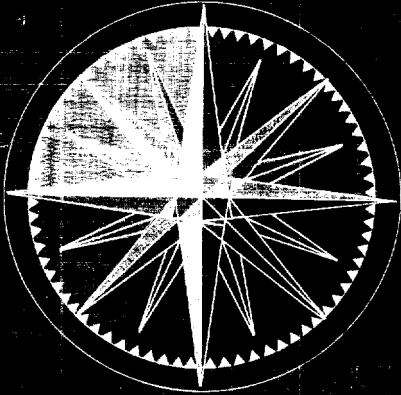


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20 March 1964

OCI No. 0323/64

Copy No. 76

# WEEKLY SUMMARY

DIA review  
completed.

State Dept. review completed.

## CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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C O N T E N T S

(Information as of 1200 EST, 19 March 1964)

THE COMMUNIST WORLD

Page

25X1

RENEWED SOVIET ATTACKS ON PEIPING APPEAR IMMINENT	1
Moscow wants to give the impression that it is arraying an impressive front against Peiping, but obstacles to the convocation of a world Communist conference to condemn the Chinese remain formidable.	
USSR PUSHES TIMBER INDUSTRY TO EARN FOREIGN EXCHANGE	3
No significant rise in exports of wood products seems likely in the near future, however.	
ECONOMIC DEBATE IN BULGARIA	3
The regime is encouraging discussion and testing of more liberal methods of economic management both as a step toward stimulating economic growth and as a means of winning support among the younger party elements.	

25X1

ASIA-AFRICA

THE SITUATION IN SOUTH VIETNAM	5
The Khanh regime has taken the first step to carry out its recently publicized counterinsurgency plan. Viet Cong activity has increased slightly.	

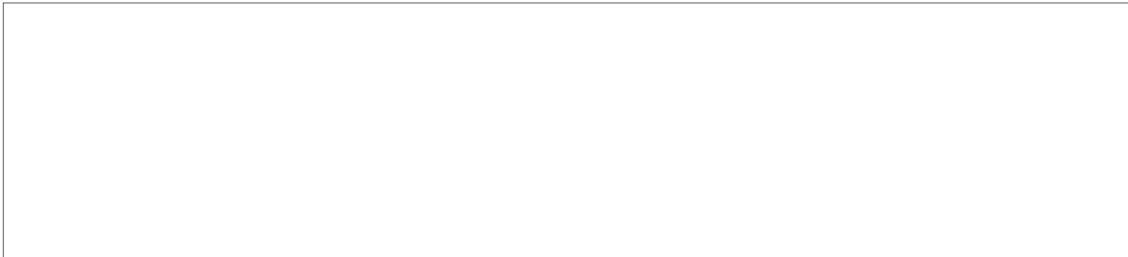
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ASIA-AFRICA (continued)

Page

**EFFORTS TO ARRANGE MEETING OF LAOTIAN FACTIONAL LEADERS** 6  
Despite some progress toward a tripartite "summit," the mutual suspicions of the factions seem unabated and scattered fighting between their military forces continues.



25X1

**CEYLONESE GOVERNMENT SHAKEN BY ECONOMIC DIFFICULTIES** 7  
Prime Minister Bandaranaike has prorogued parliament in the face of sharp criticism of her cabinet's economic policies, and she may call for general elections later this year.

**AREA NOTES** 8  
25X1  Iran

**SYRIAN REGIME GROWS MORE HOSTILE TO US** 9  
Recent anti-US propaganda and official statements have coincided with an increasingly friendly Syrian attitude toward the USSR and Communist China.

**CYPRUS SITUATION EASES** 10  
Violence has subsided markedly, but the opposing Cypriot forces maintain armed positions throughout the island and new flare-ups seem certain. Most of the Canadian UN contingent has arrived, but units from most other countries are not expected until April.

**BRAZZAVILLE CONGO DRIFTING LEFTWARD** 11  
President Massamba-Debat is again under strong pressures from militant labor leaders, including some pro-Communists, who are particularly critical of his regime's continuing military ties with France.

**SOVIET AND CHINESE COMMUNIST AID PROGRAMS IN AFRICA** 12  
The USSR now is applying more stringent criteria for economic aid than it did in 1959-61, when most of its offers were made. China's current efforts involve more propaganda than economic benefit.

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	<u>Page</u>
COMMON MARKET GRAIN PRICE DECISION APPEARS NEAR Despite the attendant political difficulties, the six EEC countries seem to be moving toward a decision on the unification of national grain prices by the 15 April deadline they have set for themselves.	13
ADVERSE FRENCH INTERNAL DEVELOPMENTS MAR DE GAULLE IMAGE Renewed strikes by government employees threaten De Gaulle's economic program and belie the domestic harmony he fosters, while this month's nationwide local elections pointed up the weaknesses of the Gaullist party and the increasing trend toward Socialist-Communist cooperation.	14
ATTACKS ON ITALY'S CENTER-LEFT GOVERNMENT The Italian Communist Party's conference last week indicates that it intends to exploit Italy's economic difficulties to undermine the center-left government; the rightist opposition seems to be increasing its efforts to the same end.	15
SPANISH LABOR SYNDICATE CONGRESS SPARKS DEMONSTRATIONS Worker displeasure with the Franco regime's refusal to allow free trade unions may lead to strikes in April, the usual month for such activity in past years.	15
FINLAND'S SOCIAL DEMOCRATS CLOSE TO REUNIFICATION A merger of the parent party and the erstwhile splinter Skogist group could mean substantial Social Democratic gains in coming elections at the expense of President Kekkonen's Agrarian Party.	16
<u>WESTERN HEMISPHERE</u>	
LEFTIST PRESIDENTIAL CANDIDATE GAINING GROUND IN CHILE The impressive showing of the Communist-Socialist front in an important by-election poses the threat of a victory by its candidate in the September presidential election and Communist domination of his administration.	17
PRESIDENT GOULART RENEWS BATTLE WITH BRAZILIAN CONGRESS Hostile reactions to presidential decrees expropriating oil refineries and certain unused lands, combined with Goulart's demagogic campaign to pressure Congress into passing radical reforms, are creating a potentially critical situation.	18
ULTRANATIONALISTS PROMOTING NEW TENSION IN PANAMA Their renewed efforts to stir up public feeling over the canal issue could lead to trouble during the student congress set to begin on 20 March. Presidential contenders also continue to exploit the canal imbroglio.	19

