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# WEEKLY SUMMARY

DIA review completed.

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## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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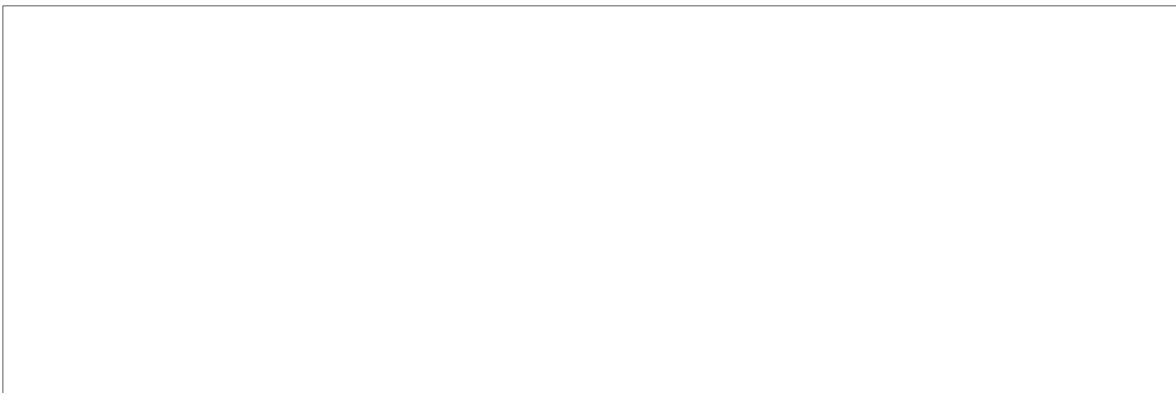
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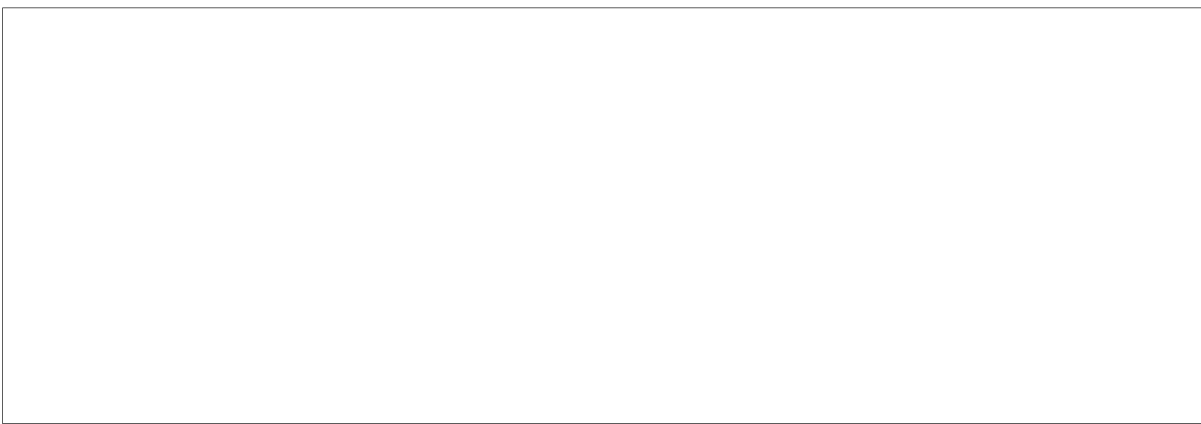
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Western Hemisphere

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**SITUATION IN THE DOMINICAN REPUBLIC** 18  
Settlement of the crisis still seems some weeks off. The Organization of American States has obtained the reluctant agreement of both rebel and loyalist leaders to Hector Garcia Godoy as provisional president pending elections, but each side has stipulated conditions clearly unacceptable to the other.

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**PERUVIAN INSURGENCY**

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Despite the reduction of public concern over guerrilla activities in central Peru since the army took command of counterinsurgency operations, there are no firm indications that guerrilla strongholds in this area have disintegrated.

**POLITICAL CONTROVERSY IN BRAZIL**

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Despite the increasing frequency of political challenges to the prestige and authority of the Castello Branco administration, the government so far does not appear to be in jeopardy.

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The junta, by military force and the imposition of martial law in Guayaquil, halted mass demonstrations aimed at changing its announced program for transition to constitutional rule.

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**VIETNAM**

Hanoi has again rebuffed a British effort to discuss negotiations on the Vietnam war. The North Vietnamese refused to allow MP Harold Davies to see any high-level government official during his 8-13 July visit to Hanoi. The day after he left, Hanoi radio said he had been received only by the Fatherland Front mass propaganda organization for "an exchange of views."

The front, according to the broadcast, condemned Prime Minister Wilson's "policy of towing after" the US on the Vietnam question.

The North Vietnamese meanwhile continued their efforts to line up effective Communist support. Vice Premier Le Thanh Nghi, leading an economic delegation which has visited virtually every bloc state during the past several weeks, signed agreements with the USSR and China on 11 and 13 July respectively. No details were given on the pact with Peiping, but Moscow announced that it had agreed to provide additional aid to develop the DRV's economy and strengthen its "defense potential." Nghi, now in Pyongyang, has also signed agreements with Poland, East Germany, Hungary, and Bulgaria.

