

20 September 1963

OCI No. 0298/63
Copy No. 75

WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

CENTRAL INTELLIGENCE AGENCY

DIA review completed.

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(Information as of 1200 EDT, 19 September 1963)

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FRICCTIONS IN SOVIET-CUBAN RELATIONS

Recent Soviet pronouncements have reflected Moscow's concern over Western speculation regarding the re-emergence of Soviet-Cuban frictions and disagreements. An authoritative Pravda "Observer" article on 12 September and several Moscow broadcasts denounced alleged US complicity in recent air and sea raids by Cuban exiles and reaffirmed the USSR'S vague pledges to support Cuba against external attack. Havana radio promptly welcomed Pravda's "timely warning" to the US and its reiteration of the "unchangeable position of the Soviet Union to back Cuba militarily in case of any aggression."

Moscow apparently felt under growing pressure to restate its support for Castro in view of his allegations of US responsibility for increased exile raids since mid-August. The Russians appear anxious to reassure Castro that the improvement in Soviet-US relations will not weaken the USSR's support for his regime against US pressures. The absence of a formal Soviet Government statement, however, reflects Khrushchev's continuing desire to hold Caribbean tensions down and to avoid provoking the US on the sensitive Cuban issue.

Added to disagreement over measures to counter the rising level of exile activities may be frictions arising from Castro's failure to sign the test ban treaty. In view of the

Soviet leaders' strenuous efforts to win Castro's support during his visit to the USSR last May, they are undoubtedly irritated over his stalling on the treaty. They may believe he is attempting to extract further Soviet support and concessions as the price for adherence.

Castro's maneuvers to remain "neutral" in the Sino-Soviet dispute have also aroused Soviet displeasure, especially when his militant pronouncements continue to imply greater sympathy for Chinese Communist views than for the Soviet co-existence line. The importance both Moscow and Peiping attach to Cuba's position is reflected in their attempts to demonstrate Cuban support for their respective views. While Peiping gave extensive play to an article by Che Guevara in Cuba Socialista, the Castro regime's ideological journal, calling on Latin Americans to "throw off the imperialist yoke," Moscow quoted an article from the same edition praising the USSR's support and its peaceful coexistence policy. A Moscow broadcast to Cuba on 14 September warned against the "dangerous ideas" of the Chinese leaders and charged that they deny the importance of Cuba's "economic successes" in advancing the "anti-imperialist struggle" in Latin America.

For his part, Castro is probably skeptical of the

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advantages to Cuba of following the Soviet lead toward "peaceful coexistence." The half-hearted gestures he made last spring--almost certainly at Soviet behest--to improve his relations with the US have been, in his view, rudely rebuffed. In the face of signs of increasing US pressure against his regime he probably fears that a continuing trend toward a US-Soviet detente might ultimately leave him unprotected.

Castro's frustrations with the Soviets are evidently again coming to the fore.

[Redacted]

[Redacted]

Emotionally more attuned to the Peiping line than to the tedious task of building an efficient economy that Moscow is urging on him, Castro is also mindful that always in the past he has responded aggressively to external pressures and that this has served him well. While aware that his dependence on continued Soviet aid limits his freedom of action, he may hope that intensification of Cuban subversive efforts elsewhere in the hemisphere may result in one or more allies in Latin America. This would, in his view, greatly increase his independence and his security.

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MILITARY DEVELOPMENTS IN CUBA

Soviet military personnel continue to leave Cuba.

[Redacted] large number of Soviets--as many as 1,000--were assembled in the Havana port area between 12 and 15 September for embarkation.

The Soviet passenger ship Turkmeniya which left Havana on 14 or 15 September may have carried some military personnel. [Redacted] 65 men and equipment on the deck of

the Soviet cargo ship Yuri Gagarin, which left Havana on 15 September. The Soviet merchant ship Kasimov, which left Havana on 10 September, apparently also carried military personnel.

[Redacted] some 100 passengers and temporary personnel facilities on deck. Some 20 truckloads of baggage sighted in the Havana port area on 9 September may have belonged to the passengers of the Kasimov.

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Cuba

HAVANA PREPARES FOR ARCHITECTS CONGRESS

The full resources of Fidel Castro's government are being mobilized to make the Seventh Congress of the International Union of Architects (UIA), to be held in Havana from 29 September to 3 October, a resounding Cuban propaganda success.

The congress--a bona fide international professional gathering--scheduled for Havana three years ago, before Castro went "socialist"--will open with a speech by President Dorticos. Castro will close it with a three-hour talk, and Che Guevara is to address a preliminary gathering of participants. Cuban news media are predicting an attendance of 3,000 delegates from 80 different countries. While attendance figures may well reach 3,000, a fair percentage of the gathering will include relatives of delegates, students of architecture, and translators. An article appearing in the Havana daily, Revolucion, has asserted that numerous official personalities, including ministers and deputy ministers of public works from various countries, will be among the delegates.

Bringing delegates to the congress from Europe and South America are two Soviet ships and one East German ship, with a combined passenger capacity upwards of 1,000. Hundreds more are to arrive by air. In addition to a chartered Air France flight from Paris to Havana on 27 September, the Cuban airline, Cubana, has arranged several special flights from a number of cities including Mexico City and Sao Paulo.

Delegates have been offered fare discounts and an all-expense-paid stay in Cuba as inducements to attend the congress. The Castro regime has also organized a special seminar for students and professors of architecture, who will also be admitted to the official activities of the congress.

The theme of the congress--"the problem of architecture in countries now engaged in developing a modern society"--has led Havana radio to boast that Cuba is the "perfect place" to hold it: "Here, the architects will find a country that in less than five years has traveled far in changing from a backward semi-colonial country to a modern one."

The Cuban Committees for the Defense of the Revolution will be holding a third anniversary celebration on 28 September, and UIA Congress delegates will be invited to attend the scheduled mass rally. In addition, the results of an international competition for the design of a monument commemorating the Bay of Pigs invasion will be announced during the congress.

