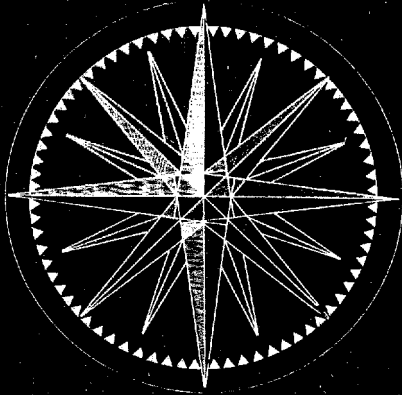


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12 April 1963

OCI No. 0275/63

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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed.

CENTRAL INTELLIGENCE AGENCY

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GROUP 1 Excluded from automatic
downgrading and declassification

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C O N T E N T S

(Information as of 1200 EST, 11 April 1963)

CUBA

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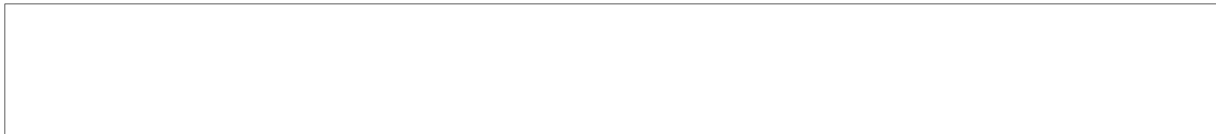


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CASTRO'S MAY DAY PLANS

2

They include a four-hour parade of 100,000 workers, invitations to 800 foreign guests, and the usual address by Castro.



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THE COMMUNIST WORLD

THE USSR AND LARGE-DIAMETER PIPE

3

Moscow's need for pipe following the West German ban on sales was not great enough to force it to accept a British firm's high-priced offer. The USSR may still get--from Italy, Sweden, and Japan --a third of planned 1963 imports.

MOSCOW GIVES ATTENTION TO THE CONSUMER

4

The present efforts to improve public services and consumer goods supplies will, like others in the past, probably be inadequate to meet planning goals or the aspirations of the public.

THE HUNGARIAN AMNESTY

5

The regime hopes this action--which may have set free as many as 3,000 political prisoners--will lead to normalization of Hungary's UN status and to improvement of relations with the US.

POLISH TEMPERS RISE WITH FUEL PRICES

6

The prevalent mood could lead to widespread local disturbances and cause party leader Gomułka to make changes in the top leadership.



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THE COMMUNIST WORLD (continued)

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countries' efforts to assert an "independent" foreign policy. (Published separately as Special Report OCI No. 0275/63D)

- LIU SHAO-CHI'S SOUTHEAST ASIAN TOUR 7
This trip, the first outside the bloc for the Chinese Communist chief of state, is billed as a goodwill tour and probably is intended to offset the recent visit by Soviet Defense Minister Malinovsky.

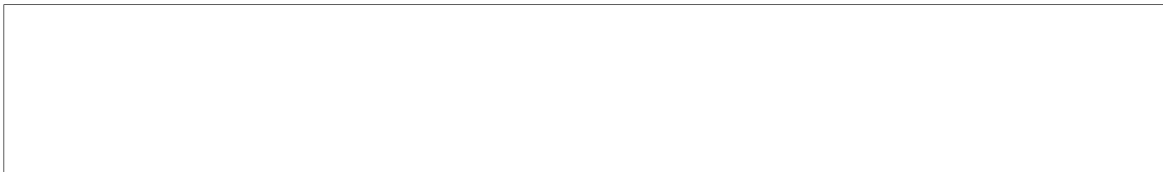
ASIA-AFRICA



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- SOUTH KOREAN REGIME ACTS TO EASE POLITICAL CRISIS 9
By deferring until September a decision on holding a referendum on extending military rule, it has averted an immediate showdown.

- COMMUNIST INROADS AGAINST LAOTIAN NEUTRALISTS 10
Neutralist forces have been pushed out of key positions on the Plaine des Jarres and as yet are getting no substantial rightist aid; North Vietnamese support for the Laotian Communists continues.



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- CONGO POLITICIANS IRKED AT ADOULA'S TACTICS 11
The premier is still putting off his cabinet reshuffle and parliament may be recessed again to ease his problems.

- ALGERIAN-FRENCH COOPERATION IN DIFFICULTY 12
Premier Ben Bella faces strong domestic pressure to abandon his reliance on Western aid in developing Algeria's economy.

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EFFECTS OF RECENT EEC MINISTERS MEETING 13

In a more harmonious atmosphere than has prevailed since mid-January, several important decisions were taken, but critical agricultural and trade issues remain unresolved.

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[Redacted]

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WESTERN HEMISPHERE

ARGENTINE ELECTION PROBLEMS REMAIN AFTER REBELLION 20

The continued failure of the badly splintered political parties to agree even on their lists of candidates may cause at least a brief postponement of the election.

NEW SIGNS OF INSTABILITY IN BRAZIL 21

A dispute between the leftist First Army commander and the anti-Communist war minister which nearly provoked a political crisis points up the seriousness of the left-right enmity in Brazil.

SOVIET ECONOMIC POLICY TOWARD BRAZIL 22

A long-term trade pact is in the offing, but with little chance of a sizable trade increase; Moscow is reluctant to make any significant commitment--involving either trade or aid--to the Brazilians.

CHANGES IN CHILEAN PARTY STRENGTHS 23

The three parties in the rightist coalition still have a combined vote higher than that of the three in the leftist front, but a nonaffiliated leftist group now is the largest single party.

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WESTERN HEMISPHERE (continued)

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LABOR DISORDERS IN BRITISH GUIANA

24

The 5-6 April disturbances in the capital may be followed by widespread strikes and more extensive disorders throughout the colony later this month.