Another delegation, led by Vice Premier Hoang Van Hoan, is on a "friendship" visit to China, the USSR, Mongolia, and North

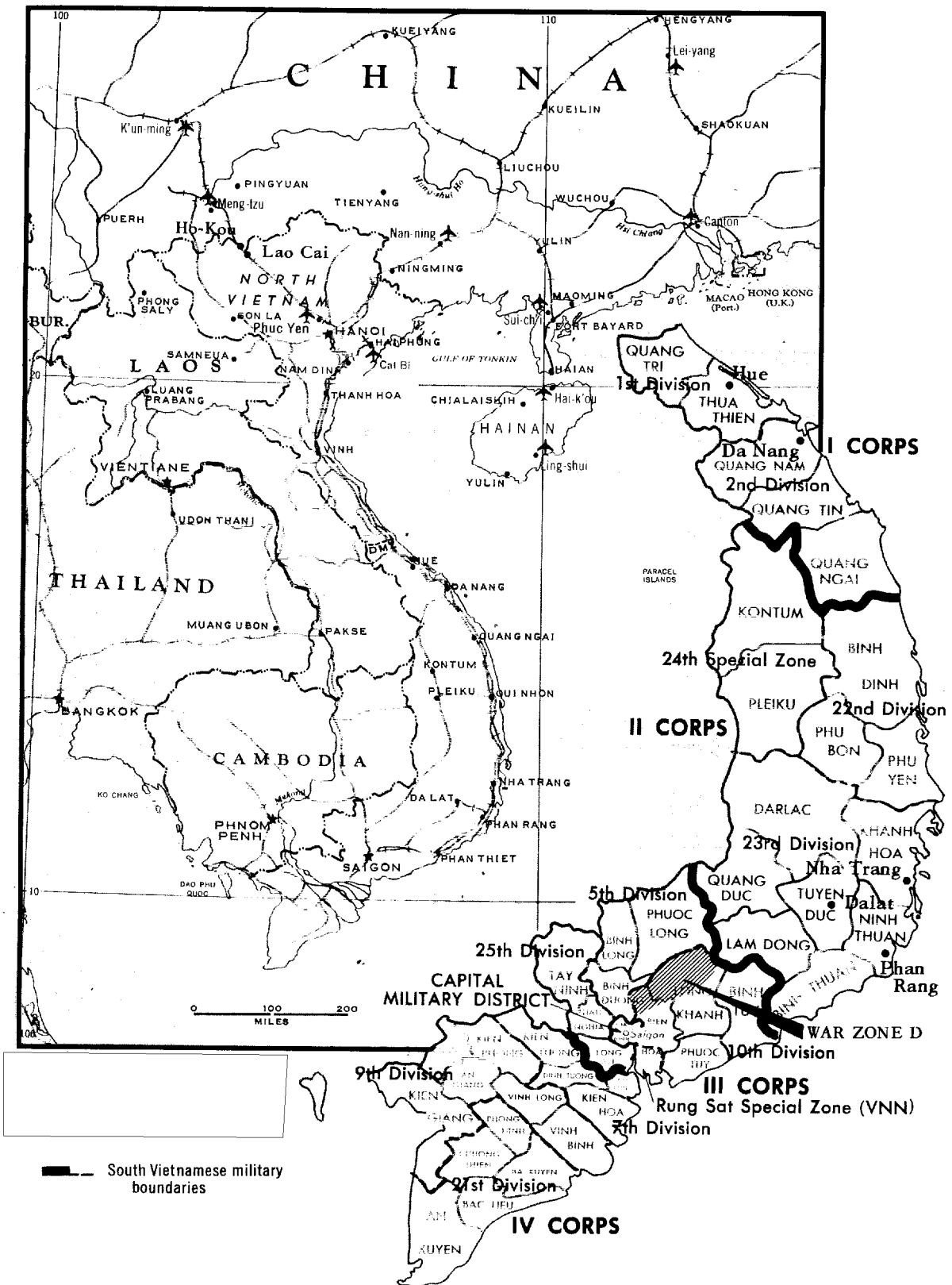
Korea. At his first stop in Peiping, where he arrived on 12 July, Hoan was greeted warmly by an impressive turn-out by party and government leaders.

The DRV has also continued to berate the US for what it calls the "expansion" of the "war of destruction." In a 13 July protest to the International Control Commission and a 14 July Foreign Ministry statement Hanoi denounced alleged US air strikes between 9 and 13 July against "many populated" areas. The ministry statement claimed that on 11 July US aircraft bombed and strafed Lao Cai, a provincial capital near the China border and "encroached" into Chinese territory around Hokou. The statement asserted this was the first time US aircraft had attacked "very deep" into DRV territory and that by this act the US had taken "a further and extremely dangerous step" in escalating the war.

Chinese Response

China's reaction to the alleged overflight of its territory and the "bombing" of Lao Cai betrayed heightened concern that US air strikes near the frontier might extend across the border. Its propaganda response appeared mainly designed to deter an enlargement of the war by reinforcing earlier warnings of the dangers of a US attack.

