

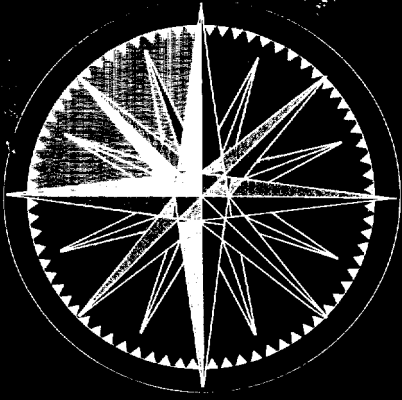
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WEEKLY SUMMARY

State Dept. review completed

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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(Information as of 1200 EST, 30 December 1964)

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The Communist World

MOSCOW SHARPENS ITS CAMPAIGN AGAINST MLF

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The Soviet Union appears to be sharpening its campaign against the formation of the NATO multilateral nuclear force. Moscow's efforts have picked up speed since the recent inconclusive NATO ministerial meeting and the decision by the US, UK, West Germans, Dutch, and Italians to meet in January for a full airing of the MLF question.

Moscow has been trying to arouse concern among NATO members that agreement on the MLF would reduce prospects for further arms control agreements and jeopardize the detente in East-West relations. Warnings that the USSR would adopt unspecified countermeasures have been coupled with hints of new initiatives on European security and on an agreement banning dissemination of nuclear weapons.

In his recent talks with US officials, Foreign Minister Gromyko asserted that establishing the MLF "in any form" giving West Germany access to nuclear weapons would constitute a "hostile act" which would force the Soviet Government and its allies to draw the "appropriate conclusions" for their security.

Soviet officials have also stepped up activity in Scandinavia--a familiar tactic whenever the USSR is intent on dramatizing the "German problem." They are stressing that the MLF runs directly counter to European sentiment in favor of a broad nondissemination agreement. During a recent trip to Finland, Soviet President Mikoyan appeared to go out of his way to attack the MLF as the "most important obstacle" to the reduction of tensions in Europe.

There have been some hints that Moscow may pick up the suggestion made early this fall by the UAR and India that negotiations on MLF be suspended pending

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The Communist World

further efforts to reach a non-dissemination agreement. During a recent and somewhat unusual speaking tour through Norway and Sweden, the chief Soviet delegate at the Geneva Disarmament Conference indicated that the USSR might broach some proposal along these lines at the UN.

Any new Soviet proposals on nondissemination would attract wide support from the neutrals and would be calculated to invite favorable response from key Allied nations with a view to isolating the Germans and disrupting MLF negotiations. [REDACTED]

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SOVIET-CUBAN ECONOMIC RELATIONS

Moscow continues to encourage Havana to emphasize agricultural production, especially the output of sugar, as a start toward remedying Cuban economic problems. Shiploads of farm equipment and machinery have been arriving recently. Just as the sugar harvest began, the USSR sent in 250 personnel to operate and maintain Soviet-supplied cane cutters, combines, tractors, and trucks.

The Soviet effort is chiefly linked to a desire to see Cuba earn increased foreign exchange and thereby ease the Soviet aid burden. It is unlikely, however, that Cuban agriculture can show sufficient growth during the year to prevent a further increase of Cuban debt to the USSR.

The 1965 trade agreement has been under negotiation since November. The USSR presumably has discussed Cuba's mismanage-

ment this year of its foreign trade, in which poorly planned purchases from the West caused a foreign exchange crisis. [REDACTED]

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[REDACTED] During the negotiations the USSR consulted in Moscow with the Cuban ministers of economy, agriculture, industry, and foreign trade.

The Soviet drive to develop Cuban agriculture has not noticeably cut back on other forms of assistance. Moscow purchased more than \$20 million worth of Canadian wheat in the past three months for delivery to Cuba. Large numbers of Soviet advisers and technicians continue to implement industrial aid projects for which a wide variety of equipment is regularly delivered. [REDACTED]

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The Communist World

AGRICULTURAL STAGNATION CONTINUES IN COMMUNIST CHINA

Peiping's hopes for a good agricultural year in 1964 have been frustrated by a poor autumn crop. Grain output in 1964 is estimated at about 170 million tons, roughly three percent below the 1963 estimate of 175 million tons. Rice output rose in Central and South China, but extensive flooding in North China cut deeply into the harvest of miscellaneous grains. Wheat production also dropped slightly, with poor yields offsetting increased acreages. The regime has not yet acknowledged these developments, however, and continues to talk of a bumper harvest.