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<u>WESTERN HEMISPHERE (continued)</u>	<u>Page</u>
COLOMBIAN ELECTION RESULTS The parties supporting the National Front political system will retain their two-thirds majority in the lower house. Voter apathy apparently accounts for a surprising gain by ex-dictator Rojas Pinilla's party.	19
THREAT OF ANTIREGIME DEMONSTRATIONS IN GUATEMALA Leftists may convert traditional pre-Easter student activities into an antigovernment demonstration--suppression of which could delay the military regime's plans for a carefully controlled return to constitutionality.	20
SALVADORAN OPPOSITION WINS SEATS IN LEGISLATIVE ELECTIONS The Rivera administration may find it more difficult to implement its program now that opposition parties are represented in the legislature for the first time since Rivera took office in 1962.	20

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The Communist World

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**RENEWED SOVIET ATTACKS ON PEIPING APPEAR IMMINENT**

The Soviet leaders now may feel the way is clear for renewed public attacks on Peiping and increased pressure on foreign parties to attend a world Communist conference in the next few months. A resumption of Soviet polemics reportedly was postponed last month to permit a final appeal by the Rumanians to the Chinese to agree to halt the exchange. Since the Rumanians apparently failed, the Russians probably intend to publish denunciations of the Chinese delivered by Khrushchev and other Soviet leaders at the Soviet central committee meeting in mid-February

The USSR is seeking to give the impression that it is making good progress in arraying an impressive front against Peiping. Moscow and Bucharest announced that Khrushchev's talks on 15 and 16 March with the Rumanian delegation on its return from Peiping and Pyongyang took place "in an atmosphere of fraternal friendship and cordiality." However, while the announcements indicated that matters relating to the unity of the Communist movement received "particular attention," no claims were made that agreement had been reached on measures for dealing with the Chinese.

Despite intensive Soviet efforts over the past month,

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The Communist World

obstacles to the convocation of an international conference to condemn the Chinese remain formidable. Italian Communist chief Togliatti warned on 15 March against "aggravating the existing differences between various Communist parties and socialist states." Italian Communist objections apparently played a major role in blocking Soviet attempts to organize a conference last October. In a private talk with a US official in Belgrade, a Yugoslav foreign affairs official stated flatly that an international Communist meeting along the lines of the 1957 and 1960 Moscow meetings could not take place. He said the time is past when such meetings could be called at Moscow's behest. He also predicted that the Rumanians would decline to attend unless a clearly defined agenda was made known in advance and that the Poles, Czechs, and Hungarians probably would adopt a similar attitude.

While public statements have provided no clues as to the course of the Sino-Rumanian talks of 3-10 March, it is possible that the Chinese indicated some flexibility, such as a willingness to resume bi-

lateral talks with Moscow, in an effort to undercut Soviet preparations for a conference. The Chinese, however, quickly made it clear that they will not halt polemical attacks on the USSR or abandon their charges against Soviet "revisionism." The day after the Rumanians left Peiping, they resumed rebroadcasting the 4 February Red Flag People's Daily article attacking Khrushchev as the "greatest splitter of our times." These broadcasts had been suspended since 20 February, a week before the Rumanian mission was announced.

The day before the Rumanians arrived in Gagra for talks with Khrushchev, Peiping also began publishing earlier statements by Asian Communists friendly toward the Chinese. The output so far has included an Indonesian Communist resolution, North Korean and Japanese Communist editorials, and statements by the North Vietnamese and New Zealand party first secretaries. Peiping has also reprinted statements by the pro-Chinese faction of the Belgian Communist Party. The dominant theme of all these documents was the danger of revisionist ideas and the vital importance of combating them.

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The Communist World

**USSR PUSHES TIMBER INDUSTRY TO EARN FOREIGN EXCHANGE**

Khrushchev urged the Soviet party presidium on 28 February to boost the timber and wood products industry, which he claimed would provide a foreign exchange earner at less expense than high-cost gold mining. The history of the timber industry, however, is one of failures and shortcomings stemming from poor planning, outmoded production techniques, and a high rate of labor turnover. Moreover, domestic demand --for example, that associated with chemical packaging--is growing rapidly. Although sales of wood and wood products to the hard-currency areas were supposed to increase again this year, commitments to the UK at least are not being met.

The USSR is doing its best to get the maximum return for its limited foreign exchange. Negotiations for chemical plants are being dragged out in an attempt to create business pressures on governments to approve deals on terms favorable to the USSR. Only one \$6-million deal--for cash--has been signed by the purchasing mission that spent two months in the UK with a \$550-million shopping list. That list, large as it was, covered no fertilizer factories, although they are vital to Khrushchev's program for agricultural expansion. Moscow may prefer to buy such plants on the Continent, where it is flaunting proposed British long-term credit provisions in an attempt to get matching terms.

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**ECONOMIC DEBATE IN BULGARIA**

During the past year the Bulgarian regime has encouraged its economists to debate methods of economic management and has tried out some of their more liberal ideas on extending decentralization and improving incentives. The goal of this more pragmatic--but still essentially conservative and Communist--approach is both to stimulate economic growth and to gain support among the younger technicians now rising in the party.

ing the central committee plenum in May 1963, in the form of proposals for agriculture reorganization at the local level, greater realism in economic planning, and improved incentives. From May through December, the party's theoretical journal carried an article each month on methods of injecting incentives into the economy. Some expressed extremely conservative views, but some advocated ideas which resemble those current in Yugoslavia.

Some of the proposed economic reforms were described in articles and decrees published last month. For example, a new wage system has already been successfully tested in a Sofia textile factory, and a proposed system for planning and managing the economy is to be applied experimentally in various enterprises this year. Under a new system of agricultural planning, now being tried in five districts, collective farms may appeal disputes with their parent organs to a presumably neutral party--the state arbitration office.

