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II. ASIA-AFRICA

Republic of the Congo: Premier Lumumba continues to stimulate anti-Belgian sentiment, apparently in order to bolster his position. While the situation in Leopoldville Province appears to be easing, rising unemployment--now totaling 75,000---poses the threat of riots. Moroccan UN troops have taken over the port of Matadi, and Belgium has agreed to pull its troops out of the Leopoldville area and return them to the two Belgian bases in the Congo between 20 and 23 July. At the same time, in the northeastern Congo the situation continues tense. [There are likely to be serious international repercussions if Brussels carries out its apparent intention to recognize Katanga's secession. Belgium has previously declared its opposition to formal recognition, but industrial groups and right-wing ministers reportedly have brought increasing pressure on the government.]

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Iraq: Exports of Iraqi oil through the Persian Gulf may be virtually halted on 23 July unless Prime Minister Qasim revokes a Council of Ministers' decree drastically raising oil loading charges beginning that day. The Iraq Petroleum Company (IPC) considers these charges illegal, and most companies within the IPC group will refuse to pay. The company, anticipating a shut-down, already has reduced production in Iraq's southern fields by 40 percent. These fields account for more than 30 percent of the country's total oil exports. Last year the southern fields produced about \$70 million in revenues for Iraq.

III. THE WEST

Cuba: Fidel Castro's 18 July speech lashing out against "counter-revolutionary activities" by "Falangist" priests indicates the regime's concern over growing church opposition to Cuba's increasing Communist ties. The church hierarchy has thus far vacillated

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in its public attitude toward the Castro government, but its stand will probably be hardened by the spontaneous anti-Communist demonstrations of churchgoers on 17 and 18 July.

[US Ambassador Bonsal feels that Soviet Premier Khrushchev's 9 July statement of support for Cuba has been a serious blow to the Castro regime in that, by clarifying any doubt regarding the Communist orientation of the government, it has put Castro on the defensive.]

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West Germany: Defense Minister Strauss has indicated to the American Embassy in Bonn that he is "dubious" regarding the wisdom of Chancellor Adenauer's position that the federal government must avoid taking any action in Berlin "which would create difficulties for our allies." Strauss feels that if the Bundestag session is not held in Berlin this fall, it probably would not ever be held there again. Another party official explained Adenauer's position on the ground that any action, whether it had precedent or was something new, which would serve as a pretext for a separate treaty between the USSR and East Germany must be avoided. He said it was assumed that the US would not wish to be put in the kind of difficult situation which would result from a separate treaty touched off by holding a Bundestag meeting in Berlin.

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The Situation in the Congo

The situation in Leopoldville Province has eased for the moment as UN troops have taken over responsibility for local security from Belgian forces. The presence of around 75,000 unemployed in the area constitutes an element of instability, however, particularly in the event of a serious food shortage. Since many Belgians have left the area for good, prospects for the near future appear to include a major economic dislocation.

In the interior, major disorders continue. The American Consulate in Uganda has characterized the situation in the Congo's Kivu Province as tense, and that in Orientale Province as having "deteriorated seriously." Force Publique units in Orientale Province are said to be no longer responsive even to their chosen African "officers."

Premier Lumumba continues to associate himself with the anti-Belgian and antiwhite sentiment fostered by the Force Publique rebellion, but he appears unable to direct or control it. Although Lumumba has been balked by the Congo Senate in his threat to request Soviet intervention, Brussels' agreement to withdraw Belgian troops to their Congo bases by 23 July may bolster his prestige internally. It appears likely that Lumumba expects the UN occupation to provide him with a period in which to consolidate his tenuous hold on the Congo's governmental machinery. He may view Soviet technical assistance as an eventual substitute for Belgian technical and financial support.

[There are indications that Brussels may shortly recognize the independence of Katanga, which has declared itself independent of the Congo. Such a move would be condemned by the Communist bloc and by most of the independent Asian and African states as a move to establish a Belgian puppet state; it might, however, lead to similar recognition by Portugal and France.]

Partial Shutdown of Iraq's Oil Production Impending

Exports of Iraqi oil through the Persian Gulf may be virtually halted on 23 July when the Basra Port Administration attempts to collect port dues 13 times the previous rate. Iraqi officials have been ordered to forbid tankers to depart unless the increased dues are paid.

