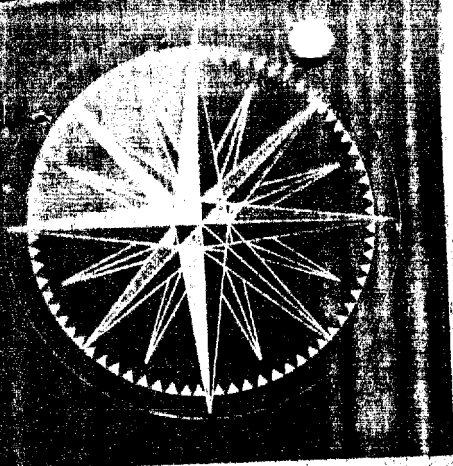


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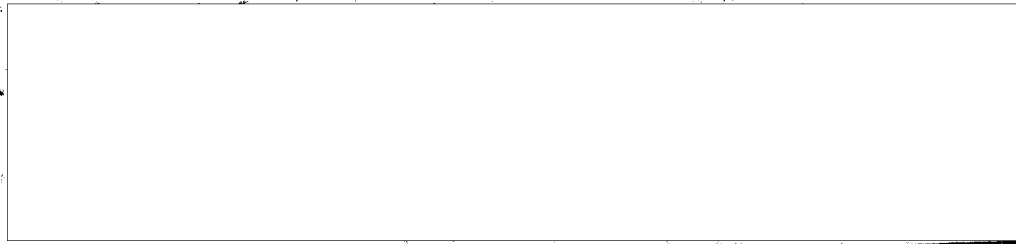
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WEEKLY SUMMARY

On file Department of Agriculture
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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE



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downgrading and declassification

State Dept. review completed

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C O N T E N T S

(Information as of 1200 EST, 27 February 1964)

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KHRUSHCHEV DE-EMPHASIZES NEW LANDS He is publicizing the view that his new program for greater use of chemical fertilizers and irrigation in Soviet agriculture will permit eventual reduction of grain farming in the New Lands.	1
MOSCOW AGAIN SHOWS CONFIDENCE IN BULGARIAN LEADER ZHIVKOV He has returned from Moscow with the largest credit the USSR has granted any bloc country since 1961. Some aspects of the Sino-Soviet dispute and questions of bloc unity may also have been discussed during the visit.	2
EAST GERMANY STEPS UP CAMPAIGN FOR RECOGNITION The regime, with some success, is intensifying its efforts to induce neutralist countries to accept the Communist "two Germanys" theory and ignore West German threats of political and economic reprisals.	3
POLISH REGIME FACES LABOR UNREST It is preparing for possible serious labor reaction this spring and summer when the already restive populace feels the impact of wage reductions and employment cutbacks under the new anti-inflationary program.	4
CHOU EN-LAI VISITS SOUTH ASIA He has assured his hosts in Burma, Pakistan, and Ceylon of Peiping's peaceful intentions, blaming India for failure to settle the Sino-Indian border dispute. Chou has also pressed for a new Asian-African conference.	5
 <u>ASIA-AFRICA</u> 	
NEW TALKS SCHEDULED ON INDONESIA-MALAYSIA DISPUTE However, these, like the earlier talks, will be hampered by Indonesia's refusal to withdraw troops from Malaysian Borneo until a political settlement is reached and by Malaysia's opposition to a settlement before withdrawal.	7
KHANH TRYING TO ASSERT CONTROL IN SOUTH VIETNAM General Khanh continues to try to reinvigorate the Saigon government's apparatus	8

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ASIA-AFRICA (continued)

Page

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CYPRIOIS TURNING IRE TOWARD UK AND US

9

They are angry over lack of support in the UN Security Council, and are making gestures toward the USSR; Makarios may be aiming to force out British troops.

GABON REGIME STILL FACES DIFFICULTIES

11

The French intervention to restore President Mba has succeeded in stabilizing the situation temporarily, but the hostile reaction inside and outside the country suggests that Mba and possibly other pro-French African leaders may have been weakened over the longer run.

EUROPE

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DE GAULLE'S MEETINGS WITH ERHARD AND SEGNI

12

De Gaulle's talks this month with the West German Chancellor and the Italian President produced no surprises.

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NEW AUSTRIAN CHANCELLOR

14

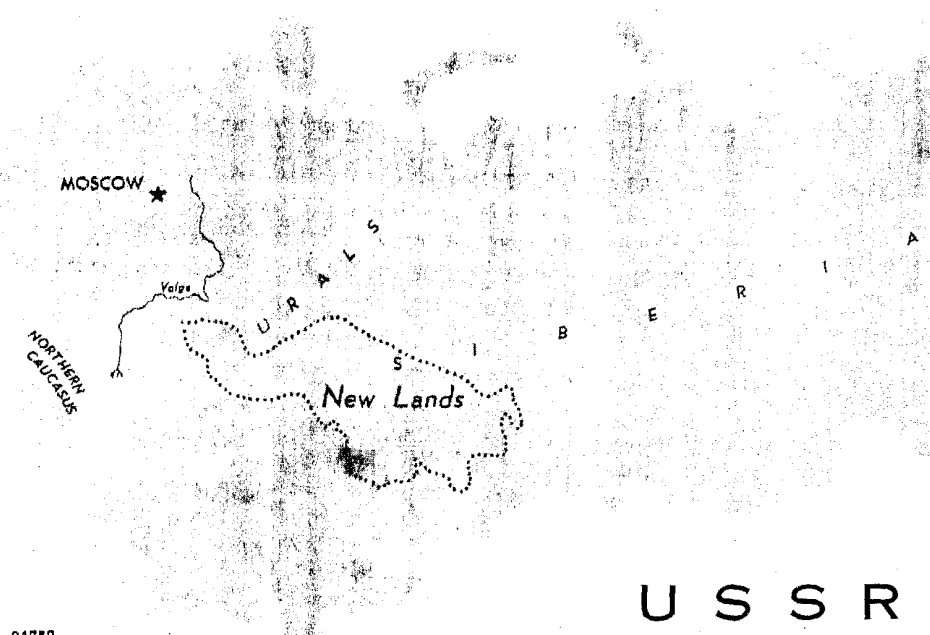
Josef Klaus' replacement of Alfons Gorbach signals a shake-up in the government which may jeopardize the two-party coalition which has governed for 18 years.