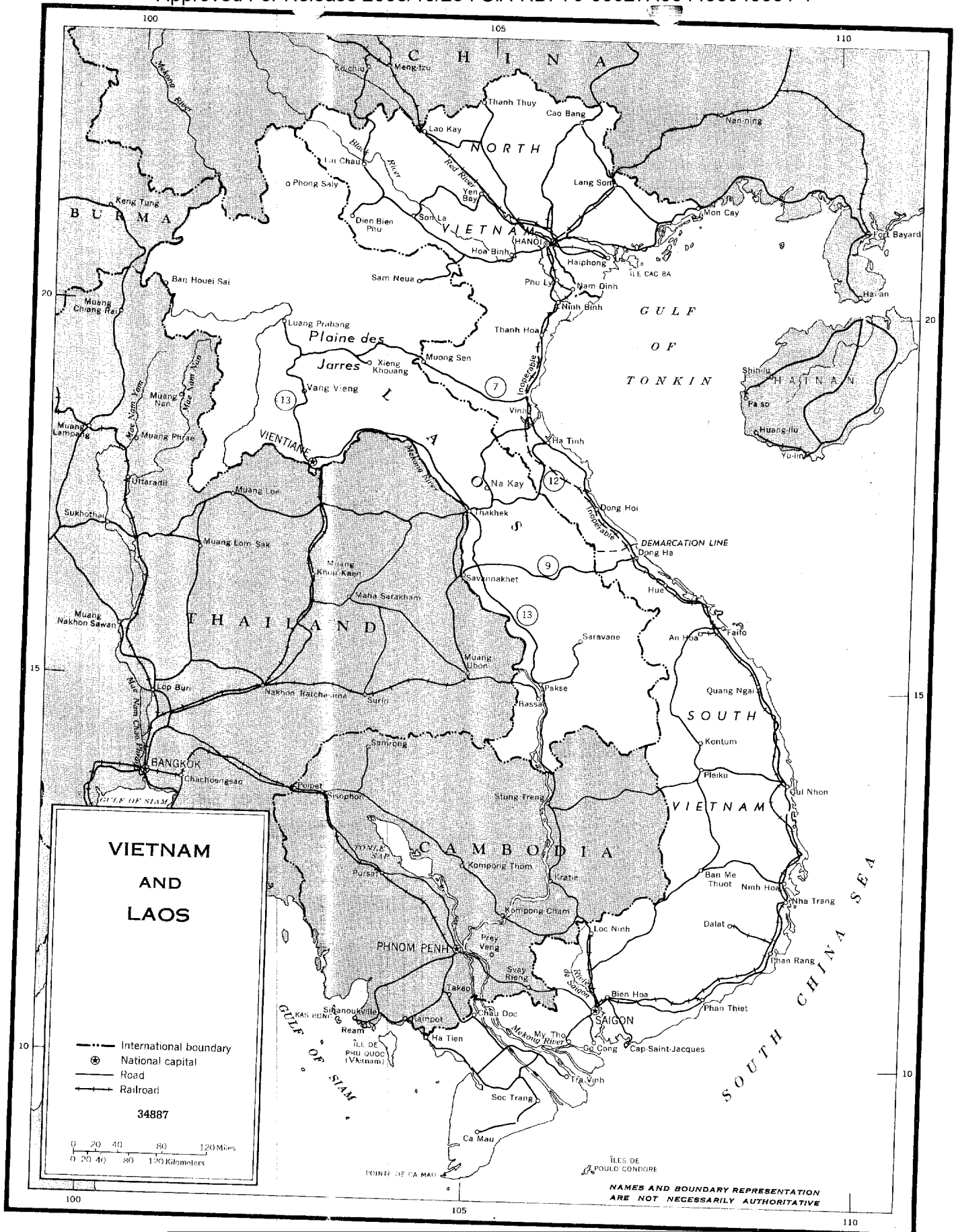
The final, and probably the most provocative, article was written by Petko Kunin, purged in 1949 as a Kostovite (Bulgaria's equivalent of a Titoist) from his position as minister of industry but presently a member of the central committee and national assembly. Kunin proposed limiting central planning, charging interest on capital advanced to enterprises by the state, developing self-supporting enterprises, and allowing enterprises to decide on the kind, quantities, and prices for goods of secondary economic importance.

The first real sign that changes were contemplated came dur-

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Asia-Africa

THE SITUATION IN SOUTH VIETNAM

The Communists in South Vietnam continue to make small-scale attacks and to harass government outposts and hamlets. For the week of 4-11 March, the total of incidents--including sabotage, kidnappings, and propaganda--showed a slight increase over the previous week, particularly in sabotage and propaganda categories. Although the number of armed attacks declined, there were three company-size Viet Cong attacks in the delta about 80 miles west and southwest of Saigon. Viet Cong pressure was applied principally in the coastal areas of two provinces in the north, and in the three provinces bordering the north bank of the Mekong River.

Government operations last week in the western delta region used combined air, land, and river forces to produce favorable results. Many Viet Cong suspects were captured

On 9 March the government set up a Central Pacification Committee, composed of Premier Khanh, Vice Premier in charge of Pacification Hoan, other key ministers, and the four military corps commanders. This committee represents the first step taken to provide an organization for implementing the government's re-

cently publicized counterinsurgency plan. The plan envisages the gradual expansion of government control in the countryside--the "oil slick" technique--by moving out militarily from secured "quality" strategic hamlets. Success of this new plan will depend on how quickly guidelines can be implemented down to the lowest administrative levels, and on the availability of competent personnel to carry it out.

Khanh has been widely publicizing the new government's intention to punish corrupt civil officials and military officers of the Diem regime, but as yet none has been brought to trial. Recently, however, a sergeant in the Civil Guard was tried and sentenced to 15 years' hard labor for shooting a civilian--an action indicating that Khanh's government is making some effort to remedy past abuses by paramilitary forces.

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Continuing his efforts to seal South Vietnam's border against infiltration, Khanh met with Laotian General Phoumi last week, and has announced resumption of normal diplomatic relations with Laos. Khanh has also sent a delegation to Cambodia in response to Prince Sihanouk's most recent call for discussion of Cambodia's differences with South Vietnam.

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Asia-Africa

EFFORTS TO ARRANGE MEETING OF LAOTIAN FACTIONAL LEADERS

Representatives of the three Laotian factions have made some progress toward arranging a tripartite "summit" meeting on the Plaine des Jarres. At preparatory talks on 16 March, they agreed to establish a 25-kilometer cease-fire zone around the meeting site. Questions of timing and demilitarization of the meeting area remain unresolved, however.

Otherwise, the mutual suspicions of the factions seem unabated. The Pathet Lao have sharply attacked the recent majority decision of the International Control Commission (ICC) to investigate the Na Kay area in central Laos, charging the ICC with knuckling under to the "US - Phoumi Nosavan clique." Tensions in Vientiane were heightened by the murder on 17 March of a right-wing intelligence officer. The circumstances of the crime suggest

that it was a retaliation for the December murder--still unsolved--of a key neutralist aide to Premier Souvanna.

