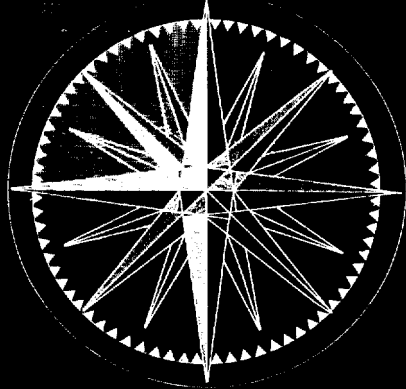


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29 July 1966

OCI No. 0300/66

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# WEEKLY SUMMARY

## CENTRAL INTELLIGENCE AGENCY

### DIRECTORATE OF INTELLIGENCE

State Dept. review completed

DIA review(s) completed.

ARMY review(s) completed.

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GROUP 1 Excluded from automatic downgrading and declassification

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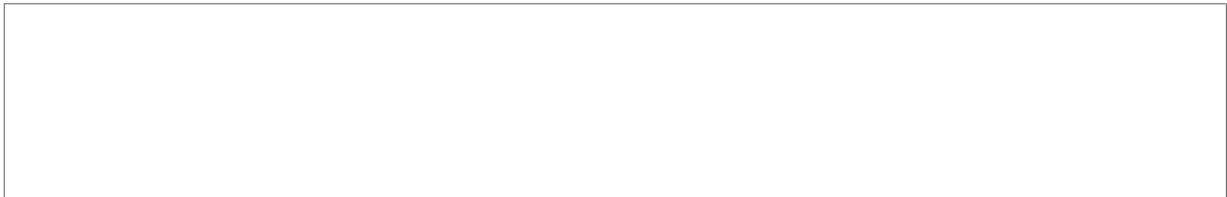
(Information as of noon EDT, 28 July 1966)

Far East

	<u>Page</u>
VIETNAM	1
<p>Allied military activity in South Vietnam remains centered just below the Demilitarized Zone, where evidence points to recent heavy infiltration of North Vietnamese regulars. After North Vietnam's month-long propaganda campaign threatening trial and execution of captured US pilots, Ho Chi Minh has explicitly stated "no trial in view." Moscow, through low-level channels, is telling the US that, despite the Warsaw Pact pledge of "volunteers" to the DRV "if requested," the USSR has no desire for deeper involvement in Vietnam. China too remains careful not to go beyond previous hedged pledges of aid to Hanoi.</p>	
NEW CAMBODIAN TALKS WITH VIETNAMESE COMMUNISTS IN PROSPECT	5
<p>Sihanouk is preparing for another round of border talks with the Vietnamese Communists which could lead him to grant diplomatic recognition to Hanoi and the Viet Cong.</p>	
EDUCATIONAL REFORM IN COMMUNIST CHINA	6
<p>Recent violent riots [redacted] at educational institutions are probably due both to the current cultural purification drive and to proposed radical changes in enrollment procedures, curricula, and operating methods.</p>	
INDONESIA'S NEW CABINET	7
<p>Installation of the new Indonesian cabinet marks yet another stage in the consolidation of General Suharto's power at the expense of Sukarno.</p>	

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Europe



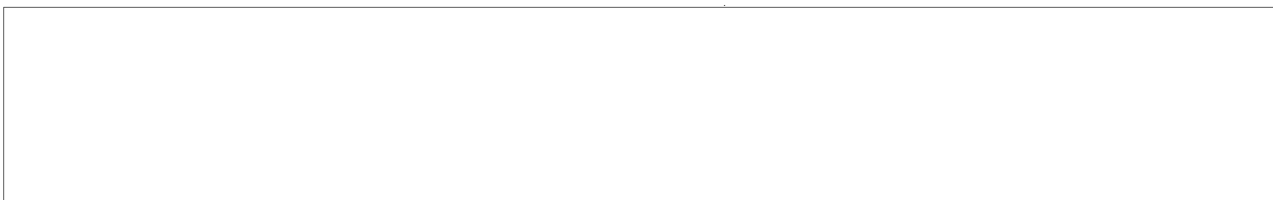
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- TALKS ON FUTURE OF FRENCH FORCES IN WEST GERMANY STALLED 9  
The French are maintaining a tough stance in the apparent conviction that German eagerness to reach agreement on the legal status of the forces strengthens France's bargaining position regarding their defense role.
- EEC AGRICULTURAL AGREEMENT KEY STEP TOWARD ECONOMIC UNION 10  
These accords complete the long effort to lay the basis for full integration of agriculture within the community. They also enable the EEC to participate fully in Kennedy Round talks this fall aimed at liberalizing world trade in farm products.

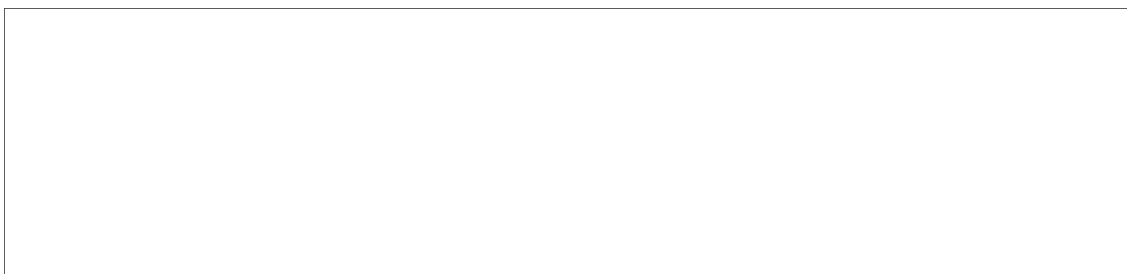
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- SOVIET INDUSTRIAL GROWTH RATE CONTINUES TO DECLINE 12  
Moscow's official statistics for the first half of 1966 indicate no improvement by the Soviet economy over its unsatisfactory performance of recent years. There is still no evidence that the Brezhnev program to improve agriculture has been fully implemented.
- SOVIET 1966 AGRICULTURAL PROSPECTS REMAIN FAVORABLE 13  
The grain crop may surpass the 1961-65 average of 106 million metric tons since the winter grain crop is a fairly good one and the outlook for spring grains is above average.
- POLICY DIFFERENCES WITHIN THE POLISH LEADERSHIP 15  
There are signs of basic policy differences among Polish leaders, the net effect of which is to stall US efforts to expand relations with Poland and the rest of Eastern Europe.

