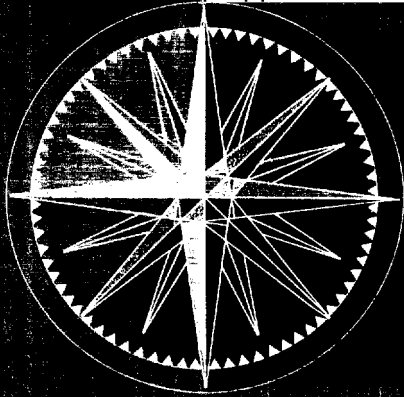


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6 August 1965

OCI No. 0301/65

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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C O N T E N T S

(Information as of noon EDT, 6 August 1965)

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VIETNAM	1
<p>Announcement of the planned US troop build-up in Vietnam drew defiant propaganda responses from Hanoi and Peiping, but Soviet media have treated it routinely as an admission of the failure of US policy. DRV propaganda also is stressing the need for more bloc aid, and the air strikes have begun to depress popular morale at least in the southern DRV. Viet Cong main force units continue to avoid contact with Vietnamese Government and US troops, but have maintained small-scale actions chiefly against communications lines and targets around Saigon. Despite the rumors in Saigon that the generals on the Military Directory may try to oust Premier Ky, there is no evidence of an impending crisis.</p>	
<p><u>The Communist World</u></p>	
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<p>Analysis of recent speeches and articles by top members of the Soviet regime suggests that they have reached some decisions on the knotty problem of resource allocations, but that differences over economic reform which could split the leadership are beginning to emerge.</p>	
EASTERN EUROPEAN REACTION TO US "BRIDGE BUILDING" POLICY	
<p>In the year since President Johnson enunciated the US desire for better relations with Eastern Europe, the attitudes of Czechoslovakia, Hungary, Poland, and Hungary have softened--a trend which in general has not been affected by the Vietnam situation. Albania and Bulgaria have been hostile to the "bridge building" policy from the beginning, and East Germany--to which the policy does not apply--has also criticized it. (Published separately as Special Report OCI No. 0301/65B)</p>	
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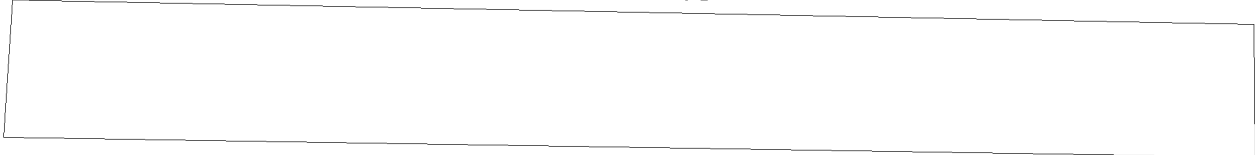
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RUMANIA'S RELATIONS WITH EAST AND WEST GERMANY 8
The Bucharest regime, apparently undeterred by East German admonitions to the contrary, is moving toward closer relations with Bonn, possibly formal recognition.

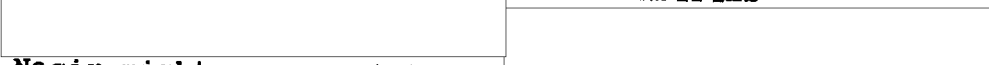
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The postponement of a World Bank meeting on aid to Pakistan has accelerated the downward trend of US-Pakistani relations. The Pakistanis are charging the US with exerting political pressure and are searching for alternative sources of aid, so far without much success.

EGYPTIAN-SAUDI SPARRING OVER YEMEN INTENSIFIES 13

Nasir might carry out his threat to attack Saudi Arabia.

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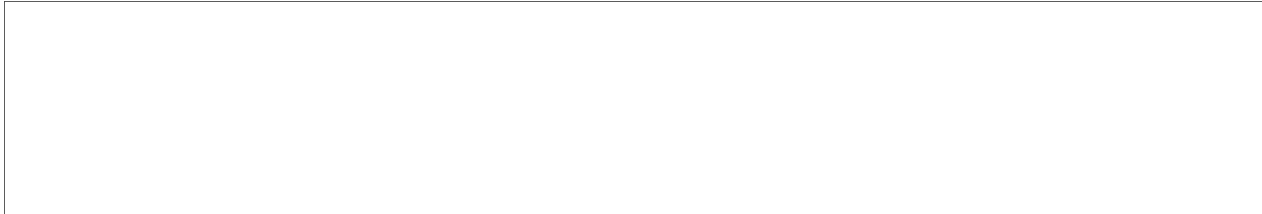
GREEK POLITICAL CRISIS ENTERS NEW PHASE 14
The search for a compromise premier has become more urgent with the defeat of the Novas government. The King still appears adamant in opposing the return of Papandreou, who retains enough support to block any other candidate. Unless the threatened head-on clash is averted, leftist extremists appear certain to benefit from the continued instability.

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NATO ESTABLISHES "SELECT COMMITTEE" ON NUCLEAR PLANNING 15

The committee will tackle the problems of extending Allied participation in NATO nuclear planning and improving communications vital to decisions to use nuclear forces. There is still some uncertainty, however, about which defense ministers will make up the committee.



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PROSPECTS FOR THE NEW BELGIAN GOVERNMENT 16

The continuing linguistic dispute will probably impede enactment of the new government's domestic program, but retention of Paul Henri Spaak as foreign minister should permit effective action on foreign policy questions.

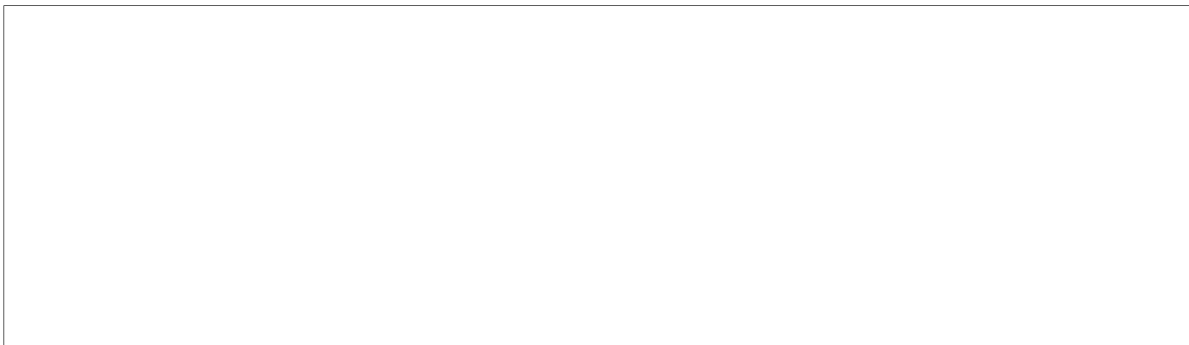
Western Hemisphere

DOMINICAN PEACE TALKS CONTINUE AS COMMUNISTS REGROUP 18

While negotiations for a settlement of the Dominican Republic's three-month-old crisis center on the thorniest issues, diverse factions in the Communist camp are preparing for their future roles in the country.