Following the activities in Havana, the major work of the UIA will take place in Mexico City, where a general assembly and symposium on architecture will be held from 6 to 15 October. Many Western-oriented architects may possibly decide to forego the events in Havana, and participate solely in the Mexico City meetings.

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MORE POSITIVE SOVIET ATTITUDE ON OUTER SPACE PACT

During the recent session of the UN Outer Space Committee, held in New York 9-13 September, Soviet delegates indicated that Moscow may be seriously interested in reaching agreement with the US on a declaration of legal principles for the peaceful uses of outer space. Soviet leaders may regard such an agreement as a further step to keep alive the "Moscow spirit" created by the nuclear test ban treaty.

In marked contrast to their past behavior on this subject, Soviet officials spoke in moderate and conciliatory tones, made minor concessions, and repeatedly stressed the need for agreement on the basis of "reasonable compromise and mutual concessions." They did not use the committee as a forum for propaganda attacks on alleged US military activities in outer space.

The session ended without a withdrawal of Soviet insistence that any agreement on legal principles must prohibit use of earth satellites for reconnaissance or "war propaganda" purposes. However, the deputy chief of the Soviet UN delegation told a US official on 11 September that he considered the war propaganda issue an "area of possible compromise." In addition, the Russians reportedly have indicated pri-

vately that they may eventually drop their demand for banning reconnaissance.

The comparatively harmonious atmosphere during the outer space committee session was reflected in the committee's report to the General Assembly--which noted a "narrowing of differences." Ambassador Stevenson has cautioned that the US should not be "overly encouraged," but he expressed the belief that the Soviet position has advanced sufficiently to offer a basis for continued consultations. The moderate attitude taken by the Soviets in the outer space committee deliberations suggests that Moscow intends to play down outer space as a cold-war issue when the General Assembly takes up the question later this fall, particularly if US-Soviet bilateral talks continue in a businesslike manner.

Since the Soviet leaders apparently believe there is little prospect for multilateral agreements on such issues as a NATO - Warsaw Pact nonaggression pact in the foreseeable future, they may intend to press for bilateral agreements on relatively minor issues to give the impression of a further normalization in Soviet-US relations.

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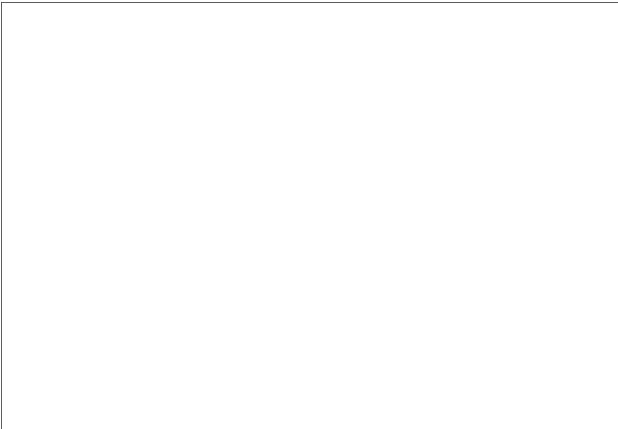
The Communist World

USSR MAKES LARGE WHEAT PURCHASES ABROAD

Recent Soviet purchases of some \$500 million worth of wheat probably stem in large part from a drastic reduction in stock-piles caused by four successive disappointing harvests and a need to forestall a critical grain shortage in the Soviet bloc. There are indications that this year's crop will be one of the poorest in recent years. Moscow radio implied on 12 September that state procurement of grain--approximately 40 percent of the crop--will be well below last year.

The USSR will buy 5.6 million tons of wheat and 575,000 tons of flour from Canada by July 1964, and 1.5 million tons of wheat from Australia, presumably within a year. The Canadian agreement also allows additional purchases over a two-year period after July 1964 and specifies Soviet purchases of not less than 500,000 tons in the year July 1965 - July 1966. The USSR has been granted short-term credit for the purchase: 25 percent down with three installments due in 6, 12, and 18 months.

The agreement provides that Moscow can divert some of its purchases to Eastern Europe --as long as they do not impinge on Canadian sales there --and to Cuba. In recent years the Soviets have delivered three to four million tons of wheat annually to other members of the bloc; Cuba received 270,000 tons in 1962.



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During the period 1955-58 there was marked improvement in the Soviet diet. Since then, however, Soviet agriculture has stagnated, and in 1962 grain output on a per capita basis was estimated to be 15 percent below that of 1958. In addition, the 1962 potato crop, a significant factor both in human consumption and as a live-stock feed, was the smallest since the early postwar years. Isolated civil unrest, reported in the Soviet Union during the latter part of 1962, reportedly resulted in part from failure to improve the diet, as had been frequently promised. As a result stocks have apparently been used this year to maintain consumption levels in the hope that a good crop would allow some improvement.

To ensure better crops in the future and reduce the necessity for such stopgap purchases, the USSR has begun negotiations to purchase chemical fertilizer plants from the West. The Soviets

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GRAIN HARVESTS IN USSR
(million metric tons)

	Soviet claim for production	U S estimate of production	Soviet claim for procurement *
1958	141.2	125	56.6
1959	125.9	100	46.6
1960	134.4	100	46.7
1961	138.0	115	52.1
1962	147.5	115	56.6

*U S Intelligence accepts Soviet procurement claims as valid.

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USSR: NET EXPORT OF WHEAT
(million metric tons)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Eastern Europe	2.80	4.33	4.16	2.59	2.78
Other Bloc Countries	--	-0.01*	0.02	0.53	0.38
Total Bloc	2.80	4.32	4.18	3.12	3.16
Nonbloc Countries	0.76	1.48	1.34	1.03	1.56
Total	3.56	5.80	5.52	4.15	4.72

* In 1959 the USSR imported more wheat than it exported in trade with the Asian Communist countries.

