

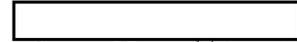
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20 March 1962

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Copy No. 6

CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

*USSR-Berlin: Four Soviet transport flights have been scheduled in the Berlin corridors for 20 March--two outbound in the southern corridor and two outbound in the central corridor between 0415 and 0550 EST at altitudes from 2,500 to 6,000 feet. The USSR canceled flight plans submitted about two hours earlier for eight flights on 20 March in the same corridors at altitudes from 3,500 to 7,500 feet. The Soviets offered no explanation for this cancellation.

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A Soviet spokesman for the first time has related the USSR's future course of action in the corridors to developments in the US-Soviet talks at Geneva. The chief Soviet controller in BASC remarked to his US counterpart on 16 March that if the Geneva talks were successful, the situation in the corridors would change for the better.

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[Redacted] (Backup, Page 1)

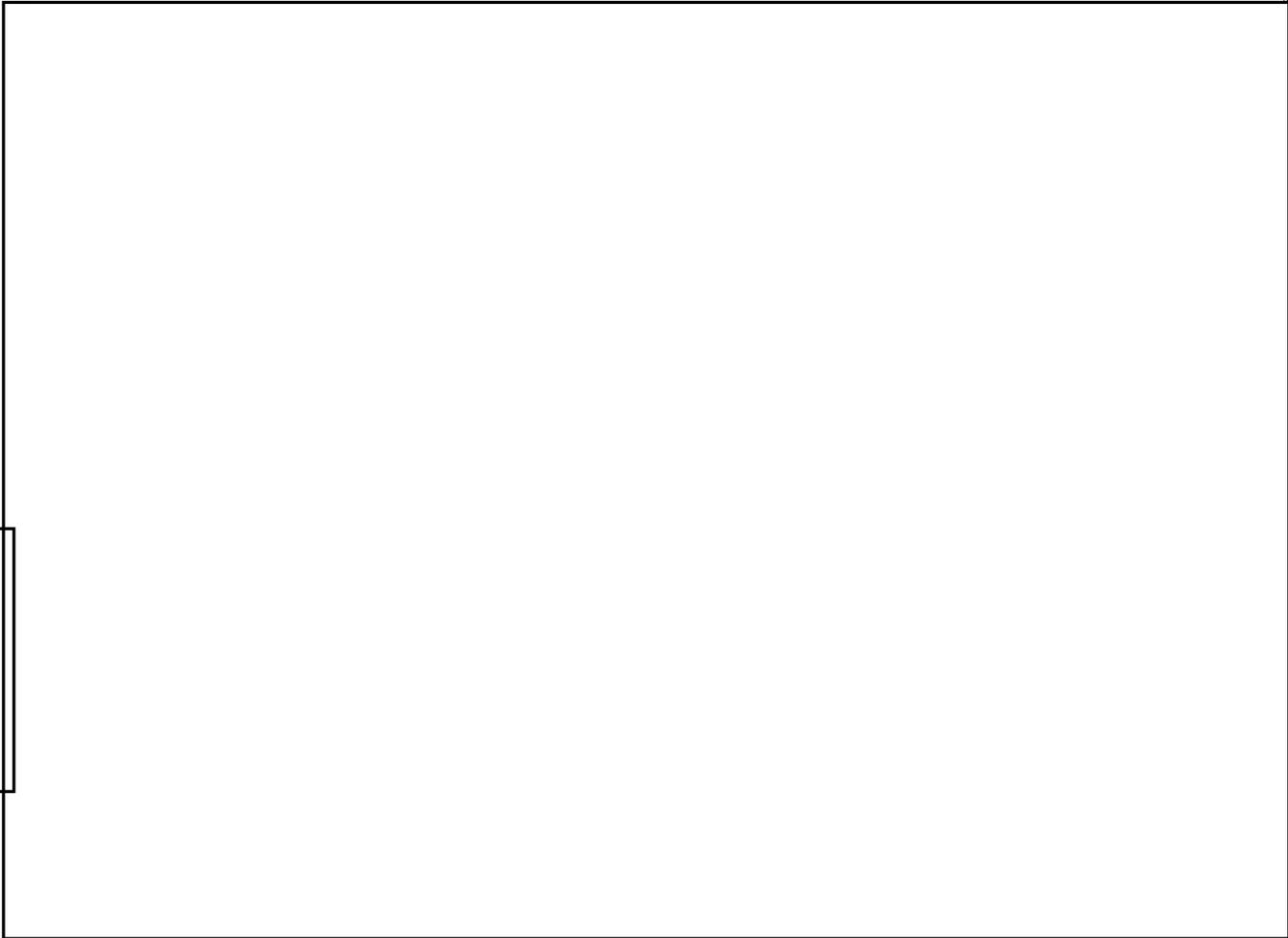
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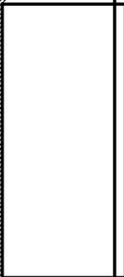
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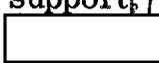


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*Laos: Phoumi's refusal to go to Bangkok for discussions with Ambassador Harriman this week underscores his opposition to US policy in Laos. In conveying his refusal to an American embassy official on 19 March, Phoumi claimed that the cabinet had ruled against such a "clandestine mission." Phoumi is maintaining his intransigence despite full realization that continued resistance to a Souvanna solution will lose him American support.