Middle East - Africa

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- COMMUNIST ECONOMIC AND MILITARY AID TO PAKISTAN 16  
The extensive press treatment accorded Communist economic aid to Pakistan, which has been pitifully small as compared with free world assistance, may be designed to elicit even larger amounts from the US and other Western countries. Pakistan's primary interest in the Communist capitals has been military aid, received thus far only from Peking.
- NASIR REITERATES EGYPT'S OPPOSITION TO CONSERVATIVE ARABS 17  
In his speeches on 23 and 26 July Nasir blamed Arab "reactionaries" for destroying Arab cooperation and said he would not change his policies in order to obtain US aid.
- SUDAN CHOOSES NEW PRIME MINISTER 17  
Sadiq al-Mahdi, youthful president of the dominant Umma party, has finally replaced Mohammed Mahjoub, but infighting within the Umma may continue.
- PRESIDENT'S ILLNESS MAY UNSETTLE MALAGASY REPUBLIC 18  
The powerful secretary general of the ruling party, who is heartily disliked by a large segment of the populace, may try to take over the presidency during Tsiranana's convalescence.
- ARMY MUTINY IN CONGO (KINSHASA) THREATENS MOBUTU REGIME 19  
President Mobutu suspects Belgian connivance in continuing disorders in Kisangani. His arrests of Belgian mercenaries will further damage relations with Brussels.

Western Hemisphere

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- URUGUAYAN LEADERS MAY BE PAVING WAY FOR FUTURE COUP 21  
There is some suspicion that military appointments made by National Council of Government President Heber are calculated to assure him military backing in case he should decide a concentration of power in his hands is necessary.
- CASTRO'S 26 JULY SPEECH 22  
This year's anniversary speech by the Cuban leader pointed to no new developments. It was devoted largely to international affairs, with the "fight against US imperialism" as the main theme.
- INCREASED TERRORISM THREATENED IN VENEZUELA 23  
A split over policy between the leadership of the Communist Party of Venezuela and the hard-liners of the Armed Forces of National Liberation, its paramilitary organization, may lead to an increase of terrorist acts.
- DOMINICAN PRESIDENT PROPOSES REFORM OF SUGAR INDUSTRY 24  
In his first major effort at long-term improvement of the economy through institutional reform, Balaguer has outlined a draft law reorganizing the state-owned sugar industry. This seems to have met in part the administration's need for some immediate reform measure for political effect.

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Far East

VIETNAM

Allied military activity remains focused in South Vietnam's northernmost province, Quang Tri. In Operation HASTINGS/LAM SON 289 "A" just south of the Demilitarized Zone, ten US Marine and South Vietnamese Army (ARVN) battalions are pressing their offensive against the North Vietnamese 324 "B" Infantry Division. As of 28 July this operation had resulted in more than 750 Communist troops killed and 225 weapons captured. Friendly losses were 145 killed (124 US) and 471 wounded (445 US).

In the Tuy Hoa area of coastal Phu Yen Province, US airborne and South Korean marine units successfully terminated Operation FILLMORE. This four-month combined harvest/security operation achieved its primary objective of denying major Viet Cong elements access to sorely needed rice supplies, and in the process cost the Communists some 450 troops killed and captured.

Communist forces this past week sharply intensified their guerrilla-type activity against allied positions in the Saigon area and key US air installations in widespread sections of the country. Heavy mortar and recoilless rifle attacks were launched against the US 25th Infantry Division headquarters at Cu Chi (Hau Nghia Province), the recently opened Special Forces camp at Trai Bi (Tay Ninh Province), and strategically important US air bases at Da Nang, Quang Ngai, and Soc Trang.

Infiltration Still Heavy

Evidence of large-scale infiltration of North Vietnamese (PAVN) troops into South Vietnam continues to grow. MACV now confirms three more PAVN regiments and five separate battalions.

The entire 324th "B" Division --a headquarters element and three regiments totaling some 5,000 men --is in Quang Tri Province. As noted above, these forces have lost over 750 killed in action in recent engagements.

MACV also confirms a new regiment and four separate battalions of the 620th PAVN Division operating in the Quang Nam - Quang Tin border area. The fifth newly confirmed separate battalion is an artillery unit in the central highlands.

Confirmed PAVN strength in South Vietnam stands at 41,360 men. Another 1,100 are carried in the probable and possible columns. There are indications that additional units are en route or recently arrived.

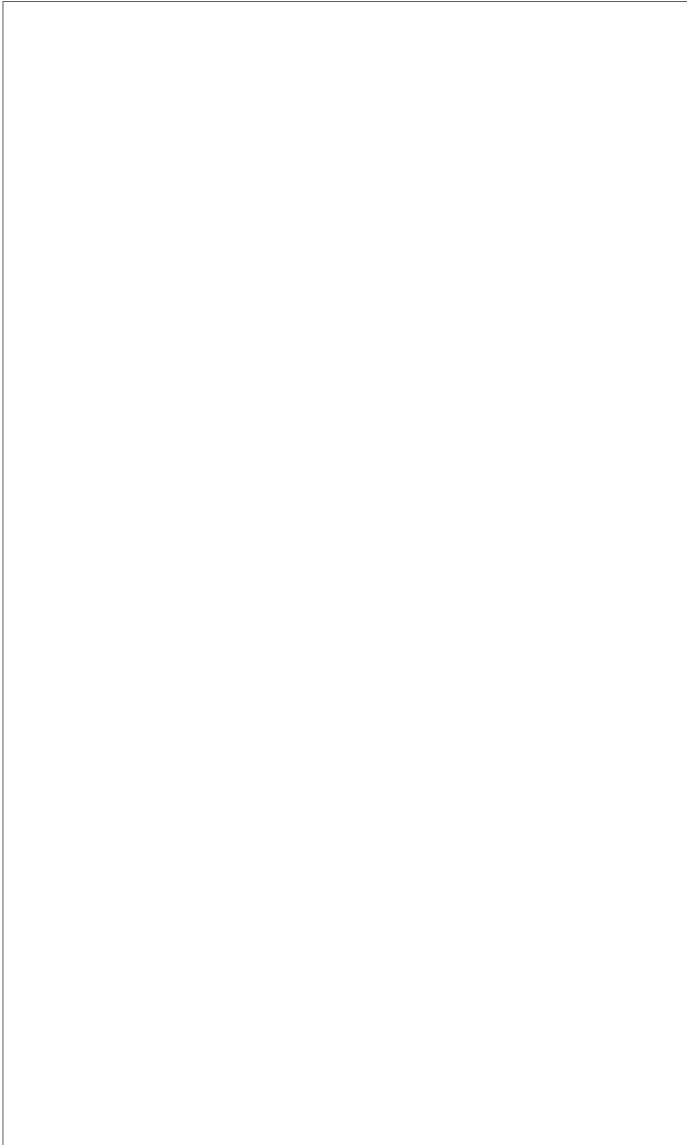
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propaganda on the question, Radio Hanoi announced on 23 July that the matter had been referred to a civilian committee which would conduct an "investigation"--presumably over a long period of time. For good measure Ho sent reassuring telegrams to private US citizens and organizations. One of the clearest was that to the CBS network stating "No trial in view."

