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6 July 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

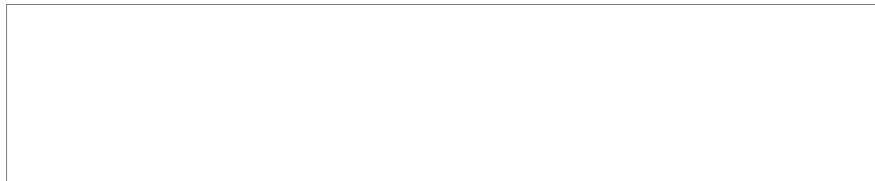
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THE WEEK IN BRIEF
(Information as of 1200 EDT 5 July)

ALGERIA Page 1

Ben Khedda and nine other members of the provisional Algerian government (PAG) arrived in Algiers on 3 July. Units of the Algerian National Army (ALN) favoring Vice Premier Ben Bella are opposing the apparent intention of Premier Ben Khedda and his colleagues to assume governmental authority within Algeria. The ALN's leaders have admitted that it cannot exert its full political force unless Ben Bella openly proclaims outright opposition to the PAG as presently constituted, but Ben Bella, who has been staying in Cairo, has not yet announced such open opposition. There has been no indication that he would ask ALN units to fire on other Algerian troops.

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CHINA Page 2

No additional military movements into the Chinese Communist coastal area opposite the Taiwan Strait have been reported, although Peiping has reportedly strengthened its military position to the north and south of this area. This reinforcement suggests preparations against the possibility of a Chinese Nationalist attack. There is still no hint in Communist propaganda that Peiping is planning a military initiative against Taipei, but plans for Communist reaction to any Nationalist attack might include a move against the offshore islands.

SOVIET FOREIGN POLICY DEVELOPMENTS Page 3

Khrushchev's 2 July warning that the USSR and the entire socialist camp would support the Chinese Communists in defeating any Chinese Nationalist attack on the mainland suggests that Moscow is not seriously concerned that Peiping intends major offensive action against the larger offshore islands. He apparently views present tensions in the area as an opportunity, at little or no risk for the USSR, to display bloc solidarity and underscore Soviet readiness to support Peiping's "legitimate" national interests. A Soviet Foreign Ministry official has indicated privately that Moscow has no intention of encouraging or supporting aggressive Chinese Communist moves.

Bloc spokesmen continue to express interest in further negotiations on Berlin, and Khrushchev has reaffirmed that a German settlement should be reached in the near future. The Soviet leaders appear to anticipate an early and successful conclusion of the Geneva conference on Laos. Prior to the resumption of the conference, the Soviet delegate indicated to British officials that he would not introduce any new issues and did not expect any serious problems in reaching agreement, but said that the most difficult question would be that of the integration of rival Laotian military forces.

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LAOS Page 6

Working relations between Deputy Premiers Phoumi and Souphannouvong have started smoothly, as both move cautiously toward integration of their political and military organizations. The coalition government has announced its intention to establish diplomatic relations with East Germany, Communist China, and North Vietnam. Saigon may make its signature of Geneva accords conditional on Laotian refusal to grant Hanoi full recognition. At the Geneva conference, a large measure of accord has been reached, but there are indications that problems may develop over still outstanding issues. The North Vietnamese may be planning to withdraw their troops soon.

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SOUTH VIETNAM Page 8

Armed attacks by the Communists declined during late June to their lowest point in a year. This may be partly because of bad weather and improved government mobility, but it could also be explained by reports that Viet Cong units are reorganizing in order to absorb new infiltrations from North Vietnam. Rail sabotage increased last month, and there are recent indications that the Viet Cong may plan to increase their firepower with heavier weapons.

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WEST NEW GUINEA Page 9

Indonesia continues to prepare for stepped-up military operations in West New Guinea despite President Sukarno's public announcement on 3 July of his readiness to resume preliminary talks with the Dutch early this month. Foreign Minister Subandrio stated in mid-June that if negotiations should collapse, Indonesia would declare war on the Netherlands; the present preparations may be for that eventuality. Subandrio has assured the US ambassador that no major attack would occur while talks are in progress but has stated, in effect, that infiltration operations will continue even if discussions are resumed. The Indonesian military moves apparently have not lessened Dutch readiness to negotiate.

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SOVIET ARMS AID TO INDONESIA Page 10

As a result of recent deliveries from the USSR, Indonesia now has 12 medium-range W-class submarines and 26 Badger (TU-16) medium bombers, 12 of which are equipped for air-to-surface missiles. Less than two months elapsed between the opening of negotiations on these items and their actual arrival. No other nonbloc country has ever received such complex equipment so quickly. This rapid action bespeaks a strong Soviet desire to strengthen Sukarno's hand in negotiations for Dutch withdrawal from West New Guinea. It means also

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that Soviet crews will probably remain in Indonesia for six months to provide training, since trained Indonesian personnel are not available in sufficient numbers to man the new equipment. [REDACTED]

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KHRUSHCHEV ON SOVIET AGRICULTURAL PROSPECTS Page 11

Khrushchev's forecast of 27 June that the Soviet grain crop this year will reach a record 148-164 million metric tons "if there is no worsening of conditions" is unrealistic. The claim seems to be intended to vindicate steps taken this spring for the improvement of agricultural production. It is also designed to win greater public acceptance of Khrushchev's new agricultural policies. The recent rise in retail prices of meat and butter evidently shook public confidence in the regime's ability to produce a steady improvement in the living standard. [REDACTED]

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COMMUNIST CHINA AND NORTH KOREA PUBLICIZE CLOSE TIES Page 12

The North Korean parliamentary delegation which visited Communist China between 15 and 30 June was received with hospitality which exceeded the demands of protocol. Although speakers on both sides described their relations in the context of socialist unity, the impression left was that their friendship for one another went beyond their ties with the rest of the Communist bloc. [REDACTED]

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ECONOMIC CONFERENCE OF DEVELOPING STATES Page 13

A ten-day conference of economic specialists from about 30 underdeveloped countries begins in Cairo on 9 July. The meeting promises to be less a forum for political propaganda and more a technical economic convocation than Nasir and Tito had in mind when they started arrangements four months ago. UAR officials insist that they will not permit the Cuban delegation to use the sessions for propaganda speeches. Some anti-Western overtones are expected, however, because many of the delegates fear that the European Common Market will hurt their nations' economies. [REDACTED]

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FRENCH LABOR DEVELOPMENTS Page 14

French civil servants and workers in the nationalized industries have undertaken sporadic strikes to reinforce their demands on the Pompidou government for higher wages,

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shorter hours, and other work benefits. The labor unions involved seek immediate action, partly because of recent price rises, partly to cash in on the bargaining power of a labor shortage which may be eased later in the year. The government has made some effort to satisfy worker demands but wants to postpone major adjustments pending extensive negotiations to take place with labor and industry this fall.

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CUBAN IMPORTS FROM CANADA AND MEXICO Page 15

Havana relies on free world sources for machinery to keep key enterprises in operation. Following the US embargo on such commerce in October 1960, Cuba last year more than doubled its purchases in Canada and Mexico, including some items of US origin. This year, however, Cuban imports from both countries have declined sharply, largely as a result of Havana's growing dollar shortage.

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DOMINICAN REPUBLIC Page 16

The Dominican Government fears that the deflation of public expectations for a greatly increased US sugar quota will cause its overthrow. New US sugar legislation offers the Dominican Republic little more than one third of the quota it had been expecting. Low wages which made sugar profitable for the Trujillo family have had to be increased by successor regimes to a level which could bring a net loss at the proposed level of imports by the US. The ruling Council of State has linked cooperation in the Alliance for Progress to substantial sugar earnings.

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BRAZIL Page 17

Brazil's first cabinet crisis under the parliamentary system adopted last September continues as a result of the resignation on 4 July of Prime Minister Moura Andrade after one day in office. Andrade's resignation in a dispute over certain cabinet appointments reflects a basic power struggle between the executive and the legislature. The Brazilian Communist party is supporting President Goulart against the conservative majority of congress.

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PERU Page 18

The Peruvian armed forces have issued an ultimatum demanding that Victor Raul Haya de la Torre renounce his presidential candidacy and leave the country. The alternative is the overthrow of President Prado's conservative government and the installation of Fernando Belaunde Terry as president by a military junta.