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The initial Chinese accusation on 11 July declared the Chinese armed forces were ready to fight "if necessary." A more extensive commentary in People's Daily on 13 July elaborated the earlier warning, noting that the Hokou incident was more serious than the alleged US overflight of Hainan Island on 9 April because it took place while US aircraft were "penetrating ever deeper into the north." The editorial asserted that the "bombing" of Lao Cai marked a shift in the main effort of the US air war to the rail line from Hanoi to the Chinese border. The specific reference to the rail line may be intended to underscore Chinese sensitivity to attacks on Sino-Vietnamese transportation lines and to convey a threat that Peiping might intervene directly to defend them. The editorial stressed that China will not attack unless attacked first but emphasized that Peiping is prepared to deliver counterblows in a full-scale war.

#### SAM Sites in North Vietnam

Hanoi's known surface-to-air missile defenses are nearing completion. [redacted]

[redacted] work on the fifth site now in the final stages. At least three, and possibly four, sites are complete. Their deployment pattern ringing Hanoi suggests that a sixth site will be constructed, probably northwest of the city, but there is yet no evidence that another site is under construction.

There is still no firm evidence of any missile equipment or missiles at any of the sites, nor [redacted]

[redacted] The relatively slow pace of the sites' construction--

the first was detected in early April--suggests some foot-dragging by the Soviets. [redacted]

#### Soviet Political Moves

While the USSR moves slowly ahead in supplying defense material for the DRV, Soviet and East European officials [redacted]

[redacted] in their efforts to arouse concern over US policy. [redacted]

Aside from intermittent private hints that the DRV's stated four points are not ironclad preconditions to negotiations, Soviet representatives have been unable to offer any realistic proposals for a resolution of the conflict or to give any believable indication that Hanoi is

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interested in a negotiated settlement at this time.

### Viet Cong Activity

The trend of Communist activity in South Vietnam this week suggests that the summer offensive of Viet Cong main force units may have entered a short rest-and-resupply phase in preparation for large-scale attacks late in July. Enemy forces in greater than regimental strength are deployed possibly for an assault in the border area of Quang Ngai and Quang Tin provinces.

Except for two large-scale engagements this week in Binh Duong Province, Viet Cong activity followed the established pattern of terrorism against the population and harassment of small forces and installations. This activity resulted in heavy losses in Popular Forces units, particularly in the vicinity of Saigon. In general, the major enemy effort remained focused on district towns, and increased pressure developed in II Corps area and the northern part of III Corps.

Lines of communication continued to be cut. Coastal Route 1 was blocked in southern Quang Ngai, and in Binh Dinh, Phu Yen, and Binh Tuy provinces. The central highlands remained isolated with principal transport routes impassable to civilian and military traffic. With the exception of provincial Route 2 in Phuoc Tuy and provincial Route 1 in Binh Duong and Phuoc Long provinces, III Corps roads are considered open but subject to interdiction at any time. The coastal railway is operable only between Hué and Da Nang in the north, and between

Nha Trang and Phan Rang and along the spur line inland to Dalat.

On the government side, combat air operations continued to be the most potent single factor contributing to military successes. The monsoon rains thus far have proved to be less of a handicap to close support and other air activity than expected. South Vietnamese ground operations of battalion strength or larger declined for the second consecutive week. An important action was undertaken by a combined US, Australian, and South Vietnamese task force against the Viet Cong War Zone "D" stronghold north of Saigon. Strong resistance was encountered in the four-day probe, and casualties on both sides were relatively high.

### South Vietnamese Politics

The political scene in South Vietnam continues relatively calm. The Ky government is proceeding with various economic measures to impose greater austerity. Pay increases and tighter draft enforcement are in preparation in an effort to augment military manpower. During the past week, Defense Minister General Co was concurrently named chief of the Joint General Staff, relegating former chief General "Little" Minh to probable retirement. Planning proceeded for greater delegation of authority to the military corps commanders. Open criticism of the new government, except from the Viet Cong, is still in abeyance but new pressures from Catholics as well as militant Buddhists in Hué may be in prospect.

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The Communist World

MOSCOW MOVES TO RECONVENE GENEVA DISARMAMENT CONFERENCE

Moscow's 12 July proposal to reconvene the Eighteen-Nation Disarmament Committee (ENDC) in Geneva later this month represents a policy decision to keep open top-level bilateral contacts with Washington at a time when the Vietnam conflict is intensifying and poses a critical threat to Soviet-US relations. The Soviet proposal coincided with the public announcement of further Soviet assistance to strengthen the "defense potential" of North Vietnam.

There are indications that Soviet leaders are concerned over the Vietnam crisis and the additional risks inherent in their increased commitment to Hanoi. They may believe that, by agreeing to resume the ENDC at this time, they will be able to reduce the chances of a serious deterioration in US-Soviet relations during the next several months.

Earlier this year, the Soviets tried to soften the impact of their change of policy toward Vietnam. The 31 January announcement of Premier Kosygin's mission to Hanoi was coupled with the first authoritative favorable commentary on President Johnson's call, in his State of the Union message, to extend US-Soviet contacts. Initial Soviet comment on the message had been critical.

The US has for some time been urging the Soviets to return to Geneva. Several Soviet officials, however, observed that it would be pointless to discuss disarmament in Geneva while US bombs were falling on North Vietnam.

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The Soviets, however, had been careful to avoid any formal refusal to return to Geneva.

