

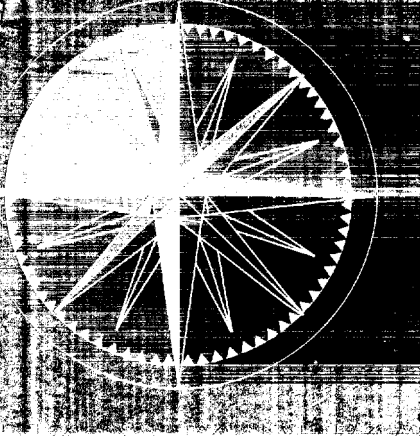
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17 January 1964

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# WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

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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, 16 January 1964)

<u>THE COMMUNIST WORLD</u>	<u>Page</u>
<b>STATUS OF THE BERLIN PASSES ISSUE</b> Recent developments, including Ulbricht's "unofficial visit" to Moscow last week, suggest the bloc may be planning new initiatives on the Berlin situation. The East German and West Berlin negotiators have continued discussions, with no result thus far.	1
<b>SOVIET GRAIN TRADE</b> The USSR now has purchased 9 million tons of Western wheat and will probably soon buy 3 million more from US exporters. It is also buying large quantities of flour and other grains.	2
<b>CHOU EN-LAI'S AFRICAN TOUR</b> The Chinese Communist premier has made a favorable impression on his hosts during the first month of his good-will tour, but his shrewd diplomacy has produced few tangible achievements.	3

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ASIA-AFRICA

<b>NEHRU'S ILLNESS BRINGS UNCERTAINTY TO INDIA</b> His associates have begun jockeying for position, and most major decisions are likely to be deferred pending clarification of his future status.	4
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<u>ASIA-AFRICA (continued)</u>	<u>Page</u>
<b>LONDON CONFERENCE ON CYPRUS OPENS</b> Greek and Turkish Cypriot positions still appear virtually irreconcilable, and the Athens and Ankara governments have little room to maneuver.	5
<b>INDONESIA PROPOSES AFRO-ASIAN CONFERENCE</b> Djakarta wants a forum for expounding its anti-Malaysia policy, but Tito and Nasir have other ideas.	6
<b>ZANZIBAR GOVERNMENT OVERTHROWN</b> The ouster of the Arab-dominated regime is likely to lead to a continuing power struggle between African nationalists and pro-Communist elements in the new government.	6
<b>BEN BELLA'S DIFFICULTIES MOUNT IN ALGERIA</b> Opposition elements have demonstrated against depressed economic conditions, but they remain disunited and Ben Bella is taking increasingly harsh measures against them.	8

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EUROPE

<b>PROPOSED UNION OF WESTERN EUROPEAN AIRLINES</b> The four prospective members are about to resume talks, but it is far from certain they can overcome the problems which have kept the project in the talking stage for six years.	9
<b>SOCIALISTS REGAINING STRENGTH IN FINLAND</b> Soviet antipathy toward Finland's Social Democrats, which has kept them out of the government, appears to be abating, and the Socialists themselves are trying to heal their six-year-old factional split.	10

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17 Jan 64

CURRENT INTELLIGENCE WEEKLY SUMMARY

Page ii

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WESTERN HEMISPHERE

Page

- 25X6
- 
- 25X1
- SITUATION IN PANAMA REMAINS EXPLOSIVE** 13  
A recurrence of anti-US violence is possible [redacted]  
Nationalist sentiment is still at fever pitch, and Communists, pro-Communists, and pro-Castroites are working together to manipulate it for their own purposes.
- CASTRO'S TRIP TO MOSCOW** 15  
The purpose of the unexpected trip is not clear, but it might be to discuss how best to exploit the Panama affair or to seek Soviet backing for a concerted propaganda drive now against Guantanamo.
- SOVIET-CUBAN 1964 TRADE PACT** 16  
Soviet exports to Cuba are set at a record \$385 million, a large share of which will be financed by new Soviet credits.
- TURMOIL IN BOLIVIAN POLITICS** 17  
The next move--possibly violence--in the rivalry between President Paz and Vice President Lechin hinges on the outcome of the ruling party's convention opening this week.
- NEW COMMUNIST SUCCESSES IN BRAZIL'S LABOR MOVEMENT** 18  
With help from the Goulart administration, Communists now control four of Brazil's six national labor confederations.
- IMPORTANT CHILEAN BY-ELECTION SCHEDULED** 19  
With a presidential election six months off, the campaigning and outcome of a 15 March by-election should give some indication of political trends.

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The Communist World

**STATUS OF THE BERLIN PASSES ISSUE**

The USSR and East Germany may be planning new initiatives in the negotiations on passes for West Berliners to enter East Berlin. At Khrushchev's invitation, Ulbricht paid an "unofficial visit" to Moscow on 9 and 10 January. His top specialist on Berlin and Germany, First Deputy Foreign Minister Winzer, had arrived in Moscow sometime earlier.

One topic of conversation was probably Khrushchev's recent conference with Gomulka in Poland and the implications for Central and Eastern Europe of the "peace proposals" made by these two leaders at the year's end. Soviet Ambassador Abrasimov had traveled to Ulbricht's vacation hideaway on 24 December, presumably to fill Ulbricht in on current Soviet thinking on Berlin and Germany.

