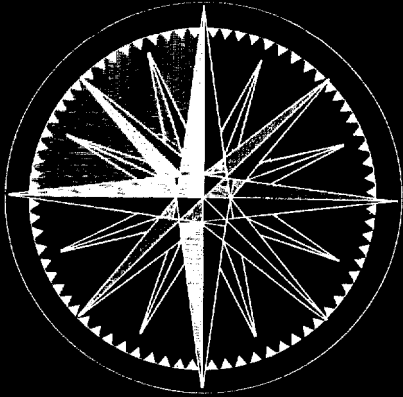


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30 December 1965

OCI No. 00322/65

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

ARMY review(s) completed.

DIA review(s) completed.



DIA
review(s)
completed.

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GROUP 1 Excluded from automatic
downgrading and declassification

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C O N T E N T S

(Information as of noon EST, 29 December 1965)

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<p>A brief Christmas lull interrupted the continuing high level of military activity. A further cease-fire was a possibility for the lunar new year. The South Vietnamese Government began to implement a hard-line policy towards FULRO, responsible for the recent montagnard uprising. The Directorate still plans to launch a civilian advisory council next month. Hanoi's propaganda reaction to the cessation of bombing in the North has been an attempt to discredit the move. A top Soviet leader, party secretary Shelepin, is scheduled to visit Hanoi to reassert the USSR's presence. Hungary has granted some economic aid to the DRV. The presence in North Vietnam of high-performance MIG-21s was confirmed. Nine new SAM sites were discovered.</p>	
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<p>The relatively high rate of escapes, especially of professionally trained men, has caused both Czechoslovakia and Hungary to reimpose some restrictions on their only recently liberalized travel regulations.</p>	
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Realizing the necessity for caution in sponsoring the 4 January meeting, Soviet leaders hope to increase their influence in Rawalpindi without jeopardizing their primary interests in New Delhi.

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Many prominent figures including some cabinet ministers will be among the defendants. Sukarno has still not banned the Communist Party, but the army's anti-PKI campaign continues anyway.

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President Kaunda is seeking to accelerate shipments of oil and to prepare his country for a complete cut off of trade with Rhodesia.

TRENDS IN SEKOU TOURE'S GUINEA
This radical West African state is subject to acute internal tensions that could threaten the stability of President Touré's regime. After seven years of independence, the initial enthusiasm generated by the country's single political party is wearing thin and Touré has felt obliged to make sweeping internal changes to preserve his dominance. Guinea has steadily increased its ties with the US following the abrupt halting of large-scale Communist aid in late 1961. However, current domestic political pressures could produce another shift in orientation as sudden as that of four years ago. (Published separately as Special Report DCI No. 0322/65A)

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Following last week's firefight in Santiago, the two contending factions are looking to the Provisional President for vindication. Garcia Godoy has been temporizing in evident hope that passions will abate.
- JAGAN RETAINS PARTY DOMINANCE IN BRITISH GUIANA 20
The People's Progressive Party reconfirmed Cheddi Jagan's leadership by electing all of his choices for party offices but did not seriously attack its basic problem of deciding whether to oppose the Burnham government peacefully or violently.

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NICARAGUAN ELECTION TEMPO ACCELERATES 21

With little more than a year to go before elections that will probably bring a return of the Somoza "dynasty," hotheads on both sides appear likely to ensure difficult times ahead.

ECUADOREAN JUNTA ANNOUNCES ELECTION PLAN 22

The schedule calls for restoration of constitutional government following a political campaign next June, but most local politicians are apparently unenthusiastic over the prospect.

CHILE: PROBLEMS FACING THE PDC IN THE YEAR AFTER VICTORY

Eduardo Frei's presidential election victory in September 1964 was widely heralded as the triumph of a freely elected reform-minded government that would have a profound effect on the economic and social development of Latin America. Today, Frei and his fellow Christian Democrats are facing the strains resulting from attempts to initiate advances along somewhat traditional Western lines while attempting to incorporate unique patterns and unproven concepts of Christian democracy. (Published separately as Special Report OCI No. 0322/65B)

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VIETNAM

The Viet Cong generally observed its own conditional cessation of hostilities on Christmas eve, although guerrilla activity resulted in allied casualties in two instances. Enemy activity picked up on Christmas day well before the end of the 30-hour allied cease-fire, however, and allied forces resumed combat operations early on 26 December.

Military activity before and after the lull continued at the comparatively high level sustained during recent weeks. Communist attacks in battalion strength occurred in Quang Tri, Quang Nam, and Quang Ngai provinces before the holiday, and in An Xuyen and Quang Duc provinces on 26 and 28 December. The most successful government operation of the week was in Chuong Thien Province.

US military officials in Saigon report that 1,000 PAVN troops may have crossed the Laotian border into Quang Tri Province on 25 December. In addition to an enemy battalion-size attack on 23 December, two bridges on Route 9 were recently destroyed, and large-scale enemy activity may be imminent.

On 28 December, the Front's central committee announced that Viet Cong forces would observe a cease-fire toward South Vietnamese troops during the lunar new year period from 20-23 January. Both government and Viet Cong forces sharply decreased their activities during this period last year.

South Vietnam
Political Situation

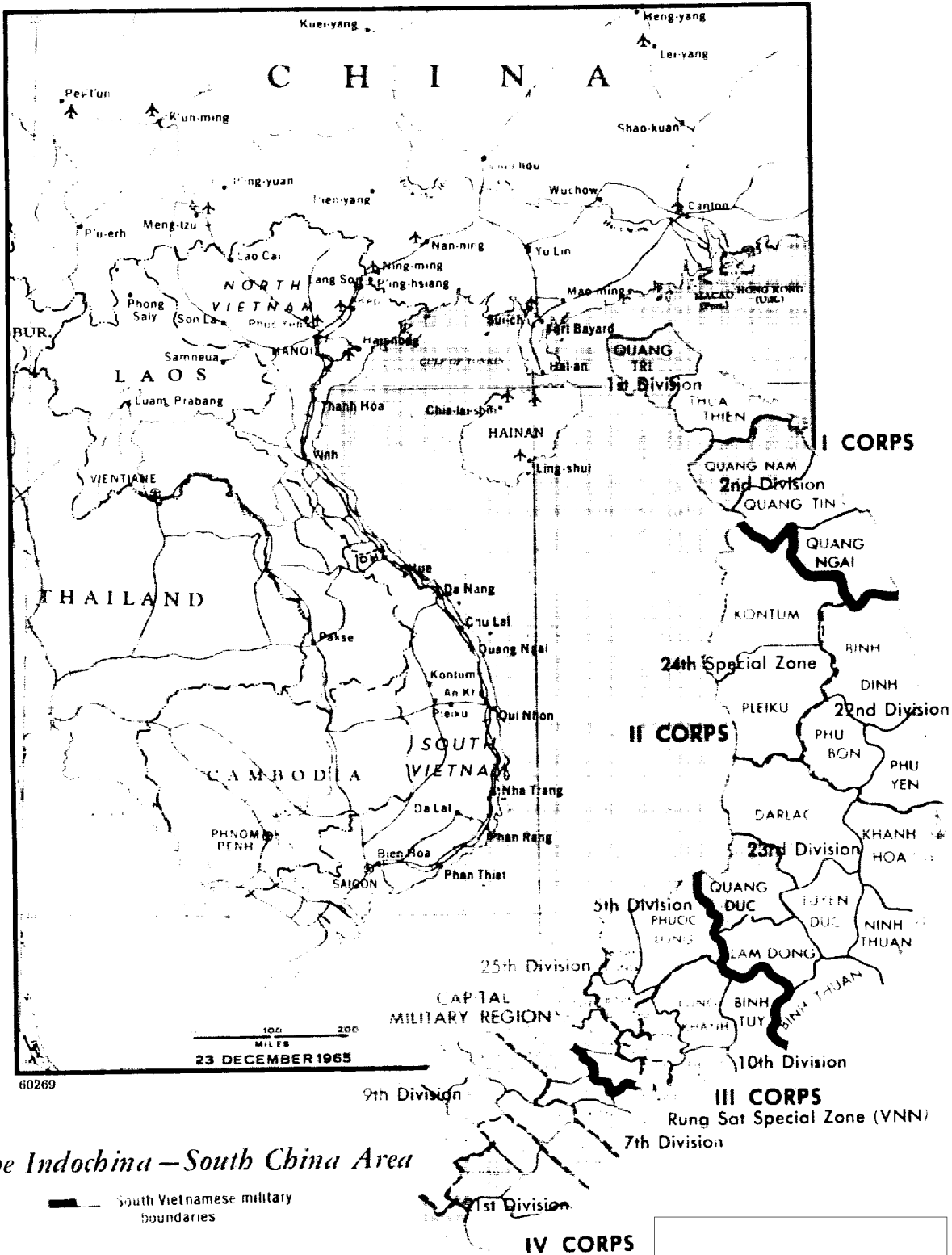
II Corps commander General Vinh Loc last week issued two communiqués that clearly indicate a hardened government attitude toward FULRO, the dissident tribal organization responsible for the recent montagnard uprising in four central highlands provinces. One communiqué states that any person caught assisting a FULRO member will be shot; the other allows FULRO members 20 days to surrender or face severe punishment.