POLITICAL UNREST IN HONDURAS 20

Strong-arm methods used to put down a Communist-called general strike sparked a protest rally which led the government to declare a modified state of siege on 30 July.



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REVIEW OF INSURGENCY IN LATIN AMERICA

21

Communist or pro-Communist guerrillas are most active in Colombia, Guatemala, Peru, and Venezuela (the four countries cited by Castro as ripest for revolution) but do not constitute a serious short-term threat to any of the governments. Communists do add materially to political instability, however, and would attempt to fill the void if political institutions collapsed as in the Dominican Republic

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VIETNAM

President Johnson's announcement of the planned US troop build-up in Vietnam drew a strong and defiant propaganda response from both Hanoi and Peiping. In language intended to convey an impression of unshaken Vietnamese Communist resolve, Hanoi declared that it would fight for "20 years" if necessary, regardless of the number of US forces sent to Vietnam. As for a negotiated settlement, the North Vietnamese asserted that the only honorable way out for the US was to implement the Geneva agreement and accept the DRV's four-point proposal. UN intervention, said Hanoi, is also unacceptable.

Stripped of its bombast, this response indicated that the North Vietnamese now are convinced that Washington is committed to carry on the war in Vietnam and that they anticipate considerably stronger US military initiatives in the future. A 3 August Hanoi party daily editorial accused President Johnson of "taking a series of other war measures which he dared not yet make public."

In contrast to earlier emphasis on its own ability to handle any US military action, Hanoi's current propaganda--almost plaintive in tone--is playing up the importance of bloc help. Extensive publicity has been given the aid agreements signed in July as a result of Deputy Premier Le Thanh Nghi's tour of bloc capitals, and the need for increased assistance has been discussed in party daily

editorials. A 2 August DRV government statement, directed at the announced US troop build-up, called on "all Socialist countries to wage a still more resolute and timely struggle and to extend increased support and assistance in all fields."

Peiping's first authoritative response to the President's speech came in a People's Daily editorial of 3 August which adopted the same defiant position Hanoi has been taking. Making a detailed comparison of the present situation with that at the time of the Korean war, the editorial claimed that the outlook now is much more gloomy for the US than 15 years ago. The editorial may also have been intended to bolster the morale of any in the Communist camp--including North Vietnamese--who were shaken by the US announcement.

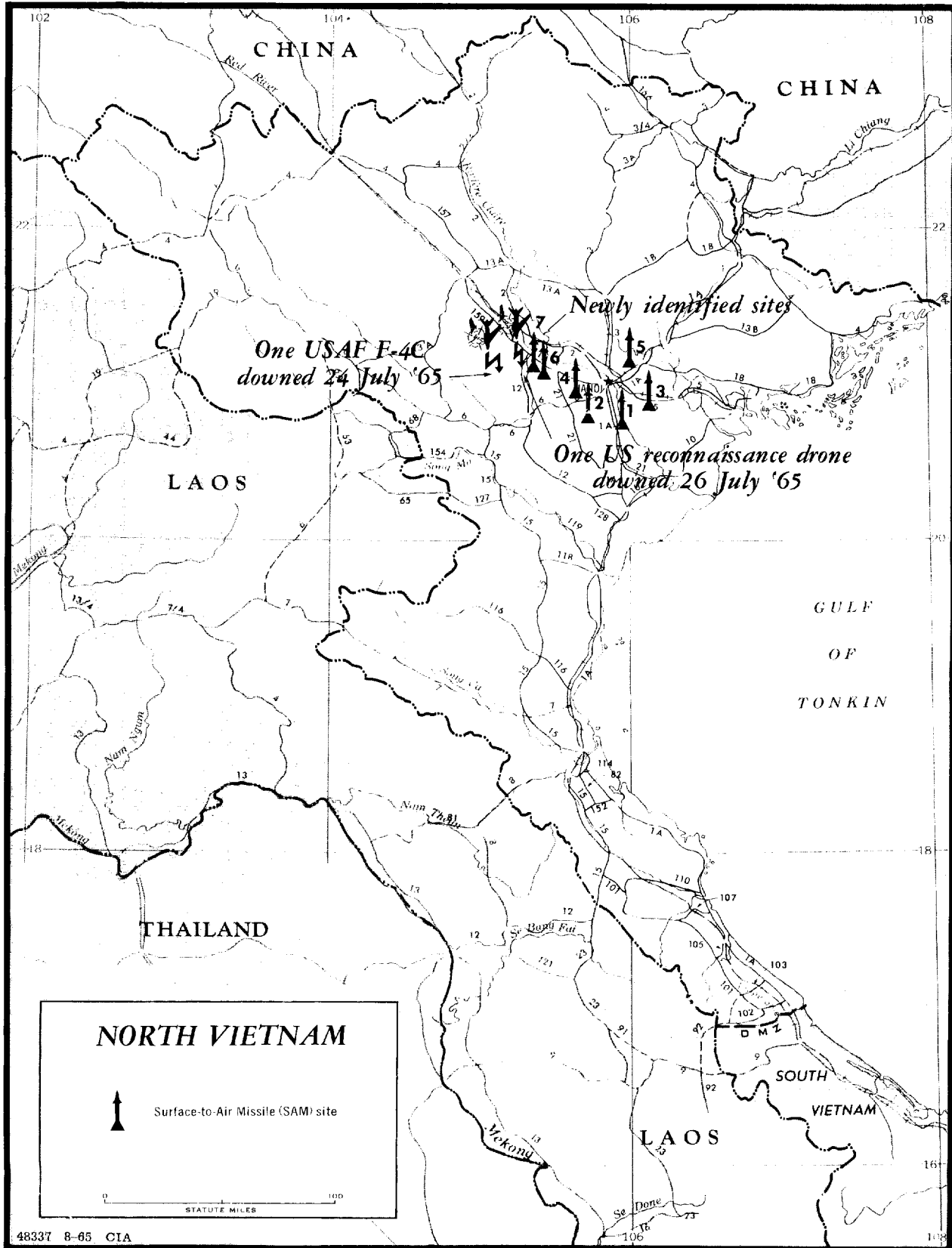
There has been no authoritative Soviet comment, but extensive routine propaganda coverage of the planned US build-up tends to play down its significance and treats it as an admission of the failure of American policy. Little was said about the President's remarks on negotiations.