As part of their maneuvers in the question of passes the East Germans are publicizing their claim that West Berlin's Senat, by signing the agreement on Christmas passes, implicitly acknowledged West Berlin's "special status," i.e., independent of West Germany. They are also claiming privately that the East German leadership was seriously divided on Christmas passes policy and that massive Soviet pressure had to be applied to bring about the concessions necessary to induce the Senat to accept the 17 December agreement. In particular, the East Germans are seeking to involve Brandt's confidant, Press Chief Egon Bahr, in direct talks with GDR officials.

As government leaders in Bonn and West Berlin continue to debate the pros and cons of any new agreement, the representatives who negotiated the original accord continue to exchange preliminary views on a permanent pass agreement. In a meeting on 10 January, West Berlin's Korber conveyed Bonn's desire to keep the talks in interzonal trade channels, while East Germany's Wendt proposed that the negotiating level be raised to an exchange between Mayor Brandt and East German Deputy Premier Abusch. Both these proposals were rejected. Wendt subsequently suggested an interim arrangement to let West Berliners visit East Berlin for important family events, with passes to be issued, as before, by East German officials in West Berlin. The two negotiators will meet again on 17 January.

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The Communist World

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**SOVIET GRAIN TRADE**

Soviet demand for imports of grain remains high. The USSR already has purchased 9 million tons of wheat in the free world for delivery by July. An additional 3 million tons probably is to be purchased soon. American grain exporters hold as yet unused export licenses for that amount.

rope, which have averaged about 5 million tons of grain annually, are being reduced. Three European satellites have concluded their first long-term wheat import agreements with Canada, and one has just signed such an agreement with France as well.

In addition, the USSR continues to purchase unusually large amounts of wheat flour--500,000 tons (equivalent to about 700,000 tons of grain) now has been bought in Western Europe. Other grains also are being imported in increasing quantities. Contracts for 125,000 tons of rice have been signed with Egypt,

About three fourths of the USSR's \$500 million in gold sales in 1963 were made following its decision to import large quantities of wheat. These sales more than adequately cover the \$150-175 million worth of wheat and flour imported in 1963 as well as other convertible currency deficits for that year. Some cash carry-over will be available to apply to 1964 imports.

However, wheat and flour already under contract will cost about \$600 million, and the US licenses--if converted into contracts--would add some \$225 million to the bill. Soviet gold sales this year already total \$40 million, and are likely to exceed the 1963 level despite the fact that convertible currency expenditures for other products are being minimized.

Moscow has sharply cut back its wheat export commitments. Only shipments to Cuba have been maintained in full. Deliveries to free world countries have virtually ended

Exports to Eastern Eu-

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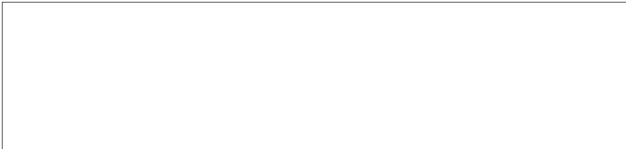
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The Communist World

**CHOU EN-LAI'S AFRICAN TOUR**

Now in the backstretch of his African tour, Chou En-lai has apparently made good progress toward achieving Peiping's modest objective: improving the Chinese Communist image in the area. Chou's shrewd handling of various national leaders during his month on the road has thus far made a favorable impression on his hosts.

Nasir told Ambassador Badeau he was surprised by Chou's quiet intelligence and his apparent willingness to accept the principle of nonalignment. Nasir also said he was relieved that Chou did not "attempt to mount an offensive" against the Soviet Union. The Chinese premier has in fact avoided public polemical thrusts at Moscow,



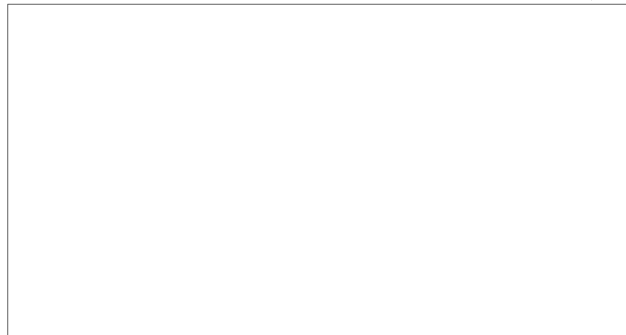
Other African leaders have been favorably impressed by Chou's reasonable and easygoing manner. While he has defended the Chinese positions on the Sino-Indian border impasse, the nuclear test ban, and the convening of Afro-Asian and nonaligned conferences, Chou still appears to have had some success in erasing the image of a militant and obstructionist China. The joint communiqués issued at the conclusion of each of his African stops have avoided most controversial issues, and it has become apparent that in the search for common ground Chou has attempted to minimize differences and play up the importance of earlier contacts.

Despite his adroitness in dealing with his hosts, Chou's tangible achievements have not

been dramatic. Although Chinese propaganda has hailed the Tunisian visit as a major diplomatic victory, Peiping's success there appears to be only a qualified one. Chou's brief stopover in Tunis came after a nine-day side trip to Albania, and was apparently arranged only after the African tour was well under way. Nevertheless, President Bourguiba's reception of Chou was not enthusiastic, and he made it clear to his guest that the establishment of diplomatic relations--a step he had announced as imminent as far back as 1958--does not mean Tunisian endorsement of many Chinese policy positions nor even the early appointment of a Tunisian envoy to Peiping.