There are reports of fighting from scattered areas. A combined rightist-neutralist move north of Thakhek has been sharply rebuffed. A clearing operation against the Pathet Lao east of Savannakhet has run into stiff opposition (see map facing page five).

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Asia-Africa

**CEYLONESE GOVERNMENT SHAKEN BY ECONOMIC DIFFICULTIES**

The political fortunes of the Bandaranaike government in Ceylon have declined sharply in recent months as it has shown itself unable to deal with the island's mounting economic problems. The opposition now charges that Mrs. Bandaranaike's prorogation of Parliament on 13 March was an act of political desperation to avoid a no-confidence vote.

The government has been under vigorous attack on economic issues. Ceylon's foreign exchange reserves have declined to the lowest level in over two decades. Essential imported consumer goods are in critically short supply. These shortages are for the first time becoming acute in rural districts--the traditional source of strength for Mrs. Bandaranaike's Sri Lanka Freedom Party (SLFP). In urban areas rising prices have sparked disorders among workers seeking a thaw in the government's long-standing freeze on wages.

Earlier this month, a strike of electrical workers and government physicians forced the cabinet to declare a state of

emergency to restore essential services. Opposition elements accused Mrs. Bandaranaike and her colleagues of dictatorial ambitions, a charge which could well have developed into a successful no-confidence motion in Parliament.

The SLFP still commands a slight majority in Parliament. Many SLFP backbenchers have become increasingly critical of the government, however, and the risk of defections has been growing. The prorogation will give the government four months in which to mend its political fences before Parliament reconvenes on 10 July. A similar maneuver last year was relatively successful, but this year's prospects are less encouraging.

The government may judge that it cannot survive the budget debate this summer. If that is the case, Prime Minister Bandaranaike may be planning to dissolve Parliament before it reconvenes in July and call for general elections in late summer or autumn.

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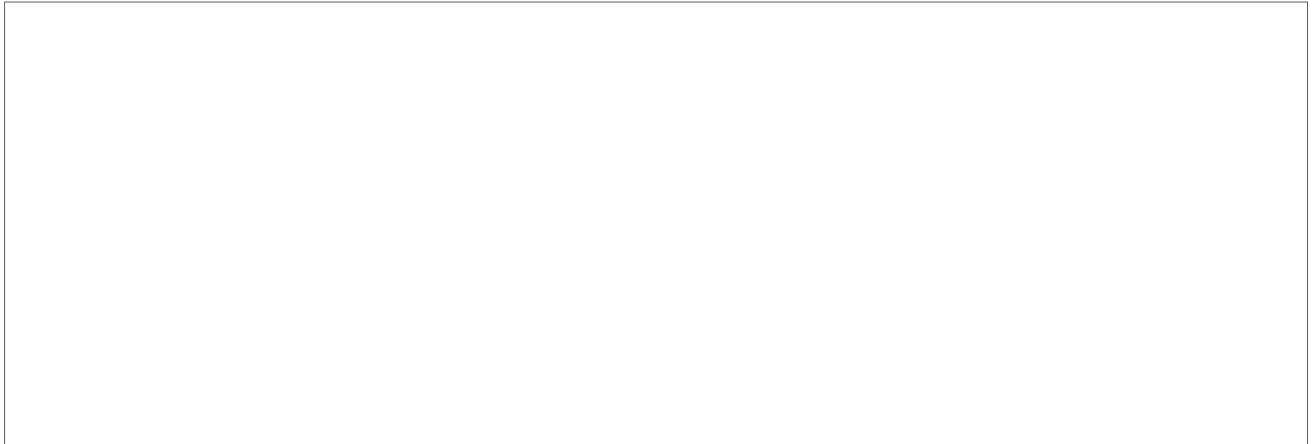
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Asia-Africa

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AREA NOTES



Iran: Hasan Ali Mansur, who replaced Asadollah Alam as prime minister of Iran on 7 March, has appointed a cabinet largely composed of younger men apparently dedicated to the Shah's reform program but not necessarily well qualified to implement it. Although the cabinet has a large number of technicians and political unknowns, there are several holdovers--including the ministers of foreign affairs, agriculture, and economy. These latter appointments have diluted the original idea that a "new team" would inject a new spirit into the faltering reform program.

The new government's program calls for a slowdown in land reform to keep it in line with Iranian administrative cap-

abilities, more large-scale development projects to stimulate the economy, support of the private sector through protectionist trade and foreign exchange policies, and more direct control of the budget by the prime minister. These ideas appear sound economically but the political practicability of a slowdown in land reform remains to be seen. Mansur has organized the New Iran Party which is eventually to help mobilize popular support, but so far the party is little more than a club.

US Embassy officials doubt that Mansur is personally qualified for the premiership, but they feel the new government nevertheless has a fair chance of survival.

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Asia-Africa

**SYRIAN REGIME GROWS MORE HOSTILE TO US**

The Syrian Baathist regime is conducting a concerted anti-US campaign. For the past several weeks, government-controlled propaganda media and public statements by Syrian leaders have been directed against US policies. At the same time, the regime is demonstrating an increasingly friendly attitude toward the USSR and Communist China.

Syrian press and radio reporting on the US, particularly on recent American statements regarding Israel, has been unusually virulent. Local employees of the US Embassy have been arrested, and the government threatened to expel the American dean of Aleppo College, an institution supported with private American funds. While government censors have delayed release of USIS material to the public, there has been a marked increase in the amount of "hard-hitting" Soviet and Chinese Communist propaganda.

Government leaders have been denouncing the US. The minister of the interior has accused the US of participation in a conspiracy against the Syrian revolution, while the deputy prime minister has lashed out at American and British banks for attempting to obstruct Syrian economic progress. Prime Minister Major General Hafiz, in a recent foreign policy statement, lauded Soviet contributions to world peace and attacked US "imperialism."

Syria's current anti-US and pro-Soviet maneuverings probably are a response to what the Syrians consider US support for Israel. The Syrians, even more than the other Arabs, view Israel as the major threat to their security and see in Soviet military aid and diplomatic support a possible countervailing factor. Their recent moves have not, however, included any concessions to Syria's domestic Communists, who have been sternly repressed under the Baath regime.

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Asia-Africa

**CYPRUS SITUATION EASES**

The situation on Cyprus has eased following Turkey's warning to President Makarios and the expedited arrival of most of the Canadian contingent for the UN peace force. General Gyani, designated commander of the UN force on Cyprus (UNFICYP), will assume command about 22 March. An advance party from Brazil should arrive 22 March, and the Swedish, Finnish, Irish, and Austrian contingents will arrive in April.