The 1964 grain estimate is about 6 percent below 1957, when there were approximately 90-100 million fewer people to feed. Because of this population growth, the current per capita supply--including grain imports of over 6.5 million tons in 1964--is about 14 percent below the 1957 level. It approximates the level reached in 1960-61 when malnutrition was widespread throughout China. Comparable food difficulties are unlikely in the coming year, however, because of the expanded output of subsidiary foods from the peasants' private plots plus the regime's demonstrated willingness to import large amounts of grain.

Nevertheless, the food supply is expected to tighten this

winter and spring, especially in flooded areas of North China. However, continued large imports of grain in early 1965, together with current efforts to increase domestic procurement, should enable the leadership to ease regional differences in supply and prevent any sharp deterioration in the over-all food situation.

Beyond the immediate problem of guaranteeing sufficient food supplies, the regime depends heavily on agriculture to furnish much of the support for economic growth. It is increasingly clear, however, that harvests which fail even to match the growth of population will severely restrict Peiping's ability to pull the economy out of its depressed state, much less boost it into rapid growth.

The failure to raise grain harvests significantly over the past 10 years--the current crop is believed to be about the same as the annual average during the first five-year plan (1953-57)--remains Peiping's most important economic problem. Efforts to solve it, however, have not recognized this importance. There is still no evidence of an effective program for agriculture. In this area, the regime relies too much on political panaceas, in contrast to industry, where priority attention to modern weapons is beginning to pay off.

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Asia-Africa

SOUTH VIETNAMESE POLITICAL CRISIS PERSISTS

The political crisis stemming from the military's dissolution of the High National Council (HNC) on 20 December remains unresolved. There are signs, however, that the various protagonists in the conflict are backing off somewhat from the extreme positions they took last week.

Chief of State Suu and Premier Huong publicly stated their views on the crisis in a joint communiqué on 28 December. They lamented the dissolution of the HNC and called upon all interested parties, including the military, to seek a "fitting solution." Suu and Huong appear to be working toward a solution which, without formally undoing the military's dissolution of the HNC, would permit the formation of a new legislative committee under the Chief of State. Such a committee presumably would have functions analagous to those of the disbanded HNC, and probably would include some of the original members.

The terms of any compromise would probably have to include the release of political hostages being detained by the military and arrangements for the permanent retirement of the nine senior generals, including Big Minh and the "Dalat" generals. This was the immediate issue which precipitated the crisis.

After initial efforts to obtain signatures among field units for anti-US petitions failed, Gen-

eral Khanh now appears to be backing down somewhat, although he still avoids personal contact with Ambassador Taylor. The "young Turk" commanders, while siding with Khanh in defense of the military's action against the HNC, have privately expressed disapproval of his anti-American gambit.

The Buddhist leadership, using a weekend assault on the Buddhist national headquarters by unidentified hoodlums as an excuse, has renewed its campaign against Premier Huong. The Buddhists continue to leave some room for negotiations with the government, however. They also apparently have not fully assessed the implications of the military power play of 20 December.

