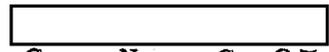


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26 July 1962



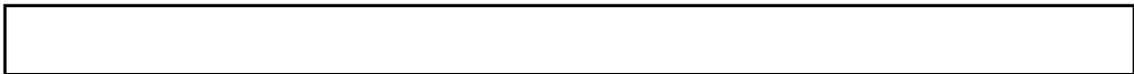
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CENTRAL

INTELLIGENCE

BULLETIN



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State Dept. review completed

GROUP 1
Excluded from automatic downgrading
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CENTRAL INTELLIGENCE BULLETIN

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3. Communist China: Armed forces morale deteriorates because of food shortages. (Page *ii*)

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5. West New Guinea: Djakarta officials hopeful that Dutch will agree to transfer of West New Guinea by end of 1962. (Page *iv*)

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10. Yugoslavia: Tito expected to relinquish day-to-day control of government under new constitution to be promulgated early in 1963. (*Page vii*)
11. Brazil: Goulart pushing for return to presidential system of government. (*Page viii*)
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CENTRAL INTELLIGENCE BULLETIN

26 July 1962

DAILY BRIEF

Algeria: The acceptance by Ben Keddha's provisional Algerian government of the political bureau formed by dissident Vice-Premier Ben Bella appears to have paved the way for him and his followers to assume control in Algeria. Ben Bella's 25 July claim that the National Revolutionary Council (CNRA) had already approved the composition of the bureau and the occupation of Constantine and Bone by troops loyal to him suggest that he intends to press his present advantage. *Some 1,200 troops loyal to Vice-Premier Belkacem Krim, the leader of the large Berber element of eastern Algeria, are reportedly advancing on the city of Constantine and clashes with pro - Ben Bella forces cannot be discounted. Ben Bella is expected to enter Algiers by this weekend. The French Government has announced that it will "intervene to protect her nationals" if the Algerian situation deteriorates.

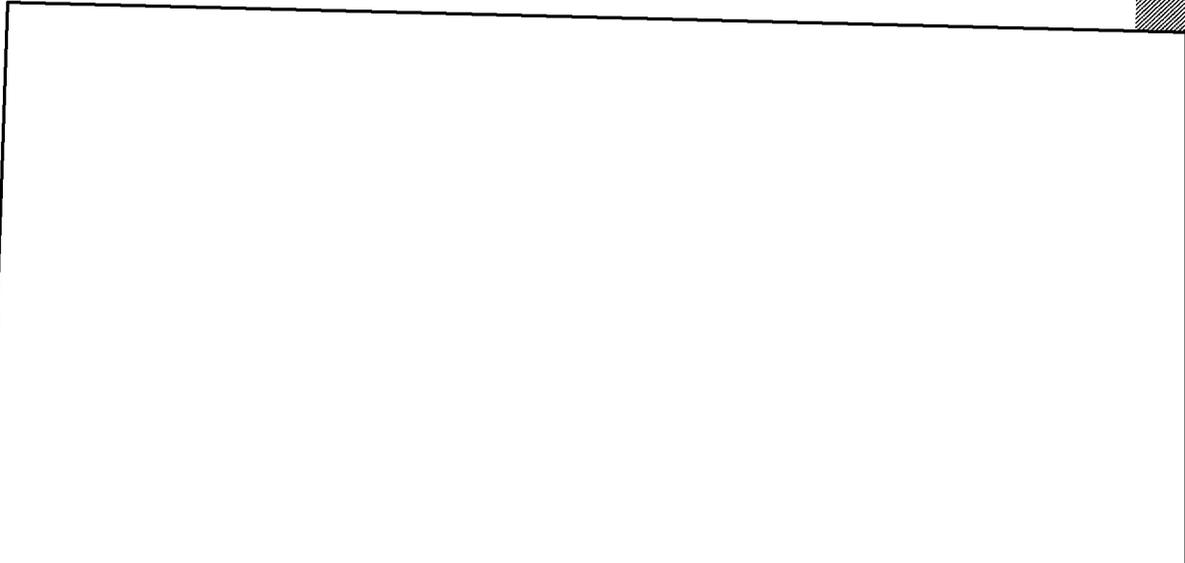
The prolonged dispute among Algeria's civilian leaders appears to have given the Algerian National Army (ALN) the balance of power. Ben Bella is said to be worried over how he will be able to control in the future the military officers who now support him. He reportedly intends to use the new party apparatus for mass indoctrination of the Algerian people to develop a counterforce to the ALN. Several ALN leaders, however, such as Colonel Boumedienne and Major Mendjli, probably have political ambitions and command the fanatic loyalty of most ALN units.