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have already signed a contract with the Dutch for urea plants with a combined capacity of about 600,000 tons. The West German Krupp firm has been negotiating a deal described as "huge." Most of these deals will be negotiated on five-year credits. Khrushchev has claimed that some of the funds for the build-up of the chemical industry will be provided by cutting back on military spending.

Imports for this build-up, added to the deals and existing commitments, are bound to strain the Soviet balance of payments. It is estimated that Moscow now owes Western suppliers of machinery and equipment about \$500 million on medium-term credits falling due within the next five years. To meet the added payments, the USSR will presumably

make an extra effort to expand exports as well as to sell gold. Pressure on petroleum, metals, timber, minerals, and sugar export markets may develop as the Soviets move to meet the additional drain on financial reserves.

The USSR in recent years has sold an average of \$220 million worth of gold annually to maintain its payments and reserve position. Normally these sales are made in the period October-April. [redacted] 25X1
the Soviets have sold substantial amounts of gold, apparently in preparation for the wheat deals. Gold production in the USSR in 1963 is estimated at \$175 million and reserve stocks at about \$2 billion. [redacted] 25X1

GDR THREATENS TO END INTERZONAL TRADE PACT

Walter Ulbricht's German Democratic Republic (GDR) has threatened to announce on or before 30 September abrogation of the interzonal trade (IZT) agreement, effective 1 January 1964. This tactic was employed successfully by the Federal Republic in 1960 when the Ulbricht regime imposed arbitrary controls on West German traffic to East Berlin. The GDR probably now views it as a low-risk means of pressuring Bonn into continuing to pay the present high prices for oil and some services now channeled through IZT. Since neither side is willing to break off permanently, some agreement --and mutual concessions--can be expected, at least in the area of trade itself. However, the East Germans are likely to press

for advantages in the areas of Berlin access--also covered in the IZT agreement--and "technical-level" relations.

The present controversy arises over the question of East German petroleum sales to West Germany. Bonn heretofore has not considered East Germany a foreign state whose products are subject to import tariffs and has collected excise duties at the preferential rate levied on domestic producers. As a consequence of this favorable treatment, the East Germans received almost three times the price paid the non-German suppliers from whom Bonn receives more than 90 percent of its requirements.

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Effective on 1 January, in response to Common Market regulations, Bonn proposes to eliminate the tariff on foreign petroleum and to levy the same excise taxes on foreign and domestic producers. This means that approximately the same prices would be paid for East German fuels as for petroleum products imported from elsewhere. More importantly, it would reduce the amount of what is in effect a West German subsidy by \$17-25 million in 1964.

West German IZT negotiator Leopold has told the US Mission in Berlin that as a short-term palliative the East Germans may be permitted to make above-quota deliveries of diesel and gasoline fuels for the balance of 1963--thus partially offsetting the anticipated loss for 1964. This will not, however, solve the problem unless Bonn finds a way to continue preferential treatment for East German petroleum or permits other concessions within the IZT framework.

One possibility would be to buy more East German petroleum, but it is doubtful that the GDR could step up its exports to the Federal Republic sufficiently to compensate for the loss of its preferential sales position without jeopardizing its sales to other consumers. The possibility of substituting other products is

complicated by the fact that petroleum has been one of a number of GDR export commodities which the IZT arrangements have required be matched by specific West German exports, primarily steel.

Even if the issue of petroleum prices is settled quickly, the East Germans will continue to press for at least token progress in raising the level of East-West German relations and--particularly--securing greater financial return from their role in Berlin access. The original agreement on trade covered civil access; subsidiary agreements govern the fees paid for the use of roads, waterways, and rail lines to Berlin and telecommunications between the city and the Federal Republic, as well as providing the mechanism whereby the West Germans reimburse the GDR at a nominal rate for Allied use of many of these facilities. Since these rates never have been adjusted and apparently do not compensate for even minimal maintenance of the transit routes, the East Germans seek a more equitable arrangement--preferably outside the interzonal trade mechanism.

Of late, East German trade specialists have refused to discuss nontrade subjects, such as those which pertain to the Berlin sector border, in

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interzonal trade meetings and have insisted that such topics be taken up with "competent" authorities. Thus, for example, the East Germans recently insisted that West Berlin city government officials negotiate the agreement under which the GDR was paid 4.25 million Deutschmarks for maintenance since August 1961 of the two U-bahn lines which cross the sector border into East Berlin and will receive annual payment for such services in the future.