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<u>WESTERN HEMISPHERE</u>	<u>Page</u>
THE SITUATION IN PANAMA President Chiari, still under conflicting pressures to end the US-Panamanian impasse, is quietly supporting discussions to this end under both UN and OAS auspices. The Communists meanwhile are missing no opportunity to prolong the crisis as long as it suits their purposes.	15
POLITICAL TURMOIL IN BOLIVIA President Paz Estenssoro's bid for re-election is being hindered by dissension in his own party and by surprisingly stiff resistance from disparate opposition groups.	16
CHINESE COMMUNISTS TO OPEN TRADE MISSION IN BRAZIL While the Brazilian presidential press secretary regards this move as a prelude to full diplomatic relations, the foreign minister has claimed that no decision is likely before the next UN deliberation of the China question.	17
LEGISLATIVE ELECTIONS NEXT WEEK IN EL SALVADOR The Rivera government, eager to prove that it is genuinely democratic, is taking pains to avoid the grievances which led all the opposition to boycott the 1962 elections.	17

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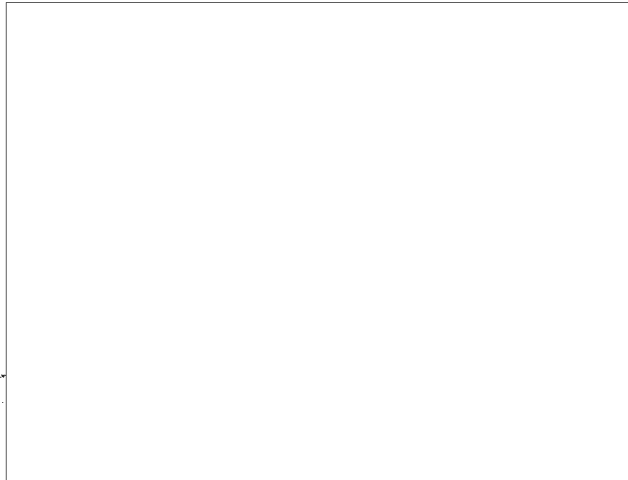
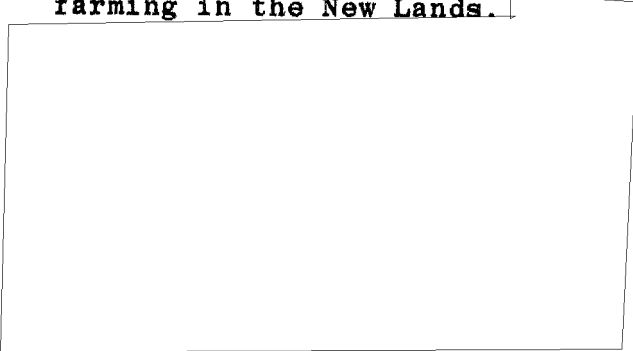
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The Communist World

KHRUSHCHEV DE-EMPHASIZES NEW LANDS

Khrushchev is publicizing the view that his new program for greater use of chemical fertilizers and irrigation in Soviet agriculture will permit an eventual reduction of grain farming in the New Lands.



Of approximately 225 million acres now being farmed in the New Lands, 100 million were brought under cultivation in the last decade. Production of grains in the area has been declining for several years, and mismanagement of the land has led to serious wind erosion. This together with a severe drought in 1963 resulted in the poorest crop since the inception of the program.

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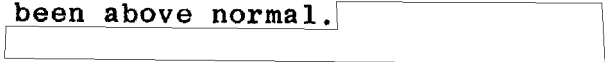
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The intention is probably to introduce a rational soil conservation program--rotating grain with other crops, fallowing, and seeding the more marginal land to grasses.

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Some such program probably will be adopted even if--as thus far seems possible--this year's grain harvest in the area is relatively good. Precipitation this past fall and winter has been above normal.

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The Communist World

MOSCOW AGAIN SHOWS CONFIDENCE IN BULGARIAN LEADER ZHIVKOV

Bulgaria's premier and party boss, Todor Zhivkov, has come home from his 17-19 February trip to Moscow with renewed evidence of Russian confidence in his leadership. Moscow has granted Bulgaria a new \$333-million credit and has established a joint Commission for Economic and Scientific-Technical Cooperation.

The credit, the largest the USSR has given any Soviet bloc country since 1961, will be used to support Bulgaria's Fifth Five-Year Plan, due to commence in 1966, and probably to help finance Soviet equipment and technical aid for Bulgarian construction projects between now and 1969.

The new intergovernmental commission is apparently similar to those Moscow recently set up with Czechoslovakia and Hungary, which are responsible for bilateral coordination of economic plans for 1966-70, including the supply of Soviet raw materials and the development of specialization of labor and cooperation in many economic sectors. The commissions serve to bind these countries to the Soviet economy and will help to lay the ground-