Chou now is on the West African leg of his tour, visiting Ghana, Mali, and Guinea--all of which have long recognized Peiping. After leaving Conakry on 27 January he is scheduled to swing through East Africa, stopping in Tanganyika, Kenya, Uganda, Sudan, and the Somali Republic.

The Chinese were expected to return to Peiping in mid-February,



At the close of their tour, the Chinese leaders are committed to state visits to Pakistan and Ceylon.



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Asia-Africa

**NEHRU'S ILLNESS BRINGS UNCERTAINTY TO INDIA**

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As a temporary expedient, Home Minister Nanda, an 11-year veteran of Nehru's cabinets, is functioning in effect as acting prime minister. Finance Minister T. T. Krishnamachari is supervising Nehru's external affairs portfolio. Neither is a contender for Nehru's mantle. While each of them as well as Congress Party President Kamaraj--also a noncontender--will consult with Nehru on matters requiring immediate decision, the over-all effect of their stewardship will be a near moratorium on decision-making in Indian politics and government until Nehru's future is clarified. This is not likely to occur before Parliament reconvenes in mid-February, if then.

Nehru was stricken during the biennial conclave last week of his Congress Party at Bhubaneswar, in Orissa State. Jockeying for position in the new period of uncertainty was quick to begin, facilitated by the presence there of every major Congress leader in the country. They used the opportunity for extensive formal and informal consultations, and each one's performance on the floor of the session took on new meaning in

the context of the leadership question.

Among the people who will play an important role during the convalescence will be President Radhakrishnan, whose activist bent will ensure his maximum use of presidential powers in any power vacuum. Nehru's 46-year-old daughter Indira Gandhi is already playing a strong role as his main channel of communication with the outside world. Long his only real confidante, Indira is a member of the party's leading policy-making organs and has served as party president. The party's noisy left wing, which has always drawn strength from its influence with her father, would probably press for her appointment as his successor, but she does not have the necessary party-wide strength to be selected.

Lal Bahadur Shastri is generally conceded to be the party's overwhelming choice to succeed Nehru. A former home minister, the 59-year-old Shastri has been working full time on party matters since August. He has long been a trusted Nehru aide, has few enemies, and has a reputation as a conciliator and as a competent parliamentarian. His politics are moderate and pragmatic, but he is colorless and has had few opportunities to demonstrate decisiveness. Less urbane and more genuinely Hindu than Nehru, Shastri could be expected in general to continue policies long associated with Nehru.

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Asia-Africa

**LONDON CONFERENCE ON CYPRUS OPENS**

As the London conference on the Cyprus crisis opened on 15 January, the Greek and Turkish Cypriot positions still appeared virtually irreconcilable and an uneasy truce prevails on the island.

The Greek Cypriots, backed by Athens, propose making Cyprus a unified state governed by majority rule with no special ties to either Greece or Turkey. They would accept what they term "adequate" guarantees for the Turkish minority. The Turkish Cypriots, outnumbered four to one, assert that they have lost all confidence in Greek promises and are demanding greater security to ensure the survival of their community. Any scheme to meet their demands probably would include some form of physical separation of the two ethnic groups and a continuation of the Ankara government's right to intervene if necessary to protect Turkish Cypriots.

The maneuverability of the regimes in both Greece and Turkey is severely limited. In Athens, an interim cabinet is marking time until the general elections set for 16 February

In Ankara, Prime Minister Inonu's minority government is vulnerable to attack for any seeming weakness at London. Atrocity stories highlighted by the Turkish press contribute to the continuing high degree of sensitivity among the Turkish public and armed forces to events on the island.

London is seeking an early end to a peace-keeping role by British troops. UN Secretary General Thant has for the moment declined to send a personal observer to Cyprus, as requested by all parties to the dispute. He suspects that both the Makarios government and the British hope to have the UN take over direct responsibility for keeping the peace.

Bitterness and distrust still dominate relations between the communities on the island. In rural areas, Turkish inhabitants of heretofore mixed villages are moving into exclusively Turkish settlements. Occasional shooting incidents continue to be reported, and widespread violence could erupt at any time--particularly if extremist leaders on either side were to conclude that such violence would further their political aims.

The Turkish armed forces units and naval vessels which were deployed to the Iskenderun area of southern Turkey during the height of the communal violence have not significantly changed their position. Ankara maintains the capability of mounting a limited invasion of Cyprus with little or no warning. Such action probably would follow any renewal of large-scale violence on the island. Greek military leaders, meanwhile, are seeking the assistance of NATO allies in pressing the Turks to return some of the naval vessels to home ports.

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Asia-Africa

## INDONESIA PROPOSES AFRO-ASIAN CONFERENCE

Indonesia is intensively canvassing African and Asian nations in an effort to arrange a conference on the "struggle against colonialism, imperialism, and neocolonialism." Djakarta wants to hold a preparatory political conference of 17 governments early this year and a full gathering of some 60 nations before the year is out. Indonesia's particular interest in an Afro-Asian gathering at this time apparently is to secure a forum for expounding its anti-British, anti-Malaysian policy.