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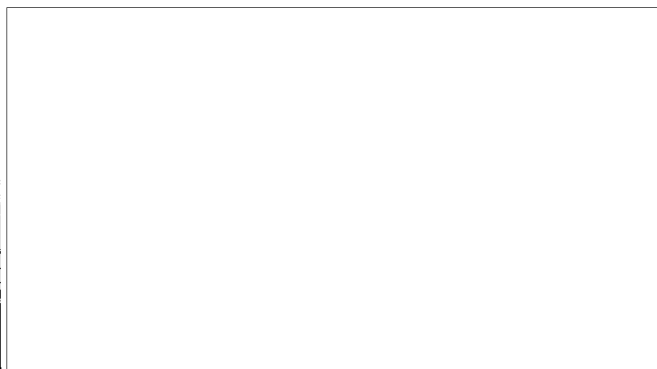
Cuba

CASTRO'S MAY DAY PLANS

The Castro regime has begun preparations for large-scale May Day ceremonies in Havana. Worker units have been practicing for the parade for more than two weeks. Fidel Castro is scheduled to deliver a major address following the parade, as he has done in years past.

Cuban broadcasts assert that 100,000 workers will participate in the four-hour parade and that more than 800 foreign guests, representing 157 worker organizations throughout the world, are to come to Cuba for the occasion. Members of the WFTU will attend, and about 150 labor leaders from abroad are

expected to march in the parade. The Cuban Workers Organization has in turn received invitations to send delegates to May Day celebrations in Soviet bloc countries.



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The Communist World

THE USSR AND LARGE-DIAMETER PIPE

Moscow on 6 April protested the West German Government ban which resulted in the cancellation of contracts covering the export in 1963 of 163,000 tons of 40-inch pipe to the USSR. The protest demanded "strict observance by the West German side of the obligations assumed by it," suggesting that the USSR will invoke penalty clauses for nonfulfillment of the contracts.

While the USSR has investigated new sources of pipe in the UK--which has not banned such deliveries--no contracts have been reported. Soviet refusal to place a contract with a British firm which asked too high a price suggests that Moscow is not desperate for immediate supplies. It may for the present prefer to propagandize West German failure to honor a trade commitment--at the behest of the US--and to hope that commercial competition and industrial unrest following layoffs at mills depending heavily on Soviet orders will result in eventual breakdown of the ban.

The USSR has imported an estimated 870,000 tons of Western 40-inch pipe since 1958 and planned to obtain about 300,000 tons from the West this year--sufficient to complete about 650 miles of pipeline. More than half this

amount was covered by the canceled West German contracts.

Sweden is scheduled to deliver about 45,000 tons in 1963 under a contract covering shipment of 135,000 tons during 1963-65. In addition, up to 40,000 tons may be supplied this year under Italian contracts predating the North Atlantic Council (NAC) resolution to stop pipe exports "to the extent possible." At least 5,000 tons are also being supplied from Japan, but Tokyo, although it did not participate in the NAC resolution, is discouraging additional deliveries.

Moscow has just put into operation a new 40-inch pipe mill at Chelyabinsk. Stockpiles, the output of this plant and of the two other large-diameter Soviet mills, imports of 60,000 tons from Rumania, and residual deliveries from the West will permit continued progress on the "Friendship" crude-oil pipeline into Eastern Europe. Not enough pipe will be available, however, for the almost 1,600 miles scheduled to be laid this year. More than 400,000 tons would be needed to complete the 900 miles of the "Friendship" line within the USSR, and 300,000 tons to complete 680 miles of the gas line from Gazli to Chelyabinsk in the USSR.

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The Communist World

MOSCOW GIVES ATTENTION TO THE CONSUMER

The Supreme Soviets of several of the USSR's republics met early this month to discuss means of improving public services and increasing the quality and variety of consumer goods.

These meetings, as well as other signs of regime concern for the consumer, probably stem from a realization that agricultural failures and the near stagnation in the production of many consumer goods are increasingly serious problems affecting not only worker incentive but also the image of abundance the Communists are striving to create in the underdeveloped countries.

However, such improvements as are achieved through the present efforts will--like others in the past--probably be inadequate to meet planning goals or the aspirations of the Soviet public. There is no indication that national resources are to be shifted away from defense and heavy industry. The decree issued after the meeting in the Russian Republic--and this decree was typical of the others--called merely for greater effort within the present planning and for the provision of some additional funds by local and regional governments.

Another recent evidence of regime intentions to improve the situation in consumer goods supply was the announcement on 27 March of an increase in the wholesale price for raw cotton. Beginning with the 1963 harvest, collective farms will receive 20 percent more and state farms 12 percent more for the cotton they produce. The measure is intended to stimulate production in view of the stagnation of cotton output and the poor

progress in cotton fabric production since 1959. Much of the additional revenue made available to the farms--which could amount to about a quarter of a billion rubles (nominally one ruble equals \$1.11)--is to be used for material incentives, i.e., wages, and some of the funds will be used for investment.

There was no mention in the announcement of any increase in the retail price of cotton goods to offset the cost of the measure to the state. A similar wholesale price increase for meat and meat products adopted last June was accompanied by a very unpopular increase in retail prices for meat and butter. Moscow may choose to absorb the increase for raw cotton or may wait until this fall or next spring to boost retail prices.

The equipment needs of both the chemical industry and agriculture continue to receive considerable press attention. On 15 March the chairman of the USSR's agricultural equipment supply organization emphasized the importance of meeting the 1963 plan for a 22-percent increase in output of agricultural equipment.

On his "vacation" trip last month Khrushchev visited several plants specializing in agricultural chemicals and synthetic fibers. Near Tula he visited a urea plant, one of four being supplied by the Dutch, and said that fertilizer would receive a "top priority" from the state. He ordered that four more urea plants be purchased from the Dutch.