DRV Morale

The near daily air strikes of the past months have begun to depress popular morale in the southern part of the DRV.

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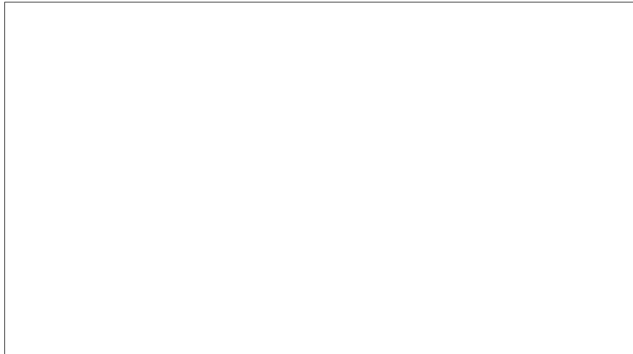
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Most marketing is transacted at night, some factory and handicraft work has been suspended, and in many areas able-bodied men have been drafted for military service or construction teams.

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Surface-to-Air Missile Sites

Recent low-level photography has not clarified the status of the two newest SAM sites--numbers 6 and 7--in the DRV. Photography [redacted] revealed dummy missile and radar equipment at site 6. It is not known whether this site was operational on 24 and 26 July when an F4C and a reconnaissance drone were shot down by missiles.

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Photography of site 7 [redacted] did not show any SAM launching equipment but indicated that such equipment may have been present earlier. The Soviets or Vietnamese could be moving the highly mobile SA-2 equipment from one site to another to make it more

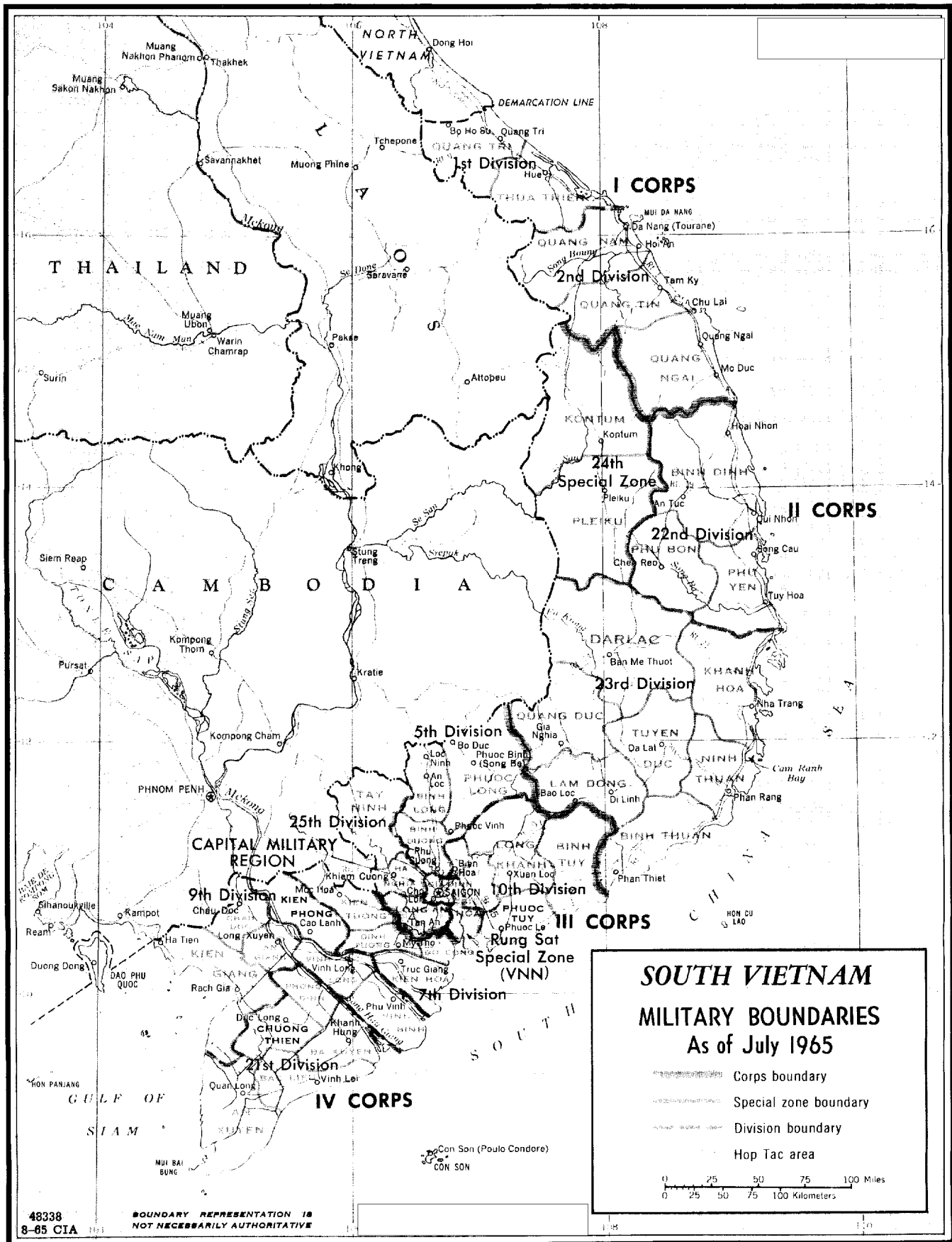
difficult for the US to plan a strike against an operational site.

Military Action in The South

Viet Cong main force units generally continued to avoid major contact with Vietnamese Government and US forces during the past week. The only battalion-level attack occurred at a regional force training center in Kien Phong Province on 30 July and resulted in 60 government casualties. Small-scale Communist actions in the form of road mining, terrorism, ambushes, and hamlet harassment were more frequent than last week. These were focused on lines of communication and on targets in the Saigon area. Free use of roads in the I, II, and III Corps zones has virtually been denied to the government, with all movements in these areas now requiring heavy escort.