Although Iraq Petroleum Company (IPC) officials are attempting to see Prime Minister Qasim in an effort to persuade him to revoke the Council of Ministers' decree, they believe there is almost no chance of a settlement before the 23 July deadline.

Since 1951, IPC has been paying port dues equivalent to 6.5 cents per ton of petroleum exported from Iraq's southern oil fields. In December 1959, however, the Basra Port Administration, an autonomous body with authority to set its own charges, increased cargo dues to about 78 cents per ton. The port administration's actions were subsequently approved by the Council of Ministers. IPC has refused to pay, pointing out that the increase violated existing agreements. Implementation was postponed until 23 July, but the charges are retroactive to last September. At the normal rate of production, these port charges would add more than \$9,000,000 annually to the cost of IPC crude exported from the Persian Gulf.

The company, anticipating a shutdown, already has reduced production in Iraq's southern fields by 40 percent. These fields account for more than 30 percent of the country's total oil exports. Last year the southern fields produced about \$70,000,000 of oil revenues for Iraq.

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Friction Between Church and Castro Regime Increasing

In his television speech of 18 July, Premier Fidel Castro denounced the "counterrevolutionary activities" of "Falangist" priests whom he accused of being responsible for the spontaneous anti-Communist demonstrations by Havana churchgoers on 17 and 18 July. Castro said that "the reactionary clergy has not been bothered" by his regime and declared that "the people must not permit themselves to be dragged into the game" by counterrevolutionary demonstrators. The charges of the Cuban leader, who interrupted his convalescence to deliver the blast, indicate the regime's concern with increasing evidences of church opposition to the government's growing economic and political ties with the Communist world. [US Ambassador Bonsal feels that Soviet Premier Khrushchev's 9 July statement of support for Cuba has been a serious blow to the Castro regime in that, by clarifying any doubt regarding the Communist orientation of the government, it has put Castro on the defensive.]

Despite the publication last May of a strongly anti-Communist pastoral letter by the archbishop of Santiago de Cuba, most church authorities have hesitated to take a firm public stand against Castro or his policies. Church officials previously have admitted that they have only limited influence with the Cuban people and that, unless careful preparations were made, most Cubans would support Castro in the event of a showdown between him and the church. Divergent attitudes toward Castro by the large number of Spanish-born priests in Cuba and the native Cuban clergy may also hinder church unity on the question.

The Catholic hierarchy's determination to oppose the Castro regime openly may be hardened by the government's use of force in suppressing the anti-Communist demonstrations on 17 and 18 July. According to Ambassador Bonsal, the incidents have created a tenser atmosphere within influential Catholic lay circles, and serious repercussions may develop.

Adenauer Opposes Berlin Bundestag Session

West German Defense Minister Strauss has indicated to American officials in Bonn that he is "dubious" regarding the wisdom of Chancellor Adenauer's position that the federal government must avoid taking any action in Berlin "which would create difficulties for our allies." Strauss feels that if the Bundestag session is not held in Berlin this fall, it probably will never be held there again. He added that this would concede Khrushchev a considerable victory by allowing him to dictate what the West should permit to occur in West Berlin.

The press officer of the Christian Democratic Union (CDU) Bundestag faction explained Adenauer's position on the ground that any action--whether it had precedent or was something new--which would serve as a pretext for a separate treaty between the USSR and East Germany must be avoided. The CDU spokesman said it was assumed that the United States would not wish to be put in the kind of difficult situation which would result from a separate treaty touched off by holding a Bundestag meeting in Berlin.

The position of the Bonn government was indicated in an article in the 15 July issue of an unofficial CDU publication written by All-German Affairs Minister Ernst Lemmer. Lemmer, the only West Berliner in the Bonn cabinet, maintained that despite the clear right of the Bundestag to meet in Berlin, the government "should avoid placing the powers guaranteeing Berlin's security in a position which public opinion in those countries might not support to the last consequences."

Bonn's position is certain to aggravate the political controversy between the chancellor and West Berlin Mayor Willy Brandt, who is the chancellor candidate of the opposition Social Democratic party. Brandt sent a letter to Adenauer on 13 July maintaining that Allied and Federal Republic rights in Berlin should not be abandoned or limited in the face of intensified Soviet threats. He asserted that cancellation of the Bundestag session would seriously undermine Berlin morale.

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