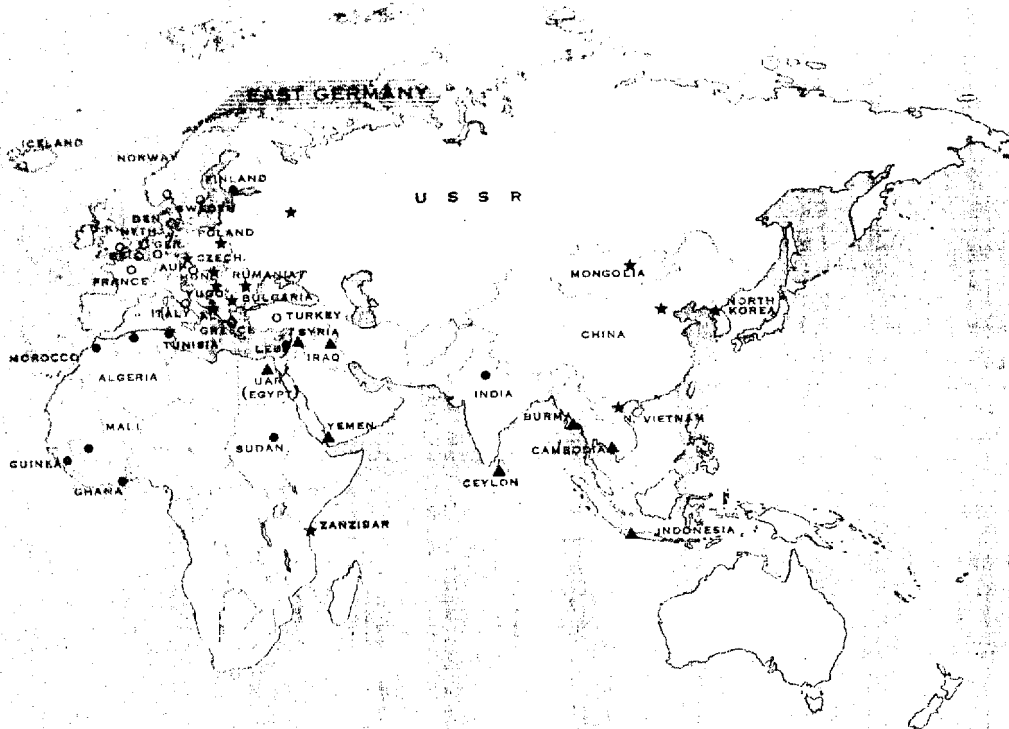
work for preparing the new satellite economic plans to 1970. The agreements are probably also intended to give new impetus toward greater intrabloc integration, largely stalled since the defeat last year of Khrushchev's proposal for a planning staff within the bloc-wide Council for Mutual Economic Assistance.

While the communiqué issued at the end of Zhivkov's visit was a routine resumé of Soviet views on international questions, speeches by the Soviet and Bulgarian leaders suggest that aspects of the Sino-Soviet dispute and questions of bloc unity were also discussed.

Although Moscow has always underwritten Bulgaria's economic development, the new credit will be understood in Bulgaria as a fresh sign of Soviet support for the Bulgarian leader. Zhivkov, who lacks a broad base of support in the still hard-line Bulgarian party, has been criticized since assuming the premiership in November 1962 for failing to find quick solutions to chronic national economic problems.

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East German Representation Abroad

- * Country extending full recognition
(All have East German embassies except Yugoslavia, which has a legation)
- ▲ Country with East German consulate general or consulate
(All but Syria have consulates general)
- Country with official East German trade mission
- Country with unofficial East German trade mission

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The Communist World

EAST GERMANY STEPS UP CAMPAIGN FOR RECOGNITION

The East German regime, with some success, is intensifying its efforts to induce neutralist countries to accept the Communist "two Germanys" theory and to ignore West German threats of political and economic reprisals. These efforts to gain international acceptance have been enhanced by the regime's dealings with West Berlin on the Christmas pass agreement and have been spurred by Bonn's efforts to normalize its relations with the East European countries.

The East Germans achieved their most notable success to date in Zanzibar, where their diplomats outmaneuvered negotiators from West Germany and secured the new regime's permission to establish full diplomatic relations. East German media now assert that the East German chargé has received Zanzibar's agreement as ambassador. This doubtless will be used by regime spokesmen in an effort to induce other African countries to grant East Germany, if not de jure recognition, at least semidiplomatic status for its trade missions.

While politburo member Bruno Leuschner's recent month-long trip to Indonesia, Cambodia, Burma, Ceylon, and India failed to yield spectacular results, he induced Ceylon to raise the East German trade mission in Colombo to consulate general status. Moreover, his welcome by top government officials, including Nehru in

India, will fuel propaganda claims that East Germany is a respected international entity. In India, Cambodia, and Ceylon, his visit coincided with the signature of cultural agreements. He appears to have laid the basis for a degree of long-term economic cooperation with Cambodia.

West Germany's response to Ceylon's action was unexpectedly sharp. Six times before, it had reluctantly tolerated the setting up of East German consulates general elsewhere. In this case, however, its concern that other nations might follow suit caused it to terminate economic assistance to Colombo--a sharp reminder that Bonn still follows its Hallstein Doctrine and will break off diplomatic relations with any nonbloc nation that recognizes East Germany.

The East German regime is loudly claiming that its successes have created a real dilemma for Bonn despite its much greater economic power. Foreign Minister Bolz, greeting Leuschner upon his return, declared that Bonn's efforts to enforce its Hallstein Doctrine involved open interference in the internal affairs of neutralist countries. Bolz also sought to appeal to West German opponents of the doctrine when he characterized it as "a noose which West German policy has put round its own neck and which robs it more and more of freedom of movement." 25X1

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The Communist World

POLISH REGIME FACES LABOR UNREST

The Polish Government is preparing for possible serious labor unrest in reaction to Gomulka's new anti-inflationary measures, which, among other effects, will result in a significant unemployment problem for the first time in the postwar period. The most dangerous period will come this spring and summer when an already restive population feels the full impact of wage reductions and employment cutbacks. Approximately 300,000 new workers will be competing this year for only 100,000 new jobs, and food shortages are at their worst just before the summer harvest begins.

As a precaution, the regime has been building up its security forces, even though it hopes through nonviolent measures to head off any civil disorders. An unusual number of top party leaders, for example, have been visiting industrial plants around the country giving speeches designed to mollify the workers. Gomulka himself spoke at the Zeran automobile works. Local governments also are reportedly scaling down plans for mass participation in this year's observance of 22 July, Poland's national day. Some plans have been made to have 100,000 workers return to the countryside, but few jobs are available there. The regime also hopes to halt the flow of labor from rural areas to the cities, but is likely to be only partly

successful. Much of the prospective unemployment is likely to be among young people, white-collar workers, and women--especially nonparty members. Peasants "commuting" from the farm to industrial jobs also will suffer.

