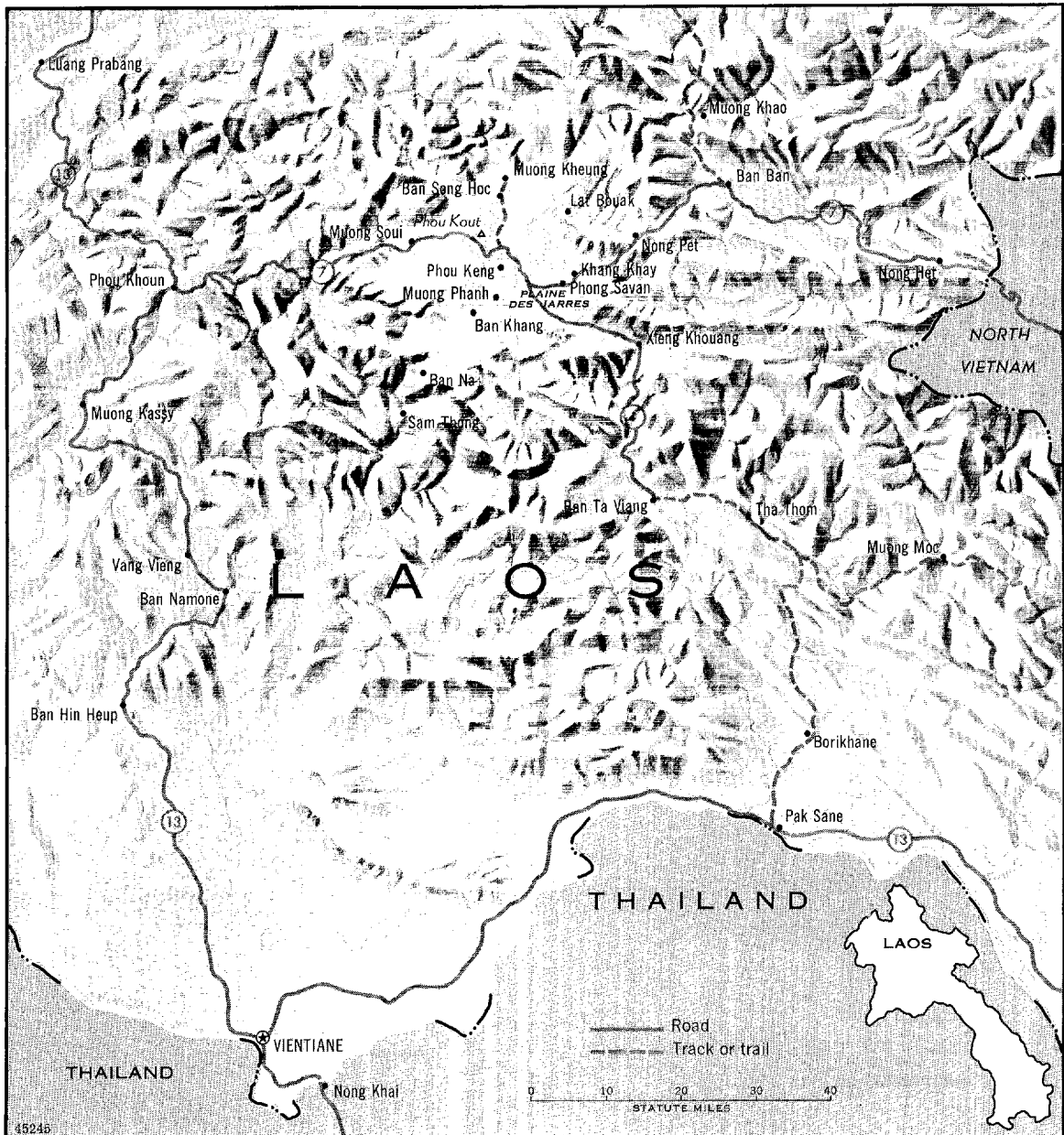
Warsaw Pact exercise "Quartet" in September, openly expressed their resentment of the fact that while Poland made the largest manpower contribution to the Warsaw Pact of all the satellites, it did not have equipment as modern as that of the East Germans and Czechs.

From the Warsaw Pact standpoint, the bolstering of Polish forces is in line with indications that the USSR has reduced its estimate of the size of Soviet troop formations it can mobilize and deploy forward under modern war conditions. Thus, it must depend to a greater extent on forces now in the forward area, including the satellite armies, and these forces need to be better equipped and further integrated into Warsaw Pact planning.

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Asia-Africa

**LAOTIAN GOVERNMENT FORCES GAIN GROUND**

Laotian Government forces have been successful in the early stages of their drive to dislodge the Pathet Lao elements from the area near the junction of Routes 7 and 13.

The Pathet Lao have offered little resistance to this latest clearing action, apparently preferring to concentrate their small forces at Muong Kassy. Although Pathet Lao propaganda has protested the attacks, there are as yet no clear signs of countermoves. It is unlikely, however, that the Communists will relinquish for long their control over this "liberated area," which has been denied to the rightists since early 1961.

Premier Souvanna on 27 July returned to Vientiane from Luang Prabang, where he had submitted four cabinet changes for the King's approval. The cabinet shifts, involving the replacement of several members of General Phoumi's rightist faction, are intended to curb corruption and inefficiency in the government. They also appear to reflect the efforts of members of the Sananikone clan to downgrade the political power of Phoumi, their long-time political rival.

Moscow may be preparing to play an even less active role in the Laos situation. Soviet notes of 26 July to the other Geneva Conference powers charged that US actions made it impossible for the USSR and the UK to fulfill their functions as co-chairmen. The notes warned that if the latest Soviet proposal for another 14-nation conference next month is rejected, the USSR would be compelled to re-examine its position as co-chairman, which has become "fictitious."