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The Communist World

THE HUNGARIAN AMNESTY

Up to 10,000 Hungarian prisoners, about one third of them jailed on political charges, may have been released in the "general" amnesty completed on 4 April, Hungary's "Liberation Day." Only those 1956 revolutionaries convicted of espionage, treason, murder, and arson were excluded, and they may petition for review of their cases.

The Kadar regime claims that the amnesty was motivated solely by internal developments, but it clearly hopes that this action has removed the last major obstacle to a normalization of Hungary's status in the UN and paved the way for an improvement in relations with the US. The first step in this process will probably be a visit to Hungary this summer by UN Secretary General Thant. Under his mandate from the General Assembly to follow Hungarian developments, he had accepted in principle an invitation to visit Hungary but let it be known that he would not go until a general amnesty had been declared.

While this amnesty has been described as "general," the regime is being deliberately vague about its extent and has refused to publish a list of those released or to answer inquiries about specific individuals. Some Western newsmen estimate that up to 10,000 prisoners of all types have been freed. Others report that 300 to 400 a day have left Kobanya prison in Budapest--apparently the central release point--since 26 March, when

the releases began. No reliable figures are available on how many were imprisoned for their role in the 1956 revolt, how many of these were released under the partial amnesties in 1959, 1960, and 1961, or how many were charged with crimes which preclude their release.

Among the prominent prisoners known to have been released are Istvan Bibo, a minister in Imre Nagy's last cabinet, and writer Sandor Fekete. Others reportedly included are Nagy's minister of interior, the Budapest police chief at the time of the revolt, Cardinal Mindszenty's secretary, and two leaders of the Budapest Workers Council. The British Legation has heard nothing of its former chauffeur implicated in smuggling out Nagy's writings.

The one individual known to have been excluded from the amnesty is Cardinal Mindszenty, who had been imprisoned in 1949 on charges of espionage and treason. He had been released by revolutionaries during the revolt, and when it was crushed, obtained asylum in the US Legation. Queried by Western newsmen, regime spokesmen have pointed out that he can petition for a review of his case. To do so, however, would be to admit implicitly the validity of the charges under which he had been imprisoned. Any change in his status presumably will have to be negotiated between the Vatican and Budapest, possibly during the visit to Budapest later this spring by Viennese Cardinal Koenig.

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The Communist World

POLISH TEMPERS RISE WITH FUEL PRICES

Major elements of the Polish population have recently shown signs of increased displeasure with the regime's economic policy. The prevalent mood could lead to widespread local disturbances and cause party leader Gomulka to make changes in the top leadership.

Angry public reactions were first drawn by the nationally televised announcement on 28 March of an impending increase in prices on electricity, coal, gas, and other fuels. Warsaw nurses have twice demonstrated against increased housing costs, and strikes have been reported among Silesian coal miners, who have been working an emergency seven-day week most of the winter.

Polish workers apparently do not believe regime claims that concomitant reductions in income taxes and small hikes in the minimum wage and in pensions will compensate for increased costs of fuel and power. Nor do farmers believe that promised increased payments for hogs and other agricultural products will compensate for additional costs of industrial products, especially coal.

Actually, the cost of living of the average urban family will rise by about 3 percent.

The effect of the price increases will diminish as warm weather lowers household needs for fuel, and will be offset in part by tax, wage, and pension adjustments. It is probable, however, that meat and other quality foods will be in short supply next fall as a result of last year's reduced harvest, and public dissatisfaction may again be stimulated at that time.

The price rise comes at a time when tensions generated by the Sino-Soviet dispute are rising in Poland. Wide sections of the population and even reasonably well informed party members increasingly suspect that the USSR's recent reorganizations of economic and political control bodies and the hardening of its cultural policies represent concessions to Chinese Communist pressures. They fear that Moscow may force similar changes in Poland, and thus begin a reversion to rigid party domination over all aspects of life.

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The Polish party seemingly has not received adequate information and guidance on this subject from Moscow, and apparently top elements of the party have deferred attempts to resolve outstanding differences over domestic policies until a firm and clearly recognizable course is charted by Moscow.

The Polish regime will probably now be forced to turn its primary attention to domestic problems as a result of the

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The Communist World

extensive popular opposition to the price rise. It seems to have been approved while most top leaders--including Gomulka--were out of Warsaw. Economic planners, possibly even politburo member Jedrychowski, may eventually lose their positions if public reaction becomes a serious problem. He and other top economists reportedly have

been under fire frequently during the past year for too rigid investment planning. Possibly in this connection, hard-line Deputy Premier Szyr announced in March that a program was being prepared in detail for the gradual reconstruction of the entire economic apparatus.

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LIU SHAO-CHI'S SOUTHEAST ASIAN TOUR

The visit of Chinese Communist chief of state Liu Shao-chi to Indonesia and Burma may be the first move in a new drive by Peiping to expand its influence over Southeast Asia. This is Liu's first trip outside the bloc and the first foray into the free world by a Chinese Communist official of his importance.

The venture has been billed as a good-will visit, and no agenda for negotiations has been publicized.

The inclusion in his party of Foreign Minister Chen Yi, however, suggests that the Chinese plan a thorough canvas of major issues affecting the area.

The visitors are due in Djakarta on 12 April and will spend a week touring Indonesia before moving on to Rangoon.

Chinese concern over security protection for the group, which has already been noted by the press, suggests that Liu and Chen will attempt to establish "people-to-people" contacts in addition to conversations with officials.

One major Chinese objective is probably to reassure the countries of Southeast Asia about Peiping's intentions. Having demonstrated Chinese armed might against the Indians last fall, Peiping is attempting to refurbish its image as a "reasonable" and "peace-loving" power. Liu and Chen can be expected to emphasize these themes while restating China's case against New Delhi on the still unsettled border dispute.