Ankara's 13 March warning, which threatened military intervention if the assaults on Turkish Cypriots did not cease, has been re-emphasized by a near-unanimous vote by the Turkish Grand National Assembly authorizing the government to send troops to Cyprus if necessary. Almost simultaneously Turkey announced its intention to abrogate a 1930 treaty with Greece which provided for special privileges for Greek nationals residing in Turkey. Ankara says it is willing to renegotiate the treaty and denies that the abrogation is related to the Cyprus dispute. Turkey's action nonetheless serves as a warning to Athens that continued support of Makarios may lead to economic retaliation.

The organization of the UN peace force has removed only one of the difficulties in implementing the Security Council resolution of 4 March. The

terms of reference for the force, particularly its relationship to the Cypriot Government, are still unclear. Frictions between Makarios and the UN force will probably revolve around the right of UN troops to disarm Greek Cypriot irregulars who have been incorporated in the police force. The Greek Cypriots have already made it clear that they regard the primary mission of the UN force as helping the Cypriot Government restore law and order and to prevent outside aggression against Cyprus.

Selection of a mediator acceptable to all parties is probably the greatest problem facing Secretary General Thant. Turkey has rejected Rolz-Bennett of Guatemala and prefers a West European. The Greek Cypriots oppose the selection of anyone from a NATO country. A Swiss national appears to be the most likely choice at this time.

Until 19 March, when serious clashes broke out in northwestern Cyprus, there had been almost no violence on the island for over a week. Turkish and Greek Cypriot forces continue to maintain armed positions and roadblocks throughout the island, however.



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Asia-Africa

**BRAZZAVILLE CONGO DRIFTING LEFTWARD**

Moderate President Massamba-Debat's government in Brazzaville is under growing pressure from restless leftist elements. These pressures emanate mainly from the militant labor and youth leaders--including some outright pro-Communists --who spearheaded the overthrow of conservative President Youlou last summer. Since December, when the new regime was "legitimized" by elections, a number of these leftists have occupied important official positions, particularly in the National Assembly. Massamba seemed to be holding them in check until early February, when demonstrations by tribal followers of Youlou again unsettled the situation.

During a stormy session of the National Assembly on 7 March the leftists vehemently criticized Massamba's government for its lack of revolutionary spirit. They pointed particularly to the continued presence, under treaty arrangements, of French troops. Government spokesmen are said to have been shaken and on the defensive, but apparently held their ground.

[redacted] The leftists are pressing for a major government shakeup. They appear to be backing the ambitious prime minister, Pascal Lissouba, pending an opportunity to make their own bid for power. If a showdown develops and the French do not intervene, the attitude of the Congolese military will again be decisive as

it was last summer. At present both the army and gendarmerie chiefs are believed loyal to Massamba, but the leftist laborites may have support within army ranks because they helped the soldiers obtain higher pay last December.

The results of the leftists' maneuvers have been most noticeable in foreign affairs. Last month Brazzaville abruptly announced its recognition of Communist China [redacted]

[redacted] The Congolese foreign minister is currently leading a delegation on a tour of Eastern Europe which has already resulted in an agreement on diplomatic ties with the USSR. In an evident attempt to balance this initiative, the minister of finance was dispatched simultaneously--and with almost no advance warning--to the US.

The extremists now are clamoring for direct action to dilute Congo's present close ties with France. The assembly reportedly voted unanimously on 17 March for a speedy revision of some of Congo's bilateral accords with Paris--especially the military arrangements. It also voted to withdraw from the Paris-oriented ensemble of French-speaking African states--the recently "depoliticized" and restyled Afro-Malagasy Union for Economic Cooperation. Massamba, however, is keenly aware of his country's dependence on French aid and appears to recognize that the continued presence of the French troops is a major factor restraining the leftists. [redacted]

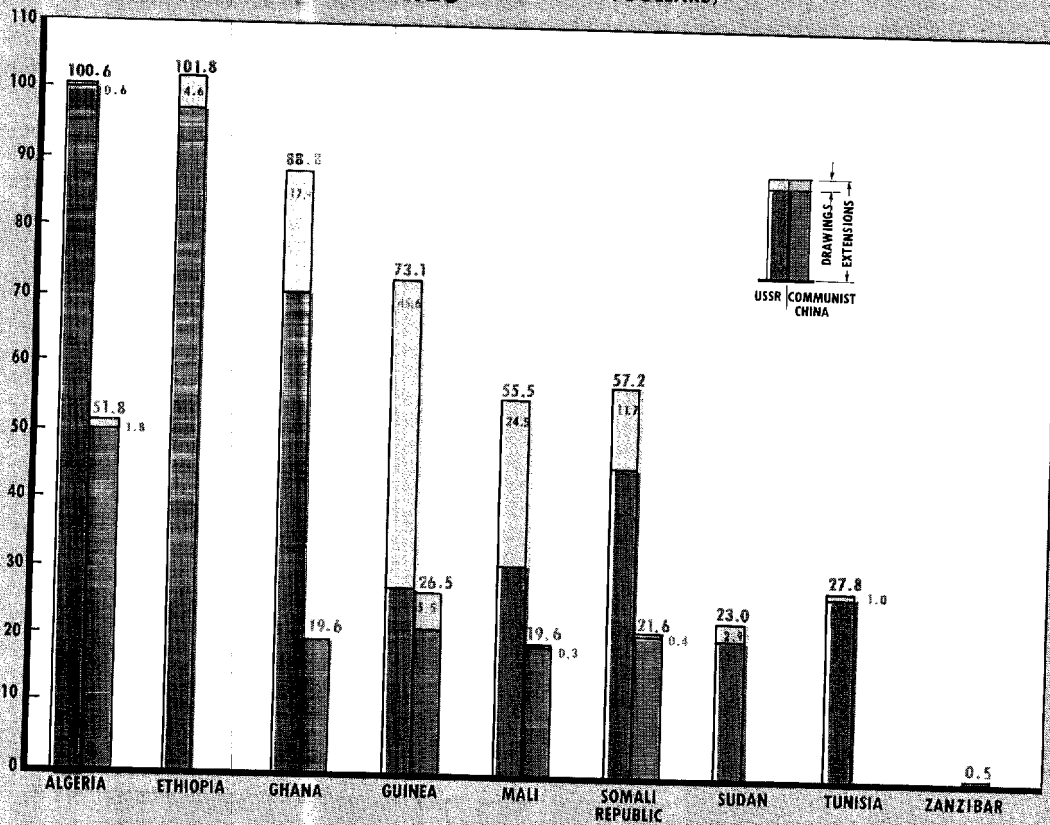
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### SOVIET AND CHINESE COMMUNIST AID TO AFRICAN COUNTRIES (MILLION U.S. DOLLARS)



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Asia-Africa

**SOVIET AND CHINESE COMMUNIST AID PROGRAMS IN AFRICA**

The USSR and Communist China continue to use aid as an instrument of their policies in Africa, but are making few new credits available for economic development. The USSR is applying more stringent criteria than it did from 1959 to 1961, when credits were readily offered. Peiping's efforts have provided more propaganda than economic substance.