The Soviets may believe that President de Gaulle's 23 July statement, which excluded Britain from the four powers "bearing direct responsibility" in Indochina, provides a good opportunity to transfer the main locus of East-West contact on Laos from the co-chairmen to direct exchanges among the interested powers.

Although it is unlikely that the Soviets intend to dissociate themselves entirely from the Geneva machinery, they probably believe that by following De Gaulle's lead they can increase pressure on Washington and London and avoid embarrassing divergencies with Hanoi and Peiping.

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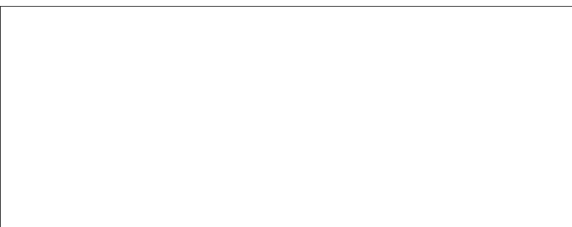
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Asia-Africa

**SIGNS OF DISCONTENT IN SOUTH VIETNAMESE GOVERNMENT**

There are signs of increased discontent and restiveness among top civilian and military leaders in the South Vietnamese Government. Various sources and rumors in Saigon have recently indicated that General Khanh will become chief of state and turn the premiership over to someone else, possibly to General Minh, the present chief of state, or to General Khiem, now defense minister. These two appear to have the strongest individual military followings.

Khanh has recently re-emphasized his view that a military effort must be directed at North Vietnam and possibly Communist China, the "real aggressor." His emphasis on the external threat may be due in part to concern over growing opposition by disaffected elements pushing for a general reshuffling of the government. Khanh may also be attempting to pressure the US into supporting some form of an extended war.



Khanh held a meeting on 25 July of all senior cabinet

members and corps commanders, reportedly to discuss ways of improving the war effort and what should be done regarding relations with France.

Vietnamese students, continuing their agitation against the French, wrecked a French war memorial in Saigon on 28 July. The National Student Association has criticized the government for not taking stronger measures against the French, and has demanded that it nationalize French property or make way for a government that would.



Viet Cong military activity appears to be tapering off after an intense three-week campaign of large-scale attacks and terrorism against strategic hamlets, but some large-scale attacks are still taking place. On 28 July a Viet Cong force of battalion strength ambushed a relief force near a district capital 30 miles north of Saigon. This was the first major engagement between the Viet Cong and government forces in five days.



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Asia-Africa

**PAKISTAN FURTHER DEVELOPS "INDEPENDENT" POSITION**

Pakistan has made several new moves in recent weeks to build up its international ties outside the CENTO-SEATO framework and further dilute its participation in SEATO.

President Ayub practically repudiated Pakistan's obligations as an ally against the Communists in Southeast Asia when he recently told an interviewer that he did not believe his country would get involved in hostilities there because "our policy is to avoid war unless we are attacked." This goes considerably beyond Pakistan's previous refusal to allocate troops for possible action in Laos because of the growing military threat from India.

Pakistan, like France, now supports the convening of a 14-nation conference in Laos, as demanded by Communist China, the USSR, Cambodia, and North Vietnam. Pakistan's Foreign Minister Bhutto, who recently talked with De Gaulle, presumably raised this issue.

At the recent Commonwealth conference in London, Ayub managed to weaken the final communiqué's reference to the Malaysian problem--a favor to the Indonesians, who support him in the Kashmir dispute with India. Ayub, who would like to inherit Nehru's mantle as foremost Asian statesman in the Commonwealth, was generally recognized on this occasion as the principal spokesman among the Asians on the broader issues.

In western Asia, Pakistan has joined with the other two regional members of CENTO--Iran and Turkey--in establishing a new organization for "regional cooperation for development." Agreed economic objectives include the eventual merger of their national airlines. Foreign Minister Bhutto has undercut efforts by Iran and Turkey to portray the new organization as supporting CENTO objectives. Ayub probably hopes that strengthening Pakistani ties with Iran and Turkey outside CENTO will allow greater freedom to downgrade Pakistan's participation in pacts and reinforce his "independent" foreign policy.

Peiping will welcome these developments as evidence of the success of its efforts to court Ayub. 25X1

The Chinese have recently stepped up their campaign to expand their ties with the Ayub government and thus to encourage Pakistan's movement toward a more "independent" international position. The Pakistan commerce minister has just returned from Peiping with Chinese proposals 25X1

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Asia-Africa

for an expansion of trade. Pakistan International Airlines--the only nonbloc carrier flying regular service to mainland China--now is acting as world-wide general travel agent for the official Chinese tourist agency. Last week the official Chinese and Pakistani news agencies signed a friendship and cooperation agreement.

Chinese efforts to promote closer relations with Pakistan will probably increase further during the months ahead. Peiping is working hard to expand Chinese influence in the whole Afro-Asian bloc and is probably counting on assistance and support from Pakistan.

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AREA NOTE

Indonesia-Malaysia: Although there is no evidence that Djakarta directly inspired the 21-25 July rioting between Malays and Chinese in Singapore, Indonesian activities certainly contributed to the tense atmosphere which precipitated them. The violence further strains Malaysia's tenuous internal relationships and can easily be exploited as part of Indonesia's long-range program against Malaysia.

An Indonesian propaganda campaign during the last four

months has been directed at inflaming Malay racial feeling against the Chinese who comprise about 75 percent of Singapore's population. During the weeks preceding the riots, local Malay extremists promoted a separate propaganda campaign that was virulently anti-Chinese and hostile to the Chinese-dominated Singapore government.