Military trials have been held in Pleiku for 39 members of a regional force company that participated in the rebellion. Four were sentenced to death, two of whom have already been shot, 30 have received prison sentences, and five have been acquitted. Some 300 FULRO sympathizers are now in government hands, and additional courts-martial have been scheduled for at least some of them. Defense Minister Co in Saigon is reportedly urging moderation, and cautioning against mass executions.

Major General Chieu, secretary general of the ruling military Directorate, told US Embassy officials last week that the Directorate still plans to launch a 60-man civilian advisory council, probably some time next month. He said a majority of the Directorate favored giving the council some concrete responsibilities in addition to its

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The Indochina - South China Area

— South Vietnamese military boundaries

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advisory role. However, Chieu was unable to indicate who the council members might be, leaving the impression that candidates may be hard to find. He also said his own efforts to establish a national front grouping of politicians who would support the military government had been unsuccessful, and that this project would be at least temporarily postponed.

Rumors continue that National Police Director Lieu and I Corps commander General Thi are attempting to undermine Premier Ky and Chief of State Thieu. Although Thi and Lieu--long-time close associates--are politically ambitious and frequently critical of Ky, there has been no firm evidence that they are actively preparing a coup.

Reaction to Bombing Pause

Hanoi propaganda has already attempted to discredit the current US cessation of the air attacks against North Vietnam by claiming that hostile US air activity over the DRV is continuing. The DRV has protested to the ICC that "many formations of US jet fighters repeatedly overflew the DRV and carried out reconnaissance and provocative activities on 25, 26, and 27 De-

ember." This is the same line Hanoi took toward the five-day cessation of the bombings last May. Neither Peking nor the Liberation Front has yet commented on the current standdown.

Soviet Leader to Visit Hanoi

Moscow's decision to send a top leader--party secretary Shelepin--to Hanoi indicates a clear intention to exert a strong influence upon the North Vietnamese. His trip is the first high-level Soviet visit since the Kosygin mission last February, and the Soviets probably feel that the current bombing pause provides a good opportunity to encourage Hanoi to seek political alternatives to the war.

Announcement of the visit coincides with increased Russian material and political support for the DRV and with renewed expressions of Hanoi's gratitude for Moscow's "great assistance." The visit represents a direct challenge to China's influence, however, and Hanoi appears to have made an effort to placate Chinese concern. The party daily on 28 December published a lengthy article praising the "broad and tremendous support" Peking has provided. Also cited were numerous examples of Chinese pledges of support, including statements by Mao Tse-tung and Chou En-lai.

An undertone in the article, however, suggested Hanoi feels Chinese aid has been more talk than action. Although Peking has insisted that it will "stand shoulder to shoulder" with its Vietnamese comrades, Hanoi may

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MIG 21 (Fishbed)



Optimum Characteristics and Performance

Year in service	1952
Gross weight	17,250 lbs.
Maximum speed at sea level	600 knots
Maximum speed at optimum altitude	1,130 knots at 40,000 ft.
Combat ceiling (550 ft./min)	61,500 ft.
Dynamic (zoom or snap-up) climb ceiling	78,000 ft.
Time to climb to 40,000 ft.	4.2 minutes
Optimum combat radius	450 n.m.
Airborne radar capability	15 n.m. search and 10 n.m. track
Air-to-air missiles	2 radar beam riding AA-1s (Alkalis) or 2 infrared homing AA-2s (Atolls)
Maximum affective AAM attack range	5-6 n.m.

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feel Peking should provide additional material assistance and cooperate more fully with Soviet aid efforts.

Hungarian Economic Aid

Hungary has granted North Vietnam a new long-term, interest-free loan as well as a moratorium on repayment of past loans, according to a joint communiqué signed by DRV Deputy Premier Le Thanh Nghi and Hungarian Deputy Premier Fock on 28 December. A separate agreement on "economic aid of a different nature" was also listed. The vague revelations on this agreement may indicate that while Budapest is willing to give Hanoi's war effort minimum support, it does not wish to publicly commit itself to any specific military assistance. The public announcements suggest that the assistance offered is more generous than Le Thanh Nghi was able to arrange when he was in Budapest early last summer.

The DRV delegation left for Germany on the 28th, suggesting

visits to several East European capitals. Hanoi's initial announcement indicated the trip would include only Moscow, Peking, and Pyongyang.

High-Performance Aircraft in DRV

The presence of new-generation, high-performance fighter aircraft in the DRV was confirmed last week by high-altitude drone photography. Seven MIG-21 Fishbeds were seen at Phuc Yen Airfield. Four other canvas-covered planes may also be MIG-21s. In addition, a total of 63 MIG-15/17 fighters were seen at Phuc Yen and Kep airfields, very close to the accepted air order of battle.

New SAM Sites

Nine new surface-to-air missile (SAM) sites--numbers 53 through 61--were disclosed by photography [redacted] One 25X1 of the sites is still under construction and missiles and missile-associated equipment were noted at one other site. [redacted]

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The Communist World

PEKING BEGINNING BIRTH CONTROL PROGRAM IN RURAL AREAS

Evidence is accumulating that Communist China is preparing to extend the birth control program it has been conducting for several years from the cities to the rural areas, where over 80 percent of the estimated 763 million population lives. There is little chance that the effect on the population's rate of growth in the near future will be significant. The practical difficulties of training personnel to administer a nationwide program and of providing enough contraceptives are severe. Moreover, the regime seems still to be inhibited by ideological concerns and by anxiety over the possibility of arousing the resistance of the conservative peasantry.

China's population problem is growing more acute. Food production has been outstripped by the growth of the population, which during the past six years has risen by an estimated 80-90 million. Rations are still near the edge of subsistence despite grain imports of 5-6 million tons annually since 1961. Private plots--allowed to revive during the post - Leap Forward food disaster years--have become a vital and apparently permanent supplementary source of food. Individual food intake remains below the level of 1957, the year before the Great Leap, and there is little chance that it will be restored to that level, since accomplishing this would require doubling grain output over the next 20 years. Food reserves,

with the possible exception of small stores for military contingencies, are believed to be nonexistent.

The information available so far indicates that the spread of birth control practices in the countryside will be slow, and in part contingent upon more-or-less chance factors such as the presence of rural hospitals or particularly zealous cadres. No preference has become discernible for any one device or method, although the intra-uterine loop has obvious advantages for China in cost, ease of manufacture, and administration.

Sufficient trained technicians are presently lacking to administer even the simplest methods in a nationwide program. However, starting in the second half of 1965, large numbers of urban medical personnel have been reassigned to rural work.

As a further harbinger of developments to come, the recent national conference of gynecologists and obstetricians--Communist China's first--announced that large numbers of rural part-time health workers will be trained and that among their newly adopted textbooks will be one entitled "Modern Methods of Child-birth and Birth Control."

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EASTERN EUROPEAN DEFECTIONS OF GROWING CONCERN

Czechoslovakia and Hungary have become increasingly concerned with the rising number of defections--a consequence of the liberalization of travel restrictions--of professionals such as physicians, scientists, and engineers. The problem also has had repercussions in the recipient countries of France, Austria, and--possibly--West Germany, and transit countries such as Yugoslavia.

Critical comments have appeared in Czechoslovakia and Hungary recently, culminating in Hungary in a speech to parliament by Premier Kallai. Kallai admitted that .005 percent of the Hungarians traveling to the West this year had chosen not to return. The figure in the Czech party press was .0092 percent for Czechs choosing the West. The percentages may appear low, but the loss of 3,000 Hungarians and at least a similar number of Czechs for a nine-month period must be disturbing, particularly since these figures include a large proportion of professionals and represent only the totals publicly admitted by the regimes without reference to secret escapes across the border.

The regime's solutions have been to revert to a limited reimposition of restrictions. The Czechs have revived the "hostage" system whereby at least one member of the family must remain home, while Hungary reportedly has been placing stricter limitations on travel by professional men.

Recipient countries have been unhappy about the situation also. Austria and France, for example, are interested in improving relations with the East, but find themselves faced with accommodating ever greater numbers of refugees from these countries. Austria has upon occasion returned would-be defectors, who have then been sentenced to at least three years imprisonment. France, once the easiest European country in which to find refuge, reportedly has been refusing to grant asylum or work permits. Recently the Bavarian Government returned a would-be Hungarian defector, but this may have been an isolated incident rather than a reflection of a change in West German refugee policy.