This apparent tactical retreat in a major propaganda campaign may have been generated by adverse international reactions--which Hanoi may have anticipated in any case. The regime, for example, never officially associated itself with the threatening language used at mass rallies and in newspaper editorials and commentaries. Official statements never went beyond Hanoi's long-standing contention that the pilots had committed crimes against the Vietnamese people, that the DRV had the right to try them, and that they were not prisoners of war under the terms of the Geneva agreements.

The month-long propaganda campaign may have been designed with a dual purpose--to give the North Vietnamese people an outlet for outrage over the bombings and to serve as a deterrent to further escalation of the air war by US policy makers.

Hanoi Calls Off Pilot Trials

Ho Chi Minh intervened personally this week to relax some of the pressure in the DRV threat of trials and execution of American pilots. After weeks of intensive

Chinese Propaganda Support

Speeches stressing support for Vietnam continued this week at rallies in major Chinese cities, but expressions of support did not go beyond previous pledges of

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assistance. A reference to Chinese and Vietnamese "joint blows" at the US conveyed the impression of readiness for Chinese involvement in the war but did not go as far as Peking's past pledges to send "volunteers" to Vietnam "if needed." Statements by Chief of State Liu Shao-chi and Vice Premier Tao Chu on 22 July made no reference to "volunteers" and emphasized Vietnamese determination to fight on even if the war lasted "20 years or longer."

### Threat of Bloc Volunteers

Since the Warsaw Pact on 7 July pledged "volunteers" for Vietnam "if requested," Moscow has put out conflicting signals. With the British, the Indians, and apparently the Swedes, the Soviets have stressed the dangers of the war's "new stage" and underscored the sincerity of the pact's offer of "volunteers." The Soviets have not, however, taken a hard line with US representatives. This suggests that their pitch to Prime Minister Wilson and several neutrals is mainly meant to encourage them to press the US to stop bombing North Vietnam or at least to refrain from any further intensification of US air strikes.

Moscow also remains concerned about countering Chinese charges of Soviet "capitulation."

Since the air strikes on the DRV's main oil storage facilities last month, the private comments of Soviet officials to American representatives have been consistently restrained, indicating that Moscow's attitude toward the war has not significantly altered. The Soviets appear intent on communicating to the US through private low-level channels that they do not intend to send personnel to Vietnam other than the technical types already there.

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Soviet Marshal Bagramyan covered essentially the same ground with the US Army attaché in Moscow.

The East Europeans generally regard the Vietnam war as an unwelcome brake on European detente, as well as a drain, in terms of aid, on their resources. However, they are probably reconciled to increasing their limited assistance, possibly by providing specialized personnel such as medical technicians.

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## NEW CAMBODIAN TALKS WITH VIETNAMESE COMMUNISTS IN PROSPECT

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Cambodia's Sihanouk is preparing for another round of border talks with the Vietnamese Communists which could lead him to grant diplomatic recognition to Hanoi and the Viet Cong. [redacted]

[redacted] Phnom Penh has drafted an agreement, which presumably it will ask the Viet Cong to sign, covering delineation of the Cambodia-Vietnam border.

Sihanouk discussed the problem of signing a border agreement with the Communists in a speech before the Cambodian National Congress on 20 July. He said such an agreement might bring US retaliation, but argued that the danger of this would be outweighed by the longer term advantage of getting the Vietnamese Communists to agree to Cambodia's version of its borders. He implied that even though Communist military fortunes in South Vietnam have been waning, he still believes the Communists will eventually win there.

Sihanouk also stated in his speech that in order for the border agreement to have real meaning, Cambodia would have to agree to grant diplomatic recognition

to North Vietnam and the National Liberation Front. In doing this, he said, Cambodia would not alter its "neutrality" or its desire to avoid entanglement in the Vietnam war. He indicated, however, that Cambodia's negotiating position would remain firm, and he expressed some doubt that the Viet Cong will be willing to sign on his terms.

This apparent new attempt by Sihanouk to reach a political accommodation with the Viet Cong comes at a time when he has been increasingly critical of the Communist camp. In recent public statements he has implied that Cambodia's support for Hanoi and Peking is ephemeral, and he has held out the prospect of improved relations with Bangkok and Saigon. However, his oft-stated belief that the Communists will win in South Vietnam, a view which has formed the basis of Cambodia's foreign policy over the past five years, apparently has not been shaken. He evidently feels that a border agreement with the Communists would establish the "juridical" grounds for warding off future Communist pressure against Cambodian territory. [redacted] 25X1

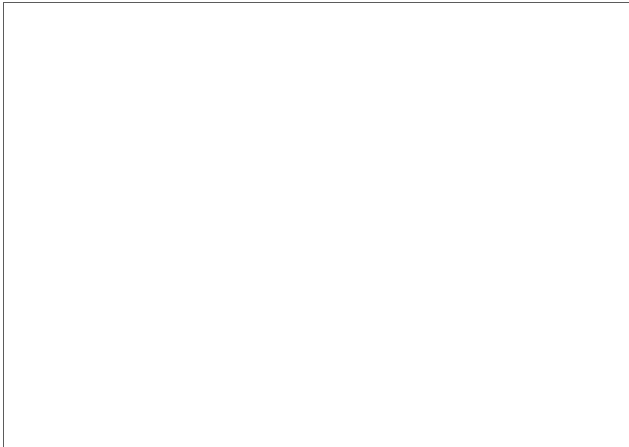
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## EDUCATIONAL REFORM IN COMMUNIST CHINA

Communist China's cultural purification drive has hit its educational institutions especially hard and is producing a strong negative reaction at universities throughout China.



Part of this general uproar, which lasted through much of June, was doubtless generated by the regime in connection with the purification drive. Some of it, however, was very likely caused by students who dislike the educational changes predicted in a 13 June party and government notice and now being openly discussed. It is still far from clear how far or how fast the regime intends to push these "thorough reforms" in education. The only firm steps thus far have been a six-month postponement in the enrollment of the 1966 freshman class at the universities and the retention of university and high school students at their schools for indoctrination this summer instead of the usual working "vacation."