Indonesian activities are running counter to Yugoslav and Egyptian efforts to evoke Afro-

Asian interest in holding a "nonaligned" conference that would purportedly deal with the themes of economic development and world peace. Communist China is giving Djakarta's proposal strong support in the hope of dominating the gathering and of undercutting the Tito-Nasir plan, which would exclude Peiping. The Soviet Union is supporting efforts toward both conferences. If both are scheduled, Indonesia will try to stage the Afro-Asian preparatory meeting before Tito and Nasir can convene the nonaligned group.

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## ZANZIBAR GOVERNMENT OVERTHROWN

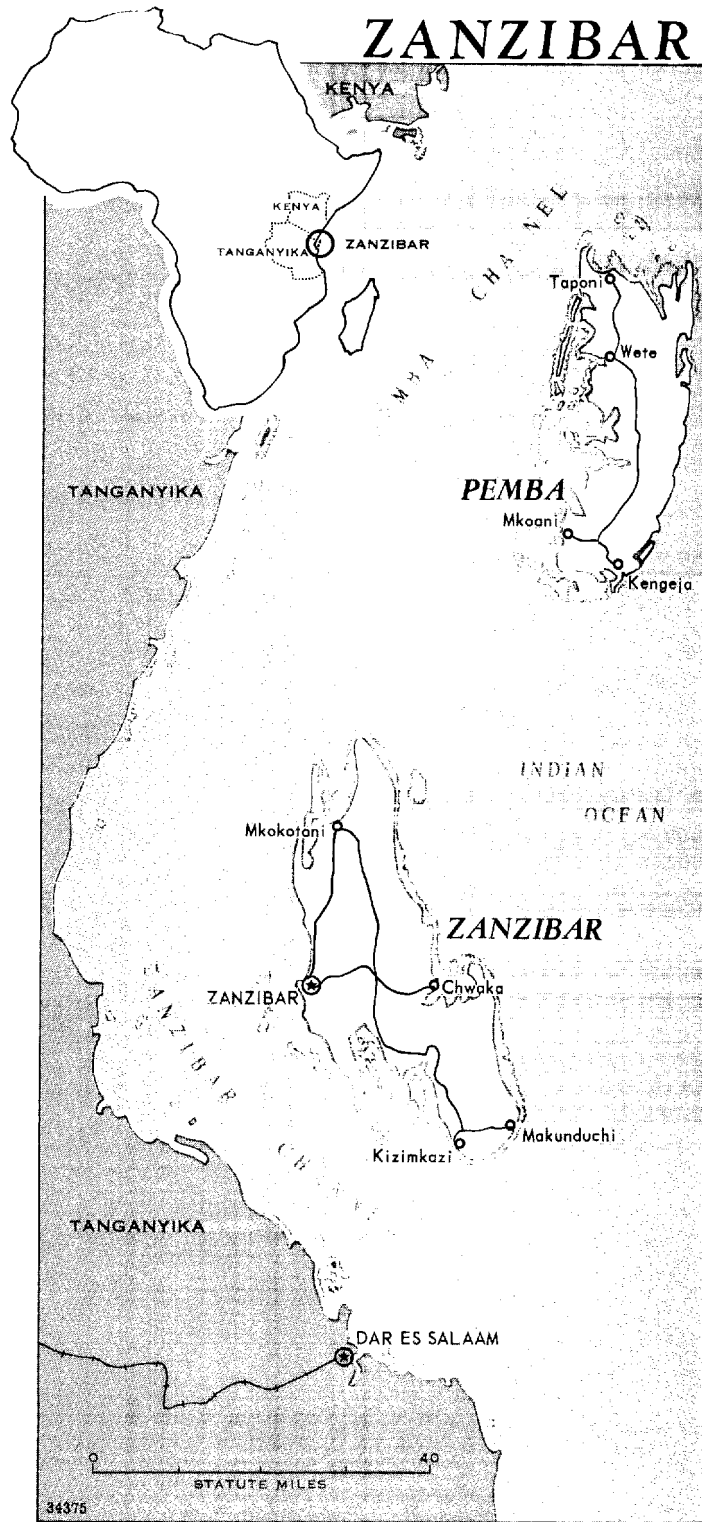
Following their rapid overthrow of the old Arab-dominated regime on 12 January, Zanzibar's new rulers appear to be in unchallenged control. Their public statements indicate confusion and internal friction, however, and a continuing power struggle seems likely between African nationalist and pro-Communist elements.

While the coup was executed by members of the new nation's African majority--which has long resented domination by the entrenched Arab minority (comprising 16 percent of the population)--it appears to have been inspired and organized by Abdulrahman Mohammed, an Arab known as "Babu." As the outspokenly pro-

Communist representative of Peiping's New China News Agency, he had been the mainspring of all Communist activity in Zanzibar. He was formerly secretary general of the Arab-led Zanzibar National Party (ZNP) which controlled the ousted government. He is minister of external affairs and trade in the new regime.

The revolt may have been triggered by last week's police raid on the headquarters of Babu's small revolutionary, Peiping-financed, Umma Party--an indication that the hitherto complacent government was preparing to crack down on the extensive growth of Communist

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Asia-Africa

activity. Anti-Arab feeling had been heightened by the announcement of an impending economic agreement with Egypt and a plan to put loyal ZNP supporters in place of the mainland Africans who comprised the majority of the noncommissioned officers in the island 800-man police force.