Now that travel to Yugoslavia has been made easier, that country is being used as a jumping-off point for the West. Belgrade has promised to cooperate with its Eastern European neighbors, however, and in many cases has thwarted defection attempts. The Yugoslav borders with the West nevertheless remain a much-used roadway for illegal travel to the West.

Defections are not a serious problem to the Polish regime, probably because the population feels relatively secure in the knowledge that the right to travel has become more or less established since 1956. Rumania and Bulgaria are not faced with the problem because they do not permit travel to the West except by carefully selected groups or officials.

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FOOT-AND-MOUTH DISEASE IN THE USSR

The spread of foot-and-mouth disease may have been checked, but it is still widespread in the USSR. The current outbreak, which began in late October - early November, will adversely affect the output of livestock products next year.

Control and prevention measures were still in force as of mid-December. It has been reported that the disease has infected humans, and notices urging the population not to buy noninspected meat and milk

have been seen [redacted] Precautions against the disease have been noted as far north as the Baltic republics and as far west as Moldavia.

Although the extent of the disease is not known at this time, output of meat and dairy products next year will probably be less than was envisaged when the 1966 plan was drafted. The effects of the disease--along with other factors--make unlikely the fulfillment of the planned increase of 8-10 percent in total agricultural production [redacted]

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MOSCOW'S POSITION IN THE UPCOMING INDIAN-PAKISTANI TALKS

Moscow is probably approaching the 4 January meeting at Tashkent between Indian and Pakistan leaders with the expectation that about the best that can be achieved is an easing of the hostility between the two countries and perhaps an agreement to hold further discussions. Soviet leaders could consider it a net gain simply to have brought Ayub Khan and Shastri together under the aegis of their "good offices." They view the forthcoming meeting both as a step forward in their efforts to win a firm diplomatic foothold in Pakistan, and as a move to deprive the Chinese of an oppor-

tunity to exploit discord in South Asia.

Over the past year, Moscow has worked at improving its relations with Pakistan and recently has adopted a more non-committal attitude on the question of Kashmir in order to win greater influence in Rawalpindi. However, the USSR doubtless feels that it can retain the confidence of the Indians on the strength of its past record of support for New Delhi's claims. The Soviets appear so far to have satisfied the Indians that Moscow's recent tactics have been designed to frustrate the Chinese and to exert a moderating influence in Rawalpindi.

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The flow of Soviet military equipment to the Indians is undiminished, as is Moscow's overriding interest in maintaining its position in New Delhi.

This is probably about the maximum Moscow hopes to obtain from the meeting, and it is questionable whether Soviet officials intend to push either side very hard even for these limited goals.

Soviet leaders appear to have a realistic view of the risks posed by any direct intervention during the negotiations.

New Delhi believes that the Russians want to reduce tensions on the Asian subcontinent, but presumably not at the expense of India. Consequently, they intend to appear cooperative with Moscow and to remain in a position to put the onus on Rawalpindi should the Tashkent talks fail to break the stalemate. The Pakistanis, for their part, want some movement toward a solution of the Kashmir problem and hope that Moscow will maintain its recently adopted noncommittal stance on the issue. None of the parties to the meeting in Tashkent, however, appear overly optimistic about a basic Indian-Pakistani accommodation.

The USSR reportedly has informed India that the Soviet leaders hope that India and Pakistan will agree to forego the use of force as a means of settling their problems and to disengage their respective forces.

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Asia-Africa

INDONESIAN ARMY PREPARING TO TRY PLOT LEADERS

With the Indonesian Communist Party (PKI) above ground organization almost totally destroyed throughout the country, the army appears to be concentrating on preparations for the trial of alleged leaders of the 30 September movement. A special military court will begin the trials sometime after 24 January, when Ramadan, the Muslim month of fasting ends.

Army commander General Suharto has announced that some cabinet ministers will be among the defendants. Apparently even dead Communist leaders will be tried. One of the most prominent figures likely to be brought before the court is Marshall Omar Dani, former air force chief and air force minister, who was deeply involved in the coup attempt. Dani, who was earlier sent out of the country by Sukarno on an official mission, reportedly returned to Djakarta on 19 December and now is in jail.

President Sukarno is continuing his apparently losing

battle against the army's growing power. His speeches charge that the army-directed anti-PKI campaign is creating dangerous divisions within Indonesian society and emphasize the "positive contribution" of the PKI to the Indonesian revolution. Heavy editing of these speeches by the army-controlled news media however, has greatly reduced their impact.

Army leaders have been sharply provoked by Sukarno's failure to ban the PKI by 24 December as he had earlier led them to believe he would.

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CAMBODIA SEEKING TO AVOID INVOLVEMENT IN VIETNAM WAR

Prince Sihanouk evidently is groping for a diplomatic riposte to meet what he presumably views as a grave threat to Cambodia contained in recent public statements concerning possible US military ground operations on Cambodian territory. So far, the Cambodian Government's reaction has been confined to appeals to the international community and standard denunciations of US policy in Indochina.

Several official communiqués issued over the past week suggest that at least for the present Sihanouk's principal tactic will be to portray Cambodia as the innocent victim of the escalating war in South Vietnam. He has called on the Geneva co-chairmen to take a "clear position" on the US decision to authorize the violation of Cambodia's borders. He also has hinted that Cambodia may appeal to the United Nations in an attempt to win international sympathy.

Sihanouk is attempting to put the onus on the US for the

tense situation along the border. He has forcefully reiterated denials that the Viet Cong use Cambodia for sanctuary or as a source of arms and ammunition. At the same time, he has renewed calls for an expanded International Control Commission (ICC) to inspect and "control" the border area. An ICC inspection team is currently in Sihanoukville at Sihanouk's invitation, trying to determine the number of personnel it would take to "control" the port effectively.

Thus far, Sihanouk has been circumspect concerning the possibility of calling for outside support in the event of a US or South Vietnamese "attack." A government communiqué issued on 26 December referred to a "possible appeal" to "all nations" for assistance and support. Two days later, however, a resolution submitted by Sihanouk to a meeting of the National Congress omitted any reference to outside aid and asserted only that Cambodia reserved the right to defend its own territory and to retaliate to "aggression" with all the "laughable (sic) means at its disposal."

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YEMENI PEACE CONFERENCE RECESSES

The Harad peace conference between Yemeni royalists and republicans has been recessed, possibly until late February, and both sides are prepared for outbreaks of trouble during the interim.

A month-old conference, born out of the agreement last August between King Faysal and President Nasir, has been called off at least until the end of the holy month of Ramadan, and it is unclear when the talks will resume. The Ramadan fast has provided a logical excuse to break off the deadlocked attempt to form a caretaker all-Yemen government. Shortly before the recess, the republican side had finally accepted the royalist view that the caretaker government be neither royalist nor republican in form. This first agreement of any substance added a note of optimism that the meeting would, in fact, be reconvened.

Both Nasir and Faysal will actively encourage renewal of talks. Despite their individual efforts to obtain the most favorable terms possible, there is little doubt of their desire for peace in Yemen. Ever since their August agreement on steps to end the three-year-old civil war, they have done their best to discourage clashes between the naturally fractious tribes and surprisingly

few incidents have occurred. The two leaders have been less successful in damping inflammatory propaganda and rash partisan statements.

The Saudis have apparently lived up to their agreement to suspend arms support to the royalists, and are now attempting to persuade the Egyptians to begin troop withdrawals without waiting for the formation of an interim government. The start of Egyptian troop movements would almost certainly stimulate a new interest on both sides in renewing the Harad conference.

The republicans appear resigned to eventual Egyptian withdrawal. They have attempted to set up several defense organizations to protect themselves from the expected postwithdrawal ravaging by fierce royalist tribes. The royalists, despite alarmist press reports that they were ready to attack, have been belligerent only in isolated cases. Nevertheless, both sides still regard each other with suspicion and are making contingency plans in case the talks fail. Nasir has announced he will strike back against any royalist attack, and the Saudis continue to stockpile weapons along the Yemen border.

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ZAMBIA MAINTAINS PRESSURE FOR EMERGENCY SUPPLY ARRANGEMENTS

Zambia's President Kaunda is maintaining high pressure on Britain and others to accelerate the flow of emergency oil shipments into his country and to prepare Zambia to invoke a complete economic embargo against Rhodesia.

Numerous operational difficulties, such as a shortage of oil drums, threaten to deplete Zambia's low petroleum reserves. The joint UK-US contingency planning committee in Lusaka, however, remains optimistic that over 11,000 tons of oil can be sent to Zambia in January and that deliveries will eventually approach the UK goal of 17,000 tons per month. This would be close to Zambia's normal consumption before Rhodesia cut off Zambia's supplies. Gas rationing has begun in both countries.

Kaunda is disappointed with the UK-US-Canadian effort thus far. Unless the supply operation becomes quickly and visibly effective, Kaunda

might yet institute rash economic sanctions against Rhodesia. Such action could wreck the Zambian economy and increase the possibility of a large-scale flight of essential European workers.