Government-initiated action remained at about the same level as last week, with a slight reduction in casualties reported. The most significant operation occurred on 28-29 July when government troops made contact with a well-entrenched Viet Cong battalion in Chuong Thien Province. In this action, 54 enemy troops were confirmed killed, and an additional 150 were estimated to have been killed and carried away. Government forces sustained 68 casualties. Another government operation in the IV Corps zone

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from 29 to 31 July was directed against a 400-man ethnic Cambodian bandit group suspected of receiving Viet Cong support. Psychological warfare activities resulted in the defection of 128 members of this gang, 36 were killed in military action, and the remainder fled into Cambodia.

A B-52 bomber strike against a suspected Viet Cong base in Phuoc Tuy Province on 28 July initiated the largest US ground operation to date, involving three US Army infantry battalions and supporting artillery on a five-day search-and-destroy mission. The operation ended on 1 August without significant enemy contact. Viet Cong casualties were two killed, two captured, and one wounded.

South Vietnamese Politics

A scheduled meeting of the ruling military Directory this week has apparently set off rumors in Saigon that the generals may attempt to oust Premier Ky, but there is no evidence of an impending crisis.

Ky apparently does not expect any move against him and still plans to visit Taiwan and Bangkok in mid-August. The Vietnamese may be seeking a contribution of Chinese Nationalist troops.

Ky has also continued his visits to the South Vietnamese provinces. On one such trip he admitted he was making slow progress in implementing his 26-point government program. His continued denunciation of domestic profiteers and obstructionists suggests some irritation over the obstacles he is encountering. Perhaps to emphasize the government's toughness, stiff penalties were handed down by a military court on 4 August to 21 persons arrested under the Quat regime for sponsoring a subversive peace movement. On the other hand, the Ky government has been unusually conciliatory toward an offer by a dissident tribal autonomy movement--known as FULRO--to cooperate militarily against the Viet Cong. Negotiations are continuing on this matter, but long-standing suspicions on both sides and some indications of duplicity by some of the tribesmen are complicating the issue and contributing to a tense situation.

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The Communist World

SOVIET LEADERS VOICE OPINIONS ON CURRENT POLICY ISSUES

Analysis of recent speeches and articles by top members of the Soviet regime suggests that they have reached some decisions on the knotty problem of resource allocations, but that differences over economic reform which could split the leadership are beginning to emerge.

An unusual number of top leaders have spoken out on domestic issues in recent weeks-- during July a total of ten speeches and one published article by eight members of the party presidium. The differing views expressed in their remarks appear to represent personal opinions and to reflect an absence of collective decision and of any firm line in the party's propaganda machine.

The differences, expressed or implied, on the question of reform of economic administration are of the kind and intensity that could lead to factionalism, to an outright power struggle, and ultimately to a shake-up in the leadership.

The regime has thus far, however, exhibited a capability for closing ranks and composing differences, and it may yet be able to avoid a head-on clash over the economic reform issue. Any resolution of current disagreements, however, is likely to result in

a slow pace of reform and a watering down of proposals. These proposals have ranged from structural reorganization, to shake-ups in personnel, to radical changes in the nature of the system itself, but have generally centered on some form of less centralized planning and management, and more consideration for consumer preferences in economic decision making.

A statement by presidium member Kirilenko on 24 July that the development of the output of consumer goods had been set in the new five-year plan "at about the same high rates" as the means of production suggests that some basic decisions on the highly complicated and perennial resource allocation problem have been reached. To judge by the admittedly limited information in his statement and the implications in other of the July speeches concerning the "material well-being of the people," such decisions seem to favor the pro-consumer forces. However, most of the speeches also echo the thought which Shelepin states explicitly: "We shall in the future do everything in our power to enable our army and defense industry to achieve those standards which are dictated by the international situation."

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POLISH CENTRAL COMMITTEE PLENUM

Poland's party leadership apparently quashed a clash over economic policy prior to the 26-28 July central committee plenum, and no basic change in policy or planning resulted from the meeting. The regime presented an economic reform program aimed at improving planning and management in the forthcoming five-year plan period (1966-70), without decreasing central controls. The Poles, however, stressed profitability, scientific planning, greater responsiveness of producers to consumer desires, and extension of planning beyond the traditional one-year and five-year periods, as have some other bloc countries.

Although the reforms discussed at the plenum were numerous and touched nearly all aspects of planning and management, it was made clear that no real decentralization of planning and no substantial expansion of the market's role in allocating resources is envisaged. In his opening speech at the plenum, Planning Commission Chairman Jedrychowski denounced those who denied that central planning is essential. As outlined in plenum discussion, the reforms are designed for the most part to improve the efficiency and precision of central planning and to increase the effectiveness of controls.

In presenting its program the regime probably intended to give the impression that the Poles are undertaking a real lib-

eralization of their economy and are thus keeping up with the Czechs and the Soviets, whose economic reforms have been widely touted in recent months. The leaders may also have intended to close the door on pressures from Polish liberals who have urged a thorough overhaul of the economic system.

The party leadership probably forced acceptance of its program for two reasons. The Polish regime, unlike the Czech and East German regimes, has not been, and seems unlikely to be, forced by economic difficulties to accept major economic reforms. With the exception of a slowdown in 1962-63 stemming mainly from agricultural failures, over-all economic growth has been fairly rapid in Poland and, despite some consumer dissatisfaction at the slow increase in wages and consumption during the 1960s, there have been no major disturbances.

Moreover, party first secretary Gomulka has always feared that, given the weak position of the party in Poland, any substantial lessening of central controls over the economy might mean a loss of party control. On these grounds Gomulka halted the 1956 reform program, which had put Poland in the forefront of bloc moves for liberalization, and has opposed pressures for liberalization ever since.

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RUMANIA'S RELATIONS WITH EAST AND WEST GERMANY

Rumania's leaders apparently were not moved by East German party boss Ulbricht's recent efforts to persuade them to abandon plans to expand relations with West Germany.

Despite Ulbricht's rather strained relations with Bucharest, he was one of the few foreign party leaders to attend the Rumanian party congress in July. His warnings there that Bonn is conducting a "two-faced" policy with "revanchist motives" seem to have been ignored. East German and Rumanian news stories about a subsequent meeting between the East German and Rumanian foreign ministers omitted the customary statement that unanimity of views was achieved.

Bucharest has not concealed its interest in improving relations with Bonn. Rumanian leaders ostentatiously gave the "red carpet" treatment to West German exhibitors at Bucharest's Industrial Fair last May. The trade missions exchanged in October 1963 assumed consular functions last April. The West German Trade Mission in Bucharest predicts these consular func-

tions will be expanded into formal diplomatic ties "perhaps a few months" after the West German elections on 19 September.