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ARGENTINA Page 19

Argentina's political difficulties are being compounded by an acute financial crisis involving a drastic drop in value of the peso and a shortage of peso credit as well as foreign exchange. The government's failure to pay civilian and military salaries is increasing labor unrest and

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accelerating business contraction. Economy Minister Alsogaray privately says the situation is "on the brink of catastrophe" leading to dictatorship. The military command continues efforts to persuade dissatisfied officers that a coup would set off counteraction by the left. [REDACTED]

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SPECIAL ARTICLES

SOVIET ATTITUDE TOWARD ALGERIA Page 1

Soviet policy toward an independent Algeria probably will be governed, as was the USSR's attitude toward the seven-year rebellion against France, by the demands of Moscow's European policy rather than by ideological considerations. The Soviet leaders' desire to encourage France to serve as a counterweight to West Germany in European affairs led them to adopt a cautious attitude toward the Algerian rebel movement. In so doing they opened themselves to Chinese Communist charges that the USSR had let down a national liberation movement. [REDACTED]

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AFGHANISTAN'S TIES WITH THE USSR Page 4

Prime Minister Daud's [REDACTED] concern over the Pushtoonistan dispute with Pakistan has led him, despite his awareness of the dangers involved, to rely increasingly on the USSR for economic aid and other forms of assistance. Soviet influence in Afghanistan's military forces and economic development programs is growing, and Kabul's long-standing policy of maintaining a balance between Soviet and Western interests in the country is being undercut. Daud thus has sacrificed some of his freedom of action in maintaining internal security and in promoting an independent foreign policy. [REDACTED]

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PERON AND PERONISM Page 7

Peron's loss of personal support and his frequent changes in line since the 1955 revolution have contributed to the disunity among the numerous pro-Peronist parties, which range from the right to the extreme left. As he did during his 12-year dictatorship, Peron in exile today switches his instructions and the "party line" from peace to violence from right to left to suit himself, whether it be for personal profit, to undercut a would-be rival, or to maneuver among competing factions. [REDACTED]

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WEEKLY REVIEW

ALGERIA

Premier Ben Khedda and nine members of the provisional Algerian government (PAG) arrived in Algiers to a triumphant welcome on 3 July to assume governmental authority within Algeria, but units of the Algerian National Army (ALN) favoring Vice Premier Ben Bella are opposing this move. Ben Bella's support within the ALN appears to be increasing. ALN leaders have admitted, however, that the ALN cannot exert political force unless Ben Bella openly declares himself opposed to the PAG. Ben Bella has not yet proclaimed outright opposition, although he has stated that the PAG's 30 June "dismissal" of the ALN chief of staff and two other officers was "illegal." There is no indication that he would ask ALN units to fire on other Algerian troops.

The Algiers region, along with Constantine and most of the mountainous country in between, is reportedly favorable to Ben Khedda. However, the desertion of at least 2,700 members of the security forces, presumably to ALN units supporting Ben Bella, has reduced the PAG's ability to maintain its position. The 25,000-man ALN force in Tunisia began to move into Algeria on 4 July. The 10,000 ALN troops in Morocco have also declared in favor of Ben Bella,

declared support for the PAG. According to press reports, UAR President Nasir has been urging Ben Bella to compromise with Ben Khedda, in the interests of Algerian--and Arab--unity.

The consul general also reported that there is considerable speculation in Algiers that Ferhat Abbas, the moderate former premier of the PAG, may come forward as a neutral head of the government to permit at least an outward reconciliation between Ben Khedda and Ben Bella. Press reports of 5 July that ALN units are demanding another meeting of the Algerian National Revolutionary Council suggest that some compromise solution may still be possible.

Meanwhile the relationship of the PAG to the Provisional Executive headed by Abderrahmane Fares, to which France transferred sovereignty on 3 July, remains unclear, although a PAG spokesman told Ambassador Walmsley in Tunis on 29 June that the Provisional Executive would delegate authority to the PAG shortly after the formal announcement of independence.

The Secret Army Organization (OAS) made no effort to interfere with either the referendum or transfer of sovereignty

The US consul general in Algiers estimated on 3 July that the pro - Ben Khedda forces have the better prospects of winning a power struggle, at least in the short term. There are indications that the French are supporting Ben Khedda, and that the French Army has not yet entirely withdrawn from the electrified barriers along the frontiers. Tunisian President Bourguiba has publicly

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CHINA

No additional military movements into the Chinese Communist coastal area opposite the Taiwan Strait have been reported, although Peiping has reportedly strengthened its military position to the north and south of this area. This suggests that the buildup was motivated primarily by defensive considerations. Peiping has continued to hint, however, that it is prepared not only to conduct a static defense against the Nationalists, but that it might respond to an assault on the mainland by military countermeasures against Nationalist-held territory.

Chinese Communist propaganda continues to stress primarily defensive themes in referring to the alleged invasion threat, and there has been no discernible effort to generate domestic sentiment in favor of military action against Taipei. There are some indications that Peiping may have decided to soft-pedal its claims than an invasion of the mainland is imminent. Communist propaganda dealing with Peiping's ability to repel an attack has been qualified during the past week with such phrases as "if and when" and "should the enemies dare to invade us." Mainland propaganda is also laying stress on the "history" of Communist warfare with the Nationalists, claiming that victory was achieved by successful Communist "counteroffensives."

Peiping is continuing to use the alleged threat of an attack to extract greater economic effort from its apathetic and disillusioned populace.

It is possible that this objective figured in the Chinese Communist decision to raise the specter on an invasion at this time. Increased efforts at production in Canton area factories have been reported as a response by factory workers to the threat of an attack.

It is probable that Peiping is still uncertain over current US intentions in the Taiwan Strait area despite repeated American assertions that US objectives are peaceful and defensive. A 29 June Chinese Communist commentary claimed that President Kennedy had avoided a direct denial that Taipei was planning to attack the mainland.

All Chinese Nationalist newspapers welcomed the reiteration by President Kennedy of US determination to defend Taiwan and the Pescadores, and some interpreted it as a declaration of a definite US intention to assist in the defense of the offshore islands. The Taipei press has expressed the hope that US Ambassador Kirk, who arrived on 2 July, will support Chiang Kai-shek's return to the mainland.

The Nationalist press and top Kuomintang and Foreign Ministry officials are inclined to believe that the purpose of the Communist buildup in the Taiwan Strait area is to bring political pressure to bear on Taipei. The Nationalists are especially concerned over Peiping's propaganda efforts to label them aggressors.

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SOVIET FOREIGN POLICY DEVELOPMENTS

Far East

In the first authoritative Soviet comment on the situation in the Taiwan Strait, Khrushchev warned in a speech on 2 July that the "peoples of the Soviet Union and the entire socialist camp" would support the Chinese Communists in administering a "crushing rebuff" to any Chinese Nationalist attack on the mainland. He endorsed Peiping's allegations that the US is actively encouraging Taipei's aggressive ambitions, charging that "American imperialists" are seeking to kindle a "new hotbed of war" in the Far East.

Khrushchev's speech and earlier preliminary Soviet reaction to the Chinese Communist buildup did not convey any sense of apprehension that Peiping intends to take major offensive action against the larger offshore islands. Khrushchev's references to Soviet statements supporting Peiping during the 1958 Taiwan Strait crisis and to the "invincible force" of Sino-Soviet friendship suggest that he sees an opportunity at small risk to display bloc solidarity and to underscore Moscow's readiness to support Peiping in pursuit of its "legitimate" national interests.

In sharp contrast to the USSR's cool and even hostile treatment of Peiping in recent months, Khrushchev expansively declared that China is connected by "close ties of brotherhood in arms and comradely solidarity with the Soviet people" and all the peoples of the "socialist camp." He added that their united forces, in accordance with the 1960 Moscow Declaration of the 81 Communist parties, "reliably guarantee each socialist country from encroachments by imperialist reaction" and recalled Soviet statements during the 1958 Taiwan Strait crisis that the USSR was "completely on the side of fraternal China."

This was an allusion to Khrushchev's two messages to President Eisenhower in September 1958 in which he warned that an "attack" on Communist China would be considered an attack on the USSR, cited the Sino-Soviet treaty of 1950, and threatened retaliation in kind if nuclear weapons were used in such an attack. Khrushchev's present vague warning, however, omitted any reference to the 1950 treaty and fell far short of his unequivocal support for Peiping in 1958.

In remarks probably calculated to reach US leaders, a Soviet Foreign Ministry official implied to a Japanese diplomat on 29 June that Moscow has no intention of encouraging or supporting aggressive Chinese Communist moves. He expressed the view that Chiang Kai-shek would try to take advantage of the "bad situation resulting from the food shortage" in China to invade the mainland, but said the USSR is counting on US influence in Taiwan to prevent this from happening.

The Soviet official pointed out that, unlike the Warsaw Pact and the Soviet - North Korean treaty of 1961--which commit the USSR to act if any third power attacked the countries concerned--the Sino-Soviet alliance of 1950 is directed only against Japan or an ally of Japan. This careful distinction between Soviet security commitments would enable Moscow to preserve a free hand in the event of a resumption of the Chinese civil war in which US forces were not involved.

Khrushchev's speech also carried forward the bloc's propaganda campaign against the presence of US forces in Asia. He charged that American troops "wherever they appear" intensify the threat to peace and security and cited South Korea as an example. Khrushchev

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declared Soviet support for North Korea's proposal for negotiations with South Korea on the withdrawal of US forces and the conclusion of a treaty prohibiting the use of South and North Korean forces against each other.

Soviet propaganda on the Taiwan Strait situation is stressing some of the same themes which were prominent during the 1958 crisis--US responsibility for the tense situation because of its "occupation" of Taiwan, American "provocations" in military and naval movements in the area, and the necessity for US forces to withdraw before Far Eastern tensions can be eased.