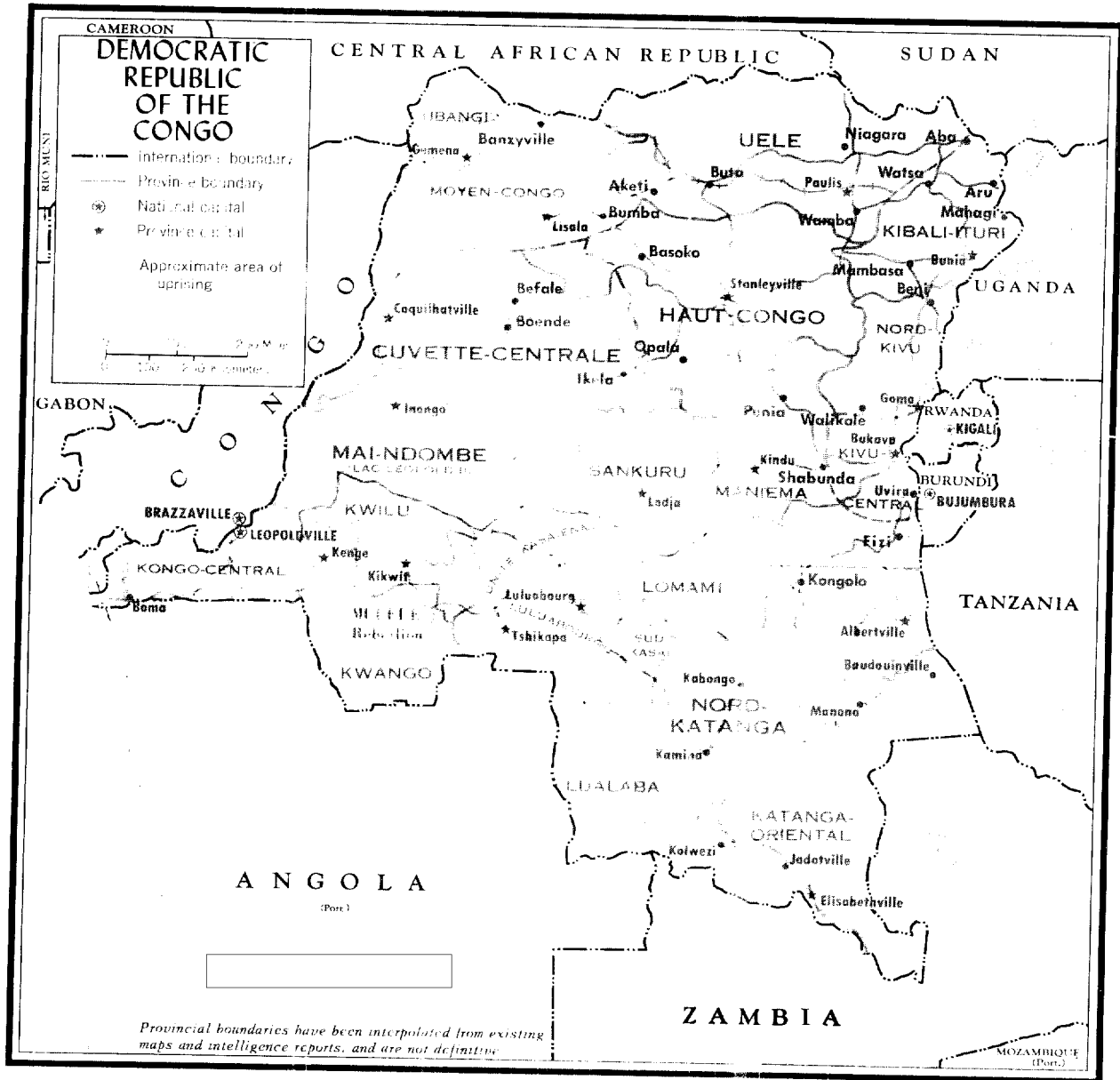
The Christmas Eve terrorist bombing of a US military BOQ in Saigon highlighted Viet Cong activity during the past week. The general pattern of Communist-initiated incidents reflected an increasing number of small-scale attacks and ambushes, hamlet harassment, terrorism, mine detonations against government military convoys, and sabotage against highways, bridges, and railroads. The Communists also engaged in several larger scale actions with varying degrees of success. On the government side, a helicopter-borne operation in the southern delta area inflicted heavy casualties on the Viet Cong and resulted in the capture of a number of heavy weapons and ammunition. 25X1

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Asia-Africa

TSHOMBE STRONGLY OPPOSES CONGO CEASE-FIRE

Premier Tshombé remains adamantly opposed to any cease-fire proposals, and is buttressing his forces to continue the fight.

Tshombé has stated that the cease-fire proposal in the resolution before the UN Security Council this week is "completely unacceptable" to him, his cabinet, and President Kasavubu. He says that a cease-fire would be construed by African nations as a political defeat for him, would give the rebels time to reorganize and rearm, would result in a de facto partition of the Congo, and is unenforceable.

Tshombé and his entourage also are resisting Belgian Foreign Minister Spaak's proposals --designed to improve Tshombé's image in Africa--that he broaden his government, proclaim a general amnesty for all rebels except a few leaders, and replace South African and Rhodesian mercenaries with Europeans. Tshombé still wants to devote all his efforts to the military defeat of the rebels.

There have been few military developments this week. The Christmas holiday passed without serious incident, despite reports that major rebel activity would occur at that time. In the northeastern Congo, government forces recently recaptured Wamba, 45 miles southeast of Paulis, and rescued over 100 hostages.

On the internal political scene, Tshombé has begun preliminary groundwork for the February national elections. Last week he convened some 200 tribal chiefs to discuss the elections, and has indicated he intends to rely on the traditional tribal structures for support rather than on the discredited political parties.