On 3 February a Katowice newspaper reported that of the many workers who had been discharged since the end of the year, 4,500 were white-collar workers. The paper frankly stated that "not all would find work this year." A recent issue of the party weekly Polityka reported the firing of up to 10,000 design engineers, and noted that those who were retained faced salary cuts. "For many people there will be no work," the paper added, and it quoted "embittered designers" as saying they are the "victims of someone else's errors."

There are indications of differences at high party levels over the wisdom of the retrenchment plan. Jozef Olszewski was recently dismissed from his post as chief of the central committee economic department probably because he outspokenly opposed full implementation of the harsh party program. Olszewski apparently stuck to his views even after demotion and "exile" to Katowice, because reportedly he also was ousted from the post he took there.

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The Communist World

CHOU EN-LAI VISITS SOUTH ASIA

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Chou En-lai's current trip to Burma, Pakistan, and Ceylon is part of Peiping's developing campaign to present itself as a reasonable power, firmly opposed to imperialism in any form. Chou has sought to assure his hosts of China's peaceful intentions and has pressed for a new Asian-African conference. In all three countries he made a special effort to present Peiping's case in the Sino-Indian border dispute, to reiterate China's desire for a fair settlement, and to blame New Delhi for failure to reach agreement.

In Rangoon, Chou got a wary reception, although the Burmese rolled out the protocol red carpet and public statements made much of Sino-Burmese friendship. Ne Win's desire to maintain a neutral stance resulted in a cautious final communiqué on 18 February which must have been disappointing to Peiping. The Burmese paid lip service to Chinese leadership in Asia and expressed the hope that Peiping and New Delhi would enter negotiations "on the basis of the Colombo proposals"--a plan for bringing India and China to the conference table advanced by Ceylon and five other nonaligned states in December 1962.

The visit to Pakistan appears to have been more successful. Chou made a strong bid for closer ties by supporting the Pakistani position on the Kashmir question. Breaking a long-standing Chinese silence on the explosive issue, he declared that the dispute should be "resolved in accord with the wishes of the people of Kashmir, as pledged to them by India and Pakistan."

Although the joint communiqué issued at the conclusion of Chou's talks with Ayub Khan on 23 February avoided the word "plebiscite"--a solution to the Kashmir problem favored by Pakistan and firmly opposed by New Delhi--its language has been interpreted by both the Pakistani and Indian press as a solid endorsement of Pakistan's position. The statement also endorsed another Asian-African conference, demanded Chinese Communist admission to the UN, and called for a "peaceful negotiated settlement" of the Sino-Indian border dispute.

Chou may plan during his stay in Ceylon to suggest new terms for negotiations with India or

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The Communist World

make a gesture calculated to give the appearance of new Chinese flexibility on the Colombo formula. Peiping probably anticipates--correctly--that India will reject any suggestion which falls short of full accept-

ance of the Colombo proposals as interpreted by New Delhi and is prepared to exploit this as demonstration of stubborn Indian refusal to accept a peaceful Chinese overture.

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* * *

NOTE: Tito, Nasir, and other sponsors of a second summit conference of nonaligned nations are pushing hard to ensure that it comes off before the proposed conference of all Asian and African states. A nonaligned preparatory session --at the ambassadorial level-- is scheduled for Colombo for mid-March. The summit meeting itself is expected to take place

sometime in September, probably in Cairo.

The rival Asian-African conference, a pet project of the Indonesians as well as Peiping, will probably take place in their country at Bandung--as did the 1955 gathering. The timing of the meeting itself, however, or of any preparatory session, is not yet firm.

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Asia-Africa

NEW TALKS SCHEDULED ON INDONESIA-MALAYSIA DISPUTE

Malaysia, Indonesia, and the Philippines reportedly have agreed to new ministerial talks which will open in Bangkok on 3 March. The talks will be hampered, however, by the same problem present at the February meeting: Indonesia's refusal to withdraw troops, regular or irregular, from Malaysian Borneo until a political settlement is reached, and Malaysia's refusal to agree to a settlement until withdrawal is arranged. The Philippines, while essentially supporting Indonesia against Malaysia, tries to maintain an appearance of moderation and mediation.

Malaysia declared an "air defense zone" effective 25 February over Malaysian Borneo and adjacent waters to discourage Indonesia from infiltrating new personnel or resupplying its guerrilla fighters by airdrop. The UK, at Malaysia's behest, has ordered that any Indonesian aircraft violating the air zone be shot down.

However, Foreign Minister Subandrio reiterated on 24 February that Indonesia will find "ways and means" to resupply its guerrillas in Borneo. If they are not resupplied, he claimed, "they surely would not

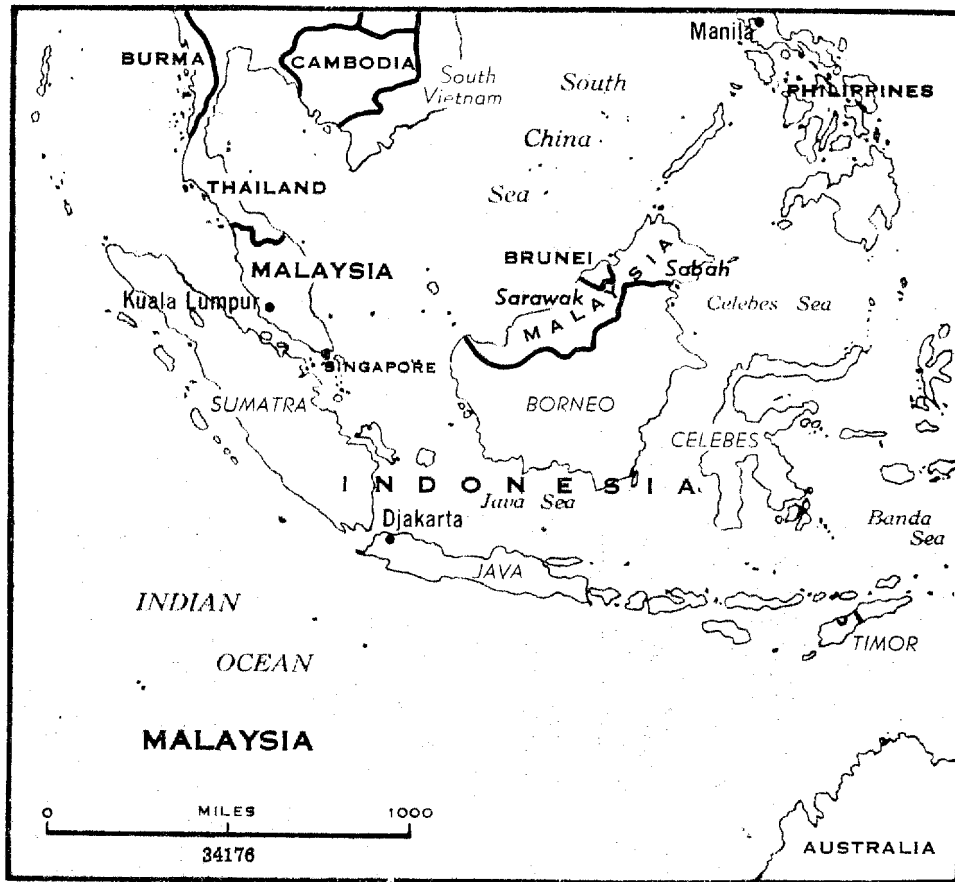
obey the order given them to cease fire."