Laos

The Soviet leaders appear to anticipate an early and successful conclusion of the Geneva conference on Laos which reconvened on 2 July. In his speech that day and again on 4 July, Khrushchev cited the Laos coalition agreement as evidence that "mutually acceptable solutions" can be found for other questions provided there is good will on all sides.

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Berlin and Germany

At a 4 July reception for Austrian Chancellor Gorbach, Khrushchev reaffirmed that agreement on a German settlement can and should be reached in the near future. He warned of the dangers in postponing this issue and said, "There is no getting away from the overdue problems of a German peace settlement and a German peace treaty." In his 4 July congratulatory message to President Kennedy, Khrushchev expressed hope that joint US-Soviet efforts will eventually succeed in ensuring peace and eliminating the danger of war.

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Ulbricht's 27 June speech to an East German Communist central committee plenum provided further evidence that bloc leaders wish to continue the bilateral discussions with the US. Ulbricht attacked Adenauer and other West German "revanchists" for launching a "bitter struggle" against an understanding between the US and the Soviet Union on a German peace settlement. He claimed that Adenauer not only is intent on disturbing the bilateral talks between the US and the Soviet Union but actually "supports the opponents of President Kennedy." Ulbricht also rejected the idea of a four-power conference to deal with the recent border incidents in Berlin, as set forth in the Western notes to the USSR of 25 June.

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Pravda on 2 July carried a TASS report from Warsaw on Gomulka's interview with Life magazine last November. This interview, which was never published by Life, appeared in the Polish Communist party paper Trybuna Ludu on 1 July. Gomulka urged closer relations between the US and the Soviet Union and maintained that only through a Soviet-American agreement can outstanding international issues be solved and war averted. The Polish party boss concluded his review of the major East-West problems with the comment that the "time is indeed ripe" for a "constructive solution" of the German question.

However, Gomulka noted that the Socialist countries, anxious to conclude a peace treaty with both East and West Germany, are being forced to choose a "worse alternative"--a separate peace treaty with East Germany. Gomulka repeated the standard Communist position on the Berlin "free city" concept and claimed that the "right of access" to West Berlin ought to be fully guaranteed to all countries.

In this connection, Gomulka remarked that "should the Western powers insist on keeping their troops in West Berlin, nothing will hinder it." The timing of the publication of Gomulka's remarks on this question reflects Moscow's desire to assure the West that some compromise on the issue of Western troop presence in West Berlin is possible.

In his 27 June call on the UK commandant in Berlin, Soviet Commandant General Solovyev described relations between himself and the US commandant as "abnormal" but repeated his previous position that civilian advisers accompanying the US Berlin commandant on visits to East Berlin would have to show their identification in accordance with East German

regulations. Toward the end of the conversation, which was described by the British as "particularly cordial," Solovyev commented that the four Berlin commandants should get together more often and that they could do much to minimize tension and prevent incidents.

Gorbach Visit to Moscow

Khrushchev used the occasion of Austrian Chancellor Gorbach's visit to the Soviet Union to launch into another attack on the Common Market, claiming that "it is the economic base in Western Europe of the aggressive NATO bloc." At a 29 June luncheon for Gorbach, Khrushchev emphasized that Austria's neutrality was responsible for the country's friendly relations with both East and West. Implicitly warning Austria that entry into the Common Market would conflict with its neutrality and the Austrian state treaty of 1955, the Soviet leader asserted that the Common Market "undermines" the neutrality and sovereignty of the small states connected with it. At the 4 July reception for Gorbach, Khrushchev took note of the chancellor's assurances that Austria would not depart from its neutral policy.

President Kennedy's Visit to Mexico

Soviet propaganda gave only moderate attention to President Kennedy's trip to Mexico, emphasizing that the country's traditional policy of "nonintervention" in the internal affairs of other states obviously displeased the US. Moscow attempted to brand the trip a failure because of the Mexican Government's refusal to endorse US policy toward Cuba. TASS alleged that Mexico refused to join the US in preparing for a new invasion of Cuba under the "flag of collective action" of Latin American countries.

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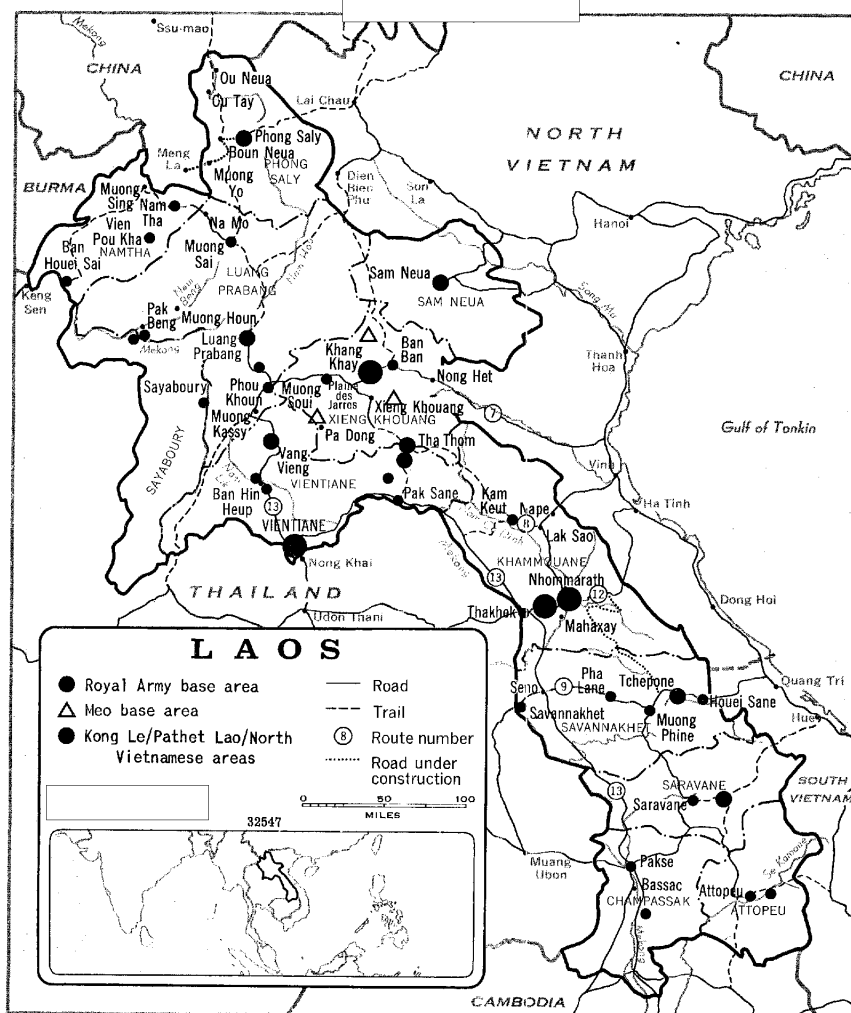
Working relations in Laos' coalition cabinet between Deputy Premiers Phoumi and Souphannouvong have been generally smooth thus far. Each is taking a cautious approach toward integration with a view to protecting his separate political and military structure. Souvanna's neutralist group, on the other hand, wishes to establish its authority throughout the country as soon as possible. Phoumi says he is more than ever convinced that the Communists are trying to use Souvanna as a Trojan horse. He notes that high-level Pathet Lao leaders who function as Souphannouvong's mentors and advisers are remaining in Sam Neua or Hanoi.

The new government, with Souphannouvong as acting premier, has moved to set up a cease-fire committee and committees for military and administrative unification. In accordance with the "troika" formula adopted at the Plaine des Jarres, the committees are composed of representatives of the three factions.

Geneva Conference

At Geneva, key figures have expressed the hope that the conference on Laotian neutrality, reconvened on 2 July, will reach an early conclusion. Soviet cochairman Pushkin said on 1 July that he was not planning to introduce any new

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issues and that the USSR was prepared to conclude the conference in eight to ten days. Souvanna has mentioned the possibility of a "mid-July" conclusion.

There are indications, however, that Communist delegations to the conference will strongly oppose any reference in the final agreements to the integration and demobilization of the rival forces. The bloc delegations at the opening session on 2 July expressed adamant opposition to any Laotian commitment, claiming that these were internal matters. On the same day, a Chinese Communist journalist, presumably speaking with the knowledge of the delegation, stated that Peiping would not accept any discussion of internal problems and specifically mentioned armed forces integration.

On the question of SEATO, Souvanna told Pushkin and British cochairman MacDonald on 4 July that a specific denunciation of the "umbrella clause" could be eliminated from the neutrality declaration if the member nations took formal notice of the Laotian Government's desire to renounce the protection of military alliances.

International Relations

The coalition government, in implementing its declared policy of extending recognition to all countries, has once again brought into question the international legal status of the divided nations. It announced its intention to establish diplomatic relations with East Germany, Communist China, and North Vietnam; Laos already has ties with their non-Communist counterparts.