The party press, however, has carried suggestions for radical departures in enrollment procedures, curricula, and operating methods. Among these suggestions, all attributed to students, have been recommendations that liberal arts and even scientific courses be severely curtailed, that more peasants and workers be admitted to the universities, that less emphasis be put on reading books and more emphasis put on learning through labor, that the weight given scholastic marks be reviewed in favor of political considerations, and that faculty titles be abandoned as were ranks in the armed forces.

Despite the damage that extensive tinkering with the educational system would do, some of these ideas might well appeal to an aging party leadership obsessed with the need it sees to ensure "revolutionary successors."



The 72-year-old leader is again taking a hand in major decisions, and the regime is trying hard--witness this week's near-idolatrous accounts of the Yangtze swim--to project an image of a healthy and vigorous Mao.



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## INDONESIA'S NEW CABINET

The new Indonesian cabinet installed on 28 July marks yet another step in the consolidation of power by the army under General Suharto. The government is expected to continue the gradual reorientation of foreign and domestic policies that has been under way since the military crushed the leftist coup attempt last October.

Suharto is chairman of the new presidium and thus heads the cabinet. He also retains the defense portfolio. The five "first ministers" who compose the presidium include the triumvirate that directed the preceding cabinet--Suharto, Adam Malik, and the Sultan of Jogjakarta. The other two are representatives of Indonesia's two largest parties--Sanusi of the National Party and Chalid of the Nahdatul Ulama.

Three minor parties are also represented in the cabinet--the Catholic Party, the Christian Party, and the pro-Army Association of Supporters for Indonesian Independence.

The inclusion in the presidium of Chalid, a man of unsavory repute with questionable backing even within his own party, represents Suharto's major con-

cession to Sukarno, whose position has been further eroded.

Although political parties appear to have been given a larger role in the cabinet than in any for several years, their influence is likely to remain secondary to that of the army. Of the 27 individuals in the cabinet, eight are representatives of political parties, 12 are military, and the remainder are technicians.

With the domestic political situation increasingly under control, Indonesia's severe economic deterioration is the government's major problem. In the hope of generating economic assistance for Indonesia and easing the payments schedule on Indonesia's large international debt, the Sultan of Jogjakarta, first minister for economics and finance, plans to go to Western Europe in late August and to Tokyo in mid-September, and to come to the United States later in September. Foreign Minister Malik plans a similar trip to the Soviet Union, although no firm date has been set.

Indonesia's Western creditors have agreed that any rescheduling of Indonesian debts should be approached on a multilateral basis 25X1 and a formal conference for this purpose is planned for mid-September.

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**TALKS ON FUTURE OF FRENCH FORCES IN WEST GERMANY STALLED**

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Negotiations concerning the future role in NATO defense of the French forces in Germany have stalled. Talks broke down at the 27 July meeting of the North Atlantic Council (NAC) when the French refused to accept without substantial qualification NATO Secretary General Brosio's summary of their position on this issue. Further discussions have been postponed until September. France's fourteen NATO allies decided that if the permanent representatives cannot agree at that time it may be necessary to refer the question back to the NATO foreign ministers.

The tough position of the French may be the result of conviction that their bargaining position with the Fourteen as a whole has been strengthened by the apparent eagerness of the Germans to reach an agreement in the parallel French-German negotiations on the legal status of French troops in Germany.

Erhard maintained that the French forces must have a clearly defined military mission. However, the US Embassy in Bonn warns that it would be unrealistic to expect the Germans to stick to this position if they had in fact already reached a "basic political decision" to allow French troops to remain in Germany.

Meanwhile, Britain is continuing its efforts to obtain higher payments from Germany to offset the foreign exchange costs of maintaining the British Army of the Rhine (BAOR). Bonn's unforthcoming attitude during the visit of Chancellor of the Exchequer Callaghan to Bonn last week has prompted new threats to reduce the size of the BAOR. Although the special British-German commission on the problem is not scheduled to report until late September, Britain's economic crisis may force a decision on troop cuts before then.

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## EEC AGRICULTURAL AGREEMENT KEY STEP TOWARD ECONOMIC UNION

The agreements on agriculture reached in the EEC Council during the past week will probably rank among the Common Market's major achievements. The accords virtually complete the five-year effort to lay the basis for full integration of agriculture within the community, and they thus carry the member states another major step toward economic union. While outsiders fear the completed policy will prove far too protectionist, the EEC is now able in any case to participate fully in Kennedy Round negotiations this fall aimed at liberalizing world trade in farm products.

Last week's agreements provide specifically for common prices and marketing regulations throughout the EEC for milk, sugar, meat, oils and fats, and fruits and vegetables. Once these and previously agreed regulations are in full effect, there will be free trade and competition within the Common Market in all farm products, behind a single system of protection against imports from outside the EEC. Price supports, disposal of surpluses, and improvements in farming methods will be financed wholly or in part by the community, whose annual agricultural budget is expected to approach \$2 billion in a few years.

The economic and political significance of this system seems likely to outweigh considerably the drawbacks already evident. The common prices have probably been

set high enough to have an inflationary effect, and they could in some cases create burdensome surpluses. The French, who had pressed for these agreements, are even now voicing their concern along these lines. Nevertheless, the opening of internal free trade within the community seems likely to further the postwar rationalization process in European agriculture with net gains in productivity and efficiency.

Agreement on the common agricultural policy will get rid of one constant irritant between France and the other EEC members, and will in general provide a better balance between EEC industrial and farm interests. Despite France's antisupranational prejudices, the EEC Commission had a key role in negotiating the agricultural arrangements and will have a prominent place in their administration; moreover, the French went along with arrangements which are highly centralized in character. The extension of the system of common prices will exert further pressures toward better coordination of monetary policies, and the EEC will in general have more time to deal with other questions, such as the common energy policy.

Whether outside suppliers will turn out to be the only serious losers remains to be seen. Liberal-minded community sources have described the Kennedy Round offers on farm products approved by the EEC Council on

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27 July as "meager." Nevertheless, the Kennedy Round could not proceed without these offers on the table, and there is already some press speculation--even in

in France--that the EEC may come to see the Kennedy Round as one way of reducing the price tag on an integrated agricultural market.

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**SECRET****SOVIET INDUSTRIAL GROWTH RATE CONTINUES TO DECLINE**

Moscow's official statistics for the first half of 1966 (see box) indicate no improvement by the Soviet economy over its unsatisfactory performance of recent years. Moreover, there is still no evidence that the Brezhnev program for agriculture, first announced in March 1965, has been fully implemented.