It is believed that more than 200 Indonesian guerrillas are still inside Malaysian Borneo. Malaysian authorities have reported seven incidents there since the cease-fire became effective on 25 January.

Although preoccupied with Malaysia confrontation, Indonesian Government officials have indicated some concern over the more aggressive tactics of the Communist Party and over Indonesia's rice shortage, an annual development which this year is one of the worst the country has experienced. Communist-controlled labor unions seized the offices of British estates and companies in Java and North Sumatra last month. Those properties located in Java--but not those in Sumatra --have since been turned over to government "supervisory" personnel. 25X1

Indonesian officials may fear disturbances over the rice shortage in East and Central Java. The Communist Party, although capable of serious exploitation of the rice shortage

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Asia-Africa

through its strength among the peasantry and urban wage-earners, apparently prefers at this time to concentrate on such is-

sues as Malaysia, anti-Americanism, and efforts to gain representation in the cabinet.

[Redacted]

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KHANH TRYING TO ASSERT CONTROL IN SOUTH VIETNAM

General Khanh continues to try to consolidate his control in Saigon and to expand the South Vietnamese Government's presence in the countryside. He has made more trips to the provinces and has taken several steps designed to revive the amnesty program for Viet Cong followers, which had bogged down after a promising start early last year.

The new regime has also at least promised to set rigorous standards of conduct for its administrators and to impose stiff penalties on corrupt or abusive officials. At the same time, it apparently plans to hold early trials for persons accused of misdemeanors under the old Diem regime, and has arrested more of Diem's former ministers. Khanh has not yet indicated, however, when or what formal charges will be brought against the arrested generals who composed the recently ousted junta.

[Redacted]

[Redacted] morale has dropped in both the regular and paramilitary forces. This drop is attributed in part to Khanh's move against popular members of the former junta as well as to increased military resistance from well-armed Viet Cong units.

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[Redacted] there is growing neutralist sentiment in the countryside and among urban youth.

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[Redacted]

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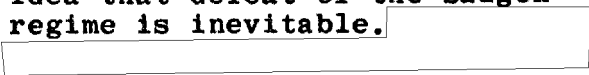
Asia-Africa

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Viet Cong military pressure on the government had gradually picked up since the end of the Communists' self-proclaimed cease-fire during the mid-February lunar new year celebrations, but it is still at normal levels. Recent armed

Communist attacks have been on a small scale, but there have been some effective ambushes, raids, and sabotage. There appears to be increased emphasis on terrorism against strategic hamlet officials and on propaganda to encourage the idea that defeat of the Saigon regime is inevitable.



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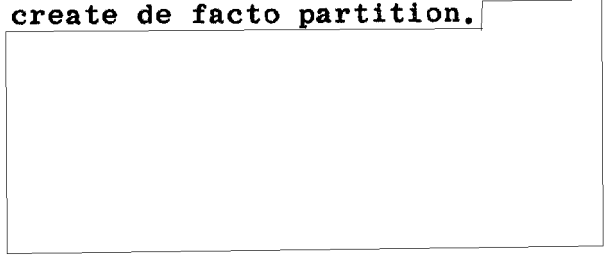
CYPRIOTS TURNING IRE TOWARD UK AND US

The Greek Cypriots' growing estrangement from the US and the UK has been accompanied by a closer relationship between the Makarios government and the Soviet Union.

Vice President Kuchuk, the Turkish Cypriot leader, has denounced President Makarios' plan to recruit an additional 5,000 special police as designed to "legalize acts of murder, arson, and looting." Turkey's Foreign Minister Erkin has also expressed concern over the move and over Makarios' demand that all Cypriot civilians turn in their arms. Erkin complains that if the Turkish Cypriots do not turn in their weapons, they will be treated as outlaws; if they comply with the order, they will be defenseless.

Makarios' latest move may also be part of an over-all plan to force the British to leave Cyprus. The new police recruits,

added to the present 1,200-member Greek Cypriot police force, will give Makarios nearly as many as the 7,000 troops in the British peace-keeping force. On several recent occasions, the Greek Cypriots have protested activities of members of the British force--alleging that they are preventing the Cypriot police from performing their duties and that they are aiding the Turkish Cypriots to create de facto partition.