Soviet leaders may calculate that their new proposal will appear responsive to Afro-Asian calls to get the talks going again. At the recent session of the UN Disarmament Commission, the nonaligned resolution urged prompt reopening of the ENDC. At that time the Soviets rebuffed US appeals to set a date for reconvening the ENDC by noting that they had abstained on the resolution and were therefore not bound by it. The Soviets probably do not expect much will be accomplished at the next session of the ENDC. The recent ENDC meetings indicated that East and West remain far apart on basic disarmament issues.

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STATEMENTS BY SOVIET LEADERSHIP ON DEFENSE NEEDS

Statements by top Soviet policy makers in the past few weeks appear aimed at showing that the USSR, under pressure of the current international situation, is forced to maintain military allocations at their present level and may even have to increase them. These statements are undoubtedly part of the political offensive in support of the USSR's commitment to North Vietnam. However, they probably should also be read in the context of a continuing discussion on economic priorities for the new annual (1966) and long-term (1966-70) plans. On the other hand, the possibility that the regime has already reached a decision increasing defense outlays cannot be completely excluded. There does not appear to be any clear evidence, however, of an augmented domestic military program involving imminent increases in military outlays above those planned earlier for 1965. Nor is there any indication of costly Soviet support for the Indochinese war, or of abandonment of current economic goals (e.g. the program for major increases in agricultural equipment) that appear to compete with military programs for resources.

The most recent statements--made by party head Brezhnev on 3 and 10 July and by Premier Kosygin on 11 July--stress the need for keeping up a high level of defense preparedness, although they maintain that present efforts are adequate. The apologetic tone of Brezhnev's and Kosygin's remarks echoes the regret expressed by party secretary Suslov on 2 June over the material sacrifices imposed on the Soviet people by

present defense expenditures. The tone of defensiveness implicit in Kosygin's warning of the potentially adverse consequences for defense should resources be shifted to other branches suggests that the regime has been under strong pressure by advocates of increased agricultural and consumer-goods production to cut defense allocations. Brezhnev and Kosygin take an equivocal position on the obviously sensitive issue, however, both promising an improvement in all sectors of the economy.

As the crisis in Southeast Asia has become more critical, Moscow has made a strong effort to forestall US escalation of the war. As part of this campaign, Soviet officials have deliberately emphasized the USSR's military capability and determination to defend all "socialist" countries from "imperialist aggression." Such public statements are also designed to counter Chinese charges that Moscow is operating in collusion with the US in an attempt to find "a way out" in Vietnam through negotiations.

In private conversations also, Soviet high-level officers have gone to considerable lengths to impress US military representatives with the military prowess of the USSR. During the V-E Day anniversary reception in Moscow last May, Marshal Malinovsky, for example, told the US Army attaché that the purpose of displaying new missiles in the parade was to ensure that the US understands Soviet capabilities.

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FLOODS IN EASTERN EUROPE

Recent severe flooding in the Danube River basin has caused considerable economic losses to Czechoslovakia, Hungary, and Yugoslavia. Yugoslavia apparently has been hardest hit by the deluge, which has been described as even worse than in the previous record year of 1954.

Except in Yugoslavia, where some of the richest wheat and corn land was damaged, the impact of the flood on 1965 agricultural output is not expected to be serious, because only a relatively small proportion of total agricultural land was affected. In all three countries, however, the flood caused millions of dollars in damage to farm buildings and housing, and the excessive and prolonged

rains have adversely affected planted acreage and development of corn and root crops in most of the region.

River freight transport has been interrupted at various places for the past three months. In Hungary alone the flood destroyed 25 bridges, blocked several major highways, and damaged important railroad and communication facilities.

Although damage to industrial facilities was probably not extensive, the displacement of workers and the inability of industry to obtain delivery of materials are continuing to cause setbacks in industrial production.

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Asia-Africa

**SOUTH KOREAN PARLIAMENT FACES CRISIS**

Political passions in South Korea are mounting rapidly as the National Assembly this week takes up the treaty normalizing relations with Japan. Although eventual ratification is almost certain, obstructive tactics could postpone indefinitely assembly action approving the sending of a combat division to South Vietnam, and might lead to the eclipse of the legislature as it is now constituted.

The opposition People's Party (PP), with the recently added support from militant Protestant churchmen, has begun a campaign with several planned stages against ratification of the Japanese-Korean treaty. In addition to its speeches opposing it, the PP has already provoked fist-fights on the assembly floor, and plans arson and other violent action in an effort to obstruct the proceedings. If the government still secures ratification, the PP is threatening to resign en masse. If the majority Democratic Republican Party (DRP) refuses to accept the resignations, as it has the authority to do, the PP plans to dissolve itself in order to vacate its assembly seats in the hope of forcing a general election. The recently removed leader of the PP, Yun Po-sun, probably is encouraging such a maneuver in hopes of using the opportunity to regain his former power among opposition forces.

The Pak Chong-hui government, at least officially, is

counting on normal assembly procedure for ratifying the Korea-Japan agreement and approving the dispatch of troops to Vietnam.

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Assembly speaker Yi Hyo-sang has publicly stated that in the event of an opposition resignation en bloc, the DRP should follow suit.