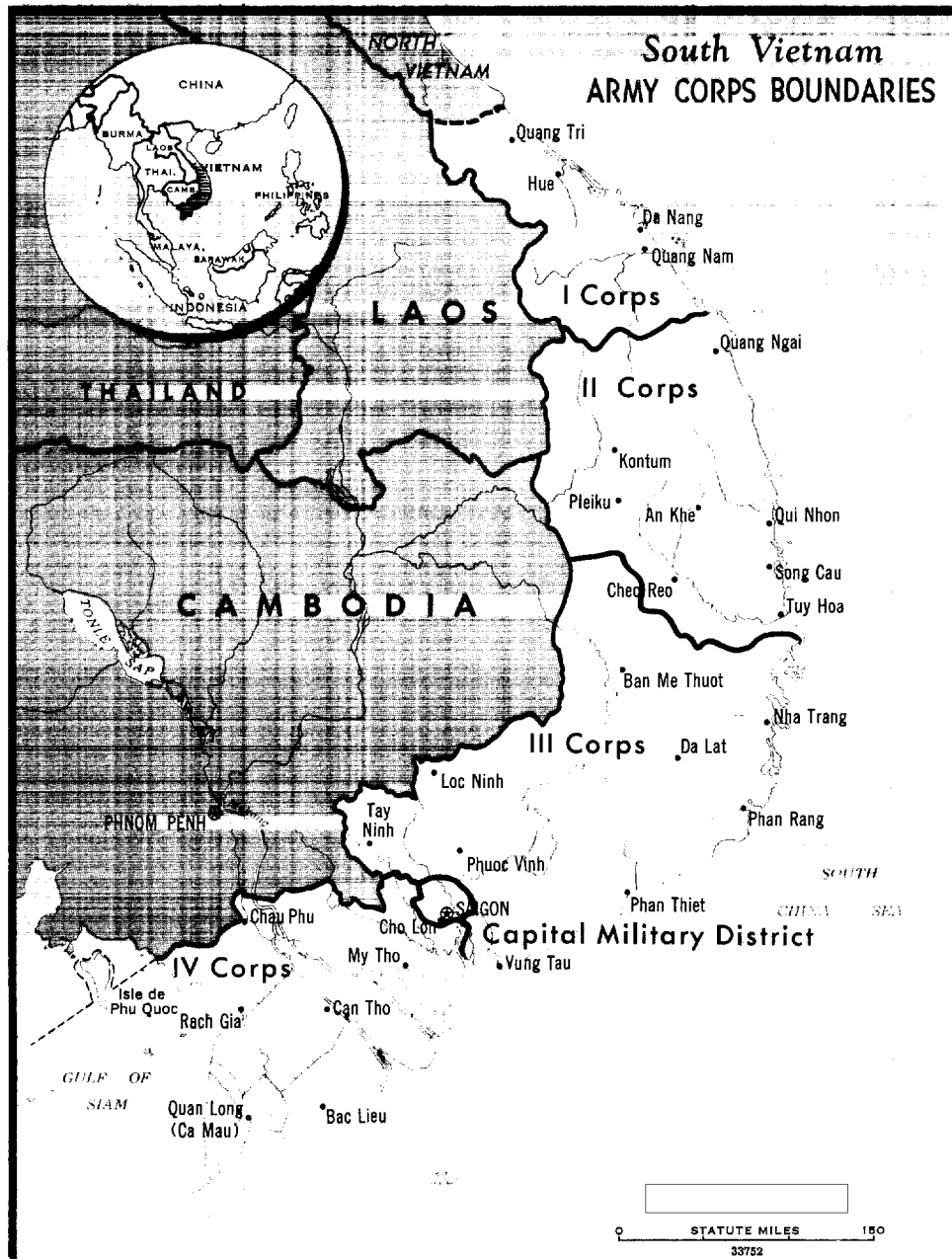
In his 9 July Leipzig speech, Ulbricht stated his regime's willingness to discuss joint East - West German - West

Berlin commissions for cooperation in the fields of culture, education, law, economics, science, technology, and transportation. The commission for transportation would not include West Berliners, presumably because the GDR is seeking direct East German - West Berlin negotiations. This proposal, along with Ulbricht's earlier seven-point program for "minimum good working relations" with the Federal Republic, has become the dominant theme of East German propaganda and may well figure in whatever plans the regime has for IZT.

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Asia-Africa

SITUATION IN SOUTH VIETNAM

The regime in South Vietnam continues its efforts to regain an outward appearance of normality, while strong combat police units remain in Saigon to enforce civil obedience. Viet Cong forces have been active in several areas of the country, and they continue to employ battalion-size units in some attacks.

President Diem lifted martial law on 16 September, reportedly after considerable urging from several military leaders. The military chain of command has reverted to normal in the Saigon area, [redacted]

[redacted] but rumors persist concerning the present status of some corps commanders. These rumors may stem in part from reported plans to shift corps boundaries in an attempt to bring more government troops into the delta area.

An undercurrent of suspicion exists in the capital. [redacted]

[redacted]

There are conflicting assessments of the government's support in the countryside. US officials with access to provincial administrators, however, have apparently detected little demoralization outside the urban areas.

The National Assembly elections have been rescheduled for 27 September, but general insecurity or intensified Viet Cong activity is likely to create difficulties in some areas.

The number of small-scale attacks in northern South Vietnam have increased in recent days. In the delta area the Viet Cong also mounted some larger unit attacks. Government forces, however, were able to inflict heavy casualties. In several of these engagements South Vietnamese forces have captured heavy equipment, and uncovered weapons and foodstuffs apparently of bloc, particularly Chinese Communist, origin.

Ngo Dinh Nhu apparently remains solidly entrenched as his brother's key adviser and executive agent. The status of both Madame Nhu and Diem's brother Archbishop Thuc appear unchanged despite their current absence from the country.

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Asia - Africa

INDONESIA CONTINUES FIGHT AGAINST MALAYSIA

Indonesia's policy of "confrontation" against Britain and Malaysia has been stepped up since Malaysia was officially established on 16 September.

The report of the UN survey team was released on 14 September by U Thant. It concluded that a clear majority of the people in North Borneo and Sarawak favored Malaysia. Indonesia and the Philippines rejected the report and refused to recognize the new federation.

Their announcement was promptly followed by anti-Malaysian rioting throughout Indonesia--encouraged, if not actually planned, by the Indonesian Government. On 17 September a Malayan consul and his family in Medan, Sumatra, were forced to seek safety in the home of the American consul, and on 18 September a large mob sacked the British Embassy in Djakarta and systematically looted and burned almost all other diplomatic and privately owned British and Malayan property. Further incidents--in the Borneo territories as well as in Indonesia--are likely.

Leftist unions in Indonesia seized control of four private

British companies on 17 September, and British officials expressed concern that the Indonesians were preparing to take over all UK commercial interests, as they had done in 1957 with Dutch businesses. The Indonesians, however, have assured the US that this is not the case.

Shortly after the first incidents, the Malaysian Government met in emergency session and severed diplomatic relations with Indonesia and the Philippines, asking Thailand to represent its interests in Manila and Djakarta.