Soviet aid and trade delegations recently have accepted invitations to a number of African countries which have not yet received any Communist aid. Soviet specialists are surveying economic development potentialities in Tanganyika, Uganda, and Cameroon, and a similar group has been invited to visit newly independent Kenya.

The USSR is unlikely to come forward with major economic assistance until these countries are able to present better defined development plans. At this time Moscow presumably feels that what they need most is technical specialists to assist in the formulation of development plans, and Soviet offers are likely to emphasize this aspect as well as the provision of training--both technical and academic--for local personnel. Moscow may offer limited amounts of credit for the construction of a few small-scale industrial plants, but even these may be included under trade agreements--

as in Senegal and Dahomey--without reference to credit provisions.

Within the past year only one new economic credit--a \$100-million credit to Algeria--was made available, and this only after Soviet specialists had spent several months making an extensive developmental survey of the country.

The USSR provided the bulk of its \$527 million in economic credits to African countries in the period 1959-61. To date only about one fifth of this amount actually has been utilized and progress continues to be relatively slow.

In the face of the Soviet aid program, the Chinese have shown increasing interest in Africa. Peiping's foreign aid resources are limited, but it has sought nevertheless to exploit local political situations. During Chou En-lai's recent visit only one new credit--to Ghana--was promised, but since 1960 China has provided credits to Guinea, Ghana, the Somali Republic, Zanzibar, and Algeria. To date, however, projects under the \$140 million in long-term Chinese credits have progressed slowly, partly because of delays in recipient countries. Only about \$8 million--mostly the cash portion of the credits--has been drawn.

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Europe

**COMMON MARKET GRAIN PRICE DECISION APPEARS NEAR**

Despite the attendant political difficulties, the six Common Market countries appear to be moving toward a decision on the unification of national grain prices by the 15 April deadline they have set for themselves.

Discussions now in progress focus on three main questions: whether grain prices should be unified in a single step, what the price should be, and the date it should come into effect. EEC Commissioner Mansholt suggested last October that the EEC treaty timetable for the gradual establishment of a common grain market by 1970 be abandoned in favor of a bold move to harmonize grain prices right away at a point about halfway between the high German and low French prices. Losses of income incurred by the German farmer would be compensated by direct subsidies.

All of the EEC countries have some reservations about the Mansholt proposal, but the main obstacle to its acceptance in this form is West Germany. The Bonn government is reluctant to acquiesce in any move likely to alienate German farmer support prior to the 1965 elections. Moreover, the conviction remains widespread in West Germany that, if price unification is delayed long enough, inflationary tendencies in the other member countries will raise their grain prices to German levels.

Pressure from the other states is strong, however, to reach a decision now on the price levels, and a compromise may be

found in postponing implementation of the new price schedule until 1966 or 1967. French Agricultural Minister Pisani has apparently accepted the price levels proposed by Mansholt as the best compromise between the desire of the French farmer for higher prices and the government's desire to maintain price stability and avoid unmarketable surpluses. The Italians, although concerned lest the proposed high feed-grain prices adversely affect the expansion of Italian poultry and livestock production, have also indicated support for a grain price decision now with delayed implementation.

However much he might prefer his original proposal, Mansholt will probably be gratified with even this kind of compromise. Because of the key place of grain in the agricultural economy, even a start toward an integrated grain market would facilitate integration of the European markets for eggs, poultry, pork, and other such products. An agreed, if deferred, price will also serve notice on the German farmer that adaptation to the Common Market is not likely to be indefinitely delayed. Moreover, while it remains highly unlikely that the EEC will be very liberal on farm products in the Kennedy Round, any serious negotiation on a better organization of world markets for such products would seem to require a more or less definitive settlement of the grain price issue in the EEC.

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Europe

**ADVERSE FRENCH INTERNAL DEVELOPMENTS MAR DE GAULLE IMAGE**

The publicity surrounding De Gaulle's visit to Mexico has tended to obscure two adverse developments at home, one with immediate, the second with more long-range implications.

The renewal on 18 March, after several months' inaction, of limited strikes in France's nationalized enterprises and government services is a direct challenge to De Gaulle's anti-inflation program. While the strikers pose no threat to government stability, they will probably force some adjustment of wage policies. If they are prolonged over several weeks, they could slow economic growth and, most important for De Gaulle, dissipate the myth of domestic harmony he sets so much store by.

The elections held throughout France on 8 and 15 March to fill half the seats in the departmental general councils showed no clear national trend, but they highlighted the weakness of the Gaullist forces when De Gaulle's personal prestige is not behind them. There was some sharpening of the pro- and the anti- De Gaulle line between political parties, but local issues predominated, the abstention rate was high, and most incumbents were re-elected.

As the first nationwide vote since the Gaullist parliamentary victory in 1962, however, these elections have some significance. In addition to showing that the Gaullist Union for the New Republic (UNR) has not implanted itself as a political force at the local level, they demonstrated the importance for the Socialists of electoral cooperation with the Communists.

Electoral agreements between the Communist (PCF) and Socialist (SFIO) parties were in effect in about 60 of the 88 departments in which runoff elections were held. Largely as a result of these agreements, the PCF gained 49 seats, doubling its previous holding. The SFIO made a net gain of only 15, and was clearly dependent on Communist votes for most of these. The Communists can be expected to exploit these results with an eye to closer cooperation in next year's presidential election. While the UNR won 33 new seats, its showing was dismal compared with the 1962 parliamentary elections.

The center parties were the chief losers in the runoffs, suggesting that political forces may be tending to polarize into leftist and UNR-dominated rightist camps.