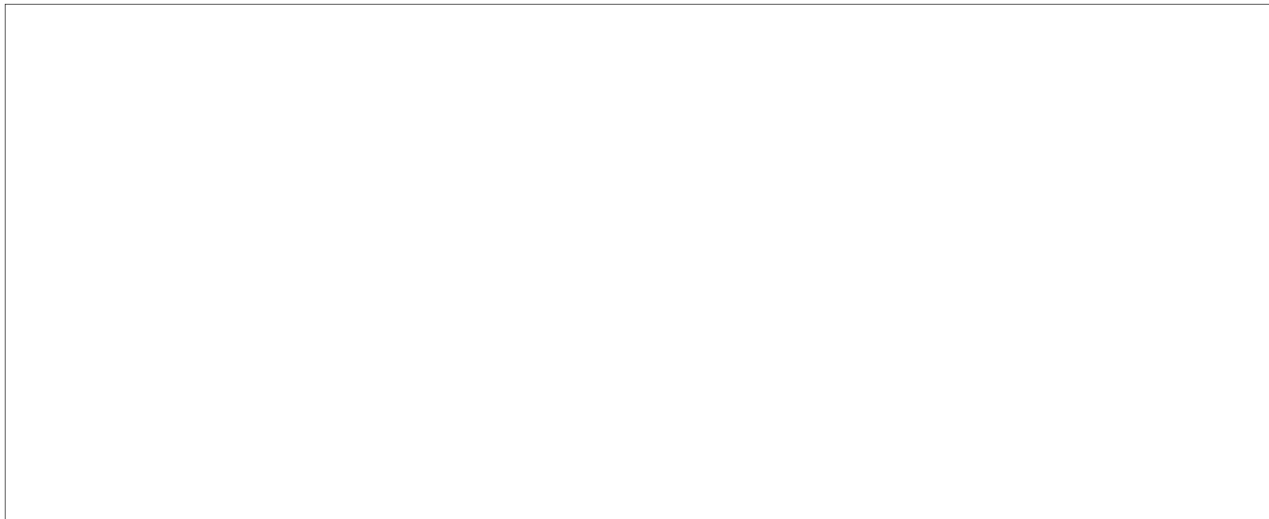
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Asia-Africa

AREA NOTES



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Rwanda-Burundi: The continuing bitter tribal rivalries in Rwanda and Burundi (shown on Congo map on reverse of this page) may soon lead to another attempt by Rwandan refugees to invade their homeland from Burundi. The refugees are members of the minority Tutsi tribe who fled three years ago when the majority Hutu tribe seized power from them. They made several invasion attempts early this year and once got within 25 miles of Kigali, the capital, before Rwanda's 1,500-man army and police force stopped them.

The US Embassy in Kigali reports strong indications that a renewed attack is likely in

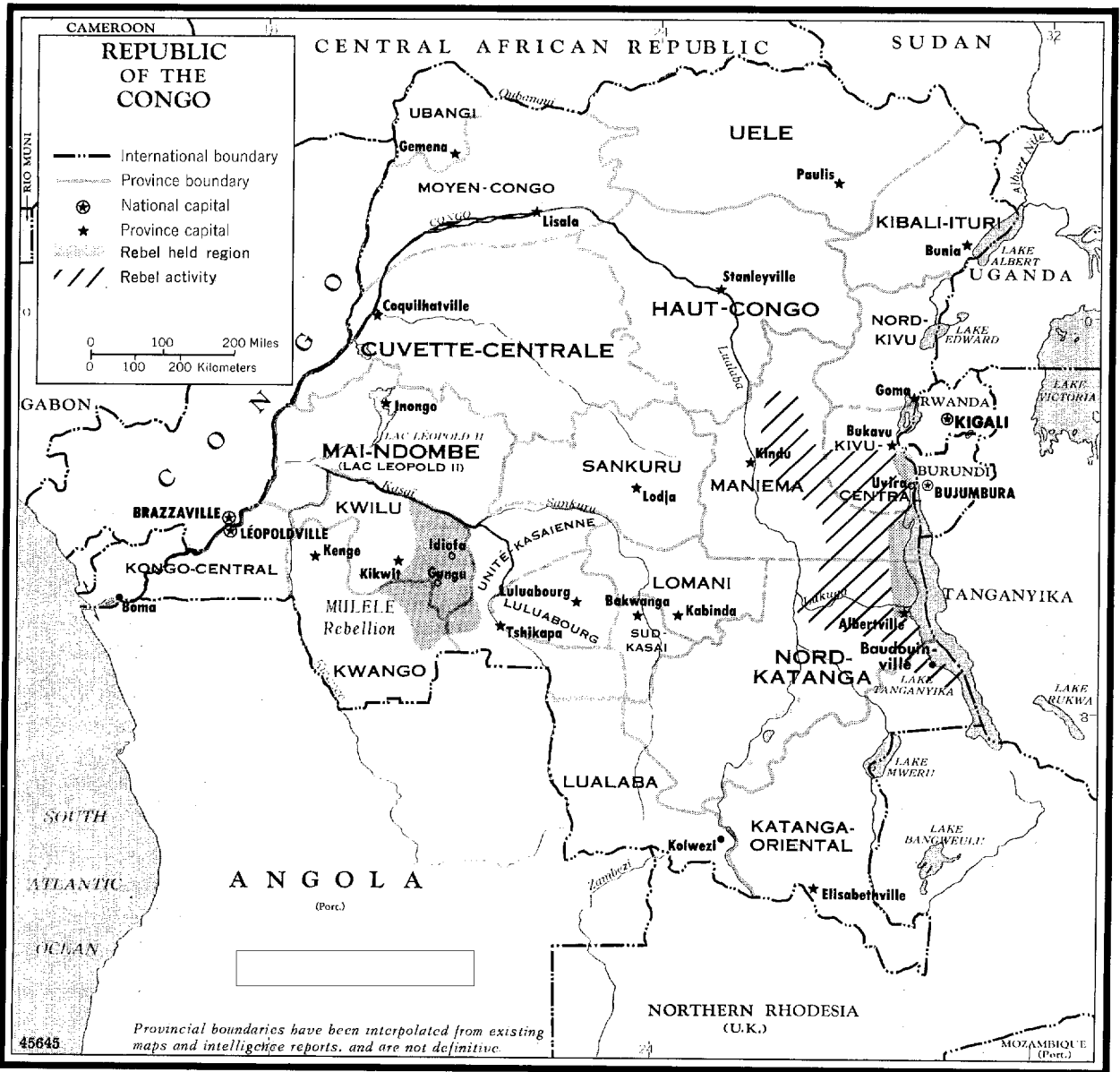
the next few weeks. Refugee military leaders reportedly are gathering in northeastern Burundi.