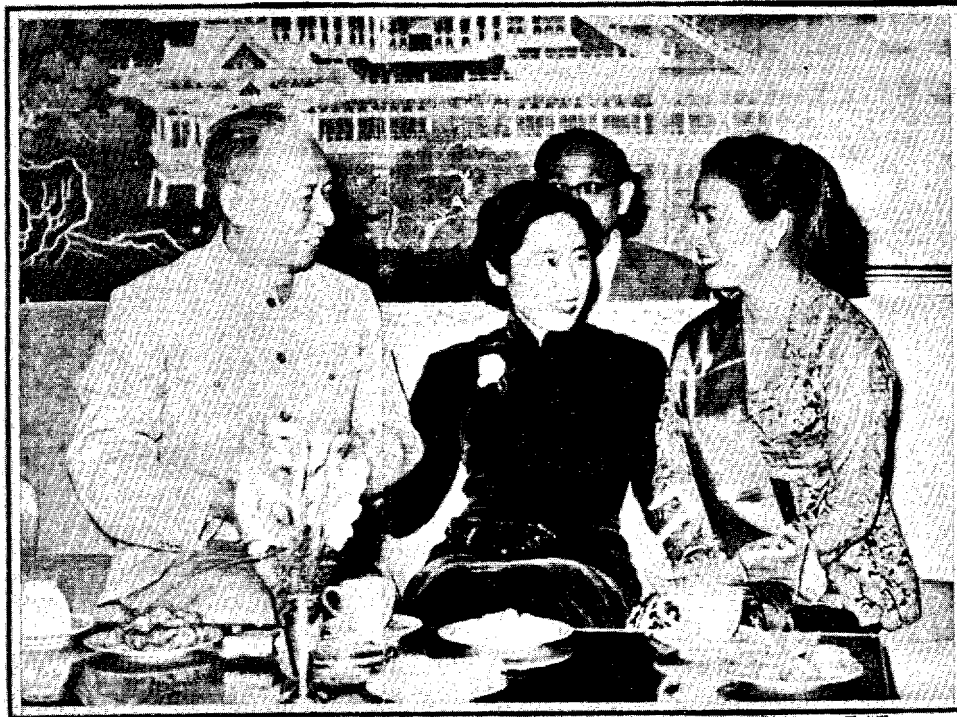
The Chinese will probably also seek to present themselves as champions of Asian solidarity against the West. The eighth anniversary of the Bandung Conference falls the day before

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The Communist World



Liu Shao-chi and wife (center) with Indonesia's Madame Sukarno in Peiping last year.

Liu's party is scheduled to leave Indonesia and would provide an excellent springboard for a final communiqué putting forward this idea. While in Djakarta the Chinese will be under heavy pressure to indicate direct support for Indonesia's attack on the proposed federation of Malaysia--something Peiping has thus far avoided.

Another probable Chinese objective is to undercut Russian influence in general and in particular to offset any gains achieved during the recent visit of Soviet Defense

Minister Malinovsky.

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If Liu and Chen score a success, they may follow it up with visits to other countries in the area.

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Asia-Africa

SOUTH KOREAN REGIME ACTS TO EASE POLITICAL CRISIS

South Korea's military regime has avoided an immediate showdown with civilian leaders over the extension of military rule. On 8 April junta leader Pak Chong-hui declared that the government was deferring until late September a decision on holding a national referendum on the issue. He also announced that the ban on political activity was being lifted in order to create "a new political climate."

Civilian leaders reacted critically to Pak's decision, questioning the good faith of the regime's pledges, especially the unofficial assurances that elections would be held this year.

One influential civilian, former president Yun Po-sun, has publicly called the regime's announcement unacceptable and is demanding that Pak completely withdraw his referendum plan. Ex-premier Ho Chong's reaction was milder in tone, and he probably would be satisfied by an official announcement of elections this fall.

It is questionable whether even Pak has the power to make a commitment to elections stick. The chiefs of the armed forces

who support him for the sake of stability distrust the civilian politicians. They fear a civilian regime will stigmatize the military for scandals in the present government, thereby weakening command control. The chiefs also probably wish more time to consolidate their power position and eliminate that of former security chief Kim Chong-pil.

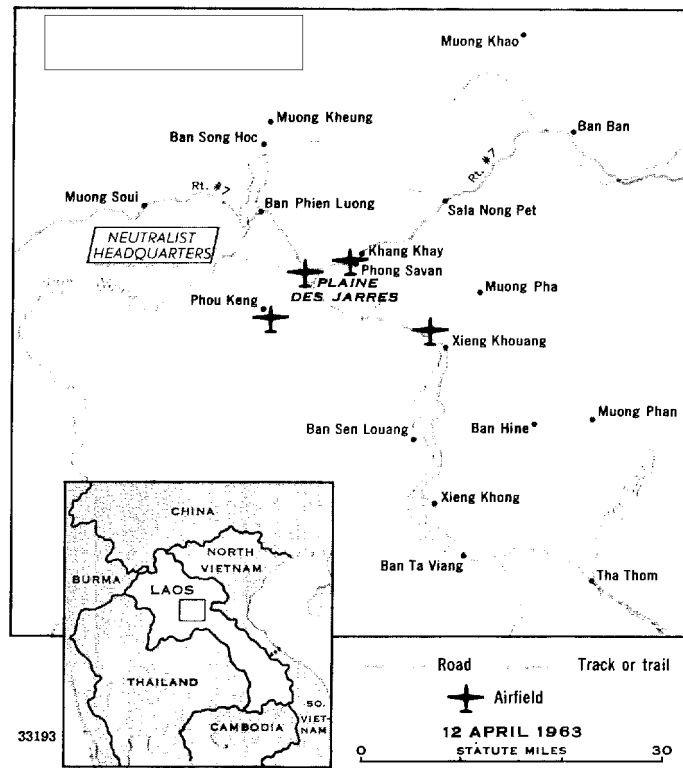
Postponement of the referendum question leaves the way open for perpetuating military government or for Pak to run for the presidency, regardless of his pledge to withdraw from politics.