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**MALAYSIAN GOVERNMENT'S TROUBLES WITH SINGAPORE CONTINUE**

Political strife between Singapore and Malaysia's central government in Kuala Lumpur continues. The predominantly Chinese Peoples Action Party (PAP), which controls Singapore, remains unwilling to confine itself to state-level politics despite the Malay leadership's dedication to preserving its domination of national politics. Malay extremist elements have been urging that the PAP threat be countered by any means necessary, including the arrest of Singapore's Prime Minister Lee Kuan Yew.

A meeting between Lee and Malaysia's Deputy Prime Minister Razak on 29 June apparently brought little progress toward resolving the dispute.

Public altercation between the state and central governments has recently increased after a month of relative quiet. On 7 July Kuala Lumpur expelled from Malaysia an alien journalist who was close to Lee. The journalist had frequently offended central government leaders with his sharp criticisms, and his expulsion had long been demanded by Malay extremists. The following day a high Singapore official charged that the central government was preparing to arrest Lee. Razak denied this, but warned that Lee would be held responsible if he used communal issues which threaten national unity. Lee considers his arrest a distinct possibility.

Within Singapore, Lee's position has been strengthened by a sweeping PAP by-election victory over the pro-Communist Barisan Socialist Party in a BSP stronghold. This indicated that the PAP's dispute with the central government and Lee's persistent championing of Chinese political rights has apparently had wide appeal among Singapore's predominantly Chinese population. The results will encourage Lee to continue his tough line with Kuala Lumpur.

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**LAOTIAN NON-COMMUNISTS JOCKEY FOR POSITION**

Friction within the non-Communist ranks in Laos is jeopardizing the stability of Premier Souvanna's coalition government. In recent weeks, several military leaders in key posts outside of Vientiane have expressed their opposition to the present leadership in the capital, charging widespread corruption and favoritism.

These discontented officers, including air force chief General Ma and regional commanders Vang Pao and Phasouk Somly, have disclaimed any intent to move against the capital. Nevertheless, there are indications that they are prepared to take united action should the Vientiane leaders--backed by the potent Sananikone group--seek to extend their control over the regional military. On 12 July General Ma indicated to a US official that he had the power to mount a successful coup should General Kouprasith--commander of the Vientiane military establishment--initiate any action to displace him.

Tensions within the non-Communist camp have increased with the approach of the National Assembly elections, slated for 18 July. Although the Communist Pathet Lao term them "illegal" and will not participate, there has been sharp competition among the 200-odd candidates for the 59 seats. Since the results will not be officially announced until mid-August, there will be ample opportunity for behind-the-scenes factional maneuvering after the ballots are in.

The military situation remains relatively quiet, with only limited skirmishes noted. In the south, government troops engaged in clearing operations in the Route 9 area have made sporadic contact with a sizable enemy force positioned to the northeast of Dong Hene and to the southeast of Pha Lane. North of the Plaine des Jarres, government forces have made limited advances near Route 6.

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**PRO-EGYPTIANS PURGED FROM IRAQI CABINET**

Iraqi President Arif, ending a two-week cabinet crisis which he himself largely precipitated, has succeeded in removing from office the most prominent pro-Egyptians in his cabinet. In the new cabinet announced on 11 July the Nasirists have been replaced by relatively obscure technicians who are likely to prove less rambunctious and more pliable than the pro-Egyptians. Other prominent Nasirists in the security services

and the army are likely to be eased out of their positions in the near future.

The new cabinet appears to be even weaker than its badly divided predecessor and may not long survive. The Nasirists, who will retain residual strength in the army even if some leading pro-Egyptians are retired, may try for a comeback in a relatively short time. Arif carried off his latest moves only by detaching

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air force commander Razzaq--previously a strong Nasirist--from his pro-Egyptian friends, and Razzaq's ultimate political attitude, as well as his future within the regime, remains in doubt.

Since the crisis was primarily a struggle for personal power, government policies are unlikely to change appreciably. Union between Iraq and Egypt was not in the cards even before the Nasirists were forced out of office, but both Nasir and Arif have been reluctant to put into

motion the machinery for achieving unity that has been established in the past year. Arif's 14 July speech claiming that union is still an objective of Iraqi policy is a signal that he is not anxious for an open break with Egypt. Nasir, for his part, has been weakened in the Arab world by the recent Algerian coup, by continuing troubles in Yemen, and by increased hostility to his policies from the Baathists in Syria and is unlikely to seek an open quarrel with Arif at this time.

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#### ALGERIAN CABINET FORMED BY BOUMEDIENNE

Colonel Boumedienne has completed the organization of a cabinet and probably will soon be under great pressure to meet public needs and revitalize Algeria's stagnant economy. However, his regime shows little promise of being able to make rapid headway in overcoming the administrative mismanagement that all but paralyzed the country under Ben Bella. Although Boumedienne has no political following of his own, the regime may in time achieve real grass-roots support because of the large number of local military leaders prominent in it.

On 10 July the ruling National Council of the Revolution announced the new 20-man cabinet --with Boumedienne as premier and defense minister--which will implement the council's policies and run the government. The former minister of economics and industry has been replaced by a probably more competent "technician" who has been the chief

negotiator in the current aid talks with France. In the key ministries of foreign affairs and agriculture, however, Ben Bella's ministers remain. There has been little indication that any of the present cabinet knows what must be changed to achieve efficiency.