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Arab States - Israel: The Israeli-Syrian skirmish of 16-17 March in the demilitarized zone east of Lake Tiberias appears to have been deliberately provoked by Syria. Further border clashes are likely as Arab governments strive to outdo each other in demonstrating their anti-Israeli posture.

Internal political reasons may also lead the Syrian Government to exploit the recent incident by taking further belligerent action. The regime probably hopes thereby to fend off pressure from the military against the Dawalibi cabinet and to divert public dissatisfaction with its policies.

The Syrian regime, in an effort to develop a new basis for Arab cooperation to replace the Nasir-dominated Arab League, concluded a military cooperation accord with Iraq last week and proposed a military conference of Arab states. Qasim may soon send a contingent of Iraqi or Iraqi-trained Palestinian refugee troops to join Syrian forces on the Syrian-Israeli frontier.

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*Syria: The Dawalibi cabinet is under increasing criticism and may fall or be reshuffled in the near future, possibly soon after today's scheduled parliamentary meeting. Both conservatives and leftists have voiced dissatisfaction with the cabinet's handling of the denationalization of agricultural land, industry, and banking. Pressure on the army leadership from radical junior army officers for firmer military influence over the government appears to be growing.

The regime's move for limited political cooperation with Iraq may also tend to solidify opposition to it on the part of such diverse elements as the Baathists, pro-Nasirites, many army officers, and certain conservative political leaders. While rightist military and civilian elements may achieve tactical successes in the near future, an eventual leftward shift in the government's complexion appears likely.

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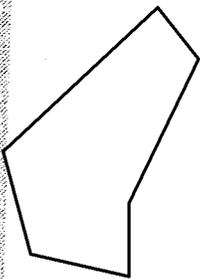
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Turkey: Foreign Minister Selim Sarper's resignation and the failing health of President Cemal Gursel raise the problem of finding able replacements acceptable to the various contending political groups in the country. Sarper, who left office on 16 March, apparently in disagreement with Inonu over unspecified matters, will be temporarily replaced by Minister of State Turhan Feyzioglu. Feridun Erkin, now ambassador to Great Britain, has been mentioned as Sarper's eventual successor. Gursel remains in office but [redacted] will probably be replaced this spring by another man with a military background. The departure of Sarper and Gursel is not likely to affect Turkey's basically pro-Western policy, but it will further weaken Inonu's already shaky coalition government.

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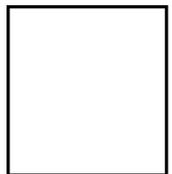
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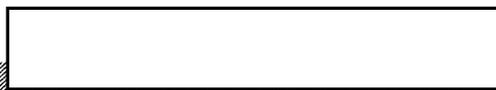
Western Europe: The Common Market (EEC) foreign ministers are expected to meet today in Luxembourg in an effort to break the long deadlock over the draft treaty for a political [redacted]

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Union of the six EEC countries. The deadlock is attributable in considerable part to France's opposition to the insistence of the other five countries that the treaty contain guarantees of the integrity of existing EEC institutions and of NATO's pre-eminence in matters of defense. The five also want assurances that the union will evolve along federalist lines. Even if France should make concessions on these points, however, the Netherlands and Belgium are likely to oppose a political treaty until Britain's membership in both the EEC and the proposed union is certain.

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*Argentina: The future of Frondizi's administration remains in doubt while he negotiates with the armed forces concerning their demands for steps to counter the Peronista electoral victories of 18 March. Cabinet members offered their resignations on 19 March.

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[Redacted]

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In an initial move to placate the military, Frondizi ordered military commanders to replace the Frondizi-allied governors in five provinces where Peronistas won in the gubernatorial and congressional elections. Civilian "interventors" were later appointed to administer these five provinces. Powerful Buenos Aires Province is included, and four more provinces may be added later. The elected Peronistas were not scheduled to assume office until 1 May.

The army, air, and navy secretaries, who are said to have to complete backing of their services, realize the political difficulties involved in such federal intervention in provincial affairs but believe that such action is preferable to the overthrow of Frondizi. The military are also reportedly demanding the proscription of all Peronista and neo-Peronista parties and the ouster from official positions of all.

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[Redacted]

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Supporters of Rogelio Frigerio, Frondizi's key political advisers. This virtual ultimatum has a deadline of 21 March. Government moves toward preventing the Peronistas from taking office would probably prompt antigovernment demonstrations aided by the Communists, who threw their electoral support to the Peronistas.

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Guatemala: Though instances of mob violence in Guatemala City have dwindled since 16 March, students and a number of business and professional groups remained on strike on 19 March determined to force President Ydigoras' resignation. Ydigoras is equally determined to hold on to power, but has failed in his efforts to make a deal with moderate opposition parties and has little organized civilian support to back him up. The military, his mainstay, appear divided on what action to take.