Pak apparently is not presently planning any major modification of his government, but a few cabinet changes are likely. Some civilian consultants may be appointed to advise the ruling Supreme Council.

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Asia-Africa

COMMUNIST INROADS AGAINST LAOTIAN NEUTRALISTS

In the confrontation between neutralist and Communist forces in the Plaine des Jarres, Laotian Premier Souvanna Phouma's coalition government faces the most dangerous crisis of its ten-month existence. While skirmishing has subsided in recent days and reconciliation efforts are being pursued, the situation remains volatile.

Communist forces, using a mixture of subversion and armed force, have made serious inroads in neutralist commander Kong Le's position. The neutralists have lost control over the provincial capital of Xieng Khouang and have been pushed out of Khang Khay, site of their joint headquarters with the Pathet Lao in friendlier days.

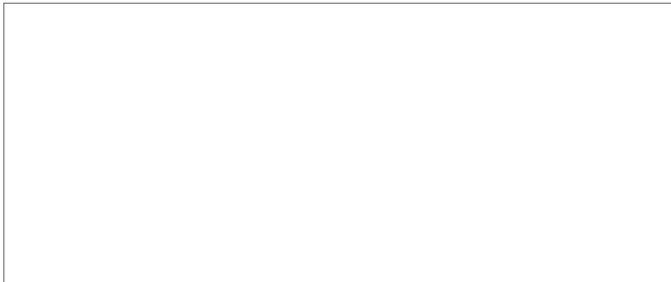
The forces involved in this aggression mainly comprise Pathet Lao units acting behind a front of several hundred dissident neutralists headed by Kong Le's rival, Colonel Deuane. In contrast to the desperate supply situation and poor morale of the Kong Le forces, the Pathet Lao are well equipped and are stiffened by North Vietnamese cadres.

An estimated two battalions of regular North Vietnamese troops deployed to the east of the Plaine des Jarres make Pathet Lao communication lines secure.

The step-up in Communist pressure coincided with the 1 April assassination by the neutralists of pro-Pathet Foreign

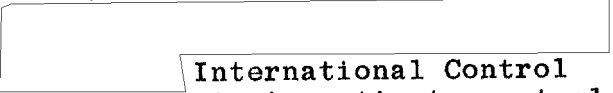
Minister Quinim Pholsena. The Pathet Lao, however, had long been eroding neutralist influence throughout the country by throttling supply lines and through infiltration and intimidation. Given Kong Le's increasingly close relationship with the rightist faction and his recent open denunciation of Communist intrigues, the Pathet Lao campaign to eliminate him seems certain to continue even if some temporary modus vivendi is achieved.

Kong Le's pleas for rightist military aid are being received thus far with more sympathy than concrete action. Both Lao army commander General Phoumi and Meo guerrilla leader Colonel Vang Pao are cautious about committing their assets without Souvanna Phouma's endorsement.



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Souvanna has been reluctant to face up to the problems of North Vietnamese involvement in Laos, although he has asked the



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International Control Commission to investigate neutralist charges of North Vietnamese presence in the Plaine des Jarres.



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Asia-Africa

CONGO POLITICIANS IRKED AT ADOULA'S TACTICS

Congolese Premier Adoula's dilatory tactics over the past month on his oft-proclaimed imminent cabinet reshuffle appear to be causing mounting dissatisfaction instead of dividing the opposition.

Thirty-five senators have signed a motion of no confidence which may be submitted to the senate soon. Only 18 additional votes would assure its passage. The motion is apparently being pushed by disgruntled Kivu senators for bargaining purposes but, given the volatile nature of Congo politics, its passage cannot be ruled out.

The lower house, always more uncontrollable than the senate, is at the same time pressing Adoula to heed its demands to release imprisoned leftist Stanleyville leader Antoine Gizenga. The premier ignored the lower house's unanimous call of last December to free Gizenga within 48 hours, but recently told US officials that pressure might soon force him to authorize release. On 9 April the Chamber by acclamation reinstated Bocheley-Davidson, an extreme Lumumbist deputy who has been in eclipse since the collapse of the Gizenga regime.

The delay in announcing a cabinet reshuffle appears more and more to result from the difficulty of resolving competing claims for cabinet posts, rather than from a design to keep the opposition off balance.

The conflict seems to center on the foreign and interior ministries. Reports of Interior Minister Kamitatu's possible dismissal promoting a reconciliation between his supporters and the previously hostile pro-Gizenga wing of his party.

Nendaka, a close but increasingly critical confidant of Adoula, [redacted] has joined the growing number who urge that President Kasavubu ease the government's problems by recessing Parliament about mid-April.

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Asia-Africa

ALGERIAN-FRENCH COOPERATION IN DIFFICULTY

Algerian Premier Ahmed Ben Bella remains under strong domestic pressure to abandon his reliance on Western assistance to develop the economy. Algerian-French collaboration has weathered two crises within the past month, but Ben Bella's pan-Arab rival Mohamed Khider seems determined to undermine it, possibly as a means of gaining power for himself. Khider is secretary general of the National Liberation Front's political bureau.

Aided by public lethargy, Ben Bella pursued a moderate course after the 18 March French atomic test in the Sahara even though Khider pressed for more drastic action. Explaining his position to Arab and neutralist ambassadors, Ben Bella contented himself with declaring his intention to seek a revision of the clauses of the 1962 Evian agreements governing France's military rights in Algeria. Unless there are additional tests, however, he is not likely to attach any urgency to renegotiation of these clauses. The fact that France is withdrawing its units in Algeria at a faster pace than called for by the Evian accords should also help his domestic position.