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Europe

### ATTACKS ON ITALY'S CENTER-LEFT GOVERNMENT

The National Conference on Organization held last week by the Italian Communist Party (PCI) apparently made little progress toward solving organizational problems, but did provide an opportunity to express the party's opposition to Italy's center-left government. The public airing of the party's problem of declining membership and of the need for decentralization of control was intended mainly to create an impression of a "democratic" party willing to criticize itself as well as the government.

Party chief Togliatti used some of the strongest language he has employed thus far to emphasize PCI opposition to the center-left coalition in Rome. He clearly implied that the PCI intends to exploit Italy's current economic difficulties --the "crisis of the Italian

capitalist system"--to undermine the coalition. He may intend to take advantage of several unresolved national labor-management disputes to provoke further strikes soon. The US Embassy has commented that neither management nor the Communist-dominated General Labor Confederation appears willing to forgo their particular interests for the good of the country.

Some right-wing opponents of the center-left coalition have used increasing Communist activity as an excuse for charging the government with complacency. Christian Democratic Party Secretary Rumor emphatically rejected this charge last week, and Premier Moro has warned that political pressure from "extremist forces" is growing.

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### SPANISH LABOR SYNDICATE CONGRESS SPARKS DEMONSTRATIONS

Strong manifestations of worker dissatisfaction in Franco Spain intruded on the rather tame atmosphere of the third national congress of the regime-controlled organization of employers and workers held last week in Madrid. On 10 March--the second day of the congress--between 800 and 1,000 workers from Madrid factories, incited by secretly circulated leaflets, demonstrated around the congress headquarters and clamored for

free trade unions. After some 200 had forced their way into the entrance hall, the police broke up the demonstration and made a number of arrests.

Among the delegates to the congress, however, there was little sign of the outspoken criticism of the regime's labor policy that had marked the second congress two years ago. Franco did not appear, contrary to his custom. At the

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Europe

close of the congress the chief of the syndicates, Jose Solis Ruiz, was given a standing ovation after he called for continuing confidence in the existing syndicate structure which, he promised, would be made more representative. A syndicate official told the US Embassy labor attaché that the demonstrations "proved" Spanish labor is not yet prepared for complete freedom.

The refusal of the syndicate's leadership to consider organizational reforms is certain to antagonize the workers, who have long been restive over the regime's tight labor controls. This situation is likely to generate new work stoppages during

April, the traditional strike season in postwar Spain.

Government touchiness on opposition activity has also sparked student unrest at Madrid University. On 13 March hundreds of students demonstrated against the rector's ban on a lecture by a leading oppositionist, Tierno Galvan, on aspects of "university change." Two previous lectures on the same general subject had been given without incident. The students demanded that free university syndicates be legalized along with the Falange-controlled SEU, the only one now recognized. A large number of students "sat in" all night in the university auditorium and were then removed by the police.

#### FINLAND'S SOCIAL DEMOCRATS CLOSE TO REUNIFICATION

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Finland's Social Democratic Party (SDP)--the third largest in the country--and the splinter Skogist group which broke with the party in 1958 have approved the first step toward reunification. The merger, expected to be completed by summer, is likely to mean substantial Social Democratic gains in coming elections at the expense of President Kekkonen's Agrarian Party.

In a policy statement accompanying the merger announcement, the Social Democrats denied the Agrarians' old charge that the SDP does not support Finland's official policy of friendship toward the USSR--an accusation which has long kept the SPD in political isolation. They also renewed

their demand that Kekkonen call for parliamentary elections before the scheduled 1966 date.

Kekkonen is not likely to heed this demand, but he may seek to replace the present caretaker civil servant cabinet, in office since last December, with a parliamentary government. He is concerned that, if the present arrangement were allowed to continue, the Soviets might conclude that he lacks control over Finnish politics. Kekkonen's chances of achieving a broadly based non-Communist cabinet seem poor however, since the Social Democrats have indicated they are cool to joining any Agrarian-led coalition before elections.

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RESULTS OF RECENT ELECTIONS IN CHILE'S CURICO PROVINCE  
(in % of total vote)

	1958	1961	1963	1964
Democratic Front	50.8	56.3	48.5	32.5
Christian Democrats	19.2	20.7	21.9	28.0
Popular Action Front	28.5	23.0	29.6	39.5

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Western Hemisphere

**LEFTIST PRESIDENTIAL CANDIDATE GAINING GROUND IN CHILE**

The surprisingly large victory margin of Chile's Communist-Socialist Popular Action Front (FRAP) in a hotly contested 15 March congressional by-election in Curico Province has psychological importance for the 4 September presidential contest.

By common consent of all concerned, Curico was considered a trial of relative strength of candidates for the presidential race, because voting percentages there have in the past closely paralleled those of the nation at large. Recent voting history (see table) made the center-right Democractic Front (FD) an odds-on statistical favorite, but difficulties within the coalition and the individual popularity of the FRAP candidate somewhat narrowed the advantage. The Christian Democrats (PDC), apparently leading in the national presidential campaign, had little hope of victory in Curico, and were primarily seeking an impressively improved vote. Recognizing the significance of the by-election, major national leaders of all parties campaigned in Curico.

Returns indicated that roughly 3,000 votes shifted from the FD to FRAP. The decisive factor seems to have been Communist success in organizing and indoctrinating the rural laborers. The 50-year tradition that this group votes as instructed by the landlords was broken resoundingly. FRAP, to its own surprise, also increased its share of the women's vote, probably because its candidate was a popular pediatrician. A larger electorate than in the past and

the PDC's stress on solid bread-and-butter issues gave that party a significant gain also.

The Curico outcome has already shaken the FD to its foundations, and Senator Duran has resigned as its presidential candidate.

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The disposition of the third FD component, the large Radical Party, is less clear, but it is likely to split its presidential support.

There is a possibility Duran's resignation will not be accepted. Or, the FD might attempt to maintain itself as a force by nominating someone else

The PDC was "reasonably satisfied with its showing," but [redacted] the big winner nationally was FRAP's Senator Salvador Allende. Allende claimed that the psychological boost of Curico will mean an additional 100,000 votes for him in September. He now feels that the Communists and Socialists, whose campaign organization has been functioning well, are less than 150,000 votes short of their desired plurality of a million.

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If the Curico results are projected nationally, they afford serious warning that a Communist-dominated government could emerge from the 4 September contest.

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Western Hemisphere

**PRESIDENT GOULART RENEWS BATTLE WITH BRAZILIAN CONGRESS**

President Goulart of Brazil is making his most concentrated drive thus far to push through his radical reform program. Lacking congressional support for the measures, despite the government's paper majority in both houses, he has resorted to his powers of decree and to demagogic pressure in an attempt to force Congress to accede to his demands.