On 22 December, Kaunda's threatened move to bar imports

of vital Rhodesian coal supplies was averted at the last minute only by Prime Minister Wilson's reminder of the disastrous consequences of such a move for the Zambian economy

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In London, Wilson obtained parliamentary approval for instituting oil sanctions, but at the price of reaffirming his government's opposition to the use of military force in the Rhodesian crisis.

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Europe

DEVELOPMENTS IN TRADE BETWEEN EAST AND WEST GERMANY

Despite the recent conclusion of some agreements between East and West Germany on inter-zonal trade (IZT), important issues remain unresolved.

Under the new agreements, West Germany will transfer 50 million DM from the East's surplus balance in the consumer goods and food account to its deficit strategic goods account. As a counterconcession, East Germany in 1966 will buy coal valued at 40 million DM, almost 50 percent above such purchases thus far in 1965.

Discussion of the main unresolved issues--FRG compensation for elimination of the petroleum products subsidy, and the method of signing basic modifications of the IZT agreement--will resume at the next regular meeting scheduled for 10 January.

Despite the current impasse, trade in the near future is expected to continue at the record-high levels apparently achieved in 1965.

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BELGIAN PROBLEMS IN WALLONIA

The Belgian Government is assigning highest priority to action to counter the growing economic deterioration and political alienation in Wallonia, the country's French-speaking area.

The Wallonian problem is acute at this time because of the difficulty that the coalition parties are having over next year's budget. Prime Minister Harmel's Social Christian Party (PSC) is seeking cuts in expenditures for social security and education as the price for having supported some Socialist proposals for increased taxes. The PSC's acceptance of higher taxes

was not enough, however, to secure the support of a majority of the Walloon Socialist deputies, who broke party discipline to vote against the government's revenue bill. These dissidents may be joined by others of both parties in opposing the government's attempts to reduce expenditures.

The parties have reluctantly agreed that a number of uneconomic coal mines, representing 12 percent of the nation's total producing capacity, will be closed as an added economy measure. Government subsidies to the remaining mines will be increased, but

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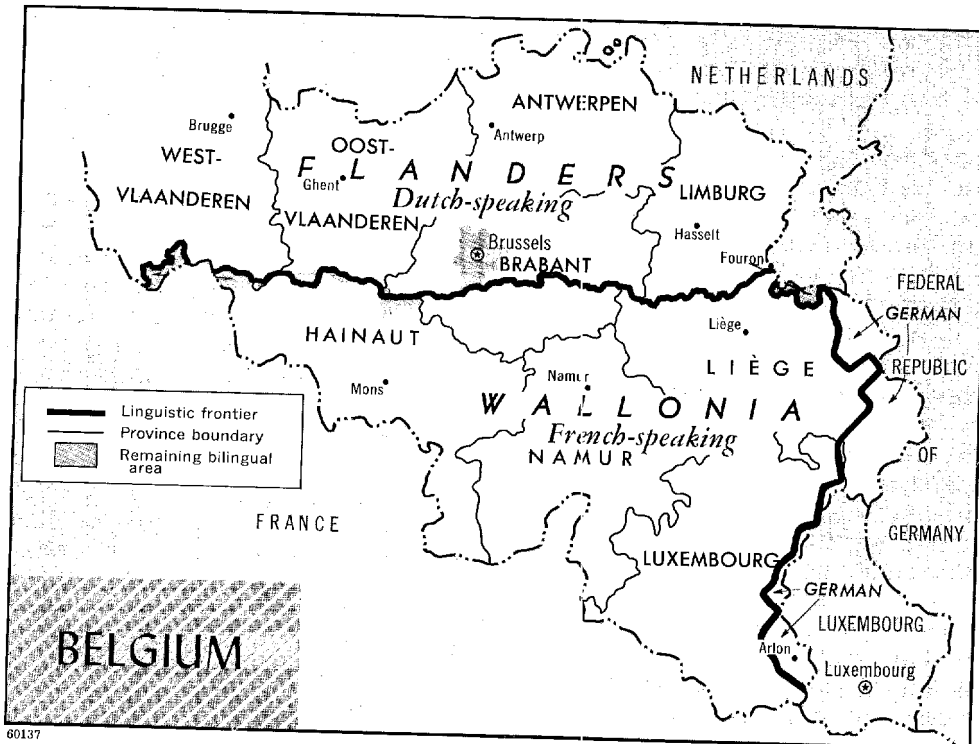
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the mine closings will seriously hurt the economies of the affected areas, most of which are in Wallonia.

To counter the growth of federalist sentiment in Wallonia, the government hopes initially to attract American investment to provide employment there. The minister of economic affairs told US officials in Brussels that unless several large American firms are brought into the area within the next six months to offset the effect of the mine closings, there is a serious danger the Socialist Party will break into Walloon and Flemish wings. In such an event the Socialists could no longer

participate in the coalition, which would mean the downfall of the present government.

In contrast to historically dominant Wallonia, the Dutch-speaking Flanders portion of Belgium has shown increasing prosperity in recent years, partly as a result of receiving since 1959 some 80 percent of all foreign investment in Belgium. This reversal of economic roles has heightened long-standing animosities between the two linguistic communities. For example, some 50 persons were injured at Fouron on 19 December in the latest of a series of clashes between the two groups.



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GERMAN CHANCELLOR'S VISIT TO WASHINGTON

Bonn officials are expressing satisfaction with Chancellor Erhard's mid-December visit to Washington despite the public impression that results failed to equal the expectations Bonn had permitted to build up. On the key question of nuclear sharing in NATO, the Germans have acknowledged that no decisions were taken, but they are looking to further discussions among the interested governments and in the recently established NATO Special Committee on nuclear questions.

Bonn press spokesman Karl Guenther von Hase told newsmen on 22 December that Bonn's objective during the Washington talks was to set forth "principles" concerning an "appropriate share" in nuclear defense and not to seek agreement on a specific project at this time.

As outlined by Defense Minister von Hassel, Bonn now anticipates two general fields of action on nuclear sharing: consultation on strategy and planning as foreseen for the NATO Special Committee, and "quiet discussions" among alliance members aimed at establishment of a common weapons system. Bonn presumably hopes to gain eventual acceptance of a NATO submarine fleet along the lines of the British proposal for an Atlantic Nuclear Force.

Erhard's expression of satisfaction with the talks was mirrored in the optimistic statement issued by his Christian

Democratic Party's press service that a way out of the impasse on nuclear sharing has been found. The independent, influential newspaper Die Welt saw the "understanding on principles" as a good beginning, the potential of which should not be underestimated. The press service of the opposition Socialists, however, took the view that the "appropriate share in nuclear defense" envisioned in the communiqué was the "least binding" of possible declarations and concluded that all projects for physical participation in weapons systems must now be written off.

On other questions, Von Hase expressed Bonn's satisfaction with the "understanding" shown by US officials of the West German view that the effects of a nonproliferation agreement on the alliance should be studied carefully before concluding any such agreement. Political parties and the press also welcomed the American invitation to participate in US space projects as a highly significant opportunity for German science and industry. The US ambassador to NATO feels the American initiative on space cooperation comes at a most propitious time, since European countries increasingly are concerned about the technological gap between themselves and the US. He feels Germany is one of the countries ideally suited to cooperate effectively in such space endeavors.

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PROSPECTS IMPROVE FOR ITALIAN SOCIALIST REUNIFICATION

Prospects for reunification of Italy's Socialist (PSI) and Social Democratic (PSDI) parties have been gradually improving in recent weeks and are expected to receive another boost from the 8-11 January PSDI national congress. The issue is crucial for future political developments because leaders of both parties feel that a reunified party--representing some 18 percent of the total vote--would be able to increase its leverage on the dominant coalition partner, the Christian Democrats, and to compete effectively with the Communists for the allegiance of Italy's large leftist electorate.

PSDI Secretary Mario Tanassi --who until recently had serious reservations about reunification --has declared that the merger is now "inevitable." He believes a majority of over 95 percent at his party's congress will approve prompt acceptance of the PSI's proposal for immediate launching of "common action at all levels" between the two parties. PSI-PSDI caucuses in both houses of the Italian Parliament have already developed plans for joint action and close cooperation. An important early test of PSI-PSDI harmony may be provided by the expected post-PSDI congress meeting of Italy's governing coalition partners to consider the status of the government's legislative program.

Tanassi also expects his party will place no conditions

on the merger despite the obstacles that the PSDI has cited in the past. These included the issue of PSI ties with the Italian Communists at the local administrative level and in the labor field, the relationship of the PSI to the Socialist International, and the PSI's adherence to what some Socialist Democrats describe as an obsolete concept of "neutralism and internationalism" in foreign policy. Leaders of both parties, however, now appear willing to seek compromises, and the PSI has already taken positive steps to meet PSDI reservations.