Having failed to arouse public emotions on the nuclear test issue, Khider's forces whipped up demands for the promised nationalization of

French holdings. Their agitation probably was behind the government's seizure of some 18 European farms and numerous small businesses in late March. This action was contrary to recent Algerian commitments to Paris to refrain for the moment from nationalizing interests presently under production. Ben Bella's use of the army in ostentatiously taking possession of these properties seems to have been designed to impress Khider's followers with the government's power.

Ben Bella's willingness to consider compensation for the dispossessed Europeans, his show of impartiality in also taking over some properties occupied by Algerian profiteers, and France's moderate public response have lessened the danger of a disruption of relations. Nevertheless, some French retaliation is likely.

While these seizures were generally acclaimed by the populace, the lack of Algerians capable of operating the properties efficiently will add to the regime's economic troubles. Meanwhile, discontent in the Kabylie region east of Algiers and Ben Bella's failure to resolve the split with Khider pose a continuing threat to his efforts to achieve national unity.

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Europe

EFFECTS OF RECENT EEC MINISTERS MEETING

The 1-2 April meeting of the EEC Council of Ministers has raised cautious hopes that the organization may once again be able to move forward with its program for European integration. Several decisions of importance to its future were taken at the meeting, and West German proposals for "synchronizing" future decisions appear to have eased the tensions caused by the collapse of the UK accession talks in January.

There remains, however, an underlying skepticism over what was actually achieved. The specifics of the "action program" envisaged by Bonn have yet to be agreed upon, and such critical issues as trade and agricultural policies are still unresolved.

Tariff Decisions

The most important step taken by the ministers was to agree to proceed with the tariff adjustments scheduled for 1 July. These adjustments call for another 10-percent reduction in tariffs on industrial items traded within the EEC, bringing the total reductions of such tariffs so far to 60 percent. It was also agreed that the member countries will take the second step toward implementing the EEC's common external tariff (CXT) on imports from nonmembers by reducing by another 30 percent the difference between their basic national rates and the CXT.

Thus by July the EEC will have gone about two-thirds of the way toward establishing a customs union.

In anticipation that the CXT will be further reduced during the coming tariff negotiations under the US Trade Expansion Act, West Germany proposed at the meeting that the July adjustment be effected toward a CXT provisionally reduced by another 20 percent--as was done in 1960. Neither France nor Italy would agree to advance concessions of any such magnitude, however, and the formula finally accepted provides merely that the EEC will keep open until 1965 the provisional reduction of 1960.

While this gesture toward a "liberal" trade policy is of little significance from the standpoint of US trade, it must be recognized that failure to agree on a formula for proceeding with the July tariff moves could have meant a serious loss of confidence in the community's future.

Foreign Relations Decisions

Several decisions with respect to the EEC's external policy were also taken at Brussels.

The most important of these was an agreement to proceed with the formal signature of the EEC-African association convention concluded last December.

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Europe

Previously blocked by Italy and the Netherlands in retaliation for France's veto of Britain's application for EEC membership, the agreement to sign the convention was the result of side talks between the French and the Dutch: The French accepted the Dutch view that comparable terms should be kept open for African countries not now associated with the EEC--including Commonwealth Africa--and the convention now is expected to be signed as soon as a new cabinet is formed in Italy after the 28 April national elections there.

The council also approved instructions to the EEC Commission to begin commercial negotiations with Israel and Iran and asked the Commission to submit proposals for the opening of "association" talks with Austria. The long-pending EEC-Turkey association agreement was also discussed, but no progress was made because of differences over the amount of aid that the EEC ought to offer the Turks.

The Schroeder Proposals

Whether Europeans regard the results of the 1-2 April Council of Ministers meeting with optimism or skepticism depends largely, however, on how they judge the impact of the West German position.

In an extensive opening review of the community situation, Foreign Minister Schroeder

spelled out four principles for the resumption of community progress: integration must proceed at roughly the same rate in all fields; all members must be prepared to make comparable sacrifices; a synchronized program for the remainder of 1963 must be drafted; and institutional procedures must be strengthened.

With respect to the last point, Schroeder specifically mentioned a stronger role for the EEC assembly and merger of the executive commissions of the EEC, EURATOM, and the Coal and Steel Community. He also stressed the need for the EEC council to give "political direction" to the meetings of "technical" ministers--e.g., to the agricultural ministers who have been accused of failure to appreciate the broad political and international responsibilities of the EEC.

Most observers believe that the Schroeder statement was an eloquent plea for restoration of the "community spirit." In the opinion of the US mission, a new phase may have begun in which carefully negotiated, point-by-point progress can be made toward community goals. Over-all, there is a feeling that the atmosphere has cleared; Italy and the Benelux countries have endorsed the Schroeder approach, and Belgium's Paul Henri Spaak has recovered some of his previous confidence in the Community's prospects.

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Europe

Nevertheless, it remains questionable whether French attitudes have evolved to the point that a timetable for specific community actions can be drafted for the EEC council meeting scheduled for 7-8 May. Although more forthcoming than expected, Foreign Minister Couve de Murville rejected Schroeder's proposals for strengthening the EEC parliament and although not flatly negative, was cool to the suggestion of any institutionalized contacts between the EEC and Britain.

Couve did express willingness to consider a merger of community executives, but it has long been suspected that Paris believes institutional reform would provide an opportunity to weaken, rather than strengthen, the Brussels Bureaucracy. It also is evident that Paris will continue to attach the highest priority to the consolidation of the EEC's controversial agricultural policy.