Indonesian Foreign Secretary Subandrio, en route to the UN session in New York, stopped off in Manila on 18 September presumably to try to keep Manila's policy in line with Djakarta's. While Philippine Secretary of Foreign Affairs Lopez has taken a hard line against recognizing Malaysia, congressional sentiment in Manila is reportedly more favorable to recognition. President Macapagal has indicated that the Philippines would recognize Malaysia when Prime Minister Rahman reaffirms his previous commitment to consider the Philippine claim to North Borneo.

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EGYPT AGAIN FACING ECONOMIC CRISIS

Egypt is approaching an economic crisis that may prove more severe than any that the Nasir regime has experienced in recent years.

Cairo's foreign exchange position is precarious, and it has run through the \$112.5 million made available last year by the International Monetary Fund. The regime is counting on more Western assistance to get it through the next few months, before substantial receipts for this year's cotton sales come in. There is mounting evidence, however, that such assistance may be considerably more difficult to obtain than heretofore.

While the international financial community has not looked on Egypt as a first-class risk at any time in recent years, the regime's practices in the past few months have been especially disturbing. For example, short-term loans from foreign lenders have been a major source of the funds Cairo uses to meet its obligations, but since last spring the regime has frequently fallen behind in paying off these loans. Foreign bankers have expressed concern over this tendency, and they may well be reluctant to grant further credit, except on stiffer terms. Moreover, there is a growing conviction in financial circles that the statistics which the regime uses to sup-

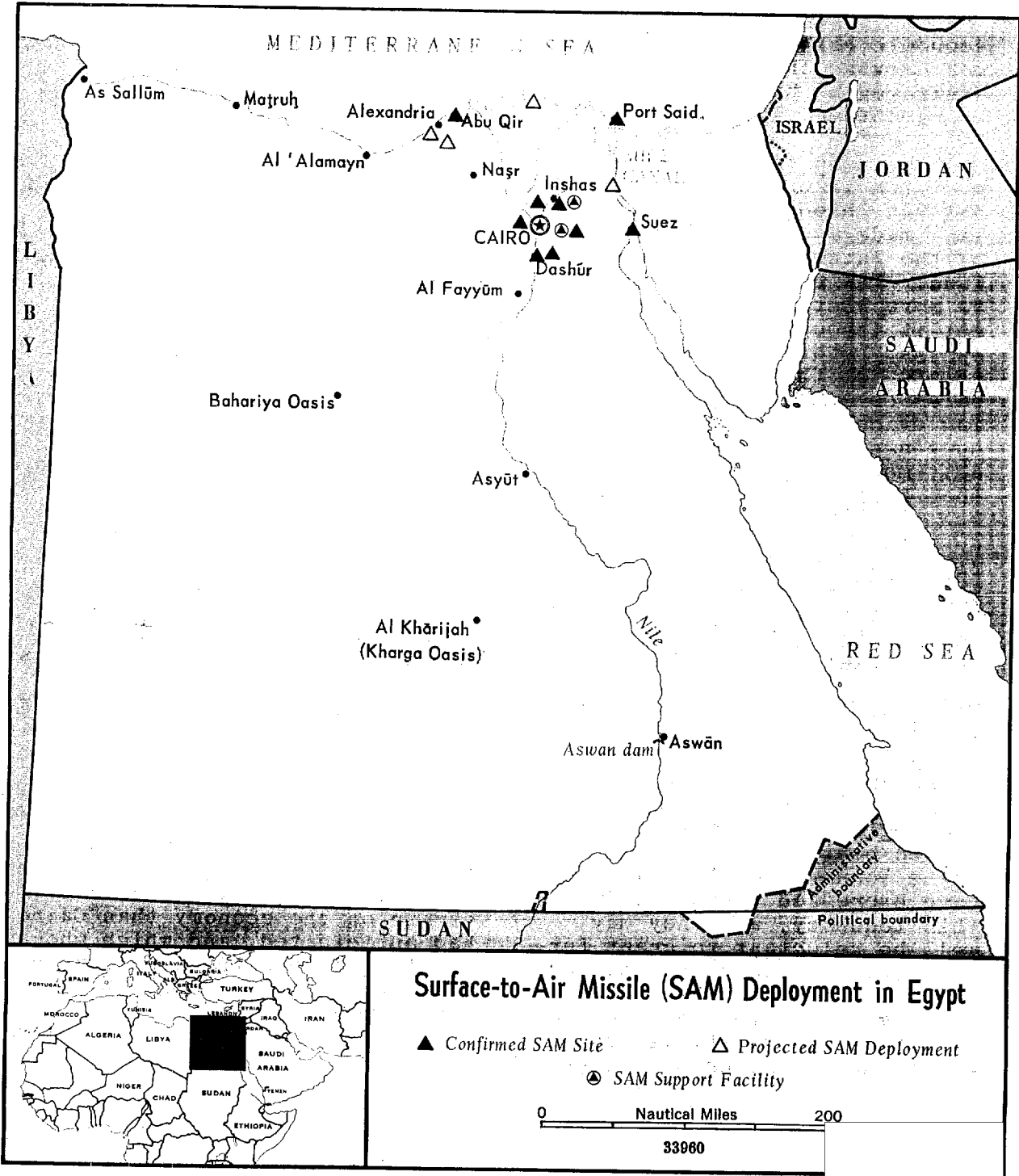
port its loan requests are far from trustworthy.

Last month Cairo announced another spate of nationalizations of domestic and foreign-owned firms. The government has also indicated that it intends to renege on promises of equitable compensation for the interests it took over previously. Swiss Foreign Minister Wahlen has stated his government is much disturbed and may try to persuade other countries with heavy investments in Egypt to undertake a joint effort to obtain reasonable compensation.