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Situation Report--Ceylon: Ceylon's financial position has deteriorated to a point where it soon could affect the stability of the government. A persistent decline in foreign exchange earnings from major export crops and repeated budget deficits over the past few years have reduced financial reserves to a dangerous level. The socialist and neutralist government under Mrs. Bandaranaike, aware of the grim economic outlook, has attempted to take limited corrective measures, but is hampered by the prospect that the kind of austerity program required would produce political strains even more serious than the economic problems. While the government's success in quashing the recent rightist coup plot has strengthened its hand, leftist elements are already exploiting the economic pressures and are using the conservative setback to increase their influence.

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DAILY BRIEF

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The Berlin Air Corridors

The USSR continues to strive for some change in the Berlin situation which can be interpreted as Western recognition of East German sovereignty, a requirement specified again by Khrushchev in his 16 March election speech. Soviet controller Stromov once again tried to persuade the US chief controller in BASC that it was necessary to provide the Soviet representative with the estimated time of Western flights over the Mansbach radio beacon, a navigational aid in the southern corridor. Moscow probably considers that giving the time over this beacon, located just inside the East German border, would serve as compliance with the Soviet demand of 15 February that estimated time of crossing the East German "national" border be provided with Allied flight plans. In practice, the US representative in BASC provides the beacon time only after the plane has passed over Mansbach. However, flight plans filed by the UK representative provide sufficient additional data from which the times for crossing the beacons at the entrance of the central and northern corridors can be computed; in addition he will furnish the estimated times orally upon Soviet request. Compliance with the Soviet request for estimated beacon times would bring the West into compliance with the East German law of 1 August 1961 which required aircraft entering the GDR to give notification by radio.

Moscow may be employing a new device to try to achieve Western recognition of the USSR's right to continue using the corridors for local flights. Stromov informally sought the reaction of the chief US controller in BASC to the possibility of adding a low-power radio link to the existing communications facilities between BASC and Karlshorst. He alleged that the present telephone circuit was often out of order in rainy weather, sometimes for as long as three to five hours, and said that the new link was needed to ensure contact with Soviet headquarters, particularly at times when Soviet aircraft were operating in the corridors.

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Changes in Turkish Government

Sarper had several times threatened to resign but was always persuaded to stay on by Inonu, who valued him for his international reputation and diplomatic skill. The decision to let him go at this time apparently resulted from differences between Sarper and other Turkish political figures. It may also reflect Inonu's decision to press forward with rigid enforcement of the recently passed law, believed to have been opposed by Sarper, prohibiting public criticism of the government.

Acting Foreign Minister Turhan Feyzioglu, 40, has a background as an educator. His recent experience as an interdepartmental coordinator for foreign aid affairs should be useful to Ankara in the current negotiations for credits from the US, West Germany, and NATO.

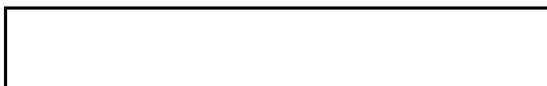


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Situation Report: Ceylon

Major financial problems include unfavorable world market prices for the island's main revenue crops--tea, rubber, and coconuts--the resulting drop of external assets to a dangerously low level, and steadily rising budget deficits. In the field of economic development there are many plans but few solid undertakings. The economic situation is a legacy from Solomon Bandaranaike's government (1956-59) and subsequent caretaker regimes, as well as a product of the present government's inexperience.

Top government officials have grown increasingly aware of the seriousness of the island's economic decline and appear somewhat more prepared than were their predecessors to take corrective action. As a beginning, drastic import controls were imposed in January 1961, and additional measures consisting chiefly of increases in corporate and individual income taxes were proposed in July. Even in these limited efforts, however, the government has been frustrated by adverse popular reaction, which the leftist-controlled trade union leadership exploited with a wave of costly strikes in December 1961 and January 1962. Business operations in Colombo have been hampered for two and a half months by a strike of bank clerks.

Furthermore, certain of the government's fiscal controls turned out to be less effective than anticipated. For example, the severe restrictions placed on export-import firms cut their income, and, therefore, the revenue in taxes from trading circles. A considerable illegal flight of capital resulted, as well as a further drop in the business community's confidence and investment plans.

The leftist parties, consisting of the orthodox Communist party and two rival Trotskyite groups, presumably will continue their efforts to profit from the government's economic plight. They are unlikely to start new strikes in the near future, however, as overuse of the strike tactic in the past has backfired

against them. They probably will direct their efforts to increasing existing strains between the leftist and moderate wings of the ruling Sri Lanka Freedom party while at the same time appearing to support the government against the "forces of reaction."

Barring a complete economic collapse, however, the government's position is unlikely to be threatened by the leftists. The leftist groups themselves are split, and most members of the ruling group would be unwilling to risk losing the political security which the government's parliamentary majority and the prime minister's popularity presently guarantee them.

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