Chancellor Erhard recently told a press conference that Bonn's policy will not be occupied "in the near future" with Eastern European relations. Erhard tends to be politically cautious and, faced with elections as well as a strong conservative element within his party, probably will not authorize any change in the status of his country's relations with Rumania for the next several months.

The West German Foreign Ministry has been studying the question of diplomatic relations with Eastern European countries and is doubtless more favorable to the idea than Erhard. The knotty, and still unresolved, problem for the West Germans is how to recognize Rumania without encouraging nonaligned countries to emulate the Rumanians, who would thus have diplomatic relations with both East and West Germany.

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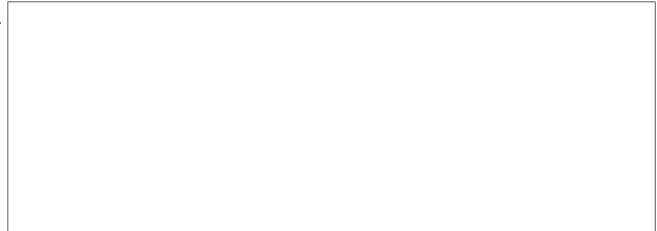
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COMMUNIST CHINA'S GOLD PURCHASES

During the last three weeks Peiping has purchased about \$30 million worth of gold on the London market boosting the total bought since January to around 90 tons valued at approximately \$100 million.

A recent statement by the chairman of China's Council for Promotion of International Trade indicated that the gold bullion was being procured as a hedge against a possible devaluation of sterling "because the pound had weakened." It is also possible that conservative Chinese banking officials, taking advantage of the uneasiness over sterling and the situation in Vietnam, are building up the nation's scanty gold reserves now estimated at less than \$300 million.



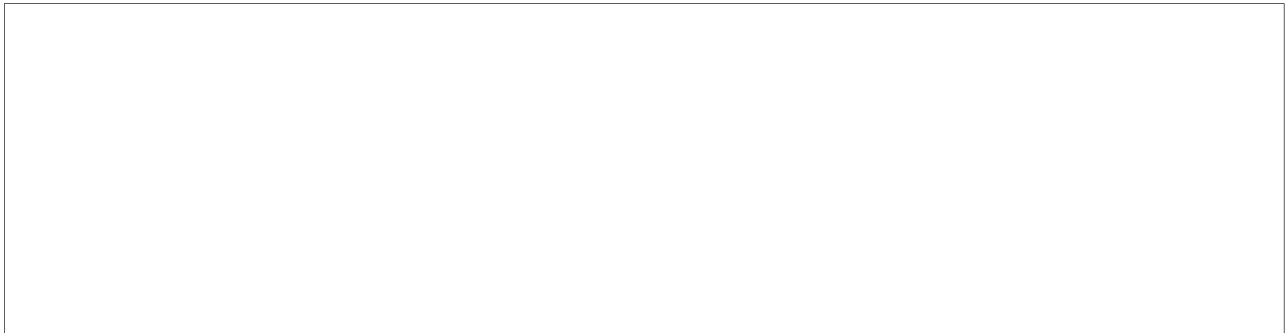
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Although bullion dealers expect that Peiping will probably buy more gold, there is no evidence that China plans to liquidate all its holdings of sterling, the currency it uses for most of its trade. Peiping holds about \$200 million in Western currency, about three-quarters of it in sterling. Peiping is believed to maintain about \$100 million in sterling in Britain to meet current foreign trade requirements, and at least another \$50 million in sterling elsewhere in the industrial West.



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CEYLONESE GOVERNMENT TO UNDERGO FIRST TEST

Debate on its first budget message during the next several weeks will put Ceylon's five-month-old Senanayake government to its first serious parliamentary test. A leftist opposition "coalition" headed by former prime minister Bandaranaike and supported by Communist and Trotskyist elements is homing in on economic issues in its efforts to rebound from last March's election defeat.

Senanayake is expected to weather the storm, but is vulnerable because he has made lit-

tle headway against the economic disorder that was largely responsible for the collapse of Mrs. Bandaranaike's government. Prices remain high, and the foreign exchange situation is as critical as ever. Economic planning machinery has been extensively revamped, but few concrete programs have emerged. Moreover, the newly formed World Bank (IBRD) aid-donor consortium at its first meeting on 28 July was unable to raise the \$50 million that the bank considers essential to forestall further decline during the remainder of 1965.

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PAKISTANI-US RELATIONS DETERIORATING

Relations between Pakistan and the United States continue to deteriorate, accelerated by Pakistan's angry reaction to the recent two-month postponement-- at Washington's behest--of last week's scheduled World Bank (IBRD) consortium-pledging session on aid for Pakistan.

The sharp worsening of relations has shaken the confidence of the Pakistanis, and they are overcompensating, allowing bluster to substitute for discussion and national pride to overshadow reason. Barriers to a broad range of contacts between Americans and Pakistanis are rising, and Pakistani officials are looking for ways to maintain their country's economic development momentum without US aid, if necessary.

Pakistan rejects Washington's explanation that congressional uncertainties prevent the US from pledging aid for the first year of Pakistan's new five-year plan at this time. President Ayub particularly feels betrayed once again by American policy and has charged that the postponement is nothing more than political pressure aimed at forcing Pakistan to alter its present foreign policy of normalizing relations with Peiping and Moscow and improving its image in the Afro-Asian world. He is especially aroused by the timing of the postponement of the aid-pledging session, since the IBRD had already endorsed Pakistan's new plan.

Pakistan has turned to diplomatic maneuverings with

sympathetic consortium members in an attempt to apply pressure on the US to alter its position, but thus far without conspicuous success. In addition, Pakistan has sought and received gestures of moral support from the Soviet Union and China; no concrete financial assistance has been announced, however, and little is likely.

A press campaign--directed by Ayub--is aimed at rallying public support behind the government's policies, while consistently misrepresenting the US position. The campaign has constantly pursued two themes that US aid means political enslavement and that economic development can continue without US aid.

Within the Pakistani Government the position of pro-Western elements, such as Finance Minister Shoaib, has apparently been weakened, while Foreign Minister Bhutto's stock seems, for the moment at least, on the rise.

Ayub, however, is not letting Pakistan's reaction get entirely out of control. While anti-American elements will probably have wide license to heckle Washington through the remainder of the summer, it will be up to Ayub to decide at what level he believes this vituperation must stop. He does not want to go beyond his immediate political needs and thereby hurt Pakistan's chances of getting the assistance its financial experts still expect from the September pledging session.