The Tutsi forces may be tougher this time. Some have had guerrilla training in Communist China, and others have acquired rifles while fighting alongside Congolese rebel forces. The Tutsi-dominated Burundi Government winks at the refugees' activities.

New reprisals by the Hutus against Tutsis still in Rwanda are likely if another invasion is attempted. In the wake of previous forays, some 10,000 Tutsis were slaughtered. [redacted]

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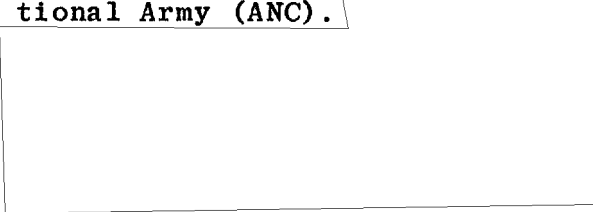
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Asia-Africa


**REBELLION CONTINUES TO SPREAD IN CONGO**

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Rebels continue to advance in eastern Congo, and are meeting little resistance from the now almost worthless Congo National Army (ANC).  


Small groups of insurgents, including ANC deserters, are advancing northward toward Stanleyville after the capture last week of Kindu, capital of Maniema Province. The commander of the Stanleyville garrison has sent two companies to meet the rebels, but neither is considered reliable. Whether Stanleyville falls may depend on the attitude of its volatile residents. They vigorously cheered Tshombé on his visit there on 25 July, but supported Antoine Gizenga's leftist regime two years ago.

In Albertville, rebel-held capital of North Katanga, Gaston Soumialot announced on 21 July the creation of a "Provisional Government of National Liberation" with himself as president. If Stanleyville falls, Soumialot may move his "government" there. So far few of the disorganized and uncoordinated rebels acknowledge his leadership, but he may become their titular leader by default.

New violence has broken out in Mai-Ndombe Province in the western Congo. Rebels captured at least two towns this week. Their statement that they intend to "march on Leopoldville"--little more than a hundred miles away--may cause some consternation in the capital and complicate Tshombé's problems there.

Tshombé is increasing his efforts to organize a force to engage the insurgents.  


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Asia-Africa

**GHANA CONTINUES LEFTWARD DRIFT**

Since the referendum in January proclaiming Ghana a one-party state, the Nkrumah regime has continued to move toward totalitarianism and still closer ties with the Communist world. With Nkrumah reaffirming his fundamental bias for Marxism-Leninism, Communist influence in the country is expanding steadily.

Nkrumah's coterie of leftist and pro-Communist advisers in recent months has gained increased authority over the management of Ghana's economy at the expense of Western-oriented civil servants. The recently appointed minister of finance, K. Amoaka-Atta, is a vociferous exponent of socialism and closer economic ties with Communist countries. Other extremists dominate the committees set up to administer the seven-year development plan inaugurated last March. The ultimate goal of the plan is a totally socialized economy.

Through import-licensing procedures, vigorous efforts are being made to reorient trade to the "socialist" countries. The current goal is to increase imports from these countries from 10 percent of Ghana's total in 1963 to 30 percent this year. Ghana recently shifted from Western sources to the USSR for the bulk of its crude oil requirements. This decision was influenced in part by Ghana's desire to utilize credits with the Com-