Leading the attack was self-styled "field marshal" John Okelo, believed to be a Kenya-born former Zanzibar police official [redacted]

[redacted] The actual fighting was carried out by some 400 members of the youth wing of the Afro-Shirazi Party (ASP) and 200 from the Umma youth group armed with rifles and Czech submachine guns. It was spearheaded by at least 20 firebrands [redacted]

Babu had built his following mainly among the youth wings and labor unions of the various political parties. As chief purveyor of Communist scholarships, he attracted the young, partially educated Africans who found advancement blocked by the Arab and Asian minority, as well as the political malcontents and Communist sympathizers. Many of these have visited Eastern Europe, Cuba, and China for tours or short training courses. Nearly

all Zanzibar union officials with any leadership potential have received indoctrination in Communist countries.

The other members of the new government, including President Abeid Karume, are ASP leaders and have the support of the African majority. Several of them are pro-Communist. The Tanganyikan and Israeli governments have actively aided the ASP in the past.

Kassim Hanga, a Moscow-trained Marxist with a Russian wife, was first proclaimed prime minister, but now is in the lesser position of vice president. His rabidly racist, pro-Communist outpourings had previously kept him in relatively minor roles in the ASP. Shuffling of government posts suggests that President Karume is trying to keep the African nationalists in a dominant position over the pro-Communists.

Kenya and Uganda were quick to recognize the new regime. Tanganyika's Nyerere favors it, but is delaying recognition because he is opposed as a matter of principle to the forcible overthrow of a constitutionally elected government. The regime's foreign policy will probably be outspokenly anti-West, and anti-US in particular, and it will almost certainly press for an early removal of the NASA space tracking station. [redacted]

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Asia-Africa

**BEN BELLA'S DIFFICULTIES MOUNT IN ALGERIA**

President Ahmed Ben Bella faces mounting dissatisfaction over Algeria's depressed economic situation, and his personal popularity is declining. He is taking increasingly drastic steps to control a potentially chaotic situation and to eliminate his political opposition, even though it is fragmented, uncoordinated, and probably incapable of upsetting him.

The most serious display of antiregime feeling since last October's Kabylie revolt occurred early this month in Oran, when local authorities apparently encouraged demonstrations to protest widespread unemployment. The army had to be called in to quell the rioting which ensued, and special courts sentenced some 300 of the 50,000 demonstrators to six months to two years of imprisonment. The regime staged counterdemonstrations in Oran, but they were feeble by comparison.

In a further countereffort to rally support, Ben Bella delivered a series of speeches denouncing the bourgeoisie, counterrevolutionaries, speculators, and other "numerous animals" who were attacking his revolution, and announced the creation of revolutionary courts empowered to order the execution of those involved in counterrevolution. When he left

for Cairo to attend the Arab League chiefs of state meeting, he delegated several members of his government to conduct rallies throughout the country in a further attempt to recoup enthusiasm for the regime.

Opposition elements seem to be attempting to prevent the holding of a national congress of Algeria's only political party, the National Liberation Front (FLN). Ben Bella pledged last October that this congress would be convened within five months but no date has yet been scheduled. He promised that the congress would provide a forum for the presentation of all points of view, but no opponent is represented on the preparatory commission.

Despite their stepped-up activity, opposition forces have not yet focused on any one issue or rallied behind a single national figure. One potential leader who has been soliciting support throughout the country is Mohamed Khider, erstwhile secretary general of the FLN who broke with Ben Bella last spring. Ben Bella may also be keeping a more watchful eye on Defense Minister Boumedienne, a possible contender for power whom he has seemed to be undercutting in recent months.

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Europe

**PROPOSED UNION OF WESTERN EUROPEAN AIRLINES**

Officials of Belgium, France, Italy, and West Germany are meeting in Brussels on 20 and 21 January to lay the groundwork for negotiations in February aimed at combining their major airlines. This project has been under consideration in one form or another since 1957. If such a pool--to be known as Air Union--is actually established, it would have important implications for American carriers and for US air transport policy. It is still far from certain, however, that the prospective members will soon overcome the problems which have kept the project in the talking stage for six years.

As presently envisaged, Air Union would involve both an inter-governmental convention and an association agreement of the participating airlines. These agreements would result in the close coordination of the airlines' policies and the pooling of certain activities, but would not amount to a full merger. While the airlines would keep their separate identities and operate their own routes, Air Union would handle planning, sales, and ground services. Equipment would eventually be standardized, and both costs and receipts would be shared.

One of the major stumbling blocks has been to find an acceptable cost- and receipt-sharing formula. The Dutch withdrew from the talks in 1959 because they were dissatisfied with the share allotted to KLM. Since then there have been strong pressures from the Italians and Germans for adjustments to ac-

commodate the recent rapid growth of Alitalia and Lufthansa. It is unclear whether they will be satisfied with a new proposal which would reportedly allot Air France 34 percent, Alitalia and Lufthansa each 28 percent, and Sabena 10.

Another major difficulty has been French efforts to have Air Union buy aircraft equipment manufactured by the member countries. The present draft provides only that the airlines consult with Air Union before purchasing new aircraft. The French, however, proposed an amendment last year which would permit Air France to purchase French equipment even though Air Union may have recommended equipment of some other origin.