A harbinger of future difficulties is the virtual stagnation of gross fixed investment in new plant and equipment. State Plan investment--about three quarters of the total--was reported to be only 2 percent more than last year's midyear figure, which had represented a 10-percent rise over 1964. The reasons for the slowdown are not yet apparent, and the 6.3-percent increase envisioned for 1966 as a whole might still be met by a big push in the second half of the year. A continued lag, however, would cause repercussions throughout the growth-oriented Soviet economy which could have political side effects.

In contrast to the relatively low 8-percent growth in gross industrial production, the output of the machine building and metalworking industry increased by 11 percent. A decline in the rate of growth of principal civilian uses of machinery seems to suggest a further increase in the share of durables devoted to military and space programs. Ferrous and nonferrous metallurgy was the only other major industrial sector which increased its pro-

duction over the midyear rates of 1965. The growth of chemical production declined somewhat, reflecting the scaling down of Khrushchevian goals.

The energy industries, with the exception of petroleum, not

**SELECTED SOVIET-ANNOUNCED FIGURES ON PLAN FULFILLMENT, 1965-66**

(Percentage Change From Corresponding Period of Previous Year)

	1965		1966	
	1st 6 MOS.	FULL YEAR	1st 6 MOS.	FULL YEAR (PLAN)
Gross Industrial Production*	9.3	8.5	8	n.a.
Industrial Materials				
Electric power	10	10	8	11.3
Coal	5	4	2	3.4
Crude petroleum	8	9	9	8.6
Gas	17	17	13	14.7
Mineral fertilizers	26	23	17	14
Plastics and resins	16	14	15	29
Rolled steel	7	6	7	7
Steel pipe	7	11	9	9.5
Chemical fibers	14	13	13	n.a.
Civilian Machinery				
Chemical equipment	17	12	7	n.a.
Oil equipment	14	0	-3	n.a.
Agricultural equipment	3	3	3	n.a.
Consumer Goods				
Television sets	20	25	28	17
Washing machines	20	20	15	n.a.
Refrigerators	38	48	40	32
Cotton fabrics	3	2	3	n.a.
Leather footwear	2	2	7	n.a.
Meat (state slaughter)	33	16	24	n.a.
Housing (State Only)	8	4	-4.8	15
Labor Productivity in Industry	5	5	4.7	4.7
State Plan Investment (about 75% of total)	10	9	2	6.3
Industrial Branches*				
Electric and thermal power	11	11	10	n.a.
Fuels	7	7	7	n.a.
Ferrous and nonferrous metallurgy	8	9	9	n.a.
Chemicals	14	14	13	n.a.
Machine building and metalworking	9	9	11	n.a.
Lumber, wood-processing and cellulose-paper	5	4	3	n.a.
Construction materials	10	9	10	n.a.
Light	10	8	8	n.a.
Food	10	8	4	n.a.
Household articles	14	14	13	n.a.

\* Soviet official figures on industrial growth are 2-3% higher than CIA and other Western estimates.  
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only failed to maintain last year's rate of growth but also fell short of the planned goal for 1966. The growth in electric power consumption was the lowest for any six-month period since 1960.

The implementation of Brezhnev's agricultural plan has yielded few results. Although agriculture is receiving a larger share of truck and tractor production, there were only small increases in the output of agricultural machinery and tractors. The increases of 3 percent and 8 percent respectively remain well below the average annual rates required by the Brezhnev program. An increase of 17 percent in mineral fertilizer production reflects the introduction of new capacity from the program initiated by Khrushchev.

The Soviet consumer is once again a little better off, although money incomes appear to be increasing faster than the supply of consumer goods. An indication of surplus purchasing power is the increase in savings deposits, which reached a new high of about 21 billion rubles, 21.5 percent higher than at the same time in 1965. The plan for housing, an area of chronic dissatisfaction to the consumer, appears to be in trouble. Only 20 million square meters were built during the first six months of 1966, slightly more than one fifth of the goal for the year. At this time last year, about 21 25X1 million square meters, one fourth of the planned but unachieved goal, had been completed.

## SOVIET 1966 AGRICULTURAL PROSPECTS REMAIN FAVORABLE

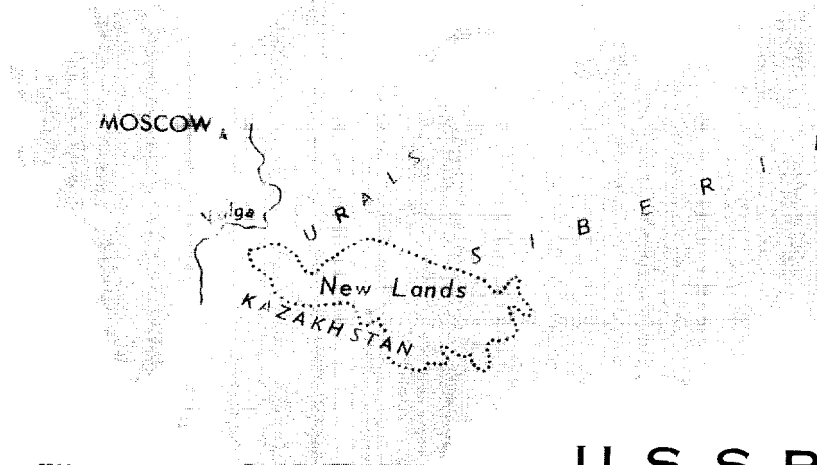
As of mid-July, Soviet agricultural prospects for 1966 continue relatively favorable. The grain crop may surpass the 1961-65 average of 106 million metric tons since the winter grain crop now being harvested is a fairly good one (although below 1965) and the outlook for spring grains is above average. Conditions are favorable for most row crops and the output of livestock products is increasing due to ample feed supplies.

Although the area sown to grain is slightly below 1965, an early spring in the European USSR

combined with ample moisture supplies throughout most of the important agricultural regions is bringing good yields. Rain which has hampered the winter grain harvest in some areas, resulting in excess harvesting losses and grain with high moisture content has not changed the over-all favorable outlook. A good spring grain crop, especially spring wheat, is expected since soil moisture supplies are above average in the crucial New Lands regions of Kazakhstan, Siberia, and the Urals.

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The recent trade agreement with Canada to import at least 3 million tons of wheat annually during the next three years does not seem to reflect present shortages, but is probably designed to ensure a more economical distribution of domestic production. Thus, the Canadian purchases can fulfill the needs of the Soviet Far East, a deficit area.

Despite the good outlook for most row crops, cotton production will be below that of recent years. According to the party first secretary of Uzbekistan, the main cotton-growing republic, natural disasters have caused "immense damage," and "cotton has been either destroyed or severely damaged over large areas."