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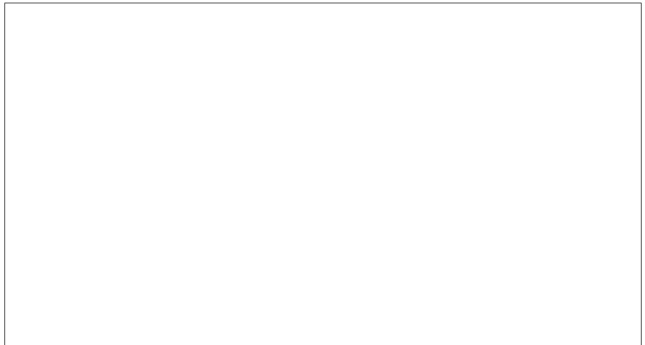
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EGYPTIAN-SAUDI SPARRING OVER YEMEN INTENSIFIES

Sparring between the Egyptians and Saudi Arabians over Yemen has recently intensified, and renewed Egyptian attacks on Saudi territory are a possibility.

In his speech of 22 July Nasir threatened war against Saudi Arabia if the current peace talks prove to be unsuccessful. He tempered his threat by saying that Egypt might be able to withdraw its troops from Yemen in six weeks or less, should the talks succeed. This theme was taken up by other Egyptian Government officials, and Yemen soon followed suit, with speeches by President Sallal and Premier Amri. Yemen also sent an official protest to the UN against Saudi Arabian "aggression" in the form of aid to the royalist rebels.



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An effort is being made to draw the UN secretary general into a mediatory role. The US has passed Saudi reports of Egyptian penetrations of Saudi air space to U Thant. The secretary general might also try to bring about a Nasir-Faysal meeting in order to reduce the threat to peace in the area.

If negotiations fail, Nasir may feel compelled to make good his threat. His most likely course would be to bomb Saudi supply centers. The Egyptians proved they have the capacity for this in 1963.

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There is as yet no evidence that Nasir intends to undertake the much more difficult task of launching land attacks against Saudi Arabia and risk critical foreign reactions and possibly foreign intervention.

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Europe

GREEK POLITICAL CRISIS ENTERS NEW PHASE

The prospect of an early return to political stability in Greece remains dim as the government crisis enters its fourth week. The future of the monarchy and the country's continued alignment with the West may hang in the balance.

The Novas government, which never had much chance of success, failed in its bid for a vote of confidence on 4 August. The final vote--167 to 131--followed four days of turbulent sessions, disrupted at times by fist fights and loud heckling inside the chamber and by noisy demonstrations outside Parliament. The 22 votes of the Communist-dominated EDA party gave former prime minister Papandreou the margin he needed to unseat the government.

Papandreou, by maintaining his firm control of the Center Union party, has demonstrated his ability to frustrate any attempt to form a new government that does not have his tolerance. King Constantine, on the other hand, apparently remains adamant that he will not accept Papandreou as the head of a new government. Unless this head-on conflict is averted by compromise, which would probably require the defection of many Papandreou supporters, Greek political stability will be seriously undermined to the advantage of extreme leftist elements.

The Palace is determined to end the political chaos that has disrupted the normal functions of government for the past three weeks.

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The EDA's strategy in the current crisis continues to be one of nonviolent support for Papandreou. During the past three weeks, EDA-led demonstrations have been highly organized and well disciplined. In the recent student demonstrations, the EDA organized "vigilance" squads to assure nonviolence. If the King resorts to military dictatorship, however, Communist strategy might change rapidly in an effort to foster a revolutionary situation.

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NATO ESTABLISHES "SELECT COMMITTEE" ON NUCLEAR PLANNING

The North Atlantic Council (NAC) agreed last week to establish a "Select Committee" (SC) to tackle the problems of extending Allied participation in NATO nuclear planning and improving communications vital to decisions to use nuclear forces. There is still some uncertainty, however, about which of the NATO defense ministers will make up the committee, and it remains unclear how its deliberations will ultimately tie in with those of the Paris Working Group which is studying the plans for a Multilateral Nuclear Force or an Allied Nuclear Force.

When the US suggested the committee last May, it sought a small group to be composed of itself, the UK, France, Italy, and West Germany, presided over by Secretary General Brosio as guardian of the interests of non-participating members. France, after some wavering, soon announced it would not join the body, but, unexpectedly, did not oppose its creation. The Netherlands, Canada, and Turkey insisted on membership for themselves and France opposed participation by the secretary general--even as an observer--apparently in order to deprive the committee of any standing as an official NATO body.

As a compromise the NAC last week agreed that a senior member of Brosio's staff should attend the SC in his stead, thus preserving the official link with NATO. It authorized the secretary or his assistant to try to solve the problem of composition

through "quiet diplomacy." Inasmuch as the US has accepted Canadian and Dutch participation, this boils down to an effort to dissuade Turkey from its stand. To reassure the nonparticipants, the NAC also agreed that any of them can ask at any time to be consulted and can make suggestions or contributions to the committee, and that the secretary general will report fully to nonparticipants on SC activities at their request.