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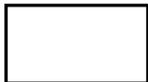
Communist China:

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[redacted] morale in the armed forces has deteriorated since 1959 because of food shortages, especially among dependents, and because troops have had to join in farm work. Nevertheless, troop discipline was reported good despite sympathy in the ranks for local disaffection, and [redacted] the army would support the regime in suppressing trouble.

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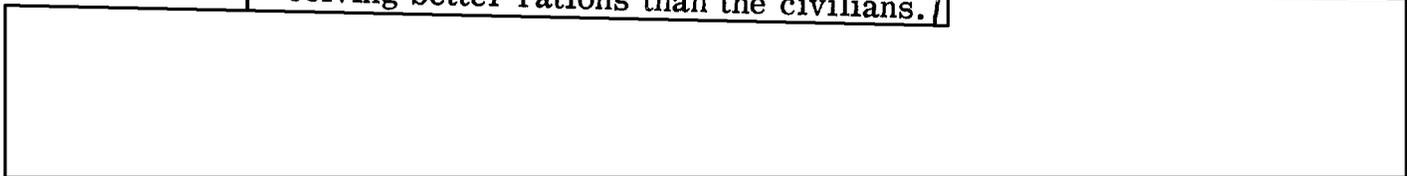
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[redacted] there is little edema--a sign of malnutrition--among the troops. This suggests that health conditions have improved somewhat since 1960-61, when, [redacted] edema was a serious problem. The army has been receiving better rations than the civilians.

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DAILY BRIEF

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West New Guinea: Indonesian officials believe, as a result of Foreign Minister Subandrio's initial reports from Washington, that there is at least some chance the Dutch will agree to Indonesia's demand for transfer of West New Guinea by the end of 1962. Accordingly, Sukarno is said to have authorized Subandrio to continue the talks until 1 August when he must return to Djakarta to report. Sukarno earlier had given Subandrio until 26 July to obtain Dutch agreement, and until 4 August to negotiate the details of the actual transfer. If the Dutch have not agreed to the Indonesian terms when Subandrio returns to Djakarta, the decision to attack West New Guinea will be made during the first week in August and carried out shortly thereafter.

Acting Foreign Minister Leimena told US Ambassador Jones on 24 July that some formula must be devised whereby Indonesia can obtain at least token administration over West New Guinea by 31 December. He confirmed that Sukarno feels it is imperative that he announce on Indonesian independence day, 17 August, that the "revolutionary struggle" is ended.

stated that in case the current negotiations collapse they would, in effect, dump the whole West New Guinea issue in the lap of the United Nations and retire with only token military action. The expectation of extensive Indonesian military operations in coming weeks appears to be spurring Dutch plans for evacuation of the families of the approximately 2,800 Dutch civil servants in the territory. According to reports from The Hague, about 90 percent of the civilian dependents are expected to return to the Netherlands during the next two months.

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DAILY BRIEF

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Yugoslavia: Tito is expected to step down from his post as chairman of the Federal Executive Council--premier--when the country's new constitution is promulgated late this year or early in 1963, according to Jovan Djordjevic, a leading member of the constitutional revision committee. In so doing, Tito would relinquish day-to-day control of the government, but by retaining his position as President of the Republic would be able to continue playing an important government role. Djordjevic said the purpose of the move is to ease the problem of succession after the 70-year-old Tito's death, but would not speculate as to who would be appointed the new premier. Edvard Kardelj, who acts as premier while Tito is abroad, appears to be the leading contender.

According to Djordjevic, the new constitution will--except in the case of Tito--also specifically discourage the simultaneous holding by one individual of high offices in both the party and government. Aleksander Rankovic, who delivered the keynote speech to the 22-23 July plenum of the party's central committee, appears to be heir-designate in the party.