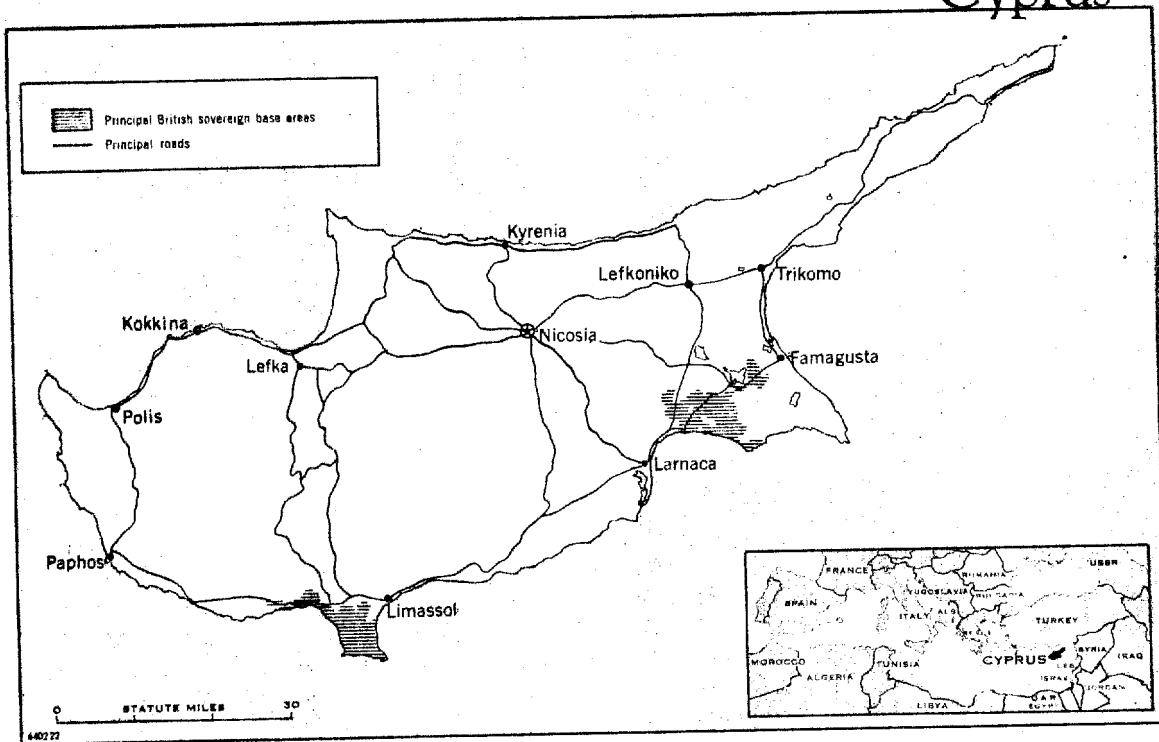


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The Greek Cypriot press continues highly critical of the US and the UK for failing to support Makarios' position before the UN Security Council. Well-known anti-Communists, such as Minister of Labor

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Cyprus



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Asia-Africa

Papadopoulos, are calling for closer relations with the Soviet bloc. Negotiations for a Cypriot-Soviet air agreement are under way in Nicosia. The negotiations were scheduled prior to the outbreak of violence but both governments are utilizing them to emphasize the trend toward closer relations.

Leaders in both Greece and Turkey have expressed the view that a Cyprus solution will require an understanding between top officials of their countries. Both sides appear reluctant, however, to initiate soundings for a possible "summit" meeting. In addition, Greek Premier Papandreu has told the US ambassador he cannot ignore the current wave of emotional feeling for Cyprus in Greece by publicly opposing Makarios. He has promised, however, to try to exercise a restraining influence on the Greek Cypriots. Papandreu has again warned that while a Greco-Turkish war would be "insane," Greece will react immediately if the Turks move into Cyprus.

In the Mersin-Iskenderun area of southern Turkey--op-

posite Cyprus--there has been a continuation of the build-up of Turkish forces for possible use on Cyprus. Landing craft and trucks have arrived, the former significantly improving Turkey's capability to put troops ashore on Cyprus. [REDACTED]

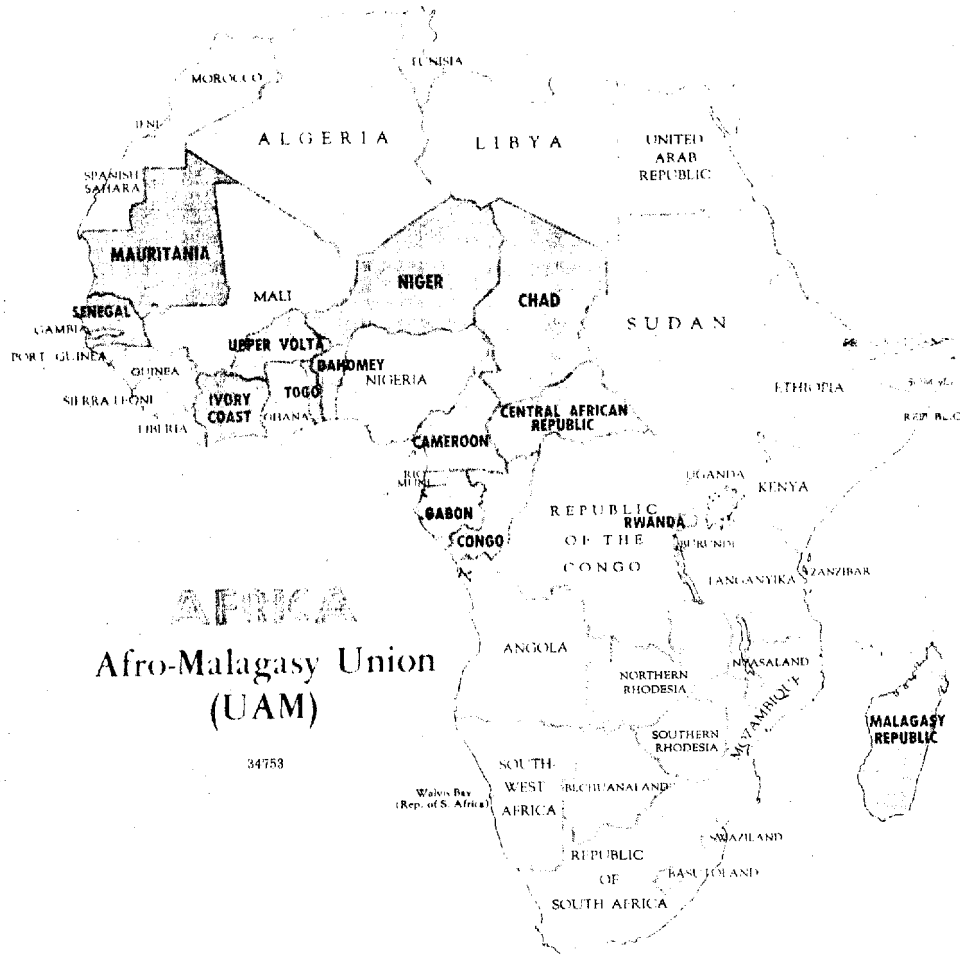
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Collapse of the UN secretary general's efforts to find a compromise resolution on Cyprus has been followed by a similar effort by the six non-permanent members of the Security Council. If this attempt also fails, Makarios may attempt to get a special meeting of the General Assembly, where Cyprus probably expects widespread support for its underdog role in the dispute.