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Rabah Bitat, who maintained his distance from Ben Bella but never completely broke with him, is listed as "minister of state." The position appears to be honorific, and his duties, if any, are unclear.

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### TSHOMBE LOSES ROUND IN CONGO POLITICS

Congolese President Kasavubu seems to have emerged with added strength from the latest round in his struggle with Premier Tshombé. The premier backed away from provoking a major crisis when he decided not to challenge Kasavubu's dismissal of interior minister Munongo, Tshombé's controversial close adviser.

By dismissing Munongo, Kasavubu demonstrated the vastly greater legal prerogatives of the President over those of the premier--the issue which is the heart of the feud. The choice of Munongo's replacement--on whom premier and President must agree--should indicate whether the political tide continues to move in Kasavubu's direction. The President's supporters are

actively lobbying to get control of this key ministry.

The two antagonists are also fencing over putting into force provisions of the 1964 constitution regarding the cabinet, including one barring ministers from simultaneously sitting in parliament. Tshombé is resisting pressure from Kasavubu to form a new government to fulfill this and other constitutional requirements, mainly because he fears that if he gave up his parliamentary seat he would be defenseless against arrest and trial if subsequently fired from the premiership. He now claims to have found legal justification for suspending the ban on dual positions.

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### RHODESIA SETS GRADUAL COURSE TO INDEPENDENCE

Rhodesian Prime Minister Smith's restrained reaction to events at the Commonwealth conference last month indicates that he plans to continue his policy of gradually working toward independence through negotiation and constitutional revisions, and to avoid a unilateral declaration of independence (UDI) except as a last resort.

In late June, he wrote Prime Minister Wilson that any move on Britain's part to submit to Commonwealth African demands for a constitutional conference would be considered interference in

Rhodesian affairs, and might provoke a UDI. The over-all theme of the letter, however, was that he was always willing to consider the British prime minister's views, and hoped that negotiations on Rhodesia's future would proceed smoothly.

Prior to the Commonwealth meeting, Smith had agreed to a set of principles--including unimpeded progress toward majority rule--as the framework for negotiations. He warned, however, that his interpretation of these principles might differ from that of the UK.

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According to a British official in London, the UK feels compelled to produce results because of increased pressure from African Commonwealth members, and must get down to the "nuts

and bolts" of the Rhodesian problem. Smith, on the other hand, has lofty contempt for the opinions of most African governments, and is unlikely to make concessions simply to ease London's dilemma.

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Europe

NEW FRICTION WITHIN ITALIAN GOVERNMENT COALITION

Friction between Italy's Christian Democrats (CD) and their coalition partners is likely to be aggravated by the parliamentary debate, beginning 16 July, on corruption charges against CD Senator Guiseppe Trabucchi. A precarious political situation will exist during the week or more of debate, although the consensus of coalition leaders is that the case will not deteriorate into a government crisis.

Last week the Socialists (PSI)--supported by Social Democratic, Republican, and nongovernment party votes--won approval over CD opposition for their resolution to debate the impeachment of Trabucchi, a former finance minister accused of "abuse of power" for his role in the import of Mexican tobacco. The Trabucchi affair is one of a number of charges of high-level corruption in office that have plagued the Moro government this year. Its implications may be serious because the direct CD-PSI confrontation reflects and intensifies--as did last month's film law dispute--suspicion and mistrust between the two major parties in the governing center-left coalition.

In part, the PSI's resolution on the Trabucchi case can be explained by the party's feeling--as it begins to prepare for its October congress--that it must not allow its association with the Christian Democrats to obscure its own political identity. The Trabucchi scandal reinforces the PSI's insistence on the need for decisive action on the government's social reform program, including effective measures of bureaucratic reform.

CD-PSI differences could be exacerbated by the increasing strains within the Socialist Party. Those PSI elements who favor withdrawal from the coalition can be expected to intensify their attacks on the government, capitalizing on dissatisfaction within the PSI over the gradual erosion of electoral support for the party in recent elections. The sensitive issue of Socialist - Social Democratic unification is also likely to complicate PSI leader Nenni's task of holding together his progovernment majority during the pregress campaigning in coming weeks.

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**GREEK POLITICAL CRISIS AT HIGH PITCH**

The controversy between Prime Minister Papandreou and King Constantine over control of Greece's military leadership has aroused the country about the constitutional issue of the Crown's prerogatives.

Early in the week the King reportedly had agreed to accept the removal of Defense Minister Garoufalias, who had been voted out of the ruling Center Union (EK) party, in effect, for refusing Papandreou's request that he resign from the cabinet. Garoufalias had incurred Papandreou's wrath by opposing some of his policies and as a center of palace influence. The prime minister appeared anxious to control the military in order to protect the reputation of his son Andreas, who has been under attack for connections with a group of left-of-center officers. Papandreou was prepared to allow another of his targets, army chief of staff Gennimatas, to keep his post, at least temporarily. In addition, according to the compromise arrangements, Papandreou was to assume the title of minister of defense, but to appoint an alternate minister acceptable to the King to actually run the ministry. Papandreou's support from his cabinet, however, which early

in the week was unanimous, has shown signs of weakening, and the King's stand has stiffened. Constantine has balked at accepting Papandreou's assumption of the defense portfolio, and has still not signed the decree necessary to remove Garoufalias, whom he has considered a bulwark against left-wing influences in the armed forces. In the search for agreement on some other figure for the Defense Ministry, evidences of a split in the EK have appeared.