Despite Western advice and admonitions that austere economic measures are called for, the Nasir regime has continued to overextend itself. It has almost completely ignored recommendations that the overambitious economic development program and social welfare plans be cut back. Nor has Nasir in any way reduced his expenditures for propaganda and subversion to promote Egypt's "revolution" abroad or for subventions to radical nationalists in other Arab and African countries. The major item in this account is the year-old Yemen war, which has proved to be a far greater strain on the economy than Cairo had anticipated, and which shows no sign of becoming appreciably less costly in the near future.

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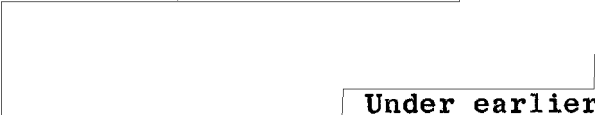
NEW SOVIET MILITARY AID TO EGYPT

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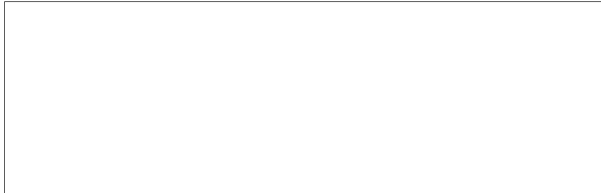
The USSR apparently plans rapid implementation of an arms agreement with Egypt concluded during Field Marshal Amer's visit to Moscow last June. No complete reports on the scope of the agreement have been received but shipments since the end of July have included 15 MIG-21 (Fishbed) jet fighters, 8 YAK-11 (Moose) trainer piston aircraft, and other military equipment which does not appear to have been covered in earlier agreements.



Some of the recently delivered MIG-21s may be the MIG-21D all-weather fighter, which would help round out Egypt's air defense capabilities.



Under earlier arms agreements Moscow already has delivered as part of Egypt's air defense system more than 250 jet fighters, 60 of which have been MIG-21s.



The Soviet surface-to-air missile (SAM) program in Egypt continues to show progress. Two new SAM sites have recently been identified--one at Port Said and one at Suez. With the six sites in the vicinity of Cairo and the site at Abu Qir near Alexandria, the total now is raised to nine. Another SAM site reportedly is located 25 miles southwest of the Abu Qir site, suggesting that Egypt intends to encircle the port area of Alexandria, like Cairo, with SAM sites. Cairo may also intend to ring both Port Said and Suez with at least three sites each.

The USSR also continues to supply ancillary military equipment and to fulfill earlier contracts. Almost all Soviet ships calling at Alexandria carry deck cargoes of trucks, many of which probably are consigned to the armed forces.



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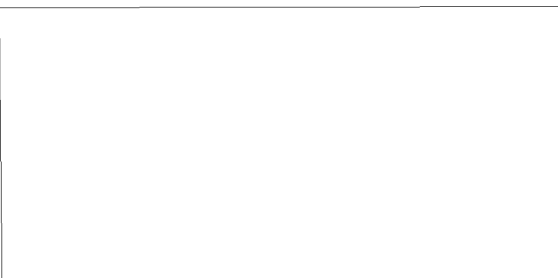
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Asia-Africa

PUBLIC ORDER PROBLEMS STILL PLAGUE CONGO

A quorum of deputies and senators has finally shown up in Leopoldville to enable the fall session of the Congolese Parliament to open. Premier Adoula's opponents again elected their candidate for president of the lower house but did not make a clean sweep of all the lower house offices as they did in the spring session. Adoula's plan to restrict Parliament to constitution making has failed, and it seems certain that the legislators will also insist on "normal business"--i.e., harrying the government.

Tshombé meanwhile seems about to reappear in the Congo limelight. At the moment he is still in Barcelona, but reports persist that he will soon return to the Congo. The former Katangan leader has twice appealed to Adoula for a reconciliation, but to date the premier has not replied. Adoula may actually favor Tshombé's return, but would probably prefer that he remain in exile at least until after parliamentary elections next spring.

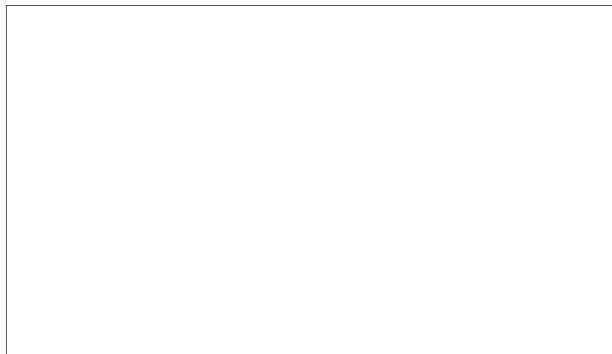


UN officials are convinced that fighting between the gendarmes and the Congo National Army is likely when UN forces depart. The UN is not, however, planning any military operations against the gendarmerie groups.

The question of the continued presence of UN forces after December remains unsettled. U Thant, anxious to disengage, insists that a minimum UN force would have to consist of 6,000 men and would cost some \$30 million annually. He feels such an operation cannot be supported and is beyond his terms of reference. US observers believe a highly mobile force half that size would suffice. There is considerable African support for the principle of retention of UN forces until mid-1964, but Thant is doubtful the necessary money can be voted. He has suggested that the solution might be for Leopoldville to obtain troops through bilateral arrangements, outside the UN framework, with interested Western countries paying the bills.

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Europe

DIFFERENCES WITH US MAJOR TOPIC OF EEC COUNCIL MEETING

The session of the Common Market's Council of Ministers that convenes on 23 September will be crucial for the outcome of the poultry dispute with the US. European officials feel that the dispute may have gone so far as to make it impossible to achieve any significant dismantling of tariff barriers in the "Kennedy Round" of negotiations next year.

The Council will consider such continuing issues as a common agricultural policy for the EEC, associate status for Austria, and merging the executives of the European communities. The most important topic, however, will be to decide if concessions are to be offered beyond the proposed reduction of 1.3 cents per pound in the poultry levy--which the US regards as inadequate. Bonn has indicated that it is prepared to reconsider the problem after a trial period. Should further measures be necessary, the Germans would like some arrangement which, in effect, linked increased purchases from the US to a corresponding reduction in purchases from Bonn's EEC partners.