Meanwhile, the refugee situation on the island is becoming critical, with some 6,000 Greek and 42,000 Turkish Cypriots reportedly in desperate need of assistance. These figures could rise to 20,000 and 60,000, respectively, in the next 30 days. [REDACTED]

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Asia-Africa

GABON REGIME STILL FACES DIFFICULTIES

Gabon's President Leon Mba appears to be moving to stabilize his position in the wake of the French Army's nullification of the 18 February military coup. However, reactions in Gabon and elsewhere in Africa to Paris' military intervention have been unfavorable, and Mba may be permanently branded as a French puppet.

Since his restoration on 19 February, Mba has been pressed by the French to modify the hard line he took immediately after being reinstated. The military participants in the coup are in prison, but Mba has since proclaimed that the civilian politicians involved--his "children who wandered"--would not be punished unless an "inquiry commission" found they were directly connected with the coup. Mba had taken a number of repressive measures against opponents during the past few years, however, and associates who supported this policy presumably are urging him to resume it.

Currently, ex-foreign Minister Jean Aubame, who headed the short-lived provisional government, and most of the other members of that regime are free, although Mba has decreed that they will not be permitted to contest the legislative elections now rescheduled for 12 April. These elements might nonetheless be allowed to participate in a postelection government, an arrangement reportedly sought by the French.

The French are making strong efforts to justify their intervention and to counter the adverse criticism which arose from it. They have reportedly already withdrawn the bulk of the 350 reinforcements flown into Libreville. However, the 15 Gabonese deaths which occurred when the French moved in have aroused strong anti-French passions throughout Gabon, where it is felt that Paris could have forced formation of a coalition government without bloodshed.

The decisive French move in Gabon may over the short run have the intended stabilizing effect on the states of former French Africa. Many of the old-line leaders of the Paris-oriented Afro-Malagasy Union (UAM) states have already blessed the French action. By so doing, however, these conservative "first-generation" leaders have rendered themselves vulnerable to the charges of radical African states that they are dupes of a colonialist power.

Within the UAM states themselves, moreover, younger, better educated elements particularly sensitive to their countries' dependence on Paris are showing their resentment. This kind of reaction, which will sharpen their frictions with the established leaders, is particularly noticeable so far in Chad, where a split appears to be developing within the government between the "young Turks" and the conservative elements.

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Europe

DE GAULLE'S MEETINGS WITH ERHARD AND SEGNI

De Gaulle's meetings with West German Chancellor Erhard on 14 and 15 February and with Italian President Segni and Foreign Minister Saragat between 19 and 22 February produced no surprises. The visiting leaders stated their respective positions on European and East-West issues more forthrightly than did their predecessor governments on similar occasions in the past, but failed to budge De Gaulle.

De Gaulle's session with Erhard was the semiannual head-of-government meeting provided for by the year-old Franco-German treaty.

Some agreement was reached on bilateral matters such as greater use of those areas set aside for joint military training. Discussion of joint projects for the production of certain weapons apparently made little progress, however.

The forthcoming Latin American trips of De Gaulle and West German President Luebke brought about a vague "agreement" on the coordination of investment in Latin America.

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Europe

NEW AUSTRIAN CHANCELLOR

Chancellor Alfons Gorbach's resignation on 25 February signals a shakeup in the Austrian Government which may jeopardize the two-party coalition that has ruled the country for 18 years.

Gorbach has been replaced by Josef Klaus, chairman of the Catholic People's Party, the larger member of the coalition. Klaus leads the faction in that party which thinks Gorbach has been too conciliatory in his dealings with the Socialist Party, the other partner in the coalition. Klaus had resigned his post as finance minister last year to emphasize this view, and it was growing support for Klaus that led to Gorbach's resignation.

The coalition, which includes the only two parties of any size in Austria, has become increasingly fragile since the end of the Soviet occupation of Austria in 1955. It was held together only with difficulty after a bitterly contested election in 1962 in which the People's Party won 81 seats in the legislature to 76 for the Socialists.

Although Klaus apparently intends to fill several of the cabinet posts allocated to the People's Party with individuals who share his attitude toward the partnership, indications are that the Socialists are agreeable to preserving it. In the immediate future, moreover, the program of a Klaus government is not likely to differ greatly from that of the outgoing regime; over-all defense and foreign policies seem certain of remaining firmly fixed. Klaus' record indicates, however, that he is likely to acerbate longstanding doctrinal differences between the two parties, making a long "honeymoon" improbable.

On the EEC the parties appear to be somewhat closer than they were some months ago. The discouraging results of recent efforts to expand Austrian trade with the bloc and poor prospects for exports to Western Europe are lessening Socialist opposition to some sort of association with that community.

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Western Hemisphere

THE SITUATION IN PANAMA

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President Chiari [] continues under conflicting pressures in his efforts to bring an end to the impasse in US-Panamanian relations. The strongest of these pressures and the one he cannot resist is the demand from a majority of his countrymen that the US-Panamanian treaty be revised.