Apparently livestock products were not greatly affected by the severe outbreak of foot-and-mouth disease in the latter part of 1965, which is still in evidence on a small scale in some areas. The increase in state procurements of meat and milk during the first half of 1966, especially during the first quarter, may reflect increased sales to the state by the private sector brought on by foot-and-mouth disease controls as well as the increase in procurement prices effected in 1965. However, increased milk production in the first half of 1965 was aided considerably by the early spring in the European USSR.

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## POLICY DIFFERENCES WITHIN THE POLISH LEADERSHIP

There are signs of basic policy differences within the Polish leadership. In addition to old disputes over domestic matters, equally severe disagreements have developed in the past eight months over how to handle relations with the US. These could become serious enough to threaten Wladyslaw Gomulka's position and continued rule.

The net effect has been to stall US efforts to expand relations with Poland and the rest of Eastern Europe. In addition to the recent disorderly demonstrations against the US Embassy, Warsaw's responses have been characterized by contradictions, vacillation, and indecision. Ambassador Gronouski believes that this reflects the influence of elements in the leadership who are opposed to improving relations with the US and who are attempting to eliminate any chance of progress. These leaders seem to draw their power from control of the security services and the Polish armed forces. Their negative reaction has come sharply into focus following each step the Polish Government has taken in recent months which might be construed as friendly toward the United States.

In general, diplomatic, foreign trade, and cultural of-

officials seem to be the proponents of better relations. However, Foreign Minister Rapacki, their chief spokesman in the upper levels of the party, is very ill.

When queried about the lack of progress on specific proposals, Polish diplomatic officials have indicated a high degree of frustration. A ranking Foreign Ministry official deeply involved in negotiations with the US commented in an unusual outburst of feeling that the latest mob attack on the US Embassy building "made me so god-damned mad." He also blurted out that the Hungarians who had conducted an orderly Vietnam demonstration "are just smarter than we are, that's all."

Party boss Gomulka's position is not clearly known, but it is likely that he is still trying to preserve the same kind of political balance among leaders of different party factions that has characterized his post-1956 regime. Nevertheless, the continuing ability of those opposed to better relations with the US to take uncoordinated actions suggests that the problem is not immediately susceptible to solution by Gomulka.

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Middle East - Africa

**COMMUNIST ECONOMIC AND MILITARY AID TO PAKISTAN**

Pakistan's primary aim in its contacts with Communist countries continues to be to obtain military aid and diplomatic support to bolster its position against India. Pakistan, however, has given substantial publicity to Communist assistance for its economic development program, despite the fact that the amounts received for this purpose have been relatively small.

The extensive press treatment accorded the Communist aid has been due in part to its newsworthiness. It is also possible that the Communist aid agreements receive publicity in order to elicit even larger US and other Western aid. In addition, the Communist practice of signing a number of small-scale agreements, rather than a single comprehensive one, generates continual press coverage.

Since 1956, Communist countries have extended credits of about \$210 million, compared to more than \$3 billion in free world credits in the past five years alone. Communist credits actually used amount to only about \$40 million, almost all from the Soviet Union, and the net effect has been slight. About a third of the total Soviet credit has been used to finance various small emergency purchases, a petroleum exploration project, and some agricultural equipment imports. However, the Soviets plan to build a 110-megawatt thermal power plant in East Pakistan during Pakistan's third five year plan (July 1965 to June 1970), which would be a sig-

nificant addition to installed capacity in that part of the country. A sizable portion of the total Soviet credit of \$94 million remains unallocated.

The only activity so far generated by Chinese aid has been the work of advisers at an ordnance plant and of a roadbuilding team and some commodity imports. The Chinese plan to build a heavy machinery plant and a paper mill under a \$60-million credit. Czech and Polish aid to date has consisted only of promises to build a sugar mill, cement plants, and power plants.

Communist military aid is far less publicized because of its impact on Pakistan's relations with the West. Here Moscow has not yet been helpful, despite hopes raised by a recent Pakistani delegation to the USSR. Moscow, moreover, remains a major source of arms for Indian forces, even though it has retreated slightly from the complete diplomatic support it has given India in past years.

Communist China, on the other hand, not only has given Pakistan diplomatic support against the two countries' common enemy, India, but also continues to supply military aid, including aircraft and tanks. This has done much to relieve Pakistan's critical arms shortage, and is obviously translatable to some degree into closer over-all relations, which the Pakistani Government may make more of than it merits.

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## NASIR REITERATES EGYPT'S OPPOSITION TO CONSERVATIVE ARABS

In speeches on 23 and 26 July President Nasir gave relatively calm but firm warning that his policy of opposition to conservative Arab states will continue, despite alleged US pressure.

Nasir indicated that he does not expect further aid from the US since he is unwilling to submit to what he called "impossible conditions" imposed by the US Congress. He claimed that the US is reluctant to renew aid because Egypt refuses to surrender "on various foreign policy issues," such as its threat to strike at the "base of aggression" in Saudi Arabia if that country is used to support attacks on the Yemeni revolutionary regime. He also reiterated

Egypt's determination to wage preventive war against Israel if the Israelis acquire atomic weapons.

Nasir announced that he would not attend the Fourth Arab Summit Conference--which will almost certainly scrub the meeting scheduled for September--because the "reactionary" Arab states have destroyed the spirit of cooperation established by the summits. He alleged that Jordan, Saudi Arabia, and Tunisia have used the detente to plot against Egypt instead of helping to confront Israel, the common enemy.

Further trouble for Jordan was indicated in Nasir's praise for the Palestine Liberation Organization, which has called for the elimination of Jordan's "terrorist" regime.

## SUDAN CHOOSES NEW PRIME MINISTER

Sadiq al-Mahdi, youthful president of the dominant Umma party, has finally replaced Mohammed Mahjoub as prime minister of the Sudan. Infighting within the Umma--which has largely paralyzed the government for months--may nevertheless continue.

On 25 July Sadiq's supporters called for a no-confidence vote in the Constituent Assembly against Mahjoub's government and ousted Mahjoub by a vote of 126 to 30. On 27 July, Sadiq was

elected to form a new coalition with the National Union Party (NUP).

Although a majority of Umma parliamentarians have long backed Sadiq's candidacy, Sadiq himself had been reluctant to provoke an open conflict with the influential Imam al-Hadi al-Mahdi, spiritual leader of the Ansar sect which forms the Umma's tribal power base. The Imam and other members of the Mahdi family had firmly supported Mahjoub.

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The Imam has called large numbers of his tribal supporters into the Khartoum area, but has not yet indicated whether he will use them to block formation of Sadiq's new government. He and Mahjoub may, however, withhold their support from the new cabinet and take their party faction into opposition in the Assembly.