The prospects for Council agreement on a settlement along these lines are dim. The French particularly would dig in their heels against such an impair-

ment of preferences for EEC members unless Bonn were to give in to French pressure on other important farm commodities. De Gaulle is particularly anxious for speed in establishing a community price for grain which would open up the German market for relatively low-priced French grain and the animal products dependent upon it.

Failing agreement on a solution to the poultry dispute, the Council may make important decisions on alternative courses of action. EEC officials have protested that the projected compensatory increases in US tariff rates are excessive in comparison with the damage done to the US by the EEC poultry levies. They have stated that if the US proceeds to increase tariffs to the extent announced, the EEC will retaliate.

Many EEC officials foresee an atmosphere of recrimination that may doom all chances for the success of the "Kennedy Round" in GATT. In this connection, the West Germans exhibit considerable animosity against the French, who are viewed as coolly indifferent to the possible impact of the poultry crisis on the Kennedy Round.

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Europe

POLITICAL IMPACT OF FRANCE'S AUSTERITY PROGRAM

The anti-inflationary program Paris announced last week is probably aimed at cutting the ground from under prospective union demands for higher wages, although it could also be intended to create a favorable atmosphere for a re-election bid by De Gaulle next spring. Despite an intensive government campaign for support, reaction to the program thus far has been skeptical or openly hostile. De Gaulle is expected to give it his personal backing during his 25-29 September tour of southeastern France.

The wide-ranging plan includes measures to restrict credit, to soak up excess liquidity by encouraging long-term investment and floating a large government loan, and to increase the labor force by the early release of army conscripts. The military will not share proportionately in the larger budget although total military expenditures will increase, as will that portion for the nuclear force.

Labor unrest is again expected to trouble the government this fall. Demands for increased wages, particularly in the nationalized enterprises, were not satisfied last spring, and legislation curtailing the right to strike aroused deep resentment in union ranks when it was passed in July. Free union leaders have recently been more militant in their attitude, and if they flout the new law while government prestige is at stake on the wage-price issue, considerable difficulty may be ex-

pected. Farm pressure groups which reportedly feel government measures to modernize the food distribution system do not go far enough are also likely to protest.

Some of the measures included in the anti-inflationary program will require ratification by Parliament, which reconvenes in regular fall session on 1 October. Although the Gaullist majority is sufficient to assure ultimate passage, Gaullist deputies demonstrated their concern in the last parliamentary session over having to support without modification unpopular measures which damaged their political futures. Premier Pompidou has made a special effort in this case to keep Gaullist deputies informed of government policy.

De Gaulle will use his September tour--his twentieth since taking office--to call for national unity in support of the sound economy program. Some farm groups have already urged a boycott of the visit, however, and the opposition will continue to denounce his pleas for belt-tightening at a time when expenditures on the nuclear force are rising. If, as has been widely rumored, De Gaulle seeks re-election prior to the expiration of his present term at the end of 1965, he may be counting on the government program to hold down inflation during the electoral period. The government has made clear it expects results from its present program, but is prepared to take more vigorous steps if inflation continues.

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AREA NOTE:

Finland: President Kekkonen has made little progress toward resolving the government crisis which developed on 30 August when an intracabinet dispute over economic policy forced the resignation of Prime Minister Karjalainen's Agrarian-led coalition. Kekkonen and party leaders are currently engaged in canvassing prospects for a new

coalition, but an early solution remains unlikely because of long-standing disagreements and tension between the Agrarians and their former cabinet partners. Faced with this deadlock, Kekkonen may be compelled to resort to the expedient of an Agrarian minority government, or failing that, a cabinet of nonpolitical experts.

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Western Hemisphere

THREATS TO REGIME OF DOMINICAN PRESIDENT BOSCH

The growing political isolation of Dominican President Juan Bosch appears to be increasing chances of his ouster, with extreme leftist elements the possible long-range beneficiaries.

loyalty from military and police leaders, whose support is crucial to his remaining in office. Some support of "constitutional government" and fear of the alternatives to Bosch--such as would-be strong man Antonio Imbert--have deterred military leaders so far. On 15 and 16 September, they moved quickly and efficiently to counter a rumored coup attempt--which failed to occur. There is genuine fear of unrestricted Communist activities--the military's principal complaint against Bosch--but this is, in some cases, a "straw man" raised by military leaders who want to deflect public attention from their misuse of government funds and materiel. Bosch's political weakness precludes a strong stand against corruption or political pressure involving the armed forces, however.

The survival of the Bosch regime is increasingly threatened by the President's inability to bring about a rapid economic and social "revolution" and by a political atmosphere charged with a mixture of opposition opportunism and genuine concern about domestic Communism. Bosch has wasted much energy on petty political debates and has refused to delegate significant authority. His government lacks administrators and technicians, and inefficiency in the government-run sector of the sugar industry is clouding the originally bright economic outlook. Also, the PRD-dominated Congress has shown a disturbing propensity for producing ominous-sounding legislation guaranteed to antagonize influential sectors of the nation.

Bosch's announced strategy of pre-empting the extreme left's political ground through rapid socio-economic reform has been unsuccessful to date. Meanwhile, his refusal to act against Communist political maneuvers has fostered conditions favorable to extreme leftist gains among disaffected PRD members and other "revolutionary" Dominicans.

Unless Bosch makes at least temporary peace with his powerful foes and moves forward more vigorously toward meaningful reform, his regime may become a casualty and the extreme left the inheritors of much of his support.