In view of these protectionist tendencies, the US attitude toward Air Union has been mixed. Air Union, with a capacity on the North Atlantic routes comparable to Pan-American's, would be potentially more efficient than the individual airlines. The combine, however, is also designed to strengthen the international bargaining position of the participating countries--for example, by joint purchase of aircraft and by mutual support in bargaining for additional landing rights. In particular, nonmember countries have been concerned lest Air Union at some point declare the territory of its participants a single jurisdiction in which domestic traffic would be reserved to the member carriers. 25X1

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Europe

**SOCIALISTS REGAINING STRENGTH IN FINLAND**

The Social Democratic Party (SDP), which was once Finland's largest but which has been split and isolated since 1957, is making a comeback. Indications of this are the reunification talks now going on between the two Socialist factions, a softening of the USSR's hostility toward the party, and the weakened position of the presently dominant Agrarian Party of President Kekkonen.

Last fall the leaders of both the SDP and the splinter Opposition Social Democrats (Skogists) began a series of informal meetings aimed at reunifying the two political groups together with their affiliated women's, youth, and sports organizations. The Skogists have indicated they are prepared to assume a subordinate role in these organizations. However, their demand to play a dominant role in any amalgamated trade union movement promises to be a serious stumbling block to Socialist reunification. Some influential members of the SDP are insisting on a satisfactory trade union settlement before going ahead with a political merger.

Soviet criticism of the SDP has noticeably lessened since mid-1963, when Vaino Tanner, one of the harshest critics of the Soviets, retired as party chairman and was replaced by the more moderate Rafael Paasio.. The

SDP leadership has responded by stressing its support of Finland's policy of friendship with the Soviet Union. By doing so, the Socialists hope to refute Agrarian claims that the SDP's antagonism toward the USSR has jeopardized Finnish-Soviet relations and thus makes the party ineligible to join any future coalition.

Although the Agrarian Party remains dominant, its power has diminished lately in the wake of two recent government crises. The last Agrarian-controlled cabinet resigned in December over wage and price issues, and a caretaker government of civil servants is presently in office. The SDP has so far refused to participate in a new cabinet because it felt that it has more to gain by staying out of the government at the present time.

Finland, however, has a long tradition of government by an Agrarian-Socialist coalition. Such a coalition might well be revived if preliminary steps toward Socialist reconciliation are successful. It would be all the more in prospect if the Social Democrats register significant gains in this fall's municipal elections.

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Western Hemisphere

**SITUATION IN PANAMA REMAINS EXPLOSIVE**

25X1 The situation in Panama remains explosive, and could lead to a recurrence of anti-US violence [redacted]

[redacted] Nationalist sentiment is being maintained at fever pitch by Communist, pro-Communist, and pro-Castro elements who have been working together to manipulate it for their own purposes. Also, campaigning for the presidential election in May promises to accelerate in the next few weeks and could contribute to the general unrest.

Much of the Chiari government's apparent ambiguity recently in defining its position on Panama's diplomatic relations with the US evidently stemmed from the divergent pressures exerted upon it. On the one hand, the concern expressed by several influential Panamanian businessmen over the economic consequences of a prolonged break with Washington probably reflects the opinions of many informed Panamanians, including many within the administration itself.

On the other hand, President Chiari probably believes that the prevailing popular sentiment leaves him no choice but to take an intransigent stand in demanding a new canal treaty. To appear weak and indecisive on this issue would, in his view, be tantamount to

an open invitation to plotters to move against the government. [redacted]

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Originally a body of pro-Castroite students was directing the movement to sustain popular indignation against the United States. The leadership now has been taken over by a group of prominent leftist lawyers and newsmen which is the driving force behind the activities of a Committee for the Defense of National Sovereignty created with a view to organizing and giving direction to the anti-Americanism that has swept the country. This committee has the potential to bring strong pressures on the government and the various candidates running for office; it is perhaps the most effective instrument the Communists have to achieve their long-range aims in Panama.

Communists led the student marchers who, on the night of 15 January, pressured Chiari to stiffen his attitude on the resumption of relations with the US and to demand demilitarization of the Canal Zone. [redacted]

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## Western Hemisphere

The Communist bloc has kept up a sustained propaganda campaign against the US on the Panamanian issue. Soviet commentary, while comparatively moderate, has pointed out that the US is trying to settle the crisis without yielding to any major Panamanian demand. Some of it has linked the crisis with Khrushchev's recent proposals for an international agreement renouncing the use of force in settling territorial disputes, claiming that events in Panama made the proposals "more timely." On 14 January, Soviet commentators predicted that the move to revise the canal treaty will continue to spread and that US unwillingness to agree to a peaceful settlement of Panamanian demands will lead to "further complications."

Characteristically, Peiping has pressed its attack much harder. Its press and radio are giving heavy coverage to US "aggression" and there have been numerous mass rallies--one of which turned out 100,000 people--in support of Panama. Mao Tse-tung and other top leaders have issued formal statements condemning the US and calling for a world-wide struggle against "imperialism."

Cuban propaganda continues to make much of Panama. It seeks to picture the rioting as part of a hemisphere-wide and spreading uprising against US "imperialism"--an uprising inspired by the example of the Cuban revolution. Claims of noninvolvement in the

situation in Panama are implicit in the Cuban allegations that the "struggle" there is part of a historically inevitable tide against US "exploitation" in this hemisphere.