NUP President Ismail al-Azhari has apparently agreed to participate in a new coalition under Sadiq's leadership, but an Umma split might encourage the NUP to stiffen its requirements for cooperation.

In any event, the new government is likely to move cautiously toward solving the complex economic problems or toward reaching a political settlement of the Negroid separatist revolt in the southern provinces.

Meanwhile, the confusion in Khartoum has inspired a rash of rumors that some military group will attempt a coup

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## PRESIDENT'S ILLNESS MAY UNSETTLE MALAGASY REPUBLIC

The illness of President Tsiranana may bring on a period of political uncertainty in the Malagasy Republic.

The politburo of his Social Democratic Party (PSD) may be considering a constitutional modification allowing Interior Minister Resampa, who is also the powerful PSD secretary general, to assume interim presidential powers. Vice President Tsiebo, a political nonentity, would be unable to prevent such a move.

A take-over by Resampa, a coastal tribesman who is heartily disliked by the Merina people inhabiting the country's interior

plateau, would probably raise tensions between the rival ethnic groups. Although most army officers are Merina, the Frenchmen who hold nearly all the staff positions might deter any military move against Resampa. The paramilitary and police forces are considered loyal to Resampa.

Resampa, once in full control, would probably initiate some socialist policies and take decisive steps to deal with rising prices and urban unemployment. He might also abandon the Tsiranana government's pro-Western alignment in favor of broadening contacts with Communist states.

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## ARMY MUTINY IN CONGO (KINSHASA) THREATENS MOBUTU REGIME

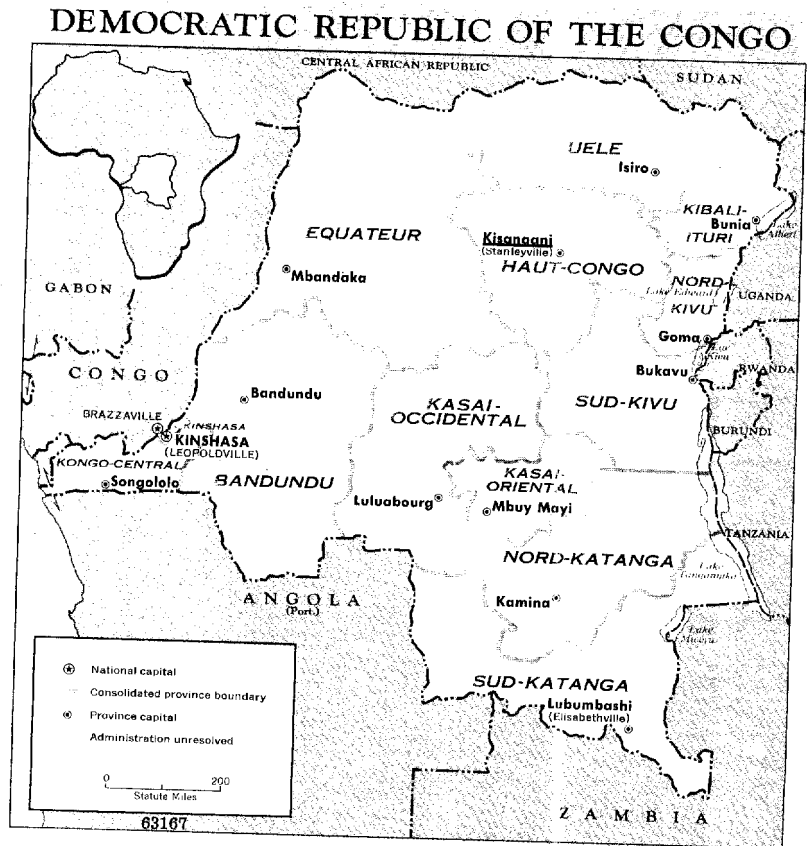
Katangese troops in the Congolese Army mutinied on 23 July in Kisangani and have not yet laid down their arms.

Premier Mulamba, who is immensely popular with the troops and civilians in the area, has been trying to make peace with the mutineers since 24 July. The mutineers seem to have been motivated by an assortment of grievances, but primarily by a fear that the government was preparing to disarm them and disband their units. Their demands, however, have not been made clear.

Except for a few deserters, the members of the French-speaking Sixth Commando mercenary unit in Kisangani have stayed clear of the mutineers and given protection to Mulamba. The unit is now under attack by the Congolese press, however. President Mobutu suspects that the Belgian mercenaries throughout the Congo--some of whom are in the Kisangani unit--are involved in a plot to oust him in favor of ex-Premier Tshombe. The official press agency and newspapers managed by Mobutu's close associates maintain that the Kisangani mutiny is being financed and supported by the large foreign-owned enterprises--mainly Belgian--which are under the threat of "Congolization."

Members of Sixth Commando units in remote regions, as well as transient members in Kinshasa, have now been disarmed and imprisoned by Mobutu's forces. The arrests were undertaken despite a pledge of loyalty to the Mobutu regime made by the mercenary commander in Kisangani. The arrests may jeopardize the continued support of the mercenary unit, which is essential to the restoration of order in Kisangani.

Mobutu's diplomatic problems with the Belgian Government continue to mount. He has not



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yet formally answered Brussels' stiff note requesting a halt in his moves against Belgian-owned enterprises. However, in a press conference the day before the mutiny he again aired his grievances against the foreign enterprises which still dominate the Congolese economy. His remarks included what amounted to an informal rejection of the Belgian note. He also refused to revoke some of his more recent actions against Belgian interests and suggested that he would not meet "on the highest level" with the Belgians, as they had asked.

In the past Mobutu has retreated from his extreme positions once the heat of the moment has passed. The difficulty in Kisan-gani, however, may well deepen his distrust of the Belgians and intensify his fear of an attempt to oust him in favor of Tshombe. This might drive him to undertake more drastic measures against Belgian interests in the Congo, further diminishing the chances of any improvement of relations between the two countries.

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## URUGUAYAN LEADERS MAY BE PAVING WAY FOR FUTURE COUP

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The possibility of some move to give the country a stronger government capable of dealing with national problems has often been discussed. The coup in neighboring Argentina may have given new impetus to the subject. There is some suspicion that military appointments made by National Council of Government President Heber are calculated to assure him military backing in case he should decide a concentration of power in his hands is necessary.

The Uruguayan military traditionally does not interfere in politics and has only limited political power and prestige.