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Brazil: President Goulart in a conversation with the US ambassador on 23 July argued that effective government under the parliamentary system is impossible in Brazil, and that the political situation will remain critical until a strong presidential system can be restored. He hinted that if the supreme electoral tribunal does not make an early ruling in favor of the plebiscite by which he hopes to eliminate the parliamentary system, "some other means would be found."

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In describing his own political orientation, Goulart placed himself in the middle between the wings of his Brazilian Labor party (PTB). He said he needs the left wing of the PTB as "shock forces" for his fight against the large moderate parties. Goulart saw a need for a non-Communist but radical new political force, and minimized the dangers posed by the Communist party.

Extreme leftist influence has probably increased in the Brazilian Government as a result of the recent cabinet crisis. Goulart has apparently reappraised the usefulness of Communist elements in the light of the help they gave him in his victory over the conservative congress. The PTB on 19 July nominated pro-Communist Miguel Arraes for governor of the key northeastern state of Pernambuco, although last April Goulart apparently planned to oppose him.

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Greece: Premier Karamanlis has again complained bitterly to the US ambassador over what he regards as the failure of his allies to give sympathetic understanding to Greece's economic and defense problems. He has warned that he may be forced to break off the talks on these problems currently going on in Paris and inform his people that they will have to "go it alone." He has also implied that he might resign.

Although his resignation appears unlikely in the near future, Karamanlis' government may make some move to demonstrate its displeasure with its allies, perhaps by recalling its delegation to the Organization for Economic Cooperation and Development.

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DAILY BRIEF

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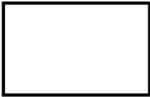
Greece

The Greek Government has become increasingly worried about its economic development program and defense budget since the beginning of 1962. The announced ending of American grant aid at the end of fiscal 1962 caused serious misgivings in Athens, and a NATO "Wisemen's Report," published in April, called for economic assistance to Greece over the next two years at a level far below that regarded by the Greek Government as a minimum necessity. The NATO Ministerial Council meeting in May recommended creation of international consortia of developed Western nations within the Organization of Economic Cooperation and Development (OECD) to determine the amount of developmental aid necessary for Greece and Turkey and to provide such assistance.

The consortia have not yet been created, although working groups have been established within the OECD. The proposed consortium for Greece faces serious difficulties as Britain refuses to participate until Athens makes some settlement of its defaulted pre-World War II bonds. France, Belgium, and the Netherlands have also been reported as reluctant to join. A settlement with the private bondholders, which has moved closer to realization in recent years, is impeded by internal political complications. Karamanlis has indicated, however, that he will not accept a truncated consortium containing only the US, West Germany, Italy, and Canada if Turkey, meanwhile, is to have an eight-nation consortium supplying it with economic aid. He cites domestic politics as the reason for his position on this issue.

Simultaneous with negotiations in the OECD, a NATO working group in Paris has been examining the Greek defense budget. A proposal by this group that

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Greece make a sizable increase in defense expenditures, to keep pace with the nation's rising GNP, has been received coldly in Athens. Until the Greeks spend more for defense, however, it appears unlikely that other NATO powers will offer increased economic assistance.

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[REDACTED]

Karamanlis thus finds himself and his government caught between the position of Greece's allies and domestic political considerations. He is an astute politician and may hope to use implied threats to resign as a weapon in the campaign to get more aid for Greece. [REDACTED] however, have recently described him as extremely depressed, and some dramatic move, such as Greek withdrawal from all further talks for a consortium, cannot be precluded. It is also possible that some discontented members of the government might use the present low point in Greek relations with other NATO members to precipitate a cabinet crisis. [REDACTED]

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[REDACTED]

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The Vice President

Executive Offices of the White House

Special Counsel to the President

Military Representative of the President

The Special Assistant for National Security Affairs

The Scientific Adviser to the President

The Director of the Budget

The Director, Office of Emergency Planning

The Director, National Aeronautics and Space Administration

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

The Secretary of the Treasury

The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

The Assistant Secretary of Defense

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Chief of Staff, United States Air Force

Chief of Staff, United States Army

Commandant, United States Marine Corps

U. S. Rep., Military Committee and Standing Group, NATO

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Director, Defense Intelligence Agency

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Department of Justice

The Attorney General

The Federal Bureau of Investigation

The Director

The Atomic Energy Commission

The Chairman

The National Security Agency

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The United States Information Agency

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