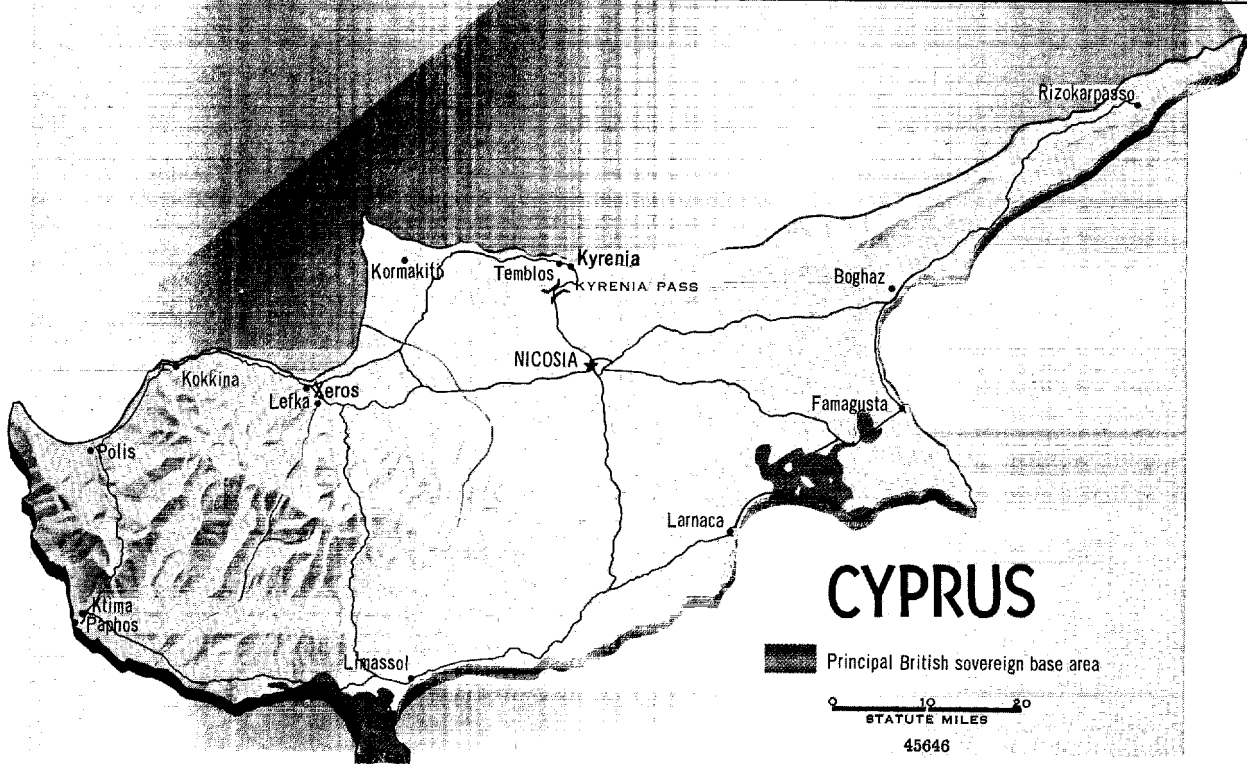
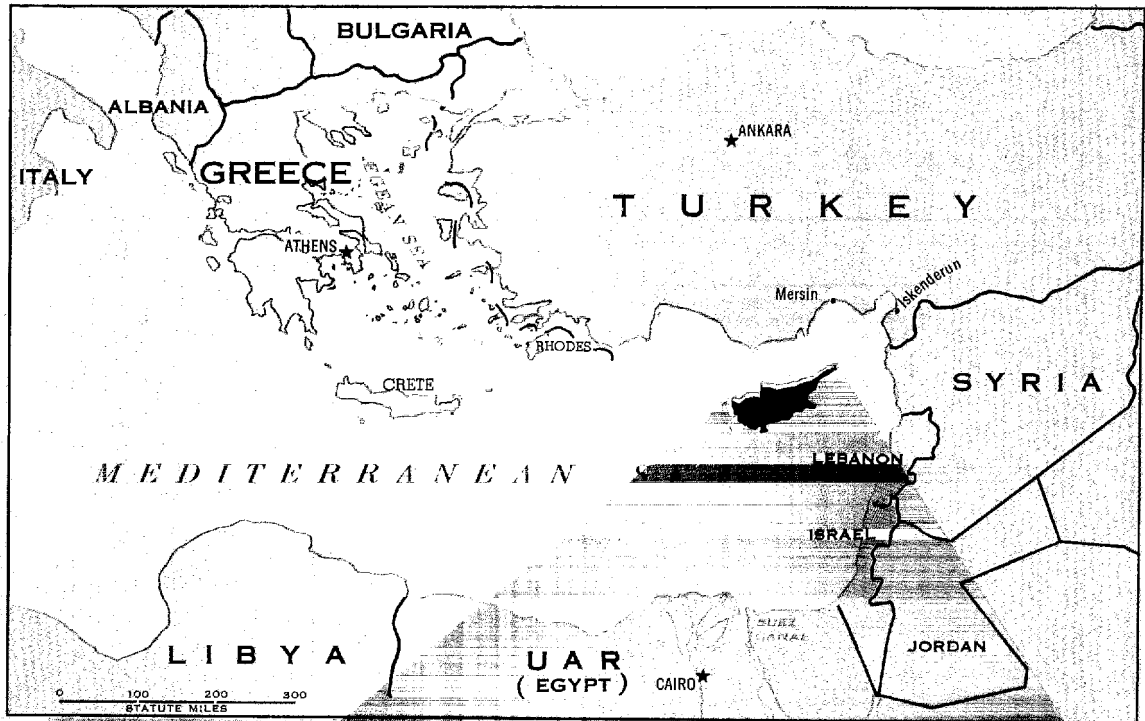
munist countries and to conserve foreign exchange, but political considerations are also behind the move.

Ghana's involvement with Communist countries has deepened on other fronts. The Soviets have begun constructing for the Ghana Air Force a large base at Tamale in northern Ghana which will be capable of handling heavy aircraft. Recently the USSR provided two naval patrol boats. Peiping has extended a new interest-free credit of \$22.4 million, although Ghana has drawn only about \$3 million from a \$19.6-million credit granted in 1961. Total economic grants and credits by Communist countries to Ghana now stand at \$212 million.

The educational system, one of the few remaining bastions of Western influence, is expected to receive a substantial infusion of Soviet teachers this fall. The regime's ideological institute at Winneba, where political cadres are taught Marxist-Leninist theory adapted to the special requirements of "Nkrumahism," already supports a lecture campaign in the secondary schools and will shortly implement a system of compulsory political courses in both secondary and advanced schools.

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Asia-Africa

**GREEK CYPRIOTS INCREASE PRESSURES ON TURKS**

The Greek Cypriots are increasing economic and psychological pressures on the Turkish community and appear to be readying a military offensive to eliminate Turkish Cypriot strongholds.