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Leaders of the Communist-front United Democratic Left are exploiting the crisis. They have called upon the members to unite in a popular front with the Papandreou government in the battle with the Crown to preserve "democratic processes" and restrict the palace to its constitutional limits.

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### THE COMMON MARKET CRISIS

The basic political issues which have emerged from the current crisis over the EEC financial regulations are unlikely to be resolved in the foreseeable future. Most observers now believe that the EEC Commission's attempt, in connection with those regulations, to push De Gaulle further toward supranational development of the community has been effectively stymied by the French President's counter-threat to destroy the existing Common Market institutions.

The Commission and its supporters have always been willing --if faced with intractable opposition--to postpone confrontation on these questions to a later date, and they are more of a mind to do so now. If De Gaulle is willing to accept a truce, he can very likely get most of what he wants by way of interim financing arrangements. If, however, he is determined to have a clear-cut decision at this time in his favor, no interim compromise seems possible, and the present crisis will likely drag on to a denouement, probably early next year.

France's "empty chair" policy is effectively preventing the community from undertaking any significant new activity although most routine matters are proceeding--sometimes with French participation. Paris continues to maintain that bilateral dis-

cussions among the six governments are the only way to find a solution to the financing problem. Although there had been hints from the French that they might attend the 26-27 July Council meeting if their demands were met, a government statement following a 13 July cabinet meeting asserted there was no change in France's boycott policy.

The exploratory talks in Paris this week between the French foreign minister and his Dutch, Belgian, and Italian counterparts were apparently inconclusive. Foreign Minister Luns at the Netherlands and Spaak of Belgium have indicated a conciliatory attitude toward the French position, but have reaffirmed that any new financing proposals must come from the Commission, as the treaty provides. Luns has said that a French attempt to destroy the EEC institutions, including the position of the Commission, would provoke an "extremely serious confrontation." The Italians, who will be in the chair, apparently intend to convene the July Council session as scheduled, although they do not expect much to be accomplished in the absence of the French.

With the sacrosanct vacation season coming on, serious negotiation in any forum between July and the end of September will be difficult to arrange. This delay may only serve to confirm

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the stalemate, but it will also allow a further build-up of economic pressures for some kind of a settlement. The concerns of interest groups with important economic stakes in the Common Market have thus far not been strongly vocalized, but it seems certain that farmers worried about future markets, businessmen uncertain of how to invest, and unions anxious about the future level of economic activity will become more articulate in coming weeks. Again, however, a settlement even in the fall would depend on the willingness to set aside the political issues which have been brought to the forefront in the past two weeks.

In the meantime, there may be increased awareness of the legal and practical difficulties in the way of any attempt by De Gaulle to "assassinate" the community's institutions. The first opportunity to eliminate certain members of the EEC, European Coal-Steel Community, and EURATOM executives would arise following ratification by the six national parliaments of the recently concluded treaty to merge the three executives. At the moment, however, it is still uncertain when this will be accomplished, and it is possible that some parliaments

might refuse to ratify the treaty if they believe such action would open the possibility for a French attack on community institutions.

Once the treaty has been ratified, unanimous agreement of the governments is necessary to designate members of the new executive. Lacking such agreement, the present members would continue in office without any impairment of their powers. In that event another chance for designating new members will occur when the present incumbents' terms begin to expire in September 1965. Again, however, they will continue in office unless their successors are chosen unanimously.

It is in the period following an executive merger, therefore, that many observers perceive the most dangerous French threat, since the merger would inaugurate discussions as to how the three communities themselves--EEC, ECSC, and EURATOM--are to be combined under a single treaty. It is widely supposed that France may attempt at that time to gain agreement for striking out the majority voting provision and other supranational features of the existing treaties.

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Western Hemisphere

SITUATION IN THE DOMINICAN REPUBLIC

A political settlement of the 12-week-old Dominican crisis still seems some weeks off. The committee of the Organization of American States which has been on the scene since early June trying to promote a political accord managed last week to secure the rebel camp's reluctant acceptance of Hector Garcia Godoy as president of a proposed provisional government. However, the acceptance was conditioned by rebel demands that are clearly unacceptable to the Imbert government.

The military leaders loyal to the government have similarly accepted Garcia Godoy, but the government's counterdemands are certain to be opposed by the Caamano regime. Ambassador Bunker, the US member of the OAS committee, has recommended postponement of the Inter-American Conference scheduled to open on 4 August because of the disruption that a still-unsettled Dominican situation would be sure to cause at the conference.

Garcia Godoy, a respected former diplomat who served briefly as foreign minister when Juan Bosch was president, is having difficulty finding capable Dominicans to serve with him in a provisional government. Several of the men he has approached are reluctant to serve because the regime will be performing a very difficult transitional role that will have to include repressive

measures against extremist elements.

Meanwhile, the leaders of Bosch's Dominican Revolutionary Party appear to be laying the groundwork for participation in the elections which the OAS envisages for some time next year. Anxious for an early political settlement, they have accompanied their acceptance of Garcia Godoy's candidacy with charges that this decision was imposed on them by US military force and that they had no alternative.