On the other hand, Chiari remains under pressure from his fellow oligarchs to ease the strained relations between the US and Panama. Although he cannot bow to the urgings of these oligarchs, his past susceptibility to their influence makes him suspect in the eyes of the left. Furthermore, he is aware that any softening in his position would seriously impair the chances of the government-sponsored presidential candidate in the May elections.

The US Consulate in Panama City feels that economic deterioration is close to the point where conditions will be ripe for a move by either leftist or rightist elements to oust the Chiari government. Capital flight since the beginning of the crisis on 9 January now amounts to more than \$28 million and is continuing. Sales of almost all goods have declined, and banks reportedly are sharply reducing both personal and business loans.

Under these circumstances the local Communist apparatus is missing no opportunity to

gain strength and influence. The official line on the crisis developed by Panama's Communist party, however, stresses opposition to a coup effort at this time. This is presumably because the party is convinced that the Chiari administration's inept handling of the current crisis serves Communist purposes quite satisfactorily for the time being. Indeed, the Communists can be expected to bend every effort to prolong the US-Panamanian conflict in anticipation that it will eventually produce a revolutionary situation.

Meanwhile, Chiari has been quietly supporting discussions held under both UN and OAS auspices to end the impasse. A Costa Rican move to mediate the US-Panamanian dispute led to a 20 February meeting between Chiari and Costa Rican President Orlich. Discussions have continued since then, and on 25 February, the Costa Rican UN ambassador reported his impression that the conferees were close to agreement on some new proposals.

Panama, however, has not given up the idea of appealing its case directly to the UN, or of taking some drastic unilateral action. A local radio-broadcast of 24 February spoke of the possibility that the President may call a special session of the National Assembly to "reject" all US-Panamanian treaties. []

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Western Hemisphere

POLITICAL TURMOIL IN BOLIVIA

The political situation in Bolivia is becoming increasingly turbulent as the presidential campaign approaches the home stretch. President Paz Estenssoro's bid for re-election is being hindered by dissension within his own party, the National Revolutionary Movement (MNR), and by surprisingly stiff resistance from disparate opposition groups.

Political infighting has been fierce for several weeks; on 22 February it erupted into violence. On that day, the home of Vice President Lechin, Paz' pro-Communist archrival, was bombed. In short order, the homes of two pro-Paz government officials got the same treatment. Then, on 25 February, an attempt was made to assassinate air force commander Rene Barrientos, who, bitter at losing the MNR's vice-presidential nomination to Federico Fortun, has turned against Paz.

It seems inevitable that such politically motivated terrorism will continue in the days ahead. Whether it takes the form of individual acts of violence or develops into something worse remains to be seen. On 26 February the armed forces were put on alert as a precaution against further terrorism.

In any event, the Barrientos incident may be a source of considerable embarrassment to Paz, particularly if it is proved that the government's secret police were implicated in the assassination attempt.

Also, Paz' refusal to back Barrientos for the vice-presidency caused a certain amount of unhappiness among the MNR rank and file. This sentiment has probably now been heightened. Perhaps the most serious repercussion of the Barrientos affair is the anger it reportedly caused among leaders of the armed forces.

These developments show the deep trouble Paz will have in coping with splintering tendencies within the MNR as well as growing unity among opposition elements. Most of Lechin's followers have already withdrawn from the party, and have scheduled a nominating convention of their own on 2 March. Although Lechin has been noncommittal on whether other groups will be invited to attend with a view to establishing an anti-Paz popular front, discussions covering this possibility have been conducted clandestinely for several weeks.

Another anti-Paz group within the MNR, known as the Defense Bloc for the National Revolution, was recently organized by a number of prominent members whose political orientation ranges from the right to the extreme left. The group, headed by former President Hernan Siles Zuazo, is dissatisfied with the Paz-Fortun ticket. It hopes to pressure Paz into adopting a new electoral system 25X1 which would allow any number of MNR candidates to run for the top offices.

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Western Hemisphere

CHINESE COMMUNISTS TO OPEN TRADE MISSION IN BRAZIL

A high-level Brazilian Foreign Ministry official has confirmed that Communist China will soon establish a permanent trade mission in Rio de Janeiro. Five Chinese officials who will be attached to the mission were last reported in Geneva awaiting completion of visa formalities.

President Goulart's press secretary, Raul Ryff, was quoted this week as saying that the opening of the trade office is a prelude to the establishment of full diplomatic relations with Peiping.

Since he made no allusion to timing, it is not clear whether his statement is out of line with the foreign minister's repeated allegations that Brazil does not contemplate such action before the Chinese representation question is dealt with at the next session of the UN General Assembly.

In any event, the Goulart government is likely to reconsider the Chinese request--turned down last year--to hold an industrial exhibit in Brazil. [redacted]

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LEGISLATIVE ELECTIONS NEXT WEEK IN EL SALVADOR

El Salvador is preparing for elections on 8 March in which all 54 seats in its unicameral legislature are at stake. President Julio Rivera's National Conciliation Party (PCN), which now holds all the seats, is expected to be returned with a solid majority, although the opposition Christian Democratic Party (PDC) may win as many as 10 seats. Several others may go to the small Renovating Action Party (PAR).

The Rivera administration--which restored the country to constitutional government in 1962 after nearly two years of military rule--looks on this election as an opportunity to prove that it is a genuinely democratic regime. It has, therefore, taken a number of steps to avoid the grievances which led all the opposition parties to boycott the 1962 elections. The Legislative Assembly, for example, moved to satisfy the PDC when it recently amended the electoral law to simplify documentary require-

ments for candidates. At the request of the PAR, the Central Electoral Council extended for 20 days the deadline for inscription of candidates. Furthermore, the minister of defense has reiterated assurances that security forces will in no way interfere with the elections.

There are, however, some tenuous indications that things may not go as smoothly as the government would like. One is a rumor--given wide dissemination in the leading newspaper--asserting that the PCN and the PDC have reached a secret understanding on the distribution of seats. This rumor has been denied by both parties. Moreover, there is still a possibility that the military may--as in the past--harass opposition parties to the point of causing them to withdraw from the election. [redacted]

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