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Heber has forced through a number of appointments and promotions of controversial officers who support the governing Blanco Party and are noted for their close personal loyalty to him. Generals Mario Aguerrondo and Ventura Rodriguez have been promoted or given key assignments,

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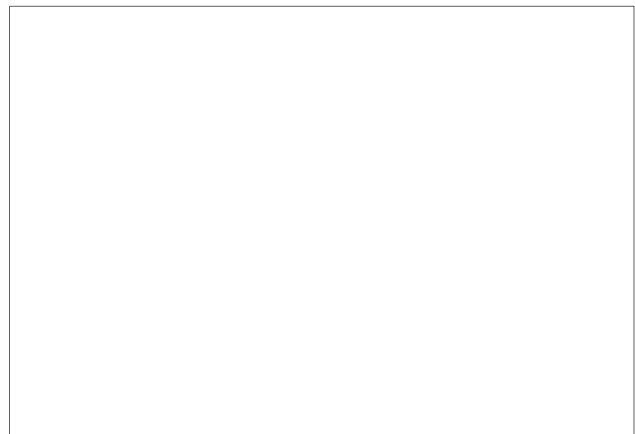


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There is no direct evidence that Heber is now actively planning unconstitutional action. He told US Ambassador Hoyt the appointments were solely to put responsible officers in positions where they could help control any labor difficulties and to ensure free elections in November. However, there are several contingencies that might cause the mercurial Heber to take matters into his own hands: if reform of Uruguay's unwieldy constitution appeared balked (27 August is the deadline for inscribing a bipartisan reform proposal on the ballot); if the Blancos seemed unlikely to win November's general elections; if there were a major economic crisis; or if labor agitation got out of control.

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## CASTRO'S 26 JULY SPEECH

Fidel Castro's speech on 26 July marking the 13th anniversary of his abortive attack on the Moncada barracks pointed to no new developments. It was devoted largely to international affairs, with the "fight against US imperialism" as the main theme. Castro reiterated previous offers to send "volunteers" to Vietnam saying that "complete military units" would be dispatched should the Vietnamese ask for them.

In an apparent attack on Latin American Communist parties, Castro denounced "pseudorevolutionaries" who, instead of fomenting violent revolution, "preach the path of electioneering and charlatanism." He said that "the great majority of Latin American nations have better conditions for a revolution" than Cuba had before Batista's downfall. Castro accused "those who call themselves revolutionaries" of lacking conviction and said that the most important allies of imperialism in Latin America were not the professional armies, oligarchies and reactionary classes, but the "pseudorevolutionaries" themselves.

These barbs suggest that relations between the Castro regime and the Latin American Communist parties have again become strained over the question

of what revolutionary tactics should be employed in the hemisphere. They may presage a return by Castro to circumventing some Latin American Communist parties in assisting certain revolutionary groups, in violation of the agreement reached at the conference in Havana in November 1964.

Castro predicted that the Brazilian people would "settle accounts with Castello Branco" just as the Argentine people would with the Ongania "gorillas" and said that "imperialist domination over Latin America will not last another 13 years."

Castro continued his polemic with Chilean President Frei, accusing "imperialism's fair-haired boy" of "participating in the economic blockade against Cuba." He warned the "socialist countries" that any technical or economic assistance given to the Frei government would be viewed as an offense against Cuba. A Soviet trade mission is currently in the Chilean capital.

Scorning at criticism of Cuba's domestic situation, Castro maintained that Cubans are giving more and more support to the revolution and that the revolution is growing stronger. He attributed to President Johnson

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a remark that the revolution is on the downgrade and denounced the claim as baseless.

Among the audience were many of the 150 delegates who will attend the Fourth Latin

American Students' Congress. The congress, to be held in Havana from 29 July to 9 August, will probably be used for further verbal attacks against "Yankee imperialism." [redacted]

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**INCREASED TERRORISM THREATENED IN VENEZUELA**

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A split over policy between the leadership of the Communist Party of Venezuela (PCV) and the hard-liners of the Armed Forces of National Liberation (FALN), its paramilitary organization, may lead to an increase of terrorist acts in Venezuela.

The issue of armed struggle versus political action has divided the Venezuelan leftist extremist movement since the failure of its terrorist campaign of violence in late 1963. After a year and a half of feuding, a split between the soft-line PCV leadership and the radical dissidents in the FALN was made definite and public in June by the announcement of a separate hard-line organization led by guerrilla leader Douglas Bravo. Bravo had previously attempted to unseat the PCV soft-line leadership. He was expelled from the PCV politburo and suspended from party activities in May. His group now threatens heightened violence as a show of strength to win national and international Communist recognition and support.



A 24-June PCV editorial, listing charges against Bravo, indicated that until his expulsion he had exploited his politburo position to create the competing hard-line guerrilla movement. Existence of the movement was announced by a sympathetic Havana broadcast on 11 June. The FALN representative in Cuba is pro-Bravo, and the propaganda emanating from Cuba indicates Cuban blessing of Bravo's group.

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## DOMINICAN PRESIDENT PROPOSES REFORM OF SUGAR INDUSTRY

President Joaquin Balaguer has followed up his emergency measures to salvage the faltering Dominican economy with proposed legislation to reorganize the sugar industry. This is his first major effort at long-term improvement of the economy through institutional reform.

In a speech before the Dominican Congress on 20 July, Balaguer outlined a draft law which would dissolve the state-owned Dominican Sugar Corporation. The corporation controls most of the country's principal industry and its continued operating deficits are a serious obstacle to improvement of general economic conditions.

Balaguer named political interference, poor administration, and corruption as the principal causes of the industry's precarious financial condition. He said a reformed sugar organization would not only lower production costs but would serve as a springboard for agricultural diversification and land reform. The speech and draft law indicate that the President intends to maintain the personal control of the state sugar industry which he assumed shortly after his inauguration.

Balaguer's proposal calls for a nine-man council to supervise the government's 12 sugar centrals.

Although this change would not basically alter the administrative machinery of the autonomous sugar centrals it would give Balaguer a freer hand in making personnel changes and organizational modifications.

The new organization would begin free of debt. Balaguer proposed that the government assume the corporation's present indebtedness of an estimated \$67 million. He did not specify, however, where money for operating capital and financing long-term improvements would come from.

To make the changes more palatable to the industry's some 70,000 employees, the proposed legislation provides for two labor representatives on the council. All profits after taxes and improvements are to be distributed among the workers. Balaguer promised that there would be no mass dismissals, but did indicate that some positions would be abolished.

The US Embassy comments that the proposed changes are less revolutionary than the President's speech and newspaper accounts would suggest. These reforms could, however, lead to improvement in the chronically ill sugar industry and appear to have met in part the administration's need for some immediate reform measure for political effect.

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