The President is especially handicapped by a lack of personal

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Western Hemisphere

EFFECTS OF SERGEANTS' UPRISING IN BRAZIL

The abortive sergeants' uprising in Brasilia last week has had strong repercussions. The danger of a general strike apparently has abated somewhat, but isolated strikes are in prospect, and the Communist-dominated General Workers Command (CGT) is still in a "state of readiness" for a possible nationwide walkout. War Minister Jair Ribeiro has prepared a decree declaring a state of siege--which would amount to a form of martial law--and will present the decree to Congress if the CGT attempts such a strike.

More than 500 enlisted air force and navy personnel participated in the 12 September revolt, ostensibly in protest against a Supreme Court decision which in effect prohibits noncommissioned officers from holding seats in Congress. The decision immediately affects three sergeants elected to the Chamber of Deputies last October.

The radical left has defended the uprising, and evidence has become public linking the rebels with several congressmen associated with the extreme leftist Leonel Brizola's National Parliamentary Front and also with the Communist-dominated National Students Union.

Some Brazilian Army leaders are disturbed over the way the government has been trying to soft-pedal the significance of the sergeants' uprising. [redacted] the Brazilian Army chief of staff and other officers feel that the revolt was

a direct result of the government's efforts to "play off" the leftist sergeants against the officers. The three armed forces ministers reportedly have made strong representations to President Goulart about the need to halt the breakdown in discipline caused by the administration's encouragement of political activity by noncommissioned officers.

There is continuing concern, particularly within the military, over the danger that "political strikes" may increase.

War Minister Ribeiro has taken a strong position against Communist labor leaders. [redacted]

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[redacted] Ribeiro also has urged Goulart to deal firmly with the CGT and has assured him of the full support of the armed forces in any action he might take to prevent further outbreaks. Ribeiro's prominent role during the past two weeks suggests that he is beginning to exert a strong influence on administration policies regarding extremist activities.

On balance, the uprising appears to have undermined President Goulart's authority to some extent, and he may face increased pressure from irate military leaders for strong anti-extremist measures. [redacted]

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President Belaunde quaffing Indian "chicha" during recent trip to Peruvian highlands



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Western Hemisphere

PERUVIAN INDIANS AGAIN "OCCUPYING" PRIVATE LANDS

Many family groups of Andean Indians, apparently with Communist assistance and probably at Communist instigation, have resumed their movement from their mountain villages to privately owned agricultural land in the central valley of Peru. Some of the land they have recently occupied is the property of the US-owned Cerro de Pasco Company, whose large landholdings have been trespassed many times before.

The Indians--estimated to total about three million in the affected areas--have for decades attempted to increase their meager landholdings by settling on adjacent haciendas. Formerly, they were usually quite docile and moved off when told to do so by police or troops. In the past year, however, the Indian communities have been subjected to considerable Communist agitation. As a result, there have been several incidents of bloodshed since June 1962 because of the resistance on the part of the Indians to the authorities sent to remove them. Since the new movement began in August, however, the authorities have made practically no effort to eject the squatters.

The 54-day-old government of President Belaunde is finding the Indian incursions particularly embarrassing at a time when it is trying to push an agrarian reform bill through a lukewarm congress, where the opposition has an overwhelming majority. The

government has already allocated 211,000 acres of public land to its reform program, a move its opponents charge is unconstitutional. This allocation is insignificant when compared with the size of the problem, however, and the bill under debate is to provide indemnification to private owners for parcels of land to be doled out in the future.

Belaunde, accompanied by half his cabinet, traveled to some of the disputed areas on 11 September to discuss his program with landholders and to appeal to the Indians to desist from further incursions. Although greeted with enthusiasm and listened to with customary courtesy by the Indians, the delegation seems to have had little success in convincing either side that patience is a virtue that will be rewarded with agrarian reform.

At the moment, there seems to be a good chance that the agrarian reform bill will indeed eventually become law, probably after a long debate in congress. Meanwhile, the government's failure to use force to expel squatters undoubtedly will encourage other Indians to follow suit. The demonstrated ability of the Communists to exploit the situation adds to the possibility of eventual bloodshed, particularly if the landowners take forceful measures on their own to drive the Indians away.

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Western Hemisphere

AREA NOTES

Argentina: President-elect Illia, whose government will be inaugurated on 12 October, is encountering increasing pressure against his moderate approach to the emotional issues of petroleum exploitation and foreign investment.

Communist and nationalist elements are intensifying a propaganda campaign aimed at forcing Illia's People's Radical Party (UCRP) to keep its campaign pledge to annul Argentina's petroleum contracts with US firms and to cancel the Investment Guaranty Agreement (IGA) with the US Government. Among the nationalists are hard-core Peronists and Christian Democrats, as well as some members of the UCRP, which has been in an opposition status since 1930.

The campaign is aimed at hardening the UCRP position and probably at hastening government action--which is precisely what Illia wants to avoid. The campaigners portray the oil contracts as fraudulent and the IGA as a derogation of Argentine sovereignty.

Illia has indicated that he prefers a careful study of the petroleum problem and detailed conversations with the oil companies, with a view to reaching future working arrangements, before he takes any action to annul the contracts--at least symbolically. The im-

pact of the extremist pressure, however, is reflected in declines in the stock market and in the peso exchange rate. [redacted]

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Uruguay: Four Soviet party officials have arrived in Montevideo to attend the Uruguayan Communist Party's (PCU) celebration of its 43rd anniversary.

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the date of the celebration has been postponed from 21 September to 5 October, which would allow time for such a meeting.

The Soviet officials are ideological and propaganda experts. They include V. P. Stepanov, the chief editor of the official party journal, Kommunist, and P. A. Rodionov, chief editor of the party's propaganda journal, Agitator. The other two are V. G. Korionov, deputy head of the International Department of the Central Committee, and V. E. Tikhmenev, a "journalist" who attended the PCU congress last year.

[redacted] The Sino-Soviet dispute has caused the formation of several small pro-Chinese factions among the Uruguayan Communists. [redacted]

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