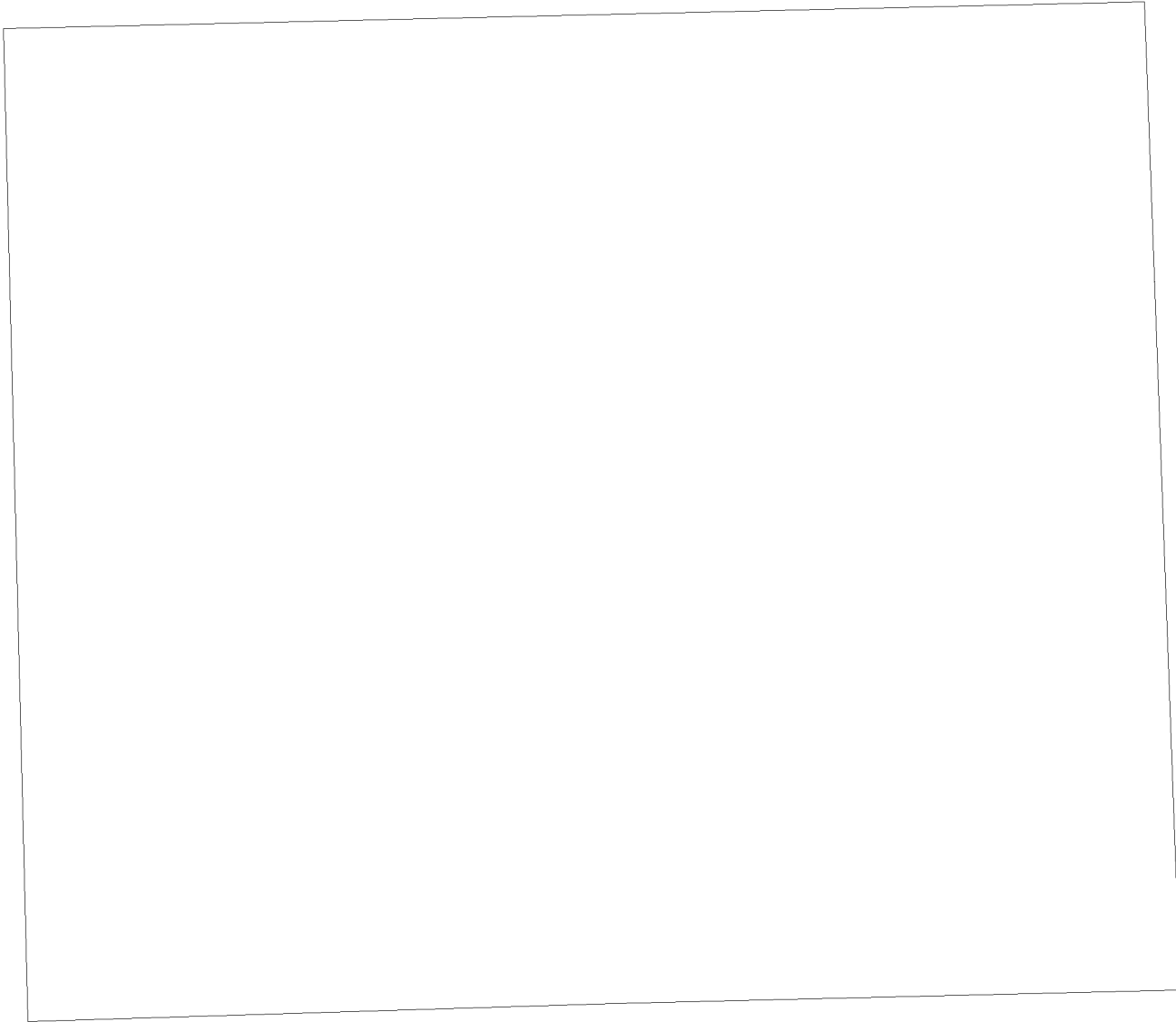
If the problem of Turkey can be resolved, the SC will probably hold its first meeting in early September and decide on topics for discussion. Likely starters are the arrangements now in effect in the US and Europe for coordinating use of strategic nuclear weapons, and the technical problem of communications between Allied governments in emergencies.

France, in approving the SC's terms of reference, made clear that it still opposed the guidelines for use of nuclear weapons which were approved by the NATO ministers at their meeting in Athens in 1962 and emphasized the need for the SC to report back to the NAC. Having failed to relegate the SC to the nonofficial status of the Paris Working Group, the French probably feel they can still rely on a veto in the NAC to block proposals of the SC which do not suit them.

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PROSPECTS FOR THE NEW BELGIAN GOVERNMENT

Efforts by Belgium's new coalition cabinet to enact effective economic and social programs are likely to be impeded by the continuing division of the population along linguistic lines. On foreign policy ques-

tions, the retention of Paul-Henri Spaak as foreign minister and the increase in the powers of his office are likely to result in a more forceful assertion of the Belgian position.

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Prime Minister Pierre Harmel believes that Parliament will not approve his domestic program until the constitution is revised to give increased representation to the more rapidly growing Dutch-speaking sector while providing guarantees for the minority French-speaking group. Revision, however, is likely to be attained, if at all, only after long and bitter debate. The coalition of Social Christians and Socialists is one vote short of the required two-thirds majority in Parliament. Any support it can gain from individual Liberals --whose party as a whole opposes any change in the present federal structure--is likely to be offset by defections of government deputies. Many French-speaking Socialists, for example, will hold out for more regional autonomy than the suggested reforms provide.

The government's economic program, which calls for development of industry, public works, and cultural institutions on a regional basis, would be highly beneficial to the economically depressed French-speaking areas. If passage is delayed too long, Belgium may

face another election within a year.

Spaak, who now is charged with coordinating the activities of all ministries concerned with foreign affairs, will be able to take stronger positions on questions that developed during the ten-week government "crisis." He may, for example, shift somewhat from the generally pro-French outlook he has assumed in the Common Market crisis to a position closer to that of the other four members, while still leaving himself some leeway to act as mediator.

He probably will also arrange to fulfill some of the requests from the Leopoldville government and Belgian administrators and businessmen in the Congo for additional technical assistance. Such action, however, will depend on whether the Tshombé-Kasavubu government stays in power and whether the United States is willing to provide financial and material assistance. Belgium's role in the Congo will probably be clarified this fall in another round of US-Belgian talks.

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Western Hemisphere

DOMINICAN PEACE TALKS CONTINUE AS COMMUNISTS REGROUP

While negotiations for a settlement of the Dominican Republic's three-month-old crisis center on the thorniest issues, diverse factions in the Commu-

nist camp are preparing for their future roles in the country.

Hector Garcia Godoy, the prospective provisional president, has been taking a major

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role in negotiations between the OAS and the two contending factions. He has informed both the Government of National Reconstruction and the rebel "constitutionalist" regime that he will not take office until they reach general agreement on major issues. He is trying to arrange meetings between military officers from both factions who could initiate discussions on the leadership of the armed forces and the future of military officers on the rebel side.

Garcia Godoy has tentatively chosen the core of his cabinet from men who are, in most cases, highly regarded by one or both of the camps. The sensitive post of secretary of state for the armed forces would probably go to Manuel Ramon Ruiz Tejada, a civilian who has served in numerous government positions since the 1920s. Garcia Godoy would prefer to function as his own foreign minister during the early days of the provisional government.

The question of a vice president has not been settled since Eduardo Read Barreras declined the position. If the OAS can obtain the concurrence of the rebel government, it will probably abolish the post, as it had originally proposed.

The three Communist parties continue to be divided in their approach to the question of negotiations and their policies during and after the provisional government. Leaders of the orthodox Communist Dominican Popular Socialist Party (PSPD) [redacted]

[redacted] strongly favor a negotiated settlement. They are confident that they will ultimately be able to obtain power peacefully after some future election won by Juan Bosch's Dominican Revolutionary Party (PRD). After a settlement is reached the PSPD hopes to strengthen the de facto alliance with the PRD that has developed during the insurrection. Present PRD leaders, however, have expressed their wariness of formalizing such a tie.