Beyond these obstacles, the question of the timing of Socialist reunification remains the most difficult to resolve. Both Italian President Saragat and Deputy Prime Minister Nenni are committed to the merger as soon as practicable and reportedly hope to accomplish the process by next fall--well in advance of the 1968 national elections.

The PSI, however, is also concerned that the merger not occur before "other democratic socialist forces" can be included so as to give the party a broader base. Therefore, the Socialists --with an eye to their eroding electorate--are likely to move cautiously toward reunification, and the actual merger, if all goes well, may not be realized until 1967.

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Western Hemisphere

DOMINICAN TENSIONS REMAIN HIGH

Although Christmas passed peacefully enough, underlying tensions continue in expectation of action Garcia Godoy may take after last week's firefight between the rebels and regular military in Santiago. The Provisional President appears convinced that both sides share responsibility for the conflict and may feel compelled to take some punitive measures. The two contending factions, however, have developed their own versions of the event and neither is likely to be satisfied with less than complete vindication. If recalcitrants on either side object to the presidential decision, the provisional regime will probably again have to fall back on the Inter-American Peace Force (IAPF).

Under pressure from younger officers, Defense Minister Rivera has been taking a harder line, charging that presidential adviser Buenaventura Sanchez has attempted to split the President from the regular military. Rivera has also issued in the name of the Defense Ministry a manifesto blaming the rebels for the Santiago fighting. The US Defense attachés report that company-level officers and NCOs are agitated over the provisional government's continued toleration

of Caamano's "army." Before the holidays, they reported that "most military are spoiling for a fight" and this view still holds.

Isolated acts of terrorism by extremists on both the right and left have further aggravated the situation. Homes and businesses--including two radio stations--owned by rebel supporters have been shot up or bombed, probably by the right. On the left, terrorism is being spearheaded by the pro-Peking Dominican Popular Movement

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In this delicate situation, the Provisional President has abandoned his earlier view that the public "demands" quick retribution for the Santiago fighting and has been temporizing in evident hope that passions will cool. He postponed a public report on the Santiago incident slated for last week, and now says he will make one on the night of 29 December. Garcia Godoy has told Ambassador Bennett he intends to do something drastic "before that."

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Garcia Godoy will probably attempt to moderate the impact of whatever course of action he chooses by consulting beforehand with all interested parties, including the OAS ad hoc committee.

Under present circumstances violence could break out without

warning and an unplanned incident could escalate into a major confrontation, a development that almost inevitably would involve the IAPF. The Communists would almost certainly attempt to exploit such a situation through their ability --demonstrated during the past two weeks--to manipulate street mobs and rioters. This, combined with a widespread availability of arms, poses a continuing danger to security.

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JAGAN RETAINS PARTY DOMINANCE IN BRITISH GUIANA

Although the British Guianan People's Progressive Party (PPP) and its December special congress concentrated on electing new officers and did not decide whether to follow a policy of peaceful or violent opposition to the Burnham government, Cheddi Jagan's undisputed leadership of the party was reconfirmed.

The PPP's last regular congress, held in April 1965, broke down because party leaders could not decide whether to elect a moderate or an extremist as party chairman--the number two position in the PPP. In order to prevent an open rift, Jagan postponed elections and assumed sole interim responsibility for PPP administration.

All of Jagan's choices for party officers were elected at the December congress. Cedric Nunes, an activist currently

detained for suspected complicity in the June bombing of the US Consulate office, was elected chairman. Since Nunes is in prison, he is unlikely to play a major part in policy formation at present. Jagan's support for Nunes' candidacy may have been one of many strategic moves designed to satisfy all factions in the party and thereby paper over the moderate-extremist split.

It is likely that PPP leadership will continue to be divided and that the party will drift ineffectually until Jagan stops vacillating and clearly opts for a policy of moderation or extremism. He is currently on a trip abroad that is scheduled to include stops in Prague, Havana, and Moscow, and he will probably return home in February. No important policy decisions are likely to be made in his absence.

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NICARAGUAN ELECTION TEMPO ACCELERATES

With the February 1967 election little more than a year away, Nicaraguan political activity is gaining some momentum. General Anastasio Somoza, commander of Nicaragua's National Guard, has left no doubt about his intention to run as the candidate of the ruling National Liberal Party (PLN). However, the opposition conservative parties are still primarily engaged in internal feuding and have been unable as yet to organize an effective campaign against the Somocistas.

During the past month, General Somoza has engaged in a veritable whirlwind of activities to enhance his reputation prior to the PLN convention. These noisy events have been widely publicized by the Somoza press, with editorials and poems lauding the general in effusive terms as a "condor soaring over the Andes" and with other hyperboles. During the festivities for the general's 40th birthday, Chamber of Deputies President Orlando Montenegro actually proclaimed Somoza a candidate for the presidency. The general acknowledged the tribute, but remarked that he could not accept a nomination while he remained in the army.

Discord in the opposition camp is highlighted by the dilemma facing Traditionalist Conservative Party (PCT) leader Fernando Aguero, who finds it difficult to maintain even a facade of party unity. While denouncing the PLN and the "Somoza dictatorship," Aguero has in turn been denounced by members of his own party. José Cuadra Cardenal, prominent PCT official, recently

resigned his post as technical secretary of the party and announced his intention to fight against "bad leadership." US Embassy observers believe former president Luis Somoza could be behind Cuadra's resignation. Since Aguero's dictatorial tactics have alienated many conservatives, there is a possibility that Cuadra might serve as a rallying point for the dissenters.

However, at present Cuadra has chosen to remain within the PCT.

In addition, the PCT has had several other setbacks. For example, interparty negotiations on electoral reform came to a sudden halt when the present Schick government refused to accept any of the substantive changes requested by the PCT. The party must now undertake an expensive and cumbersome petition process if it is to be legally reinstated.

The embassy has noted that with the failure of political conciliation efforts, hotheads on both sides may force a return to traditional intransigence. Moreover, ill-feeling against the Somozas remains alive, and the probability of a return to the Somoza "dynasty" could revive old hatreds and create additional domestic turmoil. In any case, the outlook for the coming year appears to be an increasing deterioration of the relaxed atmosphere fostered by President Schick.

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ECUADOREAN JUNTA ANNOUNCES ELECTION PLANS

The military junta has announced its plan to restore constitutional government in 1966 through presidential elections to be held on 5 June. A two-month campaign in which the political parties are promised full freedom within the limits of public order would precede the contest. The president-elect would take office on 1 September.

Constitutional changes to be made before the campaign will probably include a ban on re-election of aspiring former presidents such as four-time president José Maria Velasco Ibarra and ex-President Camilo Ponce Enriquez. The office of vice president probably will be suppressed and the legislative branch reformed.

The junta's plan reflects determined opposition by the armed forces high command to both an interim civilian president and a constituent assembly--steps desired by most politicians who fear that otherwise the military will impose a president. The armed forces are aware, however, that in the past such arrangements have tended to exacerbate instability.

The politicians have displayed negligible energy since the failure of attempts to overthrow the junta last July, and are unprepared for a presidential race. They probably will continue to urge a constituent assembly that they could control, but may also attempt to concert ephemeral "fronts" or coalitions

in hopes of developing a winning combination. Lack of provision by the junta for election of a congress--historically the least stable or effective branch--thwarts the ambition of many politicians and may further inhibit their campaign enthusiasm.

Minister of Government Garcia Velasco, who favored a constituent assembly, has left the government, and for the moment, other partisans of this approach are muted. Ex-junta member Freile has found no response to his complaints against the government from hiding, and he now lacks the organized following to give his presidential ambitions more than a remote chance. Little has been heard from exiled Velasco Ibarra, although some of his partisans announced that he would be a candidate regardless of the government's attitude. The other nominees, Raul Clemente Huerta and Carlos Guevara Moreno, remain silent.

There are persistent rumors that some opponents of the transition plan have found military support and may attempt to establish a new junta or a single executive. Embassy sources indicate that ex-President Ponce is behind efforts to concert a civil-military coup in order to prevent his being barred from the June contest. Pressures for such an attempt will likely become most serious near the 29 January anniversary of the widely hated Rio Protocol which defined Ecuador's boundaries with Peru.

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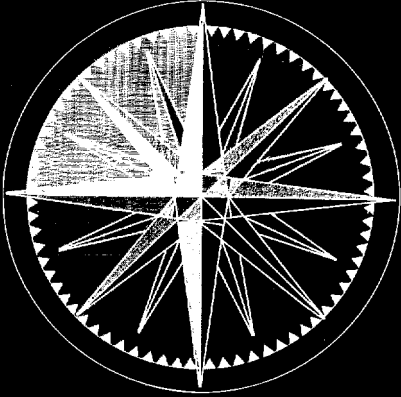
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30 December 1965

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SPECIAL REPORT

TRENDS IN SEKOU TOURE'S GUINEA

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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TRENDS IN SEKOU TOURE'S GUINEA

Seven years after independence, the radical West African state of Guinea is subject to acute internal tensions that could threaten the stability of President Sekou Touré's regime. The political enthusiasm initially generated by the country's single party, the Democratic Party of Guinea (PDG), is being stifled by local, tribal, and individual interests. Despite Touré's attempts to blame many of Guinea's difficulties on foreign meddling, he has already felt obliged to make sweeping internal shifts.