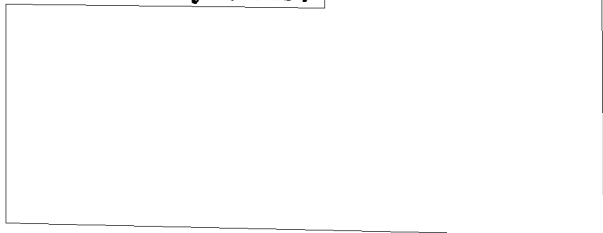


The Greek Cypriots also are tightening their economic blockade of Turkish Cypriot villages and are increasing their propaganda aimed at persuading the Turkish Cypriots to renounce their leaders and make peace. Propaganda leaflets were airdropped in the Turkish Cypriot quarters of Nicosia, Famagusta, and Larnaca for the first time on 27 and 28 July.

On the eve of his departure for talks in Athens this week, President Makarios publicly warned that if the UN does not succeed in normalizing the sit-

uation "we shall have to use force." Nevertheless, the Turkish Cypriots still hold strategic points just north of Nicosia, and they also control the roads to Limassol and Larnaca, despite all Greek Cypriot threats and UN efforts to negotiate their withdrawal.

Turkish military readiness in the Mersin/Iskenderun area is being stepped up and should soon reach its highest level since early June.



There are no indications that Ankara has decided on an early invasion. However, the build-up will markedly increase the capability of the Turks to intervene quickly. Judging from recent statements by Turkish officials, Turkey's immediate response to any Greek Cypriot military offensive would be the bombing of strategic military installations.



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Europe

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**DE GAULLE'S PRESS CONFERENCE**

President de Gaulle used his 23 July press conference to redefine French policy aims in more pointed terms than has been his custom. He particularly criticized the United States role in European affairs and German acquiescence in the "American hegemony."

De Gaulle censured Bonn for its "un-European" reliance on the NATO nuclear deterrent and reluctance to accept a closer association of continental states in political and defense matters. He insisted that the reasons for continued European dependence on the US were "disappearing one by one." The French President probably hoped that these comments would stimulate the Adenauer-Strauss forces in Bonn to pressure Chancellor Erhard toward the French concept of a European union of sovereign states.

Elsewhere in his discourse to the press, De Gaulle appeared to be soliciting German adherence to his European and world policy as a quid pro quo for French support on German reunification and future German borders. This underlay his oblique references to the flexibility of France's "future attitude and actions regarding...Moscow's satellites," and the "frontier issues and nationalities in Central and Eastern Europe."

De Gaulle's only new proposal was for the reconvening of a 14-nation Geneva conference to consider the neutralization and stabilization of Vietnam and Cambodia, as well as Laos. The crux of his proposal is for the US, the USSR, and China to follow France's lead in withdrawing from Southeast Asia.

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Europe

**ARRANGEMENTS FOR MALTESE INDEPENDENCE**

After nine months of intermittent negotiations, British Commonwealth Secretary Sandys and Maltese Prime Minister Borg-Olivier have agreed on a constitution for Malta. It will become effective on the day--still to be set--on which the colony receives its independence. Defense and finance agreements already initialed will be signed immediately thereafter.

The new constitution is essentially the draft originally proposed by Borg-Olivier, with provisions inserted by the British to prohibit discrimination on grounds of race, color, creed, or political opinions. While intended to accommodate Maltese Labor Party chief Mintoff's insistence on curbing the political influence of the Maltese church, these concessions are unlikely to satisfy him. The guarantees of fundamental rights and freedoms as well as the nondiscrimination provisions do not apply to such matters as marriage, divorce, and burial. Mintoff has long charged that the church has misused its authority in these areas to the disadvantage of the Labor Party.

Under the defense agreement, the British will retain the right to station armed forces in Malta and to use its facilities to fulfill international or Commonwealth obligations. The proposed

financial arrangement provides for \$140 million in aid and grants over a ten-year period. Some \$52 million will be provided "without strings" before March 1967; the rest will be contingent on the military base agreement's remaining in force.

Borg-Olivier's Nationalist Party has enthusiastically welcomed the settlement with Britain, and various minor parties seem satisfied. The Labor Party's public reaction has been less critical so far than had been anticipated. The party's official statement warned only that it would seek abrogation of the agreements--and presumably revision of the constitution--at the earliest opportunity.

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In any case a prolonged period of unrest in Malta seems inevitable. The balance of political forces, which previously has ensured clerical dominance, is shifting, and the transition will not be smooth. Unemployment and overpopulation are also problems that both defy solution and invite political exploitation.

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Western Hemisphere

**CASTRO DEFIES OAS IN 26 JULY SPEECH**

Fidel Castro has reacted with characteristic defiance to the sanctions voted against his regime by the OAS. In his speech on the occasion of the 26 July anniversary celebrations he issued a "declaration" asserting Cuba's right to support revolutionaries in any country that tries to assist the Cuban counterrevolution and expressed his encouragement specifically to the "courageous" rebels and guerrillas of Venezuela and Guatemala.

Castro praised those governments which opposed the OAS sanctions--Mexico, Chile, Uruguay, and Bolivia--as the only ones really representative of their peoples. Betraying concern that Mexico might nevertheless break relations with his regime in compliance with the OAS resolution, he lavished particularly heavy praise on that country and offered to conclude a mutual nonintervention pact with it. He added "in all sincerity" that Chile, Uruguay, and Bolivia could also take part in such an agreement.

Reverting to the theme of US-Cuban detente, Castro declared that his regime still would like to improve relations with Washington but that this would depend on US willingness to treat Cuba in accordance with the generally accepted "international rules of conduct" between nations. In a press conference the following day Castro made it clear that the Marxist-Leninist character of his regime and its ties with the Soviet bloc are "irreversible" and

would not be affected by any improvement of relations with the US.