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Asia-Africa

AREA NOTES

Sudan: Communist and non-Communist Sudanese political groups are maneuvering to strengthen their positions for the parliamentary elections now scheduled tentatively for March or April.

The numerically weak Communists are making strenuous efforts to build a broader popular base. They have reportedly been trying to woo the urban National Unionist Party into forming a coalition. Leaders of the opposing conservative Ansar brotherhood claim they are determined to curb the Communists. The Ansar have scheduled a mass rally for 1 January, at which time they plan to demand that the government take action "against Communists."

Meanwhile, the breach between the Arab north and three southern Negroid provinces has become almost complete, and the South will probably be excluded from participation in the elections.

Southern leaders refuse to return to the Sudan until their demands for federation are guaranteed, but the central government now declares that the Sudan is a unitary state and that federation will not be considered. The southerners have come out strongly against Khartoum's aid to the Congolese rebels. A resurgence of anti-Arab terrorism in the south is likely, possibly aimed in part at disrupting the passage of arms from the southern town of Juba to the Congo rebels.

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Europe

ITALIAN PRESIDENTIAL ELECTION

The Moro government has been severely shaken by the prolonged and bitter presidential election which almost disrupted relations between the Christian Democrats (CD) and their coalition partners. Since the CDs failed to vote solidly for President Saragat, he owes his margin of victory to Communist support. The Communists have lost no time in exploiting this situation.

An immediate obstacle confronting the Moro government is the selection of a foreign minister to replace Saragat, and perhaps even a wider cabinet reshuffle. More important to its survival, however, will be the outcome of the fierce power struggle now going on within the Christian Democratic Party.

The failure of the CDs to rally to one of their own candidates during the prolonged balloting--and its resultant failure to elect a CD president--has intensified internal factionalism and left the party in complete disarray. A left-wing leader has already been suspended for a year because his faction consistently refused to back the party's first "official" candidate--Giovanni Leone. Despite the party's official backing,

a sizable share of the party did not support Saragat on the final ballot.

An early meeting of the party's national council will have to tackle the problem of reorganizing factional representation on the party's top administrative bodies. The outcome of this struggle presumably will clarify the party's intentions toward the center-left's program. It is presently far from certain that Moro can muster enough support to get the party to agree to make progress on the program and avert moves to replace him as premier.

Saragat's election represents a major victory for the "lay" coalition parties and brings to the presidency a man who strongly supports both the center-left and the social and economic reforms its program calls for.

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PSI leaders, however, can be expected to insist on firm commitments for early implementation of certain reforms as a quid pro quo for staying in the government.

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Europe

OUTLOOK FOR THE FRENCH ECONOMY

French Government and business circles are somewhat pessimistic about the outlook for the French economy. A recent survey indicates that businessmen are uneasy about their prospects in 1965. Major points of concern have been the gradual slowdown of economic growth, rising prices aggravated by a rising wage level in private industry, an unsatisfactory level of private investment, and the deterioration in the balance of trade.

The government's rigid adherence to a stabilization program keyed to price controls, credit restraints, and a tight budget has probably had an adverse effect on the growth of industrial production. France's Economic and Social Council has warned the government that these measures "have killed both the weeds and the young plants." The stabilization program has, in fact, been successful in checking sharp price rises and deterioration of France's trade balance, but only at the risk of precipitating an over-all economic slowdown which, in turn, would mean mounting unemployment.

French financial circles are critical of the government's failure to bring about promised structural reforms in the outmoded French capital market. In

the Budget Bill for 1965, the government included proposals which were designed to strengthen the capital market as an instrument for the accumulation of savings, which could then be channeled into productive investment. Financial circles, however, felt that these proposals, which altered and reduced certain taxes affecting securities income and transactions, fell far short of what was needed.

The continuing impasse with labor on the wage issue is a further complication. Current union discontent is based on the absence of any meaningful dialogue with the government. The unions distrust the government's efforts to impose a comprehensive "incomes policy." They also disagree with the allocation of resources as well as the social objectives outlined in the government's recently approved Fifth Plan for Economic Development. Despite the impressive turnout in the 11 December general strike by all three major unions, the government is standing pat in its determination to hold wage rises to 4 percent in both the public and nationalized sectors of the national economy. The three unions have announced plans for another strike on 18-19 January.