For a country of its small size and relative lack of development, Guinea exercises a disproportionate amount of influence among the more radical African states. This, together with its potential economic importance as possessor of over 40 percent of known world reserves of bauxite, has tended to make it a focus of international interest. An influx of Communist aid and advisers shortly after independence made it appear that Guinea was being drawn irreversibly into the Communist sphere. However, this trend was abruptly halted following exposure of an allegedly Soviet-inspired plot in late 1961. Since 1962, Guinea has steadily increased its ties with the US, which is now the principal donor of economic and technical aid. Close relations have never been resumed with France despite the example of other French-speaking African states and the desires of many influential Guineans. Domestic political pressures could produce another shift in orientation as sudden as that of four years ago.

Touré's Balance Sheet

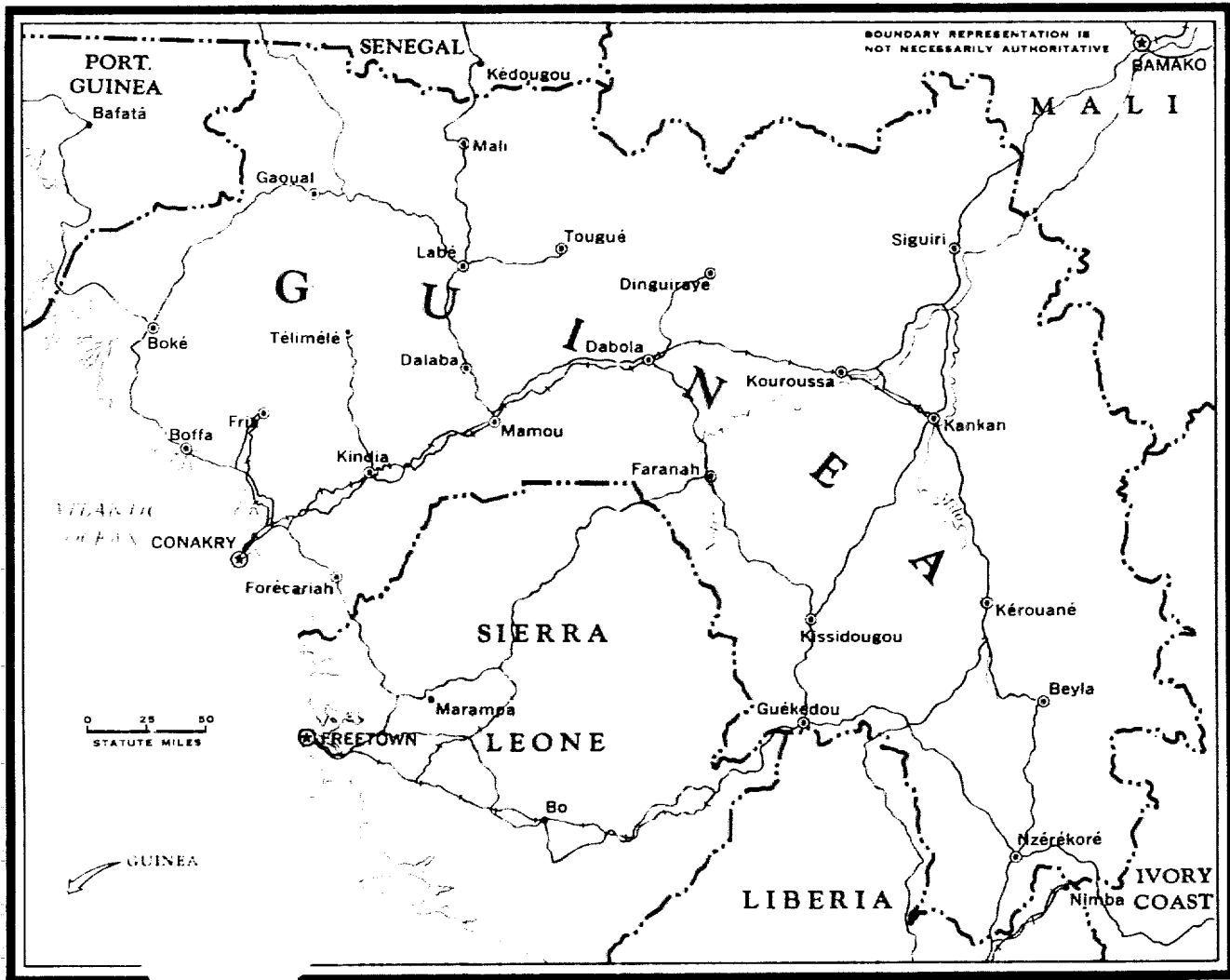
When Guinea abruptly voted its independence in September 1958, its chief asset was its highly organized political party, the PDG, which had a revolutionary, egalitarian, and somewhat puritanical outlook. During the final years of French rule, Touré and his associates used the party to fuse Guinea's normally antagonis-

tic tribes and social classes into a unified anticolonial force, and the momentum of this effort carried over into the early period of independence. After seven difficult years, however, the PDG's ability to engage all the people in a selfless nation-building effort is showing signs of fraying.

On the positive side, Touré's regime, by creating a widespread

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sense of civic responsibility, has accomplished far more than have most other newly independent African states. His regime is well ahead of others in the field of social development, especially in terms of education, status of women, and the eradication of tribalism. Nevertheless, these things represent good beginnings rather than final accomplishments, and they are subject to undermining by internal rivalries, foreign manipulation, and economic difficulties.

In fact, economic conditions in Guinea have been deteriorating ever since independence. Although Communist countries soon stepped in to replace the suddenly terminated French support, many of their initial aid projects proved to be ill-conceived and unproductive. During the past few years, foreign aid to Guinea has come from more diversified sources and has been somewhat better suited to the country's needs. It has contributed a modest variety of processing plants and a limited improvement in such fields as communications and transportation. Simultaneously, however, vital agricultural production has declined in both the subsistence and small plantation sectors, and there have been intermittent food shortages.

The country's economic problems are rooted in the government's capricious domestic policies, which are more often promulgated to satisfy nationalist sentiment or to follow a socialist pattern than to deal with the situation at hand. In 1960, for example, Guinea adopted its own cur-

rency as a manifestation of political independence, but the currency is now virtually worthless and nonconvertible. Moreover, shortages of foreign exchange have cut deeply into supplies of consumer goods and have prompted various clandestine trading arrangements. There has been a mounting incidence of farmers' withholding their produce, of illicit deals in foreign currency, and of blackmarketing and smuggling. In 1964 an estimated 60 percent of Guinea's exportable products were smuggled out for hard currency and even most goods legally imported were smuggled out before they could reach local consumers. It was general knowledge that police and party officials participated extensively in these activities.

For several years the government attempted directly to conduct most retail trade in Guinea. In November 1964, after a year of experimenting with a more liberal commercial system and attempting persuasion through PDG channels, it resorted to force to induce observance of stringent new economic regulations. Smugglers were arrested and many independent merchants and peddlers were put out of business as retail trade in staple goods reverted to direct government operation. A special party commission was set up to investigate possible economic wrong-doing on the part of officials.

Other economy measures introduced in 1964 added to the general discontent. Of these, the most unpopular appears to have

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been a rigid restriction on the number of students permitted to go on to secondary schools in Guinea or to continue their education abroad.

One dramatic result of all these measures has been a massive emigration from Guinea to neighboring countries, especially to relatively prosperous Ivory Coast and Senegal. Conakry officially closed the borders in November 1964 and used security forces to enforce the closure; some of the restrictions were lifted during 1965, but controls remain tight and certain categories of individuals such as soldiers, students, and unmarried girls are still not permitted to leave. In all, about ten percent of the Guinean population is estimated to have departed, mostly during the past two years.



SEKOU TOURÉ

Political Strains

Politically, Touré has never been an absolute master in Guinea, and as contradictory pressures build up, his policy decisions tend to become more erratic. PDG doctrine, for which Touré is ultimately responsible, emphasizes broad participation in government affairs and the use of the consensus method for determining policies. Touré probably cannot arbitrarily impose his will even within the PDG's 15-member politburo, and he has not been able to generate real forward movement at several of the recent specially called sessions of the party's national council. Although Touré has a unique ability to articulate the needs, emotions, and aspirations of the Guinean people, there are also a number of other top figures who are politically important in their own right and can probably delay or reshape policies they oppose.