The PSPD believes that guerrilla warfare and terrorism would be especially inappropriate now because the masses are tired after more than three months of unrest and would not support renewed calls for armed action. These sentiments run counter to the ideology and plans of the more radical members of the pro-Castro 14th of June Political Group (APCJ) and the extremist-oriented Dominican Popular Movement (MPD). The numerically small MPD, which appeals to impoverished urban classes and the larger APCJ, which has an attraction for nationalistically minded Dominicans, previously joined forces to mount the ill-fated armed insurrection of late 1963. They still believe that this is the correct path for a successful revolt in the Dominican Republic.

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POLITICAL UNREST IN HONDURAS

The Honduran Government appears to have surmounted its most serious challenge since taking office on 6 June. The general strike called by the Communist central labor federation (FECESITLIH) on 27 July collapsed after a few hours. It was supported by Communist elements and apparently by the opposition Liberal Party, but hoped for support from the powerful north coast labor federations did not materialize. The rapid and strong measures taken by the government prevented any serious disorders, and business had returned to normal in Tegucigalpa the next day.

The government's strong-arm methods, however, caused repercussions later. On 29 July some 500 students--with known Communist agitators among them--held a rally to protest the action of strikebreakers who entered two schools and beat up some students. When participants in the rally began to move toward the National Assembly building, se-

curity guards fired into the crowd, killing one student and wounding two others.

On 30 July a modified state of siege was declared and the government ordered some 40 known Communist agitators arrested. Government agents confiscated that day's edition of the Liberal Party newspaper El Pueblo and closed the plant. Following the shutdown, the Liberal Party's central executive council met and decided that the party's paramilitary forces throughout the country should be alerted to go into action against the government in case of further repressive measures. Should any such activity begin, the Liberals are likely to get some assistance from the Communists and other dissident elements. The Honduran Government will probably be able to deal adequately with the situation, but the repressive measures it is likely to use against potential troublemakers will generate continuing political unrest.

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REVIEW OF INSURGENCY IN LATIN AMERICA

Fidel Castro, in his 26 July speech, cited Colombia, Guatemala, Peru, and Venezuela as the Latin American countries where revolutions are most likely. It is true that Communist or pro-Communist guerrillas are most active in these four countries, but sporadic outbreaks of insurgency have occurred in several others from time to time. In no country, however, do Communist guerrilla operations presently constitute a serious short-term threat to the government, although they do add materially to the uneasy atmosphere in countries of chronic political instability. Insurgent Communist elements in such countries would attempt to fill the void if political institutions collapsed, as happened in the Dominican Republic.

The Cubans have provided the most support to guerrillas in Latin America, largely in the form of financial assistance and training. Havana gave considerable assistance to the Peruvian guerrillas during 1962 and 1963. During 1964, the Cubans appear to have concentrated support for the revolutionaries in Venezuela, Guatemala, and Colombia, apparently in that order. Other Communist countries--notably Communist China in the case of the Peruvians--have also given training and financial assistance to selected Latin American guerrilla groups.

Colombia

Rural violence in Colombia has long had two faces--banditry and Communism. Until 1962, the bandits were by far the more troublesome, but army campaigns against them have

reduced their power while Communists have been recruiting more and more "guerrillas." There is no centrally controlled guerrilla organization yet which is responsible to the Communist Party or its more violence-minded offshoot called the Communist Party-Marxist/Leninist (PCC-ML).

The Army of National Liberation (ELN), surfaced in January, has several leaders trained abroad--most of them in Cuba--and seems to have access to overseas funds and counsel. Still small--fewer than 500 members all told--and virtually inactive since January, the ELN seems to have the potential to become a major insurgent force if the many competing groups, which are mostly ineffective except for sporadic sabotage, can be induced to accept ELN leadership.

Thus far, the security forces have had little difficulty containing insurgency, but they have not substantially reduced the numbers or the power of the Communist-directed groups.

Guatemala

The situation in Guatemala remains tense. However, the recent lifting of the state of siege imposed in February and the elections on 1 August for 14 Constituent Assembly seats may tend to normalize the situation.

A faction recently split from the 13 November guerrilla movement led by Marco Antonio Yon Sosa has become the terrorist arm of the Communist Party. This split might make the terrorist groups less effective.

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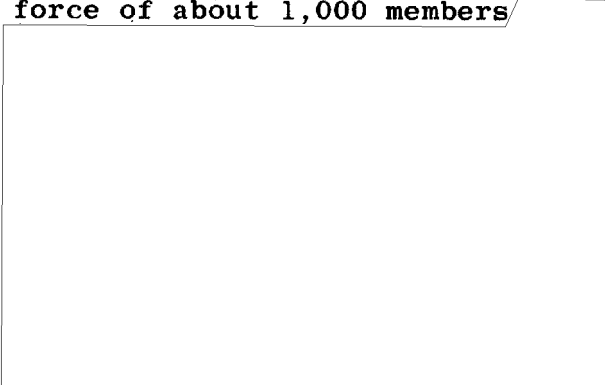
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During recent weeks, the Guatemalan security service has raided terrorist strongholds in the capital. Although not overwhelmingly successful, the government forces did kill two important members of Yon Sosa's group and captured several others. A recent helicopter sweep of the guerrilla-infested regions resulted in the destruction of 14 guerrilla campsites.

Peru

The Movement of the Revolutionary Left (MIR) in Peru has a well-organized guerrilla force of about 1,000 members



MIR had already initiated highly publicized action in central Peru, but, following its own philosophy, withdrew into hiding after the Peruvian Army's counter guerrilla-trained Rangers moved into the central region late in June.

Rugged terrain plus substantial support of the MIR by local peasants--who resent the decades of contumely and repression by the national government--have frustrated police efforts to

flush out the guerrillas. There is little hope that the army will be any more successful.

Venezuela

The Armed Forces of National Liberation (FALN) has been operating in rural areas of Venezuela and in its cities since 1962. By now, it is unlikely that the old-line Communist leaders could call off the younger hotheads even if they cared to. FALN guerrillas and terrorists have managed to keep many battalions of the Venezuelan Army busy in the field since December 1963, and neither enlarged nor lost the territory under their control.

Urban violence, usually under FALN direction, is still a major problem although much less so than in 1963. Sabotage against US-owned businesses--primarily the petroleum industry--is frequent and costly.

Neither the FALN nor the Communist Party constitutes a present threat to the government, but the continued existence of nearly 2,000 terrorists and guerrillas is a constant embarrassment to it. Also, the FALN could well be the nucleus of a future insurgent movement, if an unexpected political development were to lead presently benign opposition parties into such action.



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