Laotian recognition would constitute a major step in East Germany's campaign to achieve international standing. Laos would be the second nonbloc--

but first non-Communist--nation to enter into full diplomatic relations; Yugoslavia took this step in 1957. This would probably encourage party boss Ulbricht to intensify pressure on other neutralist nations to adopt the "Laos formula." West Germany, adhering to the "Hallstein doctrine," would in all likelihood withdraw its representation should East Germany and Laos establish full diplomatic relations.

A similar situation obtains with regard to Chinese representation in Vientiane. Both Peiping and Taipei have refused to accept concurrent diplomatic representation, each regime being strongly opposed to any "two China" concept.

The recognition of North Vietnam may give rise to problems which could directly affect the settlement of the Laotian question. It is possible that South Vietnam--adamantly opposed to equality of representation--may make its signature of the Geneva accords conditional upon Laotian refusal to grant full diplomatic recognition to the Hanoi regime.

North Vietnamese Troops

The chief of the US Military Assistance Advisory Group has received unconfirmed reports that North Vietnamese troops may have begun leaving Laos. According to these reports, four North Vietnamese battalions withdrew from the Mahaxay area on 28 May and additional North Vietnamese were flown out of Nam Tha on 12 June. The reports did not indicate destinations.

While the North Vietnamese now may be planning a withdrawal, there is no firm evidence that any troops have actually left. The first few weeks after the signing of the new Geneva agree--25X1 ment on Laos would probably be the period chosen for such a movement.

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SOUTH VIETNAM

During late June, armed Viet Cong attacks declined in number and scale to the lowest point--60 during the week ending on 25 June--in over a year. Bad weather and improved government mobility may account in part for this lull. Persistent reports of heavy infiltration during May and June suggest that the Viet Cong also may be in a period of reassessment and reorganization, possibly forming new battalions from existing regional companies and platoons and absorbing infiltrators.

Acts of sabotage increased during June, however, with some 18 reported incidents of sabotage or ambush against the north-south coastal railroad. Minor explosions in fuel depots near two major airfields on 25 and 27 June may reflect new ground tactics in the Communist effort to counter the government's air capabilities.

The Viet Cong may be planning to increase their firepower with the use of heavier weapons. This is suggested by

the presence in various Viet Cong units of 120-mm. mortars

Although there has been no reported use of artillery by the Viet Cong, documents found on the body of a Viet Cong officer killed northeast of Saigon included firing tables and translations of a US training manual on 75-mm. pack howitzers. Disassembled heavier weapons could be brought in from North Viet-

nam over Laotian trails or by junk.

Hanoi Radio has announced that a delegation from the National Front for the Liberation of South Vietnam--the Viet Cong political arm--arrived in Prague on 26 June in the course of a friendship mission to "a number of countries." The group plans to attend "conferences of world organizations," possibly including such Communist-sponsored gatherings as the World Peace Congress in Moscow opening on 9 July and the youth festival in Helsinki opening on 26 July. It presumably would use such forums to denounce US "aggression" in South Vietnam, and may try to gain entry to some neutral as well as Communist capitals in an effort to broaden support for its claim to represent the South Vietnamese people.

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WEST NEW GUINEA

President Sukarno announced publicly on 3 July his readiness to resume preliminary talks with the Dutch on the West New Guinea dispute. Foreign Minister Subandrio earlier had assured the US ambassador in Djakarta that the Indonesian delegate, Adam Malik, could be in Washington for such discussions by 9 July. In line with Sukarno's demand for the transfer of West New Guinea's administration to Indonesia during 1962, Subandrio said he hoped the transfer could be accomplished in less than the two-year period envisaged in the Bunker proposals. Subandrio also said he hoped the Dutch would not request a "cease-fire" in New Guinea while the talks are in progress and stressed that the discussions could break down on this issue.

Subandrio stated in mid-June that if negotiations should collapse, Indonesia would declare war on the Netherlands. Present larger scale preparations may be premised on that eventuality. He assured Ambassador Jones that no major activity would occur while talks are in progress but stated, in effect, that infiltration operations will continue even if discussions are resumed. First Minister Djuanda told Jones on 26 June he thought the West New Guinea situation would not be solved by either peaceful or military means but a mixture of both.

while
preparing to resume talks, Indo-



nesia is continuing preparations for expanded military operations in West New Guinea.

the rapid Indonesian military build-up and increasing capabilities have given the government little ground for considering a prolonged resistance. Public opinion in the Netherlands continues to support the government's efforts toward a peaceful solution and is unlikely to endorse the prospect of a last-ditch military stand.

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SOVIET ARMS AID TO INDONESIA

The recent transfer of additional Soviet submarines and missile-equipped jet bombers to Indonesia is probably intended to strengthen Sukarno's hand in negotiations with the Dutch for their withdrawal from West New Guinea. The new deliveries raise Indonesian holdings of medium-range W-class submarines to 12 and Badger (TU-16) medium bombers to 26, of which 12 are equipped for air-to-surface missiles.

These units apparently were contracted for only in early May, during Foreign Minister Subandrio's visit to the USSR--making the deliveries the quickest ever noted for such complex equipment under a Soviet arms deal with a nonbloc country. It is unlikely, therefore, that sufficient trained Indonesian personnel are available to operate it. For this reason, the Soviet crews probably will stay on for at least the next six months to provide training. Moreover, it seems apparent that a significant portion of both the bombers and submarines, if used operationally within that period, would have to be manned by Soviet crews.

The six TU-16 bombers which arrived at Djakarta on 29 June presumably will be followed in the near future by another four, since the Indonesian Air Force operates on the basis of ten aircraft to a squadron. There have been no good indications that Indonesian personnel have been sent to the Soviet Union for training on TU-16s--a normal procedure in transactions of this sort between the USSR and nonbloc countries.

The four W-class submarines which arrived at Surabaya on 29

June, less than a month after two others had been supplied, undoubtedly were contracted for by Subandrio in May.

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Soviet military aid commitments to Indonesia now amount to more than \$700 million and total arms assistance from the bloc as a whole to more than \$900 million--making Indonesia the largest nonbloc recipient of such aid.

The USSR's willingness to provide still more arms, when delivery of much of the material under earlier agreements is yet to be made and while Indonesian personnel have not yet been adequately trained on the equipment they now possess or are soon to receive, reflects Moscow's desire to strengthen Djakarta's position vis-a-vis the Dutch in the negotiations over the status of West New Guinea. In addition, Moscow's recent increased arms aid will open the way for the development of still closer relations through increased trade necessitated by Djakarta's repayment of its indebtedness.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

KHRUSHCHEV ON SOVIET AGRICULTURAL PROSPECTS

Khrushchev's claims of a substantial improvement in Soviet agricultural prospects, made at a Russian Republic agricultural conference on 27 June, seem intended to justify steps taken this spring to improve agricultural production. His forecast of a record grain harvest of between 148 and 164 million metric tons "if there is no worsening of conditions" is entirely unrealistic and was probably made solely for its propaganda effect. Some of the recent measures--particularly the price rise in meat and butter--have been unpopular. By claiming a sharp improvement in agriculture Khrushchev may hope to raise morale and to secure greater public acceptance of his new agricultural policies.

The dominant reaction among the Soviet people to the increase in retail prices of meat and butter, announced on 1 June, was apathy and resignation. Although many citizens accepted the government's explanation for the rise and expressed the hope that production of live-stock products would quickly improve and prices return to normal, it has become increasingly clear that public confidence in the regime's ability to make good on its promises of a steadily improving standard of living has been shaken.

The Soviet people now have forebodings of further measures limiting their access to the

fruits of their planned economy. Rumors of additional price rises and other steps to take money out of circulation find a receptive audience. The more extreme of the rumors now going around concern a resumption of compulsory bond purchases which had been abolished in 1958. Such purchases would draw off considerable amounts of disposable income and would contribute greatly to public disgruntlement.

Khrushchev's crop forecast is well above the record-breaking 141.2 million metric tons claimed for 1958. The crop this year may be somewhat better than last year's, but it seems unlikely to reach even the 1958 figure and is certain to fall far short of Khrushchev's prediction. Although grain acreage has been expanded and weather conditions have generally stayed about average in most of the USSR, conditions in the New Lands region, where over one third of all Soviet grain is produced, have not been favorable. This region, where disappointing crops in 1960 and 1961 were largely responsible for the mediocre Soviet total, has again been suffering from drought. While there was some relief in the latter part of May, the region is still short of moisture, and a prolonged dry spell later in the season could do much damage.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****COMMUNIST CHINA AND NORTH KOREA PUBLICIZE CLOSE TIES**

The North Korean parliamentary delegation which visited Communist China from 15 to 30 June was accorded exceptional hospitality and was introduced to the entire Chinese leadership. A dignitary of politburo rank accompanied the delegation on a tour of the country.