Regarding the alleged "provocations" by US forces at the US naval base--which have been wholly fabricated or thoroughly exaggerated by the Cubans themselves--Castro in his 26 July speech charged that these are inspired by the US extreme right in its search for an issue to defeat President Johnson in November. He said that, "although we do not want to help Mr. Goldwater," there is a limit to Cuban forbearance. He warned that "if another Cuban soldier is killed" by US personnel at the base, Cuban sentries will be ordered to "answer shot for shot."

Castro, in passing, described Cuba's attitude on US overflights as being one of "patience, for the sake of peace." He asserted that "permitting an overflight by a U-2 is not the same thing as burying a comrade at the cemetery," thus implying that he does not intend to press the overflight issue in the near future.

The speech laid further groundwork for the sweeping case against the US that Cuba apparently plans to submit to the UN General Assembly after it convenes in November. The picture of a small country as the innocent and patient victim of repeated aggressions from a powerful neighbor will, Castro hopes, generate not only sympathy for Cuba but also some concrete actions to bolster his regime.

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Western Hemisphere

**PROSPECT FOR NEW EXILE ATTACKS ON HAITI**

The successful three-week incursion of Haiti in June and July by a rebel exile group from the Dominican Republic may encourage more attacks in the near future.

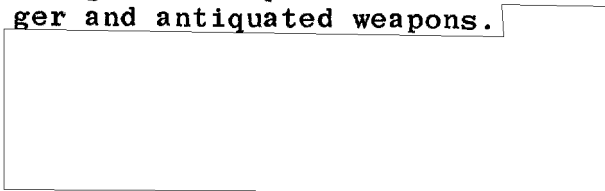


The rebels who operated in Haiti apparently caused little physical damage, but they did inflict a psychological defeat on the Duvalier forces. The failure to come to grips with the rebels has undermined the regime's confidence in its ability to deal with future challenges

of this nature. Also, the confusion that marked the antirebel operations, together with anti-Duvalier demonstrations in the southern town of Jacmel, caused increased friction between the armed forces and the militia.

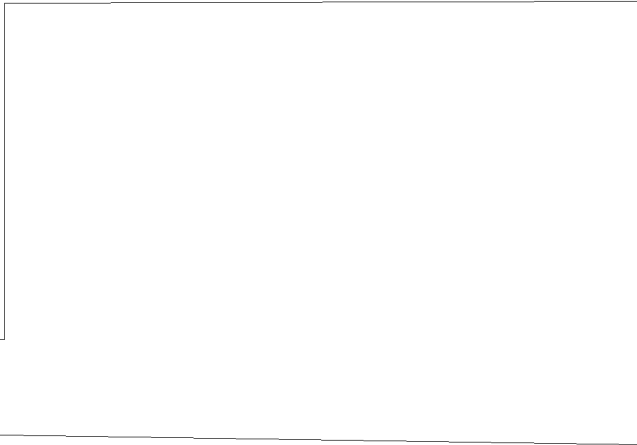
Although it is difficult to gauge, anti-Duvalier sentiment seems to be growing among some disgruntled military elements. The thrust of current rumors in Port-au-Prince is that the armed forces, disgusted with Duvalier's recent actions, are planning to move against him.

Duvalier, meanwhile, is continuing his efforts to obtain military equipment from abroad to assuage the dissatisfaction among his troops over their meager and antiquated weapons.



**GUERRILLA ACTIVITY IN HONDURAS**

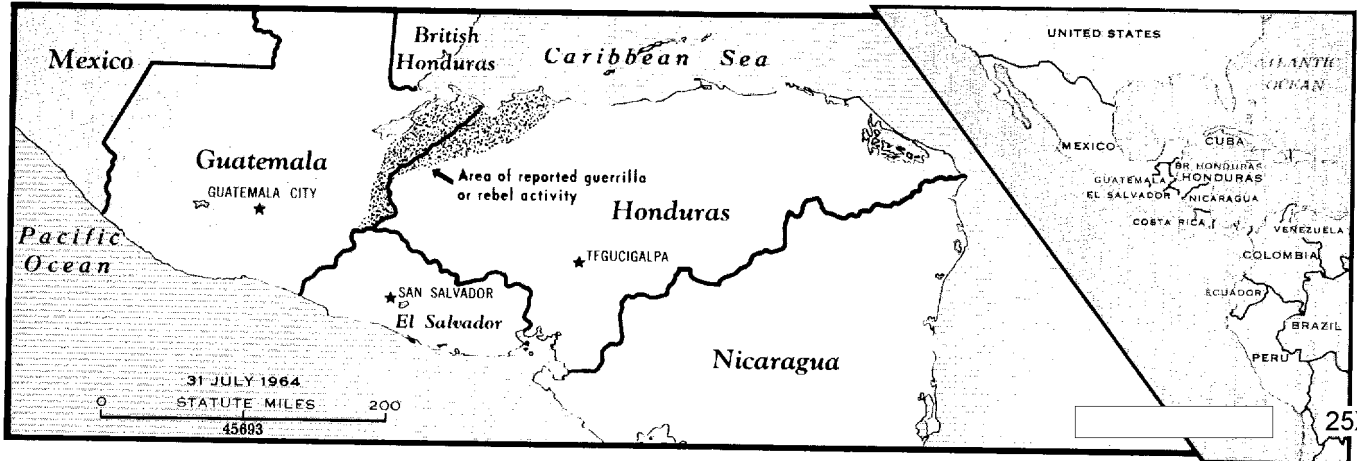
Honduran Communists, who are supported and guided from Cuba, are apparently stepping up their efforts to mount a guerrilla campaign in Honduras' north coast area. There are also indications that some "bandit" groups in the same general region have become more active in recent weeks.