There is good evidence that Touré has long been dissatisfied with some of his colleagues. However, his efforts to purge the politburo--dating back to 1962--have been notably unsuccessful. As president, he has a freer hand to reshuffle the government than the party, but even there certain individuals apparently are virtually untouchable.

Local complaints recur about party and government officials practicing tribal discrimination or using their positions for personal gain. Over a year ago, Touré accused unspecified officials of improper conduct in their dealings with foreign

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embassies. More recently, extensive transfers have been carried out in the security forces, including the dismissal of the commander of the large military camp near Conakry and the replacement of the defense minister. The general atmosphere of suspicion and recrimination appears to have intensified as conditions within the country have worsened.

Tribal antagonism to the regime has occurred primarily among the Fulani, who make up over a third of the population, and among the Malinke, the second largest group. The Fulani enjoyed a privileged position under French rule and have never been fully reconciled to the present system. The Malinke, on the other hand, are the dominant tribe in the PDG and the government, but many of them are also members of the traditional merchant class that has been badly hurt by the controls on commerce.

Other political tensions appear to arise from various domestic factions siding with different foreign powers. Prominent Fulani, for instance, have been critical of Touré for the exclusion of France from Guinea's economic development since 1958. Some other leaders would prefer to see the Soviet Union or Communist China in the place of the US, which Touré has now accepted as the leading partner in Guinea's economic development.

In this atmosphere, rumor campaigns of the wildest kind have developed. Some of the stories circulated include reports of gross police brutality

against people picked up for minor infractions of economic regulations, of a supposed US-instigated plot to overthrow Touré, and of the alleged mysterious death in the Soviet Union of the regime's most prominent Fulani personality.

November "Plot" Exposé

Sekou Touré's dramatic public charges last November that domestic enemies and foreign powers were plotting against him brought some of the smoldering dissidence out into the open. It is unlikely that those accused actually possessed a serious potential for overthrowing the government. Nevertheless, the "exposure" of the plot provided the occasion for sweeping personnel changes. Party activity was also stepped up to demonstrate public solidarity with the regime. Announcements that investigations are continuing in order to establish evidence against additional plotters may be designed to intimidate other malcontents.

As elaborated thus far, the plot supposedly was planned by Ivory Coast President Houphouët-Boigny with the support of two French cabinet ministers and the presidents of several other moderate African countries. The principal agent identified inside Guinea was Mamadou "Little" Touré, a Malinke cousin of the President and the former head of the state textile trading company. His role allegedly was to hire "commandos" who would create disturbances as a cover for the assassination of Touré. According

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to government accounts, three such assassination attempts have failed, including two on the 2 October national holiday.

The money involved was allegedly brought in from Abidjan by Francois Kamano, head of the Ivory Coast Social Security Office, who has family ties in Conakry and visited there often as Touré's guest. Both "Little" Touré and Kamano seem to be free-wheeling operators well known in Ivory Coast as well as Guinea. The latter was arrested briefly in 1963 in connection with a plot against Houphouet-Boigny.

This and other prevailing conspiracy stories reflect a combination of normal Guinean distrust of foreigners, tribal antagonisms, echoes from two plots exposed some years ago, and general suspicions aroused by Guinean feelings of frustration and isolation. Guineans are also likely to confuse foreign contact with plotting, and criticism with subversion. Thus far, government and party surveillance has been adequate to detect and neutralize any serious threat.

External Repercussions

One immediate result of the November plot charges was a break in diplomatic relations with France. The two embassies were promptly closed and economic negotiations, which had seemed to be progressing, were called off.

Touré's charges against French-oriented Ivory Coast were accompanied by a stinging attack

on President Houphouet-Boigny, under whom Touré began his political career in the 1940s. They broke in the 1950s over ideological issues, and currently are rival spokesmen, respectively, for radical, anticolonial, and socialist Africa and for moderate, pro-Western, and capitalist Africa. Touré's quarrel with Ivory Coast is of such emotional intensity that it may be partially responsible for Guinea's recent militancy regarding the Organization of African Unity and the Rhodesian issue. Guinea was the first of the nine states that broke diplomatic relations with Britain over this question.

In any case, the pro-French and pro-Ivorian group within the Guinean regime is currently in eclipse. There are some indications that in order to bring this about, Touré may have felt obliged to ally himself with pro-Soviet elements, thereby increasing their weight in the Guinean political equation. Although the President presumably believes that he can remain their master, their influence may prove more than he bargained for in an essentially fluid situation.

A new rapprochement with Moscow was under way even before the recent plot disclosures. In July, President Touré made his first official visit to the Soviet Union since the 1961 episode in which the Soviet ambassador was sent home for his alleged subversive activity. Before leaving Conakry, Touré implied to US officials that the visit was a gesture meant to please PDG elements dissatisfied with the results of

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the priority given to Western aid over the past few years.

Moscow may have offered token commitments to Touré, but no new aid agreements are known to have been signed. However, Guinea has persisted in claiming that the USSR "would assure" construction of the long-projected Konkoure dam, hydro-electric plant, and aluminum smelter, as well as a detailed list of other projects. The aggressive handling of the subject, both in the news media and at a special meeting of the top party council, may have been aimed at putting additional pressure on Moscow, but was more likely intended to satisfy the pro-Soviet faction within the regime.

Many Guinean leaders would welcome Soviet entry into the aluminum picture either for its own sake or as a form of pressure on the Western companies to step up their activities. Guineans tend to view rapid development of the bauxite industry as their chief hope for overcoming their present economic difficulties.

Current production is provided mainly by Fria, a consortium of Western companies in which the US firm, Olin Mathieson, is the principal shareholder and a French firm has operational responsibility. Another American firm, Harvey Aluminum, has an exclusive concession for exploitation of the massive reserves

at Boke and has formed a mixed company with the government of Guinea. Last June, US AID provided the proposed Boke operation with a loan guarantee, but arrangements for financing have not been completed. The Guinean Government, which nationalized a French concession on these reserves four years ago because of nonperformance, presumably is becoming impatient at the delay in beginning work on the project.

Although the Chinese Communists are active in Guinea and their aid programs are generally well received, they do not appear to have any significant group of supporters among PDG or government leaders. Touré himself appears to have been so upset by the militarist and racial doctrines expounded by Chinese Foreign Minister Chen Yi while visiting Conakry last September that he is unlikely to develop closer relations with Peking in the foreseeable future.

Outlook

The current tense situation in Guinea could continue indefinitely. The country's economic problems and political tensions have already been building up over a span of several years and there is little indication that a dramatic denouement is in sight. Moreover, it appears unlikely that Touré's regime could be overthrown by domestic dissidents in the near future.

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Sudden shifts in Guinea's domestic and foreign policy cannot be ruled out, however. Guinea already has moved from a close identification with the Communist bloc in 1961 to a primary reliance on US aid in 1965. The permanence of present and future alliances will be equally dependent on the views of Guinea's leaders as to where their best interests lie.

It is an important article of Sekou Touré's political faith that his regime should reflect the wishes of the people. If competing pressures should be resolved and a new consensus produced within the PDG in favor of different policies, Touré might be expected to adjust his programs with little or no warning.

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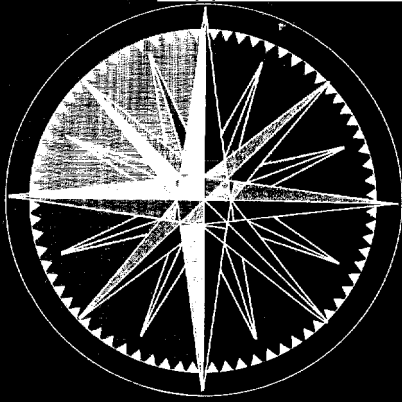
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30 December 1965

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SPECIAL REPORT

CHILE: PROBLEMS FACING THE PDC IN THE YEAR AFTER VICTORY

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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CHILE: PROBLEMS FACING THE PDC IN THE YEAR AFTER VICTORY

The presidential election victory in September 1964 of Eduardo Frei and his Christian Democratic (PDC) was widely heralded as the triumph of a freely elected reform-minded government that would have a profound effect on the economic and social development of the nations of Latin America. Today, Frei and his fellow Christian Democrats are faced with the problem of initiating political and economic advancement along somewhat traditional Western lines while incorporating unique developmental patterns grounded in unproven concepts of philosophical Christian democracy.

The development program initially proposed by the President generally followed the pre-election ten-year plan of a mixture of free enterprise and state planning that had been commended with some qualifications by the OAS Alliance for Progress "wisemen" and the World Bank. However, few of these initial proposals have been legislatively implemented. Thus, although Frei personally continues to advocate free enterprise and close relations with the US, there is growing evidence that he has had some difficulty in controlling his own party, the growth of which has attracted extreme left-wing, anti-US elements more rapidly than even he expected.