Speakers on both sides stressed their unity against a common enemy, the US. Although the toasts to their friendship included the standard bromides about unity of the socialist camp, the impression left was that Sino-Korean friendship went beyond ties each maintains with the rest of the Communist bloc. Korean politburo member Pak Kum-chol, who headed the Korean group, referred to the Chinese as the Koreans' "closest friends," and China's Chu Teh spoke of their sharing the "bitter and sweet" against the common adversary.

Chinese speakers attempted to portray an exclusiveness in Sino-Korean relations, picturing their countries' economic development as a mutual undertaking, with no reference to Soviet aid. The stress on their exchange of economic experiences perhaps reflected a feeling of mutual isolation in the face of their exclusion, along with North Vietnam, from CEMA, the bloc's economic organization--a feeling heightened by CEMA's recent admission of Mongolia. Korean speakers, perhaps more mindful of their continuing need for Soviet aid, expressed thanks to the USSR as well as to Communist China for "fraternal" aid.

Korean speeches were replete with laudatory references to China's leap forward and commune programs, describing them as the inspiration for Korea's own attempt at accelerated economic development. Congratulating the Chinese on their communes, which have been sharply criticized by Moscow, Pak promised to adopt more features of Chinese economic practices.

Pyongyang since last fall has become increasingly outspoken in identifying itself with Peiping's hard-line foreign policy, and its delegates reiterated its opposition to any slackening of the anti-imperialist struggle and implicitly to any Soviet attempt to seek an accommodation with the West through negotiations. In Pak's words, "Peace cannot be realized only by craving for it; it must be won through struggle."

In return for North Korea's support, the Chinese praised Kim Il-sung in terms almost as adulatory as those used by his own party. This was no doubt gratifying to Kim, who has shown discomfort over the contrast between the de-Stalinization campaign in the Soviet Union and the Korean party's praise for him. In addition, the Chinese buttressed Kim's pretensions as an ideologist by crediting him with creative application of Marxism-Leninism to Korean conditions.

The visit provided an occasion for furthering the developing bloc campaign focused on the charge that US forces in Korea, Japan, Taiwan, and Southeast Asia constitute a threat to peace in the entire area. Each side issued affirmations of special support for the other's goals in South Korea and Taiwan. The Korean visitors backed Chinese Communist allegations of a Chinese Nationalist buildup for a mainland invasion to take advantage of China's "temporary difficulties." Although predicting the certain failure of any Nationalist venture, the Koreans stopped short of invoking a threat of joint counteraction under the Sino-Korean mutual assistance treaty signed a year ago.

For their part, the Chinese supported the call issued by the Korean Supreme People's Assembly on 20 June for the withdrawal of US troops from Korea, expressing confidence in the success of a "country-saving" struggle against the US presence.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ECONOMIC CONFERENCE OF DEVELOPING STATES

On 9 July, economics ministers and other technicians from about 30 nations will begin a 10-day conference in Cairo on the special problems of countries in the early stages of economic development. The UAR's Minister of Economic Affairs, Dr. Abd al-Munim al-Qaysuni, will preside. The UAR Government has stressed, in drawing up the tentative agenda and in issuing invitations, that it intends to keep the conference sessions focused on strictly economic matters. Anti-Western political overtones seem certain to emerge, however, since a number of countries are sending delegations chiefly because of fear that the European Common Market will have adverse repercussions for them.

As for participants and agenda, the conference will be far different from what Nasir and Tito had in mind when they initiated the arrangements four months ago. Their original idea--which dates back to the summit conference of "nonaligned" states in Belgrade last September and which has since been doggedly pushed by Tito--was for an economic meeting of non-aligned states which would concentrate almost entirely on the "threat" posed by the Common Market.

During March, April, and May of this year, however, as the UAR sounded out some 50 countries--including such unlikely candidates as Austria, Ireland, Sweden, Switzerland, Japan, and New Zealand--the lack of enthusiasm for that sort of conference

became clear. The Indian Government was perhaps the most influential with Cairo in urging a major change in concept. The final result is a meeting which includes some countries with close Western ties and which lists the Common Market on its agenda as merely one of many key economic problems facing developing countries.

Cuba was not among the ten Latin American countries initially approached. Havana pressed hard for an invitation, and received it only after the UAR had ascertained that most other governments intending to send delegates would not seriously object to Cuba's inclusion. Cairo insists that it will not permit the Cuban delegation to make political speeches. Bolivia, Brazil, and Mexico are also sending delegates; Chile, Ecuador, Uruguay, and Venezuela are participating in observer status.

Nine African and Asian countries have agreed to be listed as sponsors, along with the UAR and Yugoslavia: Ceylon, Ethiopia, Ghana, Guinea, India, Indonesia, Libya, Mali, and the Sudan. Twelve others are sending delegates: Afghanistan, Algeria, Burma, Cambodia, Congo (Leopoldville), Cyprus, Lebanon, Morocco, Pakistan, Somalia, Tanganyika, and Tunisia. The UAR will pay the expenses of some of these. A few additional nations may decide at the last moment to send delegates or observers. Cairo also invited the UN acting secretary general to send an observer.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FRENCH LABOR DEVELOPMENTS**

French civil servants and workers in the nationalized industries have undertaken sporadic strikes to reinforce their demands on the Pompidou government for higher wages, shorter hours, and other work benefits.

The Debré government gave nationalized industries a substantial wage increase in the spring. The Pompidou government, seeking to forestall further strikes, moved another increase proposed for October up to July, but has refused to discuss other union demands until the fall, when joint labor-industry-government consultations are to be held to establish an agreed national price and wage policy.

The unions, which view the consultations with suspicion as a stalling device to bring about a "wage pause," have renewed their strike activity. They want immediate action, partly to make up for recent price rises, partly to cash in on the bargaining leverage of an existing labor shortage which should be eased later this year by a number of factors. These include the transfer of workers from agriculture, reduction of the armed forces, the influx of workers from other European countries and from Algeria, and the increase in total manpower as a result of the upswing in the birth rate following World War II. The National Confederal

Committee of the Socialist-oriented Workers' Force (FO) recently approved a resolution not to participate in the fall consultations.

Free union efforts to bring strong pressure on the government have been hindered by apathy on the part of many workers and by disagreements with the Communist-dominated General Labor Confederation (CGT) on strike tactics and duration. The CGT's support for short, harassing strikes as opposed to the long, nationwide strikes advocated by the free unions is possibly explained by a recent high-level Communist party directive that general strikes should be staged only when important political objectives can be obtained. Communist party leaders apparently believe the CGT had emphasized "pure trade union" concerns at the expense of political goals. There are also indications that the CGT's top leaders may think that unity-of-action campaigns have achieved success at the price of diluting CGT initiative and influence.

Average French wages are rising faster than productivity, but prices are rising even faster, so that labor's purchasing power is actually lower than it was a year ago. The economy is relatively strong at present, but the growing interplay of wage demands and price increases can subject the economy to serious inflationary pressures.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

CUBAN IMPORTS FROM CANADA AND MEXICO

Since October 1960, when the US embargoed shipments of strategic goods to Cuba, Havana has had to get industrial and agricultural equipment from Canada, Mexico, and other Western countries to keep its key industries in operation. According to an estimate of last December, Canada was supplying half of Cuba's imports of such equipment from nonbloc sources, and Mexico 15 percent. While Cuba now is receiving or is slated to acquire considerable quantities of new equipment from the Sino-Soviet bloc, replacements and spare parts for factory machinery predating the Castro regime must generally be obtained from the free world.

Canadian exports to Cuba during 1961 were officially valued at \$32,100,000--more than double the 1960 figure--and included steel plate and sheet, heat exchangers, plastics, synthetic rubber, medicines, transformers and other electrical apparatus, aircraft and automotive engines and parts, special lubricants, ball bearings, explosives, and industrial chemicals.

Cuba has been able to sustain its nickel production largely through import from Canada of such parts as temperature gauges, meters, thermocouple leads, and thermometers.

Mexican exports to Cuba have included airplane and automotive parts, centrifugal pumps, motor pistons, rubber tires, scientific instruments, storage battery components, in-

dustrial specialties, lead and zinc oxides, iron and steel wire, aluminum goods, refractory brick, and glass bottles. During 1961 Mexico sent domestic products worth \$3,460,000 to Cuba --again a figure more than double that of 1960. Mexican statistics do not include goods transshipped through Mexican free ports, so that the value of in-transit goods and contraband shipments cannot be estimated. The former Cuban commercial attaché to Mexico who defected in mid-June was quoted in the press as stating that he had paid an average of \$125,000 per month to Mexican and US firms in Mexico in illicit sales of US-made equipment.

Although there are fairly frequent reports of transshipment of US goods to Cuba through both countries, US origin has often been difficult to ascertain because a number of factories in both countries turn out products basically identical with those of their US counterparts. When it has been proven that a given consignment of goods has originated in the United States, both the Canadian and Mexican governments have taken steps to prevent delivery to Cuba. Neither government permits export to Cuba of arms or military equipment.