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Europe

AREA NOTE

West Germany: Bonn is concerned over the burden being put on German facilities by refugees from Eastern Europe. There has been a large increase this year in the number of Czechs and Hungarians traveling to and seeking asylum in West Germany, principally because travel controls were relaxed by the Communists.

Many of the Czechs can qualify as Sudeten Germans, and are promptly assimilated into German life. The other refugees must process at the Federal Republic's only non-German refugee reception center, Camp Zirndorf in Bavaria. By December, their number had exceeded the camp's normal capacity of 500. In contrast to past patterns, entire families have been coming to Germany recently. Even when

work is found for them, they cannot always be allowed to leave the camp because of the problem of finding adequate housing.

German officials assume that the 1965 refugee influx will at least equal that of 1964, and they are afraid that by summer Zirndorf will have no room for newcomers. The Bavarian authorities who run the camp are extremely reluctant to enlarge the facilities.

In Prague, the government recently issued a public warning acknowledging that the travel relaxation opened possibilities of defection.

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Western Hemisphere

PANAMANIAN EXTREMISTS SEEK TO REGAIN INITIATIVE

Panamanians of the extreme left, including Communist student leaders, are attempting to regain the drive stolen from them on 18 December when President Johnson announced that the US intended to replace the Canal treaty with a new one encompassing Panama's major demands. The statement cut away most of the common ground between the extremists and the more moderate Panamanian nationalists.

Communists are supporting the emerging ultranationalist demand that Panama and the Canal Zone be "neutralized" by the withdrawal of all US military forces. The Robles government, which was elated over the 18 December statement, apparently feels it is politically inexpedient to repudiate publicly the "neutralization" concept. Ernesto Castellero Pimentel, the Foreign Ministry's coordinator of negotiations with the US, claimed in a recent press interview that the "neutralization" demand was "official thinking from the President of Panama down..." Foreign Minister Eleta has indicated to US officials that he feels the mounting pressure for "neutralization" cannot be ignored, though he did indicate privately that Castellero

was not speaking for the government.

The rising radical politician Carlos Ivan Zuniga claimed on 21 December to have information that the US had installed "military atomic guided missile bases" in the Canal Zone. He charged that this was incompatible with what he called the basic Panamanian objective of neutrality. Peiping was quick to pick up this nuclear theme in recent Chinese Communist broadcasts regarding US plans to build a new canal.

Communist Panamanian student leaders, who have made the Canal issue their stock in trade, continue to plan anti-US demonstrations for 9 January, the first anniversary of the rioting. The explosion of three terrorist bombs in Panama City on 28 December caused little damage, but may have been the prelude to an attempt to build up a climate of unrest preparatory to the anniversary date. Most knowledgeable sources believe, however, that the US statement has probably averted the threat of serious violence on 9 January.

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Western Hemisphere

AREA NOTES

Bolivia: Rumors that followers of ex-President Paz Estenssoro were plotting to assassinate junta president Barrientos and overthrow the government kept tensions high in La Paz over the holidays. The minister of government announced to the press on 27 December that such a plot had been discovered but not completely smashed and that Barrientos' life remained in danger.

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A reported plot by the Bolivian Socialist Falange (FSB) bears watching. In a recent conversation with US Ambassador Henderson, Falange Chief Mario Gutierrez repeatedly evaded the ambassador's questions on FSB intentions. Gutierrez,

Cuba: Che Guevara, Cuba's most militant spokesman for the "anti-imperialist struggle," has ended a week-long visit to Algeria and has started a tour which apparently will include the capitals of the more radical African countries. Guevara arrived in Mali on 26 December. He is expected to visit Guinea, Ghana, Congo (Brazzaville), and possibly the Sudan, the UAR, and Tanzania. His visits to Algiers and Bamako, however, have been marked by a surprising lack of publicity in the local press and radio.

Guevara's main objective is to push the "solidarity with Africa" idea he stressed in his 11 December UN General Assembly

speech, however, sharply criticized Barrientos and expressed concern that the popular general may become a presidential candidate.

The leftist newspaper Jornada reported on 22 December that a group of Barrientos' followers are organizing a new political party, the Popular Christian Movement, to foster his presidential candidacy. The story has been largely confirmed by one of Barrientos' close personal friends who is charged with organizing the party. Another friend of the general, Antonio Arguedas, has resigned his government post to organize the campaign.

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speech, a central theme of which is Cuba's "moral support" for the Congolese rebels. He probably also hopes to gain African support for the anti-US campaign which Havana is expected to press in the UN during the coming months.

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