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Joaquin Balaguer seems to be emerging as stronger than any contender the Bosch forces are likely to put up in the expected election next year. Some idea of his expected tactics emerged last week in an interview he granted to the extremist-controlled rebel newspaper Patria. The former president made clear that he intends to appeal to leftist and nationalistic sentiment. He expressed himself in favor of the participation of extremist parties in the election, claiming that this would give the people "a clear choice." He declared that the OAS intervention was "a shameful act, but an unavoidable reality" and said the country should seek economic independence. A person close to Balaguer

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has warned US officials that his campaign statements can be expected to be very nationalistic but should not be interpreted as indicative of any weakening in Balaguer's friendship for the United States.

Meanwhile, there are new signs of bitterness between rival factions in the rebel camp. Extremists, presumably members of both the pro-Peiping and the pro-Castro Communist factions, went out of their way to embarrass Caamano during a 12 July rebel rally. In an obvious at-

tempt to sabotage Caamano's effort to appear conciliatory, these extremists burned a US flag and engaged in other inflammatory acts.

The two hard-line Communist groups, the Dominican Popular Movement and the 14th of June Group, are both strongly opposed to a negotiated settlement of the crisis.

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#### PERUVIAN INSURGENCY

Public concern over guerrilla activities in central Peru has abated somewhat since the armed forces took command of counterinsurgency operations last week. The public seems to feel that the guerrillas now will be at least contained if not eliminated.

No serious clashes between government forces and guerrillas of the Movement of the Revolutionary Left (MIR) are known to have taken place since the disastrous ambush of a police patrol on 27 June. Army rangers have moved into the central zone area of operations, ready to go into action if needed. More than 400 civil guard police troops are controlling travel in the area,

and investigative police continue to arrest and interrogate persons suspected of aiding the MIR.

There are no firm indications that the central zone guerrilla stronghold in Junin Department has disintegrated.

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**POLITICAL CONTROVERSY IN BRAZIL**

More political fireworks can be expected in Brazil during the months ahead as the Castello Branco administration comes to grips with a number of challenges to its prestige and authority. Most of them will be related, either directly or indirectly, to the gubernatorial elections scheduled in half of Brazil's 22 states this October, or to the presidential election now slated for late 1966.

Of most immediate concern to the administration is its effort to bar the candidacy in the election of certain persons it deems unacceptable--a few cabinet ministers and other public officials of the Goulart era. While Congress may make a few modifications in the government's draft "law of ineligibilities," a hard-fought but decisive government victory appears imminent. Loud grumbling from both those who oppose the stringency of the measure and those who believe that additional candidacies should be proscribed doubtless will continue for a long time, however.

Two powerful state governors have been making headlines recently with the vehemence of their attacks on certain of President Castello Branco's policies. Governor Jose de Magalhaes Pinto of Minas Gerais has taken particular exception to the government's decision to go ahead with the October elections--in which he is ineligible to succeed himself. He fears that, once he leaves gubernatorial office, his chances of a presidential nomination will be greatly diminished.

Potentially more serious to the government in the long run are the histrionic tactics being used by Governor Carlos Lacerda of Guanabara in his presidential campaign. Lacerda has become increasingly vitriolic in his criticism of the administration's policies, but a formal break with the President appears unlikely so long as the governor feels he still has a chance of running in the 1966 presidential race with the endorsement of Castello Branco or his allies in the revolution. In the meantime, Lacerda's efforts to win support among opposition groups are bound to produce new problems for the government as well as for Lacerda's own party, which generally has provided the bulk of the regime's political support.

The most pressing problem for the government as far as the presidential election is concerned is whether Castello Branco himself will run for a full four-year term. Although Castello Branco continues to disclaim any further presidential ambitions, many militant revolutionaries believe that his re-election is absolutely essential if the fruits of the revolution are to be preserved or extended.

Political maneuvering on these and similar issues will occupy more and more of the government's time and energies in the months ahead. However, none of these activities now appears likely to shake the government from its present policies or force radical revisions of its programs.

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NEW CHALLENGE TO MILITARY REGIME IN ECUADOR

Ecuador's military junta has tenuously survived another crisis, this time a concerted effort by a coalition of political forces with mob support to force an alteration in the regime's announced program for transition to constitutional rule.

The antigovernment National Patriotic Junta attracted most political parties and movements to a plan for staging nationwide mass demonstrations beginning 9 July on the anniversary week end of the military coup that brought the present government to power. As mob violence mounted--especially in Guayaquil--the government restored public order by wholesale arrests of political, student, and dissident leaders, and by the imposition of martial law in Guayaquil on 13 July.

In a communiqué issued late on 14 July, the government conceded its willingness to revise

the transition plan in consultation with political leaders. If it does not carry through with major concessions now, its resort to dictatorial measures will probably provoke continuing demands that it step down in favor of an interim civilian president who would preside over elections. Former president Galo Plaza has been prominently mentioned for this role, and has offered his services to the government as mediator.

Some politicians, recognizing that present plans to reform the constitution by decree will destroy their chances, are also determined to agitate for a traditional constituent assembly in which all would have the opportunity to debate constitutional reform--probably ad infinitum.

Regardless of the immediate course of events, the junta faces increasing difficulty in maintaining national stability.

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