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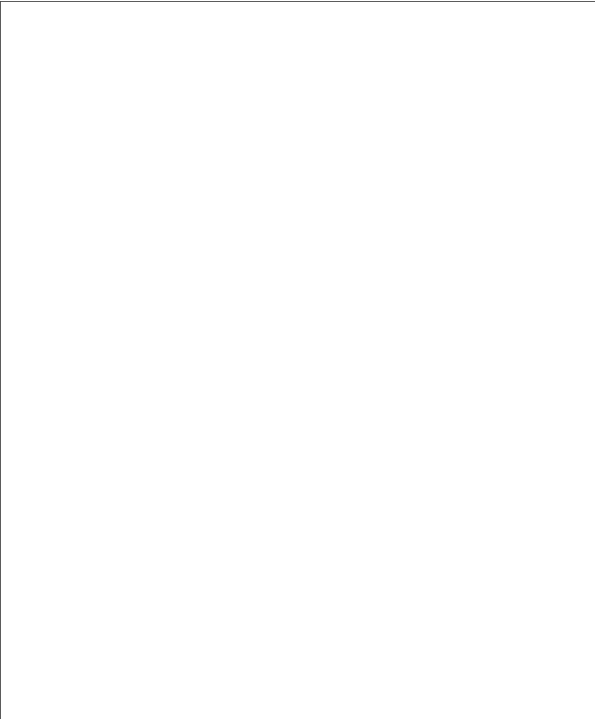
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Western Hemisphere



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officials that rebel bands are, in fact, located in western areas lying along the Guatemalan border and stretching to the Caribbean. The US Embassy believes that many Honduran peasants would cooperate with the rebels--either under duress or out of antagonism toward the military government--and that the Lopez regime would be hard put to deal quickly with any well-organized guerrilla movement.

Meanwhile, Guatemalan rebels, under attack by security forces in their country, have once again retreated into Honduras. The remote and largely unpatrolled Guatemalan-Honduran border area offers a haven to rebel forces from both sides--a condition which could facilitate Cuban efforts to establish viable guerrilla movements in both countries.

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Although the Honduran Government denies knowledge of any insurgent activity, military officers have admitted to US

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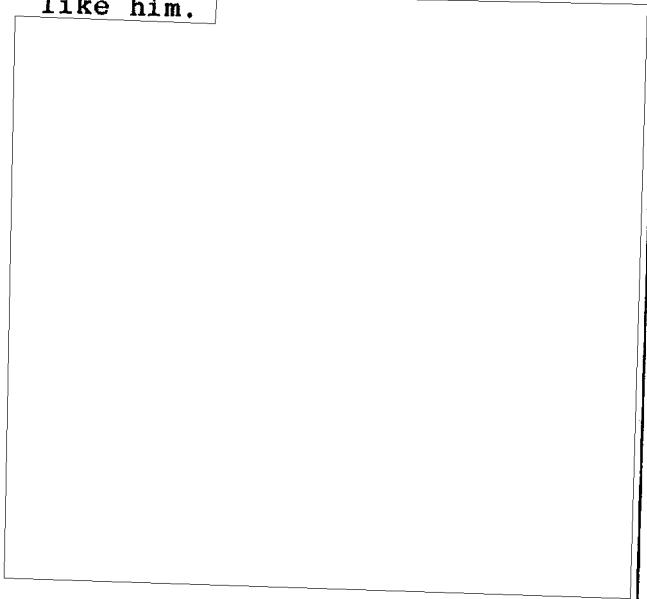
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United Nations

**THANT TRIES PERSONAL DIPLOMACY**

UN Secretary General Thant's six-nation trip this month has been essentially a mission in personal diplomacy designed to win political and, more particularly, financial support for the UN. Thant spoke with top leaders in Paris, London, and Moscow. He also addressed the meetings of the Organization of African Unity (OAU) in Cairo and of the UN Economic and Social Council (ECOSOC) in Geneva.

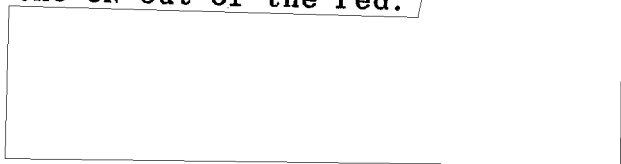
Thant seems to feel that he scored a major diplomatic triumph in his talks with De Gaulle. The general praised Thant's performance in what he believes is an almost impossible job and said the French Government could cooperate with a man like him.



Thant spent two days in London and talked with the prime minister, the foreign secretary,

and other ranking officials. Discussions centered on Cyprus, Southern Rhodesia, Southeast Asia, and British Guiana. The British told Thant they favored the permanent UN peace-keeping force proposed by Moscow, but cautioned against the pitfalls in the Soviet proposal for veto powers over its operations. In London, Thant reiterated his call for a Geneva conference on Southeast Asia.

In his address to the OAU, Thant praised the growth of regional organizations, which he said could only strengthen the UN. He pledged continued UN efforts to gain independence for all peoples as well as to abolish racial discrimination. Thant also pleaded with the Africans to support his efforts to get the UN out of the red.



Thant now is in Moscow, his last stop, where the USSR's peace-keeping proposal will be the top item on the agenda. The full results of this visit will not be clear for some time. Thant, on leaving New York, was not sanguine about achieving great success. He apparently believes, however, that the Soviet proposal is "helpful," and might eventually provide a way to develop a face-saving formula by which the USSR could pay its arrears to the UN.

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