Mexican and Canadian exports to Cuba in the first quarter of 1962 have fallen off as sharply as they rose during 1961. The downward trend is expected to persist through the remainder of 1962 as Cuba's dollar shortage worsens. Businessmen in most free world countries, including many to whom Cuba is already heavily indebted, now generally refuse to consider any but cash purchases by Havana.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

DOMINICAN REPUBLIC

Leaders of the government of the Dominican Republic doubt their ability to remain in power as a result of new US legislation on quotas and premiums for US sugar imports. Foreign exchange earnings of the sugar industry are the dominant factor in the Dominican economy, and observers have calculated that under the new legislation the Dominican sugar industry will operate at a net loss.

Despite repeated warnings by US officials, the ruling seven-man Council of State in Santo Domingo clung to the last minute to expectations of a sugar quota--at premium prices--almost three times as large as the amount it probably will receive. As a result it did little to prepare the public for the US legislation, and the sudden disillusionment will pose a major threat to stability.

The Trujillo family made sugar profitable by keeping wages down. Successor regimes had to raise wages to capture public support, and thereby made the viability of the economy dependent not only on a continuing US premium above the world market price, but on quotas well in excess of the former Dominican quota of some 130,000 tons a year.

The Dominican Republic had in fact been assigned a "wind-fall" of more than 320,000 tons from suspended Cuban quotas, but this was repeatedly labeled as temporary. The new legislation raises the basic Dominican quota to 190,000 tons, and the pending redistribution of the former Cuban allotment probably will not bring total US premium imports from the Dominican Republic to much more than 300,000 tons. Santo Domingo had been hoping for a quota of 900,000 tons. The Council of State has linked cooperation

in the Alliance for Progress to these inflated expectations, arguing that substantial sugar earnings will be needed over the next few years to keep the economy viable while the country diversifies and undertakes other developmental programs under the Alliance.

Earnings from the other major Dominican exports--coffee and cacao--have been low and declining for several years. The Council has accordingly been relying almost wholly on sugar to finance Alliance programs because of public aversion to foreign indebtedness. Unpaid debts were among the important factors leading to the occupation of the country by US forces from 1916 to 1924. Fear of indebtedness was the major factor behind the Dominican Government's recent suspension of US developmental projects. President Bonnelly recently told Ambassador Martin that in the present atmosphere the Council would fall if it accepted further US loans to plug the gap left by the reduced quota.

If the Council turned its back on the Alliance and adopted a program of austerity, initial public support would probably be forthcoming. However, it is unlikely that such support would continue in the face of growing unemployment and worsening business conditions aggravated by expected cutbacks in sugar production. The pro-Castro 14 of June party has welcomed the US action, saying the "whole affair has taught the Dominican people a hard but necessary lesson in the ways of Yankee imperialism." Wage cuts would probably mean the destruction of the newly organized and pro-US labor movements, and a new opportunity for the 14 of June party to capture a significant popular following, which it has lost in the last few months. The party's leaders have recently threatened to turn to guerrilla warfare.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

In the atmosphere of political turmoil in reaction to the sugar legislation, the Council now may postpone the election of a constituent assembly in August--a date it had not in any event regarded with enthusiasm. Its attention will also probably be diverted from steps it had begun to take

to gain greater control over the armed forces. On the other hand, officers who had been slated for removal--along with Council members Luis Amiama and Antonio Imbert, who have already advocated return to more authoritarian government--may find it easier to obtain support for a coup attempt.

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BRAZIL

Brazil's first cabinet crisis under the parliamentary system adopted last September continues as a result of the resignation on 4 July of Prime Minister Moura Andrade after one day in office. Andrade's resignation was prompted by a dispute with President Goulart over certain cabinet appointments. The constitution provides that the cabinet is "designated" by the prime minister and "nominated" by the President. The dispute reflects a basic power struggle between the executive and the legislature.

Goulart has been fighting to retain powers which full compliance with last September's constitutional revision would transfer from the presidency to a prime minister responsive to parliament. Over the past ten months he has had the cooperation of his first prime minister, Tancredo Neves. There are indications that the presidential system is considerably more popular throughout Brazil than the parliamentary system. The latter is preferred, however, by the legislature, which

has experienced an increase in power and hopes for a further increase through full implementation of the September law. Conservatives predominate in both houses of the Brazilian congress.

The Brazilian Communist party--which was favorable to Goulart during his years as labor minister (1952-53) and vice president (1955-61)--has been critical of some of the President's conciliatory gestures in recent months toward moderate and conservative elements. Goulart's nomination of leftist San Thiago Dantas as his first choice for the Prime Ministry reawakened Communist enthusiasm for the President, however, despite some indications that Goulart did little to forestall parliamentary rejection of Dantas on 28 June. Luis Carlos Prestes, secretary general of the Brazilian Communist party which now is petitioning for legalization, went to Brasilia on 4 July. He apparently is offering his party's support to Goulart in the executive-legislative dispute over a new government.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PERU**

The reformist, anti-Communist APRA party faces an immediate decision on the question of resorting to strikes, riots, and civil war in defense of constitutional processes, or submitting to dictation by the Peruvian armed forces.

The APRA presidential candidate, Victor Raul Haya de la Torre, won a plurality in the 10 June elections, but fell short of the percentage of the total vote required for election. APRA also won the largest bloc of seats, barely missing a clear majority, in the new Congress. Because no candidate received one third of the popular vote, Congress has the constitutional right to choose a president among the top three candidates when it meets on 28 July.

The armed forces, however, through the reluctant agency of outgoing conservative President Prado, have delivered an ultimatum demanding that Haya step down in favor of Fernando Belaunde Terry, candidate of the Communist-infiltrated Accion Popular. The alternative is the eventual installation of Belaunde as president by a military junta.

Although Haya personally is willing to accede to the armed forces' demands, primarily

to avoid bloodshed, his followers in Lima seemed adamant in their desire to reject the ultimatum and force the military leaders to act 25X1 or lose face.

It now seems inevitable that the armed forces will carry out their threat, first made three months ago, to stage a coup if necessary to prevent Haya's succession to the presidency. In spite of their well-earned reputation as a significant anti-Communist force in Latin America, the Peruvian armed forces' hatred of Haya and APRA has led them to support Belaunde, who also has the support of Peru's Communists. Having rejected all appeals to respect the constitutional processes, it is hardly likely that the armed forces will be intimidated by any show of force by APRA. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ARGENTINA**

Economic and political difficulties in Argentina are interacting in a spiral of continued deterioration, heightening military fears for internal security. The acute financial crisis, involving shortage of peso credit as well as foreign exchange, is affecting both government and business. The government's failure to pay civilian and military salaries is increasing labor unrest and adding to business contraction; unemployment is growing. Arrears on government salaries amounted to over \$90,000,000 at the end of June.

The cost of living rose 6 percent in May alone and almost 30 percent for the 12-month period. The rise in June was probably higher as a result of fluctuation in the exchange rate between 111 pesos to the dollar to a high of 134.50 on 29 June, brought on by speculation, panic buying by the public, and heavy commercial purchases to cover semester-end commitments. By 3 July, however, the market closed at 120.5. Trade union leaders representing all sectors charge that the government's policy calls for all sacrifices to be borne by the workers, and have promised their followers that they will continue to resist this policy with strikes and slowdowns.

Business suffered a record number of bankruptcies in May, and there were new closures by

the major appliance manufacturers in June. The large cutback in industry, where Peronist strength is centered, affects internal security and is an important factor in military opposition to Economy Minister Alsogaray. Alsogaray himself, while more optimistic in public statements, commented to Ambassador McClintock on 2 July that Argentina was on the "brink of catastrophe" because of its financial crisis.

These difficulties are being exploited by opposition political elements. Some seek to overthrow the government; others are pressing the government to change its political plans for the March 1963 general elections and are competing for the Peronist vote. Part of Frondizi's Intransigent Radical party is still demanding his return as president.

The hitherto progovernment newspaper Democracia--now controlled by Rogelio Frigerio, Frondizi's former adviser--has switched to an anti-Guido, anti-US line and offered its services to the Peronists.

Military dissatisfaction with these developments has resulted in plotting by influential retired officers. The majority of the armed forces want to promote constitutional government and believe that a coup would prompt a counter coup from the left, but further deterioration in the situation could diminish resistance to a military takeover.

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SPECIAL ARTICLES

SOVIET ATTITUDE TOWARD ALGERIA

Soviet policy toward an independent Algeria probably will be governed, as was the USSR's attitude toward the seven-year rebellion against France, by the demands of Moscow's European policy rather than by ideological considerations. The Soviet leaders' desire to encourage France to serve as a counterweight to West Germany in European affairs led them to adopt a cautious attitude toward the Algerian rebel movement. In so doing they opened themselves to Chinese Communist charges that the USSR had let down a national liberation movement.