EEC and TEA

The US mission has cautioned in particular against excessive optimism that the EEC has as yet committed itself even in principle to proceed with the negotiations envisaged by the Trade Expansion Act. The ministers at their meeting discussed the instructions to be given the EEC

Commission regarding these negotiations, but took no decision. The French reiterated that the EEC could not negotiate on farm products for which the EEC intends to establish--but has not yet agreed upon--a common policy. There are increasing indications, moreover, that the EEC intends to press hard for major reductions in those US tariffs which are exceptionally high and for modification of US administrative procedures which EEC countries believe restrict their export opportunities.

In any case, the inconclusive outcome of the ministers' meeting with respect to US trading interests points up the dilemma all countries face in dealing with the EEC--which, although economically formidable, is still relatively formless. Competing national interests and institutional weaknesses make it difficult for the EEC to take the policy decisions essential to negotiation with outsiders, and once they are taken, they are for the same reasons virtually frozen. There appears to be no short-term remedy for these difficulties, but a restoration of comparative harmony among the member states would probably be helpful.

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Western Hemisphere

ARGENTINE ELECTION PROBLEMS REMAIN AFTER REBELLION

The Argentine Government has suppressed the navy-led rebellion aimed at preventing Peronist participation in the 23 June elections, but it is having trouble in persuading the political parties to make realistic preparations for the elections.

Army Commander in Chief Ongania, who played the key role in putting down the 2-6 April rebellion, outlined the army's views on elections in his communiqué announcing the end of military operations. He reaffirmed that the army will allow Peronists to participate in the elections within the framework of supporting the constitution and democratic practice. At the same time, he warned them that the army would under no circumstances permit re-establishment of Peron's dictatorship or one by his agents.

The air force command, which gave the army close support against the rebels, issued a similar statement even before the cease-fire negotiations had been completed. Perhaps to underline this position on Peronism, government negotiators reportedly withdrew a demand that the navy issue a public statement endorsing Peronist participation in the elections.

A statement by dissident Rear Admiral Jorge Palma, commander of the Puerto

Belgrano naval base during the rebellion, probably reflects the predominant naval view. The insurgent admirals, he said, knew their chances for success were slight, but proceeded anyway because Argentina's institutions were in crisis. The navy fears that the Peronists--who can probably count on a third of the vote--will defeat the splintered non-Peronist parties. This concern is widely shared, but the rebellion attracted only limited support from other military and civilian commando groups.

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Since the various political parties have so far failed even to produce their final lists of candidates, the government may grant, if requested, a 30- to 45-day postponement of the election date.

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NEW SIGNS OF INSTABILITY IN BRAZIL

A dispute between anti-Communist Minister of War Amaury Kruel and leftist General Osmino Alves, commander of the powerful First Army, brought Brazil to the brink of a crisis on 9 April. A head-on clash seemed imminent when Kruel unsuccessfully attempted to arrest Alves. Tension now appears to have subsided, however, largely because of the cancellation of a leftist labor meeting, set for 10 April in Rio de Janeiro, which Alves supported and Kruel opposed.

The test of wills grew out of Alves' desire for federal intervention to depose rightist state Governor Carlos Lacerda, who in late March ordered local police to occupy the building in Rio de Janeiro in which the Communists had planned to hold their much-heralded Congress for Solidarity with Cuba. On 29 March, Alves sent First Army troops to the building to neutralize the police, a move just short of federal intervention.

This action provoked Lacerda to make a vitriolic speech in which he denounced the leftist activity of President Goulart and impugned the President's character and personal life. Alves defended Goulart, attacking Lacerda with equal vigor, and again demanded federal intervention to depose Lacerda and put the state under the control of the First Army. Kruel refused even to consider such action.

At this point, Alves threatened to give First Army protection to the proposed leftist labor meeting in Rio de Janeiro, and said he would order his troops to fire on the state police if they interfered. This outburst was the immediate cause for Kruel's attempt to arrest Alves.

Goulart so far has avoided taking sides in the quarrel, at least in public. He apparently believes that if Kruel does not attempt to discipline Alves too harshly, the situation will solve itself, at least for the short run. Eventually, the President may dismiss both men and replace them with two of his friends, a solution leaving untouched the basic issues involved.

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Western Hemisphere

SOVIET ECONOMIC POLICY TOWARD BRAZIL

The main features of a new long-term Soviet-Brazilian trade pact seem to have been worked out after more than three months of negotiations. Although Soviet trade with Brazil has expanded from less than \$5 million in 1959 to an estimated \$70 million last year, prospects for further substantial increases are limited.

Difficulties over commodity lists are still being resolved. The USSR has been reluctant to supply the quantities of wheat and oil requested, probably because these commodities are major hard-currency earners. Moscow probably would prefer to export larger amounts of machinery and equipment, but unfamiliar Soviet products find few Brazilian buyers.

The basic problem restricting this trade, however, continues to be the limited Soviet market for Brazil's coffee. In 1962 the USSR bought about 30,000 tons--considerably more than it had in previous years but less than four percent of Brazil's total coffee exports. The coffee quota doubtless has been a basic issue in recent negotiations, and there are no signs the Soviet Union is willing or able to increase its imports significantly. Other Brazilian products requested by the USSR--cotton, rice, cocoa, leather, and fruits--frequently can be

sold readily on other markets, so these offers have only limited appeal for Brazil.

Nonetheless, the USSR obviously hopes to maintain and, as opportunities permit, gradually expand its economic relations with Brazil. However, its reluctance to undertake significant economic commitments there has become increasingly evident in recent months. This may stem from its heavy aid obligations in Cuba and elsewhere, as well as from the difficulties of competing in the Brazilian environment and from the lack of a rational basis for trade.