On 13 March Goulart delivered an inflammatory address on reforms to a leftist-sponsored rally 130,000 strong in Rio de Janeiro. He announced an executive decree authorizing government expropriation of certain unused lands adjacent to federal highways, railways, and waterways. He also decreed the expropriation of oil refineries remaining in private hands (all Brazilian owned)--an act which advances the regime's policy of eventually developing a federal monopoly in the petroleum industry. Many of his demagogic statements were, to some observers, reminiscent of those made by Fidel Castro as recently as 1961.



Goulart followed the speech with a recommendation in his lengthy annual message to Congress that the legislature study the "advisability of holding a popular referendum" on basic reforms. He also requested constitutional amendments to allow payment for expropriated lands in bonds, rather than cash as now required, and extension of the franchise to illiterates. He

included an indirect appeal for legalization of the Communist party. He later attacked landlords for robbing the people and established a "Commissariat for Defense of the Popular Economy" to enforce new rent controls.

These proposals are creating apprehension throughout Brazil, particularly among business and industrial circles, and the cruzeiro plunged to a record low early this week. The alarm in Congress over the threatened encroachment on legislative prerogatives has led a number of deputies to propose impeachment. Disagreement over reforms has long been a chief source of Goulart's friction with Congress, and the president of the Chamber of Deputies predicted that, after the 13 March speech, Congress would never support Goulart's plans.

Goulart's primary objective seems to be to increase his "popular" support while demonstrating Congress' intractability. He may also be testing the chances of achieving a plebiscite on reforms, which might also include setting aside the constitutional bar to his re-election in 1965. The US Embassy believes Goulart could also be preparing the psychological climate for a move against Congress.

The military remains a key factor. In the past, military leaders have indicated they would feel compelled to intervene if Goulart overstepped constitutional bounds. However, his success in replacing his opponents in key commands with loyal supporters or opportunists has substantially weakened the armed forces as a moderating influence.

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Western Hemisphere

**ULTRANATIONALISTS PROMOTING NEW TENSION IN PANAMA**

Two Panama City radio stations noted for their extreme nationalist propaganda are again attempting to stir up public feeling over the canal issue. Recent broadcasts have urged meetings of student and nationalist organizations which have been the main vehicle of Communist and Castroite influence since the January riots. The new tension could lead to trouble during the student congress set to begin on 20 March.

On 17 March, Radio Mia, which supports OAS Ambassador Moreno for president, proclaimed that the US had "made fools" of Panama, and urged Moreno to resign rather than "sink along with the government." Ultranationalist UN Ambassador Aquilino Boyd, who also has presidential ambitions, has suddenly returned to Panama, probably to urge again that the canal dispute

be taken to the UN. Although the party Boyd heads belongs to the government coalition, the radio station owned by his family has accused President Chiari of bowing to the US, speaks of abandoning him, and recommends convocation of a special session of the National Assembly to abrogate the 1903 treaty with the US.

Meanwhile, other politicians are also seeking ways to exploit the Chiari government's increasingly difficult position. Arnulfo Arias, who still seems to be the front-running presidential candidate for the May election--is stepping up the pace of his campaign. The other major opposition alliance is still holding precariously together, but its leaders are increasingly divided. They may yet switch allegiance either to Arias or the government coalition.

**COLOMBIAN ELECTION RESULTS**

Nearly complete returns from the 15 March election in Colombia indicate that the parties supporting the National Front political system will retain their two-thirds control of the 184-seat House of Representatives by a margin of five seats. Although the pro-government Liberals gained two seats at the expense of the factionalized opposition Liberals, the progovernment Conservatives lost 20 to ex-dictator Rojas Pinilla's National Popular Alliance (ANP), a net loss to the National Front of 18 seats.

The surprising success of the ANP, which advocates the return to power of a dictator deposed seven years ago and stripped of his civil rights by act of Congress, apparently was due mainly to voter apathy. The fact that only 30 percent of the electorate voted enabled the opposition parties to poll 32 percent of the total vote. Half of the opposition votes was won by the ANP through vigorous campaigning and effective exploitation of the cost-of-living issue. The progovernment Conservatives and Liberals polled only 36 and 32 percent of the popular vote, respectively.

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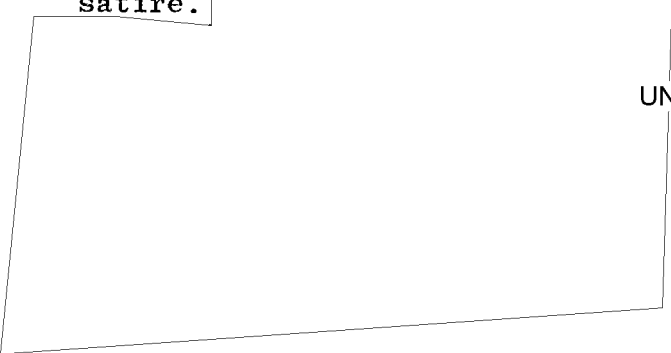
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Western Hemisphere

**THREAT OF ANTIREGIME DEMONSTRATIONS IN GUATEMALA**

Extremists may try to convert student parades planned to begin on 20 March in Guatemala City into demonstrations against the military regime.

The students' traditional pre-Easter parade and symbolic "strike" have long been the occasion for virulent political satire.



The government has warned the students that the activities they are planning would not be permissible under the state of siege imposed a year ago and scheduled to be lifted by 31 March as the first step toward a return to constitutionality. If the students persist despite the warning, the government may have to use forcible measures to put down the demonstrations. This would carry a risk of inciting UNCODEDs that could delay Peralta's plans for a carefully controlled return to constitutional government in which the present ruling group would play a major role.

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**SALVADORAN OPPOSITION WINS SEATS IN LEGISLATIVE ELECTIONS**

Returns thus far from El Salvador's elections on 8 March indicate that opposition parties have won 20 of the 52 seats in the national legislature, as well as control of the municipal governments in the country's two largest cities and several small towns. Despite rumors of possible coup attempts by a variety of elements, the elections were orderly and no incidents occurred. Opposition leaders went so far as to comment that these were the first free elections since 1931.

Although the government's National Conciliation Party still holds a majority in the legislative assembly, the Rivera administration may find it more difficult to implement its program now that opposition parties are represented for the first time since Rivera assumed office in 1962. The opposition seats are split between the Christian Democrats (14) and the smaller Renovating Action party (6).

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