Che Guevara, speaking on 12 January, called the rioting in Panama "just a very pale sample of what is to happen to imperialism in America" in the future. He declared that the day of revolution in Latin America is coming ever closer: "It announced itself in Caracas; it has been in Guatemala for almost two years; it is all along the whole Andes, the Sierra Maestra of America." Cuban Education Minister Hart also devoted a lengthy portion of a scheduled speech to Panama.

Official reaction in other Latin American countries has consisted for the most part of carefully worded expressions of regret over the violence and of support for Panamanian "national aspirations." The Peruvian Senate approved a motion on 13 January expressing the desire that the canal be administered under the inter-American system, a traditional position of the APRA party. Privately, several Latin American officials have expressed surprise and dismay over the Chiari government's behavior. Student groups in several countries mounted US demonstrations but none was very successful.

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Western Hemisphere

### CASTRO'S TRIP TO MOSCOW

The circumstances surrounding Castro's unexpected arrival in Moscow on 13 January suggest a decision made in haste.

The Cubans and Soviets say that Castro is responding to a long-standing Khrushchev invitation to "exchange views," rest, and hunt. However, inasmuch as Khrushchev has not yet returned Castro's five-week visit to the Soviet Union last spring, there are almost certainly more compelling reasons for this reversal of protocol than the official explanations suggest.

There is no evidence that unresolved issues in Cuban-Soviet relations had suddenly become so acute as to require immediate consultation at Castro-Khrushchev level. The Cuban-Soviet trade protocol for 1964 had been signed in Havana the day before Castro's departure. (See next article.) The transfer of Soviet weapons systems to Cuban control appears to be proceeding smoothly. Castro's 2 January anniversary speech, which dwelt heavily on the Soviet "peaceful coexistence" theme, had suggested that Castro was swinging back to Moscow's view on this point. There are no known international Communist gatherings planned in the immediate future which might call for Castro's presence.

There may, of course, remain issues in Cuban-Soviet

relations unresolved during Castro's talks with presidium member Podgorny, who headed the Soviet delegation to Cuba's anniversary celebrations. Castro and Khrushchev may also be concerned about the future course of the new administration in Washington and wish to agree on a joint response to possible US actions toward Havana.

It is also possible that the recent events in Panama are behind Castro's trip. Ambassador Kohler points out that both Havana and Moscow have a vital interest in deciding how to exploit this development. To Castro, the Panama affair almost certainly calls for an immediate step-up in anti-US agitation and subversion in Latin America.

Another possibility is that Castro may feel the time is propitious to seek Soviet backing for a concerted propaganda effort--perhaps even in the UN--to bring about the evacuation of the US Naval Base at Guantanamo Bay. This demand is one of Castro's "Five Points" of November 1962 and is imbedded in the joint Castro-Khrushchev communiqué of last spring. The communiqué noted that "the Soviet Government supports these principles with all resolve." The anniversary greetings sent to Cuba by Moscow and Peiping early this month repeated support for the "Five Points." The Cuban effort would logically be linked to Panama's demand for a revision of the Canal

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Western Hemisphere

treaty and aimed at US military positions throughout the Caribbean.

Soviet and Cuban news media have identified only four members of Castro's entourage, all of them relatively minor figures. They include Major Pedro Miret, a long-time Castro friend who

is now Cuba's artillery chief; Major Aldo Santamaria

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and Dr. Rene Vallejo, Castro's personal physician.

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**SOVIET-CUBAN 1964 TRADE PACT**

The Soviet-Cuban trade protocol for 1964 indicates Moscow's continued heavy commitment to support the Cuban economy. Soviet exports to Cuba are scheduled to rise to a record \$385 million this year, and the USSR will continue to make up for Havana's inability to pay its own way.

Total Soviet-Cuban trade is to increase to over \$600 million, roughly equivalent to the levels reached in 1961 and 1962. Last year this trade dropped to about \$475 million, largely because much of Cuba's limited sugar supplies were diverted to Western markets to take advantage of high world prices.

Although Cuban exports to the USSR are due to increase this year, there will be a \$160-million deficit to be financed by new Soviet credits. Communist countries, mainly the USSR, already have provided Cuba with roughly \$500 million

in balance-of-payments support in the last two years.

The new agreement belies assertions by some Western observers that Havana's current trade drive in the West is an outgrowth of differences with the USSR. Instead of demanding that Castro use some of his hard-currency earnings to pay off debts, Moscow apparently agreed to the Cubans' using these earnings to plug critical gaps in their economy through purchasing in the West. Meanwhile, the USSR continues to provide most of the island's essential imports and to work on long-term development of the Cuban economy.

A Cuban mission in Moscow is discussing other economic topics with the Soviets. The purpose of these conversations is obscure. They may be aimed at new aid arrangements, possibly to be announced during or immediately after Castro's visit.

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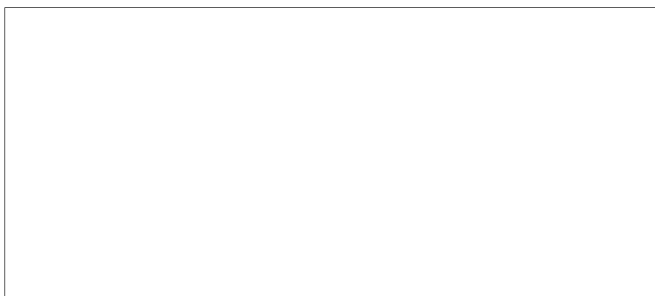
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Western Hemisphere

**TURMOIL IN BOLIVIAN POLITICS**

Bolivia appears to be in for a prolonged period of unrest following the convention of the ruling Nationalist Revolutionary Movement (MNR), opening on 17 January, to nominate a presidential ticket. US Ambassador Henderson reports that the increasing vicious competition between President Victor Paz Estenssoro and the leader of the pro-Communist wing of the MNR, Vice President Juan Lechin, points to a crisis situation, the proportions of which will be largely determined by what happens at the convention.