Although the Soviet Union throughout the first six years of the rebellion had repeated the standard slogans regarding the justness of "wars of national liberation," Moscow carefully withheld any significant diplomatic support for the Algerians until October 1960. Only then did Khrushchev announce de facto recognition of the Provisional Algerian Government (PAG); Peiping had granted full recognition two years earlier. The USSR did not extend de jure recognition of the PAG or indicate its readiness to establish formal diplomatic relations until after the Evian accords were signed in March 1962 and a ceasefire was declared in Algeria. Moscow did not take even this juridically premature step, designed to win favor with the

Algerian leaders, until it was reasonably confident that there would be no strong French reaction, such as a break in diplomatic relations.

Throughout most of the rebellion, the Soviet Union remained circumspect in its aid to the Algerians. Prior to Moscow's de facto recognition of the PAG, Soviet arms aid to the rebels--largely in the form of World War II light infantry weapons of German origin--was provided via Egypt and Syria. Subsequent to Communist China's agreement to give assistance to the Algerians, however, Moscow began in late 1960 shipping clearly identifiable Soviet arms, including artillery^{25X1}

For their part, the Algerians appear to have had very little interest in permitting a thoroughgoing Soviet or Communist involvement in their rebellion. The Algerian Communist party, outlawed in 1955 and consisting largely of Europeans, was a particularly ineffectual force. After an unsuccessful attempt at independent terrorism, it sought to merge with the

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National Liberation Front (FLN) in 1956, but was unwilling to accept the FLN's conditions for merger: the dissolution of the party as an autonomous force. Further, the Algerian Communist party was rebuffed in its efforts to dominate the Algerian labor movement. Thus, unable to exploit the control of an indigenous movement in the traditional Communist manner, Moscow probably saw little reason to move too fast in its support of the rebellion.

In discussing the Algerian rebellion, Soviet propaganda--while maintaining a cautious criticism of French policies in Algeria--consistently encouraged a settlement based both on the wishes of the Algerians and on the "historic interests" of France. Only rarely, as on the occasion of Nasir's visit to Moscow in 1958, did the propaganda theme of wars of national liberation receive more than passing lip-service.

The first public test of Soviet intentions toward Algeria was the proclamation of the Provisional Algerian Government in September 1958. Moscow withheld recognition then, having little interest in encouraging the recognition of governments-in-exile and even less desire to destroy what it regarded as a potentially fruitful relationship with the new De Gaulle government at the time when the Soviet Union was about to reopen the Berlin question.

Khrushchev, following his visit to the US in the fall of 1959, was confident he would soon achieve his goal of a summit conference, and his endorsement of De Gaulle's tentative offer of Algerian self-determination and the subsequent moderation of Soviet UN speeches on the subject were undoubtedly calculated to facilitate De Gaulle's participation.

The collapse of the summit in May 1960 and the momentary failure of his Berlin policies left Khrushchev in an exposed position, particularly with regard to intrabloc relations. While Moscow had encouraged the first efforts at French-Algerian talks at Melun in June 1960, the breakup of these

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talks brought intensified Soviet criticism of French Algerian policy and--in October 1960--de facto recognition of the PAG and pledges of "every kind of assistance to the Algerian people."

In his 6 January 1961 speech on the November-December 1960 meeting of the 81 Communist parties in Moscow, Khrushchev cited the Algerian rebellion as an example of a just and "sacred" war of national liberation, and one which should be supported by Communists. Having temporarily lost his opening to the West, Khrushchev was free to take action to undercut Peiping's criticism of Soviet coolness to national liberation movements and bring the Soviet and Chinese positions on Algeria at least somewhat closer together.

Despite this temporary effort at ideological reconciliation within the Communist movement, Moscow does not appear to have lost sight of European political considerations.

In the past few years Moscow has sought in a number of ways to encourage France in its ambitions to regain its former leading role in European affairs. Khrushchev declared in an interview in Figaro in early

1958 that "the more France displays its independence as a great power, the easier it will be, by joint effort, to achieve a settlement of many questions concerning both Europe and the world, which long ago demanded their solution."

Despite the lack of French support at the time of the abortive summit in 1960, and despite De Gaulle's constant efforts to align French and West German European policies, Moscow has clearly not abandoned its conviction that the post-war French-German reconciliation eventually will break down and that France will then be more favorably disposed toward Soviet policies aimed at blocking the resurgence of West German military and political predominance within Western Europe.

France has made it abundantly clear that it regards its former territories in North Africa as lying within its immediate sphere of influence. While the struggle for power within the Algerian leadership may lead to the emergence of the more radical elements, it is highly unlikely that in the near future any Algerian government would consciously jeopardize its status as the recipient of aid in the quantities planned by France. For this reason Moscow will treat with circumspection any Algerian government which maintains French ties. Diplomatic relations, assistance programs [redacted] will probably be maintained on a relatively restrained level similar to those in Morocco and Tunisia. [redacted]

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AFGHANISTAN'S TIES WITH THE USSR

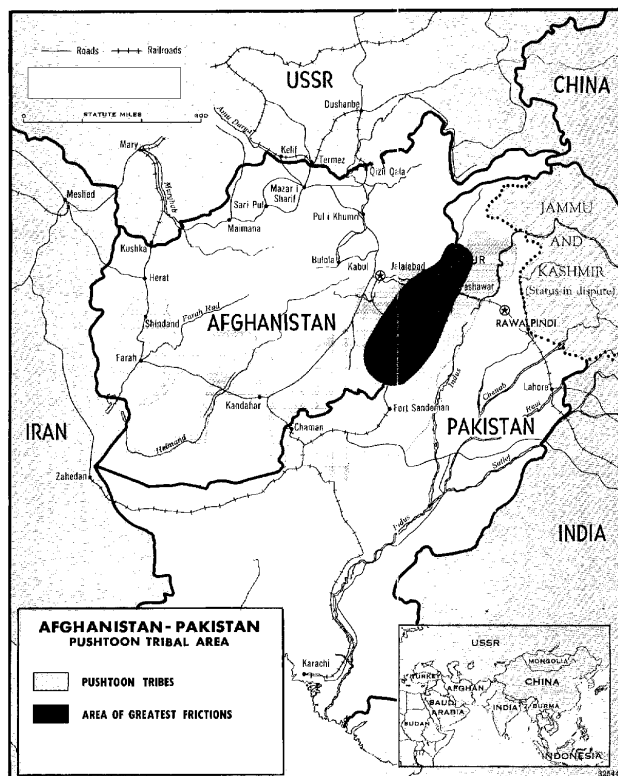
The Pushtoonistan Campaign

[redacted] devoting badly needed energies and resources to a cause that has only scattered tribal support.

Nonetheless, Daud almost certainly has no intention of abandoning the Pushtoonistan campaign.

He thus seems to be looking for new methods to keep the dispute

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alive, although in a lower key, while he engages in a long-term effort to strengthen Afghanistan's regular and irregular military forces along the border.

Neutrality and Independence

As Daud's frustrations over Pushtoonistan have mounted, he has allowed the demands of this problem to undercut his long-standing policy of maintaining a balance between Western and Soviet interests in Afghanistan. By closing the border to shipments through Pakistan, the Afghan leaders greatly reduced their traditional contacts with the free world. At the same time, a high-level Soviet military mission headed by Marshal Sokolovsky was welcomed in Kabul. On Sokolovsky's recommendation, Afghanistan accepted a large Soviet military advisory group to assist in reorganizing Afghan military forces and their training program.

During the last three years the Afghan Army has been re-equipped and increased in size from 54,000 to 105,000 men. Daud now is counting on training programs with Soviet instructors to help raise the army's low standards of proficiency in handling its Soviet-supplied equipment. In addition, mountain units more suitable for fighting in tribal terrain are being organized and military roads are being built in the border area.

While Daud and his security-conscious associates are probably concerned about the dangers of increasing Soviet influence in the army, the Afghans are growing accustomed to working with Soviet advisers, instructors, and technicians.

Moreover, Daud himself now accepts some kinds of assistance from the USSR which, in the mid-1950s, he considered potentially dangerous to Afghan security. He recently agreed, for example, that the USSR should build and staff a technical training school, which will give the Russians a firm foot-

hold in Afghanistan's formal educational system. The government is also searching for qualified Afghan students to study in the USSR for extended periods. 25X1

In the cultural field the Afghans are removing one of the most effective obstacles to uncontrolled contacts between Soviet personnel and Afghan nationals--the language barrier. Russian language broadcasts now are scheduled daily by the government-controlled Kabul radio, and Russian classes are being offered at Kabul University. Afghan military officers are being encouraged to take officially sponsored courses.

In the light of these developments, many Afghans seem to be adjusting their attitudes toward the USSR, anticipating that Soviet influence will grow in the next few years. Those Afghan Air Force officers trained in the USSR regard the few Western-trained officers with suspicion and hostility, and the latter have become increasingly demoralized.

Afghan newspapers, which are controlled by the government, also seem to be growing more responsive to the Soviet line, although this is partly due to efforts to avoid offense to Moscow. Occasional bows, however, are still made to US assistance projects in Afghanistan.

The Soviet presence in the economic field meanwhile continues to expand. The progress achieved in recent years with both Soviet and American help is increasing Afghanistan's desire for and ability to absorb larger amounts of aid. In closing its border with Pakistan and blocking Western shipments at such a time, the government has also increased Afghanistan's dependence on the USSR for an alternate trade route and for the bulk of development assistance.