As for aid, Moscow probably has in mind some moderate program for Brazil, but its doubts about the efficiency of such a program may well be hampering efforts to reach agreement with the Brazilians. Rumored schemes for up to a billion dollars in Soviet credits are clearly unacceptable to the USSR, particularly when Brazil expects to repay largely in surplus coffee. A more modest credit agreement may be in the making, but so far the aid issue seems to be confined largely to rumors aimed at exerting pressure on Western economic negotiations with Brazil.

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Western Hemisphere

CHANGES IN CHILEAN PARTY STRENGTHS

Chile's municipal elections on 7 April--significant for indications of party strengths in next year's presidential voting--gave a greater share of the vote (22.9 percent) to the leftist, non-Marxist Christian Democrat Party (PDC) than to any other single party. The PDC thus replaces the Radical Party (21.6 percent) as the country's largest and now is in a favorable position to run its own candidate for president in 1964, in competition with those representing coalitions of the left and right. The US Embassy attributes the Christian Democrat gains to the support it received from the large number of new voters on the rolls.

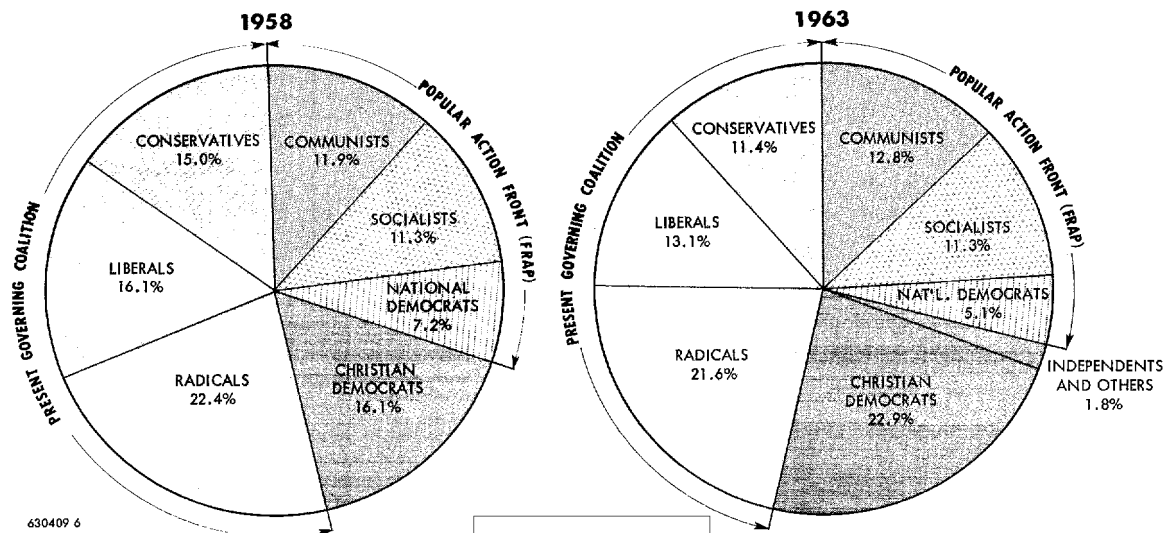
The right-of-center Democratic Front, which controls

the government, remains the most powerful political force in Chile, but has suffered some slippage since 1958. It obtained 46.1 percent of the vote, 7 percent less than five years ago, and all three of its constituent elements (Radicals, Liberals, and Conservatives) lost ground.

The steady increase in popular support noted between 1958 and 1961, for the leftist coalition, the Popular Action Front (FRAP), appears to have been checked. Its percentage of the total vote dropped from a high of 31.2 in 1961 parliamentary elections to 29.2 in the 7 April contest. The Communist and Socialist parties managed to retain their individual appeal, but their partners, the National Democrats, lost ground.

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PARTY STRENGTHS IN CHILE



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Western Hemisphere

LABOR DISORDERS IN BRITISH GUIANA

The 5-6 April disturbances in British Guiana's capital, Georgetown, may prove to be only a prelude to widespread strikes and perhaps more extensive disorders throughout the colony later this month. The jurisdictional dispute between two rival unions at the Rice Marketing Board which precipitated last week's violence has not yet been settled, and the more basic issues causing unrest remain unresolved. Chief among these are the Jagan government's determination to dominate the trade union movement, the growing political infighting between the regime and its opposition, and the ever-present racial friction between Negroes and East Indians.

The government's controversial labor relations bill seems likely to provoke an early showdown. The bill is intended primarily to break the power of the colony's largest union, the Manpower Citizens Association (MPCA), which presently represents over half of the colony's organized workers. Opposition by the Trades Union Council (TUC), the president of which is also the leader of the MPCA, caused the government to delay legislative action on its bill, but debate now has been rescheduled for 16 April.

Meanwhile, the TUC has called a membership congress for 21 April to line up support for its position and to consider further action, such as a general strike. Workers on two sugar estates have already protested the government's

bill by one-day wildcat strikes. How effective a TUC strike call would be is uncertain at this point. The labor movement is generally anti-Jagan, and the leader of the United Force opposition political party is ready to join the TUC in any agitation over the labor bill. However, several pro-Jagan unions in the TUC are unlikely to respond to a strike call at this time.

Forbes Burnham, as leader of the principal anti-Jagan political party, the People's National Congress, would prefer that the general strike tactic be saved to pressure the government to meet his long-standing demands for a proportional representation electoral system. However, as a leader of a TUC member union, he would have to participate if a strike call were issued.

The ability of local security forces to contain the situation if a general strike develops into racial rioting--as it did in February 1962--remains problematical. The largely Negro police force proved competent and effective during the disturbances last weekend and presumably would move quickly into the breach again if trouble breaks out. Should the demonstrators be largely Negro, however, police loyalties would be severely tested. In reserve is a force of 600 British troops which London could readily supplement by airlift of troops or movement of a frigate in the area.

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