In view of the increased strength and unity of the leftist political element and his lack of a Senate majority, the President has been obliged to pay close heed to the pressures of the extreme left as these are applied on all facets of governmental affairs. In foreign policy, despite Frei's assurances of good will toward the US, his foreign minister and certain members of his party have stressed an "independent foreign policy" which, more often than not diverges widely from US positions on matters of mutual concern. The inherent contradictions between what Christian Democrats have said and their actual deeds also provide grounds for future anxiety. These trends, exploited by Communists and other hostile forces, have not furthered US objectives or influence in the country.

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1965 CONGRESSIONAL ELECTION RESULTS

I. Total of 2,346,458 votes were cast; 70,518 were null and void or blank.

Christian Democratic Party (PDC).....	993,633	. 43.658%
Radical Party (PR).....	311,538	. 13.688%
Communist Party (PCCh).....	290,635	. 12.769%
Socialist Party (PS).....	241,593	. 10.615%
Liberal Party (PL).....	170,219	. 7.479%
Conservative Party (PCU).....	121,399	. 5.334%
National Democratic Party (PADENA).....	73,547	. 3.231%
All Others.....	73,376	. 3.223%

II. Make up of the new Congress:

	Chamber of Deputies	Senate
PDC.....	82.....	13
PR.....	20.....	9
PCCh.....	18.....	5
PS.....	15.....	7
PL.....	6.....	4
PCU.....	3.....	3
PADENA.....	3.....	1
Independents.....	0.....	3
	<u>147</u>	<u>45</u>

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Domestic Problems and Achievements

President Frei inherited a mountain of domestic problems when he took office in November 1964. The country had a huge fiscal deficit with a foreign debt of more than \$1.7 billion. Additional obstacles to economic development included a continuing price-wage spiral resulting in chronic inflation, sporadic labor difficulties in key industries, costs of rebuilding after the destructive earthquake of 1960, and the reluctance of many foreign and domestic investors to initiate new productive activities while the outcome of the presidential election was in doubt.

Despite a poor showing in programs designed to increase personal and party prestige, Frei did accomplish a great deal of good in necessary but unpublicized achievements. He obtained a favorable renegotiation of the foreign debt and his war on inflation has slowed the rise in the cost of living from 47.5 percent in the 12 months before his inauguration to an anticipated 25 percent in 1965.

There have also been substantial improvements in public finances and a 16.5 percent reduction in state enterprise deficits. Furthermore, the foreign trade picture has steadily improved, and a positive trade balance is foreseen for 1965. Other gains have been made in the construction of housing, school rooms, and health facilities, in the improvement of roads and communications, and in the passage of the

reconstruction bill that established a permanent system to deal with natural disasters.

These achievements and Frei's apparent personal popularity and prestige have not, however, overcome leadership deficiencies in certain sectors of his government, his lack of a majority in the Senate, or his apparent refusal to attempt to work out a *modus vivendi* with other non-Communist parties. Thus, his inability to translate pledges into actual legislation and reforms has enhanced the influence of the young, often irresponsible, and ambitious left wing of his party.

The Left Wing of the PDC

This extremist element, led by Alberto Jerez, appeals to traditional Chilean nationalism and to the Marxist clamorings that have long been heard among the Chilean lower class. Consequently, it stresses closer cooperation with the Soviets and the Chilean Communist Party (PCCh). Jerez made a good showing in the last PDC party election--losing in the battle for leadership by a vote of 224-188--and will almost certainly become a greater power factor in the Christian Democratic movement. He has been able to capitalize on growing party discontent to such a degree that he might eventually be able to wrest control from the Frei moderates.

Communist influence in the administration could increase further through the government's reported willingness to accept legislative support from the

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PCCh. In early November, the PDC and the PCCh reportedly agreed to support the government's budget submission virtually intact in return for a share of the jobs in the "Promocion Popular" effort provided for in the social investment portion of the budget. This effort relates especially to improvement of health, sanitation, and housing conditions for the lower class.

An earlier example of PDC-PCCh contact was a letter from PCCh Secretary General Luis Corvalan on 4 August offering cooperation with the government on "progressive" legislative items. In a television debate on 2 October, PDC President Aylwin and Corvalan agreed that, although there were some obvious ideological differences between the two

parties, they could collaborate on a number of issues where there was a coincidence of views. Corvalan in the October party congress apparently invited the "progressive" wing of the PDC to join in a popular front movement. Furthermore, the PCCh and the Socialist Party promised to support Article 10 (modification of property rights) of the administration's Constitution Reforms Bill if that portion is taken out and presented separately. The US Embassy has predicted that the temptation of rapid passage of agrarian reform might overcome the administration's reluctance to break up the bill. The embassy has also reported that other political parties are noticing that the Radicals and Socialists are eyeing each other in a friendly fashion and that some discussion of cooperation in Congress is already under way.

Thus in domestic affairs, Frei is confronted by a need for support of his programs--perhaps from the Communists--and by a party divided roughly into an impatient and volatile left wing and an apathetic confused and undisciplined rank-and-file. The answer to this problem is, of course, better party organization and time. The President may be able to maintain his leadership role if he can reinstate revolutionary zeal and confidence in Christian Democracy. If this is not done, Jerez and his "impatient ones" could gain party leadership at the PDC national council in April 1966. He and his associates would be inclined



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to formalize cooperation with the PCCh.

Foreign Affairs

During its first year in office, the Frei administration has devoted major attention to the formulation and articulation of foreign policy. Its initiatives here have conflicted with US objectives on several occasions. Although there are no indications of a concerted effort to adopt an anti-US position, there is evidence of the evolution of an "active neutrality" that is not compatible with US views. This doctrine--coupled with current nationalistic trends, a permissive climate for the Communist and Socialist press, and Frei's notion that he must present a "leftist" image before the masses--has created problems for US-Chilean relations.

In 1964 President Frei, in dramatizing Chile's "independent foreign policy" in world affairs, restored full diplomatic relations with the Soviet Union and with Hungary, Czechoslovakia, Poland and Rumania despite efforts to dissuade him. Along with the permissive climate that has materialized in Chile in recent months, the activities and influence of the Soviets have grown to sizable proportions. In particular, the Soviets have openly assumed the role of political counselors and advisers to the PCCh and--to a less public degree--to the Socialists. Indications of the Soviet intentions to play a more active part in Chilean political life were reflected

in the assignment of a "popular front" specialist to Chile as ambassador. His senior political officer is from the Latin American section of the international department of the CPSU.

Soviet intentions were further dramatized in October 1965, when the CPSU sent a high-level delegation to Chile to attend the 13th National Congress of the PCCh. These delegates publicly denounced the US as imperialists and "the principal enemy" of international Communism. At the same time, they emphasized the correctness of the "via pacifica" as a path to power, and endorsed the PCCh's position of cooperation with the Frei government on matters of common concern. Although this new Soviet initiative poses the problem of cultivating ties with the Chilean Government on one hand while supporting an opposition Communist Party on the other, the Soviets are apparently willing to play the game in order to encourage Chile's desire for an "independent foreign policy" which reduces Chilean dependence on the US.

Foreign Minister Valdes in various statements has further complicated Chilean-US relations. Despite allegations by some observers that he has little real power, he apparently has Frei's confidence. Valdes has always disliked what he labels the "paternalistic" attitude of the "colossus of the north" toward Latin American nations. Earlier this year he provoked controversy by stating that the interests of the US and Latin America in

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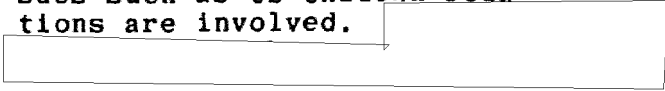
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the Organization of American States were divergent. He demanded--and later denied that he had "demanded"--economic compensation for support of US policies, implying that the Latin American nations could thereby increase their influence within the inter-American system and presumably satisfy their nationalistic aspirations. Furthermore, Valdes has shown a fanatic desire for "perfect sovereignty." He maintains that Chile's attainments qualify it to be a leader in Latin America and to play a more influential role in world councils.

With foreign policy being shaped by this kind of reasoning, it is not surprising that Chile appears to be in the vanguard of an attempt to reduce US influence in the OAS by restructuring the organization, including a geographic decentralization of its organs--a matter that the November conference in Rio left open for further study. Moreover, the government has not publicly sup-

ported US policies in Vietnam. The Foreign Ministry seems to be trying to expand trade in North Korea, the USSR, East Germany, and Cuba in spite of limited trade possibilities. PDC deputies have been traveling to these countries and have been making favorable statements on the achievements of Communism.

The most serious conflict in US-Chilean relations occurred in the recent UN vote on the admission of Communist China. Chile, despite Frei's assurances to the US ambassador that his delegation would support the US position, failed to do so. Frei subsequently explained that his chief delegate, a powerful PDC political figure in his own right, had refused to carry out the presidential instructions. This incident pointed out that Frei still does not have complete control over his own party even when vital issues such as US-Chilean relations are involved.



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