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The ruling family's internal position is likely to be increasingly affected by these trends in Kabul's foreign relations.

For the present, the Daud government remains in firm control of the country despite its recent reverses in the Push-

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****PERON AND PERONISM**

Peron's loss of personal support and frequent changes in line since the 1955 revolution have contributed to the disunity among the numerous pro-Peronist parties, which range from the right to the extreme left. As he did during his 12-year dictatorship, Peron in exile today switches his instructions to his followers and the Peronist line from orderly cooperation to violence or from right to left to suit his whims and his personal convenience, whether it be for personal profit to undercut a would-be rival, or to encourage continued support from competing Peronist factions. Peron's protestations to some audiences that he seeks only peaceful democratic rule for the Peronists contrasts sharply with his performance during 1946 - 1955.

Peron's Tactics

For many of today's Peronist leaders, Peron's dictatorship was their training school, and the methods by which he gained and held power their course of study. Peron rose to power in the mid-1940s by exploiting the near-feudal conditions of Argentine labor.

A minor member of the "colonels clique" which overthrew the unpopular and pro-Nazi Castillo regime on 4 June 1943, Peron was assigned the unimportant subcabinet post of secretary of labor. Drawing on Mussolini's corporate state system, which he had studied earlier as military attaché in Rome, Peron wooed labor with spectacular wage increases, and used Communist leaders to crush the small democratic trade unions and build an expanded movement loyal to him personally.

Peron's success was so impressive that in early 1945 his military rivals imprisoned

him on Martin Garcia Island--where Frondizi is held now. By 17 October--now the major Peronist holiday--he got back to Buenos Aires by feigning illness, and was greeted by a massive labor demonstration that was tantamount to a unanimous primary nomination. His violent campaign in the presidential election of February 1946 made extensive use of the slogan "Braden or Peron," based on widespread publicity that US Ambassador Braden was aiding the opposition democratic coalition.

Until late 1952 Peron's championing of labor amounted to virtual espousal of class warfare. The instruments he used to build his political organization--based on labor--were control of the military, the press, and congress, the friendly disposition of the church, and a gradual tightening of control over economic activity. He brooked no opposition or free campaigning by opposition political parties. He coined the name "descamisados" (the shirtless ones) for labor, and made a great show of removing his jacket to address crowds--a gesture with special significance in formal Buenos Aires where the law required all men to wear coats in public places.

One of his first pieces of legislation was the "Statute of the Peon" which required landowners to give their laborers two meals a day and at least a mud-floored hut with a roof. Extensive social welfare measures followed this legislation. In addition, Eva Peron, Peron's glamorous wife and former mistress, carried out her own charity and welfare program with both public funds and with "donations" from blackmailed business interests which were wiped out if they did not cooperate. Her popularity and political power grew to equal

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that of Peron, and the date of her death from cancer on 26 July 1952 is the second most important Peronist holiday.

Evita's driving hatred of the "oligarchy"--based on being snubbed by high society--made her a willing listener to extremist advice, including that of the "dissident" Communists. Peron started subsidizing the dissident Communists in 1951 to draw support away from the official Communist party (PCA) and from the Socialists some of whom became Peronist supporters. The head of the dissident Communists was Rodolfo Puiggros, who never disavowed Moscow but maintained that the PCA leadership was stupid in not openly promoting national front tactics --the policy now featured by most Latin American parties including the PCA. At the time, Puiggros maintained contact with Luis Carlos Prestes, secretary general of the Brazilian Communist party who was recognized by Moscow as outstanding among Latin American Communists.

Peron's extensive public works programs were geared to please labor, but frequently contributed little to the industrial expansion he was trying to force at the expense of agriculture, which provides 95 percent of all foreign exchange earnings. He emphasized parks, swimming pools, hospitals--often without adequate staffs--and halls and sports centers for the trade unions. There were only token housing programs to meet the long-standing shortage. Labor unwittingly paid for many of these projects through heavy contributions to social security funds and various excise taxes.

Labor's new feeling of status and political participation, along with Peron's social and public works programs, prolonged the loyal of the majority of labor for a few years beyond 1951, when the decline in real wages and Peron's major economic difficulties began. By this time, organized labor had gained sufficient political experience to resist any return to its depressed status of the past, regardless of national leadership.

Labor dissatisfaction with Peron began to appear as early as 1953 as a result of Peron's rightward turn, including his overtures to business and to the US for cooperation in easing economic difficulties. Leaders of the General Confederation of Labor, which had become the most important single political force, objected to Peron's formation of the General Economic Confederation, a counterpart for business, as an implied threat to the favored position of labor. Further strains were added by Peron's crackdown on Communist labor activity in mid-1954, and by his fight with the church which erupted in November 1954.

The church-state fight was the vehicle chosen by combined opposition groups to bring down Peron. It caused many Peronists to leave the party. In his eleventh-hour salvage attempt before the successful September 1955 revolution, Peron turned over the presidency of the Peronist party to John William Cooke--then Peron's heir-apparent--and urged that each Peronist get a length of wire to hang the opposition for any harm done to any Peronist.

Peron's ouster removed a major irritant in inter-American relations, since he was generally despised throughout the hemisphere and feared by Argentina's smaller neighbors.

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Because Peron had never permitted subordinates to share the spotlight his departure left the Peronist movement without any nationally influential leader capable of maintaining unity. The result has been a fragmentation of the Peronist movement favorable to minority extremist elements, who have replied with violence to conciliatory gestures by the Lonardi, Aramburu, and Frondizi governments which preceded President Guido.

The Peronists have been unable to organize an effective political organization or to recapture their former domination of the General Confederation of Labor (CGT) since the September 1955 revolution. This organizational weakness stems more from divisions among the Peronists themselves than from repressive measures inspired by the military, who insist Peron will not be permitted to reinstitute his dictatorship in Argentina.

The CGT was taken over by the government and the Peronist party outlawed on 30 November 1955 only after the Peronists had attempted revolutionary action. Labor union dues have been a principal source of Peronist funds for political and subversive uses.

In March 1961 the CGT was returned to complete union control. Power is shared by 10 representatives of the "independent," prodemocratic bloc and 10 representatives of the pro-Peronist "62" bloc. All CGT policies and decisions require a two-thirds vote of the 20. This arrangement is provisional pending the convocation of a CGT congress, which has been delayed by the Peronists' insistence that they dominate the CGT.

The CGT now represents slightly more than 2,000,000 dues-paying members--compared with the 6,000,000 claimed during the Peron era. About 50 percent are members of unions which are Peronist-controlled; about 45 percent belong to non-Peronist unions, with the remainder divided between diehard anti-Peronist and Communist control.

The Communists are not presently strong enough to win national union elections, but they have made impressive gains in electing hundreds of union shop stewards and shop committeemen, mostly in industrial unions controlled by Peronist leaders. These gains, in combination with their discipline, training program, and financial resources, place the Communists in a good position to exploit weakness among Peronist unions, which suffer from the same disunity that afflicts the political parties.

While most Peronists are more interested in the economic and political aspects of Peronism than they are in Peron himself, they have not found a strong alternative leader. Several leaders, such as Juan Bramuglia, have tentatively suggested from time to time that their neo-Peronist parties promote Peronism without Peron, but in the final showdown have backed away from the idea as politically impractical. Even with his reduced personal following, Peron remains the most influential single leader because of the numerous competing factions.

Peronist victories in the 18 March congressional and provincial elections and the economic squeeze on labor--which influenced the elections--will serve to increase cooperation among Peronists and Peron's influence in the movement. Pro-Peronist candidates, cooperating in some cases with other small

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parties, won one third of the total vote, 9 of 12 governorships, and 47 of 94 seats at stake in the Chamber of Deputies. Even though the results of the elections were canceled, the Peronists are benefiting indirectly from the international criticism of Frondizi's ouster which their victories precipitated.

After the elections Peron reorganized his command in Argentina which is formally known as the Peronist Supervisory and Coordinating Council. He named Dr. Raul Matera, a respected surgeon and formerly little known Peronist, head of the council but chose Augusto Vandor, a leftist labor leader, for the key position in charge of trade union activities. Peron was considering naming Vandor to the top post but apparently decided that naming a moderate would make the council seem more respectable. This split, which is reflected in the other two top appointees on the council, stems from Peron's efforts to retain the support of both moderate and extremist elements in the movement and facilitate his rapid switch in line.

The Peronists who advocate insurrection to regain power appear largely linked with the dissident Communist or Trotskyite Peronist factions and reportedly have encouraged cooperation with the Argentine Communist party. Chief among these is John Cooke, who heads a militia unit in Cuba. He has lived there since 1956 when he escaped from an Argentine prison along with a group of five others, including Jorge Antonio, who "financed" the escape.

Peron--who before the elections threatened to create chaos in Argentina--has more to gain by playing a moderate line for the next few weeks

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