Since the December mining crisis, Lechin has been maneuvering strenuously to win one of the two top positions.

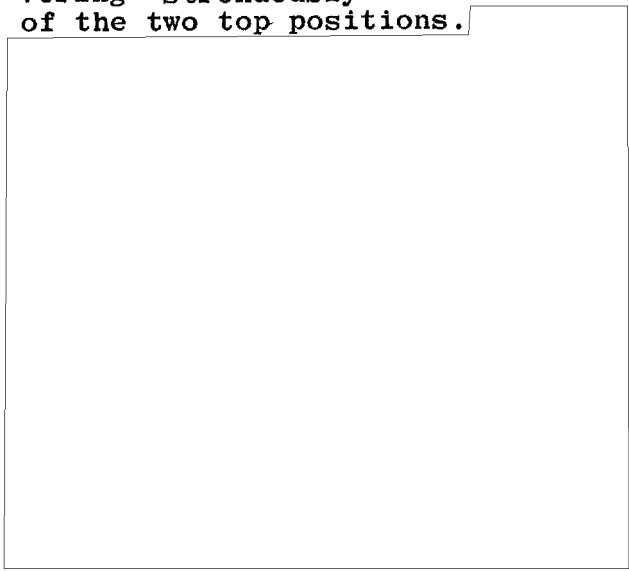


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Paz is currently working behind the scenes for renomination to the presidency and for the selection of a vice-presidential candidate of his liking. His choice of a running mate reportedly is the relatively colorless president of the Senate, Federico Fortun Sanjines. However, Paz may not be able to force Fortun's nomination without losing the support of important segments of the party. Some dark-horse candidate from the left may eventually emerge.

Whatever the outcome of the nominating convention, violence in the cities and among the miners and peasants seems inevitable.

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Western Hemisphere

**NEW COMMUNIST SUCCESSES IN BRAZIL'S LABOR MOVEMENT**

Brazil's Communists, with important assistance from the Goulart administration, have achieved new successes during recent weeks in their continuing drive to dominate the country's labor movement.

On 6 January, the National Confederation of Industrial Workers (CNTI), whose two million workers make it Brazil's most powerful labor organization, re-elected Communist sympathizers as president and secretary general.

Before the election, Goulart made a show of impartiality between pro-Communists and non-Communist candidates. Through his labor adviser, Crockatt de Sa, Goulart encouraged the non-Communists and may even have advanced them some money. At the same time, he kept in contact with the pro-Communists through Labor Minister Amaury Silva, and at the last moment threw his full support behind them.

In any event, the Goulart regime will no doubt keep up its close working relationship with the CNTI, a relationship which dates back to 1961 when Goulart's aid was instrumental to the Communists' takeover of the organization. It has been a mutually beneficial arrangement; the CNTI is the mainstay of the sprawling Communist-

dominated General Workers Command, a focal point for much of Goulart's extremist political support.

A second Communist victory--also achieved with the cooperation of Goulart--was the outcome of an election last month to choose a directorate for the newly formed National Confederation of Agricultural Workers (CONTAG). Five of the nine members are known Communists. Since Brazil's labor code specifies that only one confederation is authorized in any given field, CONTAG will be at least the nominal spokesman for Brazil's four or five million salaried rural workers.

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These developments culminate months of effort by Goulart's agrarian reform agency (SUPRA), collaborating with the Communists, to build a rival organization to the church-sponsored National Confederation of Rural Workers which had previously sought unsuccessfully to obtain recognition. CONTAG is bound to play an important role in Goulart's campaign for sweeping agrarian reforms.

Having gained control of CONTAG, the Communists now dominate four of Brazil's six national labor confederations. Since Goulart depends primarily on labor for his political support, the Communists are in a good position to increase their influence in Brazil so long as they are careful not to overplay their hand.

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Western Hemisphere

**IMPORTANT CHILEAN BY-ELECTION SCHEDULED**

A by-election in Chile set for 15 March should provide a good reading on political trends as the campaign heats up for a presidential election this fall. Since 1961 the rural, politically middle-of-the-road constituency involved has been represented by three deputies-- a Radical, a Christian Democrat, and a Socialist. The death of Socialist Deputy Oscar Naranjo made the special election necessary.

The outcome of this election is important to the three main political groups contesting the presidency. These are the progovernment Democratic Front (FD), the center-left Christian Democrats (PDC), and the far-leftist Popular Action Front (FRAP).

Judging by the district's past voting record, the FD's standard bearer would seem to have the best chance of winning. However, FRAP, with which the Socialists and Communists are affiliated, is running the locally popular son of the dead deputy. A victory for him, or even a good showing, would provide an important boost for the prospects of FRAP's presidential nominee, Salvador Allende.

The PDC, whose presidential candidate, Eduardo Frei, is making a vigorous bid nationally, is faced with the difficult choice of staying out of the by-election or putting up a lackluster candidate.

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